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STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
DIVISION OF ADMINISTRATION

William L. Wrenn
Commissioner

Bob Mullen
Director

P.O. BOX 1806
CONCORD, NH 03302-1806
603-271-5610 FAX: 603-271-5639
TDD Access: 1-800-735-2964

May 21, 2014

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Executive Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the New Hampshire Department of Corrections to enter into a contract with Concord Hospital, Inc. (VC # 177653), 250 Pleasant Street, Concord, NH 03301 in the amount of \$2,600,000.00 to provide Inpatient & Outpatient Hospital/Medical Services for the Concord and Southern, New Hampshire areas for the NH Department of Corrections from July 1, 2014 through June 30, 2016 effective upon Governor and Executive Council approval with the option to renew for one (1) additional period of up to two (2) year(s). 100% General Funds

Funds for this contract are available in account, Medical-Dental, as follows with the authority to adjust encumbrances in each of the State fiscal years through the Budget Office, if needed and justified. Funds for SFY 2016 are contingent upon the availability and continued appropriation of funds.

Concord Hospital, Inc.			
Account	Description	SFY 2015	SFY 2016
02-46-46-465010-8234-101-500729	Medical and Dental	1,300,000.00	1,300,000.00
Total Contract Amount:			\$ 2,600,000.00

EXPLANATION

This contract is for the provision of Inpatient & Outpatient Hospital/Medical Services for inmates of the Concord Area consisting of the NH State Prison for Men (NHSP-M), Secure Psychiatric Unit (SPU), Residential Treatment Unit and Community Corrections of Concord, NH and the Southern areas consisting of the NH State Prison for Women (NHSP-W), Goffstown, NH and Community Corrections, Manchester, NH.

The New Hampshire Department of Corrections utilizes hospital services for short-term medical treatment for inmates having an acute illness or injury that is beyond the scope of primary care services provided by the current medical staff within the prison facility. The hospital contract includes inpatient surgery, medical services and outpatient procedures such as ambulatory surgery, diagnostic and emergency services.

The RFP was posted on the New Hampshire Department of Corrections website: <http://www.nh.gov.nhdoc/business/rfp.html> for seven (7) consecutive weeks and notified five (5) potential vendors of the RFP posting. As a result of the issuance of the RFP, two (2) potential vendors responded by submitting their proposals for the Concord and Southern areas. After the review of the proposals, in accordance with the RFP Terms and Conditions, the New Hampshire Department of Corrections awarded the contract, lowest bidder, in the amount of \$2,600,000.00, to Concord Hospital, Inc.

This RFP was scored utilizing a consensus methodology by a four (4) person evaluation committee for the purposes of preserving the privacy of the evaluators. The evaluation committee consisted of New Hampshire Department of Corrections employees: Helen Hanks, MM, Division Director, Medical/Forensic Services; Ransey Hill, Division Deputy Director, Medical/Forensic Services; Joyce Leeka, Operations Administrator, Medical/Forensic Services and Jennifer Lind, Contract/Grant Administrator, Administration.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "William L. Wrenn", written over a horizontal line.

William L. Wrenn
Commissioner



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**Inpatient and Outpatient Hospital/Medical Services
RFP Bid Evaluation and Summary
NHDOC 14-10-GFMED**

Proposal Receipt and Review:

- Proposals will be reviewed to initially determine if minimum submission requirements have been met. The review will verify that the proposal was received before the date and time specified, with the correct number of copies, the presence of all required signatures, and that the proposal is sufficiently responsive to the needs outlined in the RFP to permit a complete evaluation. Failure to meet minimum submission requirements will result in the proposal being rejected and not included in the evaluation process.
- The Department will select a group of personnel to act as an evaluation team. Upon receipt, the proposal information will be disclosed to the evaluation committee members only. The proposal will not be publicly opened.
- The Department reserves the right to waive any irregularities, minor deficiencies and informalities that it considers not material to the proposal.
- The Department may cancel the procurement and make no award, if that is determined to be in the State's best interest.

Proposal Evaluation Criteria:

- Proposals will be evaluated based upon the proven ability of the respondent to satisfy the requirements of this request in the most cost-effective manner. Specific criteria are:
 - a. Total Estimated Cost – 720 points
 - b. Claims Processing – 30 points
 - d. Physician Services – 150 points
 - e. Other Services at Discounted Rate – 50 points
 - f. Ability to Provide Services/Financial Stability – 40 points
 - g. No Other Costs by Vendor – 10 points
- Awards will be made to the responsive Vendor(s) whose proposals are deemed to be the most advantageous to the State, taking into consideration all evaluation factors in section 33 of NHDOC 14-10-GFMED RFP.
 - a. The contract will be awarded to the Bidder submitting the lowest total cost to the State based upon the New Hampshire Department of Corrections estimated volume as long as the Vendor's Claims Processing, Physician Services, Other Services at Discounted Rate, Ability to Provide Services/Financial Stability and No Other Costs by Vendor are acceptable to the Department.

Evaluation Team Members:

- a. Helen Hanks, Division Director, Medical/Forensic Services, NH Department of Corrections
- b. Ransey Hill, Division Deputy Director, Medical/Forensic Services, NH Department of Corrections
- c. Joyce Leeka, Operations Administrator, Medical/Forensic Services, NH Department of Corrections
- d. Jennifer Lind, Contract/Grant Administrator, Administration, NH Department of Corrections

Promoting Public Safety through Integrity, Respect, Professionalism, Collaboration and Accountability



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**Inpatient and Outpatient Hospital/Medical Services
 RFP Scoring Matrix
 NHD0C 14-10-GFMED**

Southern Area

Respondents:

- Catholic Medical Center, 100 McGregor Street, Manchester, NH 03102
- Concord Hospital, Inc., 250 Pleasant Street, Concord, NH 03301

Scoring Matrix Criteria:

- Proposals were evaluated based on the proven ability of the respondents to satisfy the provisions set forth in the Scope of Services in the most cost-effective manner.
 1. Total Estimated Cost – 720 points
 2. Claims Processing – 30 points
 3. Physician Services – 150 points
 4. Other Services at Discounted Rate – 50 points
 5. Ability to Provide Services/Financial Stability – 40 points
 6. No Other Costs by Vendor – 10 points

NHD0C 14-10-GFMED RFP Scoring Matrix			
<i>Evaluation Criteria</i>	<i>RFP Weight Point Value</i>	<i>Catholic Medical Center</i>	<i>Concord Hospital, Inc.</i>
Total Estimated Cost	720	610	715
Claims Processing	30	29	20
Physician Services	150	150	150
Other Services at Discounted Rate	50	48	49
Ability to Provide Services/Financial Stability	40	40	40
No Other Costs by Vendor	10	10	10
Total	1000	887	984

Southern Area Contract Award:

- Concord Hospital, Inc., 250 Pleasant Street, Concord, NH 03301

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**Inpatient and Outpatient Hospital/Medical Services
RFP Evaluation Committee Member Qualifications
NHDOC 14-10-GFMED**

Helen Hanks, MM, Division Director, Medical/Forensic Services:

Mrs. Hanks has served as the Director of the Medical & Forensic Services Division since 2011. Mrs. Hanks has made her career specific to the area of mental health and health care delivery since 1998 working with community mental health centers and Managed Behavioral Care organizations prior to her employment at the NH Department of Corrections. She has broad and specific knowledge of the correctional mental health system and behavioral health system, Laaman consent decree and Holliday Court Order, and the special needs of seriously mentally ill patients and inmates confined in the SPU, RTU and prison environments. Mrs. Hanks has a Bachelor of Science in Psychology from Plymouth State College with a Pre-Law minor and a Master of Management in Healthcare from Brandeis University.

Ransey R. Hill, Division Deputy Director, Medical/Forensic Services:

Mr. Hill recently joined the Medical & Forensic Services Division, to continue his career in the area of medical and social services. Between October 2008 and March 2014, Mr. Hill supported the NH Department of Corrections in the role of IT Manager III. Prior to this position, Mr. Hill has thirteen years of experience with the NH Department of Health and Human Services (DHHS) where he served as project administrator/director for key DHHS initiatives such as Electronic Benefits Transfers (EBT), and Community Passport, a nursing facility to community transition program for the Bureaus of Elderly and Adult Services, Behavioral Health and Developmental Services. He has a general knowledge of the correctional mental health system and behavioral health system, Laaman consent decree and Holliday Court Order, and the special needs of seriously mentally ill patients and inmates confined in the SPU, RTU and prison environments. Mr. Hill has a Bachelor of Science in Business Administration from NH Universities System's College for Life Long Learning (CLL).

Joyce Leeka, RHIA, Medical Operations Administrator, Medical/Forensic Services:

Ms. Leeka has served as the HIM Administrator since 1989. Ms. Leeka currently researches and drafts RFP's for the division with guidance from her supervisors. She has broad and specific knowledge of the correctional mental health system, Laaman and Holliday consent decrees, and the special needs of seriously mentally ill patients and inmates confined in the SPU, RTU and prison environments.

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Jennifer Lind, MBA, CMA, Contract/Grant Administrator, Administration:

Ms. Lind has served as the Contract/Grant Administrator since 2010. Ms. Lind is responsible for the development of the Department's request for proposals (RFPs), contracts and grants management. Ms. Lind's current responsibilities include all aspects of the RFP delivery from project management, data collection, drafting and cross function collaboration; procurement functions and management of the Department's medical, programmatic and maintenance contracts and provides managerial oversight to the Grant Division for the Department. Prior to Ms. Lind's promotion to the Contract/Grant Administrator, she held the Program Specialist IV, Contract Specialist position and the Grant Program Coordinator position of the Department. Prior to her employment with the Department, Ms. Lind held the position of Assistant Grants Administrator at the Community College System of New Hampshire for ten years. Ms. Lind received her Bachelor's of Science in Accounting from Franklin Pierce College and a Master's of Management with a Healthcare Administration concentration from New England College. Ms. Lind has supplemented her education from prior experience in the pre-hospital care setting and has maintained her Certified Medical Assistant license since 1998.



