



MEMORIAL HOSPITAL
SKILLED NURSING FACILITIES
HOME HEALTH AGENCY

San Benito Health Care District

San Benito Health Care District

A Public Agency
911 Sunset Drive
Hollister, CA 95023-5695
(831) 637-5711

September 25, 2014

Roh Braitman
Executive Officer
L.A.F.C.O.
2301 Technology Parkway
Hollister, CA 95023

Dear Mr. Braitman:

Attached is the San Benito Local Agency Formation Commission Request for Information for Municipal Service Reviews document you sent us for completion. I apologize for the delay in returning this to you, but it entailed getting the necessary information from several other areas in the hospital.

If you have any further questions, please feel free to call me at (831) 636-2673.

Sincerely,

Loretta Martin
Administrative Assistant

/lm
enclosure

San Benito Local Agency Formation Commission

Request for Information for Municipal Service Reviews

A. AGENCY PROFILE

A-1. Official name of the City or Special District:

SAN BENITO HEALTH CARE DISTRICT

A-2. Name of Contact: The individual who will coordinate your response to the questionnaire and will serve as your liaison with LAFCO for this project:

Name: KAREN GAMBETTA

Title: CONTROLLER

Address: 911 SUNSET DRIVE

HOLLISTER, CA 95023

Phone: 831-635-1138

Fax: 831-636-2695

Email: kgambetta@hazelhawkins.com

A-3. Governing Body:

- When are scheduled regular meetings held? 4th THURSDAY CA. MONTH
- Number of members on governing board. 5
- Are members elected or appointed? ELECTED
- Are elections or appointments agency wide or by division? CURRENTLY AT LARGE

A-4. Organizational Chart: Does your agency have an organizational chart? Yes No

If "yes" enclose a copy of your current organization chart.

A-5. Employees. How many employees does your agency have:

Full Time 360

Part Time 240

Seasonal —

Contract 40

B. SERVICES PROVIDED

B-1. Types of Services that are Provided by your Agency:

Indicate which of the following types of services your agency provides. If you contract with another agency to deliver the service, indicate the name of the provider. Otherwise we assume that your agency is the actual service provider.

San Benito Health Care District Profile

2014

General

County

San Benito County

Council Area

*Northern and Central California
Monterey Bay Area Division*

Facility Type

Public Hospital District

License Category

General Acute Care

- *Hazel Hawkins Memorial Hospital (62 beds)*

Skilled Nursing Facilities

- *William & Inez Mabie SNF (57 beds)*

- *Mabie Northside SNF (70 beds)*

Home Health Care Agency

Physical Therapy

Clinics

Orthopedic Specialty Clinic

Multi-Specialty Clinic

San Benito Community Health Clinic

Hollister, CA

Hazel Hawkins Health Clinic

San Juan Bautista, CA

Mabie San Juan Road Healthcare Center

Hollister, CA

Mabie First Street Healthcare Center

Hollister, CA

EMS Category

Basic – Paramedic Base Station

Heliport

Yes

Total Employees

600

Total Volunteers

418

Total Medical Staff

105

Hospital Services – Number of Beds

Intensive Care

8

Perinatal

21

Skilled Nursing

127

Medical Surgical

33

Total Licensed Beds *189*

**San Benito Health Care District
Board of Directors Roster**

911 Sunset Drive, Hollister, CA 95023
(831) 636-2673 * (831) 636-2668 (fax)

Email: lmartin@hazelhawkins.com * Website: www.hazelhawkins.com

Revised January 2013

0-3

Board Member <i>Office held 12/12 - 12/14</i>	Home Address Home Phone/Fax Email	Office Address Office # (O) Office Fax (F) Email	Date <i>Elected*</i> or <i>Appointed**</i>	No. of Terms	Term Expires
Gordon Machado <i>President</i>	1761 Cushman Hollister, CA 95023 (831) 637-7285	Rustic Turtle Embroidery Works 355 South Street Hollister, CA 95023 (831) 637-5051 (O) Email: gordon@rusticturtle.com	Nov-12* Nov-08* Nov-04* Nov-2000* Apr-2000**	5th	Dec-16
Mary McCullough <i>Vice President</i>	755 Nash Road Hollister, CA 95023 (831) 637-2719 (831) 637-6011 (fax) Email: margermc@sbcglobal.net		Nov-10 Nov-06* Nov-02* Nov-98* Nov-94* Nov-90* Nov-86* Nov-82*	8th	Dec-14
Jim West <i>Treasurer</i>	35 Franklin Street P. O. Box 1205 San Juan Bautista, CA 95045 (831) 234-1618 Email: jwest@graniterock.com		Nov-12*	1st	Dec-16
N. Parveen Sharma, MD <i>Secretary</i>	441 Merrill Road San Juan Bautista, CA 95045 (831) 623-2144	41 Santa Ana Road Hollister, CA 95023 (831) 636-9892 (O) (831) 636-8349 (fax) Email: drnpsharma@yahoo.com drnpsharma@gmail.com	Nov-12* Nov-08* Nov-98*	3rd	Dec-16
Sharon Scagliotti <i>Assistant Secretary</i>	7200 Diablo Hills Road Tres Pinos, CA 95075 (831) 801-2095 Email: sharbella@sbcglobal.net		Nov-10* Nov-06* Nov-02*	3rd	Dec-14

RESOLUTION NO. 2014-01

A-3

A RESOLUTION FIXING THE TIMES AND DATES OF THE REGULAR MEETINGS OF THE SAN BENITO HEALTH CARE DISTRICT BOARD OF DIRECTORS, FROM FEBRUARY 2014 THROUGH JANUARY 2015

WHEREAS, the practice of meeting once a month at **five o'clock p.m.** is valuable and should be continued;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN BENITO HEALTH CARE DISTRICT that the times for holding regular meetings of the Board of Directors for the San Benito Health Care District beginning Thursday, February 27, 2014, be and the same are hereby fixed at five o'clock p.m., on each of the following days, to wit:

*The Board of Directors for the San Benito Health Care District
Has fixed 5:00 p.m. on each of the following days:*

2014
THURSDAY

2015
THURSDAY

February 27

January 22

March 27

April 24

May 22

June 19

July 31

August 28

September 25

October 23

November 20

December 18

BE IT FURTHER RESOLVED that nothing in this resolution shall be construed as preventing the calling of a special meeting of the Board of Directors of the San Benito Health Care District at any time as provided by the Ralph M. Brown Act and the laws of the State of California.

BE IT FINALLY RESOLVED that the special rule be, and hereby is adopted, to the effect that when there is a complex question or matter embracing more than one question before the Board for consideration, any board member, as a right, may demand the division of such questions.

PASSED BY THE BOARD OF DIRECTORS this 23rd day of January 2014, by the following vote:

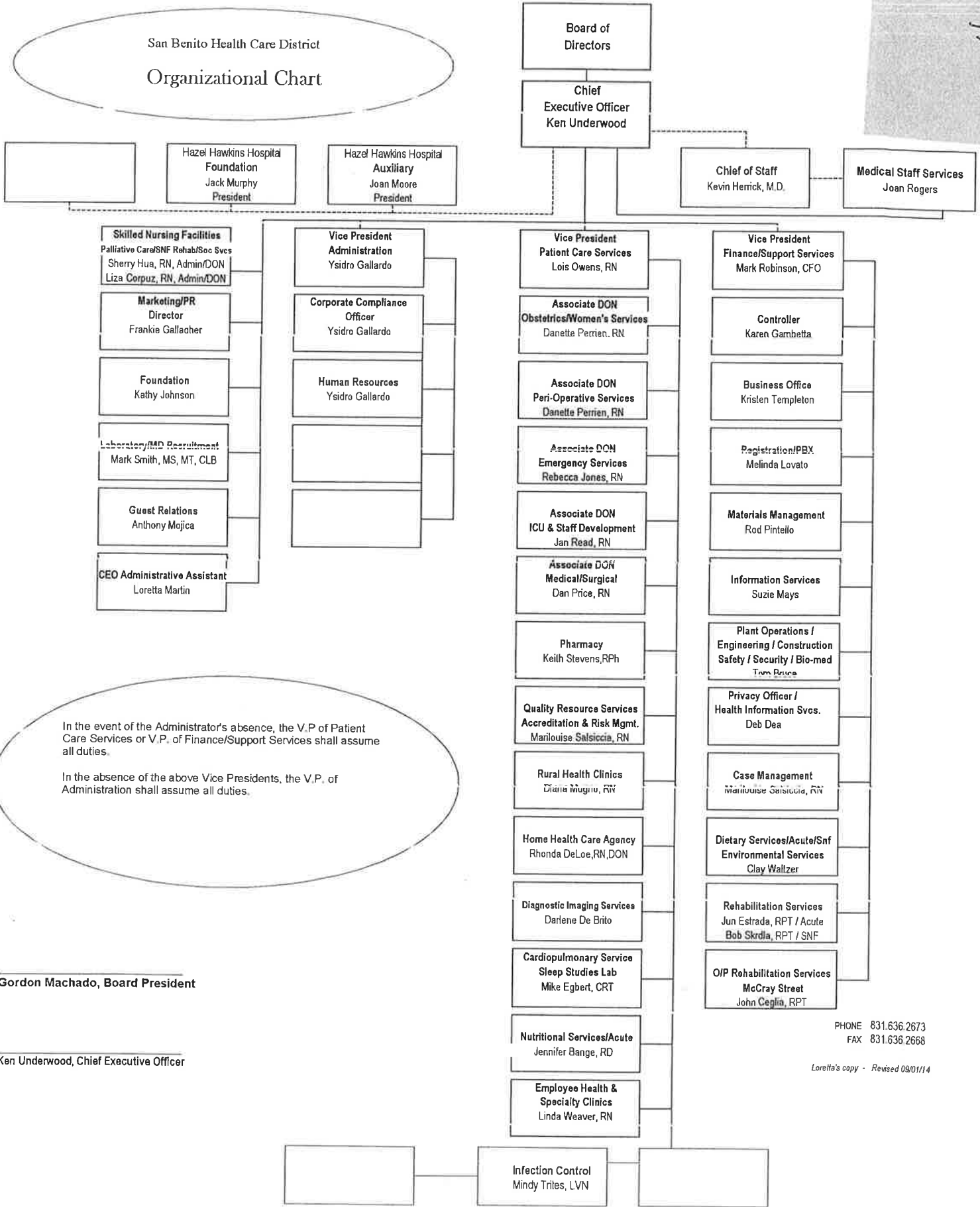
	Machado	McCullough	West	Sharma	Scagliotti
Ayes	X	X	X	X	X
Noes					
Abstain					
Absent					



N. Parveen Sharma, M.D., Secretary
Board of Directors
San Benito Health Care District

A-4

San Benito Health Care District
Organizational Chart



In the event of the Administrator's absence, the V.P. of Patient Care Services or V.P. of Finance/Support Services shall assume all duties.

In the absence of the above Vice Presidents, the V.P. of Administration shall assume all duties.

Gordon Machado, Board President

Ken Underwood, Chief Executive Officer

PHONE 831.636.2673
FAX 831.636.2668
Loretta's copy - Revised 09/01/14

Law enforcement and public safety

- Police Protection – Patrol and Detectives
- Police Protection – Traffic law enforcement
- Fire Prevention
- Fire Suppression
- Search and Rescue
- Paramedic or Emergency Medical Response
- Ambulance or medical transport services
- Hospital services
- Mosquito/Vector Control
- Other – List and describe any related types of services your agency is providing here or in attached sheets

Community services

- Land Use Planning and regulations
- Building and Safety Permits and Inspections
- Public Parks (active parks)
- Public Open Space (passive parks and open space)
- Public Recreation Programs
- Golf courses
- Library services
- Transit (Passenger Transportation)
- Cemeteries/interments
- General aviation airports
- Marinas and small boat harbors
- Other – List and describe any related types of services your agency is providing

Utility services

- Water Conservation
- Wholesale Water Supply
- Retail Water Delivery
- Wastewater Collection

- Wastewater Treatment and Disposal
- Retail electrical distribution
- Refuse Collection and Recycling
- Refuse Disposal (landfills)
- Street and Road Maintenance
- Maintenance of bridges, culverts and appurtenant facilities
- Street Lighting
- Maintenance of drainage and runoff facilities
- Flood Control
- Storm water disposal
- Resource and Soil Conservation
- Other – List and describe any related types of services your agency is providing here or on attached sheets.

B-2. Contract Service to Other Agencies:

Does your agency provide service by contract to other agencies? Yes No

If “yes” identify the agencies, type of service and geographic areas served.

B-3. Mutual or Automatic Aid Agreements.

Do you maintain mutual aid or automatic aid agreements? Yes No

If “yes” identify the agencies, type of service and geographic areas served.

B-4. Joint Powers Authorities:

N/A

List all of the joint powers authorities (JPAs) or joint decision-making efforts to which your agency belongs or participates and the purpose of each JPA.

B. FINANCIAL STATUS

C-1. Agency Budget: Enclose your most recently adopted budget

C-2. Rate Schedule: Enclose your current schedule of fees and charges.

C-3. Comprehensive Annual Financial Report (CAFR) or Independent Audited Financial Statement: Attach your most recent comprehensive annual financial report.

C-4. Governing and benefits board compensation

Hazel Hawkins Memorial Hospital

Hazel Hawkins Memorial Hospital, located in Hollister, opened in 1907. The current hospital facility opened in its present location in 1962. Hazel Hawkins Memorial Hospital (HHMH) is a district hospital, part of the San Benito Health Care District and is the only acute care facility serving San Benito County.

The District has 578 employees and the hospital has 136 physicians on its medical staff. HHMH is a 62-bed acute care facility with two detached Skilled Nursing Facilities with 122 beds. The hospital also operates four rural health clinics, four satellite lab draw stations/specimen drop off sites, and two specialty centers (orthopedic and multispecialty). Hospital services include inpatient medical services, 24-hour emergency services in a new 18-bed state-of-the-art facility, an intensive care unit, birthing center, outpatient laboratory services, home health care services, infusion services, palliative care program, two outpatient physical therapy programs, an outpatient diagnostic imaging center, inpatient surgery, and ambulatory surgery.

HHMH opened a Women's Center in late 2013, which includes a Maternal/Child Unit and a Women's Diagnostic Imaging Unit that opened in July, 2014. The Imaging Unit will include digital mammography, stereotactic breast biopsy, ultrasound, and echocardiography.

The hospital is affiliated with the San Benito IPA. HHMH opened a Multi-specialty Center in 2012, which has physicians specializing in Cardiology, Endocrinology, Gastroenterology, General Surgery, Infectious Disease, OB/GYN, Neurology, Pulmonology, and Rheumatology. A Primary Care Health Center with six primary care physicians/advanced practiced providers opened in September, 2014.

An ED telemedicine stroke center in partnership with Good Samaritan Hospital opens in July, 2014.

Hazel Hawkins Memorial Hospital has received numerous awards and accreditations. Such as the Joint Commission Accreditation in December 2013; the 2014 Healthgrades Five-Star Award for Hip Fracture Treatment; the EXCELLENCE THROUGH INSIGHT award for Overall Emergency Department Satisfaction; and the "QUEST FOR ZERO" award for Excellence in OB Safety Standards.

