



COMMUNITY HEALTH ACCOUNTABLE CARE, LLC

FINANCIAL STATEMENTS

June 30, 2016

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Health Accountable Care, LLC

We have audited the accompanying financial statements of Community Health Accountable Care, LLC, which comprise the balance sheet as of June 30, 2016, and the related statements of income, changes in members' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Health Accountable Care, LLC as of June 30, 2016, and the results of its operations, changes in members' equity, and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 20, 2016
Registration No. 92-0000278

COMMUNITY HEALTH ACCOUNTABLE CARE, LLC

Balance Sheet

June 30, 2016

ASSETS

Assets	
Cash and cash equivalents	\$ 979,684
Prepaid expenses	<u>10,404</u>
Total assets	<u>\$ 990,088</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Accounts payable, trade	\$ 1,463
Other accrued expenses	<u>4,624</u>
Total liabilities	6,087
Members' equity	<u>984,001</u>
Total liabilities and members' equity	<u>\$ 990,088</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY HEALTH ACCOUNTABLE CARE, LLC

Statement of Income

Year Ended June 30, 2016

Revenue	
Shared savings income	\$ 3,335,162
Other income	<u> 154</u>
Total revenue	<u> 3,335,316</u>
Expenses	
Shared savings distributions	1,938,701
Management fees	20,648
Consulting	20,709
Insurance	14,351
Other operating expenses	<u> 9,959</u>
Total expenses	<u> 2,004,368</u>
Net income	<u>\$ 1,330,948</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY HEALTH ACCOUNTABLE CARE, LLC

Statement of Changes in Members' Equity (Deficit)

Year Ended June 30, 2016

Balance, June 30, 2015	\$ (346,947)
Net income	<u>1,330,948</u>
Balance, June 30, 2016	<u>\$ 984,001</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY HEALTH ACCOUNTABLE CARE, LLC

Statement of Cash Flows

Year Ended June 30, 2016

Cash flows from operating activities	
Net income	\$ 1,330,948
Adjustments to reconcile net income to net cash provided by operating activities	
Effect of changes in assets and liabilities	
Prepaid expenses	(10,404)
Accounts payable and accrued expenses	<u>(100,222)</u>
Net cash provided by operating activities	<u>1,220,322</u>
Cash flows from financing activities	
Repayment of notes payable to members	<u>(309,604)</u>
Net cash used by financing activities	<u>(309,604)</u>
Net increase in cash and cash equivalents	910,718
Cash and cash equivalents, beginning of year	<u>68,966</u>
Cash and cash equivalents, end of year	<u>\$ 979,684</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY HEALTH ACCOUNTABLE CARE, LLC

Notes to Financial Statements

June 30, 2016

Nature of Operations

Community Health Accountable Care, LLC (Organization) is a for-profit entity consisting of a primary care-based network of providers, that provide comprehensive primary care services to all patients seeking care within the communities it serves. The Organization operates as an Accountable Care Organization (ACO) and currently has nine members.

The Centers for Medicare & Medicaid Services (CMS), an agency within the U.S. Department of Health & Human Services, finalized regulations under the Affordable Care Act to help doctors, hospitals, and other health care providers better coordinate care for Medicare patients through ACOs. ACOs create incentives for health care providers to work together to treat an individual patient across care settings – including doctors' offices, hospitals, and long-term care facilities. The Medicare Shared Savings Program (Shared Savings Program or Program) rewards ACOs that lower their growth in health care costs while meeting performance standards on quality of care and putting patients first. Provider participation in an ACO is purely voluntary. In developing the program regulations, CMS worked closely with agencies across the Federal government in an effort to ensure a coordinated and aligned inter- and intra-agency effort to facilitate implementation of the Shared Savings Program. The Department of Vermont Health Access (DVHA), Vermont's Medicaid Office, and Blue Cross Blue Shield of Vermont (BCBSVT) developed Shared Savings Programs comparable to CMS's. The Organization participates in all of these Shared Savings Programs.

1. **Summary of Significant Accounting Policies**

Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows include unrestricted cash which is held in either demand deposit or insured cash sweep accounts.

Income Taxes

The Organization is a for-profit limited liability corporation which elected to be treated as a partnership for tax purposes, therefore, any income passes through to the members. Accordingly, no provision for federal or state income taxes has been made in the financial statements.

Shared Savings Income and Expense

Under each of the Shared Savings Programs, the payer (CMS, DVHA or BCBSVT) assesses an ACO's quality and financial performance based on a population of assigned beneficiaries to determine whether the ACO has met the quality performance standards and reduced growth in expenditures compared to a historical financial benchmark. ACOs that meet or exceed a minimum savings rate and satisfy minimum quality performance standards are eligible to receive a portion of the savings they generated (shared savings). This methodology provides an ACO with an incentive to improve the coordination and quality of care for all patients seen by its participating providers and suppliers. The Organization received a payment of \$3,335,162 from DVHA during fiscal year 2016 for meeting or exceeding the minimum savings rate and performance standards for its fiscal year ended June 30, 2014 from the Vermont Medicaid Shared Savings Program.

COMMUNITY HEALTH ACCOUNTABLE CARE, LLC

Notes to Financial Statements

June 30, 2016

The Organization distributed a portion of the Program income to its members and participants pursuant to the distribution agreement approved by the Board of Directors after paying outstanding liabilities and retaining an amount to be held by the Organization to fund future expenditures.

2. Cash and Cash Equivalents

The following represents a summary of cash and cash equivalents on June 30, 2016:

Cash	\$ 229,530
Insured cash sweep accounts	<u>750,154</u>
	\$ <u>979,684</u>

3. Management Services Agreement

The Organization has entered into a management services agreement with Bi-State Primary Care Association (Bi-State) to provide management and accounting services to the Organization. Payments to Bi-State under this agreement totaled \$126,449 in 2016 for current and prior year management services rendered. Bi-State is also a member of the Organization at June 30, 2016.

4. Subsequent Events

For purposes of the preparation of these financial statements, management has considered transactions or events occurring through October 20, 2016, the date the financial statements were available for issuance.