

A. NARRATIVE

I. EXECUTIVE SUMMARY

North Country Hospital is a critical access hospital located in Newport Vermont, Part of the Northeast Kingdom. North Country is the most rural hospital in the state as we sit 45 minutes from our nearest sister hospital and 2 hours from the nearest tertiary hospital. Our service area includes Orleans County and Essex County, two of the most economically challenged counties in the state. Our catchment area totals approximately 30,000 people with a payer mix that is 70% Medicaid and Medicare.

FY23 has been an incredibly challenging year on many fronts for our organization. A disastrous Cerner EMR implementation has contributed to a \$3m loss YTD. At the end of FY22, we were required to write off \$6m dollars that were deemed uncollectable due to Cerner not meeting their contractual obligations. As I write this narrative, we've engaged an attorney to determine what our options are for potential litigation. The struggle we are having with the Cerner product and lack of support from Cerner has led to a significant reduction in our days of cash and has put us out of compliance with our bond covenant, we've needed to take a \$5m line of credit and took an additional \$2.5m out of our investments in order to meet our daily expenses. Recent months have shown improvement but not to where we were historically or need to be going forward. Other financial challenges include a continued reduction in 340b revenue, higher provider tax with less DSH revenue and a significant increase in Medicare Advantage plans which as a commercial product, expenses associated with this product are no longer eligible for reimbursement via the cost report.

Significant administrative changes have also occurred during FY23. The former CEO Brian Nall left the organization in October, our CFO left on April 1st, our VP of Human Resources left on March 30th, our Compliance officer departed also on March 30th and finally, our CNO gave notice and left North Country on June 16th for a new opportunity in North Carolina. We are currently recruiting to fill these vacancies except for the VP of Human Resource position which we made the decision to eliminate. After spending the last three years as the VP of Medical Group Operations at Rutland Regional Medical Center and as the former COO of North Country I have come back to the Hospital as the CEO and have been in place since April 17th. You will see the details of these departures and the restructuring of responsibilities in our Organization Chart later in our narrative.

Over the past several years we have invested heavily in our staff. With that investment, we are seeing more applicants for open positions and are seeing better results in retaining staff. At year-end FY22 we had a total of 24 travelers for the FY24 budget and we are projecting only 8 travelers.

Physician recruitment continues to be a challenge, especially in primary care. We recently lost our second primary care physician to a concierge practice model. With this most recent loss, we needed to place 2,200 patients with other providers. In our FY24 budget is a new primary care locum position, our second locum primary care position. The cost of a single locum primary care physician annualizes out to a cost of \$680,000. We have also recruited a Cardiologist which historically we were able to contract with Dartmouth to provide that service. Dartmouth ended the contract and

will no longer provide that support, unfortunately, UVM is also unable to provide cardiology via contract either. With our counties having one of the oldest populations in the state Cardiology is an essential service that absolutely needs to be provided to the community. Lastly, we have recruited our second full-time General Surgeon, he is scheduled to start in September FY23.

Prior to my departure as COO at North Country, I was able to build an excellent working relationship with Shawn Tester the CEO of NVRH in St. Johnsbury. We currently have a working LLC with NVRH as we share Sleep Medicine services in St. J. We are currently discussing other options going forward around specialty services for the Northeast Kingdom that neither hospital can afford or justify as a stand-alone. Discussions are ongoing. In addition to building a working relationship with NVRH, I've also engaged with Michael Costa the CEO of Northern Counties FQHC. We already co-manage the recently opened Urgent Care in downtown Newport. Our latest discussions are centered on how we can better provide Primary Care in the Northeast Kingdom. One other long-standing partner we share staff with is Northern Counties Human Services.

The FY24 budget guidance asks that we only increase our Net Patient Service Revenue by 8.6% over our FY22 actual. Perhaps our situation is unique but since our approved FY23 budget is 13% higher than our FY22 actual to follow guidance we would need to reduce our NPSR by almost 5% just to meet guidance from the approved FY23 budget. To do so would reduce our ability to provide services to the Northeast Kingdom which in turn would have a devastating impact on our community. What we are submitting is a budget that we believe in the short term meets our community's needs. We have done our best to create a budget that allows us to continue to provide essential medical service to the Northeast Kingdom and at the same time recognizes the economic challenges our citizens and businesses face. We are submitting a break-even budget with a fee increase ask of 4.5%. We believe that our submission gives the organization the opportunity to make the financial corrections necessary to put us on the road to recovery while meeting the needs of our patients. As with any budget, there are risks, see below:

II. QUESTIONS

a. **Adjustments**

None to report

b. **Factors**

i. **Labor expenses**

Please see the chart below detailing the expenses related to staffing.

Most notable is the decrease of \$5,374,247 in locum expenses.

North Country has done a large amount of work over the last two years to recruit and retain employees. This has included raises, large adjustments to outdated pay scales for our clinical employees, increasing sign-on bonuses to attract employees, creating better training programs to provide support to new nurses, and striving to become the "Employer of Choice."

STAFFING EXPENSES	FY 2022 ACTUAL	FY 2024 BUDGET	TOTAL
Total Salaries and Fringe Benefits	56,964,706	66,724,548	9,759,842
Other Purchased Services - Travelers	8,350,331	2,976,084	-5,374,247
Recruitment fees (in Other Non-Salary expense)	641,617	267,556	-374,061
Total	65,956,654	69,968,188	4,011,534

The budget 2024 numbers include two fiscal years of raises and market adjustments which account for \$2.7 million dollars of the variance, with the majority taking place in FY 2023. Most of the balance of the remaining variance can be attributed to increased health insurance costs that we are experiencing this year compared to Actual 2022. There have also been FTEs added to support the Cerner transition. It has been necessary to add FTEs across the organization to be able to function with Cerner. Employees have been added in billing, coding, registration, informatics, and primary care practices solely because of Cerner. FTEs have also been added to support the expanding Cardiology practice. The Cardiologist is now working a part time schedule but will be increasing to full time in June 2024. We have also had to add remote scribe costs for FY 2024 for the provider to be successful with Cerner.

