



# SVHCD FINANCE COMMITTEE

## AGENDA

**TUESDAY, September 27, 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/95749689527?pwd=RFFsaFJHeWJjU0F5bXF6RU5XVEpQZz09&from=addon>

**Meeting ID: 957 4968 9527**

**Passcode: 527978**

One tap mobile

+16692192599,,95749689527#

+16699009128,,95749689527#

Dial by your location

++1 669 219 2599

Find your local number: <https://sonomavalleyhospital-org.zoom.us/j/95749689527?pwd=RFFsaFJHeWJjU0F5bXF6RU5XVEpQZz09&from=addon>

In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact Interim District Clerk Stacey Finn at <a href="mailto:sfinn@sonomavalleyhospital.org">sfinn@sonomavalleyhospital.org</a> or (707) 935.5005 at least 48 hours prior to the meeting.	
AGENDA ITEM	RECOMMENDATION
<b>MISSION STATEMENT</b> <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>	
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	Boerum
<b>2. PUBLIC COMMENT SECTION</b> <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>	Boerum
<b>3. CONSENT CALENDAR</b> a. Finance Committee Minutes 08.23.22	Boerum      Action
<b>4. ODC UPDATE – MRI PLAN APPROVAL</b>	Drummond/ Hennelly      Inform/Action
<b>5. EPIC UPDATE – REQUEST FOR FUNDING</b>	Hennelly      Inform/Action
<b>6. MANAGEMENT SERVICES PROPOSAL – SUPPLY CHAIN MANAGEMENT SERVICES AGREEMENT</b>	Armfield      Inform/Action
<b>7. PAYOR CONTRACTING STRATEGY UPDATE</b>	Armfield      Inform

<b>8. UCSF AFFILIATION UPDATE</b>	<i>Hennelly</i>	Inform
<b>9. AUDIT UPDATE</b>	<i>Armfield</i>	Inform
<b>10. FINANCIAL REPORT FOR MONTH END AUGUST 2022</b>	<i>Armfield</i>	Inform
<b>11. COMMITTEE MEETING DATE NOVEMBER</b>	<i>Boerum</i>	Inform/Action
<b>12. ADJOURN</b>	<i>Boerum</i>	



**SVHCD**  
**FINANCE COMMITTEE MEETING**  
**MINUTES**  
**TUESDAY, JULY 26, 2022**  
**Via Zoom Teleconference**

Present	Not Present/Excused	Staff	Public	
Bill Boerum via Zoom Catherine Donahue via Zoom Bruce Flynn via Zoom Art Grandy via Zoom Peter Hohorst via Zoom Wendy Lee via Zoom Joshua Rymer via Zoom Subhash Mishra (MD) via Zoom	Carl Gerlach	Ben Armfield via Zoom Kimberly Drummond via Zoom Jenny Fontes via Zoom John Hennelly via Zoom Dawn Kuwahara via Zoom Celia Kruse De La Rosa via Zoom	Judy Bjorndal via Zoom Denise Kalos via Zoom	
AGENDA ITEM		DISCUSSION	ACTIONS	FOLLOW-UP
<b>MISSION &amp; VISION STATEMENT</b> <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>				
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>		<i>Boerum</i>		
		Called to order at 5:01 p.m. Mr. Rymer introduced the two Sonoma Valley Hospital Board candidates, Wendy Lee, and Denise Kalos. Their terms will begin in December 2022.		
<b>2. PUBLIC COMMENT SECTION</b>		<i>Boerum</i>		
		None		
<b>3. CONSENT CALENDAR (ACTION)</b>		<i>Boerum</i>	Action	
a. Finance Committee Minutes 07.26.22			<b>MOTION:</b> by Grandy to approve with revisions, 2 <sup>Nd</sup> by Flynn. All in favor.	

<b>4. ODC UPDATE</b>	<i>Drummond</i>	Inform	
	<p>Ms. Drummond gave an update on the ODC. She said CDPH licensed the CT last Thursday and applications training is in progress.</p> <p>When HCAI gave occupancy at end of July, it was conditional on the electrical panel reconciliation and the final air balance. She is proceeding with pricing on those items and phase 2.</p> <p>Ms. Kuwahara said CT training for operators and staff will begin in two weeks. The training happens in real time with patients. The old CT will not be in use after operators and staff are trained.</p>		
<b>5. REPORT ON MEETING WITH GARY HICKS, FINANCIAL ADVISOR</b>	<i>Boerum</i>	Inform	
	Mr. Boerum reported on the meeting with Gary Hicks. Mr. Hicks was the Financial Advisor on the General Obligation Bond and on the refinancing of the Outstanding Bonds. Mr. Hicks met with Mr. Boerum and Mr. Armfield; he gave his point of view on what external capital financing alternatives are available. Mr. Armfield said he is connecting with Mr. Hicks to discuss opportunities.		
<b>6. REPORT AND RECOMENDATIONS OF SUB-COMMITTEE</b> <ul style="list-style-type: none"> <li>•CAPITAL PROJECT REVIEW</li> <li>•EHR/EPIC IMPLEMENTATION</li> <li>•UCSF AFFILIATION AGREEMENT</li> <li>•BANDWIDTH NEEDS</li> <li>•FINANCE COMMITTEE MINUTES</li> </ul>	<i>Boerum/Lee</i>		
	Ms. Lee reported on the recommendations of the sub-committee. Ms. Lee suggested using a standard red/green/yellow template to report on capital projects, such as EPIC and ODC. She suggested going through a project review		

	<p>each week to determine if the project is on budget or short of resources. The template will be an agenda item at next month's Finance Committee meeting.</p> <p>Ms. Lee asked if there is inoperability between EPIC and UCSF and if it is in the current scope. She also asked if SVH is implementing EPICS revenue management module called Resolute, and if there is a plan to integrate primary care physicians with EPIC. Mr. Hennelly said inoperability is a work in progress and it is not scoped, it is part of the go forward plan with UCSF. Primary Care with EPIC is not in scope but they have a sub-team that is working to solve the problem. Mr. Rymer mentioned that upon launch of EPIC, patients will be able to transfer their data to their physicians that are on EPIC. Mr. Armfield confirmed Resolute is part of the implementation.</p> <p>Ms. Lee requested regular updates about the UCSF Affiliation. Mr. Hennelly said they are developing a grid with initiatives, and they can share the grid with the Finance Committee.</p> <p>Ms. Lee spoke about bandwidth needs. She said the committee offers support and would like to hear about the critical needs and solutions. Mr. Hennelly said the most critical need right now is a Capital Project Manager. He said PT is fully staffed.</p> <p>Lastly, Ms. Lee said she would like the Board Clerk to maintain a running list of action items and who is accountable for closing the item and the due date. Ms. Lee said she will work with Ms. Fontes to develop a template to maintain the list. A list of action items will be reviewed at the end of each Finance</p>		
--	---	--	--

	Committee meetings		
<b>7. RESOLUTION 367 FOR GO BOND TAX RATE</b>	<i>Armfield</i>	Action	
	Mr. Armfield said Mr. Hicks reviewed the calculations and looked at what the hospital is reserving and the proposed tax rate. Mr. Hicks confirmed the calculations are accurate and the tax rate is reasonable. The tax rate they came up with for fiscal year 2022-23 is \$19.90 per 100K of assessed valuation.	<b>MOTION:</b> by Rymer to approve 2 <sup>nd</sup> by Grandy. All in favor.	
<b>8. STRATEGIC PLANNING DISCUSSION AND FOLLOW UP/CAPITAL AND CASH FLOW PLAN</b>	<i>Hennelly</i>	Inform	
	Mr. Hennelly said they have been meeting with professional strategic planners, so the October meeting is productive in moving towards a finalized plan. The next step is to get clarity on the big picture. They met with SG2, and Mr. Hennelly is waiting for a quote.		
<b>9. CAPITAL AND CASH FLOW PLAN</b>	<i>Armfield</i>	Inform	
	<p>Mr. Armfield reviewed the Capital and Cash Flow Plan. He said they are focused on near and long-term goals, a positive operating margin, and to maximize revenue enhancement. Tangible actions he would like to move forward with in the near term are in the payer contracting space, and realigning payer contracts to match existing footprints. Mr. Armfield said he wants to quantify the opportunities with EPIC.</p> <p>Mr. Grandy mentioned code requirements for earthquake upgrades. Mr. Hennelly said there are 2030 requirements which may be refined after negotiations. Mr. Grandy said it will take several years of build up and suggested adding upgrades it to the capital plan after there is more information on upgrade requirements.</p>		

	Mr. Rymer asked if Mr. Armfield has a sense of when there will be close of gap in the 3.6M in operating margin. Mr. Armfield said initiatives related to strategic growth will drive the gap, success in financial initiatives, and revenue enhancements.		
<b>10. FINANCIAL REPORT FOR MONTH END JULY 2022</b>	<i>Armfield</i>	Inform	
	<p>Mr. Armfield said July performance was similar to June. The budget was 30% better than budgeted, operating margin was 36% better than budget. Volumes were down but the net revenue exceeded budget by 8%, acuity was high in July. Per case net revenue was positive, operating expenses were close to budget and FTEs are 3% less than prior year.</p> <p>Ms. Lee asked if the UCSF agreement precludes SVH from leveraging their supply chain management, such as materials management, and purchasing agreements. Mr. Armfield said he is not aware of anything in the agreement that would prohibit them from moving forward with leveraging UCSF. Mr. Hennelly said SVH could leverage their infrastructure to support efforts.</p>		
<b>11. ADJOURN</b>	<i>Boerum</i>		
	Meeting adjourned at 6:17 p.m.		



**To: Sonoma Valley Hospital Board of Directors, Finance Committee**

**From: John Hennelly**

**Date: September 23, 2022**

**Subject: MR project planning**

---

Since the separation from Dome Construction, the hospital has reviewed the ODC project and the funding available to complete the project. We determined that due to Covid and misalignment with the contractor, phase 1 (CT) was behind schedule and over budget, requiring additional funding. Recognizing that we had a fixed fund to complete the ODC, we began a review of the MR phase of the project. As you will see in the attached deck, we reviewed the approved MR plan and determined that it had too many unknowns and exceeded the remaining funds in the project. The attached deck will present a solution that both meets the needs of the patients, clinicians and funders as well as falls *close* to the remaining (\$9.5m) budget. The deck outlines:

- Decision matrix
- Best solution imagery
- Viable options
- Project timeline
- Financials

# Status of Outpatient Diagnostic Center

Sonoma Valley Health Care District  
Finance Committee  
September 27, 2022

# CT Suite Remodel Update

- CDPH Licensing – **Complete**
- 1<sup>st</sup> Patient Scan – **Complete**

## August Milestones

- Solution/Costs of new electrical latent defects – **In Progress**
- Electrical Coordination Studies – **In Progress**

## September Milestones

- Phase 2 Emergency contract & latent defect work
- Submit Amended plans to HCAI for Review
- Plan – OLD CT in-fill & final Suite work

## October Milestones

- HCAI ACD Approvals

## November Milestones

- Complete of Phase 2 Emergency contract & latent defect work

## December Milestones

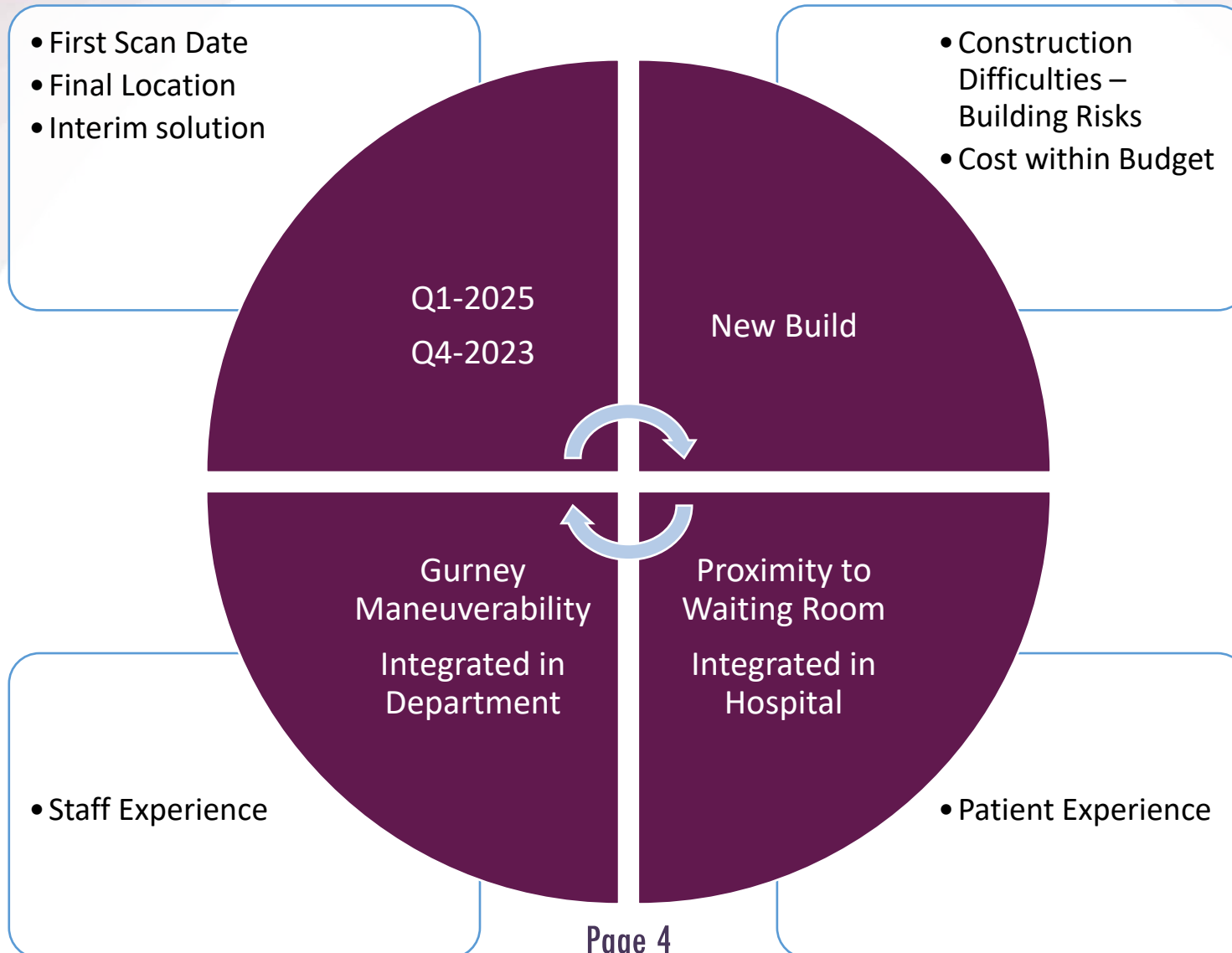
- HCAI Sign-off Emergency contract work

## January Milestones

# CT Suite Remodel Project Update

Incremental Funding	Approved Costs	Cost Incurred thru 8/31/22	Exposure as of 9/27/22	Forecast as of 9/27/22
Phase 1 (Emergency Contract) thru Occupancy				
Design (SKA)	\$340K	\$340K	\$0	\$340K
Construction (GMH)	\$496K	\$415K	\$81K	\$496K
Project Management (Vertran/HCAI/IOR)	\$97K	\$53K	\$44K	\$97K
<b>Subtotal</b>	<b>\$933K</b>	<b>\$808K</b>	<b>\$125K</b>	<b>\$933K</b>
Phase 2 (Emergency Contract) - Construction Administration (CA), CT Transition to E-Power, Pre-existing Electrical Deficiencies				
Design (SKA)	\$115K	\$12K	\$103K	\$115K
Construction (GMH)	\$192K	\$0	\$192K	\$192K
Project Management (Vertran/HCAI /IOR)	\$17K	\$0	\$17K	\$17K
<b>Subtotal</b>	<b>\$324K</b>	<b>\$12K</b>	<b>\$312K</b>	<b>\$324K</b>
LATENT DEFECTS (Emergency Contract) CA, Electrical, Hydronic Balance				
Design (SKA)	\$141K	\$0	\$141K	\$141K
Construction (GMH)	\$140K	\$0	\$140K	\$140K
Project Management (Vertran/HCAI/IOR)	\$12K	\$0	\$12K	\$12K
Contingency + Fees	24K	\$0	24K	24K
<b>Subtotal</b>	<b>\$317K</b>	<b>\$0</b>	<b>\$317K</b>	<b>\$317K</b>
<b>TOTAL – CT OCCUPANCY, E-POWER, LATENT DEFECTS</b>	<b>\$1.574M</b>	<b>\$820K</b>	<b>\$754K</b>	<b>\$1.574M</b>

