



**Westchester
Medical Center**

Westchester Medical Center Health Network

REQUEST FOR PROPOSALS

RFP #: CMC-13421

PROFESSIONAL SERVICES FIRM FOR IDENTIFICATION OF FINANCING OPTIONS FOR INFORMATION TECHNOLOGY STRATEGIC PLAN (PLACEMENT AGENT)

RFP Issue Date: August 25, 2017

Proposal Due Date: September 18, 2017

**WMC HEALTH NETWORK
FINANCE**

**WMC HEALTH NETWORK
Executive Offices at Taylor Pavilion
Office of Legal Affairs
100 Woods Road
Valhalla, New York 10595**

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Attachments

- Attachment A – Standard Terms and Conditions
- Attachment B – WMC Travel and Expense Policy for Vendors
- Attachment C - Firm Debarment/Exclusion Questionnaire
- Attachment D – Disclosure of Prior Non-Responsibility Determinations
- Attachment E – State Finance Law Affirmation
- Attachment F – M/WBE and EEO Compliance Documentation Forms
- Attachment G – Westchester County Health Care Corporation 2016 Audit Report
- Attachment H – EMMA filing for the Quarter ended March 31, 2017

1. Introduction and Background

1.1 Purpose of the Request for Proposals

WMC Health Network (“WMC Health” or the “Corporation”) is issuing this Request for Proposals (“RFP”) to invite interested firms to submit proposals to act as a Professional Services Firm to secure financing for an Information Technology Strategic Plan.

1.2 Background – WMCHHealth Network

WMCHHealth is a 1,700-bed healthcare system headquartered in Valhalla, New York, with 10 hospitals on eight campuses spanning 6,200 square miles of the Hudson Valley. WMCHHealth employs more than 12,000 people and has nearly 3,000 attending physicians. With Level 1, Level 2 and Pediatric Trauma Centers, the region’s only acute care children’s hospital, an academic medical center, several community hospitals, dozens of specialized institutes and centers, skilled nursing, assisted living facilities, homecare services and one of the largest mental health systems in New York State, WMCHHealth is the pre-eminent provider of integrated healthcare in the Hudson Valley. WMCHHealth is comprised of Westchester Medical Center (both the Valhalla campus and MidHudson Regional Hospital of Westchester Medical Center (“MidHudson”, collectively, “WMC”); the Bon Secours Charity Health System (“BSC”); and Health Alliance of the Hudson Valley (“Health Alliance”). WMCHHealth and each of its component entities may be hereinafter referred to as “WMCHHealth” or the “Corporation”.

Located in Valhalla, New York, Westchester Medical Center is the Hudson Valley region's advanced medical care and referral hospital, serving more than 3.5 million people. Each year, more than 120,000 patients receive care at Westchester Medical Center in every clinical specialty through our main hospital, our Maria Fareri Children's Hospital – the only all-specialty children's hospital in the region - and our Behavioral Health Center. Westchester Medical Center's services are also accessible to residents of New York City and portions of Fairfield County, Connecticut.

Westchester Medical Center Advanced Physician Services, P.C. (APS) is home to more than 400 physicians offering advanced care to residents of Westchester, the lower Hudson Valley and metropolitan New York City. Our wide range of services encompass a full service cardiovascular practice delivering comprehensive heart and vascular care from diagnostic services to heart transplant, advanced OBGYN services including gynecologic oncology and maternal fetal medicine, advanced diagnostic imaging and radiology, endovascular neurosurgery and organ transplant.

In just over a decade, Westchester Medical Center has grown from a single campus and the advanced-care lifeline for the residents of our region, to a \$2 billion network with partners at every level of the healthcare continuum. And, as the healthcare and wellness needs for the Hudson Valley continue to grow, WMCHHealth will grow with them.

Information Technology is an important infrastructure component, supporting and codifying workflow and driving clinical and financial outcomes for each entity. Since acquisition, each entity has conducted business as usual with the focus on consolidation of initiatives for understanding and fixing broken business and clinical processes, and strengthening ailing financial and revenue cycle systems.

Each of the WMCHHealth facilities has a premier IT company system installed with varying degrees of maturity and IT system complexity. The WMC Valhalla campus has the most complex, best-of-breed applications and a Cerner Invision environment with more than 200 clinical and business subsystems. BSC operates the Epic enterprise solution for clinical, revenue cycle and Lawson ERP systems. Mid-Hudson has a portfolio built around Meditech. Health Alliance has a portfolio built around McKesson Paragon.

1.3 Designated Contact

State Finance Law Sections 139-j and 139-k (the “Procurement Requirements”) restrict communications between WMCHHealth and vendors responding to RFPs. EXCEPT AS OUTLINED BELOW, FROM THE DATE THIS RFP ISSUED UNTIL THE TENTATIVE AWARD AND APPROVAL OF ANY CONTRACT (THE “RESTRICTED PERIOD”) ALL COMMUNICATIONS BETWEEN VENDORS AND WMCHHealth REGARDING THIS RFP, MUST BE CONDUCTED ONLY WITH REPRESENTATIVES IDENTIFIED BY WMCHHealth AS “DESIGNATED CONTACTS.”

The Designated Contact(s) for this RFP are:

John Morgan
Senior Vice President – Financial
Operations
100 Woods Road

Taylor Pavilion Room #M202
Valhalla, New York 10595

John.Morgan@wmchealth.org

David Ingber
Senior Vice President – Network
Financial Operations
100 Woods Road

Executive Offices - Taylor Pavilion
Room #C120

Valhalla, New York 10595

David.Ingber@wmchealth.org

A. Exceptions: Permissible Contacts.

In certain limited circumstances, it is permissible for vendors to communicate with WMCHHealth representatives other than the Designated Contacts about the RFP. These Permissible Contacts include:

- Submission of written proposals;
- Written complaints by a prospective firm to WMCHHealth’s General Counsel regarding the failure of WMCHHealth to timely respond to authorized contacts by vendors;
- Participation in RFP conferences or interviews;
- Negotiations following the tentative award of a contract;
- Requests to review the award of a contract; and
- Legal or administrative proceedings regarding the award of a contract.

B. Record of Contacts.

As required by § 139-k of the State Finance Law, WMCHHealth will record information about contacts with vendors during the Restricted Period. Information recorded by WMCHHealth will include but not be limited to the name, address, telephone number, place of principal employment and occupation of the person or entity making the contact. All recorded information concerning contacts made during the Restricted Period will become part of the procurement record for this RFP.

C. Responsibility of Proposer.

WMCHHealth will review whether vendors’ contacts with WMCHHealth were made in accordance with the terms of this Section 1.3 or otherwise qualify as a Permissible Contact under the State Finance Law. A finding that a firm has knowingly and willfully violated the terms of State Finance Law §§ 139-j and 139-k may result in a determination that such firm is not a “responsible” proposer. Such a determination will be considered by WMCHHealth in its assessment of whether a firm is qualified to perform the services described in this RFP.

D. Disclosure of Non-Responsibility.

All proposers must disclose to WMCHHealth, on the Disclosure of Prior Non-Responsibility Determinations Form attached hereto as **Attachment D**, any finding of non-responsibility made by a governmental entity within the previous four (4) years based on either impermissible contacts under § 139-j of the State Finance Law or the intentional provision of false or incomplete information to a governmental entity. Failure of any proposer to timely disclose a finding of non-responsibility or the submission of any intentionally false or incomplete information may result in the rejection of a proposal, the cancellation of a contract award, or if such contract has been executed, the immediate termination of the contract.

E. Written Affirmation.

Each proposer must submit a written affirmation, in the form attached hereto as **Attachment E**, as to the proposer’s understanding and agreement to comply with WMCHHealth’s procedures relating to Permissible Contacts. The affirmation must be completed and signed by a corporate officer or Principal of the proposer. Proposals that do not contain a signed original affirmation will be rejected.

1.4 Key Events/Timeline

Event	Date
RFP Release	August 25, 2017
Questions and Requests for Clarification Due	August 31, 2017
Questions and Answers Distributed	September 8, 2017
Proposal Due Date	September 18, 2017
Anticipated Notice of Tentative Award	September 29, 2017
Anticipated Contract Start Date	October 2, 2017

2. RFP Instructions

2.1 Letter of Intent

Firms interested in responding to the RFP are encouraged to submit a Letter of Intent to Propose to the Designated Contact(s) by **August 31, 2017**. Letters of Intent to Propose shall be non-binding.

2.2 RFP Questions and Clarifications

All questions or requests for clarification concerning the RFP shall be submitted in writing or via e-mail to the Designated Contact(s) by **Thursday, August 31, 2017**. No questions or requests for clarification will be accepted by telephone. Questions submitted by firms and all WMCHHealth responses will be distributed to all prospective proposers.

2.3 Addenda to RFP

In the event it becomes necessary to revise any part of this RFP or extend any deadline listed herein, WMCHHealth will issue an addenda to the RFP and distribute it to all known prospective proposers.

2.4 Cost of Proposals

Proposers shall not be reimbursed for any costs or expenses incurred in the preparation or submission of proposals or the attendance of RFP conference or interview. All costs associated with a proposer's response to this RFP shall be borne by the proposer.

2.5 Proposal Format and Content

Proposals should provide a straightforward complete and concise description of the vendor's capabilities to satisfy the requirements of the RFP. Proposals must state the assumptions made when preparing the proposal. Proposals must include but need not be limited to:

1. Provide a list of the professionals that will staff this engagement along with brief biographical information for each?
2. Describe how you will assist WMCHHealth with securing the lowest possible cost of capital and the least restrictive covenants and security provisions.
3. Will you run a competitive bid process for third party lenders interested in providing such financing? If so, what questions would you propose to ask? If not, describe your negotiation process.
4. Describe the lead professionals and the firm's previous experience serving as a professional services firm for similar transactions and organizations.

5. What ancillary business or additional covenants to participate in the proposed financing do you believe lenders may require?
6. Provide a brief summary of how you will market WMCHHealth from a credit perspective? What are WMCHHealth's key attributes and areas of weakness? How will you mitigate any key credit concerns?
7. Do you believe the loan should be rated? Given that WMCHHealth has rated public debt, describe the optimal approach for rating agency interaction? Do you envision rating implications from the proposed transaction?
8. How concerned should WMCHHealth be about increased cost provisions assuming a bank direct payment?
9. What form of collateral, if any, is likely to be required?
10. Give us your initial thoughts on optimal loan amortization and your basis for these recommendations.
11. Do you recommend tax exempt or taxable execution?
12. Please provide a fee quote for your services in terms of dollars borrowed. Also, provide a detail breakdown of estimated issuance expense for the proposed transaction.
13. What structures could allow WMCHHealth to minimize interest expense over the implementation period of the Plan since the expenditures will be made over several years?
14. Describe other reasons why your firm would be the optimal professional services firm.
15. Provide a broad timeline and key milestones you would oversee and ensure we reach?

A. Title Page and Table of Contents.

- A title page that identifies the RFP for which the proposal is being submitted, states the proposer's name, and lists the name, address and telephone number of the proposer's contact person(s).
- A table of contents that identifies each numbered section of the proposal according to the proposal format set forth herein.

B. Transmittal Letter.

- A transmittal letter, which shall be considered an integral part of the proposal, shall be signed by the individual or individuals authorized to bind the firm contractually. An unsigned proposal may be rejected. The letter shall include the following:
 - Transmittal letter must indicate the signer is so authorized to sign the proposal and the contract, and must include the title or position the signer holds in the proposer's firm.
 - If the signer is not the contact person identified on the title page, also include the address and telephone number of the authorized signatory.
 - A statement as to the willingness of the proposer's firm to enter into a contractual agreement containing, at a minimum, the terms and conditions set forth in **Attachment B** of this RFP. In accordance with Section 6 of this RFP, any exceptions to these terms and conditions must be explicitly stated in a separate section of the proposal.

C. Executive Summary.

- A concise (no more than one page) summary of key points of the proposal.

D. Proposer's Background and Experience.

- Provide a background description of the proposer's firm, including but not limited to the date the company was organized and, if proposer is a corporation, when and where it is incorporated.
- A history of the firm's and lead professional's experience for the services described in this RFP.
- Examples of significant projects the firm has completed particularly highlighting any projects that involved I.T. systems.

E. Staffing Proposal.

- A staffing proposal that includes a list of staff who will participate in the project, showing the role of each and their level of effort and qualifications.

F. Statement of Methodology.

- A written description of the firm's understanding of, and methodology or approach to, the scope of services described herein. Proposers should elaborate, as appropriate, on the tasks listed in the Scope of Work.
- A proposal schedule for completing the scope of work that is itemized by task and includes a timeline of significant milestones. The schedule should outline the sequencing, overlapping, and interdependence of the individual tasks.

G. Fee Proposal.

- The fee proposal must be labeled "Professional Services Firm": Fee Proposal." Fee proposals will not be opened until all responses have been initially evaluated. Although proposed fees will be taken into account, WMCHHealth reserves the right to negotiate a lower or different fee structure with any proposer that is tentatively selected. The fee proposal must include an analysis, in as much detail as possible, of the components of compensation you propose to receive in connection with your provision of services under this RFP with subtotals by task and phase of work. The analysis shall include:
 - A list of anticipated potential contingencies and reimbursable expenses, subtotaled for each phase of the project.
 - The total estimated fee for completion of the services and the basis for calculation;
 - Description of any additional services not included in the proposed fee;
 - Any reduced fees offered to other private or public health care entities.

H. Conflicts of Interest.

- A statement describing any financial interest of any employee, officer, or director of, and no physician or physician practice affiliated with, WMCHHealth in proposer's firm. A financial interest" shall include the following transactions or relationships: (a) payment of fees including consulting fees, royalty fees, honoraria, or other emoluments or "in kind" compensation; (b) any gift of more than nominal value; (c) service as an officer or director of firm whether or not remuneration is received for such service; or (d) an ownership interest in vendor, except that a shareholder owning less than a majority of shares of a publicly traded entity shall not be deemed to have a financial interest.
- A statement describing any potential conflict of interest or appearance of impropriety, relating to other clients of proposer's firm or employees of WMCHHealth Network or its affiliates that could be created by providing services to WMCHHealth.
- Indicate whether any owner, officer, or employee of proposer's firm has served as an officer of, or has been employed by WMCHHealth during the previous twelve (12) month period.
- Indicate what procedures will be followed to detect and notify WMCHHealth of, and to resolve any conflicts of interest.
- Indicate any pending litigation and/or regulatory action brought by any oversight body or entity that could have an adverse material impact on the proposing firm's ability to serve WMCHHealth.
- Indicate if the firm has ever had a contract with any governmental entity terminated for any reason, and if so, provide an explanation.

I. Attached Forms.

- All proposals must include completed copies of the forms annexed hereto as **Attachments C, D, E, and F.**

2.6 Submission of Proposal Update all time frames

Proposers must submit **eight** copies of their proposal no later than **4:00 PM Eastern Standard Time on September 18, 2017** to the address stated below. Proposals received after this time and date will not be considered. WMCHHealth is not responsible for any internal or external delivery delays that may cause a proposal to arrive at the prescribed address after the deadline.

All proposals shall be enclosed in sealed envelopes or boxes bearing labels that clearly state: (i) the name of the proposer; (ii) the proposer's address; and (iii) the title of the RFP. Proposals may be delivered by hand, by U.S. mail, or by express mail via a nationally-known overnight service.

Proposals must be submitted to:

**Westchester Medical Center
Executive Offices at Taylor Pavilion
Office of Legal Affairs
100 Woods Road
Valhalla, New York 10595**

In addition, please send electronic copies to David Ingber at David.Ingber@wmchealth.org and John Morgan at John.Morgan@wmchealth.org.

3. Administrative Information

3.1 Method of Award

The award will be made on the basis of best value (the proposal which optimizes, quality, cost, and efficiency) to the most responsive and responsible proposer as determined in the evaluation process. The contract will not be awarded solely on the basis of lowest cost. Instead, the award will be made to the respondent(s) whose proposal receives the highest overall evaluation score based on the criteria state herein.

All proposals received in accordance with Section 2.6 will be reviewed and evaluated. Incomplete proposals and proposals that do not meet the minimum requirements will be rejected.

Proposers may be requested by WMCHHealth to clarify contents of their proposals. Other than to provide such information as may be requested by WMCHHealth, including but not limited to best and final offers, no proposer will be allowed to alter its proposal or add new information after the final submission date and time.

3.2 Reservation of Rights

WMCHHealth reserves the right to:

- Reject any or all proposals received in response to the RFP;
- Withdraw the RFP at any time, at the agency's sole discretion;
- Make an award under the RFP in whole or in part;
- Pursue any or all of the services described herein from alternate sources;
- Disqualify a proposer whose conduct and/or proposal fails to conform to the requirements of the RFP;
- Seek clarifications and revisions of proposals;
- Require correction of arithmetic or other apparent errors for the purpose of assuring a full and complete understanding of a proposer's proposal and/or to determine a proposer's compliance with the RFP requirements;
- Prior to the opening of proposals, amend the RFP specifications to correct errors or oversights, or to supply additional information about the services sought as such information becomes available;

- Prior to the opening of proposals, direct proposers to submit proposal modifications addressing subsequent amendments or addenda to the RFP;
- Change any date set forth in this RFP;
- Waive any informalities or any non-material requirements of the RFP;
- Negotiate with the successful proposer within the scope of the RFP in the best interests of WMCHHealth;
- Require proposers to submit best and final offers (“BAFOs”);
- Award contracts to more than one successful proposer;
- Negotiate with selected proposers prior to contract award;
- Make any payment contingent upon the submission of specific deliverables; and
- Require that all offers be held open for a period of 120 days unless otherwise expressly provided for in writing.

3.3 Confidentiality of Proposals

Confidential, trade secret, or proprietary materials must be clearly marked and identified as such upon submission by the proposer. Proposers must provide specific justification as to why disclosure of particular information in the proposal would cause substantial injury to the competitive position of the proposer.

Properly identified information that has been designated confidential, trade secret, or proprietary by the proposer will not be disclosed except as may be required by the Freedom of Information Law or other applicable state or federal laws. In the event that WMCHHealth determines that the law requires that confidential information be disclosed, WMCHHealth will notify the proposer so that it may take whatever steps it deems appropriate.