B-1

COMMUNITY BENEFITS:

Hazel Hawkins Memorial Hospital is committed to serving the community in a variety of ways, not only medically but by promoting and sponsoring organizations that benefit the community as a whole. The hospital also partners with various community agencies to promote health and wellness and increase access to care. HHMH provides health care services to those in the community that are uninsured or underinsured by offering cash pay discounted rates, reduced fees or through our charity care program. The hospital has four community health clinics providing primary and specialty care where 92% of the patient base is covered by MediCal, Medicare or are uninsured or underinsured. The HHMH Orthopedic and Joint Center also sees MediCal patients. HHMH partners with San Benito County to provide a dedicated MediCal eligibility worker onsite at the hospital.

In FY2013 HHMH's four community health clinics had a combined total of 40,413 visits. The District provided \$1,802,270 in Charity Care and wrote off \$7,508,310 in Bad Debt Expenses.

Hazel Hawkins Memorial hospital provides free health screenings consisting of blood pressure, glucose and cholesterol screenings along with health information and physician referral to local employers and participates in community health fairs.

- Earthbound Farms employee health fair (67 employees served)
- San Benito Foods employee health fair (80 employees served)
- Free Health Screening at the San Juan Bautista Health Clinic (17 community members served)
- LULAC community health fair (74 community members served)
- San Benito County/City of Hollister employee health fair (45 employees served)
- Pacific Scientific employee health fair (59 employees served)

The hospital provides Nutrition Education counseling and Childbirth Education classes for expectant mothers and also hosts a free community lecture series open to the public as well as hosting a senior group (Priority Passport) that meets every Saturday and has monthly speakers.

Community Lecture Series:

- "Got Heartburn" 22 attendees
- Health and Longevity by Eastern & Western Medicine – 31 attendees
- Glaucoma and your Eyesight – 11 attendees
- Weight loss and Wellness – 23 attendees
- Hormone Replacement Therapy..Is it Right for You? – 17 attendees
- Heart Health – 13 attendees

Senior Brunch Speakers:

- Aging, Absentmindedness & Alzheimer's, Wayne Lavengood, LCSW - 35 attendees
- The Sweet Truth on Diabetes Management, Dr. Al Hasan & Jennifer Bange – 33 attendees
- Caring for and Elderly Loved One, Challenges and Resources in San Benito County – Christina Andrade - 37 attendees
- Be Prepared – completing your Advance Directive and POLST – Dr. Rocco – 40 attendees
- Stroke Awareness – Wendy Bell, RN – 49 attendees
- What is Home Health – Rhonda De Loe - 38 attendees

Support groups are also instrumental in providing services to the community. With that understanding, the hospital hosts the following support groups:

Grief Support Group

1st Monday of each month

12:00 pm

HHH Board Room

Stroke Support Group

1st Wednesday of each month

6:00 pm

HHH Board Room

Breast Cancer Support Group

2nd Wednesday of each month

7:00 pm

HHH Board Room

Multiple Sclerosis Support Group

4th Wednesday of each month

6:30 pm

HHH Board Room

Participation in other community activities:

- San Benito County Fair – Had booth with health information and Hospital Service & Provider information.
- Gavilan College Student Health Fair
- San Andreas Continuation High School Family Resource Night
- San Benito High School Career Fair.
- YMCA Health Kids Day
- National Night Out
- Jennifer Bange, RD gave a bilingual nutrition presentation to the parents at Head Start preschool on Line Street.
- Jennifer Bange, RD presents quarterly nutrition talks at the senior lunch programs at the Hollister and San Juan Bautista Jovenes de Antaño sites, and also does bilingual presentations to the parents at the Head Start preschool program.

In addition to the above activities, the hospital has a dedicated Community Outreach Coordinator that goes out into the community to deliver health information to field workers, the homeless and other at-risk demographics that might not get their information from mainstream communication methods.

HMMH has a monthly newsletter that is emailed to local stakeholders and posted on the hospital's Website and Facebook page that features upcoming events, new physicians, services and facility updates, performance improvement and patient safety information, updates on legislation affecting the district, awards and other good news/happenings at the hospital.

HMMH supports the following organizations through sponsorships:

San Benito County Chamber Dinner Dance

San Benito County Chamber of Commerce Rodeo Parade Sponsor

San Benito County Fair

Kinship Event

LULAC Veteran's Breakfast

Hollister Vikings Youth Football & Cheer

Hollister Rotary Mission 10K Run

Hollister Little League

Jovenes de Antaño Senior Dinner

Caregiver University in conjunction with Del Mar Caregivers & Jovenes de Antaño

MACE (Mexican American Committee on Education)

Hollister Air Show

HDA Farmers Market

Hollister Police Department

National Child Safety Council

Saddle Horse Show

Sober Grad Night

United Way

City of Hollister Youth Sport Teams

City of Hollister Men's Basketball Team

Exchange Club Crab Feed (funds go toward scholarships for SB County youth)

San Benito High School Sports Medicine Program



MEMORIAL HOSPITAL
SKILLED NURSING FACILITIES
HOME HEALTH AGENCY

San Benito Health Care District

Hazel Hawkins Memorial Hospital

HEADLINES

VOLUME 2, ISSUE 7

AUGUST 2014

[HHH Launches New Stroke Program](#)

[HHH Hosts State-wide Pediatric Care Seminar](#)

[Mable SNF's receive 4-Star Rating](#)

[Patient Portal Now Available to HHH patients](#)

[October is Breast Cancer Awareness Month](#)

HHH FOUNDATION

[Sponsor the 8th Annual Dinner Dance](#)

[Donors of the Year](#)

[Your Donations At Work](#)

[All for 1 Prize Drawing](#)

[5K Run Gift to Foundation](#)

[How to Donate](#)

Quick Links

[Hazel Hawkins Memorial Hospital](#)

[Hazel Hawkins Hospital Foundation](#)

[Foundation Donation Form](#)

UPCOMING EVENTS:

August 28, 2014

5:00 p.m.

SBHCD Board Meeting

HHH Board Room

Hazel Hawkins Memorial Hospital Launches New Stroke Program

Hazel Hawkins Memorial Hospital officially launched its new stroke program on August 4th. The program, a contractual arrangement with HHMH, Good Samaritan Hospital and SAGE Neurology Group, offers patients suffering from stroke or other neurologic emergencies immediate 24/7 access to board certified, fellowship trained neurologists via telemedicine, utilizing 'InTouch TeleStroke' equipment in the Emergency Department provided by GSH.

Suspected stroke patients are quickly assessed by the HHMH Emergency Room staff and a CT scan is performed to determine if there is a blood clot or other brain injury. Hospital staff contacts the teleneurologist who is immediately able to remotely access the CT results and is then able to visually evaluate the patient utilizing the 'InTouch TeleStroke' video equipment. This robotic video equipment is positioned so the teleneurologist can maneuver a camera to clearly see the patient and communicate with the patient and HHMH ER staff. The live video consultation facilitates the real-time evaluation of the patient's condition and upon obtainment of clinical data, the teleneurologist will provide orders to direct patient care that can be carried out by hospital staff.



Telestroke Equipment Screen



HHH Hosts State-wide Seminar on Pediatric Care

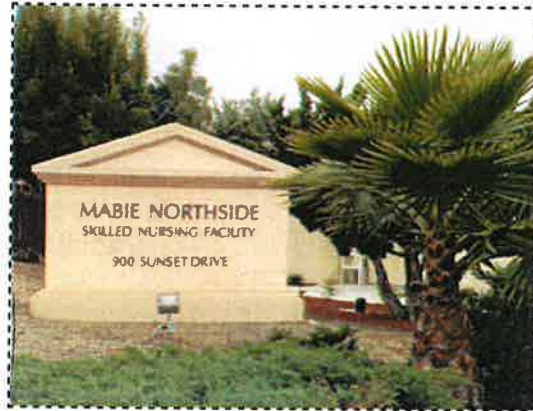
Hazel Hawkins Hospital welcomed more than 45 nurses and patient care providers from throughout the state for their two-day seminar "Pediatric Nuts & Bolts" in July.

Acclaimed nurse and speaker Elizabeth A Patton, MSN, RN, PNP, CEN, CPEN, FAEN was the seminar presenter. She has over 20 years of experience in Pediatric Nursing, including extensive experience in Pediatric ER and Trauma nursing.

The program was designed for nurses and other healthcare providers involved in the care of pediatric patients. The program prepared the attendees to:

- Describe the vital anatomical/physiological differences between adults and children and determine how these changes effect initial treatment and resuscitation of the pediatric patient.
- Identify appropriate calculations and reconstitution of pediatric medicine.
- List the characteristics of Munchausen Syndrome by Proxy.
- Identify the components in Pediatric Mass Casualty Incident Triage.
- Discuss current concepts in family involvement during treatment and resuscitation.

nursing care for individuals who need physical, speech or occupational rehabilitation services or who suffer from serious or persistent health issues, such as Alzheimer's disease, that are too complicated to be tended to at home or at an assisted living facility. The Mabie SNF's also provide: medical, dental, optometry, podiatry, pharmaceutical, laboratory, radiology and dietary services, social services, psychotherapy, recreational activities, laundry services and end-of-life or palliative care.



HAZEL HAWKINS HOSPITAL NOW OFFERS PATIENTS ON-LINE ACCESS TO THEIR MEDICAL RECORDS

We are pleased to introduce our new Patient Portal, which is a secure online website that gives you convenient 24-hour access to your personal health information and medical records-called an Electronic Health Record or EHR-from anywhere with an Internet connection. Using a secure username and password, patients can view health information such as:

- Recent doctor visits
- Discharge summaries
- Medications
- Immunizations
- Allergies
- Lab results
- Radiology reports

Why Is Using a Patient Portal Important?

Accessing your personal medical records through a patient portal can help you be more actively involved in your own health care.

Your Health Information Is Private, Secure, and

evening hours to accommodate your busy schedule.

We have a special self-pay rate of **\$75** that is valid during the month of October only.

You need a physicians order to schedule your screening mammogram.

If you don't have a physician, you can make an appointment at one of community health clinics for your clinical breast exam and mammogram referral for only \$25 if you pay at the time of your visit.

HHH Community Health Clinic	636-2664
HHH Mabie Healthcare Center	636-3277
HHH San Juan Bautista Clinic	623-4615
Mabie First Street Healthcare Center	638-1652

Hazel Hawkins Hospital
FOUNDATION



Caring For Our Community
HAZEL HAWKINS HOSPITAL FOUNDATION

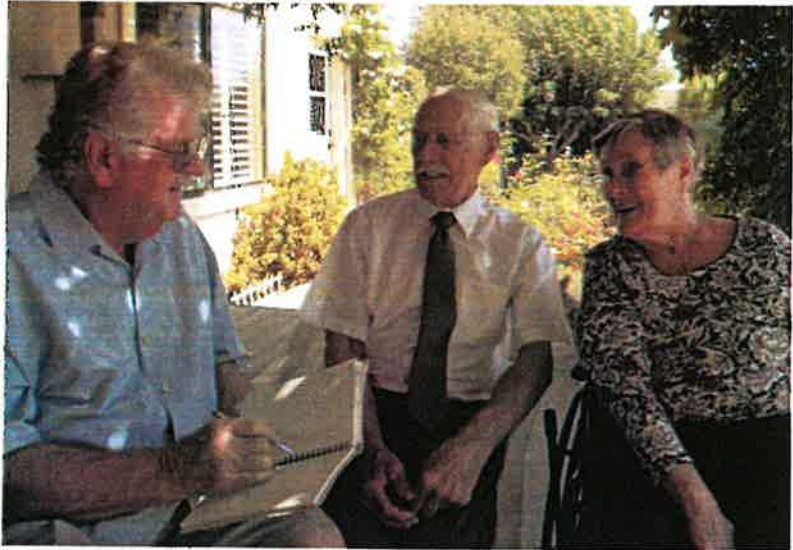
Sponsor the Foundation's 8th Annual Dinner-Dance Fundraiser

**All proceeds benefit Operation Renovation:
Upgrade and refurbish inpatient rooms to
"Enhance our Healing Environment"**

The Hazel Hawkins Hospital Foundation is seeking sponsorships

volunteer.

The 2014 "Heart for Hazel" Award will go to Max and Maureen Sweet for their ongoing support of the Hospital Foundation over more than a decade. Maureen was a volunteer for the Hazel Hawkins Hospital Auxiliary starting in the early 70's, donating time to Southside Care, Thrift Shop, Gift Shop, and serving as President in 2001 and 2002.



Jack Murphy, Foundation Board President, interviewing Max and Maureen Sweet, the 2014 "Heart for Hazel" award recipients.

Your Donations At Work:

Money raised from last year's Dinner-Dance is being used for Phase 1 of Operation Renovation. Bids are currently out for new high-grade, easy-maintenance flooring in the corridors and waiting areas throughout the hospital, new paint and rail replacements, and the refurbishing to the two Nursing Stations. Work is scheduled to begin in Fall 2014.

Reserved Parking Prize Drawing from "All for 1" Campaign

The employee enjoying the Reserved Parking for the month of August is Karen Gambetta. All employees pledging in the All for 1 Employee Giving Campaign were entered into a daily prize drawing with six parking spaces awarded for the months of May through October. Enjoy your parking space, Karen!

HOW TO GIVE

You can learn more about the Foundation and how to give in the brochures (see links below). The Donation Form is also attached for your convenience.