# MRI Suite Decision Matrix



# MRI PROJECT

# MRI Suite Remodel Update



## Integrated Services

- Restroom
- Dressing



## 3T Magnet Control Room



# MRI Suite Remodel Update

- PROJECT COST: \$13M
- POTENTIAL FIRST SCAN: Q2 2024

Included:

- 10% escalation over 2 years
- 5% change orders
- 10% project contingency
- Approved Design

Prohibits:

Clinic spaces – Cardiology Diagnostic

Highest building risks – unknown  
Over budget

ORIGINAL DESIGN

- PROJECT COST: \$12.5M
- POTENTIAL FIRST SCAN: Q2 2025

Included:

- 11% escalation over 2 years
- 5% change orders
- 20% project contingency
- Clinic spaces – Cardiology Diagnostic

Not designed

Long approval lead time – HCAI  
Over budget

ALTERNATE 1

- PROJECT COST: \$9.8M
- POTENTIAL FIRST SCAN: Q1 2025

Included:

- 10% escalation over 2 years
- 5% change orders
- 15% project contingency
- Clinic spaces – Cardiology Diagnostic

Not designed

City of Sonoma – Site/Building Approval  
Shorter HCAI – Clinic & Connection  
Approval within budget

ALTERNATE 2

# MRI Suite Remodel Update

- MRI Location selected – **Complete**

## September Milestones

- Site feasibility study – Interim location– **In Progress**
- Design Packages - contracting

## October Milestones

- Design Packages – design begins

## November Milestones

## TIMELINES

### NEW BUILD – Q1 2025

- FEB 2023 Design package – City of Sonoma (COS) submittal
- FEB 2024 COS planning approval
- FEB 2025 Site design package COS submittal
- JULY 2024 COS Building Permit, Site construction start
- JAN 2025 New build construction start
- MAR 2025 New build construction complete, Licensing

### INTERIM 3T – Q4 2023

- Timeline development upon completion of site feasibility study

# MRI Project Update

Funding Summary	Amounts
SVHF Campaign Funds	\$21M
SVH Operational Funding - For Design-Build Settlement, CT Emergency Construction, & CT Completion Costs	\$3M
<b>Subtotal</b>	<b>\$24M</b>
Project expenditures to date	(\$14.1M)
<b>Remaining Funds</b>	<b>\$9.9M</b>
Old CT Suite In-Fill	(\$400K)
<b>TOTAL REMAINING FUNDS (MRI BUDGET)</b>	<b>\$9.5M</b>

- PROJECT COST: \$9.8M
- POTENTIAL FIRST SCAN: Q1 2025

Included:

- 10% escalation over 2 years
- 5% change orders
- 15% project contingency
- Clinic spaces – Cardiology Diagnostic

ALTERNATE 2



**To: Sonoma Valley Hospital Board of Directors, Finance Committee**

**From: John Hennelly**

**Date: September 23, 2022**

**Subject: Epic Funding**

---

Approximately 9 months ago, you recommended the approval of \$3.5 million to upgrade our electronic health record system from Allscripts's Paragon to Epic. That project is set to 'go-live' on 12/3/22. Despite all the complexities of conversion from one vendor to another, the project is on time. As we have worked through the conversion, we have identified areas that are currently underfunded. These include:

1. **Third Party** – contracted partners who require funding to modify their connectivity. This is the overwhelming majority of the added expense.
  - a. Interfaces
  - b. Licensing Fees
  - c. Termination Fees
2. **Training** – additional funding has been identified to complete CT training requirements
3. **Project Management** – additional support by PivotPoint to continue to provide PM services
4. **Hardware**
5. **Miscellaneous** – marketing/food (14 days of 24/7 coverage requires sustenance!)

Numerous additional requests have been rejected as unnecessary. These areas total approximately \$653,000.

In order to fund this increased cost, we have identified new sources of funding. Sources are focused primarily on revenue enhancements realized by full implementation of Epic. We estimate a conservative enhancement of 2.5% in revenues which would contribute approximately \$1.25m per year.

# Electronic Medical Record: Program Update

Implementation of the EPIC Electronic Medical Record to (1) achieve interoperability with UCSF and (2) replace / retire existing systems. Implementation of EPIC is forecasted to result in cost reduction through retirement of existing systems. In addition, EPIC implementations can provides significant revenue enhancements by improving clinical documentation, which reduces denials and accurately categorizes care “levels.” This often leads to higher reimbursement.

## Status: MMM-YYY

### Scope

*Original scope for the project remains consistent and is on track for 12/3 Go-Live.*

### Schedule

*Schedule for 3 interfaces to Community Practices may be available after 12/3. Working to mitigate and set up workaround if they are delayed due to 3<sup>rd</sup> parties schedule availability.*

### Budget

*In the original budget 3<sup>rd</sup> party interfaces and potential termination costs for contracts that will no longer be needed with the implementation of Epic.*

### Risk

*Document know risks – e.g. staffing, budget, schedule, change management, and risk mitigations*

## Financial Overview

### Original Budget

**\$ 4.06M**

### Projected Spend against Original Budget

**\$ 4.71M**

### Current Forecast

*See handout for budget summary*

## Accomplishments

*Build is on track by CT and almost complete*

*OR Preference Card turn over to site for review and validation has taken place as planned.*

*All 3<sup>rd</sup> party interfaces are engaged in in discovery / defining design and build requirements.*

*Training Sign Up is underway and tracking for completion per schedule*

## Upcoming Milestones

*Validation – Data Conversion – Patient Visit Mapping 9/27/2022*

*Identify Participants Mock Cut Over 9/27/2022*

*Training Sign Up 50% Complete 9/30/2022*

*Schedule Super User Resources - Workflow Dress Rehearsal 10/15/2022*

## Challenged Milestones

*Claim Your Account Emails – 10/3/2022. Delayed due to Employee Load Data Set returned two days late. Will not impact overall timeline.*

# SVH EPIC EHR PROJECT BUDGET TRACKING WORKSHEET

Description	Original Budgeted Cost	Cost Committed	Cost to Date	Additional Estimated Cost	Estimated Total Cost at Completion	Budget Variance	Comments
EPIC EHR Implementation Budget							
CT Implementation Costs	\$ 2,908,000	\$ 2,908,000	\$ 702,794	\$ -	\$ 2,908,000	\$ -	
Total CT Vendor Delivery and Licensing	\$ 2,908,000	\$ 2,908,000	\$ 702,794	\$ -	\$ 2,908,000	\$ -	
Hardware and Infrastructure	\$ 90,000	\$ 90,000	\$ 90,000	\$ (70,000)	\$ 20,000	\$ 70,000	\$90k funded by foundation, anticipate additional \$20k of hardware cost. Additional Estimated Cost of (\$70,000) reflects impact of those adjustments.
Total Hardware and Infrastructure	\$ 90,000	\$ 90,000	\$ 90,000	\$ (70,000)	\$ 20,000	\$ 70,000	
Project Manager	\$ 150,000	\$ 200,000	\$ 97,408	\$ 75,000	\$ 275,000	\$ (125,000)	Based on CT benchmarks by dept size Estimate
Staff Training	\$ 70,000	\$ 70,000	\$ -	\$ 50,000	\$ 120,000	\$ (50,000)	
Travel Expenses	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ (15,000)	
Total Implementation Cost	\$ 220,000	\$ 270,000	\$ 97,408	\$ 140,000	\$ 410,000	\$ (190,000)	
Contingency	\$ 300,000	\$ -	\$ -	\$ -	\$ 200,000	\$ 100,000	
Budget Implementation Sub-Total	\$ 3,518,000	\$ 3,268,000	\$ 890,201	\$ 70,000	\$ 3,538,000	\$ (20,000)	
EPIC EHR Other Operational Items:							
Third Party Apps - Interfaces	\$ -	\$ -	\$ -	\$ 463,000	\$ 463,000	\$ (463,000)	Estimate
Third Party Apps - Licensing Fees and Hosting	\$ 528,000	\$ -	\$ -	\$ 528,000	\$ 528,000	\$ -	
Third Party Apps - Termination Fees	\$ -	\$ -	\$ -	\$ 125,000	\$ 125,000	\$ (125,000)	
Additional Third Party Costs							
Practice Fusion Interface	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ (10,000)	
Imprivata Interface	\$ -	\$ -	\$ -	\$ 70,000	\$ 70,000	\$ (70,000)	
Dragon Interface	\$ -	\$ -	\$ -	\$ 80,000	\$ 80,000	\$ (80,000)	
3M Coding Interface	\$ -	\$ -	\$ -	\$ 28,000	\$ 28,000	\$ (28,000)	
Total Third Party Costs	\$ 528,000	\$ -	\$ -	\$ 1,116,000	\$ 1,116,000	\$ (588,000)	
EPIC EHR Other Project Costs:							
Super Users	\$ 20,000	\$ 20,000	\$ -	\$ 20,000	\$ 40,000	\$ (20,000)	Estimate
Marketing	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ (5,000)	Estimate
Food for Go-Live	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ (20,000)	Estimate
Total Epic Implementation Other Costs	\$ 20,000	\$ 20,000	\$ -	\$ 45,000	\$ 65,000	\$ (45,000)	
Project Budget Grand Total	\$ 4,066,000	\$ 3,288,000	\$ 890,201	\$ 1,231,000	\$ 4,719,000	\$ (653,000)	

Sonoma Valley Hospital  
Epic EHR and ODC Project Summary  
Projected Costs and Potential Funding Sources  
September 2022

Projected SVH Project Costs - Epic EHR & ODC Project	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL	Comments
EPIC EHR Original Project Budget *	\$ 4,066,000			\$ -	\$ -	\$ 4,066,000	
EPIC EHR Additional Projected Cost	\$ 653,000	\$ -	\$ -	\$ -	\$ -	\$ 653,000	
Total EPIC EHR Projected Project Costs	\$ 4,719,000	\$ -	\$ -	\$ -	\$ -	\$ 4,719,000	
ODC Original Project Budget **	\$ -			\$ -	\$ -	\$ -	
ODC Additional Projected Cost	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	
Total ODC Projected Project Costs	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	
A Total Projected Project Costs	\$ 4,719,000	\$ -	\$ 2,000,000	\$ -	\$ -	\$ 6,719,000	

Potential Outside Funding Sources	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	TOTAL	Comments
Previously Identified Funding Sources:							
CHFFA Help II Loan	\$ 2,000,000					\$ 2,000,000	Previously identified
Cyberattack Insurance Proceeds	\$ 1,000,000					\$ 1,000,000	
New Identified Potential Funding Sources:							
Revenue Enhancements Generated From Epic Conversion (net of estimated loan paybacks)	\$ -	\$ 1,103,330	\$ 1,103,330	\$ 1,103,330	\$ 1,103,330	\$ 4,413,320	Based on a 2.5% annual net revenue increase, net of \$150,000 annual loan repayment
B Total Potential Funding Sources	\$ 3,000,000	\$ 1,103,330	\$ 1,103,330	\$ 1,103,330	\$ 1,103,330	\$ 7,413,320	
B-A Net Projected Project Costs (net of Identified Funding Sources)	\$ (1,719,000)	\$ 1,103,330	\$ (896,670)	\$ 1,103,330	\$ 1,103,330	\$ 694,320	
Operating Cash Impact (Outlay)	\$ (1,719,000)	\$ 1,103,330	\$ (896,670)	\$ 1,103,330	\$ 1,103,330	\$ 694,320	Cumulative Impact to Cash @ FYE 2027
Total Projected Project Costs (net of all funding sources)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

* EPIC EHR Original Project Budget	
Epic Implementation Cost	\$ 3,518,000
Third Party Apps	\$ 528,000
TOTAL Epic EHR Project Budget	\$ 4,046,000

\*\* Excludes any cost funded via SVH foundation



**To:** Sonoma Valley Health Care District Finance Committee  
**From:** Ben Armfield, Chief Financial Officer; Kimberly Drummond, Director of Facilities  
**Date:** September 27, 2022  
**Subject:** **Supply Chain Management Services Agreement – Comprehensive Pharmacy Services (CPS)**

---

**Background:** Back in February of 2011, Sonoma Valley Hospital entered into an agreement with Comprehensive Pharmacy Services (CPS) to manage its pharmacy. By formalizing this arrangement, CPS provided SVH with a pharmacy director and much needed oversight. The term of the initial agreement was five years and has since been renewed multiple times as SVH has benefited greatly from this relationship.

**Current State:** Due to the overall success of this arrangement, SVH management-initiated conversations with multiple third-parties to potentially engage in additional departmental relationships such as the existing arrangement in Pharmacy. It became clear during these initial discussions that one area where there was opportunity was with our supply chain department. Specifically, engaging a group that could provide departmental-specific tools, resources, and expertise that could further support our talented, existing staff and also allow the hospital to achieve more efficiency in supply chain related activities.

Once we made this determination, we engaged several firms to see if we could find a potential fit. One of them was CPS, which in addition to providing management solutions in the Pharmacy space, also provides full-scale supply chain management services. The other firm we engaged was Community Hospital Corporation. Both have extensive experience providing supply chain management solutions for hospitals of our size. Community Hospital Corporation provides full scale supply chain management resources, but their base management fees exceeded \$150,000 annually. They are also affiliated and tied to a Group Purchasing Organization (GPO), which would significantly limit our flexibility and cost savings potential under our current model. CPS was willing to offer more flexibility at a lower price point. Their proposal, in which their annual management fees total \$108,000, were significantly less than the other competing bid that we received. They were also the only option willing to “guarantee” their proposed savings, meaning SVH would receive a credit if annual generated cost savings from this relationship did not meet the yearly management fee. CPS is also GPO neutral, which allows them to work on behalf of the hospital. After reviewing the proposals and discussions with the prospective vendors, the team felt CPS would best meet the needs of our organization.

#### **CPS Supply Chain – Who They Are:**

- **They are a hospital service line performance improvement company - CPS is not a consultant.** They identify, implement, and sustain supply chain best practices while ensuring the department is aligned to the hospital’s goals and objectives.
- **They are not a Group Purchasing Organization (GPO) –** CPS is not bound to any GPO, they are GPO neutral. This allows them to work on behalf of the hospital.
- **They implement a comprehensive program –** CPS will work with SVH to proactively identify expense reductions, resulting from disciplined benchmarking, supply contracts, capital purchasing, operational improvements, technology, and service agreements.
- **They invest in leadership –** CPS prioritizes employee development and national network knowledge transfer to improve oversight and maintain disciplined cost controls.
- **They implement proprietary software –** CPS has revenue and expense benchmarking databases and supply chain analytics that will significantly improve SVH’s ability to manage both operational and capital costs. They also have a contract management system that tracks and houses all supply chain contracts.



- **They have strong client satisfaction** – CPS currently has a client satisfaction rating exceeding 95%. SVH has had great experience with the CPS model as it currently has a very beneficial working relationship with CPS in pharmacy.

**CPS Proposal:** See below for the key terms included in their proposal:

- 5-Year Agreement between CPS and SVH
- Current SVH Supply Chain Director would become CPS employee. Rest of SVH supply chain would remain SVH employees.
- CPS Management Fee of \$108,000 annually (\$9,000/month)
  - Additional Fee (in \$10,000 increments) for annual cost savings generated in excess of at least 2x the annual management fee.
  - If annual cost savings do not equal the \$108,000 management fee, CPS will credit SVH the difference between the cost savings generated and the actual management fee.

