

OFFICIAL NOTICE AND AGENDA

of a meeting of the **Finance, Personnel & Property Committee** to be held at **North Central Health Care**
1100 Lake View Drive, Wausau, WI 54403, Badger Room at **11:00 AM** on **Thursday, July 27th, 2017**

In addition to attendance in person at the location described above, Board members and the public are invited to attend by telephone conference. Persons wishing to attend the meeting by phone should contact Debbie Osowski at 715-848-4405 24 hours prior to the start time of the meeting for further instructions. Any person planning to attend this meeting who needs some type of special accommodation in order to participate should call the Administrative Office at 715-848-4405.

For TDD telephone service call 715-845-4928.

1. Call to Order
2. Public Comment for Matters Appearing on the Agenda
3. ACTION: Approval of 6/29/17 Finance, Personnel & Property Committee Meeting Minutes
4. June Financials
 - a. ACTION: Accept the Financial Report and June Financial Statements
 - b. Review Write-Offs
5. Budget Update – B. Glodowski
6. CFO Report
7. Update on Request for Proposal for Audit Services and Selection of Audit Firm by the Retained County Authority Committee
8. Discussion and Future Agenda Items
9. Adjourn



Presiding Officer or Designee

NOTICE POSTED AT: North Central Health Care

COPY OF NOTICE DISTRIBUTED TO: Wausau Daily Herald, Antigo Daily Journal, Tomahawk Leader, Merrill Foto News, Langlade, Lincoln & Marathon County Clerks Offices

DATE: 07/21/17 TIME: 4:00 p.m. BY: D. Osowski

**NORTH CENTRAL COMMUNITY SERVICES PROGRAM BOARD
FINANCE, PERSONNEL & PROPERTY COMMITTEE**

June 29, 2017

11:00 AM

Westwood Conference Center–Wausau

Present:	X	Randy Balk	X	Bill Miller	EXC	Robin Stowe
	X	Bob Weaver	X	Jeff Zriny		

Others Present: Michael Loy, Brenda Glodowski

Meeting was called to order at 11:00 a.m.

Public Comment for Matters Appearing on the Agenda

- No public comment(s) made.

ACTION: Approval of 05/25/17 Finance, Personnel & Property Committee Meeting Minutes

- **Motion**/second, Weaver/Balk, to approve the 05/25/17 Finance, Personnel & Property Committee meeting minutes. Motion carried.

May Financials – B. Glodowski

- Received the supplemental payment the end of May and in mid-June received the State receivable. May had a gain of over \$334,000. The nursing home census improved from 182 to 184 and Medicare census averaged 18. Census on the inpatient unit has been decreasing slightly. A change in leadership can have an impact. Dr. Dibala has a strong desire to get individuals to a less restrictive area which reduces their stay on the inpatient unit. Will monitor for effectiveness in readmission rates.
- Revenue overall was slightly under target while overall expenses were below target by \$327,000. Benefits and salaries are under budget. Health insurance costs have improved tremendously since last year and are currently below target. Benefits continue to do well. Through May the organization is \$858,000 ahead of target.
- State institute expenses were very good in May and year to date they are just \$12,000 above target. By end of June we anticipate being below target and may have another credit from the state institutes. As a reminder, we hired an RN to closely manage the cases at the state institutes, talking on a daily basis with them, which has proven to have had a positive impact on utilization. The main concern remains around youth and finding an alternative placement in the community and are working with Social Services for a solution.
- The nursing home saw a gain which helps our goal to eliminate the deficit by year end. The changes made last December have had positive results.
- The nursing home study report will be released tomorrow. They have some good insights and recommendations, however, some of the recommendations they noted were implemented last year already but there may be other opportunities for improvements. Their perspective is to continue in the nursing home business because we have a good asset.
- **Motion**/second, Miller/Balk, to accept the Financial Report and May Financial Statements. Motion carried.
- No discussion or questions regarding write-off's.

Budget Update - B. Glodowski

- The Wisconsin Retirement System is decreasing contributions by .2%.
- Currently working with insurance agents on health insurance costs for next year.
- The 2018 budget is being prepared and incorporates recommendations from the RCA. We are on schedule however, given the new timeline (earlier by two months) we must base some assumptions ahead of the budget year. We will also be developing a 2-year forecast.

CFO Report

- RFP responses for the audit firm are due 6/30/17.
- A review of the revenue cycle for mental health services is being done today and tomorrow.

