GUNNISON VALLEY HEALTH

Operation review

Period Ending February 28, 2015

COMBINED OVERVIEW:

The combined financials for the month of February shows an increase of $292,869 or 134.1% over budget and $112,474 or 28.2% increase compared to prior year. The combined net income for February is $511,302 compared to a budget of $218,433 and $398,828 in the prior year.

	MONTH TO DATE						
	Net Income	Budget	Var	% Var	P/Y	Var	% Var
GVH	$ 444,135	$ 242,554	$ 201,581	83.1%	$ 360,860	$ 83,275	23.1%
SCC	$ 13,906	$ 673	$ 13,233	1966.3%	$ 36,109	$ (22,203)	-61.5%
Hospice	$ (2,172)	$ (4,691)	$ 2,519	53.7%	$ (6,951)	$ 4,779	68.8%
Home Health	$ (18,236)	$ (21,374)	$ 3,138	14.7%	$ (24,247)	$ 6,011	24.8%
Assisting Living	$ 11,558	$ 1,271	$ 10,287	809.4%	$ 15,011	$ (3,453)	23.0%
Foundation	$ 62,111		$ 62,111	100.0%	$ 18,046	$ 44,065	244.2%
Grand Total	$ 511,302	$ 218,433	$ 292,869	134.1%	$ 398,828	$ 112,474	28.2%

	YEAR TO DATE						
	Net Income	Budget	Var	% Var	P/Y	Var	% Var
GVH	$ 811,652	$ 474,937	$ 336,715	70.9%	$ 773,555	$ 38,097	4.9%
SCC	$ (62,629)	$ 13,239	$ (75,868)	-573.1%	$ 39,465	$ (102,094)	-258.7%
Hospice	$ (14,132)	$ (9,858)	$ (4,274)	-43.4%	$ (13,978)	$ (154)	-1.1%
Home Health	$ (19,721)	$ (42,856)	$ 23,135	-54.0%	$ (63,728)	$ 44,007	69.1%
Assisting Living	$ 4,201	$ 4,557	$ (356)	-7.8%	$ 1,073	$ 3,128	-291.5%
Foundation	$ 63,311		$ 63,311	100.0%	$ 9,102	$ 54,209	595.6%
Grand Total	$ 782,682	$ 440,019	$ 342,663	77.9%	$ 745,489	$ 37,193	5.0%

DEBT SERVICE COVERAGE RATIO - The Debt Service Coverage Ratio at the end of February is 5.80. The bond covenant requires GVH to keep a debt service ratio of 2.00 starting in February 2015.

CASH ON HAND - the Cash on hand is now 284 compared to the bond covenant requirement of 150 days. The cash on hand does not include the Foundation.

INPATIENT VOLUMES – Admissions in February were 6.4% up from budget and 92.3% above prior year. Please refer to graph showing the admissions by physicians along with variances.

OUTPATIENT VOLUMES – Outpatient visits are in line with budget and 287 or 9.8% above prior year.

Emergency room visits were 12.5% above budget and 24.6% above prior year. Outpatient revenues were $306,258 above budget and $751,909 above prior year.

2/28/2014	CY	Bgt	Var.	% Var.	PY	Var.	% Var.
Outpatient Visits	3,202	3,196	6	0.2%	2,915	287	9.8%
Radiology	1,032	907	125	13.8%	879	153	17.4%
Laboratory	971	1,107	(136)	-12.3%	898	73	8.1%
YTD	CY	Bgt	Var.	% Var.	PY	Var.	% Var.
Outpatient Visits	6,410	6,443	(33)	-0.5%	6,239	171	2.7%
Radiology	2,036	1,916	120	6.3%	1,961	75	3.8%
Laboratory	2,040	2,201	(161)	-7.3%	1,933	107	5.5%

The orthopedic surgeries performed during the month of February showed 12 or 24.5% increase compared to prior year.

2015	Griggs	Schutt	Chamberland	Biem	Thompson	Moore	Total
Surgeries as %	52%	2%	16%	30%	0%	0%	100%
Surgeries	32	1	10	18	0	0	61

2014	Griggs	Schutt	Chamberland	Biem	Thompson	Moore	Total
Surgeries as %	63%	16%	12%	8%	0%	0%	100%
Surgeries	31	8	6	4	0	0	49

TOTAL PATIENT REVENUES - Total patient revenue shows an increase of $191,026 or 4.5% compared to budget for the month of February and an increase of $892,205 or 25.5% compared to prior year.

DEDUCTIONS:

Deductions are 7.9% above budget and 47.6% above prior year. To be on the conservative side and until GVH start to receive steady payments from the third party payers, it was decided to reserve the Mountain clinic at 75% of the A/R and 50% of the GVHFMC.

EXPENSES:

Salaries:

Salaries show a 9.0% decrease compared to budget, however contract labor contributed approximately $28K.

(1) $8K = CT,
(2) $9K = Lab
(3) $11K = CB Clinic

Pro Fees:

The increase in professional fees is due to the following:

(1) $12K = Hospitalist - Dr. Olivier DeRaet,.
(2) $16K = Sports Medicine & Dr. Roger Sherman

Other:

The expenses are related to the Health Fair for $4K.

2/28/2015	CY	Bgt	Var.	% Var.	PY	Var.	% Var.
Volumes	62	50	12	24.0%	55	7	12.7%
Ortho Revenues	$ 269,948	$ 215,238	$ 54,710	25.4%	$ 190,892	$ 79,056	41.4%
Ortho Supplies	$ 69,439	$ 100,784	$ (31,345)	-31.1%	$ 112,795	$ (43,356)	-38.4%
YTD	62	50	12	0.24	55	7	0.1273
Volumes	111	102	9	8.8%	108	3	2.8%
Ortho Revenues	530,797	455,181	75,616	16.6%	529,903	894	0.2%
Ortho Supplies	195,412	201,568	(6,156)	-3.1%	220,187	(24,775)	-11.3%

NET INCOME:

Gunnison Valley Hospital's net income shows an increase of $201,581 over budget and an increase of $83,275 compared to prior year.

OTHER OPERATING REPORTS:

SENIOR CARE CENTER

Patient days in Senior Care were below budget by 5.3% and 9.2% below prior year. Net operating revenues show a decrease of 9.6% compared to budget and a decrease of 7.2% compared to prior year. Expenses show a decrease of 10.8% compared to budget and a decrease of 7.4% compared to prior year.

	MONTH TO DATE								
	Unit	C/M	Bgt	Var	% Var		PY	Var	% Var
SCC	Days	1,061	1,120	(59)	-5.3%		1,169	(108)	-9.2%
H/H	Visits	299	456	(157)	-34.4%		388	(89)	-22.9%
A. Living	Days	411	392	19	4.8%		418	(7)	-1.7%
Hospice	Days	107	56	51	91.1%		27	80	296.3%
Palliative	Days	112	280	(168)	-60.0%		224	(112)	-50.0%

	YEAR TO DATE								
	Unit	C/M	Bgt	Var	% Var		PY	Var	% Var
SCC	Days	2,318	2,360	(42)	-1.8%		2,436	(118)	-4.8%
H/H	Visits	630	912	(282)	-30.9%		821	(191)	-23.3%
A. Living	Days	848	826	22	2.7%		882	(34)	-3.9%
Hospice	Days	178	118	60	50.8%		47	131	278.7%
Palliative	Days	347	590	(243)	-41.2%		472	(125)	-26.5%

Salaries:

Salaries are up compared to budget which is primarily due to contract labor:

(1) RN = $16K

(2) CNA = $12K

Supplies:

Supplies show an increase over budget by approximately $15K:

(1) Physical Therapy & Nursing = $5.5K - Parts were ordered in February for various wheelchairs which had safety issues, the parts amounted to approximately $2.3K, and repairs were completed. Two IV monitors were purchased in the same month for approximately $3.3K.
(2) Administration = $1.0K
(3) Other across all departments = $5.0K

Material Management has 0.75 FTE at the Senior Care Center to bring the center to the 21st century. Bar codes are being included in an effort to mimic the store room at the hospital. The staff is going through a learning curve on what par levels are needed to have an efficient system.

HOME MEDICAL SERVICES

Visits in home health were 34.4% below budget and 22.9% below prior year. The net operating revenue shows a decrease of 24.8% compared to budget and 8.1% decrease compared to prior year. Total operating expenses are 21.0% below budget and 15.7% below prior year.

The net income for home health showed an increase of approximately $3K compared to budget and approximately 6K compared to prior year.

The Gunnison Consolidated Living Community incurred a gain of $29,177 compared to budget and $14,866 loss compared to prior year in February.

KEY STATISTICS

	Month-to-Date							Year-to-Date						
	Feb-15	Bgt	Var	% Var	Feb-14	Var	% Var	Feb-15	Bgt	Var	% Var	Feb-14	Var	% Var
Inpatient Days	102	117	(15)	-12.8%	58	44	75.9%	210	249	(39)	-15.7%	180	30	16.7%
Average Daily Census	3.6	4.2	(0.5)	-12.8%	2.1	1.6	75.9%	3.6	4.2	(0.7)	-15.7%	3.1	0.5	16.7%
Admissions	50	47	3	6.4%	26	24	92.3%	89	100	(11)	-11.0%	72	17	23.6%
Avg. Length of Stay	2.04	2.49	-0.45	-18.1%	2.23	(0.2)	-8.6%	2.36	2.49	(0.13)	-5.2%	2.50	(0.14)	-5.6%
Percent Occupancy	15.2%	17.4%	-2.2%	-12.8%	8.6%	0.1	75.9%	14.8%	17.6%	(0.0)	-15.7%	12.7%	2.1%	16.7%
Births	9	9	-	0.0%	13	(4.0)	-30.8%	14	19	(5)	-26.3%	18	(4)	-22.2%
Swing Bed Days	61	53	8	15.1%	50	11	22.0%	103	107	(4)	-3.7%	98	5	5.1%
Observation Patients	41	28	13	46.4%	22	19	86.4%	66	59	7	11.9%	69	(3)	-4.3%
Lab Exams	4,967	5,565	(598)	-10.7%	4,345	622	14.3%	10,618	11,390	(772)	-6.8%	9,590	1,028	10.7%
EMS Patients	38	56	(18)	-32.1%	41	(3)	-7.3%	90	112	(22)	-19.6%	94	(4)	-4.3%
ER Visits	496	441	55	12.5%	398	98	24.6%	906	852	54	6.3%	867	39	4.5%
Cardiopulmonary Exams	383	425	(42)	-9.9%	323	60	18.6%	664	789	(125)	-15.8%	674	(10)	-1.5%
X-Ray Exams	450	390	60	15.4%	361	89	24.7%	893	812	81	10.0%	851	42	4.9%
Ultrasound Exams	114	107	7	6.5%	93	21	22.6%	250	237	13	5.5%	206	44	21.4%
Mammo Exams	177	152	25	16.4%	146	31	21.2%	327	339	(12)	-3.5%	330	(3)	-0.9%
CT Scan Exams	180	160	20	12.5%	142	38	26.8%	326	316	10	3.2%	295	31	10.5%
MRI Exams	111	98	13	13.3%	98	13	13.3%	240	212	28	13.2%	240	-	0.0%
Physical Therapy Patients	473	479	(6)	-1.3%	467	6	1.3%	1,004	1,017	(13)	-1.3%	1,030	(26)	-2.5%
Physical Therapy Modalities	1,324	1,184	140	11.8%	1,387	(63)	-4.5%	2,793	2,800	(7)	-0.3%	3,061	(268)	-8.8%
CB Clinic Patients	129	131	(2)	-1.5%	102	27	26.5%	268	248	20	8.1%	198	70	35.4%
CB Clinic Modalities	458	466	(8)	-1.7%	358	100	27.9%	952	882	70	7.9%	717	235	32.8%
Occup Therapy Patients	96	144	(48)	-33.3%	120	(24)	-20.0%	217	311	(94)	-30.2%	277	(60)	-21.7%
Occup Therapy Modalities	245	355	(110)	-31.0%	309	(64)	-20.7%	544	785	(241)	-30.7%	740	(196)	-26.5%
Anesthesia Stats	111	104	7	6.7%	94	17	18.1%	217	213	4	1.9%	179	38	21.2%
Surgery - Inpatient	13	19	(6)	-31.6%	13	-	0.0%	20	41	(21)	-51.2%	38	(18)	-47.4%
Surgery - Outpatient	68	60	8	13.3%	68	-	0.0%	134	121	13	10.7%	115	19	16.5%
Scopes	27	25	2	8.0%	21	6	28.6%	60	56	4	7.1%	51	9	17.6%
Surgeries - Total	108	104	4	3.8%	102	6	5.9%	214	218	(4)	-1.8%	204	10	4.9%
Outpatient visits	3,202	3,196	6	0.2%	2,915	287	9.8%	6,410	6,443	(33)	-0.5%	6,239	171	2.7%
Imaging	1,032	907	125	13.8%	879	153	17.4%	2,036	1,916	120	6.3%	1,961	75	3.8%
Laboratory	971	1,107	(136)	-12.3%	898	73	8.1%	2,040	2,201	(161)	-7.3%	1,933	107	5.5%

ADMISSIONS BY PHYSICIANS

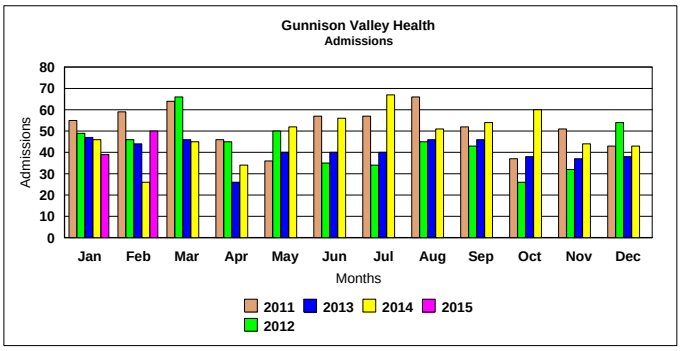
Feb-15

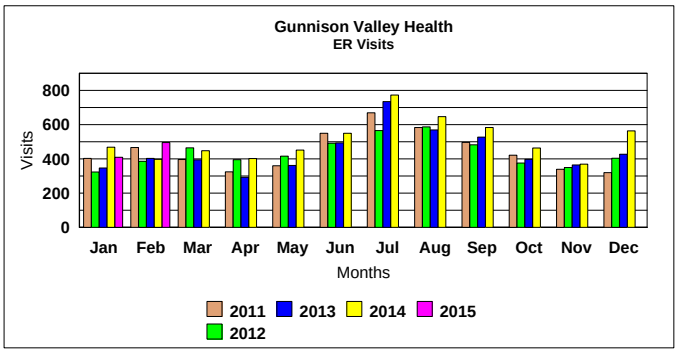
Phys. #	Name	2015 Tot Admits	2015 Swing	2015 Newborn	2015 Admits	2014 Tot Admits	2014 Swing	2014 Newborn	2014 Admits	Var.	% Var.
100	Garren L.	0	0	0	0	1	0	1	0	0	0%
200	McMurren J.	4	0	3	1	9	3	4	2	-1	-50%
330	Matthews M.	6	0	0	6	8	0	5	3	3	100%
800	Bonney T.	0	0	0	0	2	0	0	2	-2	-100%
1100	Beim G.	8	0	0	8	0	0	0	0	8	100%
1103	Schutt R.	1	0	0	1	1	0	0	1	0	0%
1150	Griggs R.	2	0	0	2	3	0	0	3	-1	-33%
9100	Niccoli S.	6	0	1	5	6	0	0	6	-1	-17%
9500	Bishop J.	2	0	0	2	0	0	0	0	2	100%
100001	Meeuwsen A.	2	0	1	1	5	0	1	4	-3	-75%
100002	Meeuwsen M.	9	2	2	5	3	0	2	1	4	400%
100005	Porter GFP.	21	1	2	18	2	1	0	1	17	1700%
100011	De Raet O.	0	0	0	0	0	0	0	0	0	0%
111001	Thomson G.	0	0	0	0	2	0	0	2	-2	-100%
500	Wolkov J.	0	0	0	0	0	0	0	0	0	0%
9506	Smith J.	0	0	0	0	0	0	0	0	0	0%
111111	Parker Alt	0	0	0	0	0	0	0	0	0	0%
	Pontius DA	0	0	0	0	1	0	0	1	-1	-100%
9508	Roberts J.	0	0	0	0	0	0	0	0	0	0%
9509	Timothy St.	1	0	0	1	0	0	0	0	1	100%
100010	Felberg	0	0	0	0	0	0	0	0	0	0%
700	Maloney	0	0	0	0	0	0	0	0	0	0%
877900	Sullinger	0	0	0	0	0	0	0	0	0	0%
500196	Johnson Je.	0	0	0	0	0	0	0	0	0	0%
1155	Borchard K.	0	0	0	0	0	0	0	0	0	0%
3700	Good David	0	0	0	0	0	0	0	0	0	0%
124	Good Wanda	0	0	0	0	0	0	0	0	0	0%
902200	Gattis W.	0	0	0	0	0	0	0	0	0	0%
111000	Fradkinkev	0	0	0	0	0	0	0	0	0	0%
		62	3	9	50	43	4	13	26	24	92%