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Inpatient and Outpatient Hospital/Medical Services
Bidders List
NHDOC RFP 14-10-GFMED

Androscoggin Valley Hospital
Russell Keene
CEO
59 Page Road
Berlin, NH 03570
(o) 603-752-5601
(e) Russell.keene@avnhn.org
(w) <http://www.avnhn.org>

Catholic Medical Center
Thomas Coate,
Director of Managed Care
100 McGregor Street
Manchester, NH 03102
(o) 603-663-6383
(e) tcoate@cmc-nh.org
(w) <https://www.catholicmedicalcenter.org>

Concord Hospital
Scott Sloane
VP Finance
250 Pleasant Street
Concord, NH 03301
(o) 603-230-6059
(e) ssloane@crhc.org
(w) <http://www.concordhospital.org>

Dartmouth-Hitchcock Medical Center
Lynn Guillette
Director of Value-Based Reimbursement Models,
Finance
One Medical Center Drive
Lebanon, NH 03756
(o) 603-653-1255
(e) lynn.m.guillette@hitchcock.org
(w) <http://www.dartmouth-hitchcock.org>

Elliot Hospital
Eva Martel
Director of Managed Care
One Elliot Way
Manchester, NH 03103
(o) 603-663-6181
(e) emartel@elliots-hs.org
(w) <http://elliots-hospital.org/website>

Promoting Public Safety through Integrity, Respect, Professionalism, Collaboration and Accountability

Subject:

RFP: NHDOC 14-10-GFMED/ Inpatient & Outpatient Hospital/ Medical Services

FORM NUMBER P-37 (version 1/09)

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION.

1.1 State Agency Name Department of Corrections		1.2 State Agency Address PO Box 1806 Concord NH 03301	
1.3 Contractor Name Concord Hospital, Inc.,		1.4 Contractor Address 250 Pleasant Street, Concord NH 03301	
1.5 Contractor Phone Number 603-227-7000	1.6 Account Number 02-46-46-465010-8234 -101-500729	1.7 Completion Date June 30, 2016	1.8 Price Limitation \$2,600,000.00
1.9 Contracting Officer for State Agency William L. Wrenn, Commissioner		1.10 State Agency Telephone Number 603-271-5603	
1.11 Contractor Signature 		1.12 Name and Title of Contractor Signatory Bruce R. Burns, SR. VP Finance/CFO	
1.13 Acknowledgement: State of <u>NH</u> , County of <u>Merrimack</u> On <u>4-11-14</u> , before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that s/he executed this document in the capacity indicated in block 1.12.			
1.13.1 Signature of Notary Public or Justice of the Peace [Seal]			
1.13.2 Name and Title of Notary or Justice of the Peace Kathleen G. Lamontagne			
1.14 State Agency Signature 		1.15 Name and Title of State Agency Signatory William L. Wrenn, Commissioner	
1.16 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director, On: _____			
1.17 Approval by the Attorney General (Form, Substance and Execution) By: <u>N.K. Brun</u> On: <u>5/28/14</u>			
1.18 Approval by the Governor and Executive Council By: _____ On: _____			

2. EMPLOYMENT OF CONTRACTOR/SERVICES TO BE PERFORMED. The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT A which is incorporated herein by reference ("Services").

3. EFFECTIVE DATE/COMPLETION OF SERVICES.
3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, this Agreement, and all obligations of the parties hereunder, shall not become effective until the date the Governor and Executive Council approve this Agreement ("Effective Date").
3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

4. CONDITIONAL NATURE OF AGREEMENT. Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Contractor notice of such termination. The State shall not be required to transfer funds from any other account to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

5. CONTRACT PRICE/PRICE LIMITATION/PAYMENT.
5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT B which is incorporated herein by reference.
5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.
5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.
6.1 In connection with the performance of the Services, the Contractor shall comply with all statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal opportunity laws. In addition, the Contractor shall comply with all applicable copyright laws.
6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.
6.3 If this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all the provisions of Executive Order No. 11246 ("Equal Employment Opportunity"), as supplemented by the regulations of the United States Department of Labor (41 C.F.R. Part 60), and with any rules, regulations and guidelines as the State of New Hampshire or the United States issue to implement these regulations. The Contractor further agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

7. PERSONNEL.
7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.
7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.
7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

- 8.1.1 failure to perform the Services satisfactorily or on schedule;
- 8.1.2 failure to submit any report required hereunder; and/or
- 8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

- 8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;
- 8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;
- 8.2.3 set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or
- 8.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

9. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

9.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

9.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

9.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

10. TERMINATION. In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination

Report shall be identical to those of any Final Report described in the attached EXHIBIT A.

11. CONTRACTOR'S RELATION TO THE STATE. In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS. The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the N.H. Department of Administrative Services. None of the Services shall be subcontracted by the Contractor without the prior written consent of the State.

13. INDEMNIFICATION. The Contractor shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based or resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Contractor. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

- 14.1 The Contractor shall, at its sole expense, obtain and maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:
 - 14.1.1 comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$250,000 per claim and \$2,000,000 per occurrence; and
 - 14.1.2 fire and extended coverage insurance covering all property subject to subparagraph 9.2 herein, in an amount not less than 80% of the whole replacement value of the property.
- 14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.
- 14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than fifteen (15) days prior to the expiration date of each of the insurance policies. The certificate(s) of insurance and any renewals thereof shall be

attached and are incorporated herein by reference. Each certificate(s) of insurance shall contain a clause requiring the insurer to endeavor to provide the Contracting Officer identified in block 1.9, or his or her successor, no less than ten (10) days prior written notice of cancellation or modification of the policy.

15. WORKERS' COMPENSATION.

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("*Workers' Compensation*").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

16. WAIVER OF BREACH. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

17. NOTICE. Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

18. AMENDMENT. This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire.

19. CONSTRUCTION OF AGREEMENT AND TERMS.

This Agreement shall be construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual

intent, and no rule of construction shall be applied against or in favor of any party.

20. THIRD PARTIES. The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

21. HEADINGS. The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

22. SPECIAL PROVISIONS. Additional provisions set forth in the attached EXHIBIT C are incorporated herein by reference.

23. SEVERABILITY. In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

24. ENTIRE AGREEMENT. This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understanding between the parties, and supersedes all prior Agreements and understandings relating hereto.

SECTION B: Scope of Services, Exhibit A

1. Description of Services:

The Contractor shall provide Inpatient and Outpatient Hospital/Medical Services and optional professional medical services for all services as specified in Exhibit A, Scope of Services, for each regional area proposal submission for the NH Department of Corrections to include but not limited to:

1.1. Inpatient Hospital Services:

- 1.1.1. The NH Department of Corrections is seeking proposals for inpatient services to be reimbursed on a "Diagnosis Related Group" (DRG) methodology. Specifically, the Contractor is asked to acknowledge the payment methodology and provide a DRG coefficient for evaluation. Such payment methodology will allow recognition of case mix and still provide an all inclusive rate for inpatient Hospital Services.
- 1.1.2. In developing the DRG rate, the Contractor should review the provisions of amended RSA 623-C:2 enacted as of July 1, 2013 requiring hospitals providing inpatient services to this population to accept fees not greater than one hundred ten percent (110%) of the Medicare allowable rate.
- 1.1.3. NH Department of Corrections requests the Contractor to comment of the competitiveness of the DRG coefficient provided as it relates to RSA 623-C:2, I and II, private commercial payment and other public sources of third party payment.
- 1.1.4. If the NH Department of Corrections inmate's (patient's) medical care is covered by Medicaid, pursuant to RSA 151, or the licensed health care provider, or both, shall be paid at the Medicaid rate for services provided. The NH Department of Corrections will assist in applying for this reimbursement as necessary.

1.2. Emergency Services:

- 1.2.1. Indicate the Contractor's acceptable reimbursement level for Emergency Services as a percentage discount off the hospital billed charge. At a minimum, the Contractor shall adhere to the requirements of the amended RSA 623-C:2 requiring that the hospital rate does not exceed 110% of the Medicare allowable amount for these services.
- 1.2.2. NH Department of Corrections requests the Contractor to comment on the competitiveness of the discount provided as it relates to the requirements of the amended RSA 623-C:2 effective July 1, 2013, private commercial payment and other public sources of third party payment.

1.3. Outpatient Hospital Services:

- 1.3.1. The NH Department of Corrections is seeking proposals for outpatient services to be reimbursed as a percentage of the 2014 relevant NH Medicare Fee Schedule and indicate the percentage (%) multiplier. The following NH Medicare Fee Schedules are to be used:

NH 2014 Medicare Fee Schedule	Percentage (%) Multiplier
Outpatient Laboratory	
Outpatient Radiology	
National Level II Codes (HCPCS)	

- a.) The NH Department of Corrections requests the Contractor to comment on the competitiveness of the discount provided as it relates to the requirements of the amended RSA 623-C:2 effective July 1, 2013, private commercial payment and other public sources of third party payment.

- 1.3.2. All other outpatient services not covered by the NH Medicare Fee Schedules above will be paid as a percentage of the facility charge structure. Please indicate the percentage discount off the hospital's billed charge.
- a.) The NH Department of Corrections requests the Contractor to comment on the competitiveness of the discount provided as it relates to the requirements of the amended RSA 623-C:2 effective July 1, 2013, private commercial payment and other public sources of third party payment.
- 1.4. Rate Adjustments:
- 1.4.1. The NH Department of Corrections requests a two-year rate proposal and agreement because of the need to properly appropriate funds over the biennium. If the Contractor proposes an annual adjustment to the rates, please indicate what the adjustment will be, how notification will occur, and the rationale for such adjustment. If extended for two (2) years, NH Department of Corrections will agree to hospital reimbursement rates by the most recently published Boston-Brockton-Nashua, MA-NH-ME-CT Medical Consumer Price Index (BMCPI) for the remaining two (2) year period provided that such an adjustment does not violate the intent of RSA 623-C:2 when compared to the then current Medicare fee schedule.
- 1.4.2. *Please note:* During the term of the agreement with any selected Contractor, NH Department of Corrections will require by Agreement that the Contractor provide written notification of any charge master increases prior to the effective date of such change. The percentage of charges for these services will be offset to preserve the same level of reimbursement prior to the charge increase. In the event that the notification is not provided in advance or in accordance with the terms of the Agreement, NH Department of Corrections reserves the right to recover any overpayments at any time.
- 1.5. Critical Access Hospital (CAH) RFP Submission:
- 1.5.1. Inpatient Services:
- The NH Department of Corrections recognizes CAH's are reimbursed by Medicare at a calculated cost amount for inpatient services using an interim per diem rate, updated at least once per year, which is settled to the cost amount at a later date. The Contractor will provide pricing based on the per diem rate and translate the per diem rate into a DRG rate (DRG co-efficient) as a basis for comparison and evaluation. The NH Department of Corrections reserves the right to accept either rate.
- Per RSA 623-C:2 effective July 1, 2013, hospitals are required to accept fees not greater than 110% of Medicare. Contractors shall provide pricing that conforms to the statute for both a per diem and DRG methodology. The NH Department of Corrections requests the Contractor to comment on the competitiveness of the discount provided as it relates to the requirements of and the amended RSA 623-C:2, private commercial payment and other public sources of third party payment.
- Observation stays will be defined as 23.59 hours or less and any hospital stay of greater value will be billed at the agreed upon per diem rate or at the 110% or less of the Medicare rate pursuant to RSA 623:C-2 whichever rate is more favorable to meeting or exceeding the statutory reimbursement expectation.

