

OFFICIAL NOTICE AND AGENDA
MEETING of the North Central Community Services Program Board to be held at
1100 Lake View Drive, Wausau, WI 54403, Wausau Board Room
at **12:00 pm** on **Thursday, March 21, 2019**

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.

A QUORUM OF THE RETAINED COUNTY AUTHORITY COMMITTEE, COMPRISED OF APPOINTEES FROM LANGLADE, LINCOLN, AND MARATHON COUNTIES, MAY BE PRESENT AT THE NORTH CENTRAL COMMUNITY SERVICES PROGRAM BOARD MEETING; HOWEVER, NO VOTE OR ACTION WILL BE TAKEN BY THE RETAINED COUNTY AUTHORITY COMMITTEE.

1. Call to Order
2. Public Comment for Matters Appearing on the Agenda – Limited to 15 Minutes
3. Chairman's Report and Announcements
4. Board Committee Minutes and Reports
5. Consent Agenda
 - A. ACTION: Approval of 2/28/2019 NCCSP Board Meeting Minutes
 - B. Nursing Home Operations Report
 - C. ACTION: Annual Review and Approval of Board Policy
 - i. Fund Balance Policy
 - ii. Write-Off of Accounts Receivable Policy
6. Board Education
 - A. 2018 Audit Presentation – Kim Heller, WIPFLI
 - i. ACTION: Accept the 2018 Audit
 - ii. ACTION: Accept the 2018 Fund Balance Statement
 - B. Presentation of Schematic Design for NCHC Campus Renovations
 - C. Governor Ever's 2019-2021 State Budget Proposal
7. Monitoring Reports
 - A. CEO Work Plan Review and Report
 - B. Quality Outcomes Review
 - i. ACTION: Review and Accept the February Quality Dashboard and Executive Summary
 - C. Chief Financial Officer's Report
 - i. ACTION: Review and Accept February Financial Statements
 - D. Human Services Operations Report
8. MOTION TO GO INTO CLOSED SESSION
 - A. Pursuant to Section 19.85(1) (c) and (f) Wis. Stats. for the purpose of considering employment and performance evaluation of any public employee over which the governmental body exercises responsibility, and preliminary consideration of specific personnel problems, which if discussed in public, would likely have a substantial adverse effect upon the reputation of any person referred to in such problems, including specific review of performance of employees and providers of service and review of procedures for providing services by Agency, to wit: Report of Investigations related to Corporate Compliance Activities and Significant Events.
9. RECONVENE to Open Session and Report Out and Possible Action on Closed Session Item(s)
10. Review of Board Calendar and Discussion of Future Agenda Items for Board Consideration
11. Assessment of Board Effectiveness: Board Materials, Preparation and Discussion
12. Adjourn

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: 03/15/2019 TIME: 4:00 PM BY: D. Osowski



Presiding Officer or Designee

NORTH CENTRAL COMMUNITY SERVICES PROGRAM BOARD MEETING MINUTES

February 28, 2019

12:00 Noon

Wausau Board Room

Present:

X	Norbert Ashbeck	X	Randy Balk	X	Steve Benson
X	Ben Bliven	X	John Breske	X	Meghan Mattek
X	Bill Metter	X	Corrie Norrbom	X	Rick Seefeldt
X	Romey Wagner	X	Bob Weaver	EXC	Theresa Wetzsteon
X via phone	Jeff Zriny				

Also Present: Michael Loy, Brenda Glodowski, Kim Gochanour, Laura Scudiere, Jennifer Peaslee, Lance Leonhard

Guests: Chrissy Seidler, Daniel Shine and Alvin (NCHC's Therapy Dog)

1. Call to order

- S. Benson called the meeting to order at 12:02 p.m.
- M. Loy introduced Alvin, North Central Health Care's Therapy Dog and Daniel Shine, MMT Manager. Alvin is a two year old Golden Doodle who has been at NCHC for two weeks. Daniel is the designated handler who attended an intensive two week training course with Alvin prior to bringing Alvin to NCHC. Alvin is gradually integrating to the Behavioral Health Services area being onsite a few hours each day to start. A goal is for him to attend groups/sessions, possibly be available for client requests, and eventually help diffuse certain crisis situations.

2. Public Comment for Matters Appearing on the Agenda

- None

3. Chairman's Report and Announcements

- None

4. Board Committee Minutes and Reports

- None

5. Consent Agenda

- **Motion**/second, Metter/Norrbom, to approve the Consent Agenda, motion carried. Consent Agenda includes:
 - 1/31/2019 NCCSP Board Meeting Minutes
 - Human Services Operations Report
 - Nursing Home Operations Report
 - Annual Review and Approval of the following Board Policies:
 - Capital Assets Management Policy
 - Cash Management Policy
 - Contract Review Policy

- Medical Staff Appointment Recommendations for Dia Arpon, MD, Sencan Unal, MD, and reappointments for Jean Baribeau-Anaya, PA-C, Laurence Gordon, DO, Bababo Opaneye, MD, and appointment amendments for Anne Dibala, MD, and Leandra Lamberton, MD.

6. Board Education – Overview of the Individual Placement and Support (IPS) Program at NCHC – Christine Seidler

- NCHC was awarded a grant to initiate the implementation process. We are excited to share that we received an exemplary status from the most recent State review of our program.
- The IPS Program helps promote the recovery of people with severe and persistent mental illness by helping them build their own personal skills such as resume building, completing applications, improving work skills, securing employment in areas the individuals are interested in, etc. Employment Specialists work directly with the individual and employer in the work setting until both are comfortable with the working relationship. Employment opportunities range from entry level service to business management. In 2012, when NCHC began measuring IPS employment rate outcomes, the targets were between 11-18% and in 2018 the Tri-County IPS Employment rate was 64%. These outcomes indicate that adhering to the IPS model and providing exemplary services are directly related to consumer success.

7. Monitoring Reports

A) CEO Work Plan Review and Report – M. Loy

- Campus renovation plans will be presented to the Marathon County Board in March. We are currently working through the City approval process (scheduled in 3 weeks), and waiting on one variance. We will be providing elevation pictures on what changes will occur and how they will impact the community. The pool design should be signed off by end of this week, bidding should begin in May with groundbreaking in June. Please look for an invitation for the County Board meeting in March which will include a video of the renovation plans and updates.
- Langlade County is reviewing space allocations to acquire more space for their growing needs. We are reviewing our physical space and plan to provide an update next month.
- Todd Boutain will begin March 4 as the Information Services Executive. Ashley Downing will also begin March 4 as the Information Services and Health Information Management Director. Both bring experience and management skills to these areas that will help us grow and meet the needs of the organization.
- Sue Matis, Human Resources Executive has an incredible professional opportunity and will be leaving as of March 15. She sent a letter to Mr. Zriny which was shared with the Board. The change in this area presented an opportunity to review the Executive Team structure. An updated Organizational Chart was distributed. Changes include promoting two human resources positions to the director level, promotion of the Marketing and Communications Manager to Director, moving Volunteer Services under the Nursing Home structure, and moving Transportation Services to a new position of Operations Executive. The position is ready to be posted and begin recruitment.

B) Quality Outcomes Review – M. Loy

- For 2019 the overall structure remains around 5 pillars of excellence with each connecting to End Statements.
 - 1) *People*: Vacancy and Retention Rate measures were retained from 2018.
 - 2) *Service*: Patient Experience has had a full transition to a new survey and we now have 6 months of data to establish a meaningful target for 2019.

- 3) *Clinical*: Readmission Rate includes nursing home and hospital. Additional detail is provided at the Program Dashboard level. The Nursing Home Star Rating has not changed since CMS froze the rating. We project we would be at 3 to 4 stars if our most recent surveys would be included. Adverse Event Rate incorporates both employees and patients (identified separately on dashboard). B. Bliven asked for additional detail regarding the out of county data which L. Scudiere will provide at a future meeting. Employee rate is higher due to weather related slips and falls. Total Hospital Days includes diversions.
- 4) *Community*: Access Rate is a composite score of all programs. Last year we made a many changes which positively impacted this rate.
- 5) *Finance*: Net Income is a new metric to look at earnings after expenses are deducted and should improve cash on hand.

- **Motion**/second, Wagner/Seefeldt, to accept the Quality Dashboard and Executive Summary. Motion carried.

C) Chief Financial Officer's Report – B. Glodowski

- There was a gain slightly over \$73,000. Both expenses and revenue were below target. The nursing home average census was 177 and the hospital census was 12. Some outpatient areas were down due to weather related days.
- Expenses overall were down. Even though health insurance was up by \$38,000 it did improve from the prior month. Expenses were up about \$58,000 which was better than anticipated but it is not where we want to be and we will continue to work in this area.
- The 2018 Audit will be presented in March. As of today the auditors do not have any adjustments related to operations. They do have the GASB adjustment (pension related) which is anticipated to be about \$745,000 but there is a new requirement GASB 75 related to life insurance. Several items are unadjusted but not considered significant. We are also looking very closely to set up and be prepared for the master facility planning project to begin. There should be no bottom line impact.
- We have active case management, including care coordinating conferences occurring regularly regarding diversions in an effort to make improvements and reduce expenses.
- **Motion**/second, Ashbeck/Weaver, to accept the January Financial Statements. Motion carried.

8. Board Discussion and Possible Action

A) ACTION: Program Application to the Retained County Authority Committee for a Sober Living Pilot Program in Langlade County

- Sober Living is an extension of treatment which supports treatment and recovery.
- The location of the program/facility cannot be near anything that would trigger a setback.
- Chris Grant, Medical College of Wisconsin medical student, who performed a needs assessment, suggested starting with a home for females first. No children would be allowed in this model at this time.
- Before being accepted into the facility individuals would need to have 30 days of sobriety and complete an assessment. This program is intended to support their current treatment program which would be a requirement.

- Acquisition of the home is a onetime cost. (Refer to financials in packet.) It is felt the program is scalable and would become more financially viable but would still require a levy subsidy. The proposal to Langlade County is for them to purchase a facility, provide the start-up costs, and ongoing maintenance of the property. If approved by the NCCSP Board the next step is for the Langlade County Board to approve as the Retained County Authority (RCA) has approved.
 - **Motion**/second, Wagner/Bliven, to approve the proposal as presented. Following discussion, motion carried.
- B) ACTION: Authorize Board Contingency Funding for the Human Services Research Institute (HSRI) to Perform a Comprehensive Community Environmental Scan and Strategic Plan
- M. Loy introduced David Hughes of HSRI. Loy was referred by leadership at the State of a project that Hughes had done. Hughes has been advising and consulting for the State and state-level organizations throughout the country.
 - Hughes shared his background and that of HSRI and described his proposed project and the goals of the project, data sources, and project timeline, and implementation process. (Refer to attached documentation.)
 - Hughes responded to questions from the Board i.e. If data is available they will look at interfacing between public and private providers in mental health services, a focus on developing prevention programs is a strong goal.
 - **Motion**/second, Metter/Wagner, to authorize contingency funding for HSRI to perform a comprehensive community environment scan and strategic plan at a cost not to exceed \$200,000. The Board instructed M. Loy to seek funding support for the project from other community agencies who may have an interest in the outcomes. Motion carried.
- C) ACTION: Amend the 2019 Capital Budget to authorize the Purchase of a New Occurrence Reporting System
- Several years ago the decision was made to custom build the Occurrence Reporting system within the TIER system (electronic medical record or EMR) which has been challenging for staff to utilize. With the update to our EMR anticipated in the next 1-2 years, we are recommending a stand-alone occurrence reporting solution, SafetyZone. There is a onetime up-front fee of \$45,000 and annual fees of \$7,000-\$8,000. Mattek commented that from her experience the SafetyZone product is very effective, quick, and one that she highly recommends.
 - **Motion**/second, Norrbom/Mattek, to amend the 2019 Capital Budget to authorize the purchase of a new occurrence reporting system in an amount not to exceed \$45,000 (see attached proposal). Motion carried.
- D) Board Educational Priorities for 2019
- Loy will reach out to five members of the Board and work one on one to develop issues for Board policy decisions over the next few months which will help develop education at the Board Retreat and throughout the year.

9. MOTION TO GO INTO CLOSED SESSION:

- A) **Motion** by Weaver to adjourn into closed session pursuant to Section 19.85(1) (c) and (f) Wis. Stats. for the purpose of considering employment and performance evaluation of any public employee over which the governmental body exercises responsibility, and preliminary consideration of specific personnel problems, which if discussed in public, would likely have a substantial adverse effect upon the reputation of any person referred to in such problems, including specific review of performance of employees and providers of service and review of procedures for providing services by Agency, to wit: Report of Investigations related to Corporate Compliance Activities and Significant Events; and for
- Second by Ashbeck. Roll call. All ayes. Motion passed 12-0. Meeting convened in closed session at 1:55 p.m.

10. RECONVENE to Open Session and Report Out and Possible Action on Closed Session Item(s)

- **Motion**/second, Bliven/Ashbeck, to reconvene into Open Session. All Ayes. Motion passed 12-0. Meeting convened in Open Session at 2:07 p.m.
- No action or announcements on the Closed Session Item(s) were made.

11. Review of Board Calendar and Discussion of Future Agenda Items for Board Consideration

- The March Board meeting will be one week earlier than the usual last Thursday of the month due to spring break the last week of March.
- The March Board meeting will include a presentation of the 2018 audit.
- There has been a lot occurring legislatively with health care as one of the largest issues in the last election. A handout from the Wisconsin Hospital Association was distributed. Governor Evers is a proponent of Medicaid expansion but the questions is what to do with those dollars. It is possible there could be additional money for Medicaid Reimbursement. Updates will be provided as information becomes available.

12. Assessment of Board Effectiveness

- None

13. Adjourn

- **Motion**/second, Ashbeck/Weaver, to adjourn the meeting at 2:09 p.m. Motion carried.




MEMORANDUM

DATE: March 14, 2019
TO: North Central Community Services Program Board
FROM: Kim Gochanour, Nursing Home Operations Executive & Administrator
RE: February Nursing Home Operations Report

The following items are general updates and communication to support the Board on key activities and/or updates of the Nursing Home Operations since our last meeting.

- 1) **Matrix Implementation Update:** We were able to successfully close our financials in the new system for February and have now started training our clinical staff on care plans, MDS and face sheet, and census management. We are noticing an increase in labor due to training time and assigned tasks to complete. Each nurse was assigned 5 residents to complete their items. We are fortunate to have a core training team who has done a fabulous job and they are: Todd Shnowske, IT project manager, Heather Schultz, MDS Coordinator, Theresa Szews, Quality Data Specialist, Mary McDougal, Business Operations, and Jane Heil, City County IT.
- 2) **Therapy Review:** As part of ongoing reviews of services that we receive, we sent out Request for Proposals for therapy services. As one of our largest expenses for Mount View we want to ensure we are receiving the best quality and value for the services provided. We met onsite with four providers and after analysis we have chosen to remain with Aegis Therapies and have established guidelines and parameters that we want to see enhancements to better serve our residents. This contract will be reviewed again in 2020 with the upcoming changes to our Medicare Payment System anticipated in October 2019.
- 3) **Staff Education and Communication:** In conjunction with NCHC's quarterly employee updates, Mount View also holds town hall meetings for the nursing home staff with the first meeting of 2019 held in February. The topics covered were the employee engagement survey results, performance evaluations, recruitment and retention. Part of our employee engagement action plan is the recognition of staff. As part of that plan we created an employee profile that was introduced at the meeting to be reviewed at the performance evaluation. This form will be available to all Mount View staff to see how individuals like to be recognized which we hope will translate to improvement with our employee engagement score going forward.
- 4) **Employee Engagement:** In February we celebrated our Dietary Staff by "cooking" for them. Mount View staff held a potluck in appreciation for all the wonderful food that Dietary Staff prepare for our residents, staff and guests. This team, made up of 67 employees in 2018, prepared 281,808 meals which equates to 772 meals per day.

Name of Document: Fund Balance Policy: X <input checked="" type="checkbox"/> Procedure: <input type="checkbox"/>	 North Central Health Care <small>Person centered. Outcome focused.</small>
Document #: 0105-1	Department:
Primary Approving Body: CFO	Secondary Approving Body: NCCSP Board

Related Forms:

None.

I. Document Statement

This policy of North Central Health Care is to establish Fund Balances of each County on a regular basis and report the activity to each County's Finance Director.

II. Purpose

To maintain stable Fund Balances and to secure viability of the continued growth and future of North Central Health Care.

III. Definitions

Invested Cash Reserves – Cash that has been invested, such as certificates of deposit.

Net Position – Represents each County's share of ownership in the organization.

Operating Cash – Cash in the general checking account used for operations such as payroll and accounts payable.

Operational Deficit – Excess expense over revenues from operations.

Operational Surplus – Excess revenue over expenses from operations.

IV. General Procedure

- 1) The Unrestricted Fund Balance for each County will be monitored with a minimum and maximum target applied to review adequacy of the balance. The minimum target is 20% of operating expenses and the maximum is 35% of operating expenses.
- 2) In addition to the targeted Fund Balance, each County's Fund Balance will include a risk reserve of \$250,000.

- 3) Invested Cash Reserves will be applied to each County based on the County's overall net position within the organization. Targeted days of Invested Cash On Hand will be 90 days of annual operational expense.
- 4) At the end of the fiscal year, the operational surplus or deficit for each County is applied to the Fund Balance. This is outlined in the annual audit report.
- 5) At the completion of the annual audit, the NCHC Chief Financial Officer (CFO), will provide a Fund Balance Report to each County's Finance Director and the NCHC Board.
- 6) The overall target in Unrestricted Fund Balance shall be the higher of the maximum target of operating expenses or 90 Days Invested Cash.
- 7) If the balance of the Unrestricted Fund Balance exceeds the overall target for two consecutive years, the North Central Health Care Chief Executive Officer (CEO) and CFO will meet with the County Finance Director to review options for potential utilization of excess reserves. A plan for utilization will be reported back to NCHC Board.
- 8) For planning purposes, the NCHC CFO will provide the County Finance Directors the Fund Balance analysis by March 31st following the finalization of the audit. If any of the Fund Balances exceed the designated targets and the Finance Director of that county opts to utilize a portion of the excess reserves, the Finance Director should notify NCHC by June 30th.

V. Program-Specific Requirements:


None

References:

Joint Commission: None

CMS: None

Related Documents: None

Name of Document: Write-off of Accounts Receivable Policy		 North Central Health Care Person centered. Outcome focused.
Policy: x <input checked="" type="checkbox"/> Procedure: <input type="checkbox"/>		
Document #: 0600-1	Department: Patient Financial Services	
Primary Approving Body: CFO	Secondary Approving Body: NCCSP Board	

Related Forms:

- Write-off Form

I. Document Statement

It is the policy of North Central Health Care to write-off certain accounts receivable charges determined to be uncollectable.

II. Purpose

To have a write-off process in place that requires authorization of write-offs and allows for an efficient monitoring of the process. Write-offs will be classified as bad debt or administrative in nature.

III. Definitions

Administrative: items related to internal processes such as administrative error, balances too small to collect, no prior authorization, services not medically necessary and insufficient documentation.

Bad debt: accounts uncollected due to unforeseen circumstances such as bankruptcy, death of a client, or collection agency returns.

Write-off: A charge on a client account that is determined to be uncollectable.

IV. General Procedure

- 1) Patient Financial Services Representatives pursue all avenues of collection on an account. Once all collection avenues have been exhausted, a request to write-off the account is completed.
- 2) All write-offs are approved by Patient Financial Services Director and Chief Financial Officer.
- 3) Cash application staff process all write-offs in the system upon receipt of an authorized approval. A detailed analysis of the write-off activity is completed and balanced to the general ledger on a regular basis. This analysis becomes part of the annual audit workflow and is reviewed by the audit firm.

V. Program-Specific Requirements:

References: None

North Central Health Care
Fund Balance Review
As of December 31, 2018

	Marathon	Langlade	Lincoln	Total
Total Operating Expenses-2018	\$59,687,124	\$4,977,170	\$5,518,406	\$70,182,700
General Fund Balance Target -Minimum (20% of operating expense)	\$11,937,425	\$995,434	\$1,103,681	\$14,036,540
General Fund Balance Target-Maximum (35% of operating expenses)	\$20,890,493	\$1,742,010	\$1,931,442	\$24,563,945
Risk Reserve Fund	\$250,000	\$250,000	\$250,000	
Total Fund Balance-Minimum Target	\$12,187,425	\$1,245,434	\$1,353,681	\$14,786,540
Total Fund Balance-Maximum Target	\$21,140,493	\$1,992,010	\$2,181,442	\$25,313,945
General Fund Balance-Unrestricted at 12/31/18	\$26,159,167	\$2,669,872	\$3,254,024	\$32,083,063
General Fund Balance-Contributed Capital and Restricted Pension Benefit at 12/31/18	\$10,363,028	\$123,750	\$645,134	\$11,131,912
Total Net Position at 12/31/2018	\$36,522,195	\$2,793,622	\$3,899,158	\$43,214,975
Unrestricted Fund Balance-Above (Below) Minimum Target	\$13,971,742	\$1,424,438	\$1,900,343	\$17,296,523
Unrestricted Fund Balance-Above (Below) Maximum Target	\$5,018,674	\$677,863	\$1,072,582	\$6,769,118
County Percent of Total Net Position	84.51%	6.46%	9.02%	100.00%
Share of Invested Cash Reserves (based Net Position %)	\$11,570,924	\$885,072	\$1,235,327	\$13,691,324
Days Invested Cash on Hand	71	65	82	71
Targeted Days Invested Cash on Hand	90	90	90	90
Required Invested Cash to meet Target	\$14,717,373	\$1,227,247	\$1,360,703	\$17,305,323
Share of Invested Cash Reserves Above (Below) Target	(\$3,146,449)	(\$342,175)	(\$125,376)	(\$3,613,999)



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March 13, 2019

Board of Directors
North Central Health Care
Wausau, Wisconsin

Dear Board Members:

We have audited the financial statements of North Central Health Care (NCHC) for the year ended December 31, 2018, and have issued our report thereon dated March 13, 2019. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of Wisconsin Single Audit Guidelines

As stated in our engagement letter dated November 30, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered NCHC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Wisconsin Single Audit Guidelines.

As part of obtaining reasonable assurance about whether NCHC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance and *State of Wisconsin Single Audit Guidelines*, we examined, on a test basis, evidence about NCHC's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and *State of Wisconsin Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs for the purpose of expressing an opinion on NCHC's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on NCHC's compliance with those requirements.

Required Supplementary Information Accompanying Audited Financial Statements

We applied certain limited procedures to the management's discussion and analysis, the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, and the schedules of employer's proportionate share of the net OPEB liability (asset) and employer contributions – Local Retiree Life Insurance Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Supplementary Information Accompanying Audited Financial Statements

We were engaged to report on the combined financial statements and the schedules of expenditures of federal and state awards, which accompany the financial statements but are not RSI. With respect to the supplementary information, consisting of combining financial statements, accompanying the combined financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

We prepared NCHC's Form SF-SAC – Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations for 2017, which is submitted electronically, along with our audited financial statements, to the Federal Audit Clearinghouse. The Form SF-SAC for 2018 is not yet due.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your representatives, Brenda Glodowski and Kim Wieloch, in our planning meetings in addition to our engagement letter dated November 30, 2018, accepted by Brenda Glodowski.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NCHC are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, NCHC changed accounting policies related to reporting for postemployment benefits other than pensions by adopting Governmental Accounting Standards Board Statement (GASB Statement) No. 75, *Accounting for Financial Report for Postemployment Benefits Other Than Pensions*. Accordingly, the beginning net position of NCHC has been restated as described in Note 21 of the financial statements.

We noted no transactions entered into by NCHC during the year for which there is a lack of authoritative guidance or consensus. Financial statement disclosures are neutral and consistent with other health care organizations.