ii. Utilization

Changes to utilization are driven by changes in the medical staff, additions, or subtractions of physicians and or advanced practice providers. When possible, the reference point of increasing utilization is recent history. For example, regarding the addition of a general surgeon in September, the numbers in the budget are a percentage of our existing general surgeons. This accounts for a ramp-up period for a brand-new provider to the area. Regarding the Cardiologist, we had some actual information because he started in January. The Cardiologist is starting in an existing practice and utilization will increase as he becomes more well known. This also is the case for any hospital services that increase due to additional providers such as surgery-related services, Echocardiograms, cardiac rehab, and nuclear stress tests as mentioned above as increases over actual 2022. This methodology is used for any new provider.

iii. Pharmaceutical expenses

From Actual 2022 to Budget 24 pharmaceutical expenses have increased \$425,000. This represents two years of cost increases. Budget 2024 was based on actual utilization year to date March 2023, with an increase of 5%. We consulted C.P.S., (Comprehensive Pharmacy Services), whom we contract with, for the estimate for the increase. More detail regarding pharmaceuticals will be provided in section i.

iv. Cost Inflation

Budget 2024 includes inflation increases as follows:

INFLATION APPLIED TO FY 2024 BUDGET	%
SALARIES - as of April 1, 2024	2.00%
INSURANCE:	
PROPERTY	15.00%
CYBER	18.00%
AUTO	6.00%
ELECTRICITY	8.19%
FOOD EXPENSE	3.00%
MEDICAL AND DEPARTMENT SUPPLIES	11.00%
PHARMACEUTICALS	5.00%

Staff salaries are budgeted to increase by 2% in April 2024, six months into our fiscal year, thus we are truly only offering a 1% annual cost of living adjustment to staff in FY24. Due to financial constraints, we budgeted a minimal increase for the staff.

All insurance percentages are based on actual premium increase incurred as of May 1, 2023.

The electricity increase is based on the request by Vermont Electric Cooperative. Food and supply expenses are based on what the food service company and other suppliers are projecting. Some items that were considered when formulating these percentages were the cost of energy, the expected increase in delivery costs, the increased cost of raw materials and labor, shortages, interest rates increase, and geopolitical factors.

The pharmaceutical expense increase is explained in section iii.

v. Commercial price changes

North Country Hospital is requesting an increase of 4.50%. This price increase results in a \$2.8 million dollar increase in net revenue. \$1.7 million of this is a cost increase on base expenses as outlined in iv. The remaining \$1.1 million is made up of such increases as ACO fees increasing by \$120,713, net increase in the provider tax of \$153,048, and a decrease in revenue of \$124,468. Also, interest expense has increased by 360,000 to pay interest on the line of credit that was acquired due to the severe cash flow issues associated with the Cerner transition. Health insurance expense increase is also part of the total due to an increase in claims.

There are many cost savings incorporated into this budget. Because staffing costs are such a large amount of our overall budget, 52% for the hospital and 87% for the Medical

Group, we have focused many of our efforts on reducing expenses in this area. Some of the actions we have or will take are as follows:

- Hired physician instead of acquiring their services through contracts.
- Removed many vacant positions from Budget 2024
- Requiring justification to hire any position not included in this budget in the form of reducing expense elsewhere to offset or in a business plan that at the minimum is break even.
- Reduced locum expense by \$5.3 million from Actual 2022
- Eliminated a vice president position.
- Added only a 2% rate increase for staff in April which equals a 1% increase for the year.
- Evaluating benefit expenses, specifically health insurance

Regarding other areas of expense decreases, we have limited our capital budget to Budget 2023 level to reduce depreciation expense. We have been in a capital freeze for several months and there are more capital purchases needed. We asked our directors to prioritize what they absolutely needed in 2024 and we limited our ask. We have also decreased the amount in the budget for consulting services. Recruitment expenses have also decreased substantially due to the ability to fill positions this year.

vi. Financial Indicators

Financial Indicator	FY22 Actual	FY24 Budget	Internal Benchmark
Operating Margin %	-10.31%	0.00%	
EBIDA %	-5.90%	4.01%	
Total Margin %	-5.25%	0.00%	
Operating Margin	-9,383,221	0	
EBIDA Margin	-5,842,190	3,474,501	
Total Margin	-5,010,953	0	
Days Cash on Hand	212.60	195.30	110.00
Debt Service Coverage	-11.50	0.60	1.50
Long-term Debt to Capitalization Ratio	19.00%	15.80%	below 60%
Average Age of Plant	15.95	18.20	

*Note Sources for FY22 Actual and FY24 Budget are the Adaptive Statistics Metrics and Income Statement. Except for FY22 Average Age of Plant which was calculated using total accumulated depreciation divided by depreciation expense.

Please note that in FY 2022 the financial statements reflect a 6-million-dollar write-off of patients' accounts due to the Cerner implementation issues. This affected all the financial indicators above directly except the average age of the plant in a negative way. Indirectly, the average of plant was affected due to the capital freeze.

vii. Known pricing changes for Medicare and Medicaid

In May of 2023, we received new rates for Medicare inpatient and outpatient hospital services based on the FY 2022 Cost report. Those increases are included in our budgeted net revenue for Budget 2024. There are no expected Medicaid rate increases.

When we apply the 4.50% charge increase Medicaid inpatient and outpatient and Medicare outpatient revenue does not increase the net revenue. Medicare and Medicaid are 70% of the payer mix for North Country Hospital as mentioned earlier, this high percentage limits the gain per 1% rate increase.

viii. Uncompensated care

In Budget 2024 we have a total of uncompensated care which is 1.85% of the total gross revenue. 1% is free care and .85% is bad debt. For FY 2022 after the large write-off is removed the percentage is 1.87%. The hospital has consistently been between 1.75% - 2.00% for total bad debt and free care over the years.

North Country Hospital has a very robust navigator program made up of 4 employees. They spend their days assisting our patients in applying or reapplying for Medicaid or an alternate insurance plan and assisting with financial aid applications. These individuals spend a lot of time educating our patients on the resources available to help them pay their medical bills. They promote the "You First" program to women and help elderly patients fill out the benefits application for food and fuel assistance. These patients and community members are very grateful for their help. In addition to this, they work with the immigrant population to help them qualify for Bridges to Health and the Immigrant Health Insurance Program. They will also assist in sending information to tertiary hospitals when needed.

c. FY 24 Budget Risks

1. Our ability to reinvest in infrastructure. We currently have an approved CON for \$28 million dollars to expand our Emergency Department, revamp our Lab, and renovate our Medical Surgical floor. We need to be able to generate the cash flow necessary to sustain any loans taken for the project. The project may need to be trimmed back from its current plan, but I need more time to study and determine alternatives that may be less costly as again I've only been on board since April of this year.