3.4 Non-Discrimination and MWBE Policy

It is the policy of WMCHHealth to comply with all federal, state, and local laws, policies, orders, rules and regulations that prohibit unlawful discrimination because of race, creed, color, national origin, sex, sexual orientation, age, disability, or and marital status and to encourage the meaningful and significant participation at all levels (proposer, Subcontractor, Suppliers and others) for business enterprises owned by persons of color and women – Minority Business Enterprise (MBE) and Women Business Enterprise (WBE).

The proposer is encouraged to use its reasonable efforts to encourage, promote, and increase participation of business enterprises owned and controlled by persons of color or women (MBE/WBE) in the services sought by this RFP and to develop a policy to efficiently and effectively monitor such participation.

4. Evaluation Factors for Awards

4.1 Proposal Evaluation - Overview

The ability to perform the requested services is most important in the evaluation proposals. In addition, proposals will be evaluated for: existing or potential conflicts of interests, financial and operational stability, as well as adequacy and completeness. WMCHHealth reserves the right to disqualify a proposer if, in WMCHHealth’s sole opinion, the proposal does not satisfy any or all of the evaluation criteria.

4.2 Notification of Award

Successful proposer(s) will be advised by WMCHHealth through a letter of tentative award.

5. Scope of Work

The Project

WMCHHealth plans to implement a new patient care system (Electronic Health Record “EHR”) that will interface with its current revenue cycle system (Cerner Invision). The new system will be implemented at the Valhalla and Poughkeepsie

campuses of WMCHHealth as well as for its employed physicians. In addition to the new EHR, an Integration “Hub” is a significant component of the plan. The Hub will facilitate the aggregation, analysis and dissemination of clinical and financial data across the entire WMC Health Network which includes Bon Secours Charity Health System and Health Alliance, Inc. as well as several hundred participants in WMCHHealth’s DSRIP program. Finally, key infrastructure enhancements will be implemented to support these new systems.

Timeline

Our goal is to present a plan of finance to WMC’s Finance Committee and Board during the fourth quarter of 2017.

Estimated Costs
(dollars in millions)

Description of Cost

Implementation of EHR (Electronic Health Record)	\$113.2
Implementation of HUB (See note below)	\$11.0
Contingency	<u>\$13.0</u>
One Time Implementation Costs – Capital	\$137.2
Implementation Costs – Operating	<u>\$36.9</u>
Total	<u>\$174.1</u>

<u>Annual Spending</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2027</u>	<u>Total</u>
Capital	\$56.6	\$57.6	\$10.1	\$ 1.3	\$ 2.3	\$ 9.3	\$137.2
Operating to Implement	<u>\$ 7.8</u>	<u>\$12.0</u>	<u>\$17.1</u>	-----	-----	-----	<u>\$ 36.9</u>
Total	<u>\$64.4</u>	<u>\$69.6</u>	<u>\$27.2</u>	<u>\$ 1.3</u>	<u>\$ 2.3</u>	<u>\$9.3</u>	<u>\$174.1</u>

Note – The Integration HUB will serve as the solution to transfer, store and analyze enterprise clinical and financial data. It will support various functions such as care coordination, data analytics, population health management, and other services for collaboration across a diverse group of facilities for WMCHHealth Network.

WMC Health is seeking a Professional Services firm with proven expertise and success to provide services including the identification of lenders interested in providing favorable financing arrangements to WMC Health for its pending IT Strategic Plan (The “Plan”).

The Placement Agent will, among others services:

- Identify sources of financing
- Work with Senior Management to develop WMC Health’s optimal credit story to secure the most attractive financing arrangement
- Solicit potential lenders and work with such lenders to provide WMC Health with formal lending proposals that meet WMC Health’s needs
- Evaluate proposals of potential sources of financing and make a recommendation for the most favorable financing arrangement
- Prepare various financial analyses in support of the financing options, debt service requirements and financial covenants. Assemble a package of financing options for the project to determine which is most beneficial for WMC Health.
- Assess the various costs of financing and work with the proposed lenders to develop the lowest cost of financing

- In the response to this RFP, clearly articulate all potential costs that may be incurred in securing financing from various lending sources i.e.: banks, leasing companies, etc.
- In the response to this RFP provide an estimate of the total cost of borrowing and term of the various financing options that will result in the best financing option. Provide a summary of all costs including commitment fees or similar annual fees for each option in excess of any interest cost component
- Perform lender due diligence to facilitate credit approval and final loan commitments
- Lead the working group and coordinate all aspects of transaction execution assuring efficiency and appropriate availability of funds to meet needs
- In the response to this RFP provide a comprehensive estimate of the fees proposed to be charged for such services and the timing of payment based on defined milestones.
- In the response to this RFP describe all options and related risks, including cost, for financing the project over time, since it is a multi-year spending plan

6. Contract Overview

6.1 Contract Provisions

The contract will incorporate provisions of this RFP and portions of the successful proposal to which WMCHHealth agrees. The final contract will also include the WMCHHealth Standard Terms and Conditions set forth in **Attachment A** and WMCHHealth’s Travel and Expense Policy for Vendors as set forth in **Attachment B**, and any applicable riders or other information deemed appropriate by WMCHHealth. The properly executed contract shall supersede all proposals, whether written or oral, and any and all negotiations, conversations, and discussions prior to execution of the contract.

Final contracts executed pursuant to this RFP shall be subject to WMCHHealth procurement policies and procedures and the review and approval of WMCHHealth’s Office of Legal Affairs.

6.2 Term of Contract

The proposed term of any new agreement executed pursuant to this RFP is a period of one year commencing on or about October 2, 2017 and may be subsequently extended by mutual agreement of the parties.

6.3 Acceptance of Terms and Conditions

Firm must acknowledge that it has read the WMCHHealth Standard Terms and Conditions, as set forth in **Attachment A**, and that it understands and agrees to be bound by the same, with noted exceptions. WMCHHealth will not simply adopt firm’s standard terms in lieu of the terms and conditions set forth in Attachment A. Firm must provide a separate document of exceptions, if any, taken to the WMCHHealth Standard Terms and Conditions. Each exception must reference a specific numbered paragraph of the Standard Terms and Conditions. Firm shall state a proposed alternative to each exception taken when stating that the term or condition is “unacceptable.” Any exceptions to WMCHHealth Standard Terms and Conditions may disqualify a vendor’s proposal.

6.4 Disposition of Proposals

All proposals received by the due date become the property of WMCHHealth and shall not be returned. Any successful proposal may be incorporated into the resulting contract and will become public record. Any proposals received after the due date will be returned to the proposer unopened.

ATTACHMENT A

WMCHHealth Standard Terms and Conditions

**ARTICLE I
DEFINITIONS**

- 1.1. Agreement. "Agreement" shall mean the written agreement between WMCHHealth and the successful proposer, if any, awarded a contract to develop and implement the financing plan sought by this RFP.
- 1.2. Services. "Services" shall mean the Placement Agent as may be offered by Firm to WMCHHealth as part of a proposal submitted in response to this RFP.
- 1.3. Firm Representative. "Firm Representative" shall mean all employees, Vendors, agents, subcontractors or representatives of Firm providing Services on behalf of Firm at any WMCHHealth site.

**ARTICLE II
SERVICES AND PAYMENT**

- 2.1. Services. All Services shall be performed in a manner consistent with the generally recognized standards of persons regularly engaged in providing such services. Firm warrants to the WMCHHealth that any Services performed and any materials used by Firm in connection with the Services shall be free from defects in workmanship and/or materials and agrees that any damage arising from any breach of this warranty shall promptly be remedied by Firm at its sole expense.
- 2.2. Conduct. Firm Representatives shall, at all times while present at any WMCHHealth campus, conduct themselves in accordance with WMCHHealth Policies and Procedures, including the WMCHHealth Code of Conduct, Sexual Harassment Policy, and Anti-Discrimination Policy. The Firm shall promptly remove from a WMCHHealth campus any Firm Representative whose conduct WMCHHealth reasonably determines to be objectionable.
- 2.3. Representative Access. WMCHHealth reserves the right to require and Firm shall upon the request of WMCHHealth ensure that any Firm Representative that will have access to clinical areas of any WMCHHealth facility shall undergo a pre-placement assessment of health status to make certain that they are free from health impairment which is of potential risk to patients and personnel as indicated by a recorded medical history, physical examination, immunizations and laboratory testing.
- 2.4. Background Check. Firm further agrees that all Firm Representatives assigned to WMCHHealth hereunder will be subject to a background check substantially similar to the inquiries made by the WMCHHealth with respect to its own employees and that WMCHHealth has the right to deny any Firm Representative access to its facilities based on the results of such inquiry.
- 2.5. Ownership of Records. All records compiled by Firm in providing and completing the Services, including but not limited to written reports, studies, computer protocols, graphs, charts and all other similar recorded data, shall become and remain the property of WMCHHealth. Firm may retain copies for its own use, all of which shall be subject to all confidentiality requirements set forth herein.
- 2.6. Payment Terms. WMCHHealth shall pay all properly submitted and undisputed invoices for the Services within ninety (90) days from the date WMCHHealth receives an invoice. All invoices must reference the Contract Number and are to be addressed to WMCHHealth, at the address provided in the contract, to the Attention of the Accounts Payable Department.
- 2.7. Interest and Other Charges. Any references in any Firm quotation, invoice or agreement to interest charges, late fees, restocking fees or cancellation charges shall be excluded from and superseded by the Agreement.
- 2.8. Taxes. WMCHHealth and its facilities are exempt from local, state, and federal taxes (including local and state sales or use taxes). Upon request, WMCHHealth will furnish evidence of such tax-exemption. WMCHHealth shall not be charged or subject to, and shall not pay, any tax, tariff, duty, cost or expense imposed by any taxing authority outside the United States of America and any such tax, tariff, duty, cost, or expense shall be the sole responsibility of the Vendor.

**ARTICLE III
TERM AND TERMINATION**

- 3.1. Term. The Agreement shall commence on the Effective Date of the Agreement and shall continue for a period of (1) year, unless earlier terminated in accordance with this Article III.
- 3.2. Termination for Cause. Either Firm or WMCHHealth shall have the right to immediately terminate the Agreement in its entirety in the event of a material breach of the terms of the Agreement by the other party which is not cured within thirty (30) calendar days following receipt of written notice specifying the breach.
- 3.3. Termination Without Cause. Either Firm or WMCHHealth shall have the right to terminate the Agreement in its entirety without cause by providing the other Party at least sixty (60) days prior written notice.
- 3.4. Insolvency. If either Party shall be declared insolvent or shall make an assignment for the benefit of creditors, or if a receiver or trustee shall be appointed of, or for, either Party's property or business, the Agreement may be terminated, at the other Party's option, without liability hereunder.
- 3.5. Remedies. Termination by either Party pursuant to the terms of this Article III, whether for default or otherwise, shall be without prejudice to any claims for damages or other rights against the other Party that arose prior to termination.
- 3.6. Disruption of Patient Care. Notwithstanding the foregoing or any other Agreement between the Parties, if Firm terminates the Agreement or any provision hereof and such termination, based on the reasonable, good faith determination of WMCHHealth, would likely result in the disruption of patient care, upon written notice from WMCHHealth as to such likely disruption, Firm shall continue to provide the Services purchased hereunder and receive compensation, as specified in the Agreement or applicable purchase order and in accordance with Article II hereof, until WMCHHealth has secured an alternate supplier of comparable or substantially similar goods, but in no event shall such continued provision of the Services exceed a period of one hundred and twenty (120) days from Vendor's receipt of WMCHHealth's notice.

**ARTICLE IV
GENERAL PROVISIONS**

- 4.1. Confidentiality. For purposes of this Section 4.1 "Confidential Information" shall mean any and all proprietary information, customer lists, patient information, customer purchasing requirements, prices, trade secrets, know-how, processes, documentation and all other information without limitation which is not generally known to, or readily ascertainable by proper means, by the public or which might reasonably be considered confidential, secret, sensitive, proprietary or private to either the Firm or WMCHHealth.
 - 4.1.1. In performing their respective obligations under the Agreement, the Firm and WMCHHealth may come into contact with, be given access to, and, in some instances, contribute to each other's Confidential Information. In consideration of permitting the Firm and WMCHHealth to have access to each other's Confidential Information, during the term of the Agreement, the Firm and WMCHHealth agree that they will not disclose to any third party any Confidential Information of the other Party, except as provided in Section 4.1.3, without the other Party's prior written consent. The Firm and WMCHHealth shall only make the Confidential Information of the other Party available to its employees, auditors, attorneys or other professionals or Vendors hired by such Party in the ordinary course, to the extent that their duties, requirements, or contract for services require such disclosure, and agree to take appropriate action by instruction or agreement with such individuals permitted access to the Confidential Information to satisfy the obligations under this Section.
 - 4.1.2. The provisions of this Section will not apply to information: (i) developed by the receiving Party without use of, or access to, the disclosing Party's Confidential Information; (ii) that is or becomes publicly known without a breach of the Agreement; (iii) disclosed to the receiving Party by a third party not required to maintain such information confidential; or (iv) that is already known to the receiving Party at the time of disclosure. The provisions of this Section 4.1.2 shall not apply to "Protected Health Information" as that term is defined in the Health Insurance Portability and Accountability Act of 1996 and its related regulations, 45 C.F.R. Parts 160 and 164.

- 4.1.3. If any law, governmental authority or legal process requires the disclosure of Confidential Information, the subject Party may disclose such information, provided, that, the other Party is notified of the disclosure.
- 4.2. Disclosure of Protected Health Information (PHI). If the transaction involves any disclosure of PHI to the Vendor, and the Firm is determined to be a Business Associate (as that term is defined in the Health Insurance Portability and Accountability Act of 1996 and its related regulations, 45 C.F.R. Part 160 and 164), the Firm will execute a WMCHHealth Business Associate Agreement.
- 4.3. Business in Confidence. Neither Party shall, without first obtaining the written consent of the other Party, advertise or publish the fact that Firm has contracted to provide, or WMCHHealth has contracted to purchase, the Services that are the subject of the Agreement.
- 4.4. Publicity and Trademarks. Each Party will not, and will cause its affiliates not to, use the name or any trademark or service mark of the other Party or any of its affiliates without the prior written consent of the other Party.
- 4.5. Financing Statements. The Firm acknowledges and agrees that the filing of any financing statement under the Uniform Commercial Code in connection with any transaction related to the Agreement is expressly prohibited unless such filing is agreed to in writing by the Chief Financial Officer of WMC or such filing is for notification purposes with respect to custodial or other arrangements not intended as a secured transaction in which case such financing statements must expressly state: "This financing statement is filed for notice purposes only and the filing thereof shall not be deemed to create, or to constitute evidence of, a security interest under the Uniform Commercial Code."
- 4.6. Safe Harbor Discount. Each Party agrees to comply at all times with the regulations issued by the United States Department of Health and Human Services published at 42 C.F.R. Part 1001, and which relate to the Vendor's obligation to report and disclose discounts, rebates, and other reductions to services purchased under the Agreement. Where a discount or other reduction in price of the Services is applicable, the Firm agrees to comply with the requirements of 42 U.S.C. §1320a-7b(b)(3)(a) and the "safe harbor" regulations regarding discounts or other reductions in price set forth at 42 C.F.R. §1001.952(h). In this regard, the Firm will satisfy any and all requirements imposed on sellers by the safe harbor and WMCHHealth will satisfy any and all requirements imposed on buyers by the safe harbor. Westchester Medical Center
- 4.7. Government Health Program Participation. Each Party represents that it has not been excluded from participating in any "federal health care program," as defined in 42 U.S.C. § 1320a-7b(f), or in any other federal or state government payment program and that it is eligible to participate in the foregoing programs. Firm has conducted a search of the Excluded Parties List System on the System for Award Management website (<https://www.sam.gov/portal/SAM/#1>) and has attached to this Agreement a print out of a "no search results", indicating that Firm has not been identified on the Excluded Parties List System (EPLS). If either Party is excluded from participating in, or becomes otherwise ineligible to participate in, any such program during the term of the Agreement, such Party will notify the other Party of that event within thirty (30) days. Upon occurrence of that event, whether or not such notice is given, either Party may terminate the Agreement effective upon written notice to the other Party.
- 4.8. Debarment. The Firm represents that (a) it has not been convicted of a criminal offense related to health care; (b) it is not currently listed by a federal agency as debarred or otherwise ineligible for participation in federally funded programs; and (c) it is not currently listed by the State of New York, any political subdivision of the State of New York or any public benefit corporation or public authority as debarred, excluded or otherwise ineligible to contract with such public entity. The Firm shall promptly notify WMCHHealth, in writing, of any change in this representation during the term of the Agreement. Such change in circumstances shall constitute cause for which WMCHHealth may to terminate the Agreement pursuant to Article III. For purposes of this Section 4.8, the Firm is defined as the entity entering into the Agreement, and/or its principals, employees, directors and officers and owners, provided, however, that, if the Firm is publicly traded, the term "Vendor", for the purposes of this Section, shall not include persons owning publicly traded shares of Vendor).
- 4.9. Personal Inducements. The Firm represents and warrants that no cash, equity interest, merchandise, equipment, services or other forms of remuneration have been offered, shall be offered or will be paid or distributed by or on behalf of the Firm to WMCHHealth or any physician or physician practice privileged or affiliated with it and/or the

employees, officers, or directors of any of the foregoing and their immediate family members as an inducement to purchase or to influence the purchase of Services by WMCHHealth from the Vendor. In addition to any other remedy to which WMCHHealth may be entitled and any other sanction to which a Firm may be liable for a breach of the foregoing representation and warranty, WMCHHealth, at its option, may declare any agreement between the Firm and WMCHHealth null and void.

