
REGULAR BOARD MEETING PACKET



BOARD OF COMMISSIONERS

Board Chair –Tom Herrin, Secretary – Kim Olive,
Commissioner – Craig Coppock, Commissioner – Wes McMahan &
Commissioner-Laura Richardson

May 25, 2022 @ 3:30 PM

Join Zoom Meeting: <https://myarborhealth.zoom.us/j/84887072988>

Meeting ID: 848 8707 2988

One tap mobile: +12532158782,,84887072988#

Dial: +1 253 215 8782



**LEWIS COUNTY HOSPITAL DISTRICT NO. 1
REGULAR BOARD OF COMMISSIONERS' MEETING
May 25, 2022 at 3:30 p.m.**

ZOOM

<https://myarborhealth.zoom.us/j/84887072988>

Meeting ID: 848 8707 2988

One tap mobile: +12532158782,,84887072988#

Dial: +1 253 215 8782

Mission Statement

To foster trust and nurture a healthy community.

Vision Statement

To provide accessible, quality healthcare.

| AGENDA | PAGE | TIME |
|--|-----------------|---------|
| Call to Order | | |
| Roll Call | | |
| Reading of the Mission & Vision Statement | | 3:30 pm |
| Approval or Amendment of Agenda | | |
| Conflicts of Interest | | |
| Comments and Remarks | | 3:35 pm |
| <ul style="list-style-type: none"> • Commissioners • Audience | | |
| Executive Session-RCW 70.41.200 | 4 | 3:40 pm |
| <ul style="list-style-type: none"> • Medical Privileging-Dr. Mark Hansen & Janice Cramer | | |
| Guest Speaker(s) | 5 | 3:45 pm |
| <ul style="list-style-type: none"> • Kami Matzek, CPA & Shayna Desjardin, CPA, Dingus, Zarecor and Associates (DZA) <ul style="list-style-type: none"> ○ 2021 Independent Financial & Internal Control Auditor Report | | |
| <ul style="list-style-type: none"> • Elya Prystowski, Executive Director, The Rural Collaborative (TRC) <ul style="list-style-type: none"> ○ TRC Annual Return & Future Expansion | 70 | 4:10 pm |
| Department Spotlight | | 4:30 pm |
| <ul style="list-style-type: none"> • Laboratory | 81 | |
| Board Committee Reports | | |
| <ul style="list-style-type: none"> • Hospital Foundation Report-Committee Chair-Commissioner Richardson | 85 | 4:35 pm |
| <ul style="list-style-type: none"> • Finance Committee Report-Committee Chair-Commissioner McMahan | 87 | 4:40 pm |
| <ul style="list-style-type: none"> • Compliance Committee Report-Committee Chair-Commissioner McMahan | | 4:45 pm |
| Consent Agenda (Action) | | 4:50 pm |
| <ul style="list-style-type: none"> • Approval of Minutes: <ul style="list-style-type: none"> ○ April 27, 2022, Regular Board Meeting ○ May 11, 2022, Compliance Committee Meeting ○ May 18, 2022, Finance Committee Meeting | 92 99 103 | |
| <ul style="list-style-type: none"> • Warrants & EFTs in the amount of \$3,269,273.41 dated April 2022 | 107 | |
| <ul style="list-style-type: none"> • Resolution 22-17-Approving the Medicare 2021 Cost Report Settlement Payment | 109 | |

| | | |
|---|------------|---------|
| <ul style="list-style-type: none"> ○ <i>To approve the settlement payment to Medicare for the fiscal year 2021 from operating cash.</i> | | |
| <ul style="list-style-type: none"> ● Approve Documents Pending Board Ratification 05.25.22 <ul style="list-style-type: none"> ○ <i>To provide board oversight for document management in Lucidoc.</i> | 112 | |
| Old Business <ul style="list-style-type: none"> ● 2023-2025 Strategic Planning <ul style="list-style-type: none"> ○ <i>To discuss engaging Via Healthcare Consulting, Inc. for another planning session in November/December 2022.</i> ○ <i>Resolution 22-18-Approving to Engage the 2023-2025 Strategic Planning Consultant (Action)</i> | 116 118 | 4:55 pm |
| <ul style="list-style-type: none"> ● Leadership Summit Summary <ul style="list-style-type: none"> ○ <i>To verbally highlight the conference.</i> | | 5:05 pm |
| <ul style="list-style-type: none"> ● Lewis County Investment Pool Discussion <ul style="list-style-type: none"> ○ <i>To verbally discuss the County's proposal for investing the District's funds in the Lewis County Investment Pool.</i> | | 5:15 pm |
| New Business | | |
| Superintendent Report | 121 | 5:30 pm |
| Executive Session-RCW 42.30.140 (4) <ul style="list-style-type: none"> ● To discuss collective bargaining sessions. | | |
| Meeting Summary & Evaluation | | 5:55 pm |
| Next Board Meeting Dates and Times <ul style="list-style-type: none"> ● Special Board Meeting-June 20, 2022 @ 3:30 PM (ZOOM) ● Regular Board Meeting-June 29, 2022 @ 3:30 PM (ZOOM) Next Committee Meeting Dates and Times <ul style="list-style-type: none"> ● QIO Committee Meeting-June 8, 2022 @ 7:00 AM (ZOOM) ● Finance Committee Meeting-June 22, 2022 @ 12:00 PM (ZOOM) | | |
| Adjournment | | 6:00 pm |



MEDICAL STAFF PRIVILEGING

The below providers are requesting appointment to the Arbor Health Medical Staff. All files have been reviewed for Quality Data, active state license, any malpractice claims, current liability insurance, peer references, all hospital affiliations, work history, National Practitioner Data Bank reports, sanctions reports, Department of Health complaints, Washington State Patrol background check and have been reviewed by the credentialing and medical executive committees including the starred items below. The credentialing and medical executive committees have recommended the following for approval.

INITIAL APPOINTMENTS- 3

Radiology Consulting Privileges

- Robert Apland, DO (Radia)
- Jonathan Lee, MD (Radia)
- David Westman, MD (Radia)

REAPPOINTMENTS- 12

Arbor Health

Cardiology Consulting Privileges

Radiology Consulting Privileges

- Shari Jackson, MD
- Frederick Kash, MD
- Mitchell Kok, MD
- Christopher Krol, MD
- John MacKenzie, MD
- Harrison March, MD
- Mark Mayhle, MD
- David Miller, MD
- Kirk Myers, DO
- Nancy Neubauer, MD

Telestroke/Neurology Consulting Privileges

- Joseph Freeburg, MD (Providence Health & Services)
- Amit Kansara, MD (Providence Health & Services)

⊛-notates files with items to note.



| | | |
|---|--|---|
| Specialty Clinic 521 ADAMS AVENUE 360-496-3641 | Mossyrock Clinic 745 WILLIAMS STREET 360-983-8990 | Randle Clinic 108 KINDLE ROAD 360-497-3333 |
| Morton Hospital 521 ADAMS AVENUE 360-496-5112 | Morton Clinic 531 ADAMS AVENUE 360-496-5145 | |

MEMORANDUM

To: Finance Committee & Board of Commissioners
 From: Richard Boggess, CFO
 Date: May 9, 2022
 Re: 2021 Financial Audit Update

The District’s external auditors, Dingus Zarecor and Associates (DZA) have completed the 2021 Financial Audit and accompanying Single Audit Report. The Board engaged the auditors to perform an external review of the financials of the District. In this capacity, they serve as a tool of the Board to ensure that management is performing as expected. They review the major assumptions made by management in the preparation of the financial statements, as well as looking at various internal processes to obtain an opinion about the financial statements.

The District received an Unmodified Opinion as a result of the audit, indicating the financial statements describe fairly the condition of the organization to the readers of the statements. This is sometimes referred to as a “clean opinion.” DZA provided comments about several items that the District can do to improve operations. Management will take the comments and work to improve them in the coming months.

As a condition of receiving the Provider Relief Funds, the District was required to have a federal Single Audit. DZA completed this audit as part of the engagement. This audit identified that there was an error in the calculation of one of the formulas used to calculate the amount of “lost revenue.” The calculation indicates the District could have reported more “lost revenue”; however, the District would not have received any additional dollars.

The audit documents will be available in administration upon production by the auditors and available for public inspection upon request. Our next step is to file the results of audit with the State Auditor Office meeting our requirement as a public hospital district and to file with the Electronic Municipal Market Access fulfilling our bond obligations. This will be completed in mid-May.

As part of the closing of the audit, the District made 13 entries. Some of these entries are for financial presentation and others are related to expected outstanding items at year end and suggested by the District. A summary of significant entries is listed below:

| | |
|---|-------------|
| 1) Filing of the 2021 Medicare Cost Report - favorable impact | \$ 377,677 |
| 2) Recognition of 2021 lost revenue – favorable impact | \$757,417 |
| 3) Updating Surgery Inventory – favorable impact | \$67,879 |
| 4) Eight entries related to financial classification and no income impact | \$0 |
| 5) Recognition of program revenue – favorable impact | \$16,380 |
| Total Net Income Impact: | \$1,249,353 |



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Board of Commissioners
Lewis County Public Hospital District No. 1
doing business as Arbor Health
Morton, Washington

In planning and performing our audit of the financial statements of Lewis County Public Hospital District No. 1 doing business as Arbor Health (the District) for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated May 4, 2022, on the financial statements of the District. We will review the status of these comments during our next audit engagement.

Internal Controls

Internal controls are deterrents to fraud. The following internal control structure comments should be considered, as well as available resources, the cost/benefit of the particular control, and other mitigating controls. We understand the District is a relatively small organization, making optimal segregation of all duties difficult. The inability to optimally segregate incompatible duties increases the importance of management and Board of Commissioners' oversight of the internal control process. Although nothing has come to our attention that leads us to believe fraud has occurred, we recommend the following procedures to help minimize the risk of fraud or errors in your organization:

- ***Credit card policies and procedures*** – The District does not have updated complete policies and procedures regarding the use of credit cards. Policies and procedures help to ensure that proper procedures are consistently followed. During the audit we noted that an employee was able to issue them self a credit card. We also noted that there were instances of employees sharing cards. We recommend that all policies and procedures regarding credit cards be reviewed, updated and followed during the year.
- ***IT access procedures*** – The District does not have policies and procedures regarding review of IT access. Currently all IT access is assigned and removed after a work order is submitted by human resources. A periodic review of access would give the District another layer of security by ensuring that current employees have proper access and that there are no unauthorized individuals with access.

Reconciliations

During course of the audit, we noted several cash accounts with unreconciled balances.

We found that management is using the accounts payable process to transfer funds from the County Treasurer's account to transfer cash to the District's other cash accounts. Although this process is acceptable to use, the entries should be reversed as part of the cash reconciliation to ensure there are no unreconciled variances. This resulted in cash and accounts payable being overstated by approximately \$570,000.

In addition, we found that there were several unreconciled differences between the District's Cerner clearing account and other accounts. These adjustments did not result in any changes in the overall cash balance. We recommend that management resolve all unreconciled balances prior to closing the month.

Inventory

During the course of the audit, we proposed an adjustment to inventory to reconcile the final balance to the inventory counts.

We recommend the District develop a process to ensure all general ledger accounts are reconciled, reviewed, and adjusted to agree to reconciled balances in a timely manner before the general ledger is finalized.

Closing

We wish to thank the Chief Executive Officer, Chief Financial Officer, Controller and the fiscal department for their support and assistance during our audit.

This communication is intended solely for the use of the Board of Commissioners and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 4, 2022



Board of Commissioners
Lewis County Public Hospital District No. 1
doing business as Arbor Health
Morton, Washington

We have audited the financial statements of Lewis County Public Hospital District No. 1 doing business as Arbor Health (the District) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the *Uniform Guidance*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letters to you dated December 1, 2021 and February 23, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the allowance for estimated uncollectible accounts and contractual adjustments is based on experience, third-party contractual history, and any unusual circumstances.
- Management's estimate for third-party settlements is based on interim payments, the District's expenses, and patient statistical data.
- Management's estimate of the CARES Act Provider Relief Fund revenue is based on lost revenues and COVID-19 qualifying expenses based on current guidance.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management has determined that the exclusion of the Arbor Health Foundation from the financial statements is immaterial to the financial statements taken as a whole. The Foundation total assets at December 31, 2021, were approximately \$70,000.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 4, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management could override controls.
- The Provider Relief Fund (PRF) revenue could be overstated or understated.
- There is risk that the SEFA could be missing federal expenditures.
- The Medicare accelerated payment liability could be overstated or understated.
- The patient accounts receivable allowance for contractual adjustments and doubtful accounts (allowance) contains a risk of improper revenue recognition.

Other Matters

We applied certain limited procedures to the management’s discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Commissioners and management of Lewis County Public Hospital District No. 1 doing business as Arbor Health and is not intended to be, and should not be, used by anyone other than these specified parties.

Dingus, Zarecor and Associates PLLC

Spokane Valley, Washington
May 4, 2022

**Lewis County Public Hospital District No. 1
doing business as
Arbor Health**

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Pg 11 Board Packet

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Table of Contents**

| | Page |
|---|-------------|
| <i>INDEPENDENT AUDITORS' REPORT</i> | 1-3 |
| <i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i> | 4-8 |
| <i>BASIC FINANCIAL STATEMENTS:</i> | |
| Statements of net position | 9-10 |
| Statements of revenues, expenses, and changes in net position | 11 |
| Statements of cash flows | 12-13 |
| Notes to basic financial statements | 14-29 |
| <i>SINGLE AUDIT:</i> | |
| <i>AUDITORS' SECTION:</i> | |
| Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> | 30-31 |
| Independent auditors' report on compliance for each major program and on internal control over compliance required by the Uniform Guidance | 32-34 |
| Schedule of audit findings and questioned costs | 35-36 |
| <i>AUDITEE'S SECTION:</i> | |
| Schedule of expenditures of federal awards | 37-38 |
| Summary schedule of prior audit findings | 39 |



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Lewis County Public Hospital District No. 1
doing business as Arbor Health
Morton, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lewis County Public Hospital District No. 1 doing business as Arbor Health (the District) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, required by Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2021. We issued a similar report for the year ended December 31, 2020, dated May 5, 2021, which has not been included with the 2021 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 4, 2022

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Management’s Discussion and Analysis
Years Ended December 31, 2021 and 2020**

Our discussion and analysis of Lewis County Public Hospital District No. 1 doing business as Arbor Health’s (the District) financial performance provides an overview of the District’s financial activities for the years ended December 31, 2021 and 2020. Please read it in conjunction with the District’s financial statements, which begin on page 8.

Financial Highlights

- The District’s net position increased by \$2,689,381, or 26 percent, in 2021 and increased by \$853,548, or 9 percent, in 2020.
- The District reported operating loss of \$2,667,680 in 2021 and operating loss of \$5,024,600 in 2020. Operating losses decreased by \$2,356,920 in 2021 and increased by \$4,085,699 in 2020.
- Nonoperating revenues and expenses decreased by \$3,219,002, or 9 percent, in 2021 compared to 2020. Nonoperating revenues and expenses increased by \$4,454,436, or 323 percent, in 2020 compared to 2019.

Using This Annual Report

The District’s financial statements consist of three statements—a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

Our analysis of the District finances begins on page 5. One of the most important questions asked about the District’s finances is, “Is the District as a whole better or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s net position and changes in it. You can think of the District’s net position—the difference between assets and liabilities—as a way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net position can help indicate whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District’s patient base and measures of the quality of service it provides to the community, as well as the local economic factors, to assess the overall health of the District.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from?” “What was cash used for?” and “What was the change in cash balance during the reporting period?”

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Management’s Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020**

The District’s Net Position

The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position, on page 9. The District’s net position increased by \$2,689,381, or 26 percent, in 2021 and increased by \$853,548, or 9 percent, in 2020, as shown in Table 1.

A significant component of the change in the District’s assets is the decline in current assets. This is mostly attributed to the increase in capital spending for 2021. Current assets have decreased by 22 percent, mainly in cash as the District participated in various programs related to the COVID-19 pandemic and due to a major renovation completed during 2021. While capital assets have increased by 29 percent, changes in the Medicare program receivable, while sizeable, are standard experiences in the critical access hospital program.

Table 1: Assets, Liabilities, and Net Position

| | 2021 | 2020 | 2019 |
|---|----------------------|----------------------|----------------------|
| <i>Assets</i> | | | |
| Current assets | \$ 16,753,350 | \$ 18,722,830 | \$ 9,580,133 |
| Capital assets, net | 11,505,349 | 8,916,298 | 9,469,416 |
| Other noncurrent assets | 1,593,539 | 3,205,817 | 1,339,891 |
| Total assets | \$ 29,852,238 | \$ 30,844,945 | \$ 20,389,440 |
| <i>Liabilities</i> | | | |
| Current liabilities | \$ 10,563,983 | \$ 9,988,546 | \$ 3,881,409 |
| Noncurrent liabilities | 6,443,245 | 10,700,770 | 7,205,950 |
| Total liabilities | 17,007,228 | 20,689,316 | 11,087,359 |
| <i>Net position</i> | | | |
| Net investment in capital assets | 3,695,239 | 1,726,015 | 1,180,610 |
| Restricted for debt service | 1,220,723 | 836,344 | 761,618 |
| Unrestricted | 7,929,048 | 7,593,270 | 7,359,853 |
| Total net position | 12,845,010 | 10,155,629 | 9,302,081 |
| Total liabilities, deferred inflows of resources, and net position | \$ 29,852,238 | \$ 30,844,945 | \$ 20,389,440 |

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Management’s Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

Operating Results and Changes in The District’s Net Position

In 2021, the District’s net position increased by \$2,689,381 or 26 percent, as shown in Table 2. This decrease is made up of very different components, compared with the increase in net position for 2020 of \$853,548, and is discussed below.

Table 2: Operating Results and Changes in Net Position

| | 2021 | 2020 |
|--|----------------------|----------------------|
| <i>Operating revenues</i> | | |
| Net patient revenue | \$ 29,943,640 | \$ 25,997,099 |
| Grants | 367,783 | 223,208 |
| Other | 424,294 | 304,120 |
| Total operating revenues | 30,735,717 | 26,524,427 |
| <i>Operating expenses</i> | | |
| Salaries and wages | 16,467,514 | 14,792,381 |
| Employee benefits | 4,143,761 | 3,929,511 |
| Professional fees | 3,623,229 | 4,112,182 |
| Supplies | 2,386,071 | 2,124,331 |
| Utilities | 457,657 | 487,739 |
| Purchased services | 2,814,453 | 2,382,917 |
| Leases and rentals | 253,015 | 223,328 |
| Repairs and maintenance | 498,354 | 434,407 |
| Depreciation | 1,271,919 | 1,736,150 |
| Insurance | 246,945 | 214,206 |
| Other | 1,240,479 | 1,111,875 |
| Total operating expenses | 33,403,397 | 31,549,027 |
| Operating loss | (2,667,680) | (5,024,600) |
| <i>Nonoperating revenues (expenses)</i> | | |
| CARES Act Provider Relief Fund | 780,106 | 3,711,316 |
| COVID-19 grants | 7,311 | 637,152 |
| Taxation for maintenance and operations | 1,028,508 | 981,433 |
| Taxation for bond principal and interest | 1,133,723 | 811,167 |
| Contributions | - | 4,299 |
| Build America Bond subsidy | 91,000 | 95,725 |
| Gain on sale of assets | 3,500 | - |
| Interest income | 26,097 | 62,875 |
| Interest expense | (411,099) | (425,819) |
| Total nonoperating revenues, net | 2,659,146 | 5,878,148 |
| Change in net position before gain on forgiveness of Paycheck Protection Program loan | (8,534) | 853,548 |
| Gain on forgiveness of Paycheck Protection Program loan | 2,697,915 | - |
| Change in net position | 2,689,381 | 853,548 |
| Net position, beginning of year | 10,155,629 | 9,302,081 |
| Net position, end of year | \$ 12,845,010 | \$ 10,155,629 |

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Management’s Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

Analysis of Financial Position, Results of Operations, Nonoperating Activities, and Cash Flows

The first component of the overall change in the District’s net assets is its operating loss—the difference between net patient service revenues and the expenses incurred to perform those services. In 2021 and 2020, the District reported an operating loss. Operating losses decreased by \$2,356,920, or 47 percent, from 2020 to 2021, and increased by \$4,085,699, or 435 percent, from 2019 to 2020.

In 2020, the District experienced a decline in most service lines related to the COVID-19 pandemic as patients express concern about interacting in environments where the virus may exist. In 2021, as concern abated, patients started to seek medical services again and operations returned to normal as illustrated in the table below.

| | 2021 | 2020 | 2019 | 2018 |
|-------------------------------|--------|--------|--------|--------|
| <i>Admissions</i> | | | | |
| Medical/surgical | 195 | 164 | 190 | 181 |
| Skilled nursing | 78 | 76 | 96 | 53 |
| <i>Patient Days</i> | | | | |
| Medical/surgical | 803 | 517 | 631 | 575 |
| Skilled nursing | 1,319 | 1,137 | 1,366 | 718 |
| Custodial | 24 | 1,330 | 2,723 | - |
| <i>Outpatient Utilization</i> | | | | |
| Outpatient registrations | 15,085 | 11,991 | 10,580 | 11,481 |
| Observation registrations | 253 | 212 | 218 | 199 |
| Emergency registrations | 4,950 | 4,159 | 4,721 | 4,456 |
| Physician clinics | 24,394 | 18,434 | 13,197 | 14,101 |
| <i>Surgery</i> | | | | |
| Inpatient | 21 | 9 | 18 | 23 |
| Outpatient | 347 | 280 | 275 | 256 |

The District acquired a local physician practice in 2020 in an effort to maintain stability in the primary care market. In 2021 the District started offering podiatry and orthopedic services. In addition, the District discontinued offering custodial services. The District continues to experience turnover in staffing and has moved to staffing with out-of-market staffing contracts, thereby increasing its professional fee cost in 2021. Employee benefit cost continues to grow with an aging workforce.

The primary components of these changes in operating losses are:

- An increase in Inpatient and Skilled Nursing days of 16 percent.
- An increase in Emergency Department visit of 19 percent.
- An increase in physician clinic visit and referral outpatient utilization in laboratory and radiological encounters.
- Increase in salaries and benefits expense of \$1,889,383 or 10 percent, from 2020 to 2021, and an increase of \$1,961,221 or 12 percent, from 2019 to 2020.
- In order to maintain appropriate staffing levels and expertise, the District is utilizing out-of-market staffing resources as the local labor market does not support the staffing requirements. Staff recruitment is a high priority for the District and significant effort is being made recruiting staff to the area.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020**

Capital Assets

At the end of 2021, the District had \$11,505,349 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements.

Debt

At year end, the District had \$6,443,245 in revenue notes, mortgage loans, and capital lease obligations outstanding. The District issued no new debt in 2021. The District's formal debt issuances—revenue notes—cannot be issued without approval of the District's Board of Commissioners.