2. For budget 24 we are only including a cost-of-living adjustment for staff of 2% as of April 1 which ultimately means only a 1% increase for FY24, the total expense impact of the cost-of-living adjustment is \$490k. There is a chance we could lose momentum with our ability to recruit and retain staff. We have also set aside \$209k for market adjustments if we find that we are out of the market for certain positions. The question is, is this enough?

3. Recruitment of primary care physicians. Locum physicians (\$680k) are 2.5 times more expensive than an employed physician. We are revising our physician recruitment process, which should allow for more candidate opportunities and expanding the use of experienced Advance Practice Providers to offset the difficulty in recruiting physicians.

4. For FY24 there is a significant investment in our Cardiology program which includes the cost of the physician, an RN, and an NP and investment in infrastructure. The total impact of the program in FY24 is basically break even. We've based these assumptions on a full-time physician coming into and inheriting a mature patient panel. It is standard practice to assume a new physician requires three years to build a mature practice. But our assumptions are neither aggressive nor overly conservative.

5. For the past two years we've employed only one full-time General Surgeon with 1.5 FTE of per diem and locum surgeons. Our volume dictates the need for two full-time surgeons and a .5 per diem to assist with call burden, volume, and vacations. In the FY24 budget, we have budgeted a slight financial gain over our current model mainly based on the elimination of most of the locums. The new physician will be fresh out of residency and may take more time to ramp up than we've accounted for in the budget, thus the risk.

6. We are still struggling with our EMR Cerner, especially in the area of billing and collecting. We've been somewhat conservative in the assumptions in our deduction model but have built in some improvement expecting that we will see that improvement with Cerner in FY24. I can't emphasize enough the negative impact that this product has had on North Country's ability to bill and collect the appropriate dollars.

d. Organizational chart – see attachment.

e. Referrals and appointment information

1. Referral lag:

Internal Referrals Sent 5/1/2023 - 5/14/2023 - Primary Care			
Referred To Location	Referrals Sent	Booked within 3 business days	%
North Country Cardiology	24	10	41.67%
North Country OB/GYN	10	5	50.00%
North Country Orthopaedic	33	20	60.61%
North Country Sleep Medicine	9	4	44.44%
North Country Surgical Associates	82	23	28.05%
North Country Urology	14	3	21.43%

Regarding the top 5 radiology procedures, patients attempted to be reached to schedule an exam within 3 days for 89% of the referred exams.

2. Third next available appointment

Third Next Available Appointment	Actual # of days
Primary Care - Newport	18
Primary Care - Barton	9
North Country Cardiology	7
North Country OB/GYN	10
North Country Orthopaedic	15
North Country Pediatrics	28
North Country Sleep Medicine	3
North Country Surgical Associates	24
North Country Urology	6

The benchmark as provided by MGMA is six days for primary care and 6.3 days for specialties. Please note that North Country Pediatrics is currently recruiting to replace an advanced practice clinician, Primary Care Newport is recruiting for a physician and as stated earlier in this narrative we have hired an additional general surgeon to start in September of 2023.

Top 5 Most Frequent Imaging Procedures
Mammography Screening
Low-dose chest cat scan
Ultrasound of abdomen limited
Cat Scan of abdomen/pelvis
Bone Density

The third next available is not a metric used in Radiology. The ability to schedule non-emergency exams is dependent on prior authorization approval, screening form completion, and staff availability.

We continue to struggle with the Cerner implementation, not only with billing and collection but also with reporting. We have only recently been able to invest time into reports and report writing. We will continue to look for ways to provide the information you are requesting.

f. Planned Capital Expenditures

FY 2024 REQUESTED CAPITAL BUDGET	
MEDICAL	2,007,840
FACILITIES	1,060,000
INFORMATION SYSTEMS	457,982
OTHER	77,234
TOTAL	3,603,056

A 1.2 times depreciation is the standard spend on capital for a financially stable healthcare organization. For the budget 2024, this would equate to \$4.14 million for North Country Hospital. For Budget 2024 we are unable to meet that target with a shortfall in spending of \$564,000. We have been in a capital freeze since late last summer due to the financial difficulties we have mentioned only spending capital on emergent essential items. \$600,000 of the above total amount are capital items that were originally in the Fiscal year 2023 capital budget. As shown in the financial indicators section, EBIDA, we will generate cash from the proposed breakeven budget, and we plan on funding the capital budget with the cash generated from operations and with funded depreciation. We are also actively pursuing many grant opportunities such as the State Homeland Security Program grant, the New England Telehealth Consortium grants, and the United States Department of Agriculture ongoing grants, to name a few.

g. Planned expenditures related to cybersecurity.

Please see the attached document.

h. Expenses associated with the inability to transfer patients.

Post-acute care – patients who are in the hospital waiting to go to the appropriate care setting.

In the first six months of FY 2023, there were 469 patient days of patients that stayed in the hospital awaiting placement to a nursing home or other facility. This number annualized is 938 days compared to FY 2022 days was 797, and FY 2021 was 729. Medicare is the primary payer for these patients and does not pay for room charges, pharmacy, supplies, or respiratory services. Medicare will pay 80% for labs, therapies, x-rays, and some other ancillary services. Medicaid will pay \$236.10 which is all-inclusive of any treatment they have received.

It is very difficult to estimate the annual expenditures on these patients. The cost associated with caring for these patients includes nursing costs, environmental services and laundry, food and nutrition,

pharmaceuticals, and any cost associated with other services they are receiving. These patients also occupy rooms that we could use for acute patients if needed.

These revenues and built-in costs were annualized and carried into budget FY 2024. We have no reason to believe that there will be a decrease in these extended stays in FY 2024.

Currently, as of June 28th, we have 15 inpatients, 7 of these patients are post-acute patients, and five of these seven patients have been here for months. This is not an unusual day, many days close to 50% of our patients are post-acute. There are many barriers to placing these patients in the appropriate care setting including payment sources and several patients with elderly dementia. Case Managers start the process of applying to long-term care Medicaid for these patients.