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

The most sensitive estimates affecting the financial statements are:

- The adequacies of the accounts receivable contractual adjustments and allowance for doubtful accounts are subjective estimates affecting the financial statements. The accounts receivable contractual adjustments and allowance for doubtful accounts are maintained at levels that management believes are adequate to provide for possible write-offs. Management regularly evaluates the adequacy of the accounts receivable contractual adjustments and allowance for doubtful accounts using NCHC's past bad debt experience, known and inherent risks in accounts receivable, current economic conditions, and other relevant factors. We evaluated the key factors and assumptions used to develop the accounts receivable contractual adjustments and allowance for doubtful accounts in determining that the estimates are reasonable in relation to the financial statements taken as a whole.
- The estimated final settlements on the Medicare and Medicaid cost reports are based on audits conducted by the fiscal intermediaries. Management periodically evaluates the adequacy of the balance using NCHC's experience, known and inherent risks in the preparation of these cost reports, and risks associated with doing business in the health care industry. We reviewed the estimated settlements recorded for each open year to determine the reasonableness of the estimates based on the results of previous audits by the fiscal intermediary, known and inherent risks in the preparation of these cost reports, and risks associated with doing business in the health care industry.
- The adequacy of the reserves for self-funded health and dental insurance claims are also subjective. The reserves for health and dental insurance claims are maintained at levels which management believes are adequate to cover claims incurred during the year ended December 31, 2018, but not paid until after December 31, 2018. Management periodically evaluates the reserves using NCHC's past experience, known claims, and other relevant factors. We evaluated the key factors and assumptions used to develop the reserves for health and dental insurance claims in determining that they are reasonable in relation to the financial statements.

Qualitative Aspects of Accounting Practices (Continued)

- The adequacy of the liability for the employee health reimbursement accounts is also subjective. The liability is estimated at a level which management believes is appropriate to cover claims to be paid to employees upon their retirement after December 31, 2018, associated with amounts earned by employees prior to December 31, 2018. Management periodically evaluates the reserves using NCHC's past experience, known claims, and other relevant factors. We evaluated the key factors and assumptions used to develop the estimated health reimbursement account liability in determining they are reasonable in relation to the financial statements.
- The allocation of allowable direct and indirect costs used for grant reporting and for allocating the net position among the three participating counties is also subjective. Management periodically reviews the reasonableness of the allocation of costs using NCHC's past experience, known and inherent risks in expenditures, known expenditures, and other relevant factors. We evaluated the key factors and assumptions used in the allocation of the allowable direct and indirect costs for grant reporting and for allocating the net position among the three participating counties in determining that the methodologies are reasonable in relation to the financial statements and the Schedules of Expenditures of Federal and State Awards for the year ended December 31, 2018.
- The net pension and OPEB liability (asset) and the related deferred outflows and deferred inflows are dependent upon actuarial assumptions used by the Wisconsin Department of Employee Trust Funds (ETF) to determine the collective pension and OPEB assets and liabilities of the Wisconsin Retirement System and the allocations provided by ETF to the individual employers. We verified and recalculated amounts specific to NCHC, including the employer amount used in the allocation percentage, the allocation percentage for the employer, and the pension amounts allocated to the employer based on the allocation percentage.
- NCHC is required to capitalize and depreciate its capital assets. NCHC has to estimate the useful lives of these assets for the purposes of calculating depreciation. We reviewed the lives assigned to the assets in order to determine that depreciation expense on the capital assets is reasonable.
- NCHC is required to evaluate lease agreements to determine if the agreement needs to be recorded as a capital lease obligation. Key factors in making this determination include the useful life of the leased equipment, the incremental borrowing rate, and the fair value of the equipment at the inception of the lease. We reviewed the factors utilized in determining that a new lease executed in 2018 should be treated as a capital lease obligation.
- NCHC is required to evaluate legal matters outstanding as of December 31, 2018, to determine if NCHC should record a liability for potential settlements related to outstanding legal matters. Key factors in making this determination include the status of the legal matter, the likelihood of settlement of the legal matter, and the ability of NCHC to estimate the potential liability. We reviewed the factors utilized by management to conclude that NCHC should not record estimated liability associated with legal matters outstanding as of December 31, 2018.

Income before contributed capital for the years ended December 31, 2018 and 2017 included \$873,200 and \$2,113,000 for activity related to 2017 and 2016, respectively, because of changes in cost report, WIMCR, CCS, allowances for contractual adjustment, and bad debt and self-funded health insurance estimates.

Qualitative Aspects of Accounting Practices (Continued)

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We consider the disclosure related to changes in accounting estimates, disclosures related to receivables restricted for the aquatic pool, and disclosures related to the master facility plan project to be sensitive disclosures.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The following entries were recorded during the audit process:

	Assets and Deferred Outflows	Liabilities and Deferred Inflows	Net Position		
			Beginning	Change	Ending
Adjust Wisconsin Retirement System Balances	\$ 3,650,900	\$ 4,376,000	\$ -	\$ (725,100)	\$ (725,100)
Record OPEB Life Insurance balances	108,700	957,800	(804,300)	(44,900)	(849,200)
Record capital lease obligation	130,400	130,400	-	-	-
Record construction in progress for master facility plan	343,400	343,400	-	-	-
Record receivables restricted for aquatic pool	3,213,300	-	-	3,213,300	3,213,300
Totals	\$ 7,446,700	\$ 5,807,600	\$ (804,300)	\$ 2,443,300	\$ 1,639,000

We also discussed the following items that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is included in the attached audit representation letter.

Overstatement (Understatement) of 12/31/2018 financial statements					
Description	Assets and Deferred Outflows	Liabilities & Deferred Inflows	Beginning Net Position	Income Before Contributed Capital	Ending Net Position
Overstatement of receivable restricted for capital assets	\$ 108,400	\$ -	\$ -	\$ -	\$ 108,400
Understatement of capital assets	-	-	(200,000)	200,000	-
Understatement of accounts payable		(74,900)	-	74,900	74,900
Understatement of fixed assets and accounts payable	(33,000)	(33,000)	-	-	-
Overstatement of accounts receivable	25,000	-	-	25,000	25,000
Total unadjusted differences - December 31, 2018	\$ 100,400	\$ (107,900)	\$ (200,000)	\$ 299,900	\$ 208,300

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letters dated March 13, 2019, copies of which accompany this letter.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, management has not obtained any opinions from other independent accountants on the application of accounting principles generally accepted in the United States which would affect NCHC's financial statements or on the type of opinion which may be rendered on the financial statements.

Other Audit Findings or Issues

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

Internal Control Matters

In planning and performing our audit, we considered NCHC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of NCHC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NCHC's internal control over financial reporting.

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

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above. However, our consideration of internal control over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore significant deficiencies and material weaknesses may exist that were not identified.

We appreciate the opportunity to be of service to North Central Health Care.

This communication is intended solely for the information and use of North Central Health Care's management and Board of Directors, and includes a description of the scope of our testing of internal control over financial reporting and the results of that testing. The communication related to considering NCHC's internal control over financial reporting is an integral part of an audit performed in accordance with Government Auditing Standards in considering NCHC's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", and "l" being particularly prominent and connected.

Wipfli LLP

Enc.



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March 13, 2019

Wipfli LLP
11 Scott Street
Wausau, WI 54403

We are writing to confirm that North Central Health Care (“NCHC”) had none of the following events occur during the time period starting with our most recent fiscal year-end (December 31, 2018) to the date of the letter. There have been no:

1. Subsequent settlements of a contingent liability or litigation at an amount that is different from the amount recorded in the draft year-end financial statements, if applicable.
2. New (previously undisclosed to Wipfli LLP) pending or threatened litigation, claims, or assessments, or unasserted claims or assessments.
3. Substantive consultations with the attorneys, selected for confirmation by you, since the effective date of the respective legal confirmations.
4. Material adverse changes in financial position of NCHC since year-end.
5. Material changes to any significant estimates in the draft year-end financial statements.
6. Sales of any assets subsequent to year-end at a price significantly less than the carrying value in the draft financial statements.
7. Plant shutdowns or strikes, if applicable.
8. Changes to previously disclosed substantial contingent liabilities or commitments that existed at the date of the balance sheet, and no new substantial contingent liabilities or commitments have become known since the balance sheet date.
9. Significant changes in the capital stock, long-term debt, or working capital.
10. Changes in the current status of items in the financial statements being reported on that were accounted for on the basis of tentative, preliminary, or inconclusive data.

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11. Unusual adjustments made during the period from the balance sheet date to the date of this inquiry.
12. Significant undisclosed (in the draft year-end financial statements) financial commitments.
13. Commitments or plans for major purchases of capital assets or inventory exist, and consideration was given to possible losses due to price changes.
14. Changes in accounting or financial policies.
15. Events that caused a decline in the value of any assets or that made any significant portion of fixed assets idle or obsolete.
16. Expiration or cancellation of significant insurance coverage.
17. New regulatory requirements or laws that could adversely affect the entity.
18. Liabilities in dispute or being contested.
19. Losses of major suppliers or key executive employees.
20. New, or change to, related-party transactions since year-end.
21. Minutes (or summaries in place of approved minutes) from director meetings have been prepared and not provided to you for the period under audit through the date of this letter.
22. Meetings of directors where minutes have not yet been prepared.

Sincerely,

North Central Health Care


Michael Loy, CEO

March 13, 2019
Date


Brenda Glodowski, CFO

March 13, 2019
Date

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Representation Letter for Single Audits

March 13, 2019

Wipfli LLP
11 Scott Street
Wausau, WI 54403

This representation letter is provided in connection with your audit of the financial statements of North Central Health Care ("NCHC"), which comprise the combined statements of net position as of December 31, 2018 and 2017 and the related combined statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (GAAP).

This representation letter is also provided in connection with your audit of the federal and state award programs of NCHC as of and for the year ended December 31, 2018, which was performed in accordance with auditing standards generally accepted in the United States; Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the *State Single Audit Guidelines*, and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We understand that the purpose of your testing of transactions and records from NCHC's federal and state programs was to obtain reasonable assurance that NCHC had complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of its major programs.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 30, 2018, including our responsibility for the preparation and fair

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presentation of the financial statements in accordance with GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. We agree with the adjusting journal entries proposed by you and which are given effect to the financial statements.
9. The effects of uncorrected misstatements, as presented on the attached schedule, was determined to be immaterial to the financial statements taken as a whole.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.
11. Material concentrations have been properly disclosed in accordance with GAAP.
12. The allocation of functional expenses reported in the notes to the financial statements is reasonable based on NCHC's current operations.
13. Guarantees, whether written or oral, under which NCHC is contingently liable, have been properly recorded or disclosed in accordance with GAAP.

Information Provided

14. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

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- b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within NCHC from who you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting NCHC involving:
- a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting NCHC's financial statements communicated by employees, former employees, regulators, or others.
19. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effect should be considered when preparing financial statements.
20. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. Adequate and reasonable provision has been made for losses related to asserted and unasserted malpractice, health insurance, worker's compensation, and any other claims or assessments.
21. We have disclosed to you the identity of NCHC's related parties and all the related party relationships and transactions of which we are aware.
22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
24. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

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25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. NCHC has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. NCHC has complied with the provisions of the Joint County Agreement between Marathon, Lincoln, and Langlade Counties.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
28. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
29. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting noncompliance.
31. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards and state financial assistance. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards and state financial assistance.
32. NCHC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged, except as disclosed in the notes to the financial statements.
33. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

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34. Components of net position (net investment in capital assets and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
35. NCHC has maintained an appropriate composition of net position in amounts needed to comply with all donor restrictions.
36. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenue, expenses, and changes in net position, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of revenue, expenses, and changes in net position within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Deposits and investment securities are properly classified as to risk, and investments are properly valued and disclosed.
42. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
43. We have appropriately disclosed NCHC's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
44. NCHC has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
45. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make NCHC vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
46. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting noncompliance.

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47. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements. Specifically:
- a. There are no violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.
 - b. Billings to third-party payors comply in all material respects with applicable coding guidelines (for example, ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
 - c. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
48. Receivables recorded in the financial statements represent valid claims for charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value as follows:
- a. Adequate consideration has been given to, and appropriate provision made for, estimated adjustments to revenue, such as for denied claims and changes to prospective payment system assignments.
 - b. Recorded valuation allowances are necessary, appropriate, and properly supported.
 - c. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available to you.
49. Provision has been made, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements. In regards to cost reports filed with third-parties:
- a. All required Medicare, Medicaid, and similar reports have been properly filed on a timely basis.

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- b. Management is responsible for the accuracy and propriety of all cost reports filed.
 - c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors.
 - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
 - e. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
 - f. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
 - g. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
50. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
51. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
52. We acknowledge our responsibility for presenting the additional combining information in accordance with accounting principles generally accepted in the United States, and we believe the additional combining information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States. The methods of measurement and presentation of the additional combining information are appropriate and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
53. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

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54. We believe the methods used to allocate balance sheet amounts between the 51.41/437 program and the nursing home program are appropriate.
55. Disclosures included in Note 8 related to the master facility plan project are accurate.
56. There are several legal matters outstanding as of December 31, 2018. Because of the uncertainty of any potential settlement associated with these legal matters is unknown, no accrual has been recorded related to these matters.

With Respect to Federal and State Award Programs

57. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of Wisconsin Single Audit Guidelines including requirements relating to preparation of the schedules of expenditures of federal awards and state financial assistance.
 - b. We acknowledge our responsibility for presenting the schedules of expenditures of federal awards and state financial assistance in accordance with the requirements of the Uniform Guidance and State of Wisconsin Single Audit Guidelines, and we believe the schedules of expenditures of federal and state awards, including their form and content, are fairly presented in accordance with the Uniform Guidance and State of Wisconsin Single Audit Guidelines. The methods of measurement of the schedules of expenditures of federal awards and state financial assistance have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the schedules of expenditures of federal and state awards.
 - c. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and State of Wisconsin Single Audit Guidelines, and included in the schedules of expenditures of federal awards and state financial assistance made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - d. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state programs.
 - e. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the

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provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

- f. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to major federal and state programs and related activities.
- g. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- h. We have complied with direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB Compliance Supplement and State of Wisconsin Single Audit Guidelines, relating to federal and state awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal and state awards.
- i. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m. We have made available to you all documentation related to the compliance with the direct material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have

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taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

- q. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We have charged costs to federal and state awards in accordance with applicable cost principles.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and State of Wisconsin Single Audit Guidelines and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- u. We are responsible for and have reviewed the auditee section of the Data Collection Form as required by the Uniform Guidance.
- v. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Sincerely,

Brenda Glodowski, CFO

March 13, 2019

Michael Loy, CEO

March 13, 2019

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North Central Health Care Unadjusted Difference Schedule December 31, 2018

Effect on 12/31/2018 financial statements if entry is not made - Overstated (Understated)

Description	Assets	Liabilities & Deferred Inflows	Beginning Net Position	Income Before Contributed Capital	Ending Net Position
Overstatement of receivable restricted for capital assets	108,400	-	-	-	108,400
Understatement of capital assets	-	-	(200,000)	200,000	-
Understatement of accounts payable (Cardinal Health)		(74,900)	-	74,900	74,900
Understatement of fixed assets and accounts payable	(33,000)	(33,000)			
Overstatement of accounts receivable - a/r report date	25,000	-	-	25,000	25,000
Total unadjusted differences - December 31, 2018	\$ 100,400	\$ (107,900)	\$ (200,000)	\$ 299,900	\$ 208,300
Financial statement caption totals	\$ 62,112,500	\$ 10,993,100	\$ 40,833,900	\$ (394,900)	\$ 43,215,000
Percent of financial statement caption totals	0.16%	-0.98%	-0.49%	-75.94%	0.48%

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North Central Health Care

Combined Financial Statements and Required Supplementary
Information, Supplementary Combining Information, and
Uniform Guidance Information

Years Ended December 31, 2018 and 2017



Independent Auditor's Report

Board of Directors
North Central Health Care
Wausau, Wisconsin

Report on the Financial Statements

We have audited the accompanying combined statements of net position of North Central Health Care, a component unit of Marathon County, as of December 31, 2018 and 2017, and the related combined statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements which collectively comprise North Central Health Care's financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 North Central Health Care as of December 31, 2018 and 2017, and the changes in its financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4 through 14, the schedule of employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System on page 52, and the schedule of the employer's proportionate share of the net OPEB liability (asset) and employer contributions on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the combined financial statements that collectively comprise North Central Health Care's basic financial statements as a whole. The accompanying combining financial statements are presented for purposes of additional analysis of the combined financial statements rather than to present the separate financial position, results of operations, and cash flows of the 51.42/.437 program and the nursing home, and are not a required part of the combined financial statements.

The accompanying schedules of expenditures of federal and state awards are presented for the purposes of additional analysis, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, and are not a required part of the financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, on our consideration of North Central Health Care's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Health Care's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

March 13, 2019
Wausau, Wisconsin

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Overview of the Financial Statements

The annual financial report consists of management's discussion and analysis, the combined financial statements, including notes to the combined financial statements and related combining information, and other information. The combined financial statements present different views of North Central Health Care's (NCHC) financial activities and consist of the following:

- The combined statements of net position compare assets to liabilities to give an overall view of the financial health of NCHC.
- The combined statements of revenue, expenses, and changes in net position provide information on an aggregate view of NCHC's finances.
- The combined statements of cash flows provide sources and uses of cash for NCHC.

Brief Discussion

NCHC financial statements represent two distinct businesses:

- The 51.42/.437 Human Services Program which includes a 16-bed psychiatric hospital, AODA and mental health services, crisis services, adult protective services, the aquatic program, community programs, and residential program serving the specialized needs of targeted populations.
- A 200-bed nursing home on the NCHC campus which is operated for the benefit of Marathon County.

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Financial Analysis

Statements of Net Position

One of the most important questions asked about NCHC's finances is, "Is NCHC as a whole better or worse off as a result of the year's activities?" The statements of net position and statements of revenue, expenses, and changes in net position report information about NCHC's resources and its activities in a manner that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All current year's revenue and expenses are taken into account regardless of when cash is received or paid.

NCHC's net position – the difference between assets and liabilities – is one way to measure NCHC's financial health or financial position. Over time, increases or decreases in NCHC's net assets are one indicator of whether financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in NCHC's revenue base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of NCHC.

Condensed Statements of Net Position			
	2018	2017	2016
Assets and deferred outflows of resources:			
Current assets	\$ 16,486,280	\$ 16,304,389	\$ 13,789,903
Investments	13,691,324	11,792,118	10,300,000
Assets limited as to use	1,250,934	845,128	2,836,893
Patient trust funds	34,487	35,673	56,589
Receivable restricted for aquatic pool	3,213,262	-	-
Net pension asset - WRS	5,559,798	-	-
Capital assets - Net	11,605,702	11,682,020	11,603,081
Deferred outflows of resources - Related to pensions	10,270,680	12,070,837	17,516,720
Total assets and deferred outflows of resources	\$ 62,112,467	\$ 52,730,165	\$ 56,103,186
Liabilities:			
Current liabilities	\$ 6,480,820	\$ 5,256,845	\$ 6,458,081
Net pension liability	944,541	1,582,088	3,127,379
Related-party note payable - Noncurrent	343,429	-	481,871
Long-term portion of capital lease liability	101,112	-	-
Patient trust funds	34,487	35,673	56,589
Total liabilities	7,904,389	6,874,606	10,123,920
Deferred inflows of resources - Related to pensions and life insurance	10,993,103	5,021,704	6,647,040
Net position:			
Net investment in capital assets	11,131,912	11,682,020	10,966,900
Restricted for capital assets	3,213,262	-	-
Unrestricted:			
Board designated	1,250,934	845,128	2,836,893
Undesignated	27,618,867	28,306,707	25,528,433
Total net position	43,214,975	40,833,855	39,332,226
Total liabilities, deferred inflows of resources, and net position	\$ 62,112,467	\$ 52,730,165	\$ 56,103,186

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Net Position (Continued)

Factors affecting NCHC's statement of net position in 2018 are:

- During 2018 and 2017, cash and cash equivalents, investments, and assets limited as to use increased \$1,703,079 and \$1,449,560, respectively. The reader should note that most of the cash and cash equivalents and investments are identified with the 51.42/.437 program. NCHC has targeted, through the strategic planning process, to continue to increase reserves each year. Investments increased \$1,899,206 during 2018. Continued improvements in accounts receivable, increases in cost reporting settlements, and expense management increased cash flows which allows for more funds to be invested.
- Current liabilities total \$6,480,820 and \$5,256,845 at December 31, 2018 and 2017, respectively, which includes accounts payable, accrued payroll and related fringe benefits, and amounts payable to and deferred revenue related to third-party reimbursement programs and patient trust funds which are managed by NCHC for residents of the nursing home. Also included in the current liabilities for 2018 is the current portion of a capital lease for copiers.
- At December 31, 2018, NCHC's net position totaled \$43,214,975 on a combined basis consisting of an investment of \$11,131,912 in capital assets net of related debt, restricted contributions for capital assets of \$3,213,262, and \$28,869,801 of unrestricted net position. At December 31, 2017, NCHC's net position totaled \$40,833,855 on a combined basis consisting of an investment of \$11,682,020 in capital assets net of related debt and \$29,151,835 of unrestricted net position.
- Significant components of the change in NCHC's net position are the 2018 loss before contributed capital of \$394,905 and contributions totaling \$3,213,262 restricted by donors for a new aquatic pool. There was an expense totaling \$769,925, which was recorded in 2018 as a result of Governmental Accounting Standards Board (GASB) Statement No. 68 and Statement No. 75. However, prior to this expense, there was a gain in operations for the year of \$374,458.
- The supplementary information includes a combining statement of net position and a combining statement of revenue, expenses, and changes in net position. These combining statements present separate information for the 51.42/.437 program and the Nursing Home program of North Central Health Care.

Factors affecting NCHC's statement of net position in 2017 are:

- During 2017 and 2016, cash and cash equivalents, investments, and assets limited as to use increased \$1,449,560 and \$1,538,524, respectively. Investments increased \$1,492,118 during 2017. Improvements in accounts receivable and increases in cost reporting settlements allowed for more funds to be invested.
- Current liabilities total \$5,256,845 and \$6,458,081 at December 31, 2017 and 2016, respectively, which includes accounts payable, accrued payroll and related fringe benefits, and amounts payable to and deferred revenue related to third-party reimbursement programs and patient trust funds which are managed by NCHC for residents of the nursing home. Also included in the current liabilities for 2017 is the current portion of the related-party note payable.
- At December 31, 2017, NCHC's net position totaled \$40,833,855 on a combined basis consisting of an investment of \$11,682,020 in capital assets net of related debt and \$29,151,835 of unrestricted net position. At December 31, 2016, NCHC's net position totaled \$39,332,226 on a combined basis consisting of an investment of \$10,966,900 in capital assets net of related debt and \$28,365,326 of unrestricted net position.

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Net Position (Continued)

Factors affecting NCHC's statement of net position in 2017 are:

- A significant component of the change in NCHC's net position is the 2017 gain before contributed capital of \$855,282. In 2017, there was additional expense required to be recorded as a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"), of \$2,275,256. However, the gain in operations before consideration of this expense was greater than this expense, resulting in an overall gain for the year.

Capital Assets

NCHC's investment in capital assets as of December 31, 2018, totals \$11,605,702 net of accumulated depreciation. Although the investment in capital assets as of December 31, 2018, is comparable to the balance at December 31, 2017, there were asset additions of \$1,683,500 offset by a depreciation of \$1,977,862.

NCHC's investment in capital assets as of December 31, 2017, totals \$11,682,020, net of accumulated depreciation. Although the investment in capital assets as of December 31, 2017, is comparable to the balance at December 31, 2016, there was an increase in asset additions of \$1,698,000 offset by an increase in depreciation of \$1,619,000.

Capital assets consisted of the following at December 31:

NCHC's Capital Assets (Net of Accumulated Depreciation)	2018	2017	2016
Land and land improvements	\$ 321,956	\$ 350,497	\$ 297,556
Building and building improvements	6,074,688	5,976,121	5,816,539
Equipment	4,616,690	4,795,797	4,620,326
Construction in progress	592,368	559,605	868,660
Totals	\$ 11,605,702	\$ 11,682,020	\$ 11,603,081

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Revenue, Expenses, and Changes in Net Position

Condensed Statements of Revenue, Expenses, and Changes in Net Position			
	2018	2017	2016
Revenue:			
Net patient service revenue	\$ 50,189,949	\$ 45,123,737	\$ 43,571,884
Other revenue	19,306,095	19,184,138	19,916,386
Total revenue	69,496,044	64,307,875	63,488,270
Expenses:			
Health care services	51,951,786	45,719,840	48,412,778
General and administrative	17,708,365	17,909,080	17,858,214
Total expenses	69,660,151	63,628,920	66,270,992
Operating income (loss)	(164,107)	678,955	(2,782,722)
Nonoperating income (loss)	(230,798)	176,327	124,480
Income (loss) before contributed capital	(394,905)	855,282	(2,658,242)
Contributions restricted for capital assets	3,213,262	-	-
Contributions from counties for capital assets	367,049	646,347	190,518
Change in net position	3,185,406	1,501,629	(2,467,724)
Net position at beginning, as previously reported	40,833,855	39,332,226	41,799,950
Cumulative effect of accounting change	(804,286)	-	-
Net position at end	\$ 43,214,975	\$ 40,833,855	\$ 39,332,226

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Net Patient Service Revenue

Net patient service revenue, on a combined basis, is 72.2% of total revenue in 2018 and 70.2% in 2017. Increasing net patient revenue is a priority for NCHC. As net patient revenue increases, the reliance on the county subsidy can decrease.