Facility Asset Portfolio Composition, Ownership Status and Strategy for NCHC – M. Loy

- The changing dynamics in the three counties affects the properties that NCHC manages which are leased through the counties, the City of Wausau, and with landlords. Two years ago NCHC began paying insurance on all leased properties. To meet operational/regulation requirements we must maintain/update the facilities which in turn improves the property's value. The master facility plan will include how we manage our properties and how we move forward with the main campus.
- We are in the process of selling the Bellewood property. Bellewood was a 6-bed group home but the point of efficiency is 8-beds which led to leasing the Andrea Street location. We are also working with Marathon County to potentially sell Hillcrest to downsize the number of CBRF's we operate. The proceeds of these sales will be used for a youth crisis stabilization group home, which Marathon County has agreed to and would be owned by NCHC. The cost to renovate one of these properties is close to building new construction for this purpose. We have shared our proposal with the State. The State will issue an RFP and potentially 2-3 licenses. We hope the project will begin in mid-2018 if we are selected.
- We are currently working with Lincoln County and an architect on a major renovation to the building in Merrill where NCHC has offices which has been going very well.
- One of the challenges in managing properties with the current facility management arrangement is that now there is propensity not to provide all the needed maintenance of them due to the potential risk to Marathon County. If we continue to lease and outsource maintenance it puts us in difficult situations where NCHC staff has to perform duties that maintenance used to.
- When the Community Corner Clubhouse moved locations to North 3rd Avenue, we invested about \$110,000 in renovations. The property is now worth \$235,000 assessed value. Rent is \$25,000 over an 8 year lease, which basically pays for the cost of the building.
- Following discussion on the pros and cons of managing a property portfolio, investing in properties, leasing, maintaining properties, whether or not NCHC continues providing residential services since it is not a mandated program, etc., the committee asked M. Loy to do the following:
 - Explore our own maintenance for the group homes.
 - Explore the option/negotiate the purchase of the Clubhouse building.

Discussion and Future Agenda Items

- None

Adjourn

- **Motion**/second, Miller/Balk, to adjourn the Finance, Personnel and Property Committee meeting at 11:45 a.m. Motion carried.

dko

MEMO

TO: North Central Health Care Finance Committee
FROM: Brenda Glodowski
DATE: July 21, 2017
RE: Attached Financials

Attached please find a copy of the June Financial Statements for your review. To assist in your review, the following information is provided:

BALANCE SHEET

The nursing home supplemental payment was received in June, so that receivable is current. The State receivable is still showing a large balance in June due to payments not being received yet from the State as of the end of June. A payment was received in July. The investments have increased as another certificate of deposit was purchased.

STATEMENT OF REVENUE AND EXPENSES

The month of June shows a gain of \$240,525 compared to a budgeted gain of \$46,794, resulting in a positive variance of \$193,731.

Overall revenue was below targets. The hospital census averaged 13 per day, which is below the target of 14. The nursing home census dropped compared to the prior month, showing an average of 182. The target is 203. The Medicare census remained consistent with the prior month, averaging 18 per day. The target is 20 per day. Outpatient areas are down some, which is normal in the summer months.

Overall expenses were below target by (\$466,454) which offsets the revenue being down. Salaries and benefits remain below target, as do several other areas. State institutes were again below target, which has now closed the gap between actual and budget.

Year to date the organization continues to show positive results, showing an overall gain of \$1,096,670 which exceeds target by \$1,051,774.

If you have questions, please feel free to contact me.

Thank you.

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF NET POSITION
JUNE 2017**

	<u>Human Services</u>	<u>Nursing Home</u>	<u>Total</u>	<u>Prior Year Combined</u>
Current Assets:				
Cash and cash equivalents	2,089,686	2,427,568	4,517,254	4,718,745
Accounts receivable:				
Patient - Net	2,987,348	1,937,760	4,925,108	6,004,372
Outpatient - WIMCR	695,000	0	695,000	505,000
Nursing home - Supplemental payment program	0	0	0	0
Marathon County	77,884	0	77,884	224,341
Appropriations receivable	0	0	0	0
Net state receivable	1,950,273	0	1,950,273	521,293
Other	534,906	0	534,906	376,911
Inventory	0	305,373	305,373	303,535
Other	<u>582,603</u>	<u>430,796</u>	<u>1,013,398</u>	<u>1,032,411</u>
Total current assets	<u>8,917,701</u>	<u>5,101,496</u>	<u>14,019,197</u>	<u>13,686,608</u>
Noncurrent Assets:				
Investments	11,292,000	0	11,292,000	9,800,000
Assets limited as to use	1,898,961	393,363	2,292,324	2,830,798
Contingency funds	500,000	0	500,000	0
Restricted assets - Patient trust funds	14,964	36,044	51,008	62,189
Net pension asset	0	0	0	4,846,938
Nondepreciable capital assets	281,609	872,720	1,154,329	810,660
Depreciable capital assets - Net	<u>6,769,928</u>	<u>3,143,927</u>	<u>9,913,855</u>	<u>10,831,026</u>
Total noncurrent assets	<u>20,757,463</u>	<u>4,446,054</u>	<u>25,203,516</u>	<u>29,181,611</u>
Deferred outflows of resources - Related to pensions	<u>10,070,362</u>	<u>7,446,358</u>	<u>17,516,720</u>	<u>4,851,842</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>39,745,526</u>	<u>16,993,907</u>	<u>56,739,433</u>	<u>47,720,061</u>