If the NH Department of Correction's inmate's (patient's) medical care is covered by Medicaid, pursuant to RSA 151, or the licensed health care provider, or both, shall be paid at the Medicaid rate for services provided. The NH Department of Corrections will assist in applying for this reimbursement as necessary.

- 1.5.2. Emergency Room Services:
The NH Department of Corrections recognizes CAH's are reimbursed by Medicare based on an interim rate using a "percentage of charge" methodology that is consistent with the cost of providing outpatient services. This interim rate is updated at least once a year. Contractors shall provide pricing based on a percentage of charge rate not to exceed the 110% 2014 Medicare rate. The NH Department of Corrections requests the Contractor to comment on the competitiveness of the discount provided as it relates to the requirements of and the amended RSA 623-C:2, private commercial payment and other public sources of third party payment.
- 1.5.3. Outpatient Services:
Same as Section 1.5.2. Contractors shall provide pricing based on a percentage of charge rate not to exceed the 110% 2014 Medicare rate. The NH Department of Corrections requests the Contractor to comment on the competitiveness of the discount provided as it relates to the requirements of RSA 623-C:2, private commercial payment and other public sources of third party payment. Outpatient services include but are not limited to clinical laboratory, radiology and pharmacy services.
- 1.6. Rate Adjustments:
- 1.6.1. The NH Department of Corrections requests a two-year rate proposal and agreement because of the need to properly appropriate funds over the biennium. If the Contractor proposes an annual adjustment to the rates, please indicate what the adjustment will be, how notification will occur, and the rationale for such adjustment. If extended for two (2) years, NH Department of Corrections will agree to hospital reimbursement rates by the most recently published Boston-Brockton-Nashua, MA-NH-ME-CT Medical Consumer Price Index (BMCPI) for the remaining two (2) year period provided that such an adjustment does not violate the intent of RSA 623-C:2 when compared to the then current Medicare fee schedule.
- 1.6.2. *Please note:* During the term of the agreement with any selected Contractor, NH Department of Corrections will require by Agreement that the Contractor provide written notification of any charge master increases prior to the effective date of such change. The percentage of charges for these services will be offset to preserve the same level of reimbursement prior to the charge increase. In the event that the notification is not provided in advance or in accordance with the terms of the Agreement, NH Department of Corrections reserves the right to recover any overpayments at any time. Critical Access Hospitals shall provide on an annual basis at a minimum, the CMC Interim Rate Review letter.
- 1.7. Hospital Claim Processing:
- 1.7.1 The NH Department of Corrections lacks electronic claims system capacity. For Hospitals Services, the NH Department of Corrections will require the Contractor to invoice the discounted amount of services rendered to inmates. Claims are to be provided in the industry standard format, (CMS1500, UB-04) but should indicate the amount expected to be reimbursed. The Contractor is asked in this section to describe the method by which it will address this request, provide a sample format

and may be asked to speak to this issue in more detail during any finalist presentation. This section is a requirement for any qualified bidder.

- 1.7.2. *Please note:* The NH Department of Corrections reserves the right to audit any claims and/or seek clarification on any payments that result from this process at anytime. The Contractor should be able to defend its pricing methodology and properly detail any internal process controls for ensuring accurate pricing of claims (RSA 623-C:2(g)).

1.8. Physician Services:

- 1.8.1. The NH Department of Corrections seeks to include professional medical services in this RFP. In particular, it seeks to access services for employed physicians to be reimbursed at a discounted level. The Contractor should indicate its willingness to provide discounted professional services for its employed physicians and provide the following:

- Listing of the employed physicians and relevant specialty;
- Level of reimbursement expressed as a percentage of the 2014 NH Medicare physician fee schedule not to exceed 110% of Medicare; and
- NH Department of Corrections requests the Contractor to comment on the competitiveness of the discount as it relates to billed charges, commercial third party payments and other public program third party payer reimbursements (i.e. Medicaid, Veterans Administration, etc).

- 1.8.2. The NH Department of Corrections seeks to include other non-hospital based community physicians in its professional services network. Please indicate how the facility may assist the NH Department of Corrections in reaching out to other community physicians. Non-hospital based physician staff will be reimbursed at a rate not exceed 125% of the NH Medicare physician fee schedule per the amended RSA 623-C:2 effective July 1, 2013. Please comment on the expected success of this effort, ways to ensure a successful effort and other ideas that will enhance the ability of the NH Department of Corrections to access non-hospital based physician staff.

1.9. Physician Services Claims Processing:

The Contractor should validate that Physician Service claims will be provided to the NH Department of Corrections in a timely manner and consistent with the industry format (CMS1500). Claims for Physician Services will be processed by the NH Department of Corrections by applying the negotiated percentage of the 2014 NH Medicare Fee Schedule to the service, regardless of amount billed. The NH Department of Corrections requests that the Contractor invoice at 110% of Medicare rate for employed Physician Services. No payments of services rendered under this methodology will exceed the 110% Medicare amount.

1.10. Other Considerations:

- 1.10.1. The NH Department of Corrections is interested in access to other necessary services that the Contractor may be willing to provide at a discounted rate under the 125% of Medicare rate. Please indicate in this section if any other such services are available. Items of interest include but are not limited to on-campus (NH Department of Corrections facilities) rehabilitation services: Physical Therapy (PT), Occupational Therapy (OT), Speech Therapy (ST) and Respiratory Therapy (RT), Oncology, Radiation Therapy or alternative to hospital based rehabilitation services.

- 1.10.2. For inpatient rehabilitation services, Contractors shall provide pricing based on Medicare's Case Mix Groups (CMG) utilizing the payment on account factor (PAF or % of charge) for 2014. The NH Department of Corrections is seeking a rate not to exceed 110% of Medicare per RSA 623-C:2.

Promoting Public Safety through Integrity, Respect, Professionalism, Collaboration and Accountability

**Scope of Services
Exhibit A**

- 1.10.3. As an evaluation tool, transportation/security costs will be calculated and factored in to the total cost of Hospital Services. Transports shall be done with a minimum of two (2) NH Department of Corrections Correctional Officers at an average rate of 57.38 per hour and a per mile cost of \$0.56 based upon the Internal Revenue Service announcement for 2014.
- 1.10.4. The \$.056 per mile rate shall fluctuate based upon the Internal Revenue Service announcements per Calendar Year for the life of the Contract and any renewals thereof.

2. Terms of Contract:

A Contract awarded by the NH Department of Corrections as a result of this RFP is expected to be effective for the period beginning July 1, 2014 upon approval of Governor and Executive Council (G&C) whichever is later through June 30, 2016, with an option to renew for one (1) additional period of up to two (2) years, only after the approval of the Commissioner of the NH Department of Corrections and the Governor and Executive Council.

3. Service Locations:

The Contractor shall provide Inpatient and Outpatient Hospital/Medical Services and optional professional medical services for the following locations listed below. Northern Area: Northern Correctional Facility (NCF) Berlin, NH, Concord Area: NH State Prison for Men (NHSP-M), Secure Psychiatric Unit (SPU), Residential Treatment Unit, and Community Corrections (Shea Farm, North End House and CTWC), Concord, NH and Southern Area: NH State Prison for Women (NHSP-W), Goffstown, NH and Community Corrections (Calumet House) locations requiring these services are marked with an X:

Northern Area - NHDOC Northern NH Correctional Facility Location

■	Northern NH Correctional Facility	138 East Milan Road	Berlin, NH 03570
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Concord Area - NHDOC NH Correctional Facility Locations

■	NH State Prison for Men	281 North State Street	Concord, NH 03301
	SPU/RTU	281 North State Street	Concord, NH 03301
	Community Corrections	281 North State Street	Concord, NH 03301

Southern Area - NHDOC Southern NH Correctional Facility Location

■	NH State Prison for Women	317 Mast Road	Goffstown, NH 03045
	Community Corrections	126 Lowell Street	Manchester, NH 03104

4. Average Projected Inmate Population: *(Southern includes women housed at Strafford County due to overflow)

Service Area	Average Projected Inmate Population
Northern Area	637
Concord Area	1833
Southern Area*	213

5. Estimated Annual Inmate Transports for Calendar Year 2013: ** (Based on Offender Management data of medical transports)

Service Area	Estimated Annual Inmate Transports
Northern Area	956
Concord Area	2168
Southern Area	316

Promoting Public Safety through Integrity, Respect, Professionalism, Collaboration and Accountability

6. General Service Provisions:

- 6.1. Rules and Regulations: The Contractor agrees to comply with all rules and regulations of the NH Department of Corrections. The Contractor shall adhere to Department's confidentiality policy and procedure directives.
- 6.2. Additional Facilities: Upon agreement of both parties, additional facilities belonging to the NH Department of Corrections may be added to the contract. If it is necessary to increase the price limitation of the Contract this provision will require Governor and Executive Council approval.
- 6.3. Licenses, Credentials and Certificates: The Contractor shall ensure that NH State licensed professionals provide the services required. The Contractor and its staff shall possess the credentials, licenses and/or certificates required by law and regulations to provide the services required.
- 6.4. Change of Ownership: In the event that the Contractor should change ownership for any reason whatsoever, the NH Department of Corrections shall have the option of continuing under the Contract with the Contractor or its successors or assigns for the full remaining term of the Contract, continuing under the Contract with the Contractor or, its successors or, assigns for such period of time as determined necessary by the NH Department of Corrections, or terminating the Contract.
- 6.5. Contractor Designated Liaison: The Contractor shall designate a representative to act as a liaison between the Contractor and the Department of for the duration of the Contract and any renewals thereof. The Contractor shall, within five (5) days after the award of the Contract: submit a written identification and notification to NH Department of Corrections of the name, title, address, telephone & fax number, of its organization as a duly authorized representative to whom all correspondence, official notices and requests related to the Contractor's performance under the Contract.
 - 6.5.1. Any written notice to the Contractor shall be deemed sufficient when deposited in the U.S. mail, postage prepaid and addressed to the person designated by the Contractor under this paragraph.
 - 6.5.2. The Contractor shall have the right to change or substitute the name of the individual described above as deemed necessary provided that any such change is not effective until the Commissioner of the NH Department of Corrections actually receives notice of this change.
 - 6.5.3. Changes of the named Liaison by the Contractor must be made in writing and forwarded to NH Department of Corrections, Medical Operations Administrator, or designee, P.O. Box 1806, Concord, NH 03302.
- 6.6. Contractor Liaison's Responsibilities: The Contractor's designated liaison shall be responsible for:
 - 6.6.1. Representing the Contractor on all matters pertaining to the Contract and any renewals thereof. Such a representative shall be authorized and empowered to represent the Contractor regarding all aspects of the Contract and any renewals thereof;
 - 6.6.2. Monitoring the Contractor's compliance with the terms of the Contract and any renewals thereof;
 - 6.6.3. Receiving and responding to all inquiries and requests made by NH Department of Corrections in the time frames and format specified by NH Department of Corrections in this RFP and in the Contract and any renewals thereof; and
 - 6.6.4. Meeting with representatives of NH Department of Corrections on a periodic or as-needed basis to resolve issues which may arise.