51.42/.437 Program

In 2018, NCHC recorded \$29,556,162 of net patient service revenue for its 51.42/.437 program. This was an increase in net patient service revenue of \$5,484,315 from 2017. Significant components of this change are:

- The Human Services Programs (51.42/.437) patient services are billed based on units of services, either hours or days. Changes in the volume of units or changes in payor can impact net patient services revenue. Hospital inpatient revenue decreased by \$177,000 in 2018, and Hospital outpatient revenue increased by \$1,997,000 in 2018. Overall, revenue for the Human Services Program increased by \$1,820,000. While there was some fluctuation in volume among the programs, the most significant change continues to be with the Community Treatment Program, with net patient services revenue increasing by \$1,954,000. This program continues to see increased volumes in services provided, as well as requests for services.
- Cost reporting settlements in 2018 resulted in increased net patient service revenue compared to 2017. The overall increase in this area compared to 2017 is \$965,000. The settlement for the Wisconsin Medicaid Program (WIMCR) decreased, while the settlement for Comprehensive Community Services (CCS) increased.
- In 2018, there was a change with the allocation of pharmacy. Traditionally, the pharmacy had been grouped with the nursing home due to the majority of prescriptions filled being for the nursing home. However, with the nursing home census decreasing and volumes increasing for Community Treatment, the pharmacy was allocated to both the 51.42/.437 Program and Nursing Home in 2017, and allocated fully to the 51.42/.437 program in 2018. The expenses for this program follow the revenue. The overall pharmacy revenue increased by \$932,000. This contributed to increased volumes in the Community Treatment programs and changes in some of the types of prescriptions. The impact of pharmacy revenue to the 51.42/.437 program with the increase in revenue and moving the full allocation is \$2,723,000.

In 2017, NCHC recorded \$24,071,847 of net patient service revenue for its 51.42/.437 program. This was an increase in net patient service revenue of \$4,637,257 from 2016. Significant components of this change are:

- Hospital patient services are billed based on units of services, either hours or days. Changes in the volume of units or changes in payor can impact net patient services revenue. Hospital inpatient revenue decreased by \$178,000 in 2017. Hospital outpatient revenue increased by \$1,660,000 in 2017. Overall, the Hospital revenue increased by \$1,482,000. While there was some fluctuation in volumes amongst the programs, the most significant change related to volume was in the Community Treatment Program. This program continues to see increases in volumes in services provided, and the request for services continues to grow. The majority of these services are Medicaid funded through CCS, which is a more favorable funding in this program due to being a regional provider. Continued growth in this program is anticipated during 2018.

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Net Patient Service Revenue (Continued)

- There was an increase in the WIMCR program in 2017, compared to 2016. The majority of this increase is related to continued growth in crisis volumes. The CCS reconciliation settlement also has increased significantly due to changes in the payment methodology and increased services for CCS eligible services, such as Community Treatment. The increase in the settlements for 2017 compared to 2016 was \$1,263,000.
- Traditionally, the pharmacy was grouped with the nursing home due to the majority of prescriptions filled for the nursing home. However, with the decreasing nursing home census and the increase in volumes with services such as Community Treatment, hospital, and residential services, the pharmacy revenues and expenses for 2017 were allocated between the 51.42/.437 Program and the nursing home. The overall net revenue for pharmacy did not change significantly between 2016 and 2017, but the allocation did. This change results in \$2,213,000 of net patient revenue being allocated to the 51.41/.437 program.

Nursing Home

The nursing home recorded \$20,633,787 of net patient service revenue in 2018. This was a decrease in net patient service revenue of \$418,103 from 2017. Factors for this change include:

- The nursing home experienced another decrease in census during 2018. The average census in 2018 was 179 per day, compared to the average census of 183 in 2017. The impact of the decrease in census is \$339,000.
- The Supplemental Payment (SP) for the nursing home increased by \$97,000 compared to 2017. In 2018, the nursing home also received a Certified Public Expenditure (CPE) payment of \$1,248,000. The State received additional funds in excess of the Medicaid losses and was required to return these funds to the government-operated nursing homes. This is the fourth time that CPE funds have been distributed back to governmental facilities since the bill passed in 2008 requiring this.
- As indicated in the prior section, there is a shift of allocation of pharmacy revenue and expenses into the 51.42/.437 program.

The nursing home recorded \$21,051,890 of net patient service revenue in 2017. This was a decrease in net patient service revenue of \$3,085,404 from 2016. This change was due to a number of factors as follows:

- The nursing home experienced another significant decrease in census during 2017. The average census in 2017 was 183 per day, compared to the average census of 202 in 2016. The impact of the decrease in census is \$2,068,000. This also includes decreases in rehab services and ancillary services since those services also decrease as census decreases.
- There was a 5% rate increase for self-pay in 2017. In addition, there were rate increases for Medicaid and Medicare. Overall, the rate changes increased net revenue by approximately \$1,003,000. There was also an increase in the SP of \$105,000.
- As indicated in the prior section, there is a shift of allocation of pharmacy revenue and expenses into the 51.42/.437 program.

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Nursing Home (Continued)

The percentage of nursing home resident days by payor for 2018, 2017, and 2016 was as follows:

	2018	2017	2016
Self-pay and other	20%	17%	20%
Medicare	11%	9%	10%
Medicaid	69%	74%	70%
Totals	100%	100%	100%

Other Revenue

In 2018, other revenue totaled \$19,306,095, which was composed of 42% from the State of Wisconsin, 48% from Marathon, Langlade, and Lincoln Counties' appropriations to subsidize operating expenses, and 10% from other sources.

There was a net decrease of \$358,200 in the category of county appropriation for 2018. The nursing home appropriation was decreased by \$200,000 for 2018. Also, the Marathon County and Lincoln County appropriations were decreased by \$33,000 and \$7,000, respectively, due to moving legal services for Adult Protective Services to Marathon County. Lincoln County pays Marathon County directly for their share of this service. The match for Marathon County was decreased due to decreased insurance paid by Marathon County for NCHC.

Departmental and other revenue increased compared to 2017 by \$244,069. This includes \$90,000 for housekeeping services provided to Marathon County programs on the NCHC campus, which is reimbursed back to NCHC, as well as increases in rebates and discounts and increased cafeteria sales.

In 2017, other revenue totaled \$19,184,138, which was composed of 41% from the State of Wisconsin, 50% from Marathon, Langlade, and Lincoln Counties' appropriations to subsidize operating expenses, and 9% from other sources.

There was a net increase of \$350,036 in the category of county appropriation for 2017. There were a number of changes that occurred in 2017. Lincoln County's appropriation increased by 3%, or \$20,953. Langlade County requested a decrease in Crisis Services and a decrease in the appropriation amount by \$26,640. Marathon County's appropriation included an increase of \$475,000 for increased Mental Health Services, and a decrease of \$1,685,623 due to the transition of the maintenance program to the County. The value of the service is still recorded in the expenses of NCHC, and a county match is recorded in the revenue. The county match is included in the county appropriations category. For 2017, management of the Lakeview Professional Plaza building moved back to Marathon County. NCHC used to collect the rent and provided oversight of the building. At year-end, a settlement was done reconciling the rent revenue and expenses, and the difference was included in the Marathon County Fund Balance and recorded as additional County Appropriation. This arrangement was discontinued in 2017.

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Other Revenue (Continued)

Departmental and other revenue decreased in 2017 compared to 2016 by \$709,856. The decrease includes additional funding provided by Marathon County in 2016 for additional Mental Health Services of \$405,000. In 2016, this funding was reported as departmental and other revenue. In 2017, the full amount of \$475,000 was included in the Counties' appropriations. Rental income decreased by \$218,864. Rent from the leased properties on the NCHC campus now goes directly to Marathon County. There was some decrease in cash discounts and rebates.

Expenses

NCHC's combined expenses for the year ended December 31, 2018, totaled \$69,660,151 compared to \$63,628,920 for 2017. Expenses increased 9.5% compared to 2017.

Combined salaries accounted for 43% of total expenses in 2017 and 2018 while fringe benefits accounted for 20% of total expenses in 2018 and 21% in 2017. Salaries and fringe benefits were 63% and 64% of total expenses in 2018 and 2017, respectively.

Nursing home salaries and fringe benefits were 75% and 70% of total nursing home expenses in 2018 and 2017, respectively, while the 51.42/.437 program salaries and fringe benefits were 57% and 61% of total 51.42/.437 program expenses in 2018 and 2017, respectively.

Factors that impacted overall expenses in 2018 were:

- The total expenses increased by \$6,031,231 from 2017 to 2018. The activity related to the expenses does vary.
- Overall salaries increased \$2,542,800 or 9.2% from 2017 to 2018. An average of 2.5% for merit increases was included in the 2018 budget. It is estimated that the expense related to merit increases is about \$600,000. A market adjustment was done for selected nursing positions, with an impact of \$105,000. The 2018 budget did include an additional 17 new positions with an estimated cost of \$1,400,000. The majority of the new positions were for the Medically Monitored Treatment (MMT) program and the CBRF due to the expansion of those programs, and Community Treatment to meet the growth of that program. There were some vacant positions filled during 2018.
- The overall employee benefit percentage decreased from 48% in 2017 to 46% in 2018. While the overall percentage did decrease, the dollar amount did increase by \$754,000. There are three more significant changes within the employee benefits. The required entry for GASB 68 decreased by \$1,550,000 from 2017. This is a noncash item, but it is a required entry. A new noncash entry is now required starting in 2018, GASB 75. This entry increases employee benefits by \$45,000. Workers' compensation premiums had an increase of \$420,000 due to two separate retro adjustments related to prior plans. Health insurance increased by \$1,613,000 compared to 2017.
- Provider Contract Services saw an increase of \$1,782,000. The majority of this increase is related to contract physicians and additional providers with the Community Treatment program. Both of these areas are growth areas for the organization.
- Care at other institutes saw a significant increase in 2018 compared to 2017 of \$708,000, due to increased volume.

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Expenses (Continued)

NCHC's combined expenses for the year ended December 31, 2017, totaled \$63,628,920 compared to \$66,270,992 for 2016.

Combined salaries accounted for 43% and 45% of total expenses in 2017 and 2016, respectively, while fringe benefits accounted for 21% of total expenses in both 2017 and 2016. Salaries and fringe benefits were 64% and 66% of total expenses in 2017 and 2016, respectively.

Nursing home salaries and fringe benefits were 70% and 67% of total nursing home expenses in 2017 and 2016, respectively, while the 51.42/.437 program salaries and fringe benefits were 61% and 65% of total 51.42/.437 program expenses in 2017 and 2016, respectively.

Factors that impacted overall expenses in 2017 were:

- The total expenses decreased by \$2,642,072 from 2016 to 2017. The activity related to the expenses does vary.
- Overall salaries decreased \$2,266,419 or 8.2% from 2016 to 2017. Due to the financial results in 2016, there were no merit increases in 2017 since the year was a recovery year. A significant change in salaries is the transition of the maintenance program to Marathon County. There were 12 positions transferred for approximately \$640,000. In addition, there was a decrease in accrued paid time off related to these positions as their balances were transferred with the positions. Nursing home salaries for direct areas, administration, and food service decreased by about \$1,067,000 due to decreasing census. There was a decrease in psychiatry salaries since there was a conversion of a staff request to go to contract. There was some decrease in overtime due to more positions being filled, and a decrease in accrued salaries due to the overall decrease in salaries and positions. Community Treatment saw increased salaries due to program expansion and growth.
- The overall employee benefit percentage increased from 46% in 2016 to 48% in 2017. While the overall employee benefit percentage to salaries increased from 2016 to 2017, the dollar amount actually decreased by \$522,773. The reason for the increase in the percentage is due to the significant decrease in the salary dollars. In 2017, there was a significant decrease in health insurance of \$539,669. There was an increase of high cost claims in 2016 compared to the past several years. The Wisconsin Retirement System Contribution rate increased from 13.2% in 2016 to 13.6% in 2017. This increase is split equally between the employer and employee. The impact of this increase is estimated at \$55,000. Workers' compensation premiums decreased in 2017 by \$199,000. Contributors to this decrease include improved rates due to reduced claims and a refund for improvements in claims due to fewer injuries. The employee benefits also include an adjustment to increase expenses by \$403,650 compared to 2016 as a result of NCHC's proportionate share of changes in the Wisconsin Retirement System net pension liability. This is a noncash item, but it is an entry that is required to be recorded under accounting principles generally accepted in the United States (GAAP). Retirement and FICA do show decreases due to the decrease in salaries.

North Central Health Care

Management's Discussion and Analysis

Years Ended December 31, 2018 and 2017

Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Expenses (Continued)

- Provider Contract Services and Contract Services both saw significant increases. The overall increase between these areas is just over \$2,500,000. The majority of the change is coming from the transition of maintenance from an internal program to a contract service when the program was transitioned to Marathon County. The total contract is \$1,685,623. The other area that saw significant increases is provider services for Community Treatment. As the demand for these services continues to increase, the provider contracts also increase to keep up with demand for providers. Provider services for Community Treatment increased just over \$1,000,000.
- Utilities saw a significant decrease as the utilities for the NCHC campus are now being paid by Marathon County. The cost of utilities is included back in the contract between NCHC and Marathon County for building and maintenance services.
- Care at other institutes saw a significant decrease in 2017 compared to 2016. The net expense decreased just over \$2,217,000. In addition to a decrease in volume, the institutes received some significant payments from other sources for services that were provided. When these payments are received at the state institutes, there is a credit back to the organization.

Items That May Affect Future Operations

The year ended December 31, 2018, was a financially successful year. There is program growth within programs that have favorable payor sources. This contributes to revenue growth. Significant expense management also contributes to the continued success. Anticipated continued growth is expected for 2019. A significant renovation project was approved for the Wausau campus, with anticipated construction to begin in 2019. This is anticipated to be a 3-year project.

Health care reform will continue to significantly impact how health care is provided and paid for in the future. Government programs will face even greater pressure to reduce reimbursement levels in the future. In addition, labor costs, fringe benefits, and other expenses will likely continue to increase at a faster rate than revenue which places an additional financial burden on Marathon, Langlade, and Lincoln Counties. Finally, each of the sponsoring counties is facing less shared revenue from the State of Wisconsin; thus, it may not be possible for them to increase payments for NCHC's programs in the future.

Contacting NCHC's Financial Management

This financial report is designed to provide our readers with a general overview of NCHC's finances and to show NCHC's accountability for the funding it receives. If there are questions about this report or if additional financial information is needed, contact the administration office at North Central Health Care, 1100 Lake View Drive, Wausau, Wisconsin 54403.

North Central Health Care

Combined Statements of Net Position

December 31	2018	2017
Current assets:		
Cash and cash equivalents	\$ 7,433,591	\$ 8,034,338
Accounts receivable:		
Patient - Net	4,792,133	4,647,012
Outpatient WIMCR/CCS	2,147,000	1,440,000
Marathon County	199,375	73,865
Net state receivable	1,148,281	1,341,728
Other	188,387	214,581
Inventory	427,687	342,221
Other	149,826	210,644
Total current assets	16,486,280	16,304,389
Noncurrent assets:		
Investments	13,691,324	11,792,118
Assets limited as to use	1,250,934	845,128
Restricted assets - Patient trust funds	34,487	35,673
Receivable restricted for aquatic pool	3,213,262	-
Net pension asset - WRS	5,559,798	-
Nondepreciable capital assets	643,667	610,905
Depreciable capital assets - Net	10,962,035	11,071,115
Total noncurrent assets	35,355,507	24,354,939
Deferred outflows of resources - Related to pensions and life insurance	10,270,680	12,070,837
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 62,112,467	\$ 52,730,165

North Central Health Care

Combined Statements of Net Position (Continued)

December 31	2018	2017
Current liabilities:		
Current portion of capital lease liability	\$ 29,249	\$ -
Accounts payable:		
Trade	1,183,973	859,959
Marathon County	269,166	258,510
Accrued liabilities:		
Salaries and retirement	1,993,131	1,609,919
Compensated absences	1,702,438	1,340,709
Health and dental insurance	847,000	622,000
Other	234,000	239,000
Amounts payable to third-party reimbursement programs	145,000	250,000
Unearned revenue	76,863	76,748
Total current liabilities	6,480,820	5,256,845
Noncurrent liabilities:		
Amounts due to Marathon County for aquatic pool project	343,429	-
Long-term portion of capital lease liability	101,112	-
Net pension and life insurance liability	944,541	1,582,088
Patient trust funds	34,487	35,673
Total noncurrent liabilities	1,423,569	1,617,761
Total liabilities	7,904,389	6,874,606
Deferred inflows of resources - Related to pensions and life insurance	10,993,103	5,021,704
Net position:		
Net investment in capital assets	11,131,912	11,682,020
Restricted for capital assets	3,213,262	-
Unrestricted:		
Board designated for contingency	1,000,000	500,000
Board designated for capital assets	250,934	345,128
Undesignated	27,618,867	28,306,707
Total net position	43,214,975	40,833,855
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 62,112,467	\$ 52,730,165

See accompanying notes to combined financial statements.

North Central Health Care

Combined Statements of Revenue, Expenses, and Changes in Net Position

Years Ended December 31	2018	2017
Revenue:		
Net patient service revenue	\$ 50,189,949	\$ 45,123,737
Other revenue:		
State grant-in-aid	5,059,148	5,019,330
State match/addendum	2,215,894	2,126,653
Other grants	743,295	636,266
Counties' appropriations	9,313,741	9,671,941
Departmental and other revenue	1,974,017	1,729,948
Total other revenue	19,306,095	19,184,138
Total revenue	69,496,044	64,307,875
Expenses:		
Salaries	30,114,017	27,571,217
Fringe benefits:		
WRS Retirement - GASB 68	725,054	2,275,256
WRS Retirement - GASB 75	44,871	-
WRS Retirement - Contributions	1,905,598	1,805,305
Other fringe benefits	11,308,893	9,149,690
Supplies and other	22,166,091	20,439,308
Utilities	75,929	76,186
Depreciation	1,977,862	1,678,263
Care of patients at other facilities	1,341,836	633,695
Total expenses	69,660,151	63,628,920
Operating income (loss)	(164,107)	678,955
Nonoperating income (loss):		
Interest income	261,660	167,995
Fixed asset impairment	(498,296)	-
Gain on disposal of capital assets	5,838	8,332
Total nonoperating income (loss)	(230,798)	176,327
Income (loss) before contributed capital	(394,905)	855,282

North Central Health Care

Combined Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Years Ended December 31	2018	2017
Income (loss) before contributed capital (brought forward)	\$ (394,905)	\$ 855,282
Contributions restricted for capital assets	3,213,262	-
Contributed capital - Contributions from Marathon County for capital assets and forgiveness of debt	367,049	646,347
Change in net position	3,185,406	1,501,629
Net position at beginning - as previously reported	40,833,855	39,332,226
Cumulative effect of accounting change	(804,286)	-
Net position at end	\$ 43,214,975	\$ 40,833,855

See accompanying notes to combined financial statements.

North Central Health Care

Combined Statement of Cash Flows

Years Ended December 31	2018	2017
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from patients, third-party reimbursement programs, and other revenue	\$ 59,319,428	\$ 53,816,747
Cash received from Marathon County appropriations	8,127,842	8,118,746
Cash received from other counties' appropriations	1,185,899	1,553,195
Cash paid to employees for services	(28,379,151)	(25,812,531)
Cash paid to suppliers for goods and services	(37,236,250)	(34,607,488)
Cash paid to Marathon County for rent	(22,000)	(48,400)
Net cash provided by operating activities	2,995,768	3,020,269
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,553,163)	(1,748,870)
Contributions from Marathon County for capital assets	-	10,166
Net cash used in capital and related financing activities	(1,553,163)	(1,738,704)
Cash flows from investing activities:		
Increase in investments	(1,899,206)	(1,492,118)
(Increase) decrease in assets limited as to use	(405,806)	1,991,765
Interest received	261,660	167,995
Net cash provided by (used in) investing activities	(2,043,352)	667,642
Net increase (decrease) in cash and cash equivalents	(600,747)	1,949,207
Cash and cash equivalents at beginning	8,034,338	6,085,131
Cash and cash equivalents at end	\$ 7,433,591	\$ 8,034,338

North Central Health Care

Combined Statement of Cash Flows (Continued)

Years Ended December 31	2018	2017
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (164,107)	\$ 678,955
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Provision for depreciation	1,977,862	1,678,263
Provision for bad debts	423,346	412,578
Changes in operating assets and liabilities:		
Accounts receivable	(1,181,336)	(1,171,795)
Inventory	(85,466)	(36,847)
Other current assets	60,818	230,785
Accounts payable	334,670	(470,386)
Accrued liabilities	964,941	(516,570)
Amounts receivable from third-party reimbursement programs	(105,000)	44,080
Unearned revenue	115	(104,050)
Net pension changes	769,925	2,275,256
Total adjustments	3,159,875	2,341,314
Net cash provided by operating activities	\$ 2,995,768	\$ 3,020,269
Supplemental disclosure of cash flows information:		
Forgiveness of related-party note payable	\$ -	\$ 636,181
Capital additions acquired with capital lease obligation	130,361	-

See accompanying notes to combined financial statements.

North Central Health Care

Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

North Central Health Care (NCHC), a component unit of Marathon County, is a statutory-mandated entity pursuant to Wisconsin Statutes 51.42/.437, established under a contract between Langlade, Lincoln, and Marathon Counties as a quasi-political subdivision. The County Board of Supervisors from the three counties appoint board members to NCHC. The 14-member Board of Directors is made up of ten members from Marathon County and two members each from Lincoln and Langlade Counties.

In December 2016, Langlade, Lincoln, and Marathon Counties signed an agreement to continue sponsorship, from January 1, 2017 through December 31, 2021, of the 51.42/.437 program of NCHC for the purposes of administering a community mental health, alcoholism, and drug abuse program and protective services and protective placement. Under terms of the December 2016 agreement, a Retained County Board Authority Committee ("the Committee") was established to exercise authority retained by the respective County Boards, as provided under sec. 51.42(5) of the Wisconsin Statutes. Under terms of the agreement, Marathon, Lincoln, and Langlade counties will appoint two, one, and one member, respectively (for a total of four members), to serve on the Committee. The December 2016 agreement delineates, among other things, the programmatic and management responsibilities of NCHC and the responsibilities and authorities of the Committee and the Board of Directors.

Annually, the three counties fund an amount equal to expenses in excess of federal and state grants and patient fees as it relates to the respective county's proportionate share of operating costs. Capital facilities are the direct responsibility of each county. Marathon County is financially accountable for NCHC and records its full financial operations as a discretely presented component unit because Marathon County appoints a majority of NCHC's Board of Directors and:

- Marathon County can impose its will on NCHC since the budget must be approved by the three separate county boards.
- NCHC has no tax levy authority.
- There is a financial burden since NCHC cannot issue debt and each county takes responsibility for its share of debt for capital projects.

NCHC manages North Central Health Care Facilities (NCHCF), which includes a licensed 16-bed psychiatric hospital providing care and treatment for residents of Langlade, Lincoln, and Marathon Counties affected by mental illness, chemical dependency, or developmental disability to enable them to better their lives. Inpatient, outpatient, transitional living, and day services are provided to meet these needs.

NCHC also manages a nursing home on the NCHCF campus licensed as a 200-bed skilled nursing facility for the benefit of Marathon County. NCHC operates 25 of the nursing home beds as a unit for individuals needing specialized short- and long-term ventilator care.

North Central Health Care

Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying combined financial statements include the operations of the 51.42/.437 program and the nursing home for the years ended December 31, 2018 and 2017. All significant intrafund accounts are eliminated.

Method of Accounting

NCHC's financial statements are presented using the flow of economic resources measurement focus, which uses the accrual basis of accounting. NCHC applies all applicable standards issued by the Governmental Accounting Standards Board (GASB).