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF NET POSITION
JUNE 2017**

	<u>Human Services</u>	<u>Nursing Home</u>	<u>Total</u>	<u>Prior Year Combined</u>
Current Liabilities:				
Current portion of related-party note payable	0	0	0	151,257
Accounts payable - Trade	799,297	591,027	1,390,324	1,548,868
Appropriations advances	0	0	0	0
Accrued liabilities:				
Salaries and retirement	922,655	682,242	1,604,897	1,547,593
Compensated absences	800,906	592,216	1,393,123	1,682,411
Health and dental insurance	458,770	339,230	798,000	857,000
Other Payables	209,729	155,080	364,809	455,083
Amounts payable to third-party reimbursement programs	229,576	0	229,576	255,920
Unearned revenue	<u>92,635</u>	<u>0</u>	<u>92,635</u>	<u>135,146</u>
Total current liabilities	<u>3,513,569</u>	<u>2,359,795</u>	<u>5,873,364</u>	<u>6,633,278</u>
Noncurrent Liabilities:				
Net pension liability	1,797,930	1,329,449	3,127,379	0
Related-party note payable	0	0	0	636,181
Patient trust funds	<u>14,964</u>	<u>36,044</u>	<u>51,008</u>	<u>62,101</u>
Total noncurrent liabilities	<u>1,812,895</u>	<u>1,365,493</u>	<u>3,178,387</u>	<u>698,282</u>
Total liabilities	<u>5,326,463</u>	<u>3,725,288</u>	<u>9,051,751</u>	<u>7,331,561</u>
Deferred inflows of resources - Related to pensions	<u>3,821,383</u>	<u>2,825,657</u>	<u>6,647,040</u>	<u>84,873</u>
Net Position:				
Net investment in capital assets	7,051,537	4,016,647	11,068,184	11,641,686
Unrestricted:				
Board designated for contingency	500,000	0	500,000	0
Board designated for capital assets	1,898,961	393,363	2,292,324	0
Undesignated	19,902,368	6,181,097	26,083,464	30,276,633
Operating Income / (Loss)	<u>1,244,814</u>	<u>(148,144)</u>	<u>1,096,670</u>	<u>(1,614,692)</u>
Total net position	<u>30,597,680</u>	<u>10,442,962</u>	<u>41,040,642</u>	<u>40,303,627</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>39,745,526</u>	<u>16,993,907</u>	<u>56,739,433</u>	<u>47,720,061</u>

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR PERIOD ENDING JUNE 30, 2017**

TOTAL	<u>CURRENT MONTH ACTUAL</u>	<u>CURRENT MONTH BUDGET</u>	<u>CURRENT MONTH VARIANCE</u>	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>YTD VARIANCE</u>
Revenue:						
Net Patient Service Revenue	<u>\$3,389,557</u>	<u>\$3,696,202</u>	<u>(\$306,645)</u>	<u>\$21,677,659</u>	<u>\$22,101,729</u>	<u>(\$424,070)</u>
Other Revenue:						
State Match / Addendum	324,504	325,120	(616)	1,947,021	1,950,718	(3,697)
Grant Revenue	198,630	197,183	1,446	1,191,729	1,183,100	8,629
County Appropriations - Net	639,260	639,260	0	3,835,559	3,835,559	0
Departmental and Other Revenue	<u>306,294</u>	<u>285,602</u>	<u>20,692</u>	<u>1,818,106</u>	<u>1,713,611</u>	<u>104,495</u>
Total Other Revenue	<u>1,468,687</u>	<u>1,447,165</u>	<u>21,523</u>	<u>8,792,416</u>	<u>8,682,988</u>	<u>109,427</u>
Total Revenue	4,858,244	5,143,367	(285,123)	30,470,075	30,784,717	(314,642)
Expenses:						
Direct Expenses	3,406,893	3,801,920	(395,027)	21,998,401	22,905,518	(907,117)
Indirect Expenses	<u>1,231,558</u>	<u>1,302,985</u>	<u>(71,427)</u>	<u>7,487,343</u>	<u>7,884,303</u>	<u>(396,960)</u>
Total Expenses	<u>4,638,452</u>	<u>5,104,906</u>	<u>(466,454)</u>	<u>29,485,744</u>	<u>30,789,821</u>	<u>(1,304,077)</u>
Operating Income (Loss)	<u>219,793</u>	<u>38,461</u>	<u>181,332</u>	<u>984,331</u>	<u>(5,104)</u>	<u>989,435</u>
Nonoperating Gains (Losses):						
Interest Income	13,206	8,333	4,873	73,726	50,000	23,726
Donations and Gifts	7,526	0	7,526	33,690	0	33,690
Gain / (Loss) on Disposal of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,923</u>	<u>0</u>	<u>4,923</u>
Total Nonoperating Gains / (Losses)	<u>20,732</u>	<u>8,333</u>	<u>12,399</u>	<u>112,339</u>	<u>50,000</u>	<u>62,339</u>
Income / (Loss)	<u>\$240,525</u>	<u>\$46,794</u>	<u>\$193,731</u>	<u>\$1,096,670</u>	<u>\$44,896</u>	<u>\$1,051,774</u>