Currently Known Facts, Decisions, and Conditions

There are no known changes in the community, industry, or state programs that can be quantified at this time.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the administration department Arbor Health, PO Box 1138, Morton, Washington 98356.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Statements of Net Position
December 31, 2021 and 2020

| ASSETS | 2021 | 2020 |
|---|----------------------|----------------------|
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 11,725,281 | \$ 13,907,557 |
| Receivables: | | |
| Patient accounts | 4,060,729 | 3,284,901 |
| Estimated third-party payor settlements | 17,977 | 454,668 |
| Taxes | 20,833 | 25,177 |
| Taxes restricted for debt service | 23,503 | 25,445 |
| Other | 253,436 | 450,314 |
| Inventories | 351,872 | 312,750 |
| Prepaid expenses and other | 299,719 | 262,018 |
| Total current assets | 16,753,350 | 18,722,830 |
| <i>Noncurrent assets</i> | | |
| Cash and cash equivalents, limited as to use for capital acquisitions | 396,319 | 395,614 |
| Cash and cash equivalents, restricted for debt service | 1,197,220 | 810,899 |
| Cash and cash equivalents, restricted for capital acquisitions | - | 1,999,304 |
| Capital assets, net | 11,505,349 | 8,916,298 |
| Total noncurrent assets | 13,098,888 | 12,122,115 |
| Total assets | \$ 29,852,238 | \$ 30,844,945 |

See accompanying notes to basic financial statements.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Statements of Net Position (Continued)
December 31, 2021 and 2020**

| LIABILITIES AND NET POSITION | 2021 | 2020 |
|--|----------------------|----------------------|
| <i>Current liabilities</i> | | |
| Accounts payable | \$ 760,577 | \$ 583,616 |
| Accrued compensation and related liabilities | 2,028,286 | 1,798,286 |
| Estimated third-party payor settlements | 1,717,059 | - |
| Electronic health records incentive payback | 194,689 | 194,689 |
| Current maturities of long-term debt | 1,366,865 | 1,316,175 |
| Paycheck Protection Program loan | 152,685 | - |
| Unearned CARES Act Provider Relief Fund | 1,000,000 | 773,947 |
| Medicare accelerated payments | 3,343,822 | 5,321,833 |
| Total current liabilities | 10,563,983 | 9,988,546 |
| <i>Noncurrent liabilities</i> | | |
| Long-term debt, less current maturities | 6,443,245 | 7,850,170 |
| Paycheck Protection Program loan | - | 2,850,600 |
| Total noncurrent liabilities | 6,443,245 | 10,700,770 |
| Total liabilities | 17,007,228 | 20,689,316 |
| <i>Net position</i> | | |
| Net investment in capital assets | 3,695,239 | 1,726,015 |
| Restricted for debt service | 1,220,723 | 836,344 |
| Unrestricted | 7,929,048 | 7,593,270 |
| Total net position | 12,845,010 | 10,155,629 |
| Total liabilities and net position | \$ 29,852,238 | \$ 30,844,945 |

See accompanying notes to basic financial statements.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|----------------------|----------------------|
| <i>Operating revenues</i> | | |
| Net patient revenue | \$ 29,943,640 | \$ 25,997,099 |
| Grants | 367,783 | 223,208 |
| Other | 424,294 | 304,120 |
| Total operating revenues | 30,735,717 | 26,524,427 |
| <i>Operating expenses</i> | | |
| Salaries and wages | 16,467,514 | 14,792,381 |
| Employee benefits | 4,143,761 | 3,929,511 |
| Professional fees | 3,623,229 | 4,112,182 |
| Supplies | 2,386,071 | 2,124,331 |
| Utilities | 457,657 | 487,739 |
| Purchased services | 2,814,453 | 2,382,917 |
| Leases and rentals | 253,015 | 223,328 |
| Repairs and maintenance | 498,354 | 434,407 |
| Depreciation | 1,271,919 | 1,736,150 |
| Insurance | 246,945 | 214,206 |
| Other | 1,240,479 | 1,111,875 |
| Total operating expenses | 33,403,397 | 31,549,027 |
| Operating loss | (2,667,680) | (5,024,600) |
| <i>Nonoperating revenues (expenses)</i> | | |
| CARES Act Provider Relief Fund | 780,106 | 3,711,316 |
| COVID-19 grants | 7,311 | 637,152 |
| Taxation for maintenance and operations | 1,028,508 | 981,433 |
| Taxation for bond principal and interest | 1,133,723 | 811,167 |
| Contributions | - | 4,299 |
| Build America Bond subsidy | 91,000 | 95,725 |
| Gain on sale of assets | 3,500 | - |
| Interest income | 26,097 | 62,875 |
| Interest expense | (411,099) | (425,819) |
| Total nonoperating revenues, net | 2,659,146 | 5,878,148 |
| Change in net position before gain on forgiveness of Paycheck Protection Program loan | (8,534) | 853,548 |
| Gain on forgiveness of Paycheck Protection Program loan | 2,697,915 | - |
| Change in net position | 2,689,381 | 853,548 |
| Net position, beginning of year | 10,155,629 | 9,302,081 |
| Net position, end of year | \$ 12,845,010 | \$ 10,155,629 |

See accompanying notes to basic financial statements.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | |
| <i>Cash flows from operating activities</i> | | |
| Cash received from patient services | \$ 31,321,562 | \$ 25,869,508 |
| Cash received from grants | 367,783 | 223,208 |
| Cash received from other revenue | 424,294 | 304,120 |
| Cash paid to and on behalf of employees | (20,381,275) | (18,669,767) |
| Cash paid to suppliers and contractors | (11,177,117) | (11,123,383) |
| Net cash provided by (used in) operating activities | 555,247 | (3,396,314) |
| <i>Cash flows from noncapital financing activities</i> | | |
| Proceeds from CARES Act Provider Relief Fund | 1,006,159 | 4,485,263 |
| Proceeds from COVID-19 grants | 7,311 | 637,152 |
| Proceeds from Medicare accelerated payments | - | 5,321,833 |
| Payment on Medicare accelerated payments | (1,978,011) | - |
| Proceeds from Paycheck Protection Program | - | 2,850,600 |
| Cash received from taxation for maintenance and operations | 1,032,852 | 986,397 |
| Contributions received | - | 4,299 |
| Net cash provided by noncapital financing activities | 68,311 | 14,285,544 |
| <i>Cash flows from capital and related financing activities</i> | | |
| Cash received from taxation for bond principal and interest | 1,135,665 | 815,619 |
| Interest paid | (426,764) | (441,486) |
| Principal payments on long-term debt | (1,340,570) | (1,028,938) |
| Proceeds from issuance of long-term debt | - | 2,000,000 |
| Principal payments on capital leases | - | (77,857) |
| Payments for purchase of capital assets | (3,860,970) | (1,183,032) |
| Proceeds from the sale of capital assets | 3,500 | - |
| Cash received from Build America Bonds subsidy | 44,930 | 46,685 |
| Net cash provided by (used in) capital and related financing activities | (4,444,209) | 130,991 |
| <i>Cash flows from investing activities</i> | | |
| Interest received | 26,097 | 62,875 |
| Net increase (decrease) in cash and cash equivalents | (3,794,554) | 11,083,096 |
| Cash and cash equivalents, beginning of year | 17,113,374 | 6,030,278 |
| Cash and cash equivalents, end of year | \$ 13,318,820 | \$ 17,113,374 |

See accompanying notes to basic financial statements.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|-----------------------|
| <i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i> | | |
| Cash and cash equivalents | \$ 11,725,281 | \$ 13,907,557 |
| Cash and cash equivalents, limited as to use for capital acquisitions | 396,319 | 395,614 |
| Cash and cash equivalents, restricted for debt service | 1,197,220 | 810,899 |
| Cash and cash equivalents, restricted for capital acquisitions | - | 1,999,304 |
| Total cash and cash equivalents | \$ 13,318,820 | \$ 17,113,374 |
| <i>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</i> | | |
| Operating loss | \$ (2,667,680) | \$ (5,024,600) |
| <i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities</i> | | |
| Depreciation | 1,271,919 | 1,736,150 |
| Provision for bad debts | 653,074 | 521,292 |
| (Increase) decrease in current assets: | | |
| Receivables: | | |
| Patient accounts, net | (1,428,902) | 8,445 |
| Estimated third-party payor settlements | 436,691 | (80,076) |
| Other | 242,948 | (288,550) |
| Inventories | (39,122) | (55,102) |
| Prepaid expenses and other | (37,701) | 8,088 |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | 176,961 | 3,795 |
| Accrued compensation and related liabilities | 230,000 | 351,496 |
| Estimated third-party payor settlements | 1,717,059 | (577,252) |
| Net cash provided by (used in) operating activities | \$ 555,247 | \$ (3,396,314) |

See accompanying notes to basic financial statements.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements
Years Ended December 31, 2021 and 2020**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity:

Lewis County Public Hospital District No. 1 owns and operates Arbor Health (the District), a licensed 25-bed critical access hospital in Morton, Washington, and rural health clinics in Randle, Mossyrock and Morton, Washington. The District provides healthcare services to patients in eastern Lewis County, Washington. The services provided include acute care, emergency room, physicians' clinic, and the related ancillary services (surgery, laboratory, imaging, therapy, etc.) associated with those services.

The District operates under the laws of the state of Washington relating to Washington municipal corporations. As organized, the District is exempt from the payment of federal income taxes. The Board of Commissioners consists of five community members elected to six-year terms.

Arbor Health Foundation (the Foundation), is a separate entity, and was organized to assist the District in raising donated funds. The resources and operations were determined not to be significant to the District and, therefore, the Foundation is not reported as a component unit of the District in the accompanying financial statements.

b. Summary of Significant Accounting Policies:

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 amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting – The District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – All cash receipts are deposited directly to the District's depository accounts at banks. Periodically, these funds are transferred to the operating accounts held by the Lewis County Treasurer (County Treasurer). The County Treasurer acts as the District's treasurer. Warrants are issued against the cash placed with the County Treasurer, and the warrants are redeemed from a commercial bank by the County Treasurer. The County Treasurer invests cash in interest-bearing investments at the direction of the District. For purposes of the statements of cash flows, the District considers all cash and cash investments with original maturity dates of less than 90 days as cash and cash equivalents.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the District's operation.

Assets restricted or limited as to use – Assets restricted or limited as to use include assets set aside by the Board of Commissioners for future capital improvements over which the Board retains control and could subsequently use for other purposes, and assets set aside for repayment of principal and interest on bond indebtedness and capital acquisitions.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Bond premiums and discounts – The straight-line method is used to amortize the bond premiums and discounts over the period the related obligation is outstanding, which approximates the effective interest method.

Capital assets – The District capitalizes assets whose costs exceed \$5,000 and with estimated useful lives of at least one year; lesser amounts are expensed. The capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. When such assets are disposed of, the related costs and accumulated depreciation or amortization is removed from the accounts and the resulting gain or loss is classified in nonoperating revenues or expenses.

Compensated absences – Compensated absences consist of absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred. Accrued vacation, which may be accumulated up to 360 hours, is payable upon resignation, retirement, or death. There is no limit to the amount of sick leave employees may accumulate; however, it is not payable to the employees upon conclusion of their employment under any circumstance. In 2020, the District began providing paid sick leave, in accordance with Washington State law, to all nonbenefited employees.

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is the net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services—the District’s principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses, such as interest.

Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Grants and contributions – From time to time, the District receives grants from the state of Washington and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects, or purposes related to the District’s operating activities, are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Subsequent events – Subsequent events have been reviewed through May 4, 2022, the date on which the financial statements were available to be issued.

Upcoming accounting standard pronouncements – In July 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee’s right to use the leased asset, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The new guidance is effective for the District’s year ending December 31, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District’s year ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

2. Bank Deposits and Investments:

The Revised Code of Washington, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. Amounts invested in the Washington State Local Government Investment Pool at December 31, 2021 and 2020, were approximately \$12,858,000 and \$12,682,000, respectively. The Washington State Local Government Investment Pool consists of investments in federal, state, and local government certificates and savings accounts in qualified public depositories.

Custodial credit risk – The risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the deposits or investments that are in the possession of an outside party. All District deposits are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple-financial institution collateral pool administered by the Washington Public Deposit Protection Commission, and all investments are insured, registered, or held by the District’s agent in the District’s name at qualified public depositories. The District’s investment policy does not contain policy requirements that would limit the exposure to custodial risk for investments.

Credit risk – The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a policy specifically requiring or limiting investments of this type.

Concentration of credit risk – The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District does not have a policy limiting the amount it may invest in any one issuer or multiple issuers.

Interest rate risk – The possibility that an interest rate change could adversely affect an investment’s fair value. The District does not have a policy specifically managing its exposure to fair value losses arising from changing interest rates.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the District analyzes its past history and identifies trends for each of its patient payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District’s allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District consisted of the following amounts:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Receivables from patients and their insurance carriers | \$ 1,765,335 | \$ 1,361,002 |
| Receivables from Medicare | 2,331,435 | 1,930,197 |
| Receivables from Medicaid | 325,248 | 322,683 |
| Receivables from 340B contract pharmacy | 15,189 | 66,706 |
| Total patient accounts receivable | 4,437,207 | 3,680,588 |
| Less allowance for uncollectible accounts | 376,478 | 395,687 |
| Patient accounts receivable, net | \$ 4,060,729 | \$ 3,284,901 |

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

4. Capital Assets:

All capital assets other than land are depreciated by the straight-line method of depreciation using these asset lives:

| | |
|----------------------------|---------------|
| Land improvements | 8 to 25 years |
| Buildings and improvements | 5 to 40 years |
| Equipment | 3 to 25 years |

Capital asset additions, retirements, transfers, and balances were as follows:

| | Balance December 31, 2020 | Additions | Retirements | Transfers | Balance December 31, 2021 |
|--|---------------------------------|---------------------|-------------|-------------|---------------------------------|
| <i>Capital assets not being depreciated</i> | | | | | |
| Land | \$ 998,599 | \$ - | \$ - | \$ - | \$ 998,599 |
| Construction in progress | 492,571 | 178,177 | - | (558,414) | 112,334 |
| Total capital assets not being depreciated | 1,491,170 | 178,177 | - | (558,414) | 1,110,933 |
| <i>Capital assets being depreciated</i> | | | | | |
| Land improvements | 1,426,739 | - | - | - | 1,426,739 |
| Buildings and improvements | 17,436,121 | 2,945,943 | - | 303,911 | 20,685,975 |
| Equipment | 10,867,744 | 736,850 | (394,968) | 254,503 | 11,464,129 |
| Total capital assets being depreciated | 29,730,604 | 3,682,793 | (394,968) | 558,414 | 33,576,843 |
| <i>Less accumulated depreciation for</i> | | | | | |
| Land improvements | (1,111,492) | (47,903) | - | - | (1,159,395) |
| Buildings and improvements | (12,459,419) | (588,791) | - | - | (13,048,210) |
| Equipment | (8,734,565) | (635,225) | 394,968 | - | (8,974,822) |
| Total accumulated depreciation | (22,305,476) | (1,271,919) | 394,968 | - | (23,182,427) |
| <i>Total capital assets being depreciated, net</i> | 7,425,128 | 2,410,874 | - | 558,414 | 10,394,416 |
| Capital assets, net | \$ 8,916,298 | \$ 2,589,051 | \$ - | \$ - | \$ 11,505,349 |

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

4. Capital Assets (continued):

| | Balance December 31, 2019 | Additions | Retirements | Transfers | Balance December 31, 2020 |
|--|---------------------------------|---------------------|-------------|-------------|---------------------------------|
| <i>Capital assets not being depreciated</i> | | | | | |
| Land | \$ 968,599 | \$ 30,000 | \$ - | \$ - | \$ 998,599 |
| Construction in progress | 405,798 | 367,101 | - | (280,328) | 492,571 |
| Total capital assets not being depreciated | 1,374,397 | 397,101 | - | (280,328) | 1,491,170 |
| <i>Capital assets being depreciated</i> | | | | | |
| Land improvements | 1,426,739 | - | - | - | 1,426,739 |
| Buildings and improvements | 17,053,317 | 382,804 | - | - | 17,436,121 |
| Equipment | 10,184,289 | 403,127 | - | 280,328 | 10,867,744 |
| Total capital assets being depreciated | 28,664,345 | 785,931 | - | 280,328 | 29,730,604 |
| <i>Less accumulated depreciation for</i> | | | | | |
| Land improvements | (1,056,286) | (55,206) | - | - | (1,111,492) |
| Buildings and improvements | (11,796,925) | (662,494) | - | - | (12,459,419) |
| Equipment | (7,716,115) | (1,018,450) | - | - | (8,734,565) |
| Total accumulated depreciation | (20,569,326) | (1,736,150) | - | - | (22,305,476) |
| <i>Total capital assets being depreciated, net</i> | 8,095,019 | (950,219) | - | 280,328 | 7,425,128 |
| Capital assets, net | \$ 9,469,416 | \$ (553,118) | \$ - | \$ - | \$ 8,916,298 |

At December 31, 2021, construction in progress included the costs for respiratory therapy equipment, which had no additional costs and was completed in January 2022.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

5. Defined Contribution Retirement Plan:

The District has a tax-sheltered annuity (TSA) plan that is available to substantially all employees. The plan has been established by the District under Section 403(b) of the Internal Revenue Code and is administered by Nationwide. The name of the plan is Lewis County Hospital District No. 1 doing business as Morton General Hospital 403(b) Plan (the Plan). The Plan is a defined contribution plan funded from both employee and employer contributions that are deposited in employee-controlled accounts. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the District. Employees may contribute to the TSA immediately upon employment. After employees have completed 12 months of service (1,000 hours in the preceding 12-month period), have attained age 18, and are in the eligible class, the District will make contributions to the employee's account. The District's contribution is on a matching basis at a rate to be determined annually by the District, and the District maintains sole discretion of how much, if any, it will make as an employer contribution. Employee and employer contributions are 100 percent vested at the time they are paid. Pension expenses for the years ended December 31, 2021 and 2020, were approximately \$571,000 and \$524,000, respectively. Employee contributions to the Plan for the years ended December 31, 2021 and 2020, were approximately \$945,000 and \$798,000, respectively.

The District owed approximately \$121,000 and \$38,000 to the Plan at December 31, 2021 and 2020, respectively.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

6. Long-term Debt:

A schedule of changes in the District's long-term debt follows:

| | Balance December 31, 2020 | | | Additions | Reductions | Balance December 31, 2021 | | Amounts Due Within One Year | | |
|---|---------------------------------|------------------|-----------|------------------|------------|---------------------------------|-----------|-----------------------------------|-----------|------------------|
| <i>Long-term debt</i> | | | | | | | | | | |
| GE Government Finance, Inc note payable | \$ | 1,976,062 | \$ | - | \$ | (290,570) | \$ | 1,685,492 | \$ | 271,865 |
| 2005 LTGO bonds | | 1,025,000 | | - | | (185,000) | | 840,000 | | 195,000 |
| 2010 LTGO A bonds | | 425,000 | | - | | (85,000) | | 340,000 | | 85,000 |
| 2010 LTGO B bonds | | 4,130,000 | | - | | - | | 4,130,000 | | - |
| 2012 UTGO bonds | | 1,595,000 | | - | | (780,000) | | 815,000 | | 815,000 |
| Bond premiums and discounts | | 15,283 | | - | | (15,665) | | (382) | | - |
| Total long-term debt | \$ | 9,166,345 | \$ | - | \$ | (1,356,235) | \$ | 7,810,110 | \$ | 1,366,865 |
| | Balance December 31, 2019 | | | Additions | Reductions | Balance December 31, 2020 | | Amounts Due Within One Year | | |
| <i>Long-term debt</i> | | | | | | | | | | |
| GE Government Finance, Inc note payable | \$ | - | \$ | 2,000,000 | \$ | (23,938) | \$ | 1,976,062 | \$ | 266,175 |
| 2005 LTGO bonds | | 1,205,000 | | - | | (180,000) | | 1,025,000 | | 185,000 |
| 2010 LTGO A bonds | | 505,000 | | - | | (80,000) | | 425,000 | | 85,000 |
| 2010 LTGO B bonds | | 4,130,000 | | - | | - | | 4,130,000 | | - |
| 2012 UTGO bonds | | 2,340,000 | | - | | (745,000) | | 1,595,000 | | 780,000 |
| Bond premiums and discounts | | 30,950 | | - | | (15,667) | | 15,283 | | - |
| Total long-term debt | | 8,210,950 | | 2,000,000 | | (1,044,605) | | 9,166,345 | | 1,316,175 |
| <i>Capital lease obligations</i> | | | | | | | | | | |
| Regents | | 37,586 | | - | | (37,586) | | - | | - |
| De Lage (Cerner) | | 6,798 | | - | | (6,798) | | - | | - |
| Everbank | | 33,473 | | - | | (33,473) | | - | | - |
| Total capital lease obligations | | 77,857 | | - | | (77,857) | | - | | - |
| Total long-term debt and capital lease obligations | \$ | 8,288,807 | \$ | 2,000,000 | \$ | (1,122,462) | \$ | 9,166,345 | \$ | 1,316,175 |

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

6. Long-term Debt (continued):

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

- GE Government Finance, Inc., note payable dated May 29, 2020, in the original amount of \$2,000,000, for the upgrade to the emergency power system and the heating, ventilation, and air conditioning system in the operating room. The note is due in monthly installments of \$27,471, including interest at 2.12 percent, through June 2027.
- Limited tax general obligation (LTGO) bonds dated February 18, 2005, in the original amount of \$3,000,000; payable annually on December 1, with variable principal payments ranging from \$195,000 to \$225,000. Interest of 4.69 percent is payable semiannually through December 2025.
- LTGO series A bonds, dated October 28, 2010, in the original amount of \$1,090,000, payable annually on December 1, with variable principal payments ranging from \$70,000 to \$95,000. Interest of 4 percent is payable semiannually through December 2025. The District issued the bonds for an addition and remodel to the hospital.
- LTGO series B bonds (federally taxable Build America Bonds), dated October 28, 2010, in the original amount of \$4,130,000, payable annually on December 1, with variable principal payments starting in 2025, ranging from \$25,000 to \$495,000. Variable rate interest of 6.675 percent to 6.875 percent is payable semiannually through December 2035. The District issued the bonds for an addition and remodel to the hospital.
- Unlimited tax general obligation (UTGO) bonds (refunding), dated December 1, 2012, in the original amount of \$7,265,000, payable annually on December 1, with principal payment of \$815,000. Variable rate interest of 2.25 percent to 2.75 percent is payable semiannually through December 2022. The District issued the bonds to refund the 2002 UTGO bonds.

All LTGO bonds are general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying, each year, a maintenance and operations tax upon the taxable property within the District.

The UTGO bond is a direct and general obligation and is secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a tax upon the taxable property within the District. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

6. Long-term Debt (continued):

| Years Ending December 31, | LTGO Bonds | | | UTGO Bonds | | |
|------------------------------|---------------------|---------------------|---------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Totals | Principal | Interest | Totals |
| 2022 | \$ 280,000 | \$ 333,649 | \$ 613,649 | \$ 815,000 | \$ 22,413 | \$ 837,413 |
| 2023 | 295,000 | 320,998 | 615,998 | - | - | - |
| 2024 | 310,000 | 307,670 | 617,670 | - | - | - |
| 2025 | 320,000 | 293,669 | 613,669 | - | - | - |
| 2026 | 335,000 | 278,559 | 613,559 | - | - | - |
| 2027-2031 | 1,910,000 | 1,037,016 | 2,947,016 | - | - | - |
| 2032 - 2035 | 1,860,000 | 326,563 | 2,186,563 | - | - | - |
| | \$ 5,310,000 | \$ 2,898,124 | \$ 8,208,124 | \$ 815,000 | \$ 22,413 | \$ 837,413 |

| Years Ending December 31, | Other | | | Total Long-term Debt | | |
|------------------------------|---------------------|-------------------|---------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | Totals | Principal | Interest | Totals |
| 2022 | \$ 271,865 | \$ 33,331 | \$ 305,196 | \$ 1,366,865 | \$ 389,393 | \$ 1,756,258 |
| 2023 | 302,653 | 26,997 | 329,650 | 597,653 | 347,995 | 945,648 |
| 2024 | 309,122 | 20,528 | 329,650 | 619,122 | 328,198 | 947,320 |
| 2025 | 315,729 | 13,921 | 329,650 | 635,729 | 307,590 | 943,319 |
| 2026 | 322,478 | 7,172 | 329,650 | 657,478 | 285,731 | 943,209 |
| 2027-2031 | 163,645 | 1,010 | 164,655 | 2,073,645 | 1,038,026 | 3,111,671 |
| 2032 - 2035 | - | - | - | 1,860,000 | 326,563 | 2,186,563 |
| | \$ 1,685,492 | \$ 102,959 | \$ 1,788,451 | \$ 7,810,492 | \$ 3,023,496 | \$ 10,833,988 |

7. Paycheck Protection Program Note Payable:

In April 2020, the District was granted a loan from the Small Business Administration in the aggregate amount of \$2,850,600, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The District applied for PPP loan forgiveness in November 2021 and was granted forgiveness in the amount of \$2,697,915. The loan forgiveness is recorded as a Gain on Forgiveness of Paycheck Protection Program note payable in the statement of revenues, expenses, and changes in net position for the year ended December 31, 2021. The remaining balance on was paid back in March 2022.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

8. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District’s uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District’s provisions for bad debts and writeoffs did not change significantly from the prior year. The District has not changed its charity care or uninsured discount policies during fiscal years 2021 or 2020. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Patient service revenue (net of contractual adjustments and discounts): | | |
| Medicare | \$ 19,697,126 | \$ 17,382,035 |
| Medicaid | 4,131,783 | 4,035,270 |
| Other third-party payors | 5,351,630 | 4,029,429 |
| Patients | 1,491,610 | 1,146,365 |
| 340B contract pharmacy | 342,332 | 338,405 |
| | 31,014,481 | 26,931,504 |
| Less: | | |
| Charity care | 417,767 | 413,113 |
| Provision for bad debts | 653,074 | 521,292 |
| Net patient service revenue | \$ 29,943,640 | \$ 25,997,099 |

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

- *Medicare* – The hospital has been designated a critical access hospital and the clinic a rural health clinic by Medicare and they are reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The Medicare program’s administrative procedures preclude final determination of amounts due to the District for such services until three years after the District’s cost reports are audited or otherwise reviewed and settled upon by the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule.

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

8. Net Patient Service Revenue (continued):

- *Medicaid* – The majority of Medicaid beneficiaries are covered through health maintenance organizations operated by commercial insurance companies. The District is reimbursed for inpatient and outpatient services on a prospectively determined rate that is based on historical revenues and expenses of the District. Reimbursement for inpatient and outpatient services rendered to Medicaid program beneficiaries is reimbursed on a cost basis as defined by the state of Washington. Medicaid swing-bed and nursing home services are reimbursed on a prospectively set rate per day. Rural health clinic services are reimbursed on a prospective rate per visit. Nonrural health clinic physician services are reimbursed on a fee schedule.

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

Laws and regulations governing Medicare, Medicaid, and other 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. Net patient service revenue increased by approximately \$17,000 in 2021 and decreased by approximately \$10,000 in 2020, due to differences between original estimates and final settlements or revised estimates.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2021 and 2020, were approximately \$299,000 and \$320,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2021 and 2020.

9. CARES Act Provider Relief Fund:

During the years ended December 31, 2021 and 2020, the District received \$1,006,159 and \$4,485,263 of funding from the CARES Act Provider Relief Fund, respectively. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2021 and 2020, the District recognized \$780,106 and \$3,711,316 of grant revenue from these funds, respectively. The District had \$1,000,000 of remaining funds as of December 31, 2021, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

10. Property Taxes:

The Lewis County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values assessed as of the prior January 1 and are intended to finance the District’s activities of the same calendar year. Assessed values are established by the Lewis County Assessor at 100 percent of fair market values. A revaluation of all property is required every four years.

Taxes are due in two equal amounts by April 30 and October 31. The assessed property is subject to lien on the levy date and taxes are considered delinquent after October 31. Collections are distributed monthly to the District by the County Treasurer.

The District is permitted by law to levy up to \$0.75 per \$1,000 of assessed valuation for general District purposes. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the residents of Lewis County.