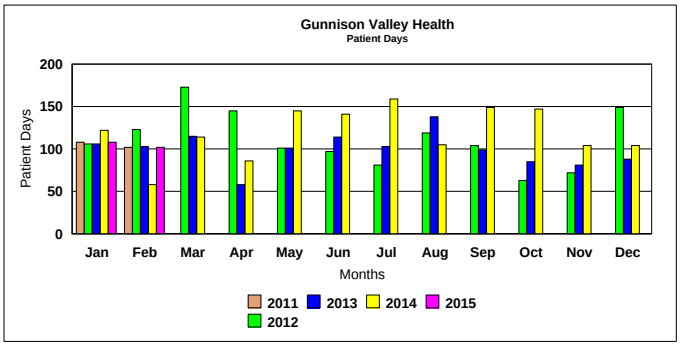
YTD 2015

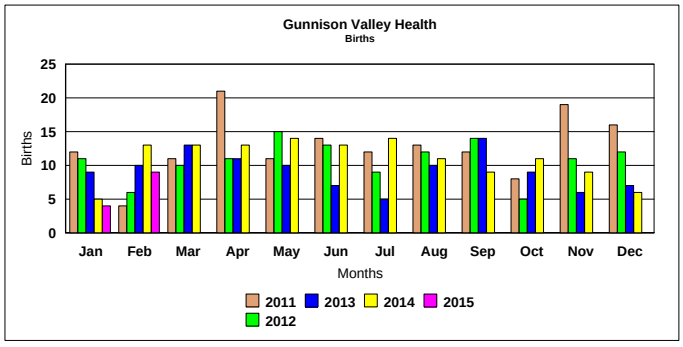
Phys. #	Name	2015 Tot Admits	2015 Swing	2015 Newborn	2015 Admits	2014 Tot Admits	2014 Swing	2014 Newborn	2014 Admits	Var.	% Var.
100	Garren L.	0	0	0	0	9	1	2	6	-6	-100%
200	McMurren J.	4	0	3	1	13	6	4	3	-2	-67%
330	Matthews M.	16	1	2	13	11	0	7	4	9	225%
800	Bonney T.	1	0	0	1	4	0	0	4	-3	-75%
1100	Beim G.	12	0	0	12	3	0	0	3	9	300%
1103	Schutt R.	2	0	0	2	7	0	0	7	-5	-71%
1150	Griggs R.	3	0	0	3	11	0	0	11	-8	-73%
9100	Niccoli S.	9	0	1	8	11	0	0	11	-3	-27%
9500	Bishop J.	2	0	0	2	1	0	0	1	1	100%
100001	Meeuwsen A.	2	0	1	1	11	1	2	8	-7	-88%
100002	Meeuwsen M.	9	2	2	5	8	0	3	5	0	0%
100005	Porter GFP.	40	3	5	32	5	1	0	4	28	700%
100011	De Raet O.	5	0	0	5	0	0	0	0	5	100%
111001	Thomson G.	0	0	0	0	4	0	0	4	-4	-100%
500	Wolkov J.	0	0	0	0	0	0	0	0	0	0%
9506	Smith J.	0	0	0	0	0	0	0	0	0	0%
111111	Parker Alt	0	0	0	0	0	0	0	0	0	0%
	Pontius DA	0	0	0	0	1	0	0	1	-1	-100%
9508	Roberts J.	0	0	0	0	0	0	0	0	0	0%
9509	Timothy St.	3	0	0	3	0	0	0	0	3	100%
100010	Felberg	0	0	0	0	0	0	0	0	0	0%
700	Maloney	0	0	0	0	0	0	0	0	0	0%
877900	Sullinger	0	0	0	0	0	0	0	0	0	0%
500196	Johnson Je.	0	0	0	0	0	0	0	0	0	0%
1155	Borchard K.	0	0	0	0	0	0	0	0	0	0%
3700	Good David	0	0	0	0	0	0	0	0	0	0%
124	Good Wanda	0	0	0	0	0	0	0	0	0	0%
902200	Gattis W.	1	0	0	1	0	0	0	0	1	0%
111000	Fradkinkev	0	0	0	0	0	0	0	0	0	0%
		109	6	14	89	99	9	18	72	17	24%