Patients boarded in the Emergency department with a primary diagnosis of mental health.

In the first six months of FY 2023, there were 42 patients with a total of 86 days stay in the emergency room with a primary diagnosis of mental health. These patients are occupying beds needed to treat acute medical patients. We have an approved certificate of need which includes a \$3 million dollar addition to our Emergency Room to add more beds. As with the post-acute stays the revenue and cost associated with these stays were annualized and carried forward into budget FY 2024. We have no reason to believe that there will be a decrease in FY 2024.

i. Pharmaceutical net reimbursement

PHARMACY	ACTUAL 2022	PROJECTED 2023	BUDGET 2024
GROSS REVENUE	6,561,404	7,066,714	7,420,050
NET REVENUE	3,280,702	3,533,357	3,710,025
340 B REVENUE	2,691,117	2,354,399	2,423,909
TOTAL PHARMACY EXPENSES	5,598,538	5,903,246	6,437,485
TOTAL NET	373,281	-15,490	-303,551

Please see the above table with revenue and expenses associated with pharmacy. You will see that over the last two years, we are showing a loss in this area. We continue to use dollars for care coordination, patient care funds, and the Medication Assistance Program.

j. Facility fees

North Country does charge a facility fee. The Emergency room is staffed with emergency medicine-trained physicians and nurses and the latest equipment to be able to treat true medical emergencies. The facility fees charged in FY 2022 were \$19,362,786. The estimated net reimbursement on these charges was \$4,550,254.

k. Patient Financial Assistance

- i. Patients are not given a financial assistance application at the first attempt to collect a debt, however, it does state on each statement and notice sent to patients that financial assistance is available. See below for statement verbiage:

Please feel free to contact one of our Financial Navigators if you need assistance with your medical bills.

They can be reached at 802-334-3210 x 4204.

We have several programs that you or family members may be eligible to receive, such as:

Vermont Health Connect

Vermont Medicaid

3 Squares - Food/Fuel Assistance

Financial Aid Program

You First Program (Formally Ladies First)

Our counselors are available from 8:00 a.m. until 4:30 p.m., Monday through Friday.

- ii. Please see the attached contracts with Balanced Healthcare Receivables and EMA. The amount in budget 2024 for these services is \$113,000.
- iii. 120 Days are given for all patients.
- iv. If money is collected from an account that has been deemed bad debt that money shows up in the year it is collected.
- v. Our Financial Navigators are very thorough in discussing and reviewing patients’ financial status and what options are available to assist them. Please see section b, part viii.
- vi. Financial assistance applications are available on the North Country Hospital website, in each practice, and in the emergency department. North Country Hospital has five certified Vermont Health Connect assistors, who will visit patients on the inpatient floors, in practices, and in the emergency department. With a thorough review of patients’ previous, current, and potential future balances, patients are called to review options prior to forwarding to collections, unless multiple attempts have been made.
- vii. Based on our geographical area and pay mix a 300% over the federal poverty guidelines is in place.

I. Administrative Costs

i. Costs by Activity

We used the classification from our Medicare cost report to separate clinical and administrative and general costs for this information. Please see below:

Classification per cost report	\$'s FY 2024 budget	%
Administrative and General costs	38,068,363	35%
Clinical costs	70,520,851	65%
Total expenses	108,589,214	100%

Please note that 20% of the 35% of the administrative and general costs are facilities, food and nutrition, environmental services and laundry, and the provider tax.

ii. FTEs and total compensation

We used the classification from our Medicare cost report to separate clinical and administrative and general employed staffing costs for this also. This includes total salaries, benefits, and continuing education costs for budget FY 2024. Please see below:

BUDGET 2024	FTE	Total Compensation	%
Clinical	354.28	54,260,316	81%
Administrative & General	137.64	12,785,161	19%
Total	491.92	67,045,477	100%

The current system does not allow us to report by position code for budgeted expenses.