- 4.10. Compliance with Laws and Regulations. In the performance of their duties and obligations hereunder, each Party warrants that it shall comply with all applicable federal and state laws and regulations, including without limitation the Federal Food, Drug and Cosmetic Act, the Prescription Drug Marketing Act, equal-opportunity laws, and fraud and abuse laws. The Firm further warrants that all Services purchased pursuant to the Agreement will conform and comply with all applicable provisions of governing laws, ordinances, rules and regulations. The Firm shall obtain and maintain in full force and effect during the term of the Agreement all licenses, permits, certificates and accreditations as may be required by law or regulation. The Firm agrees that in the event it receives any written notice of non-compliance with any statute or regulation from any federal or state agency that may materially affect the Vendor's performance hereunder, the Firm will promptly notify WMCHHealth in writing of the receipt of such notice and the nature of such notice.
- 4.11. Access to Books and Records. To the extent required by law, WMCHHealth and Firm agree to comply with the Omnibus Reconciliation Act of 1980 (P.L. 96-499) and its implementing regulations (42 CFR, Part 420). Firm further specifically agrees that until the expiration of four (4) years after furnishing Services pursuant to the Agreement, the Firm shall make available, upon written request of the Secretary of the Department of Health and Human Services, or upon request of the Comptroller General, or any of their duly authorized representatives, the Agreement and the books, documents and records of the Firm that are necessary to verify the nature and extent of the costs charged to WMCHHealth hereunder. The Firm further agrees that if Firm carries out any of the duties of the Agreement through a subcontract with a value or cost of ten thousand dollars (\$10,000) or more over a twelve (12) month period, with a related organization, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request to the Secretary, or upon request to the Comptroller General, or any of their duly authorized representatives the subcontract, and books and documents and records of such organization that are necessary to verify the nature and extent of such costs.
- 4.12. Dispute Resolution. Upon the agreement of both Parties, any dispute as to the performance of a Party's obligations under the Agreement or any related matter may be referred to non-binding mediation by a neutral third party, the rules and procedures of which shall be mutually agreed to by the Parties. Nothing in this paragraph shall be construed to prevent or delay either Party from exercising, at any time, any and all legal rights available to it in a court of competent jurisdiction. No offer, finding, action, inaction or recommendation made or taken in or as a result of mediation shall be considered for any purpose as an admission of a Party, nor shall it be offered or entered into evidence in any legal proceeding.
- 4.13. Governing Law and Venue. The Agreement shall be construed, and its performance enforced, under New York law without regard to conflicts of laws principles. The exclusive venue for the purposes of any action, suit or proceeding related to or arising directly or indirectly out of the Agreement shall be in the New York Supreme Court located in Westchester County, New York or the United States District Court for the Southern District of New York. To the fullest extent permitted by law, each party waives trial by jury in any action, proceeding or counterclaim brought by or on behalf of either Party with respect to any matter relating to the Agreement.
- 4.14. Attorney's Fees. If any action or proceeding is commenced by either Party for the enforcement of or in connection with the Agreement, each Party shall be responsible for its own attorneys' fees, costs, and disbursements incurred in connection with such action.
- 4.15. Limitation of Liability. The liability of the Parties to each other for damages in connection with the Agreement, regardless of the form of action, shall not exceed the actual damages incurred by the Party seeking redress. Neither Party shall be liable to the other for any special, consequential, punitive, or exemplary damages arising from the Agreement, including but not limited to damages for loss of future business and/or lost profits. This provision shall not apply to claims raised by third parties against the Firm or WMCHHealth, or, to claims in which either Party joins the other as a third party defendant.

- 4.16. Insurance. The Firm will maintain general public liability insurance against any insurable claims as set forth in Schedule A-1 attached hereto.
- 4.17. Indemnity.
- 4.17.1. Indemnification. Each Party shall indemnify, defend, and hold harmless the other Party, and its officers, directors, employees, agents, successors, and assigns for, from and against any claim or action brought against, arising out of the acts or omissions of the indemnifying Party, its employees or agents.
- 4.17.2. Notice. It is a condition to each Party's obligations under this Section 4.17 that the Party seeking indemnification notify the indemnifying Party promptly of the claim, permit the indemnifying Party to control the litigation and settlement of that claim, and cooperate with the indemnifying Party in all matters related thereto, including by making its documents, employees and agents available as reasonably necessary.
- 4.17.3. Consent to Settlement. The indemnifying Party may not settle any claim without the consent of the other Party unless there is no finding or admission that the other Party has violated any law or the rights of any person or entity and the sole relief provided is monetary damages that the indemnifying Party pays in full or injunctive relief enforceable only against the indemnifying Party.
- 4.18. Conflicts of Interest. The Firm represents, to the best of its knowledge, that no employee, officer, or director of, and no physician or physician practice affiliated with, WMCHHealth has a financial interest in the Vendor. The Firm further agrees that if it discovers or otherwise becomes aware that an employee, officer, or director of, or a physician or physician practice affiliated with, WMCHHealth has a financial interest in the Vendor, Firm shall promptly disclose that financial interest to WMCHHealth in writing. To the extent that a financial interest is disclosed by Firm in accordance with this Section, the Parties agree to make good faith efforts to resolve any conflict of interest, provided however, in the event that such conflict of interest cannot be resolved, WMCHHealth, at its option, may declare any agreement between the Firm and WMCHHealth null and void.
- 4.18.1. Financial Interest. For purposes of this Section, the term "financial interest" shall include the following transactions or relationships: (a) payment of fees including consulting fees, royalty fees, honoraria, or other emoluments or "in kind" compensation; (b) any gift of more than nominal value; (c) service as an officer or director of Firm whether or not remuneration is received for such service; or (d) an ownership interest in Vendor, except that a shareholder owning less than a majority of shares of a publicly traded entity shall not be deemed to have a financial interest for the purposes of this Section.
- 4.19. Survival. All provisions regarding confidentiality, indemnification, warranty, liability and limits on liability shall survive termination of the Agreement.
- 4.20. Force Majeure. Neither Party shall be deemed to be in default of or to have breached any provision of the Agreement as a result of any delay or failure in performance due to reasons beyond such Party's reasonable control. If such a delay occurs, the affected Party may extend the time for performance by a period of time equal to the delay. Notwithstanding the foregoing, if a force majeure event is claimed by either Party and such event continues for more than fifteen (15) business days, either Party shall have the right and option to terminate the Agreement
- 4.21. Entire Agreement. The Agreement shall constitute the entire agreement between the Parties concerning the subject matter of the Agreement and will supersede all prior negotiations and agreements between the Parties concerning the subject matter of the Agreement. The terms of any purchase order, invoice, or similar documents used to implement the Agreement shall be subject to and shall not modify the Agreement.
- 4.22. Amendment. The Agreement may only be amended by written agreement of the Parties.
- 4.23. Assignment. Neither Party may assign any of its rights or obligations under the Agreement, either voluntarily or involuntarily (whether by merger, consolidation, dissolution, operation of law, or otherwise), without the prior written consent of the other Party. Any purported assignment in violation of this section will be void. Any request for consent to an assignment to an affiliate of a Party (i.e. an entity that controls, is controlled by, or is under common control with a Party) shall not be unreasonably withheld, conditioned, or delayed by the consenting Party.

- 4.24. Relationship of the Parties. For purposes of the Agreement, each Party will be an independent contractor. The Agreement will not create a partnership, association, or other business entity. Neither Party has any authority to act for or to bind the other.
- 4.25. Waiver. No provision of the Agreement may be waived except by a writing signed by the Party against whom the waiver is sought to be enforced. No failure to enforce any provision of the Agreement constitutes a waiver of future enforcement of that provision or of any other provision of the Agreement.
- 4.26. Other Contractual Obligations. Each Party represents that it is not prohibited from entering into, or performing its obligations under, the Agreement by the terms of any other agreement.
- 4.27. Counterparts. The Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. The Parties agree to accept and be bound by facsimile or PDF transmitted copies of the Amendment and its counterparts including facsimile or PDF signatures of the Parties.

SCHEDULE A-1

INSURANCE REQUIREMENTS

1. Prior to providing the Services hereunder, the Firm shall obtain at its own cost and expense the insurance required herein from a licensed insurance company, carrying a Best's financial rating of A or better, and shall provide evidence of such insurance to the Corporation, which evidence shall be subject to Corporation's approval. The policies or certificates thereof shall provide that Corporation shall receive thirty (30) days' written notice prior to cancellation of or material change in the policy, which notice shall name Vendor, identify this Agreement, and be sent via registered mail, return receipt requested. Failure of the Firm to obtain and maintain any insurance required hereunder shall not relieve the Firm from any of its obligations hereunder, including but not limited to indemnification, or from any Firm liability hereunder. All property losses shall be made payable to, and adjusted with, the Corporation. If claims for which Firm may be liable are filed against either Party, and if such claims exceed the coverage amounts required herein, Corporation may withhold such excess amount from payment due to Firm until the Firm furnishes additional security covering such claims in a form satisfactory to the Corporation.

2. The Firm shall provide proof of the following coverage:

(a) Workers' Compensation. Firm shall provide to Corporation a certificate form C-105.2 or State Fund Insurance Company form U-26.3 as proof of compliance with the New York State Workers' Compensation Law, and State Workers' Compensation Board form DB-120.1 as proof of compliance with the New York State Disability Benefits Law, provided, however, that if Firm is self-insured for Worker's Compensation and/or Disability coverage, a New York State Workers' Compensation Board certificate evidencing such fact. Location of operation shall be "All locations in Westchester County, New York."

(b) Employer's liability insurance with a minimum limit of \$100,000.

(c) General liability insurance with a minimum limit of liability per occurrence of \$1,000,000 for bodily injury and \$100,000 for property damage or a combined single limit of \$1,000,000 (c.s.1), naming the Westchester Medical Center as an additional insured. This insurance shall indicate the following coverage on the certificate of insurance:

(i) Premises - Operations.

(ii) Broad Form Contractual.

(iii) Independent Contractor and Sub-Contractor.

(iv) Products and Completed Operations.

(d) Professional liability insurance ("acts and omissions") on a claims-made basis covering the Firm and its employees and agents, with an annual aggregate of \$5,000,000.

(e) Vehicle liability insurance with a minimum limit of liability per occurrence of \$1,000,000 for bodily injury and a minimum limit of \$100,000 per occurrence for property damage or a combined single limit of \$1,000,000. This insurance shall include the following coverage for bodily injury and property damage arising out of the use of owned, hired and non-owned vehicles.

3. All policies and certificates of insurance required herein shall provide that:

(a) The insurer, or Firm if it is self-insured, shall have no right to recovery or subrogation against the Corporation (including its employees and agents), it being the intention of the Parties that the insurance policies shall protect both Parties and be primary coverage for any and all losses covered by the insurance.

(b) The insurer, or Firm if it is self-insured, shall have no recourse against the Corporation (including its employees or agents) for payment of any premiums or for assessments under the policy.

(c) Firm assumes responsibility, and is solely at risk for, any and all deductibles.

(d) The clause "other insurance provisions" shall not apply to the Corporation.

Travel and Expense Policy for Vendors
(See Attached)

WESTCHESTER MEDICAL CENTER

ADMINISTRATIVE

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SUBJECT: TRAVEL AND EXPENSE POLICY FOR VENDORS

EFFECTIVE DATE:	REVIEWED DATE:	REVISED DATE: February 2016
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POLICY

It is the policy of Westchester Medical Center (WMC) to reimburse certain vendors for out-of-pocket expenses related to:

- a. services provided to the Medical Center
- b. expenses while on official Medical Center business

The obligation of WMC to reimburse such expenses shall be considered by WMC only if:

- a. an executed contract exists between the vendor submitting such expenses and WMC, and such contract references said expenses.
- b. submitted reimbursement claims comply with this policy.

PURPOSE

To provide a mechanism for vendors who do business with WMC to be appropriately reimbursed for travel and expenses as it relates to WMC.

SCOPE

This policy applies to all vendors and contractors of Westchester Medical Center.

DEFINITIONS

None

POLICY AUTHOR

Senior Vice President of Finance, ext. 2816
Senior Vice President of Compliance, ext. 2600

RELATED POLICIES

None

PROCEDURE

- For air travel, reimbursement will be at the fares nonrefundable coach fare.
- The use of personal vehicles for travels less than ninety (90) miles from the Medical Center shall not be reimbursed.
- Lodging costs shall be moderate in nature. (Use Corporate discounts when available)
- The Medical Center shall reimburse for only one (1) rented vehicle, including fuel and toll costs, with the exceptions as noted below. Luxury vehicles are not permitted.

WESTCHESTER MEDICAL CENTER

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- If four or more individuals from the same concern are providing services, the Medical Center shall reimburse one mid-size vehicle for each group of four (4).
- The Medical Center requires valid receipts for all submitted expenses.
- All meals and incidentals will be reimbursed at a flat rate of \$60.00 per day. No receipts are required.

The Medical Center shall not provide payment for the following;

- Gratuities in excess of twenty per cent (20%).
- Alcohol charges.
- Personal expenses including laundry, dry cleaning, phone expenses, "mini bar" costs, etc.
- Phone expenses, routine office expenses, including, but not limited to, photocopying and document preparation expenses, computer costs or upgrades, postage, fax or courier costs.
- Submitted expenses where the business purpose and the personnel attending are not clearly indicated.
- Expenses related to non-Medical Center services, including those costs incurred by spouses or traveling companions.
- Any expense submitted without a valid receipt.

In the event of an emergency or the individual cannot reasonably obtain preapproval for travel and related costs, it is expected that all such expenses shall comply with this policy.

The Medical Center reserves the right to reject any submitted expense that it reasonably determines does not comply with this policy.

Claims for Reimbursement of Amounts Paid to Third Parties

If a reimbursement sought is for charges paid to a third party, such claim shall be accompanied by a receipt or other proper evidence sufficient to establish that such amounts have actually been paid and such other evidence to establish the reasonableness and basis for such charges and that such charges comply with this policy. In all cases where such third party payments are subject to any rebate, discount or refund the vendor shall immediately issue a credit advice to WCHCC against any amounts owed by WCHCC to the vendor for its proportionate share of such rebate, discount or refund or if no amounts are then due and owing, then, in that event, the vendor shall immediately pay over to WCHCC the amount of any such rebate, discount or refund. Such rebates, refunds and discounts shall be due to WCHCC when earned by the vendor. This provision shall not be construed to include frequent flyer miles or other benefits to the extent they are credited for the benefit of individual employees assigned to the engagement by the vendor.

WESTCHESTER MEDICAL CENTER

ADMINISTRATIVE

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Right to Audit

All agreements which provide for vendors of goods and services and contractors to make a separately stated claim for reimbursement of reasonable out of pocket expenses, expenses incurred in the production of identifiable deliverables or payments to third parties shall also provide that WCHCC shall have the right, at its own cost and expense, to audit the books and records of such entities which are reasonably pertinent to the amounts claimed by such entity, at any time during the term of the Agreement or for a period of up to twelve (12) months following the expiration or other termination of the agreement.

EFFECTIVENESS

This policy shall be effective immediately and shall remain in effect until rescinded or modified.

Senior Vice-President Finance

SEVP, Chief Operating Officer/Chief Financial Officer

President and Chief Executive Officer

Firm Debarment/Exclusion Questionnaire

1. Are you or your company or any of its employees currently ineligible to participate in Federal health care programs or Federal procurement or non-procurement programs because of being excluded, debarred, suspended or otherwise declared ineligible to participate?

Yes ____* No ____

* **If you answered Yes**, please provide a complete explanation on an attached sheet of paper.

2. Have you or your company or any of its employees been convicted of any of the following offenses: program-related crimes, crime relating to patient abuse, felony conviction relating to health care fraud, or felony conviction relating to controlled substances, but have not yet been excluded, debarred, suspended or otherwise declared ineligible to participate in Federal health care programs or Federal procurement or non-procurement programs?

Yes ____* No ____

* **If you answered Yes**, please provide a complete explanation on an attached sheet of paper.

3. If you furnish products/goods/services from other vendors/contractors, do you verify with them at the time of contracting that neither the company nor any of its employees is ineligible to participate in Federal health care programs or Federal procurement or non-procurement programs because of being excluded, debarred, suspended or otherwise declared ineligible to participate?

Yes ____ No ____*

* **If you answered No**, and you are awarded this contract, you will be required to undertake this screening for any vendors/contractors that will be providing goods or services pursuant to this contract prior to the effective date of the agreement. Such screening is to be performed utilizing the OIG's List of Excluded Individuals/Entities and the GSA's Excluded Parties Listing System.

4. If you furnish products/goods/services from other vendors/contractors, do you verify with them that neither the company nor any of its employees has been convicted of any of the following offenses: program-related crimes, crimes relating to patient abuse, felony conviction relating to health care fraud, or felony conviction relating to controlled substances, but have not yet been excluded, debarred, suspended or otherwise declared ineligible to participate in Federal health care programs or Federal procurement or non-procurement programs?

Yes ____ No ____*

* **If you answered No**, and you are awarded this contract, you will be required to undertake this screening for any vendors/contractors that will be providing goods or services pursuant to this contract prior to the effective date of the agreement. Such screening is to be performed utilizing the OIG's List of excluded Individuals/Entities and the GSA's Excluded Parties Listing System.

Disclosure of Prior Non-Responsibility Determinations

NEW YORK STATE FINANCE LAW § 139-j AND § 139-k

As a public benefit corporation, Westchester Medical Center, as operator of Westchester Medical Center, is obligated to obtain specific information regarding prior non-responsibility determinations. In accordance with New York State Finance Law § 139-k, a proposer must be asked to disclose whether it has been subject to a finding of non-responsibility within the previous four (4) years by a Government Entity¹ due to: (a) a violation of New York State Finance Law § 139-j; or (b) the intentional provision of false or incomplete information to a Governmental Entity. This form is to be completed and submitted by the individual or entity seeking to enter into a contract pursuant to this Request for Proposals.

Name of Proposer: _____

Proposer Address: _____

Name and Title of Person Submitting this Form: _____

Date: _____

1. Has any Government Entity made a finding of non-responsibility regarding the individual or entity seeking to enter into the contract awarded in connection with this procurement in the previous four (4) years?

Yes__

No__

If yes, please answer the following questions:

2. Was the basis for the finding of non-responsibility due to a violation of State Finance Law § 139-j?

Yes__

No__

3. Was the basis for the finding of non-responsibility due to the intentional provision of false or incomplete information to a Governmental Entity?

Yes__

No__

4. If you answered yes to any of the above questions, please provide details regarding the finding of non-responsibility below:

¹ “Governmental entity” means: (1) any department, board, bureau, commission, division, office, council, committee or officer of the State of New York, whether permanent or temporary; (2) each house of the state legislature; (3) the unified court system; (4) any public authority, public benefit corporation or commission created by or existing pursuant to the public authorities law; (5) a public authority or public benefit corporation, at least one of whose members is appointed by the governor or who serves as a member by virtue of holding a civil office of the state; (6) municipal agency, as that term is defined in paragraph (ii) of subdivision (s) of section one-c of the New York State Legislative Law; or (7) a subsidiary or affiliate of such a public authority.