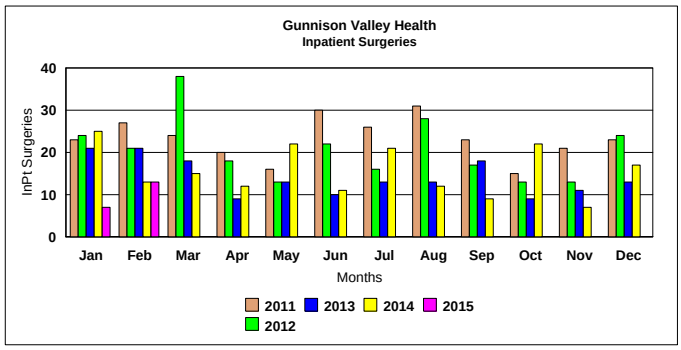
GUNNISON VALLEY HEALTH VOLUMES

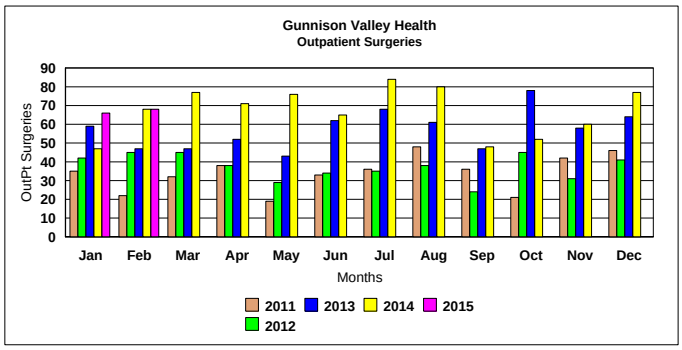


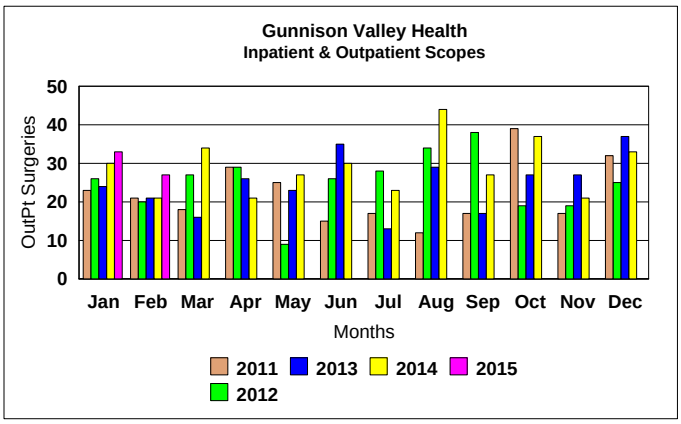


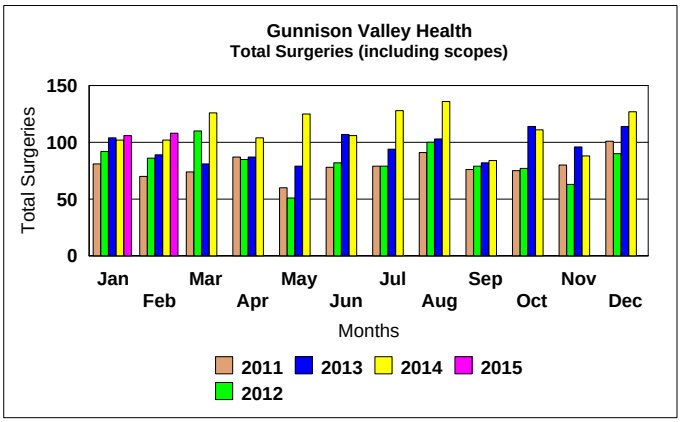




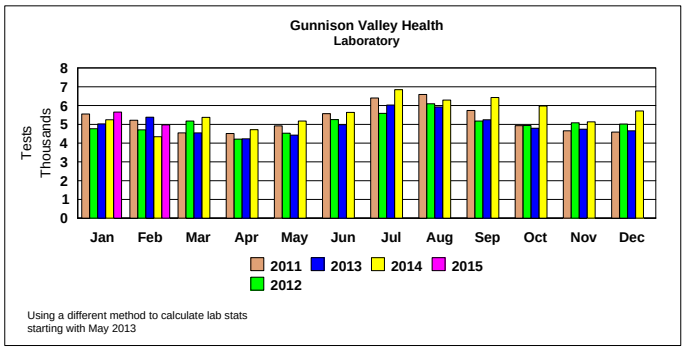


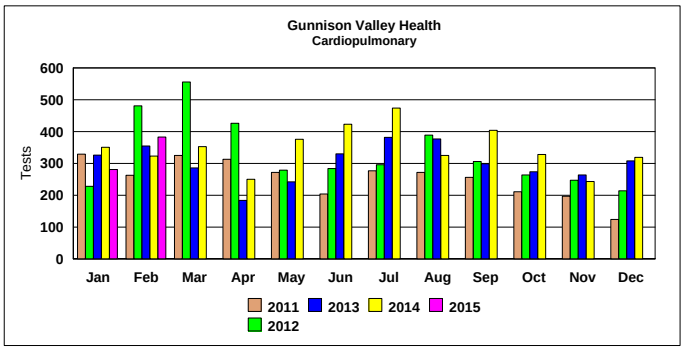


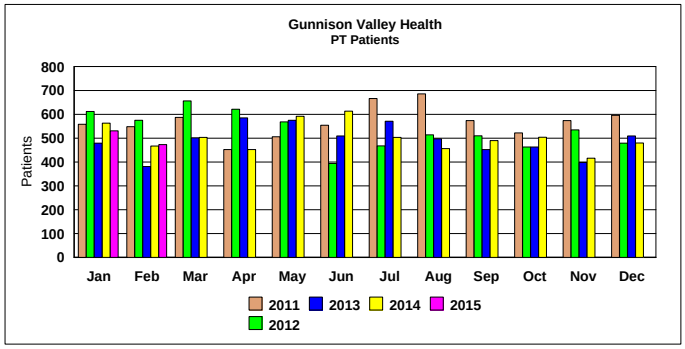


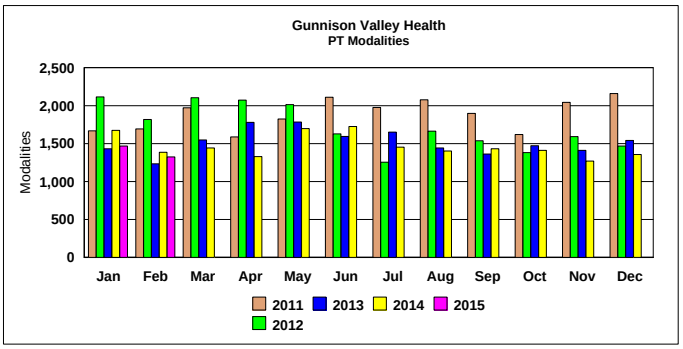


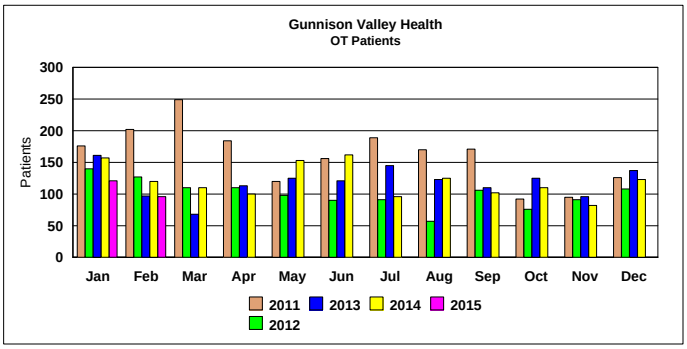
MISCELLANEOUS STATS

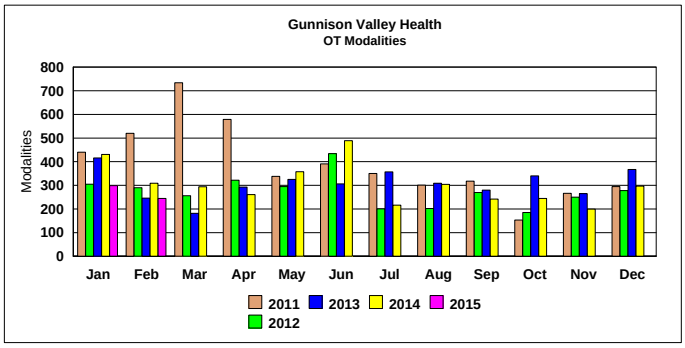


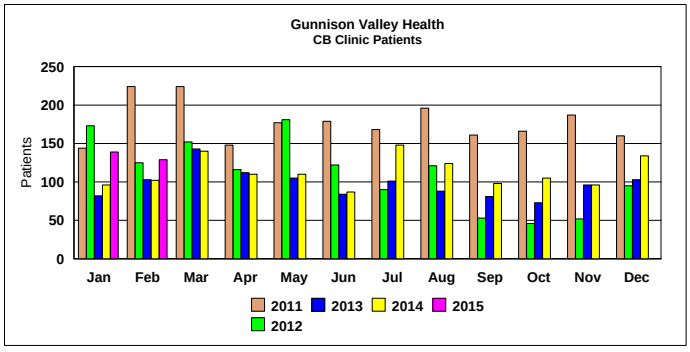


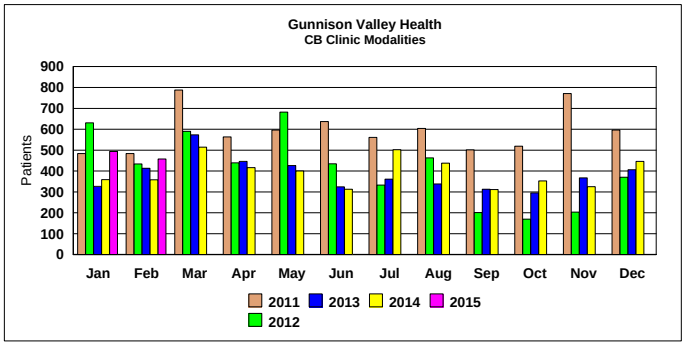




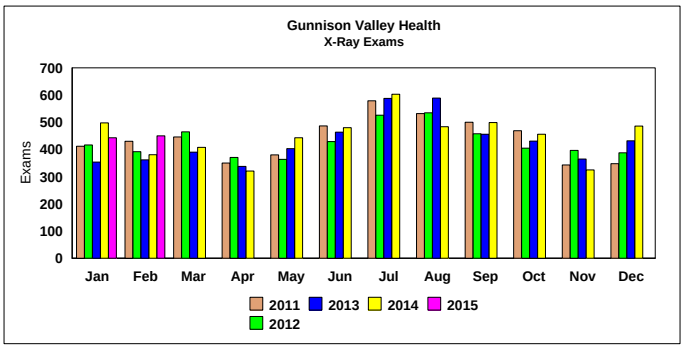


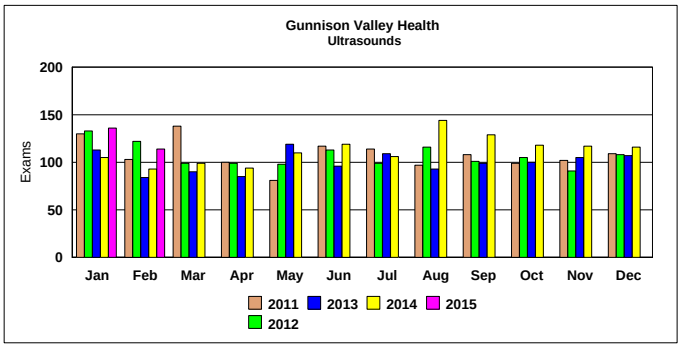


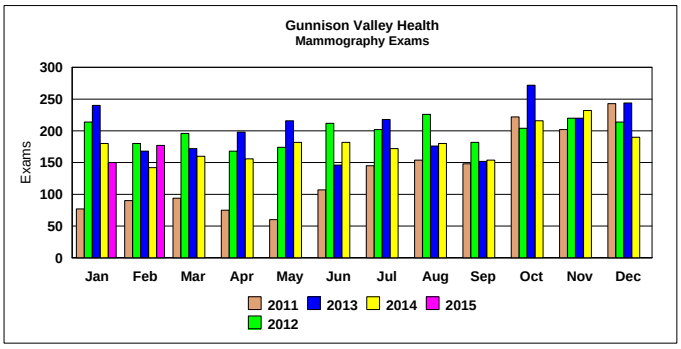


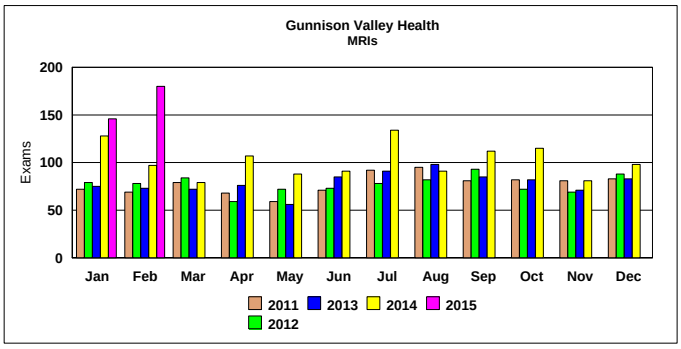


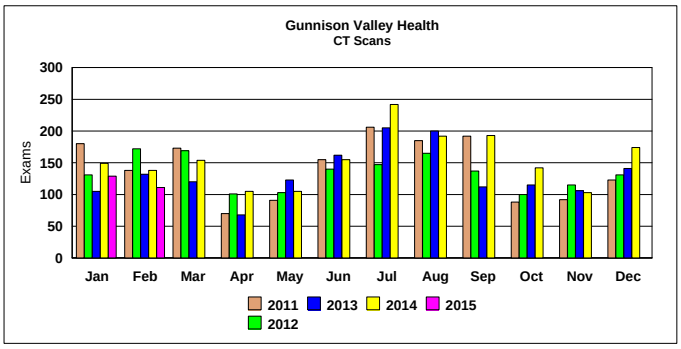
RADIOLOGY STATS

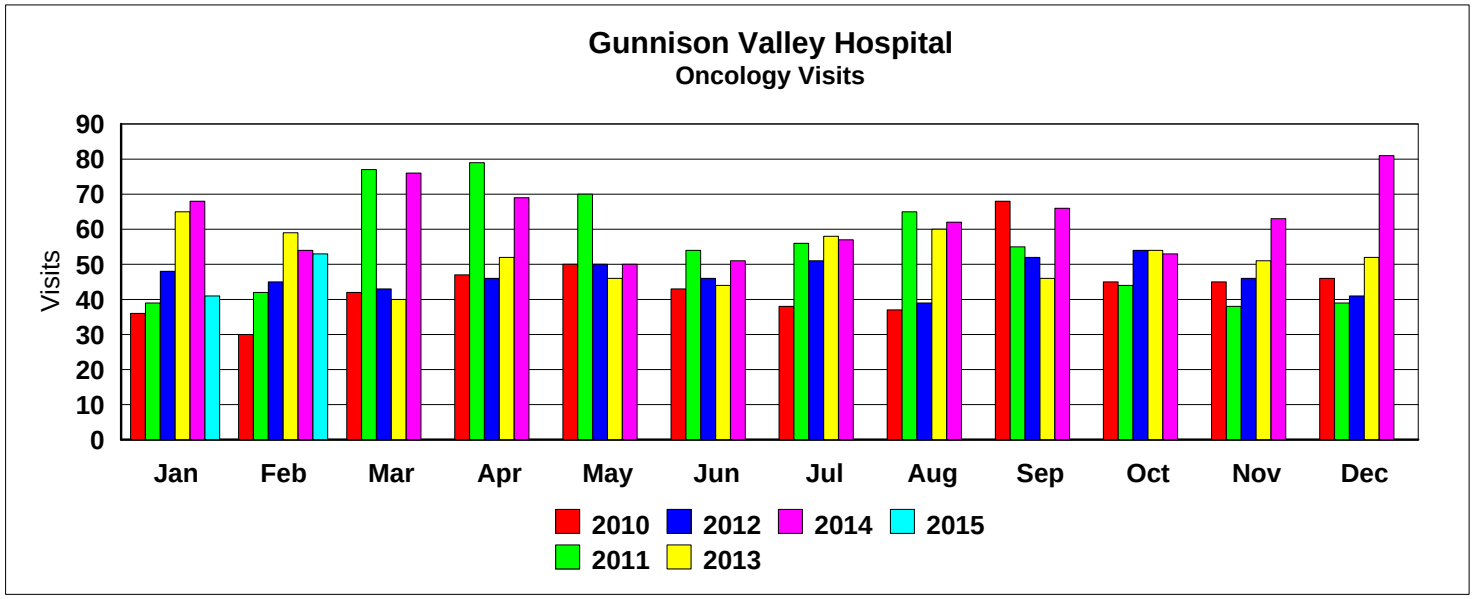


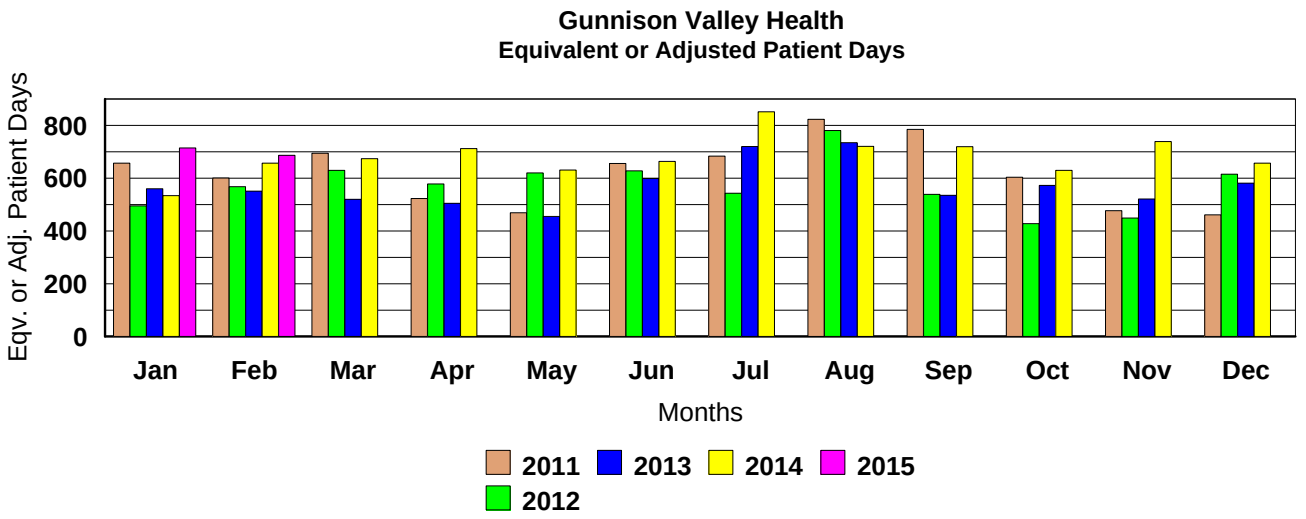









Gunnison Valley Hospital
Oncology Visits
Visits
90
80
70
60
50
40
30
20
10
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2010
2012
2014
2015
2011
2013



Equivalent or adjusted patient days translates the outpatient volumes into a inpatient equivalent.
Calculation of equivalent patient days is based on total gross revenue & inpatient revenue.

GUNNISON VALLEY HEALTH
CONSOLIDATED FINANCIAL STATEMENTS
February 2015

INCOME STATEMENT	GVH	GVH Bgt	Var	GVH P/Y	Var	SCC	SCC Bgt	Var	SCC P/Y	Var	Hosp/PC	Hosp/PC Bgt	Var	Hosp/PC P/Y	Var	H.H	H. H. Bgt	Var	H. H. P/Y	Var
PATIENT REVENUE																				
Inpatient Services	718,418	818,138	-12.2%	570,587	25.9%															
Outpatient Services	2,178,551	1,889,453	15.3%	1,800,583	21.0%															
Emergency Room	561,436	592,259	-5.2%	551,852	1.7%															
Observation	185,445	153,576	20.8%	110,499	67.8%															
Swing Bed	139,470	154,982	-10.0%	147,005	-5.1%															
Professional Fees	456,569	465,080	-1.8%	324,487	40.7%															
CB Mtn Clinic	157,329	132,704	18.6%	-	#DIV/0!															
Gunnison Valley Hospital	4,397,218	4,206,192	4.5%	3,505,013	25.5%															
Senior Care Center						260,774	306,622	-15.0%	292,130	-10.7%	16,886	12,531	34.8%	5,365	214.7%	19,326	41,734	-53.7%	39,574	-51.2%
Foundation																				
TOTAL REVENUES	**4,397,218**	**4,206,192**	**4.5%**	**3,505,013**	**25.5%**	**260,774**	**306,622**	**-15.0%**	**292,130**	**-10.7%**	**16,886**	**12,531**	**34.8%**	**5,365**	**214.7%**	**19,326**	**41,734**	**-53.7%**	**39,574**	**-51.2%**
REVENUE DEDUCTIONS																				
Bad Debt	216,014	150,161	43.9%	207,316	-4.2%	-	2,324	-100.0%	1,517	0.0%										
Medicare/Medicaid	1,106,590	1,180,258	-6.2%	901,319	22.8%															
Contactual Adjustments	527,296	353,741	49.1%	144,559	264.8%	(11,897)	3,193	-472.6%	1,654	-819.3%	-	2,531	-100.0%	808	0.0%	(6,939)	6,811	201.9%	11,006	-163.0%
Charity Care	82,890	110,202	-24.8%	51,248	61.7%															
Other	16,391	12,619	29.9%	16,123	1.7%															
TOTAL REVENUE DEDUCTIONS	**1,949,181**	**1,806,981**	**7.9%**	**1,320,565**	**47.6%**	**(11,897)**	**5,517**	**315.6%**	**3,171**	**-475.2%**	**-**	**2,531**	**-100.0%**	**808**	**0.0%**	**(6,939)**	**6,811**	**201.9%**	**11,006**	**-163.0%**
OTHER OPERATING REVENUE	22,804	12,555	81.6%	14,523	57.0%	(4,467)	(4,467)	0.0%	-	#DIV/0!	-	-		-		-	-			
NET OPERATING REVENUE	**2,470,841**	**2,411,766**	**2.4%**	**2,198,971**	**12.4%**	**268,204**	**296,638**	**-9.6%**	**288,959**	**-7.2%**	**16,886**	**10,000**	**68.9%**	**4,557**	**270.6%**	**26,265**	**34,923**	**-24.8%**	**28,568**	**-8.1%**
OPERATING EXPENSE																				
Salaries	799,661	868,922	-8.0%	669,365	19.5%	141,517	160,591	-11.9%	126,383	12.0%	14,300	10,601	34.9%	7,928	80.4%	35,733	42,694	-16.3%	40,542	-11.9%
Contract Labor	28,791	6,000	379.9%	23,161	24.3%	27,963	-		8,154	242.9%										
Total Salaries	828,452	874,922	-5.3%	692,526	19.6%	169,480	160,591	5.5%	134,537	26.0%	14,300	10,601	34.9%	7,928	80.4%	35,733	42,694	-16.3%	40,542	-11.9%
Benefits	162,031	181,990	-11.0%	174,737	7.3%	10,269	67,093	-84.7%	62,596	-83.6%										
Prof Fees	228,288	205,932	10.9%	214,464	6.4%															
Travel and Education	16,635	17,953	-7.3%	11,372	46.3%	2,176	2,307	-5.7%	321	577.9%	584	717	-18.5%	158	269.6%	2,141	3,702	-42.2%	2,809	-23.8%
Purchased Services	215,023	214,671	0.2%	163,537	31.5%	26,849	23,352	15.0%	50,547	-46.9%	2,248	3,638	-38.2%	3,391	-33.7%	5,106	9,159	-44.3%	3,556	43.6%
Supplies	258,836	332,548	-22.2%	318,999	-18.9%	43,482	29,729	46.3%	21,015	106.9%	1,926	1,102	74.8%	31	6112.9%	1,521	742	105.0%	5,908	-74.3%
Insurance	20,819	26,956	-22.8%	16,552	25.8%	2,376	2,500	-5.0%	4,690	-49.3%										
Depreciation/Amortization	130,726	131,798	-0.8%	109,322	19.6%	14,640	15,813	-7.4%	14,785	-1.0%										
Interest Expense	30,878	33,785	-8.6%	32,558	-5.2%	2,060	2,061	0.0%	2,261	-8.9%										
Other	112,042	155,257	-27.8%	100,702	11.3%	4,913	6,237	-21.2%	7,577	-35.2%										
TOTAL OPERATING EXPENSE	**2,003,730**	**2,175,812**	**-7.9%**	**1,834,769**	**9.2%**	**276,245**	**309,683**	**-10.8%**	**298,329**	**-7.4%**	**19,058**	**16,058**	**18.7%**	**11,508**	**65.6%**	**44,501**	**56,297**	**-21.0%**	**52,815**	**-15.7%**
NET INCOME (LOSS) FROM OPERATIONS	**467,111**	**235,954**	**98.0%**	**364,202**	**28.3%**	**(8,041)**	**(13,045)**	**38.4%**	**(9,370)**	**14.2%**	**(2,172)**	**(6,058)**	**64%**	**(6,951)**	**68.8%**	**(18,236)**	**(21,374)**	**14.7%**	**(24,247)**	**24.8%**
NON-OPERATING																				
Income - Tax Levy						15,296	101	15044.6%	6,808	124.7%										
Income - Interest	(21,106)	6,600	-419.8%	868	2531.6%	305	300	1.7%	251	21.5%										
Income - Other	-	-	0.0%	-	0.0%															
Restricted Donations/Grants	2,171	-	#DIV/0!		#DIV/0!	100		0.0%	25,065	100.0%		1,367								
Grant Revenue	-	-			0.0%															
Other Non Operating Expense/Revenue	(4,041)	-	0.0%	(4,210)	100.0%															
Loss on Disposal of Assets	-	-																		
Allocation of Admin Costs	-	-				6,246	13,317	-53.1%	13,355	-53.2%										
TOTAL NON-OPERATING	(22,976)	6,600	-448.1%	(3,342)	-587.5%	21,947	13,718	60.0%	45,479	-51.7%	-	1,367				-	-			
INCREASE/(DECREASE) IN UNRESTRICTED FUND BALANCE	**444,135**	**242,554**	**83.1%**	**360,860**	**23.1%**	**13,906**	**673**	**1966.3%**	**36,109**	**-61.5%**	**(2,172)**	**(4,691)**	**54%**	**(6,951)**	**68.8%**	**(18,236)**	**(21,374)**	**14.7%**	**(24,247)**	**24.8%**
EBIDA	**605,739**	**408,137**	**48.4%**	**502,740**	**-20.5%**	**30,606**	**18,547**	**65.0%**	**53,155**	**-42.4%**										
TOTAL MARGIN	18.0%	10.1%		16.4%		5.2%	0.2%		12.5%		-12.9%	-46.9%		-152.5%		-69.4%	-61.2%		-84.9%	
OPERATING MARGIN	18.9%	9.8%		16.6%		-3.0%	-4.4%		-3.2%		-12.9%	-60.6%		-152.5%		-69.4%	-61.2%		-84.9%	
EBIDA	24.5%	16.9%		22.9%		11.4%	6.3%		18.4%											