**Financial Impact:** Based on preliminary data that was provided to CPS, SVH has an opportunity to achieve annual cost savings of at least \$400,000. The table below estimates the total savings to SVH based on the fee schedule in the agreement.

<b>CPS Projected Cost Savings</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>5 Year Total</b>
Projected Cost Savings	\$ 200,000	\$ 250,000	\$ 300,000	\$ 400,000	\$ 400,000	\$ 1,550,000
Management Fee	\$ (108,000)	\$ (108,000)	\$ (108,000)	\$ (108,000)	\$ (108,000)	\$ (540,000)
Shared Cost Savings	\$ -	\$ (10,000)	\$ (10,000)	\$ (20,000)	\$ (20,000)	\$ (60,000)
<b>Projected Cost Savings (Net of Fees)</b>	<b>\$ 92,000</b>	<b>\$ 132,000</b>	<b>\$ 182,000</b>	<b>\$ 272,000</b>	<b>\$ 272,000</b>	<b>\$ 950,000</b>

**Recommendation:** Management proposes to move forward with CPS proposal.

---

**Attachments:**

SVH/CPS Supply Chain Proposal

SVH/CPS Supply Chain Statement of Work





Supply Chain  
Solutions<sup>SM</sup>



*May 6, 2022*

*Ed Smith, VP Business Development*

*Eric Murphy, President, Supply Chain Solutions*

©2022 CPS Solutions, LLC. Proprietary and Confidential.



## OUR MISSION

*To empower healthcare organizations to advance the standard of care.*

## OUR VISION

*To be the recognized leader in hospital supply chain management services.*



# CPS Supply Chain Services - Executive Summary



## WE ARE NOT A CONSULTANT

- We **identify, implement, and sustain** supply chain best practices while ensuring the department is aligned to the hospital's goals/objectives

## WE ARE NOT A GPO

- We are **GPO neutral** working on behalf of the hospital

## WE PROACTIVELY IDENTIFY EXPENSE REDUCTIONS

- Establishing strong relationships with materials management staff and department leads

## WE IMPLEMENT A COMPREHENSIVE PROGRAM

- Expense reductions result from supply contracts, capital, operational improvements, technology, and service agreements.

## WE INVEST IN THE DEVELOPMENT OF SC DIRECTOR

- We prioritize employee development and knowledge transfer to improve oversight and maintain cost controls

## WE EMPLOY PROPRIETARY SOFTWARE



Monitor trends of key performance metrics



Benchmark pricing, staffing, and productivity metrics



Negotiate/update category pricing and maintain vendor contracts



Provide complete transparency on program impact to Administration

# Supply Chain Services: Real-World Results



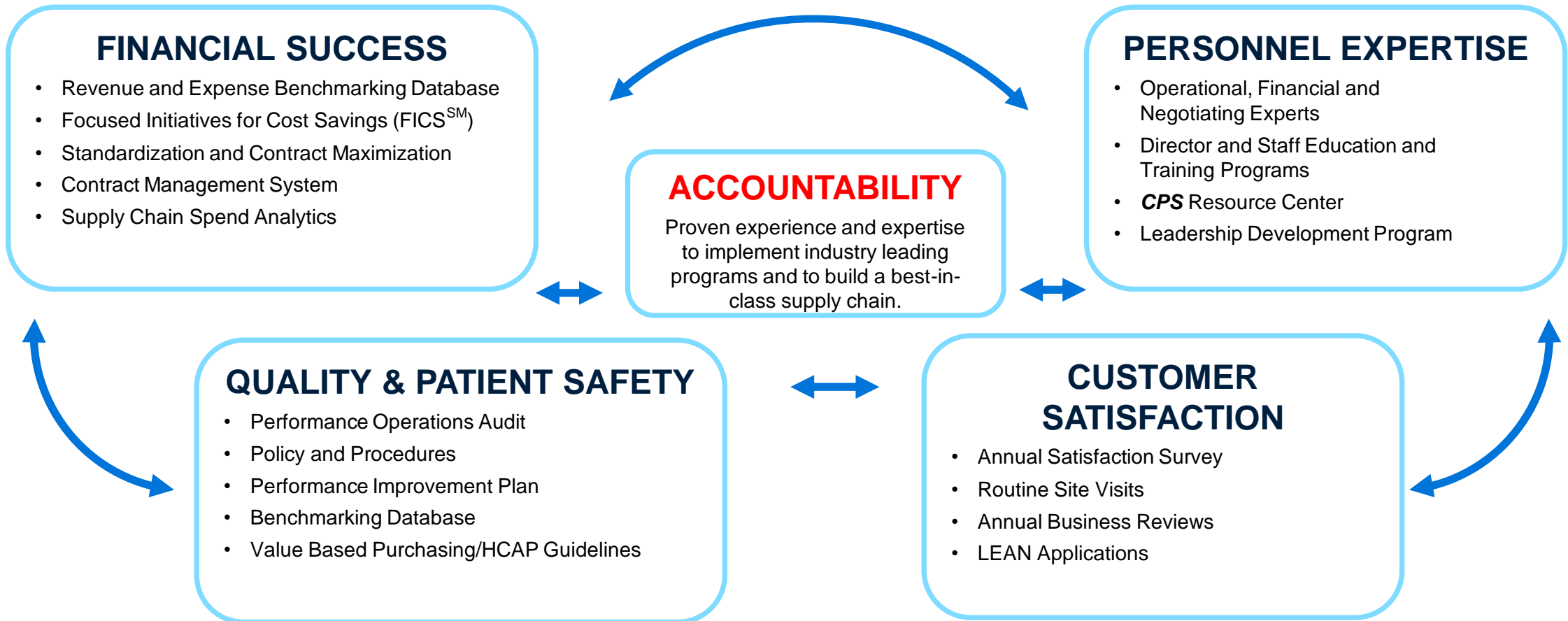
Hospital Type	Bed size	Total Savings (\$)	Time span (years)	Average Annual Savings (\$)
Critical Access	25	\$1,242,621	5	\$248,524
Acute Care	44	\$2,180,457	5	\$436,091
Acute Care	66	\$10,428,543	4	\$2,607,136
Acute Care	106	\$3,657,624	6	\$609,604
Orthopedic Surgery	30	\$876,505	2	\$438,253
Health System (Two Acute Care Hospitals)	454	\$1,979,130	1	\$1,979,130

# Tools, Resources, and Support

---



# CPS Supply Chain Solutions Partnership



# Proprietary Software SIGNYL<sup>SM</sup>



## Savings Program Tracking

### Focused Initiatives for Cost Savings

**\$9.62M**

\$9.62M Implemented    \$1.45M Pending    Target

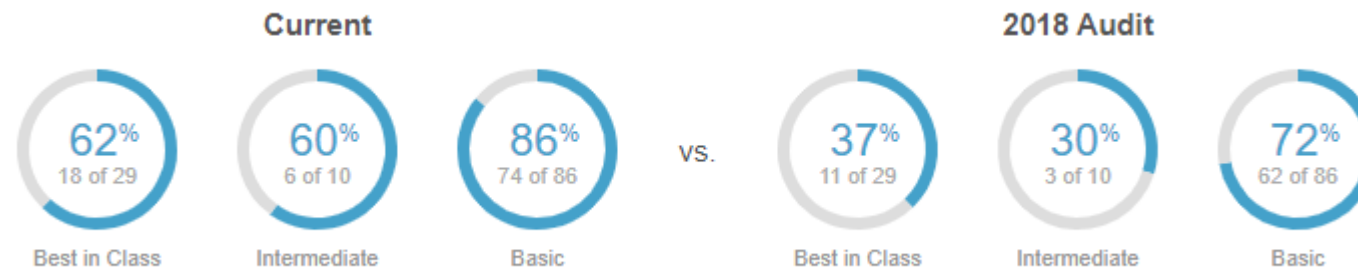
**\$276K**

Recent initiatives have saved \$9.62M in this contract year. Pending initiatives may save an additional \$1.45M.

**\$11.33M**

Cumulative Savings

## Best Practice Integration Monitoring



# Quality and Patient Safety



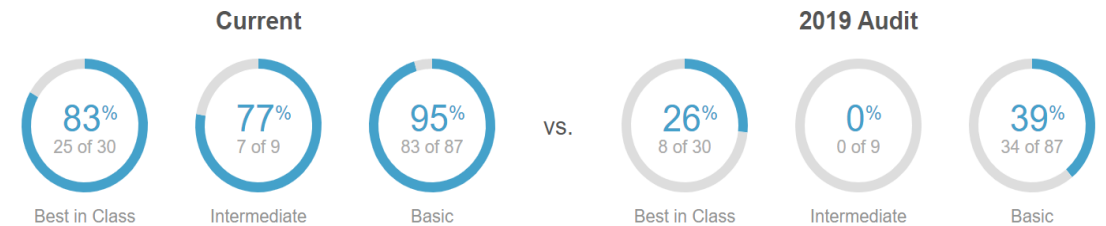
## Performance Operations Audit

### 150+ Standards – Industry Best Practices and Regulatory Compliance

- Purchasing
- Inventory Management
- Finance
- Materials Distribution
- Materials Management
- Performance Improvement
- Human Resources
- Environment of Care
- Materials Consignment
- Materials Automation
- Materials Storage

### Performance Operations Audit

Since 2019, 73 standards have improved to highest possible level.



DRIVER / CATEGORY	Current including actions taken <a href="#">Update status &amp; goals</a>			2019 Audit Feb 25, 2019 <a href="#">Edit</a>   <a href="#">Duplicate</a>		
	Best in Class	Intermediate	Basic	Best in Class	Intermediate	Basic
► Customer Service	83% 5 of 6	50% 1 of 2	100% 19 of 19	33% 2 of 6	0% 0 of 2	32% 6 of 19
► Financial Success	82% 18 of 22	100% 4 of 4	100% 31 of 31	18% 4 of 22	0% 0 of 4	23% 7 of 31
► Personnel Expertise	-	50% 1 of 2	75% 9 of 12	-	0% 0 of 2	58% 7 of 12
► Quality & Patient Safety	100% 2 of 2	100% 1 of 1	96% 24 of 25	100% 2 of 2	0% 0 of 1	56% 14 of 25

# Customer Satisfaction

- Annual Customer Service Survey
- Operational Adjustments to Improve Responsiveness
- Materials Management In-Services
- Regular Business Review Meetings with **CPS** Team
- Annual Business Review and Strategy Alignment

Current Coverage	AM						PM					
	6:00	7:00	8:00	9:00	10:00	11:00	12:00	1:00	2:00	3:00	4:00	5:00
Manager												
Lead Inv. Ctrl.												
Mat'l. Handler												
Mat'l. Handler												
Mat'l. Handler												
Proposed Coverage	AM						PM					
	6:00	7:00	8:00	9:00	10:00	11:00	12:00	1:00	2:00	3:00	4:00	5:00
Manager												
Lead Inv. Ctrl.												
Mat'l. Handler												
Mat'l. Handler												
Mat'l. Handler												
Mat'l. Handler												

QUESTION	Total	1st Shift	2nd Shift	3rd Shift
Provides Item Related Info/In-Services	3.07	3.00	4.00	3.00
Answers Questions Professionally	3.76	3.74	4.00	3.50
Good Phone Etiquette	3.87	3.81	4.00	4.50
Staff Aware of Department Specific Needs	3.72	3.68	4.00	3.75
Director Aware of Dept. Specific Needs	3.58	3.51	4.00	3.67
Participates in Nursing Staff Meetings	1.75	1.48	3.00	3.00
Follow-up on Interdepartmental Issues	3.55	3.53	4.00	3.25
Initiates Programs for Patient Safety	3.38	3.24	4.00	4.00
STAT Items Timely Delivery	3.90	3.78	5.00	5.00
Timely Processing of Departmental Orders	3.68	3.59	4.00	5.00
Timely Delivery of Floor Stock	3.95	3.89	4.00	5.00
Items Dispensed Accurately	4.05	4.00	4.00	4.25
Items Available When Needed	3.95	3.92	4.00	4.25
Floorstock Availability Meets Needs	3.81	3.82	4.00	3.67
Floorstock Content Reviewed Regularly	4.03	3.96	3.00	4.25
Floorstock Area Clean and Organized	3.94	3.97	4.00	3.50
Director Exhibits Professionalism	4.35	4.28	5.00	4.67
Staff Exhibits Professionalism	3.91	3.85	5.00	4.00
Demonstrates High Degree of Knowledge	4.05	3.97	5.00	4.33
Answers Requests Satisfactorily	3.93	3.86	5.00	4.00
Works to Solve Item-Related Issues	4.09	4.05	5.00	4.00
Open to New Ideas and Suggestions	4.07	4.03	4.00	4.33
Pleased With Overall Level of Performance	4.00	3.97	5.00	3.75
<b>Average Score</b>	<b>3.87</b>	<b>3.69</b>	<b>4.22</b>	<b>4.03</b>
<b>Sample Size</b>	<b>48</b>	<b>43</b>	<b>1</b>	<b>4</b>

# Benchmarking and Comparative Analysis



PRICING BENCHMARKS	COMPARATIVE ANALYSES
24 to 48 Hour Turnaround	10 to 20 Working Days
Quotation Analysis Service Contract Analysis Reagent Contract Analysis Fair Market Value Analysis	Market Intelligence Custom Comparative Analysis RFP Analysis RFP Template Development User Experience Reports Justification Analysis
Also Included: Capital Budget Reviews, Pricing Reports, Requests for Information	

# Contract Management System Chronicle

- Requires a separate SaaS agreement
- Secure web-based application
- Eliminates unwanted renewals and contract terminations
- Multi-layer redundancy for document protection
- E-mail notification to Key Stakeholders of contract renewal period
- Unlimited secure user-based access to view and edit records

**Contract Management System** - Memorial Hospital | Profile | Sign Out

Contracts 2 Vendors Admin Find contracts, vendors, and users Search

**Contracts** + New Contract

All Entities & Departments All Scopes of Service All G/L Accounts Show All Export

**Expired Contracts (2)** Total Value: \$43,933

STATUS	CONTRACT	VENDOR	RENEWAL IN	EXPIRED
Expired	Excepturi Soluta Expedita Nihil Necessitatib...	Hyatt, Pfeffer and Lehner	-	13 days ago
Expired	Labore Et Similique Molestiae Accusamus V...	Bechtelar and Sons	-	10 days ago

**Contracts in Renewal (5)** Total Value: \$260,720

STATUS	CONTRACT	VENDOR	RENEWAL IN	EXPIRES IN
Renewal	Consequatur Ipsam Ipsa Voluptatibus Ipsa...	Hudson, Pfeffer and Hodkiewicz	-	4 days
Renewal	Animi Consequatur Totam Rerum Et	Will-Nienow	-	10 days
Renewal	Consequuntur Rerum Sequi Dignissimos	Schmeler-Douglas	-	25 days
Renewal	Thera-Band Equipment	Sammons and Preston Medical Sup...	-	46 days
Renewal	Deserunt Earum Beatae Architecto Qui	Larson-Jones	-	46 days

**Current Contracts (80)** Total Value: \$3,216,606

STATUS	CONTRACT	VENDOR	RENEWAL IN	EXPIRES IN
Current	Voluptatem Et Aut	Jacobi, Monahan and Veum	5 days	3 months

<< Back to Contract List

**Molestias Omnis Et Velit Quia**  
Carter, Pagac and Schowalter

Additional details about the contract can be entered by the user and will appear here.

Add a note to this contract

**Add Note**

Feb 13, 2013: Kurt Federer **Edited** ← Showing this Version

• Uploaded: → Methodology for Cost Savings Nov 2012.pdf

Dec 5, 2011: Pierre Bergstrom

Facilis et impedit molestias et voluptatem optio temporibus quos tempore reiciendis voluptates modi ut ipsam expedita et. Sequi numquam amet labore ea sunt consequatur ex iure perspiciatis eaque perspiciatis officia porro sint voluptas. Numquam repellendus eum nesciunt pariatur temporibus est facere excepturi sit ipsa et est

Dec 5, 2011: Mr. Aletha Rath

**Current**  
Renewal starts Feb 26, 2013

Renewal in <b>13</b> days	Expires in <b>2</b> months
---------------------------------	----------------------------------

**\$937** Monthly Spend

**\$66,451** Total Value

**Methodology for Cost Savings Nov 2012.pdf**

The contract methodology for calculating renewal and savings can be found here: The following...