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during that period. Actual results may differ from these estimates.

Income before contributed capital for the year ended December 31, 2018 and 2017 included \$873,200 and \$2,113,000 for activity related to 2017 and 2016, respectively, because of changes in cost report, WIMCR, CCS, allowances for contractual adjustment, and bad debt and self-funded health insurance estimates.

Cash Equivalents

NCHC considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments and Assets Limited as to Use

NCHC is authorized by Wisconsin Statute 66.0603 to invest in obligations of the U.S. Treasury, agencies and instrumentalities, obligations of Wisconsin governmental units, time deposits with maturities of less than three years in any financial institution in Wisconsin, bonds of authorized special-purpose districts, any security that matures in less than seven years which has the highest or second highest rating category, the State of Wisconsin Local Government Investment Pool, and other qualifying investment pools. Investments and assets limited as to use, consisting of certificates of deposit with an original maturity of more than three months are stated at cost, which approximates fair value. Assets limited as to use include assets designated by the Board of Directors for acquisition of capital assets and amounts designated for contingency.

North Central Health Care

Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivables and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from residents of Marathon, Langlade, and Lincoln Counties, most of whom are insured under third-party payor agreements. NCHC bills third-party payors on each patient's behalf or, if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patient's responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. NCHC does not have a policy to charge interest on past due accounts.

The carrying amounts of accounts receivable are reduced by allowances that reflect management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient receivables. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts for which patients are personally responsible, through a charge to operations and a credit to a valuation allowance based on its assessment of historical collection likelihood and the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

Patient accounts receivable are recorded in the accompanying combined statements of net position net of contractual adjustments and allowance for doubtful accounts.

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

Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

North Central Health Care

Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

Capital assets are recorded at cost if purchased, at fair value at date of donation, or net book value if transferred from a related party. Maintenance and repair costs are charged to expense as incurred. Gain or loss on disposition of capital assets is reflected in nonoperating gains or losses. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 10 to 40 years for land improvements, buildings and building improvements, and fixed equipment and from 3 to 15 years for other equipment.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from income or loss before contributed capital. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted expendable net position. Absent explicit donor stipulations about how long these assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the statements of revenue, expenses, and changes in net position. Impairment losses of \$498,296 and \$20,000 were recorded in 2018 and 2017, respectively.

Compensated Absences

NCHC has a paid leave time system for all paid time off from work. Paid leave time is available for use as it is earned. Paid leave time is accrued in varying amounts based on job classification and length of service. Employees are paid for accrued paid leave time upon resignation provided they have completed six months of service, have given proper notice, and have not been terminated for misconduct.

Net Position

Net position of NCHC is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* must be used for a particular purpose, as specified by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *Unrestricted net position* is remaining net position that does not meet the definitions above.

North Central Health Care

Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

When both restricted and unrestricted resources are available for use, it is NCHC's policy to use externally restricted resources first.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

For uninsured patients who do not qualify for community care, NCHC recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical experience, a significant portion of NCHC's uninsured patients will be unable or unwilling to pay for the services provided. Thus, NCHC records a significant provision for bad debts related to uninsured patients in the period services are provided. This provision is offset by recoveries that are received on prior-year bad debts from patient payments.

Operating Revenue and Expenses

NCHC's combined statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue includes exchange transactions associated with providing health care services, government grants, and county appropriations designated for operations. Operating expenses are all expenses incurred to provide health care services.

Operating Deficit Grants

The Supplemental Payment (SP) program, the Certified Public Expenditures program, the Wisconsin Medicaid Cost Reporting (WIMCR) grants, and the Comprehensive Community Services (CCS) program grants are recorded at the estimated realizable amount from the Wisconsin Department of Health Services. These programs provide for the allocation of federal funds to facilities owned and operated by a local government unit, such as a county, city, or village, in an effort to reduce overall operating deficits from the nursing home (SP) and certain hospital outpatient services (WIMCR). Estimated awards are recorded when earned or determinable.

Charity Care

NCHC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. NCHC maintains records to identify the amount of charges forgone for services and supplies furnished under its charity care policy. Because NCHC does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

North Central Health Care

Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grants and Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Contributions that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Advertising Costs

Advertising costs are expensed as incurred.

Unemployment Compensation

NCHC has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred.

Tax Status

NCHC qualifies as a tax-exempt organization under the provisions of the Internal Revenue Code and Wisconsin statutes. Accordingly, NCHC is exempt from all forms of income taxes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section of deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. NCHC has one item that qualifies for reporting in this category. NCHC reports deferred outflows of resources related to pensions and life insurance for its proportionate shares of collective deferred outflows of resources related to pensions and life insurance, and NCHC contributions to pension and life insurance plans subsequent to the measurement date of the collective net pension and life insurance liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. NCHC reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions and life insurance.

North Central Health Care

Notes to Combined Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

Management adopted new accounting guidance GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* that replaces the requirements of GASB Statement No. 45 on accounting and financial reporting by employers for postemployment benefits other than pensions. See Note 21 for the restatement of beginning net position resulting from this new accounting pronouncement.

Subsequent Events

Subsequent events have been evaluated through March 13, 2019, which is the date the financial statements were available to be issued.

Note 2: Reimbursement Arrangement With Third-Party Payors

NCHC has agreements with third-party payors that provide for reimbursement to NCHC at amounts which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

In 2018 and 2017, approximately 25% and 23%, respectively, of NCHC's patient service revenue was for services provided to patients whose bills are paid in whole or in part by the Medicare program.

Inpatient hospital services rendered to Medicare program beneficiaries are paid based on prospectively determined rates based on a patient classification system. Outpatient hospital services are paid primarily on prospectively determined rates also based on a patient classification system or fixed fee schedules. Nursing home resident care is paid based on a predetermined rate per inpatient day, which varies depending on the patient's level of care and types of services provided.

Medicaid

In 2018 and 2017, approximately 63% and 64%, respectively, of NCHC's patient service revenue was for services provided to patients whose bills are paid in whole or in part by the Medicaid program. Hospital and nursing home services rendered to Medicaid program beneficiaries are reimbursed primarily based upon prospectively determined rates which vary depending on the patient's level of care and types of services provided.

Accounting for Contractual Adjustments

NCHC's hospital is reimbursed for cost-reimbursable items at an interim rate with final settlements determined after audit of NCHC's related annual cost reports by the Medicare fiscal intermediary. Estimated provisions to approximate the final expected settlements after review by the intermediary are included in the accompanying financial statements. The cost reports have been audited by the Medicare fiscal intermediary through December 31, 2016.

North Central Health Care

Notes to Combined Financial Statements

Note 2: Reimbursement Arrangement With Third-Party Payors (Continued)

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violations of these laws and regulations by health care providers could result in the imposition of fines and penalties, as well as repayments of previously billed and collected revenue from patient services. Management believes NCHC is in substantial compliance with current laws and regulations.

Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. NCHC has not been notified by the RAC of any potential significant reimbursement adjustments.

Note 3: Cash and Cash Equivalents and Investments

Deposits and Investments

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, NCHC's deposits and investments may not be returned to NCHC. Amounts on deposit with depository entities are insured up to \$250,000 by the FDIC and up to an additional \$400,000 by the State of Wisconsin Public Deposit Guarantee program. During 2017, NCHC implemented a policy to collateralize all amounts which exceed the FDIC and State of Wisconsin Public Deposit Guarantee program limits.

Interest Rate and Credit Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, NCHC's investment policy limits its investment portfolio to certificates of deposit, the local government investment pool, and government obligations such as treasury bills and treasury notes. As of December 31, 2018, NCHC's investments and assets limited as to use consisted of cash and cash equivalents totaling \$1,298,258, certificates of deposit totaling \$10,289,000 maturing in less than one year, and certificates of deposit totaling \$3,355,000 maturing in one to two years.

Concentration of Credit Risk - NCHC's custodial credit risk policy for investments allows for no more than 60% of its investment portfolio in one bank or one issue.

At December 31, 2018 and 2017, NCHC's bank balances, which include certificates of deposits held as investments totaled \$22,578,654 and \$21,051,259, respectively. All bank balances of NCHC are insured, guaranteed, or collateralized as of December 31, 2018 and 2017.

North Central Health Care

Notes to Combined Financial Statements

Note 4: Patient Accounts Receivable - Net

Patient accounts receivable consisted of the following at December 31:

	2018		
	51.42/.437 Program	Nursing Home	Total
Patient accounts receivable	\$ 5,059,735	\$ 2,131,841	\$ 7,191,576
Less:			
Allowance for doubtful accounts	623,924	79,271	703,195
Contractual adjustments	1,621,193	75,055	1,696,248
Patient accounts receivable - Net	\$ 2,814,618	\$ 1,977,515	\$ 4,792,133

	2017		
	51.42/.437 Program	Nursing Home	Total
Patient accounts receivable	\$ 4,432,842	\$ 3,111,570	\$ 7,544,412
Less:			
Allowance for doubtful accounts	547,163	686,702	1,233,865
Contractual adjustments	1,377,111	286,424	1,663,535
Patient accounts receivable - Net	\$ 2,508,568	\$ 2,138,444	\$ 4,647,012

North Central Health Care

Notes to Combined Financial Statements

Note 5: Net Patient Service Revenue

Net patient service revenue consisted of the following:

	2018		
	51.42/.437 Program	Nursing Home	Total
Gross patient service revenue:			
Medical Assistance	\$ 28,339,910	\$ 14,833,819	\$ 43,173,729
Medicare	12,082,921	5,037,432	17,120,353
Private pay	885,629	2,730,260	3,615,889
Insurance and other	3,228,810	1,750,110	4,978,920
Totals	44,537,270	24,351,621	68,888,891
Less:			
Contractual adjustments	14,624,916	3,650,680	18,275,596
Provision for bad debts	356,192	67,154	423,346
Net patient service revenue	\$ 29,556,162	\$ 20,633,787	\$ 50,189,949

	2017		
	51.42/.437 Program	Nursing Home	Total
Gross patient service revenue:			
Medical Assistance	\$ 24,680,864	\$ 16,977,227	\$ 41,658,091
Medicare	7,296,813	7,728,119	15,024,932
Private pay	873,506	2,343,039	3,216,545
Insurance and other	2,833,107	1,858,165	4,691,272
Totals	35,684,290	28,906,550	64,590,840
Less:			
Contractual adjustments	11,222,543	7,831,982	19,054,525
Provision for bad debts	389,900	22,678	412,578
Net patient service revenue	\$ 24,071,847	\$ 21,051,890	\$ 45,123,737

North Central Health Care

Notes to Combined Financial Statements

Note 6: Charity Care

NCHC provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community including the health of low-income patients. Consistent with the mission of NCHC, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for community care, generally based on federal poverty guidelines, are provided care based on qualifying criteria as defined in NCHC's charity care policy and from applications completed by patients and their families.

The estimated cost of providing care to patients under NCHC's community care policy was approximately \$4,019,000 and \$4,938,000 in 2018 and 2017, respectively, calculated by multiplying the ratio of cost to gross charges by the gross uncompensated charges associated with providing community care.

Note 7: Receivable Restricted for Aquatic Pool

In 2018, a fundraising campaign was conducted to raise funds for a new aquatic pool to be constructed on the NCHC campus. Donations to the aquatic pool capital campaign consist of cash and pledges receivable held by the North Central Health Foundation and cash and pledges receivable held by the Community Foundation of North Central Wisconsin.

As of December 31, 2018, the receivable from the two foundations is composed of the following:

Cash held by Foundation of North Central Wisconsin	\$ 453,733
Cash held by North Central Health Foundation	1,052,668
Net pledge receivable to be received:	
Less than one year	947,749
Two to three years	759,112
<hr/>	
Total receivable restricted for aquatic pool	\$ 3,213,262

North Central Health Care

Notes to Combined Financial Statements

Note 8: Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	January 1, 2018	Increases	Decreases	December 31, 2018
Nondepreciable capital assets:				
Land	\$ 51,300	\$ -	\$ -	\$ 51,300
Construction in progress	559,605	514,430	(481,668)	592,367
Total nondepreciable capital assets	610,905	514,430	(481,668)	643,667
Depreciable capital assets:				
Land improvements	1,336,742	-	-	1,336,742
Buildings and building improvements	25,913,053	898,704	-	26,811,757
Fixed equipment	5,056,171	-	-	5,056,171
Other equipment	14,299,022	754,580	(64,741)	14,988,861
Capital lease	-	130,361	-	130,361
Software	1,538,609	87,820	-	1,626,429
Total depreciable capital assets	48,143,597	1,871,465	(64,741)	49,950,321
Less - Accumulated depreciation:				
Land improvements	1,037,545	28,541	-	1,066,086
Buildings and building improvements	19,936,932	800,136	-	20,737,068
Fixed equipment	4,526,011	114,085	-	4,640,096
Other equipment	10,727,354	1,017,547	(62,058)	11,682,843
Software	844,640	17,553	-	862,193
Total accumulated depreciation	37,072,482	1,977,862	(62,058)	38,988,286
Total depreciable capital assets - Net	11,071,115	(106,397)	(2,683)	10,962,035
Total capital assets - Net	\$ 11,682,020	\$ 408,033	\$ (484,351)	\$ 11,605,702

In 2018, NCHC began planning for a significant master facility project at the Wausau campus. The project, which includes the aquatic pool discussed in Note 7 and a redesign of the Wausau campus, is expected to cost approximately \$73.4 million and is expected to be completed in 2022. The project will be financed with proceeds from the aquatic pool capital campaign discussed in Note 7 and general obligation revenue bonds. NCHC had commitments related to master facility plan architectural services totaling \$1,923,176 at December 31, 2018.

Construction in progress at December 31, 2018 consisted primarily of master facility plan related costs.

North Central Health Care

Notes to Combined Financial Statements

Note 8: Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2017, was as follows:

	January 1, 2017	Increases	Decreases	December 31, 2017
Nondepreciable capital assets:				
Land	\$ 51,300	\$ -	\$ -	\$ 51,300
Construction in progress	868,660	60,676	(369,731)	559,605
Total nondepreciable capital assets	919,960	60,676	(369,731)	610,905
Depreciable capital assets:				
Land improvements	1,254,710	82,032	-	1,336,742
Buildings and building improvements	24,949,383	963,670	-	25,913,053
Fixed equipment	5,056,171	-	-	5,056,171
Other equipment	13,337,988	1,020,762	(59,728)	14,299,022
Software	1,538,609	-	-	1,538,609
Total depreciable capital assets	46,136,861	2,066,464	(59,728)	48,143,597
Less - Accumulated depreciation:				
Land improvements	1,008,454	29,091	-	1,037,545
Buildings and building improvements	19,132,844	804,088	-	19,936,932
Fixed equipment	4,398,171	127,840	-	4,526,011
Other equipment	10,087,184	699,691	(59,521)	10,727,354
Software	827,087	17,553	-	844,640
Total accumulated depreciation	35,453,740	1,678,263	(59,521)	37,072,482
Total depreciable capital assets - Net	10,683,121	388,201	(207)	11,071,115
Total capital assets - Net	\$ 11,603,081	\$ 448,877	\$ (369,938)	\$ 11,682,020

Construction in progress at December 31, 2017 consisted primarily of amounts related to a nursing home facility redesign. These costs were impaired and reduced to \$0 in 2018 as part of the campus-wide master facility project planning.

North Central Health Care

Notes to Combined Financial Statements

Note 9: Obligations Under Capital Leases

Obligations under capital leases consisted of an obligation for copiers, payable in 60 monthly installments of \$2,437 including interest, due August 2023.

Future minimum lease payments on the capital leases at December 31, 2018, are as follows:

2019	\$	29,249
2020		29,249
2021		29,249
2022		29,249
2023		19,499
		<hr/>
Total minimum lease payments		136,495
Amount representing interest		6,134
		<hr/>
Present value of net minimum lease payments		130,361
Less - Current portion		29,249
		<hr/>
Long-term obligations under capital leases	\$	101,112

Equipment under capital leases had a cost and net book value of \$130,361 at December 31, 2018.

Note 10: Leases

NCHC has operating leases for apartments and group homes and various equipment. NCHC leases three group homes from Marathon County. Rental expense on the related-party group homes amounted to \$22,000 and \$48,400 in 2018 and 2017, respectively. Total rental expense on all operating leases amounted to \$492,182 and \$492,206 in 2018 and 2017, respectively.

North Central Health Care

Notes to Combined Financial Statements

Note 11: Net Position

Net position consists of the following:

	51.42/.437 Program			Nursing Home - Marathon County	Total
	Marathon County	Langlade County	Lincoln County		
Balance at January 1, 2017	\$ 23,639,201	\$ 2,133,952	\$ 2,724,215	\$10,834,858	\$ 39,332,226
Income (loss) before contributed capital and net position transfer	557,456	386,273	854,579	(943,026)	855,282
Contributed capital	646,347	-	-	-	646,347
Balance at December 31, 2017	24,843,004	2,520,225	3,578,794	9,891,832	40,833,855
Income (loss) before contributed capital	(426,028)	273,397	320,364	(563,200)	(395,467)
Cumulative effect of accounting change	(481,591)	-	-	(322,133)	(803,724)
Contributions for capital assets	3,213,262	-	-	-	3,213,262
Contributed capital	367,049	-	-	-	367,049
Balance at December 31, 2018	\$ 27,515,696	\$ 2,793,622	\$ 3,899,158	\$ 9,006,499	\$ 43,214,975

In 2018 and 2017, Marathon County contributed capital to NCHC of \$367,049 and \$10,166 for capital assets, respectively. In 2017, Marathon County forgave the remaining outstanding related-party note payable of \$636,181, as described in Note 17.

Note 12: Family Care County Contribution

The developmentally disabled clients of Marathon, Lincoln, and Langlade Counties qualify under the Family Care program which is operated by an unrelated managed care organization (MCO). NCHC has contracted with the MCO to be a provider of residential and day services for these clients. Marathon, Lincoln, and Langlade Counties are required by the State to assist in funding the costs of care for individuals in the program. The county contribution is a preset State-determined amount to be paid annually on October 31.

NCHC is responsible for Marathon County's payments of the State-required contributions related to Family Care. Reimbursement of these amounts will be received through the base county allocation NCHC continues to receive from the State. The amount for 2018 and 2017 of \$1,125,287 is reflected as a contractual adjustment to net patient service revenue in the combined statements of revenue, expenses, and changes in net position. Future amounts payable of \$1,125,287 under the agreement will be due annually. Starting in 2019 these amounts will be paid by Marathon County reducing the tax levy paid to NCHC.

North Central Health Care

Notes to Combined Financial Statements

Note 13: Related-Party Transactions

NCHC 51.42/.437 operations are financed, in part, by Marathon, Langlade, and Lincoln Counties. Contributions for operations are based on NCHC budget amounts. A Joint County Human Services Agreement delineates the methodology for calculating each county's actual contribution and the resulting overpayment or underpayment for that particular year. NCHC also receives contributions from Marathon County for the nursing home operations.

In 2018, NCHC received \$8,494,891, \$712,416, and \$473,483 from Marathon, Lincoln, and Langlade Counties, respectively, to assist in meeting operating costs and for additions and improvements to capital assets.

In 2017, NCHC received \$8,489,208, \$719,416, and \$473,483 from Marathon, Lincoln, and Langlade Counties, respectively, to assist in meeting operating costs and for additions and improvements to capital assets. In 2017, Marathon County forgave the remaining outstanding related-party note payable of \$636,181, as described in Note 17.

Land and buildings, with a cost of \$32,755,871 and \$32,322,302 at December 31, 2018 and 2017, respectively, utilized by the 51.42/.437 program and the nursing home are held in title by Marathon County. These capital assets, net of accumulated depreciation, are included in the combined statements of net position under capital assets - net and in net position invested in capital assets. Depreciation on this property is included in the combined financial statements of NCHC.

At December 31, 2018 and 2017, NCHC had receivables due from Marathon County of \$199,375 and \$73,865, respectively. At December 31, 2018 and 2017, NCHC had amounts payable to Marathon County of \$269,166 and \$258,510, respectively, for various services and expenses paid by Marathon County. In addition, at December 31, 2018, NCHC had amounts due to Marathon County totaling \$343,429 for the master facility plan project discussed in Note 8.

Note 14: Employee Retirement Plans - Wisconsin Retirement System

Plan Description - The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may be modified only by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

North Central Health Care

Notes to Combined Financial Statements

Note 14: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Vesting - For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees and 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Postretirement Adjustments - The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with Sec. 40.27 of the Wisconsin Statutes. An increase (decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0 %	10.0 %
2008	6.6 %	- %
2009	(2.1)%	(42.0)%
2010	(1.3)%	22.0 %
2011	(1.2)%	11.0 %
2012	(7.0)%	(7.0)%
2013	(9.6)%	9.0 %
2014	4.7 %	25.0 %
2015	2.9 %	2.0 %
2016	0.50 %	(5.0)%
2017	2.00 %	4.0 %

North Central Health Care

Notes to Combined Financial Statements

Note 14: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee-required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2016, the executive and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee-required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,876,018 in contributions from the employer.

NCHC has employees in only the general category, which had the following contribution rates as of December 31, 2018 and 2017:

	2018		2017	
	Employee	Employer	Employee	Employer
General (including teachers)	6.70 %	6.70 %	6.80 %	6.80 %

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2018 and 2017, NCHC reported an asset and liability of \$5,559,798 and \$1,582,088, respectively, for its proportionate share of the net pension asset and liability. The net pension asset and liability was measured as of the calendar year that falls within NCHC's fiscal year and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation one year prior to that date rolled forward to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. NCHC's proportion of the net pension liability was based on NCHC's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017 and 2016, NCHC's proportion was .18725416% and .19194538% (a decrease of .00469122% from the prior year), respectively.

For the years ended December 31, 2018 and 2017, NCHC recognized pension expense of \$2,630,652 and \$4,080,561, respectively.

North Central Health Care

Notes to Combined Financial Statements

Note 14: Employee Retirement Plans - Wisconsin Retirement System (Continued)

At December 31, 2018 and 2017, NCHC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,063,862	\$ 3,304,240	\$ 603,250	\$ 4,975,531
Changes in assumptions	1,098,507	-	1,654,134	-
Net differences between projected and actual earnings on pension plan investments	-	7,641,425	7,875,134	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,021	34,130	133,013	46,173
Employer contributions subsequent to the measurement date	1,905,598	-	1,805,306	-
Totals	\$ 10,161,988	\$ 10,979,795	\$ 12,070,837	\$ 5,021,704

Deferred outflows of resources related to pension resulting from NCHC's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$ 619,290
2020	(19,216)
2021	(1,893,013)
2022	(1,443,792)
2023	13,325

North Central Health Care

Notes to Combined Financial Statements

Note 14: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Actuarial Assumptions - The total pension liability in the actuarial valuations used for the years ended December 31, 2018 and 2017, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Actuarial valuation date	December 31, 2016	December 31, 2015
Measurement date of net pension liability	December 31, 2017	December 31, 2016
Actuarial cost method	Entry Age	Entry Age
Asset valuation method	Fair Market Value	Fair Market Value
Long-term expected rate of return	7.2 %	7.2 %
Discount rate	7.2 %	7.2 %
Salary increases:		
Inflation	3.2 %	3.2 %
Seniority/merit	0.2% - 5.6%	0.2% - 5.6%
	Wisconsin 2012 Mortality	Wisconsin 2012 Mortality
Mortality	Table	Table
Postretirement Adjustments*	2.1 %	2.1 %

**No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 through 2014. The total pension liability for December 31, 2018, is based upon a roll-forward of the liability calculated from the December 31, 2017, actuarial valuation.