[Donation Form](#)
[Foundation Brochure](#)
[Memorials & Tributes](#)


Stay Connected

Like us on Facebook 

Hazel Hawkins Hospital Foundation | (831) 635-1101 | kewaller@hazelhawkins.com |
<http://www.hazelhawkins.com/found>
911 Sunset Drive
Hollister, CA 95023

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Hazel Hawkins Hospital Foundation 911 Sunset Drive Hollister CA 95023

HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED
 BUDGET COMPARISON
 FOR PERIOD 06/30/15

	BUDGET 07/31/14	BUDGET 08/31/14	BUDGET 09/30/14	BUDGET 10/31/14	BUDGET 11/30/14	BUDGET 12/31/14	BUDGET 01/31/15	BUDGET 02/28/15	BUDGET 03/31/15	BUDGET 04/30/15	BUDGET 05/31/15	BUDGET 06/30/15	TWELVE MONTH TOTAL
GROSS PATIENT REVENUE:													
ACUTE ROUTINE REVENUE	3,170,189	3,499,703	2,375,092	3,113,144	2,769,292	3,006,617	3,150,786	2,696,019	3,449,987	3,151,273	3,153,405	2,435,711	35,971,218
SNF ROUTINE REVENUE	1,465,080	1,465,079	1,417,819	1,465,083	1,417,816	1,465,082	1,465,080	1,323,298	1,465,080	1,417,820	1,465,080	1,417,818	17,250,135
ANCILLARY INPATIENT REVENUE	5,493,573	5,816,653	5,423,242	5,989,581	5,662,791	5,871,274	6,339,277	5,229,890	6,467,432	5,915,676	5,657,732	5,279,488	69,146,609
TOTAL GROSS INPATIENT REVENUE	10,128,842	10,781,435	9,216,153	10,567,808	9,849,899	10,342,973	10,955,143	9,249,207	11,382,499	10,484,769	10,276,217	9,133,017	122,367,962
ANCILLARY OUTPATIENT REVENUE	13,896,524	14,749,635	13,874,804	14,890,143	13,739,663	13,575,631	14,850,129	13,101,290	15,233,217	14,834,251	14,208,754	13,706,970	170,861,011
TOTAL GROSS PATIENT REVENUE	24,025,366	25,531,070	23,090,957	25,457,951	23,589,562	23,918,604	25,805,272	22,350,497	26,615,716	25,319,020	24,484,971	22,839,987	293,028,973
DEDUCTIONS FROM REVENUE:													
MEDICARE CONTRACTUAL ALLOWANCES	7,767,896	8,263,767	7,464,814	8,239,696	7,629,017	7,732,723	8,354,073	7,230,300	8,620,963	8,198,596	7,919,256	7,382,152	94,803,253
MEDI-CAL CONTRACTUAL ALLOWANCES	5,146,749	5,498,237	4,943,510	5,481,175	5,059,900	5,121,821	5,562,244	4,800,464	5,751,423	5,463,635	5,254,037	4,884,917	62,968,112
BAD DEBT EXPENSE	440,452	570,566	423,137	619,105	333,109	238,318	476,051	411,075	692,259	567,698	399,645	218,117	5,389,532
CHARITY CARE	159,488	117,017	105,159	116,652	107,652	108,954	118,390	52,143	122,438	116,297	111,790	103,903	1,339,883
OTHER CONTRACTUALS AND ADJUSTMENTS	3,165,275	3,380,701	3,040,358	3,370,247	3,111,694	3,149,995	3,419,935	2,951,987	3,535,887	3,359,148	3,221,030	3,004,445	38,720,702
TOTAL DEDUCTIONS FROM REVENUE	16,679,860	17,830,288	15,976,978	17,826,875	16,241,372	16,351,811	17,930,693	15,445,969	18,722,970	17,705,374	16,915,758	15,593,534	203,221,482
NET PATIENT REVENUE	7,345,506	7,700,782	7,113,979	7,631,076	7,348,190	7,566,793	7,874,579	6,904,528	7,892,746	7,613,646	7,569,213	7,246,453	89,807,491
OTHER OPERATING REVENUE	290,588	299,683	287,127	337,143	308,009	321,742	349,107	313,657	316,797	332,936	356,036	327,804	3,840,629
NET OPERATING REVENUE	7,636,094	8,000,465	7,401,106	7,968,219	7,656,199	7,888,535	8,223,686	7,218,185	8,209,543	7,946,582	7,925,249	7,574,257	93,648,120
OPERATING EXPENSES:													
SALARIES & WAGES	3,207,925	3,207,911	3,104,436	3,207,922	3,104,430	3,207,933	3,207,905	2,897,478	3,207,918	3,104,437	3,207,916	3,104,439	37,770,650
REGISTRY	131,406	146,399	98,001	124,436	117,726	118,691	126,349	109,687	136,832	134,768	125,230	103,028	1,472,553
EMPLOYEE BENEFITS	1,606,634	1,749,955	1,565,926	1,606,652	1,709,228	1,893,178	1,633,032	1,633,032	1,611,864	1,571,190	1,755,176	1,714,440	20,172,459
PROFESSIONAL FEES	710,160	744,603	716,702	781,491	728,687	746,416	819,434	708,892	772,842	777,276	782,316	731,154	9,019,973
SUPPLIES	751,543	826,988	741,812	822,313	774,072	820,664	859,420	712,427	848,284	811,265	791,710	739,337	9,499,835
PURCHASED SERVICES	734,850	750,116	709,603	754,367	719,954	736,702	761,535	664,779	761,521	758,325	723,288	704,464	8,779,504
RENTAL	105,655	106,628	103,508	114,112	105,907	117,047	133,556	113,877	116,926	116,616	115,108	108,266	1,357,206
DEPRECIATION & AMORT	433,784	438,308	431,902	442,272	433,590	431,610	443,950	428,294	444,136	440,425	432,908	431,640	5,232,819
INTEREST	5,097	5,047	4,997	4,947	4,897	4,846	4,796	4,745	4,695	4,644	4,593	4,542	57,846
OTHER	192,905	157,609	212,167	194,338	149,982	193,091	196,355	142,934	194,867	191,311	157,286	187,569	2,170,414
TOTAL EXPENSES	7,879,959	8,133,564	7,689,054	8,052,850	7,848,473	8,270,178	8,308,484	7,416,145	8,099,885	7,910,257	8,095,531	7,828,879	95,533,259
NET OPERATING INCOME (LOSS)	(243,865)	(133,099)	(287,948)	(84,631)	(192,274)	(381,643)	(84,798)	(197,960)	109,658	36,325	(170,282)	(254,622)	(1,885,139)
NON-OPERATING REVENUE/EXPENSE:													
DONATIONS	5,000	5,000	5,000	5,000	5,000	5,000	105,000	5,000	55,000	5,000	5,000	5,000	360,000
PROPERTY TAX REVENUE	129,349	129,347	129,349	129,347	129,349	129,347	129,349	129,348	129,348	129,348	129,348	129,348	1,552,177
GO BOND PROP TAXES	143,588	143,589	143,588	143,589	143,588	143,589	143,588	143,588	143,589	143,588	143,589	143,588	1,723,061
GO BOND INT REVENUE/EXPENSE	(109,337)	(109,336)	(109,340)	(109,337)	(109,337)	(109,336)	(109,337)	(109,337)	(109,337)	(109,337)	(109,337)	(109,340)	(1,312,061)
OTHER NON-OPER REVENUE	637	637	616	637	617	637	637	575	637	617	637	616	7,500
OTHER NON-OPER EXPENSE	(89,583)	(89,587)	(89,583)	(89,586)	(89,584)	(89,585)	(89,584)	(89,585)	(87,573)	(86,572)	(86,573)	(86,570)	(1,064,965)
INVESTMENT INCOME	28,622	28,622	27,698	28,622	27,698	28,623	28,622	25,852	28,622	27,699	28,622	27,698	337,000
TOTAL NON-OPERATING REVENUE/(EXPENSE)	108,276	108,272	157,328	107,272	107,328	158,275	208,275	105,433	160,286	110,341	111,286	160,340	1,602,712
NET SURPLUS (LOSS)	(135,589)	(24,827)	(130,620)	22,641	(84,946)	(223,368)	123,477	(92,527)	269,944	146,666	(58,996)	(94,282)	(282,427)

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Audited Financial Statements

**SAN BENITO
HEALTH CARE DISTRICT**

dba: HAZEL HAWKINS MEMORIAL HOSPITAL

June 30, 2013

Audited Financial Statements

SAN BENITO HEALTH CARE DISTRICT

June 30, 2013

Management's Discussion and Analysis	1
Report of Independent Auditors	5
Audited Financial Statements	
Balance Sheets	7
Statements Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	11

Management's Discussion and Analysis

SAN BENITO HEALTH CARE DISTRICT

June 30, 2013

The management of the San Benito Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2013 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2013 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Financial Highlights

- Total assets and deferred outflows of resources increased by \$8.5 million over the prior fiscal year. Total operating cash and cash equivalents decreased by \$1.1 million over the prior year (see the *Statements of Cash Flows* for changes). In addition, net patient accounts receivable increased by \$1.0 million. As a result, net days in patient accounts receivable were 38.22 at June 30, 2013 as compared to 34.16 in the prior year.
- Current liabilities decreased by \$557,000 over the prior fiscal year.
- The operating loss was \$1.7 million for fiscal year 2013 as compared to an operating loss of \$460,000 for the prior year, representing an increase of \$1.2 million in operating losses.
- The decrease in net position was \$(436,600) for the current fiscal year as compared to an increase in net position of \$1.2 million for the prior fiscal year.
- Net patient revenues increased by 1.2% while operating expenses increased by 4.8% for the year.
- The Hospital received a net \$486,000 in supplemental reimbursement for the year from the State's "Quality Assurance" program. This program is designed to continue through December, 2013 at this point in time.
- The Hospital received \$1.5 million from CMS and the State's electronic health record program in 2013 as compared to \$670,000 in the prior year.

Cash and Investments

For the fiscal year ended June 30, 2013, the Hospital's operating and board designated cash and investments totaled \$15.0 million as compared to \$16.3 million in fiscal year 2012. At June 30, 2013, days cash on hand were 65.8 as compared to the target of 100. At June 30, 2012, days cash on hand were 75.8. The Hospital maintains sufficient cash and cash equivalent balances to pay all short-term liabilities.

Management's Discussion and Analysis (continued)

SAN BENITO HEALTH CARE DISTRICT

Current Liabilities

As previously noted, current liabilities of the Hospital decreased by \$557,000. This was due mainly to a \$1.1 million increase in accounts payable and accrued expenses due to construction, a decrease of \$1.5 million in estimated third party payor settlements and many open cost reports were finally settled, and other minor changes in accrued payroll, health insurance claims payable (IBNR) and current maturities.

Capital Assets

The \$9.0 million increase in capital assets was due to \$12.0 million continued construction projects, capital improvements and equipment purchases for the Hospital offset by \$5.2 million in current year depreciation expense. The Hospital has \$24 million in construction in progress at year end with an estimated cost of \$2.8 million left to complete all projects.

Volumes

- Acute patient days were 6,913 for fiscal year 2013 as compared to 7,133 for the prior year. This was a slight decrease over the prior year. Additionally, the average length of stay increased from 3.02 days in fiscal year 2012 to 3.07 days in fiscal year 2013.
- The Northside SNF had an ADC of 47.97 for the fiscal year 2013, equaling a total of 17,511 patient days as compared to 17,823 days (ADC of 48.69) for the prior year.
- The Mabie SNF had an ADC of 49.3 for the fiscal year 2013, equaling a total of 17,983 patient days. The prior year ADC was 51.3 for a total of 18,784 patient days.
- Surgery cases for the fiscal year 2013 were slightly lower than the prior year. There were 2,164 cases as compared to 2,211 cases for the prior fiscal year.
- There was a significant increase in outpatient visits; 111,501 in the fiscal year 2013 as compared to 107,439 for the prior fiscal year.
- There was a slight decrease in emergency room visits; 16,110 in the fiscal year 2013 as compared to 16,193 for the prior year.
- There was a 2.9% increase in Rural Health Clinic visits; 40,413 visits in the year 2013 as compared to 39,250 visits for the prior year.

Management's Discussion and Analysis (continued)

SAN BENITO HEALTH CARE DISTRICT

Gross Patient Charges

The Hospital charges all its patients equally based on its established pricing structure for the services rendered. The Hospital annually raises prices each July 1st for the start of a new fiscal year. On July 1, 2012, the Hospital increased its charges by 7%.

Acute inpatient gross charges increased by \$1.5 million due mainly to changes in volumes and rates.

Outpatient gross charges increased by \$14.0 million due mainly to volumes increases in outpatient visits and increases in the rural health clinic arena.

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and provisions for bad debts. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

Traditional charity care and the provision for bad debts for fiscal year 2013 and fiscal year 2012 were \$9.3 million and \$10.8 million, respectively. The decrease in these areas was due to some improvements in patient collections for "bad debt" risk areas.

Deductions from revenue (contractual allowances, provision for bad debts, and charity) (as a percentage of gross patient charges) were 67.6% for fiscal year 2013 as compared to 65.9% for prior fiscal year.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues increased by \$1.6 million in fiscal year 2013 over the prior year due to a combination of payor mix, better reimbursement and volume changes.

Management's Discussion and Analysis (continued)

SAN BENITO HEALTH CARE DISTRICT

Operating Expenses

Total operating expenses were \$85.7 million for fiscal year 2013 compared to \$81.8 million for the prior fiscal year. The 4.8% increase is due primarily to:

- A \$2.9 million increase in salaries, wages and benefits. Full time equivalents (FTE's) increased from 461 in fiscal year 2012 to 465 in fiscal year 2013.
- Other operational expense changes were not considered that significant and were fairly in line with the prior year expenses, after consideration of volume changes and inflation.

Economic Factors and Next Fiscal Year's Budget

The Hospital's board approved the fiscal year ending June 30, 2014 budget at its June 2013 meeting. For fiscal year 2014, the Hospital is budgeted to decrease net position by \$1.3 million. The decrease is due to several assumptions:

- A conservative increase in volumes for fiscal year 2014 was budgeted, coupled with patient charge rate increase for the acute care services.
- The government-based providers and other third party insurers are not raising their reimbursement rates in relation to the budgeted increase in gross charges. Therefore, the percentage of contractual allowances is budgeted to increase and the percentage of net patient service revenues should decrease.
- Operating expenses are expected to increase at a higher percentage than revenues. The cost for nursing and other medically trained staff increases at a higher rate than the increase in net revenue. The cost of supplies such as pharmaceuticals is increasing at a higher rate than gross charges.

In order to increase the number of inpatients at the acute facility, the Hospital is continuing its search for physicians and specialists. New primary care physicians are being recruited to continue to increase the number of outpatient referrals.