Governmental Entity: _____

Date of Finding of Non-Responsibility: _____

Basis of Finding of Non-Responsibility:

(Add additional pages as necessary)

Signature: _____

State Finance Law Affirmation
NEW YORK STATE FINANCE LAW § 139-j AND § 139-k

The proposer hereby affirms that:

1. The proposer understands and agrees to comply with the procedures of Westchester Medical Center, as operator of Westchester Medical Center, relating to restricted communications during the procurement process as required by New York State Finance Law §§ 139-j(3) and 139(j)(6)(b); and
2. All information provided to WMCHHealth by proposer in response to this RFP, including but not limited to information concerning compliance with New York State Finance Law § 139–j and § 139–k, is complete, true, and accurate.

By: _____ Date: _____

Signature

Name: _____

Title: _____

Proposer Name: _____

Proposer Address: _____

M/WBE and EEO Compliance Documentation Forms

Name of Proposer: _____

RFP #: _____

A. MINORITY/WOMEN'S BUSINESS QUESTIONS

As part of the WMCHHealth's program to encourage the participation of minority/women's business, we request that you answer the questions listed below. If you do not respond, we will assume that you do not wish to be considered as a minority/women's business.

A minority business enterprise is defined as a business of which 51% or more is owned by minorities or, in the case of a publicly owned business, 51% or more of the voting power in shares of the corporation is owned by minorities. Minorities are defined as Blacks, Hispanics, Asians, American Indians, Eskimos and Aleuts.

A women owned business enterprise is defined as a business in which women own at least 51% of the firm, or in the case of a publicly owned business, at least 51% of the stock is owned by citizens or permanent resident aliens who are women.

QUESTIONS:

1. Are you a minority owned business: Yes _____ No _____

If yes, what is your minority group(s)?

Answer: _____

2. Are you a women owned business: Yes _____ No _____

3. If you answered yes to numbers 1 or 2, what percentage of ownership or voting authority of your business is held by members of a minority group or women?

Answer: _____

4. Please identify by name, the minority or women owners of your business and ownership percentage of each.

Attachment G



**Westchester County
Health Care Corporation**

**Basic Financial Statements and
Supplementary Schedules
(with Management's Discussion and Analysis)**

December 31, 2016

(with Report of Independent Certified Public Accountants)

Westchester County Health Care Corporation
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Grant Thornton LLP
757 Third Avenue, 9th Floor
New York, NY 10017
T 212.599.0100
F 212.370.4520
GrantThornton.com
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

Westchester County Health Care Corporation

We have audited the accompanying financial statements of the business-type activities and discreetly presented component unit of Westchester County Health Care Corporation ("WCHCC"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise WCHCC's basic financial statements as listed in the table of contents.

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 of America; 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 opinions on these financial statements based on our audit. We did not audit the financial statements of WCHCC (Bermuda), Limited, a wholly owned subsidiary of WMC-New York, Inc., which is a blended component unit of WCHCC, which statements reflect total assets constituting \$150,999,000 and total liabilities constituting \$88,926,000 as of December 31, 2016. We did not audit the financial statements of Hudson River West Insurance (Barbados) Limited, which is a wholly-owned subsidiary of Bon Secours Charity Health System, Inc. and a blended component unit of WCHCC's discreetly presented component unit, which statements reflect total assets constituting \$10,940,000 and total liabilities constituting \$9,466,000 as of December 31, 2016. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for WCHCC (Bermuda), Limited and Hudson River West Insurance (Barbados) Limited, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities and discretely presented component unit of Westchester County Health Care Corporation as of December 31, 2016, and the changes in financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2016 WCHCC adopted Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application* and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the required supplementary information on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a required 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 the appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures 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.



New York, New York
April 13, 2017

Westchester County Health Care Corporation

Management's Discussion and Analysis (Unaudited)

December 31, 2016

Overview

This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary schedules and supplementary information.

Management's discussion and analysis of the Westchester County Health Care Corporation ("WCHCC") annual financial report presents WCHCC's financial performance during the years ended December 31, 2016 and 2015. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

The basic financial statements (Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the Notes to the Financial Statements) present the financial position of WCHCC at December 31, 2016 and the changes in its financial position for the year then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of WCHCC's assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position reflect the year's activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statement of Cash Flows provide relevant information about the year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The notes to the financial statements explain information in the financial statements and provide more detailed data.

Effective May 19, 2015, WCHCC entered into an Affiliation Agreement with Bon Secours Health System, Inc. ("BSHSI"), the Sisters of Charity of Saint Elizabeth ("SOC"), Bon Secours Charity Health System, Inc. ("Charity") and WMC Health Network - Rockland, Inc. ("WMC - Rockland", a subsidiary of WCHCC), in which WMC - Rockland became the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSHSI holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors. More detailed information about the Agreement is presented in Note 1 to the financial statements.

Effective March 30, 2016, WCHCC entered into an Affiliation Agreement with HealthAlliance, Inc., ("HealthAlliance") and WMC Health Network - Ulster, Inc. ("WMC - Ulster", a subsidiary of WCHCC), in which WMC - Ulster became the sole member of HealthAlliance. More detailed information about the Agreement is presented in Note 1 to the financial Statements.

Management's discussion and analysis does not include the activities of Charity.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016
(amounts in thousands)

Financial Analysis
Summary of Assets, Liabilities, and Net Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>2016-2015 Percentage Change</u>
Assets			
Current assets	\$ 442,136	\$ 398,193	11.0%
Capital assets, net	494,321	430,616	14.8
Other assets	338,414	128,937	162.5
Total assets	<u>\$ 1,274,871</u>	<u>\$ 957,746</u>	<u>33.1%</u>
Deferred outflows of resources	<u>\$ 147,699</u>	<u>\$ 6,177</u>	<u>—%</u>
Liabilities			
Current liabilities	\$ 309,421	\$ 265,578	16.5%
Long-term portion of debt	717,966	458,646	56.5
Other long-term liabilities	643,948	250,145	157.4
Total liabilities	<u>\$ 1,671,335</u>	<u>\$ 974,369</u>	<u>71.5%</u>
Deferred inflows of resources	<u>\$ 20,376</u>	<u>\$ 1,980</u>	<u>—%</u>
Net position			
Restricted	\$ 13,524	\$ 9,181	47.3%
Unrestricted	(282,665)	(21,607)	—
Total net position	<u>\$ (269,141)</u>	<u>\$ (12,426)</u>	<u>—%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016
(amounts in thousands)

Financial Analysis
Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2016 and 2015

	2016	2015	2016-2015 Percentage Change
Operating revenues			
Net patient service revenue	\$ 1,391,263	\$ 1,163,472	19.6%
Other revenue	90,811	64,311	41.2
Total operating revenues	<u>1,482,074</u>	<u>1,227,783</u>	<u>20.7</u>
Operating expenses			
Salaries and benefits	765,873	609,929	25.6
Supplies and other expenses	562,631	477,735	17.8
Professional liability	15,072	14,892	1.2
Depreciation and amortization	68,416	53,000	29.1
Total operating expenses	<u>1,411,992</u>	<u>1,155,556</u>	<u>22.2</u>
Operating income before OPEB and pension expenses	70,082	72,227	(3.0)
Salaries and benefits - OPEB expenses	15,747	15,138	4.0
Salaries and benefits - NYS pension expense	35,219	26,664	32.1
Operating income before NYSNA retroactive settlement and NYS pension adjustment	19,116	30,425	(37.2)
NYSNA retroactive settlement	15,708	-	100.0
NYS pension adjustment	15,000	-	100.0
Operating (loss) income	<u>(11,592)</u>	<u>30,425</u>	<u>(138.1)</u>
Nonoperating activities, net			
Investment income	3,729	3,065	21.7
Unrealized gains (losses) on marketable securities, net	3,089	(1,644)	(287.9)
Interest expense	(27,210)	(25,477)	6.8
Cost of bond issuance	(5,170)	-	100.0
Other nonoperating activities, net	(1,508)	853	(276.8)
Total nonoperating activities, net	<u>(27,070)</u>	<u>(23,203)</u>	<u>16.7</u>
(Loss) income before other additions and deductions	<u>(38,662)</u>	<u>7,222</u>	<u>(635.3)</u>
Other additions			
Disposition of HealthAlliance Senior Living Corporation	78,876	-	100.0
Total other additions	<u>78,876</u>	<u>-</u>	<u>100.0</u>
Increase in net position	40,214	7,222	456.8
Net position			
Beginning of year	(12,426)	(10,230)	21.5
Addition of HealthAlliance	(59,673)	-	100.0
GASB 75 adoption adjustment - January 1, 2016	(237,256)	-	100.0
GASB 68 adoption adjustment - January 1, 2015	-	(9,418)	(100.0)
End of year	<u>\$ (269,141)</u>	<u>\$ (12,426)</u>	<u>—%</u>

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016

Overall Financial Position and Operations

WCHCC reported an operating loss of \$11.6 million, and operating income of \$30.4 million and \$23.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. WCHCC's net position, after a (\$237.3) million adjustment for GASB 75 and the (\$59.7) million addition of HealthAlliance, improved \$40.2 million from December 31, 2015 to December 31, 2016 and, after a (\$9.4) million adjustment for GASB 68, improved \$7.2 million from December 31, 2014 to December 31, 2015.

Significant financial indicators are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating (loss) income (in millions)	\$ (11.6)	\$ 30.4	\$ 23.5
Current ratio	1.4	1.5	1.5
Quick ratio	1.3	1.4	1.4
Days cash on hand	36.5	37.6	77.0

Analysis of Financial Position

In this section, WCHCC management provides its analysis of December 31, 2016 financial amounts, compared to December 31, 2015 financial amounts, and, where appropriate, December 31, 2015 financial amounts, compared to December 31, 2014 financial amounts.

Assets and Liabilities

Cash and Cash Equivalents

The cash position increased \$23.9 million at December 31, 2016 compared to December 31, 2015, primarily due to increased collections associated with net patient service revenue, financing certain prior year capital spending through the 2016 bond offering and the addition of HealthAlliance cash balances of \$6.6 million. The cash position decreased \$89.5 million at December 31, 2015 compared to December 31, 2014 primarily due to a delay in the Disproportionate Share ("DSH") payment to WCHCC. The 2015 DSH payment was received in January 2016 and the 2016 DSH payment was received in January 2017.

Patient Accounts Receivable, Net

Patient accounts receivable reflected days outstanding of 45.6, 48.3 and 53.2 at December 31, 2016, 2015 and 2014, respectively. The decrease in days outstanding at December 31, 2016, compared to December 31, 2015, is the result of improved collection efforts in 2016, and the decrease in days outstanding at December 31, 2015 compared to December 31, 2014 is the result of improved collection efforts in 2015.

Other Current Assets

Other current assets increased \$10.6 million from December 31, 2015 to December 31, 2016, primarily due to an increase in third party payor receivables, an increase in the receivable related to the Delivery System Reform Incentive Program ("DSRIP") and the addition of HealthAlliance, and increased \$57.5 million from December 31, 2014 to December 31, 2015, primarily due to the receivable for the DSH payment.

Assets Restricted as to Use

Assets restricted as to use increased \$193.3 million from December 31, 2015 to December 31, 2016, primarily due to the 2016 bond offering, which resulted in an increase in construction funds available under bond indenture of \$169.2 million and an increase in capitalized interest under bond indenture of \$15.3 million. In addition, there was an increase in funds restricted for malpractice claims of \$5.6 million, an increase in

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016

restricted cash and contributions of \$3.6 million and an increase in restricted funds for HealthAlliance of \$6.2 million, partially offset by a decrease in debt service reserve funds required under bond indentures of \$6.6 million.

Assets restricted as to use increased \$3.8 million from December 31, 2014 to December 31, 2015, primarily due to increases in funds restricted for malpractice claims of \$2.7 million and restricted contributions of \$1.1 million.

Capital Assets, net

Capital assets increased \$63.7 million from December 31, 2015 to December 31, 2016, primarily due to the addition of HealthAlliance capital assets and capital expenditures in 2016 from construction funds under the bond indenture and operating cash. Capital assets increased \$21.0 million from December 31, 2014 to December 31, 2015 primarily due to capital expenditures from operations.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses increased \$17.0 million from December 31, 2015 to December 31, 2016, primarily due to the addition of HealthAlliance, and increased \$31.7 million from December 31, 2014 to December 31, 2015 due to the timing and payment for increased supply costs and increased patient volume.

Accrued Salaries and Related Withholdings

Accrued salaries and related withholdings increased \$26.0 million from December 31, 2015 to December 31, 2016 due to the accrual for retroactive payments for the New York State Nursing Association ("NYSNA") contract settlement and the addition of HealthAlliance, and decreased \$25.3 million from December 31, 2014 to December 31, 2015, primarily due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

Current Portion of Other Long-Term Liabilities

Other current liabilities decreased \$11.2 million from December 31, 2015 to December 31, 2016, primarily due to decreases in current deferred revenue, post-retirement health and self-insurance liabilities, partially offset by an increase in third-party payor liabilities and the addition of HealthAlliance, and decreased \$11.2 million from December 31, 2014 to December 31, 2015, primarily due to a decrease in the current portion of third-party payor liabilities partially offset by increases in deferred revenue, post-retirement health and self-insurance liabilities.

Long-Term Debt

Long-term debt increased \$271.5 million from December 31, 2015 to December 31, 2016 due to the 2016 bond offering of \$283.6 million including bond premium of \$24.6 million, new capital leases of \$3.5 million and the addition of HealthAlliance debt of \$27.4 million partially offset by bond refunding of \$49.3 million, bond principal payments of \$11.6 million, capital lease payments of \$5.9 million and bond premium amortization of \$900,000.

Long-term debt decreased \$18.4 million from December 31, 2014 to December 31, 2015 due to the retirement and payment of capital leases of \$35.8 million, bond principal payments of \$10.0 million, partially offset by a bond offering of \$25.0 and new capital leases of \$2.4 million.

Other Long-Term Liabilities

Other long-term liabilities increased approximately \$393.8 million from December 31, 2015 to December 31, 2016 due to increases of \$263.9 million for post-retirement health insurance liability, as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits*

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016

Other Than Pensions ("OPEB") ("GASB 75"), \$111.5 million for the New York State pension liability, \$1.2 million for deferred pensions, \$14.0 million for self-insurance liabilities and \$18.3 million for HealthAlliance, partially offset by a decrease of \$15.1 million in third party payor liabilities.

Other long-term liabilities increased approximately \$26.5 million from December 31, 2014 to December 31, 2015 due to increases of \$30.0 million for pension liability, \$2.2 million for post-retirement health insurance liability and \$4.1 million for deferred pensions partially offset by decreases of \$4.3 million for third party payor liabilities and \$5.5 million for insurance.

Deferred Outflows and Inflows of Resources

Deferred Outflows

Deferred outflows increased approximately \$141.5 million from December 31, 2015 to December 31, 2016 due to deferred pension outflows of \$117.0 million, deferred OPEB outflows of \$14.4 million and deferred bond refunding outflows of \$10.1 million and increased approximately \$6.2 million from December 31, 2014 to December 31, 2015 due to the implementation of GASB 68.

Deferred Inflows

Deferred inflows increased \$18.4 million from December 31, 2015 to December 31, 2016 due to deferred pension inflows of \$16.4 million and deferred post retirement inflows of \$2.0 million due to the implementation of GASB 75 and increased approximately \$2.0 million from December 31, 2014 to December 31, 2015 due to the implementation of GASB 68.

Revenues and Expenses

Net Patient Service Revenue

Net patient service revenue increased \$227.8 million from 2015 to 2016. The increase was the result of the addition of HealthAlliance of \$159.5 million, increases at the Valhalla and MidHudson hospital campuses of \$60.8 million, primarily due to higher inpatient and outpatient rates and an increase in DSH revenue of \$7.5 million.

Net patient service revenue increased \$138.0 million from 2014 to 2015. The increases included the full year effect of the acquisition of St. Francis (renamed MidHudson Regional Hospital) on May 9, 2014, accounting for \$87.9 million, and an increase at the Valhalla campus of \$50.1 million primarily due to higher inpatient and outpatient rates and an increase in the physician practice revenue of \$28.7 million.

Other Revenue

Other revenue increased \$26.5 million from 2015 to 2016, primarily due to income from DSRIP, increases in service fees and contributions and the addition of HealthAlliance, and increased \$30.7 million from 2014 to 2015 primarily due to income from DSRIP and increases in service fees and contributions.

Salaries and Benefits

Salaries and benefits increased \$195.8 million from 2015 to 2016. The increase consists of \$106.5 million due to the addition of HealthAlliance, \$50.1 million in salaries primarily for the Valhalla campus related to new physicians and related support staff, \$39.2 million in benefit increases related to the increased salaries as well as increases in expenses for the New York State and Local Retirement System ("NYSLRS") pension plan.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016

Salaries and benefits increased \$93.1 million from 2014 to 2015. The increase consisted of \$51.0 million in salaries and benefits for the MidHudson Campus for a full year of operations and \$42.1 million in salaries for the Valhalla Campus related to new physicians and related support staff.

Supplies and Other Expenses

Supplies and other expenses increased approximately \$84.9 million from 2015 to 2016, primarily due to:

- Increase due to HealthAlliance of \$71.6 million
- Increase in medical supplies of \$3.6 million
- Increase in technical services of \$7.7 million
- Increase in contractual services of \$2.5 million
- Decrease in other expenses of \$500,000

Supplies and other expenses increased approximately \$63.6 million from 2014 to 2015 primarily due to:

- Increase due to the full year impact of MidHudson Campus of \$27.5 million.
- Increase in medical supplies of \$22.2 million
- Increase in technical services of \$4.5 million
- Increase in contractual services of \$2.3 million
- Increase in operating leases and equipment repair of \$4.4 million
- Increase in pools and assessments of \$2.4 million
- Increase in other expenses of \$300,000

Professional Liability

Professional liability insurance costs increased \$200,000 from 2015 to 2016 due the addition of HealthAlliance partially offset by a decrease in insurance claims, cases and settlements and increased \$6.7 million from 2014 to 2015 primarily due to an increase in insurance claims, cases and settlements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$5.4 million from 2015 to 2016 due to capital asset additions and the addition of HealthAlliance in 2016 and increased \$2.6 million from 2014 to 2015 due capital asset additions in 2015.