SECTION II: ADDITIONAL FILINGS

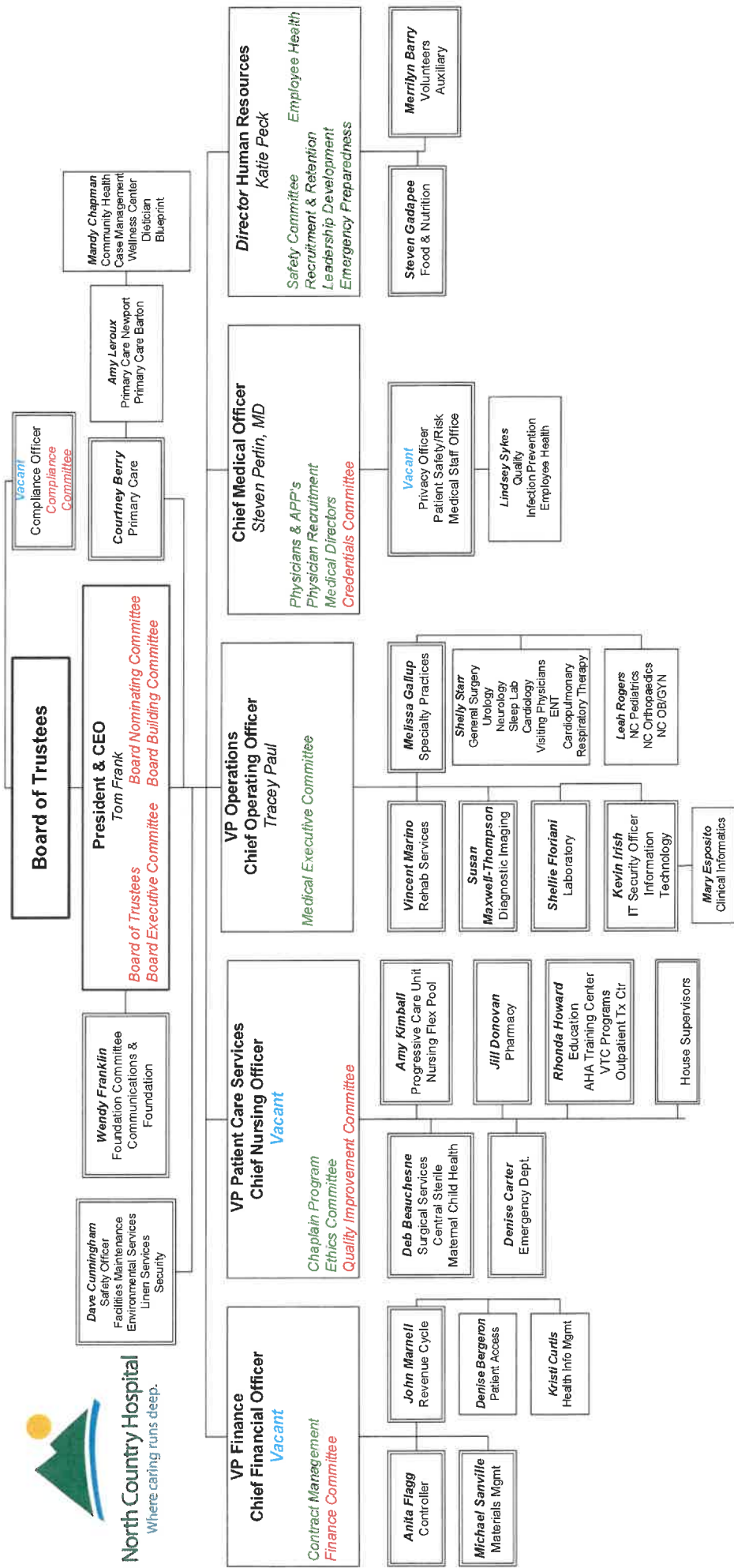
A. NARRATIVE

II QUESTIONS

d. Organizational chart



North Country Hospital
Where caring runs deep.



Red = Board Committees
Blue = Vacant position

Revised: 06/26/2023



SECTION II: ADDITIONAL FILINGS

A. NARRATIVE

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d. Planned expenditures related to cybersecurity

Cybersecurity Initiatives at North Country Hospital

Multi Factor Authentication (MFA): An authentication system that requires more than one distinct authentication factor for successful authentication. Multifactor authentication can be performed using a multifactor authenticator or by a combination of authenticators that provide different factors. The three authentication factors are something you know, something you have, and something you are.

Purchased: May, 2020 (EMR Specific)

Cost: (included in cost of our EMR product)

Purchased: November, 2023 (Network & Endpoint Specific)

Cost: \$46,800.00 / annual

Privileged Access Management (PAM): Privileged access management (PAM) is an identity security solution that helps protect organizations against cyberthreats by monitoring, detecting, and preventing unauthorized privileged access to critical resources. PAM works through a combination of people, processes, and technology and gives you visibility into who is using privileged accounts and what they are doing while they are logged in. Limiting the number of users who have access to administrative functions increases system security while additional layers of protection mitigate data breaches by threat actors.

Purchased: January, 2024

Cost: \$18,500.00 / annual

Mobile Device Management (MDM): A solution that uses software as a component to provision mobile devices (i.e. computers, smart phones, tablets) while protecting an organization's assets, such as data. Organizations practice MDM by applying software, processes, and security policies onto mobile devices and toward their use. Beyond managing device inventory and provisioning, MDM solutions protect the device's applications, data, and content.

Purchased: April, 2021

Cost: \$32,820.00 / annual

Managed Detection & Response (MDR): An end-to-end solution that encompasses people, process, and technology to deliver security outcomes. The objective is to identify and respond to active cyber threats and exposures, conducting in-depth investigations to enable rapid elimination and/or containment. The really impressive part is this is an endless process for MDR; it never stops, running 24/7/365. A true MDR solution will have an SOC that is enabled with powerful threat intelligence in order to:

- Detect and defend against ransomware attacks
- Actively monitor cloud activity, applications, and behavior
- Provide visibility into exposures, vulnerabilities, and risky configurations
- Support compliance with cybersecurity governance and mandates

Purchased: July, 2023

Cost: \$68,620.00 / annual

Security Operations Center (SOC): A required component of a complete MDR solution. The SOC is the dedicated security team that monitors for and assesses these threats and exposures, constantly analyzing data, hunting to identify and confirm these threats. These are the experts that are also providing the guidance and recommendations that eliminate the threat and harden your security posture.

Purchased: July, 2023

Cost: (included in the aforementioned MDR cost)

Virtual Chief Information Security Officer (vCISO): The CISO is responsible for all aspects of cybersecurity strategy and policy within an organization. This includes regulatory compliance, cyber insurance procurement, threat activity reporting, incident response planning, attack recovery planning, and more. Many organizations struggle to find a suitably qualified individual to fill this role. Plus, they often don't have the resources to attract top-caliber professionals for a full-time position.

Purchased: November, 2022

Cost: \$87,000.00 / annual

Cybersecurity Insurance: Cyber liability insurance is an insurance policy that provides businesses with a combination of coverage options to help protect the hospital from data breaches and other cyber security issues; including data breaches and theft of information, network breaches, and terrorist acts. It is believed that it's not a question of if your organization will suffer a breach, but when will it suffer a breach.

Purchased: May, 2023

Cost: \$35,000.00 / annual

Immutable Backups: Immutability is a solution that prevents data deletion or modification from the kept storage location. Knowing that data is critical to all businesses—leveraging an immutable copy of your backup data ensures that there is an untouched version of that source data that is always recoverable and safe from any failure scenario (including Ransomware).

This form of Backup & Replication software enables you to store your short-term retention backups locally onsite for fast recovery with the protection of immutability. In addition, you can now tier those backups into an immutable object storage offering hosted offsite, giving you additional protection against unforeseen malicious activity or accidental deletion.

Purchased: August, 2024

Cost: \$21,500.00 / annual (estimated based on current storage quantities)

KnowBe4: A simulated phishing platform that helps us manage the ongoing problem of social engineering; with products like PhishER and SecurityCoach to help prevent bad actors from getting into our networks, and also offering extensive compliance training. The platform is widely used across all industries, and is user-friendly and intuitive.

Purchased: August, 2020

Cost: \$4667.00 / annual



SECTION II: ADDITIONAL FILINGS

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II QUESTIONS

k. Patient financial assistance

ii. Balanced Healthcare Receivables and EMA.



