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**MAY 24 2010**

**TRINITY COUNTY  
SUPERIOR COURT**

**Trinity County Grand Jury  
2009-2010**

**FILED**

**MAY 27 2010**

**CLERK OF THE SUPERIOR COURT  
COUNTY OF TRINITY  
BY: STACI WARNER, DEPUTY CLERK**

**Health and Human Services Committee  
HHR2009/2010-001  
Final Report**

**Mountain Communities Healthcare District  
Hospital Investigation**

This report was Approved  
on May 27, 2010

**Approved May 4, 2010**

A handwritten signature in black ink, appearing to read "Ronald D. Ward", written over a horizontal line.

**Ronald D. Ward**

## **Trinity County Grand Jury 2009/2010**

### **Health and Human Services Committee**

#### **Mountain Communities Healthcare District Hospital Investigation**

##### **Summary**

The Trinity County Grand Jury elected to review the Mountain Communities Healthcare District (the District) including the Hospital, the District's hiring of a new chief executive officer, and its progress towards financial stability of the Hospital in Weaverville. Since public funds, through a parcel tax, are being used to supplement the District, the Grand Jury has authority to investigate the District's progress. The Grand Jury found a record of improvement year-on-year since the District was formed in June of 2007. Risks still remain with regard to potential bad debt, cash flow and profitability.

##### **Background**

The Hospital in Trinity County has been a major source of concern and controversy in past years due to the Hospital's constant financial problems. Regardless of the concerns, a majority of Trinity County residents felt that a Hospital in the County was important. Numerous approaches over the years have been tried unsuccessfully and the burden on the County continued. In 2007 the Mountain Communities Healthcare District was formed. This effectively removed the Hospital as a direct liability to the County. By voter approval, a special parcel tax was approved to supplement the Hospital's earned income, and help maintain financial stability, of the Hospital. In December 2008, the Hayfork Clinic was purchased and began operating as part of the District, on January 7, 2009, to better serve the County.

##### **Method of Investigation**

The Trinity County Grand Jury, Finance and Administration Committee, interviewed the Chairman of the Board of Directors of the District, as well as the Chief Executive Officer (CEO). The investigation focused on performance of the District from June 1, 2007, when it was formed, until the end of 2009. Metrics for evaluation included: bad debt, delinquent accounts receivable, revenue, operating expense and profitability. Financial records were provided by the Hospital to support these subjects. The financial records for 2007 through 2009 were analyzed for performance trends.

## **Discussion**

### Mountain Community Healthcare District

The Mountain Community Healthcare District was formed in mid-2007. This effectively separated the Hospital from the County as a direct liability. Subsequently, a parcel tax on home and landowners of Trinity County, was approved by County voters. The parcel tax expires in 2011.

### CEO/CFO hiring

In 2009, a new CEO for the Hospital was hired, at a salary of \$210,000, plus benefits of \$5,825 and a car allowance of \$15,000, for a total annual cost of \$230,825. The new CEO had been a consultant working for the Hospital as the Chief Financial Officer (CFO). The New CEO retained his responsibilities as CFO, as well as the new position, while becoming an employee of the Hospital. The prior CEO had a salary of \$159,000 plus benefits of \$15,500, for a total of \$174,500. The annual consulting fee for the CFO was \$150,000, plus \$12,000 for expenses. The total cost annually for the two positions was \$336,000. When compared to the new CEO/CFO salary structure there is a savings to the Hospital of \$105,675 annually.

To determine the appropriate compensation to be paying the Hospital CEO, the Board of Directors of the District acquired the “2006 Executive Compensation Report”, a survey from FutureSense Inc. The survey used salary data from the following organizations: California Hospital Association, Hospital Association of Southern California, Hospital Council of Northern and Central California and Hospital Association of San Diego and Imperial Counties. The survey determined that as of March 1, 2006, the midpoint of salaries for CEO of a rural Hospital in California was \$230,695. Based on this survey, the salary of the new CEO was justified and the savings from combining the two jobs was a benefit to the Hospital.