- 6.7. NH Department of Corrections Contract Liaison Responsibilities: The NH Department of Corrections' Commissioner, or designee, shall act as liaison between the Contractor and NH Department of Corrections for the duration of the Contract and any renewals thereof. NH Department of Corrections reserves the right to change its representative, at its sole discretion, during the term of the Contract, and shall provide the Contractor with written notice of such change. NH Department of Corrections representative shall be responsible for:
- 6.7.1. Representing the NH Department of Corrections on all matters pertaining to the Contract. The representative shall be authorized and empowered to represent the NH Department of Corrections regarding all aspects of the Contract, subject to the approval of the Governor and Executive Council of the State of New Hampshire, where needed;
 - 6.7.2. Monitoring compliance with the terms of the Contract;
 - 6.7.3. Responding to all inquiries and requests related to the Contract made by the Contractor, under the terms and in the time frames specified by the Contract;
 - 6.7.4. Meeting with the Contractor's representative on a periodic or as-needed basis and resolving issues which arise; and
 - 6.7.5. Informing the Contractor of any discretionary action taken by NH Department of Corrections pursuant to the provisions of the Contract.
- 6.8. Notification of Services: The NH Department of Corrections designee, Medical Operations Administrator, or designee, shall contact the Contractor when service is needed. A list of NH Department of Corrections, Medical Service Personnel Coordinators will be provided to the Contractor upon award of a Contract(s).
- 6.9. Reporting Requirements: The NH Department of Corrections shall, at its sole discretion:
- 6.9.1. The Contractor shall provide, at a minimum, quarterly reports on outpatient volume by the Department's facility and inpatient volume by DRG shall be required. Descriptions of reports or sample reports should be provided as an attachment to the RFP response.
 - 6.9.2. The Contractor shall provide any and all reports as requested on an as needed basis according to a schedule and format to be determined by the NH Department of Corrections including but not limited to:
 - a.) Quarterly summary of the cost by product line by DRG for inpatient and product line by primary diagnosis for outpatient services;
 - b.) Length of stay information;
 - c.) Breakdowns of inpatient and outpatient billings by Current Procedural Terminology (CPT) and Healthcare Common Procedure Coding System (HCPCS) codes;
 - d.) Quarterly summary of Charges to Reimbursement reporting by inpatient and outpatient services;
 - e.) Quarterly summary of Inpatient Cases by Department (Cost Centers) and Outpatient Cases by Department (Cost Centers); and
 - f.) Billings are to be provided in a format consistent with Medicare and Medicaid billings on industry standard forms (CMS1500, UB-04).
 - 6.9.3. Request the Contractor to provide proof of any and all permits to perform inpatient and outpatient hospital/medical services as required by authorities having local, state and/or federal jurisdiction at any time during the life of the Contract and any renewals thereof.
 - 6.9.4. It is the intent of NH Department of Corrections to work with any Contractor to provide any reporting required that meets the NH Department of Corrections needs.

**Scope of Services
Exhibit A**

- 6.9.5. The NH Department of Corrections welcomes suggestions from prospective Contractors that would result in a more efficient administration of any Contract resulting from this RFP.
- 6.9.6. Any information requested would be specific to the NH Department of Corrections inmates only.
- 6.9.7. Reports and/or information requests shall be forwarded to NH Department of Corrections, Medical Operations Administrator, or designee, P.O. Box 1806, Concord, NH 03302.
- 6.10. **Performance Evaluation:** The NH Department of Corrections shall, at its sole discretion monitor and evaluate the Contractor's compliance with the Terms and Conditions and adherence to the Scope of Services of the Contract for the life of the Contract and any renewals thereof.
 - 6.10.1. The NH Department of Corrections Bureau of Quality Improvement, Compliance and Research Director may meet with the Contractor at a minimum of twice a year to assess the performance of the Contractor relative to the Contractor's compliance with the Contract as set forth in the approved Contract document.
 - 6.10.2. Review reports submitted by the Contractor. NH Department of Corrections shall determine the acceptability of the reports. If they are not deemed acceptable, NH Department of Corrections shall notify the Contractor and explain the deficiencies.
 - 6.10.3. Request additional reports the NH Department of Corrections deems necessary for the purposes of monitoring and evaluating the performance of the Vendor under the Contract.
 - 6.10.4. Perform periodic programmatic and financial review of the Contractor's performance or responsibilities. This may include, but limited to, on-site inspections audits conducted by the NH Department of Corrections or its agent of the Contractor's records. The audits may, at a minimum, include a review of the following:
 - a.) Claims and financial administration;
 - b.) Program operations;
 - c.) Financial reports;
 - d.) Staff qualifications;
 - e.) Clinical protocols; and
 - f.) Individual medical records.
 - 6.10.5. Give the Contractor prior notice of any on-site visit by the NH Department of Corrections or its agents to conduct an audit and further notify the Contractor of any records which the NH Department of Correction or its agent may wish to review.
 - 6.10.6. Inform the Contractor of any dissatisfaction with the Contractor's performance and include requirements for corrective action.
 - 6.10.7. The Contractor understands and agrees that the NH Department of Corrections reserves the right to amend the claims process for Hospital and Professional Services as outlined in Exhibit A. The NH Department of Corrections continues to work on alternative mechanisms to expedite the claims process and provide useful real time data to NH Department of Corrections. Any such change to the claims process will be provided with written notice in advance of the required change.
- 6.11. **Performance Measures:** The NH Department of Corrections shall, at its sole discretion:
 - 6.11.1. Inform the Contractor of any dissatisfaction with the Contractor's performance and include requirements for corrective action;

- 6.11.2. Terminate the Contract, if NH Department of Corrections determines that the Contractor is:
 - a.) Not in compliance with the terms of the Contract;
 - b.) Has lost or has been notified of intention to lose their certification/licensure/permits; and
 - c.) Terminate the contract as otherwise permitted by law.

7. Other Contract Provisions:

- 7.1. Modifications to the Contract: In the event of any dissatisfaction with the Contractor's performance, the NH Department of Corrections will inform the Contractor of any dissatisfaction and will include requirements for corrective action.
 - 7.1.1. The Department of Corrections has the right to terminate the Contract, if the NH Department of Corrections determines that the Contractor is:
 - a.) Not in compliance with the terms of the Contract; or
 - b.) As otherwise permitted by law or as stipulated within this Contract.
- 7.2. Coordination of Efforts: The Contractor shall fully coordinate his or her activities in the performance of the Contract with those of the NH Department of Corrections. As the work of the Contractor progresses, advice and information on matters covered by the Contract shall be made available by the Contractor to NH Department of Corrections as requested by NH Department of Corrections throughout the effective period of the Contract.

8. Bankruptcy or Insolvency Proceeding Notification:

- 8.1. Upon filing for any bankruptcy or insolvency proceeding by or against the Contractor, whether voluntary or involuntary, or upon the appointment of a receiver, trustee, or assignee for the benefit of creditors, the Contractor must notify the NH Department of Corrections immediately.
- 8.2. Upon learning of the actions herein identified, the NH Department of Corrections reserves the right at its sole discretion to either cancel the Contract in whole or in part, or, re-affirm the Contract in whole or in part.

9. Embodiment of the Contract:

- 9.1. The Contract between the NH Department of Corrections and the Contractor shall consist of:
 - 9.1.1. Request for Proposal (RFP) and any amendments thereto;
 - 9.1.2. Proposal submitted by the Vendor in response to the RFP; and/or
 - 9.1.3. Negotiated document (Contract) agreed to by and between the parties that is ratified by a "meeting of the minds" after careful consideration of all of the terms and conditions and that which is approved by the Governor and Executive Council of the State of New Hampshire.
- 9.2. In the event of a conflict in language between the documents referenced above, the provisions and requirements set forth and/or referenced in the negotiated document noted in 9.1.3. shall govern.
- 9.3. The NH Department of Corrections reserves the right to clarify any contractual relationship in writing with the concurrence of the Contractor, and such written clarification shall govern in case of conflict with the applicable requirements stated in the RFP or the Vendor's Proposal and/or the result of a Contract.

10. Cancellation of Contract:

- 10.1. The Department of Corrections may cancel the Contract at any time for breach of Contractual obligations by providing the Contractor with a written notice of such cancellation.

- 10.2. Should the NH Department of Corrections exercise its right to cancel the Contract for such reasons, the cancellation shall become effective on the date as specified in the notice of cancellation sent to the Contractor.
- 10.3. The NH Department of Corrections reserves the right to terminate the Contract without penalty or recourse by giving the Contractor a written notice of such termination at least sixty (60) days prior to the effective termination date.
- 10.4. The NH Department of Corrections reserves the right to cancel this Contract for the convenience of the State with no penalties by giving the Contractor sixty (60) days notice of said cancellation.

11. Contractor Transition:

NH Department of Corrections, at its discretion, in any Contract resulting from this RFP, may require the Contractor to work cooperatively with any predecessor and/or successor Vendor to assure the orderly and uninterrupted transition from one Vendor to another.

12. Audit Requirement:

Contractor agrees to comply with any recommendations arising from periodic audits on the performance of this contract, providing they do not require any unreasonable hardship, which would normally affect the value of the Contract.

13. Additional Items/Locations:

Upon agreement of both party's additional equipment and/or other facilities belonging to the NH Department of Corrections may be added to the Contract. In the same respect, equipment and/or facilities listed as part of the provision of services of the Contract may be deleted as well.