# Capital Assistance



## **ANALYZE**

- Interview stakeholders
- Prepare needs assessment and timeline



## **PLAN**

- Develop specifications
- Develop RFP
- Create proposed vendors list



## **DECIDE**

- Perform value analysis
- Evaluate bid responses
- Check local user references
- Price benchmark services
- Analyze costs
- Recommend vendors



## **NEGOTIATE**

- Provide mentoring and guidance for contract negotiations



## **DECIDE**

- Coordinate stakeholder review
- Provide summary report:
  - *Cost Savings*
  - *Monitoring of selected vendor*
  - *Follow-up actions*

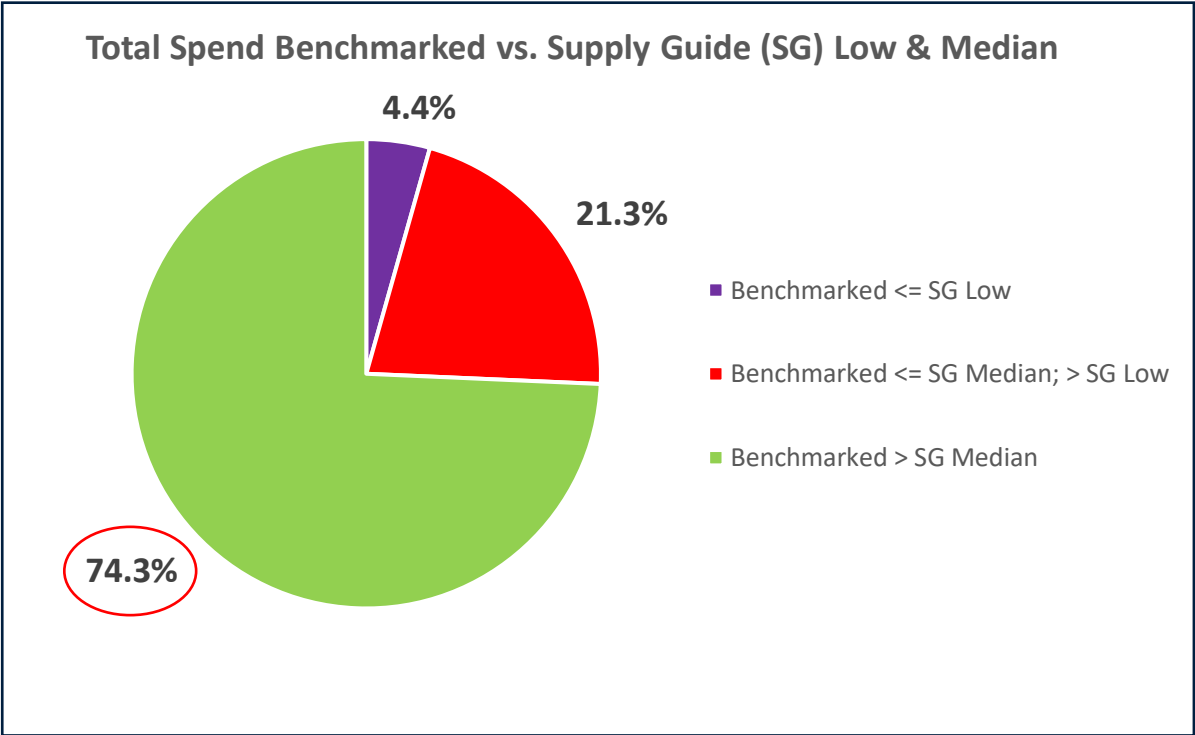
# Financial Success – Capital Equipment



## Feature Comparison for Popular Models

<i>ECG Machines</i>	GE MAC 2000	GE MAC 5500 HD	GE MAC VU360	Hill-Rom ELI 280	Hill-Rom ELI 380	Midmark IQecg	Philips PageWriter TC50	Philips PageWriter TC70
<b>Configuration</b>	Portable, Mobile	Mobile	Mobile	Portable	Portable	Windows PC Based	Tabletop/Cart Mount	Tabletop/Cart Mount
<b>Maximum # of Channels Acquired Simultaneously</b>	12	15	15	12	15	12	18	18
<b>Lead Marker</b>	Automatic Alphanumeric	Automatic Alphanumeric	Automatic Alphanumeric	Yes	Yes	Yes	Automatic	Automatic
<b>Timing Marker</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Event Marker</b>	Annotation	Yes	Yes	No	No	No	Yes	Yes
<b>Full Disclosure</b>	10 sec, 12 leads	10 sec, 12 leads	Yes	5 min buffer for automatic best 10 sec selection	20 min, automatic best 10 sec selection	Yes	10 min	15 min
<b>On-board ECG Storage</b>	100	200	Not Specified	40	200	55,000 in 1 GB storage, 10 sec on all 12 leads	200	200
<b>ECG Interpretation Software</b>	Yes	Yes	Yes	Yes, with selectable reason statements	Yes, with selectable reason statements	Midmark 12-lead resting ECG analysis program, diagnosis & measurement	Diagnosis, measurements, reason statements, graphical axis for ≤16 leads	Diagnosis, measurements, reason statements, graphical axis for ≤18 leads
<b>Transmission to ECG Data Management System</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Data Transfer Method</b>	Modem, LAN, Wi-Fi	Modem, RS232, 802.11b wireless LAN, LAN, SD card	802.11 a/b/g/n, DHCP, LAN, USB	Modem, WLAN, LAN, USB, USB D	Modem, WLAN, LAN, USB, USB D	Fax, e-mail, network	LAN, optional wireless 802.11 (b, g or a, b, g) and modem	LAN, optional wireless 802.11 (b, g or a, b, g) and modem
<b>Defibrillator Overload Protection</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

# Sonoma Valley Hospital: Benchmark Supply Chain Spend



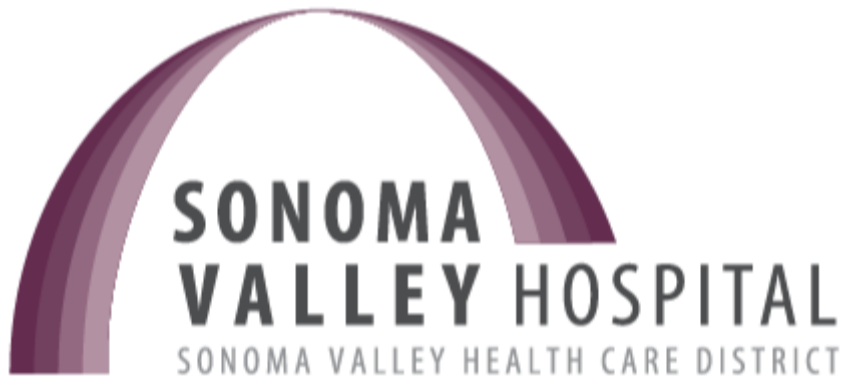
Date Range: 4/1/21 to 3/31/22			
Overall Savings	Totals	Potential \$\$ Savings	Potential % Savings
Total Spend	\$11,878,631		
Total Spend Benchmarked	\$4,107,506	\$713,092	17.4%

# Sonoma Valley Hospital: Top 5 Vendors for Potential Savings



Total Spend Benchmarked vs. Supply Guide (SG) Low and Median		
Category	Spend	% of Total
Benchmarked <= SG Low	\$167,747	4.4%
Benchmarked <= SG Median; > SG Low	\$817,287	21.3%
Benchmarked > SG Median	\$2,848,691	74.3%

Vendor	Total Spend Benchmarked	Potential \$\$ Savings to Median	Potential % Savings to Median
DePuy Synthes Inc	\$742,318	\$229,205	30.9%
Zimmer Biomet	\$466,445	\$124,639	26.7%
Owens and Minor	\$338,753	\$82,171	24.3%
Medtronic	\$224,791	\$57,095	25.4%
Wright Medical	\$92,232	\$40,504	43.9%
<b>Top 5 Vendor Total</b>	<b>\$1,864,539</b>	<b>\$533,614</b>	<b>28.6%</b>



***THANK YOU !!***



# Sonoma Valley Hospital: Summary of Key Supply Chain Services Financials



Supply Chain	
Category	Financials
Projected Annual Savings	\$400,000 - \$600,000 in benchmarked savings. Strong likelihood of additional savings in non-benchmarked categories
Annual Management Fee	\$96,000 - \$108,000
Term	5 years
Management Fee Guarantee	Yes
Shared Savings Incentive	Yes
Pass through Expenses	
Director, Supply Chain - Salary and Benefits	Yes

CPS SUPPLY CHAIN SOLUTIONS, LLC

SONOMA HEALTHCARE DISTRICT D/B/A SONOMA VALLEY HOSPITAL

STATEMENT OF WORK # 2

Supply Chain Services

1. GENERAL.

1.1. **Introduction.** This Statement of Work #2 (this “**SOW**”) is entered into by and between Sonoma Healthcare District d/b/a Sonoma Valley Hospital (“**Client**”), on behalf of itself and for the benefit of its Affiliates and CPS Supply Chain Solutions, LLC (“**CPS Supply**”), on behalf of itself and for the benefit of its Affiliates, as of October 15, 2022 (the “**SOW Effective Date**”), pursuant to that certain Master Services Agreement (the “**MSA**”) between CPS Supply’s Affiliate, CPS Solutions, LLC (“**CPS**”), and Client. By signing this SOW, CPS Supply agrees to be bound by the MSA, as if it were a signatory thereto. For purposes of this Agreement, the MSA will be deemed to have been entered into by CPS and Client and all references therein to CPS Supply shall be deemed to mean CPS.

1.2. **Definitions.** Capitalized terms that are used herein, but not defined in this SOW, shall have the meaning ascribed to them in the MSA. Additional capitalized terms are defined in this SOW and the Appendices to this SOW.

1.3. **Master Agreement.** This SOW is governed by the terms and conditions of the MSA (which is incorporated herein by this reference), as modified or supplemented herein. The terms of this SOW, unless expressly contrary to the MSA, shall be deemed to supplement (rather than replace) similar provisions in the MSA.

1.4. **Appendices.** This SOW incorporates by reference the following Appendices:

1.4.1. Appendix #1 (Locations and Hours of Operation); and

1.4.2. Appendix #2 (Fiscal Improvement Examples).

2. TERM OF SOW.

The term (“**Term**”) of this SOW commences on the SOW Effective Date and shall continue for **five (5)** years (the “**Initial Term**”) and thereafter shall be automatically renewed for periods of **five (5)** years each. This SOW may be terminated prior to the end of the then-current Term, for cause, as provided for in Section (For Cause) of the MSA. This SOW may also be terminated, by either party, without cause, at the end of the year three (3) by providing written notice of desire to not renew at least ninety (90) days prior to the end of year three (3).

3. SCOPE OF SOW.

3.1. **Overview.** Client hereby engages CPS Supply as an independent contractor to furnish material management/supply chain services (the “**SC Services**”) in connection with the purchase and management of all Materials for Client’s Hospital and other Locations by Client’s material management/supply chain department (the “**MM Dept.**”), as further defined below in accordance with the terms and for the consideration hereinafter set forth. Client retains professional and administrative responsibility and authority and shall overall direct all SC Services that are required to be performed and are described in this SOW. “**Materials**” as used in this SOW means all products, materials and other items normally purchased by Client’s MM Dept. prior to the SOW Effective Date and all products, materials and other items the MM Dept. purchases after the SOW Effective Date; but expressly excludes pharmaceuticals, biologics and Merchandise (but does include other Pharmaceutical Products supplies, such as IV tubing, etc.).

3.2. **Locations.** The SC Services will support only the Client locations (each a “**Location**”) set forth in Appendix #1 (Locations and Hours of Operation).

4. START-UP AND GO-LIVE DATE.

4.1. **Start-Up.** Commencing on the SOW Effective Date, CPS Supply shall perform a comprehensive materials assessment (the “**Start-Up Assessment**”) and implement CPS Supply’s start-up plan (the “**Start-Up Activities**”). Implementation of the Start-Up Activities is a joint responsibility of both Parties. All CPS Supply Personnel who provided Services in connection with the Start-Up Assessment and the Start-Up Activities shall be billed as Reimbursable Personnel. The Start-Up Activities include:

4.1.1. **Start-Up Assessment.** The Start-Up Assessment will include an assessment of, and recommendation, for each MM Dept. Location as to:

- a. Review Client’s MM Dept. organization and Client shall adjust, if necessary, its reporting structure to reflect the change to CPS Supply’s oversight of the MM Dept. For example, if the Client’s previous director managed the Client’s maintenance/housekeeping staff; Client will need to move those reporting relationships;
- b. Review Client’s goals and priorities for the MM Dept. to align on key priorities and key performance indicators;
- c. Review of MM Dept.’s operational practices (e.g., customer satisfaction, financial success, quality and patient safety and personnel expertise); and
- d. Review and assess MM Dept. staffing efficiencies (e.g., appropriate staff utilization).

4.1.2. **Systems.** Prior to the “Go-Live Date” (as defined below), Client will have in place those Systems and connections that CPS Supply deems prudent and which Client is obligated to have in place per Section 6.9 (Connectivity) and Section 6.10 (Client Provided Systems) of this SOW.

4.2. **Go-Live Date.** The Parties expect that CPS Supply will commence providing the SC Services on, or before, July 13, 2022 (the “**Go-Live Date**”); however, the actual Go-Live Date will be adjusted, if necessary, by CPS Supply to reflect any unexpected conditions discovered during the implementation of the Start-Up Activities. CPS Supply will send Client a written notice, per Section (Notices) of the MSA, informing Client of the final Go-Live Date.

## 5. **SERVICES PROVIDED BY CPS SUPPLY UNDER THIS SOW.**

CPS Supply shall provide the following SC Services:

5.1. **CPS Supply Personnel.** CPS Supply will provide the following:

5.1.1. **Regular Staff.** One (1) full-time equivalent Director of Materials Management as a Reimbursed Personnel (the “**CPS Supply Director**”).

5.1.2. **Additional Shared Resources.** In addition to the above Reimbursed Personnel, the CPS Supply Director can request assistance from the following CPS Supply Shared Resources:

- a. **RVP.** A Regional Vice President of Operations, or a person of equivalent skill (the “**RVP**”). The RVP’s primary responsibilities will be to monitor (at a high level) Client’s MM Dept.(s). and suggest strategies and initiatives relating to improving the operational and financial performance of the MM Dept.(s). The RVP shall also oversee CPS Supply Personnel’s involvement in the implementation of CPS Supply’s MM Dept(s). initiatives. Further, the RVP will maintain relationships with Client’s leadership.

5.1.3. **Temporary Replacements.** In the event of a vacancy in the CPS Supply Director position or other Personnel provided by CPS Supply, CPS Supply will provide (as Temporary Personnel), as appropriate, replacement Personnel until the permanent position is filled and trained.

5.1.4. **Adequate Staff.** Client acknowledges that adequate staffing of the MM Dept. is necessary for the operation of the MM Dept. in a safe manner and in compliance with Applicable Law. Accordingly, in the event of

termination, resignation, or lack of availability of any MM Dept. Personnel to be provided by Client, CPS Supply shall have the option, but is not required to: (a) engage, at Client's sole cost and expense, CPS Supply's telepharmacy Affiliate to cover for such unavailable Client Personnel, and/or (b) fill any such vacant positions with existing or new CPS Supply Personnel (as Temporary Personnel), in each case that CPS Supply reasonably deems necessary to meet the staffing requirements of the MM Dept.

5.2. **Signyl<sup>SM</sup> Software.** CPS Supply shall provide, as CPS Supply Provided System, Client with access to CPS Supply's Signyl<sup>SM</sup> software ("Signyl"), solely for the purpose of recording and validating all identified cost savings during the Term. Identified cost savings will be entered into Signyl by CPS Supply and validated with Client.