Taxes estimated to be collectible are recorded as revenue in the year of the levy. Taxes levied for operations are recorded as nonoperating revenue. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

The District’s tax levies are comprised of the following:

| 2021 | | | | |
|---------------------------|------------------|------------------------------|---------------|------------------------------|
| | Levy Rate | Assessed Value | | Total Levy Amount |
| | | Real and Personal | Timber | |
| Bond | 0.5455 | \$ 1,425,141,747 | \$ 77,660,181 | \$ 819,757 |
| Maintenance and operation | 0.4368 | \$ 1,444,874,066 | \$ - | \$ 631,157 |

| 2020 | | | | |
|---------------------------|------------------|------------------------------|----------------|------------------------------|
| | Levy Rate | Assessed Value | | Total Levy Amount |
| | | Real and Personal | Timber | |
| Bond | 0.4581 | \$ 1,259,765,626 | \$ 524,793,194 | \$ 811,641 |
| Maintenance and operation | 0.4770 | \$ 1,278,829,276 | \$ - | \$ 610,027 |

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020**

11. Risk Management and Contingencies:

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Medical malpractice claims – The District has professional liability insurance coverage with Physicians Insurance. The policy provides protection on a “claims-made” basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year or if the District purchases insurance to cover prior acts. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$5,000,000. The policy has no deductible per claim.

The District also has excess professional liability insurance with Physicians Insurance on a “claims-made” basis. The excess malpractice insurance provides \$4,000,000 per claim of primary coverage with an aggregate limit of \$4,000,000. The policy has no deductible per claim.

No liability has been accrued for future coverage for acts, if any, occurring in this or prior years. Also, it is possible that claims exceed coverage available in any given year.

Self-insurance risk pools – The District has a self-insured unemployment plan for its employees. The District participates in the Public Hospital District Unemployment Trust, which is a risk transfer pool administered by the Washington State Hospital Association. The District recognized a \$136,623 and \$0 dividend from the Public Hospital District Unemployment Compensation Trust in 2021 and 2020, respectively, which was offset against unemployment expense. Payments by the District charged to unemployment expense prior to the dividend were approximately \$34,000 and \$53,000 in 2021 and 2020, respectively.

Industry regulations – The healthcare 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, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. While no 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.

Lewis County Public Hospital District No. 1
doing business as Arbor Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

12. Medical Self-Insurance Plan:

In February 2018, the District began partially self-insuring the cost of employee healthcare benefits. The District self-insures the first \$80,000 in claims per eligible participant. The District also purchases annual stop-loss insurance coverage for all claims in excess of \$80,000 per participant. Accrued compensation and related liabilities on the statements of net position include an accrual for claims that have been incurred but not reported. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Changes in the District’s incurred but not reported liability are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Claim liability, beginning of year | \$ 167,854 | \$ 70,000 |
| Current year claims and changes in estimates | 1,804,562 | 2,111,945 |
| Claims payments | (1,820,693) | (2,014,091) |
| Claim liability, end of year | \$ 151,723 | \$ 167,854 |

13. Concentration of Risks:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Lewis County.

The mix of receivables from patients was as follows:

| | 2021 | 2020 |
|--------------------------|--------------|--------------|
| Medicare | 40 % | 44 % |
| Medicaid | 13 | 13 |
| Other third-party payors | 41 | 36 |
| Patients | 6 | 7 |
| | 100 % | 100 % |

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

Collective bargaining units – Effective July 1, 2021, the District renewed its contract with Carpenters’ Industrial Council Local Union No. 2767. Approximately 43 percent of the District’s employees are represented by the labor union under this collective bargaining agreement. The contract is effective through June 30, 2024.

Effective July 8, 2021, the District renewed its contracts with Washington State Nurses Association for registered nurses and licensed practical nurses. Approximately 11 percent of the District’s employees are represented by the labor union under these collective bargaining agreements. The contracts are effective through March 31, 2022. Negotiations remain ongoing.

SINGLE AUDIT

AUDITORS' SECTION



INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Lewis County Public Hospital District No. 1
doing business as Arbor Health
Morton, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lewis County Public Hospital District No. 1 doing business as Arbor Health (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 4, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 4, 2022



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Lewis County Public Hospital District No. 1
doing business as Arbor Health
Morton, Washington

Report on Compliance for the District's Major Federal Program

Opinion on The Districts Major Federal Program

We have audited Lewis County Public Hospital District No. 1 doing business as Arbor Health's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on The Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed above, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 4, 2022

**Lewis County Public Hospital District No. 1
 doing business as Arbor Health
 Schedule of Audit Findings and Questioned Costs
 Years Ended December 31, 2021**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

yes no
 yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

yes no
 yes none reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal program:

Federal Assistance Listing Number

Name of Federal Program or Cluster

93.498

Provider Relief Fund

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

Auditee qualified as low-risk auditee?

yes no

**Lewis County Public Hospital District No. 1
 doing business as Arbor Health
 Schedule of Audit Findings and Questioned Costs (Continued)
 Years Ended December 31, 2021 and 2020**

Section II – Financial Statement Findings

No matters were reported for 2021.

Section III – Federal Award Findings and Questioned Costs

| | |
|---|--|
| 2021-001 | Inconsistency in Lost Revenue Methodology |
| <i>Federal Agency</i> | Department of Health and Human Services |
| <i>Assistance Listing Number</i> | 93.498 – Provider Relief Fund |
| <i>Criteria</i> | [X] Significant Deficiency [] Material Weakness [X] Compliance Finding |
| | Under the terms and conditions of the award, the recipient certifies it will provide accurate and consistent reporting, through the end of the Public Health Emergency. |
| <i>Condition</i> | An error in an internally developed reporting spreadsheet caused the District to under report its lost revenue. |
| <i>Context</i> | This finding appears to be an isolated instance. |
| <i>Effect</i> | The District underreported its lost revenue by approx. \$1,000,000. |
| <i>Cause</i> | The District does not have proper review of internal documentation used to report on federal awards. |
| <i>Recommendation</i> | We recommend management formalize and document policies and procedures surrounding the review of internal documentation used to report on federal awards. |
| <i>Views of responsible officials and planned corrective action</i> | Management is aware of the compliance requirement and the District plans to formalize a policy to ensure proper review of all internally developed documents used for reporting in fiscal year 2022. |

AUDITEE'S SECTION

**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Schedule of Expenditures of Federal Awards
Years Ended December 31, 2021 and 2020**

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass - Through Entity Identifying Number | Additional Award Identification | Federal Expenditures |
|--|--|---|--|---------------------------------|
| U.S. Department of Health and Human Services Direct Programs: | | | | |
| Provider Relief Fund and American Rescue Plan Rural Distribution | 93.498 | | COVID-19 | \$ 4,186,928 |
| COVID-19 Testing for the Uninsured | 93.461 | | COVID-19 | 19,797 |
| Total U.S. Department of Health and Human Services Direct Programs | | | | 4,206,725 |
| Washington State Department of Health | | | | |
| Small Rural Hospital Improvement Grant Program | 93.301 | HSP25495-0 | | 10,878 |
| Total Expenditures of Federal Awards | | | | \$ 4,217,603 |

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards:

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lewis County Public Hospital District No. 1 doing business as Arbor Health (the District) under programs of the federal government for the year ended December 31, 2021. Amounts reported on the Schedule for Federal Assistance Listing Number 93.498 - Provider Relief Fund and American Rescue Plan Rural Distribution are based upon the June 30, 2021, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



Specialty Clinic
521 ADAMS AVENUE
360-496-3641

Mossyrock Clinic
745 WILLIAMS STREET
360-983-8990

Randle Clinic
108 KINDLE ROAD
360-497-3333

Morton Hospital
521 ADAMS AVENUE
360-496-5112

Morton Clinic
531 ADAMS AVENUE
360-496-5145

May 2, 2022

Dingus, Zarecor and Associates, PLLC
Spokane Valley, WA

In response to the Single Audit matter identified as follows, please see our response.

Reported to matters in Section II – Financial Statement Findings and one matter in Section III – Federal Award Findings and Questioned Costs.

Current year audit finding:

2021-001 Inconsistency in Lost Revenue Methodology

Corrective action planned: Management will work to add additional review processes to prevent this from occurring again. Additional review could be added staff oversight or consultation with outside services to review documents further.

Anticipated completion date: Fiscal year 2022

Contact person responsible for corrective action: Richard Boggess, Chief Financial Officer

Sincerely,
Richard Boggess

Richard Boggess, Chief Financial Officer
Arbor Health



**Lewis County Public Hospital District No. 1
doing business as Arbor Health
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2021**

The audit for the year ended December 31, 2020, reported no audit findings, nor were there any unresolved findings from prior periods. Therefore, there are no matters to report in this schedule for the year ended December 31, 2021.

**Lewis County Public Hospital District No. 1
doing business as
Arbor Health**

Financial Indicators

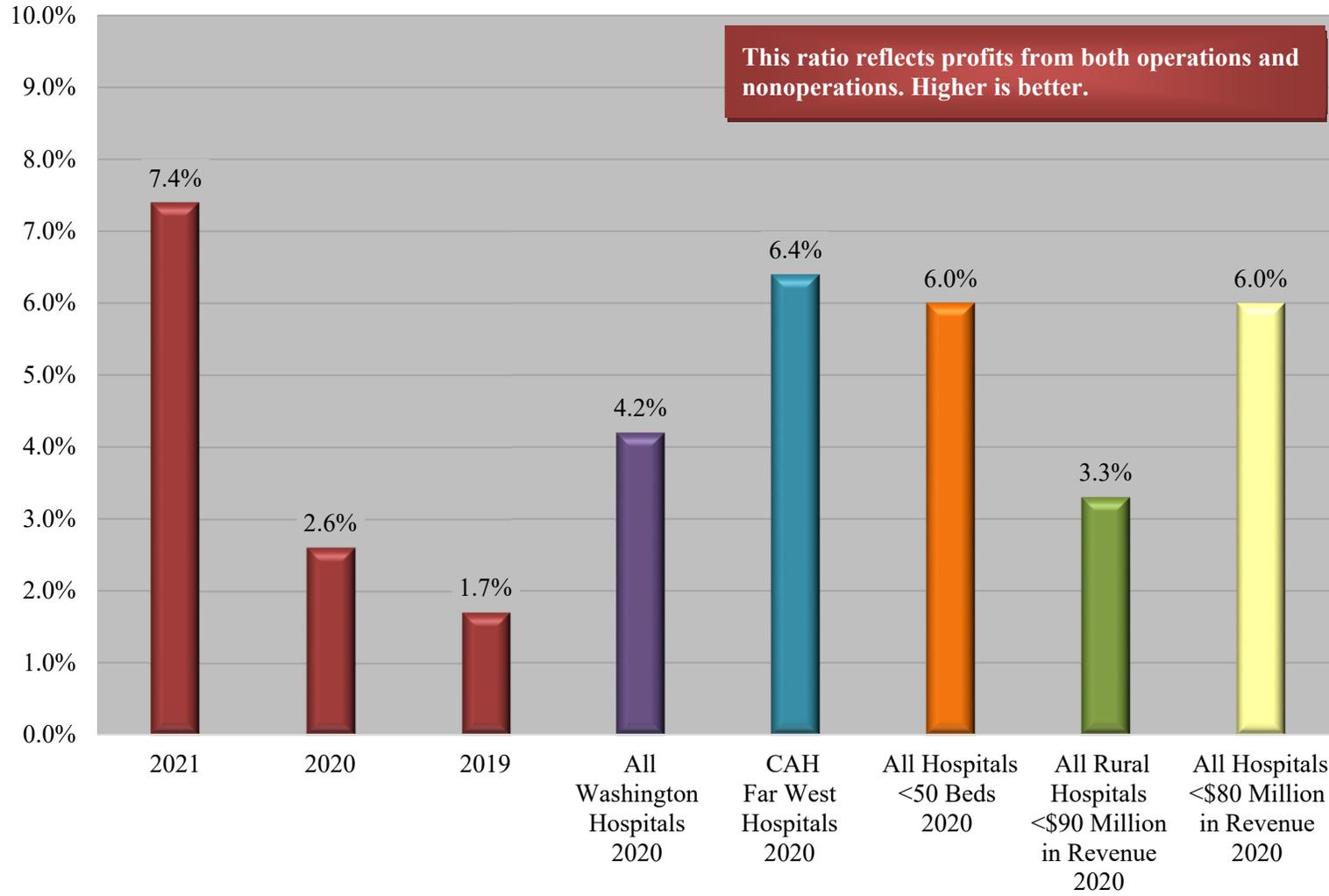
December 31, 2021



Lewis County Public Hospital District No. 1
doing business as
Arbor Health

Total Margin

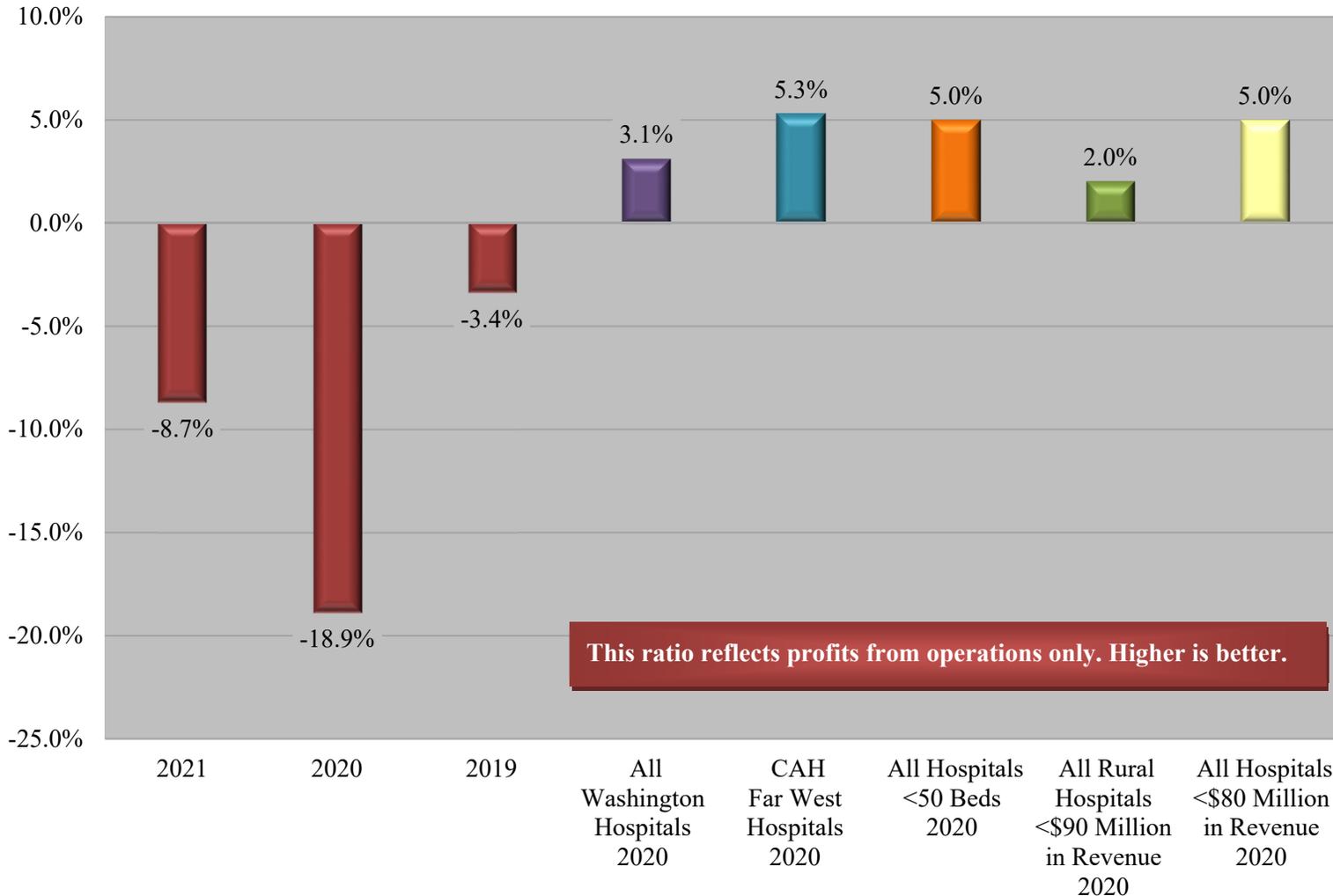
Change in Net Position
Total Revenues



Lewis County Public Hospital District No. 1
 doing business as
 Arbor Health

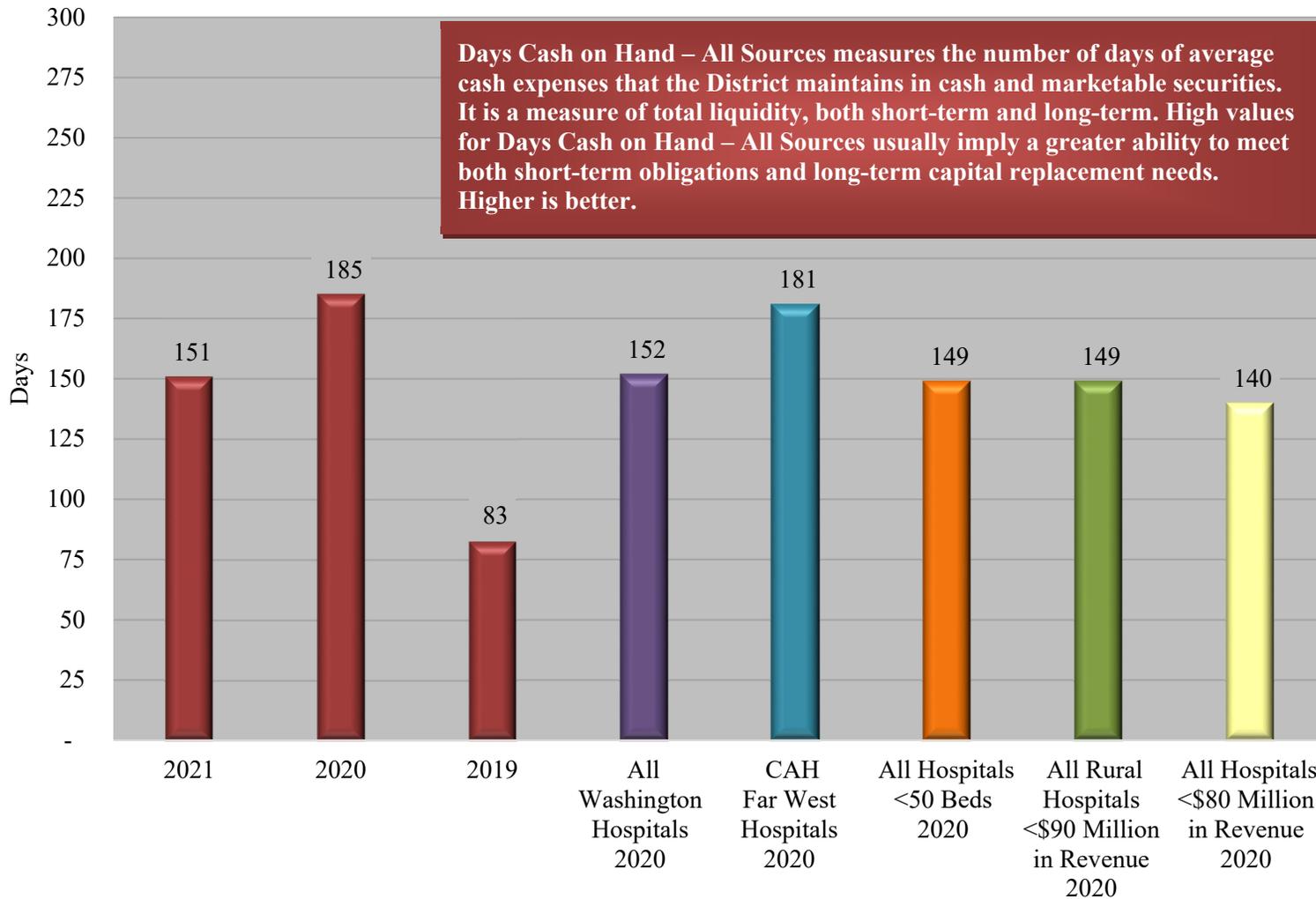
Operating Margin

$$\frac{\text{Operating Income (Loss)}}{\text{Total Operating Revenues}}$$



Days Cash on Hand – All Sources

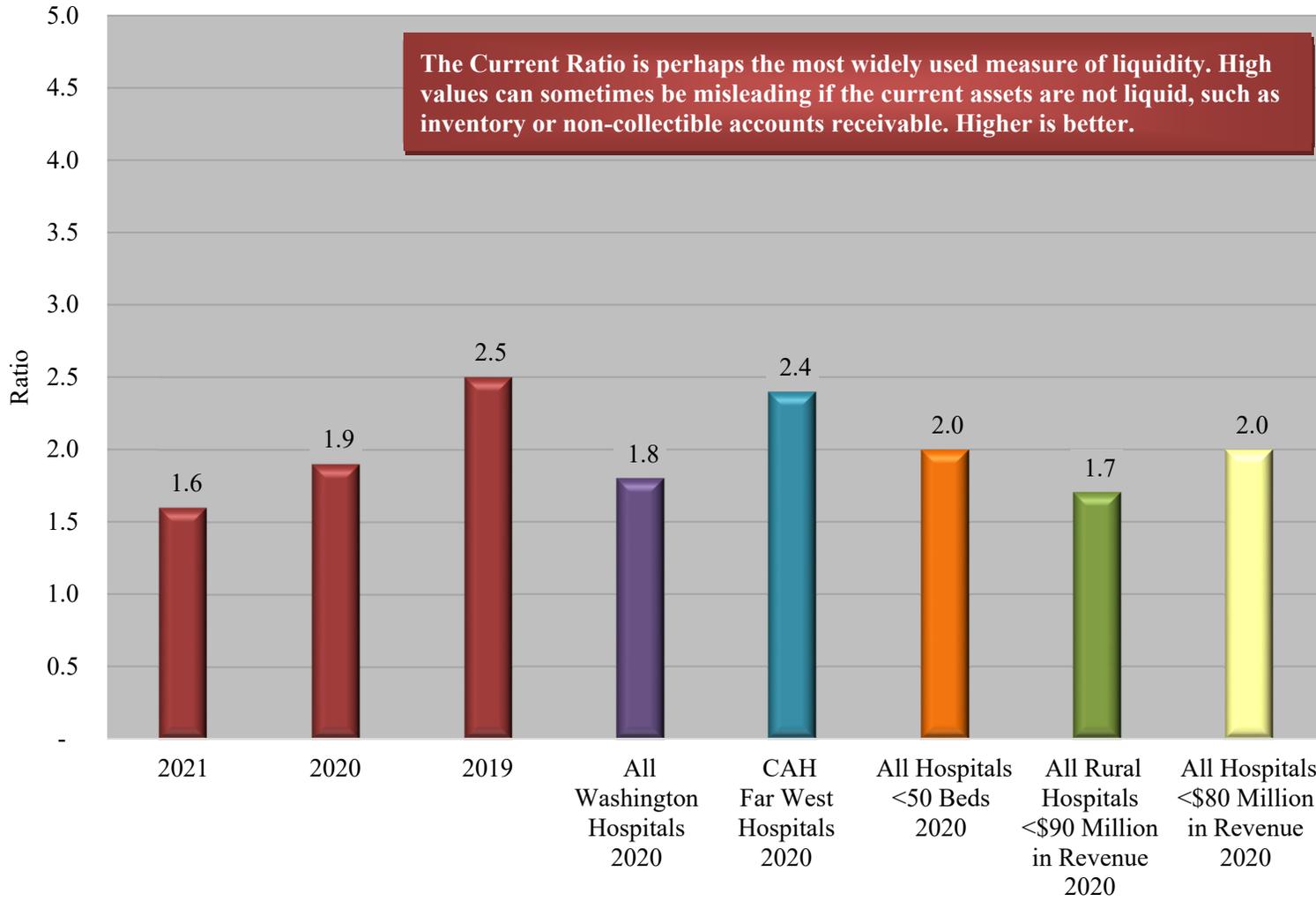
$$\frac{\text{Cash} + \text{Short-term Investments} + \text{Unrestricted Long-term Investments}}{(\text{Total Expenses} - \text{Depreciation}) / 365}$$