Balanced Healthcare Receivables

Balancing Reputation and Receivables

Collection Agreement of Unpaid Accounts- Primary Collections

**Balanced Healthcare Receivables, LLC
164 Burke Street, Suite 201
Nashua, NH 03060**

hereinafter referred to as "Agency"

**North Country Hospital
189 Prouty Drive
Newport, VT 05855
hereinafter referred to as "Client"**

Placement Terms and Conditions

1. **Introduction:** Client has unpaid accounts or debts (herein referred to as the "Account" or "Accounts") which it desires the Agency to collect from time to time, and the Agency is in the business of collecting delinquent debts and is qualified to collect such Accounts.
2. **Appointment and Acceptance:** The Client agrees to refer Accounts to Agency for collection. Accounts will be placed by electronic media or by any other media acceptable to the parties. Agency hereby agrees to undertake the collection of the Accounts and to use due diligence and employ such lawful and ethical means, methods, and procedures as in its sole judgment, discretion and experience it believes will best effect the collection of the Accounts. Agency agrees that should it have in its possession any original media of Clients, upon Client's request, it will return the media immediately.
 - (1) Agency agrees to comply with all state and federal laws applicable to debt collection including without limitation, the Consumer Credit Protection Act, the Fair Credit Reporting Act, the Fair Debt Collection Practice Act, the Health Insurance Portability and Accountability Act of 1996 (HIPAA); the billing and collection requirements of I.R.C. §501(r)(6), and the standards and requirements of the Joint Commission on Accreditation of Health Care Organizations (JCAHO).
3. Agency's procedures and account activity, when appropriate, will include the following but not be limited to:
 - Collection of balance in full**
 - Settlement in full – credit reparation**
 - Completion of credit profile**
 - Estate – Bankruptcy**
 - Compliant Medicare account return at Client direction of 120 days from date of delinquency**



Balanced Healthcare Receivables

Balancing Reputation and Receivables

4. Support Services Provided by Client

- a. Client agrees to provide on at least a bi-weekly basis records of all payments received and or adjustments made by Client on Accounts assigned to Agency. Client acknowledges that Agency may be "Credit Reporting" these accounts and is obligated to update the same.
- b. Client further agrees to perform billing function upon proper insurance capture.
- c. Client will provide a monthly reconciliation file ensuring that Account balances are accurate allowing Agency and Client to be compliant.
- d. Client will do the above functions by electronic means.

5. **Payment Authority Agent:** Agent shall have authority to receive payment on the Accounts in cash, check, money order, credit card or other valuable consideration which is approved in writing by Client, and shall have authority to endorse checks, drafts, money orders and other negotiable instruments which may be received as payment.

6. **Confidentiality/Business Office Records/Data Processing Media/Medical Records:** Agency acknowledges a patient's medical billing information is confidential and will not disclose such information, either directly or indirectly. Also, Agency will not use said information for any purpose except as required to perform services described in this agreement. In connection therewith, Agency agrees to enter into, and comply with, the Business Associate Agreement, attached hereto as an exhibit.

7. **Consideration:** As full and complete compensation for services provided herein, Client shall pay to Agency according to the following schedule.

Forward Flow Placements: Client shall pay Agency a contingent fee of twenty-three percent (23%) of monies collected on accounts placed with Agency for collection.

Agency issues statements by the fifteenth (15th) of each month for collections received for the previous month. Agency shall submit payments made on Accounts that are received by Agency to Client on a monthly net of fee basis. Client payment is due within fifteen (15) days of date of invoice.

8. **Settlement Authority:** Except as provided herein, Agency shall have no authority to settle any Account referred to it for collection for less than the full amount due and owing without the written authorization of Client.

Client authorizes Agency to settle Accounts without Client's permission at a discount rate of forty (40%). Agency can accept sixty percent (60%) of balance as settled in full.

9. **Mutual Indemnity:** Agency agrees to indemnify and hold Client harmless against any and all liability, cost, and expenses, including attorney's fees, occasioned by claims or suits for loss or damages arising out of the acts of the agents, servants or employees of Agency relating to the Account. Client agrees to indemnify and hold the Agency harmless against any and all liability, cost and expenses, including attorney's fees, occasioned by claims or suits for loss or damages arising out of the acts of the agents, servants or employees of Client relating to the Accounts.

10. **Litigation:** Client acknowledges that Agency shall be allowed to seek legal assistance in the collection of the Accounts; however, no suits will be initiated by Agency without prior written consent of Client. On suits initiated to collect Accounts, Agency will, with approval of Client, select duly licensed legal counsel to represent Client's interest and Agency will be obligated to pay all related attorney's fees. Court Costs will be the Client's responsibility. Such Court Costs will be paid by Agency on Client's behalf and invoiced monthly for reimbursement.



Balanced Healthcare Receivables

Balancing Reputation and Receivables

11. **Special Clause / Open Records:** Agency hereby agrees to make available to the Secretary of Health and Human Services ("HHS"), to Comptroller General of the Government Accounting Office ("GAO"), or their authorized representatives, all contracts, books, documents, and records relating to the nature and extent of the costs hereunder for a period of four (4) years after the furnishing of services hereunder. In addition, Agency agrees if services are to be provided by subcontract with a related organization, to require by contract, that such subcontractor make available to the HHS and GAO, or their authorized representatives, all contracts, books, documents, or their records relating to the nature and extent of the costs thereunder for a period of four (4) years after the furnishing of services thereunder.

Access to Records: Either party may, at any reasonable time during normal business hours, examine the other party's records pertaining to Accounts referred to the Agency under this Agreement.