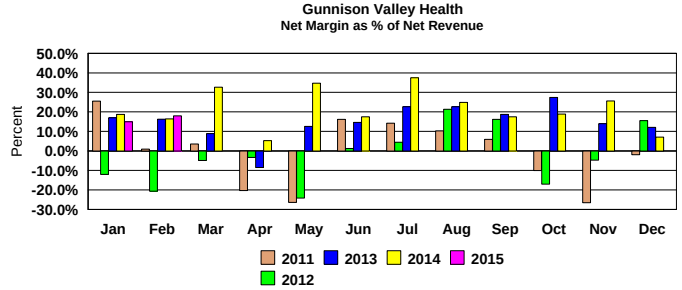
GUNNISON VALLEY HEALTH
CONSOLIDATED FINANCIAL STATEMENTS
February 2015

INCOME STATEMENT	A / L	A / L Bgt	Var	A / L P/Y	Var	GVHF	GVHF P/Y	Var	System 2015	System Bgt	Var	System P/Y	Var	System YTD 2015	Syst Bgt YTD 2015	Var	System YTD 2014	Var
PATIENT REVENUE																		
Inpatient Services									718,418	818,138	-12.2%	570,587	25.9%	1,381,584	1,761,476	-21.6%	1,498,827	-7.8%
Outpatient Services									2,178,551	1,889,453	15.3%	1,800,583	21.0%	4,437,776	3,911,003	13.5%	3,643,514	21.8%
Emergency Room									561,436	592,259	-5.2%	551,852	1.7%	1,092,824	1,168,787	-6.5%	1,139,170	-4.1%
Observation									185,445	153,576	20.8%	110,499	67.8%	311,766	331,090	-5.8%	336,916	-7.5%
Swing Bed									139,470	154,982	-10.0%	147,005	-5.1%	337,911	315,955	6.9%	268,541	25.8%
Professional Fees									456,569	465,080	-1.8%	324,487	40.7%	969,236	871,611	11.2%	680,685	42.4%
CB Mtn Clinic									157,329	132,704	18.6%	-	#DIV/0!	257,787	265,408	-2.9%	-	#DIV/0!
Gunnison Valley Hospital									4,397,218	4,206,192	4.5%	3,505,013	25.5%	8,788,884	8,625,330	1.9%	7,567,653	16.1%
Senior Care Center	41,881	40,211	4.2%	42,871	-2.3%				338,867	401,098	-15.5%	379,940	-10.8%	755,091	845,134	-10.7%	795,389	-5.1%
Foundation						51,855	25,311	104.9%	51,855	-	0.0%	25,311	100.0%	60,788	-	100.0%	38,064	59.7%
TOTAL REVENUES	**41,881**	**40,211**	**4.2%**	**42,871**	**-2.3%**	**51,855**	**25,311**	**104.9%**	**4,787,940**	**4,607,290**	**3.9%**	**3,910,264**	**22.4%**	**9,604,763**	**9,470,464**	**1.4%**	**8,401,106**	**14.3%**
REVENUE DEDUCTIONS																		
Bad Debt									216,014	152,485	41.7%	208,833	3.4%	314,114	312,572	0.5%	586,789	-46.5%
Medicare/Medicaid									1,106,590	1,180,258	-6.2%	901,319	22.8%	2,378,559	2,420,268	-1.7%	1,676,069	41.9%
Contactual Adjustments	-	-	0.0%	-	0.0%				508,460	366,276	38.8%	158,027	221.8%	1,025,706	751,805	36.4%	579,214	77.1%
Charity Care									82,890	110,202	-24.8%	51,248	61.7%	130,164	225,983	-42.4%	342,970	-62.0%
Other									16,391	12,619	29.9%	16,123	1.7%	27,045	25,876	4.5%	36,575	-26.1%
TOTAL REVENUE DEDUCTIONS	-	-	0.0%	-	0.0%	-	-	-	**1,930,345**	**1,821,840**	**6.0%**	**1,335,550**	**44.5%**	**3,875,588**	**3,736,504**	**3.7%**	**3,221,617**	**20.3%**
OTHER OPERATING REVENUE	-	-	0.0%	-	0.0%				18,337	8,088	126.7%	14,523	26.3%	28,299	33,776	-16.2%	32,542	-13.0%
NET OPERATING REVENUE	**41,881**	**40,211**	**4.2%**	**42,871**	**-2.3%**	**51,855**	**25,311**	104.9%	**2,875,932**	**2,793,538**	**2.9%**	**2,589,237**	**11.1%**	**5,757,474**	**5,767,736**	**-0.2%**	**5,212,031**	**10.5%**
OPERATING EXPENSE																		
Salaries	16,346	18,181	-10.1%	9,458	72.8%	-	-	0.0%	1,007,557	1,100,989	-8.5%	853,676	18.0%	2,097,732	2,319,728	-9.6%	1,823,122	15.1%
Contract Labor									56,754	6,000	845.9%	31,315		112,115	12,000	834.3%	25,713	
Total Salaries	16,346	18,181	-10.1%	9,458	72.8%				1,064,311	1,106,989	-3.9%	884,991	20.3%	2,209,847	2,331,728	-5.2%	1,848,835	19.5%
Benefits	-	-		-					172,300	249,083	-30.8%	237,333	-27.4%	367,456	507,173	-27.5%	329,843	11.4%
Prof Fees	-	-		-					228,288	205,932	10.9%	214,464	6.4%	479,343	424,464	12.9%	453,690	5.7%
Travel and Education	(60)	-	#DIV/0!	700	0.0%	763	-	0.0%	22,239	24,679	-9.9%	15,360	44.8%	31,394	53,336	-41.1%	35,383	-11.3%
Purchased Services	6,781	6,396	6.0%	3,904	73.7%	2,597	845	207.3%	258,604	257,216	0.5%	225,780	14.5%	534,636	527,305	1.4%	498,397	7.3%
Supplies	1,010	1,046	-3.4%	443	128.0%	743	239	0.0%	307,518	365,167	-15.8%	346,635	-11.3%	767,382	733,692	4.6%	717,925	6.9%
Insurance						-	-	0.0%	23,195	29,456	-21.3%	21,242	9.2%	43,308	58,912	-26.5%	36,216	19.6%
Depreciation/Amortization						-	-	0.0%	145,366	147,611	-1.5%	124,107	17.1%	289,105	295,222	-2.1%	248,103	16.5%
Interest Expense						-	-	0.0%	32,938	35,846	-8.1%	34,819	-5.4%	67,098	71,692	-6.4%	75,096	-10.7%
Other						1,411	4,501	-68.7%	118,366	161,494	-26.7%	112,780	5.0%	240,209	340,830	-29.5%	236,396	1.6%
TOTAL OPERATING EXPENSE	**24,077**	**25,623**	**-6.0%**	**14,505**	**66.0%**	**5,514**	**5,585**	**-1.3%**	**2,373,125**	**2,583,473**	**-8.1%**	**2,217,511**	**7.0%**	**5,029,778**	**5,344,354**	**-5.9%**	**4,479,884**	**12.3%**
NET INCOME (LOSS) FROM OPERATIONS	**17,804**	**14,588**	**22.0%**	**28,366**	**-37.2%**	**46,341**	**19,726**	**-134.9%**	**502,807**	**210,065**	**-139.4%**	**371,726**	**-35.3%**	**727,696**	**423,382**	**71.9%**	**732,147**	**0.6%**
NON-OPERATING																		
Income - Tax Levy									15,296	101	15044.6%	6,808	124.7%	15,384	103	14835.9%	6,953	121.3%
Income - Interest						15,770	24,915	-36.7%	(5,031)	6,900	-172.9%	26,034	-119.3%	41,348	13,800	199.6%	13,149	214.5%
Income - Other									-	-	0.0%	-	#DIV/0!	-	-	#DIV/0!	-	#DIV/0!
Restricted Donations/Grants									2,271	1,367	66.1%	25,065	-90.9%	2,296	2,734	-16.0%	25,065	-90.8%
Grant Revenue									-									
Other Non Operating Expense/Revenue						-	(26,595)	-100.0%	(4,041)	-	0.0%	(30,805)	100.0%	(4,041)	-	#DIV/0!	(31,825)	-87.3%
Loss on Disposal of Assets						-	-	0.0%	-	-				-				
Allocation of Admin Costs	(6,246)	(13,317)	53.1%	(13,355)	53.2%	-	-											
TOTAL NON-OPERATING	**(6,246)**	**(13,317)**	**53.1%**	**(13,355)**	**53.2%**	**15,770**	**(1,680)**	**1038.7%**	**8,495**	**8,368**	**1.5%**	**27,102**	**-68.7%**	**54,987**	**16,637**	**230.5%**	**13,342**	**312.1%**
INCREASE/(DECREASE) IN UNRESTRICTED FUND BALANCE	**11,558**	**1,271**	**809.4%**	**15,011**	**23.0%**	**62,111**	**18,046**	**-244.2%**	**511,302**	**218,433**	**134.1%**	**398,828**	**28.2%**	**782,683**	**440,019**	**77.9%**	**745,489**	**5.0%**
EBIDA									**689,606**	**401,890**	**71.6%**	**557,754**	**23.6%**	**1,138,886**	**806,933**	**41.1%**	**1,068,688**	**6.6%**
TOTAL MARGIN	27.6%	3.2%		35.0%		119.8%	71.3%	-232.8%	17.8%	7.8%		15.4%		13.6%	7.6%		14.3%	
OPERATING MARGIN	42.5%	36.3%		66.2%		89.4%	77.9%	-128.7%	17.5%	7.5%		14.4%		12.6%	7.3%		14.0%	
EBIDA									24.0%	14.4%		21.5%		19.8%	14.0%		20.5%	

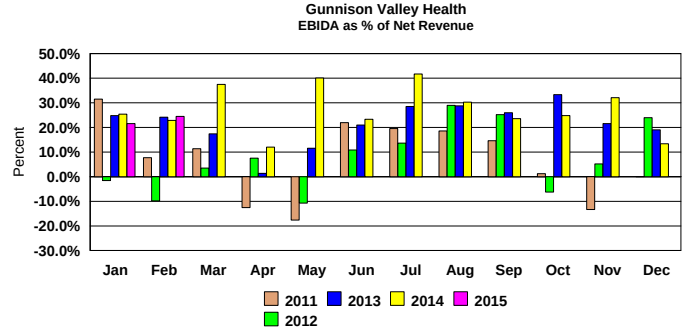
GUNNISON VALLEY HEALTH
CONSOLIDATED BALANCE SHEET
YTD February 2015

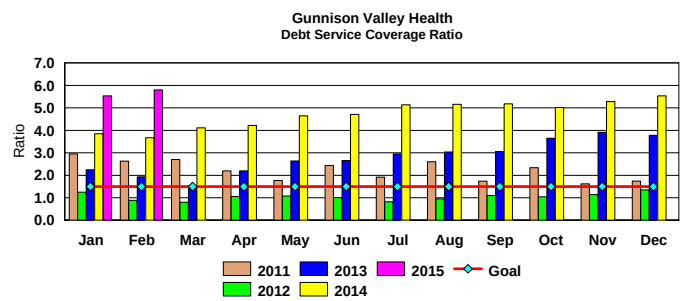
	GVH Hosp	GVH Hosp Dec '14	SCC	SCC Dec '14	Foundation	Foundation Dec '14	GVH 2015	GVH 2014
CURRENT ASSETS								
Operating Fund Cash	6,527,197	5,937,946	3,812,820	3,903,561	483,540	439,352	10,823,557	10,280,859
Unrestricted Fund Cash & Invest	12,035,992	11,969,649	-	-			12,035,992	11,969,649
Restricted Fund Cash & Invest	1,492,298	1,365,618	57,146	55,843	1,541,451	1,522,328	3,090,895	2,943,789
Accounts Receivable - Gross	10,237,802	9,025,748	464,551	400,540			10,702,353	9,426,288
Medicare Allowance	(2,393,958)	(1,703,958)	-	-			(2,393,958)	(1,703,958)
Medicaid Allowance	(1,298,361)	(1,048,361)	-	-			(1,298,361)	(1,048,361)
Other Contractual Allowances	(3,932,206)	(3,538,263)	(200,269)	(200,270)			(4,132,475)	(3,738,533)
Net Receivables	2,613,277	2,735,165	264,282	200,270			2,877,558	2,935,435
Inventories	905,125	894,759	20,094	20,098			925,219	914,857
Prepaid Expenses	299,903	235,348	54,260	64,728			354,162	300,076
TOTAL CURRENT ASSETS	23,873,792	23,138,485	4,208,602	4,244,500	2,024,991	1,961,680	30,107,383	29,344,665
FIXED ASSETS								
Land & Improvements	445,966	445,966	170,468	170,468	3,000	3,000	619,434	619,434
Buildings & Improvements	19,364,243	19,361,264	3,841,998	3,841,998	-	-	23,206,241	23,203,262
Equipment & Furniture	11,427,850	11,181,536	964,671	961,911	16,654	16,654	12,409,175	12,160,101
Intangible Assets	965,068	999,534	-		-		965,068	999,534
Accumulated Depreciation	(15,770,615)	(15,545,255)	(2,966,776)	(2,937,494)	(16,654)	(16,654)	(18,754,045)	(18,499,403)
TOTAL FIXED ASSETS	16,432,512	16,443,045	2,010,361	2,036,883	3,000	3,000	18,445,873	18,482,928
TOTAL ASSETS	**40,306,304**	**39,581,530**	**6,218,963**	**6,281,383**	**2,027,991**	**1,964,680**	**48,553,256**	**47,827,593**
SHORT TERM LIABILITY								
Accounts Payable	211,534	106,349	-	-		(840)	211,534	105,509
Accrued Expenses	129,491	160,907	175,172	161,896			304,663	322,803
Accrued Payroll	884,473	955,506	263,175	246,588			1,147,648	1,202,094
Estimated Amount Due Medicare	1,054,763	1,001,713	-	-			1,054,763	1,001,713
Current Maturities of long term debt	1,184,759	1,182,884	91,200	91,200			1,275,959	1,274,084
TOTAL SHORT TERM LIABILITY	3,465,020	3,407,359	529,547	499,684	-	(840)	3,994,567	3,906,203
LONG TERM LIABILITY	9,651,480	9,794,025	810,842	810,842			10,462,322	10,604,867
EQUITY								
Current year earnings	811,647	7,030,778	(92,284)	536,664	63,311	133,246	782,674	7,700,688
Unrestricted Fund Balance	26,378,157	19,349,368	4,970,858	4,434,193	1,964,680	1,832,274	33,313,695	25,615,835
Restricted Fund Balance							-	-
TOTAL EQUITY	27,189,804	26,380,146	4,878,574	4,970,857	2,027,991	1,965,520	34,096,369	33,316,523
TOTAL LIABILITY & EQUITY	**40,306,304**	**39,581,530**	**6,218,963**	**6,281,383**	**2,027,991**	**1,964,680**	**48,553,257**	**47,827,593**