North Central Health Care

Notes to Combined Financial Statements

Note 14: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Long-Term Expected Return on Plan Assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns	As of December 31, 2017		
	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return
Core fund:			
Global equities	50.0 %	8.2 %	5.3 %
Fixed income	25.0 %	4.2 %	1.4 %
Inflation sensitive assets	16.0 %	3.8 %	1.0 %
Real estate	8.0 %	6.5 %	3.6 %
Private equity/debt	8.0 %	9.4 %	6.5 %
Multi-asset	4.0 %	6.5 %	3.6 %
Total core fund	111.0 %	7.3 %	4.4 %
Variable fund:			
U.S. equities	70.0 %	7.5 %	4.6 %
International equities	30.0 %	7.8 %	4.9 %
Total variable fund	100.0 %	7.9 %	5.0 %

North Central Health Care

Notes to Combined Financial Statements

Note 14: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Asset Allocation Targets and Expected Returns	As of December 31, 2016			
	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return
Core fund:				
Global equities	50.0 %	45.0 %	8.3 %	5.4 %
Fixed income	24.5 %	37.0 %	4.2 %	1.4 %
Inflation sensitive assets	15.5 %	20.0 %	4.3 %	1.5 %
Real estate	8.0 %	7.0 %	6.5 %	3.6 %
Private equity/debt	8.0 %	7.0 %	9.4 %	6.5 %
Multi-asset	4.0 %	4.0 %	6.6 %	3.7 %
Total core fund	110.0 %	120.0 %	7.4 %	4.5 %
Variable fund:				
U.S. equities	70.0 %	70.0 %	7.6 %	4.7 %
International equities	30.0 %	30.0 %	8.5 %	5.6 %
Total variable fund	100.0 %	100.0 %	7.4 %	5.0 %

New England Pension Consultants Long Term US CPI Forecast: 2.75%

Assets allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

Single Discount Rate: A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

North Central Health Care

Notes to Combined Financial Statements

Note 14: Employee Retirement Plans - Wisconsin Retirement System (Continued)

Sensitivity of NCHC's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate:

The following presents NCHC's proportionate share of the net pension liability (asset) calculated using the current discount rate, as well as what NCHC's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2018		2017	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease to the rate	6.2 %	\$ 14,385,096	6.2 %	\$ 20,813,385
Current discount rate	7.2 %	(5,559,798)	7.2 %	1,582,088
1% increase to rate	8.2 %	(20,718,534)	8.2 %	(13,226,881)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available online at <http://etf.wi.gov/publications/cafr.htm>.

Payables to the Pension Plan - At December 31, 2018 and 2017, NCHC reported a payable of \$302,639 and \$277,338, respectively, for the outstanding amount of employer contributions to the pension plan.

Note 15: Other Postemployment Benefits - Local Retiree Life Insurance Fund

Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a cost-sharing multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online at <http://etf.wi.gov/publications/cafr.htm>.

Benefits Provided

The LRLIF plan provides fully paid-up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

North Central Health Care

Notes to Combined Financial Statements

Note 15: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2018, are as follows:

<u>Coverage Type</u>	<u>Employer Contribution</u>
25% postretirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017, are as listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2017

<u>Attained Age</u>	<u>Basis</u>
Under 30	0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$5,962 in contributions from the employer.

North Central Health Care

Notes to Combined Financial Statements

Note 15: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2018, NCHC reported a liability of \$944,541 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. NCHC's proportion of the net OPEB liability was based on the NCHC's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the Hospital's proportion was 0.313949%, which was an increase of 0.019736% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, NCHC recognized OPEB expense of \$44,871.

At December 31, 2018, NCHC reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,308
Net differences between projected and actual earnings on OPEB plan investments	10,876	-
Changes in assumptions	91,273	-
Employer contributions subsequent to the measurement date	6,543	-
Totals	\$ 108,692	\$ 13,308

North Central Health Care

Notes to Combined Financial Statements

Note 15: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

Deferred outflows of \$16,696 related to OPEB resulting from NCHC's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ended December 31</i>	Net Deferred Outflows (Inflows) of Resources
2018	\$ 14,659
2019	14,659
2020	14,659
2021	14,659
2022	11,940
Thereafter	18,265

Actuarial Assumptions

The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
Measurement date of net OPEB liability (asset)	December 31, 2017
Actuarial cost method	Entry age normal
20 year tax-exempt municipal bond yield	3.44 %
Long-term expected rate of return	5.00 %
Discount rate	3.63 %
Salary increases:	
Inflation	2.3 %
Seniority/merit	3.2 %
Mortality	Wisconsin 2012 Mortality Table

North Central Health Care

Notes to Combined Financial Statements

Note 15: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Return on Plan Assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investment). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return, and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2017

<i>Asset Class</i>	<i>Index</i>	<i>Target Allocation</i>	<i>Long-Term Expected Geometric Real Rate of Return</i>
U.S. government bonds	Barclays Government	1.0 %	1.13 %
U.S. credit bonds	Barclays Credit	65.0 %	2.61 %
U.S. long credit bonds	Barclays Long Credit	3.0 %	3.08 %
U.S. mortgages	Barclays MBS	31.00 %	2.19 %
Inflation			2.3 %
Long-term expected rate of return			5.0 %

Single Discount Rate: A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

North Central Health Care

Notes to Combined Financial Statements

Note 15: Other Postemployment Benefits - Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions (Continued)

Sensitivity of NCHC's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents NCHC's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63%, as well as what NCHC's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) or 1 percentage point higher (4.63%) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
NCHC's proportionate share of the net OPEB liability (asset)	\$ 1,334,995	\$ 944,541	\$ 644,908

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Note 16: Self-Funded Insurance

NCHC has a self-funded health insurance plan that provides benefits to employees and their dependents. Health costs are expensed as incurred. Health expense is based on claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. The health plan has reinsurance to cover catastrophic individual claims over \$225,000.

NCHC also has a self-funded dental insurance plan that provides benefits to employees and their dependents. Dental costs are expensed as incurred. Dental expense is based on claims paid, administration fees, and unpaid claims at year-end. The plan covers annual individual claims up to \$1,000 and has no reinsurance.

Unpaid health and dental claims liability activity for the years ended December 31 was as follows:

	2018	2017
Unpaid claims liability at beginning	\$ 622,000	\$ 798,000
Claims expense	7,967,356	6,354,701
Claim payments	(7,742,356)	(6,530,701)
Unpaid claims liability at end	\$ 847,000	\$ 622,000

North Central Health Care

Notes to Combined Financial Statements

Note 17: Related-Party Note Payable

In 2011, Marathon County advanced \$1,500,000 to NCHC to pay costs associated with renovation of space to be utilized by the Marathon County Health Department. NCHC was required to repay Marathon County over 10 years with a 2% per annum interest rate. In 2017, Marathon County forgave \$636,181, the remaining balance of the related-party note payable, as described in Note 11.

Note 18: Comprehensive General and Professional Liability Insurance

NCHC's comprehensive general liability insurance covers losses of up to \$1,000,000 per claim with \$3,000,000 annual aggregate for claims incurred during a policy year regardless of when the claim was filed (occurrence-based coverage). NCHC's professional liability insurance covers losses up to \$1,000,000 per claim with \$3,000,000 annual aggregate for claims reported during a policy year (claims-made coverage). NCHC also carries an umbrella liability policy of \$3,000,000 for claims reported during a policy year (claims-made coverage).

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with NCHC. Although there exists the possibility of claims arising from services provided to patients through December 31, 2018, which have not yet been asserted, NCHC is unable to determine the ultimate cost, if any, of such possible claims and, accordingly, no provision has been made for them. These insurance policies are renewable annually and have been renewed by the insurance carrier for the annual period extending through December 31, 2018.

Note 19: Concentration of Credit Risk

Financial instruments that potentially subject NCHC to credit risk consist principally of cash deposits in excess of insured limits, investments of surplus operating funds, as discussed in Note 3, and accounts receivable.

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies. NCHC grants credit to its patients, primarily residents of Langlade, Lincoln, and Marathon Counties for these services. NCHC is also required to meet the Wisconsin Statutes and Administrative Code under the Uniform Fee and Ability to Pay Provisions. The mix of receivables from patients and third-party payors was as follows at December 31:

	2018	2017
Medicare	18 %	18 %
Medicaid	47 %	41 %
Private pay	16 %	22 %
Insurance and other	19 %	19 %
Totals	100 %	100 %

North Central Health Care

Notes to Combined Financial Statements

Note 20: Functional Expenses

NCHC provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31 are as follows:

	2018	2017
Health care services	\$ 51,951,786	\$ 45,719,840
General and administrative	17,708,365	17,909,080
Totals	\$ 69,660,151	\$ 63,628,920

Note 21: Prior Year Restatement

As a result of the implementation of GASB Statements No. 75, beginning net position was restated as follows:

Balance at January 1, 2017, as previously reported	\$ 40,833,855
Add - Deferred outflows of resources - Contributions after the measurement date for OPEB plan - LRLIF	5,857
Subtract - Beginning total OPEB liability for NCHC OPEB plan - LRIF	810,143
Balance at January 31, 2017, as restated	\$ 40,029,569

Required Supplementary Information

North Central Health Care

Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions - Wisconsin Retirement System

Last Ten Fiscal Years (When Available)

	2018	2017	2016	2015
Schedule of the Employer's Proportionate Share of the Net Pension Liability (Asset)				
Measurement date	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NCHC's proportion of the net pension liability (asset)	0.18725416 %	0.19194538 %	0.19245642 %	0.19732891 %
NCHC's proportionate share of the net pension liability (asset)	\$ (5,559,798)	\$ 1,582,088	\$ 3,127,379	\$ (4,846,938)
NCHC's covered-employee payroll during the measurement period	\$ 26,535,387	\$ 28,454,517	\$ 26,567,926	\$ 26,908,431
NCHC's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(20.95)%	5.57 %	11.77 %	(18.01)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93 %	99.12 %	98.20 %	102.74 %
Schedule of Employer Contributions				
Contractually required contribution for the fiscal year	\$ 1,905,598	\$ 1,805,306	\$ 1,883,195	\$ 1,802,066
Contributions in relation to the contractually required contribution	(1,905,598)	(1,805,306)	(1,883,195)	(1,802,066)
Contribution deficiency	\$ -	\$ -	-	-
NCHC's covered-employee payroll for the fiscal period	\$ 28,622,271	\$ 26,535,387	\$ 28,424,517	\$ 26,567,926
Contributions as a percentage of covered-employee payroll	6.66 %	6.80 %	6.63 %	6.78 %

Notes to the Schedules

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

See Independent Auditor's Report.

North Central Health Care
Schedule of the Employer's Proportionate Share of the Net OPEB
Liability (Asset) and Employer Contributions - Local Retiree Life Insurance
Fund
Last Ten Fiscal Years (When Available)

2018

**Schedules of the Employer's Proportionate Share of the
Net OPEB Liability (Asset)**

Measurement date	12/31/2017
NCHC's proportion of the net OPEB liability (asset)	0.31394900 %
NCHC's proportionate share of the net OPEB liability (asset)	\$ 944,541
NCHC's covered payroll	\$ 13,202,454
NCHC's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.15 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81 %

Schedule of Employer Contributions

Contractually required contribution for the fiscal period	\$ 6,543
Contributions in relation to the contractually required contribution	(6,543)
Contribution deficiency (excess)	\$ -
NCHC's covered payroll for the fiscal period	\$ 13,507,132
Contributions as a percentage of covered payroll	0.05 %

Notes to the Schedules:

Changes of benefit terms: There were no changes of benefit terms for any participating employer in LRLIF.

Changes of assumptions: There were no changes in the assumptions.

See Independent Auditor's Report.

Supplementary Information - Combining Statements

North Central Health Care

Combining Statements of Net Position

December 31, 2018 (With Comparative Totals for 2017)

	2018			2017	
	51.42/.437	Nursing			
Assets and Deferred Outflows of Resources	Program	Home	Total	Total	
Current assets:					
Cash and cash equivalents	\$ 3,890,914	\$ 3,542,677	\$ 7,433,591	\$ 8,034,338	
Accounts receivable:					
Patient - Net	2,814,618	1,977,515	4,792,133	4,647,012	
Outpatient WIMCR/CCS	2,147,000	-	2,147,000	1,440,000	
Marathon County	199,375	-	199,375	73,865	
Net state receivable	1,148,281	-	1,148,281	1,341,728	
Other	188,387	-	188,387	214,581	
Inventory	398,393	29,294	427,687	342,221	
Other	101,218	48,608	149,826	210,644	
Total current assets	10,888,186	5,598,094	16,486,280	16,304,389	
Noncurrent assets:					
Investments	13,691,324	-	13,691,324	11,792,118	
Assets limited as to use	657,095	593,839	1,250,934	845,128	
Restricted assets - Patient trust funds	12,866	21,621	34,487	35,673	
Receivable restricted for aquatic pool	3,213,262	-	3,213,262	-	
Net pension asset	3,331,431	2,228,367	5,559,798	-	
Nondepreciable capital assets	626,814	16,853	643,667	610,905	
Depreciable capital assets - Net	7,505,264	3,456,771	10,962,035	11,071,115	
Total noncurrent assets	29,038,056	6,317,451	35,355,507	24,354,939	
Deferred outflows of resources - Related to pensions and life insurance	6,154,191	4,116,489	10,270,680	12,070,837	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 46,080,433	\$ 16,032,034	\$ 62,112,467	\$ 52,730,165	

North Central Health Care

Combining Statements of Net Position (Continued)

December 31, 2018 (With Comparative Totals for 2017)

	2018			2017	
	51.42/.437	Nursing		Total	Total
Liabilities, Deferred Inflows of Resources, and Net Position	Program	Home	Total		
Current liabilities:					
Current portion of capital lease liability	\$ 22,460	\$ 6,789	\$ 29,249	\$	-
Accounts payable:					
Trade	909,173	274,800	1,183,973		859,959
Marathon County	269,166	-	269,166		258,510
Accrued liabilities:					
Salaries and retirement	1,194,484	798,647	1,993,131		1,609,919
Compensated absences	1,020,101	682,337	1,702,438		1,340,709
Health and dental insurance	507,522	339,478	847,000		622,000
Other	140,213	93,787	234,000		239,000
Amounts payable to third-party reimbursement programs	145,000	-	145,000		250,000
Unearned revenue	76,863	-	76,863		76,748
Total current liabilities	4,284,982	2,195,838	6,480,820		5,256,845
Noncurrent liabilities:					
Amounts due to Marathon County for aquatic pool project	343,429	-	343,429		-
Long-term portion of capital lease liability	77,644	23,468	101,112		-
Net pension and life insurance liability	565,969	378,572	944,541		1,582,088
Patient trust funds	12,866	21,621	34,487		35,673
Total noncurrent liabilities	999,908	423,661	1,423,569		1,617,761
Total liabilities	5,284,890	2,619,499	7,904,389		6,874,606
Deferred inflows of resources - Related to pensions and life insurance	6,587,067	4,406,036	10,993,103		5,021,704
Net position:					
Net investment in capital assets	7,688,545	3,443,367	11,131,912		11,682,020
Restricted for capital assets	3,213,262	-	3,213,262		-
Unrestricted:					
Board designated for contingency	500,000	500,000	1,000,000		500,000
Board designated for capital assets	157,095	93,839	250,934		345,128
Undesignated	22,649,574	4,969,293	27,618,867		28,306,707
Total net position	34,208,476	9,006,499	43,214,975		40,833,855
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 46,080,433	\$ 16,032,034	\$ 62,112,467	\$	52,730,165

See Independent Auditor's Report.

North Central Health Care

Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2018 (With Comparative Totals for 2017)

	2018			2017	
	51.42/.437 Program	Nursing Home	Total	Total	
Revenue:					
Net patient service revenue	\$ 29,556,162	\$ 20,633,787	\$ 50,189,949	\$ 45,123,737	
Other revenue:					
State grant-in-aid	5,059,148	-	5,059,148	5,019,330	
State match/addendum	2,215,894	-	2,215,894	2,126,653	
Other grants	743,295	-	743,295	636,266	
Counties' appropriations	6,668,406	2,645,335	9,313,741	9,671,941	
Departmental and other revenue	1,481,796	492,221	1,974,017	1,729,948	
Total other revenue	16,168,539	3,137,556	19,306,095	19,184,138	
Total revenue	45,724,701	23,771,343	69,496,044	64,307,875	
Expenses:					
Salaries	18,224,994	11,889,023	30,114,017	27,571,217	
Fringe benefits:					
WRS Retirement - GASB 68	434,452	290,602	725,054	2,275,256	
WRS Retirement - GASB 75	26,887	17,984	44,871	-	
WRS Retirement - Contributions	1,141,834	763,764	1,905,598	1,805,305	
Other fringe benefits	6,472,389	4,836,504	11,308,893	9,149,690	
Supplies and other	16,602,114	5,563,977	22,166,091	20,439,308	
Utilities	75,929	-	75,929	76,186	
Depreciation	1,503,694	474,168	1,977,862	1,678,263	
Interest expense	-	-	-	-	
Care of patients at other facilities	1,341,836	-	1,341,836	633,695	
Total expenses	45,824,129	23,836,022	69,660,151	63,628,920	
Operating income (loss)	(99,428)	(64,679)	(164,107)	678,955	
Nonoperating income (loss):					
Interest income	261,660	-	261,660	167,995	
Fixed asset impairment	-	(498,296)	(498,296)	-	
Gain on disposal of capital assets	5,838	-	5,838	8,332	
Total nonoperating income (loss)	267,498	(498,296)	(230,798)	176,327	
Income (loss) before contributed capital	168,070	(562,975)	(394,905)	855,282	
Contributions restricted for capital assets	3,213,262	-	3,213,262	-	
Contributed capital - Contributions from Marathon County for capital assets	367,049	-	367,049	646,347	
Change in net position	3,748,381	(562,975)	3,185,406	1,501,629	
Net position at beginning, as previously reported	30,942,023	9,891,832	40,833,855	39,332,226	
Cumulative effect of accounting change	(481,928)	(322,358)	(804,286)	-	
Net position at end	\$ 34,208,476	\$ 9,006,499	\$ 43,214,975	\$ 40,833,855	

See Independent Auditor's Report.

North Central Health Care

Combining Statement of Cash Flows

Year Ended December 31, 2018 (With Comparative Totals for 2017)

	2018			2017	
	51.42/.437 Program	Nursing Home	Total	Total	
Increase (decrease) in cash and cash equivalents:					
Cash flows from operating activities:					
Cash received from patients, third-party reimbursement programs, and other revenue	\$ 38,032,491	\$ 21,286,937	\$ 59,319,428	\$	53,816,747
Cash received from Marathon County appropriations	6,627,842	1,500,000	8,127,842		8,118,746
Cash received from other counties' appropriations	40,564	1,145,335	1,185,899		1,553,195
Cash paid to employees for services	(17,233,377)	(11,145,774)	(28,379,151)		(25,812,531)
Cash paid to suppliers for goods and services	(25,953,542)	(11,282,708)	(37,236,250)		(34,607,488)
Cash paid to Marathon County for rent	(22,000)	-	(22,000)		(48,400)
Net cash provided by operating activities	1,491,978	1,503,790	2,995,768		3,020,269
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(1,435,290)	(117,873)	(1,553,163)		(1,748,870)
Contributions from Marathon County for capital assets	-	-	-		10,166
Net cash used in capital and related financing activities	(1,435,290)	(117,873)	(1,553,163)		(1,738,704)
Cash flows from investing activities:					
Decrease in investments	(1,899,206)	-	(1,899,206)		(1,492,118)
Increase (decrease) in assets limited as to use	27,533	(433,339)	(405,806)		1,991,765
Interest received	261,660	-	261,660		167,995
Net cash provided by (used in) investing activities	(1,610,013)	(433,339)	(2,043,352)		667,642
Net increase (decrease) in cash and cash equivalents	(1,553,325)	952,578	(600,747)		1,949,207
Cash and cash equivalents at beginning	5,444,239	2,590,099	8,034,338		6,085,131
Cash and cash equivalents at end	\$ 3,890,914	\$ 3,542,677	\$ 7,433,591	\$	8,034,338

North Central Health Care

Combining Statement of Cash Flows (Continued)

Year Ended December 31, 2018 (With Comparative Totals for 2017)

	2018			2017	
	51.42/.437 Program	Nursing Home	Total	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (99,428)	\$ (64,679)	\$ (164,107)	\$	678,955
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Provision for depreciation	1,503,694	474,168	1,977,862		1,678,263
Provision for bad debts	356,192	67,154	423,346		412,578
Changes in operating assets and liabilities:					
Accounts receivable	(1,275,111)	93,775	(1,181,336)		(1,171,795)
Inventory	(216,853)	131,387	(85,466)		(36,847)
Other current assets	13,649	47,169	60,818		230,785
Accounts payable	323,103	11,567	334,670		(470,386)
Accrued liabilities	691,556	273,385	964,941		(516,570)
Amounts receivable from third-party reimbursement programs	(105,000)	-	(105,000)		44,080
Unearned revenue	115	-	115		(104,050)
Net pension changes	300,061	469,864	769,925		2,275,256
Total adjustments	1,591,406	1,568,469	3,159,875		2,341,314
Net cash provided by operating activities	\$ 1,491,978	\$ 1,503,790	\$ 2,995,768	\$	3,020,269
Supplemental disclosure of cash flows information:					
Forgiveness of related-party note payable	\$ -	\$ -	\$ -	\$	636,181
Capital additions acquired with capital lease obligation	100,104	30,257	130,361		-

See Independent Auditor's Report.

Supplementary Information - Uniform Guidance

North Central Health Care

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2018

Grantor Agency/Pass-Through Agency/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Passed Through to Sub Recipients	Total Federal Expenditures
U.S. Department of Education					
Passed Through Wisconsin Department of Health Services					
Grant for Infants and Toddlers With Disabilities	84.181	550	1/1/18-12/31/18	\$ - \$	262,109
Passed Through Wisconsin Department of Workforce Development					
Supported Employment	84.187		1/1/18-6/30/18	-	94,120
Supported Employment	84.187		7/1/18-12/31/18	-	110,332
Total CFDA #84.187				-	204,452
Total U.S. Department of Education				-	466,561
U.S. Department of Health and Human Services					
Passed Through Wisconsin Department of Health Services					
Temporary Assistance for Needy Families	93.558	561	1/1/18-12/31/18	-	335,764
Social Services Block Grant	93.667	561	1/1/18-12/31/18	-	627,276
Medicaid Cluster					
Medical Assistance Program - WIMCR	93.778		1/1/18-12/31/18	-	568,337
Passed Through TPA					
Medical Assistance Program - CLTS	93.778		1/1/18-12/31/18		474,166
Total CFDA #93.778 Medicaid Cluster				-	1,042,503
Passed Through Wisconsin Department of Health Services					
Block Grants for Community Mental Health Services	93.958		1/1/18-12/31/18	-	71,892
Block Grants for Community Mental Health Services - Coordinated Services	93.958	515	1/1/18-12/31/18	-	21,122
Total CFDA #93.958				-	93,014
Passed Through Wisconsin Department of Health Services					
Coordinated Services	93.959	515	1/1/18-12/31/18	-	24,359
Block Grants for Prevention and Treatment of Substance Abuse	93.959	570	1/1/18-12/31/18	-	297,162
Total CFDA #93.959				-	321,521
Total U.S. Department of Health and Human Services				-	2,420,078
TOTAL FEDERAL AWARDS				\$ - \$	2,886,639

See notes to schedules of expenditures of federal and state awards.