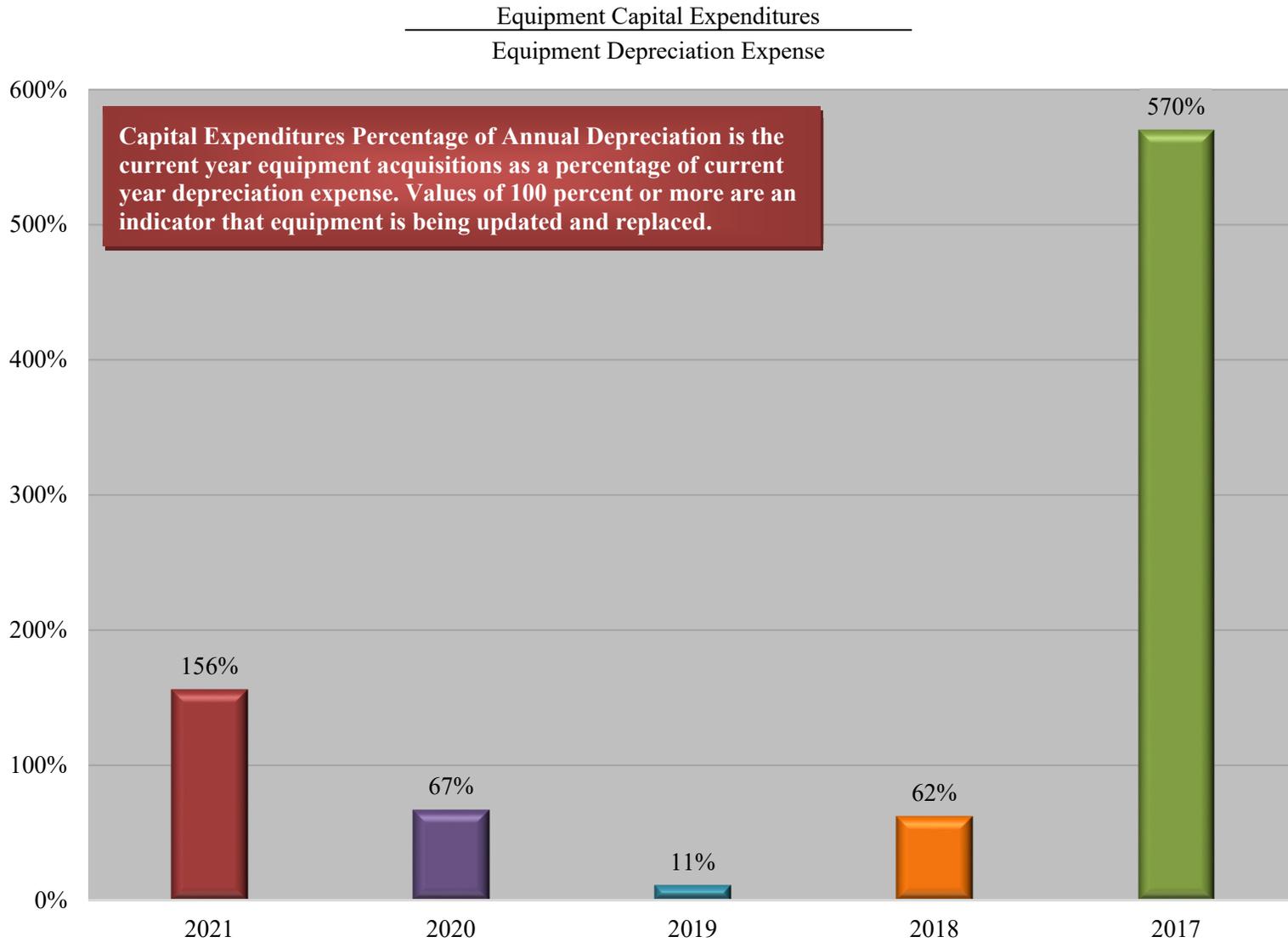
Lewis County Public Hospital District No. 1
 doing business as
 Arbor Health

Current Ratio

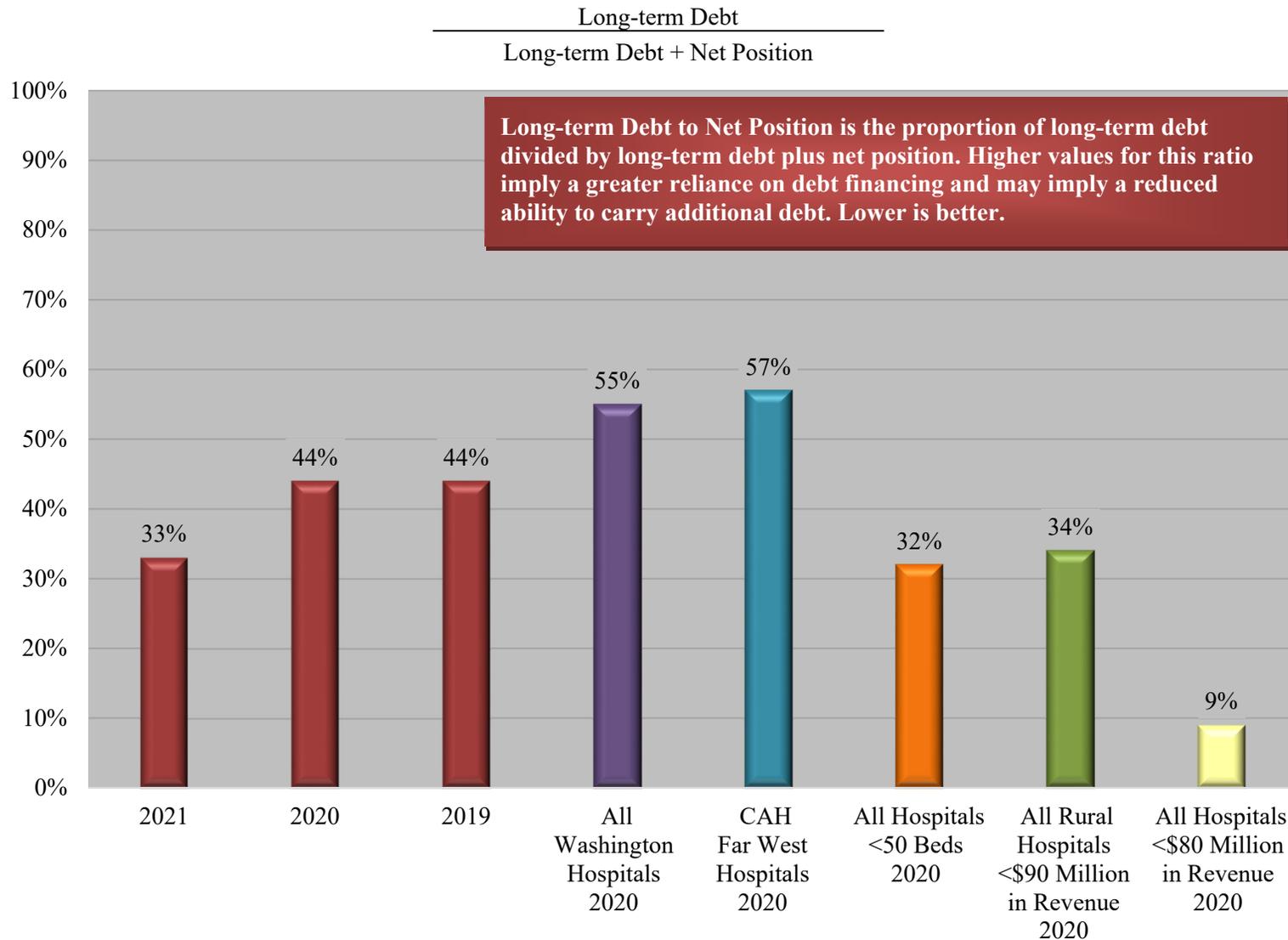
$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$



Capital Expenditures Percentage of Annual Depreciation



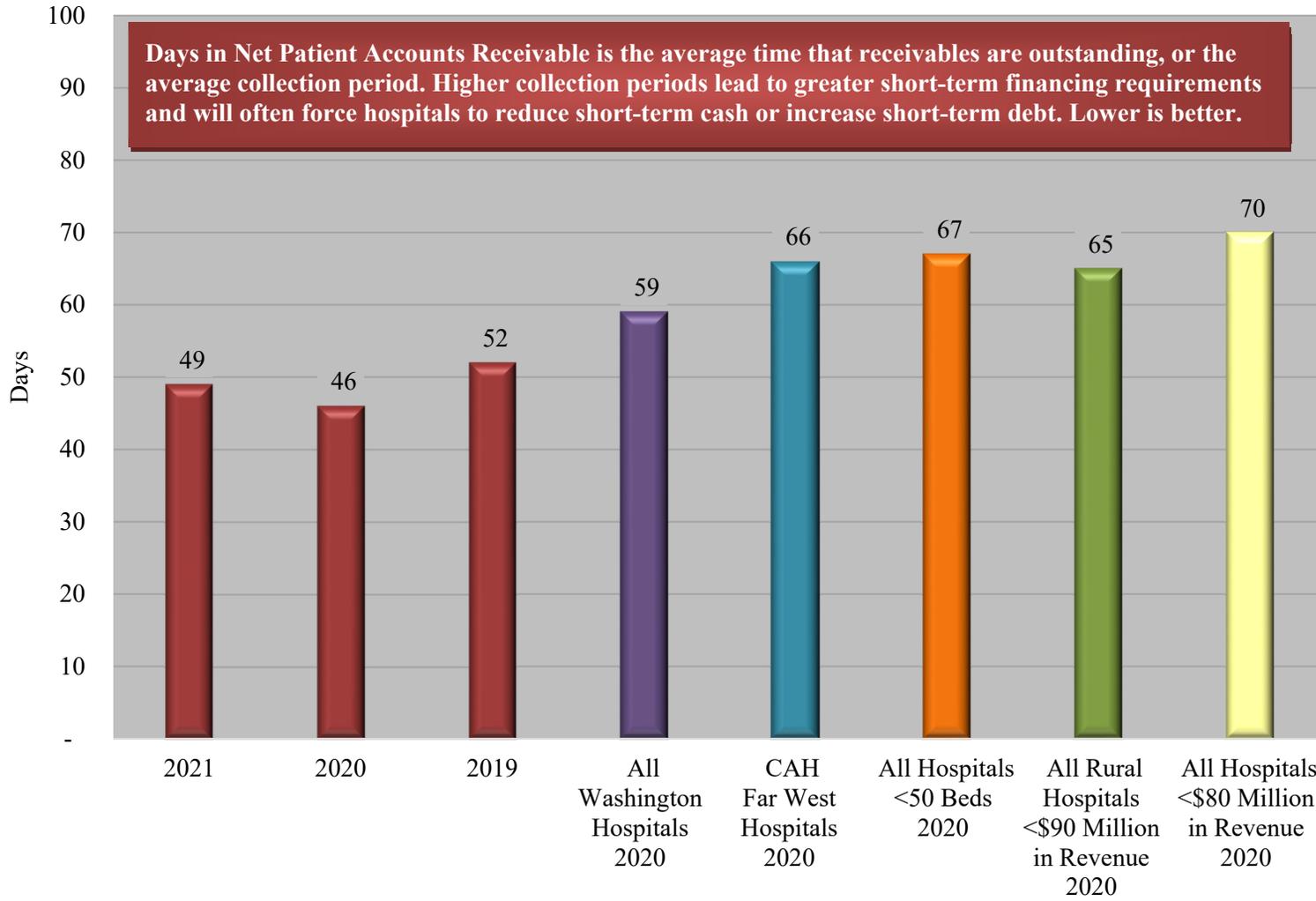
Long-term Debt to Net Position



Days in Net Patient Accounts Receivable

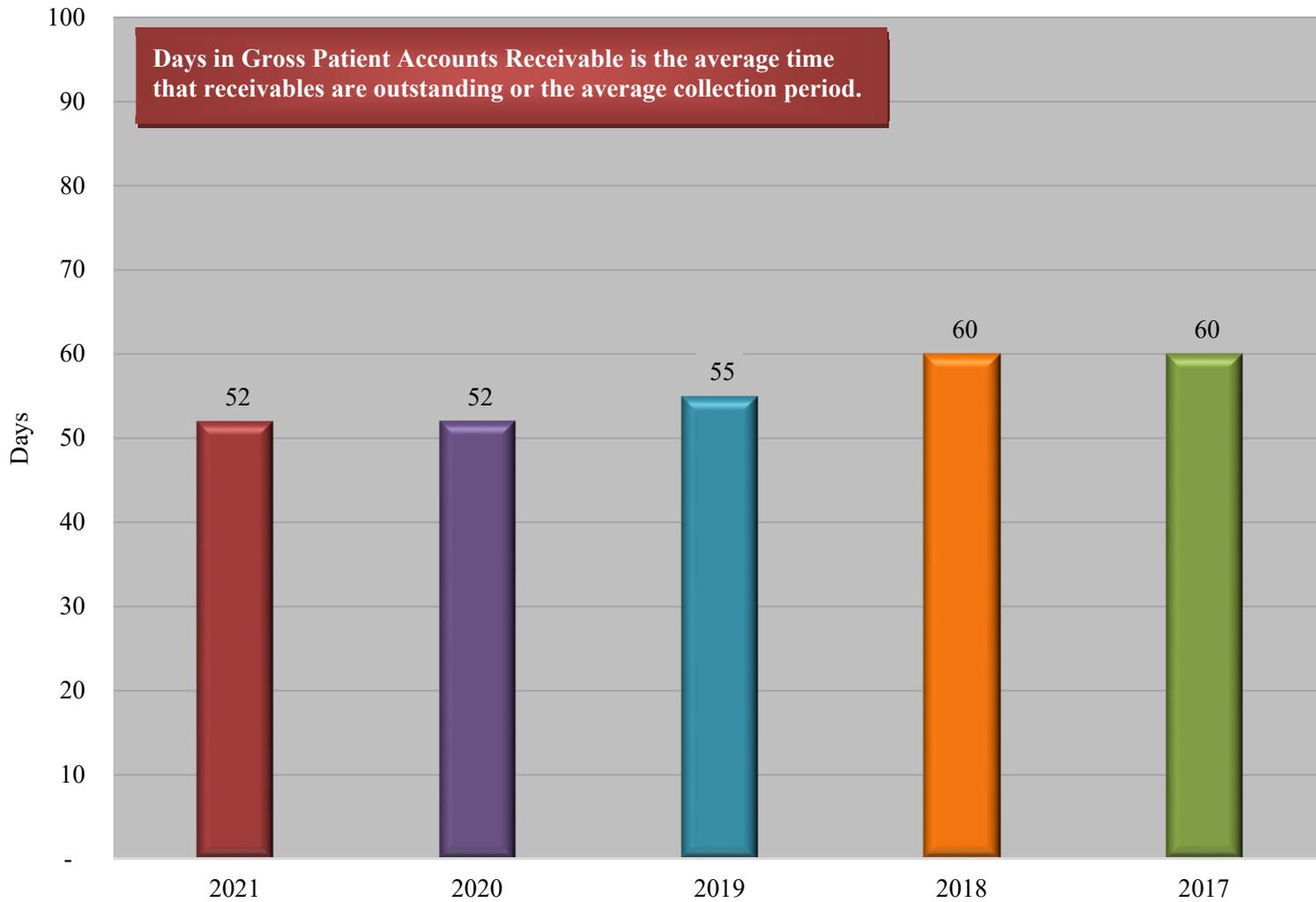
Net Patient Accounts Receivable

Net Patient Service Revenues / 365

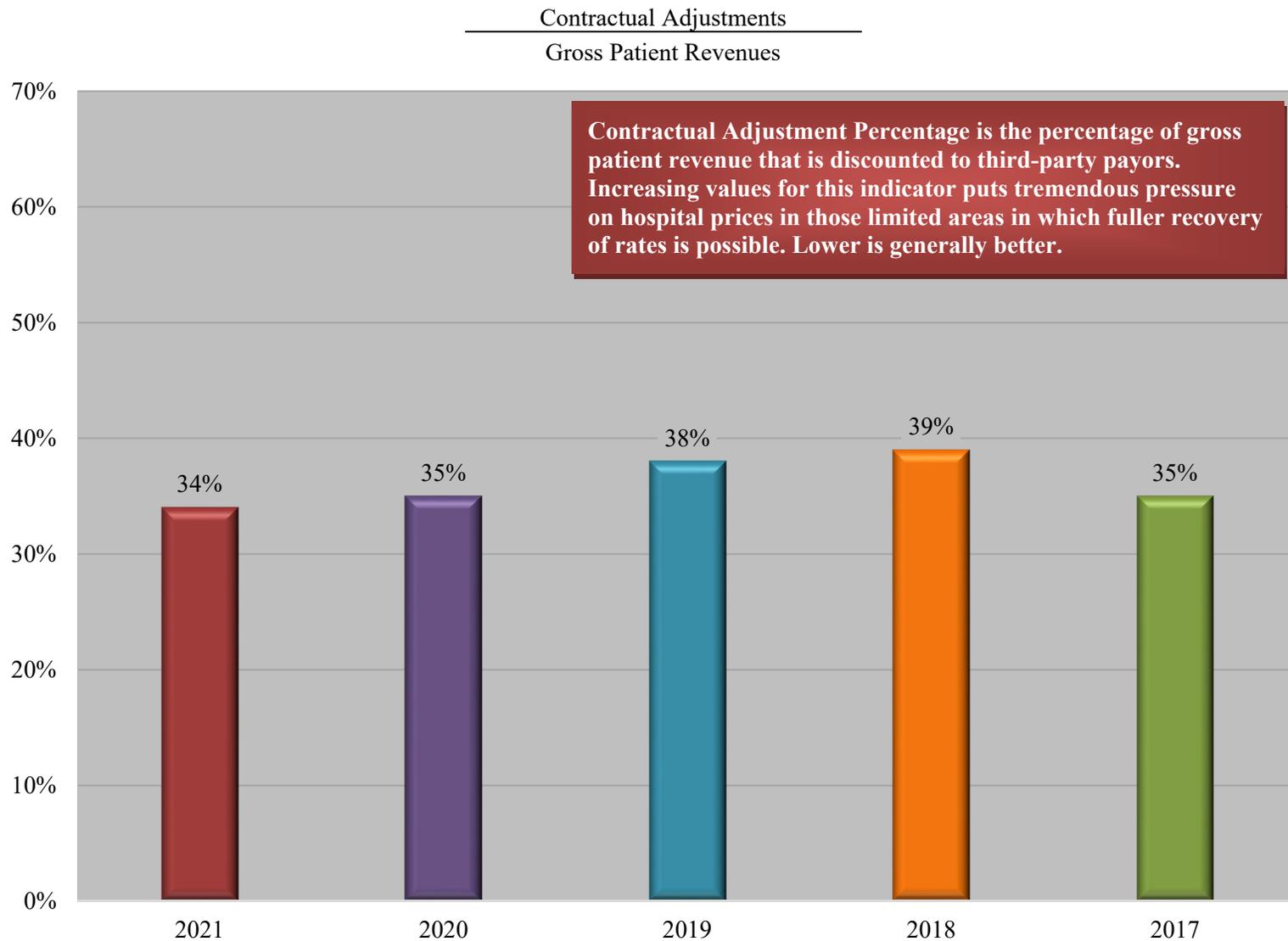


Days in Gross Patient Accounts Receivable

$$\frac{\text{Gross Patient Accounts Receivable}}{\text{Gross Patient Service Revenues} / 365}$$

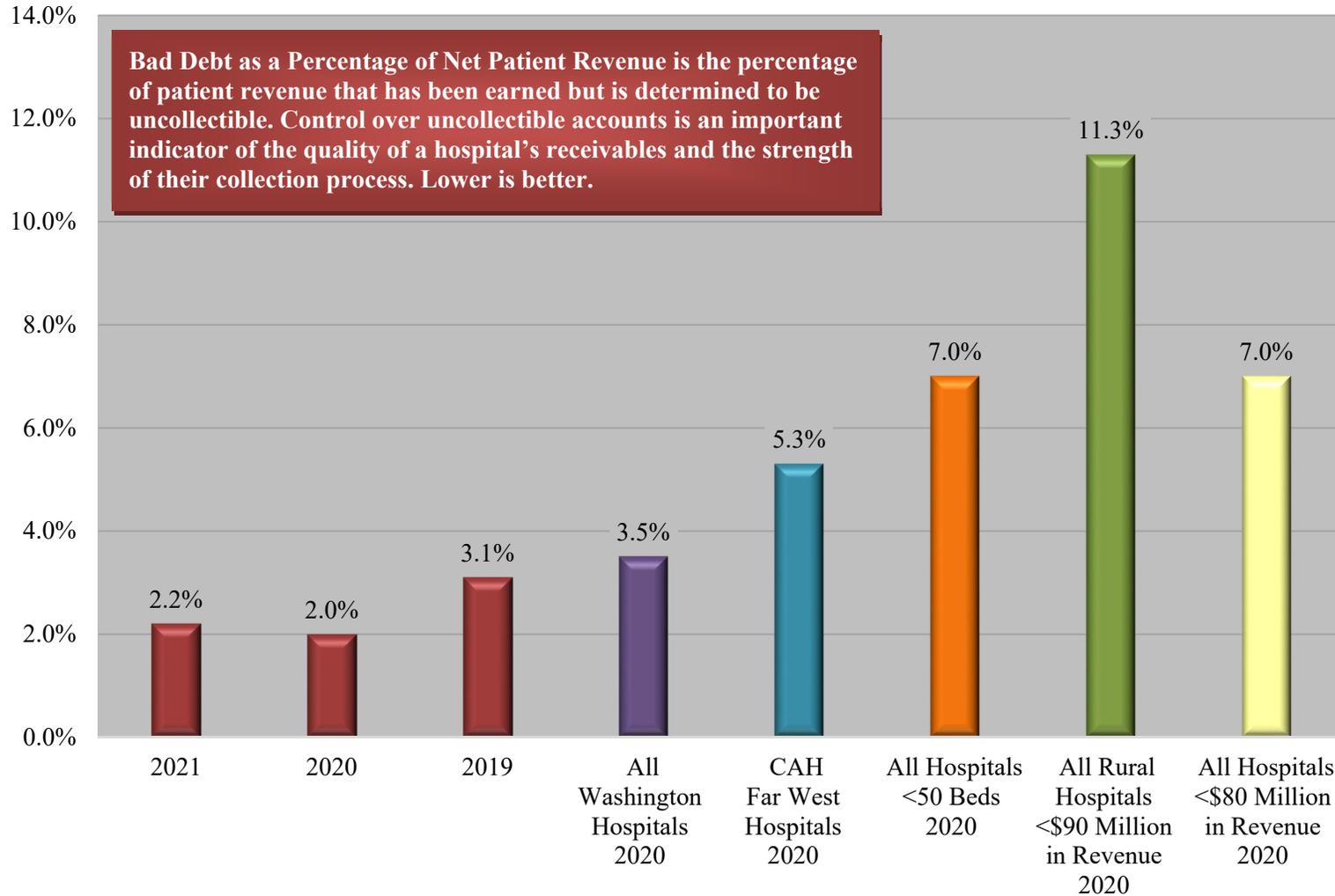


Contractual Adjustment Percentage

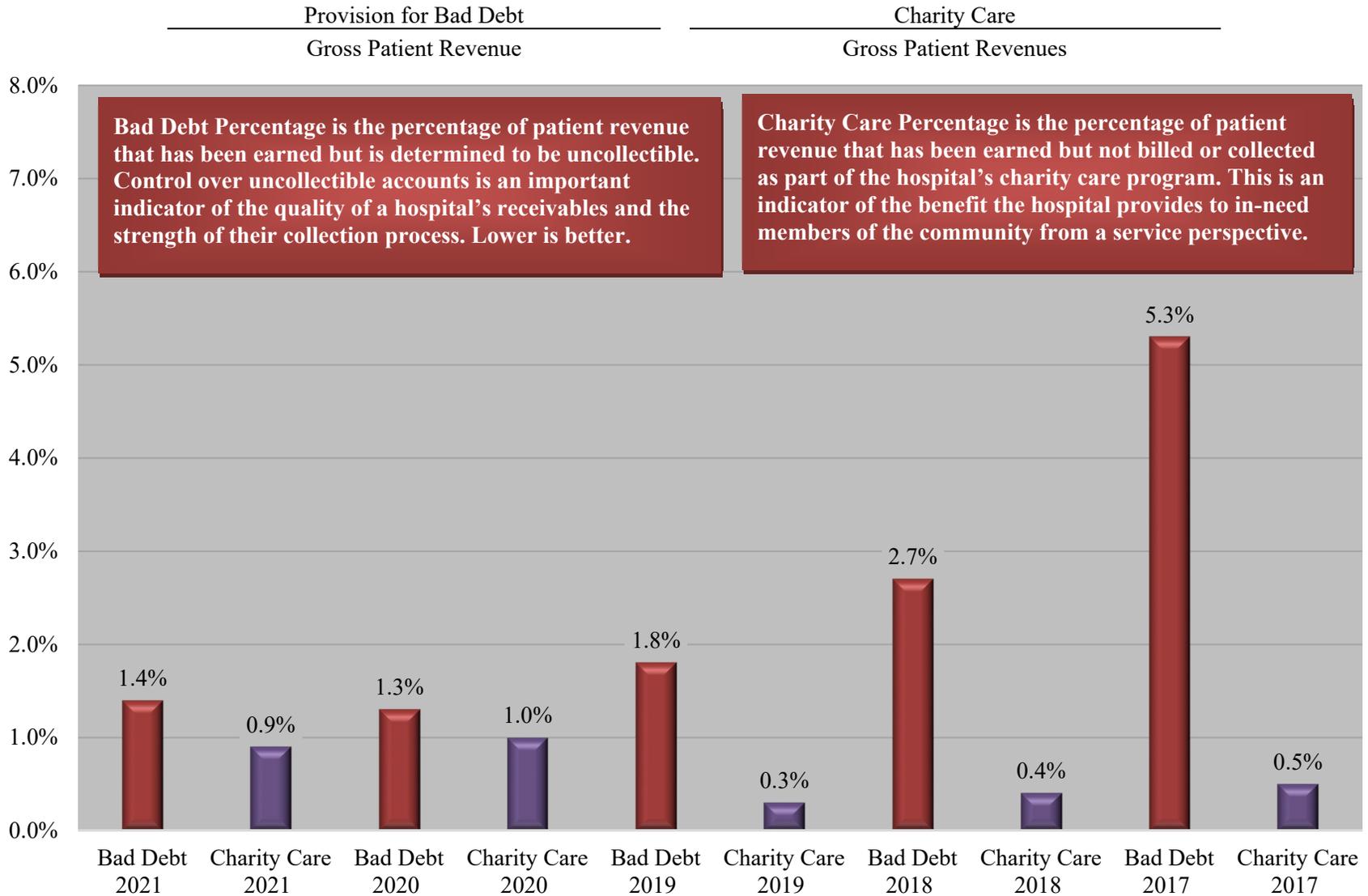


Bad Debt as a Percentage of Net Patient Revenue

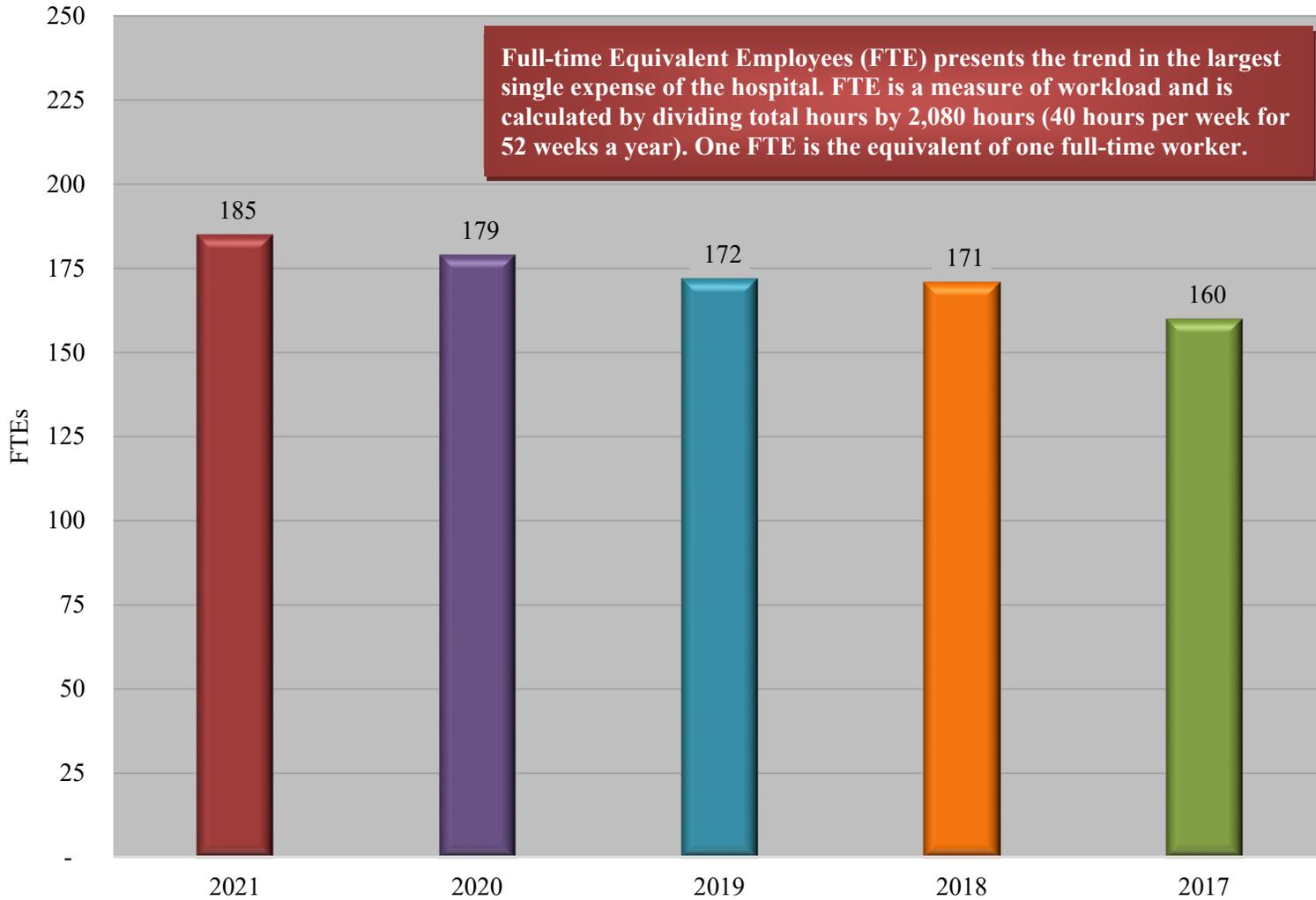
Provision for Bad Debt
Net Patient Revenues