TCA Partners, LLP

A Certified Public Accountancy Limited Liability Partnership

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Report of Independent Auditors

The Board of Directors
San Benito Health Care District
Hollister, California

We have audited the accompanying financial statements of the San Benito Health Care District (the Hospital) which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital at June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

TCA Partners, LLP

Fresno, California
October 15, 2013

Balance Sheets

SAN BENITO HEALTH CARE DISTRICT

	June 30	
Assets	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 5,533,383	\$ 6,630,604
Restricted trust funds available for current debt service	1,221,886	1,292,528
Patient accounts receivable, net of allowances	8,411,143	7,393,064
Other receivables and physician advances	1,051,838	548,307
Inventories	1,932,428	1,918,282
Prepaid expenses and deposits	<u>508,764</u>	<u>398,826</u>
Total current assets	18,659,442	18,181,611
Assets limited as to use	12,291,311	14,602,485
Capital assets, net of accumulated depreciation	<u>76,711,586</u>	<u>67,724,663</u>
	107,662,339	100,508,759
Deferred outflows of resources	<u>2,485,319</u>	<u>1,109,144</u>
	<u>\$110,147,658</u>	<u>\$101,617,903</u>
 Liabilities		
Current liabilities:		
Current maturities of debt borrowings	\$ 1,110,801	\$ 1,610,328
Accounts payable and accrued expenses	5,997,076	4,860,856
Accrued payroll and related liabilities	3,888,180	3,596,520
Estimated third party payor settlements	59,702	1,594,270
Health insurance claims payable (IBNR)	<u>915,435</u>	<u>866,363</u>
Total current liabilities	11,971,194	12,528,337
Debt borrowings, net of current maturities	<u>57,291,829</u>	<u>47,791,586</u>
Total liabilities	69,263,023	60,319,923
Deferred inflows of resources	333,335	310,051
 Net position		
Invested in capital assets, net of related debt	18,350,657	20,435,071
Restricted, by contributors	948,862	1,157,631
Restricted, by bond indenture agreements for debt service	3,079,606	2,928,677
Unrestricted	<u>18,172,175</u>	<u>16,466,550</u>
Total net position	<u>40,551,300</u>	<u>40,987,929</u>
	<u>\$110,147,658</u>	<u>\$101,617,903</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Operating revenues		
Net patient service revenue	\$ 80,806,999	\$ 79,216,600
Other operating revenue	<u>3,192,508</u>	<u>2,098,684</u>
Total operating revenues	83,999,507	81,315,284
Operating expenses		
Salaries and wages	34,537,727	33,497,840
Employee benefits	18,434,551	16,602,424
Registry	1,070,112	775,554
Professional fees	7,020,922	6,568,165
Supplies	8,374,935	8,094,830
Purchased services	6,387,265	6,154,586
Repairs and maintenance	1,740,744	1,850,648
Utilities and phone	1,068,089	1,030,471
Building and equipment rent	1,042,001	982,666
Insurance	269,037	283,228
Depreciation and amortization	5,225,593	5,341,584
Other operating expenses	<u>536,262</u>	<u>592,808</u>
Total operating expenses	<u>85,707,238</u>	<u>81,774,804</u>
Operating income (loss)	(1,707,731)	(459,520)
Nonoperating revenues (expenses)		
District tax revenues	3,007,875	2,832,061
Investment income, net of unrealized gains and losses	107,585	491,611
Interest expense	(2,150,129)	(2,127,662)
Grants, contributions and other gains and losses	810,950	798,700
Loss on disposal of assets	<u>(19,248)</u>	<u> </u>
Total nonoperating revenues (expenses)	<u>1,757,033</u>	<u>1,994,710</u>
Excess of revenues over expenses	49,302	1,535,190
Intergovernmental transfers	<u>(485,931)</u>	<u>(331,446)</u>
Net increase in net position	(436,629)	1,203,744
Net position at beginning of the year	<u>40,987,929</u>	<u>39,784,185</u>
Net position at end of the year	<u>\$ 40,551,300</u>	<u>\$ 40,987,929</u>

See accompanying notes and auditor's report

Statements of Cash Flows

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	\$ 77,768,421	\$ 80,903,658
Cash received from operations, other than patient services	2,712,261	2,393,732
Cash payments to suppliers and contractors	(26,497,231)	(25,655,852)
Cash payments to employees and benefit programs	<u>(52,631,546)</u>	<u>(49,871,203)</u>
Net cash provided by operating activities	1,351,905	7,770,335
Cash flows from noncapital financing activities:		
District tax revenues	1,369,560	1,240,410
Grants, contributions and changes in restricted assets	<u>810,950</u>	<u>792,748</u>
Net cash provided by noncapital financing activities	2,180,510	2,033,158
Cash flows from capital financing activities:		
District tax revenues related to capital acquisitions	1,638,315	1,591,651
Net purchase of capital assets and changes in other assets	(15,607,939)	(10,964,717)
Proceeds from debt borrowings, net of bond premium	27,787,138	
Principal payments and accretion on debt borrowings	(18,786,422)	(1,839,637)
Interest payments, net of capitalized interest	<u>(2,150,129)</u>	<u>(2,127,662)</u>
Net cash (used in) capital financing activities	(7,119,037)	(13,340,365)
Cash flows from investing activities:		
Net (purchase) or sale of assets limited as to use	2,381,816	5,019,952
Investment income, net of unrealized gains and losses	<u>107,585</u>	<u>491,611</u>
Net cash provided by investing activities	2,489,401	5,511,563
Net increase (decrease) in cash and cash equivalents	(1,097,221)	1,974,691
Cash and cash equivalents at beginning of year	<u>6,630,604</u>	<u>4,655,913</u>
Cash and cash equivalents at end of year	<u>\$ 5,533,383</u>	<u>\$ 6,630,604</u>

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

SAN BENITO HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (1,707,731)	\$ (459,520)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,225,593	5,341,584
Intergovernmental transfers	(485,931)	(331,446)
Provision for bad debts	7,508,310	8,562,485
Changes in operating assets, liabilities and other:		
Patient accounts receivables	(8,526,389)	(8,038,171)
Other receivables and physician advances	(503,531)	375,548
Inventories	(14,146)	(94,523)
Prepaid expenses and deposits	(109,938)	(68,018)
Accounts payable and accrued expenses	1,136,220	839,645
Accrued payroll and related liabilities	291,660	228,379
Estimated third party payor settlements	(1,534,568)	1,494,190
Deferred inflows of resources	23,284	(80,500)
Health insurance claims payable (IBNR)	49,072	682
Net cash provided by operating activities	<u>\$ 1,351,905</u>	<u>\$ 7,770,335</u>

See accompanying notes and auditor's report

Notes to Financial Statements

SAN BENITO HEALTH CARE DISTRICT

June 30, 2013

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: San Benito Health Care District, (dba: Hazel Hawkins Memorial Hospital), heretofore referred to as (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The Hospital is governed by a five-member Board of Directors, elected from within the district to specified terms of office. The Hospital is located in Hollister, California. It operates a 49-bed acute care facility, a home health agency, rural health clinics, and 127 convalescent beds divided between two locations at and near the Hospital's campus. The Hospital provides health care services primarily to individuals who reside in the local geographic area.

Basis of Preparation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Effective July 1, 2002, the Hospital adopted the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. One of the main components of these new provisions allows the inclusion of a management's discussion and analysis to accompany the financial statement presentation.

The management's discussion and analysis is a narrative introduction and analytical overview of the Hospital's financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management's discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Recent Pronouncements: The Hospital has incorporated the following recent GASB issued statements within this financial statement presentation: (1) GASB 61 - *The Financial Reporting Entity: Omnibus* which helps better define financial presentation and component units; GASB 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which supercedes GASB 20; GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* - which establishes new standards involving consumption of net position and the acquisition of net position, both of which are applicable to future periods as well as further defining net position (formerly net assets); and is reviewing the impact of GASB 65 - *Items Previously Reported as Assets and Liabilities* once it is adopted next year as it may cause restatement of the June 30, 2013 net position by restating amounts related to unamortized debt issuance costs previously reported as assets. For purposes of financial statement presentation, deferred outflows are shown with the assets of the Hospital on the balance sheet and deferred inflows are considered deferred revenues and grouped with the liabilities of the Hospital on the balance sheet. No other adoptions of these pronouncements materially affected the Hospital's financial statements.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments: The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The Hospital does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2013 and 2012, the Hospital has determined that no capital assets are impaired.

Deferred Outflows of Resources: Deferred outflows of resources (formerly termed bond issue costs) are comprised of deferred financing cost of the issuance of revenue bonds in 1998. Amortization of these issuance costs is computed by the effective interest method over the life of the repayment agreements. For current and advance refundings which result in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt, together with any unamortized deferred financing costs, is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, in accordance with GASB 23. Amortization expense was \$97,302 and \$67,230 for the years ended June 30, 2013 and 2012, respectively. Once GASB 65 is adopted next year, a restatement of net position could occur to these deferred resources as a result.

Compensated Absences: The Hospital's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2013 and 2012 are \$2,293,466 and \$2,227,050, respectively.

Risk Management: The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. In the case of employee health coverage, the Hospital is self-insured for those claims and is discussed further in the footnotes.

Net Position: Net position (formerly net assets) are presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

The second category is “restricted” net position. This category consists of externally designated constraints placed on those net position by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is “unrestricted” net position. This category consists of net position that do not meet the definition or criteria of the previous two categories.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

District Tax Revenues: The Hospital receives approximately 4% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Grants and Contributions: From time to time, the Hospital receives grants from various governmental agencies and private organizations. The Hospital also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Operating Revenues and Expenses: The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2013 and 2012, the Hospital had deposits invested in various financial institutions in the form of cash and cash equivalents amounted to \$6,493,119 and \$9,967,278. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the Hospital's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Hospital's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the Hospital's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the Hospital.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

NOTE C - NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for inpatient and outpatient services to Medicare patients are based on prospectively determined rates which vary accordingly to the patient diagnostic classification systems. For services rendered to these Medicare inpatients, the Hospital is paid by bi-weekly periodic interim payments (PIP), with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2013, cost reports through June 30, 2012 have been audited or otherwise final settled.

Medi-Cal: Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs while outpatient payments are based on pre-determined charge screens. The Hospital is paid for cost-based inpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. At June 30, 2013, cost reports through June 30, 2011, have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Net patient service revenues summarized by payor are as follows:

	<u>2013</u>	<u>2012</u>
Daily hospital services	\$ 45,860,456	\$ 43,979,463
Inpatient ancillary services	59,778,506	60,154,133
Outpatient services	<u>142,332,092</u>	<u>128,344,966</u>
Gross patient service revenues	247,971,054	232,478,562
Less contractual allowances and provision for bad debts	<u>(167,164,055)</u>	<u>(153,261,962)</u>
Net patient service revenues	<u>\$ 80,806,999</u>	<u>\$ 79,216,600</u>

Medicare and Medi-Cal revenue accounts for approximately 40% of the Hospital's net patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE D - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable at June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 8,344,557	\$ 6,187,598
Medi-Cal	10,730,242	9,156,052
Other third party payors	6,248,355	6,608,554
Self pay and other	<u>8,599,940</u>	<u>6,556,290</u>
Gross patient accounts receivable	33,923,094	28,508,494
Less allowances for contractual adjustments and bad debts	<u>(25,511,951)</u>	<u>(21,115,430)</u>
Net patient accounts receivable	<u>\$ 8,411,143</u>	<u>\$ 7,393,064</u>

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2013 and 2012 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Advances to physicians, notes and related rents receivable	\$ 4,492	\$ 21,431
EHR "meaningful use" receivable due from the State	401,860	
Net IGT receivable due from the State	485,931	
San Benito County property taxes	97,325	146,048
Grant receivable from the Foundation for the Clinic		250,000
Other various receivables	62,230	130,828
	<u>\$ 1,051,838</u>	<u>\$ 548,307</u>

Advances to physicians are comprised of physician income guarantees and/or business loans to those physicians requiring assistance to begin a local practice. The Hospital has entered into agreements with certain physicians whereby the Hospital guarantees their income for a specified period of time. These agreements are structured so that if a physician maintains a practice in the area for a period of time, the income guarantee advances are forgiven.

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2013 and 2012 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents restricted by contributors	\$ 948,862	\$ 1,157,631
Cash designated by the board for specific purposes	9,443,028	9,696,383
Cash and cash equivalents held under bond indenture agreements for capital acquisitions	41,701	2,112,322
Cash and cash equivalents and debt securities held under bond indenture agreements for debt service requirements	3,079,606	2,928,677
	13,513,197	15,895,013
Less amounts available for current obligations	<u>(1,221,886)</u>	<u>(1,292,528)</u>
	<u>\$ 12,291,311</u>	<u>\$ 14,602,485</u>

Interest income, dividends, and other like-kind earnings are recorded as investment income. Unrealized gains and (losses) are also recorded as investment income.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE G - CAPITAL ASSETS

Capital assets as of June 30, 2013 and 2012 were comprised of the following:

	<u>Balance at June 30, 2012</u>	<u>Transfers & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2013</u>
Land and land improvements	\$ 2,362,722	\$ 6,264		\$ 2,368,986
Buildings and improvements	67,958,118	79,032	\$ (28,884)	68,008,266
Equipment	29,784,429	1,965,840	(248,663)	31,501,606
Construction-in-progress	<u>12,043,152</u>	<u>12,113,842</u>	<u> </u>	<u>24,156,994</u>
Totals at historical cost	112,148,421	14,164,978	(277,547)	126,035,852
Less accumulated depreciation for:				
Land and land improvements	(750,757)	(60,188)		(810,945)
Buildings and improvements	(21,952,259)	(2,369,078)	23,268	(24,298,069)
Equipment	<u>(21,720,742)</u>	<u>(2,723,290)</u>	<u>228,780</u>	<u>(24,215,252)</u>
Total accumulated depreciation	<u>(44,423,758)</u>	<u>(5,152,556)</u>	<u>252,048</u>	<u>(49,324,266)</u>
Capital assets, net	<u>\$ 67,724,663</u>	<u>\$ 9,012,422</u>	<u>\$ (25,499)</u>	<u>\$ 76,711,586</u>
	<u>Balance at June 30, 2011</u>	<u>Transfers & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2012</u>
Land and land improvements	\$ 2,156,745	\$ 213,103	\$ (7,126)	\$ 2,362,722
Buildings and improvements	67,433,827	524,291		67,958,118
Equipment	28,701,456	1,509,451	(426,478)	29,784,429
Construction-in-progress	<u>2,975,014</u>	<u>9,068,138</u>	<u> </u>	<u>12,043,152</u>
Totals at historical cost	101,267,042	11,314,983	(433,604)	112,148,421
Less accumulated depreciation for:				
Land and land improvements	(712,149)	(41,775)	3,167	(750,757)
Buildings and improvements	(19,551,055)	(2,401,204)		(21,952,259)
Equipment	<u>(19,346,946)</u>	<u>(2,753,108)</u>	<u>379,312</u>	<u>(21,720,742)</u>
Total accumulated depreciation	<u>(39,610,150)</u>	<u>(5,196,087)</u>	<u>382,479</u>	<u>(44,423,758)</u>
Capital assets, net	<u>\$ 61,656,892</u>	<u>\$ 6,118,896</u>	<u>\$ (51,125)</u>	<u>\$ 67,724,663</u>

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE H - DEBT BORROWINGS

As of June 30, 2013 and 2012, debt borrowings were as follows:

	<u>2013</u>	<u>2012</u>
Series 1998 revenue bonds; interest at 5.30% to 5.45% due semiannually; bonds were defeased during fiscal year 2013 with the new 2013 series:		\$ 11,910,000
Series 2003 revenue bonds; interest at 4.60% to 5.70% due semiannually; bonds were defeased during fiscal year 2013 with the new 2013 series:		4,780,000
General obligation bonds from election in 2005; interest at 4.50% to 5.00% due semiannually; principal due in annual amounts ranging from \$250,000 on July 1, 2012 to \$2,895,000 on July 1, 2035; collateralized by property taxes:	\$ 29,870,000	30,170,000
Series 2013 revenue bonds; interest at 2.0% to 5.0% due semiannually; principal due in annual amounts ranging from \$550,000 on March 1, 2014 to \$2,180,000 on March 1, 2029; collateralized by Hospital revenues and other property:	24,915,000	
Premium on 2013 revenue bonds, net of accumulated accretion:	2,812,302	
Two mortgage notes with banks; interest at 4.20% and 5.29%; both notes were paid in full during the fiscal year 2013:		1,396,569
Capitalized lease obligation agreement; interest at 4.5%; principal and interest of \$100,850 payable monthly through July 25, 2016; collateralized by equipment:	646,474	813,427
Other various debt borrowings	<u>158,854</u>	<u>331,918</u>
	58,402,630	49,401,914
Less current maturities of debt borrowings	<u>(1,110,801)</u>	<u>(1,610,328)</u>
	<u>\$ 57,291,829</u>	<u>\$ 47,791,586</u>

Future principal maturities for debt borrowings for the next succeeding years are: \$1,110,801 in 2014; \$1,828,744 in 2015; \$1,942,048 in 2016; \$1,949,881 in 2017 and \$1,971,250 in 2018.