12. **Recalling Accounts:** All Accounts placed with the Agency will remain with the Agency for the full contract period and extensions thereof except the Client may recall any Account referred to the Agency providing said recall is in writing. If recall is received within three (3) days from the date Accounts are received at the Agency's place of business (herein referred to as "Placement Date") the Agency will then close and return said Account(s) and amounts recovered by either party shall not be subject to any Agency Fees provided for herein.
13. **Term/Termination:** This Agreement shall continue for three (3) years and thereafter from year to year upon the same terms and conditions as set forth herein until terminated. This Agreement may be terminated by either party by giving ninety (90) days written notice with or without cause. It may also be terminated immediately and all accounts returned immediately upon written notice in the event of bankruptcy, insolvency, loss of business license, or failure to adhere to the requirements of the Fair Debt Collections Practices Act, Fair Credit Reporting Act or other applicable State or Federal Law.
14. **Payment After Termination:** It is agreed that upon the termination of this Agreement, the Agency will return all accounts and cancel collection activity and credit reporting where appropriate as of the date of termination. Agency shall be entitled to any Agency Fees one (1) year from and after such date. For those Accounts placed with attorneys, the client will have the option to handle directly or to contract with Agency to continue efforts.
15. **Governing Law and Place of Performance:** This Agreement shall be subject to and governed by the substantive laws of the State of New Hampshire, and the parties agree to selection of New Hampshire as the forum for disputes arising in regard to this Agreement.
16. **Partial Invalidity:** If any term, covenant, condition, or other portion of this Agreement is declared by a court of last resort to be invalid and not binding on the parties, such determination shall in no way effect the validity of the remainder of this Agreement. However, in such an event, the parties shall promptly meet to negotiate a substitute provision to replace the one held invalid in order to preserve the original intent of this Agreement to the extent legally possible.
17. **Entire Agreement:** This Agreement constitutes the entire agreement between the parties respecting the subject matter hereof, and neither party shall be liable or bound to the other in any manner by any other agreements, statements, warrants, or representatives, except as expressly set forth herein.





Balanced Healthcare Receivables

Buying Reputation and Receivables

- 18. **Amendment and Waiver:** No waiver, alteration, modification, or amendment of any provision of this Agreement shall be binding unless it shall be in writing and signed by both parties.
- 19. **Assignment:** The rights and duties arising under this Agreement shall not be assignable by either party without the written consent of the other. Any attempt to assign this agreement without compliance with this Paragraph shall be void.
- 20. **Notice:** Any notice given pursuant to this Agreement may be delivered in person or deposited with the United States Postal Service, certified mail, return receipt requested, postage prepaid. Notice delivered in person shall be deemed given when actually received by the party to whom it is directed and notice deposited with the United States Postal Service shall be deemed received three (3) days after having been so deposited. Notices shall be directed to parties at the addresses above. Either party to this Agreement may change the address at which notice is to be given by giving five (5) days prior written notice of such change to the other party.

This Agreement made and entered into effective 12/6, 2016 between Agency and Client executing this Agreement below, subject to the terms and conditions herein.

BALANCED HEALTHCARE RECEIVABLES, LLC

[Handwritten Signature]

Authorized Signature

CEO

Title

12/6/2016

Date

[Handwritten Signature]

Boat Rice
Authorized Signature

Member / CEO

Title

Nov. 17. 2016

Date

EMA CASH ACCELERATION AND TIME PAYMENT SERVICES AGREEMENT

This Agreement (the "Agreement") is by and among E-Management Associates, LLC, a New Hampshire limited liability corporation ("EMA") with an address of Unit 12 Northwood Green Condo, 5 Northern Boulevard, Amherst, New Hampshire 03031, and North Country Hospital ("Client") a not for profit corporation or company with an address of 189 Prouty Drive, Newport, VT 05855.

RECITAL

EMA is in the business of providing patient billing and follow up services of active patient receivables for reasonable fees agreed upon by EMA and the Client. EMA will provide Cash Acceleration and Time Payment Services under the terms and conditions of this Agreement and in accordance with all applicable requirements of HIPAA, federal, state or local laws, rules, and/or regulations. EMA will provide services in accordance with ethical practices during the entire period of this agreement. Ethical Practices are defined as the contact with Guarantors and/or Patients for the purpose of resolving a patient receivable as set forth by the billing policy of the Client.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements hereinafter set forth, the Parties hereby agree as follows:

DESCRIPTION OF SERVICES: The Cash Acceleration and Time Payment Services performed by EMA will consist of self-pay billing services in accordance with a defined schedule. The scheduled service will cease on an account when the Client notifies EMA the account is paid in full or canceled.

1. Upon receipt of the account file, EMA will send a patient Statement for Hospital Services to the Guarantor furnished within two working days.
2. On the 30th day, EMA will send a patient statement detailing the status of the account to the Guarantor furnished.
3. On the 45th day, EMA will include the account in a telephone campaign and attempt to contact the Guarantor at the telephone number provided by the Client between the hours of 8:00am and 8:00 pm to attempt to arrange payment.
4. On the 60th day, a third patient statement will be sent by EMA to the Guarantor furnished.
5. On the 75th day, EMA will include the account in a telephone campaign and attempt to contact the Guarantor at the telephone number provided by the Client between the hours of 8:00am and 8:00 pm to attempt to arrange payment.
6. On the 90th day, a final patient statement will be sent by EMA.
7. On the 120th day, EMA will advise Client electronically of the unresolved status of the account.
8. Upon receipt of a contract account from the Client, EMA will send monthly Time Payment Statements 15 days before the schedule payment is due, until account is paid in full or canceled by Client.
9. On the 15th day after the Time Payment due date, if the amount promised for the Time Payment Arrangement has not been received, EMA will send a Past Due Time Payment Notice requesting two payments to bring the Account Current.
10. On the 30th day after the Time Payment due date, if the amount promised for the Time Payment Arrangement has not been received, EMA will include the account in a telephone campaign and attempt to contact the Guarantor at the telephone number provided by Client between the hours of 8:00am and 8:00 pm to attempt to arrange payment.
11. On the 45th day after the Time Payment due date, if the amount promised for the Time Payment Arrangement has not been received, EMA will send a Past Due Time Payment Notice requesting three payments to bring the Account Current.

12. On the 60th day after the Time Payment due date, if the amount promised for the Time Payment Arrangement has not been received, EMA will advise Client electronically of the unresolved status of the account.

CERTAIN CLIENT RESPONSIBILITIES AND OBLIGATIONS:

1. Client will transmit a daily file of accounts meeting the following selection criteria to EMA for Cash Acceleration services: Self-pay accounts that under the Client billing policies are accounts are in good standing.
2. Client will transmit a daily file of payment and adjustment transactions on accounts previously submitted for service's that remain active.
3. Client understands and agrees that all efforts put forth by EMA, its agents and/or employees will be done in the name of Client. This includes any forms of voice or mail contact.
4. Client will provide a copy of the Client Billing Policy 30 days prior to the implementation of this agreement and any time the Client Billing Policy is updated.