Nonoperating Activities, Net

Nonoperating activities, net increased \$3.9 million from 2015 to 2016, primarily due to increased interest expense due to the costs of issuance for a new bond offering and the addition of HealthAlliance.

Nonoperating activities, net decreased \$300,000 from 2014 to 2015, primarily due to deferred outflows from pensions related to GASB 68 partially offset by decrease in interest income.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016

Net Position

As shown in the Statements of Net Position, WCHCC's net position has the following components:

- Restricted
- Unrestricted

Restricted

Increased \$4.3 million from December 31, 2015 to December 31, 2016, primarily due to increased restricted contributions and the addition of HealthAlliance partially offset by capital purchases from restricted funds and increased \$1.0 million from December 31, 2014 to December 31, 2015 due to endowment contributions partially offset by capital purchases from restricted funds.

Unrestricted

Negative unrestricted net position (a deficit) increased by \$261.1 million, to (\$282.7) million at December 31, 2016 from (\$21.6) million at December 31, 2015. Negative unrestricted net position increased for the Medical Center due to the cumulative effect of GASB 75 of (\$236.8) million, an operating loss of (\$1.6) million, nonoperating activities, net of (\$24.5) million and an increase in restricted net position of (\$3.6) million, partially offset by the addition of HealthAlliance net activity of \$5.4 million.

Negative unrestricted net position, a deficit, increased by \$3.2 million, to (\$21.6) million at December 31, 2015 from (\$18.4) million at December 31, 2014. Negative unrestricted net position increased due to the cumulative effect of GASB 68 of (\$9.4) million, nonoperating activities, net of (\$19.0) million and an increase in restricted net position of (\$1.0) million partially offset by operating income of \$26.2 million.

Capital Assets and Long-Term Debt Activity

Capital Assets, net

At December 31, 2016, WCHCC had capital assets, net of accumulated depreciation, of \$494.3 million, compared to \$430.6 million at December 31, 2015 and \$409.6 million at December 31, 2014. Major categories of capital assets, net are set forth in the table below (amounts in thousands):

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 9,603	\$ 4,523
Buildings and building improvements	281,857	241,788
Equipment	173,149	161,362
Construction in progress	<u>29,712</u>	<u>22,943</u>
	<u>\$ 494,321</u>	<u>\$ 430,616</u>

WCHCC's capital additions in 2016 were \$213.8 million, consisting of the addition of HealthAlliance of \$124.5 million and various capital projects and medical equipment purchases of \$89.3 million, offset by depreciation expense of \$68.4 million and the separation of HealthAlliance Senior Living Corporation capital assets of \$81.7 million. WCHCC's capital additions in 2015 were \$72.6 million, net of retirements, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$51.6 million, net of retirements. More detailed information about WCHCC's capital assets is presented in Note 5 to the financial statements.

Westchester County Health Care Corporation
Management's Discussion and Analysis (Unaudited)
December 31, 2016

Long-Term Debt

At December 31, 2016, WCHCC had \$747.5 million in total long-term debt outstanding, as follows with comparative amounts at December 31, 2016 and December 31, 2015 (amounts in thousands):

	<u>2016</u>	<u>2015</u>
2000 Series Bonds	\$ 108,170	\$ 108,170
2010 Series Bonds	176,880	236,910
2011 Series Bonds	63,780	63,880
2014 Series Bonds	26,509	26,941
2015 Series Bonds	24,223	24,809
2016 Series Bonds	283,280	-
HealthAlliance debt	19,590	-
Bond Premium/Discount	25,152	896
Capital Leases	19,956	14,482
	<u>\$ 747,540</u>	<u>\$ 476,088</u>

Long-term debt increased \$271.5 million from December 31, 2015 to December 31, 2016 due to the 2016 bond offering, new capital leases and the addition of HealthAlliance's related debt partially offset by principal payments on bonds and capital leases, and a partial refunding of certain bond issues and decreased \$19.4 million from December 31, 2014 to December 31, 2015 due to principal payments on bonds and capital leases, and a retirement of a capital lease partially offset by a new bond offering and new capital leases.

More detailed information about WCHCC's long-term debt is presented in Note 6 to the financial statements.

Contacting WCHCC's Financial Management

This financial report provides a general overview of WCHCC's finances and operations. If you have questions about this report or need additional financial information, please contact Gary F. Brudnicki, Senior Executive Vice President, Westchester County Health Care Corporation, Executive Offices, Valhalla, NY 10595.

Westchester County Health Care Corporation
Statement of Net Position
December 31, 2016
(amounts in thousands)

	<u>WCHCC</u>	<u>Bon Secours Charity</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 142,176	\$ 52,492
Patient accounts receivable, net	173,346	67,018
Assets restricted as to use, required for current liabilities	19,870	213
Other current assets	106,744	17,895
Total current assets	442,136	137,618
Assets restricted as to use, net	326,402	12,870
Capital assets, net	494,321	130,973
Other assets, net	12,012	7,582
Total assets	<u>1,274,871</u>	<u>289,043</u>
Deferred Outflows of Resources		
Pension, OPEB and bond related	<u>147,699</u>	<u>201</u>
Liabilities		
Current liabilities:		
Current portion of long-term debt	29,574	2,125
Accounts payable and accrued expenses	149,161	42,382
Accrued salaries and related withholdings	81,165	36,496
Current portion of other long-term liabilities	49,521	5,474
Total current liabilities	309,421	86,477
Long-term debt, net	717,966	125,576
Other long-term liabilities, net	643,948	29,477
Total liabilities	<u>1,671,335</u>	<u>241,530</u>
Deferred Inflows of Resources		
Pension and OPEB related	<u>20,376</u>	<u>-</u>
Commitments and contingencies		
Net Position		
Restricted		
Expendable for capital acquisitions	2,644	2,108
Expendable for specific operating activities	7,596	2,060
Nonexpendable for endowment	3,284	666
Total restricted	<u>13,524</u>	<u>4,834</u>
Unrestricted		
Net investment in capital assets	59,582	125,609
Unrestricted	<u>(342,247)</u>	<u>(82,729)</u>
Total unrestricted	<u>(282,665)</u>	<u>42,880</u>
Total net position	<u>\$ (269,141)</u>	<u>\$ 47,714</u>

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

Westchester County Health Care Corporation
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2016
(amounts in thousands)

	<u>WCHCC</u>	<u>Bon Secours Charity</u>
Operating revenues		
Net patient service revenue (net of provision for bad debts of \$113,385 and \$46,994, respectively)	\$ 1,391,263	\$ 504,896
Other revenue	90,811	21,919
Total operating revenues	<u>1,482,074</u>	<u>526,815</u>
Operating expenses		
Salaries and benefits	765,873	288,202
Supplies and other expenses	562,631	196,523
Professional liability	15,072	5,775
Depreciation and amortization	68,416	23,315
Total operating expenses	<u>1,411,992</u>	<u>513,815</u>
Operating income before OPEB and pension expenses	70,082	13,000
Salaries and benefits - OPEB expenses	15,747	72
Salaries and benefits - NYS pension expenses	35,219	-
Operating income before NYSNA retroactive settlement and NYS actuarial adjustment	19,116	12,928
NYSNA retroactive settlement	15,708	-
NYS pension adjustment	15,000	-
Operating (loss) income	<u>(11,592)</u>	<u>12,928</u>
Nonoperating activities		
Investment income	3,729	56
Unrealized gains on marketable securities, net	3,089	-
Interest expense	(27,210)	(7,669)
Cost of bond issuance	(5,170)	-
Other nonoperating activities, net	(1,508)	90
Total nonoperating activities, net	<u>(27,070)</u>	<u>(7,523)</u>
(Loss) income before other additions and deductions	(38,662)	5,405
Other additions		
Disposition of HealthAlliance Senior Living Corporation	78,876	-
Total other additions	<u>78,876</u>	<u>-</u>
Increase in net position	40,214	5,405
Net position		
Beginning of year	(72,099)	42,309
GASB 75 adoption adjustment - January 1, 2016	(237,256)	-
End of year	<u>\$ (269,141)</u>	<u>\$ 47,714</u>

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

Westchester County Health Care Corporation
Statement of Cash Flows
Year Ended December 31, 2016
(amounts in thousands)

	<u>WCHCC</u>	<u>Bon Secours Charity</u>
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 1,382,325	\$ 502,079
Other receipts	88,108	23,474
Cash paid to employees for salaries and benefits	(807,778)	(277,760)
Cash paid for supplies and other expenses	(604,874)	(190,767)
Net cash provided by operating activities	<u>57,781</u>	<u>57,026</u>
Cash flows from noncapital financing activities		
Proceeds from contributions restricted for specific operating activities	10,233	-
Proceeds from issuance of long-term debt	5,000	-
Net cash receipts for nonoperating items	294	77
Cash transferred as a result of the discontinued operations	(2,481)	-
Interest paid	-	(7,266)
Net cash provided by (used in) noncapital financing activities	<u>13,046</u>	<u>(7,189)</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(67,068)	(11,981)
Proceeds on sale of assets	174	-
Proceeds from issuance of long-term debt	312,617	-
Refunding of bonds	(10,403)	-
Payment of costs of issuance	(5,170)	-
Repayments of principal on long-term debt	(73,127)	(1,543)
Interest paid	(24,665)	(402)
Net cash provided by (used in) capital and related financing activities	<u>132,358</u>	<u>(13,926)</u>
Cash flows from investing activities		
Purchase of assets restricted as to use	(232,459)	(10,153)
Sales of assets restricted as to use	36,237	4,733
Interest received	6,726	56
Net cash used in investing activities	<u>(189,496)</u>	<u>(5,364)</u>
Net increase in cash and cash equivalents	13,689	30,547
Cash and cash equivalents		
Beginning of year	128,487	21,945
End of year	<u>\$ 142,176</u>	<u>\$ 52,492</u>

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

Westchester County Health Care Corporation
Statement of Cash Flows (continued)
Year Ended December 31, 2016
(amounts in thousands)

	<u>WCHCC</u>	<u>Bon Secours Charity</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating (loss) income	\$ (11,592)	\$ 12,928
Adjustments to reconcile operating (loss) income to net cash provided by operating activities		
Depreciation and amortization	68,416	23,315
Provision for bad debts, net	113,385	46,994
Deferred inflows and outflows, net	(100,602)	(26)
Changes in assets and liabilities		
Patient accounts receivable	(115,834)	(50,204)
Other assets	(2,333)	2,995
Accounts payable and accrued expenses	(20,076)	5,240
Accrued salaries and related withholdings	16,908	14,901
Other liabilities	109,509	883
Net cash provided by operating activities	<u>\$ 57,781</u>	<u>\$ 57,026</u>
Supplemental disclosure of cash flow information		
Change in amounts accrued for purchase of capital assets	<u>\$ (3,711)</u>	<u>\$ -</u>
Assets acquired under capital leases	<u>\$ 3,848</u>	<u>\$ 4,819</u>
Disposition of discontinued operations assets and liabilities:		
Patient accounts receivable, net	\$ 481	
Other assets, net	4,130	
Assets restricted as to use	7,594	
Capital assets, net	78,254	
Accounts payable and accrued expenses	(939)	
Accrued salaries and related withholdings	(387)	
Long term debt	(76,474)	
Other long-term liabilities	(95,320)	
	<u>\$ (82,661)</u>	

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

Westchester County Health Care Corporation

Notes to Financial Statements

December 31, 2016

1. Organization

The State of New York enacted legislation in January 1997 to authorize the creation of the Westchester County Health Care Corporation ("WCHCC") in response to the efforts of Westchester County (the "County") to provide a form of governance for Westchester Medical Center with the flexibility to cope with the rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and effective manner.

The accompanying financial statements include the accounts of the following component units, entities for which WCHCC is considered to be financially accountable. All significant inter-entity accounts and activities have been eliminated in consolidation.

Medical Center:

- Westchester County Health Care Corporation (d/b/a Westchester Medical Center)
- The Westchester Medical Center Foundation, Inc. ("WMC Foundation")
- Mid-Hudson Valley Early Education Center ("Early Education Center")
- North Road LHCSA, Inc. ("LHCSA")
- WMC New York Inc. ("WMC New York")
- WCHCC (Bermuda), Limited ("WCHCC Bermuda")
- Mid-Hudson Valley Staffco, LLC ("Mid-Hudson Valley Staffco")
- Center for Regional Healthcare Innovation, LLC ("CRHI")
- Hudson Valley Property Holdings, LLC ("HVPH")
- Westchester Medical Center Advanced Physician Services, P.C. ("WMC Advanced Physician Services")
- Westchester Medical Regional Physician Services, P.C. ("WM Regional Physician Services") – (1)
- NorthEast Provider Solutions, Inc. ("NorthEast Provider")
- WMC – Health Network – Ulster, Inc. ("WMC – Ulster")
- WMC - Health Network - Rockland, Inc. ("WMC - Rockland")

HealthAlliance:

- Health Alliance, Inc.
- HealthAlliance Hospital: Broadway Campus ("Broadway")
- HealthAlliance Hospital: Mary's Ave Campus ("Mary's Ave")
- Kingston Regional Health Care Enterprises, Inc. ("Enterprises")
- Foxhall Ambulatory Surgery Center Foundation ("FASC Foundation")
- Multi-Provider Support Services, LLC ("MPSS")
- Margaretville Hospital ("Margaretville")
- Margaretville Nursing Home (the "Nursing Home")
- Margaretville Hospital Foundation ("MHF")
- Mid-Hudson Physicians, P.C. ("Medical Practice")
- HealthAlliance Physician Network IPA, LLC ("HAPN")
- Kingston Insurance (Barbados) Limited ("Kingston")

(1) On January 1, 2017 the operations of WM Regional Physician Services were merged into WMC Advanced Physician Services.

Effective March 30, 2016, WCHCC entered into an Affiliation Agreement with HealthAlliance and WMC - Ulster, in which WMC - Ulster became the sole member of HealthAlliance. The auditor's opinion on the stand-alone audited financial statements of HealthAlliance for the year ended December 31, 2016 includes an emphasis of matter paragraph relating to the uncertainty regarding HealthAlliance's ability to continue as a going concern due to HealthAlliance' working capital deficit, recurring operating losses, and noncompliance with certain financial debt covenant requirements. Total assets and operating revenues for HealthAlliance were approximately \$96.8 million and approximately

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

\$179.4 million as of and for the year ended December 31, 2016, respectively. The ongoing financial viability of HealthAlliance is not guaranteed by WCHCC.

Effective May 19, 2015, WCHCC entered into an Affiliation Agreement with Bon Secours Health System, Inc. ("BSHSI"), the Sisters of Charity of Saint Elizabeth ("SOC"), Bon Secours Charity Health System, Inc. ("Bon Secours Charity" or "Charity") and WMC Health Network - Rockland, Inc. ("WMC - Rockland", a subsidiary of WCHCC), in which WMC - Rockland became the majority member of Charity, holding 60% of the economic interest in Charity and appointing 60% of the Charity Board of Directors. BSHSI holds a 40% economic interest in Charity and, together with SOC, appoints 40% of the Charity Board of Directors. WCHCC provides management services to Charity pursuant to a Department of Health-approved exclusive management agreement between WCHCC and Charity. Charity is shown as a discretely presented component unit in WCHCC's audited financial statements. More detailed information about Charity is presented in Note 17.

The Medical Center, HealthAlliance and Charity and their controlled organizations (collectively, referred to as the "WCHCC Network") comprise an integrated health care delivery network. The facilities are located in Westchester, Rockland, Orange, Putnam, Dutchess, Ulster and Sullivan counties in New York. The WCHCC Network provides patient care, teaching and community services.

2. Significant Accounting Policies

Basis of Presentation

WCHCC is considered a special-purpose government entity engaged only in business-type activities. WCHCC's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board ("GASB") and the provisions of the American Institute of Certified Public Accountants "*Audit and Accounting Guide, Health Care Entities*," to the extent that they do not conflict with GASB.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and operating expenses. All other activities are reported as nonoperating activities.

The notes to the financial statements present financial information for WCHCC and its blended component units and do not include financial information of Charity, except for Note 17.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. WCHCC's significant estimates include the allowance for estimated uncollectible patient accounts receivable, estimated third-party contractual allowances, estimated third-party payor receivables and payables, pension liabilities, self-insurance liabilities, workers' compensation liabilities and post-retirement health insurance liabilities. Actual results may differ from those estimates.

Revisions to previously recorded estimates of net patient accounts receivable, third party payor liabilities, inventory, capital assets and retroactive salary contracts for the year ended December 31, 2016 resulted in an increase in operating income of approximately \$6.4 million.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

Patient Accounts Receivable and Net Patient Service Revenue

Accounts receivable from patients and third-party payors at December 31, 2016, was comprised of Medicare, 18%, Medicaid, 26%; and commercial insurance, health maintenance organizations and others, 56%. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of approximately \$64.6 million at December 31, 2016. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

Patient accounts receivable are recorded at the reimbursable or contracted amounts and do not bear interest. The allowance for uncollectible accounts is WCHCC's best estimate of the amount of probable credit losses in WCHCC's accounts receivable. WCHCC determines the allowance based on historical write-off experience. WCHCC evaluates its allowance for uncollectible accounts periodically. Past due balances are evaluated individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Net operating revenues are recognized in the period services are performed. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to audits, reviews, and investigations. Third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

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

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined. The Medical Center's cost reports have been audited and finalized by its Medicare fiscal intermediary through December 31, 2011, with the exception of the December 31, 2010, 2009 and 2004 cost reports, and HealthAlliance's three cost reports through December 31, 2013 and December 31, 2012, respectively.

Assets Restricted as to Use

Assets restricted as to use include the assets of WCHCC Bermuda, the assets of the WMC Foundation, the proceeds of indebtedness held by the trustees under debt agreements, assets restricted for the purchase of capital assets, resident deposits, assets restricted by donors and amounts designated by the Board.

Donor-restricted assets represent contributions to provide health care services and for capital acquisitions. Resources restricted by donors for plant replacement and expansion are added to the net position-net investment in capital assets balance to the extent expended within the period. Resources restricted by donors or grantors for specific operating activities are reported as other revenue to the extent used within the period. WCHCC generally utilizes donor-restricted resources for expenses incurred before utilizing available unrestricted assets.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

Grants and Contributions

From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. At December 31, 2016, net contributions and grants receivables of approximately \$5.7 million are included in other assets in the accompanying Statement of Net Position.