North Central Health Care

Schedule of Expenditures of State Awards

Year Ended December 31, 2018

Grantor Agency/Pass-Through Agency/Program Title	I.D. Number	Grant Period	Accrued (Unearned)				Reimbursements		Expenditures		Accrued (Unearned)
			Revenue at		Adjustments	Grantor	Local	Grantor	Local	Revenue at	
			1/1/2018								12/31/2018
Wisconsin Department of Health Services											
Passed Through Marathon, Langlade, and Lincoln											
County Departments of Social Services											
Adult Protective Services	435.312	1/1/17-12/31/17	\$ 25,376	\$ (2)	\$ 25,374	\$ -	\$ -	\$ -	\$ -		
Adult Protective Services	435.312	1/1/18-12/31/18	-	-	126,870	-	152,242	-		25,372	
Children's Community Options Program	435.377	1/1/17-12/31/17	31,507	-	31,507	-	-	-		-	
Children's Community Options Program	435.377	1/1/18-12/31/18	-	-	35,838	-	65,926	-		30,088	
Passed Through Greater Wisconsin Agency on Aging Resources, Inc.											
Elder Abuse Service	435.56049	1/1/17-12/31/17	23,677	(7)	23,670	-	-	-		-	
Elder Abuse Service	435.56049	1/1/18-12/31/18	-	-	38,905	-	73,203	-		34,298	
Direct funding											
Community Services Team Counties Expansion	435.515	1/1/17-12/31/17	26,589	-	26,589	-	-	-		-	
Community Services Team Counties Expansion	435.515	1/1/18-12/31/18	-	-	107,930		134,519	-		26,589	
Mental Health Community Aids	435.516	1/1/17-12/31/17	64,891	-	64,891	-	-	-		-	
Mental Health Community Aids	435.516	1/1/18-12/31/18	-	-	324,463		389,355	-		64,892	
Grants for Infants and Families (Birth to Three)	435.550	1/1/17-12/31/17	(5)	5	-	-	-	-		-	
Grants for Infants and Families (Birth to Three)	435.550	1/1/18-12/31/18	-	-	214,444	-	257,331	-		42,887	
Basic County Allocation	435.561	1/1/17-12/31/17	340,175	(40,588)	299,587	-	-	-		-	
Basic County Allocation	435.561	1/1/18-12/31/18	-	-	2,845,518	-	3,598,965	-		753,447	
Intoxicated Driver Emergency Funding	435.567	1/1/17-12/31/17	218,441	-	218,441	-	-	-		-	
Intoxicated Driver Emergency Funding	435.567	1/1/18-12/31/18	-	-	-	-	115,746	-		115,746	
Dementia Care Innovation	435.560203	1/1/17-12/31/17	50	(50)	-	-	-	-		-	
State and County Match	435.681	1/1/17-12/31/17	496,388	-	496,388	-	-	-		-	
State and County Match	435.681	1/1/18-12/31/18	-	-	414,285	-	497,143	-		82,858	
Total Wisconsin Department of Health Services			1,227,089	(40,642)	5,294,700	-	5,284,430	-		1,176,177	
Wisconsin Department of Transportation											
Passed Through Marathon County											
Elderly and Handicapped Transportation Program	395.101	1/1/17-12/31/17	59,433		49,527	9,906	-	-		-	
Elderly and Handicapped Transportation Program	395.101	1/1/18-12/31/18	-	-	179,484	32,884	239,312	43,845		70,789	
Total Wisconsin Department of Transportation			59,433	-	229,011	42,790	239,312	43,845		70,789	
TOTAL STATE AWARDS			\$ 1,286,522	\$ (40,642)	\$ 5,523,711	\$ 42,790	\$ 5,523,742	\$ 43,845	\$	1,246,966	

See notes to schedules of expenditures of federal and state awards.

North Central Health Care

Notes to Schedules of Expenditures of Federal and State Awards

Note A: Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of North Central Health Care (NCHC) under programs of the federal and state government for the year ended December 31, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, and Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Guidelines. Because the schedules present only a selected portion of the operations of NCHC, they are not intended to and do not present the financial position, changes in net position, or cash flows of NCHC.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C: Indirect Costs

Pass-through entity identifying numbers are presented where applicable. NCHC has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditor's Audit Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
North Central Health Care
Wausau, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North Central Health Care, a component unit of Marathon County, which consist of the combined statements of net position as of December 31, 2018 and 2017, and the related combined statements of revenue, expenses, and changes in net position and cash flows for the years ended December 31, 2018 and 2017, and the related notes to the combined financial statements which collectively comprise North Central Health Care's financial statements and have issued our report thereon dated March 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Central Health Care's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Central Health Care's internal control. Accordingly, we do not express an opinion on the effectiveness of North Central Health Care's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being prominent and connected. The "LLP" is written in a slightly more upright, but still cursive, style.

Wipfli LLP

March 13, 2019
Wausau, Wisconsin

Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance

Board of Directors
North Central Health Care
Wausau, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited North Central Health Care's, a component unit of Marathon County, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement and the State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018. North Central Health Care's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with statutes, regulations, and the terms and conditions of North Central Health Care's grant awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Central Health Care's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about North Central Health Care's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on North Central Health Care's compliance.

Opinion

In our opinion, North Central Health Care complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of North Central Health Care is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Central Health Care's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Wisconsin Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Central Health Care's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

March 13, 2019
Wausau, Wisconsin

North Central Health Care

Schedule of Findings and Questioned Costs

Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a)?	No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.667	Social Services Block Grant
93.778	Medical Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

North Central Health Care

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2018

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major programs:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

No

Type of auditor's report issued on compliance for major programs

Unmodified

Do the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

Any audit findings disclosed that are required to be reported in accordance with State of Wisconsin Single Audit Guidelines related to:

Department of Health Services?

No

Department of Transportation?

No

Identification of major state programs:

CFDA Number/State Number

Name of State Program

435.516

Community Mental Health

435.561

Basic County Allocation

435.681

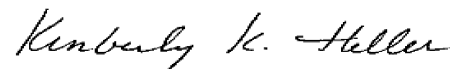
State and County Match

Dollar threshold used to distinguish between Type A and Type B Programs

\$250,000

Was a management letter or other document conveying audit comments issued as a result of this audit?

Yes



Name and Signature of Partner

Kimberly K. Heller

Date of Report

March 13, 2019

North Central Health Care
Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Section V - Status of Prior Year (2017) Findings and Questioned Costs

None



Governor Ever's Budget Proposal and Other Legislative and Rule Making Priorities

Medicaid Expansion: The Governor's budget expands Medicaid under the federal Affordable Care Act by covering all low-income Wisconsin residents who earn incomes between 0 and 138 percent of the federal poverty level. An additional 82,000 Wisconsinites will receive healthcare coverage through Medicaid. The Governor's budget anticipates \$320 million in GPR savings through this initiative.

Crisis Intervention Services: The Governor's budget recommends the state begin to pay for a portion of the nonfederal share of Medicaid Crisis Intervention services. The Governor's budget proposes to begin sharing the costs of crisis intervention services between the state and the counties. Moving forward, counties will provide a 75 percent maintenance of effort payment based on CY17 expenditures, which will give counties freedom to provide services to additional individuals and expand the services they offer.

Crisis Stabilization Facilities: The Governor's budget creates a new grant program to establish five regional crisis stabilization facilities. These facilities are designed to help individuals in crisis and reduce involuntary commitments at state-run institutions.

Crisis Intervention Services: The Governor's budget recommends the state begin to pay for a portion of the nonfederal share of Medicaid Crisis Intervention services. The Governor's budget proposes to begin sharing the costs of crisis intervention services between the state and the counties. Moving forward, counties will provide a 75 percent maintenance of effort payment based on CY17 expenditures, which will give counties freedom to provide services to additional individuals and expand the services they offer.

Crisis Intervention Services: The Governor's budget recommends the state begin to pay for a portion of the nonfederal share of Medicaid Crisis Intervention services. The Governor's budget proposes to begin sharing the costs of crisis intervention services between the state and the counties. Moving forward, counties will provide a 75 percent maintenance of effort payment based on CY17 expenditures, which will give counties freedom to provide services to additional individuals and expand the services they offer.

Definition of Crisis: The Governor's budget expands the definition of crisis to include substance abuse and dementia related crises.

Crisis Program Enhancement Grant: The Governor's budget allows the Crisis Program Enhancement Grant to be used to establish or expand a crisis program.

Mental Health Services under BadgerCare Plus: The Governor's budget recommends increasing noninstitutional rates for physicians and medical clinics that provide mental health, behavioral health, and psychiatric services. The \$69 million investment will provide more services for Medicaid recipients who seek mental health and behavioral health care.

Youth Crisis Stabilization Facility: The Governor's budget fully funds a youth crisis stabilization facility. The facility will provide residential mental health services to children whose needs are greater than what is available in their community but not severe enough to warrant commitment to an institution.

Substance Use Disorder: The Governor's budget provides \$898,800 in FY21 to develop a Hub-and-Spoke treatment model utilizing the Medicaid Home Health Benefit to provide care coordination for individuals at three opioid treatment centers across the state. The Governor's budget allows methadone as an appropriate treatment at these clinics. The Hub-and-Spoke model relies on regional hubs to support an individual's initial treatment and spokes to provide maintenance treatment in local communities.

Nursing Home Rate Increases: The Governor's budget provides \$8.7 million in FY20 and \$17.8 million in FY21 for a 2.5 percent general rate increase for nursing homes with a 1.5 percent increase targeted to direct care workforce and 1.0 percent for acuity.

Workforce Shortages: The Governor's budget:

- Provides \$14.8 million in each year to increase the direct care and services portion of the capitation rates DHS provides to long-term care managed care organizations in recognition of the direct caregiver workforce challenges facing the state.
- Provides \$3.3 million in FY20 and \$13.4 million in FY21 to fund rate increases for personal care direct care services (1.5 percent increase year over year).

Student Mental Health and School Safety: Nearly \$64 million more for student mental health funding, including:

- \$150,000 for the Youth Risk Behavior Survey
- \$2.6 million for expanded awareness and training including annual school climate surveys and interventions, including Trauma Sensitive Schools
- \$22 million in reimbursements for general mental health
- \$7 million each year for mental health collaboration grants

Create a Medicaid Dependent Hospitals Program: Hospitals with High-Payer Mix (greater than 40% Medicaid) would receive a share of an additional \$16 million GPR revenue.

Psychiatry E&M Rate Rebalancing: Boost psychiatrist and APNP-psych Medicaid codes to Medicare - \$5 million to \$8 million GPR.

Ventilator Dependent Care Rates: With recent changes in Oxygen billing reimbursement practices, we have an unanticipated increase in cost of ventilator rentals of \$70,000. The ventilator rate has not changed from our current rate of \$561 since 2013. In 2013 we received an \$11 increase. With the increased nursing, respiratory therapy hours and specialized training and additional physician coverage associated with a ventilator unit, the Medicaid rate has not maintained pace with increases in costs.



MEMORANDUM

DATE: March 15, 2019
TO: North Central Community Services Program Board
FROM: Michael Loy, Chief Executive Officer
RE: CEO Report

The following items are general updates and communications to support the Board on key activities and/or updates since our last meeting:

- 1) Campus Renovation Plan: The schematic, or programming design, for the campus renovations will be presented to the public starting the week of March 18th. There are multiple presentations scheduled, including for the NCCSP Board. An update on feedback will be provided at the Board meeting.
- 2) Langlade County Offices: The final space programming plan was completed and initial conversations on plans to move forward are occurring. A meeting in Langlade County in April will help to determine direction and scope of any potential project for the Langlade County offices.
- 3) Visit from Department of Health Services Secretary Designee Andrea Palm: We hosted Secretary Designee Palm at NCHC on Wednesday March 13th. Secretary Designee Palm, along with other DHS representatives, were onsite to learn about NCHC, talk about recent program efforts and to discuss opportunities to expand access in the future. It was a very good introductory meeting.
- 4) Riverview Terrace: NCHC has been approached to potential work with the City of Wausau in a partnership to operate their Residential Care Apartment Complex (RCAC). We are examining what a proposal for our management and care services could look like. We will be meeting the Community Development Authority Board to discuss in the near future.
- 5) Lincoln Industries: Lincoln County has request NCHC to perform an operational assessment of Lincoln Industries programs (Adult Day Services, Prevocational Services and Demand Transportation). NCHC manages these programs on behalf of Langlade and Marathon County but we do not manage Lincoln Counties programs. Our assessment will offer Lincoln County with analysis and recommendations to improve financial success of these programs. The initial meetings and analysis is suggesting a good opportunity for NCHC to offer helpful solutions for Lincoln County to improve the financial viability of these programs as we have done for Langlade and Marathon County.
- 6) Wisconsin Hospital Association Physician Leadership Conference: On Friday March 15, 2019, the CEO and three of our Medical Staff members attended the WHA Physician Leadership Conference. The Conference focused on developing Physician Leaders along with a number of other Medical Staff initiatives that are aligned with our operational plan.

2019 Board - RCA - CEO Work Plan

Objective	Accountability	Start Date	Measure(s) of Success	Interim Updates	Status	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Develop NCHC into a Learning Organization	NCCSP	Jan-19	Board approved Roadmap for Learning Organization	Senior Management Team continues to meet on this initiative.	Open												
Build Medical Staff Leadership Capacity	NCCSP	Jan-19	All budgeted FTEs are filled. Physician roles defined and development plans in place. MCW PGY3 implemented.	We received work on our three new residents starting in July for our third residency cohort. Recruitments for open Psychiatry positions ongoing. Initial PGY3 rotation is being finalized.	Open												
Refresh Information Services Platform	NCCSP	Jan-19	By the end of 2021, have upgraded all of our five core systems.	The Human Resources and Learning platform systems RFP interviews and recommendations have been completed. Implementation will start in July. Matrix Care is being implemented as a replacement EHR for MVCC (target May 2019 completion). Tier replacement discovery work is ongoing. New IS Executive is onboarding this month.	Open												
CEO Appraisal	NCCSP	Bi-annually	Completed Appraisal forwarded to the RCA semi-annually	Evaluations have been completed and summary report is available. The RCA and NCCSP Executive Committee are meeting to finalize the report and then the two Chairs will meet with the CEO in April.	Open												
Annual Audit	NCCSP	Jan-19	Acceptance of annual audit by NCCSP Board and RCA	Audit is complete and will be presented to the Board in March.	Complete												
Policy Governance for the NCCSP Board	NCCSP	Jan-19	Policy Governance Monitoring System Established	The NCCSP Board reviewed the monitoring system for the End Statements. The next action item is a review of the policy monitoring for Executive Limitations.	Open												
Nursing Home Governance	NCCSP	Jan-19	Approved Management Agreement	The Management Agreement is in draft form and will be finalized with the Marathon County Administrator prior to taking it to the County Board through the Health & Human Services Committee.	Pending												
Pool Management Governance	NCCSP	Jan-19	Approved Management Agreement	A Management Agreement for the pool will be fashioned and drafted after the Mount View Care Center Management Agreement has been approved.	Pending												
Prepare Local Plan	NCCSP	Jan-19	Adopted 3 Year Local Plan	The 2020 Budget Document will include a three year forecast for operations and corresponding strategic objectives based on community need.	Open												
Develop Training Plan for Counties	NCCSP	Jan-19	Adopted Annual Training Plan	NCHC staff are working on developing a formal outreach plan in 2019. Efforts to reach out and educate continue.	Open												
County Fund Balance Reconciliation	NCCSP	Apr-19	Fund Balance Presentation	Will be presented at March NCCSP Board meeting.	Open												
Facility Use Agreements	NCCSP	Jan-19	Signed agreements with each of the three Counties	A draft Facility Use Agreement was delivered to the Marathon County Corporation Counsel's office.	Open												
Develop Conflict Resolution Protocol	NCCSP	Jan-19	Board adoption of Conflict Resolution Protocol	Item remains pending RCA approval before going to NCCSP Board.	Pending												
Reserve Policy Review	RCA	Apr-19	CFO will meet with County Finance Directors annually to review Audit and Financial performance relative to reserve policy and status	Will occur following audit.	Pending												
Annual Report	NCCSP	Apr-19	Annual Report Released and Presentations made to County Boards	Report will be published and presented at the April NCCSP Board meeting.	Open												
Programs and Services Report	NCCSP	Bi-annually	RCA Accepts Report	A report will be provided to the RCA in April for prior year and in August for year to date.	Open												
Financial Review	NCCSP	Bi-annually	Meeting held between the County Finance Directors and CFO and follow-up items addressed	Ongoing, as needed.	Open												
Substance Abuse Strategy	NCCSP	Jan-19	A strategic plan for substance use treatment services will be approved by the NCCSP Board	Contract is being finalized, project will begin in 4-6 weeks.	Open												

2019 Board - RCA - CEO Work Plan

Objective	Accountability	Start Date	Measure(s) of Success	Interim Updates	Status	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Develop a Comprehensive Youth Crisis Stabilization Continuum	RCA	Jan-19	A clearly defined and communicated 24/7 Youth Crisis stabilization program.	Working on one-page overview of current resources.	Open												
Clarification and Communication of Services	RCA	Jan-19	A marketing and outreach plan will be approved by the NCCSP Board. Communication mediums will be updated and/or enhanced.	Identifying scope of the plan and resources to support its development.	Open												
Improved Data Sharing	RCA	Jan-19	Essential crisis plan information is shared to improve care coordination while remaining protected.	Discussions on solutions to achieve success are pending.	Open												
Proposal for County Treatment Housing Needs	RCA	Jan-19	A written proposal for NCHC's service expansion in treatment focused housing.	The Program Application to the RCA and NCCSP Board was approved. Waiting for Langlade County Board's approval for the purchase and ongoing financial commitment.	Open												
Annual Budget	RCA	May-19	Adopted Budget within Budgetary Direction of the RCA and NCCSP Board	The proposed budget was adopted by the NCCSP Board in August and will be considered by the RCA on September 27th.	Open												
CEO Appraisal & Compensation	RCA	Jan-19	Completed Appraisal	See "CEO Appraisal" item above.	Open												
Performance Standards	RCA	Jul-19	Adopted Annual Performance Standards	Will occur in July.	Pending												
Tri-County Contral Annual Review	RCA	Jan-19	Revision Recommendation to County Boards if necessary	This item is pending as needed.	Pending												

DEPARTMENT: NORTH CENTRAL HEALTH CARE																	FISCAL YEAR: 2019			
PRIMARY OUTCOME GOAL	↑↓	TARGET	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2019 YTD	2018				
PEOPLE																				
Vacancy Rate	↓	5 - 7%	10.3%	9.0%											9.7%	9.5%				
Retention Rate	↑	80 - 82%	98.3%	97.5%											85.0%	82.0%				
SERVICE																				
Patient Experience	↑	88.3 - 90.5	90.9	89.3											89.9	70.3%				
CLINICAL																				
Readmission Rate	↓	8 - 10%	6.7%	13.0%											10.2%	11.3%				
Nursing Home Star Rating	↑	4+ Stars	★★	★★											★★	★★				
Adverse Event Rate	↓	PAT: 0.71 - 0.73	0.65	0.53											0.59	0.75				
		NCHC EMP: 3.31 - 3.51	8.90	11.49											10.18	3.77				
Hospital Days	↓	735 or less per month	770	667											718.5	/				
COMMUNITY																				
Access Rate	↑	90 - 95%	92.0%	86.2%											90.1%	88.3%				
FINANCE																				
Direct Expense/Gross Patient Revenue	↓	60 - 64%	64.9%	68.0%											66.4%	68.2%				
Indirect Expense/Direct Expense	↓	36 - 38%	33.7%	37.9%											35.7%	35.5%				
Net Income	↑	2 - 3%	1.3%	-1.6%											-0.1%	0.7%				

↑ Higher rates are positive
↓ Lower rates are positive

DASHBOARD MEASUREMENT OUTCOME DEFINITIONS AND DETAILS	
PEOPLE	
Vacancy Rate	Total number of vacant positions as of month end divided by total number of authorized positions as of month end.
Retention Rate	Annualized number of employees onboard on January 1st who remain employed divided the number of employees onboard on January 1st.
SERVICE	
Patient Experience	Mean score of responses to the overall satisfaction rating question on the survey.
CLINICAL	
Readmission Rate	Number of residents re-hospitalized within 30 days of admission to nursing home / total admissions. Percent of patients who are readmitted within 30 days of discharge from the Inpatient Behavioral Health hospital for Mental Health primary diagnosis. <i>Benchmark: American Health Care Association/National Center for Assistive Living (AHCA/NCAL) Quality Initiative</i>
Nursing Home Star Rating	Star rating as determined by CMS Standards.
Adverse Event Rate	Patients: # of actual harm events that reached patients/number of patient days x1000 Employees: #of OSHA Reportables x 200,000/hours worked
Total Hospital Days	Total Hospital days that all patients spend hospitalized for psychiatric stabilization or evaluation either in our inpatient unit or at external diversion sites. The current figure totals the NCHC current month hospital days to out of facility hospital days from the previous month. This lag is due to the processing time of invoices from other facilities.
COMMUNITY	
Access Rate	• Adult Day Services - within 2 weeks of receiving required enrollment documents
	• Aquatic Services - within 2 weeks of referral or client phone requests
	• Birth to 3 - within 45 days of referral
	• Community Corner Clubhouse - within 2 weeks
	• Community Treatment - within 60 days of referral
	• Outpatient Services
	- within 4 days following screen by referral coordinator for counseling or non-hospitalized patients,
	- within 4 days following discharge for counseling/post-discharge check
	- 14 days from hospital discharge to psychiatry visit
	• Prevocational Services - within 2 weeks of receiving required enrollment documents
	• Residential Services - within 1 month of referral
	• Post Acute Care % of eligible referred residents admitted within 48 hours
	• Long Term Care % of eligible referred residents admitted within 2 weeks
	• CBRF % of eligible patients admitted within 24 hours
FINANCE	• MMT % of eligible patients admitted within 60 days of UPC
	• Crisis Services % of individuals with commitments and settlement agreements enrolled in CCS or CSP programs for eligible individuals within 60 days of referral
	• Inpatient Services
	- within 4 days following discharge for counseling/post-discharge check
	- 14 days from hospital discharge to psychiatry visit
	- Ratio of patient days served at NCHC vs. Out of County placements
Direct Expense/Gross Patient Revenue	Percentage of total direct expense compared to gross revenue.
Indirect Expense/Direct Revenue	Percentage of total indirect expenses compared to direct expenses.
Net Income	Net earnings after all expenses have been deducted from revenue.



Quality Executive Summary

March 2019

Organizational Outcomes

People

❖ **Vacancy Rate**

The Vacancy Rate target range for 2019 is 5-7%. Currently, the rate is 9% for February, a decrease of 1.3% from January. The year average is 9.7%. The reason for the decrease in vacancy is the large number of new hires (23) which included a number of former Atrium Staff.

❖ **Employee Retention Rate**

The Employee Retention Rate target range for 2019 is 80-82%. The rate is 97.5% for the month of February. Currently, the rate is annualized to project 85% which is exceeding our target range.

Service

❖ **Patient Experience**

NCHC Patient Experience 2019 target is 88.3-90.5. We are measuring patient experience via mean score of responses to the overall satisfaction question on the patient experience surveys. For February, we met our target at 89.3.

Clinical

❖ **Readmission Rate**

The Readmission Rate for 2019 is a combined measure consisting of the total number of residents re-hospitalized within 30 days of admission to the nursing home/total admissions and includes the percent of patients who are readmitted within 30 days of discharge from the inpatient behavioral hospital for mental health primary diagnosis. Our target for 2019 is 8-10% total readmission rate. The rate for February is 10.2%. This measure is driven by Mount View's readmissions for the month. During the month we had 32 admissions with 7 re-hospitalizations.

❖ **Nursing Home Star Rating**

For 2019, we will be measuring the Nursing Home Star Rating as determined by CMS Standards with a target of 4 stars. For January, we did not meet our target and are currently at 2 stars, however this rating is currently a stagnant number. In November 2017, with the changes to the survey process, CMS placed a moratorium on survey rankings and due to that the star ratings are based on the prior two years. In the past it was based on 3 years of survey data. We have received word that April 2019 they will lift this moratorium and we will have the survey history removed and be given credit for our most recent two surveys which had better outcomes. Review of the lift shows that we anticipate a 3 star until we have our next standard recertification survey.

❖ **Adverse Event Rate**

For 2019, we will be measuring adverse events for both patients and employees. Our definition of “adverse” is actual harm that reached the patient or the employee. This measure will not include “near misses” or events that could have had the potential for harm, although this data will be collected, measured and analyzed for quality process improvement efforts.

For 2019, the target range for Patient Adverse Event is .73-.75 per 1,000 patient days. For February, we exceeded our target at .53. This decreased from last month.

The target range for Employee Adverse Events is 3.31-3.51. For February, we did not meet our target at 11.49. This was due to 6 employee adverse events that included a needle stick, arm strain, shoulder injury, blood exposure and a leg injury. Year to date, there are 11 which are due to inclement weather.

❖ **Total Hospital Days**

This measure includes the total number of days that all patients spend hospitalized for psychiatric stabilization or evaluation either in our inpatient unit or at external diversion sites. The data for external diversion days will be at a one month lag. Our target for 2019 is 735 or less total hospital days. For February, we had 667 days, which is in target.

Community

❖ **Access Rate for Behavioral Health Services**

The target range for this measure for 2019 is 90-95%. For February, we are below target at 88.3%. The following programs were under target for access in February:

- Community Treatment
- Community Living (Prevocational Services)
- Mount View Care Center

(See program descriptions below for more information.)

Finance

❖ **Direct Expense/Gross Patient Revenue**

This measure looks at percentage of total direct expense to gross patient revenue. The 2019 target is 60-64%. The percentage in February increased to 68% due to a combination of increased costs in some areas with a decrease in revenue in other areas. Costs for diversions and physicians were above targets, while gross charges for the hospital and physician services were below target.