14. Information:

- 14.1. In performing its obligations under the Contract, the Contractor may gain access to information of the inmates/patients, including confidential information. The Contractor shall not use information developed or obtained during the performance of, or acquired or developed by reason of the Contract, except as is directly connected to and necessary for the Vendor's performance under the Contract.
- 14.2. The Contractor agrees to maintain the confidentiality of and to protect from unauthorized use, disclosure, publication, reproduction and all information of the inmate/patient that becomes available to the Contractor in connection with its performance under the Contract.
- 14.3. In the event of unauthorized use or disclosure of the inmates/patients information, the Contractor shall immediately notify the NH Department of Corrections.
- 14.4. All material developed or acquired by the Contractor, due to work performed under the Contract, shall become the property of the State of New Hampshire. No material or reports prepared by the Contractor shall be released to the public without the prior written consent of NH Department of Corrections.
- 14.5. All financial, statistical, personnel and/or technical data supplied by NH Department of Corrections to the Contractor are confidential. The Contractor is required to use reasonable care to protect the confidentiality of such data. Any use, sale or offering of this data in any form by the Contractor, or any individual or entity in the Contractor's charge or employ, will be considered a violation of the contract and may result in contract termination. In addition, such conduct may be reported to the State Attorney General for possible criminal prosecution.

15. Public Records:

NH RSA 91-A guarantees access to public records. As such, all responses to a competitive solicitation are public records unless exempt by law. Any information submitted as part of a bid in response to this Request for Proposal or Request for Bid (RFB) or Request for Information (RFI) may be subject to public disclosure under RSA 91-A. In addition, in accordance with RSA 9-F:1, any contract entered into as a result of this RFP (RFB or RFI) will be made accessible to the public online via the website: Transparent NH <http://www.nh.gov/transparentnh/>. Accordingly, business financial information and proprietary information such as trade secrets, business and financial models and forecasts, and proprietary formulas may be exempt from public disclosure under RSA 91-A:5, IV. If a Bidder believes that any information submitted in response to a Request for Proposal, Bid or Information, should be kept confidential as financial or proprietary information, the Bidder must specifically identify that information in a letter to the State Agency. Failure to comply with this section may be grounds for the complete disclosure of all submitted material not in compliance with this section.

16. Special Notes:

- 16.1. The headings and footings of the sections of this document are for convenience only and shall not affect the interpretation of any section.
- 16.2. The NH Department of Corrections reserves the right to require use of a third party administrator during the life of the Contract and any renewals thereof.
- 16.3. Locations per contract year may be increased/decreased and or reassigned to alternate facilities during the Contract term at the discretion of the Department. Locations may be added and/or deleted after the awarding of a Contract at the discretion of the Department and upon mutual agreement of the Commissioner of the Department of Corrections and the Contractor.
- 16.4. In the event that the NH Department of Corrections wishes to add or remove facilities at which the Contractor is to provide services, it shall:
 - 16.4.1. Give the Contractor fourteen (14) days written notice of the proposed change; and
 - 16.4.2. Secure the Contractor's written agreement to the proposed changes.
- 16.5. Notwithstanding the foregoing, or any provision of this Agreement to the contrary, in no event shall changes to facilities be allowed that modify the "Completion Date" or "Price Limitation" of the Agreement.

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17. 2013 Inpatient Cases By Product Line/Cost Center – Southern Region:

Product Line/Cost Center	Cases	Product Line/Cost Center	Cases
Psychiatric Doctors	3	Cardiology	18
Rehab Med Unit	2	Cardiac Catheter Lab	5
CIU	4	EP Lab	0
Intensive Care Unit	7	EEG/EMG	2
Obstetrics	3	CT Scan	25
Operating Room	14	Radiology	39
Perfusion	0	Radiology Vascular Interventional	4
Post Anesthesia Care Unit	13	Ultrasound	21
Central Processing	38	MRI	9
IV Therapy	47	IP Diabetic Education	1
Endoscopy	6	Pharmacy	59
Emergency Room	48	Nutritional Counseling	0
Renal Dialysis	2	Anesthesiology	14
Chemistry	58	Respiratory Therapy	31
Hematology	57	Pulmonary Function	0
Microbiology	38	Occupational Therapy	6
Pathology	8	Occupational Therapy RMU	2
Lab Point of Care	25	Physical Therapy	9
Lab Specimen Processing	32	Physical Therapy RMU	2
Lab Outreach Phlebotomy	2	Speech Therapy	0
Lab Oncology	0	Speech Therapy RMU	2
Nuclear Medicine	3	CV Wellness Phase I	3
Blood Bank	8		
Subtotal Cases	418	Subtotal Cases	252
Total Outpatient Cases By Product Line/Cost Center – Southern Region: 670			

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18. 2013 Outpatient Cases By Product Line/Cost Center – Southern Region:

Product Line/Cost Center	Cases	Product Line/Cost Center	Cases
Psychiatric Doctors	1	Cardiology	51
CIU	3	Cardiac Catheter Lab	2
Intensive Care Unit	2	EP Lab	2
Moms Place	4	EEG/EMG	1
Operating Room	22	Wound Care Center	20
Anesthesia Care Unit	35	Ct Scan	90
Central Processing	63	Radiology	107
IV Therapy	95	Breast Center	33
Endoscopy	79	Radiology Vascular Interventional	4
Emergency Room	189	Ultrasound	80
Renal Dialysis	0	MRI	48
Chemistry	27	Pharmacy	264
Hematology	124	Pharmacy Oncology	23
Microbiology	50	Nutrition Services	1
Pathology	98	Prenatal Clinic	18
Lab Point of Care	33	Anesthesiology	21
Lab Specimen Processing	51	Respiratory Therapy	34
Lab PSC Mob	15	Occupational Therapy	1
Lab Outreach Phlebotomy	3	Physical Therapy	1
Lab Oncology	21	Speech Therapy I/P	2
Nuclear Medicine	22	CV Wellness Phase I	2
Blood Bank	12	Infusion Therapy	59
Subtotal Cases	949	Subtotal Cases	864
Total Outpatient Cases By Product Line/Cost Center – Southern Region: 1813			

19. 2013 Inpatient/Outpatient Cases By Product Line/Cost Center – Northern Region:

Product Line/Cost Center	Cases	Product Line/Cost Center	Cases
Inpatient	18	Outpatient	
		Emergency Room	102
		Physician Services Only	21
		Laboratory	26
		Observation	1
		Operating Room	30
		X-Ray	297
Total In/Outpatient Cases By Product Line/Cost Center – Northern Region: 477			

Exhibit A
Scope of Services

Inpatient Services

As required in the request for proposal (RFP) Concord Hospital is proposing to be paid under a "Diagnosis Related Group" (DRG) methodology which will utilize the most current Medicare case weights updated on or about each October 1st.

Concord Hospital Proposed Base Rate Coefficient \$6,575.00

In developing this base rate coefficient, Concord Hospital considered the provisions of Senate Bill 185 (and the amended RSA 623-C: 2) and determined that the proposed rate is lower than the rate authorized under the current State law and current Medicare reimbursement. In addition, this rate is significantly less than currently available to any commercial contracts at the Hospital.

Emergency Services

As required in the request for proposal (RFP) Concord Hospital is proposing to be paid as a percentage discount off the hospital billed charge.

Concord Hospital proposes to accept reimbursement at a discount of 70% from the hospital billed charge.

In developing this proposal, Concord Hospital considered the provisions of Senate Bill 185 (and the amended RSA 623-C: 2) and determined that the proposed rate is lower than the rate authorized under the current State law. In addition, this rate is significantly less than currently available to any commercial contracts at the Hospital.

Exhibit A
Scope of Services (continued)

Outpatient Services

As required in the request for proposal (RFP) Concord Hospital is proposing to be paid as a percentage multiplier of the 2014 relevant NH Medicare Fee Schedule for outpatient laboratory services, outpatient radiology services, and national level II codes (HCPCS). In addition, all other outpatient services not covered by these fee schedules will be paid as a percentage off the hospital's billed charge,

Concord Hospital proposes the following rates:

NH Medicare Fee Schedule	Percentage Multiplier
Outpatient Laboratory Services	98%
Outpatient Radiology Services	98%
National Level II Codes (HCPCS)	98%
All Other Outpatient Services	

Concord Hospital proposes to accept reimbursement at a discount of 70% from the hospital billed charge.

In developing this proposal, Concord Hospital considered the provisions of Senate Bill 185 (and the amended RSA 623-C: 2) and determined that the proposed rate is lower than the rate authorized under the current State law. In addition, this rate is significantly less than currently available to any commercial contracts at the Hospital.

Rate Adjustments Inpatient

The Hospital proposes an increase of 0.0% in the proposed base rate coefficient for the second year of the agreement. In addition, Hospital will accept the Boston-Brocton-Nashua MA-NH-ME-CT Medical Consumer Price Index (BMCPI) increase for contract renewals beyond the first two year contract period.

Rate Adjustments Outpatient

The Hospital proposes to remain at 98% of the then current NH Medicare Fee Schedule for Laboratory Services, Radiology Services, and National Level II Codes (HCPCS). For all other outpatient services the Hospital proposed an increase of 0.0% for the second year of the agreement.

Exhibit A
Scope of Services (continued)

Hospital Claims Processing

The Hospital will manually adjust each bill created to reflect the net amount due to the Hospital for services rendered. The bill will reflect gross charges covering all services provided and then will reflect in summary form the net amount owed. The Hospital recognizes that the Department of Corrections reserves the right to audit the methodology used to convert the billed charges to net amount due and welcomes any inquiries. Since this would be a custom feature for this RFP, the format of the submission will only be finalized after the Department of Corrections selects a finalist for this RFP.

Physician Services

The Hospital proposes accepting 100% of the 2014 NH Medicare physician fee schedule for physician services provided by Concord Hospital employed providers. A listing of current providers, including specialties, is enclosed with this RFP.

Other Considerations

The Hospital is not proposing to provide any other services not specifically addressed above in response to the RFP.

Exhibit A
Location of Services

Concord Hospital is responding to the RFP to primarily provide services to the Concord Area Facility known as the NH State Prison for Men (NHSP-M). All other facilities listed in the RFP are outside of the service area of Concord Hospital but would be considered as included upon the request of the NH Department of Corrections.

April 25, 2014

Joyce A. Leeka, RHIA
Operations Administrator
State of New Hampshire
Department of Corrections
Division of Medical & Forensic Services
105 Pleasant Street
Concord, NH 03301

RE: RFP 14-10-GFMED Inpatient and Outpatient Hospital/Medical Services

Dear Ms. Leeka:

Attached you will find Concord Hospital's response to the NH Department of Corrections request for proposal (RFP) NHDOC RFP 14-10-GFMED follow-up questions outlined in a letter dated April 15, 2014 from Joyce Leeka, RHIA.

1. Location: Scope of Services, Exhibit A, Section 3. Service Locations.

Concord Hospital has proposed to provide services to the Concord Area: (NHSP-M, SPU, RTU & Community Corrections) and the Southern Area: Southern NH Correctional Facilities (NHSP-W & Community Corrections).