Cash and Cash Equivalents and Investments

WCHCC's cash, cash equivalents, and investment policies are governed by state statutes. Monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the state. Certain funds deposited with banking institutions exceed FDIC limits; however, WCHCC has a collateralization agreement with its depository institutions which management believes reduces the risks related to these balances to a minimal level. WCHCC's cash balances are collateralized under a third party custodian agreement.

At December 31, 2016, cash and cash equivalents consist of cash and all highly liquid instruments with maturities of three months or less at the date of purchase. Approximately 93% of cash and cash equivalents resides with a major financial institution at December 31, 2016.

Inventories

Inventories, included in other current assets, are primarily prepaid supplies that are carried at the lower of cost, principally on a first-in, first-out ("FIFO") basis, or market.

Capital Assets

In connection with the establishment of the public benefit corporation in 1997, WCHCC recorded buildings, fixed equipment, and land received from the County at book value. Capital assets acquired subsequent to the establishment of the public benefit corporation are recorded at cost. Assets with a purchase price of \$1,000 or more that have an economic life greater than one year are capitalized and assets with a purchase price of less than \$1,000 are expensed.

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution and are excluded from operating income.

Depreciation is recorded using the straight-line method over the estimated useful life of each class of depreciable assets.

	<u>Estimated Useful Lives</u>	
	<u>Medical Center</u>	<u>HealthAlliance</u>
Land improvements	10 years	2 to 30 years
Buildings and building improvements	5 to 40 years	3 to 60 years
Equipment	5 to 20 years	2 to 28 years

Equipment under capitalized lease obligations are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the leased equipment. Such amortization is included in depreciation and amortization expense in the financial statements. Interest cost, net of

Westchester County Health Care Corporation
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interest earned on those funds, incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of construction.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. In addition to the liabilities, the Statement of Net Position includes deferred inflows of resources which represent an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time.

Net Position

Unrestricted net position has no external restrictions as to use or purpose and is distinguished from net position restricted externally for specific purposes. Restricted net positions relate primarily to Federal and state grants for research and community programs and restricted contributions and endowments received from donors. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and trustee held assets for capital projects reduced by the outstanding balances of debt attributable to those assets.

Concentrations of Credit Risk

WCHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. WCHCC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of patients' benefits under their health insurance policies.

Charity Care

WCHCC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because WCHCC does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

WCHCC maintains records identifying and monitoring the level of charity care it provides. WCHCC estimates the cost of charity care, by applying a ratio of overall costs to gross charges applied to the gross charity care charges during the year ended December 31, 2016, at approximately \$57.3 million, of which approximately \$13.7 million is the cost of charity care.

Taxation

The Medical Center is a public benefit corporation of the State of New York and is exempt from Federal income taxes under Section 115 of the Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

WCHCC's component units are exempt from income tax under Section 501(c)(3) of the Code, except for WCHCC's for-profit blended component units, WMC Advanced Physician Services, WM Regional Physician Services, NorthEast Provider, the Medical Practice, MPSS, HAPN and Enterprises. Income taxes of WCHCC's for-profit blended component unit are not material to the financial statements.

Compensated Absences

WCHCC employees earn paid time off at varying rates depending on years of service, union affiliation and affiliated entity. Eligible paid time off accumulates and certain days are payable upon separation or retirement. The estimated amount of paid time off and related taxes payable as separation payments or

Westchester County Health Care Corporation
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upon retirement is recorded as part of accrued salaries and related benefits in the accompanying Statement of Net Position.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No impairment charges to long-lived assets were recorded for the year ended December 31, 2016.

Fair Value of Financial Instruments

Fair value of financial instruments disclosure authoritative guidance defines fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. WCHCC's assets restricted as to use consist primarily of cash and cash equivalents, United States Treasury Obligations and United States Government Agency Securities, which are stated at fair value in the Statement of Net Position. The carrying amounts reported in the Statement of Net Position for cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables and receivables due to and from third-party payors approximate their fair value. The carrying amounts of WCHCC's bonds and notes payable approximates fair value based upon their variable interest rates.

Adopted Accounting Pronouncements

Effective January 1, 2016, WCHCC adopted GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). GASB 72 enhances the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The adoption of GASB 72 increased the level of disclosure related to WCHCC's investments and assets restricted as to use.

Effective January 1, 2016, WCHCC adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). GASB 75 improved accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("other postemployment benefits" or "OPEB"). GASB 75 required the liability of employers for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of the projected benefit payments to be provided to active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The effect of the adoption of GASB 75 was an approximate \$237.3 million reduction of net position.

Effective January 1, 2016, WCHCC adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* ("GASB 80"). GASB 80 amended the blending requirements for the financial statement presentation of component units. GASB 80 added the criterion requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of GASB 80 had no impact on the financial position or disclosures of WCHCC.

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Relevant Pending Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. WCHCC has not evaluated the effect of GASB 83 on its financial statements.

3. Deposits and Investments

Deposits and investments consist of the following at December 31, 2016 (amounts in thousands):

	<u>2016</u>
Description	
Bank deposits	\$ 161,214
Money market accounts	328
Equity mutual funds	472
Equities	33,430
Fixed income:	
US Treasury securities	246,116
Corporate bonds	43,414
Federal Home Loan bonds	700
Fixed income ETF	146
Fixed income mutual funds	200
	<u>\$ 486,020</u>
 Description on Statement of Net Position	
Cash and cash equivalents	\$ 142,176
Assets restricted as to use, required for current liabilities	19,451
Assets restricted as to use, net	<u>324,393</u>
	<u>\$ 486,020</u>
 Investment Maturities of Fixed Income Securities	
One year or less	\$ 223,269
After one through five years	46,518
After five through ten years	20,779
More than ten years	10
	<u>\$ 290,576</u>

Estimated fair values have been determined by WCHCC using appropriate valuation methodologies by third parties, quoted market prices, and information available to management.

Interest Rate Risk - WCHCC invests in fixed-rate debt and US Treasury securities with approximately one to ten year maturities. Interest rate risk is limited by the short-term nature of these investments.

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December 31, 2016

Credit Risk - WCHCC investments in U.S. Treasury securities carry the explicit guarantee of the U.S. government. The corporate bonds are rated A- to AA+.

4. Assets Restricted as to Use

Assets restricted as to use consist of the following at December 31, 2016 (amounts in thousands):

	<u>2016</u>
Time and purpose restricted	
The Westchester Medical Center Foundation, Inc.	\$ 12,734
Other purposes	3,064
	<u>15,798</u>
Under debt agreements	
Debt service reserve funds	25,216
Construction funds	169,204
Other	19,434
	<u>213,854</u>
Self-insurance funds	
Insurance captive investments	116,620
	<u>346,272</u>
Less portion required for current liabilities	19,870
Assets restricted as to use, net	<u>\$ 326,402</u>

WCHCC's assets restricted as to use are reported at fair value, as described in Note 3. At December 31, 2016, the composition of assets restricted as to use consisted of the following (amounts in thousands):

	<u>2016</u>
Cash and cash equivalents	\$ 19,106
Money market accounts	290
US Treasury securities	246,116
Corporate bonds	43,414
Equity mutual funds	442
Equities	33,430
Fixed income	1,046
Other	2,428
	<u>\$ 346,272</u>

WCHCC's assets restricted as to use reported under debt agreements represent insured or registered funds, or securities held by WCHCC or its agent in WCHCC's name.

WCHCC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in advance markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At

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December 31, 2016, WCHCC's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows:

2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and cash equivalents	\$ 19,106	\$ -	\$ -	\$ 19,106
Money market accounts	290	-	-	290
United States				
Government agency securities	239,519	6,596	-	246,115
Corporate bonds	-	43,414	-	43,414
Equity mutual funds	442	-	-	442
Equities	33,431	-	-	33,431
Fixed income	1,046	-	-	1,046
Other	2,428	-	-	2,428
	<u>\$ 296,262</u>	<u>\$ 50,010</u>	<u>\$ -</u>	<u>\$ 346,272</u>

5. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows (amounts in thousands):

	Beginning balance	Additions and transfers	Retirements and transfers	Ending balance
Capital assets, not being depreciated:				
Land	\$ 8,757	\$ -	\$ (5,522)	\$ 3,235
Construction in process	29,003	16,237	(15,528)	29,712
Capital assets, being depreciated:				
Building and improvements	746,352	28,331	(96,250)	678,433
Equipment	687,760	43,561	(792)	730,529
Land Improvements	15,567	1,179	-	16,746
Total capital assets	<u>1,487,439</u>	<u>89,308</u>	<u>(118,092)</u>	<u>1,458,655</u>
Less accumulated depreciation for:				
Building and improvements	(396,105)	(25,273)	24,802	(396,576)
Equipment	(515,040)	(42,854)	514	(557,380)
Land improvements	(10,161)	(289)	72	(10,378)
Total accumulated depreciation	<u>(921,306)</u>	<u>(68,416)</u>	<u>25,388</u>	<u>(964,334)</u>
Carrying value of all capital assets, net	<u>\$ 566,133</u>	<u>\$ 20,892</u>	<u>\$ (92,704)</u>	<u>\$ 494,321</u>

Westchester County Health Care Corporation
Notes to Financial Statements
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Construction in progress relates to various capital projects. At December 31, 2016, WCHCC was committed to noncancelable construction contracts related to capital projects of approximately \$94.3 million. The proceeds from the 2016 bond offering are being used to fund the capital projects.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$18.0 million at December 31, 2016. The net book value of capital assets held under lease obligations, included in equipment, was approximately \$21.1 million at December 31, 2016.

6. Long-Term Debt

Long-term debt activity as of December 31, 2016 was as follows (amounts in thousands):

	December 31, 2015	Additions	Reductions	December 31, 2016	Amounts due Within One Year
2000 Series Bonds (a)	\$ 108,170	\$ -	\$ -	\$ 108,170	\$ -
2010 Series Bonds (b)	236,910	-	(60,030)	176,880	11,250
2011 Series Bonds (c)	63,880	-	(100)	63,780	100
2014 Series Bonds (d)	26,941	-	(432)	26,509	454
2015 Series Bonds (e)	24,809	-	(586)	24,223	613
2016 Series Bonds (f)	-	283,580	(300)	283,280	160
Other (g)	13,270	9,400	(3,080)	19,590	8,434
Bond Premium/Discount	896	24,940	(684)	25,152	883
Capital leases (h)	24,326	3,847	(8,217)	19,956	7,680
	<u>\$ 499,202</u>	<u>\$ 321,767</u>	<u>\$ (73,429)</u>	<u>\$ 747,540</u>	<u>\$ 29,574</u>

- a. In 2000, WCHCC participated in a bond offering relating to \$255.1 million Westchester County Health Care Corporation Series 2000 Revenue Bonds consisting of \$113.2 million Series 2000A Senior Lien ("Series 2000A Bonds") with interest varying from 5.875% to 6%. In December 2011, WCHCC participated in a bond remarketing of the Series 2000A Bonds with interest rates varying from 4.50% to 5.00% maturing annually on November 1, 2021 through 2030.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately \$10.8 million as of December 31, 2016 (see Note 4).

Interest expense relating to the Series 2000 Revenue Bonds was approximately \$5.3 million in 2016.

- b. In December 2010, WCHCC participated in a bond offering relating to \$226.1 million Westchester County Health Care Corporation Revenue Bonds, Series 2010, Senior Lien consisting of \$37.4 million Series 2010A (Federally Taxable - Direct Payment - Build America Bonds) with an interest rate of 8.572% and maturing on November 1, 2040; \$124.9 million Series 2010B (Tax-Exempt) with interest rates varying from 4.0% to 6.125% and maturing November 1, 2011 through November 1, 2020, November 1, 2030 and November 1, 2037; \$31.5 million Series 2010C-1

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(Federally Taxable - Direct Payment - Build America Bonds) with an interest rate of 8.572% maturing on November 1, 2040; and \$32.4 million Series 2010C-2 (Tax Exempt) with an interest rate of 6.125% maturing on November 1, 2037.

In December 2010, WCHCC also participated in a bond offering relating to \$57.3 million Westchester County Health Care Corporation Revenue Bonds, Series 2010D, Senior Lien (Taxable) bearing interest under a Weekly Interest Rate, such rate being 0.79% and 0.40% at December 31, 2016 and 2015, respectively, maturing November 1, 2034. The 2010D series consist of variable rate demand bonds (VRDBs). WCHCC has entered into an irrevocable letter of credit ("LOC") with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDB will request purchase under the LOC scheduled repayment terms. Based on the existing terms of the underlying LOC, the LOC will expire on December 21, 2019.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2010 Bonds and Series 2010D Bonds, including a debt service reserve fund of approximately \$12.0 million as of December 31, 2016 (see Note 4).

Interest expense relating to the Series 2010 Bonds and Series 2010D Bonds was approximately \$9.8 million in 2016.

- c. In December 2011, WCHCC participated in a bond offering relating to \$64.3 million Westchester County Health Care Corporation Revenue Bonds, Series 2011, Senior Lien consisting of \$49.0 million Series 2011A (Tax-Exempt) with an interest rates varying from 2.0% to 5.32% and maturing November 1, 2012 through November 1, 2026, November 1, 2032 and November 1, 2041 and \$15.3 million Series 2011B (Tax-Exempt) with an interest rate of 5.32% and maturing November 1, 2041.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2011 Bonds, including a debt service reserve fund of approximately \$2.4 million as of December 31, 2016 (see Note 4).

Interest expense relating to the Series 2011 Bonds was approximately \$3.1 million in 2016.

- d. In May 2014, WCHCC participated in a bond offering relating to \$27.4 million Westchester County Health Care Corporation Revenue Bonds, Series 2014A, Senior Lien with an interest rate of 5% and maturing November 1, 2044.

Interest expense relating to the Series 2015 Bonds was approximately \$1.4 million in 2016.

- e. In July 2015, WCHCC participated in a private placement bond offering relating to \$25.0 million Dutchess County Local Development Corporation Revenue Bonds, Series 2015, consisting of \$20.3 million Series 2015A (Tax-Exempt) with an interest rate of 3.75% and maturing August 1, 2030, and \$4.7 million Series 2015B (Taxable) with an interest rate of 5.95% and maturing August 1, 2030.

Interest expense relating to the Series 2016 Bonds was approximately \$1.0 million in 2016.

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- f. In March 2016, WCHCC participated in a bond offering related to \$283.6 million Westchester County Local Development Corporation Revenue Bonds, Series 2016 (Westchester Medical Center Obligated Group Project) (Series 2016 Bonds), Tax Exempt with an interest rates varying from 3.0% to 5.0% and maturing annually November 1, through 2034, November 1, 2037 and November 1, 2046.

The proceeds of the Series 2016 Bonds, together with other available funds, (i) are being used to finance certain capital projects at WCHCC facilities; (ii) were used to advance refund a portion of WCHCC's outstanding Series 2010B Bonds and Series 2010C-2 Bonds; (iii) are being used to fund capitalized interest on the Series 2016 Bonds and (iv) were used to pay costs related to the issuance of the aforementioned bonds.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2016 Bonds.

Interest expense, net of capitalized interest, relating to the Series 2016 Bonds was approximately \$3.4 million in 2016.

- g. HealthAlliance has the following debt obligations.

DASNY Capital Loan

On January 22, 2016, HealthAlliance entered into a reimbursement agreement for \$4.4 million with the Dormitory Authority of the State of New York ("DASNY") to finance certain capital projects of Broadway and Mary's Ave. The interest rate is 1.00% and the note matures on December 1, 2019.

DASNY Operating Loan

On December 14, 2016, HealthAlliance entered into a reimbursement agreement for \$5.0 million with DASNY to finance operations of Broadway and Mary's Ave. The interest rate is 1.00% and the note matures on March 1, 2020.

Series 2006 Revenue Bonds

During 2006, Mary's Ave settled its obligations under the 1999 IDA Bonds and paid off certain other notes and capital lease obligations through the issuance of the Series 2006 Revenue Bonds. The bonds were issued through the Ulster County Industrial Development Agency, Series 2006A and Series 2006B ("Series 2006 Revenue Bonds") and carry interest rates varying from 5.00% to 9.00% maturing November 1, 2036. The bonds are collateralized by the balances in the assets restricted as to use, a mortgage lien on real property and a pledge of gross revenues, including revenues from joint ventures.

In accordance with the Master Trust Indenture dated November 3, 2006 between Mary's Ave and Wells Fargo Bank, NA, the Trustee, Mary's Ave is required to maintain certain financial covenants and comply with certain financial reporting requirements. As of December 31, 2016, Mary's Ave did not meet its required debt service coverage ratio and days cash on hand financial covenants, which is an event of default under the Master Trust Indenture. Accordingly, the entire Series 2006 Revenue Bonds are classified as a current liability at December 31, 2016.

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Series 2010A Revenue Bonds

During 2010, Broadway entered into an agreement with M&T Bank, as purchaser of Ulster County Capital Resource Corporation Series 2010A Tax Exempt Multi-Mode Revenue Bonds ("Series 2010A Revenue Bonds") in the amount of \$12.5 million with an interest rate of 5.00% maturing on January 1, 2026. The primary purpose was to refinance the Series 1999 Revenue Bonds and fund a Project Fund which has been used as required.

Under the Master Trust Indenture associated with the Series 2010A Revenue Bonds, Broadway is required to meet a debt service coverage ratio, minimum days cash on hand and other certain financial covenants. At December 31, 2016, Broadway was not in compliance with these financial covenants, which is an event of default under the Master Trust Indenture. Accordingly, the entire Series 2010A Revenue Bonds are classified as a current liability at December 31, 2016.

- h. WCHCC has entered into certain capital lease agreements that are collateralized by the underlying equipment or real estate and bear interest at rates between 2.35% and 7.36%. The interest expense under these leases was approximately \$1.2 million in 2016.