CERTAIN EMA RESPONSIBILITIES AND OBLIGATIONS:

1. EMA will provide a file containing all activities carried out on the Client's accounts during the previous working day for the purpose of recording these activities within the Client's accounts receivable system.
2. EMA will perform services in accordance with the Billing Policy of the Client.
3. EMA will cease activity on an account upon electronic notification from the Client.
4. EMA will cease activity on an account upon receipt of a transaction paying the balance in full.
5. EMA will make telephone calls between the hours of 8:00 AM and 8:00 PM on Monday through Thursday, and 8:00 AM and 5:00pm on Friday unless requested otherwise by the Guarantor.
6. EMA will perform all services using the name of the Client or a subsidiary.
7. EMA will provide copies of all letters and scripts used to the Client for review and approval prior to implementation and at any time upon the Client's request.
8. EMA agrees that any computer scripts or programs created by EMA for the Client are being created exclusively for the Client and become the property of the Client.

PURCHASING & INVENTORY OF FORMS AND ENVELOPES: The purchase and inventorying of forms is done in quantity. If there is a going to be a change in a form or for any reason a cancellation of service, any forms not used must be bought back by Client at a price equal to purchase price paid for by EMA. Should EMA not live up to performance expectations then EMA will be responsible for any unused inventory. EMA will notify Client of opportunities to change formats in between form reorders. Forms will be ordered in no greater than annual lots.

TERM OF AGREEMENT: This Agreement shall be effective when signed by both parties and thereafter shall remain in effect for one (1) year, unless earlier terminated (the "Initial Term"). This Agreement shall automatically be renewed beyond the Initial Term for additional one (1) year terms unless terminated by EMA and/or the Client with at least thirty (30) days notification in advance of the anniversary date. This contact may be terminated immediately by either party, with cause, if one party fails to perform any of the service's or obligations under this agreement after notice of such failure has been given and a thirty (30) day opportunity to cure has passed and such failure results in or is reasonably likely to result in material deterioration in the level of care or service being provided. This Contact me be terminated without cause by either party upon at least (90) days prior written notice of termination except that no such termination without cause shall take effect prior to the first year of the agreement.

COMPENSATION: EMA will invoice the client weekly and the Client agrees to pay EMA within fifteen (15) days after receipt of the invoice under the following terms:

1. For all accounts transmitted for Cash Acceleration Services, Client will pay EMA \$0.98 for each account with a balance due.
2. For all active accounts with balance due greater than the Client's small balance write off in the Cash Acceleration System 30 days from the date of receipt, Client will pay EMA \$4.46 per account.
3. For all accounts established as Contract Accounts by the Client, Client will pay EMA \$3.00 per account/per month for each Time Payment account managed more than 30 days
4. For each account marked as Mail Returns by EMA as a result of the USPS returning a piece of mail sent as undeliverable, Client will pay EMA \$1.69 for each new address found and updated through skip-tracing services.

PRICE INCREASES: Prices will remain firm for each term of this Agreement, unless the US Post office raises postage rates. Then EMA may increase its compensation by an amount equal to the postal increase to the per account price, based upon the number of letters scheduled to be mailed on an account.

CONFIDENTIAL/PATIENT INFORMATION: EMA agrees to keep all Client data records strictly confidential. EMA further agrees that it shall retain in strict confidence all information and data relating to the Client's patients and all other proprietary or confidential information. EMA shall not disclose such information to any third party without the Client's prior written approval. This agreement also incorporates HIPAA Compliant Business Associate Agreement terms and conditions set forth in Client's BAA signed by both parties prior to the date of this agreement.

LIMITATION OF LIABILITY: EMA shall have no liability for incomplete or incorrect compilation of data, processing or transmission of data, failure to process data, loss of profits, goodwill, liability of customers to third parties or other consequential damages resulting from work done under this agreement unless such liability arises from EMA negligence or intentional misconduct. Liability on any claim for damages arising out of this Agreement shall be limited to direct damages and shall not exceed an amount equal to the amount paid to EMA for processing and providing services as defined herein for the immediately preceding month for the portion of the services that gave rise to the direct damages.

GOVERNING LAW: This Agreement shall be construed and enforced in accordance with the laws of the State of New Hampshire.

AMENDMENT: No amendment, waiver, or modification of this Agreement or any provision of this Agreement shall be valid unless in writing, stating with specificity the particular amendment or modification to be made, and duly executed by EMA and Client.

ENFORCEABILITY: If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, administrative agency or as a result of future legislative action, such holding or action shall be strictly construed and the unenforceable provision shall be deemed severable from the remainder of the Agreement to the extent permitted by law, and the validity or effect of any other provision of this Agreement shall remain binding with the same effect as though the void parts were deleted.

FORCE MAJEURE: EMA's failure to perform any term or condition of this Agreement as a result of conditions beyond its control such as, but not limited to, war, strikes, fires, floods, acts of God, governmental restrictions, power failures, or damage or destruction of any network facilities or servers, shall not be deemed a breach of this Agreement.

NOTICE: Any and all notices and other communications required or permitted to be given hereunder shall be in writing and sent by certified mail to

If intended for EMA:

E-Management Associates, LLC.
PO Box 473
Amherst, NH 03031-0473
Attn: Jason Cook

If intended for North Country Hospital:

North Country Hospital
189 Prouty Drive
Newport, VT 05855
Attn: Denise Bergeron

Signature Page

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed in its name and on its behalf effective as of October 20, 2021

Client
North Country Hospital
189 Prouty Drive
Newport, VT 05855

EMA
E-Management Associates, LLC
5 Northern Blvd, Unit 12
Amherst, NH 03031

DocuSigned by:
By: Tracey Paul Tracey Paul
93970984891048A...

Digitally signed by Jason Cook
DN: cn=Jason Cook, o=E-Management Associates,
ou, email=jason@emanagementassociates.com,
c=US
Date: 2021.11.29 11:18:49 -05'00'
By: Jason Cook
Jason Cook

Title: CFO

Title: Senior Account Executive

Date: 11/19/2021 | 07:49:58 EST

Date: _____