2. Inpatient Hospital Services: Scope of Services, Exhibit A, Section 1.1

Concord Hospital proposed a DRG rate of \$6,575. This rate is equivalent to 97.6% of the 2014 Medicare allowable rate.

3. Emergency Services: Scope of Services, Exhibit A, Section 1.2

Concord Hospital proposed a 70% reduction from billed charges for Emergency Room services which is calculated at 98% of the 2014 Medicare allowable rate.

4. Outpatient Hospital Services: Scope of Services, Exhibit A, Section 1.3

Concord Hospital proposed a 70% reduction from billed charges for Outpatient services which is calculated at 98% of the 2014 Medicare allowable rate.

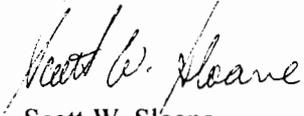
5. Rate Adjustments for Outpatient: Scope of Services, Exhibit A, Section 1.4

Concord Hospital's proposal for Outpatient Rate Adjustments is the same as originally proposed for Inpatient Rate Adjustments. The proposal is as follows: The Hospital proposes an increase of 0.0% for the second year of the agreement. In addition, The Hospital will accept the Boston-Brockton-Nashua MA-NH-ME-CT Medical Consumer Price Index (BMCPI) increase for contractual renewals beyond the first two year contract period.

CONCORD HOSPITAL
IS A CHARITABLE
ORGANIZATION WHICH
EXISTS TO MEET THE
HEALTH NEEDS OF
INDIVIDUALS WITHIN
THE COMMUNITIES
IT SERVES.

We believe we have addressed all of the questions raised from your initial review. However, if there are any additional questions or clarifications needed, please contact Scott Sloane at 230-6059 or ssloane@crhc.org.

Sincerely

A handwritten signature in cursive script that reads "Scott W. Sloane". The signature is written in black ink and is positioned above the printed name.

Scott W. Sloane
VP Finance

SECTION C: Estimated Budget/Method of Payment, Exhibit B

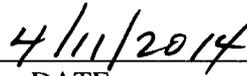
1. Signature Page

The Vendor proposes to provide Inpatient and Outpatient Hospital/Medical Services for the New Hampshire Department of Corrections (NHDOC) in conformance with all terms and conditions of this RFP and the Vendor provides pricing information as an Attachment to this proposal for providing such products and services in accordance with the provisions and requirements specified in this RFP document.

The pricing information quoted by the Vendor as an attachment to this document represents the total price(s) for providing any and all service(s) according to the provisions and requirements of the RFP, which shall remain in effect through the end of this procurement process and throughout the contracting process until the contract completion date as listed on the State Contract form P/37, section 1.7 - Completion Date.



AUTHORIZED SIGNATURE



DATE

Bruce R. Burns, SR VP Finance/CFO

NAME AND TITLE OF SIGNOR (Please Type)

THE VENDOR ASSUMES ALL RISKS THAT ACTUAL FUTURE FIGURES MAY VARY FROM POPULATION PRESENTED AS PART OF THIS RFP.

If the NH Department of Corrections determines it is in the best interest of the State, it may seek a “*BEST AND FINAL OFFER*” (BAFO) from vendors submitting acceptable and/or potentially acceptable proposals. The “*BEST AND FINAL OFFER*” would provide a Vendor the opportunity to amend or change its original proposal to make it more acceptable to the State. NH Department of Corrections reserves the right to exercise this option.

Financial responsibility for preparation of proposals is the sole responsibility of the Vendor. The solicitation of the Request for Proposals shall not commit the NH Department of Corrections to award a Contract(s).

Financial commitment by the NH Department of Corrections will not occur until such time as the Governor and the Executive Council of the State of New Hampshire approve a Contract(s).

2. Method of Payment:

- 2.1. Invoices shall be sent to the NH Department of Corrections, Financial Services, P.O. Box 1806, Concord, NH 03302-1806.
- 2.2. The NH Department of Corrections may make adjustments to the payment amount identified on a Contractor's invoice per RSA 623-C:2. The NH Department of Corrections shall suspend payment to an invoice if an invoice is not submitted in accordance with the instructions established by the NH Department of Corrections.
- 2.3. The NH Department of Corrections Bureau of Financial Services may issue payment to the Contractor within thirty (30) days of receipt of an approved invoice. Invoices shall be itemized by facility using industry standard forms (CMS 1500 and UB-04) and contain the following identifying information:
 - 2.3.1. invoice date and number;
 - 2.3.2. facility name and associated Contractor account number (if applicable) representing facility name;
 - 2.3.3. inmate name, inmate identification (ID) number, date of birth (DOB), date of service (DOS) and all other applicable fields per the industry standard form;
 - 2.3.4. itemized service/product total charge per service/product type;
 - 2.3.5. NH Department of Corrections prefers the Contractor to provide the associated adjustments per RSA 623-C:2 on claims submitted.
- 2.4. Payment shall be made to the name and address identified in the Contract as the "Contractor" unless: (a) the Contractor has authorized a different name and mailing address in writing or; (b) authorized a different name and mailing address in an official State of New Hampshire Contractor Registration Application Form; or (c) unless a court of law specifies otherwise. The Contractor shall not invoice federal tax. The State's tax-exempt certificate number is 026000618W.
- 2.5. The Contractor's shall follow the State's Fiscal Year Calendar for budgeting purpose. Original Contract Period shall commence on July 1, 2014 and end on June 30, 2016.

3. Appropriation of Funding

- 3.1. The Contractor shall agree that funds expended, if applicable, for the purpose of the Contract must be appropriated by the General Court of the State of New Hampshire for each State fiscal year included within the Contract period. Therefore, the Contract shall automatically terminate without penalty or termination costs if such funds are not fully appropriated.
 - 3.1.1. In the event that funds are not fully appropriated for the Contract, the Contractor shall not prohibit or otherwise limit NH Department of Corrections the right to pursue and contract for alternate solutions and remedies as deemed necessary for the conduct of State government affairs.
 - 3.1.2. The requirements stated in this paragraph shall apply to any amendment/renewal or the execution of any option to extend the Contract.

The remainder of this page is intentionally blank.

Section D: Special Provisions, Exhibit C

1. Special Provisions:

- 1.1. To amend the Insurance provision, section 14.3, of the original P-37 contract by changing the last sentence of the clause to: "Cancellation notice by the Insurer to the Certificate Holder will be delivered in accordance with the policy provisions."

The remainder of this page is intentionally blank.

State of New Hampshire Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that Concord Hospital, Inc. is a New Hampshire nonprofit corporation formed January 29, 1985. I further certify that it is in good standing as far as this office is concerned, having filed the return(s) and paid the fees required by law.



In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 3rd day of April A.D. 2014

A handwritten signature in cursive script, appearing to read "William M. Gardner".

William M. Gardner
Secretary of State

CERTIFICATE

I, Mary Boucher, Secretary of Concord Hospital, Inc. do hereby certify:

- 1) I maintain and have custody of and am familiar with the seal and minute books of the corporation;
- 2) I am authorized to issue certificates with respect to the contents of such books and to affix such seal to such certificates;
- 3) The following is a true and complete copy of the resolution adopted by the board of trustees of the corporation at a meeting of that board on March 21, 2005 which meeting was held in accordance with the law of the state of incorporation and the bylaws of the corporation:

The motion was made, seconded and the Board unanimously voted that the powers and duties of the President shall include the execution of all contracts and other legal documents on behalf of the corporation, unless some other person is specifically so designated by the Board, by law, or pursuant to the administrative policy addressing contract and expenditure approval levels.

- 4) the foregoing resolution is in full force and effect, unamended, as of the date hereof; and
- 5) the following persons lawfully occupy the offices indicated below:

Robert P. Steigmeyer, President
Bruce R. Burns, Chief Financial Officer

IN WITNESS WHEREOF, I have hereunto set my hand as the Secretary of the Corporation this 11th day of April, 2014.

(Corporate seal)

Mary Boucher
Secretary

State of New Hampshire, County of Merrimack

On this the 11th day of April, 2014, before me, Kathleen Lamontagne, the undersigned officer, personally appeared Mary Boucher, who acknowledged her/himself to be the Secretary of Concord Hospital, Inc., a corporation, and that such Secretary being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by her/himself as Secretary.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

(Seal)

Kathleen Lamontagne
Notary Public/Justice of the Peace

KATHLEEN G. LAMONTAGNE, Notary Public
My Commission Expires December 8, 2015



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
12/20/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER MARSH USA, INC. 99 HIGH STREET BOSTON, MA 02110 Attn: Boston.certrequest@marsh.com	CONTACT NAME: _____ PHONE (A/C, No, Ext): _____ FAX (A/C, No): _____ E-MAIL ADDRESS: _____	
	INSURER(S) AFFORDING COVERAGE	
319078-CHS-gener-14-15	INSURER A: Granite Shield Insurance Exchange	
INSURED CAPITAL REGION HEALTHCARE CORPORATION & CONCORD HOSPITAL, INC. ATTN: JESSICA FANJOY 250 PLEASANT STREET CONCORD, NH 03301	INSURER B: _____	
	INSURER C: _____	
	INSURER D: _____	
	INSURER E: _____	
	INSURER F: _____	

COVERAGES **CERTIFICATE NUMBER:** NYC-005740286-16 **REVISION NUMBER:** 0

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC			GSIE-PRIM-2014-101	01/01/2014	01/01/2015	EACH OCCURRENCE	\$ 2,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$
							MED EXP (Any one person)	\$
							PERSONAL & ADV INJURY	\$
							GENERAL AGGREGATE	\$ 12,000,000
							PRODUCTS - COMP/OP AGG	\$
								\$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident)	\$
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED: _____ RETENTION \$: _____						EACH OCCURRENCE	\$
							AGGREGATE	\$
								\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						WC STATU-TORY LIMITS	OTH-ER
							E.L. EACH ACCIDENT	\$
							E.L. DISEASE - EA EMPLOYEE	\$
							E.L. DISEASE - POLICY LIMIT	\$
A	Professional Liability			GSIE-PRIM-2014-101	01/01/2014	01/01/2015	SEE ABOVE	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
GENERAL LIABILITY AND PROFESSIONAL LIABILITY SHARE A COMBINED LIMIT OF 2,000,000/12,000,000. HOSPITAL PROFESSIONAL LIABILITY RETRO ACTIVE-DATE 6/24/1985.