5.3. **Analytics.** CPS Supply will provide data analytics Services that combine information from Client's Systems and CPS Supply's analytical tools. Certain aspects of this solution will be provided by CPS Supply Personnel and other via the CPS Supply Provided Systems set forth in Section 8.2 (CPS Supply Provided Systems) of this SOW. As part of the analytics Services, CPS Supply will make available additional reporting to the Client Executive; which reports will include the following metrics; provided that such information is made available, on a timely basis, by Client to CPS Supply in a mutually agreed upon electronic format:

- a. Operational benchmarks (e.g., Inventory turns, productivity, supply expense); and
- b. Spending benchmarks (e.g., comparing Client's spend to national averages).

5.4. **Benchmarking.**

5.4.1. **Comparison.** CPS Supply will perform a benchmarking comparison of Purchasing Data provided by Client, by accessing price benchmarking metrics and purchasing support resources. Results will compare Client's then-current spend relative to other national facilities of similar size and scope. The report will contain line-item detail on all purchases submitted to CPS Supply by the Client through a 12-month purchase order history.

5.4.2. **Potential Savings Opportunities.** Areas in which CPS Supply may identify savings opportunities including, but are not limited to, the following areas: Client Materials contracts including equipment purchases, Materials distribution, inventory management, and purchased service contracts.

5.4.3. **Recommendations.** A CPS Supply representative will meet with Client designated Personnel at Client's Location to identify and recommend materials management cost savings opportunities to Client.

5.5. **Inventory Purchasing and Control.** CPS Supply shall supervise the purchasing of all Materials by Client, including preparation of necessary purchase order requests and shall maintain all necessary inventory records.

5.5.1. **Annual Physical Inventory.** CPS Supply shall supervise Client's annual inventory of MM Dept. Materials.

5.5.2. **Materials Utilization Review and Control.** CPS Supply shall provide guidance on establishing a method of monitoring use of Materials provided by the MM Dept. CPS Supply shall assist the Client to control the use of high cost, high use Materials provided by the MM Dept.

5.5.3. **MM Dept. Expenses.** CPS Supply shall make recommendations to assist Client in controlling the MM Dept. expenses at reasonable levels, while maintaining the standards required by CPS Supply and this Agreement.

5.5.4. **Inventory Cost.** CPS Supply shall provide guidance to Client Personnel regarding minimization of inventory cost.

5.6. **Policy and Procedure Manual.** CPS Supply will review and provide recommendations as to Client's Policy and Procedure Manual. Client's Policy and Procedure Manual shall include:

- 5.6.1. A copy of the operations manual for Client's information management Systems.
- 5.6.2. Downtime procedures – if connectivity is lost or interrupted with a Location.

5.6.3. A copy of all Client Personnel's business associates' agreements; each of which Client must ensure meet all HIPAA rules and regulations requirements.

5.7. **Supply Chain Policies and Procedures.** Subject to Section (Compliance) of the MSA, CPS Supply shall provide the SC Services and supervise the MM Dept. in accordance with the Client's Policy and Procedure Manual.

5.8. **Vendor Relations.** CPS Supply shall, upon Client's request assist Client in establishing/modifying Client's vendor relations policies, day to day vendor management, and resolving any vendor issues that may arise.

5.9. **Quarterly Reporting.** CPS Supply will provide quarterly reports (each a "Report") to Client regarding on-going and potential "Fiscal Improvements" (as defined below).

5.10. **Hours.** CPS Supply shall provide SC Services during the hours set forth on Appendix #1.

## 6. **CLIENT'S RESPONSIBILITIES.**

In addition to Client's responsibilities under the Agreement:

6.1. **Start-Up Activities.** Client shall assist with CPS Supply's Start-Up Activities and shall cause its Personnel to cooperate with the prompt creation and implementation of the Start-Up Activities so that the data required hereunder is timely received and the Go-Live Date is achieved on time.

6.2. **Personnel.** Client shall provide all MM Dept. Personnel other than those to be provided by CPS Supply under Section 5.1 (CPS Supply Personnel) of this SOW, including all Personnel reasonably deemed necessary by CPS Supply for the operation of the MM Dept. in a safe and efficient manner and in compliance with Applicable Law (subject to Client's approval, which shall not be unreasonably withheld or delayed). MM Dept. Personnel to be provided by Client shall not be reduced except upon the written agreement of the Parties. All such MM Dept. Personnel shall be employees of Client.

6.3. **Inventory.** The Parties agree that an inventory of each MM Dept.'s Materials shall be taken on or about the end of each Contract Year.

6.4. **Facilities' Space and Services.** In addition to the facilities' space required under the MSA, Client shall also make available to CPS Supply, at each Location, additional space within the MM Dept. for the timely receipt of Materials and equipment required, in CPS Supply's opinion, to effectively and efficiently operate the MM Dept.

6.5. **Receipt of MM Dept. Merchandise.** If Client receives Materials for the MM Dept., then Client shall promptly deliver such items, unopened, to the MM Dept.

6.6. **Financial Records.** Per Section (Information) of the MSA, Client shall provide to CPS Supply, as soon as reasonably practicable, financial information, records and reports relating to MM Dept. operations, as may be reasonably necessary for the performance of the SC Services, including MM Dept. operating statements, Materials inventories, accounts receivable and payables, indirect expense allocations, and P&L or Responsibility Report(s) and General Ledger (GL) for all areas the MM Dept. is responsible for, Daily and Monthly Revenue and Usage reports, and Monthly Hospital Statistics Report. Client shall make sure records are available (or drafts thereof, if final versions are not available), promptly after the close of each month.

6.7. **Fiscal Improvements.** Client shall cause its Personnel (including each Hospitals' administration and the Medical Staff) to assist CPS Supply in implementing all Fiscal Improvements (as defined below); provided that Client may reject any Fiscal Improvement project based on Client's clinical judgment. All fiscal improvements need to be formally signed-off and approved by Client.

6.8. **Review of CPS Supply Reports.** Client shall review each Report. Within ten (10) days of its receipt of such a Report, Client shall identify in writing to CPS Supply any aspect of such Report (e.g., Fiscal Improvement) that Client is disputing. Any disputes not raised within such time period shall be deemed waived. Client will only dispute matters in good faith, and the Parties shall promptly resolve any such disputes consistent with the Parties past practices, unless otherwise agreed to in writing by the Parties.

6.9. **Connectivity.**

6.9.1. **VPN.** Client shall provide to CPS Supply (as a Client Provided System) a remote access connection to all relevant Client Systems (including Client's material management information System, inventory System and report and document management System) via a secure remote connection (utilizing a VPN acceptable to CPS Supply).

6.9.2. **Inter-Connection.** In addition, if requested by CPS Supply, Client shall permit, and Client shall cooperate with CPS Supply in establishing, a network connection between Client's computer Systems and CPS Supply's systems. Except for Reimbursed Personnel time, each Party shall bear its own costs and expenses in establishing and maintain such connection.

6.10. **Client Provided Systems.** Client shall provide, as "Client Provided Systems", all Systems' necessary and, in CPS Supply's reasonable judgement, advisable for the operation of Client's MM Dept. (e.g., all automation, equipment, software and fixtures).

7. **COMPENSATION.**

7.1. **Start-Up.** Client shall pay CPS Supply an implementation fee which consists of the Reimbursable Costs for the CPS Supply Personnel who participate in the Start-Up Assessment and Start-Up Activities. The Reimbursable Costs shall include all travel expenses of such Reimbursable Personnel (subject only to Section (Travel Reimbursement Limitations) of the MSA).

7.2. **Management Fee.** Client shall pay to CPS Supply a monthly fee of \$9,000 (**nine thousand dollars**) (the "**Management Fee**"). The initial Management Fee is due fourteen (14) days after the SOW Effective Date, and then the Management Fee will be due on the 1<sup>st</sup> day of each calendar month of the Term thereafter. The Management Fee is subject to Annual Adjustment, per Section (Annual Adjustments) of the MSA. For any monthly Management Fee invoice which CPS Supply is able to successfully deduct from Client's bank account (e.g., without reversal), Client shall be entitled to a credit of \$1,000.

7.3. **Chronicle Software License Fee.** Commencing on the SOW Effective Date, and on each anniversary thereof, Client shall CPS Supply an annual licensing fee for the Chronicle Software of \$10,000 (**ten thousand dollars**).

7.4. **Reimbursed Costs.** Client shall pay CPS Supply for all Reimbursed Costs (including for the Reimbursed Personnel and the Temporary Personnel) CPS Supply incurs in connection with this SOW, per Section (Reimbursed Costs) of the MSA.

7.5. **Fiscal Improvement Fees.** After each Contract Year, Client will pay CPS Supply a Fee (each a "**Fiscal Improvement Fee**") if the "Total Fiscal Improvements" during a Contract Year exceed the "Annual Management Fee" by two (2) or more times during such Contract Year (as defined below). The amount of the Fiscal Improvement Fee shall be calculated as set forth below.

7.5.1. **Fiscal Improvements.** CPS Supply shall record in Signyl each cost reduction or revenue enhancement and/or profit margin improvements (each a "**Fiscal Improvement**"), resulting during CPS Supply's management of the MM Dept., or resulting from recommendations made by CPS Supply for improvement of Client's other operations. Fiscal Improvements include results operationalized through collaboration by the Parties (as well as those operationalized solely by CPS Supply Personnel); in each case, regardless of the "origin" of the idea. All fiscal improvements need to be formally signed-off and approved by Client. CPS Supply shall aggregate each Fiscal Improvement and report to Client the "**Total Fiscal Improvements**" for each Contract Year.

7.5.2. **Fiscal Improvement Examples.** Appendix #2 (Fiscal Improvement Examples) include examples of Fiscal Improvements and how CPS Supply would calculate and document the resulting Fiscal Improvements. For Fiscal Improvements not set forth on Appendix #2, CPS Supply shall be entitled to use its reasonable discretion in determining how to calculate and document such Fiscal Improvement.

7.5.3. **Annual Management Fee.** The “**Annual Management Fee**” means each Management Fee actually paid by Client for a Contract Year, minus any Auto Deduct Credits and/or any other credits issued by CPS Supply to Client under this Agreement for such Contract Year.

7.5.4. **Calculation of Fiscal Improvement Fee.** After the end of each Contract Year (including any Contract Year in which this Agreement expires or is terminated), CPS Supply will calculate the Total Fiscal Improvements and the Fiscal Improvement Fee owed, if any, and CPS Supply will promptly bill such Fiscal Improvement Fee. Client shall pay each Fiscal Improvement Fee within ten (10) days after the invoice date. The Fiscal Improvement Fee, if any, will equal the amount set forth in the table below, based upon the Total Fiscal Improvements. For example, if, for a given Contract Year: (a) the Annual Management Fee were \$75,000, and (b) the Total Fiscal Improvements were \$310,000, the Fiscal Improvement Fee would be \$30,000.

Total Fiscal Improvements	Fiscal Improvement Fee
At least 2 x Annual Management Fee (but less than 3 x)	\$10,000
3 x Annual Management Fee (but less than 4x)	\$20,000
4 x Annual Management Fee (but less than 5x)	\$30,000
5 x Annual Management Fee (but less than 6x)	\$40,000
6 x Annual Management Fee (but less than 7x)	\$50,000
7 x Annual Management Fee (but less than 8x)	\$60,000
8 x Annual Management Fee (but less than 9x)	\$70,000
9 x Annual Management Fee (but less than 10x)	\$80,000
10 x Annual Management Fee (but less than 11x)	\$90,000
≥11 x Annual Management Fee	\$100,000

7.6. **Service Credit.** If in any Contract Year the Total Fiscal Improvements do not at least meet the Annual Management Fee; then CPS Supply will issue Client a service credit equal to the difference between the Total Fiscal Improvements and the Annual Management Fee (the “**Service Credit**”). Within thirty (30) days after CPS Supply’s receipt of all information required for CPS Supply to be able calculate the Improvement Fees after the end of each Contract Year, CPS Supply will calculate whether or not a Service Credit is due Client for such prior Contract Year, and if a Service Credit is due; CPS Supply shall promptly notify Client and issue the applicable Service Credit (1/12 of which will only be applied against each monthly Management Fee for the current Contract Year). Service Credits are not redeemable for cash. No Service Credit will be due for any period in which Client has failed to provide (as required herein) all information, data and documents necessary for CPS Supply to calculate the Improvement Fees for such period. Further, if Client unreasonably withholds or delays its approval of a proposed Initiative then CPS Supply is entitled to count (in its calculation of Service Credits) any Fiscal Improvements included in CPS Supply estimate for such rejected Initiative(s). CPS Supply may elect to offset against any Service Credits any earned Fiscal Improvement Fees (including any such Fees that have not been billed yet). If a Service Credit is due to Client from CPS Supply as of the termination of this SOW, CPS Supply shall make payment to Client within thirty (30) days after the termination date.

7.7. **Invoice Payment, Delivery and Proration.** Invoices will be automatically collected per Section (Automated Collection) of the MSA. All Invoices should be sent via email to: Benjamin Armfield, CFO, at [barmfield@sonomavalleyshospital.org](mailto:barmfield@sonomavalleyshospital.org); or such replacement address as Client may designate in writing pursuant to Section (Notices) of the Agreement. Fees for partial months, if any, will be prorated as set forth in Section (Fees) of the MSA.

## 8. **ADDITIONAL ITEMS.**

8.1. **Client Executive.** Client appoints Benjamin Armfield, CFO, as its Client Executive for this SOW.

8.2. **CPS Supply Provided Systems.** During the Term, CPS Supply will provide access to the following CPS Supply Provided Systems:

- 8.2.1. Signyl Software (to the extent set forth in Section 5.2 above) of this SOW;
- 8.2.2. ECRI Software; which is a technology decision-making solution for health care; and
- 8.2.3. Chronicle; which can be used to manage Client's contracts.

CPS Supply will provide training to Client Personnel on the above systems, while CPS Supply Personnel are at Client's Locations.

8.3. **Misc.** The financial information, data and documents described above are being supplied by Client to CPS Supply without independent audit; for, among other things, the Fiscal Improvement Fees, and other calculations required herein. If it appears that the information, data and/or documents supplied by Client are in error then CPS Supply will have the right to adjust the calculations accordingly, retroactive to the SOW Effective Date. If Client does not timely supply any required financial information, data or documents, CPS Supply will use its records to determine the amount of any Fiscal Improvement Fees. Reconciliation with Client-supplied data will occur, if necessary, within the first quarter after which Client provides the necessary data. CPS Supply reserves the right to perform its own validation of the above information, data and documents at any point under this SOW. Further, CPS Supply is permitted to use its reasonable business judgement in performing the Fee calculations and in determining whether specific Items are included in such calculations. In addition, if Client fails to provide the support required under this SOW, CPS Supply is entitled to count any expected Fiscal Improvements when calculating its Fees.

8.4. **Out of Scope Services.** For clarity, the Parties note that the following Services are Out of Scope of this SOW:

- 8.4.1. The purchase, storage, handling and administration of pharmaceuticals, and biologics;
- 8.4.2. The creation, receipt, storage, maintenance, processing or transmission of Client or its Affiliates PHI and Client agrees not to provide PHI to CPS Supply under this SOW;
- 8.4.3. The workflow and purchasing of materials for Client's sterile materials operations;
- 8.4.4. Non-SC Services for Client's other departments (e.g., its sterilizing operations); and
- 8.4.5. Consulting engagements for Services not covered in this SOW; including taking on additional roles outside those set forth herein (e.g., serving as the "IT Lead" or "Implementation Project Manager").

8.5. **Tax Status.**

- ☒ Client represents it is a tax-exempt entity. If Client is a tax-exempt entity, Client will email CPS Supply at **acctrec@cpspharm.com** with the appropriate sales tax exemption certificate within ten (10) business days of the SOW Effective Date.
- ☐ Client represents it is not a tax-exempt entity.

***Signature Page Follows***

**IN WITNESS WHEREOF**, and intending to be legally bound, the Parties have executed this SOW as of the SOW Effective Date.