Long-Term Debt Service Coverage Ratio

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture ("MTI") between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the "Medical Center"), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for all series of Bonds. During the year ended December 31, 2016, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Future Principal and Interest Payments

The following is a schedule by year of future principal and interest payments on the bonds and other long-term debt (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 16,671	\$ 34,421	\$ 51,092
2018	18,148	33,710	51,858
2019	20,835	33,002	53,837
2020	17,311	32,138	49,449
2021	15,888	31,278	47,166
2022-2026	88,293	144,537	232,830
2027-2031	119,400	120,397	239,797
2032-2036	119,827	96,800	216,627
2037-2041	139,908	64,386	204,294
2042-2046	146,151	22,635	168,786
	<u>\$ 702,432</u>	<u>\$ 613,304</u>	<u>\$1,315,736</u>

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The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments as of December 31, 2016, are as follows (amounts in thousands):

Year	<u>Amount</u>
2017	\$ 8,612
2018	5,763
2019	2,593
2020	1,803
2021	1,141
2022-2026	<u>3,115</u>
	23,027
Less: Amount representing interest	<u>3,071</u>
Present value of net minimum lease payments	19,956
Less: Current portion	<u>7,680</u>
	<u>\$ 12,276</u>

7. Retirement Plans

Defined Benefit Plans

The New York State Comptroller's Office administers the New York State and Local Employers' Retirement System ("ERS") for which WCHCC is a participating employer. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to ERS.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

ERS is a cost-sharing, multiple employer defined benefit pension plan. ERS is included in the New York State financial statements as a pension trust fund. The Public Employees' Group Life Insurance Plan ("GLIP") provides death benefits in the form of life insurance. Amounts related to GLIP have been apportioned to ERS. Separately issued financial statements for ERS can be accessed on the State Comptroller's website at www.osc.state.ny.us/pension/CAFR.htm.

ERS offers a wide range of programs and benefits. ERS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Both plans provide a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to ERS on an actuarially determined rate which is determined annually by the State Comptroller and the average contribution rate for the New York State fiscal year ended March 31, 2016 was approximately 18.2% of payroll. ERS provides retirement benefits as well as death and disability benefits. For those members joining prior to January 1, 2010, benefits generally vest after five years of credited service. For those joining after January 1,

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2010, benefits generally vest after 10 years of credited service. The RSSL provides that all participants in ERS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS. The NYS pension adjustment of \$15.0 million in the Statement of Revenues, Expenses and Changes in Net Position represents the difference between the actuarial expense and the required calculated funding.

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of ERS's published financial statements and actuarial valuations as of March 31, 2016 (Measurement Date).

WCHCC's respective net pension liability, deferred outflows of resources, deferred inflows of resources and net pension expense related to ERS as of and for the year ended December 31, 2016, are as follows (amounts in thousands):

Proportionate share of the net pension liability	
2016 - Amount	\$ 141,496
2016 - Percentage	0.880%
2015 - Percentage	0.890%
Deferred outflows of resources	\$ 123,208
Deferred inflows of resources	\$ 18,415
Net pension expense	\$ 50,219

WCHCC's proportionate share of ERS's 2016 net pension liability is consistent with the manner in which contributions to ERS are determined. ERS computed each employer's projected long-term contribution effort to ERS as compared to the total projected long-term contribution of all employers to ERS.

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The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date are as follows (amounts in thousands):

Deferred outflows of resources

Differences between expected and actual experience	\$ 715
Changes of assumptions	37,733
Net difference between projected and actual investment earnings on pension plan investments	83,943
Changes in proportion and differences between employer contributions and proportionate share of contributions	817
	<u>\$ 123,208</u>

Deferred inflows of resources

Differences between expected and actual experience	\$ 16,772
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,643
	<u>\$ 18,415</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reflected in salaries and benefits, as revenues or (expenses), in the statement of revenues, expenses, and changes in net position as follows (amounts in thousands):

2017	\$ 26,457
2018	26,457
2019	26,457
2020	25,422
	<u>\$ 104,793</u>

Actuarial Assumptions

WCHCC's net pension liability at the Measurement Date was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Aggregate cost method
Inflation rate	2.50%
Salary increases	3.80%
Investment rate of return, including inflation	7.0% net of investment expenses, including inflation
Cost of living adjustments	1.30%
Decrements	Actuarial assumptions based on the results of an experience study for the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

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Long Term Expected Rate of Return

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 return, net of investment expenses 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class including target asset allocation at the Measurement Date are summarized below:

Asset Class	ERS	
	Target Allocation	Long term expected real rate of return
Domestic equity	38%	7.30%
International equity	13%	8.55
Private equity	10%	11.00
Real estate	8%	8.25
Absolute return strategies	3%	6.75
Opportunistic portfolio	3%	8.60
Real assets	3%	8.65
Bonds and mortgages	18%	4.00
Cash	2%	2.25
Inflation-Indexed Bonds	2%	4.00
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments 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.

Discount Rate Sensitivity

WCHCC's proportionate share of the net pension liability calculated using the respective discount rate, as well as what WCHCC's proportionate share of the net pension liability would be if it were

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calculated using a discount rate that is 1% lower or 1% higher than the current rate are as follows (amounts in thousands):

	Rate	Amount
1% decrease	6.00%	\$ 318,491
Current discount rate	7.00%	141,496
1% increase	8.00%	(8,525)

Deferred Pension Contributions

NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 3.21% (2016), 3.15% (2015), 3.67% (2014) and 3.00% (2013) and 3.75% (2012) interest, the portion of their annual bill that exceeded 14.5%, 13.5%, 12.5%, 11.5% and 10.5% of payroll for its 2016, 2015, 2014, 2013 and 2012 pension bills respectively. Total amount due at December 31, 2016 related to these deferred pension contributions is approximately \$41.2 million and is include as part of other long-term liabilities (note 10).

Defined Contribution Pension Plan

WCHCC provides the Westchester County Healthcare Corporation Affiliated Employers 401(k) Plan (the "WCHC Plan") for certain employees of WMC Advanced Physician Services, NorthEast Provider and WMC New York. The WCHC Plan is a defined contribution plan open to eligible participants. Employees are eligible to contribute to the WCHC Plan upon hire and vest immediately. Employer contributions begin upon the employee reaching two years of service. Eligible employees will receive employer contributions of 4% of gross salary matching contribution up to the Internal Revenue Service limit. Employees vest in employer contributions immediately upon earning the contributions. As of December 31, 2016, there were approximately 607 participants in the WCHC Plan. For the year ended December 31, 2016 the WCHC Plan had total payroll expense of approximately \$132.4 million of which approximately \$110.8 million was covered by the WCHC Plan. Total employer contributions to the WCHC Plan for December 31, 2016 were approximately \$2.7 million.

WCHCC also provides the Regional 401(k) Plan (the "Plan") for employees of MidHudson Valley Staffco LLC and employees of Westchester Medical Regional Services PC. The Plan is a defined contribution plan open to eligible participants who have attained the age of 21 years. Employees are eligible to contribute to the Plan upon hire and vest immediately. Employer contributions begin upon the employee reaching two years of service. Eligible employees will receive employer contributions of 4% of gross salary matching contribution up to the Internal Revenue Service limit. Employees vest in employer contributions immediately upon earning the contributions. As of December 31, 2016, there were approximately 1,100 participants in the Plan. For the year ended December 31, 2016, the Plan had total payroll expense of approximately \$95.6 million of which approximately \$86.3 million was covered by the Plan. Total employer contributions to the Plan for December 31, 2016 were approximately \$2.2 million.

HealthAlliance also sponsors various defined contribution retirement plans for eligible participants. Total employer contributions for HealthAlliance were approximately \$1.4 million for the year ended December 31, 2016.

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8. Other Postemployment Benefits

WCHCC provides Other Postemployment Benefits (“OPEB”) that provides basic medical and hospitalization plan coverage to eligible retirees through a single employer defined benefit plan. The plan does not issue its own stand-alone financial statements. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, employees and retirees hired before January 1, 2007 must (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement) and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post-retirement health benefit. Individual coverage is provided to retirees at no cost. Subsequent to December 31, 2014, certain retirees are required to contribute to the cost of this coverage. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Currently, approximately 76% of the participants have elected individual coverage.

The following employees were covered by the benefit terms at the measurement date as of January 1, 2016:

Retired employees	1,621
Active employees	<u>5,353</u>
	<u>6,974</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. WCHCC’s most recent actuarial evaluation was performed on January 1, 2016 and reported an actuarial accrued liability of \$328.4 million which was not funded.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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Total OPEB Liability

WCHCC's total OPEB liability at the Measurement Date was determined by using an actuarial valuation as of January 1, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation rate	3.00% annually
Salary increases	3.00% annually
Discount rate	3.57% per annum
Healthcare cost trend rates	Pre-Medicare: 6.87% grading down to 3.82% over 16 years Medicare: 5.88% grading down to 3.79% over 16 years
Mortality improvement	Based on RP-2000 Combined male and female mortality tables projected forward 15 years by Scale AA

The following table shows the components of WCHCC's annual OPEB cost for the year ended December 31, 2016, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation (amounts in thousands).

	<u>2016</u>
Balance at December 31, 2015	\$ 327,256
Changes for the year:	
Service cost	4,705
Interest cost	11,598
Changes in assumptions	(2,615)
Benefit payments	<u>(12,480)</u>
Net changes	<u>1,208</u>
Balance at December 31, 2016	<u>\$ 328,464</u>

Discount Rate

The discount rate used to calculate the total post retirement liability was 3.57%. The discount rate was based upon the 20-year high quality municipal bond index at the measurement date.

Discount Rate Sensitivity

WCHCC's total OPEB liability calculated using the respective discount rate, as well as what WCHCC's OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate are as follows (amounts in thousands):

	<u>Rate</u>	<u>Amount</u>
1% decrease	2.57%	\$ 374,664
Current discount rate	3.57%	328,464
1% increase	4.57%	290,364

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Healthcare Cost Trend Rate Sensitivity

WCHCC's total OPEB liability calculated using the respective discount rate, as well as what WCHCC's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate are as follows (amounts in thousands):

	<u>Rate</u>	<u>Amount</u>
1% decrease	1.00%	\$ 283,828
Healthcare cost trend rate	0.00%	328,464
1% increase	1.00%	383,864

OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2016, WCHCC recognized OPEB expense of approximately \$15.7 million. The components of post retirement related deferred inflows of resources at the Measurement Date are as follows (amounts in thousands):

Deferred inflows of resources

Changes in assumptions	<u>\$ 1,961</u>
	<u>\$ 1,961</u>

Amounts reported as deferred inflows of resources related to OPEBs will be reflected in salaries and benefits expense in the statement of revenues, expenses, and changes in net position as follows (amounts in thousands):

2017	\$ 654
2018	654
2019	<u>653</u>
	<u>\$ 1,961</u>

9. Self-Insurance Liability

The following is the activity of the self-insurance liability for the years ended December 31, 2016 (amounts in thousands):

	<u>December 31,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2016</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Workers' compensation self-insurance (a)	\$ 19,680	\$ 12,412	\$ (7,419)	\$ 24,673	\$ 6,168
Malpractice self-insurance (b)	89,241	4,831	(5,146)	88,926	10,000
Health insurance (c)	3,500	66,037	(64,544)	4,993	4,993
Other self-insurance (d)	2,275	1,105	(1,550)	1,830	1,380
	<u>\$ 114,696</u>	<u>\$ 84,385</u>	<u>\$ (78,659)</u>	<u>\$ 120,422</u>	<u>\$ 22,541</u>

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- a. The Medical Center is self-insured for workers' compensation and has excess insurance coverage that attaches at \$750,000 per occurrence with \$1.0 million in annual aggregate coverage. As part of the Medical Center's workers' compensation self-insurance plan, the Medical Center obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on the Medical Center's specific and industry-wide data.

The following represents information as it relates to the Medical Center's workers' compensation self-insurance plan as of December 31, 2016 and 2015 (amounts in thousands):

	<u>2016</u>	<u>2015</u>
Gross self-insurance liability	\$ 22,306	\$ 18,106
Present value of self-insurance liability	21,599	17,521
Discount factor	3.5%	3.5%

As part of Mid-Hudson Valley Staffco's workers' compensation self-insurance plan, Mid-Hudson Valley Staffco obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on Mid-Hudson Valley Staffco's specific and industry-wide data.

The following represents information as it relates to Mid-Hudson Valley Staffco's workers' compensation self-insurance plan as of December 31, 2016 and 2015 (amounts in thousands):

	<u>2016</u>	<u>2015</u>
Gross self-insurance liability	\$ 3,408	\$ 2,394
Present value of self-insurance liability	3,074	2,159
Discount factor	3.5%	3.5%

All other Medical Center entities have workers' compensation coverage provided by a commercial insurance carrier under a claims-made basis and with no excess insurance coverage purchased.

HealthAlliance is insured under a retrospective premium policy through a commercial carrier.

- b. WCHCC Bermuda, a WCHCC captive insurance company, provides the Medical Center with professional liability insurance ("HPL") and general liability insurance ("GL"), and insures and/or reinsures certain physicians' professional liability ("PPL"). The remaining physicians' not insured by WCHCC Bermuda maintain malpractice insurance coverage through a commercial insurance carrier.

Outstanding projected liabilities are comprised of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster, plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry data. WCHCC Bermuda's actuarial liabilities have been discounted at 3.5% at December 31, 2016.

WCHCC Bermuda is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2016, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of approximately \$8.8 million. As of December 31, 2016, actual statutory capital and surplus was approximately \$53.2 million.

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HPL coverage is provided on an occurrence basis with coverage of \$12.0 million in 2016, for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and each employed physician coverage limits.

For HealthAlliance, Broadway purchases medical malpractice insurance coverage on a claims made policy through a commercial carrier. Mary's Ave and Margaretville purchase medical malpractice insurance coverage on an occurrence basis through a commercial carrier. Claims in excess of insurance coverage have not been asserted against HealthAlliance.

- c. WCHCC is self-insured for health insurance for all its employees. Claims which have been incurred, and incurred but not reported represent a liability to WCHCC at December 31, 2016 and, as such, a liability has been included in the accompanying Statement of Net Position.
- d. Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

10. Other Long-Term Liabilities

The following is the composition and activity of WCHCC's other long-term liabilities for the year ended December 31, 2016 (amounts in thousands):

	December 31, 2015	Additions	Reductions	December 31, 2016	Amounts Due Within One Year
Self insurance liabilities (Note 9)	\$ 114,696	\$ 84,385	\$ (78,659)	\$ 120,422	\$ 22,541
Third party liabilities, net (Note 15)	46,847	13,710	(19,719)	40,838	11,958
Post retirement health insurance (Note 8)	334,469	14,313	(18,094)	330,688	-
Net pension liability (Note 7)	30,029	150,815	(39,348)	141,496	-
Other liabilities	20,453	59,326	(60,994)	18,785	10,163
Deferred pension contributions (Note 7)	39,486	6,091	(4,337)	41,240	4,859
Total other long-term liabilities	\$ 585,980	\$ 328,640	\$ (221,151)	\$ 693,469	\$ 49,521

11. Affiliation Agreement

In 2016, WCHCC had an affiliation agreement with New York Medical College (the "College"), under the terms of which WCHCC pays the College for salaries and fringe benefits for administrative and supervisory physicians' services. For the year ended December 31, 2016, the College was paid approximately \$20.9 million, which is included in supplies and other expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. In March, 2017, WCHCC and the College entered into a new affiliation agreement that superseded the one in effect in 2016.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

12. Operating Leases

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year for the next five years of future minimum lease payments and lease rental income under noncancelable operating leases as of December 31, 2016 that have initial or remaining lease terms in excess of one year (amounts in thousands):

	<u>Rent Expense</u>	<u>Rent Income</u>
2017	\$ 11,452	\$ 2,921
2018	5,912	1,924
2019	5,338	1,559
2020	4,038	1,328
2021	2,453	1,327

Total rental expense in 2016 for all operating leases was approximately \$21.2 million. Total rental income in 2016 for all operating leases was approximately \$3.4 million.

13. Westchester County Relationship

In 1997, the State adopted legislation that created WCHCC as a New York public benefit corporation effective January 1, 1998. At that time, the facilities and operations of WCHCC were transferred from the County to WCHCC pursuant to a long-term lease and operating agreement. Subsequently, a Transition Agreement and an Amended and Restated Lease Agreement (the "Lease") were consummated. The Lease is a 60-year real property lease for land and facilities with an option for extension. The Transition Agreement was replaced with a Cooperation Agreement that may be terminated by either party upon ninety days' notice and terminates on December 31, 2017.

Under the Cooperation Agreement, WCHCC is required to achieve certain financial targets and provide regular financial reports to the County. The Cooperation Agreement also allows for credit support and additional guarantees of WCHCC's long-term debt at the discretion of the County, of which there was none as of December 31, 2016.

During 2016, WCHCC purchased services from the County of approximately \$8.3 million which are included in supplies and other expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

14. Commitment and Contingencies

Hospital Reimbursement

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. Estimated third-party-payor liabilities at December 31, 2016 was approximately \$40.8 million and was included in other long-term liabilities (Note 10). A summary of the payment arrangements follows:

Hospital Reimbursement - Medicare

Under the Medicare program, WCHCC receives reimbursement under a prospective payment system ("PPS") for inpatient and outpatient services. Under inpatient PPS, fixed payment amounts per inpatient

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

discharge are established based on the patient's assigned diagnosis-related group ("DRG"). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. Under outpatient PPS, services are paid based on service groups called ambulatory payment classifications ("APCs").

Hospital Reimbursement - Medicaid and Other Third-Party Payors

Medicaid, workers' compensation and no fault payors pay rates that are promulgated by the New York State Department of Health ("Department of Health"). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG.

All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations ("HMOs"), Preferred Provider Organizations ("PPOs"), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. During the year ended December 31, 2016, WCHCC received distributions of approximately \$29.8 million from the indigent care pool, which are included in net patient service revenue in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Both Federal and New York State regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. WCHCC has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the Federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Revenue from the Medicare and Medicaid programs accounted for approximately 22% and 10%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2016. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

Nursing Home Reimbursement

The Nursing Home has agreements with third-party payors, which provide for reimbursement to the Nursing Home at amounts different from its established charges for its skilled nursing unit. A summary of the basis of reimbursement with significant payors is as follows:

Medicaid

Net patient service revenue under the Medicaid program is based on a modified pricing system using the resource utilization group's patient classification system. Under this methodology, the Nursing Home is reimbursed at a predetermined rate depending on the intensity of the services rendered to residents regardless of the cost of delivering those services. Medicaid's predetermined rate is computed using cost report data from the facility's designated base year and elements from annual cost report filings. Management believes that its final Medicaid rates for the year ended December 31, 2016 will not be significantly different from those recorded in the accompanying financial statements.