Bad Debt and Charity Care Percentage

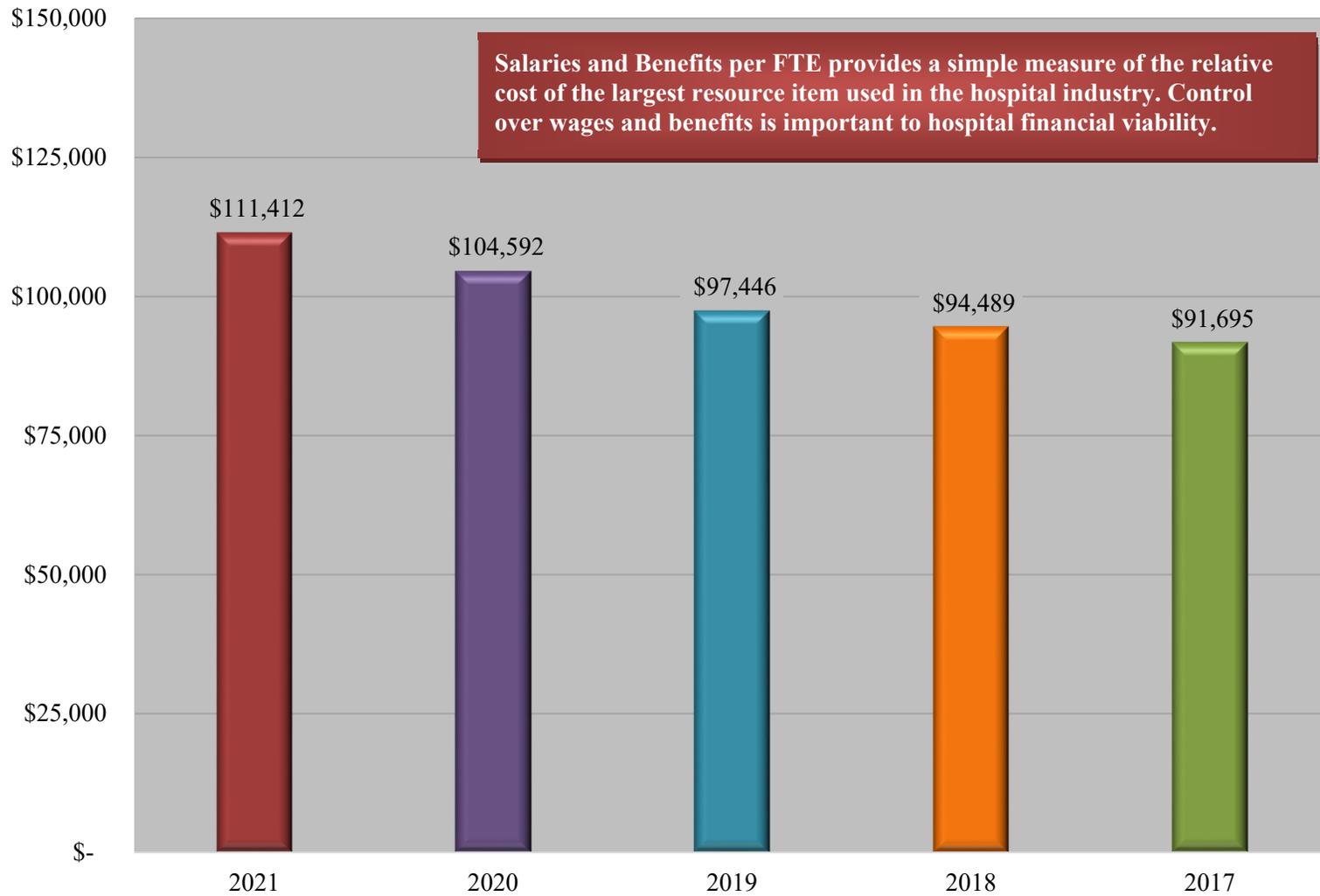


Full-time Equivalent Employees (FTE)



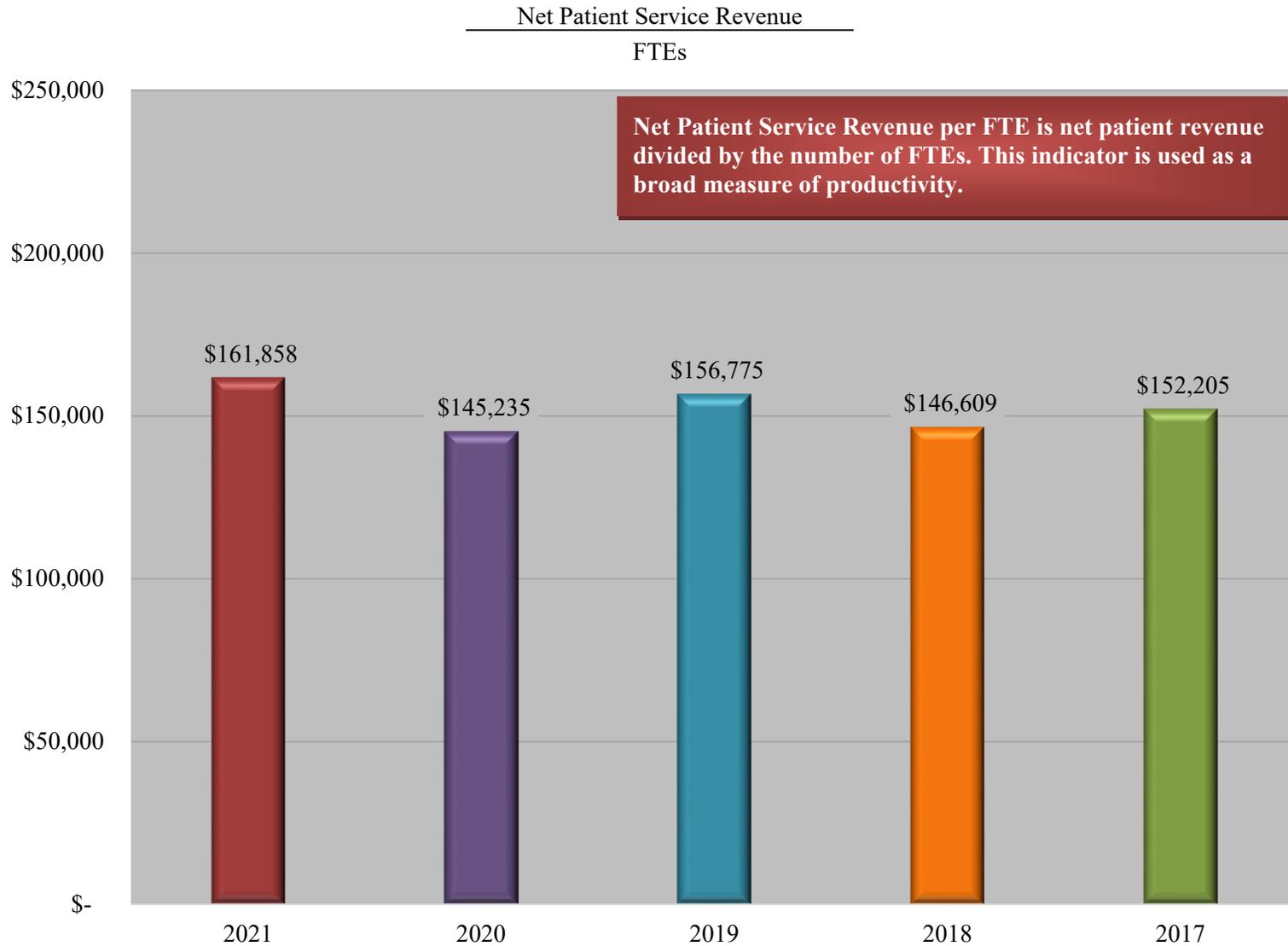
Salaries and Benefits per FTE

$$\frac{\text{Total Salaries} + \text{Total Benefits}}{\text{FTEs}}$$



Lewis County Public Hospital District No. 1
doing business as
Arbor Health

Net Patient Service Revenue per FTE



Rural Collaborative Vision



To accelerate the advancement of rural healthcare

- Leverage the synergy and wisdom of our members;
- Harness the value that a network of rural health systems provides; and
- Improve performance of our members and the health of the communities we serve, meeting members where they are.



Authorized under the Washington Interlocal Cooperation Act: RCW 70.44.240 and RCW 70.44.450

3

Board of Directors

The Collaborative Board continues its legacy as pioneers in rural Washington healthcare



1. Josh Martin, CEO & Chair – Summit Pacific Medical Center
2. Leslie Hiebert, CEO & Vice Chair – Klickitat Valley Health
3. Julie Petersen, CEO & Past Chair – Kittitas Valley Healthcare
- 4. Leianne Everett, CEO & Secretary/Treasurer – Arbor Health**
5. Tom Wilbur, CEO– Newport Hospital & Health Services
6. Eric Moll, CEO – Mason Health
7. Robb Kimmes, CEO – Skyline Health
8. Heidi Anderson, CEO – Forks Community Hospital
9. Jennifer Reed, CEO – Ferry County Memorial Hospital
10. Jennifer Wharton, CAO, CMGO– Jefferson Healthcare
11. Tyson Lacy, CEO – Lincoln Hospital and North Basin Clinics
12. Larry Cohen, CEO – Ocean Beach Hospital
13. Renee Jensen, CEO – Snoqualmie Valley Hospital
14. Vacant – WhidbeyHealth Medical Center
15. Matthew Kempton, CEO – Willapa Harbor Hospital
16. Hank Hanigan, CEO – Whitman Hospital and Medical Center



4

2021-2023 Strategic Goals and Objectives



Offer products and services which enable members to achieve and sustain Quadruple AIM goals.



Collaborative members benefit financially due to Collaborative services and offerings.



As the foundation for the defense and promotion of rural healthcare, begin the development and execution of a multi-year plan providing a springboard to a broader, more formal rural health network.



5



Offer products and services which enable members to achieve and sustain Quadruple AIM goals.

- Artificial Intelligence Scribes
- Telemedicine
- HRSA Quality Improvement Grant
- Patient satisfaction survey
- Coordinated Quality Improvement Program
- Shared Ethics Committee
- Peer Review



Offer shared services, shared programs and preferred member pricing which enable members to benefit financially

- Multi-employer retirement program
- Delegated with five plans
- Joint contracts and shared services
- Expanded membership

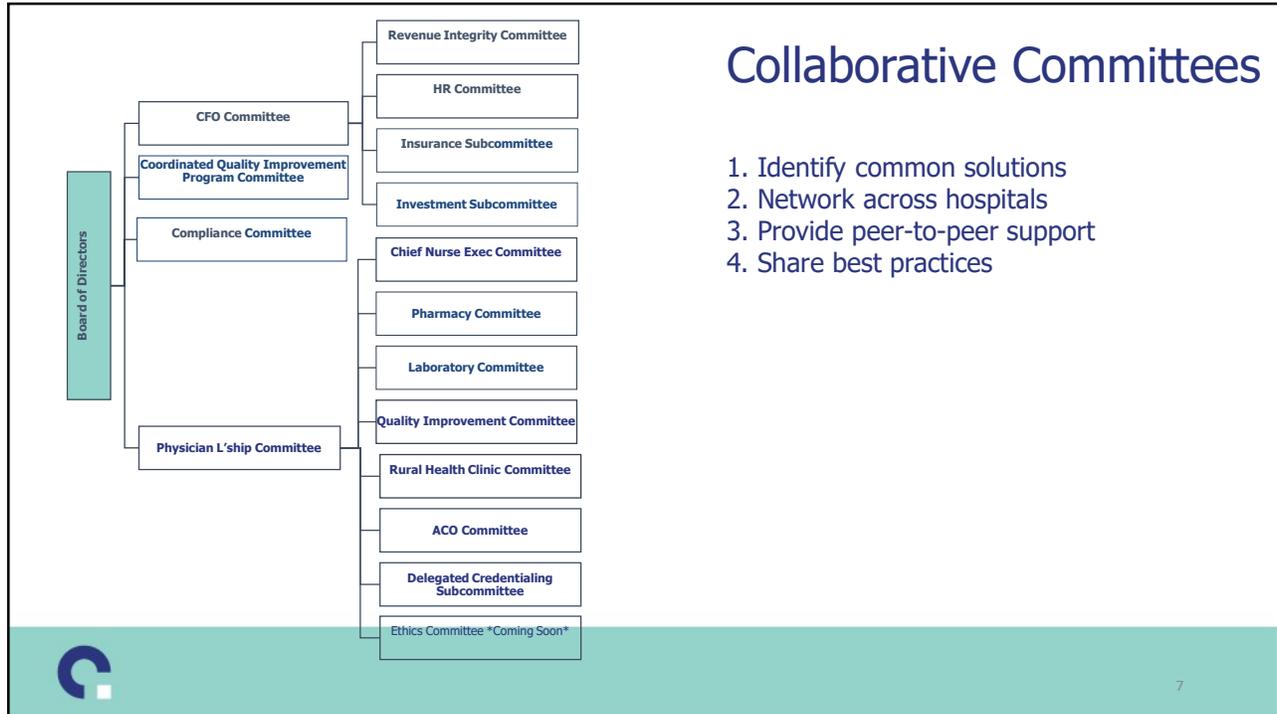


Develop a multi-year plan that will springboard the Collaborative into a broader, more formal rural health network

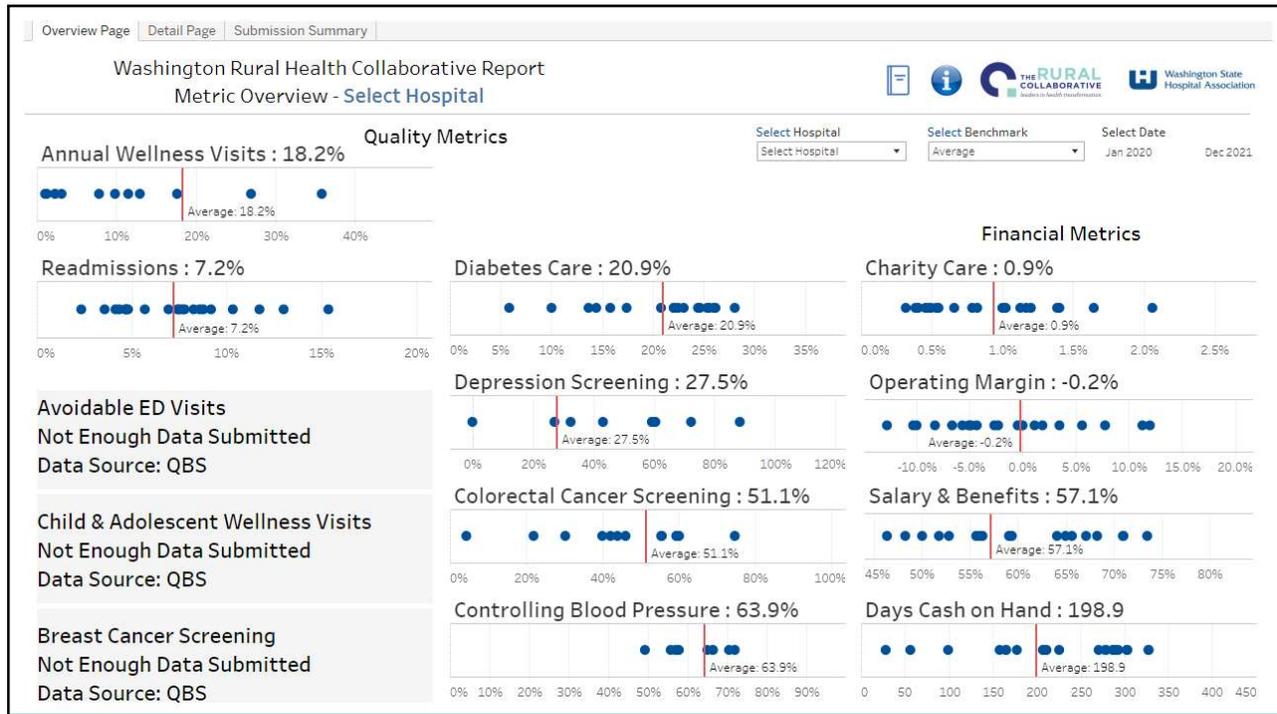
- ACO
- Data dashboard
- Brown Bag Lunch and Learns
- Payer alignment
- Collaborative Limited Liability Partnership
- Robust annual cost savings model
- Clinical and administrative committees



6



7



8

Financial Benefits to Membership



Shared Services, Shared Programs & Preferred Member Pricing

- Reduce costs
- Reduce administrative burden
- Create comprehensive programs
- Provide value-add services to our members
- Spread best practices



Alternative Payment Models, Value-Based Contracting & Revenue Cycle

The Collaborative's Revenue Integrity Committee works together to

- Negotiate value-based contracts, shared savings arrangements, standardize contract language
- Navigate revenue cycle issues
- Improve policies and procedures
- Cultivate strong relationships between members, payers, and service providers



[Experienced staff support contract negotiation, implementation and ongoing management](#)

9

9

Total 2021 Member Savings and Benefits

2021 Member Savings and Benefits by Category
Total Savings: \$4,473,887 | Total Net Savings: \$3,972,887

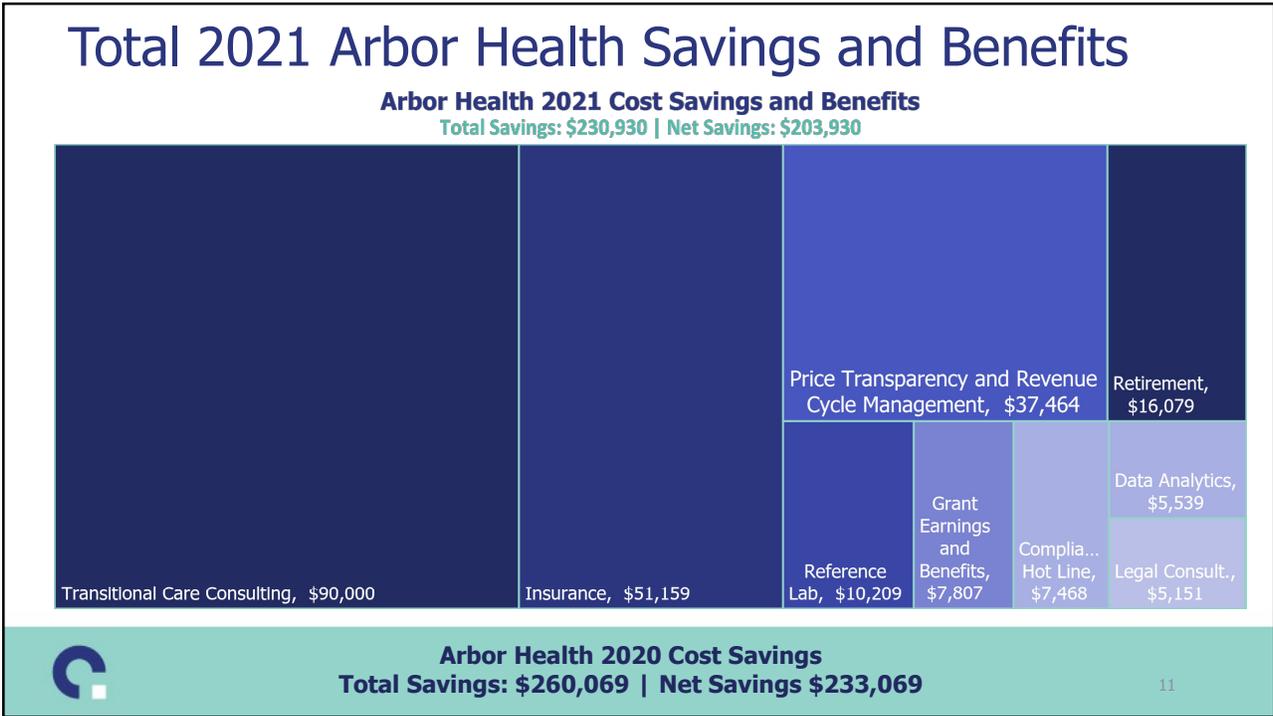
| Hospital Dues | Total |
|--|------------------------|
| Class A Dues | \$ 405,000.00 |
| Class B Dues | \$ 96,000.00 |
| Total Investment | \$ 501,000.00 |
| Contract/Programs Utilization Savings and Benefits | Total |
| Compliance Hot Line | \$ 82,148 |
| Data Analytics | \$ 72,007 |
| Grant Earnings and Benefits | \$ 125,738 |
| Insurance | \$ 2,966,961 |
| Legal Consult. | \$ 77,261 |
| PACS | \$ 32,922 |
| Patient Satisfaction and HCAHPS Surveys | \$ 71,049 |
| Price Transparency and Revenue Cycle Management | \$ 228,109 |
| Recruitment | \$ 654 |
| Reference Lab | \$ 475,357 |
| Retirement | \$ 155,681 |
| Transitional Care Consulting | \$ 186,000 |
| TOTAL SAVINGS | \$ 4,473,887.15 |
| NET SAVINGS | \$ 3,972,887.15 |
| ROI by Year | Average ROI |
| ROI 2021 | 8.9:1 |
| ROI 2020 | 5.5:1 |
| ROI 2019 | 3.6:1 |
| ROI 2018 (Class A Dues Only) | 6.3:1 |
| ROI 2017 (Class A Dues Only) | 8.2:1 |
| ROI 2016 (Class A Dues Only) | 9.9:1 |
| ROI 2015 (Class A Dues Only) | 5.0:1 |

| | | | |
|--|--|--------------------------------------|---|
| Reference Lab, \$475,357 | Price Transpar... and Revenue Cycle Manage... | Compl... Hot Line, \$82,148 | Patient Satisfaction and HCAHPS Surveys, \$71,049 |
| | | | |
| Transitional Care Consulting, \$186,000 | Legal Consult., \$77,261 | PACS, \$32,922 | Retirement, \$155,681 |
| | | | |
| Insurance, \$2,966,961 | | | |



10

10



11

12

Other Plans

Current and Future

Rural Collaborative Enterprise

Shared Ethics Committee

Pharmacy Assessment

12

Why?