**CPS Supply:**

**CPS SUPPLY CHAIN SOLUTIONS, LLC**

By: \_\_\_\_\_

Name: Frank Segrave

Title: CEO & Chairman

**Client:**

**SONOMA HEALTHCARE DISTRICT D/B/A SONOMA VALLEY HOSPITAL**

By: \_\_\_\_\_

Name: John Hennelly

Title: Chief Executive Officer, Sonoma Valley Hospital

**Appendix #1**

**Locations and Hours of Operation**

<b>Name of Hospital/Medical Center</b>	<b>Street Address</b>	<b>Hours of Operation*</b>
Sonoma Healthcare District d/b/a Sonoma Valley Hospital	347 Andrieux Street, Sonoma, CA 95476	<b>Mon. thru Fri.: 0700-1600</b> local time  <b>Saturday: 0700-1600</b> local time  <b>Sunday: 0700-1600</b> local time

\*As the MM Dept. is not customer facing, these hours are not fixed, and may fluctuate from week to week to accommodate the MM Dept. Personnel's schedule (e.g., personal time off, etc.).

**"Holidays"** means New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

CPS Supply or Client can suggest modification to the hours of operation of the SC Services to meet the requirements of Client and its patients. After taking into account the then-current patient census and occupancy pattern of Client, the Parties will mutually agree on any changes to the above hours; provided that if such change requires CPS Supply to provide additional resources, then such a change shall require an Amendment; otherwise, the Parties' mutual agreement to such change will be documented via an email between CPS Supply and the Client Executive.

**End of Appendix #1**

## Appendix #2

### Fiscal Improvement Examples

Type	Fiscal Improvement Calculation	Documentation Standard
<b>Product Changes:</b>  Switching to a more cost-effective brand or product (e.g., due to standardization, obsolescence, conversion, or value/attribute analysis efforts).  <b>Note:</b> Rebates are calculated separately, as noted below.	$= (\text{Cost prior to change} - \text{new cost}) \times \text{volume of product post change during each Contract Year.}$	CPS Supply report showing cost prior to change and 12-month PO history of products bought at new cost.
<b>Product Price Reductions:</b>  Reductions in first cost pricing obtained through negotiations (e.g., price reductions, contract activations or order quantity adjustments).  <b>Note:</b> Rebates are calculated separately, as noted below.	$= (\text{Cost prior to change} - \text{new cost}) \times \text{volume of product post change during each Contract Year.}$	CPS Supply report showing cost prior to change and 12-month PO history of products bought at new cost.
<b>Service Changes:</b>  Switching to a more cost-effective Service provider (e.g., changes in Service provider).  <b>Note:</b> Rebates are calculated separately, as noted below.	$= (\text{Cost prior to change} - \text{new cost}) \times \text{volume of service post change during each Contract Year.}$	CPS Supply report showing cost prior to change and 12-month PO history of services bought at new cost.
<b>Service Price Reductions:</b>  Reductions in first cost pricing obtained through negotiations (e.g., price reductions, reduction in required services).  <b>Note:</b> Rebates are calculated separately, as noted below.	$= (\text{Cost prior to change} - \text{new cost}) \times \text{volume of service post change during each Contract Year.}$	CPS Supply report showing cost prior to change and 12-month PO history of services bought at new cost.

Type	Fiscal Improvement Calculation	Documentation Standard
<b>Reduction in Inventory:</b>  Reductions in cost of inventory required to be on hand (e.g., due to improvement in purchasing patterns, and other workflow adjustments).	= the value of inventory adjustments for each Contract Year (i.e., (i) cost of inventory carried after change <u>subtracted</u> from cost of inventory carried immediately preceding change), (ii) with the difference then being multiplied by 1.12% (the cost of capital).	CPS Supply report showing change in cost of inventory carried for applicable Contract Year.
<b>Returned Products:</b>  Obtaining credit for returned products (e.g., unusable, obsolete or expired items).	= Amount of credit received.	Bill of Sale or vendor credit memo.
<b>Product Utilization:</b>  Reducing expense through improved product utilization.	= Reduced utilization during Contract Year x current cost of product.	CPS Supply report showing 12-month historical usage report and quarterly tracking of new usage.
<b>Capital Purchases:</b>  Reductions in pricing obtained through negotiations, alternative sourcing, or reduced equipment specifications driven through value/attribute analysis efforts.	= Initial Price Quoted – final negotiated cost.  <b>“Initial Price Quoted”</b> means the lower of: (a) the initial price quoted by the supplier for the item Client wishes to purchase, and (b) the price at which Client is entitled to purchase such item under its existing contractual agreements, including via Client’s group purchasing organization network without further negotiations; but excluding any agreement arranged by CPA’s GPO.	CPS Supply report showing vendor’s Initial Price Quoted and final negotiated cost.
<b>Rebates:</b>  Additional rebates and/or share-backs under Client contracts received from GPO’s, purchasing coalitions, or independent agreements as a result of improved contract utilization, standardization, or activation.	= additional benefit received by Client during Contract Year.	CPS Supply report showing participation in rebate programs; prior year rebate summary; annual spend reports. To be tracked quarterly.

Type	Fiscal Improvement Calculation	Documentation Standard
<b>Capital Acquisition:</b>  Obtaining additional equipment at no cost to the hospital as a result of product purchase agreements, or capital negotiations.	= Cost avoided.	Initial Price Quoted by vendor (if applicable); otherwise, 3 <sup>rd</sup> party market price report or similar market report, if available.
<b>CPS Supply Affiliation Agreements:</b>  Rebates or pricing discounts received by Client from organizations that have agreed to provide certain benefits to CPS Supply clients.	= Benefit received during Contract Year.	12-month PO history showing current cost and documentation showing new cost.
<b>Optimized Productivity:</b>  Reductions in required full-time equivalent ("FTE") hours needed (e.g., due to FTE alignment, position management, technology and other workflow adjustments).	= the value of FTE adjustments for the Contract Year (i.e., FTE Costs after change <u>subtracted</u> from FTE Costs immediately preceding change).  <b>"FTE Costs"</b> are the fully burdened costs (e.g., salary plus benefits) rounded to their nearest hour.	CPS Supply report showing change in FTEs used in the applicable period and the FTE Costs.
<b>Reduction in the Need for Fixed Assets</b>  Operational change which permit the sale of excess fixed assets (e.g., elimination of need for shelving due to reduced inventory).	= one-time increased revenue resulting from sale of excess fixed asset.	The Client shall provide the necessary documentation.
<b>Identification of other Errors:</b>  Benefit received from CPS Supply Personnel identifying other errors outside the scope of their responsibilities (e.g., failure by Client Personnel to bill, correction of errors in Client's charge database master, etc.).	= benefit Client received only over the subsequent 12 months.  Note: The Fiscal Improvement in this case only captures the benefit for 1 <sup>st</sup> 12 months after the change.	The Client shall provide the necessary documentation.

Type	Fiscal Improvement Calculation	Documentation Standard
<p><b>Contract Corrections:</b></p> <p>Recovery from supplier who charged Client more than contractually agreed to amounts.</p>	<p>= the amount recovered from suppliers (e.g., wholesaler or other vendors) who charged more than the contracted amount.</p> <p>Note: There is no offset for underpayments (e.g., if Supplier charged Client \$1,000 more than it should have under the contract for a product and Supplier charged Client \$500 less than it should have for a different product; the Fiscal Improvement is \$1,000).</p>	<p>CPS Supply report documenting such recovery.</p>

***End of Appendix #2***

Revision Date: 08/25/22			Tactic Completed	Tactics under way now	Tactics to begin in the next 12 months	Tactics in conceptual form	
				UCSF/SVH Joint Operating Dashboard			
			Initiative	Description/Tactic	Benefits/Impact	Start Date	Target Completion Date
			Strategic Objective				Update
1 Increase Access to San Francisco based UCSF Care - ability for Sonomans to access care at UCSF in the city has been difficult. This objective seeks to improve pathways to access care.	1.1	Expansion of Telemedicine Services with UCSF Affiliate Network	Neurology coverage for stroke and inpatient care	24/7 availability of neuro consult for stroke cases in ED	2019	2019	complete
			Infectious Disease coverage for hospital	Specialty coverage for ED and inpatient units			complete
			Intensivist Coverage of ICU	Expanded medical team would expand the types of cases that could be treated at SVH.	2022	2023	Discussing the viability of concept
	1.2	Beta Site for Capacity Management (transfer) Center	Integration of SVH into the UCSF/Phillips capacity management system	The integration will improve both site's ability to place patients in the right setting for their needs. Impact to SVH increased transfers both in and out as needed.	Summer 2023	2023-2024	UCSF/Phillips building the system now.
2 Increase Access to Locally Provided Specialists/Primary Care - establishment of care sites in Sonoma will aid in access to UCSF care.	2.1	Physician Employment	Joint recruitment of GI specialists based in Sonoma	Provision of service currently unavailable in Sonoma and highly in demand.	2021	in process	Agreement finalized, position advertised via UCSF
			Joint recruitment of orthopedic surgeon based in Sonoma	Orthopedics is in strong demand in Sonoma. Planning to insure availability over coming years.		2023-25	This is in concept stage at this point. Discussions will occur between existing partners to develop a plan.
			Engagement of UCSF faculty in growth or under represented service lines	Engagement can increase the types of care available in Sonoma and increase connectivity with programs at UCSF.	2022	2023	Issuance of RFP to faculty to identify programs which could be cited in Sonoma. Proposals must address market need.
	2.2	Expansion of Clinically Integrated Network	Opportunity to contractually link Sonoma providers to UCSF network improving network access, quality oversight, and financial stability for practices	Helps insure stability of practices in Sonoma and improved access to broader network.		2023	UCSF revising program
3 Increase Facility Utilization - objective is to use available space and resources at SVH to alleviate capacity issues at UCSF where needs align. The result will be more availability of services in Sonoma.	3.1	Grow UCSF surgical presence in Sonoma	Objective is to engage UCSF surgicians to practice in Sonoma and at SVH.	Increase availability of surgical services in Sonoma/increase utilization of SVH operating rooms			Next steps, ODC, EPIC go live to provide common working platform
	3.2	Explore collaborative opportunites in orthopedics	Details listed in section 2. Listed here to note it serves this objective.				
	3.3	Increase utilization of ODC by UCSF	Online scheduling	UCSF is moving to self scheduling which enables the patient to select the best location for their service based upon availability or location. This could optimize utilization of SVH assets.	2022	2023	
	3.4	Development of Post Acute program	Objective is to insure adequate postacute care is abvailable in Sonoma	Meeting market demand and insuring Sonoma has the right setting for care. Activation of dormant space at SVH.		2024	This is in concept stage at this point.
							Engage BTB Health on this?
4 Enhance IT Integration - maximize connectivity between two organizations to improve integration of data available to community and patients	4.1	Maximize data availability between sites	EPIC implementation	Installation of EPIC will improve connectivity between UCSF and SVH.	January 2022	12/3/2022	Implementation underway
			Optimize EPIC data transfer between instances	Maximizing data integration between SVH Epic and UCSF Epic will optimize utilization by clinicians and patients	Summer 2023	2025	Once SVH is live on Epic, SVH team will poll users to identify biggest opportunities for improvement.
	4.2	Integration of IT management	Contract executed between UCSF and SVH for the provision of management services to SVH		2022	2022	Complete
5 Share Resources/Reduce Costs - by collaborating, can the two organizations save money?	5.1	Integration of coordination of care w UCSF and/or Marin Health					
	5.2	Leadership Development	Sound leadership yields high performing organization	Investment in leadership is paramount in a high performing organization. Impact is more innovatoin (growth), better staff and patient satisfaction, increased market competitiveness, higher employee retention.	2022	ongoing	New Leader Orientation launched 8/22 and will be held monthly. UCSF resources for executive support being investigated.
	5.3	Explore JV opportunities around ODC	Develop a business case for a joint venture between SVH and UCSF around the ODC and surgical services	A joint venture would provide both capital and focus from UCSF on Sonoma.	CY2023	2024	
Parking Lot		Exploration of ways to integrate purchase of goods and services		Cooperating with UCSF on purchasing could yelid significant savings			Management continually on the look out for such opportunities. Supplies were reviewed in 2022 - no opportunity. Reimbursement rates - not allowed unless UCSF has a controlling interest.



**To:** Sonoma Valley Health Care District Finance Committee  
**From:** Ben Armfield, Chief Financial Officer  
**Date:** September 27, 2022  
**Subject:** Financial Report for August 2022

### OVERALL PERFORMANCE – MONTH:

Financial performance from operations in August continued to follow our recent trend of exceeding budget. Our operating margin was favorable compared to budget and now marks the fifth straight month where the hospital's operating performance exceeded the monthly target. The operating margin of (\$883,060) in August was 11% better than what was budgeted for the month, while our Operating EDBA (operating margin excluding depreciation) of (\$652,606) was 15% better than budget as well.

After accounting for all operating and non-operating revenues and expenses (including parcel tax and GO bond activity), SVH posted net income of \$277,820, which exceeded the budgeted net loss of (\$31,924).

Operating margin, Operating EBDA, and Total Net Income (Loss) all exceed budget from a year-to-date perspective by at least 20%.

**Table 1 | Operating Margin - August 2022**

	Month of August 2022				Year To Date August 2022							
	Current Year		Variance		Current Year				Prior Year		Variance	
	Actual	Budget	\$	%	Actual	Budget	\$	%	Actual	\$	%	
<b>Operating Margin</b>	\$ (883,060)	\$ (993,096)	\$ 110,036	11%	\$ (1,634,147)	\$ (2,073,146)	\$ 438,999	21%	\$ (1,310,995)	\$ (323,152)	-25%	
<b>Operating EBDA*</b>	\$ (652,606)	\$ (764,009)	\$ 111,403	15%	\$ (1,174,152)	\$ (1,614,972)	\$ 440,820	27%	\$ (816,900)	\$ (357,252)	-44%	
<b>Net Income (Loss)</b>	\$ 277,820	\$ (31,924)	\$ 309,744	970%	\$ (12,300)	\$ (154,994)	\$ 142,694	92%	\$ (336,037)	\$ 323,737	96%	

\* Operating Margin less Depreciation

### NET REVENUE and OPERATING EXPENSES:

Total net patient revenue did exceed budget in August by 5%, which continues a trend of total net revenue exceeding our monthly targets. Year-to-date we are up 6% compared to budget and down 1% from the prior year. Net patient revenue as a % of gross revenue dipped in August, and the 14.8% indicates there is opportunity for improvement. Through the first two months of the year, we are flat to budget from a YTD perspective (15.2% v. 15.2%) and lagging behind the prior year by 5%.

Operating expenses tracked very close to budget and ended up coming in just over for the month. Year-to-date we are basically flat with budget (technically \$16,000 under budget) and above prior year by 3%. Our total FTEs this year are 3% less than what we were running in the prior year and were 6% under budget in the month of August.

**Table 3 | Operating Revenues & Expenses - August 2022**

	Month of August 2022				Year To Date August 2022							
	Current Year		Variance		Current Year				Prior Year		Variance	
	Actual	Budget	\$	%	Actual	Budget	\$	%	Actual	\$	%	
<b>Net Patient Revenue (NPR)</b>	\$ 3,908,301	\$ 3,734,519	\$ 173,782	5%	\$ 7,793,557	\$ 7,320,389	\$ 473,168	6%	\$ 7,854,922	\$ (61,365)	-1%	
<b>NPR as a % of Gross Revenue</b>	14.8%	15.2%		-2%	15.2%	15.2%		0%	16.1%		-5%	
<b>Total Operating Revenue</b>	\$ 3,988,042	\$ 3,839,242	\$ 148,800	4%	\$ 7,952,976	\$ 7,529,835	\$ 423,141	6%	\$ 8,006,884	\$ (53,908)	-1%	
<b>Total Operating Expenses</b>	\$ 4,871,102	\$ 4,832,338	\$ (38,764)	-1%	\$ 9,587,123	\$ 9,602,981	\$ 15,858	0%	\$ 9,317,879	\$ (269,244)	-3%	
<b>SVH FTEs (Paid)</b>	222	236	14	6%	223	234	11	5%	231	8	3%	

For the most part, overall volumes tracked very close to budget in August, particularly on the outpatient and procedural side. However, our surgical volumes did rebound this past month when comparing monthly volumes to the prior month of July. The 117 total surgeries that were performed in August were basically flat to the 116 that were budgeted, but they were 25% higher than the 94 total surgeries we ran in July. We continue to see inpatient surgical volumes exceed both budget and the prior year, as our YTD volumes are nearly 40% above budget and over 60% higher than the prior year, respectively.