In October, 1998, the Hospital issued Series 1998 Health Facility Revenue Bonds (the 98 Bonds) in the amount of \$17,865,000 for the purpose of financing the construction of a skilled nursing facility, acquisition of a medical office building, equipment additions, and to retire \$7,870,000 of the Series 1991-A Revenue Bonds. The 98 Bonds are the limited obligation of the Hospital. At the option of the Hospital, the 98 Bonds can be subject to redemption prior to their respective call dates, in whole or in part on any date on or after October 1, 2008 at prices ranging from \$102 to \$100.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE H - DEBT BORROWINGS - (continued)

The Hospital is required under the 98 Bond indenture agreement to deposit certain amounts on a monthly basis with the Trustee which approximate the succeeding year's debt service. The indenture agreement also provides for certain Hospital covenants that include, among other things, restrictions on consolidation, merger, sale or transfer of Hospital assets, a requirement to maintain proper licensing and qualification for federal, state and local government reimbursement programs, and to fix, charge and collect rates, fees and charges which are reasonably projected to, in each fiscal year, provide a Debt Service Coverage Ratio of not less than 1.75. The agreement also calls for the Hospital to maintain an actual Debt Service Coverage Ratio of not less than 1.25. During fiscal year 2013, the 98 Bonds were defeased with proceeds from the issuance of the 2013 revenue bonds.

In September, 2003, the Hospital issued Series 2003 Health Facility Revenue Bonds (the 03 Bonds) in the amount of \$5,500,000 for the purpose of financing the expansion of the radiology department and for construction of a new ambulatory surgery center. The 03 Bonds are the limited obligation of the Hospital. At the option of the Hospital, the 03 Bonds can be subject to redemption prior to their respective call dates, in whole or in part on any date on or after October 1, 2009 at prices ranging from \$102 to \$100. The Hospital is required under the 03 Bond indenture agreement to deposit certain amounts on a monthly basis with the Trustee which approximate the succeeding year's debt service. The indenture agreement also provides for certain Hospital covenants that include, among other things, restrictions on consolidation, merger, sale or transfer of Hospital assets, a requirement to maintain proper licensing and qualification for federal, state and local government reimbursement programs, and to fix, charge and collect rates, fees and charges which are reasonably projected to, in each fiscal year, provide a Debt Service Coverage Ratio of not less than 1.75. The agreement also calls for the Hospital to maintain an actual Debt Service Coverage Ratio of not less than 1.25. During fiscal year 2013, the 03 Bonds were defeased with proceeds from the issuance of the 2013 revenue bonds.

On July 7, 2005, the Hospital issued the San Benito Health Care District 2005 General Obligation Bonds (the 05 Bonds) in order to finance construction projects at the Hospital. The offering was for \$31,000,000 and will bear interest at rates which vary from 4.50% to 5.00%. Effective May 3, 2005, the Hospital exercised its authority to levy a special district property tax assessment to be used to meet debt service obligations for the 05 Bonds. Taxes are collected by San Benito County and are used to meet the debt service obligations as they become due and payable to the bondholders. The total debt service obligation paid by San Benito County on behalf of the Hospital for the 05 Bonds amounted to \$1,638,315 and \$1,591,651 for the years ended June 30, 2013 and 2012, respectively. These amounts, as well as County fees to administer the debt, have been recognized as income by the Hospital for the respective fiscal year ends. Additional accumulated tax collections by San Benito County under this arrangement as of June 30, 2013 and 2012 are considered minor.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE H - DEBT BORROWINGS - (continued)

In February, 2013, the Hospital issued Series 2013 San Benito Health Care District Insured Revenue Bonds (the 13 Bonds) in the amount of \$24,915,000 for the purpose of defeasing the 98 Bonds and the 03 Bonds. The Bonds were issued at a \$2,872,138 premium. The 13 Bonds are the obligation of the Hospital. The 13 Bonds maturing on or before March 1, 2021, will not be subject to optional redemption prior to maturity. At the option of the Hospital, the 13 Bonds maturing on or after March 1, 2022 (except for the 13 Bonds maturing on March 1, 2028 and March 1, 2029) can be subject to redemption prior to their respective call dates, in whole or in part at prices ranging from \$102 to \$100. The Hospital is required under the 13 Bond indenture agreement to deposit certain amounts on a monthly basis with the Trustee which approximate the succeeding year's debt service. The indenture agreement provides for certain Hospital covenants that include, among other things, restrictions on consolidation, merger, sale or transfer of Hospital assets, a requirement to maintain proper licensing and qualification for federal, state and local government reimbursement programs, and to fix, charge and collect rates, fees and charges which are reasonably projected to, in each fiscal year, provide a Debt Service Coverage Ratio of not less than 1.25. Other requirements are to maintain a Current Ratio of at least 1.5 to 1 and at least 30 days Cash on Hand. As of June 30, 2013, the Hospital is in compliance with these covenants.

NOTE I - RETIREMENT PLANS

Through December 31, 2003, the Hospital provided retirement benefits for substantially all of its full-time employees under a defined contribution matching plan (Plan I). Plan I became effective January 1, 1995 with a plan year end of December 31. Employees who have attained the age of 18 and completed one year of full-time service or part-time service were eligible for Plan I. Employees who worked on a per-diem, leased or contract basis were not eligible. The Hospital's contributions matched the contributions of the employees up to a 3.5% limit, subject to certain limitations under Plan I. In addition to the 3.5% contribution by the Hospital, employees could have contributed up to \$12,000. Employees become fully vested in the employer contributions after completion of 5 years of service. Total Plan I assets were \$15,776,772 and \$13,532,434 as of June 30, 2013 and 2012, respectively. No employer contributions have been made to Plan I after December 31, 2003.

Effective January 1, 2005, the Hospital began a single-employer defined benefit plan (Plan II). Plan II became effective January 1, 2005 with a plan year end of December 31. Plan II guarantees employees with a specific lifetime benefit funded 100% by the Hospital. Benefitted full and part-time employees are eligible following three years of consecutive employment. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees during the period of 1999 through 2004 at the same retirement formula of a percentage of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service. There are currently 300 active participants in Plan II, 4 pensioners receiving benefits, and 39 terminated vested participants entitled to future benefits. The following table presents Plan II information as required by GASB for the years ended June 30, 2013 and 2012 (2013 are estimated as the actuary was not able to provide the information in time for the financial statement presentation):

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE I - RETIREMENT PLANS (continued)

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 1,503,711	\$ 1,307,575
Interest on net pension obligation	22,812	11,069
Adjustment to net pension obligation	<u>(27,247)</u>	<u>(13,996)</u>
Annual pension cost	1,499,276	1,304,648
Contributions made	<u>(1,505,000)</u>	<u>(1,468,000)</u>
Increase (decrease) in net pension obligation	(5,724)	(163,352)
Net pension obligation at the beginning of the year	<u>(15,763)</u>	<u>147,589</u>
Net pension obligation at the end of the year	<u>\$ (21,487)</u>	<u>\$ (15,763)</u>

The annual required contribution was estimated based on prior information from actuarial valuations using the Traditional Unit Credit method. Previous actuarial assumptions included: (a) 7.50% investment rate return; and (b) projected salary increases of 7.00% for CNA nurses and 4.50% for all other participants. The estimated value of assets approximates the market value of plan investments.

NOTE J - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2013, the Hospital had recorded \$24,156,994 as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the Hospital's premises. Interest capitalized during the year ended June 30, 2013 was \$410,673. Estimated cost to complete these projects as of June 30, 2013 are approximately \$2.8 million.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2013 and 2012, were \$1,042,001 and \$982,666, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2013, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The Hospital may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2013 will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE J - COMMITMENTS AND CONTINGENCIES (continued)

Employee Health Insurance: The Hospital provides health benefits to employees through a self-funded plan financed by the Hospital operations. Estimated liabilities are recorded for claims which most likely have been incurred but are not yet reported for claims processing and payment (IBNR). As of June 30, 2013 and June 30, 2012, this amount was estimated at \$915,435 and \$866,363, respectively. Commercial insurance is provided for “stop-loss” coverage.

Workers Compensation Program: As of June 30, 2008, the Hospital was a participant in the Association of California Hospital District’s Alpha Fund, which administers a self-insured worker’s compensation plan for participating hospital employees of its member hospitals. The Hospital paid premiums to the Fund which were adjusted annually. The Hospital terminated this coverage effective July 1, 2008 and became enrolled with coverage provided by a commercial insurance company for workers’ compensation coverage.

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes the Hospital is in compliance with HIPAA as of June 30, 2013 and 2012.

Health Care Reform: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

NOTE K - RELATED PARTY TRANSACTIONS

The Hazel Hawkins Hospitals Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the Hospital or held for the benefit of the Hospital. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for Hospital property and equipment replacement or expansion or other specific purposes. Donations were \$823,908 and \$355,098 for the years ended June 30, 2013 and 2012, respectively.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE K - RELATED PARTY TRANSACTIONS (continued)

The Hazel Hawkins Auxiliary (the Auxiliary) is a similar non-profit organization to help solicit contributions for the Hospital. Donations by the Auxiliary were \$126,375 and \$202,797 for the years ended June 30, 2013 and 2012. Both of these entities are considered component units of the Hospital due to their relationship.

NOTE L - RESTRICTED NET POSITION

Restricted net position by contributors as of June 30, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Restricted by the foundation for capital assets and other purposes	\$ 192,623	\$ 416,200
Restricted by the auxiliary for capital assets and other purposes	511,441	486,262
Restricted for scholarships and tuitions	75,661	89,595
Restricted for remodel and other specific purposes	<u>169,137</u>	<u>165,574</u>
Total restricted net position, by contributor	<u>\$ 948,862</u>	<u>\$ 1,157,631</u>

NOTE M - INVESTMENTS

The Hospital's investment balances and average maturities were as follows at June 30, 2013 and 2012:

<i>As of June 30, 2013</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
U. S. government obligations	\$ 1,943,933		\$ 560,713	\$ 1,383,220
Taxable municipal bonds	1,211,011	\$ 577,660	315,165	318,186
Municipal bonds	541,074		157,124	383,950
Corporate bonds and notes	3,442,539	403,016	2,288,451	751,072
Cash equivalents	814,102	814,102		
Money market and mutual funds	<u>1,046,906</u>	<u>1,046,906</u>		
Total investments	<u>\$ 8,999,565</u>	<u>\$ 2,841,684</u>	<u>\$ 3,321,453</u>	<u>\$ 2,836,428</u>

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE M - INVESTMENTS (continued)

<i>As of June 30, 2012</i>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Over 5</u>
U. S. government obligations	\$ 2,186,659	\$ 115,265	\$ 510,116	\$ 1,561,278
Taxable municipal bonds	1,592,971	256,960	792,177	543,834
Municipal bonds	328,355			328,355
Corporate bonds and notes	3,717,252	617,145	2,044,838	1,055,269
Cash equivalents	378,283	378,283		
Money market and mutual funds	<u>1,052,730</u>	<u>1,052,730</u>		
Total investments	<u>\$ 9,256,250</u>	<u>\$ 2,420,383</u>	<u>\$ 3,347,131</u>	<u>\$ 3,488,736</u>

The Hospital's investments are reported at fair value as previously discussed. The Hospital's investment policy allows for various forms of investments generally set to mature within a few months to others over 15 years. The policy identifies certain provisions which address interest rate risk, credit risk and concentration of credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Hospital manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a position of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for hospital operations. Information about the sensitivity of the fair values of the Hospital's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the preceding schedules that shows the distribution of the Hospital's investments by maturity.

Credit Risk: Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The Hospital's investment policy for corporate bonds and notes is to invest in companies with total assets in excess of \$500 million and having a "A" or higher rating by agencies such as Moody's or Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer), the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investments are generally held by broker-dealers or bank's trust departments used by the Hospital to purchase securities.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital's investment in a single issuer. The Hospital's investment allows concentrations of over 5% in government-backed securities.

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE M - INVESTMENTS (continued)

Foreign Currency Risk: Foreign currency risk relates to adverse affects on the fair value of an investment from changes in exchanges rates involving currencies outside the United States. The Hospital has no investments in foreign currencies as it is not allowed within their investment policy.

NOTE N - MEDI-CAL RATE REDUCTIONS UNDER AB97

On March 24th of 2011, California's Governor Brown signed AB 97 (Budget Act of 2011), which included significant cuts to Medi-Cal reimbursement rates for skilled-nursing facilities that are distinct parts (DP/SNF's) of hospitals. Medi-Cal rates for these facilities were to be reduced to "rates that were applicable ... in the 2008-09 rate year, reduced by 10%." For most affected facilities, the reduction would have resulted in a decrease of approximately 20% to 25% or more. Reimbursement reduction of this magnitude would have devastating consequences for the California health care community, including the Hospital. Also, this reduction would be retroactive to June 1, 2011, thus compounding the problem.

As a result, the California Hospital Association (CHA) filed a lawsuit dated November 1, 2011 against the Department of Health Care Services (DHCS) and the Centers for Medicare and Medicaid Services (CMS) challenging rate cuts to Medi-Cal reimbursement for DP/SNF's within acute-care hospitals. The lawsuit asserts that the rate reductions violate federal Medicaid law requiring that payment be sufficient to ensure access for Medicaid beneficiaries, and that CMS did not act properly in approving the reductions.

In a hearing held December 19, 2011, the U.S. District Court, Central District, approved CHA's request for a preliminary injunction prohibiting DHCS from implementing reductions to Medi-Cal reimbursement for DP/SNF's. CHA argued that the payment reduction and retroactive recoupment would cause irreparable harm and lead to additional facility closures and reductions of service.

The U. S. District Court ruled on the State's request for a modification of the court's previous order for a preliminary injunction prohibiting DHCS from implementing reductions as mentioned above. The modification meant that the State would be able to implement rate cuts on reimbursement paid for a limited period prior to December 28, 2011, the date of the injunction. Payments for services that had been provided, but not yet paid as of that date, would be subject to the rate cut. In a decision handed down March 8, 2012, the judge agreed with the State's argument that they should be able to recover the difference between the rate paid and the reduced rate for services provided prior to December 28, 2011. The judge did however limit the retroactive implementation of the rate cuts to reimbursements for Medi-Cal services rendered but not paid as of December 28, 2011. Subsequent to this, the decision was overturned.

Arguments, discussions and other legislation were proposed, such as AB900 and SB640, over the past year and a half. Recent announcements have been most encouraging. Just this past summer, DHCS issued a statement that they intend to exempt all rural and frontier DP/SNF's (Level B) from AB97. Determination of "rural" status will be

Notes to Financial Statements (continued)

SAN BENITO HEALTH CARE DISTRICT

NOTE N - MEDI-CAL RATE REDUCTIONS UNDER AB97

defined by OSHPD that uses data from the 2011 Final Database Rural and Frontier from the Metropolitan Study Services Areas Designations. The effective date for this exemption is September 1, 2013, or any other date as approved by the Centers for Medicare and Medicaid Services.

This summer's decision meant that the DP/SNF's operated by the Hospital, as classified by the Department of Health Care Services (DHCS) as "rural" facilities, are exempt from the 10% per diem rate reduction as of September 1, 2013. There still, however, exists a "claw back" period between June 1, 2011 and August 31, 2013 for which the Hospital may be liable. The amount could be as high as \$2.6 million, after the net affect of DHCS's supplemental reimbursement program.