Harness the collective wisdom of the Board for the collected benefit, both financial and operational, of its members to:

1. Reduce operation cost or total cost of care.
2. Increase or diversify revenue.
3. Provide community benefit.

How?

- Provide the same level of value to our network of independent rural health systems as provided by larger health systems.
- Create exceptional services for independent rural health systems.
- Unlock and capture the value of a larger rural hospital network.
- Improve performance and value for participants.

The Enterprise: A Limited Liability Partnership



13

13

Why a separate entity?

- Extend offerings to non-TRC Members, for mutual benefit.
- Protect TRC's 501(c)3 status.
- Exempt the Enterprise from federal taxation purposes.
- Fully maximize the benefit of the Interlocal Agreement
- Protect the values of TRC – a true *Collaborative*
- Allow for rural *Entrepreneurialism*





14

14

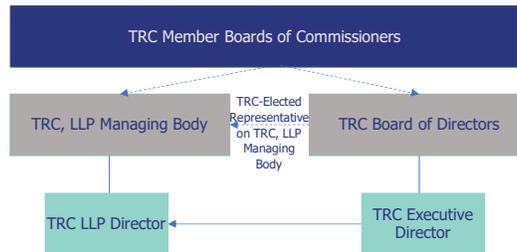
How will it work?

- Enterprise will administer a series of Projects. A Project is defined as a joint contract, program, service, or other activity.
- TRC Members and Non-Members may opt to participate in projects.
- A Participation Agreement defines how participants will be charged for a Project and how payments will be issued back to participants.
- At its outset, the Enterprise is funded by TRC reserves plus a small capital contribution from Members.



How is it governed?

- Each TRC Board member has a vote to appoint the Collaborative's representative on the TRC, LLP Managing Body
- Each TRC Board member representing a hospital which joins the LLP can delegate a member to TRC, LLP's Managing Body.



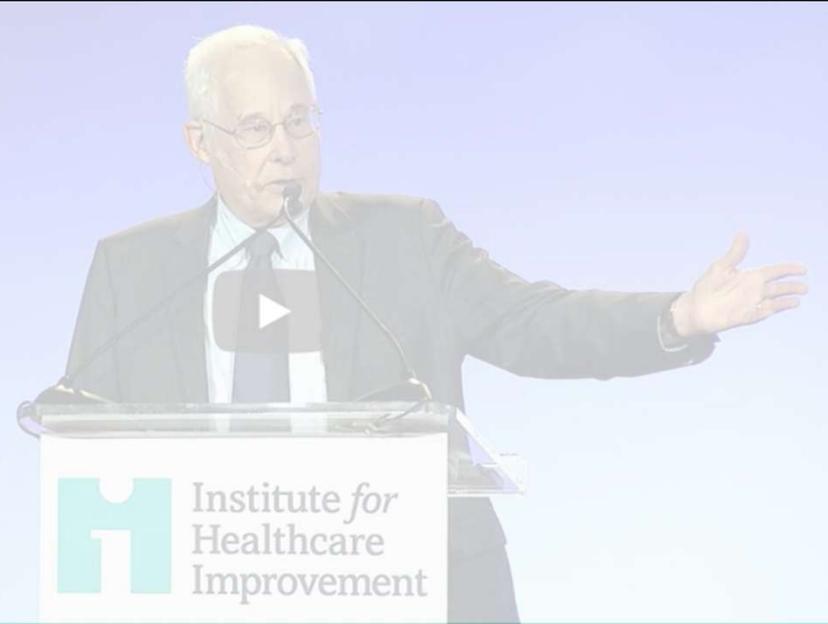
More details please...

- Submit filing this summer.
- Draft 1st Participation Agreement.
- Begin with three programs.
 - Delegated Credentialing
 - Grant Writing
 - Multi-Employer Retirement Program



17

17



To call for love and affection as foundational for progress sounds hopelessly naïve. It is not naïve. It is an awakening to what matters. And I swear to you, affection is the fuel and the bond that, in the presence of a shared aim, energizes and holds together these immense and thrilling enterprises.

Don Berwick
2017 IHI Keynote Address



18

18

We are here for you!

Paul Kennelly, Senior Director

Elya Prystowsky, Executive Director

Tianna Fallgatter, Director of Contract Services

Margaret Moore, Operations Manager

Heather Muller, Member Coordinator

Elizabeth Witte, Delegated Credentialing Manager

Hermie Zarate, Delegated Credentialing Specialist

19

What do we need from you?

| | |
|-------------|--|
| Communicate | Lianne is your delegate. |
| ↓ | |
| Share | Share your ideas. |
| ↓ | |
| Authorize | Join the other Members of the Collaborative to form the Enterprise. Pass the proposed Resolution by end of July. |

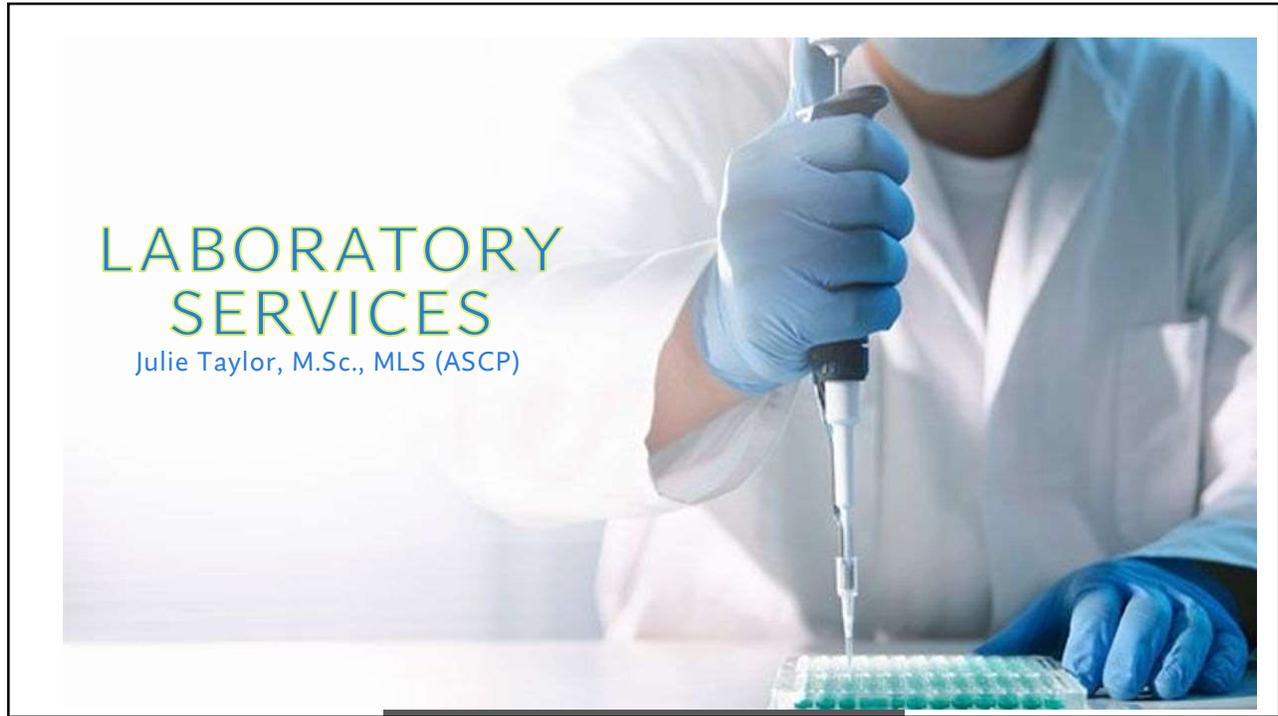
20

20

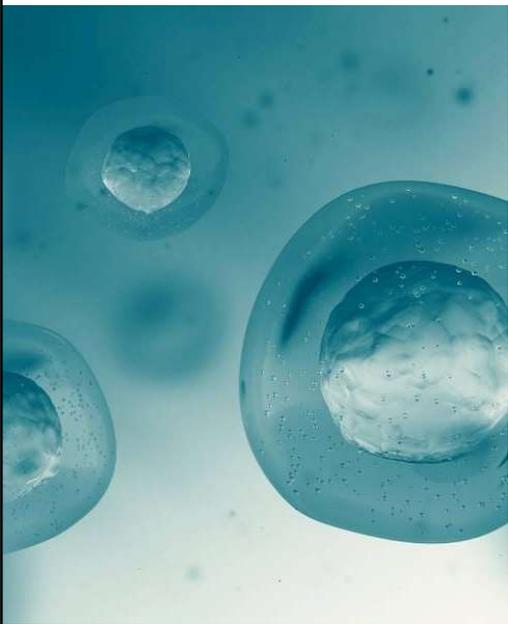
Thank you!

Elya Prystowsky
elya@ruralcollaborative.com





1



NEW SERVICES AND CONTRACTS

COVID RESPONSE

Purchased Cepheid GeneXpert to conduct in-house PCR testing

REDUNDANCY

Second Chemistry instrument to create redundancy for critical testing



2

STRATEGY GOALS

STRATEGY 1: TO BUILD RELATIONSHIPS AND PARTNERSHIPS THAT PRIORITIZE COMMUNITY HEALTH NEEDS

Develop a process to notify providers of all hospital patient preliminary culture results

STRATEGY 2: TO CREATE A CULTURE FOCUSED ON SAFETY, PATIENT SATISFACTION, EMPLOYEE ENGAGEMENT AND EXCELLENT OUTCOMES

Decrease the rate of reference lab rejected samples

STRATEGY 3: TO CONTINUE AS STEWARDS OF PUBLIC FUNDS

Reduce lab test write-offs due to lack of medical necessity or ABN by 10%

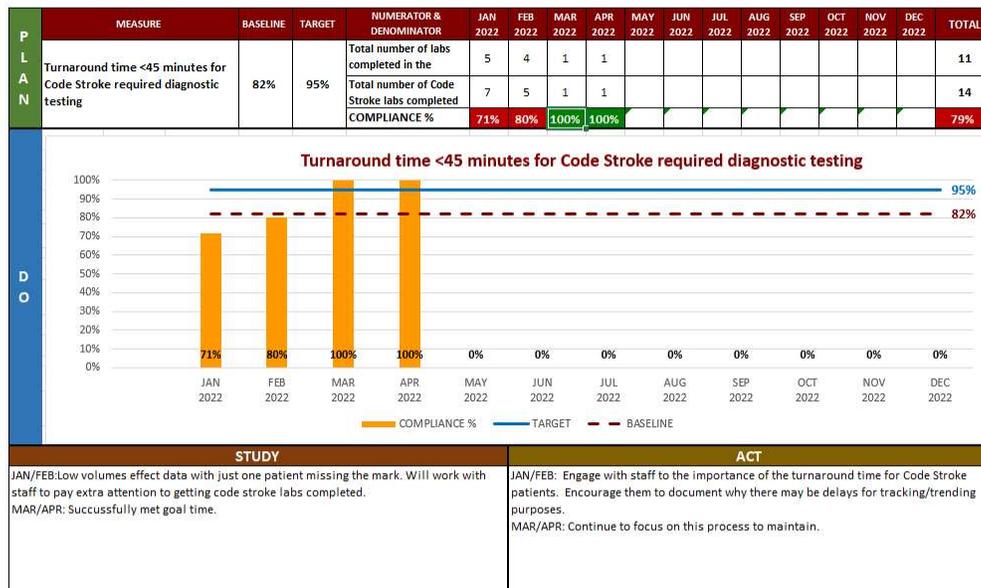
3

3



**DEPARTMENT SPECIFIC PERFORMANCE IMPROVEMENT
LABORATORY SERVICES**

Julie Taylor
Director, Ancillary Services



4

THANK YOU



Julie Taylor
360-496-3742
jtaylor@myarborhealth.com

COMMITTEE REPORTS

LEWIS COUNTY HOSPITAL DISTRICT NO. 1
Arbor Health Foundation Meeting
May 10, 2022
Hybrid Meeting

Mission Statement

To raise funds and provide services that will support the viability and long-term goals of the Lewis County Hospital District No. 1. This includes, but is not limited to, taking a leadership role in maintaining and improving community pride and confidence in all aspects of the hospital's health care system.

Attendance: Marc Fisher, Louise Fisher, Caro Johnson, Linda Herrin, Jeannine Walker, Jessica Scogin, Laura Richardson, Julie Taylor, Katelin Forrest, Gwen Turner, Paula Baker, Ann Marie Forsman, Christy Greiter

Excused: Betty Jurey

Guest: Lenee Langdon

Call to Order by President Marc Fisher at 12:05

The president read the mission statement

April minutes were reviewed and approved Janine Walker/Christy Greiter
April Treasures report were approved Louise Fisher/Laura Richardson

Administrators Report-Julie Taylor

Julie reported it is National Health Care Week so say thanks to a medical professional. Plans are still in the works to identify a site for the new Packwood clinic. The new Rapid Care Clinic will be expanding to four days.

Directors Report: -Jessica Scogin

Income from the Spring Bazar was \$966. The Mad Hatter Tea Party will include a 50/50 Raffle and will be held at the Tiller Arts Center on June 4, 2022. \$15 tickets will be available in the hospital gift shop. All board members are asked to donate

a dessert for the event. The keynote speaker will be Carolyn Price and there will be a prize for the best hat.

The foundation will piggyback with hospital to do a color run on August 27, 2022

Old Business:

A discussion was held on a process to collect money for memorial donations. The foundation will present appreciation gifts to the fire departments at the Chamber luncheon on May 25th. It was also noted that the foundation still needs a Vice President.

Requirements for Foundation Directors were discussed and it was noted that we may need to review the bylaws if we want to make any changes.

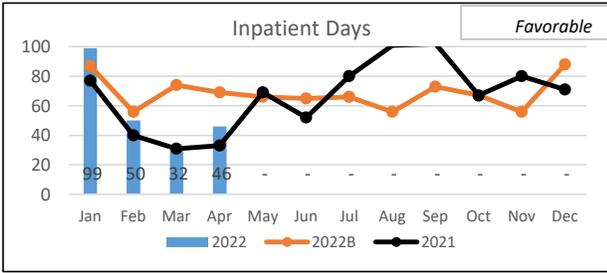
New Business:

Meeting adjourned 12:50

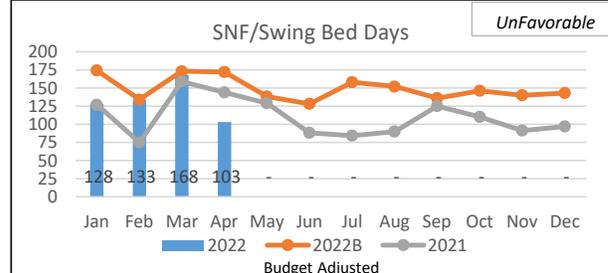
Lewis County Hospital District No. 1 Board Financial Summary

April 30, 2022

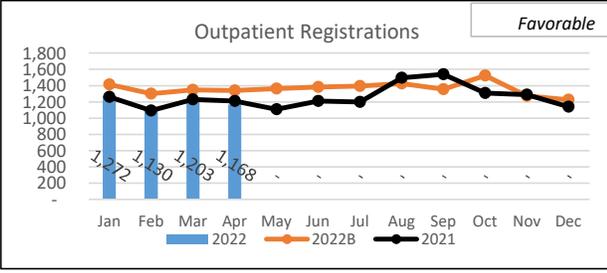
Growth



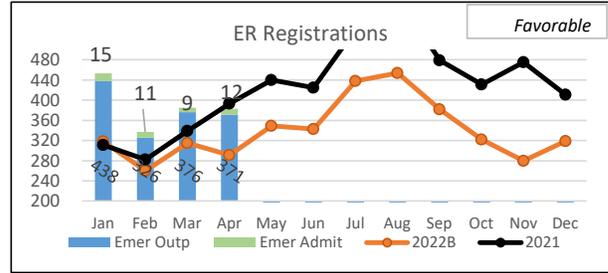
YTD: 227 Budget: 286 Pr Yr: 181



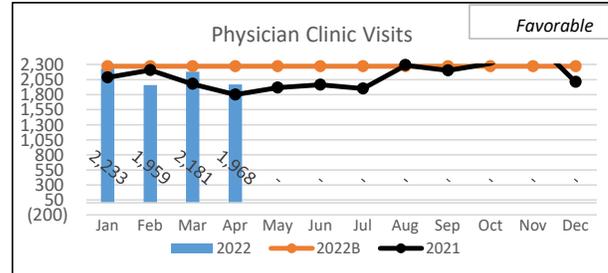
YTD: 532 Budget: 653 Pr Yr: 505



YTD: 4,773 Bud: 5,403 Pr Yr: 4,793

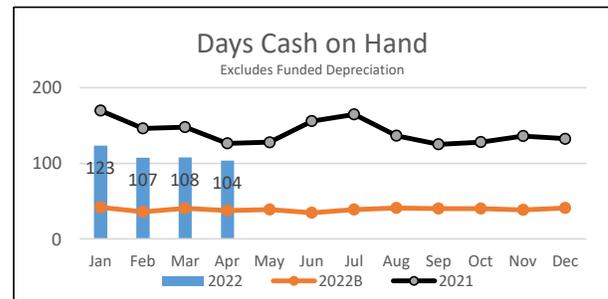
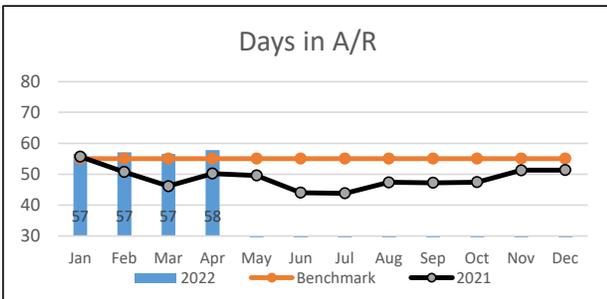
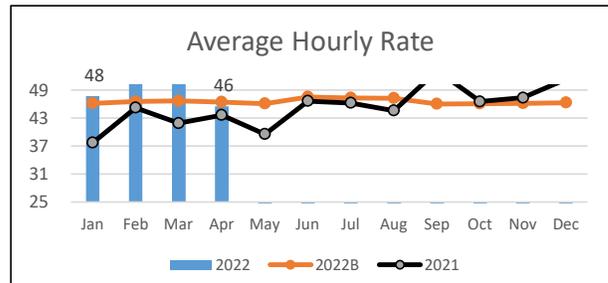
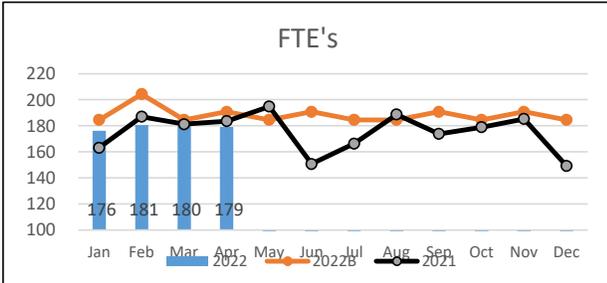


YTD: 1511 Bud: 1184 Pr Yr: 1325



YTD: 8,341 Bud: 9,084 Pr Yr: 8,070

People and Operational Aspects



Lewis County Hospital District No. 1
Income Statement
April, 2022

| CURRENT | | MONTH | | | YEAR TO DATE | | | | | |
|-------------------------------|-------------|------------------|------------------|------------------|----------------------------------|-------------------|-------------------|------------------|------------|------------------|
| Pr Yr Month | % Var | \$ Var | Budget | Actual | | Actual | Budget | \$ Var | % Var | Actual |
| 529,935 | -18% | (141,698) | 774,512 | 632,814 | Inpatient Revenue | 2,807,532 | 3,068,652 | (261,121) | -9% | 2,510,714 |
| 2,510,958 | 0% | (3,873) | 2,838,378 | 2,834,505 | Outpatient Revenue | 11,909,868 | 11,855,365 | 54,502 | 0% | 9,966,135 |
| 391,783 | -13% | (68,622) | 531,751 | 463,129 | Clinic Revenue | 1,706,284 | 2,075,668 | (369,384) | -18% | 1,426,956 |
| 3,432,677 | -5% | (214,193) | 4,144,642 | 3,930,448 | Gross Patient Revenues | 16,423,683 | 16,999,686 | (576,003) | -3% | 13,903,805 |
| 639,457 | -14% | (190,737) | 1,334,179 | 1,524,917 | Contractual Allowances | 5,154,798 | 5,371,924 | 217,126 | 4% | 4,479,994 |
| 17,713 | -1477% | (27,023) | 1,830 | 28,853 | Charity Care | 127,877 | 8,709 | (119,168) | -1368% | 102,035 |
| 116,335 | 109% | 58,454 | 53,751 | (4,702) | Bad Debt | 55,465 | 214,313 | 158,848 | 74% | 261,223 |
| 773,504 | -11% | (159,306) | 1,389,760 | 1,549,067 | Deductions from Revenue | 5,338,140 | 5,594,946 | 256,806 | 5% | 4,843,252 |
| 2,659,173 | -14% | (373,500) | 2,754,881 | 2,381,382 | Net Patient Service Rev | 11,085,543 | 11,404,740 | (319,197) | -3% | 9,060,553 |
| 77.5% | 8.8% | 5.9% | 66.5% | 60.6% | NPSR % | 67.5% | 67.1% | -0.4% | -0.6% | 65.2% |
| 193,922 | -24% | (19,900) | 81,900 | 62,000 | Other Operating Revenue | 384,311 | 327,602 | 56,709 | 17% | 617,635 |
| 2,853,095 | -14% | (393,400) | 2,836,782 | 2,443,382 | Net Operating Revenue | 11,469,854 | 11,732,342 | (262,488) | -2% | 9,678,188 |
| Operating Expenses | | | | | | | | | | |
| 1,483,622 | 15% | 273,728 | 1,792,562 | 1,518,834 | Salaries & Wages | 6,615,246 | 7,195,117 | 579,871 | 8% | 5,716,500 |
| 389,487 | 2% | 10,417 | 429,439 | 419,022 | Benefits | 1,642,437 | 1,734,965 | 92,528 | 5% | 1,564,783 |
| 175,065 | 15% | 24,530 | 165,102 | 140,572 | Professional Fees | 473,691 | 596,517 | 122,827 | 21% | 528,827 |
| 171,963 | 6% | 12,260 | 199,194 | 186,934 | Supplies | 830,861 | 807,661 | (23,200) | -3% | 636,919 |
| 383,068 | 21% | 76,511 | 369,797 | 293,286 | Purchase Services | 1,447,370 | 1,593,560 | 146,190 | 9% | 1,332,235 |
| 43,225 | 18% | 7,668 | 43,182 | 35,514 | Utilities | 185,189 | 175,510 | (9,679) | -6% | 180,315 |
| 19,425 | -4% | (961) | 22,271 | 23,231 | Insurance | 91,791 | 89,084 | (2,707) | -3% | 77,660 |
| 31,266 | 55% | 34,273 | 62,696 | 28,423 | Other Expenses | 147,150 | 254,173 | 107,023 | 42% | 167,338 |
| 2,697,121 | 14% | 438,427 | 3,084,243 | 2,645,816 | EBDITA Expenses | 11,433,734 | 12,446,587 | 1,012,853 | 8% | 10,204,577 |
| 155,974 | -18% | 45,027 | (247,461) | (202,434) | EBDITA | 36,120 | (714,245) | 750,365 | -105% | (526,389) |
| 5.5% | 5.0% | -0.4% | -8.7% | -8.3% | EBDITA % | 0.3% | -6.1% | -6.4% | 105.2% | -5.4% |
| Capital Cost | | | | | | | | | | |
| 96,575 | -5% | (5,367) | 103,576 | 108,943 | Depreciation | 430,658 | 406,082 | (24,576) | -6% | 408,331 |
| 35,671 | 2% | 650 | 33,161 | 32,511 | Interest Cost | 133,881 | 132,645 | (1,236) | -1% | 142,938 |
| 2,829,367 | 13% | 433,710 | 3,220,980 | 2,787,270 | Operating Expenses | 11,998,274 | 12,985,314 | 987,041 | 8% | 10,755,845 |
| 23,728 | -10% | 40,310 | (384,198) | (343,888) | Operating Income / (Loss) | (528,420) | (1,252,972) | 724,553 | -58% | (1,077,658) |
| 0.8% | | | -13.5% | -14.1% | Operating Margin % | -4.6% | -10.7% | | | -11.1% |
| Non Operating Activity | | | | | | | | | | |
| 130,814 | 24% | 34,112 | 141,132 | 175,244 | Non-Op Revenue | 607,988 | 564,529 | 43,459 | 8% | 512,536 |
| 4,137 | -7% | (255) | 3,566 | 3,821 | Non-Op Expenses | 18,187 | 14,264 | (3,923) | -28% | 23,670 |
| 126,676 | 25% | 33,857 | 137,566 | 171,423 | Net Non Operating Activity | 589,801 | 550,265 | 39,536 | 7% | 488,865 |
| 150,404 | -30% | 74,167 | (246,632) | (172,465) | Net Income / (Loss) | 61,381 | (702,707) | 764,088 | -109% | (588,792) |
| 5.3% | | | -8.7% | -7.1% | Net Income Margin % | 0.5% | -6.0% | | | -6.1% |