The hospital's emergency room volumes remain strong, and we also saw a rebound in total outpatient visits in August. We were +2% compared to budget, but the 4,691 total outpatient visits were +15% when compared to our July volumes.

**Table 4 | Patient Volumes - August 2022**

	Month of August 2022				Year To Date August 2022							
	Current Year		Variance		Current Year		Variance		Prior Year		Variance	
	Actual	Budget	Var	%	Actual	Budget	Var	%	Actual	Var	%	
Acute Discharges	63	61	2	3%	123	123	-	0%	128	(5)	-4%	
Acute Patient Days	238	254	(16)	-6%	522	511	11	2%	491	31	6%	
IP Surgeries	18	13	5	38%	36	26	10	38%	22	14	64%	
OP Surgeries	99	103	(4)	-4%	175	212	(37)	-17%	223	(48)	-22%	
<b>Total Surgeries</b>	<b>117</b>	<b>116</b>	<b>1</b>	<b>1%</b>	<b>211</b>	<b>238</b>	<b>(27)</b>	<b>-11%</b>	<b>245</b>	<b>(34)</b>	<b>-14%</b>	
Special Procedures	57	51	6	12%	104	97	7	7%	109	(5)	-5%	
Total Outpatient Visits	4,691	4,610	81	2%	8,748	9,198	(450)	-5%	9,470	(722)	-8%	
Total ER Visits	840	796	44	6%	1,658	1,529	129	8%	1,638	20	1%	

#### CASH ACTIVITY:

We had a great month of cash collections in August, collecting \$4.6M, which was 117% of the monthly goal. We are now sitting at 105% of our FYTD goal through the first two months of the year.

Days cash on hand dropped below 50.0 in August. This dip is due primarily to the Epic EHR implementation deposit totaling \$702,000 that was paid in August. This payment was planned for, and our days cash on hand trajectory still tracks favorable to budget when looking at where we are projected to end the year.

Both days in A/R and days in A/P had positive movement in August, decreasing by 11% and 7% respectively when compared to the prior month.

**Table 5 | Cash / Revenue Cycle Indicators - August 2022**

	Current Year		Variance		Prior Year	Variance	
	Aug-22	Jul-22	Var	%		Var	%
Days Cash on Hand - Avg	45.1	53.8	(8.7)	-16%	50.1	(5.0)	-10%
A/R Days	36.5	40.9	(4.4)	-11%	40.8	(4.3)	-10%
A/P Days	53.6	57.6	(4.0)	-7%	41.3	12.3	30%

## **MONTHLY FINANCE UPDATES:**

Please see below for a summary of key initiatives and the work we are prioritizing in the month ahead:

### **Epic Implementation:**

Our team is deep into the Epic implementation project as we are less than 80 days to our go-live. Lots of work still to be completed and we continue to prioritize this project to ensure we stay on task as we enter this critical time prior to go-live.

### **Financial Audit:**

Fieldwork has completed and we are working with our auditors on a few remaining outstanding items specific to implementing a new GASB Audit Standard.

### **Departmental Collaboration Opportunities:**

In addition to the proposal we brought forward today, we are continuing the process of evaluating additional opportunities in respects to some other key areas where we feel the hospital would benefit from this arrangement. Look for further updates on this in the coming months...

### **Cyber-Attack Insurance Claim:**

We have finished our responses to the correspondence that requested additional documentation and detail surrounding our \$1.5M claim. We await further follow-up and will keep the committee informed of next steps.

### **Revenue Cycle Payor Contracting Initiative:**

Will provide verbal update during meeting as this is a separate, stand-alone agenda item.

### **Departmental Monthly Operating Reviews:**

We plan to start work on re-establishing Monthly Departmental Operating Reviews (MORs) over the next couple of months. These reviews will focus on departmental operations with an emphasis on financial performance, productivity, and departmental volumes.

### **Departmental Staffing / Revenue Cycle Committee Update:**

Will provide verbal update on departmental staffing plan and progress during Financial Update.

---

## **ATTACHMENTS:**

- Attachment A is the Payer Mix Analysis
  - 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 August 31, 2022**

ATTACHMENT A

Gross Revenue	Month			
	Actual	Budget	Variance	% Variance
Medicare	8,874,562	9,161,001	-286,439	-3.1%
Medicare Managed Care	4,923,356	4,114,334	809,022	19.7%
Medi-Cal	5,335,347	4,104,546	1,230,801	30.0%
Self Pay	283,710	434,214	-150,504	-34.7%
Commercial & Other Gov't	6,078,485	6,081,438	-2,953	0.0%
Worker's Comp.	916,501	732,670	183,830	25.1%
<b>Total</b>	<b>26,411,961</b>	<b>24,628,204</b>	<b>1,783,757</b>	<b>7.2%</b>

	Year-to-Date			
	Actual	Budget	Variance	% Variance
	16,748,932	17,969,198	-1,220,265	-6.8%
	9,731,162	8,051,025	1,680,137	20.9%
	9,768,524	8,001,829	1,766,695	22.1%
	807,656	842,262	-34,606	-4.1%
	12,112,030	11,949,020	163,011	1.4%
	2,131,265	1,456,044	675,221	46.4%
	<b>51,299,569</b>	<b>48,269,377</b>	<b>3,030,192</b>	<b>6.3%</b>

Net Revenue	Month			
	Actual	Budget	Variance	% Variance
Medicare	954,739	1,073,747	-118,722	-11.1%
Medicare Managed Care	493,281	474,437	18,844	4.0%
Medi-Cal	473,941	431,884	42,057	9.7%
Self Pay	90,971	130,166	-39,195	-30.1%
Commercial & Other Gov't	1,692,430	1,488,769	203,661	13.7%
Worker's Comp.	202,939	135,515	67,424	49.8%
<b>Total</b>	<b>3,908,301</b>	<b>3,734,519</b>	<b>174,068</b>	<b>4.7%</b>

	Year-to-Date			
	Actual	Budget	Variance	% Variance
	1,886,434	2,106,111	-219,677	-10.4%
	986,562	928,375	58,187	6.3%
	947,881	841,946	105,935	12.6%
	181,942	252,485	-70,543	-27.9%
	3,384,860	2,922,165	462,695	15.8%
	405,878	269,307	136,571	50.7%
	<b>7,793,557</b>	<b>7,320,389</b>	<b>473,169</b>	<b>6.5%</b>

Payor Mix	Month		
	Actual	Budget	% Variance
Medicare	33.6%	37.2%	-9.7%
Medicare Managed Care	18.6%	16.7%	11.6%
Medi-Cal	20.2%	16.7%	21.2%
Self Pay	1.1%	1.8%	-39.1%
Commercial & Other Gov't	23.0%	24.7%	-6.8%
Worker's Comp.	3.5%	3.0%	16.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

	Year-to-Date	
	Actual	% Variance
	32.6%	-12.3%
	19.0%	13.7%
	19.0%	14.9%
	1.6%	-9.8%
	23.6%	-4.6%
	4.2%	37.7%
	<b>100.0%</b>	<b>0.0%</b>

Percent of Net Revenue	Month			
	Actual	Budget	Variance	% Variance
Medicare	24.4%	28.8%	-4.3%	-15.0%
Medicare Managed Care	12.6%	12.7%	-0.1%	-0.7%
Medi-Cal	12.1%	11.6%	0.6%	4.9%
Self Pay	2.3%	3.5%	-1.2%	-33.2%
Commercial & Other Gov't	43.3%	39.9%	3.4%	8.6%
Worker's Comp.	5.2%	3.6%	1.6%	43.1%
Prior Period Adj/IGT	0.0%	0.0%	0.0%	*
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

	Year-to-Date			
	Actual	Budget	Variance	% Variance
	24.2%	28.8%	-4.7%	-16.2%
	12.7%	12.7%	0.0%	-0.2%
	12.2%	11.5%	0.7%	5.7%
	2.3%	3.4%	-1.1%	-32.3%
	43.4%	39.9%	3.5%	8.8%
	5.2%	3.7%	1.5%	41.6%
	0.0%	0.0%	0.0%	*
	<b>100.0%</b>	<b>100.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>

Net Revenue as a % of Gross	Month			
	Actual	Budget	Variance	% Variance
Medicare	10.8%	11.7%	-1.0%	-8.2%
Medicare Managed Care	10.0%	11.5%	-1.5%	-13.1%
Medi-Cal	8.9%	10.5%	-1.6%	-15.6%
Self Pay	32.1%	30.0%	2.1%	7.0%
Commercial & Other Government	27.8%	24.5%	3.4%	13.7%
Worker's Comp.	22.1%	18.5%	3.6%	19.7%
<b>TOTAL</b>	<b>14.8%</b>	<b>15.2%</b>		

	Year-to-Date			
	Actual	Budget	Variance	% Variance
	11.3%	11.7%	-0.5%	-3.9%
	10.1%	11.5%	-1.4%	-12.1%
	9.7%	10.5%	-0.8%	-7.8%
	22.5%	30.0%	-7.4%	-24.9%
	27.9%	24.5%	3.5%	14.3%
	19.0%	18.5%	0.5%	3.0%
	<b>15.2%</b>	<b>15.2%</b>		

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

**ATTACHMENT B**

CURRENT MONTH				YEAR-TO-DATE			YTD
	Actual	Budget	Favorable				
	<u>08/31/22</u>	<u>08/31/22</u>	(Unfavorable)		<u>08/31/22</u>	(Unfavorable)	Prior
			<u>Variance</u>			<u>Variance</u>	<u>Year</u>
							<u>08/31/21</u>
<b>Inpatient Utilization</b>							
<b>Discharges</b>							
1	40	47	(7)	Med/Surg	87	95	98
2	23	14	9	ICU	36	28	30
3	63	61	2	Total Discharges	123	123	128
<b>Patient Days:</b>							
4	139	169	(30)	Med/Surg	316	340	346
5	99	85	14	ICU	206	171	145
6	238	254	(16)	Total Patient Days	522	511	491
7	17	-	17	Observation days	25	-	61
<b>Average Length of Stay:</b>							
8	3.5	3.6	(0.1)	Med/Surg	3.63	3.56	3.5
9	4.3	6.2	(1.9)	ICU	5.72	6.20	4.8
10	3.8	4.2	(0.4)	Avg. Length of Stay	4.24	4.15	3.8
<b>Average Daily Census:</b>							
11	4.5	5.5	(1.0)	Med/Surg	5.1	5.5	5.6
12	3.2	2.7	0.5	ICU	3.3	2.8	2.3
13	7.7	8.2	(0.5)	Avg. Daily Census	8.4	8.2	7.9
<b>Other Utilization Statistics</b>							
<b>Emergency Room Statistics</b>							
14	840	796	44	Total ER Visits	1,658	1,529	1,638
<b>Outpatient Statistics:</b>							
15	4,691	4,610	81	Total Outpatients Visits	8,748	9,198	9,470
16	18	13	5	IP Surgeries	36	26	22
17	99	103	(4)	OP Surgeries	175	212	223
18	57	51	6	Special Procedures	104	97	109
19	288	256	32	Adjusted Discharges	515	504	630
20	1,088	1,067	21	Adjusted Patient Days	2,163	2,094	2,427
21	35.1	34.4	0.7	Adj. Avg. Daily Census	34.9	33.8	39.1
22	1.4950	1.4000	0.095	Case Mix Index -Medicare	1.6048	1.4000	1.2407
23	1.4320	1.4000	0.032	Case Mix Index - All payers	1.5237	1.4000	1.2929
<b>Labor Statistics</b>							
24	197	214	17	FTE's - Worked	196	212	205
25	222	236	14	FTE's - Paid	223	234	231
26	50.89	46.55	(4.34)	Average Hourly Rate	49.20	46.47	44.69
27	6.33	6.85	0.52	FTE / Adj. Pat Day	6.39	6.92	5.89
28	36.1	39.0	3.0	Manhours / Adj. Pat Day	36.4	39.4	33.6
29	136.2	162.5	26.2	Manhours / Adj. Discharge	153.0	163.7	129.3
30	25.3%	25.0%	-0.3%	Benefits % of Salaries	24.6%	25.3%	24.6%
<b>Non-Labor Statistics</b>							
31	13.4%	16.5%	3.1%	Supply Expense % Net Revenue	14.1%	16.7%	15.1%
32	1,814	2,402	588	Supply Exp. / Adj. Discharge	2,132	2,432	1,881
33	17,086	19,049	1,963	Total Expense / Adj. Discharge	18,809	19,255	15,295
<b>Other Indicators</b>							
34	45.1			Days Cash - Operating Funds			
35	36.5	50.0	(13.5)	Days in Net AR	38.7	50.0	40.8
36	117%			Collections % of Cash Goal	105%		95.4%
37	53.6	55.0	(1.4)	Days in Accounts Payable	53.6	55.0	41.3
38	14.8%	15.2%	-0.4%	% Net revenue to Gross revenue	15.2%	15.2%	16.1%
39	14.1%			% Net AR to Gross AR	14.1%		17.7%

**Sonoma Valley Health Care District**  
**Balance Sheet**  
**As of August 31, 2022**  
**UNAUDITED**

**ATTACHMENT C**

		<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<b>Assets</b>				
Current Assets:				
1	Cash	\$ 1,286,262	\$ 2,493,558	\$ 1,491,246
2	Cash - Money Market	5,345,843	5,845,329	5,639,115
3	Net Patient Receivables	6,091,295	6,701,039	6,632,434
4	Allow Uncollect Accts	(1,487,786)	(1,426,077)	(1,399,958)
5	Net A/R	4,603,509	5,274,962	5,232,476
6	Other Accts/Notes Rec	1,263,336	1,604,206	1,856,041
7	Parcel Tax Receivable	3,800,000	4,007,928	3,800,000
8	GO Bond Tax Receivable	2,601,816	2,485,089	2,601,816
9	3rd Party Receivables, Net	97,905	10,905	81,243
10	Inventory	1,041,884	1,037,598	939,153
11	Prepaid Expenses	1,138,075	828,299	1,009,486
12	Total Current Assets	\$ 21,178,629	\$ 23,587,874	\$ 22,650,576
11	Board Designated Assets	\$ -	\$ -	\$ -
13	Property, Plant & Equip, Net	\$ 53,184,824	\$ 52,121,398	\$ 52,261,611
14	Trustee Funds - GO Bonds	5,977,256	5,752,065	6,115,138
15	Designated Funds - Board Approved	1,000,000	1,000,000	1,000,000
16	Total Assets	\$ 81,340,709	\$ 82,461,337	\$ 82,027,325
<b>Liabilities &amp; Fund Balances</b>				
Current Liabilities:				
17	Accounts Payable	\$ 5,557,721	\$ 4,187,686	\$ 3,535,407
18	Accrued Compensation	3,462,719	3,694,715	3,701,343
19	Interest Payable - GO Bonds	316,998	217,400	542,516
20	Accrued Expenses	1,225,462	1,845,632	1,530,251
21	Advances From 3rd Parties	-	-	-
22	Deferred Parcel Tax Revenue	3,483,333	3,800,000	3,166,670
23	Deferred GO Bond Tax Revenue	1,754,214	2,485,090	2,318,121
24	Current Maturities-LTD	217,475	301,957	424,998
25	Line of Credit - Union Bank	5,473,734	5,473,734	5,473,734
26	Other Liabilities	106,158	106,158	252,339
27	Total Current Liabilities	\$ 21,597,815	\$ 22,112,372	\$ 20,945,379
28	Long Term Debt, net current portion	\$ 25,541,947	\$ 25,476,513	\$ 27,023,403
Fund Balances:				
30	Unrestricted	\$ 17,454,657	\$ 18,822,273	\$ 18,617,742
31	Restricted	16,746,290	16,050,179	15,440,801
32	Total Fund Balances	\$ 34,200,947	\$ 34,872,452	\$ 34,058,543
33	Total Liabilities & Fund Balances	\$ 81,340,709	\$ 82,461,337	\$ 82,027,325