RATIOs

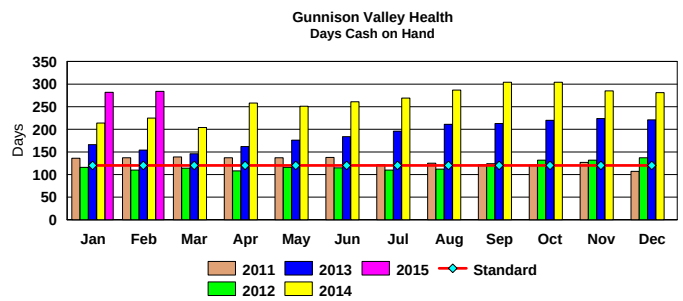


Net margin is down in November 2014 due to the posting of the $1,034K in purchased services.
The dollars were for the purchase of the Mountain clinic in Crested Butte

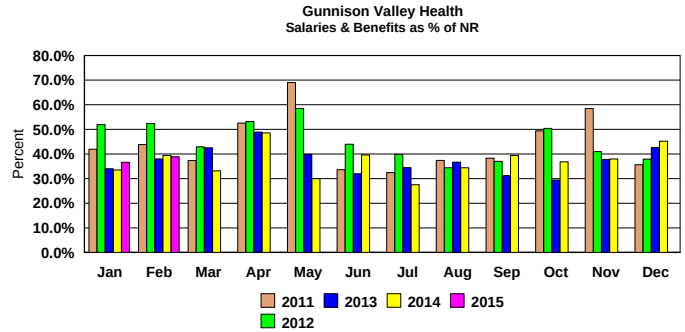


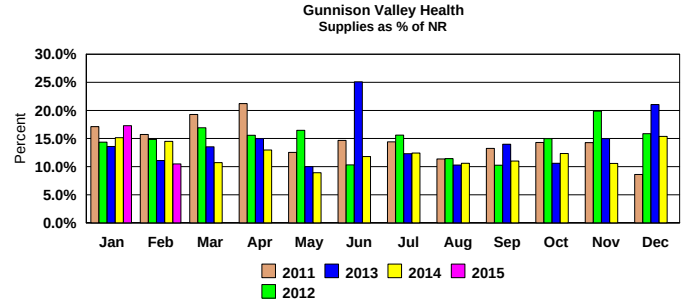


Debt Service Ratio must be maintained above 1.25 per Wells Fargo covenant
Starting January 2014 Debt Service Ratio increased to 1.50 per CoBiz

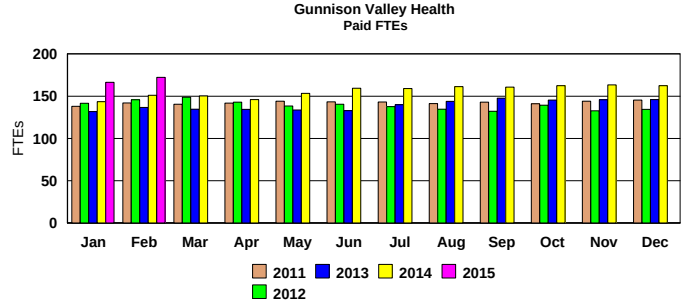


Days Cash on hand must be maintained above 90 days
Starting January 2014, Days Cash on Hand increased to 120 per CoBiz

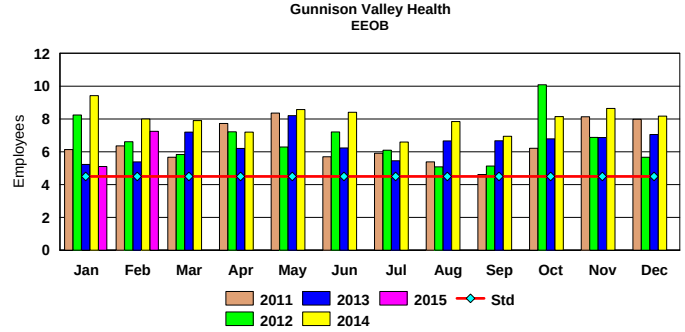




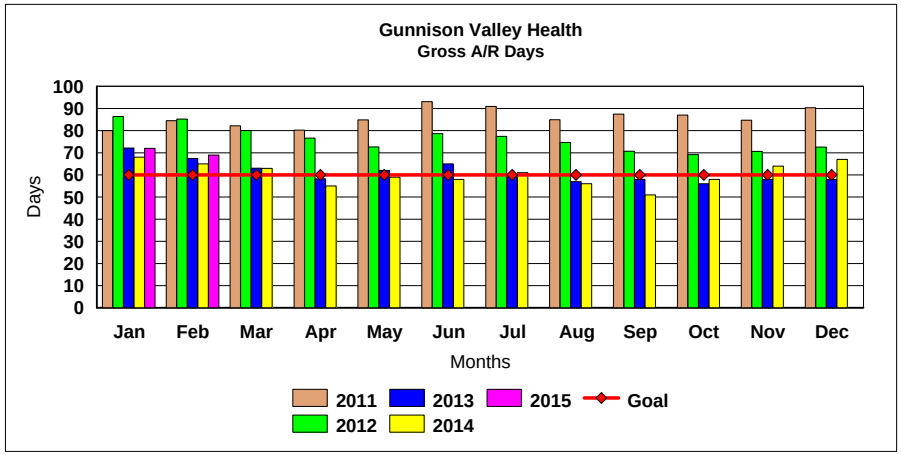
June 2013 - $327,238.28 inventory adjustment in OR

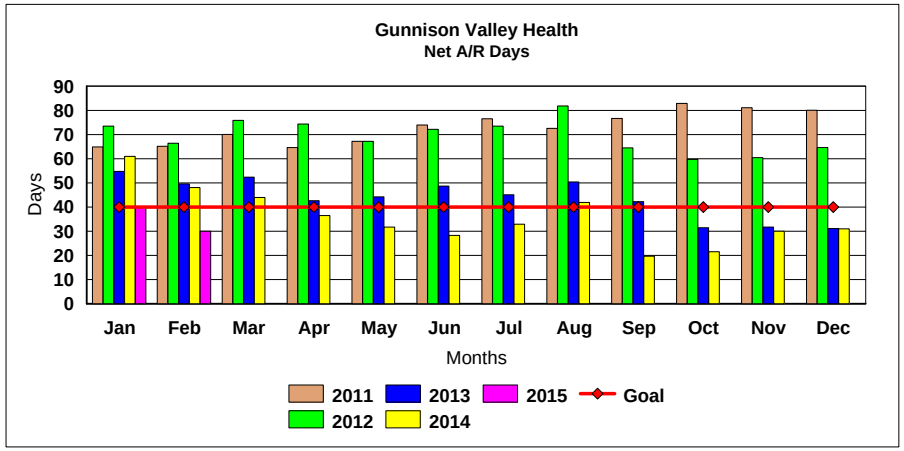


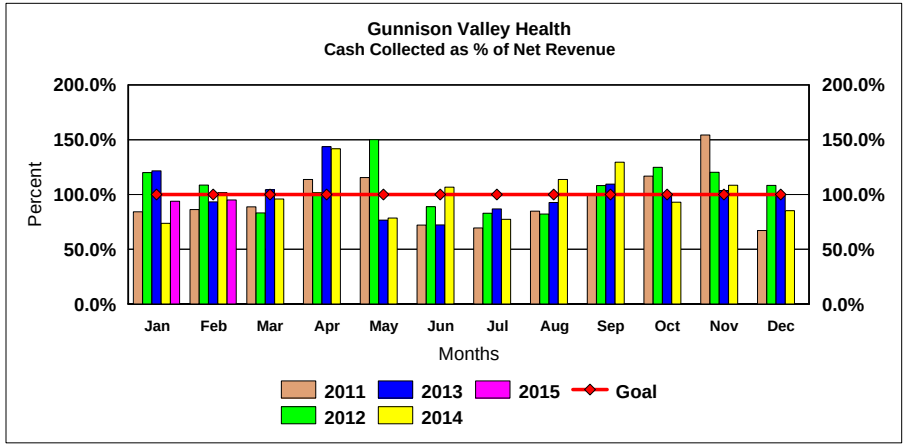
Increase in Paid FTEs is attributable to the addition of the GVHFMC