❖ **Indirect Expense/Direct Expense**

Indirect Expense/Direct Expense is the percentage of total indirect expenses compared to direct expenses and the 2019 target is 36-38%. The rate for February is 37.9%, which is within the target range. The support areas are continuing to monitor expense to keep them at or below target.

❖ **Net Income**

Net Income is the net earnings after all expenses have been deducted from revenue. The target for 2019 is 2-3%. The target for February was not met, as the actual percentage is -1.6% due to an overall loss for the month. The overall loss is driven mostly from revenue not meeting targets.

Program-Specific Outcomes-items not addressed in analysis above

The following outcomes reported are measures that were not met at the program-specific level. They do not represent all data elements monitored by a given department/program, only the targets that were not met for the month.

Human Service Operations

❖ Behavioral Health Services (Inpatient, MMT, CBRF, Crisis):

Measures not met in this group were:

- The BHS Vacancy rate was at 14.4% for February. The program target is 5.8-7.8%. This is a decrease of 5.5%, which indicates that the measures put into place have been effective. There are ongoing recruitment efforts and interviews being conducted and a staffing matrix was created for inpatient to help with vacancy rates. The department is also rolling out a brand new orientation and training program for BHS staff, which is anticipating to assist with retention.
- Patient Adverse Event Rate was up at 5.46 for February, with a target of 0.71 to 0.73. There were two patient self-inflicted injuries on the unit in February and one medical emergency in crisis. A key action item in March is enhancing the safety check process on the unit, which should have a positive impact on this number.
- Direct Expense/Gross Patient Revenue: For February BHS had 76.9% with a target of 64-69%. February had a high number of line of sight and 1:1 patient needs and diversions related to acuity. We are aligning providers and staff to meet budgeted census.

❖ Birth to 3

- Vacancy rate is high as there are currently 2 open positions. Active recruitment is being held for one of the positions and the other one is being held in anticipation of the transition to Marathon County Special Education.

❖ Community Living (Residential/ADS/PreVoc):

- Vacancy Rate: This is higher than target by .6%. This is expected to be within range soon.
- Patient Adverse Event Rate: This rate is higher than target due to med errors and individuals who are a fall risk. There is an active PDSA working on med errors, focused on the sites with the highest rates. Falls are being addressed per patient with fall prevention plans and meetings with the guardians.
 - Access: Access remains at 66.7% rate for February. This is because we are transitioning prevocational sheltered based members into Community Based PreVoc Services, a focus that continues for 2019. All clients must first graduate from DVR before entering the PreVoc service, and has continued to cause a delay into the service line.

❖ Community Treatment/Outpatient/Community Corner Clubhouse:

Measures not met in this group were:

- Vacancy: For February these programs had a combined vacancy rate of 6.5% with a target of 3.3-5.3%. This is an improvement from last month. There continues to be openings in the community treatment program and those positions are being actively recruited.
- Patient experience has dipped in February in Community Treatment to 86.8 but the year to date remains at target. This impacted the overall score. The number of surveys collected for that program was 19. There will be more emphasis on survey collection and messaging to patients in the coming months.
- Access Rate: The access rate was impacted by Community Treatment at 44%. This is related to the vacancy rate. We had several case management positions that were being actively recruited. Managers have been tasked with determining and addressing key factors regarding current vacancies.

- Direct Expense/Gross Patient Revenue: February numbers are higher than target at 97.6%. Driving this is our Outpatient service specifically. Earlier this year, a new manager started and was given the task of focusing on counselor schedules, productivity, and efficiency. Action items focus on productivity standards. Inclement weather impacted patient cancellations and no show rates as well.

Nursing Home Operations

❖ MVCC Overall:

- Through February the vacancy rate was at 14.2% year to date with a target range of 6.4-8.4%. Nursing home has a Vacancy and Retention Committee that meets weekly and is looking into what is affecting this rate. During the month of February we had two full-time resignations and two internal transfers to other departments which impacted our rate.
- Readmission target for 2019 is 8-10%. In February readmission rate was at 21.9% due to seven unavoidable hospitalizations. The seven residents spent over 30 days in the hospital. Most of the diagnosis were cardiac related issues.
- Adverse event rate for February was 3.4 events per 1,000 patient days. In February we saw an increase in falls with minor injury which led to the increase in our adverse events. Nursing will be monitoring and reviewing for trends. The target for 2019 is a 5% decrease in the number of injuries from 2018 total.
- Access for February was at 69.8%. The short term target for 2019 is for referral to have an admission within 48 hours after acceptance. This goal has been revised to measure when facility accepts a referral versus actual referral date.
- Direct Expense/Gross Patient Revenue for February was at 58.5% with a target of 46-51% which was a small decrease from January. This decrease was due to a slight increase in revenue for the Vent and Legacies programs along with expenses under budget in Long Term Care and Legacies programs.

Support Programs

❖ APS:

- Vacancy rate for February was at 14.7% with a target of 3.7-5.7%. APS continues to recruit for their vacant position.
- Patient Experience: For the month of February, APS did not have any survey responses. These surveys are mailed to guardians on a monthly basis. Efforts surrounding increasing response rates and communication about the survey to guardians are being implemented.

❖ Business Operations:

- Direct Expense Budget target is \$57,205-\$60,065 per month. Expenses for February are at \$61,152 which is a bit over the target. This is due to a bulk of the expense for the annual audit coming in February. This will level out and the program will be back on track.

❖ Health Information:

- Vacancy for the month of February was at 15.2% with a target of 3.3-5.3%. This is due to the vacancies with the director role and a coder. The director role has been filled, with a March start date.
- Direct Expense Budget target is \$34,970 - \$36,719 per month. February came in over budget at \$39,995. This is due to having a consultant filling in the director role. The consultant agreement ends March 8.

❖ **Information Management Systems:**

- Vacancy for the month of February was at 0% with a target range of 3.1-5.1%. The Information Services Executive role has been filled with a March start date.

❖ **Patient Access:**

- Vacancy for the month of February is 4.6% with a target range of 2.1-4.1%. The director role has been filled.

2019 - Primary Dashboard Measure List

⬆ Higher rates are positive
⬇ Lower rates are positive

Department	Domain	Outcome Measure	2018	⬆⬇	Target Level	2019 YTD
NORTH CENTRAL HEALTH CARE OVERALL	People	Vacancy Rate	9.5%	⬇	5 - 7%	9.7%
		Retention Rate	82.0%	⬆	80 - 82%	85.0%
	Service	Patient Experience: % Top Box Rate	70.3%	⬆	88.3 - 90.5	89.9
	Clinical	Readmission Rate	11.3%	⬇	8 - 10%	10.2%
		Nursing Home Star Rating	★ ★	⬆	4+ Stars	★ ★
		Adverse Event Rate	0.75	⬇	PAT: 0.71 - 0.73	0.59
			3.77		NCHC EMP: 3.31 - 3.51	10.18
		Hospital Days	/	⬇	<= 735 / month	718.5
	Community	Access Rate	88.3%	⬆	90 - 95%	90.1%
	Finance	Direct Expense/Gross Patient Revenue	68.2%	⬇	60 - 64%	66.4%
		Indirect Expense/Direct Expense	35.5%	⬇	36 - 38%	35.7%
		Net Income	0.7%	⬆	2 - 3%	-0.1%

Department	Domain	Outcome Measure	⬆⬇	Target Level	2019 YTD
BHS	People	BHS Vacancy Rate	⬇	5.8 - 7.8%	17.2%
		BHS Retention Rate	⬆	80 - 82%	64.4%
	Service	BHS Patient Experience	⬆	88.3 - 90.5	86.9
	Clinical	BHS Readmission Rate	⬇	8 - 10%	5.3%
		BHS Adverse Event Rate	⬇	PAT: 0.71 - 0.73	5.58
				NCHC EMP: 3.31 - 3.51	10.18
		Hospital Days	⬇	<= 735 / month	348
	Community	BHS Access	⬆	90 - 95%	TBD
	Finance	BHS Budgeted Direct Expense/Gross Patient Revenue	⬇	64 - 69%	77.1%
		BHS Write-Offs	⬇	0.69%	0.39%

Department	Domain	Outcome Measure	⬆⬇	Target Level	2019 YTD
BIRTH TO 3	People	Birth To 3 Vacancy Rate	⬇	1.8 - 3.8%	3.8%
		Birth To 3 Retention Rate	⬆	80 - 82%	53.8%
	Service	Birth To 3 Patient Experience	⬆	88.3 - 90.5	92.9
	Clinical	Birth To 3 Adverse Event Rate	⬇	PAT: 0.71 - 0.73	0.00
				NCHC EMP: 3.31 - 3.51	10.18
	Community	Birth To 3 Access	⬆	90 - 95%	100.0%
	Finance	Birth To 3 Direct Expense/Gross Patient Revenue	⬇	139 - 144%	134.9%
		Birth To 3 Write-Offs	⬇	0.57%	0.13%

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
COMMUNITY LIVING	People	Community Living Vacancy Rate	↓	4.6 - 6.6%	6.8%
		Community Living Retention Rate	↑	80 - 82%	94.0%
	Service	Community Living Patient Experience	↑	88.3 - 90.5	94.7
	Clinical	Community Living Adverse Event Rate	↓	PAT: 0.73 - 0.75	1.09
				NCHC EMP: 3.31 - 3.51	10.18
	Community	Community Living Access Rate	↑	90 - 95%	66.7%
	Finance	Community Living Direct Expense/Gross Patient Revenue	↓	56 - 61%	54.8%
		Community Living Write-Offs	↓	0.10%	0.00%

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
OP/CT/CLUBHOUSE	People	OP/CT/Clubhouse Vacancy Rate	↓	3.3 - 5.3%	6.9%
		OP/CT/Clubhouse Retention Rate	↑	80 - 82%	100.0%
	Service	OP/CT/Clubhouse Patient Experience	↑	88.3 - 90.5	88.3
	Clinical	OP/CT/Clubhouse Adverse Event Rate	↓	PAT: 0.71 - 0.73	0.07
				NCHC EMP: 3.31 - 3.51	10.18
	Community	OP/CT/Clubhouse Access Rate	↑	90 - 95%	88.7%
	Finance	OP/CT/Clubhouse Direct Expense/Gross Patient Revenue	↓	73 - 78%	80.6%
		OP/CT/Clubhouse Write-Offs	↓	0.45%	0.24%

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
AQUATIC	People	Aquatic Vacancy Rate	↓	3.7 - 5.7%	0.0%
		Aquatic Retention Rate	↑	80 - 82%	45.4%
	Service	Aquatic Patient Experience	↑	88.3 - 90.5	95.5
	Clinical	Support Programs Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Community	Aquatic Access	↑	90 - 95%	97.1%
	Finance	Aquatic Direct Expense/Gross Patient Revenue	↓	51 - 56%	60.5%
		Aquatic Write-Offs	↓	0.45%	0.95%

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
MOUNT VIEW CARE CENTER	People	MVCC Vacancy Rate	↓	6.4 - 8.4%	14.2%
		MVCC Retention Rate	↑	80 - 82%	80.2%
	Service	MVCC Patient Experience	↑	88.3 - 90.5	92.5
	Clinical	MVCC Readmission Rate	↓	8 - 10%	17.2%
		MVCC Nursing Home 5-Star Rating	↓	4+ Stars	★ ★
		MVCC Adverse Event Rate	↓	2.43 - 2.55	3.00
	Community	MVCC Access Rate	↑	90 - 95%	69.8%
	Finance	MVCC Direct Expense/Gross Patient Revenue	↓	46 - 51%	59.1%
		MVCC Write-Offs	↓	0.16%	0.13%

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
APS	People	APS Vacancy Rate	↓	3.7 - 5.7%	14.7%
		APS Retention Rate	↑	80 - 82%	14.2%
	Service	APS Patient Experience	↑	88.3 - 90.5	N/A
	Clinical	Support Programs Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	APS Direct Expense Budget	↓	\$45,491 - \$47,765 per month	\$42,052.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
BUSINESS OPERATIONS	People	Business Operations Vacancy Rate	↓	3.8 - 5.8%	0.0%
		Business Operations Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Business Operations Direct Expense Budget	↓	\$57,205 - \$60,065 per month	\$61,152.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
HIM	People	HIM Vacancy Rate	↓	3.3 - 5.3%	15.2%
		HIM Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	HIM Direct Expense Budget	↓	\$34,970 - \$36,719 per month	\$39,995.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
HUMAN RESOURCES	People	Human Resources Vacancy Rate	↓	3.6 - 5.6%	0.0%
		Human Resources Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Human Resources Direct Expense Budget	↓	\$74,859 - \$78,602 per month	\$65,662.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
IMS	People	IMS Vacancy Rate	↓	3.1 - 5.1%	7.1%
		IMS Retention Rate	↑	80 - 82%	14.2%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	IMS Direct Expense Budget	↓	\$191,668 - \$201,251 per month	\$166,030.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
MARKETING AND COMMUNICATION	People	MARCOM Vacancy Rate	↓	6.3 - 8.3%	0.0%
		MARCOM Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	MARCOM Direct Expense Budget	↓	\$30,931 - \$32,477 per month	\$27,735.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
ORGANIZATIONAL DEVELOPMENT	People	Org Dev Vacancy Rate	↓	8.3 - 10.3%	0.0%
		Org Dev Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Org Dev Direct Expense Budget	↓	\$44,077 - \$46,280 per month	\$21,891.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
PATIENT ACCESS SERVICES	People	Patient Access Services Vacancy Rate	↓	2.1 - 4.1%	4.6%
		Patient Access Services Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Patient Access Services Direct Expense Budget	↓	\$50,225 - \$52,737 per month	\$41,740.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
PATIENT FINANCIAL SERVICES	People	Patient Financial Services Vacancy Rate	↓	1.9 - 3.9%	
		Patient Financial Services Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Patient Financial Services Direct Expense Budget	↓	\$66,088 - \$69,393 per month	\$66,899.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
PHARMACY	People	Pharmacy Vacancy Rate	↓	2.7 - 4.7%	0.0%
		Pharmacy Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Pharmacy Budgeted Direct Expense/Gross Patient Revenue	↓	37 - 41%	40.7%

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
PURCHASING	People	Purchasing Vacancy Rate	↓	7.5 - 9.5%	0.0%
		Purchasing Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Purchasing Direct Expense Budget	↓	\$18,643 - \$19,575 per month	\$18,342.50

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
TRANSPORTATION	People	Transportation Vacancy Rate	↓	3.7 - 5.7%	0.0%
		Transportation Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
		Access: On-Time Arrivals	↑	90 - 95%	
	Finance	Transportation Direct Expense Budget	↓	\$32,062 - \$33,665 per month	\$26,963.00

Department	Domain	Outcome Measure	↑↓	Target Level	2019 YTD
VOLUNTEER SERVICES	People	Volunteer Services Vacancy Rate	↓	16.1 - 18.1%	0.0%
		Volunteer Services Retention Rate	↑	80 - 82%	100.0%
	Service	NCHC Overall Patient Experience	↑	88.3 - 90.5	89.9
	Clinical	Support Program Overall Adverse Event Rate	↓	NCHC EMP: 3.31 - 3.51	10.18
	Finance	Volunteer Services Direct Expense Budget	↓	\$9,453 - \$9,926 per month	\$8,917.50

MEMORANDUM

DATE: March 15, 2019
TO: North Central Community Services Program Board
FROM: Brenda Glodowski, Chief Financial Officer
RE: March CFO Report

The following items are general updates and communication to support the Board on key activities and/or updates of financial activity since our last meeting.

- 1) **Financial Results:** The month of February shows an overall loss of (\$86,989) compared to the targeted gain of \$130,103 resulting in a negative variance of (217,092). Year to date, the organization shows a loss of (\$13,878).
- 2) **Revenue Key Points:** The nursing home census averaged 180/day compared to the budget target of 185/day. This is an improvement over the prior month. The hospital census averaged 12/day, compared to the target of 14. Revenue in some of the outpatient areas were also down again in February, with the weather again contributing to some of this.
- 3) **Expense Key Points:** Overall expenses for February were below targets. The direct areas, however, were over budget target and the support areas were below targets. The state institutes were over targets as well as employee benefits, legal, and contracted services.
- 4) **2018 Audit:** The annual financial audit will be presented at this meeting.

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF NET POSITION
FEBRUARY 2019**

	<u>Human Services</u>	<u>Nursing Home</u>	<u>Total</u>	<u>Prior Year Combined</u>
Current Assets:				
Cash and cash equivalents	1,095,871	2,843,153	3,939,024	6,868,003
Accounts receivable:				
Patient - Net	3,110,577	1,449,860	4,560,437	4,801,225
Outpatient - WIMCR & CCS	2,505,667	0	2,505,667	1,697,500
Nursing home - Supplemental payment program	0	350,000	350,000	364,000
Marathon County	632,489	250,000	882,489	57,080
Appropriations receivable	0	0	0	49,747
Net state receivable	1,448,931	0	1,448,931	888,696
Other	357,570	0	357,570	375,850
Inventory	0	427,687	427,687	342,220
Other	<u>648,012</u>	<u>433,450</u>	<u>1,081,462</u>	<u>1,045,387</u>
Total current assets	<u>9,799,117</u>	<u>5,754,150</u>	<u>15,553,267</u>	<u>16,489,708</u>
Noncurrent Assets:				
Investments	13,644,000	0	13,644,000	11,749,000
Assets limited as to use	679,917	158,343	838,261	1,373,622
Contingency funds	500,000	500,000	1,000,000	500,000
Restricted assets - Patient trust funds	13,658	22,851	36,509	39,387
Net pension asset	3,331,431	2,228,367	5,559,798	0
Nondepreciable capital assets	1,031,469	16,853	1,048,322	848,979
Depreciable capital assets - Net	<u>7,286,018</u>	<u>3,381,954</u>	<u>10,667,972</u>	<u>10,905,319</u>
Total noncurrent assets	<u>26,486,494</u>	<u>6,308,368</u>	<u>32,794,862</u>	<u>25,416,307</u>
Deferred outflows of resources - Related to pensions	<u>6,154,191</u>	<u>4,116,489</u>	<u>10,270,680</u>	<u>12,070,837</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>42,439,802</u>	<u>16,179,007</u>	<u>58,618,809</u>	<u>53,976,852</u>

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF NET POSITION
FEBRUARY 2019**

	<u>Human Services</u>	<u>Nursing Home</u>	<u>Total</u>	<u>Prior Year Combined</u>
Current Liabilities:				
Current portion of capital lease liability	22,460	6,789	29,249	0
Accounts payable - Trade	461,276	308,544	769,820	1,465,309
Appropriations advances	84,242	0	84,242	594,386
Accrued liabilities:				
Salaries and retirement	1,355,824	906,900	2,262,724	1,836,995
Compensated absences	1,014,418	678,536	1,692,954	1,403,163
Health and dental insurance	507,522	339,478	847,000	622,000
Other Payables	140,213	93,787	234,000	239,000
Amounts payable to third-party reimbursement programs	220,000	0	220,000	250,118
Unearned revenue	<u>76,881</u>	<u>0</u>	<u>76,881</u>	<u>76,766</u>
Total current liabilities	<u>3,882,837</u>	<u>2,334,033</u>	<u>6,216,870</u>	<u>6,487,737</u>
Noncurrent Liabilities:				
Net pension liability	565,969	378,572	944,541	1,582,088
Long-term portion of capital lease liability	74,119	22,403	96,522	0
Related-party liability - Master Facility Plan	263,719	79,710	343,429	0
Patient trust funds	<u>13,658</u>	<u>22,851</u>	<u>36,509</u>	<u>39,387</u>
Total noncurrent liabilities	<u>917,465</u>	<u>503,536</u>	<u>1,421,001</u>	<u>1,621,475</u>
Total liabilities	<u>4,800,302</u>	<u>2,837,569</u>	<u>7,637,871</u>	<u>8,109,212</u>
Deferred inflows of resources - Related to pensions	<u>6,587,067</u>	<u>4,406,036</u>	<u>10,993,103</u>	<u>5,021,704</u>
Net Position:				
Net investment in capital assets	7,944,809	3,398,807	11,343,616	11,754,298
Unrestricted:				
Board designated for contingency	500,000	500,000	1,000,000	500,000
Board designated for capital assets	679,917	158,343	838,261	1,373,622
Undesignated	21,870,487	4,949,349	26,819,837	27,263,015
Operating Income / (Loss)	<u>57,218</u>	<u>(71,096)</u>	<u>(13,878)</u>	<u>(44,999)</u>
Total net position	<u>31,052,432</u>	<u>8,935,403</u>	<u>39,987,835</u>	<u>40,845,936</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>42,439,802</u>	<u>16,179,007</u>	<u>58,618,809</u>	<u>53,976,852</u>

**NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR PERIOD ENDING FEBRUARY 28, 2019**

TOTAL	CURRENT MONTH <u>ACTUAL</u>	CURRENT MONTH <u>BUDGET</u>	CURRENT MONTH <u>VARIANCE</u>	YTD <u>ACTUAL</u>	YTD <u>BUDGET</u>	YTD <u>VARIANCE</u>
Revenue:						
Net Patient Service Revenue	<u>\$3,799,596</u>	<u>\$4,086,491</u>	<u>(\$286,894)</u>	<u>\$8,057,779</u>	<u>\$8,502,460</u>	<u>(\$444,681)</u>
Other Revenue:						
State Match / Addendum	418,151	418,151	0	836,301	836,301	0
Grant Revenue	200,523	210,375	(9,852)	413,497	420,750	(7,253)
County Appropriations - Net	525,486	525,486	(0)	1,050,972	1,050,972	(0)
Departmental and Other Revenue	<u>333,440</u>	<u>349,219</u>	<u>(15,779)</u>	<u>695,110</u>	<u>698,437</u>	<u>(3,327)</u>
Total Other Revenue	<u>1,477,599</u>	<u>1,503,230</u>	<u>(25,631)</u>	<u>2,995,880</u>	<u>3,006,460</u>	<u>(10,580)</u>
Total Revenue	5,277,195	5,589,721	(312,525)	11,053,659	11,508,920	(455,261)
Expenses:						
Direct Expenses	4,055,209	4,030,563	24,646	8,497,390	8,370,795	126,595
Indirect Expenses	<u>1,340,537</u>	<u>1,449,888</u>	<u>(109,351)</u>	<u>2,636,089</u>	<u>2,948,500</u>	<u>(312,411)</u>
Total Expenses	<u>5,395,746</u>	<u>5,480,451</u>	<u>(84,705)</u>	<u>11,133,479</u>	<u>11,319,295</u>	<u>(185,816)</u>
Operating Income (Loss)	<u>(118,550)</u>	<u>109,270</u>	<u>(227,820)</u>	<u>(79,819)</u>	<u>189,625</u>	<u>(269,445)</u>
Nonoperating Gains (Losses):						
Interest Income	27,977	20,833	7,144	58,560	41,667	16,894
Donations and Gifts	3,585	0	3,585	7,381	0	7,381
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>31,561</u>	<u>20,833</u>	<u>10,728</u>	<u>65,942</u>	<u>41,667</u>	<u>24,275</u>
Income / (Loss)	<u>(\$86,989)</u>	<u>\$130,103</u>	<u>(\$217,092)</u>	<u>(\$13,878)</u>	<u>\$231,292</u>	<u>(\$245,170)</u>

NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR PERIOD ENDING FEBRUARY 28, 2019