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR PERIOD ENDING JUNE 30, 2017**

51.42/.437 PROGRAMS	<u>CURRENT MONTH ACTUAL</u>	<u>CURRENT MONTH BUDGET</u>	<u>CURRENT MONTH VARIANCE</u>	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>YTD VARIANCE</u>
Revenue:						
Net Patient Service Revenue	<u>\$1,761,556</u>	<u>\$1,923,932</u>	<u>(\$162,376)</u>	<u>\$11,588,232</u>	<u>\$11,424,320</u>	<u>\$163,912</u>
Other Revenue:						
State Match / Addendum	324,504	325,120	(616)	1,947,021	1,950,718	(3,697)
Grant Revenue	198,630	197,183	1,446	1,191,729	1,183,100	8,629
County Appropriations - Net	497,594	497,593	1	2,985,563	2,985,559	4
Departmental and Other Revenue	<u>155,738</u>	<u>149,059</u>	<u>6,679</u>	<u>906,214</u>	<u>894,353</u>	<u>11,861</u>
Total Other Revenue	<u>1,176,465</u>	<u>1,168,955</u>	<u>7,510</u>	<u>7,030,527</u>	<u>7,013,730</u>	<u>16,797</u>
Total Revenue	2,938,021	3,092,887	(154,866)	18,618,759	18,438,050	180,709
Expenses:						
Direct Expenses	2,057,906	2,349,959	(292,052)	13,764,037	14,156,963	(392,926)
Indirect Expenses	<u>599,215</u>	<u>647,779</u>	<u>(48,565)</u>	<u>3,717,524</u>	<u>3,919,681</u>	<u>(202,157)</u>
Total Expenses	<u>2,657,121</u>	<u>2,997,738</u>	<u>(340,617)</u>	<u>17,481,561</u>	<u>18,076,645</u>	<u>(595,084)</u>
Operating Income (Loss)	<u>280,900</u>	<u>95,149</u>	<u>185,751</u>	<u>1,137,198</u>	<u>361,405</u>	<u>775,793</u>
Nonoperating Gains (Losses):						
Interest Income	13,206	8,333	4,873	73,726	50,000	23,726
Donations and Gifts	7,162	0	7,162	28,967	0	28,967
Gain / (Loss) on Disposal of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,923</u>	<u>0</u>	<u>4,923</u>
Total Nonoperating Gains / (Losses)	<u>20,368</u>	<u>8,333</u>	<u>12,035</u>	<u>107,616</u>	<u>50,000</u>	<u>57,616</u>
Income / (Loss)	<u>\$301,268</u>	<u>\$103,483</u>	<u>\$197,785</u>	<u>\$1,244,814</u>	<u>\$411,405</u>	<u>\$833,408</u>

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR PERIOD ENDING JUNE 30, 2017**