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

	Month			
	This Year		Variance	
	Actual	Budget	\$	%
1	63	61	2	3%
2	238	254	(16)	-6%
3	17	-	17	0%
4	\$ 20,635	\$ 18,768	\$ 1,868	10%
5	\$ 5,776,709	\$ 5,859,916	\$ (83,207)	-1%
6	12,387,854	11,634,328	753,526	6%
7	8,247,401	7,133,960	1,113,441	16%
8	\$ 26,411,964	\$ 24,628,204	1,783,760	7%
9	(22,337,063)	(20,670,766)	(1,666,297)	-8%
10	(150,067)	(200,000)	49,933	25%
11	(16,533)	(22,919)	6,386	28%
12	-	-	-	*
13	\$ (22,503,663)	\$ (20,893,685)	(1,609,978)	8%
14	\$ 3,908,301	\$ 3,734,519	173,782	5%
15	\$ 79,741	\$ 104,723	(24,982)	-24%
16	\$ 3,988,042	\$ 3,839,242	148,800	4%
17	\$ 1,995,887	\$ 1,937,739	(58,148)	-3%
18	703,633	683,218	(20,415)	-3%
19	\$ 2,699,520	\$ 2,620,957	(78,563)	-3%
20	\$ 565,843	\$ 596,624	30,781	5%
21	522,186	615,299	93,113	15%
22	466,886	428,044	(38,842)	-9%
23	230,454	229,087	(1,367)	-1%
24	167,396	146,552	(20,844)	-14%
25	55,345	52,833	(2,512)	-5%
26	29,690	18,703	(10,987)	-59%
27	133,782	124,239	(9,543)	-8%
28	-	-	-	*
29	\$ 4,871,102	\$ 4,832,338	(38,764)	-1%
30	\$ (883,060)	\$ (993,096)	\$ 110,036	11%

**Volume Information**

Acute Discharges	123	123	-	0%
Patient Days	522	511	11	2%
Observation Days	25	-	25	*
Gross O/P Revenue (000's)	\$ 38,953	\$ 36,497	\$ 2,456	7%

**Financial Results****Gross Patient Revenue**

Inpatient	\$ 12,346,929	\$ 11,772,397	574,532	5%
Outpatient	21,933,770	22,859,409	(925,639)	-4%
Emergency	17,018,870	13,637,571	3,381,299	25%

**Total Gross Patient Revenue**

	Year-To- Date				YTD
	This Year		Variance		Prior Year
	Actual	Budget	\$	%	
	123	123	-	0%	128
	522	511	11	2%	491
	25	-	25	*	61
	\$ 38,953	\$ 36,497	\$ 2,456	7%	\$ 38,956
	\$ 12,346,929	\$ 11,772,397	574,532	5%	\$ 9,919,960
	21,933,770	22,859,409	(925,639)	-4%	24,145,635
	17,018,870	13,637,571	3,381,299	25%	14,847,810
	\$ 51,299,569	\$ 48,269,377	3,030,192	6%	\$ 48,913,405
	\$ (43,223,466)	\$ (40,513,051)	(2,710,415)	-7%	\$ (40,703,321)
	(250,067)	(400,000)	149,933	37%	(400,000)
	(32,479)	(35,937)	3,458	10%	(25,500)
	-	-	-	*	70,338
	\$ (43,506,012)	\$ (40,948,988)	(2,557,024)	6%	\$ (41,058,483)
	\$ 7,793,557	\$ 7,320,389	473,168	6%	\$ 7,854,922
	\$ 159,419	\$ 209,446	(50,027)	-24%	\$ 151,962
	\$ 7,952,976	\$ 7,529,835	\$ 423,141	6%	\$ 8,006,884
	\$ 3,876,594	\$ 3,834,593	(42,001)	-1%	\$ 3,639,837
	1,413,612	1,362,280	(51,332)	-4%	1,383,062
	\$ 5,290,206	\$ 5,196,873	(93,333)	-2%	\$ 5,022,899
	\$ 1,111,048	\$ 1,191,927	80,879	7%	\$ 1,076,977
	1,097,790	1,225,293	127,503	10%	1,184,830
	892,328	856,083	(36,245)	-4%	856,870
	459,995	458,174	(1,821)	0%	494,095
	339,634	288,487	(51,147)	-18%	297,592
	108,729	105,666	(3,063)	-3%	99,659
	55,078	33,214	(21,864)	-66%	32,515
	232,315	247,264	14,949	6%	222,948
	0	-	-	*	29,494
	\$ 9,587,123	\$ 9,602,981	15,858	0.2%	\$ 9,317,879
	\$ (1,634,147)	\$ (2,073,146)	438,999	21%	\$ (1,310,995)

**Operating Expenses**

## Salary and Wages and Agency Fees

## Employee Benefits

## Total People Cost

## Med and Prof Fees (excl'd Agency)

## Supplies

## Purchased Services

## Depreciation

## Utilities

## Insurance

## Interest

## Other

## Matching Fees (Government Programs)

**Operating expenses****Operating Margin**

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

Month						Year-To- Date					YTD
This Year			Variance			This Year			Variance		Prior Year
Actual	Budget		\$	%	Actual	Budget	\$	%			
31	\$ (11,286)	\$ (13,385)	2,099	*	Non Operating Rev and Expense	\$ (22,182)	\$ (26,770)	4,588	*	\$ (26,369)	
32	-	-	-	0%	Miscellaneous Revenue/(Expenses)	-	-	-	0%	0	
33	-	-	-	*	Donations	-	-	-	*	0	
34	316,667	316,667	-	0%	Physician Practice Support-Prima	633,334	633,334	-	0%	633,334	
35	-	-	-	0%	Parcel Tax Assessment Rev	-	-	-	0%	0	
36	\$ 305,381	\$ 303,282	2,099	1%	Extraordinary Items	\$ 611,152	\$ 606,564	4,588	1%	\$ 606,965	
Total Non-Operating Rev/Exp						\$ 611,152	\$ 606,564	4,588	1%	\$ 606,965	
37	\$ (577,679)	\$ (689,814)	112,135	16%	Net Income / (Loss) prior to Restricted Contributions	\$ (1,022,995)	\$ (1,466,582)	443,587	30%	\$ (704,030)	
38	\$ -	\$ -	-	0%	Capital Campaign Contribution	\$ -	\$ -	-	0%	\$ -	
39	\$ 696,111	\$ 493,593	202,518	0%	Restricted Foundation Contributions	\$ 696,111	\$ 987,186	(291,075)	100%	\$ 223,245	
40	\$ 118,432	\$ (196,221)	314,653	-160%	Net Income / (Loss) w/ Restricted Contributions	\$ (326,884)	\$ (479,396)	152,512	-32%	\$ (480,785)	
41	159,388	164,297	(4,909)	-3%	GO Bond Activity, Net	314,584	324,402	(9,818)	-3%	144,748	
42	\$ 277,820	\$ (31,924)	309,744	970%	Net Income/(Loss) w GO Bond Activity	\$ (12,300)	\$ (154,994)	142,694	92%	\$ (336,037)	
	\$ (347,225)	\$ (460,727)	113,502		EBDA - Not including Restricted Contributions	\$ (563,000)	\$ (1,008,408)	445,408		\$ (209,935)	
	\$ (652,606)	\$ (764,009)	111,403	15%	Operating EBDA - Not including Restricted Contributions	\$ (1,174,152)	\$ (1,614,972)	440,820	27%	\$ (816,900)	

\* Operating Margin without Depreciation expense:

\$ (883,060)	\$ (993,096)	\$ 110,036	11%	<b>Operating Margin</b>	\$ (1,634,147)	\$ (2,073,146)	\$ 438,999	21%	\$ (1,310,995)
230,454	229,087	(1,367)	-1%	Add back Depreciation	459,995	458,174	(1,821)	0%	494,095
\$ (652,606)	\$ (764,009)	\$ 108,669	15%	<b>Operating Margin without Depreciation expense</b>	\$ (1,174,152)	\$ (1,614,972)	\$ 437,178	27%	\$ (816,900)

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

**ATTACHMENT E**

Operating Expenses	YTD		MONTH		Variance %
	Variance	Variance %	Variance	Variance %	
Salary and Wages and Agency Fees	(42,001)	-1.1%	(58,148)	-3.0%	For the month, salaries and wages were under budget by \$66,435 and agency fees were over by (\$124,583). Agency fees are over budget in Emergency Room, ICU, and some ongoing hard to fill positions in critical ancillary service departments such as CT Scan and Occupational Therapy.
Med and Prof Fees (excl Agency)	80,879	7%	30,781	5%	Professional fees are under budget due to a true-up in UCSF management fees.
Supplies	127,503	10%	93,113	15%	Patient chargeable supplies were under budget in surgery by \$120,000 in August, primarily due to implant costs. Lab supplies were also under budget by \$10,000 in August due to a reduction in COVID testing supplies.
Purchased Services	(36,245)	-4%	(38,842)	-9%	Purchased services are over budget primarily due to higher than budgeted costs in IT and radiology.
Depreciation	(1,821)	0%	(1,367)	-1%	
Utilities	(51,147)	-18%	(20,844)	-14%	Utilities are over budget due to higher monthly electrical costs, particularly with electrical and gas costs.
Insurance	(3,063)	-3%	(2,512)	-5%	
Interest	(21,864)	-66%	(10,987)	-59%	Interest expense is running over budget to an increase in interest rates directly related to our line of credit loan.
Other	14,949	6%	(9,543)	-8%	
<b>Operating expenses</b>	<b>15,858</b>	<b>0.2%</b>	<b>(38,764)</b>	<b>-0.8%</b>	

Sonoma Valley Hospital  
Cash Forecast  
FY 2023

ATTACHMENT F

	Actual July	Actual Aug	Forecast Sept	Forecast Oct	Forecast Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
<b>Hospital Operating Sources</b>													
Patient Payments Collected	3,924,051	4,613,392	3,621,207	3,989,228	3,869,771	3,843,928	4,065,106	3,872,360	4,237,155	3,996,942	4,132,251	4,022,275	48,187,666
Other Operating Revenue	19,072	182,649	104,723	104,723	104,723	104,723	104,723	104,723	104,723	104,723	104,723	104,732	1,248,960
Other Non-Operating Revenue	10,204	12,925	10,801	10,801	10,801	10,801	10,801	10,801	10,801	10,801	10,801	10,806	131,144
Unrestricted Contributions													-
Line of Credit													-
<b>Sub-Total Hospital Sources</b>	<b>3,953,328</b>	<b>4,808,966</b>	<b>3,736,731</b>	<b>4,104,752</b>	<b>3,985,295</b>	<b>3,959,452</b>	<b>4,180,630</b>	<b>3,987,884</b>	<b>4,352,679</b>	<b>4,112,466</b>	<b>4,247,775</b>	<b>4,137,813</b>	<b>49,567,771</b>
<b>Hospital Uses of Cash</b>													
Operating Expenses	4,913,977	4,894,375	4,526,007	4,678,557	4,594,131	4,649,093	4,779,230	4,598,493	5,073,479	4,946,353	5,034,948	4,993,654	57,682,297
Add Capital Lease Payments	13,501	13,354											26,855
Additional Liabilities/LOC													-
Capital Expenditures	774,009	749,295	95,000	95,000	95,000	1,399,000	1,399,000	975,000	95,000	95,000	95,000	97,696	5,964,000
<b>Total Hospital Uses</b>	<b>5,701,487</b>	<b>5,657,024</b>	<b>4,621,007</b>	<b>4,773,557</b>	<b>4,689,131</b>	<b>6,048,093</b>	<b>6,178,230</b>	<b>5,573,493</b>	<b>5,168,479</b>	<b>5,041,353</b>	<b>5,129,948</b>	<b>5,091,350</b>	<b>63,673,152</b>
<b>Net Hospital Sources/Uses of Cash</b>	<b>(1,748,159)</b>	<b>(848,058)</b>	<b>(884,276)</b>	<b>(668,805)</b>	<b>(703,836)</b>	<b>(2,088,641)</b>	<b>(1,997,600)</b>	<b>(1,585,609)</b>	<b>(815,800)</b>	<b>(928,887)</b>	<b>(882,173)</b>	<b>(953,537)</b>	<b>(14,105,381)</b>
<b>Non-Hospital Sources</b>													
Restricted Cash/Money Market	750,000	750,000	1,000,000		500,000		(3,000,000)						-
Restricted Capital Donations	210	696,111											696,321
Parcel Tax Revenue	192,601					2,134,000			1,502,000				3,828,601
Other Payments - Ins. Claims/HHS/Grants/Loans				-	1,500,000								1,500,000
Other:													-
IGT							-	5,400,000	688,278			41,568	6,129,846
IGT - AB915										227,253			227,253
QIP											380,000		380,000
HELP II LOAN						2,000,000	-						2,000,000
<b>Sub-Total Non-Hospital Sources</b>	<b>942,811</b>	<b>1,446,111</b>	<b>1,000,000</b>	<b>-</b>	<b>2,000,000</b>	<b>4,134,000</b>	<b>(3,000,000)</b>	<b>5,400,000</b>	<b>688,278</b>	<b>1,729,253</b>	<b>380,000</b>	<b>41,568</b>	<b>14,762,020</b>
<b>Non-Hospital Uses of Cash</b>													
Matching Fees					-	2,258,179	240,898	-	-	-	20,784		2,519,861
<b>Sub-Total Non-Hospital Uses of Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,258,179</b>	<b>240,898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,784</b>	<b>-</b>	<b>2,519,861</b>
<b>Net Non-Hospital Sources/Uses of Cash</b>	<b>942,811</b>	<b>1,446,111</b>	<b>1,000,000</b>	<b>-</b>	<b>2,000,000</b>	<b>1,875,821</b>	<b>(3,240,898)</b>	<b>5,400,000</b>	<b>688,278</b>	<b>1,729,253</b>	<b>359,216</b>	<b>41,568</b>	<b>12,242,159</b>
<b>Net Sources/Uses</b>	<b>(805,349)</b>	<b>598,053</b>	<b>115,724</b>	<b>(668,805)</b>	<b>1,296,164</b>	<b>(212,820)</b>	<b>(5,238,498)</b>	<b>3,814,391</b>	<b>(127,522)</b>	<b>800,366</b>	<b>(522,957)</b>	<b>(911,969)</b>	
Operating Cash at beginning of period	2,493,558	1,688,209	2,286,262	2,401,986	1,733,181	3,029,345	2,816,525	(2,421,973)	1,392,418	1,264,896	2,065,262	1,542,305	
<b>Operating Cash at End of Period</b>	<b>1,688,209</b>	<b>2,286,262</b>	<b>2,401,986</b>	<b>1,733,181</b>	<b>3,029,345</b>	<b>2,816,525</b>	<b>(2,421,973)</b>	<b>1,392,418</b>	<b>1,264,896</b>	<b>2,065,262</b>	<b>1,542,305</b>	<b>630,336</b>	
Money Market Account Balance - Undesignated	5,845,329	5,095,329	4,095,329	4,095,329	3,595,329	3,595,329	6,595,329	6,595,329	6,595,329	6,595,329	6,595,329	6,595,329	
<b>Total Cash at End of Period</b>	<b>7,533,538</b>	<b>7,381,591</b>	<b>6,497,315</b>	<b>5,828,510</b>	<b>6,624,674</b>	<b>6,411,854</b>	<b>4,173,356</b>	<b>7,987,747</b>	<b>7,860,225</b>	<b>8,660,591</b>	<b>8,137,634</b>	<b>7,225,665</b>	
<b>Average Days of Cash on Hand</b>	<b>54.2</b>	<b>45.1</b>											
<b>Days of Cash on Hand at End of Month</b>	<b>53.8</b>	<b>46.8</b>	43.1	38.6	43.3	42.8	27.1	53.8	48.0	54.3	50.1	44.9	