CERTIFICATE HOLDER NH DEPARTMENT OF CORRECTIONS P.O. BOX 1806 CONCORD, NH 03302	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE of Marsh USA Inc. Susan Molloy <i>Susan Molloy</i>
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**New Hampshire Department of Corrections
Division of Administration
Contract/Grant Unit**

Comprehensive General Liability Insurance Acknowledgement Form

The New Hampshire Office of the Attorney General requires that the Request for Proposal (RFP) package inform all proposal submitters of the State of New Hampshire's general liability insurance requirements. The limits of liability required are dependent upon your corporation's legal formation, and the annual total amount of contract work with the State of New Hampshire.

Please select only ONE of the checkboxes below that best describes your corporation's legal formation and annual total amount of contract work with the State of New Hampshire:

Insurance Requirement for (1) - 501(c) (3) contractors whose annual gross amount of contract work with the State does not exceed \$500,000, per RSA 21-I:13, XIV, (Supp. 2006): The general liability insurance requirements of standard state contracts for contractors that qualify for nonprofit status under section 501(c)(3) of the Internal Revenue Code and whose annual gross amount of contract work with the state does not exceed \$500,000, is comprehensive general liability insurance in amounts of not less than \$1,000,000 per claim or occurrence and \$2,000,000 in the aggregate. *These amounts may NOT be modified.*

- The contractor certifies that it **IS** a 501(c) (3) contractor whose annual total amount of contract work with the State of New Hampshire does **not** exceed \$500,000.

Insurance Requirement for (2) - All other contractors who do not qualify for RSA 21-I:13, XIV, (Supp. 2006), Agreement P-37 General Provisions, 14.1 and 14.1.1. Insurance and Bond, shall apply: The Contractor shall, at its sole expense, obtain and maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, both for the benefits of the State, the following insurance: comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$250,000 per claim and \$2,000,000 per incident or occurrence. *These amounts MAY be modified if the State of NH determines contract activities are a risk of lower liability.*

- (2) The contractor certifies it does **NOT** qualify for insurance requirements under RSA 21-I:13, XIV (Supp. 2006).

Please indicate your current comprehensive general liability coverage limits below, sign, date and return with your proposal package.

\$ _____ Per Claim \$ 1 million Per Incident/Occurrence \$ 3 million General Aggregate

Signature & Title

Date

This acknowledgement must be returned with your proposal.

NH DEPARTMENT OF CORRECTIONS
HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT
BUSINESS ASSOCIATE AGREEMENT

The Contractor identified in Section 1.3 of the General Provisions of the Agreement agrees to comply with the Health Insurance Portability and Accountability Act, Public Law 104-191 and with the Standards for Privacy and Security of Individually Identifiable Health Information, 45 CFR Parts 160 and 164. As defined herein, "Business Associate" shall mean the Contractor and subcontractors and agents of the Contractor that receive, use or have access to protected health information under this Agreement and "Covered Entity" shall mean the State of New Hampshire, Department of Health and Human Services.

(1) Definitions

- a. "Designated Record Set" shall have the same meaning as the term "designated record set" in 45 CFR Section 164.501.
- b. "Data Aggregation" shall have the same meaning as the term "data aggregation" in 45 CFR Section 164.501.
- c. "Health Care Operations" shall have the same meaning as the term "health care operations" in 45 CFR Section 164.501.
- d. "HIPAA" means the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191.
- e. "Individual" shall have the same meaning as the term "individual" in 45 CFR Section 164.501 and shall include a person who qualifies as a personal representative in accordance with 45 CFR Section 164.501(g).
- f. "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Parts 160 and 164, promulgated under HIPAA by the United States Department of Health and Human Services.
- g. "Protected Health Information" shall have the same meaning as the term "protected health information" in 45 CFR Section 164.501, limited to the information created or received by Business Associate from or on behalf of Covered Entity.
- h. "Required by Law" shall have the same meaning as the term "required by law" in 45 CFR Section 164.501.
- i. "Secretary" shall mean the Secretary of the Department of Health and Human Services or his/her designee.
- j. "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Part 164, Subpart C, and amendments thereto.
- k. Other Definitions - All terms not otherwise defined herein shall have the meaning established under 45 C.F.R. Parts 160, 162 and 164, as amended from time to time.

(2) Use and Disclosure of Protected Health Information

a. Business Associate shall not use, disclose, maintain or transmit Protected Health Information (PHI) except as reasonably necessary to provide the services outlined under Exhibit A of the Agreement. Further, the Business Associate shall not, and shall ensure that its directors, officers, employees and agents, do not use, disclose, maintain or transmit PHI in any manner that would constitute a violation of the Privacy and Security Rule.

b. Business Associate may use or disclose PHI:

- (i) for the proper management and administration of the Business Associate;
- (ii) as required by law, pursuant to the terms set forth in paragraph d. below; or
- (iii) for data aggregation purposes for the health care operations of Covered Entity.

c. To the extent Business Associate is permitted under the Agreement to disclose PHI to a third party, Business Associate must obtain, prior to making any such disclosure, (i) reasonable assurances from the third party that such PHI will be held confidentially and used or further disclosed only as required by law or for the purpose for which it was disclosed to the third party; and (ii) an agreement from such third party to immediately notify Business Associate of any breaches of the confidentiality of the PHI, to the extent it has obtained knowledge of such breach.

d. The Business Associate shall not, unless such disclosure is reasonably necessary to provide services under Exhibit A of the Agreement, disclose any PHI in response to a request for disclosure on the basis that it is required by law, without first notifying Covered Entity so that Covered Entity has an opportunity to object to the disclosure and to seek appropriate relief. If Covered Entity objects to such disclosure, the Business Associate shall refrain from disclosing the PHI until Covered Entity has exhausted all remedies.

e. If the Covered Entity notifies the Business Associate that Covered Entity has agreed to be bound by additional restrictions on the uses or disclosures or security safeguards of PHI pursuant to the Privacy and Security Rule, the Business Associate shall be bound by such additional restrictions and shall not disclose PHI in violation of such additional restrictions and shall abide by any additional security safeguards.

(3) Obligations and Activities of Business Associate

a. Business Associate shall report to the designated Privacy Officer of Covered Entity, in writing, any use or disclosure of PHI in violation of the Agreement, including any security incident involving Covered Entity data, of which it becomes aware, within two (2) business days of becoming aware of such unauthorized use or disclosure or security incident.

b. Business Associate shall use administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of protected health information, in electronic or any other form, that it creates, receives, maintains or transmits under this Agreement, in accordance with the Privacy and Security Rules, to prevent the use or disclosure of PHI other than as permitted by the Agreement.

c. Business Associate shall make available all of its internal policies and procedures, books and records relating to the use and disclosure of PHI received from, or created or received by the Business Associate on behalf of Covered Entity to the Secretary for purposes of determining Covered Entity's compliance with HIPAA and the Privacy and Security Rule.

d. Business Associate shall require all of its business associates that receive, use or have access to PHI under the Agreement, to agree in writing to adhere to the same restrictions and conditions on the use and disclosure of PHI contained herein, including the duty to return or destroy the PHI as provided under Section (3)b and (3)k herein. The Covered Entity shall be considered a direct third party beneficiary of the Contractor's business associate agreements with Contractor's intended business associates, who will be

receiving PHI pursuant to this Agreement, with rights of enforcement and indemnification from such business associates who shall be governed by standard provision #13 of this Agreement for the purpose of use and disclosure of protected health information.

e. Within five (5) business days of receipt of a written request from Covered Entity, Business Associate shall make available during normal business hours at its offices all records, books, agreements, policies and procedures relating to the use and disclosure of PHI to the Covered Entity, for purposes of enabling Covered Entity to determine Business Associate's compliance with the terms of the Agreement.

f. Within ten (10) business days of receiving a written request from Covered Entity, Business Associate shall provide access to PHI in a Designated Record Set to the Covered Entity, or as directed by Covered Entity, to an individual in order to meet the requirements under 45 CFR Section 164.524.

g. Within ten (10) business days of receiving a written request from Covered Entity for an amendment of PHI or a record about an individual contained in a Designated Record Set, the Business Associate shall make such PHI available to Covered Entity for amendment and incorporate any such amendment to enable Covered Entity to fulfill its obligations under 45 CFR Section 164.526.

h. Business Associate shall document such disclosures of PHI and information related to such disclosures as would be required for Covered Entity to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR Section 164.528.

i. Within ten (10) business days of receiving a written request from Covered Entity for a request for an accounting of disclosures of PHI, Business Associate shall make available to Covered Entity such information as Covered Entity may require to fulfill its obligations to provide an accounting of disclosures with respect to PHI in accordance with 45 CFR Section 164.528.

j. In the event any individual requests access to, amendment of, or accounting of PHI directly from the Business Associate, the Business Associate shall within two (2) business days forward such request to Covered Entity. Covered Entity shall have the responsibility of responding to forwarded requests. However, if forwarding the individual's request to Covered Entity would cause Covered Entity or the Business Associate to violate HIPAA and the Privacy and Security Rule, the Business Associate shall instead respond to the individual's request as required by such law and notify Covered Entity of such response as soon as practicable.

k. Within ten (10) business days of termination of the Agreement, for any reason, the Business Associate shall return or destroy, as specified by Covered Entity, all PHI received from, or created or received by the Business Associate in connection with the Agreement, and shall not retain any copies or back-up tapes of such PHI. If return or destruction is not feasible, or the disposition of the PHI has been otherwise agreed to in the Agreement, Business Associate shall continue to extend the protections of the Agreement, to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI. If Covered Entity, in its sole discretion, requires that the Business Associate destroy any or all PHI, the Business Associate shall certify to Covered Entity that the PHI has been destroyed.

(4) Obligations of Covered Entity

a. Covered Entity shall notify Business Associate of any changes or limitation(s) in its Notice of Privacy Practices provided to individuals in accordance with 45 CFR Section 164.520, to the extent that such change or limitation may affect Business Associate's use or disclosure of PHI.

b. Covered Entity shall promptly notify Business Associate of any changes in, or revocation of permission provided to Covered Entity by individuals whose PHI may be used or disclosed by Business Associate under this Agreement, pursuant to 45 CFR Section 164.506 or 45 CFR Section 164.508.

c. Covered entity shall promptly notify Business Associate of any restrictions on the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 CFR 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

(5) Termination for Cause

In addition to standard provision #10 of this Agreement the Covered Entity may immediately terminate the Agreement upon Covered Entity's knowledge of a breach by Business Associate of the Business Associate Agreement set forth herein as Exhibit I. The Covered Entity may either immediately terminate the Agreement or provide an opportunity for Business Associate to cure the alleged breach within a timeframe specified by Covered Entity. If Covered Entity determines that neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.