### Hayfork Clinic

The Hayfork Clinic was acquired on December 31, 2008, from a private party. The Clinic began operating as part of the District on January 7, 2009. The transfer of ownership of the Clinic delayed payments from Medicare and Medi-Cal. Operating costs for the Clinic were incurred by the Hospital from January 7, 2009, while payments from Medicare and Medi-Cal were delayed in part into 2010.

## Bad Debt

In 2007 the Hospital wrote off \$1,016,831 in bad debt, subsequently, \$490,625 was written off in 2008 and \$209,484 in 2009. The initial write-offs were to clear the financial records (books) of long-term debt not written off in prior years. Continuing bad debt write-offs will occur when charges are incurred by individuals who cannot pay, such as welfare patients or others who refuse to pay. It is now the practice of the Hospital to write these bad debts off immediately and not let them build up over time.

## Billings

In the past, billings to patients have been incorrect, delayed or never received. Billings to Medicare and Medi-Cal and health care insurance companies were often submitted incorrectly, or not at all resulting in loss to the Hospital and inconvenience to the patients. A consulting firm was contracted with in February of 2010 to review all billings for accuracy, completeness and timeliness of submittals to Medicare, Medi-Cal, commercial health care insurance companies and uninsured patients. The consulting company was selected for its experience in working with Hospitals in small communities.

An updated Charge Description Master list (CDM) has been generated, and is in use by the Hospital, which covers all costs for services provided by the Hospital. This will result in more accurate and timely billings to patients as well as more complete recovery of Hospital operating expenses.

In 2009 a review of the CDM was conducted for 2008 and 2009 and found that a total of \$642,132 in charges for the emergency room was not taken. These costs are now being recovered by billing to the various payers.

Accounts Receivable (Monies billed but not yet received by the Hospital)

Accounts receivable at the end of each year, 2007 through 2009 were:

2007	2008	2009
\$4,713,725,	\$4,806,314	\$4,724,595

As a percentage of revenue this represents 41%, 40.6% and 36.8% respectively. The amounts noted are billings by the Hospital for which payment is reasonably expected. This includes: Medicare, Medi-Cal, Blue Cross, CMSP (a California indigent program), commercial health care insurance companies and uninsured patients.

These results would be an indication of improved collections on the part of the Hospital, considering the increase in revenue, if not for the increase in the Accounts Receivable over one hundred and eighty (180) days (payments not made on billings sent out over 180 days ago). In 2008 accounts receivable over 180 days was \$1,492,858 and in 2009 the amount increased to \$3,437,595.

The Accounts Receivable for 2009 over 180 days is, except for \$702,575, owed by Medicare, Medi-Cal, Blue Cross, CMSP and commercial health care insurance companies. \$1,385,891 is due from these carriers for the Hayfork Clinic (due to delay of payment while change of ownership occurred), price increases (compared to 2008) and charges not taken in 2008 and 2009 for emergency room services. While the Hospital currently believes there to be a reasonable expectation of payment, there is still the risk that some of this may result in bad debt write-off at some later date and impact the financial results for the year taken.

The \$702,575 is owed by uninsured patients. The uninsured patients owing money at the end of 2008 in excess of 180 days was \$98,624. This large increase in delinquent payments is due in part to an additional patient base at the Hayfork Clinic, a change in Medi-Cal that deleted adult dental service coverage, and increases in the price of services. While the Hospital currently believes there to be a reasonable expectation of payment, there is still the risk that some of this may result in bad debt write-off at some later date and impact the financial results for the year taken. Collections are identified as a priority of the Hospital management.

#### Revenue

The revenue for 2007 through 2009, including the Parcel tax, for the District was:

2007	2008	2009
\$11,514,250	\$11,995,393	\$12,830,685

The revenue has increased in each of the two years (4.4% and 7.5% respectively without the Hospital tax) following the formation of the District. The largest increase in 2009 resulted from the inclusion of the Hayfork Clinic and a price increase for services provided. In 2009 the increase in revenue did not keep up with operating cost (7.0% as compared to 10.6%), and profit declined.