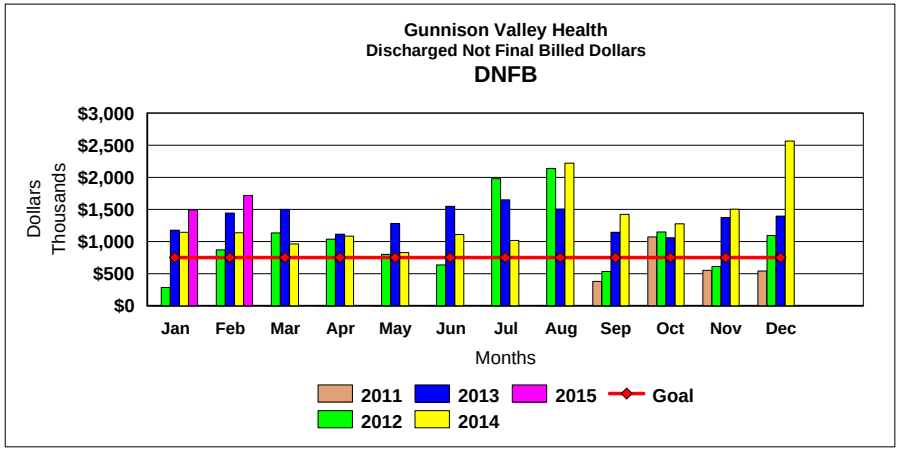


BUSINESS OFFICE RATIOS

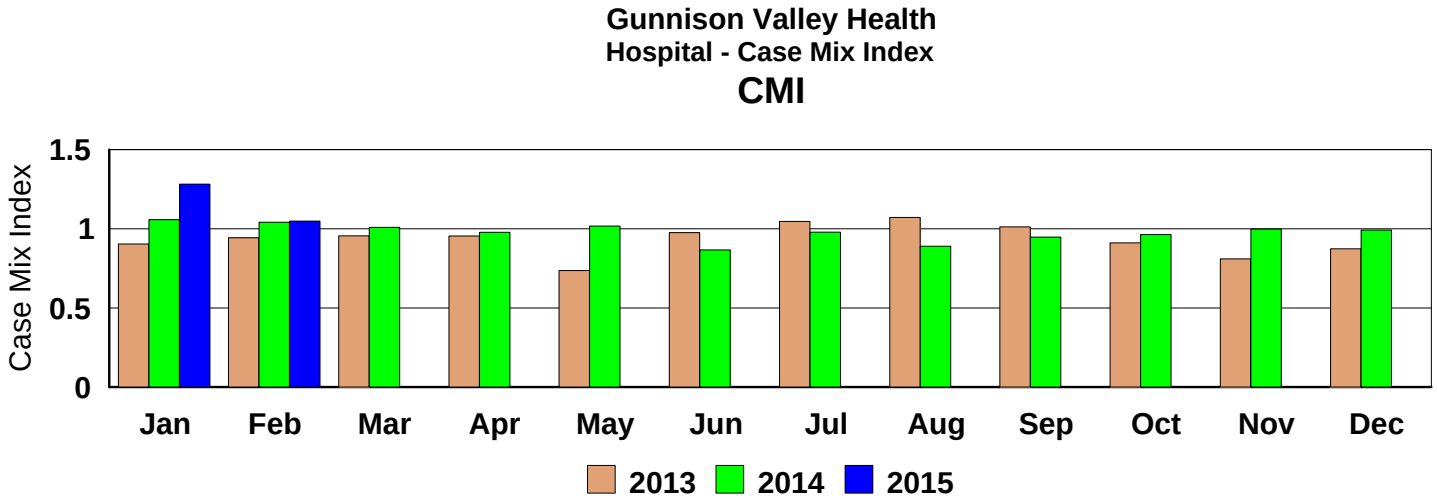




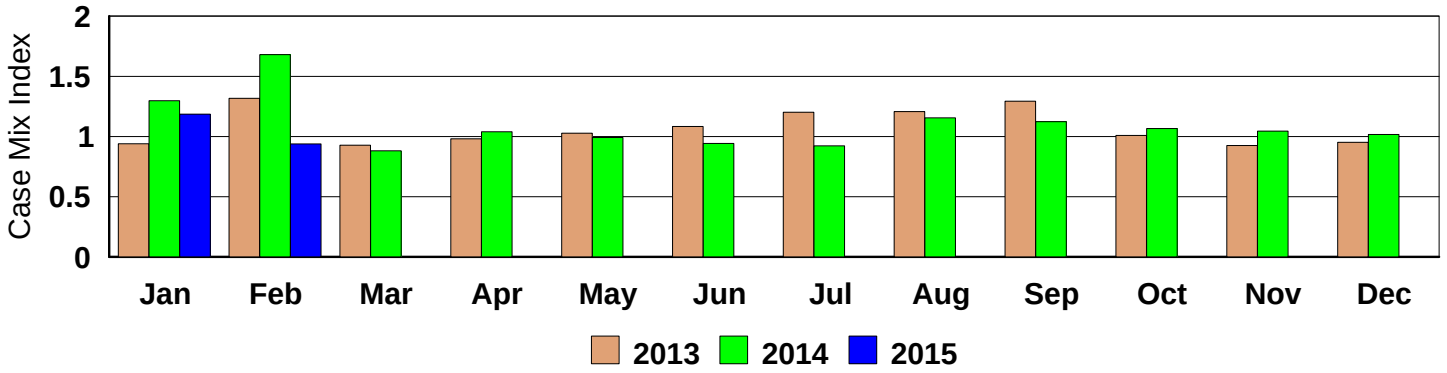




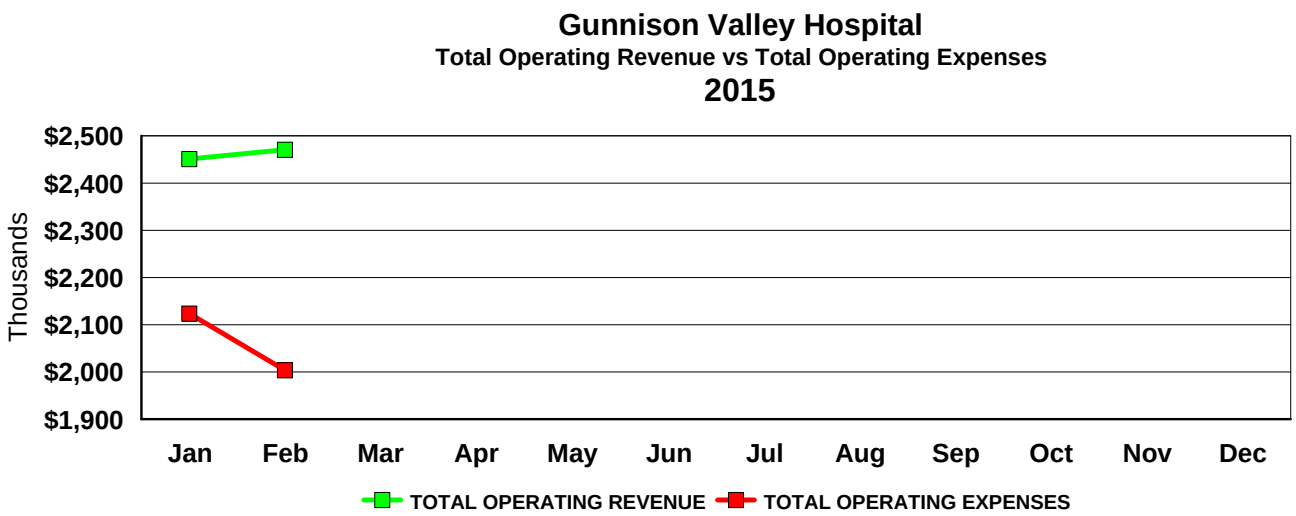
CASE MIX INDEX



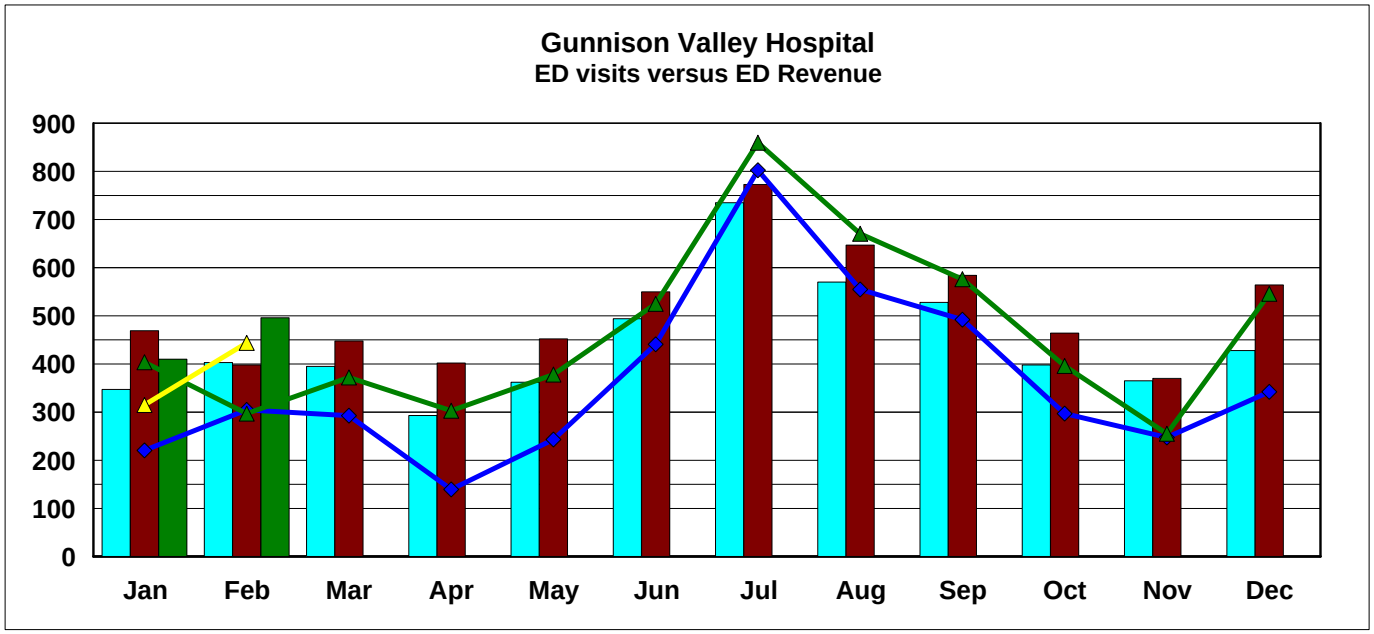
The characteristics–age, gender and health status–of the population served by a health system or physician's office in a given period of time which are classified by disease, diagnostic or therapeutic procedures performed, method of payment, duration of hospitalization and intensity and type of services provided; in the US, a hospital's CM is based on the diagnosis-related groups

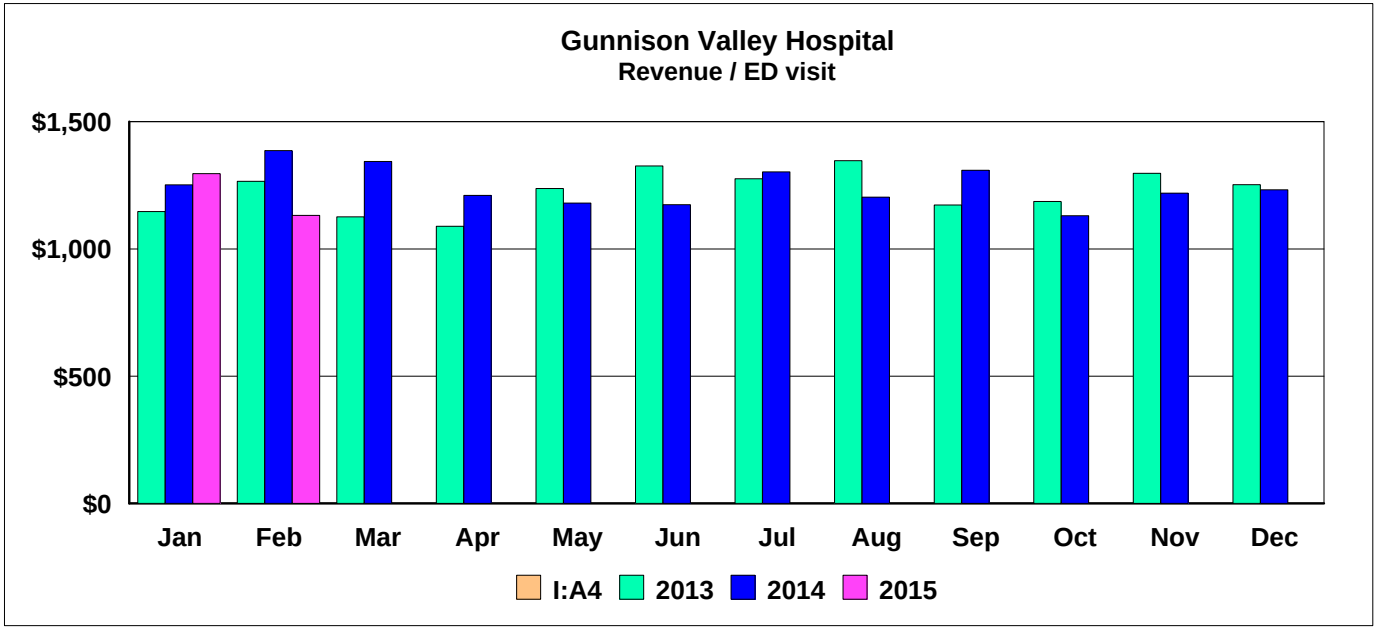


The relative numbers of various types of patients being treated as categorized by disease-related groups, severity of illness, rate of consumption of resources, and other indicators; used as a tool for managing and planning health care services.



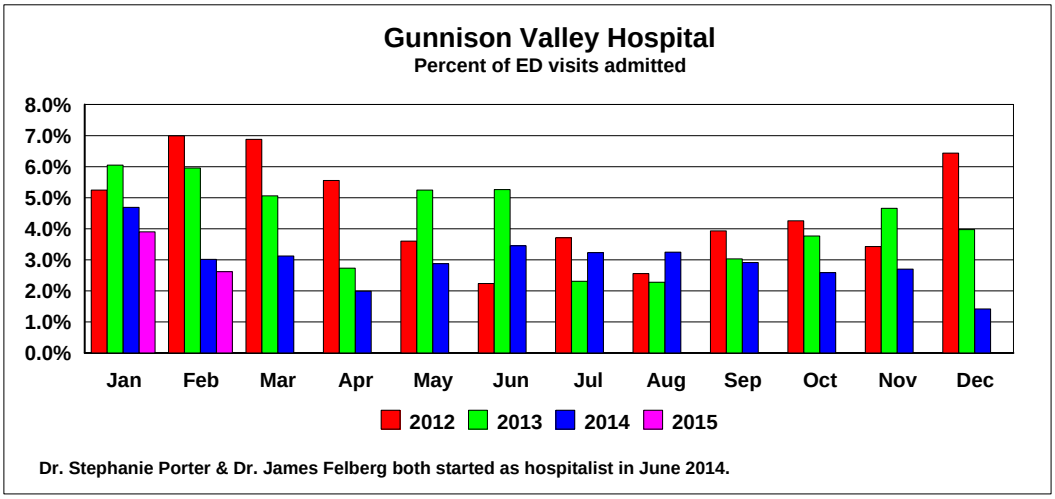
GVH book approximately $554K in meaningfull use dollars in March 2014
GVH booked $1,074K for the purchasae of the Mountain Clinic


Gunnison Valley Hospital
ED visits versus ED Revenue
900
800
700
600
500
400
300
200
100
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

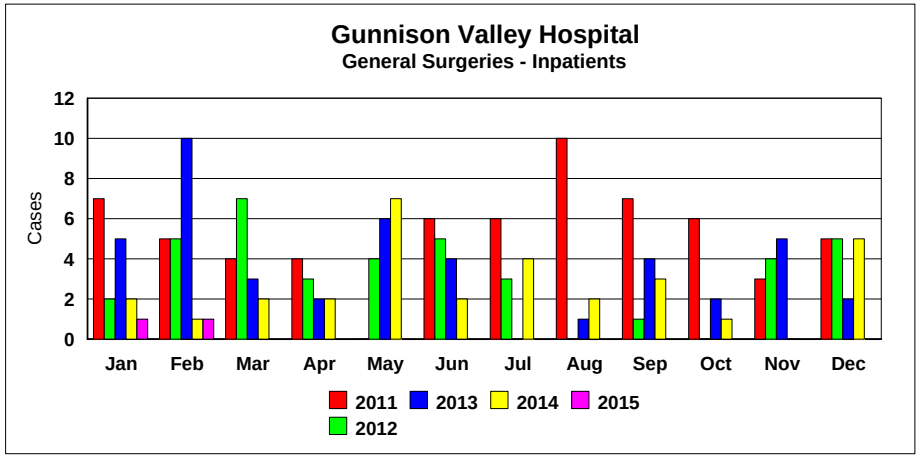

Gunnison Valley Hospital
Revenue / ED visit
$1,500
$1,000
$500
$0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
I:A4
2013
2014
2015

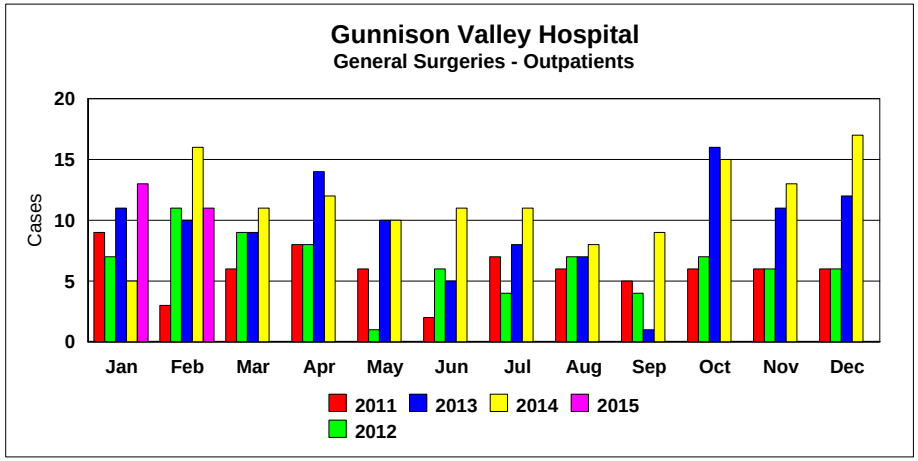
Gunnison Valley Hospital

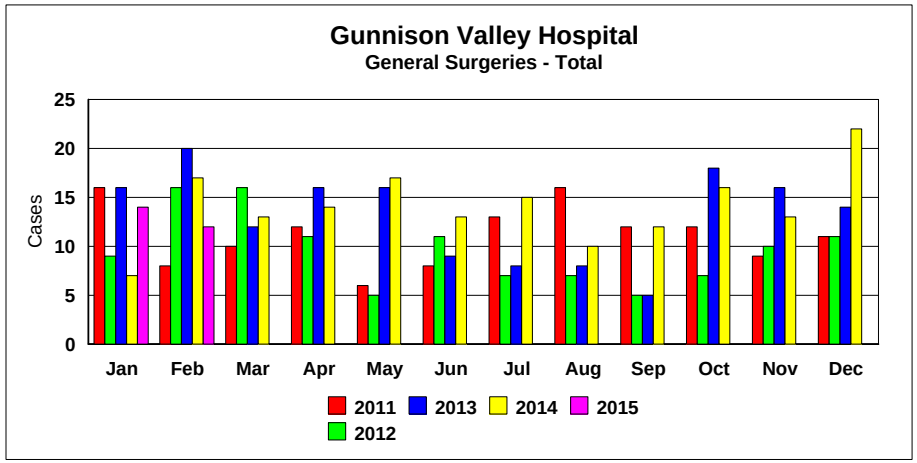
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
ED Visits													
2012	324	386	465	396	416	492	566	587	483	376	350	404	**5,245**
2013	347	403	395	293	362	494	735	570	528	398	365	428	**5,318**
2014	469	398	448	402	452	**550**	**773**	**647**	**584**	**464**	**370**	**564**	**6,121**
2015	**410**	**496**											**906**
Admits													
2012	17	27	32	22	15	11	21	15	19	16	12	26	**233**
2013	21	24	20	8	19	26	17	13	16	15	17	17	**213**
2014	22	12	14	8	13	**19**	**25**	**21**	**17**	**12**	**10**	**8**	**181**
2015	**16**	**13**											**29**
% admit													
2012	5.2%	7.0%	6.9%	5.6%	3.6%	2.2%	3.7%	2.6%	3.9%	4.3%	3.4%	6.4%	**4.4%**
2013	6.1%	6.0%	5.1%	2.7%	5.2%	5.3%	2.3%	2.3%	3.0%	3.8%	4.7%	4.0%	**4.0%**
2014	4.7%	3.0%	3.1%	2.0%	2.9%	**3.5%**	**3.2%**	**3.2%**	**2.9%**	**2.6%**	**2.7%**	**1.4%**	**3.0%**
2015	**3.9%**	**2.6%**											**3.2%**