NURSING HOME	<u>CURRENT MONTH ACTUAL</u>	<u>CURRENT MONTH BUDGET</u>	<u>CURRENT MONTH VARIANCE</u>	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>YTD VARIANCE</u>
Revenue:						
Net Patient Service Revenue	<u>\$1,628,001</u>	<u>\$1,772,270</u>	<u>(\$144,269)</u>	<u>\$10,089,427</u>	<u>\$10,677,409</u>	<u>(\$587,982)</u>
Other Revenue:						
County Appropriations - Net	141,666	141,667	(1)	849,996	850,000	(4)
Departmental and Other Revenue	<u>150,557</u>	<u>136,543</u>	<u>14,013</u>	<u>911,893</u>	<u>819,258</u>	<u>92,634</u>
Total Other Revenue	<u>292,223</u>	<u>278,210</u>	<u>14,013</u>	<u>1,761,889</u>	<u>1,669,258</u>	<u>92,630</u>
Total Revenue	1,920,224	2,050,480	(130,256)	11,851,316	12,346,667	(495,351)
Expenses:						
Direct Expenses	1,348,987	1,451,962	(102,974)	8,234,364	8,748,555	(514,190)
Indirect Expenses	<u>632,344</u>	<u>655,206</u>	<u>(22,863)</u>	<u>3,769,819</u>	<u>3,964,622</u>	<u>(194,803)</u>
Total Expenses	<u>1,981,331</u>	<u>2,107,168</u>	<u>(125,837)</u>	<u>12,004,183</u>	<u>12,713,176</u>	<u>(708,993)</u>
Operating Income (Loss)	<u>(61,107)</u>	<u>(56,688)</u>	<u>(4,419)</u>	<u>(152,867)</u>	<u>(366,509)</u>	<u>213,642</u>
Nonoperating Gains (Losses):						
Interest Income	0	0	0	0	0	0
Donations and Gifts	364	0	364	4,724	0	4,724
Gain / (Loss) on Disposal of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Nonoperating Gains / (Losses)	<u>364</u>	<u>0</u>	<u>364</u>	<u>4,724</u>	<u>0</u>	<u>4,724</u>
Income / (Loss)	<u>(\$60,743)</u>	<u>(\$56,688)</u>	<u>(\$4,055)</u>	<u>(\$148,144)</u>	<u>(\$366,509)</u>	<u>\$218,365</u>

NORTH CENTRAL HEALTH CARE
REPORT ON AVAILABILITY OF FUNDS
June 30, 2017

BANK	LENGTH	MATURITY DATE	INTEREST RATE	AMOUNT	Insured/ Collateralized
CoVantage Credit Union	578 Days	7/28/2017	0.85%	\$300,000	X
People's State Bank	365 Days	8/21/2017	0.75%	\$500,000	X
BMO Harris	365 Days	8/26/2017	0.80%	\$500,000	X
Abby Bank	365 Days	8/29/2017	0.85%	\$500,000	X
Abby Bank	365 Days	9/1/2017	0.85%	\$500,000	X
Abby Bank	730 Days	10/29/2017	1.10%	\$500,000	X
CoVantage Credit Union	730 Days	11/18/2017	1.10%	\$500,000	X
PFM Investments	365 Days	11/29/2016	1.13%	\$500,000	X
Abby Bank	730 Days	12/30/2017	1.10%	\$500,000	X
CoVantage Credit Union	487 Days	1/1/2018	1.10%	\$500,000	X
Abby Bank	365 Days	2/25/2018	1.10%	\$500,000	X
Abby Bank	730 Days	3/15/2018	1.20%	\$400,000	X
People's State Bank	395 Days	3/28/2018	1.05%	\$250,000	X
CoVantage Credit Union	365 Days	3/30/2018	1.10%	\$500,000	X
PFM Investments	365 Days	4/3/2018	1.16%	\$500,000	x
PFM Investments	517 Days	4/30/2018	1.12%	\$500,000	X
Abby Bank	730 Days	5/3/2018	1.20%	\$500,000	X
BMO Harris	365 Days	5/28/2018	1.20%	\$500,000	X
PFM Investments	365 Days	6/13/2018	1.50%	\$492,000	X
Abby Bank	730 Days	1/6/2019	1.30%	\$500,000	X
CoVantage Credit Union	679 Days	3/7/2019	1.61%	\$500,000	X
People's State Bank	730 Days	5/29/2019	1.20%	\$350,000	X
People's State Bank	730 Days	5/30/2019	1.20%	\$500,000	X
Abby Bank	730 Days	7/19/2019	1.30%	\$500,000	X
TOTAL FUNDS AVAILABLE				\$11,292,000	
WEIGHTED AVERAGE		534.74 Days	1.124% INTEREST		

NCHC-DONATED FUNDS

Balance Sheet

As of June 30, 2017

ASSETS

Current Assets

Checking/Savings

CHECKING ACCOUNT

Adult Day Services	4,570.81
Adventure Camp	1,425.79
Birth to 3 Program	2,035.00
Clubhouse	25,564.60
Community Treatment	8,455.88
Fishing Without Boundries	4,439.00
General Donated Funds	60,701.09
Housing - DD Services	1,370.47
Langlade HCC	3,172.02
Legacies by the Lake	
Music in Memory	1,958.25
Legacies by the Lake - Other	3,791.75
Total Legacies by the Lake	5,750.00
Marathon Cty Suicide Prev Task	14,614.40
National Suicide Lifeline Stipe	3,176.37
Northern Valley West	2,921.82
Nursing Home - General Fund	3,833.59
Outpatient Services - Marathon	101.08
Pool	9,759.82
Prevent Suicide Langlade Co.	2,444.55
Resident Council	771.05
United Way	479.20