#### Operating expenses

The operating expense for 2007 through 2009 for the District was:

2007	2008	2009
\$11,182,168	\$11,586,842	\$12,805,843

Expenses increased in 2008 and 2009 by 3.6% and 10.6% respectively, with the 2009 expenses driven up in part with the addition of the Hayfork Clinic. (See attachment B)

## Profit/Loss

The profitability of the District has two aspects that are of interest to the taxpayers of Trinity County, net operating profit/loss before and after addition of Hospital tax. The table below shows the results for 2007 through 2009.

	2007	2008	2009
Net Operating Profit/Loss	\$ -618,780	\$ -401,225	\$ -749,521
Hospital Tax	\$ 950,862	\$ 809,776	\$ 869,950
Net Income	\$ 332,082	\$ 408,551	\$ 120,429

The addition of operating expenses for the Hayfork Clinic for all of 2009, without payment by Medi-Cal and Medicare as well as late submittal of emergency room charges for 2008 and 2009, directly affected cash flow in 2009. Recovery of these delinquent accounts receivable, and others noted, remain a risk to the Hospital's cash flow and profitability.

## Line of Credit

Due to large variations in revenue from month-to-month there has been continuing concern about the Hospital being able to pay its bills and salaries to its employees. Normally companies have a permanent line of credit with a financial institution to cover day-to-day operations since cash flow does not always track in line with payment of operating expenses. The Hospital is currently in negotiation with a bank for an expansion of its current line of credit from \$250,000 to a higher amount to cover these variations in operating expense, cash flow and provide for future needs. The initial \$250,000 was used to cover expenses of the Hayfork Clinic while Medicare and Medi-Cal payments were delayed. An emergency back-up agreement with the Trinity Public Utilities District (TPUD) is in place until a permanent line of credit is achieved.

## Strategic Planning

Initial strategic planning meetings occurred in April and July of 2009, to look at the next 3, 5 and 10 years for growth of the Hospital. Although there was a good exchange of ideas, it has not yet been finalized into a financial strategic plan. Extensive effort is planned for the first half of 2010 to develop the strategic plan.

## **Findings/ Recommendations**

### Finding 1:

The current CEO/CFO was hired at a competitive compensation.

Recommendation 1:

None.

Finding 2:

The CEO and CFO positions were combined at a significant savings to the Hospital.

Recommendation 2:

None.

Finding 3:

Revenues continue to rise based on the actions of the District management by increasing fees for services and the acquisition of the Hayfork Clinic.

Recommendation 3:

The District should submit to the Board of Supervisors and the Grand Jury, a plan annually on how and when revenue will increase and/or operating expense will decrease to achieve sustained profitability.

Finding 4:

2009 operating expenses rose faster than revenue.

Recommendation 4:

The District should continue measurements of revenue, operating costs, accounts receivable, accounts payable, cash flow, reserves, line of credit and profit, as well as actions taken to remedy inadequacies. This report should be submitted to the Trinity County Board of Supervisors and the Trinity County Grand Jury on a quarterly and annual basis.

Finding 5:

Accounts Receivable (greater than 180 days) rose dramatically between 2008 and 2009 due in part to late payments from Medicare, Medi-Cal, Blue Cross, CMSP, commercial health care insurance companies and uninsured patients.

Recommendation 5:

The District should continue measurements of performance by the Hospital for collection and billing cycles (aging report). The District should submit the report to the Trinity

County Board of Supervisors and the Trinity County Grand Jury on a quarterly and annual basis.

Finding 6:

A consulting firm has been contracted to insure accuracy, completeness and timeliness of billing submittals to Medicare, Medi-Cal, uninsured patients and commercial health care insurance carriers in order to improve Accounts Receivable.

Recommendation 6:

Establish continuing measurements of performance by the consultant for billing and collection cycles (aging report). Report on a quarterly and annual basis to the Trinity County Board of Supervisors and the Trinity County Grand Jury.

Finding 7:

Bad debt has been reduced and is now managed with appropriate write-offs in a timely manner.

Recommendation 7a:

The District should establish a monthly assessment of accounts receivable for bad debt and write off monthly.

Recommendation 7b:

Bad debt should be turned over to a contracted collection agency for possible recovery.

Finding 8:

Profitability is still not achievable without the parcel tax that expires in 2011. Due to the large delinquent accounts receivable, and lacking a financial strategic plan, it is not possible to forecast beyond the current year if the District will be able to operate profitably without the parcel tax.

Recommendation 8:

The performance of the Hospital should be reviewed annually with the Trinity County Board of Supervisors and the Trinity County Grand Jury as long as the parcel tax is in effect.

Finding 9:

Strategic planning activities occurred in 2009. No financial plan, with goals, has yet been set for 3, 5 and 10 years out.

Recommendation 9:

Strategic planning by the District needs to proceed on a regular basis until long-term strategic planning is completed. Without a plan it is not possible to project when, or if, profitability will occur, or if further expansion and improvements to the Hospital can be made.

Finding 10:

A permanent line of credit has not been established although an emergency line of credit has been put in place with the TPUD.

Recommendation 10:

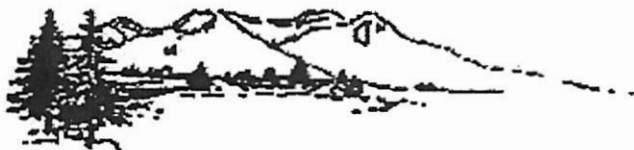
Due to the wide variation in month-to-month cash flow and operating expense, a permanent continuing line of credit is essential to day-to-day operations of the Hospital. Every effort should be made to put this in place at the earliest possible date.

**Responses Required**

In accordance with California Penal Code 933.05 a response is required as indicated below.

<u>Respondent</u>	<u>Finding/Recommendation</u>	<u>Due date</u>
Hospital CEO/CFO	1,2,3,4,5,6,7,8,9,10	60 days
MCHD Board of Directors	1,2,3,4,5,6,7,8,9,10	60 days
Board of Supervisors	1,2,3,4,5,6,7,8,9,10	90 days

The governing bodies indicated above should be aware that comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.



**Trinity County Health and Human Services Department**

Linda Wright, Director  
51 Industrial Park Way, #1,  
P.O. Box 1470  
Weaverville, CA 96093-1470  
Phone: (530) 623-8250 or (800) 851-5658  
Fax: (530)-623-1425

TO: The Honorable James P. Woodward,  
Presiding Judge of the Superior Court

CC: Wendy Tyler, Deputy CAO/Clerk of the Board

FROM: *Linda Wright*  
Linda Wright, Director

SUBJECT: Response to Recommendations of 2009-10  
Grand Jury Committee Final Report  
Re: "Youth Services and Family Services Review"

DATE: July 27, 2010

RECEIVED  
AUG 02 2010  
Trinity County  
Board of Supervisors  
By: \_\_\_\_\_

The Grand Jury Health and Human Services Committee has requested a written response to their final report on the Youth and Family Services Review. In my capacity as Director of Trinity County Health and Human Services, my response is as follows:

**Finding #1:** TCHHS remains at the forefront of social work practices through active participation in state projects, such as the Eleven County Project.

**Response:** I agree.

**Recommendation #1:** TCHHS is to be commended for their efforts.

**Response:** The recommendation will be implemented at the next full staff meeting on August 12, 2010.

**Finding #2:** The loss of the AmeriCorps workers has reduced frontline support for families who are at risk for abuse and neglect.

**Response:** I disagree. When CPS lost AmeriCorp volunteers, other strategies were implemented to ensure that front line support for families was provided. CPS utilized the services of a grant funded Substance Abuse Counselor, a public health nurse, and a foster youth liaison (all have workstations in the unit) to provide additional support for families with specialized needs in these areas.

**Recommendation #2:** TCHHS should partner with another community agency or collaborator to provide frontline support for families who are at risk for abuse and neglect.

**Response:** CPS will continue to partner with and/or fund the above positions to continue to provide services to children and their families in our community that are at risk of abuse or neglect. Additionally, CPS and HRN have entered into a contract to provide additional support to families at the point of referral. The contract with HRN is for the 2010-2011 fiscal year.

**Finding #3:** TCHHS has no written intake procedure delineating specific procedures for Differential Response assignment and follow-up.

**Response:** I agree. CPS did not have a working policy and procedure for Differential Response at the time of the grand jury investigation.

**Recommendation #3:** TCHHS should develop a guide for referrals that are evaluated and referred to community partners, and referrals that present moderate risk to the child.

**Response:** CPS has contracted with HRN for the 2010-2011 fiscal year to provide Differential Response services in our community. DR training will begin for HRN staff on 08/12/2010. Draft referral forms and tracking sheets have already been created and will be utilized so the Department can determine what services are provided.

**Finding #4:** TCHHS does not track the number of families served through the DR pathways.

**Response:** I agree.

**Recommendation #4:** TCHHS should track the number of families served through the DR pathways.

**Response:** CPS did not track the number of families served through DR, however, the documentation was available through the CWS/CMS system. CPS has completed draft referral forms and tracking sheets to determine the number of families served and what services they were offered and which ones they participated in.

**Finding #5:** TCHHS has engineered strong, close relationships with county agencies and community partners.

**Response:** I agree.

**Recommendation #5:** They are to be commended for their efforts.

**Response:** The recommendation will be implemented at the next full staff meeting on August 12, 2010.

**Finding #6:** TCHHS is shifting from a Team Decision Making approach to a Family Group Meeting approach for placement, monitoring, and discussing family progress.

**Response:** I agree.

**Recommendation #6:** In implementing the Family Group Meeting approach, TCHHS should develop written tools for meeting documentation as well as written policies and procedures, and evaluate their effectiveness on an ongoing basis.

**Response:** CPS does intend to shift from the Team Decision Making approach to a Family Group Meeting Approach in the next 3 years as documented in our SIP. CPS will work to develop policies and procedures for the implementation of Family Group Meetings. CPS will also contract with UC Davis for training and evidenced based research related to FGM's in an effort to formalize the process and implement it effectively within the next 3 years as referenced in our SIP.

**Finding #7:** There is a desperate need for in-county foster homes. The current out-of-county placements put undue hardships on the children and their families

**Response:** I agree.

**Recommendation #7:** TCHHS should continue its efforts to obtain local foster homes.

**Response:** There will always be a need for quality in-county foster placements for the children in our community. CPS is actively working with two foster family agencies and State Adoptions to increase awareness of the need for foster homes in this county. CPS also met with the principals of each school in the county to provide information about how this issue affects them and have been asked to provide more localized informational meetings regarding the need for foster homes at their schools sites. It is the hope of CPS that some new placements will come from these meetings. CPS also continues to advertise the need for foster homes in our county through advertising at the local cinema. CPS has acquired more creative, thought provoking designs for the 2010-2011 fiscal year that will created in the coming months.

**Finding #8:** TCHHS community agencies and partners, as well as community members, participate in the Peer Quality Case Reviews and the County Self Assessment.

**Response:** I agree.

**Recommendation #8:** They are to be commended for their participation.

**Response:** The recommendation will be implemented at the next full staff meeting on August 12, 2010.



*Approved  
7/29/10  
JLM*

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## Memorandum

**To: James P. Woodward, Judge of Trinity Superior Court**

**From: MCHD Board of Directors and CEO/CFO**

**Date: July 28<sup>th</sup>, 2010**

**Re: Response to the Grand Jury Report**

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In response to the Grand Jury Report, dated May 28<sup>th</sup>, 2010, please see as follows:

Correction to Page 4, Bad Debt:

Charges for individuals who cannot pay are waived as charity care, and are not recorded as revenue. Therefore, there is no "bad debt" write off, of these charges.

Response to Finding 3, Recommendation 3.

The MCHD Board of Directors will take this recommendation under advisement. The District is an independent government agency. It reports to its constituency on a regular basis. The District will continue to make its financial records available to the public.

Response to Finding 4, Recommendation 4.

The MCHD Board of Directors agrees with the first sentence of this Recommendation. The MCHD Board of Directors will take this recommendation to implement the second sentence under advisement.

Response to Finding 5, Recommendation 5.

The MCHD Board of Directors agrees with the first sentence of this Recommendation. The MCHD Board of Directors will take this recommendation to implement the second sentence under advisement.

Response to Finding 6, Recommendation 6.

The MCHD Board of Directors agrees with the first sentence of this Recommendation. The MCHD Board of Directors will take this recommendation to implement the second sentence under advisement.

Response to Finding 7, Recommendation 7a.

The MCHD Board of Directors agrees, and is implementing the recommendation.

Response to Finding 7, Recommendation 7b.

The MCHD Board of Directors agrees, and is implementing the Recommendation.

Response to Finding 8, Recommendation 8.

The MCHD Board of Directors will take this recommendation under advisement. The District is an independent government agency. It reports to its constituency on a regular basis. The District will continue to make its financial records available to the public.

Response to Finding 9, Recommendation 9.

The MCHD Board of Directors agrees with the Recommendation. The MCHD Board of Directors points out that this year it adopted a capital improvements budget, an important part of a strategic plan. Presently, it appears unlikely the District will be "profitable"; like most other small rural hospitals, it will need to rely on community support in the form of a tax.

Response to Finding 10, Recommendation 10.

The MCHD Board of Directors agrees with the Recommendation and has been working on implementing it by 1) obtaining audited financial statements, 2) employing experienced management, and 3) operating in a financially responsible manner.



# TRINITY COUNTY

Board of Supervisors

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093

PHONE (530) 623-1217 FAX (530) 623-8365

**RECEIVED**

SEP 13 2010

TRINITY COUNTY  
SUPERIOR COURT

TO: The Honorable James Woodward,  
Presiding Judge of the Superior Court

FROM: Trinity County Board of Supervisors

SUBJECT: Response to 2009-10 Trinity County Grand Jury  
Health and Human Services Committee  
Mountain Communities Healthcare District  
Hospital Investigation Final Report

DATE: September 7, 2010

*Received  
MK  
9/14/10*

The Grand Jury Health and Human Services Committee has requested a written response to their final report on the Mountain Communities Healthcare District Hospital Investigation. The Board of Supervisors' response is as follows:

**Finding #1:** The current CEO/CFO was hired at a competitive compensation.

Response: The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 1:** None.

Response: No response

**Finding 2:** The CEO and CFO positions were combined at a significant savings to the Hospital.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 2:** None.

Response: No response

JUDY PFLUEGER  
DISTRICT 1

JUDY MORRIS  
DISTRICT 2

ROGER JAEGEL  
DISTRICT 3

HOWARD FREEMAN  
DISTRICT 4

WENDY OTTO  
DISTRICT 5

**Finding 3:** Revenues continue to rise based on the actions of the District management by increasing fees for services and the acquisition of the Hayfork Clinic.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 3:** The District should submit to the Board of Supervisors and the Grand Jury, a plan annually on how and when revenue will increase and/or operating expense will decrease to achieve sustained profitability.

**Response:** Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors. Therefore, the Board of Supervisors can not make any determination as to the implementation or not of this recommendation. Should the MCHD Board chose to implement this recommendation, the Board of Supervisors would be supportive of their efforts.

**Finding 4:** 2009 operating expenses rose faster than revenue.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 4:** The District should continue measurements of revenue, operating costs, accounts receivable, accounts payable, cash flow, reserves, line of credit and profit, as well as actions taken to remedy inadequacies. This report should be submitted to the Trinity County Board of Supervisors and the Trinity County Grand Jury on a quarterly and annual basis.

**Response:** Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors. Therefore, the Board of Supervisors can not make any determination as to the implementation or not of this recommendation. Should the MCHD Board chose to implement this recommendation, the Board of Supervisors would be supportive of their efforts.

**Finding 5:** Accounts Receivable (greater than 180 days) rose dramatically between 2008 and 2009 due in part to late payments from Medicare, Medi-Cal, Blue Cross, CMSP, commercial health care insurance companies and uninsured patients.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 5:** The District should continue measurements of performance by the Hospital for collection and billing cycles (aging report). The District should submit the report to the Trinity County Board of Supervisors and the Trinity County Grand Jury on a quarterly and annual basis.

**Response:** Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors. Therefore, the Board of Supervisors can not make any determination as to the implementation or not of this recommendation. Should the MCHD Board chose to implement this recommendation, the Board of Supervisors would be supportive of their efforts.

**Finding 6:** A consulting firm has been contracted to insure accuracy, completeness and timeliness of billing submittals to Medicare, Medi-Cal, uninsured patients and commercial health care insurance carriers in order to improve Accounts Receivable.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 6:** Establish continuing measurements of performance by the consultant for billing and collection cycles (aging report). Report on a quarterly and annual basis to the Trinity County Board of Supervisors and the Trinity County Grand Jury.

**Response:** Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors. Therefore, the Board of Supervisors can not make any determination as to the implementation or not of this recommendation. Should the MCHD Board chose to implement this recommendation, the Board of Supervisors would be supportive of their efforts.

**Finding 7:** Bad debt has been reduced and is now managed with appropriate write-offs in a timely manner.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 7a:** The District should establish a monthly assessment of accounts receivable for bad debt and write off monthly.

**Response:** No response

**Recommendation 7b:** Bad debt should be turned over to a contracted collection agency for possible recovery.

**Response:** No response

**Finding 8:** Profitability is still not achievable without the parcel tax that expires in 2011. Due to the large delinquent accounts receivable, and lacking a financial strategic plan, it is not possible to forecast beyond the current year if the District will be able to operate profitably without the parcel tax.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 8:** The performance of the Hospital should be reviewed annually with the Trinity County Board of Supervisors and the Trinity County Grand Jury as long as the parcel tax is in effect.

**Response:** Mountain Community Healthcare District is an independent district, formed by and financially supported in part by the taxpayers and is not under the purview of the Board of Supervisors. Therefore, the Board of Supervisors can not make any determination as to the implementation or not of this recommendation. Should the MCHD Board chose to implement this recommendation, the Board of Supervisors would be supportive of their efforts.

**Finding 9:** Strategic planning activities occurred in 2009. No financial plan, with goals, has yet been set for 3, 5 and 10 years out.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 9:** Strategic planning by the District needs to proceed on a regular basis until long-term strategic planning is completed. Without a plan it is not possible to project when, or if, profitability will occur, or if further expansion and improvements to the Hospital can be made.

**Response:** No response

**Finding 10:** A permanent line of credit has not been established although an emergency line of credit has been put in place with the TPUD.

**Response:** The Board neither agrees nor disagrees with the finding. Mountain Community Healthcare District is an independent district, formed by and financially supported by the taxpayers and is not under the purview of the Board of Supervisors.

**Recommendation 10:** Due to the wide variation in month-to-month cash flow and operating expense, a permanent continuing line of credit is essential to day-to-day operations of the Hospital. Every effort should be made to put this in place at the earliest possible date.

**Response:** No response