CHA is working closely with CMS to have them agree to exempt the DP/SNF's also from the "claw back" period. The Hospital believes this will be a likely outcome since CMS has already paid its share of the reimbursement and may not want to retroactively take the funding away. If CMS agrees to this later exemption, the State will then not be authorized to "claw back" its part of the funding, thus eliminating any possible liability.

NOTE O - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through October 15, 2013, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

C4

BYLAWS
of the
BOARD OF DIRECTORS
of SAN BENITO HEALTH CARE DISTRICT

I.

Organization and Purpose

A. Purpose

San Benito Health Care District, hereinafter called "District" is organized and operated pursuant to *California Health and Safety Code* Section 32000 and following. The District exists for purposes related to community health needs, and for the following general purposes:

1. Encourage competent health care at reasonable cost.
2. Attract a staff of qualified and competent health care practitioners.
3. Oversee efficient organizational methods and sound financial management.
4. Encourage availability of innovative health care methods to the community.
5. Provide opportunities for health care education of community members.
6. Establish and maintain a hospital environment and hospital operations conducive to quality and efficient patient care.

II.

OFFICES

The principle office of this organization is located at 911 Sunset Drive, Hollister, CA 95023.

III.
TITLE TO PROPERTY

The title, direction, and control of all property owned by the District is vested in the Board of Directors, hereinafter called "Board," and the signatures of the President and the Secretary as authorized, shall constitute the proper authority for the purchase or sale of property, or for the investment or other disposal of trust funds which are subject to the control of the District.

IV.
SURPLUS OF REVENUE

A. Profit or Gain

There shall be no contemplation of profit or pecuniary gain, and no distribution of profits to any individual, under any guise whatsoever, nor shall there be any distribution of assets or surpluses to any individual on the dissolution of this District.

B. Disposition of Surplus of Revenue

Should the operation of the District result in a surplus of revenue over expenses, such surplus may be used and dealt with by the Board of Directors as they determine within the limits of Health Care District Law and these Bylaws.

V.
SCOPE OF BYLAWS

A. Definition

These bylaws shall be known as the District Bylaws, and shall govern the San Benito Health Care District, its Board of Directors, and all of its affiliated and subordinate organizations and groups.

B. Delegation

The Board of Directors may delegate certain powers to the Chief Executive Officer, the Medical Staff, or other affiliated subordinate organizations and groups. No assignment, referral or delegation of authority by the Board of Directors shall preclude the Board of Directors from exercising the authority required to meet its responsibilities for operation of the District and the quality of patient care. The Board of Directors shall retain the right to rescind any such delegation.

C. Medical Staff and Subordinate Organizations

The Bylaws, Rules and Regulations of the Medical Staff and other affiliated and subordinate organizations and groups, and any amendments to such Bylaws, shall not be effective until the same are approved by the Board of Directors. These shall include an effective formal means for the Medical Staff to participate in committees and give input to the Board relative to issues affecting the discharge of medical staff responsibilities. In the event of any conflict between the Bylaws of the Medical Staff, or any other affiliated or subordinate organization or group, and the provisions of these District Bylaws, these District bylaws shall prevail. In the event the District Bylaws are in conflict with any statute of the State of California governing health care districts, such statute shall prevail.

D. Policies and Procedures

The Board of Directors shall review and approve policies and procedures for the operation of the District.

E. Policy and Procedures Manual

The Policy and Procedures Manual memorializes additional policies of the Board of Directors. Each Board Member shall become familiar with the Manual in order to carry out the Board Member's responsibilities.

VI.

POWERS OF DISTRICT

The District shall have and exercise the powers set forth in Section 32121 of the *California Health and Safety Code*.

VII.
DIRECTORS

A. Qualification and Number

The Board of Directors shall consist of five (5) members, each of whom shall be a registered voter residing in the District. Members shall be elected by the registered voters residing in the District, pursuant to *Health and Safety Code* Section 32100 and following. Terms shall be set in accordance with California Health Care District Law and California Uniform District Election Law.

The District shall cause each Board member and any person elected to serve as a member of the board who has not assumed the duties of office to receive a copy of *California Government Code* Sections 54940-54962, known as the Ralph M. Brown Act.

B. Duties

1. Attend board meetings.
2. Attend meetings of committees to which the member is assigned.
3. Relate community input to the Board.
4. Represent the District in a positive and effective manner in public forums.
5. Learn enough details about hospital management and patient care services so that the Board members can effectively question reports of both institutional managers and the professional staff and evaluate the answers.
6. Accept and fulfill reasonable assignments from the President of the Board.
7. Cooperate with the annual evaluation of each individual Board member, conducted according to established procedure by the President of the Board.
8. Participate in the orientation program for new Board members.
9. Participate in a continuing education program.
10. Become familiar with the provisions of *Government Code* Sections 54960-54962, known as the Ralph M. Brown Act.

C. Vacancies and Removal of Directors

If a Board member is absent from three (3) consecutive regular meetings, or from three (3) of any five (5) consecutive meetings of the Board, the Board may, by resolution, declare that a vacancy on the Board exists.

Vacancies so created or vacancies created by other means, such as resignation, death, or moving out of the boundaries of the District, shall be filled by the methods provided by law.

D. Compensation

1. The members of the board shall serve without compensation except that each shall be allowed actual necessary travel and incidental expenses incurred in the performance of the official business of the District as approved by the Board.
2. The members of the Board shall be entitled to participate in District-sponsored health and life insurance by virtue of their status as Board members.

5
Compensation
+
benefits

E. Conflict of Interest

No Board member shall realize economic gain from an action of the Board in which that Board member participated. Board members shall be required to follow the *Conflict of Interest Code* adopted by the Board of Directors.

VIII

MEETINGS OF DIRECTORS

A. Regular Meetings

Regular meetings of the Board shall be held monthly on the fourth Thursday of each month at 5:00 p.m. at Hazel Hawkins Hospital. The Board may from time to time, by majority vote, change the time and place of a regular meeting.

The District shall post an agenda complying with *Government Code* Section 54954.2 at least 72 hours prior to a regular meeting.

B. Special Meetings

Special meetings of the Board may be called by the President of the Board or by three (3) directors. The District shall deliver written notice of a special meeting to all Board members at least 24 hours prior to the time of the meeting as specified in the notice. The District shall post the notice of the special meeting in a location that is freely accessible to members of the public. This 24-hour notice requirement shall not apply in an “emergency situation” as defined in *California Government Code* Section 54956.5.

C. Quorum

For regular and special meetings of the Board, a quorum shall be three (3) members.

D. Majority Vote

All actions of the Board shall be taken by a majority of three (3) of the Board members. No action shall be taken by the Board, however, by secret ballot, whether preliminary or final.

E. Public Meetings

All meetings of the Board, whether regular, special, or adjourned, shall be open and public, and all persons shall be permitted to attend any meeting, unless otherwise provided by law. Public testimony on a particular issue shall be limited to a maximum of three minutes for each individual speaker for each issue. The Board may, however, at its discretion, allow for more time if deemed appropriate or necessary.

F. Minutes

A record of proceedings of all public meetings of the Board shall be kept on file.

IX

OFFICERS

A. Positions

The officers of the Board shall be a President, a Vice President, a Secretary, Assistant Secretary, and Treasurer.

B. Election of Officers

1. The Board of Directors shall, at their December meeting, subsequent to the Health Care District general elections, elect the officers from among its own members.
2. Officers are elected for a period of two (2) years, and shall serve until a successor is elected. No Board member shall serve more than two (2) consecutive terms in the same office, unless the Board elects to extend additional terms by majority vote. In no event shall Board member serve more than four (4) consecutive terms in the same office.
3. To be eligible to be elected to the office of President, the candidate shall have served at least two years on the Board, provided that the Board may waive this eligibility requirement if there are no candidates so eligible.

C. Duties

1. ***President***

The President shall:

- a. Preside over all meetings of the Board of Directors.
- b. Sign as President and jointly with other officers as appropriate, and execute in the name of the District, contracts, conveyances, and other written instruments which have been authorized by the Board of Directors.
- c. Appoint chairperson and members of board committees.

2. ***Vice President***

The Vice President shall, in the event of death, absence or other inability of the President, exercise all the powers and perform all the duties herein given to or imposed upon, the President.

3. ***Secretary***

The Secretary shall maintain accurate and complete minutes of all meetings, call meetings on order of the President, attend to all correspondence, execute contracts and conveyances and all other instruments in writing, and perform such other duties as ordinarily pertained to his/her office.

4. ***Assistant Secretary***

The Assistant Secretary shall, in the absence of the Secretary, assume the duties of the Secretary.

5. ***Treasurer***

The Health Care District shall establish its own treasury and shall appoint a treasurer charged with the safekeeping and dispersal of the funds in the treasury of the District.

6. ***Vacancies and Removal of Officers***

- a. In the event of a vacancy in the office of President, the Vice-President shall fill such vacancy for the balance of the term. In the event of a vacancy in the office of Vice President, the Secretary shall fill such vacancy for the balance of the term.
- b. All other vacancies and/or simultaneous vacancies shall be filled by majority vote of the Board of Directors.
- c. Officers may be removed by vote of three (3) Board members for failure to perform the duties of the office or for malfeasance in office.

X

COMMITTEES OF THE BOARD

A. Appointment and Terms of members of Board Committees

The President of the Board shall appoint members of Board committees. Committee appointments are for two (2) years.

B. Standing Committees

1. Strategic Planning Committee

- a. *Composition:* The President of the Board shall appoint all members of the Strategic Planning Committee to include at least: two (2) members of the Board, one (1) representative of the Medical Staff, one (1) representative of the hospital Auxiliary, one (1) representative of the Director of Nursing, one (1) representative of the Foundation Board, and the Chief Executive Officer and/or his/her designee.
- b. *Duties:* The Strategic Planning Committee shall meet as necessary during the year to propose to the Board specific goals and objectives for a minimum three (3) year period. The Long-Range Plan shall be revised and updated no less than annually.

2. *Finance Committee*
 - a. *Composition:* The Finance Committee consists of the Treasurer of the Board, who shall serve as its chairperson, one (1) additional Board member appointed by the President of the Board, plus the Chief Executive Officer, and the Assistant Administrator for Finance.
 - b. *Duties:* The Finance Committee assists in establishing valid business and financial contracts,
 - 1) annually reviews and recommends a budget to the Board,
 - 2) makes recommendations to the Board concerning capital improvements requests, and
 - 3) makes quarterly reports to the Board of Directors regarding the Pension Plan.

3. *Facilities & Service Development Committee*
 - a. *Composition:* The Facilities & Service Development Committee consists of two Board members appointed by the President, one of whom shall be the committee chairperson, plus the Chief Executive Officer.
 - b. *Duties:* 1) serves as a forum for consideration of community concerns and opportunities;
2) reviews specific facility projects in conjunction with the Finance Committee;

5. *Additional Committees*

Additional committees, permanent or temporary, can be established at any time, and from time to time by the President or the Board.

XI

CHIEF EXECUTIVE OFFICER

A. **Appointment**

The Board of Directors is authorized to employ a Chief Executive Officer of the District who shall be responsible for the day-to-day management of the District and employment of District personnel in accordance with these Bylaws. The qualification of the Chief Executive Officer shall meet the requirements established by the Board. The duties of the Chief Executive Officer shall be set forth by the Board and the Chief Executive Office shall be evaluated annually by the Board. The State Department of Health Services shall be

notified in writing if a new Chief Executive Officer is employed, as stated in the Administrative Policies & Procedures Manual.

B. Committee Membership

The Chief Executive Officer shall be a member, ex-officio, of all committees of the Board and its adjunct organizations, such as the Medical Staff, the Hospital Auxiliary, and the Hazel Hawkins Hospitals Foundation where he/she will represent the Board unless in specific case where the Board directs otherwise.

C. Meeting Attendance

The Chief Executive Officer and his/her representatives shall be privileged to attend all Medical Staff meetings and Medical Staff Committee meetings and shall be given notice of such meetings. They shall be accorded the courtesy of a voice in these meetings, but shall have no vote.

D. Evaluation

The Board of Directors shall annually evaluate the performance of the Chief Executive Officer.

XII

MEDICAL STAFF

A. Appointment

The Board shall appoint a Medical Staff. The Board shall approve Medical Staff Bylaws which set forth qualifications for Medical Staff membership and clinical privileges. The Medical Staff shall govern its affairs, subject to these Bylaws, to its own Bylaws, and to relevant statutes and legal precedents.

B. Review and Delineation of Clinical Privileges

The Board shall consider appointment and specific clinical privileges of each practitioner every two- (2) years. The Board acts upon Medical Executive committee recommendations regarding renewal and/or upgrading and/or restriction of Medical Staff membership and/or clinical privileges for each practitioner subject to the Medical Staff Bylaws.

C. Scope of Privileges

The Board shall require that patient care services under the District auspices be provided only within the scope of privileges granted by the Governing Body.

D. Reports by Medical Staff

The Board shall receive, question, and act upon regular reports of the clinical activities of medical Staff members and of other practitioners actively engaged in providing clinical services in or under the auspices of the Hospital.

E. Quality of Care Procedures

The Board shall provide adequate support personnel to assist the Medical Staff with organizational functions, including Medical Staff membership and clinical privileges (credentialing), physician performance evaluation (peer review), and collection and analysis of clinical data (quality assurance, utilization review, analysis of uniform levels of care, and risk management).

F. Termination and Due Process

Membership on the Medical Staff and specific practice privileges are subject to denial, suspension, termination, or curtailment for cause by the Board. In such an event, due process shall be provided as described in the Medical Staff Bylaws and Health Care District Law.

G. Meeting Attendance

The Chief of the Medical Staff, or his or her designee, who is appointed by the Chief of the Medical Staff on an annual basis, is requested to attend all regular and special meetings of the Hospital Board of Directors.

XIII
AUXILIARY AND FOUNDATION

Purposes and Bylaws

The Hazel Hawkins Hospitals Auxiliary and the Hazel Hawkins Hospitals Foundation shall assist in promoting the health and welfare of the community in accordance with these Bylaws and shall delineate their purpose and function in their Bylaws. The Bylaws and rules of the Auxiliary and of the Foundation shall be subject to approval of the Board.

XIV
INDEMNIFICATION

Indemnification of Directors and Officers

Directors and officers shall be indemnified to the full extent permitted by law against all claims, liabilities and expenses incurred as a result of an action by the Board, except in the instance of willful misconduct in the performance of duties as a director or officer.

XV
GENERAL PROVISIONS

A. Execution of Contracts

The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract to execute any contract or execute any instrument in the name of and on behalf of the District.

B. Seal

The District shall have a seal and may alter said seal at its pleasure.

C. Fiscal Year

The fiscal year of the District shall commence July 1st of each year and shall end June 30th of each year.

D. Annual Audit

The affairs and financial condition of the District shall be audited annually at the end of each fiscal year by a Certified Public Accountant selected by the Board and a written report of such audit and appropriate financial statements submitted to the Board.

Additional audits may be authorized as considered necessary or desirable by the Board.

E. Review of Bylaws

The Bylaws of the Board should be reviewed at least every two- (2) years and revised as necessary.