Total CHECKING ACCOUNT 155,586.54

Total Checking/Savings 155,586.54

Total Current Assets 155,586.54

TOTAL ASSETS 155,586.54

LIABILITIES & EQUITY

Equity

Opening Bal Equity	123,523.75
Retained Earnings	53,757.13
Net Income	-21,694.34

Total Equity 155,586.54

TOTAL LIABILITIES & EQUITY 155,586.54

**North Central Health Care
Budget Revenue/Expense Report**

Month Ending June 30, 2017

ACCOUNT DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YTD ACTUAL	YTD BUDGET	DIFFERENCE
<u>REVENUE:</u>					
Total Operating Revenue	<u>4,858,244</u>	<u>5,143,367</u>	<u>30,470,075</u>	<u>30,784,717</u>	<u>(314,642)</u>
<u>EXPENSES:</u>					
Salaries and Wages	2,252,440	2,506,014	13,687,599	15,119,629	(1,432,030)
Fringe Benefits	866,845	956,562	5,388,064	5,771,214	(383,150)
Departments Supplies	511,798	492,235	2,873,218	2,953,412	(80,194)
Purchased Services	401,725	364,450	2,920,097	2,231,699	688,398
Utilitites/Maintenance Agreements	406,306	372,653	2,375,745	2,235,915	139,829
Personal Development/Travel	10,822	37,985	154,018	227,909	(73,891)
Other Operating Expenses	104,023	108,966	670,019	653,793	16,226
Insurance	37,161	37,708	232,256	226,250	6,006
Depreciation & Amortization	135,907	139,583	817,430	837,500	(20,070)
Client Purchased Services	<u>(88,577)</u>	<u>88,750</u>	<u>367,299</u>	<u>532,500</u>	<u>(165,201)</u>
TOTAL EXPENSES	<u>4,638,452</u>	<u>5,104,906</u>	<u>29,485,744</u>	<u>30,789,821</u>	<u>(1,304,077)</u>
Nonoperating Income	<u>20,732</u>	<u>8,333</u>	<u>112,339</u>	<u>50,000</u>	<u>62,339</u>
EXCESS REVENUE (EXPENSE)	<u>240,525</u>	<u>46,794</u>	<u>1,096,670</u>	<u>44,896</u>	<u>1,051,774</u>

**North Central Health Care
Write-Off Summary
June 2016**

	<u>Current Month</u>	<u>Current Year To Date</u>	<u>Prior Year To Date</u>
<i>Inpatient:</i>			
Administrative Write-Off	(\$7,339)	\$59,642	\$134,844
Bad Debt	\$220	\$1,422	\$10,516
<i>Outpatient:</i>			
Administrative Write-Off	\$22,479	\$102,890	\$72,124
Bad Debt	\$328	\$1,814	\$5,942
<i>Nursing Home:</i>			
Daily Services:			
Administrative Write-Off	\$0	\$724	\$880
Bad Debt	\$0	\$11,970	\$16,956
Ancillary Services:			
Administrative Write-Off	(\$531)	\$13,685	\$7,248
Bad Debt	\$0	\$321	(\$126)
Pharmacy:			
Administrative Write-Off	\$0	\$0	\$0
Bad Debt	\$0	\$0	\$0
Total - Administrative Write-Off	\$14,608	\$176,941	\$215,096
Total - Bad Debt	\$548	\$15,527	\$33,288

**North Central Health Care
2017 Patient Days**

<u>Month</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budgeted Occupancy</u>	<u>Actual Occupancy</u>
January	Nursing Home	6,293	5,784	(509)	84.58%	77.74%
	Hospital	434	502	68	87.50%	101.21%
February	Nursing Home	5,684	5,267	(417)	84.58%	85.50% ***
	Hospital	392	441	49	87.50%	98.44%
March	Nursing Home	6,293	5,703	(590)	84.58%	83.62%
	Hospital	434	462	28	87.50%	93.15%
April	Nursing Home	6,090	5,453	(637)	84.58%	82.62%
	Hospital	420	480	60	87.50%	100.00%
May	Nursing Home	6,293	5,698	(595)	84.58%	83.55%
	Hospital	434	432	(2)	87.50%	87.10%
June	Nursing Home	6,090	5,448	(642)	84.58%	82.55%
	Hospital	420	400	(20)	87.50%	83.33%
July	Nursing Home Hospital					
August	Nursing Home Hospital					
September	Nursing Home Hospital					
October	Nursing Home Hospital					
November	Nursing Home Hospital					
December	Nursing Home Hospital					
YTD	Nursing Home	36,743	33,353	(3,390)	101.39%	98.56%
	Hospital	2,534	2,717	183	104.88%	112.46%

*** Licensed beds decreased from 240 to 220



North Central Health Care

Person centered. Outcome focused.