Medicare

Reimbursement for resident services under Part A of the Medicare program is based on the skilled nursing facility PPS. Under a PPS, the Nursing Home is paid a single per diem rate depending on the intensity of the services rendered to residents regardless of the cost of delivering those services that covers all routine, ancillary, and capital-related costs. The per diem payment is adjusted for each Medicare beneficiary based on his or her care needs as measured by the minimum data set assessment form. The Nursing Home also receives reimbursement for certain ancillary services provided to its residents through Part B of the Medicare program.

Other Matters

A health care entity's revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services were rendered. Reasonable estimates of such adjustments are made to third-party revenue recognition in order to not recognize revenue that may not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

Management recognizes revenues relating to third-party settlements and patient service revenues when the realization of such amounts are reasonably assured. Management makes a reasonable estimate of amounts that ultimately will be realized, considering, among other things, adjustments associated with regulatory reviews, audits, billing reviews, investigations, or other proceedings.

WCHCC has received payments related to Medicaid services and settlement, Disproportionate Share and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2016 and therefore have not been recognized as revenue given uncertainties and the fact that they are subject to further adjustment.

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines. WCHCC may also be subject to fines and treble damage claims if WCHCC knowingly files a false claim or knowingly uses false

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

statements to obtain payment. State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. WCHCC has established policies and procedures that it believes are sufficient to ensure that it operates in substantial compliance with these anti-fraud and abuse requirements.

Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits and claims cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or the final disposition of such claims will not have a material effect on WCHCC's financial position, results of operations, or liquidity.

Disproportionate Share

WCHCC is eligible to receive certain Disproportionate Share ("DSH") payments in recognition of the costs associated with the provision of care to uninsured patients. Funding for these payments is provided by local and Federal sources. WCHCC includes these payments in net patient service revenue in the accompanying Statement of Revenues, Expenses and Changes in Net Position. In 2016, WCHCC recorded approximately \$65.0 million, of net DSH revenue. Amounts recognized as revenue represent amounts received for which all required Federal and State approvals have been received in WCHCC's fiscal year.

Delivery System Reform Incentive Program

WCHCC is leading one of the twenty-five Performing Provider Systems ("PPS") in New York State that are implementing the Delivery System Reform Incentive Program ("DSRIP"). This PPS, known as WMCHHealth PPS, is expected to receive up to \$274.0 million over the five year life of the DSRIP Program, which commenced April 1, 2015, subject to satisfaction of program milestones that are measured at various stages of the DSRIP Program. In 2016, WCHCC received approximately \$16.6 million in DSRIP funds. WCHCC records DSRIP in other operating revenue in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

The WMCHHealth PPS involves partnerships with over 200 organizations throughout its primary and secondary service areas. These include other hospitals, physician groups, community health centers, behavioral health providers, county health and mental health departments and community-based organizations. The DSRIP Program goals include more efficient and effective delivery of care to Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions.

15. Line of Credit

WCHCC has a \$35.0 million working capital revolving line of credit from a financial institution. The line of credit matures on October 28, 2017 and may be renewed with the approval of the financial institution or converted to a three year term loan. WCHCC has not drawn down on the line of credit.

16. Disposition of HealthAlliance Senior Living Corporation - Discontinued Operations

Kingston Community Services Corporation ("KCSC") was the sole corporate member of Kingston Regional Senior Living Corp. d/b/a Woodland Pond at New Paltz ("KRSLC"). In 2012, KCSC was dissolved. KRSLC was renamed HealthAlliance Senior Living Corporation ("HASLC") and HealthAlliance, Inc. became the sole corporate member. HASLC was created to construct and operate

Westchester County Health Care Corporation
Notes to Financial Statements
December 31, 2016

a continuing care retirement community (the "CCRC") named Woodland Pond at New Paltz ("Woodland Pond"), under Article 46 of New York State Public Health Law.

Effective March 24, 2016, HASLC became a self-sponsored CCRC renamed Woodland Pond, Inc. and the relationship with HealthAlliance, Inc. as the former sole corporate member of HASLC was terminated with no consideration provided by either party. All powers previously held by the officers of the Board of Directors of HealthAlliance, Inc. have been transferred to Woodland Pond, Inc.'s Board of Directors. The change in ownership required the unanimous approval of the Boards of Directors of HealthAlliance, Inc. and Woodland Pond, Inc. as well as the New York State Department of Health, Ulster County Industrial Development Agency, Ulster County Capital Resource Corporation, and bondholders.

The approval for the change in membership of HASLC required the amendment and restatement of the loan agreement between HealthAlliance, Inc. and HASLC, for which HealthAlliance has a non-interest bearing note with a face value amount of \$1.6 million with a final maturity of September 2024. The non-interest bearing note has been discounted to its net present value of approximately \$800,000 using an implied interest rate of 7.50% and is recorded as a receivable in other assets in the accompanying statement of net position.

Through March 24, 2016, HASLC incurred operating revenues of approximately \$4.7 million, operating expenses of approximately \$4.7 million and net nonoperating activity of approximately \$1.3 million which has been netted and included in the accompanying statement of revenues, expenses and changes in net position as a loss on discontinued operations of approximately \$1.3 million.

17. Bon Secours Charity

Charity is a discretely presented component unit of WCHCC. Charity's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by GASB and the provisions of the American Institute of Certified Public Accountants "*Audit and Accounting Guide, Health Care Entities*," to the extent that they do not conflict with GASB.

In May of 2015, Charity participated in a bond offering dated May 14, 2015 relating to \$122.3 million Bon Secours Charity Health System, Inc. Taxable Bonds, Series 2015, consisting of \$38.6 million Bonds with an interest rate of 5.25% and maturing on November 1, 2025 and \$83.7 million Bonds with an interest rate of 6.25% and maturing on November 1, 2035. WCHCC guarantees the scheduled payments of principal and interest on the Charity Series 2015 Bonds. The proceeds of the bonds were used to repay \$120.0 million in amounts due to BSHSI for intercompany indebtedness prior to May 19, 2015 and certain issuance costs.

Charity has a \$20.0 million line of credit for general corporate purposes from a financial institution. The line of credit matures on October 28, 2017 and the maturity date may be extended with the approval of the financial institution. Charity has not drawn down on the line of credit. WCHCC guarantees the Charity line of credit.

Payments of approximately \$7.4 million were made in 2016 by Charity to WCHCC for services provided under a management service agreement and for other contracted services.

Westchester County Health Care Corporation
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net Pension Liability and Schedule of Employer
Contributions
December 31, 2016
(amounts in thousands)

Schedule of Proportionate Share of the Net Pension Liability*

Reporting fiscal year (Measurement Date, March 31,)	WCHCC's proportion of the net pension liability		WCHCC's covered employee payroll	WCHCC's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
	%	\$			
2016 (2016)	0.880%	\$ 141,496	\$ 259,948	54.43%	90.70%
2015 (2015)	0.890%	\$ 30,029	\$ 249,512	12.04%	97.90%

Schedule of Employer Contributions*

Reporting fiscal year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	WCHCC's covered employee payroll	Contributions as a percentage of employee covered payroll
2016	\$ 39,349	\$ 39,349	\$ 0	\$ 259,948	15.14%
2015	\$ 41,017	\$ 41,017	\$ 0	\$ 249,512	16.44%

* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Westchester County Health Care Corporation
Required Supplementary Information
Schedule of Funding Program - Other Postemployment Benefits (Unaudited)
December 31, 2016
(amounts in thousands)

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
01/01/16	\$ -	\$ 328,464	\$ 328,464	0.0%	\$ 199,357	164.8%
01/01/15	\$ -	\$ 300,216	\$ 300,216	0.0%	\$ 188,736	159.1%
01/01/14	\$ -	\$ 297,146	\$ 297,146	0.0%	\$ 179,466	165.6%
01/01/13	\$ -	\$ 276,824	\$ 276,824	0.0%	\$ 174,737	158.4%
01/01/12	\$ -	\$ 281,128	\$ 281,128	0.0%	\$ 184,522	152.4%

The above represents the valuation of the plan as of January 1.

Westchester County Health Care Corporation
Supplementary Schedule - Combining Statements of Revenues, Expenses, and
Changes in Net Position
December 31, 2016
(amounts in thousands)

	<u>2016</u>
Total OPEB Liability	
Service Cost	\$ 4,705
Interest	11,598
Changes in assumptions	(2,615)
Benefit payments	<u>(12,480)</u>
Net change in total OPEB liability	1,208
Total OPEB liability - beginning	<u>327,256</u>
Total OPEB liability - ending	<u>\$ 328,464</u>
Covered Payroll	\$ 199,357
Total OPEB Liability as a percentage of covered-employee payroll	164.76%

Notes to Schedules:

Changes to benefit terms: No changes to the terms of the benefits provided.

Changes of assumptions: The following are the discount rates for each period presented above:

2016	3.57%
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These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Attachment H

WESTCHESTER COUNTY HEALTH CARE CORPORATION

March 31, 2017

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Consolidated Statements of Revenue, Expenses and Changes in Net Position for the periods ended March 31, 2017 and 2016	4
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<u>Operating Statistics:</u>	
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Summary of Select Patient Volumes-MidHudson Regional Campus for the periods ended March 31, 2017 and 2016	7

WESTCHESTER COUNTY HEALTH CARE CORPORATION

WESTCHESTER MEDICAL CENTER (“WMC”)

The accompanying financial statements reflect operations of the Westchester County Health Care Corporation (WCHCC or the Medical Center), the Obligated Group as defined in various debt agreements, and the operations of the following entities which are non-obligated entities for which WCHCC is considered to be financially accountable:

- The Westchester Medical Center Foundation, Inc.
- Mid-Hudson Valley Early Education Center
- North Road LHCSA, Inc.
- WMC New York, Inc.
- WCHCC (Bermuda), Limited
- Mid-Hudson Valley Staffco, LLC
- Center for Regional Healthcare Innovation, LLC
- Hudson Valley Property Holdings, LLC
- Westchester Medical Center Advanced Physician Services, (“APS”), P.C.
- Westchester Medical Regional Physician Services, P.C. (merged into APS on January 1, 2017)
- NorthEast Provider Solutions, Inc.

The financial statements do not include the operations of Bon Secours Charity Health System or Health Alliance Inc., both of which are non-obligated entities.

Basis of Presentation

WCHCC is considered a special-purpose government entity engaged only in business-type activities. WCHCC’s financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board (GASB) and the provisions of the American Institute of Certified Public Accountants “*Audit and Accounting Guide, Health Care Entities*,” to the extent that they do not conflict with GASB.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and operating expenses. All other activities are reported as nonoperating activities.

Interim Financial Statements

The Medical Center presumes that users of the unaudited interim consolidated financial information have read or have access to the Medical Center's audited consolidated financial statements which include certain disclosures required by GASB and U.S. generally accepted

accounting principles. The audited consolidated financial statements of the Medical Center for the years ended December 31, 2016 and 2015 are on file with the Municipal Securities Rulemaking Board and are accessible through its Electronic Municipal Market Access Database. Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the Medical Center's most recent consolidated financial statements have been omitted from the unaudited interim consolidated financial information. In the opinion of management, all material adjustments considered necessary for a fair presentation have been included in the accompanying financial statements.

Health care operations and the financial results thereof are subject to seasonal variations. Quarterly and other periodic operating results are not necessarily representative of operations for a full year for various reasons including patient volumes associated with seasonal illnesses, elective services, variations in interest rates, infrequent or one-time events and changes in regulatory or industry policies.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ from those estimates. Management believes that amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual should not have a material effect on the Medical Center's consolidated financial position.

Subsequent Events

Subsequent events have been evaluated through May 30, 2017. No subsequent events have occurred that require disclosure in or adjustment to the financial statements.

Westchester County Health Care Corporation

**Consolidated Statements of Net Position
(In thousands)**

Assets	Unaudited March 31, 2017	Audited December 31, 2016	Liabilities	Unaudited March 31, 2017	Audited December 31, 2016
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 103,275	\$ 135,571	Current portion of long-term debt	\$ 18,781	\$ 18,781
Patient accounts receivable, net	162,477	157,366	Accounts payable and accrued expenses	116,961	117,655
Assets restricted as to use, required for current liabilities	22,433	18,844	Accrued salaries and related withholdings	68,852	72,863
Other assets, net	76,457	99,999	Current portion of other long term liabilities	46,154	44,464
Total current assets	<u>364,642</u>	<u>411,780</u>	Total current liabilities	250,748	253,763
Assets restricted as to use, net	324,272	321,262	Long-term debt, net	699,509	701,355
Capital assets, net	440,645	439,880	Other long-term liabilities, net	<u>594,552</u>	<u>625,645</u>
Other assets, net	<u>5,195</u>	<u>5,174</u>	Total liabilities	<u>1,544,809</u>	<u>1,580,763</u>
Total assets	<u>1,134,754</u>	<u>1,178,096</u>			
Deferred Outflows of Resources			Deferred Inflows of Resources		
Pension, OPEB and bond related	<u>147,579</u>	<u>147,699</u>	Pension and OPEB related	<u>20,376</u>	<u>20,376</u>
			Net Position		
			Restricted	13,547	12,734
			Unrestricted	<u>(296,399)</u>	<u>(288,078)</u>
			Total Net Position	<u>\$ (282,852)</u>	<u>\$ (275,344)</u>

Westchester County Health Care Corporation

**Consolidated Statements of Revenue, Expenses and Changes in Net Position
for the periods ended March 31, 2017 and 2016
(In thousands)**

	<u>Period Ended</u>	
	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Operating revenue:		
Total net patient service revenue	\$ 313,713	\$ 298,187
Other operating revenue	21,210	13,980
	<u>334,923</u>	<u>312,167</u>
Operating expenses:		
Personal services	186,429	174,768
Supplies and other expenses	130,038	120,679
Malpractice insurance	2,681	4,994
Depreciation and amortization	16,168	15,971
	<u>335,316</u>	<u>316,412</u>
Operating Profit (Loss)	(393)	(4,245)
Nonoperating activities:		
Interest income	1,032	421
Realized/unrealized gains (losses) on investments	2,071	1,733
Interest expense	(6,468)	(6,608)
Other nonoperating activity	-	153
	<u>(3,365)</u>	<u>(4,301)</u>
Net Income (Loss) Before NYS Pension Adjustment	(3,758)	(8,546)
NYS Pension Adjustment	(3,750)	(3,750) *
(Decrease) Increase in net position	(7,508)	(12,296)
Net Position		
Beginning of period	<u>(275,344)</u>	<u>(12,426)</u>
End of period	<u>\$ (282,852)</u>	<u>\$ (24,722)</u>

* 2016 results have been restated to reflect the NYS Pension Adjustment on a pro rata basis.

Westchester County Health Care Corporation

Consolidated Statements of Cash Flows for the periods ended March 31, 2017 and 2016 (In thousands)

	Period Ended	
	March 31, 2017	March 31, 2016
Cash flows from operating activities:		
Operating loss	\$ (393)	\$ (4,245)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	16,168	15,971
Balance Sheet changes, net:		
Decrease in accounts payable and accrued expenses	(694)	(27,770)
(Decrease) increase in accrued salaries and related withholdings	(4,011)	8,330
All other changes, net	(23,098)	4,402
Cash used in operating activities	<u>(12,028)</u>	<u>(3,312)</u>
Cash flows from capital related financing activities:		
Purchase of capital assets	(16,932)	(12,369)
Principal payments of debt and capital leases	(3,525)	(5,242)
Cash proceeds from bonds	5,625	49,942
Interest paid	(6,468)	(6,608)
Net cash (used in) provided by capital related financing activities	<u>(21,300)</u>	<u>25,723</u>
Cash flows from investing activities:		
Interest received	1,032	421
Net cash provided by investing activities	<u>1,032</u>	<u>421</u>
Net (decrease) increase in cash and cash equivalents	<u>(32,296)</u>	<u>22,832</u>
Cash and cash equivalents, beginning of period	<u>135,571</u>	<u>118,295</u>
Cash and cash equivalents, end of period	<u>\$ 103,275</u>	<u>\$ 141,127</u>

Westchester County Health Care Corporation
VALHALLA CAMPUS
SELECTED PATIENT VOLUMES AND STATISTICS (EXCLUDING NEWBORN)
for the periods ended March 31, 2017 and 2016

	Period Ended	
	March 31, 2017	March 31, 2016
<u>TOTAL MAIN HOSPITAL AND CHILDRENS HOSPITAL:</u>		
Discharges	5,288	5,195
Patient Days	47,201	44,240
Average Length of Stay	8.9	8.5
Average Daily Census	524	486
E.R. Visits (including admissions)	11,939	11,853
Ambulatory Surgery	2,536	2,547
<u>MAIN HOSPITAL:</u>		
Discharges	3,919	3,730
Patient Days	36,435	34,128
Average Length of Stay	9.3	9.1
Average Daily Census	405	375
E.R. Visits (including admissions)	11,939	11,853
Ambulatory Surgery	2,536	2,547
<u>CHILDREN'S HOSPITAL:</u>		
Discharges	1,369	1,465
Patient Days	10,766	10,112
Average Length of Stay	7.9	6.9
Average Daily Census	120	111

DISCHARGES BY PAYOR CLASS		
	Percent	Percent
Medicaid	39.3%	39.4%
Medicare	26.2%	24.6%
Blue Cross	10.6%	12.7%
Commercial/Managed Care	19.7%	18.6%
Workers Comp/No-Fault	3.1%	3.4%
Self Pay	1.1%	1.3%
Total	100%	100%

Westchester County Health Care Corporation
MID-HUDSON REGIONAL CAMPUS

SELECTED PATIENT VOLUMES AND STATISTICS (EXCLUDING NEWBORN)
for the periods ended March 31, 2017 and 2016

	Period Ended	
	March 31, 2017	March 31, 2016
<u>MEDICAL CENTER:</u>		
Discharges	1,497	1,605
Patient Days	10,654	12,502
Average Length of Stay	7.1	7.8
Average Daily Census	118	137
E.R. Visits (including admissions)	7,037	7,275
Ambulatory Surgery	1,107	1,058

DISCHARGES BY PAYOR CLASS		
	Percent	Percent
Medicaid	33.2%	33.8%
Medicare	43.1%	43.8%
Blue Cross	7.2%	6.8%
Commercial/Managed Care	12.9%	12.4%
Workers Comp/No-Fault	2.8%	2.3%
Self Pay	0.8%	0.9%
Total	100.0%	100.0%