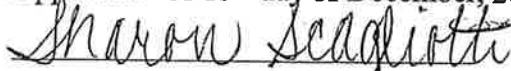
F. Amendment

These Bylaws may be amended at any properly noticed meeting of the Board by a majority of three (3) Board members.

G. Adoption

Adoption of Bylaws shall by a majority of three (3) Board members, at any properly noticed meeting of the Board.

Approved this 15th day of December, 2005.



Sharon Scagliotti, Secretary

Board of Directors - San Benito Health Care District

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HAZEL HAWKINS MEMORIAL HOSPITAL

OWNED PROPERTY
AS OF SEPTEMBER 2014

#	Common Name/Address	Primary Purpose
1	Hazel Hawkins Memorial Hospital 911 Sunset Drive Hollister, CA 95023	Acute Care Hospital
2	William and Inez Mabie Skilled Nursing Facility 911-A Sunset Drive Hollister, CA 95023	Skilled Nursing Facility
3	Hazel Hawkins Memorial Hospital Ambulatory Surgical Center 911-B Sunset Drive Hollister, CA 95023	Ambulatory Surgical Center
4	Hazel Hawkins Memorial Hospital Support Services Building 911-C Sunset Drive Hollister, CA 95023	General, Fiscal, and Administrative Service Building
5	Hazel Hawkins Community Health Clinic and Medical Offices 910, 920, and 930 Sunset Drive Hollister, CA 95023	Rural Health Clinic and Medical Offices
6	Hazel Hawkins Memorial Hospital - Ralph Armstrong, D.O. 941 Sunset Drive Hollister, CA 95023	Physician's Office
7	Hazel Hawkins Memorial Hospital Physical Therapy Office 961 Sunset Drive Hollister, CA 95023	Physical Therapy Office
8	Mabie Northside Skilled Nursing Facility 900 Sunset Drive Hollister, CA 95023	Skilled Nursing Facility
9	Mabie First Street Healthcare Center 321 First Street Hollister, CA 95023	Rural Health Clinic

D

HAZEL HAWKINS MEMORIAL HOSPITAL
 STATISTICAL COMPARISON REPORT
 FOR PERIOD 06/30/14

	CURRENT MONTH			PRIOR YR			YEAR-TO-DATE		
	ACTUAL	BUDGET	POS/NEG	PERCENT	ACTUAL	BUDGET	POS/NEG	PERCENT	PRIOR YR
	06/30/14	06/30/14	VARIANCE	VARIANCE	06/30/13	06/30/14	VARIANCE	VARIANCE	06/30/13
DAYS IN MONTH	30	30	0	0	30	365	0	0	365
ADMISSIONS:									
HHH INTENSIVE CARE UNIT	24	28	(4)	(13)	21	327	(20)	(6)	344
HHH MED/SURG	114	105	9	9	105	1,441	6	0	1,425
HHH OBSTETRICS	39	36	3	9	27	452	(48)	(10)	484
TOTAL ACUTE ADMISSIONS	177	168	9	5	153	2,220	(62)	(3)	2,253
DISCHARGES:									
HHH INTENSIVE CARE UNIT	15	21	(6)	(30)	17	228	(13)	(5)	230
HHH MED/SURG	121	112	9	8	112	1,539	(6)	(1)	1,532
HHH OBSTETRICS	41	36	5	15	28	452	(48)	(10)	487
TOTAL ACUTE DISCHARGES	177	170	8	4	157	2,219	(69)	(3)	2,249
PATIENT DAYS:									
HHH INTENSIVE CARE UNIT	78	104	(26)	(25)	91	1,139	(18)	(2)	1,163
HHH MED/SURG	360	326	34	11	328	5,029	374	8	4,642
HHH OBSTETRICS	100	78	22	29	70	1,105	(58)	(5)	1,108
TOTAL ACUTE PATIENT DAYS	538	508	30	6	489	7,273	297	4	6,913
NURSERY PATIENT DAYS	80	70	10	14	60	909	(53)	(6)	931
ACUTE AVERAGE LENGTH OF STAY	3.04	3.00			3.11	3.28			3.07
SNF ADMISSIONS:									
HHH SNF MABIE	6	11	(5)	(47)	7	132	(20)	(13)	155
HHH SNF NORTHSIDE	12	6	6	96	11	146	23	18	120
TOTAL SNF ADMISSIONS	18	17	1	4	18	278	3	1	275
SNF DISCHARGES:									
HHH SNF MABIE	10	10	0	(2)	5	135	(21)	(14)	149
HHH SNF NORTHSIDE	10	11	(1)	(11)	11	144	23	19	121
TOTAL SNF DISCHARGES	20	21	(1)	(7)	16	279	2	1	270
SNF PATIENT DAYS:									
HHH SNF MABIE	1,509	1,560	(51)	(3)	1,496	18,632	(348)	(2)	17,983
HHH SNF NORTHSIDE	1,381	1,500	(119)	(8)	1,375	17,726	(522)	(3)	17,511
TOTAL SNF PATIENT DAYS	2,890	3,060	(170)	(6)	2,871	36,358	(870)	(2)	35,494
SNF AVERAGE DAILY CENSUS	96.33	102.01			95.70	99.61			97.24
ER VISITS:									
IP ER VISITS	118	109	9	8	114	1,531	(57)	(4)	1,521
OP ER VISITS	1,332	1,137	195	17	1,212	15,275	500	3	14,589
TOTAL ER VISITS	1,450	1,246	204	16	1,326	16,806	443	3	16,110

HAZEL HAWKINS MEMORIAL HOSPITAL
 STATISTICAL COMPARISON REPORT
 FOR PERIOD 06/30/14

	CURRENT MONTH			PRIOR YR			YEAR-TO-DATE		
	ACTUAL 06/30/14	BUDGET 06/30/14	POS/NEG VARIANCE	PERCENT VARIANCE	ACTUAL 06/30/13	BUDGET 06/30/13	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 06/30/13
OUTPATIENT VISITS	14,951	9,035	5,916	66	11,418	109,930	10,531	10	111,501
HOME HEALTH CARE VISITS	448	696	(248)	(36)	575	7,471	(702)	(9)	7,385
HHH ORTHOPEDIC CLINIC	626	331	296	89	322	3,961	1,083	27	3,948
HHH MULTISPECIALTY CLINIC	401	163	238	146	354	2,214	2,287	103	2,839
HHH PRIMARY CARE ASSOCIATES	269	417	(148)	(36)	213	5,000	(1,304)	(26)	660
RURAL HEALTH CLINIC VISITS:									
HHH RURAL HEALTH CLINIC	1,522	1,670	(148)	(9)	1,159	18,629	(1,910)	(10)	16,952
HHH SAN JUAN CLINIC	344	374	(30)	(8)	323	4,677	(25)	(1)	4,416
HHH SPECIALTY CLINIC	0	0	0	0	691	318	173	83	1,238
HHH RHC 4TH/SAN JUAN RD	1,198	1,243	(45)	(4)	993	12,917	26	0	12,483
HHH CLINIC 1ST ST REV	522	507	15	3	445	6,083	(99)	(2)	5,324
TOTAL RURAL HEALTH CLINIC VISITS	3,586	3,794	(208)	(6)	3,611	42,480	(1,864)	(4)	40,413
SURGERY CASES:									
IP SURGICAL CASES	61	55	6	11	52	712	(15)	(2)	687
OP SURGICAL CASES	54	49	5	10	47	573	(37)	(7)	541
ASC SURGICAL CASES	127	85	42	50	83	929	191	21	936
TOTAL SURGICAL CASES	242	189	53	28	182	2,214	139	6	2,164
DELIVERIES:									
VAGINAL	22	23	(1)	(4)	14	291	(30)	(10)	284
C-SECTION	15	11	5	43	13	173	(6)	(3)	162
TOTAL DELIVERIES	37	34	4	10	27	464	(36)	(8)	446
SURGICAL MINUTES:									
IP SURGICAL MINUTES	5,857	4,098	1,759	43	4,799	55,861	2,929	5	55,562
OP SURGICAL MINUTES	1,168	1,871	(703)	(38)	1,249	19,327	(2,868)	(15)	17,461
ASC SURGICAL MINUTES	3,953	2,465	1,488	60	1,854	28,214	5,980	21	26,676
TOTAL SURGICAL MINUTES	10,978	8,434	2,544	30	7,902	103,403	6,041	6	99,699
CENTRAL SUPPLY:									
IP CAS LINE ITEMS	6,593	4,775	1,818	38	5,283	68,068	2,433	4	68,861
OP CAS LINE ITEMS	6,946	5,303	1,643	31	5,693	68,271	1,419	2	68,428
TOTAL CENTRAL SUPPLY ITEMS	13,539	10,078	3,461	34	10,976	136,338	3,853	3	137,289
LABORATORY:									
IP LAB TESTS	2,941	2,970	(29)	(1)	2,586	37,786	(1,524)	(4)	36,605
IP LAB MCCRAY	0	0	0	0	0	0	5	0	0
OP LAB TESTS	19,190	16,386	2,804	17	17,042	201,005	14,443	7	202,672
OP LAB MCCRAY	77	7	70	978	26	521	299	134	239
TOTAL LABORATORY TESTS	22,208	19,364	2,844	15	19,654	252,236	13,223	6	239,516



MEMORIAL HOSPITAL
SKILLED NURSING FACILITIES
HOME HEALTH AGENCY

San Benito Health Care District



SAN BENITO HEALTH CARE DISTRICT

STRATEGIC PLANNING REVIEW AND DINNER

Thursday, August 15, 2013 – 5:30 – 7:30 p.m.


Support Services Building – 2nd Floor Great Room

AGENDA

- 5:30 p.m. Welcome & Introductions.....Gordon Machado, Board Chair
- 5:35 p.m. Dinner
- 6:00 p.m. FY '13 Recap and Volume Trends.....Ken Underwood, CEO
- 6:10 p.m. Quality Performance Measures
and Accomplishments.....Lois Owens, RN, CNO
- 6:20 p.m. Financial Overview, Trends,
and Projections.....Mark Robinson, CFO
- 6:30 p.m. Current Status of Health Care.....Larry Cappel, PhD, CEO
Pacific Health Alliance
- 7:10 p.m. Overview of FY '14 Value Based
Growth Opportunities.....Mark Smith
- 7:20 p.m. Discussion, Wrap-up & Adjourn.....N. Parveen Sharma, M.D.
Board Strategic Planning Committee
All

**San Benito
Healthcare District
2013 Strategic Planning**

Lawrence Cappel Ph.D.
August 15, 2013

Quick  Thought

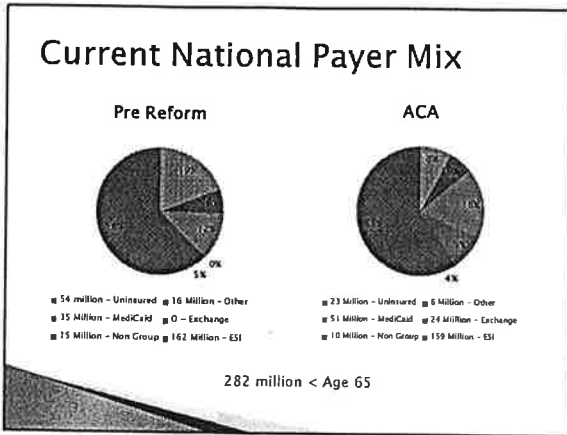
There are 1194 Top 100 Hospitals in the United States!

Paul Keckley Ph.D.

Healthcare Trends 2013-2018

- > The transformation of U.S. hospitals to a new business model
- > The development of state health insurance exchanges
- > The volatility in the credit markets
- > The aging of baby boomers
- > The expansion of the hospital role to include community well-being
- > The focus on quality as a long-term strategy to drive down healthcare costs
- > The emergence of clinically integrated provider networks
- > The increase in employment of physicians by hospitals






Quick Thought

Only 14% of American's between ages of 25 and 64 who have private insurance has an understanding of the most basic insurance concepts of deductible, co-pay, co-insurance and out-of-pocket maximum.

George Lowenstein
Carnegie Mellon University
Journal of Health Economics
September 2013

Winners/Losers

Managed Medicaid	
Medicare Advantage/ACO	
Primary Care	
Commercial Plans	
Hospitals	
Specialists	

Quick  Thought

"Medicare For All Would Cover Everyone, Save Billions in First Year"

- > Save \$592 billion in 2014
- > Cover all 44 million uninsured
- > Eliminate health insurance industry
- > Save \$116 billion on Pharmaceuticals
- > No premiums, co-payments and deductibles
- > Insertion of cost-controls
- > "Modest" tax-increases on high-income
- > Increase in payroll taxes
- > 95% of US households would save \$

Gerald Friedman, Ph.D.
University of Mass-Amherst

Pressure on Hospitals

- > Reduce payment for preventable hospital readmissions
- > Development of Accountable Care Organizations
- > Physician value-based payment for Medicare
- > Reduce Medicare payment for Hospitals
- > Bundling acute care and post-acute payments
- > Provide Care Coordination

Four Forces Shaping Provider Economics
Financial, Clinical Profiles Shifting Dramatically

<p>Decelerating Price Growth</p> <ul style="list-style-type: none"> > Federal state budget pressures > Constraining public payer price growth > Payments subject to quality cost-based bids > Commercial cost shifting stretched to the limit 	<p>Continuing Cost Pressure</p> <ul style="list-style-type: none"> > No sign of slowing cost growth without Employer Demands
<p>Shifting Power Mix</p> <ul style="list-style-type: none"> > Baby boomers entering Medicare rolls > Coverage expansion boosting Medicaid eligibility > Most demand growth over the next decade comes from publicly insured patients 	<p>Disturbing Clinical Mix</p> <ul style="list-style-type: none"> > Medical demand from aging population threatens to crowd out profitable procedures > Incidence of chronic disease, multiple comorbidities rising > Computers increasing for profitable services

Achieving The New Performance Standard – Inaction Not an Option

Nine Imperatives for Achieving the New Performance Standard

1. Maximize Revenue Capture
2. Excel Under Performance Risk
3. Bend Labor Cost Curves
4. Standardize Clinical Care Pathways
5. Redesign Inpatient Care Models
6. Build Effective Capacity
7. Reassess Supply of Less Profitable Services
8. Deflect Demand of Less Profitable Services
9. Secure Surgical Market Share

Quick Thought

94% of MRI's do not result in a change of treatment plan!