Lewis County Public Hospital District No. 1
Balance Sheet
April, 2022

| | <u>Current Month</u> | <u>Prior-Month</u> | <u>Prior-Year end</u> | <u>Incr/(Decr) From PrYr</u> |
|---|----------------------|--------------------|---------------------------|----------------------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash | \$ 9,257,081 | 10,134,087 | 11,725,277 | (2,468,196) |
| Total Accounts Receivable | 7,862,782 | 7,871,123 | 6,796,889 | 1,065,893 |
| Reserve Allowances | (3,344,849) | (3,064,648) | (2,675,536) | (669,313) |
| Net Patient Accounts Receivable | <u>4,517,933</u> | <u>4,806,475</u> | <u>4,121,353</u> | <u>396,580</u> |
| Taxes Receivable | 302,378 | 302,885 | 44,337 | 258,041 |
| Estimated 3rd Party Receivables | 59,300 | 59,300 | 74,277 | (14,977) |
| Prepaid Expenses | 252,948 | 263,756 | 299,720 | (46,772) |
| Inventory | 360,942 | 354,073 | 351,873 | 9,069 |
| Funds in Trust | 1,807,056 | 1,722,401 | 1,593,539 | 213,517 |
| Other Current Assets | 189,626 | 184,898 | 192,811 | (3,185) |
| Total Current Assets | <u>16,747,264</u> | <u>17,827,875</u> | <u>18,403,188</u> | <u>(1,655,924)</u> |
| Property, Buildings and Equipment | 34,833,208 | 34,805,008 | 34,687,777 | 145,432 |
| Less Accumulated Depreciation | (23,616,885) | (23,508,052) | (23,182,426) | (434,459) |
| Net Property, Plant, & Equipment | <u>11,216,324</u> | <u>11,296,957</u> | <u>11,505,351</u> | <u>(289,027)</u> |
| Other Assets | <u>167,514</u> | <u>0</u> | <u>0</u> | <u>167,514</u> |
| Total Assets | <u>\$ 28,131,102</u> | <u>29,124,832</u> | <u>29,908,539</u> | <u>(1,777,437)</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 57,381 | 335,796 | 748,429 | (691,048) |
| Accrued Payroll and Related Liabilities | 1,352,044 | 1,629,644 | 1,244,266 | 107,778 |
| Accrued Vacation | 835,375 | 824,953 | 784,018 | 51,357 |
| Third Party Cost Settlement | 3,903,371 | 4,172,040 | 5,311,870 | (1,408,499) |
| Interest Payable | 118,645 | 88,984 | 0 | 118,645 |
| Current Maturities - Debt | 1,366,865 | 1,366,865 | 1,366,865 | 0 |
| Unearned Revenue | 1,252,684 | 1,252,684 | 1,000,000 | 252,684 |
| Other Payables | 0 | 12,150 | 12,150 | (12,150) |
| Current Liabilities | <u>8,886,365</u> | <u>9,683,116</u> | <u>10,467,598</u> | <u>(1,581,234)</u> |
| Total Notes Payable | 1,312,698 | 1,337,322 | 1,566,482 | (253,784) |
| Capital Lease | (0) | (0) | (0) | 0 |
| Net Bond Payable | 5,025,647 | 5,025,537 | 5,029,448 | (3,801) |
| Total Long Term Liabilities | <u>6,338,346</u> | <u>6,362,859</u> | <u>6,595,930</u> | <u>(257,584)</u> |
| Total Liabilities | <u>15,224,711</u> | <u>16,045,976</u> | <u>17,063,528</u> | <u>(1,838,818)</u> |
| General Fund Balance | 12,845,010 | 12,845,010 | 11,627,014 | 0 |
| Net Gain (Loss) | 61,381 | 233,846 | 1,217,996 | 61,381 |
| Fund Balance | <u>12,906,391</u> | <u>13,078,856</u> | <u>12,845,010</u> | <u>61,381</u> |
| Total Liabilities And Fund Balance | <u>\$ 28,131,102</u> | <u>29,124,832</u> | <u>29,908,539</u> | <u>(1,777,437)</u> |

Arbor Health
Cash Flow Statement
For the Month Ending April 2022

| | MTD | YTD |
|--|------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Net Income | (172,465) | 61,381 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Decrease/(Increase) in Net Patient Accounts receivable | 288,542 | (396,580) |
| Decrease/(Increase) in Taxes receivable | 507 | (258,039) |
| Decrease/(Increase) in Est 3rd Party Receivable | 0 | 14,977 |
| Decrease/(Increase) in Prepaid expenses | 10,808 | 46,772 |
| Decrease/(Increase) in Inventories | (6,869) | (9,069) |
| Decrease in Other Current Assets | (172,242) | (164,330) |
| Increase/(Decrease) in Accrued payroll liabilities | (267,178) | 159,135 |
| Increase/(Decrease) in 3rd Party cost stlmt liabilities | (268,669) | (1,408,499) |
| Increase/(Decrease) in Accounts payable | (290,565) | (450,515) |
| Increase/(Decrease) in Interest payable | 29,661 | 118,645 |
| Depreciation expense | 108,833 | 434,459 |
| Net Cash Flow from Operations | (739,637) | (1,851,663) |
| Cash Flows from Investing Activities | | |
| Cash paid for | | |
| Purchases of Fixed assets | (28,200) | (145,431) |
| Net Cash Flow from (used) in Investing Activities | (28,200) | (145,431) |
| Cash Flows from Financing Activities | | |
| Cash paid for | | |
| Additions to long-term debt | 0 | 0 |
| Principal payments of long-term liabilities | (24,514) | (257,585) |
| Net Cash Flow from (used) in Financing Activities | (24,514) | (257,585) |
| Net Increase (Decrease) in Cash | (792,351) | (2,254,679) |
| Cash at Beginning of Period | \$ 11,856,488 | \$ 13,318,816 |
| Cash at End of Period | \$ 11,064,137 | \$ 11,064,137 |

CONSENT AGENDA



**LEWIS COUNTY HOSPITAL DISTRICT NO. 1
REGULAR BOARD OF COMMISSIONERS' MEETING**

April 27, 2022 at 3:30 p.m.

ZOOM

<https://myarborhealth.zoom.us/j/81319440346>

Meeting ID: 813 1944 0346

One tap mobile: +12532158782, 81319440346#

Dial: +1 253 215 8782

Mission Statement

To foster trust and nurture a healthy community.

Vision Statement

To provide accessible, quality healthcare.

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|---|--|--------|-------|----------|
| Call to Order Roll Call Reading the Mission & Vision Statements | Board Chair Herrin called the meeting to order via Zoom at 3:30 p.m. Commissioners present: <input checked="" type="checkbox"/> Tom Herrin, Board Chair <input checked="" type="checkbox"/> Kim Olive, Secretary <input checked="" type="checkbox"/> Wes McMahan <input checked="" type="checkbox"/> Craig Coppock <input checked="" type="checkbox"/> Laura Richardson Others present: <input checked="" type="checkbox"/> Leianne Everett, Superintendent <input checked="" type="checkbox"/> Shana Garcia, Executive Assistant <input checked="" type="checkbox"/> Sara Williamson, CNO/CQO <input checked="" type="checkbox"/> Mark Hansen, MD Chief of Staff <input checked="" type="checkbox"/> Richard Boggess, CFO <input checked="" type="checkbox"/> Diane Markham, Marketing & Communications Manager <input checked="" type="checkbox"/> Buddy Rose, Reporter <input checked="" type="checkbox"/> Spencer Hargett, Compliance Officer <input checked="" type="checkbox"/> Jim Frey, IT Director <input checked="" type="checkbox"/> Van Anderson, Packwood Community Member | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|---------------------------------|---|--|-------|----------|
| | <ul style="list-style-type: none"> ☒ Colleen Littlejohn, RN ☒ Tammy Beals, RN ☒ Shannon Kelly, CHRO ☒ Rhonda Volk, RN ☒ Darla Anderson, RN ☒ Lisa Hannah, RN ☒ Travis Elmore Nelson, WSNA <p>Board Chair Herrin noted the chat function has been disabled and the meeting will not be recorded.</p> | | | |
| Approval or Amendment of Agenda | | <p>Commissioner McMahan made a motion to approve the agenda.</p> <p>Commissioner Coppock seconded and the motion passed unanimously.</p> | | |
| Conflicts of Interest | Board Chair Herrin asked the Board to state any conflicts of interest with today's agenda. | None noted. | | |
| Comments and Remarks | <p>Commissioners: Commissioner Coppock thanked the staff for their professionalism and completing a successful survey, very encouraging. Secretary Olive is proud of the staff on the recent survey and their willingness to improve the process.</p> <p>Commissioner McMahan shared in the positive feedback on the survey, as well as encouraged the District to review HB 1389 regarding location and recording the meetings. Board Chair Herrin enjoyed being a part of the survey and sees the benefit of DNV.</p> <p>Audience: CNO/CQO noted the Hospital completed the DNV remote survey today. There were 11 noteworthy efforts, and the Administration team was very happy with the preliminary report. Colleen Littlejohn requested to provide comment; however, did not have good reception.</p> <p>Travis Elmore Nelson with WSNA noted they were not here to bargain</p> | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|--------|------------|--------|-------|----------|
|--------|------------|--------|-------|----------|

| | | | | |
|---|--|--|--|--|
| | <p>but wanted to inform the Board that their nurses are disappointed in Administration, specifically with pay package, call coverage, rest and meal breaks, and their approach to retaining nurses with these initial meetings. WSNA requests that the Board hear this and follows along on the WSNA website.</p> <p>Van Anderson shared in follow up to the redistricting meeting, that moving to at large positions would have been easier to manage; however, representation on the east end would be lost if the subdistricts are removed.</p> <p>Commissioner McMahan was surprised by WSNA’s comments given the Board’s respect and appreciation for the work that all staff do at Arbor Health.</p> | | | |
| <p>Executive Session- RCW 70.41.200</p> | <p>Executive Session began at 3:55 p.m. for ten minutes to discuss RCW 70.41.200. The Board returned to open session at 4:05 p.m.</p> <p>Board Chair Herrin noted no decisions were made in Executive Session.</p> <p>Initial Appointments- Pathology Consulting Privileges</p> <ol style="list-style-type: none"> 1. Mohiedean Ghofrani, MD (PeaceHealth) <p>Reappointments- Arbor Health</p> <ol style="list-style-type: none"> 1. Anthony Fritz, MD (Internal Medicine Privileges) 2. Devin Spera, MD (Emergency Medicine Privileges) <p>Cardiology Consulting Privileges</p> | <p>Commissioner Coppock made a motion to approve the Medical Privileging as presented and Secretary Olive seconded. The motion passed unanimously.</p> | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|--------|------------|--------|-------|----------|
|--------|------------|--------|-------|----------|

| | | | | |
|---|--|--|--|--|
| | <p>1. Timothy Larson, MD (Cardiology Associates)</p> <p>Radiology Consulting Privileges</p> <ol style="list-style-type: none"> 1. John Edwards, MD (Radia Inc.) 2. Jack Fields, MD (Radia Inc.) 3. Ben Harmon, MD (Radia Inc.) 4. Robert Hawkins, MD (Radia Inc.) 5. Kenneth Hebert, MD (Radia Inc.) 6. Ryan Herde, MD (Radia Inc.) 7. Peter Hu, MD (Radia Inc.) <p>Telestroke/Neurology Consulting Privileges</p> <ol style="list-style-type: none"> 1. Hanbing Wang, MD (Providence Health & Services) | | | |
| Department Spotlight | Superintendent Everett noted the spotlight was deferred due to the DNV Survey and will resume in May. | | | |
| Board Committee Reports <ul style="list-style-type: none"> • Hospital Foundation Report | Commissioner Richardson shared the gift shop is open and participating in the upcoming Spring Bizarre. The Arbor Health Foundation is resuming the Ladies Brunch on June 4 th , so very exciting! | | | |
| <ul style="list-style-type: none"> • Finance Committee Report | Commissioner McMahan provided updates on income statement and balance sheet variances, as well as the county's proposal regarding the Local Government Investment Pool and moving to the Lewis County Investment Pool. This will be a new model with same risk and more discussions to come later in the agenda. Secretary Olive noted there has been a capital process update, | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|--------|------------|--------|-------|----------|
|--------|------------|--------|-------|----------|

| | | | | |
|--|--|---|----------------------------|----------|
| | along with update on Q1's health insurance plan experience and the 2021 Financial Audit coming in May. | | | |
| Consent Agenda | <p>Board Chair Herrin announced the consent agenda items for consideration of approval:</p> <ol style="list-style-type: none"> 1. Approval of Minutes <ol style="list-style-type: none"> a. March 30, 2022, Regular Board Meeting b. April 18, 2022, Special Board Meeting c. April 20, 2022, Finance Committee Meeting 2. Warrants & EFTs in the amount of \$4,264,245.77 dated March 2022 3. Resolution 22-16- Declaring to Surplus or Dispose of Certain Property 4. Approve Documents Pending Board Approval & Ratification 04.27.22 | <p>Commissioner Coppock made a motion to approve the Consent Agenda and Secretary Olive seconded. The motion passed unanimously.</p> <p>Minutes, Warrants and Resolutions will be sent for electronic signatures.</p> | Executive Assistant Garcia | 05.06.22 |
| Old Business | Board Chair Herrin noted the District needs to provide direction to either continue the redistricting process or remove the subdistricts. Commissioner Coppock recognizes the redistricting process and acknowledges the concerns but thinks the reasons for subdistricts run deeper than we expected. Commissioner Coppock would vote to keep the subdistricts. Secretary Olive noted a follow up conversation with Matt Ellsworth to address concerns raised at the Special Board Meeting. Secretary Olive wanted to reiterate we are one board with one voice and we, the Board, represent the whole district even if we have subdistricts. Costs are ranging between \$5,000 and \$50,000, as well as availability plays a part. There can be risk involved with unexpected events, so it is important to hire someone to redistrict. At large positions are a | Commissioner McMahan made a motion to move forward with the redistricting process and Commissioner Coppock seconded. The motion passed with Commissioners McMahan, Commissioner Coppock and Board Chair Herrin voting yea and Secretary Olive and Commissioner Richardson voting nay. | | |
| <ul style="list-style-type: none"> • Redistricting Discussion | | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|---|---|--------|-------|----------|
| | <p>normal process in elections and in the USA. Secretary Olive understands and respects the past: however, things change and would vote for all at large positions. Commissioner Richardson feels she represents the whole community and District and would vote for all at large positions. Commissioner McMahan feels its deeper and representation is maintained by keeping the subdistricts. Commissioner McMahan would vote to keep the subdistricts.</p> <p>Board Chair Herrin noted all things considered he would lean on saving the District money and move to all at large positions.</p> | | | |
| <ul style="list-style-type: none"> Incident Command Update | <p>CNO/CQO Williamson noted the Multidisciplinary Committee is meeting monthly and will host adhoc meetings depending on activity in Lewis County. Most meetings are infrequent at the County and State level, as well as we expect more to come on the status of the Proclamation. CNO/CQO Williamson proposed we discontinue this update at Board Meeting and updates will be included in the Superintendent Report unless there is a shift in COVID activity.</p> | | | |
| <p>New Business</p> <ul style="list-style-type: none"> Letter from Anonymous Community Letter | <p>Superintendent Everett provided the letter to raise awareness. The District continues to train front line staff who are directly dealing with patients and the continued mask requirements in healthcare settings.</p> | | | |
| <ul style="list-style-type: none"> Lewis County Investment Pool Discussion | <p>CFO Boggess shared not all of the District's funds will be placed in the LCIP only a certain percentage. There are other Lewis County entities entering into this program to generate a high rate of return while maintaining liquidity of funds.</p> | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|--------|------------|--------|-------|----------|
|--------|------------|--------|-------|----------|

| | | | | |
|------------------------------|---|--|--|--|
| | The Board requested the Finance Committee continue to review and address outstanding concerns. Superintendent Everett proposed the gaining a better understanding before bringing the discussion back to the Board. | | | |
| Superintendent Report | Superintendent Everett provided 2022 Quarter 1 Department Strategic Measures, which are moving in the right direction. | | | |
| Meeting Summary & Evaluation | Superintendent Everett highlighted the decisions made and action items. | | | |
| Adjournment | Secretary Olive moved and Commissioner Richardson seconded to adjourn the meeting at 5:44 p.m. The motion passed unanimously. | | | |

Respectfully submitted,

Kim Olive, Secretary

Date

DRAFT



**LEWIS COUNTY HOSPITAL DISTRICT NO. 1
Compliance Committee Meeting
May 11, 2022, at 12:00 p.m.
Via Zoom**

**Mission Statement
To foster trust and nurture a healthy community.**

**Vision Statement
To provide accessible, quality healthcare.**

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|---|---|--|-------|----------|
| Call to Order Roll Call Reading the Mission & Vision Statements | Commissioner McMahan called the meeting to order via Zoom at 12:00 p.m. Commissioner(s) Present in Person or via Zoom: <input checked="" type="checkbox"/> Laura Richardson, Commissioner <input checked="" type="checkbox"/> Wes McMahan, Commissioner Committee Member(s) Present in Person or via Zoom: <input checked="" type="checkbox"/> Shana Garcia, Executive Assistant <input checked="" type="checkbox"/> Richard Boggess, CFO <input checked="" type="checkbox"/> Leianne Everett, Superintendent <input checked="" type="checkbox"/> Shannon Kelly, CHRO <input checked="" type="checkbox"/> Sherry Sofich, Revenue Cycle Director <input type="checkbox"/> Sara Williamson, CNO/CQO <input checked="" type="checkbox"/> Julie Allen, Quality Manager <input checked="" type="checkbox"/> Spencer Hargett, Compliance Officer <input checked="" type="checkbox"/> Matthew Lindstrom, Facilities Director <input checked="" type="checkbox"/> Jim Frey, IT Director | | | |
| Approval or Amendment of Agenda | No amendments noted. | CHRO Kelly made a motion to approve the agenda and Commissioner Richardson seconded. | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
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|--|--|--|----------------------------|---|
| | | The motion passed unanimously. | | |
| Conflicts of Interest | Commissioner McMahan asked the Committee to state any conflicts of interest with today’s agenda. | None noted. | | |
| Consent Agenda | <p>Commissioner McMahan announced the following in consent agenda up for approval:</p> <ol style="list-style-type: none"> 1. Review of Compliance Minutes –February 9, 2022 2. Review of Compliance Workgroup Minutes – March 31, 2022 3. Review of Compliance Workgroup Minutes –May 5, 2022 4. Compliance Program Update 5. Annual Action Schedule | <p>Commissioner McMahan noted edits on 03.31.22 and 05.05.22 Workgroup Minutes to update Commissioner Coppock to Compliance Officer Hargett on the call to order.</p> <p>Superintendent Everett made a motion to approve the consent agenda with proposed edits and CFO Boggess seconded. The motion passed unanimously.</p> | Compliance Officer Hargett | Prior to the June 30, 2022 Compliance Workgroup Meeting |
| Committee Reports | Compliance Officer Hargett highlighted the workgroup minutes and they areas of focus. The prioritized risk assessments are being addressed in New Business with supporting documentation on their statuses. | | | |
| Old Business <ul style="list-style-type: none"> • Records Retention | <p>Compliance Officer Hargett noted:</p> <ol style="list-style-type: none"> 1. An Inventory of Records has been developed and is being monitored. 2. The District has both electronic and paper records. There are separate pathways once retention schedules have been met. 3. Next steps include logging if the records have met their retention schedule, noting their status and either destroying or sending to the state archive via boxes, hard drives or ArchiveThis. | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|--|--|--------|-------|----------|
| <ul style="list-style-type: none"> Public Records Act | <p>Executive Assistant Garcia noted:</p> <ol style="list-style-type: none"> The District fulfilled four requests in 2021 and two to date in 2022. The two new commissioners have completed the required training since taking oath. Participating in a virtual workshop next week with an additional webinar coming this Fall. | | | |
| <ul style="list-style-type: none"> HB 1616 Concerning the Charity Care Act | <p>CFO Boggess noted the District is already updating its financial assistance and charity care requirements as a result of House Bill 1616. While there were initial concerns related to this being an unfunded bill, the District does not expect a significant change in the amount of charity care. Approximately 1 in 4 people in WA will qualify for this program. The District will be in compliance by July 1, 2022.</p> | | | |
| <p>New Business</p> <ul style="list-style-type: none"> RA #1- Inpatient/Observation Statuses & Q1 Orders Review | <p>CFO Boggess noted first quarter was not good, but now the ship is headed in the right direction. The shift included collaborating with providers, as well as hard work from everyone involved to make a difference.</p> | | | |
| <ul style="list-style-type: none"> RA #2- Write-offs Due to No ABN | <p>Compliance Officer Hargett noted in first quarter a Process Improvement (PI) team was assembled to reduce the number of write offs. It was identified there were multiple obstacles and are piloting a new process.</p> | | | |
| <ul style="list-style-type: none"> RA #3- COVID Effects on Staffing, Burnout, etc. | <p>Compliance Officer Hargett noted there is a focus in 2022 on reducing burnout through a workplace violence campaign. Another PI team was put in place to look at the ways to reduce these negative interactions employees are experiencing.</p> | | | |
| <ul style="list-style-type: none"> RA #4- Vendor Compliance | <p>Executive Assistant Garcia noted the District has implemented a new policy and procedure to meet</p> | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|--|---|--------|-------|----------|
| with Vaccine Mandates | compliance as it relates to vendors. As a part of our contract management process, vendor declarations will be submitted prior to coming onsite. The Vendor Declaration has most recently been added to the Arbor Health website for ease of access and completion. | | | |
| <ul style="list-style-type: none"> RA #5- Security Risk Assessment Action Items | IT Director Frey noted in response to last Falls security risk assessment, man findings are being prioritized. In the process of creating a Cybersecurity Risk Management Plan, as well as policies and procedures for the department. | | | |
| <ul style="list-style-type: none"> Q1 Compliance Work Plan Update | Compliance Officer Hargett presented the Quarter 1 updates. Many items were addressed today and are stable with no risks emerging. | | | |
| Meeting Summary & Evaluation | Compliance Officer Hargett provided a summary report. | | | |
| Adjournment | Commissioner McMahan adjourned the meeting at 12:45 p.m. | | | |



LEWIS COUNTY HOSPITAL DISTRICT NO. 1
Finance Committee Meeting
May 18, 2022, at 12:00 p.m.
Via Zoom

Mission Statement
To foster trust and nurture a healthy community.

Vision Statement
To provide accessible, quality healthcare.

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
|---|---|--|-------|----------|
| Call to Order Roll Call Reading the Mission & Vision Statements | <p>Commissioner McMahan called the meeting to order via Zoom at 12:00 p.m.</p> <p>Commissioner(s) Present in Person or via Zoom: <input checked="" type="checkbox"/> Wes McMahan, Commissioner <input checked="" type="checkbox"/> Kim Olive, Secretary</p> <p>Committee Member(s) Present in Person or via Zoom: <input checked="" type="checkbox"/> Shana Garcia, Executive Assistant <input checked="" type="checkbox"/> Richard Boggess, CFO <input checked="" type="checkbox"/> Leianne Everett, Superintendent <input checked="" type="checkbox"/> Marc Fisher, Community Member <input checked="" type="checkbox"/> Clint Scogin, Controller <input checked="" type="checkbox"/> Sherry Sofich, Revenue Cycle Director <input checked="" type="checkbox"/> Sara Williamson, CNO/CQO <input checked="" type="checkbox"/> Julie Taylor, Ancillary Services Director <input checked="" type="checkbox"/> Kami Matzek, CPA-DZA <input checked="" type="checkbox"/> Shayna DesJardin, CPA-DZA</p> | | | |
| Approval or Amendment of Agenda | Superintendent Everett requested to add WSNA Negotiations as an agenda topic in New Business | Superintendent Everett made a motion to approve the amended agenda and Secretary Olive seconded. The | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
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| | | motion passed unanimously. | | |
| Conflicts of Interest | Commissioner McMahan asked the Committee to state any conflicts of interest with today's amended agenda. | None noted. | | |
| Guest Speakers <ul style="list-style-type: none"> • 2021 Financial Audit Update-DZA | Kami Matzek from Dingus, Zarecor and Associates presented the 2021 Financial Audits, as well as the Single Audit Report and highlighted the following: <ol style="list-style-type: none"> 1. The District received an unmodified opinion which is a clean audit. 2. The cost report is up to date. 3. An error was identified during the Single Audit. The error was in the calculation of one of the formulas used to calculate the amount of lost revenue. While this does have to be reported to HRSA, there is no penalties to the District. 4. Reviewed the financial indicators in comparison to prior years. 5. The District has filed with EMMA, the reporting agency and is in compliance with bond terms. | | | |
| Consent Agenda | Commissioner McMahan announced the following in consent agenda up for approval: <ol style="list-style-type: none"> 1. Review of Finance Minutes –April 20, 2022 2. Revenue Cycle Update 3. Board Oversight Activities 4. Financial Statements-April | Secretary Olive made a motion to approve the consent agenda and Community Member Fisher seconded. The motion passed unanimously. | | |
| Old Business <ul style="list-style-type: none"> • Financial Department Spotlight • Laboratory | Ancillary Services Director Taylor provided insight on laboratory services. She discussed the new Cepheid GeneXpert to conduct in house PCR testing, along with a secondary chemistry instrument for critical testing redundancy. She reviewed total operating revenue results for the past four years. Expenses continue to rise mainly due | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
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| | to maintenance and quality assurance, supply costs and staffing. | | | |
| <ul style="list-style-type: none"> Capital Review | CFO Boggess shared Facilities needs to repair the elevator and wanted to put this larger expense, an estimated \$15,927 on the Finance Committee's radar. No action needed, informational only. | | | |
| <ul style="list-style-type: none"> Bond Vendor Support Team Discussion | CFO Boggess noted while investigating the District's past vendors used during bond issuances Piper Jaffery, now known as Piper Sandler, was engaged. The contract is nonbinding with no cost and the District can terminate at any time. Administration recommends moving forward with Piper Sandler. The Finance Committee supported. | | | |
| New Business <ul style="list-style-type: none"> The Rural Collaborative Program | <p>CFO Boggess noted being a part of the Rural Collaborative is a great opportunity. Each year the Collaborative shares a document showing the return on the investment of our membership dues. This year the return is 8.6 times our investment.</p> <p>Elya Prystowsky, Executive Director of the Rural Collaborative will be joining the upcoming Board meeting to discuss restructuring and starting an LLC. She will share the details.</p> <p>Commissioner McMahan requested to extend the meeting for those who could remain on after 1 pm.</p> | | | |
| <ul style="list-style-type: none"> 2021 Cost Report Settlement | <p>CFO Boggess noted the District has a payable of \$151,595 to Noridian for the 2021 cost report settlement.</p> <p>The Finance Committee supported the cost report settlement payment and will recommend approval at the Board level.</p> | The Finance Committee supported requesting the Board's approval of a resolution for the 2021 Cost Report Settlement Payment at the Regular Board Meeting. | Executive Assistant Garcia | 05.25.22 Regular Board Meeting |
| <ul style="list-style-type: none"> WSNA Negotiations | Superintendent Everett noted WSNA negotiations are in progress and the approved budget is not going to align with our market conditions. Keeping long term goals in mind, the negotiating team is focused on | | | |

| AGENDA | DISCUSSION | ACTION | OWNER | DUE DATE |
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| | operational process, retaining staff, understanding the impact of market rates, as well as showing appreciation to staff. Negotiations are this Friday and Monday, which is prior to Executive Session at the Board Meeting. No action at this time, informational only. | | | |
| Meeting Summary & Evaluation | CFO Boggess highlighted the decisions made and the action items that need to be taken to the entire board for approval. | | | |
| Adjournment | Commissioner McMahan adjourned the meeting at 1:18 pm. | | | |

WARRANT & EFT LISTING NO. 2022-04

RECORD OF CLAIMS ALLOWED BY THE
BOARD OF LEWIS COUNTY
COMMISSIONERS

The following vouchers have been audited,
charged to the proper account, and are within the
budget appropriation.