51.42/.437 PROGRAMS	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	CURRENT MONTH VARIANCE	YTD ACTUAL	YTD BUDGET	YTD VARIANCE
Revenue:						
Net Patient Service Revenue	<u>\$2,255,422</u>	<u>\$2,531,812</u>	<u>(\$276,390)</u>	<u>\$4,813,632</u>	<u>\$5,266,290</u>	<u>(\$452,658)</u>
Other Revenue:						
State Match / Addendum	418,151	418,151	0	836,301	836,301	0
Grant Revenue	200,523	210,375	(9,852)	413,497	420,750	(7,253)
County Appropriations - Net	400,486	400,486	(0)	800,972	800,972	(0)
Departmental and Other Revenue	<u>214,387</u>	<u>238,277</u>	<u>(23,890)</u>	<u>463,866</u>	<u>476,554</u>	<u>(12,688)</u>
Total Other Revenue	<u>1,233,546</u>	<u>1,267,288</u>	<u>(33,742)</u>	<u>2,514,636</u>	<u>2,534,577</u>	<u>(19,941)</u>
Total Revenue	<u>3,488,968</u>	<u>3,799,101</u>	<u>(310,133)</u>	<u>7,328,268</u>	<u>7,800,866</u>	<u>(472,599)</u>
Expenses:						
Direct Expenses	2,842,335	2,902,247	(59,911)	5,902,281	6,016,317	(114,035)
Indirect Expenses	<u>738,793</u>	<u>806,674</u>	<u>(67,882)</u>	<u>1,433,014</u>	<u>1,640,457</u>	<u>(207,443)</u>
Total Expenses	<u>3,581,128</u>	<u>3,708,921</u>	<u>(127,793)</u>	<u>7,335,296</u>	<u>7,656,774</u>	<u>(321,478)</u>
Operating Income (Loss)	<u>(92,160)</u>	<u>90,180</u>	<u>(182,340)</u>	<u>(7,028)</u>	<u>144,093</u>	<u>(151,120)</u>
Nonoperating Gains (Losses):						
Interest Income	27,977	20,833	7,144	58,560	41,667	16,894
Donations and Gifts	2,644	0	2,644	5,685	0	5,685
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>30,621</u>	<u>20,833</u>	<u>9,788</u>	<u>64,245</u>	<u>41,667</u>	<u>22,579</u>
Income / (Loss)	<u>(\$61,539)</u>	<u>\$111,013</u>	<u>(\$172,552)</u>	<u>\$57,218</u>	<u>\$185,759</u>	<u>(\$128,542)</u>

NORTH CENTRAL HEALTH CARE
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR PERIOD ENDING FEBRUARY 28, 2019

NURSING HOME	CURRENT MONTH <u>ACTUAL</u>	CURRENT MONTH <u>BUDGET</u>	CURRENT MONTH <u>VARIANCE</u>	YTD <u>ACTUAL</u>	YTD <u>BUDGET</u>	YTD <u>VARIANCE</u>
Revenue:						
Net Patient Service Revenue	<u>\$1,544,174</u>	<u>\$1,554,678</u>	<u>(\$10,504)</u>	<u>\$3,244,147</u>	<u>\$3,236,171</u>	<u>\$7,977</u>
Other Revenue:						
County Appropriations - Net	125,000	125,000	0	250,000	250,000	0
Departmental and Other Revenue	<u>119,053</u>	<u>110,942</u>	<u>8,111</u>	<u>231,244</u>	<u>221,883</u>	<u>9,361</u>
Total Other Revenue	<u>244,053</u>	<u>235,942</u>	<u>8,111</u>	<u>481,244</u>	<u>471,883</u>	<u>9,361</u>
Total Revenue	1,788,227	1,790,620	(2,392)	3,725,392	3,708,054	17,338
Expenses:						
Direct Expenses	1,212,874	1,128,316	84,558	2,595,109	2,354,478	240,631
Indirect Expenses	<u>601,744</u>	<u>643,214</u>	<u>(41,470)</u>	<u>1,203,075</u>	<u>1,308,043</u>	<u>(104,969)</u>
Total Expenses	<u>1,814,618</u>	<u>1,771,530</u>	<u>43,088</u>	<u>3,798,183</u>	<u>3,662,521</u>	<u>135,662</u>
Operating Income (Loss)	<u>(26,390)</u>	<u>19,090</u>	<u>(45,480)</u>	<u>(72,792)</u>	<u>45,533</u>	<u>(118,324)</u>
Nonoperating Gains (Losses):						
Interest Income	0	0	0	0	0	0
Donations and Gifts	940	0	940	1,696	0	1,696
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>940</u>	<u>0</u>	<u>940</u>	<u>1,696</u>	<u>0</u>	<u>1,696</u>
Income / (Loss)	<u>(\$25,450)</u>	<u>\$19,090</u>	<u>(\$44,540)</u>	<u>(\$71,096)</u>	<u>\$45,533</u>	<u>(\$116,628)</u>

NORTH CENTRAL HEALTH CARE
REPORT ON AVAILABILITY OF FUNDS
February 28, 2019

BANK	LENGTH	MATURITY DATE	INTEREST RATE	AMOUNT	Insured/ Collateralized
CoVantage Credit Union	679 Days	3/7/2019	1.61%	\$500,000	X
People's State Bank	365 Days	3/28/2019	1.75%	\$250,000	X
PFM Investments	365 Days	4/4/2019	2.13%	\$488,000	x
BMO Harris	365 Days	5/28/2019	2.10%	\$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
PFM Investments	367 Days	6/3/2019	2.40%	\$486,000	X
PFM Investments	545 Days	7/10/2019	2.02%	\$483,000	X
Abby Bank	730 Days	7/19/2019	1.30%	\$500,000	X
People's State Bank	365 Days	8/21/2019	2.30%	\$500,000	X
CoVantage Credit Union	605 Days	9/8/2019	2.00%	\$500,000	X
CoVantage Credit Union	365 Days	10/28/2019	2.00%	\$300,000	X
Abby Bank	730 Days	10/29/2019	1.61%	\$500,000	X
CoVantage Credit Union	730 Days	11/18/2019	1.50%	\$500,000	X
CoVantage Credit Union	608 Days	11/30/2019	2.00%	\$500,000	X
PFM Investments	365 Days	12/5/2019	2.84%	\$484,000	X
PFM Investments	545 Days	12/10/2019	2.58%	\$480,000	X
Abby Bank	730 Days	12/30/2019	1.61%	\$500,000	X
PFM Investments	367 Days	1/2/2020	2.80%	\$968,000	X
PFM Investments	455 Days	2/13/2020	2.73%	\$482,000	X
BMO Harris	549 Days	2/26/2020	2.50%	\$500,000	X
Abby Bank	730 Days	3/15/2020	1.71%	\$400,000	X
PFM Investments	730 Days	4/29/2020	2.57%	\$473,000	X
Abby Bank	730 Days	5/3/2020	2.00%	\$500,000	X
Abby Bank	730 Days	8/29/2020	2.57%	\$500,000	X
Abby Bank	730 Days	9/1/2020	2.57%	\$500,000	X
Abby Bank	730 Days	1/6/2021	2.65%	\$500,000	X
Abby Bank	730 Days	2/25/2021	2.65%	\$500,000	X
TOTAL FUNDS AVAILABLE				\$13,644,000	
WEIGHTED AVERAGE	583.52 Days		2.145% INTEREST		

NCHC-DONATED FUNDS**Balance Sheet**

As of February 28, 2019

ASSETS**Current Assets****Checking/Savings****CHECKING ACCOUNT**

Adult Day Services	6,524.78
Adventure Camp	1,999.67
Birth to 3 Program	2,035.00
Clubhouse	16,561.73
Community Treatment - Adult	785.82
Community Treatment - Youth	7,367.37
Fishing Without Boundries	6,190.80
General Donated Funds	59,476.43
Hope House	5,634.59
Housing - DD Services	1,370.47
Inpatient	1,000.00
Langlade HCC	3,167.95
Legacies by the Lake	
Music in Memory	1,958.25
Legacies by the Lake - Other	3,329.30
Total Legacies by the Lake	5,287.55
Marathon Cty Suicide Prev Task	16,292.07
National Suicide Lifeline Stipe	3,176.37
Northern Valley West	6,377.82
Nursing Home - General Fund	5,563.13
Outpatient Services - Marathon	401.08
Pool	24,989.05
Prevent Suicide Langlade Co.	2,444.55
Resident Council	521.05
United Way	529.00
Voyages for Growth	33,442.72

Total CHECKING ACCOUNT 211,139.00**Total Checking/Savings** 211,139.00**Total Current Assets** 211,139.00**TOTAL ASSETS** 211,139.00**LIABILITIES & EQUITY****Equity**

Opening Bal Equity	123,523.75
Retained Earnings	86,757.12
Net Income	858.13

Total Equity 211,139.00**TOTAL LIABILITIES & EQUITY** 211,139.00

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

Month Ending February 28, 2019

ACCOUNT DESCRIPTION	CURRENT MONTH ACTUAL	CURRENT MONTH BUDGET	YTD ACTUAL	YTD BUDGET	DIFFERENCE
<u>REVENUE:</u>					
Total Operating Revenue	<u>5,277,195</u>	<u>5,589,721</u>	<u>11,053,659</u>	<u>11,508,920</u>	<u>(455,261)</u>
<u>EXPENSES:</u>					
Salaries and Wages	2,429,601	2,588,768	5,232,086	5,454,901	(222,815)
Fringe Benefits	994,911	960,890	2,077,351	2,024,646	52,704
Departments Supplies	591,783	666,986	1,221,303	1,333,972	(112,669)
Purchased Services	669,141	531,254	1,156,757	1,040,508	116,248
Utilitites/Maintenance Agreements	267,140	259,704	572,689	519,408	53,281
Personal Development/Travel	17,198	44,663	51,972	89,325	(37,354)
Other Operating Expenses	132,801	177,020	214,365	354,200	(139,835)
Insurance	33,659	39,250	60,798	78,500	(17,702)
Depreciation & Amortization	164,513	145,250	326,159	290,500	35,659
Client Purchased Services	<u>95,000</u>	<u>66,667</u>	<u>220,000</u>	<u>133,333</u>	<u>86,667</u>
TOTAL EXPENSES	5,395,746	5,480,451	11,133,479	11,319,295	(185,816)
Nonoperating Income	<u>31,561</u>	<u>20,833</u>	<u>65,942</u>	<u>41,667</u>	<u>24,275</u>
EXCESS REVENUE (EXPENSE)	<u>(86,989)</u>	<u>130,103</u>	<u>(13,878)</u>	<u>231,292</u>	<u>(245,170)</u>

North Central Health Care
Write-Off Summary
February 2019

	<u>Current Month</u>	<u>Current Year To Date</u>	<u>Prior Year To Date</u>
<i>Inpatient:</i>			
Administrative Write-Off	\$5,825	\$6,677	\$16,454
Bad Debt	\$43	\$84	\$8,236
<i>Outpatient:</i>			
Administrative Write-Off	\$5,497	\$8,300	\$16,345
Bad Debt	\$107	\$313	\$1,436
<i>Nursing Home:</i>			
Daily Services:			
Administrative Write-Off	\$1,006	\$4,966	\$12,066
Bad Debt	\$233	\$269	\$2,122
Ancillary Services:			
Administrative Write-Off	\$0	\$15	\$88
Bad Debt	\$0	\$0	\$0
<i>Pharmacy:</i>			
Administrative Write-Off	\$70	\$88	\$282
Bad Debt	\$0	\$14	\$0
Total - Administrative Write-Off	\$12,398	\$20,046	\$45,235
Total - Bad Debt	\$383	\$680	\$11,794

North Central Health Care
2019 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	5,735	5,491	(244)	84.09%	80.51%
	Hospital	434	360	(74)	87.50%	72.58%
February	Nursing Home	5,180	5,050	(130)	84.09%	81.98%
	Hospital	392	336	(56)	87.50%	75.00%
March	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
April	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
May	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
June	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
July	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
August	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
September	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
October	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
November	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
December	Nursing Home	0	0	0	0.00%	0.00%
	Hospital	0	0	0	0.00%	0.00%
YTD	Nursing Home	10,915	10,541	(374)	84.09%	81.21%
	Hospital	826	696	(130)	87.50%	73.73%

North Central Health Care

Review of 2019 Services
Langlade County

	2019 February Actual Rev	2019 February Budg Rev	Variance	2019 February Actual Exp	2019 February Budg Exp	Variance	Variance by Program
Direct Services:							
Outpatient Services	\$72,965	\$112,998	(\$40,033)	\$100,003	\$133,035	\$33,032	(\$7,001)
Community Treatment-Adult	\$117,775	\$99,549	\$18,226	\$92,295	\$101,049	\$8,754	\$26,980
Community Treatment-Youth	\$238,556	\$212,917	\$25,639	\$178,828	\$212,917	\$34,089	\$59,728
Day Services	\$46,442	\$54,333	(\$7,891)	\$51,183	\$54,333	\$3,150	(\$4,741)
	\$475,738	\$479,798	(\$4,059)	\$422,309	\$501,335	\$79,026	\$74,966
Shared Services:							
Inpatient	\$63,752	\$77,542	(\$13,790)	\$89,036	\$90,758	\$1,722	(\$12,069)
Hospital Psychiatry	\$5,343	\$15,471	(\$10,128)	\$34,066	\$31,452	(\$2,614)	(\$12,741)
CBRF	\$23,125	\$15,911	\$7,214	\$14,415	\$15,911	\$1,496	\$8,710
Crisis	\$10,916	\$10,369	\$548	\$50,749	\$49,252	(\$1,497)	(\$950)
MMT (Lakeside Recovery)	\$10,580	\$9,262	\$1,318	\$16,094	\$14,666	(\$1,428)	(\$110)
Outpatient Psychiatry	\$12,749	\$23,031	(\$10,282)	\$72,500	\$72,363	(\$137)	(\$10,419)
Protective Services	\$4,420	\$4,303	\$117	\$12,194	\$14,188	\$1,994	\$2,111
Birth To Three	\$15,519	\$17,461	(\$1,942)	\$25,000	\$32,177	\$7,177	\$5,235
Group Homes	\$47,043	\$32,448	\$14,595	\$43,644	\$32,448	(\$11,196)	\$3,399
Supported Apartments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Services	\$0	\$0	\$0	\$26,952	\$16,453	(\$10,499)	(\$10,499)
	\$193,447	\$205,797	(\$12,350)	\$384,650	\$369,667	(\$14,983)	(\$27,333)
Totals	\$669,185	\$685,595	(\$16,410)	\$806,959	\$871,002	\$64,043	\$47,633
Base County Allocation	\$133,089	\$133,089	\$1				\$1
Nonoperating Revenue	\$3,614	\$2,572	\$1,042				\$1,042
County Appropriation	\$49,747	\$49,747	(\$0)				(\$0)
Excess Revenue/(Expense)	\$855,635	\$871,002	(\$15,367)	\$806,959	\$871,002	\$64,043	\$48,676

North Central Health Care

Review of 2019 Services
Lincoln County

	2019 February Actual Rev	2019 February Budget Rev	Variance	2019 February Actual Exp	2019 February Budg Exp	Variance	Variance By Program
Direct Services:							
Outpatient Services	\$58,635	\$71,443	(\$12,808)	\$66,960	\$108,539	\$41,579	\$28,771
Community Treatment-Adult	\$118,950	\$116,547	\$2,404	\$95,653	\$118,047	\$22,394	\$24,797
Community Treatment-Youth	\$247,336	\$277,137	(\$29,801)	\$229,386	\$277,137	\$47,751	\$17,950
	\$424,921	\$465,127	(\$40,206)	\$391,999	\$503,722	\$111,723	\$71,518
Shared Services:							
Inpatient	\$86,935	\$105,739	(\$18,804)	\$121,413	\$123,761	\$2,348	(\$16,457)
Inpatient Psychiatry	\$7,287	\$21,096	(\$13,809)	\$46,454	\$42,889	(\$3,565)	(\$17,374)
CBRF	\$31,534	\$21,697	\$9,837	\$19,657	\$21,697	\$2,040	\$11,877
Crisis	\$14,885	\$14,139	\$746	\$69,203	\$67,161	(\$2,042)	(\$1,296)
Outpatient Psychiatry	\$17,385	\$31,405	(\$14,020)	\$98,863	\$98,676	(\$187)	(\$14,207)
MMT (Lakeside Recovery)	\$14,427	\$12,630	\$1,797	\$21,946	\$19,999	(\$1,948)	(\$150)
Protective Services	\$6,027	\$5,868	\$159	\$16,628	\$19,347	\$2,719	\$2,878
Birth To Three	\$19,870	\$22,223	(\$2,353)	\$32,010	\$40,953	\$8,943	\$6,590
Apartments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contract Services	\$0	\$0	\$0	\$36,753	\$22,436	(\$14,317)	(\$14,317)
	\$198,350	\$234,798	(\$36,448)	\$462,927	\$456,919	(\$6,008)	(\$42,456)
Totals	\$623,271	\$699,924	(\$76,653)	\$854,926	\$960,641	\$105,715	\$29,062
Base County Allocation	\$138,330	\$138,330	\$1				\$1
Nonoperating Revenue	\$5,132	\$3,652	\$1,480				\$1,480
County Appropriation	\$118,736	\$118,736	\$0				\$0
Excess Revenue (Expense)	\$885,469	\$960,641	(\$75,172)	\$854,926	\$960,641	\$105,715	\$30,543

North Central Health Care

Review of 2019 Services
Marathon County

	2019 February Actual Rev	2019 February Budget Rev	Variance	2019 February Actual Exp	2019 February Budget Exp	Variance	Variance by Program
Direct Services:							
Outpatient Services	\$222,525	\$316,810	(\$94,285)	\$330,864	\$374,881	\$44,017	(\$50,269)
Community Treatment-Adult	\$612,973	\$651,843	(\$38,870)	\$563,082	\$665,176	\$102,094	\$63,224
Community Treatment-Youth	\$592,320	\$624,282	(\$31,962)	\$444,335	\$624,282	\$179,947	\$147,985
Day Services	\$228,271	\$248,376	(\$20,105)	\$222,604	\$248,376	\$25,772	\$5,667
Clubhouse	\$44,502	\$84,017	(\$39,515)	\$76,106	\$99,350	\$23,244	(\$16,271)
Demand Transportation	\$70,406	\$73,039	(\$2,633)	\$60,539	\$73,039	\$12,500	\$9,867
Aquatic Services	\$111,611	\$133,577	(\$21,966)	\$180,668	\$190,635	\$9,967	(\$12,000)
Pharmacy	\$827,042	\$854,648	(\$27,606)	\$833,714	\$854,648	\$20,934	(\$6,672)
	\$2,709,650	\$2,986,592	(\$276,942)	\$2,711,912	\$3,130,386	\$418,474	\$141,533
Shared Services:							
Inpatient	\$428,880	\$521,647	(\$92,767)	\$598,972	\$610,551	\$11,579	(\$81,189)
Inpatient Psychiatry	\$35,946	\$104,074	(\$68,128)	\$229,172	\$211,588	(\$17,584)	(\$85,712)
CBRF	\$155,566	\$107,040	\$48,526	\$96,975	\$107,040	\$10,065	\$58,591
Crisis Services	\$73,433	\$69,752	\$3,681	\$341,400	\$331,329	(\$10,071)	(\$6,390)
MMT (Lakeside Recovery)	\$71,175	\$62,307	\$8,868	\$108,269	\$98,660	(\$9,609)	(\$741)
Outpatient Psychiatry	\$85,766	\$154,933	(\$69,167)	\$487,726	\$486,803	(\$923)	(\$70,089)
Protective Services	\$29,734	\$28,948	\$787	\$82,031	\$95,446	\$13,415	\$14,202
Birth To Three	\$114,363	\$101,592	\$12,772	\$184,231	\$187,213	\$2,982	\$15,754
Group Homes	\$288,441	\$300,885	(\$12,444)	\$267,606	\$300,885	\$33,279	\$20,835
Supported Apartments	\$411,273	\$397,333	\$13,940	\$383,806	\$397,333	\$13,527	\$27,467
Contracted Services	\$0	\$0	\$0	\$181,313	\$110,683	(\$70,630)	(\$70,630)
	\$1,694,577	\$1,848,511	(\$153,934)	\$2,961,501	\$2,937,531	(\$23,970)	(\$177,904)
Totals	\$4,404,227	\$4,835,102	(\$430,875)	\$5,673,413	\$6,067,917	\$394,504	(\$36,371)
Base County Allocation	\$564,883	\$564,883	\$0				\$0
Nonoperating Revenue	\$49,814	\$35,443	\$14,371				\$14,371
County Appropriation	\$632,489	\$632,489	\$0				\$0
Excess Revenue/(Expense)	\$5,651,413	\$6,067,917	(\$416,504)	\$5,673,413	\$6,067,917	\$394,504	(\$22,000)

MEMORANDUM

DATE: March 13, 2019
TO: North Central Community Services Program Board
FROM: Laura Scudiere, Human Services Operations Executive
RE: Monthly HSO Report

The following items are general updates and communications to support the Board on key activities and/or updates of the Human Service Operations service line since our last meeting:

1. **Marathon County C.A.R.T.:** The first year of the Crisis Assessment Response Team (CART) has been completed and they have collected data that indicates that this intervention resulted in a 10% decrease in emergency detentions in the first year. Mental health related calls to the Marathon County Sheriff's department and Wausau Police Department also increased from 1,117 calls in 2017 to 1,471 calls in 2018. The two teams were able to respond to 41% of the mental health calls that came into dispatch on average. Pairing a crisis worker with an officer and deputy has proven to be very effective as a multidisciplinary tool to assist individuals in crisis. Patients and community partners report being very pleased with the outcome of CART interactions.
2. **Outpatient and BHS Recertification Survey:** NCHC's Outpatient and BHS programs received their normal recertification visit on 3/7/19. The programs were approved for another 2 year cycle.
3. **DHS Inpatient Hospital Complaint Survey:** On 3/6/19 DHS came to NCHC to respond to a complaint. The complaint had three factors, which were focused on a patient not getting their medication as ordered, lack of patient fall prevention, and potential incorrect direction given by NCHC's Dr. Green protocol (patient presenting with escalating behavioral needs). The first two complaints were substantiated (meaning that they were proven to have occurred). NCHC had previously also identified these as occurring and had active action plans in place to mitigate further issue. The surveyors commented that they felt that many of the corrections made on internal review were sufficient and we can note these on our action plan back to the state. Based on DHS suggestion, we will also be enhancing our existing action plans with additional steps to mitigate medication errors and falls.
4. **Langlade County Sober Living Ad Hoc Committee:** The committee will be working with Langlade County to pursue funding to support the pilot sober living house in Antigo. A house has been identified and the purchase is being reviewed.
5. **North Central Recovery Coaching Collaborative:** North Central Health Care received a Greenheck Foundation funding to support the new recovery coaching collaborative. This \$20,000 grant is available for 3 years and will be used to offset costs associated with staffing the coordinator position.

6. **Marathon County Evidence Based Decision Making Behavioral Health Committee:** MCW student Chris Grant reprised his Sober Living presentation that he had given to Langlade County partners, and did so to partners at Marathon County. Marathon County partners are also interested in the sober living project and reviewed the data. Many of the issues facing Langlade County in their needs assessment are mirrored by Marathon County, which indicates a similar model would be effective for both communities.
7. **Inpatient Follow Ups:** At the last meeting, Board members had questions about how follow ups are done with patients who have been sent out of county for their care. This is done by our RN Case Manager in Crisis. Patients are followed up on a weekly basis at minimum, and our RN Case Manager will call to discuss the patient's behaviors on the unit, medications, estimated length of stay, treatment plan, discharge disposition, and will request labs and other documentation. She also coordinates with outpatient appointments for the patient on their return to the area. The RN Case Manager also works to bring patients back to NCHC if beds become available on the unit.

2019 NCCSP BOARD CALENDAR – Next Three Months

Thursday April 25, 2018 – 12:00 PM – 2:00 PM

Educational Presentation: Annual Report & Program Review – Presentation of the Annual Report from prior year. Review and discuss the organization's major programs and how the organization's programmatic performance informs the plans for the current year and beyond.

Board Action: TBD

Board Policy to Review: Strategic Planning Policy

Board Policy Discussion Generative Topic: TBD

Thursday May 30, 2018 – 12:00 PM – 8:00 PM (BOARD RETREAT)

Board Policy Discussion Generative Topic: Focus on the environment, competition, and opportunities for collaboration.

Review Mission and Vision – Reflect on the organization's mission, vision, end statements and compare them against its activities, governing documents, and communications.

Review Strategic Plan – Review progress on the strategic plan, update as necessary.

Board and Committees – Review the Board's composition; appoint and authorize committees, as necessary; delegate duties; discuss board training/development; determine adequacy of oversight and planning activities.

Budget Assumptions & Priorities – Develop the upcoming budget assumptions and priorities in collaboration with the Retained County Authority Committee.

Capital Projects – Review capital budget and forecast for the organization.

Thursday June 27, 2018 (Merrill Center) – 12:00 PM – 2:00 PM

Educational Presentation: Corporate Compliance and Quality Obligations of the NCCSP Board – Emerging Compliance Trends

Board Action: TBD

Board Policy to Review: Business Associate Agreements Policy, Investment Policy

Board Policy Discussion Generative Topic: Risk Management, Legal and Corporate Compliance Review – Evaluate past and potential issues regarding employment practices, internal policy compliance, required licenses and permits, nonprofit and 501(c)(3) compliance, facilities and real property, and intellectual property.