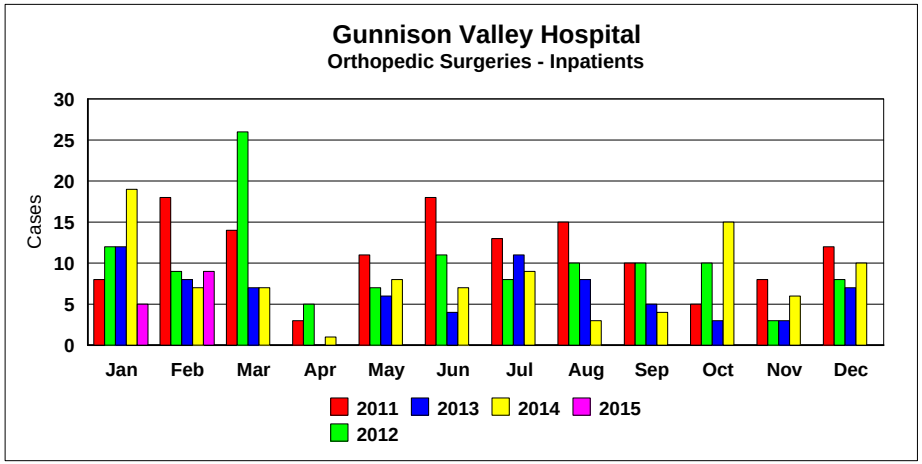
GENERAL SURGERIES

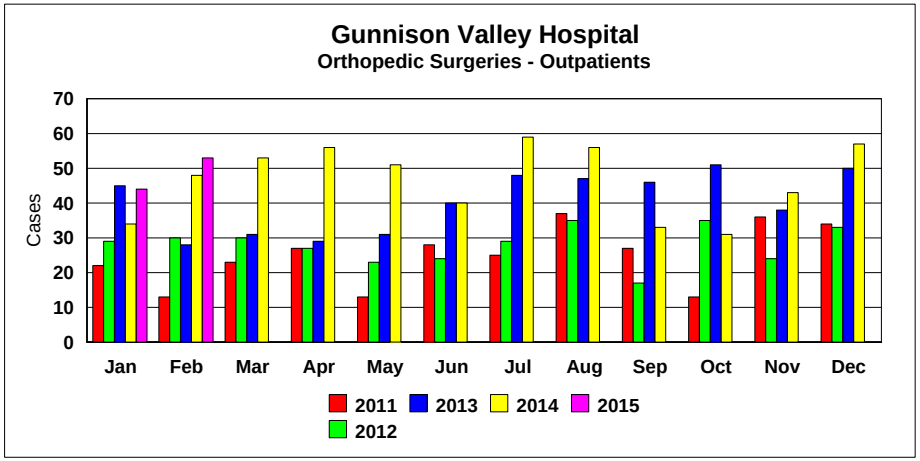


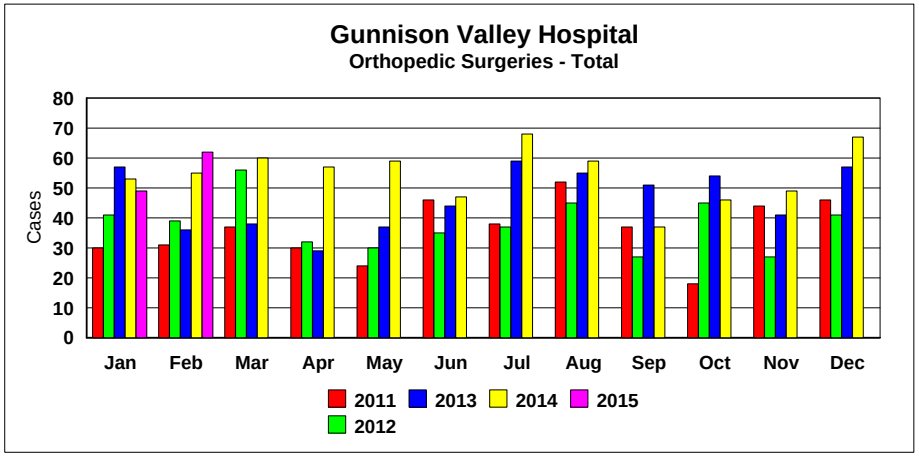




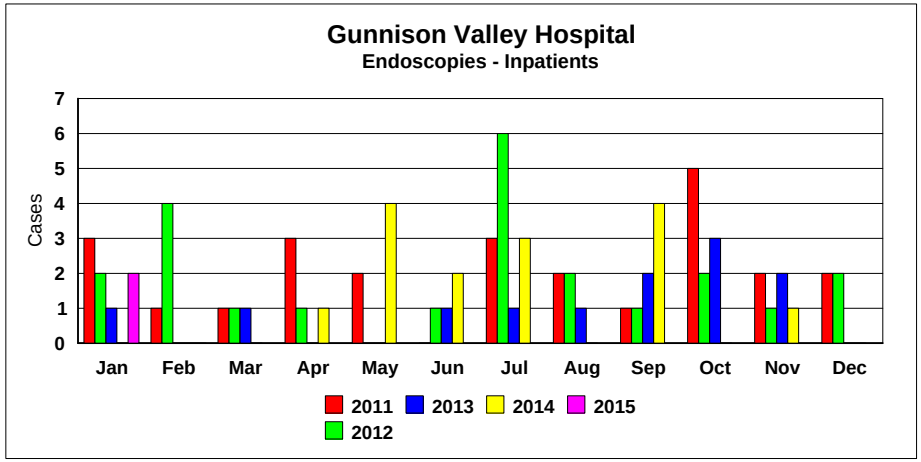
ORTHOPEDIC SURGERIES

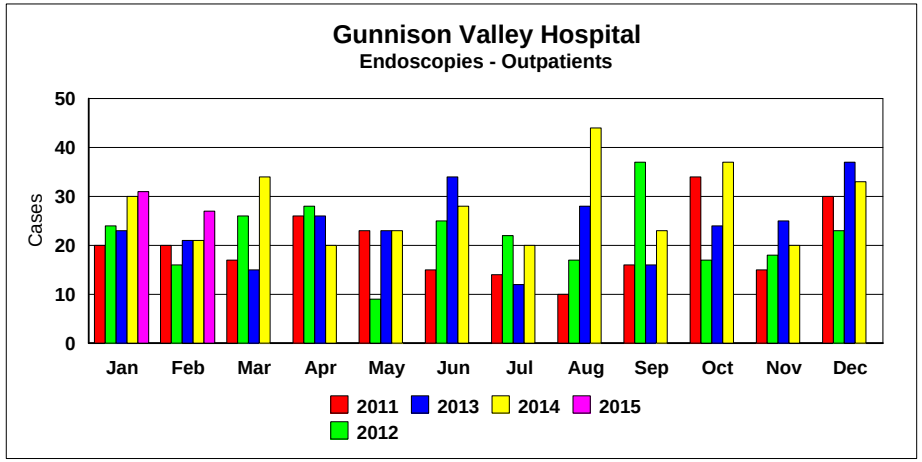


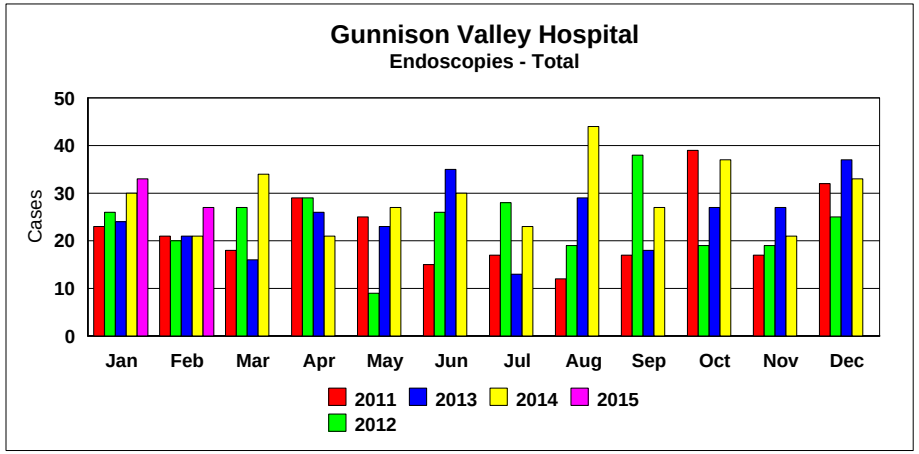




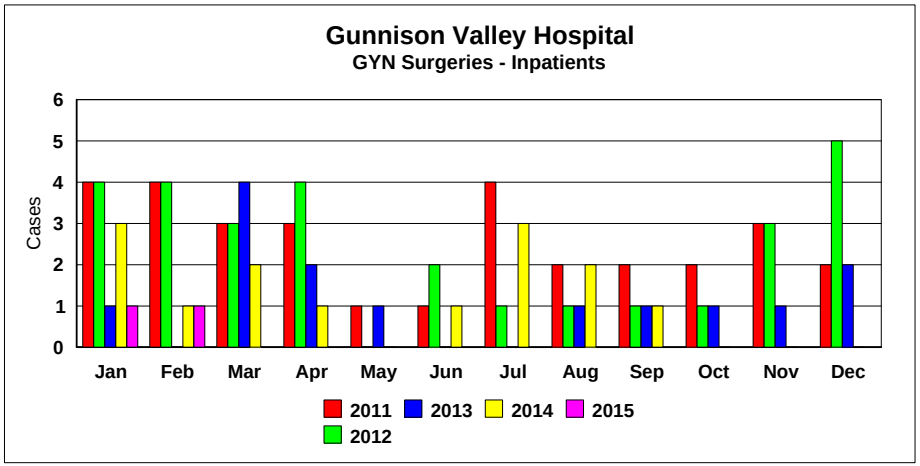
ENDOSCOPIES

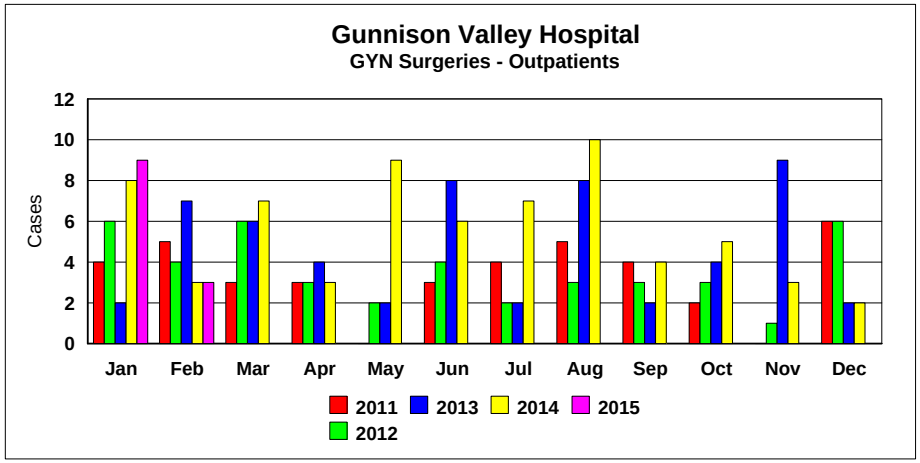


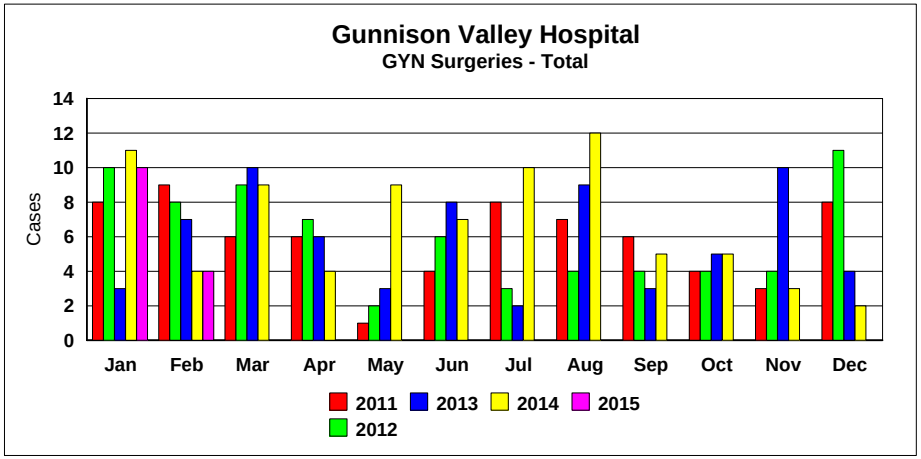




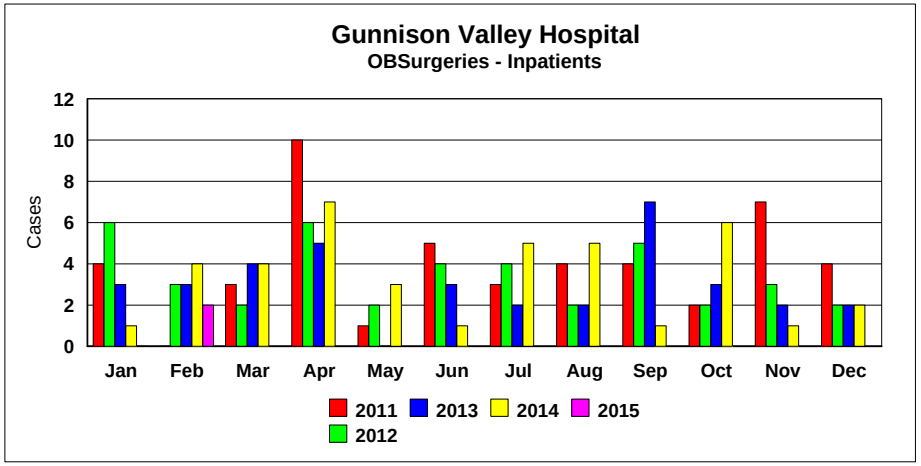
GYN SURGERIES

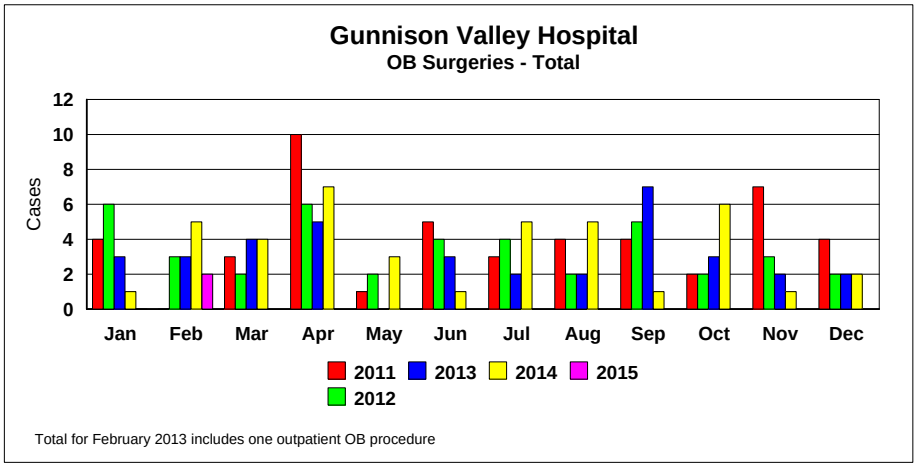






OB SURGERIES





CRITICAL ACCESS SNAPSHOT

National averages of Critical Access Hospital data

	National	GVH	Var.	Comments	CO
Operating Margin	0.7%	21.4%	20.7%	Great	-1.5%
Total margin	2.5%	22.3%	19.8%	Great	1.6%
C ash-Flow Margin	7.1%	28.1%	21.0%	Great	9.9%
Cash on Hand	66.0	280.0	214.0	Good	116
Days in accounts receivable	52.0	30.7	(21.3)	Good	51
Long Term debt to Capitalization	35.0%	36.0%	1.0%	Good	40.0%
Outpatient revenue to total revenue	73.1%	49.1%	-24.0%	Good	
Medicare Inpatient payer mix	73.3%	29.4%	-43.9%	Great	
Salary per FTE	$ 47,900	$ 59,832	$ 11,932		
% of patient revenue that are labor costs	44.6%	23.0%	-21.6%	Good	
FTE / Occupied bed	5.4	6.6	1.2	Fair	6.1
Number of acute-care beds occupied /day	3.7	4.0	0.3	Good	
Number of swing beds occupied/day	1.6	1.6	-		

Gunnison Valley Health

Current reimbursement versus three (3) different scerarios

	2014	Scenario #1	Scenario #2	Scenario #3
Gross Revenue	$ 48,464,821	$ 48,464,821	$ 48,464,821	$ 48,464,821
Deductions	$ 18,271,238	$ 39,680,889	$ 29,639,223	$ 22,164,547
Other Operating Revenues	$ 812,384	$ 812,384	$ 812,384	$ 812,384
Net Revenue	$ 31,005,968	$ 9,596,316	$ 19,637,982	$ 27,112,658
Operating Expenses	$ 24,759,425	$ 24,759,425	$ 24,759,425	$ 24,759,425
Net Income	**$ 6,246,543**	**$ (15,163,109)**	**$ (5,121,443)**	**$ 2,353,233**
Swing Bed vs SNF	$ 1,036,000	$ 174,160	$ 174,160	$ 174,160
Adj. Net Income	**$ 7,282,543**	**$ (14,988,949)**	**$ (4,947,283)**	**$ 2,527,393**

Write Off % (Assumptions)	Current	100% M/Cd	50%/50%	100% M/Cr
Medicare	45%	83%	45%	45%
Medicaid	83%	83%	83%	83%
Commercial	90%	83%	45% / 83%	45%
Blue Cross	90%	83%	45% / 83%	45%
Self Pay	60%	60%	60%	60%

Swing Bed per Diem	$ 1,850			
SNF		$ 311	$ 311	$ 311
Gain / (Loss)		**$ 1,539**	**$ 1,539**	**$ 1,539**

Note:

Should the OIG have their way and the Feds converted CAH swing-bed reimbursement from per diem rate to SNF PPS rate, the impact would be a loss of approximately $861,840. The per diem reimbursement would go from our current reimbursment of $1,850 per day to approximately $311 per day.