North Central Health Care Summary of Audit Firm Selection

Presented to Retained County Authority Committee (RCA)

July 18, 2017

Introduction:

As a health care provider, North Central Health Care (NCHC) participates in the Medicare and Medicaid programs, and must comply with CMS Conditions of Participation. A requirement of participation is a certified annual financial and compliance audit that must be submitted with cost reports. In addition, a certified audit provides an overview for Marathon, Lincoln and Langlade Counties, the three county partners, of the financial status and financial practices of the organization, along with the overall financial position of each of the counties at the close of the fiscal year. Periodically, it is a good practice to review the relationship with the audit firm working with the organization, as well as what another audit firm could provide. One of the roles of the Retained County Authority Committee (RCA) is the selection of the audit firm. With this committee beginning its work in 2017, the timing of reviewing and selection of the audit firm through a Request for Proposal (RFP) process is appropriate. Wipfli is the current audit firm used by NCHC, and has provided exemplary service and quality for a number of years.

Process:

North Central Health Care, on behalf of the RCA, released an RFP on May 26, 2017, and a deadline for response of June 30, 2017. The RFP was released to seven firms. Those firms are:

Eide Bailly, Minneapolis, MN
Krause Howard & Co., Wausau, WI
CliftonLarsonAllen, Milwaukee, WI
McGladrey & Pullen, LP, Madison, WI
Baker Tilly Virchow Krause LLP, Madison, WI
Wipfli LLP, Wausau, WI
Schneck SC, Wausau, WI

Four firms responded to the RFP: CliftonLarsonAllen, Baker Tilly Virchow Krause LLP, Wipfli LLP, and Schneck SC. Each of these firms was interviewed on July 17, 2017. The interview committee was North Central Health Care's Interim CEO, CFO, and Business Operations Director. The RCA committee was also invited to the interviews, and was provided copies of the responses to the RFP. The interview questions were distributed in advance to each of the firms and the RCA committee on July 10, 2017. Each firm also had the opportunity to ask questions. An overview of each interview is included.

Overview of Interviews:

July 17, 2017

11:00 am: Wipfli LLP- Cost Proposal: \$44,000 (2017)

- The firm is well known in the health care industry. They are experienced in health care, as well as governmental auditing. Health Care is their largest sector, so this area receives a significant amount of resources.
- The firm's core values are similar to those of NCHC. They are committed to providing a thorough and accurate audit.
- They are familiar with NCHC and the multiple programs included within the organization. They are also familiar with the funding of the programs, the areas of risk, the relationship between NCHC and the three partnering counties, regulatory compliance, and the grant funding and requirements related to those, and the fund balance activity of each of the three partners. They are experienced working with psychiatry hospitals, mental health and AODA programs, and long term care in addition to experience working with governmental entities.
- They have a thorough planning process, and an in depth audit process, followed up with an exit conference to review findings, and ways to improve the process. The March deadline can be met, and the firm will present to the NCHC Board and RCA committee at the March meeting. The firm is open to other ways of communicating results, if another method is preferred. The firm is familiar with the NCHC Board, and is available for questions at any time from the Board, as well as the RCA committee.
- The audit approach is a risk-based approach, in which a significant amount of time is spent reviewing those risk areas where estimates are used. Accounts receivable and revenue a main focus of this risk review, with additional focuses on self-funded health insurance and third party liabilities. The financial audit and state compliance audit are integrated together during the site visit.
- The firm believes that the relationship between NCHC and Wipfli has been a good relationship, and would like to continue working together. They understand the benefits to periodically changing an audit team and having new perspectives of the review. Therefore, the proposed team would include a new manager, and a new concurring partner. The current partner would remain, as well as the manager doing the state compliance portion of the audit. This team would provide the knowledge of the organization, as well as members who can bring in a new and neutral perspective.
- The firm has a local presence, so can be available quickly to be on site as needed, outside of the audit.
- Board education series would be included in the audit fee; they would separate this from the normal audit presentation and present it later in the year.

1:00 pm: Schneck Cost Proposal: \$35,750 (2017)

- Currently Schneck performs the audit for Langlade and Lincoln Counties.
- Goal is to be our advisor and fully immerse themselves into the operation.
- The firm is experienced in county government auditing. They also have experience with Human Services and some long term care. They currently do not audit any hospitals. The team is versed in healthcare, but their team focus is governmental.
- They were well prepared for the interview, as they had read our Board minutes and financials in advance.
- The firm is somewhat familiar with NCHC through reviewing information available online. They would commit to learning the organization in advance of beginning any audit work. This would be accomplished through interviews with staff, review of prior year audits, and review of current and past financial reports. They want to work as a partner and have a no surprise approach.
- They have a good planning process, audit process, and follow up with an exit conference. They can meet the March deadline, and will present to the NCHC Board and RCA committee at the March meeting. The firm is willing to respond to questions at anytime from the Board and RCA.
- The audit approach is a risk-based approach, in which a significant amount of time is spent reviewing those risk areas where estimates are used. Accounts receivable and revenue is the main focus of this risk review. The financial audit and state compliance audit are integrated together during the site visit.
- The firm has a local presence, so can be available to be onsite as needed. This can be beneficial in learning the organization.