CERTIFICATION

I, the undersigned, do hereby certify, under
penalty of perjury, that the materials have been
furnished, as described herein, and that the claim
is a just, due and unpaid obligation against
LEWIS COUNTY HOSPITAL DISTRICT NO. 1
and that I am authorized to authenticate and
certify said claim.

Signed:

Richard Boggess, CFO

We, the undersigned Lewis County Hospital
District No. 1 Commissioners, do hereby certify
that the merchandise or services hereinafter
specified has been received and that total
Warrants and EFT's are approved for payment
in the amount of

\$3,269,273.41 this 25th day

of May 2022

Board Chair, Tom Herrin

Secretary, Kim Olive

Commissioner, Wes McMahan

Commissioner, Craig Coppock

Commissioner, Laura Richardson

SEE WARRANT & EFT REGISTER in the amount of \$3,269,273.41 dated April 1, 2022 – April 30, 2022.

Routine A/P Runs

| Warrant No. | Date | Amount | Description |
|---------------------------|-------------|------------------------|-------------|
| 125461 | 1-Apr-2022 | 1,049.59 | CHECK RUN |
| 125085 - 125121 | 1-Apr-2022 | 131,788.00 | CHECK RUN |
| 125535 | 4-Apr-2022 | 35.60 | CHECK RUN |
| 1258142 | 4-Apr-2022 | 4,570.66 | CHECK RUN |
| 125129 - 125141 | 5-Apr-2022 | 112,088.37 | CHECK RUN |
| 125465 | 11-Apr-2022 | 959.44 | CHECK RUN |
| 125149 - 125185 | 11-Apr-2022 | 362,872.10 | CHECK RUN |
| 125143 - 125148 | 11-Apr-2022 | 622,414.88 | CHECK RUN |
| 125462 | 12-Apr-2022 | 3.08 | CHECK RUN |
| 125212 - 125322 | 15-Apr-2022 | 111,746.56 | CHECK RUN |
| 125463 | 18-Apr-2022 | 3,706.31 | CHECK RUN |
| 125186 - 125211 | 18-Apr-2022 | 379,340.05 | CHECK RUN |
| 125464 | 19-Apr-2022 | 4.69 | CHECK RUN |
| 125323 - 125333 | 21-Apr-2022 | 30,314.55 | CHECK RUN |
| 125342 - 125460 | 22-Apr-2022 | 315,417.22 | CHECK RUN |
| 125334 - 125341 | 25-Apr-2022 | 751,261.73 | CHECK RUN |
| 125536 | 28-Apr-2022 | 474.80 | CHECK RUN |
| 125531 - 125534 | 29-Apr-2022 | 2,886.17 | CHECK RUN |
| 125479 - 125530 | 29-Apr-2022 | 88,038.50 | CHECK RUN |
| 600 | 26-Apr-2022 | 2,456.85 | CHECK RUN |
| Total - Check Runs | | \$ 2,921,429.15 | |

Error Corrections - in Check Register Order

| Warrant No. | DATE VOIDED | Amount | Description |
|------------------------------|-------------|-------------|-------------|
| | | | |
| TOTAL - VOIDED CHECKS | | \$ - | |

| | |
|--|------------------------|
| COLUMBIA BANK CHECKS, EFT'S & VOIDS | \$ 2,921,429.15 |
|--|------------------------|

| Eft | Date | Amount | Description |
|--|-------------|----------------------|-------------|
| 1167 | 1-Apr-2022 | 166,724.12 | IRS |
| 4675 | 4-Apr-2022 | 280.00 | TPSC |
| 4676 | 11-Apr-2022 | 39.29 | TPSC |
| 1168 | 15-Apr-2022 | 179,101.77 | IRS |
| 4677 | 19-Apr-2022 | 1,455.72 | TPSC |
| 4678 | 20-Apr-2022 | 99.00 | TPSC |
| 4679 | 26-Apr-2022 | 144.36 | TPSC |
| TOTAL EFTS AT SECURITY STATE BANK | | \$ 347,844.26 | |

| | |
|---|------------------------|
| TOTAL CHECKS, EFT'S, & TRANSFERS | \$ 3,269,273.41 |
|---|------------------------|



LEWIS COUNTY HOSPITAL DISTRICT NO. 1
MORTON, WASHINGTON

RESOLUTION APPROVING THE
MEDICARE 2021 COST REPORT
SETTLEMENT PAYMENT

RESOLUTION NO. 22-17

WHEREAS, the Lewis County Hospital District No. 1 owns and operates Arbor Health, a 25-bed Critical Access Hospital located in Morton, Washington, and;

WHEREAS, the Lewis County Hospital District No. 1 feel that this is worthy,

NOW, THEREFORE, BE IT RESOLVED by the Commissioners of Lewis County Hospital
District No. 1 as follows:

**Approving the cost report settlement payment of \$151,595 to Medicare (Noridian) for the fiscal year
2021 from operating cash.**

ADOPTED and APPROVED by the Commissioners of Lewis County Hospital District No. 1 in
an open public meeting thereof held in compliance with the requirements of the Open Public
Meetings Act this 25th day of May 2022, the following commissioners being present and voting
in favor of this resolution.

Craig Coppock, Commissioner

Tom Herrin, Secretary

Kim Olive, Commissioner

Wes McMahan, Commissioner

Laura Richardson, Commissioner



| | | |
|---|--|---|
| Specialty Clinic 521 ADAMS AVENUE 360-496-3641 | Mossyrock Clinic 745 WILLIAMS STREET 360-983-8990 | Randle Clinic 108 KINDLE ROAD 360-497-3333 |
| Morton Hospital 521 ADAMS AVENUE 360-496-5112 | Morton Clinic 531 ADAMS AVENUE 360-496-5145 | |

MEMORANDUM

To: Finance Committee
From: Richard Boggess, CFO
Date: May 11, 2022
Re: 2021 Cost Report Settlement

The District's external auditors, Dingus Zarecor and Associates (DZA) have completed the 2021 cost report. This report will need to be filed with Medicare via their Medicare Administrative Contractor – Noridian by the end of May. The result of the cost report shows that the District was overpaid by Medicare in 2021 by \$151,595. The District will need to remit these funds to Noridian within 60 days. This is not unexpected as we have been recording this payable throughout 2021.

The cost report is a workpaper that holds information about the facility characteristics, volumes or statistical information, financial information about charges and cost and more specifically – wages. The District is categorized as a Critical Access Hospital (CAH) and its clinics carry the Rural Health Clinic (RHC) designation. These designations indicate that Medicare will pay its share of the cost to deliver services in these venues. Currently, we receive 101% of the cost associated with Medicare patients less a 2% sequestration adjustment equaling 99% of our cost to deliver services. This same payment rate is applied to our Medicare Advantage payors.

Looking at the details of the cost report we can determine that we were overpaid in the hospital for services and underpaid in the clinics. As a result, we would expect that Medicare will reduce our payment rate in the hospital for Inpatient, Outpatient and Skilled Nursing services. We were underpaid in the clinics with Morton Clinic having the largest amount of underpayment at \$272,792. The clinics each have a specific rate based on the services and staffing at each location. We will expect a slight increase in the visit rate at Mossyrock and Randle and more significant increase at Morton. We will be notified of these rate changes in late June with an effective date in July 2022.

This report is required by law (42 USC 1395g; 42 CFR 413.20(b)). Failure to report can result in all interim payments made since the beginning of the cost reporting period being deemed overpayments (42 USC 1395g).

FORM APPROVED
OMB NO. 0938-0050
EXPIRES 03-31-2022

| | | | |
|--|-----------------------|---|--|
| HOSPITAL AND HOSPITAL HEALTH CARE COMPLEX COST REPORT CERTIFICATION AND SETTLEMENT SUMMARY | Provider CCN: 50-1319 | Period: From 01/01/2021 To 12/31/2021 | Worksheet S Parts I-III Date/Time Prepared: 4/22/2022 6:49 am |
|--|-----------------------|---|--|

PART I - COST REPORT STATUS

| | | | |
|---------------------|--|--|--|
| Provider use only | 1. <input checked="" type="checkbox"/> Electronically prepared cost report | Date: | Time: |
| | 2. <input type="checkbox"/> Manually prepared cost report | | |
| | 3. <input type="checkbox"/> If this is an amended report enter the number of times the provider resubmitted this cost report | | |
| | 4. <input type="checkbox"/> Medicare Utilization. Enter "F" for full or "L" for low. | | |
| Contractor use only | 5. <input type="checkbox"/> Cost Report Status (1) As Submitted (2) Settled without Audit (3) Settled with Audit (4) Reopened (5) Amended | 6. Date Received: 7. Contractor No. 8. <input type="checkbox"/> Initial Report for this Provider CCN 9. <input type="checkbox"/> Final Report for this Provider CCN | 10. NPR Date: 11. Contractor's Vendor Code: 4 12. <input type="checkbox"/> If line 5, column 1 is 4: Enter number of times reopened = 0-9. |

PART II - CERTIFICATION BY A CHIEF FINANCIAL OFFICER OR ADMINISTRATOR OR PROVIDER(S)

MISREPRESENTATION OR FALSIFICATION OF ANY INFORMATION CONTAINED IN THIS COST REPORT MAY BE PUNISHABLE BY CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINE AND/OR IMPRISONMENT UNDER FEDERAL LAW. FURTHERMORE, IF SERVICES IDENTIFIED IN THIS REPORT WERE PROVIDED OR PROCURED THROUGH THE PAYMENT DIRECTLY OR INDIRECTLY OF A KICKBACK OR WERE OTHERWISE ILLEGAL, CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINES AND/OR IMPRISONMENT MAY RESULT.

CERTIFICATION BY CHIEF FINANCIAL OFFICER OR ADMINISTRATOR OF PROVIDER(S)

I HEREBY CERTIFY that I have read the above certification statement and that I have examined the accompanying electronically filed or manually submitted cost report and submitted cost report and the Balance Sheet and Statement of Revenue and Expenses prepared by ARBOR HEALTH MORTON HOSPITAL (50-1319) for the cost reporting period beginning 01/01/2021 and ending 12/31/2021 and to the best of my knowledge and belief, this report and statement are true, correct, complete and prepared from the books and records of the provider in accordance with applicable instructions, except as noted. I further certify that I am familiar with the laws and regulations regarding the provision of health care services, and that the services identified in this cost report were provided in compliance with such laws and regulations.

| | SIGNATURE OF CHIEF FINANCIAL OFFICER OR ADMINISTRATOR | CHECKBOX | ELECTRONIC SIGNATURE STATEMENT | |
|---|---|----------|---|---|
| | 1 | 2 | | |
| 1 | | | I have read and agree with the above certification statement. I certify that I intend my electronic signature on this certification be the legally binding equivalent of my original signature. | 1 |
| 2 | Signatory Printed Name | | | 2 |
| 3 | Signatory Title | | | 3 |
| 4 | Date | | | 4 |

| Cost Center Description | Title V 1.00 | Title XVIII | | HIT 4.00 | Title XIX 5.00 | |
|--------------------------------------|-----------------|----------------|----------------|-------------|-------------------|--------|
| | | Part A 2.00 | Part B 3.00 | | | |
| PART III - SETTLEMENT SUMMARY | | | | | | |
| 1.00 Hospital | 0 | -138,219 | -83,102 | 0 | 0 | 1.00 |
| 2.00 Subprovider - IPF | 0 | 0 | 0 | | 0 | 2.00 |
| 3.00 Subprovider - IRF | 0 | 0 | 0 | | 0 | 3.00 |
| 5.00 Swing Bed - SNF | 0 | -325,604 | 0 | | 0 | 5.00 |
| 6.00 Swing Bed - NF | 0 | | | | 0 | 6.00 |
| 10.00 RURAL HEALTH CLINIC I | 0 | | 66,734 | | 0 | 10.00 |
| 10.01 RURAL HEALTH CLINIC II | 0 | | 55,804 | | 0 | 10.01 |
| 10.02 RURAL HEALTH CLINIC III | 0 | | 272,792 | | 0 | 10.02 |
| 200.00 Total | 0 | -463,823 | 312,228 | 0 | 0 | 200.00 |

The above amounts represent "due to" or "due from" the applicable program for the element of the above complex indicated. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0938-0050. The time required to complete and review the information collection is estimated 673 hours per response, including the time to review instructions, search existing resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving the form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Report Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850. Please do not send applications, claims, payments, medical records or any documents containing sensitive information to the PRA Reports Clearance Office. Please note that any correspondence not pertaining to the information collection burden approved under the associated OMB control number listed on this form will not be reviewed, forwarded, or retained. If you have questions or concerns regarding where to submit your documents, please contact 1-800-MEDICARE.

Documents Awaiting Board Ratification 05.25.22

| | LCHD No. 1's Policies, Procedures & Plans: | Departments: |
|-----------|--|---------------------------|
| 1 | ABO TYPING AND REVERSE GROUPING - TUBE METHOD | Blood Bank |
| 2 | Adenosine (Adenocard) Protocol | Pharmacy |
| 3 | Adult Insulin Infusion | Pharmacy |
| 4 | Advance Directives | Case Management |
| 5 | Adverse Events | Quality |
| 6 | Advia 120 User Guide | Hematology |
| 7 | Anti-Discrimination and Anti-Harassment | Human Resources |
| 8 | Arbor Health Visitation | Administration |
| 9 | Atropine Protocol | Pharmacy |
| 10 | Bloodworks Northwest Blood Return and Paperwork | Blood Bank |
| 11 | CBC - Slide Preparation | Hematology |
| 12 | CBC: Correction of White Blood Cell Count for Nucleated RBCs | Hematology |
| 13 | COMPATIBILITY TESTING - TUBE METHOD | Blood Bank |
| 14 | Charity Care/Financial Assistance | DOH Policies & Procedures |
| 15 | Checking RPMs for the Sorval Cell Washer | Blood Bank |
| 16 | Clinical Workstations Infection Prevention | Nursing Department |
| 17 | Community Pool & Employee Gym Safety | Physical Therapy |
| 18 | Compatibility Testing - Gel Card Test Anti-IgG | Blood Bank |
| 19 | Compatibility Testing-Overview | Blood Bank |
| 20 | Coroner's Cases | Case Management |
| 21 | Crash Cart Monitoring, Nursing Unit and HPAC Inspections | Pharmacy |
| 22 | D1 A:Nutrition Care Manual Review | Nutrition Services |
| 23 | DNR during Anesthesia | Anesthesia Services |
| 24 | Daily Room Air Saturations | Respiratory Care Services |
| 25 | Determination of Brain Death | Medical Staff |
| 26 | Diltiazem (Cardizem) Drip Protocol | Pharmacy |
| 27 | Dispensing Of Controlled Substance Medications | Pharmacy |
| 28 | Emergency Bag | Clinics |
| 29 | Exempt Staff Salary and Leave Bank | Human Resources |

| | | |
|-----------|---|---------------------------------|
| 30 | F11: Dishmachine Temperatures/Logs | Dietary Services |
| 31 | Fat Emulsion 20%: Use of for LAST/Drug Toxicity | Pharmacy |
| 32 | Hemocult Point Of Care Testing | Nursing Department |
| 33 | IT Asset Management | Information Technology |
| 34 | Incident Reporting (AKA Quality Management Memo (QMM)) | Quality |
| 35 | Individualized Quality Control Plan (IQCP) | QC/QA |
| 36 | Information Access Management | HIPAA Security |
| 37 | Interpreting Physician | Sleep Center |
| 38 | Laboratory Delegation of Duties | Lab General Policies/Procedures |
| 39 | Laboratory Quality Management Program | Lab General Policies/Procedures |
| 40 | Laboratory Thermometer Verification | QC/QA |
| 41 | Legal Blood Alcohol | Lab General Policies/Procedures |
| 42 | Lipemic CBC - HGB Correction | Hematology |
| 43 | Look Alike Sound Alike Drugs | Pharmacy |
| 44 | Look Back Policy for Transfusion Recipients | Blood Bank |
| 45 | MANAGEMENT OF PATIENT WITH MALIGNANT HYPERTHEMIA | Anesthesia Services |
| 46 | MTS DISPENSER CALIBRATION & CLEANING | Blood Bank |
| 47 | Maintenance of Wakefulness Test | Sleep Center |
| 48 | Meal and Rest Periods | Human Resources |
| 49 | Medical Director | Sleep Center |
| 50 | Medicare Advance Beneficiary Notice Procedure (ABN) | Compliance |
| 51 | Moist Heat Equipment Maintenance | Physical Therapy |
| 52 | OBTAINING BLOOD PRODUCTS DURING EMERGENCY AND NON EMERGENCY SUPPLEMENTAL ORDERS | Blood Bank |
| 53 | Oral and Intravenous (IV) Electrolyte Replacement Protocol | Pharmacy |
| 54 | Paid Time Off | Human Resources |
| 55 | Pain Management | Pharmacy |
| 56 | Pathologists Review: Guidelines for Peripheral Smear Pathologist Review | Hematology |
| 57 | Patient Bill of Rights | Clinics |

| | | |
|-----------|------------------------------------|---------------------------------|
| 58 | Patient Health Education | Clinics |
| 59 | Patient Medical Record | Sleep Center |
| 60 | Patient Responsibilities | Clinics |
| 61 | Personnel Records | Human Resources |
| 62 | Pipette Calibration | Lab General Policies/Procedures |
| 63 | Pregnancy Urine POC Testing | Nursing Department |
| 64 | Profile-V MedTox Reader | Chemistry |
| 65 | Remdesivir Informed Consent | Pharmacy |
| 66 | Remdesivir Referral Form | Pharmacy |
| 67 | Reporting Critical Value Results | Lab General Policies/Procedures |
| 68 | Restraint and Seclusion Policy | Patient Rights |
| 69 | SEDATION POLICY | Anesthesia Services |
| 70 | Skilled Comprehensive Care Plan | Non-Skilled Swing |
| 71 | Suicide Precautions and Prevention | Nursing Department |
| 72 | Workstation Use | HIPAA Security |

In order to access the above documents you will need to log into Lucidoc. Once you have logged into Lucidoc, on the top toolbar click "My Meetings" and select the upcoming Board meeting date that's highlighted in green to see the agenda with documents needing to be approved. You are able to view the documents once in the agenda. If the date is highlighted in yellow that means the agenda has not been released yet.

OLD BUSINESS

To: Board of Commissioners
From: Leianne Everett, Superintendent
Date: 5/19/2022
Subject: 2023-2025 Strategic Planning

As we are in the third and final year of our current strategic plan, I am wanting to get a facilitator scheduled. This retreat would be scheduled for Q4 2022, therefore, getting on a facilitator's calendar soon will be important to ensuring this event occurs within our timeline.

Our last retreat was facilitated by Via Healthcare Consulting (Via). Prior to that, we used Jody Corona from Health Facilities Planning. These are two of several facilitators servicing healthcare board of directors.

The cost of a professional facilitator ranges from \$20,000 – 35,000.00, plus out-of-pocket costs (travel, supplies, etc.). Via's quote from March 2022 is on the high end of this range. The scope of the project is:

- Planning—prep with Superintendent & Board Chair to finalize expectations and deliverables,
- Board Survey – develop and administer a customized board survey,
- Gap Analysis – develop gap analysis from data review and survey,
- Board Education – identify board education regarding community health oversight and closing health gaps,
- Retreat Prep – develop objectives and agenda. Prepare retreat packet,
- Conduct & Facilitate 1-day retreat.
- Deliver Findings & Action Plan.

The cost of facilitating our last strategic planning retreat was approximately \$26,200. We paid Via Healthcare Consulting \$22,242.00. Additionally, we paid Health Facilities Planning \$3,960.00 for some of the data collection used at the retreat and in the resulting reports. This cost is for a purpose that spans over three years.

It is my intent to apply for a \$10,000 grant from AWPHD to cover part of the costs for this retreat. Not only will this retreat produce new strategic priorities for the organization, a

community health needs assessment (CHNA) will be delivered too. The CHNA is required due to our 501c3 status.

ASK: I am asking the Board to approve engaging a facilitator for the Q4 2022 strategic planning retreat at a cost, not to exceed \$35,000.00 plus incidentals. CFO Boggess confirmed that the cost for this retreat can be absorbed within the 2022 operating budget. The grant dollars will offset the costs; however, the ask is assuming no grant dollars will be awarded. This is being done to avoid having to bring the topic back to the board for an additional resolution. If the grant is not awarded at the full \$10,000, the Board will be made aware of this decision.





LEWIS COUNTY HOSPITAL DISTRICT NO. 1
MORTON, WASHINGTON

RESOLUTION APPROVING TO ENGAGE
THE 2023-2025 STRATEGIC PLANNING
CONSULTANT

RESOLUTION NO. 22-18

WHEREAS, the Lewis County Hospital District No. 1 owns and operates Arbor Health, a 25-bed Critical Access Hospital located in Morton, Washington, and;

WHEREAS, the Lewis County Hospital District No. 1 feel that this is worthy,

NOW, THEREFORE, BE IT RESOLVED by the Commissioners of Lewis County Hospital
District No. 1 as follows:

**To approve the engagement of a consultant for the 2023-2025 Strategic Planning Retreat. The fee for
this service is not to exceed \$35,000 plus incidentals.**

ADOPTED and APPROVED by the Commissioners of Lewis County Hospital District No. 1 in
an open public meeting thereof held in compliance with the requirements of the Open Public
Meetings Act this 25th day of May 2022, the following commissioners being present and voting
in favor of this resolution.

Craig Coppock, Commissioner

Tom Herrin, Secretary

Kim Olive, Commissioner

Wes McMahan, Commissioner

Laura Richardson, Commissioner

NEW BUSINESS

SUPERINTENDENT REPORT



SUPERINTENDENT'S REPORT May 2022

Mission: To foster trust and nurture a healthy community

Vision: To provide accessible, quality healthcare

| | Opportunity | CY 2022 Progress | Status | Associated Documentation |
|------------|-------------------------|--|------------|---------------------------------|
| Regulatory | Redistricting | No major action has been taken. AWPHD is vetting vendors. | Incomplete | None |
| Education | Incident Command Update | CNO Williamson will provide a verbal update. | On-going | None |
| Strategic | Employee Turnover | 2021 Employee Turnover rates are presented. | Complete | 05192022 2021 Employee Turnover |
| Education | EV Charging Station | To consider installing an electric vehicle charging station on the hospital campus | Complete | 05192022 EV Charging Station |
| | | | | |
| | | | | |

To: Board of Commissioners
From: Leianne Everett, Superintendent
Date: 5/19/2022
Subject: 2021 Employee Turnover

Like many healthcare facilities, Arbor Health experienced an increase in employee turnover in 2021. The annual turnover rate was 21.89%. The breakdown by quarter follows:

- Q1—4.42%
- Q2 — 2.7%
- Q3—8.77%
- Q4—6.0%

As we are moving through 2022, we experienced a 6.19% employee turnover in Q1.



To: Board of Commissioners
From: Leianne Everett, Superintendent
Date: 5/19/2022
Subject: Electric Vehicle Charging Station

We have been working with Energy Northwest (EN) to expand EV charging station availability in East Lewis County. This conversation started because of employees asking for access to electricity to charge their vehicles. Given the lack of stations available, I thought it would be a benefit to employees to find an opportunity to fill this service gap.

The current plan is to provide EN with a parking space to install a charging station. The cost of the installation and on-going maintenance will be the responsibility of EN. The duration of the contract is 60 months. If we choose not to renew, EN will cover the cost of restoring the parking space back to its original condition.

There are two lease options with which to engage EN. One option is to charge EN for the square footage of the parking space. This method would result in approximately \$6,000 over the term of the contract. The second lease option would share in the revenues the charging station is expected to produce. This method would result in approximately \$8,350 over the term of the contract.

ASK: While I am not asking for a resolution for this decision, I am interested in understanding if the Board supports the installation of an EV charging station on the hospital campus.