"IF "SCENARIOS with EXPLANATIONS

- **Current** - self explanatory

- **Scenario #1** – **"IF"** 100% of the third party payers would go to Medicaid payment structure and self pay at 40% pay rate. This type of scenario would bring the entire Nation on its knees, the economy would implode and hospitals closing would be eminent.

- **Scenario #2** – **"IF"** Medicare stayed at current reimbursement rate, Medicaid stayed at current reimbursement rate. Commercial & Blue Cross went to 50% / 50% Medicare / Medicaid reimbursement rate and self pay at the 40% pay rate.
  This type of scenario would affect some facilities more than others since some are already run by the State and therefore accustom to low payments. (I.e. Charity systems such as seen in Louisiana). This would also limit care to a large portion of the population.

- **Scenario #3** – **"IF"** Medicare stayed at current reimbursement level, Medicaid stayed at current reimbursement level. Commercial & Blue Cross went to 100% Medicare reimbursement rate and self pay at the 40% rate.
  Although this type of scenario is still a bit pessimistic, it could be possible.

Swing-Bed versus SNF

All the scenarios includes the shortfall from the Office of the Inspector General's attempt at changing the reimbursement structure from a Per Diem to a SNF PPS rate.

The current Per Diem reimbursement rate at GVH is $1,850 per day, the average Per Diem reimbursement at the SCC is approximately $311 per day.
GVH would lose approximately $861,840 in annum reimbursement.

Our reimbursement would go from $1,030,000 to $174,160 per year

What is GVH doing to stay in a strong financial position should the picture change quickly.

1. GVH is currently functioning at a level where we anticipate receiving cuts from third party payers sometimes in the future.

2. Medicare has already taken 2.0% for the past two years.

The Federal Government is forcing the system to go a value based type of payment.
GVH is already moving towards that type of healthcare.
Our risk manager(s) are monitoring patient care diligently to make sure that we continue receiving appropriate payments from not only the Government payers but also Commercial payers. The Business Office & Medical records departments audit patient accounts to make

sure clean claims are going out to the payers. Clean claims translates into quick reimbursement to the facility.

3. We reserve on the conservative side to make sure that we stay in a strong financial position if & when things change quickly.
   We are keeping "Cash Days on Hand" high as possible so that we are ready when things change quickly.
   We currently have 284 days cash on hand or approximately 9.4 months.
   GVH should try to have an excess of 365 days or higher if possible.

4. Continued streamlining of expenses is a must and not depending on the tax monies for the SCC should be a focus for the future.

The above scenarios would affect some facilities more than others since some are already run by the State and therefore accustom to low payments. (I.e. Charity systems such as seen in Louisiana).
This would also limit care to a large portion of the population.

Uncle Sam is just trying to keep people running the many hospitals in the USA accountable. It is my belief that as long as GVH keeps an eye on the ball, **we will survive**.

I would like to stay optimistic and just keep streamlining processes and make sure GVH stays a viable entity & continues to offer great patient care at an affordable cost to our community.

RECOVERY AUDIT PROGRAM (RAC)

Mission:

The Recovery Audit Program's mission is to identify and correct Medicare improper payments through the efficient detection and collection of overpayments made on claims of health care services provided to Medicare beneficiaries, and the identification of underpayments to providers so that the CMS can implement actions that will prevent future improper payments in all 50 states.

Background:

The national Recovery Audit program is the product of a successful demonstration program that utilized Recovery Auditors to identify Medicare overpayments and underpayments to health care providers and suppliers in randomly selected states. The demonstration ran between 2005 and 2008 and resulted in over $900 million in overpayments being returned to the Medicare Trust Fund and nearly $38 million in underpayments returned to health care providers. As a result, Congress required the Secretary of the Department of Health and Human Services to institute (under Section 302 of the Tax Relief and Health Care Act of 2006) a permanent and national Recovery Audit program to recoup overpayments associated with services for which payment is made under part A or B of title XVIII of the Social Security Act.

Each Recovery Auditor is responsible for identifying overpayments and underpayments in approximately ¼ of the country. The Recovery Audit Program jurisdictions match the DME MAC jurisdictions.

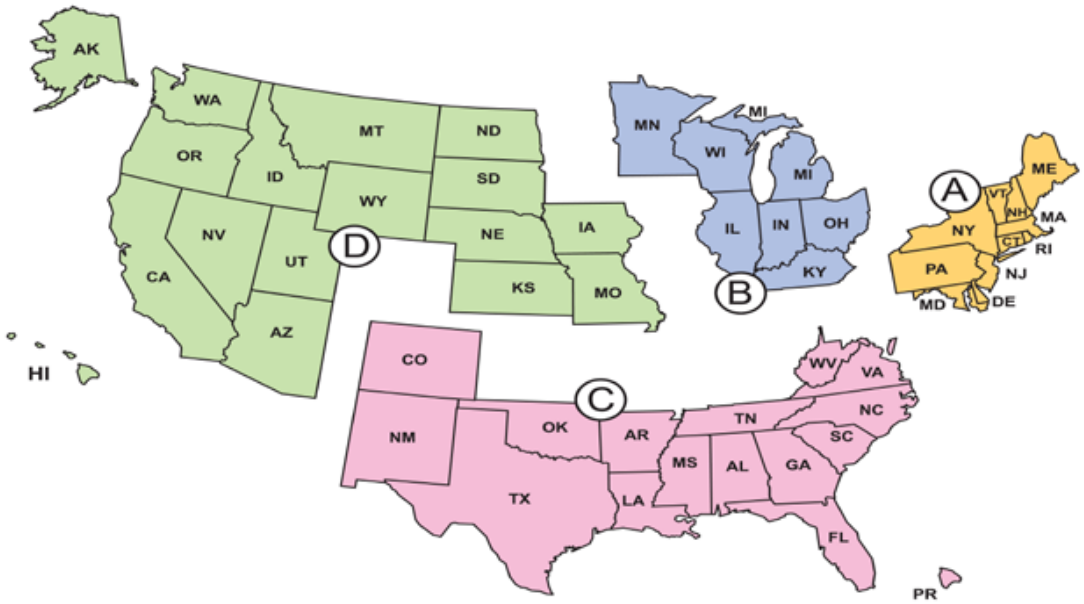
The Recovery Auditor in each region is as follows:

Region A: Performant Recovery

Region B: CGI Federal, Inc.

Region C: Connolly, Inc.

Region D: HealthDataInsights, Inc.



FY 2013 Report to Congress as Required by Section 1893(h) of the Social Security Act shows the following:

Corrections by Recovery Auditor						
	Overpayments Collected		Underpayments Restored		Total Corrected	
Recovery Auditor	No. of Claims	Amount Collected	No. of Claims	Amount Restored	No. of Claims	Amount Restored
Performant	365,435	$ 762,312,114	3,823	$ 14,708,223	369,258	$ 777,020,337
CGI	132,787	$ 528,731,497	2,416	$ 7,781,593	135,203	$ 536,513,090
Connolly	537,690	$ 1,219,049,512	23,203	$ 48,358,754	560,893	$ 1,267,408,266
HDI	453,622	$ 1,140,666,285	13,167	$ 31,521,627	466,789	$ 1,172,187,912
Unknown	104	$ 155,217	2	$ 38,307	106	$ 193,524
Total	1,489,638	$ 3,650,914,625	42,611	$ 102,408,504	1,532,249	$ 3,753,323,129

Note: Gunnison Valley Hospital received a request for 30 patient claims dating back to February 2011. The Business Office is in the process of reviewing all the claims to see what the financial impact will be and if any claims warrant an appeal to the third party auditor.

Corrections by Recovery Auditor			
	Overpayments Collected	Underpayments Restored	Total Corrected
Colorado	$ 34,952,746	$ 1,170,365	$ 36,123,111

After taking into consideration all costs to oversee the Recovery Audit Program, underpayment determinations that are paid to providers, and appeal reversals, the Medicare FFS Recovery Audit Program returned $3.03 billion to the Medicare trust funds in FY 2013 (see Appendix B). The CMS spent $454.1 million to operate the Medicare FFS Recovery Audit Program, of which $301.7 million were contingency fees paid to Recovery Auditors. Administrative costs such as processing appeals, adjusting

claims, support contractors, and oversight of the program accounted for the additional $152.4 million. Administrative costs do not include the operational costs to OMHA and the DAB for processing Recovery Audit Program appeals. Because the amount of improper payments that were identified in FY 2013 increased significantly over the previous year, contingency fees and the costs to process the additional claims and appeals increased as well.

Compared to overall FFS expenditures, the amount collected by Recovery Auditors is relatively small. Recovery Auditors collected less than 1 percent of the over $481 billion that Medicare pays in Part A and B benefits in FY 2013(Appendices D2 and D3).

The Region C Recovery Auditor, Connolly, had the most corrections in terms of both overpayments and underpayments. See Appendix C for corrections information broken down by each state. Figure 2 shows that the majority of improper payments in FY 2013 were from Part A claims, with two percent each coming from Part B and DME claims. Appendix E shows the breakdown of improper payment corrections by both claim type and Recovery Auditor.

Over 94 percent of these overpayments (more than $3.4 billion) are from inpatient hospital claims Many of the top overpayment determinations in FY 2013 were due to short-stay inpatient hospital admissions. Many short-stay inpatient hospital services should have been provided in the outpatient setting and the documentation fails to demonstrate medical necessity for the inpatient setting. These admissions also represent a significant portion of Medicare's FFS error rate. The CMS has implemented several policy clarifications and modifications to help reduce these types of errors, which are discussed more in-depth in the next section of this report.

Although the Recovery Auditors performed more automated reviews (over 56 percent) than semi-automated and complex reviews, the vast majority of the improper payments collected came from complex reviews (over 95 percent). Appendix H shows more information about the improper payment and claim corrections by the type of review performed.

Appeals

CMS strives to lower the appeal rate to decrease provider burden and administrative costs of the program. In FY 2013, providers initially appealed 500,629 claims, which constituted 30.7 percent of all claims with overpayment determinations (Appendix K1). Throughout all levels of appeal, providers appealed 836,849 claims. Of the total claims appealed, 151,645 claims were overturned with decisions in the provider's favor (18.1 percent). Overall, only 9.3 percent of all Recovery Auditor determinations were challenged and later overturned on appeal in FY 2013 (see Appendix K5).

Appeals are overturned for a variety of reasons including:

- ALJs are bound by Medicare statute, National Coverage Determinations (NCDs), and CMS rulings. ALJs are required to provide deference to, but are not bound by, CMS manuals or Local Coverage Determinations (LCDs). By contrast, Recovery Auditors are required to make their claim decisions based on all CMS policies including manuals and LCDs. This creates discrepancies between the ALJ decisions and the Recovery Auditor decisions.[9]

- In many Part B denials providers can easily correct and resubmit some claims after the overpayment determination. For example, they can add a missing modifier to the claim that makes it payable.

- Providers often produce additional documentation that was not provided to the Recovery Auditors at the time they made their original decision. Recovery Auditors give providers multiple attempts to provide documentation supporting their claim. However, it sometimes is only produced when a provider receives an overpayment determination and then subsequently files an appeal.

The receipt of an appeal and the reversal of a Recovery Auditor decision do not necessarily mean the Recovery Auditor was incorrect in its determination. Automated and semi-automated reviews are often denied correctly. However, as noted above, the provider can correct the claim during the appeals process by adding a modifier, correcting the number of units of service, or modifying the claim so that it follows CMS policy for payment. In these cases, the Recovery Auditor was correct in its determination. The CMS believes these corrections should be reported as a separate category and continues to improve data sharing and reporting capabilities between contractors to try and account for these corrections.

Outpatient Therapy Reviews

Due to a steady increase in therapy spending over the past few years, President Obama signed into law the American Taxpayer Relief Act (ATRA) of 2012, which extended the Medicare Part B Outpatient Therapy Cap Exceptions Process through December 31, 2013. Section 603 of this Act contains a number of Medicare provisions which directly impact the medical review threshold for outpatient therapy caps. Provisions of the Financial Limitation for Outpatient Therapy Services – Section 3005 of the Middle Class Tax Relief and Job Creation Act of 2012 required CMS to temporarily apply therapy caps (and related provisions) to the therapy services furnished in an outpatient hospital between the dates January 1, 2013 through December 31, 2013[11].
Claims for therapy services that have exceeded the threshold cap for the year require complex medical review. There are two separate thresholds that trigger the medical review process:

- A $3,700 cap for Occupational Therapy (OT) services per year, per beneficiary.
- A $3,700 combined cap for Physical Therapy (PT) and Speech Language Pathology (SLP) services per year, per beneficiary. Note: Although PT and SLP services are combined for triggering the threshold, medical review is conducted separately by discipline.

The therapy cap applies to all Part B outpatient therapy settings and providers including:

- Private Practices
- Part B Skilled Nursing Facilities
- Home Health Agencies (TOB 34X)
- Outpatient Rehabilitation Facilities (ORFs)
- Rehabilitation Agencies (Comprehensive Outpatient Rehabilitation Facilities)
- Outpatient Hospitals

In states involved in the prepayment review demonstration, applicable therapy claims above the cap are flagged for review before payment. In the remaining states, these claims are paid upon claim submission, and then held for immediate Recovery Auditor post-payment review. In most circumstances, the Recovery Auditors reviewed these claims within 10 business days.