2:00 pm: CliftonLarsonAllen Cost Proposal \$51,000 (2017)

- Feel NCHC would be a good fit with their firm. They are a large firm, with a large presence in government. They are growing in health care in Wisconsin. They have experience in long term care and not for profit hospitals.
- They are somewhat familiar with NCHC, as this firm is doing the nursing home study. They would continue to learn about the organization prior to the audit by being on site and interviewing staff, and reviewing processes as well as current and prior financial reports. The firm has staff with tenure, so feel they can provide stability with their staff being on the audit. This can be beneficial in learning the organization.
- They have a thorough planning process, and an in depth audit process, followed up with an exit conference to review findings, and ways to improve the process. The March deadline can be met, and the firm will present to the NCHC Board and RCA committee at the March meeting. The firm is also willing to take questions at any time from the Board and RCA.

- The audit approach is a risk-based approach, in which a significant amount of time is spent reviewing those risk areas where estimates are used. Accounts receivable and revenue is the main focus of this risk review. The financial audit and state compliance audit are integrated together during the site visit.
- The audit team is from Eau Claire and Milwaukee.
- Offer quarterly meetings with management to respond to questions and do a financial review.

3:00 pm: Baker Tilly Virchow Krause LLP-Cost Proposal \$29,500 plus \$4,000 and \$2,000 for each major federal and state program respectively. (estimate this be to \$18,000) (2017)

- Currently are the audit firm used by Marathon County, with a different audit team.
- Feel NCHC would be a good fit with their firm. They have a person centered approach, as does NCHC. The firm is experienced in health care and governmental auditing.
- They are not familiar with NCHC, but would become familiar prior to the audit. They would do this by meeting with management and staff, meet with the prior audit firm, and review financial information.
- Exceptional client service plan would be developed each year. Current audit team leaders have a 9.4/10 rating.
- Excellent ongoing training offerings as value added services.
- They have a thorough planning process, and an in depth audit process, followed up with an exit conference to review findings, and ways to improve the process. The March deadline can be met, and the firm will present to the NCHC Board and RCA committee at the March meeting. The firm is also willing to take questions at any time from the Board and RCA.
- The audit approach is a risk-based approach, in which a significant amount of time is spent reviewing those risk areas where estimates are used. Accounts receivable and revenue is the main focus of this risk review. The financial audit and state compliance audit are integrated together during the site visit.
- The audit team is from Milwaukee.

Recommendation

As previously indicated, the interview team interviewed, in person, all four audit firms that responded to the RFP. All four candidates have a similar audit approach, in which they focus on the risk areas. Each firm has a consistent approach in which planning and testing will begin prior to the end of the fiscal year, have an in depth audit and follow up with an exit conference. Each firm committed to meeting the March deadline and presenting at the March Board meeting. The interview team narrowed the candidates to two after the completion of the interviews. These two candidates are CliftonLarsonAllen and Wipfli.

Both candidates have are experienced in healthcare and governmental auditing. They have experienced staff, and appeared to be eager to work with North Central Health Care. Both firms are familiar with the organization, and could provide an independent review as they are neutral parties. The interview team recommends remaining with Wipfli.

The reasons for this recommendation are:

- They have a track record of meeting North Central Health Care's criteria and we are confident they will continue to be met.
- The firm has a strong presence in health care as well as governmental auditing. The firm is especially strong in Wisconsin based Psychiatric, acute and critical access hospitals and nursing homes, and is very familiar with health care reimbursement and regulatory compliance. They have a strong presence in WI, and have a local presence.
- The firm is familiar with NCHC. The firm brings to the proposal a new manager and concurring partner, which will provide a fresh look at NCHC's operations.
- The pricing is competitive.
- The firm has worked well with NCHC, as well as the stakeholders, and provides an in-depth, independent review. Additional time for training would not be needed, as they are familiar with the organization and all the programs included.
- The interview team would recommend asking Wipfli to also include quarterly meetings as part of their proposal.
- In the absence of a compelling reason to change, there is inherent risk in making a transition. Change for the sake of changing is not compelling in this case, especially since Wipfli has changed out the key audit team members with the new manager and concurring partner. This provides a new perspective while maintaining some stability in the Partner assigned to the audit.