San Francisco Bay Area Hospital Market

- > Widening gap between have and have not hospitals
- > Substantial hospital construction to meet state seismic standards
- > Shifting alignments among providers and growing regionalization of provider networks
- > Increased plan-provider collaborations to form ACO's
- > Expanding safety-net capacity
- > Increased collaboration across the safety-net

Competition

- > Sutter Health/Palo Alto Medical Foundation
- > Dignity Health
- > Kaiser
- > Locals (CHOMP, SVMH, St. Louise)
- > Local Physicians
- > Out-of-Town Physicians
- > Walgreens, Safeway, CVS, etc.
- > Business Entrepreneurs



San Benito County Market Share (2010 Inpatient)

HHH	53.3%
St. Louise	10.3%
S.V.M.H.	5.6%
Good Samaritan	5.6%
Kaiser	4.4%
Stanford	3.9%
CHOMP	2.5%
Packard	2.1%
El Camino	1.4%
O'Connor	1.2%

Economic Impact of Out-Migration to San Benito County

2,259	Discharges
12,945	Days
\$122,576,205	Inpatient Dollars
\$91,300,000	Physician (Est.) & Ancillary



Hazel Hawkins Challenges

- > Increase Efficiencies
- > Reduce Cost of Care
- > Adapt To New Payment Structures
- > Increase Access to Talent
- > Stabilize Physician Community
- > Continue to Recruit Good Physicians
- > Improve Community Perception
- > Continually Improve Payer Mix
- > Become the Gold Standard for Quality
- > Develop Healthcare Delivery System that is the preferred system for San Benito County Employers
- > Remain Independent
- > Reduce outmigration of all services

Strategic Initiatives



- > Patient access to medically necessary care
- > Ensure system has appropriate staff to deliver high quality care
- > Engage community to support a sustainable health care model
- > Provide high quality and safe care on a consistent basis
- > Develop a reimbursement strategy that ensures sustainable operations
- > Position Delivery System (ACO/Risk-Taking etc.)

Quick Thought



"About 80% of the office visits done right now by primary care physicians can be done by midlevel providers, and 80% of what the midlevels do can be done over the telephone"

Allen S. Weiss, MD
CEO NCH Healthcare System

Strategic Planning Review

San Benito Health Care District

August 15 – 16, 2013

Summary of Activities

The leadership of San Benito Health Care District hosted a two day strategic planning review on August 15 and 16, 2013. District leadership, hospital administration, physicians as well as community leaders and the public were participants in the meetings.

Presentations on the current state of the hospital were provided by the hospital administrative team including Ken Underwood, Chief Executive Officer, Lois Owens, RN, Vice President, Patient care Services, Mark Robinson, Chief Financial Officer and Mark Smith, Vice President, Hospital Services. A presentation on trends impacting health care was provided by Lawrence W. Cappel, PhD, President of Pacific Health Alliance. On the second day, Health Care District board members and key hospital personnel along with members of the public participated in a review of growth opportunities for fiscal year 2014.

The national context of strategic planning was presented by Dr Cappel. The healthcare trends from 2013 to 2018 include:

- Transformation to a new business model
- Development of state health insurance exchanges
- Volatility in the credit markets
- Aging of the population (most specifically, the “Baby boomers”)
- Expansion of the role of the hospital to include community well-being
- Increase in employment of physicians by hospitals
- The emergence of clinically integrated provider networks
- Focus on Quality as a method to drive down hospital costs.

Specific trends and projections in health care and health care reimbursement were presented. While in 2012, the hospital posted a net surplus of \$ 1,116,000, projections for 2013 and 2014 indicated potential of losses of \$ 381,000 (2013) and then \$ 1,344,000. Net patient revenue was expected to continue to increase \$1.1 million in 2013 and then another 1.9 million in 2014. However, state and national trends suggested that there would be up to a ten percent reduction in reimbursements due to a variety of initiatives including Medi-Cal managed care, federal sequestration, and changes in Medicare policies of reimbursement. There will be continued financial pressures on the hospital.

Information on the current status of hospital quality measures and efforts to continually improve these measures was presented. The current results of the 2013 Quality Pillar were presented. In some areas, the goals were exceeded and the hospital received outside recognition for either quality or improvement in quality. Most notably, the hospital received the Healthstream award for the Most Improved Hospital Emergency Room Satisfaction, recognition from the California Hospital Engagement Network for improvement in 4 areas as well as recognition from the Beta Healthcare Group for its commitment to reach zero preventable birth injuries. (This last award actually reduced the hospital's costs for liability coverage for its obstetrics unit.) The hospital did not fare well on the Leapfrog report and efforts to improve the hospital's Leapfrog score will continue.

The role and programs of the Health Care District was a major focal point of the presentations. The hospital, its clinics and affiliated physicians are a center point for the health care delivery system in the County. Efforts to increase the visibility and utilization of the hospital were discussed. Market share data indicated that the hospital increased its share of discharges in many areas of general medicine. However, its share of discharges in obstetrics had declined. The upcoming opening of the new Women's Center was part of the effort to reverse the trend as well as general marketing efforts in the community.

The challenges to Hazel Hawkins Hospital are to:

- Increase Efficiency
- Reduce cost of care
- Adapt to New Payment Structures
- Increase access to talent
- Recruit good physicians to the community
- Reduce Out-migration of all services
- Develop a health care system that is the preferred site of care for residents of San Benito County
- Become the Gold Standard of Quality of Care
- Improve the perception of the hospital in the Community

The second day of the retreat was composed of the Health Care District Board, over 20 hospital department managers and a few consultants to the hospital. A listing of over 38 value based growth opportunities for fiscal year 2014 was presented by hospital management for review and prioritization (attached).

To facilitate the discussion, the listing was subdivided into four groups which were "community initiatives", "inpatient", "outpatient," and "physician initiatives".

For Community Initiatives, the top items were:

- Establishing partnerships for networking, managing and provider high quality, more comprehensive services for Medi-Cal
- Developing Community Wellness and Education Program/Center
- Buy Local Program

For Physician Initiatives, the top priority items were:

- Develop Joint Replacement Program
- Recruit New obstetrics-gynecology physician and General Surgeon

For Outpatient Initiatives, the top priority items were:

- Expand Cardiology services
- Open stroke center

For Inpatient Initiatives, the top priority items were:

- Develop an inpatient orthopedic surgery and rehabilitation unit
- Increase Inpatient volumes through expansion of specialties and community awareness

In general discussion, there were many ideas expressed to improve the visibility of the hospital within the community. These ideas included not only increased and consistent signage in the community but the staff visibly displaying items showing them to be members of the hospital staff when shopping in the community.

Increased purchasing by the hospital could be accomplished by supporting the local suppliers including medical supplies, office supplies, and local producers of produce.

The concept of a "Hazel" card was promoted. The hospital could partner with local merchants, fitness centers and others to provide discounts and incentives that support a "Buy Local" campaign.

There was also extensive discussion related to opportunities available to the hospital based upon national and the strategic positioning of the hospital as the chief source of information on health care delivery and medical care in the community. There was support for the development of an Accountable Care Organization (ACO) as well as clinically integrating medical services so that the hospital and local physicians could be partners in risk-bearing opportunities.

There was also discussion on the development of a truly local health plan modeled on the existing Hazel Hawkins Employee Benefit plan which could be offered to local employers. This program would make Hazel Hawkins the preferred center for all services that are offered by the hospital.

VALUE-BASED GROWTH OPPORTUNITIES – FISCAL YEAR 2014

- Add Endocrinology, Gastroenterology, Asthma, Neurology, Neurosurgery, and Podiatry services to Multi-Specialty Center.
- Increase Multi-Specialty Center volumes in Pulmonology, Orthopedics, Rheumatology, Cardiology, and Infectious Disease.
- Expand ER on-call specialties to include Pulmonology, Gastroenterology, Neurology, Nephrology, and Neurosurgery.
- Develop a Community Wellness and Education Program/Center.
- Develop an inpatient Orthopedics/Rehabilitation/Surgical Unit.
- Expand Primary Care Associates Center.
- Develop an Obesity/Diabetic Treatment Program.
- Open Stroke Center.
- Recruit new OB/GYN and Surgeon.
- Design plans for Wound Clinic.
- Design plans for Dialysis Center.
- Add inpatient Dialysis.
- Develop and market Orthopedic bundled payment program.
- Develop Joint Replacement Program.
- Open new Specialty Center (Prunedale, Los Banos, Hollister, Gilroy).
- Design plans for additional Rural Health Clinic.
- Research/establish Clinic Management opportunities.
- Develop Worker's Compensation Program for District employees.
- Develop and implement new quality/productivity-based incentive plan for clinic physicians.
- Partner for DME service.
- Establish partnership for networking, managing, and providing higher quality, more comprehensive services for Medi-Cal covered lives and uninsured.
- Expand Cardiology services (TEE, and CT Angio).
- Review/establish collaborative opportunities with County Behavioral Health.
- Develop efficient and timely coordination of outpatient rehabilitation services.
- Expand Medicare base at SNFs.
- Market services to "Covered California" beneficiaries.
- Partner and develop data benchmarks and initiate a "Medical Home" system and coordinate with Accountable Care Organization.
- Level IV trauma emergency status.
- Expand surgery/Pain, Vascular, Podiatry, Cosmetic, Bariatrics, & minimally invasive procedures.
- Develop an ER "Wait Time" system to communicate low ER wait times to community.
- Modify inpatient "acute" bed licensing to include "swing beds".
- Increase OB volumes with new Women's Center and allowing patients a "real and fair" choice.
- Increase inpatient volumes with improved market share through expansion of specialties and community awareness.
- Initiate Neurosurgery services.
- Promote "captive" plans with local employers and school district.
- Establish a Pulmonary Rehab outpatient program.
- Review/establish/network with Foundation physician group model.
- Review partnership affiliation with local physician group (SBMA).

**SAN BENITO HEALTH CARE DISTRICT
FISCAL YEAR 2013**

E-1

MISSION STATEMENT

The San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians, and the health care consumers of the community.

VISION STATEMENT

San Benito Health Care District is committed to meeting community health care needs with quality care in a safe and compassionate environment.

State of California

Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

San Benito Health Care District

to operate and maintain the following General Acute Care Hospital

HAZEL HAWKINS MEMORIAL HOSPITAL

HAZEL HAWKINS MEMORIAL HOSPITAL D/P SNF

HAZEL HAWKINS MEMORIAL HOSPITAL

911 Sunset Dr
Hollister, CA 95023-5606

Bed Classifications/Services

- 62 General Acute Care
- 21 Perinatal at
911-W Sunset Drive
1st Floor, Hollister
- 8 Intensive Care
- 33 Unspecified General Acute Care
- 57 Skilled Nursing (D/P)

Other Approved Services

- Basic Emergency Medical
- Outpatient Clinics - Radiology at Women's
Diagnostic Imaging Center, 911-W Sunset
Drive, 2nd Floor, Hollister
- Outpatient Clinics - Rural Health Clinic at
Hazel Hawkins Health Clinic, 301 The
Alameda, Suite B-3, San Juan Bautista
- Outpatient Clinics - Rural Health Clinic at
Mabie First Street Healthcare Center, 321
First Street, Hollister
- Outpatient Clinics - Rural Health Clinic at
Mabie San Juan Road Healthcare Center,
991 San Juan Road, Hollister
- Outpatient Clinics - Rural Health Clinic at San
Benito Community Health Clinic, 930 Sunset
Drive, Building 2 & 3, Hollister
- Outpatient Clinics - Surgical
- Outpatient Services - Orthopedics at Hollister
Orthopedic Specialty Center, 930
Sunnyslope Road, Suite C-4B, Hollister
- Outpatient Services - Physical Therapy at
Focus Sports Therapy, 101 McCray Street,
Hollister

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Jose District Office, 100 Paseo de San Antonio, Suite 235, San Jose, CA 95113, (408)277-1784

POST IN A PROMINENT PLACE

F-1
F-2

State of California
Department of Public Health
License Addendum

License: 070000004
Effective: 07/14/2014
Expires: 12/31/2014
Licensed Capacity: 181

HAZEL HAWKINS MEMORIAL HOSPITAL (Continued)

911 Sunset Dr
Hollister, CA 95023-5606

Other Approved Services (cont'd)

Outpatient Services - Physical Therapy at
961-A Sunset Drive, Hollister
Outpatient Services - Radiology Diagnostic at
930 Sunnyslope Road, Suite C4-A, Hollister
Outpatient Services - Speciality Clinic at
Hollister Multi-Speciality Clinic, 890 Sunset
Drive, Building A, Suite A-2, Hollister
Physical Therapy

Approved Other Certifiable Parts

Rural Health Clinic
Mabie First Street Healthcare Center
321 1st St
Hollister, CA 95023-3712

Rural Health Clinic
HAZEL HAWKINS HEALTH CLINIC
301 The Alameda
Ste B-3
San Juan Bautista, CA 95045-9746

Rural Health Clinic
SAN BENITO COMMUNITY HEALTH CLINIC
930 Sunset Dr
Building 3
Hollister, CA 95023-5780

Rural Health Clinic
MABIE SAN JUAN ROAD HEALTHCARE CENTER
991 San Juan Rd
Hollister, CA 95023-3423

HAZEL HAWKINS MEMORIAL HOSPITAL D/P SNF

900 Sunset Dr
Hollister, CA 95023-5603

Bed Classifications/Services
62 Skilled Nursing

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San
Jose District Office, 100 Paseo de San Antonio, Suite 235, San Jose, CA 95113, (408)277-1784

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

License: 070000004
Effective: 07/14/2014
Expires: 12/31/2014
Licensed Capacity: 181

HAZEL HAWKINS MEMORIAL HOSPITAL D/P SNF (Continued)
900 Sunset Dr
Hollister, CA 95023-5603



This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:

Consolidated license

Consolidated license on 06/27/85 with Hazel Hawkins Convalescent Hospital. Consolidated license on 10/26/01 with Hazel Hawkins Convalescent Hospital (Sunbridge Care Ctr for Hollister)

Ron Chapman, MD, MPH

Director & State Health Officer

Charlene Popke, District Manager

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, San Jose District Office, 100 Paseo de San Antonio, Suite 235, San Jose, CA 95113, (408)277-1784

POST IN A PROMINENT PLACE

Hazel Hawkins Memorial Hospital

Hollister, CA

has been Accredited by



The Joint Commission Hospital Accreditation Program

Which has surveyed this organization and found it to meet the requirements for the

November 8, 2013

Accreditation is customarily valid for up to 36 months.

Rebecca J. Fauchin

Rebecca J. Fauchin, MD
Chair, Board of Commissioners

Organization ID #2388

Print/Reprint Date: 01/28/2014

Mark R. Chassin

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.



Hospital Awards and Accreditations:

2013: Joint Commission Accreditation in December.

2014 Healthgrades Five-Star Award for Hip Fracture Treatment.

EXCELLENCE THROUGH INSIGHT award for Overall Emergency Department Satisfaction

“QUEST FOR ZERO” award for Excellence in OB Safety Standards (Tier 1, 2 & 3)

Feedback, Comments & Surveys

We use HealthStream for our surveys.

Top 5 areas of ranking improvement since 2008;

1. Cleanliness of Room/Bathroom up 27 points.
2. Overall rating of Hospital up 21 points.
3. Nurse Communication up 17 points.
4. Responsiveness of Hospital Staff up 13 points
5. Night Noise up 11 points.

All patient comments are recorded by HealthStream

1. Reviewed with staff as necessary.

All patient comments are written by HealthStream.

1. Written copies given to Dept. Directors if requested.

Daily patient rounding by Dept. Director in Med./Surg. asking questions specifically addressing the 4P's Pain, Position, Potty, Personals.

I use the Studer Group “Action Grid for Must Have” to develop an action plan in our lowest scoring survey areas.

F-4

Action Grid for Must Have _____

Develop an action plan

Goal:

Action	By Whom & When	How to Hardwire / Performance Indicator
1.		
2.		
3.		
4.		

Potential Barriers and How to Overcome: