



Presentation to Pajaro Valley Health Care District Hospital

# Transition Planning Update Report

Close and Post-Close Planning Considerations

## Transition Update Overview

- ❑ FTI was engaged to produce an implementation plan for five functional areas
  - ✓ Communications
  - ✓ Finance and Accounting
  - ✓ Human Resources
  - ✓ Purchasing
  - ✓ Physician Agreements
  - ✓ Revenue Cycle
- ❑ Guidehouse has been retained to renegotiate managed care contracts
- ❑ IT Optimizers is leading the IT transition and has completed an IT assessment in partnership with Kaiser Permanente
- ❑ Today's report is a briefing on the FTI work streams
- ❑ Next steps – resource assignment – Options include:
  1. “Succumbence” of existing employees
  2. Further engagement of FTI
  3. Engagement of other interim resources

# Work Stream 1 - Communications | Key Project Plan Milestone and Tasks

MILESTONE	TASK
2.1 – Map out and align on roles and responsibilities within the Communications Working Group as well as review and approval process	Complete
2.2 – Determine channels to reach each stakeholder group moving forward	Complete
2.3 – Keep Communications Inventory updated on a regular basis, reviewing on weekly Communications Working Group Calls	Ongoing
2.4 – Develop Close Communications Plan, inclusive of a list of necessary materials for each stakeholder group as well as a timeline for the development and rollout of those materials	2.4.1 – Develop initial framework of Plan and review Materials List during weekly Communications Working Group Call
	2.4.2 – Continue to keep Close Communications Plan updated on a regular basis, refining in preparation for Close
2.5 – Develop and align on go-forward Close Key Messages	2.5.1 – Draft initial iteration of Key Messages
	2.5.2 – Review initial draft of Key Messages and incorporate feedback from Communications Working Group
	2.5.3 – Secure subsequent reviews of Key Messages and finalize
2.6 – Partner with functional teams to understand and map out any near-term change impacts with communications implications	2.6.1 – Hold communications-focused calls with necessary Functional Leaders to inform and refine Close Communications Plan
	2.6.2 – Partner with functional teams on inputs to Master Q&A
	2.6.3 – Hold Day One Readiness Call(s) with Communications Working Group and Functional Leaders to ensure preparedness
2.7 – Develop remaining core communications materials for Close as outlined in the Close Communications Plan	2.7.1 – Draft Close Press Release and Master Q&A, circulating for initial feedback from Communications Working Group
	2.7.2 – Secure subsequent reviews of Close Press Release and Master Q&A, partnering with functional teams on inputs to Master Q&A and updating per feedback received
	2.7.3 – Continue to refine and finalize Close Press Release and Master Q&A
2.8 – Develop stakeholder communications materials for Close as outlined in the Close Communications Plan	2.8.1 – Draft Stakeholder Emails, circulating for initial feedback from Communications Working Group
	2.8.2 – Once feedback on Stakeholder Emails is received, continue to draft Talking Points and Toolkit Cover Notes for each audience as outlined in the Close Communications Plan
	2.8.3 – Continue to refine and finalize all stakeholder communications

# Communications | Snapshot of Day 1 Communications Materials and Strategy\*

Audience	Example Day 1 Outreach Strategy	Example Communications Assets
<b>ALL EMPLOYEES</b>	<ul style="list-style-type: none"> <li>▪ Email to all employees</li> <li>▪ Equip with resources to address questions</li> <li>▪ Meetings with functional teams or department leaders</li> <li>▪ Day 1 celebrations (<i>For example, in-person celebrations with food if possible</i>)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employee Email</li> <li>▪ Employee FAQs</li> </ul> <p>Note: Consider aggregating Day 1 assets for employees into a Day 1 Readiness Guide (or similar)</p>
<b>SENIOR LEADERS</b>	<ul style="list-style-type: none"> <li>▪ Equip with resources to discuss transaction with and address questions from their teams</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leader Toolkit, including:               <ul style="list-style-type: none"> <li>○ Talking Points for Senior Leaders</li> <li>○ Master Q&amp;A (Inclusive of All Stakeholder-Specific FAQs)</li> </ul> </li> </ul>
<b>PHYSICIANS &amp; NURSES</b>	<ul style="list-style-type: none"> <li>▪ Follow-on email to physicians and nurses</li> <li>▪ Equip with resources to address questions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Follow-On Physician and Nurse Email</li> <li>▪ Physician and Nurse FAQs</li> </ul>
<b>PATIENTS</b>	<ul style="list-style-type: none"> <li>▪ Equip Patient Service Team (or similar) with resources to address questions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Patient Service Team Toolkit, including:               <ul style="list-style-type: none"> <li>○ Patient FAQs</li> <li>○ Patient Talking Points</li> </ul> </li> </ul>
<b>COMMUNITY PARTNERS</b>	<ul style="list-style-type: none"> <li>▪ Equip relationship managers with resources to address questions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Community Partner Toolkit, including:               <ul style="list-style-type: none"> <li>○ Community Partner Email Template</li> <li>○ Community Partner FAQs</li> <li>○ Community Partner Talking Points</li> </ul> </li> </ul> <p>Note: Community Partners include elected officials (Local, Santa Cruz County, Monterey County and State) as well as key partner organizations</p>
<b>DONORS</b>	<ul style="list-style-type: none"> <li>▪ Select proactive outreach and reactive resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ Donor Email</li> <li>▪ Donor FAQs</li> <li>▪ Donor Talking Points</li> </ul>
<b>VENDORS**</b>	<ul style="list-style-type: none"> <li>▪ Equip relationship managers with resources to address questions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Vendor Team Toolkit, including:               <ul style="list-style-type: none"> <li>○ Vendor Email Template</li> <li>○ Vendor FAQs</li> <li>○ Vendor Talking Points</li> </ul> </li> </ul>

\*Illustrative and will continue to be refined in partnership with the Communications Working Group.

\*\*Supplier communications was initially designated as out of scope and, to our understanding, would be largely managed by the Supply Chain team. That said, FTI is happy to support on messaging for Close.

# Work Stream Two - Finance & Accounting | Detailed Project Plan (I of IV)

MILESTONE	TASK	SUB-TASK
1.1 Establish and/or novate new and existing bank accounts to receive and disburse payments	1.1.1 – Bank Accounts Opened: Operating, Disbursement, FSA/ Medical, and Payroll Bank Accounts with US Bank	Initiate discussion with US Bank
		Complete due diligence process on US Bank’s banking capabilities
		Gather KYC documentation for US Bank
		Submit KYC documentation to US Bank
		Receive confirmation / approval for opening bank accounts from US Bank
		Conduct due diligence on US Bank e-payment capabilities; determine and confirm whether a disbursement account with US Bank is complementary to the hospital’s payment needs
		Determine and setup ZBA structure, bank account signatories, and portal access/ entitlements
		Inform service vendors (e.g., ADP, MarshMcLennan, etc.) on new Payroll and FSA/ Medical bank accounts
	1.1.2 – Novation of bank accounts completed: Existing Bank of America (BoA) and Wells Fargo (WF) accounts	Receive approval from Trustees regarding novation of BoA and WF bank accounts
		Initiate discussion with BoA and WF on novation process
		Perform due diligence vetting process on BoA and WF payment capabilities
		Finalize Novation Agreement under new legal entity structure
		Complete signage of novation agreement under new legal entity structure
		Determine and setup signatories for BoA and WF bank accounts and portal access
		Setup automatic sweep from BoA bank accounts to US Bank Operating account
		Conduct due diligence on Wells Fargo bank e-payment capabilities. Determine and confirm whether a Disbursement account with Well Fargo Bank is complementary to the hospital's payment needs for the long-term consideration
		Inform Payor/Customer deposit information on bank account transition
		Transfer Force10 responsibilities (bank sweeps/ bank accounts) from Force10 to hospital employee(s), including removing Force 10 signatories and portal access, or an external surge resource to be hired by the Buyer

# Finance & Accounting | Detailed Project Plan (II of IV)

MILESTONE	TASK	SUB-TASK
1.2 – Establish Day 1 Financial Reporting system, structure, and procedures	1.2.1 – Complete a ‘hard’ close for June	Coordinate invoice accruals with vendors for June close
		Close AP, AR, Payroll Subledgers for June
		Perform GL Close for June
		Perform intercompany/ consolidations for June
	1.2.2 – Complete a ‘hard’ close for July month-end close GL	Coordinate invoice accruals with vendors for June close
		Close AP, AR, Payroll Subledgers for July
		Perform GL Close for July
		Perform intercompany/ consolidations for July
	1.2.3 – Developed and executed in full for a ‘Cutover Plan’ ready for Day 1	Determine payroll accrual process for employees working overnight shifts on 7/31 to 8/1
		Determine invoice accrual process for costs incurred between transition on 7/31 and onward
		Determine any tax impacts/ considerations for transacting in not-for-profit with Tax and Operation team
	1.2.4 – MedHost transition support setup fully implemented, tested, live, and ready to receive PVHDH transactions for Day 1	Conduct discussion with MedHost on (1) new instance setup or (2) leveraging existing instance and setup new legal entity
		Evaluate MedHost requirements and cost
		Setup new legal entity structure/Company Code/Instance(if necessary) in MedHost
		Review/define not-for-profit chart of account structure and evaluate OSHPD reporting requirements
		Evaluate data migration of transactional and master data from old legal entity (Watsonville) to new legal entity (PVHDH)
Extract financial data from current system		
Map existing chart of accounts to new not-for-profit chart of account reporting structure		
Upload new chart of account structure and account mapping		

# Finance & Accounting | Detailed Project Plan (III of IV)

MILESTONE	TASK	SUB-TASK
1.3 – Set up fully approved budget for Day 1 FP&A analysis to support financial decision making	1.3.1 – Set up a call with Kaufman Hall and Watsonville team to review budget	-
	1.3.2 – Review and approve strategic initiatives and assumptions of financial model	-
	1.3.3 – Revise financial model	-
	1.3.4 – Hospital CFO and management have reviewed and fully approved Kaufman Hall financial model and related initiatives for Y1 to be used as hospital budget	-
	1.3.5 – Receive approval from board on financial model	-
1.4 – Hire and onboard FP&A/ Treasury Manager to perform planning & budgeting and treasury responsibilities	1.4.1 – Coordinate with HR on job requisition	-
	1.4.2 – Submit job posting to public	-
	1.4.3 – Interview candidates	-
	1.4.4 – Select candidate	-
	1.4.5 – Perform background check	-
	1.4.6 – Buyer to engage external resource if hire/ onboarding is not complete at least 1-week prior to close	-
	1.4.7– Onboard candidate or surge resource	-
	1.4.8– Transition Force10 responsibilities from Renee to internal resource	-
	1.4.9– Offboard Force10 from hospital network	-

## Finance & Accounting | Detailed Project Plan (IV of IV)

MILESTONE	TASK	SUB-TASK
1.5 – Coordinate with all F&A service vendor contracts new legal entity/ operating structure to ensure transaction and services will be provided on Day 1	1.5.1 – Confirm that all contracts are fully assigned or re-negotiated for Day 1	-
	1.5.2 – Develop communications with third party and/or vendors on for-profit to not-for-profit conversion	-
	1.5.3 – Distribute communications to vendors on not-for-profit entity status and exemption from taxes	-



## Finance & Accounting | Risks & Issues (I of II)

Throughout the course of our assessment, FTI has determined critical risks, issues, action items, and dependencies (RAID) that must be addressed in order to facilitate a successful close execution. Below includes each RAID item, status and priority:

Ref	RAID Item	Overview	Status	Priority
1	501(c)3 IRS Filing	<ul style="list-style-type: none"> <li>In order to transition to not-for-profit organization, PVHDH must file and receive approval with IRS as not-for-profit entity. Although FTI has been informed that the filing has been initiated, PVHDH has not yet received the approval. Without the approval, PVHDH would have to operate (1) as a for-profit until the non-profit approval is received or (2) as a not-for-profit and letting vendors know that the filing is pending approval and hence decline to pay taxes. Buyer counsel should opine on this.</li> </ul>	Open	High
2	CHP Physician office 1206D conversion	<ul style="list-style-type: none"> <li>F&amp;A team needs counsel to inform conversion impact on entity, employee, and Management Service Agreement/ associated US bank account. Recommend legal counsel to opine and facilitate understanding on impact to legal entity structure, employee, etc.</li> </ul>	Open	High
3	Management Legal Entity	<ul style="list-style-type: none"> <li>PVHDH should establish separate management entity to own Management Service Agreement (MSA) with physician office (CHP) to maintain separate cost of delivery and minimize potential for hefty fines due to regulatory constraints. The issue is inducement for referral, meaning the cost to provide management services must be market and not under. FTI is unclear whether Buyer has established a separate legal entity outside of PVHDH to own agreement with CHP and it would be difficult to manage/ separate costs if not through a separate legal entity. Recommend setting up new legal entity to facilitate CHP expenses.</li> </ul>	Open	High
4	Annual Budget Review	<ul style="list-style-type: none"> <li>Hospital requires annual budget for Day 1 post-close operating. Hospital to work with Directors and functional leads on determining and reviewing operational needs and budget assumptions. FTI recommends reviewing and updating Kauffman Hall's existing financial plan to include several due diligences (e.g., service line, union re-bidding, etc.). Per Sumer's update, a meeting between KH, Sumer, Steven, and Cecilia has been scheduled for 6/6.</li> </ul>	Open	High
5	Novate Bank Accounts / Create Bank Accounts	<ul style="list-style-type: none"> <li>Novation of Bank of America and Wells Fargo bank accounts has been approved from the Trustees. Seller is in the process of reaching out to the bank to gain their approval as well as an understanding for the transition process. Initiation of bank account opening and/or determination of lead time required for bank account novation to PVHDH (bank accounts required to be open include FSA Medical, Payroll, Operating) need to happen as soon as possible. Buyer is in the process of connecting to US Bank to begin bank account opening process. Seller will assist with contacting payors, if novation is approved.</li> </ul>	Open	High

## Finance & Accounting | Risks & Issues (II of II)

Throughout the course of our assessment, FTI has determined critical risks, issues, action items, and dependencies (RAID) that must be addressed in order to facilitate a successful close execution. Below includes each RAID item, status and priority:

Ref	RAID Item	Overview	Status	Priority
6	Review MedHost capabilities and determine next steps	<ul style="list-style-type: none"><li>Watsonville Finance &amp; Accounting team requires an understanding on the steps required to setup the financial ledger in Medhost to transact in PVHDH, preserve historical financials, transfer master data, and develop cutover planning to facilitate close execution. Multiple functional dependencies on MedHost (e.g., RCM) present challenges for conversion. Team initially met with Joe DeLuca (IT Optimizer) on 5/20 and 5/25. A MedHost questionnaire has been distributed to April Wilson (MedHost account manager) for an initial planning meeting scheduled for 6/2. Another MedHost meeting is scheduled for 6/8 in which MedHost will come prepared with an approach to transition to Close.</li></ul>	Open	High

# Work Stream Three - Human Resources | Detailed Project Plan (I of VII)

MILESTONE	TASK
1.1 – Purchase Agreement (APA) Maintenance	1.1.1 - Summarize all key HR and employee-related terms, conditions, and requirements within purchase agreement, including any assumed employee obligations and purchase price adjustments/mechanisms
	1.1.2 - Understand replication requirements via maintenance of benefits provision (i.e., items for inclusion, duration)
	1.1.3 - Identify gaps or areas in need of resolution / clarification prior to Close- work with HR legal to resolve
	1.1.4 - Ensure compliance with APA
1.2 – Buyer's HR Organization Structure design (including temporary transition staffing and contractors) complete and staffed	1.2.1 - Define HR roles and responsibilities from a Buyer's perspective to handle transition activities
	1.2.2 - Vet HR Temp roles and onboard
1.3 – Employees and contractors have been transitioned from seller to buyer	1.3.1 - Confirm entity plan/structure
	1.3.2 - Determine what state laws and communications are required and need to be addressed prior to employee transfers, including union considerations
	1.3.3 - Identify how many employees (by type) will be transitioned and the transition date. Use census file to create a master list of all employees (including those on leave, both paid and unpaid) for tracking purposes
	1.3.4 - Determine elements included in transition (Termination letters, offer letters, signing bonuses, background checks, New B's)
	1.3.5 - Identify employees covered under CBA's or works councils, understand transition process (i.e., notice periods, approvals, disclosure requirements, etc.).
	1.3.6 - Determine whether any executives or other critical employees need to transition early
	1.3.7 - Meet with legal team to discuss employee transfer requirements.
	1.3.8 - Develop employee transfer tracker with key dates

# Human Resources | Detailed Project Plan (II of VII)

MILESTONE	TASK
<b>1.3 – Employees and contractors have been transitioned from seller to buyer (cont’d.)</b>	1.3.9 - Determine bargaining requirements (if any) for each union
	1.3.10 - Determine whether new Background Checks and Drug Screens are required - Signoff from Buyer's Legal
	1.3.11 - Determine whether new I-9 Verifications are required
	1.3.12 - Offer packet assembly: Offer letter, agreements, benefit related material, FAQ
	1.3.13 - Review of agreement / offer packet by legal
	1.3.14 - Determined method of delivery for offer letter and agreements
	1.3.15 - Offers/EE agreements delivered and accepted by employees
	1.3.16 - Transfer Employees Licenses/Certifications as necessary
	1.3.17 - Transfer employee files
	1.3.18 - Assessment of Any Ongoing HR Issues/ Litigation
<b>1.4 - Identify and define Contractor roles</b>	1.4.1 - Develop list of current contractors
	1.4.2 - Work with functional leaders to understand contractor roles for PVHDP
	1.4.3 - Determine transition plan / treatment for Contractors, including whether they will be assigned to Buyer at Close (or TSArequired)
	1.4.4 - Determine go-forward payment process for Contractors

# Human Resources | Detailed Project Plan (III of VII)

MILESTONE	TASK
<b>1.5 – Retirement - New 403b plan in place for Day 1 - Need to update based on MMA Project Plan</b>	1.5.1 - Legal ERISA review Can we keep for 401k vs having to create a 403b. Need signoff from Buyer's Legal
	1.5.2 - Understand any notice requirements to freeze existing 401k plan and distribute
	1.5.3 - Adopt plan resolution to Freeze existing 401k plan
	1.5.4 - Understand plan provisions, including eligibility, vesting, etc.
	1.5.5 - Understand participant balances, loans outstanding, etc.
	1.5.6 - Finalize new 403(b) plan design (mimic prior plan, make any required changes)
	1.5.7 - Determine loan treatment and administration
	1.5.8 - Negotiate fee arrangement w vendors
	1.5.9 - Communicate to Union / get any approvals
	1.5.10 - Review final vendor contracts for change from buyer provisions
	1.5.11 - Determine investment elections / lineup
	1.5.12 - Prepare investment policy statement
	1.5.13 - Finalize plan documents, SPDs, employee handbooks
	1.5.14 - Review draft of Trust Agreement and Administrative Services Agreement with Vendor (e.g., Principal)
	1.5.15 - Determine signer for documents and plan administrator
	1.5.16 - Draft Board Resolution adopting new 403(b) plan
	1.5.17 - Signed board resolution and legal documents
	1.5.18 - Notify all existing service providers of contract termination (subject to notice requirements)
	1.5.19 - Prepare materials for open enrollment / benefit presentations
	1.5.20 - Open enrollment period / communication

# Human Resources | Detailed Project Plan (IV of VII)

MILESTONE	TASK
<b>1.6 – Cash Balance (DB Plan) and Post-Retirement Medical ("OPEB") plans in place for Day 1</b>	1.6.1 - Legal ERISA review Can we keep Cash Balance Plan (or convert to DC). Need signoff from Buyer's Legal
	1.6.2 - Understand any notice requirements to freeze existing Cash Balance plan and distribute
	1.6.3 - Adopt plan resolution to Freeze existing Cash Balance plan
	1.6.4 - Understand plan provisions, including eligibility, vesting, etc.
	1.6.5 - Provide alternative DC replacement design alternatives (including cost differences), present to Client
	1.6.6 - Finalize new Defined Contribution plan design (to mimic prior Cash Balance DB plan, make any required changes)
	1.6.7 - Final approvals from Client (and legal)
	1.6.8 - Communicate to Union / get any approvals
	1.6.9 - Negotiate fee arrangement w vendors
	1.6.10 - Determine investment elections / lineup
	1.6.11 - Prepare investment policy statement
	1.6.12 - Finalize plan documents, SPDs, employee handbooks
	1.6.13 - Review draft of Trust Agreement and Administrative Services Agreement with Vendor (e.g., Principal)
	1.6.14 - Determine signer for documents and plan administrator
	1.6.15 - Draft Board Resolution adopting new DC plan
	1.6.16 - Signed board resolution and legal documents
	1.6.17 - Notify all existing service providers of Cash Balance contract termination (subject to notice requirements)
<b>1.7 - Health &amp; Welfare plans transitioned to buyer</b>	1.7.1 - Buyer to sign broker of record with Marsh
	1.7.2 - Health & Welfare Plans are transferred and ready for Day 1

# Human Resources | Detailed Project Plan (V of VII)

MILESTONE	TASK
<b>1.8 – Payroll / HRIS /Advanced time built, tested, and ready for Day 1</b>	1.8.1 - Receive baseline EE census file from seller
	1.8.2 - Collect inventory of HR/payroll systems and vendors
	1.8.3 - Decision on Advance Time Path forward
	1.8.4 - Sign Contract with ADP for Payroll " Clone and Go"
	1.8.5 - Develop day 1 employee data migration strategy (EE entry or data migration files with testing, validation, upload)
	1.8.6 - Payroll/HRIS transition strategy finalized
	1.8.7 - Submit Payroll State Tax Registrations for the new entity
	1.8.8 - Collect pay policies, wage tables, time codes and other payroll data
	1.8.9 - Provide payroll and time recording change requirements to vendors as applicable
	1.8.10 - Build/ Test payroll and T&A systems with required changes
	1.8.11 - Receive payroll data from seller to send to payroll vendor
	1.8.12 - Meeting to align with seller on payroll cutover process
	1.8.13 - Payroll/Tax Bank Accounts are setup
	1.8.14 - Upload EEs to payroll and T&A
	1.8.15 - Top-up payments uploaded to payroll, if needed
	1.8.16 - Payroll / HRIS change communications finalized
	1.8.17 - Payroll / HRIS change communications roll-out

# Human Resources | Detailed Project Plan (VI of VII)

MILESTONE	TASK
1.9 – HR Policy Harmonization	1.9.1 - Collect employee handbooks/HR policies
	1.9.2 - Determine which policies will be replicated or replaced
	1.9.3 - Work with legal to update existing handbooks/policies as needed; determine employee sign-off requirements, bargaining requirements
	1.9.4 - Develop plan to collect employee handbook acknowledgement; coordinate with internal communications
	1.9.5 - HR policies aligned
1.10 – Review open position / determine candidate & pipeline hand off strategy	1.10.1 - Ongoing review of open reqs list / staffing plans
	1.10.2 - Develop strawman version of the requisition approval process
	1.10.3 - Review open position / determine candidate & pipeline hand off strategy
	1.10.4 - Finalize communications for candidates
	1.10.5 - Communicate cutover with candidates
1.11 – Day One Communications materials and communication plan finalized and ready to go	1.11.1 - Develop key transition messages by audience (Unions, wage roll, exempt, managers, executive leaders)
	1.11.2 - Align with seller on any communications and training required before day 1 (Ex: time entry in new Advanced time module)
	1.11.3 - Develop training content and a training plan
	1.11.4 - Execute training plan
	1.11.5 - Draft employee welcome letter
	1.11.6 - Draft Day 1 announcements, newsletters, etc. (brand assets)



# Human Resources | Detailed Project Plan (VII of VII)

MILESTONE	TASK
<b>1.11 – Day One</b> Communications materials and communication plan finalized and ready to go (cont'd.)	1.11.7 - Finalize and print all employee Day 1 communications
	1.11.8 - Send "heads-up" communications to managers
	1.11.9 - Plan Day 1 celebration
	1.11.10 - Roll-out final employment agreements with benefit changes, if any
	1.11.11 - Finalize and roll-out final communications to employees with payroll schedule changes
	1.11.12 - Finalize Day 1 documentation and submit for review & approval
	1.11.13 - Day 1 communications reviewed and finalized
	1.11.14 - Distribute Day 1 and welcome information to employees
<b>1.12 – Financial - Purchase Price Adjustments, Opening Balance Sheet items, stand-alone HR TOM</b>	1.12.1 - Maintain HR financial model that captures run rate and one-time for all PVHDP HR choices - HR FTE, stand-alone benefits/fringe, and HR 3rd parties (i.e., HR vendors, HR consultants/brokers, HR legal, etc.)
	1.12.2 - Assist Finance in purchase price adjustments for all employee-related obligations, whether in Working Capital or other (e.g., PTO, 13 month bonus, defined benefit obligations)
	1.12.3 - Receipt and review of current P&L allocations for all HR-related items
	1.12.4 - Quantify opening balance sheet, and stub P&L for all HR-related obligations (link with Finance)
<b>1.13 – Governance</b>	1.13.1 - Establish benefit plan committee (select members, cadence, etc.)
	1.13.2 - Establish investment advisory / 401(k) committee (select members, cadence, etc.)
<b>1.14 – Technology Strategy</b>	1.14.1 - Confirm network access strategy (emails, active directory, single sign-on, etc.)

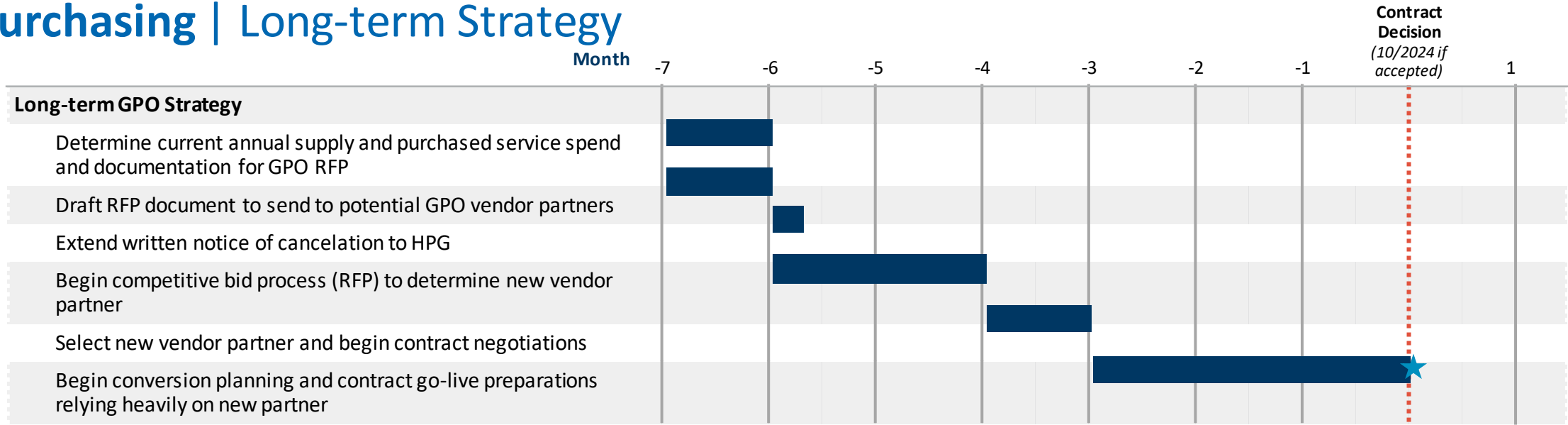
# Work Stream Four - Purchasing | Detailed Project Plan (I of II)

MILESTONE	TASK
1.1 – Make decision on renewal or termination of all contracts by workstream and pay cure amounts	1.1.1 - Create legal entity
	1.1.2 - Create contract tracker and assign owner
	1.1.3 - Distribute to workstreams and assign owners by workstream
	1.1.4 - Assign and review contracts
	1.1.5 - Finalize and sign vendor agreements
	1.1.6 - Pay cure amounts
1.2 – Finalize and sign GPO agreement	1.2.1 - Hold calls with multiple vendors (HPG, Vizient, Premier)
	1.2.2 - Vet HR Temp roles and onboard
	1.2.3 - Analyze opportunity in pricing, shareback, savings commitment
	1.2.4 - Negotiate offers
	1.2.5 – Final decision on vendor
	1.2.6 – Sign contract and plan conversion
1.3 – Finalize and sign supply distributor	1.3.1 - Determine contracting strategy (local vs GPO agreement) and confirm compliance with GPO contract
	1.3.2 - Hold calls with potential vendors
	1.3.3 - Analyze savings opportunity in conversion
	1.3.4 - Negotiate offers
	1.3.5 - Determine potential financial benefits of conversion
	1.3.6 - Finalize vendor decision
	1.3.7 - Redline contract(s)
	1.3.8 - Sign Contract and Plan Conversion

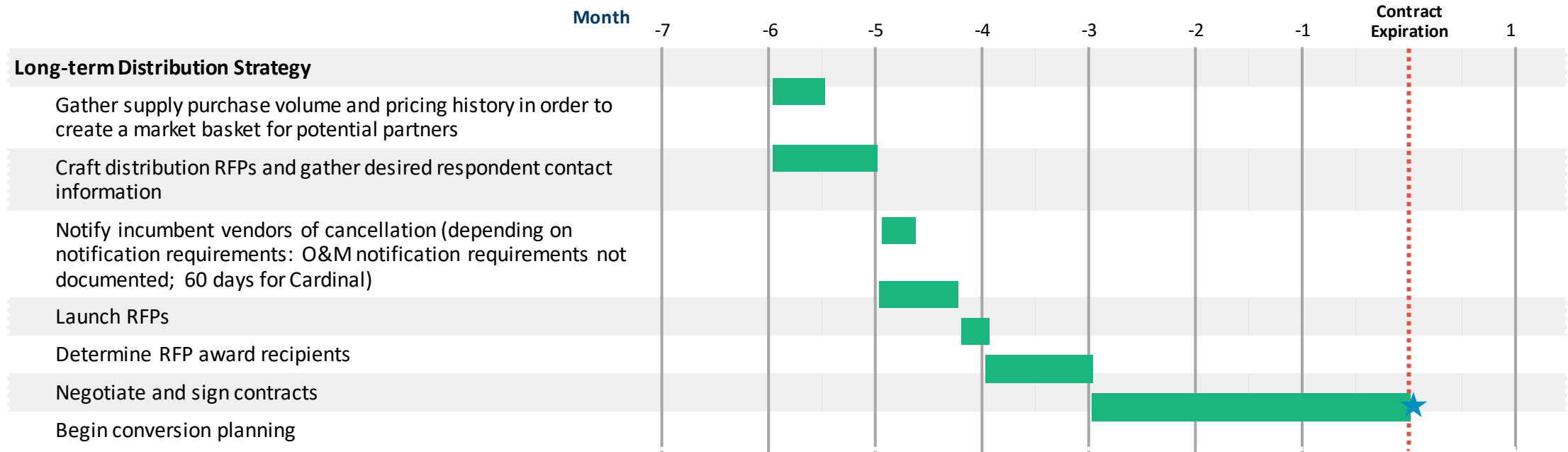
# Purchasing | Detailed Project Plan (I of II)

MILESTONE	TASK
1.4 – Finalize and sign pharmacy distributor	1.4.1 - Determine contracting strategy (local vs GPO agreement) and confirm compliance with GPO contract
	1.4.2 - Hold calls with potential vendors
	1.4.3 - Analyze savings opportunity in conversion
	1.4.4 - Negotiate offers
	1.4.5 - Determine potential financial benefits of conversion
	1.4.6 - Finalize vendor decision
	1.4.7 - Redline contract(s)
	1.4.8 - Sign Contract and Plan Conversion

# Purchasing | Long-term Strategy



- Key GPO contract desirable terms:**
- 3-year term
  - Termination for convenience
  - Local agreements permitted
  - Limited or no volume commitments
  - 50-70% Contract Admin Fee (CAF) share back (sometimes called rebate)
  - 100% rebate pass-thru



- Key Distribution desirable terms:**
- 3-year term
  - Limit CPI increases
  - Termination for convenience
  - Local agreements vs. GPO contract comparison
  - Limited or no volume commitments
  - Mark-ups, Contract pricing, Conversion incentives, payment terms

**LEGEND**

- Long-term GPO Strategy
- Long-term Distribution Strategy
- ★ Ideal contract cutover

# Work Stream Five - Physician Agreements | Detailed Project Plan

MILESTONE	TASK
1.1 – Contract Review	1.1.1 - Review the 24 administrative agreements/ amendments, 40 call coverage agreements/amendments, and one management agreement
1.2 – Provide FMV assessment for all arrangements entered into by Watsonville	1.2.1 - Complete FMV assessment of call coverage compensation for each specialty Watsonville has contracted with
	1.2.2 - Complete FMV assessment of medical directorship, management services, or other non-call related compensation for each specialty Watsonville has contracted with
1.3 – Communicate results of compensation assessment to Cecilia Montalvo and Steven Salyer.	1.3.1 - Discuss results of FMV analysis with Watsonville representatives, including indication of arrangements that should be targeted for re-negotiation due to compensation significantly above FMV
	1.3.2 - Communicate physician contracting strategy to relevant individuals, including best practices in the market and a desired end state from a compliance perspective
1.4 – BBK to review and approve all physician contracts (contracts with conflicted entities, etc.)	1.4.1 – BBK to review and approve all physician contracts (contracts with conflicted entities, etc.)
1.5 – Contract Negotiation	1.5.1 – Participate in negotiations with physicians/ physician groups targeted for re-negotiation

## Physician Agreements | Next Steps

- Complete compensation assessments related to call coverage, medical directorship, and management agreements between Watsonville and various physicians/ physician groups.
- Provide proposed contractual rates and contract structures to Project team.
- Discuss with Steven Salyer and Cecilia Montalvo the strategic plan to negotiate with physicians/ physician groups.
- Schedule negotiations with key physician/ physician groups targeted for contractual savings.
- Discuss the implementation of a physician compensation committee (including but not limited to the individuals who should participate on the committee and the role of the committee in compensation discussions).
- Discuss the implementation of a contract tracking tool (i.e. Simpliphy) for physician agreements.

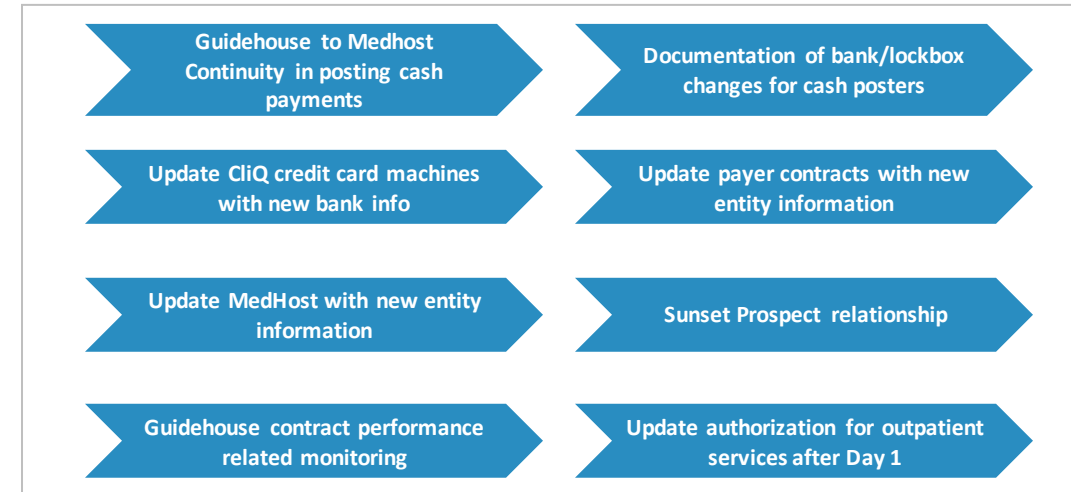
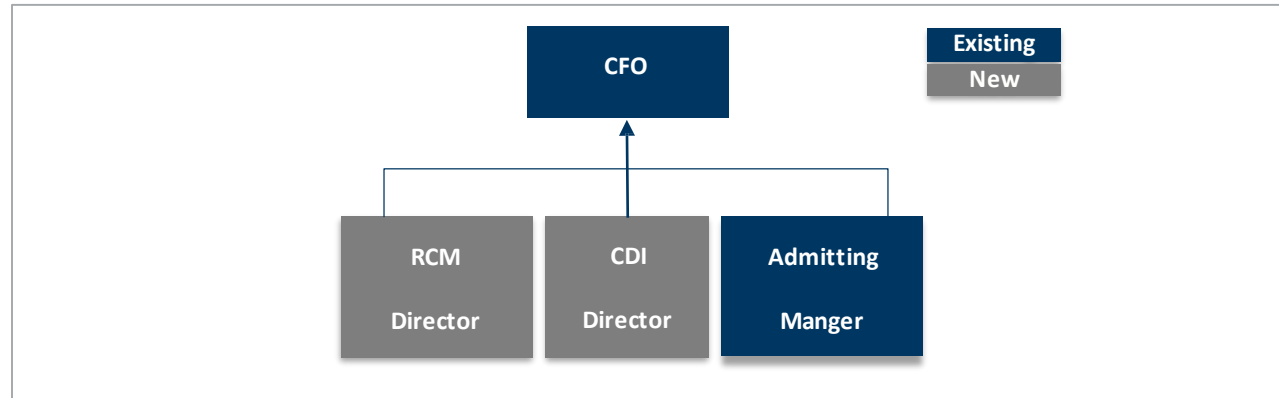
# Work Stream Six - Revenue Cycle Management | Detailed Project Plan

MILESTONE	TASK
1.1 – Successful generation of new hospital charges	1.1.2 - Acquire PVHDH name/entity information
	1.1.3 - Obtain necessary TIN/NPI/Group/PTAN for new entity
	1.1.4 - Obtain necessary bank accounts/lockbox for new entity
	1.1.5 - Addend payer contracts to include new entity information (TIN/NPI/banking/lockbox)
	1.1.6 - Setup RCM systems with new entity financial/legal information (MedHost, etc.)
	1.1.7 - Determine process for handling bills for in-house patients on Day 1
1.2 – Successful vendor operations on Day 1 for AR management and cash posting	1.2.1 - Document key RCM vendors (Elevate, Cliq, SSI, Athena Health, MedData/Elevate, 3M, Guidehouse (Managed Care Contracts), ODM Charge Increase Proposal, CMRE) (12)
	1.2.2 - Update RCM workflows to reflect new banking and lockbox information
	1.2.3 - RCM vendor contracts are active for Day 1
	1.2.4 - Review AR outsourcing contract with buyer
	1.2.5 - Vendor system access for Day 1 for RCM operations continuity
	1.2.6 - Review RCM technology platforms and document updates necessary for Day 1
	1.2.7 - Assess current reports and systems used to measure RCM performance
	1.2.8 - Develop Day 1 monitoring report templates related to daily Charges/Posted Payments/Clearinghouse edits
	1.2.9 - Update POS vendor with new entity information (TIN/merchant/bank account)
1.3 – Replace RCM interim management with in-house resources	1.3.1 - Recruit and hire in-house resources (RCM Director, OR Scheduler, CDI Resource) to replace interim management from Prospect

# Work Stream Five - Revenue Cycle Management | Target Operating Model

## Key Processes

### Target Organizational Setup



### Risks and Recommendations

- Cliq contract for credit card machines
- Need to secure new NPI with new entity information
- Day 1 discharge / readmit process
- IT access for vendors
- Regulatory compliance (No Surprises Act)
- Updating insurance contracts and loading them into MedHost
- Updating entity info (i.e., EIN, NPI, Banking) into MedHost
- Establish project management structure to coordinate MedHost updates/activities for IT, RCM and F&A

### Key Technologies

#	Function	Application
1	EHR	• MedHost
2	Workdriver/Reporting	• Metrix (owned by Guidehouse)
3	OB Nursery/Billing	• GE Centricity
4	Passport eligibility response	• Experian
5	Clearinghouse	• SSI
6	Voice transcription	• Fluency



## Revenue Cycle Management | Next Steps

- Establish project management structure to coordinate MedHost updates/activities for IT, RCM and F&A
  - Determine how to handle Day 1 In-House Patients in partnership with Clinical Operations
  - Request guidance and recommendations from MedHost to understand work effort for different options (e.g., new entity vs new instance, potential impact to timelines due to platform updates)
  - FTI can assist with execution of work plan or project management for MedHost under a separate Statement of Work, if needed
- Updating existing Managed Care contracts with new entity information through partnership with Guidehouse if new contracts are not in place by Day 1
  - Critical step for ensuring billing continuity on Day 1 under old contracts
  - Must include new TIN, new NPI and other provider information
- Develop Day 1 monitoring report for charges and cash posting
  - FTI can assist with development of reports or providing mock-ups under existing scope of work
- Ensure system access for vendors remains the same on Day 1
  - Partner with HR and IT to ensure that vendor staff will retain all existing system access
- Establish vendor and professional services management to provide clarity and alignment on RCM initiatives at Watsonville
  - FTI can assist with setup and kick-off under a separate Statement of Work, if needed

## Revenue Cycle Management | Next Steps

- Establish project management structure to coordinate MedHost updates/activities for IT, RCM and F&A
  - Determine how to handle Day 1 In-House Patients in partnership with Clinical Operations
  - Request guidance and recommendations from MedHost to understand work effort for different options (e.g., new entity vs new instance, potential impact to timelines due to platform updates)
  - FTI can assist with execution of work plan or project management for MedHost under a separate Statement of Work, if needed
- Updating existing Managed Care contracts with new entity information through partnership with Guidehouse if new contracts are not in place by Day 1
  - Critical step for ensuring billing continuity on Day 1 under old contracts
  - Must include new TIN, new NPI and other provider information
- Develop Day 1 monitoring report for charges and cash posting
  - FTI can assist with development of reports or providing mock-ups under existing scope of work
- Ensure system access for vendors remains the same on Day 1
  - Partner with HR and IT to ensure that vendor staff will retain all existing system access
- Establish vendor and professional services management to provide clarity and alignment on RCM initiatives at Watsonville
  - FTI can assist with setup and kick-off under a separate Statement of Work, if needed

## Summary and Next Steps

- Decision will need to be made about maintaining the FTI TMO (Coordinating Resource)
- Resources need to be selected and engaged for implementation
- Selected vendors need to be engaged – MedHost for RCM and ADP for payroll
- Continuous monitoring for risks and barriers to close