(6) Miscellaneous

a. Definitions and Regulatory References. All terms used, but not otherwise defined herein, shall have the same meaning as those terms in the Privacy and Security Rule, as amended from time to time. A reference in the Agreement, as amended to include this Exhibit I, to a Section in the Privacy and Security Rule means the Section as in effect or as amended.

b. Amendment. Covered Entity and Business Associate agree to take such action as is necessary to amend the Agreement, from time to time as is necessary for Covered Entity to comply with the changes in the requirements of HIPAA, the Privacy and Security Rule, and applicable federal and state law.

c. Data Ownership. The Business Associate acknowledges that it has no ownership rights with respect to the PHI provided by or created on behalf of Covered Entity.

d. Interpretation. The parties agree that any ambiguity in the Agreement shall be resolved to permit Covered Entity to comply with HIPAA and the Privacy and Security Rule.

e. Segregation. If any term or condition of this Exhibit I or the application thereof to any person(s) or circumstance is held invalid, such invalidity shall not affect other terms or conditions which can be given effect without the invalid term or condition; to this end the terms and conditions of this Exhibit I are declared severable.

f. Survival. Provisions in this Exhibit I regarding the use and disclosure of PHI, return or destruction of PHI, extensions of the protections of the Agreement in section 3 k, the defense and indemnification provisions of section 3.d and standard contract provision #13, shall survive the termination of the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT BUSINESS ASSOCIATE AGREEMENT.

Department of Corrections

State of New Hampshire Agency Name

William L. Wrenn
Signature of Authorized Representative

William L. Wrenn

Authorized DOC Representative Name

Commissioner

Authorized DOC Representative Title

5/22/14
Date

Concord Hospital, Inc.

Contractor Name

Bruce R. Burns
Contractor Representative Signature

Bruce R. Burns

Authorized Contractor Representative Name

SR. VP Finance/CFO

Authorized Contractor Representative Title

4/11/2014
Date

NH DEPARTMENT OF CORRECTIONS
ADMINISTRATIVE RULES

COR 307 Items Considered Contraband. Contraband shall consist of:

- a) Any substance or item whose possession is unlawful for the person or the general public possessing it including but not limited to:
 - (1) narcotics
 - (2) controlled drugs or
 - (3) automatic or concealed weapons possessed by those not licensed to have them.
- b) Any firearm, simulated firearm, or device designed to propel or guide a projectile against a person, animal or target.
- c) Any bullets, cartridges, projectiles or similar items designed to be projected against a person, animal or target.
- d) Any explosive device, bomb, grenade, dynamite or dynamite cap or detonating device including primers, primer cord, explosive powder or similar items or simulations of these items.
- e) Any drug item, whether medically prescribed or not, in excess of a one day supply or in such quantities that a person would suffer intoxication or illness if the entire available quantity were consumed alone or in combination with other available substances.
- f) Any intoxicating beverage.
- g) Sums of money or negotiable instruments in excess of \$100.00.
- h) Lock-picking kits or tools or instruments on picking locks, making keys or obtaining surreptitious entry or exit
- i) The following types of items in the possession of an individual who is not in a vehicle, (but shall not be contraband if stored in a secured vehicle):
- j) Knives and knife-like weapons, clubs and club-like weapons,
 - (1) tobacco, alcohol, drugs including prescription drugs unless prior approval is granted in writing by the facility Warden/designee, or Director/designee,
 - (2) maps of the prison vicinity or sketches or drawings or pictorial representations of the facilities, its grounds or its vicinity,
 - (3) pornography or pictures of visitors or prospective visitors undressed,
 - (4) cell phones and radios capable of monitoring or transmitting on the police band in the possession of other than law enforcement officials,
 - (5) identification documents, licenses and credentials not in the possession of the person to whom properly issued,
 - (6) ropes, saws, grappling hooks, fishing line, masks, artificial beards or mustaches, cutting wheels or string rope or line impregnated with cutting material or similar items to facilitate escapes,
 - (7) balloons, condoms, false-bottomed containers or other containers which could facilitate transfer of contraband.

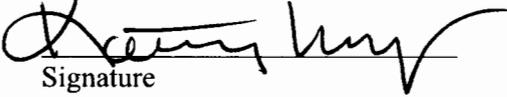
COR 307.02 Contraband on prison grounds is prohibited. The possession, transport, introduction, use, sale or storage of contraband on the prison grounds without prior approval of the commissioner of corrections or his designee is prohibited under the provision of RSA 622:24 and RSA 622:25.

COR 307.03 Searches and Inspections Authorized.

- a) Any person or property on state prison grounds shall be subject to search to discover contraband...

Travel onto prison grounds shall constitute implied consent to search for contraband. In such cases where implied consent exists, the visitor will be given a choice of either consenting to the search or immediately leaving the prison grounds. Nothing in this rule however, prevents non-consensual searches in situations where probable cause exists to believe that the visitor is or had attempted to introduce contraband into the prison pursuant to the law of New Hampshire concerning search, seizure and arrest.

- b) All motor vehicles parked on prison grounds shall be locked and have the keys removed. Custodial personnel shall check to insure that vehicles are locked and shall visually inspect the plain- view interior of the vehicles. Vehicles discovered unlocked shall be searched to insure that no contraband is present. Contraband discovered during searches shall be confiscated for evidence, as shall contraband discovered during plain-view inspections.
- c) All persons entering the facilities to visit with residents or staff, or to perform services at the facilities or to tour the facilities shall be subject to having their persons checked. All items and clothing carried into the institution shall be searched for contraband.

<u>Bruce R. Burns</u>	<u></u>	<u>4.11.2017</u>
Name	Signature	Date
<u>Kathleen Lamontagne</u>	<u></u>	<u>4.11.17</u>
Witness Name	Signature	Date

NH DEPARTMENT OF CORRECTIONS
RULES OF CONDUCT FOR PERSONS PROVIDING CONTRACT SERVICES

1. Engaging in any of the following activities with persons under departmental control is strictly prohibited:
 - a. Any contact, including correspondence, other than in the performance of your services for which you have been contracted.
 - b. Giving or selling of anything
 - c. Accepting or buying anything
2. Any person providing contract services who is found to be under the influence of intoxicants or drugs will be removed from facility grounds and barred from future entry to the NH Department of Corrections property.
3. Possession of any item considered to be contraband as defined in the New Hampshire code of Administrative Rules, COR 307 is a violation of the rules and the laws of the State of New Hampshire and may result in legal action under RSA 622:24 or other statutes.
4. In the event of any emergency situation, i.e., fire, disturbance, etc., you will follow the instructions of the escorting staff or report immediately to the closest available staff.
5. All rules, regulations and policies of the NH Department of Corrections are designed for the safety of the staff, visitors and residents, the security of the facility and an orderly flow of necessary movement and activities. If unsure of any policy and procedure, ask for immediate assistance from a staff member.
6. Harassment and discrimination directed toward anyone based on sex, race, creed, color, national origin or age are illegal under federal and state laws and will not be tolerated in the work place. Maintenance of a discriminatory work environment is also prohibited. Everyone has a duty to observe the law and will be subject to removal for failing to do so.
7. During the performance of your services you are responsible to the facility administrator, and by your signature below, agree to abide by all the rules, regulations, policies and procedures of the NH Department of Corrections and the State of New Hampshire.
8. In lieu of Contracted staff participating in the Corrections Academy, the Vendor through the Commissioner or his designees will establish a training/orientation facilitated by the Vendor to supplement this requirement and appropriate orient Vendor staff to the rules, regulations, policies and procedures of the Department of Corrections and the State of New Hampshire.

Bruce R. Burns

Name



Signature

4-11-2014

Date

Kathleen Lamontagne

Witness Name



Signature

4-11-14

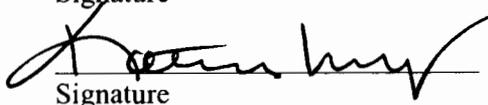
Date

NH DEPARTMENT OF CORRECTIONS
CONFIDENTIALITY OF INFORMATION AGREEMENT

I understand and agree that all employed by the organization/agency I represent must abide by all rules, regulations and laws of the State of New Hampshire and the NH Department of Corrections that relate to the confidentiality of records and all other privileged information.

I further agree that all employed by or subcontracted through the organization I represent are not to discuss any confidential or privileged information with family, friends or any persons not professionally involved with the NH Department of Corrections. If inmates or residents of the NH Department of Corrections, or, anyone outside of the NH Department of Corrections' employ approaches any of the our organization's employees or subcontractors and requests information, the staff/employees of the organization I represent will immediately contact their supervisor, notify the NH Department of Corrections, and file an incident report or statement report with the appropriate NH Department of Corrections representative.

Any violation of the above may result in immediate termination of any and all contractual obligations.

Bruce R. Burns		4/11/2014
Name	Signature	Date
Kathleen Lamontagne		4-11-14
Witness Name	Signature	Date



**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
DIVISION OF ADMINISTRATION**

**William L. Wrenn
Commissioner

Bob Mullen
Director**

P.O. BOX 1806
CONCORD, NH 03302-1806
603-271-5610 FAX: 603-271-5639
TDD Access: 1-800-735-2964

**PRISON RAPE ELIMINATION ACT
ACKNOWLEDGEMENT FORM**

The Prison Rape Elimination Act (PREA) of 2003 (with Final Rule August 2012) is a federal law established to address the elimination and prevention of sexual assault and sexual harassment within correctional systems and detention facilities. This Act applies to all correctional facilities, including prisons, jails, juvenile facilities and community corrections residential facilities. PREA incidents involve the following conduct:

- Resident-on-resident sexual assault
- Resident-on-resident abusive sexual contact
- Staff sexual misconduct
- Staff sexual harassment of a resident

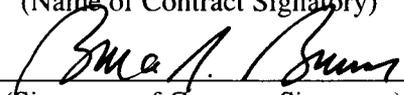
The act aimed to curb prison rape through a “zero-tolerance” policy, as well as through research and information gathering. The NH Department of Corrections has zero tolerance relating to the sexual assault/rape of offenders and recognizes these offenders as crime victims. Due to this recognition and adherence to the federal Prison Rape Elimination Act (PREA) of 2003, the NH Department of Corrections extends the “zero tolerance” to the following:

- Contractor/subcontractor misconduct
- Contractor/subcontractor harassment of a resident

As a Contractor and/or Subcontractor of the NH Department of Corrections, I acknowledge that I have been provided information on the Prison Rape Elimination Act of 2003 and have been informed that as a Contractor and/or Subcontractor of the NH Department of Corrections, sexual conduct between Contractor and/or Subcontractor and offenders is prohibited. Sexual harassment or sexual misconduct involving an offender can be a violation of NH RSA 633-A:2 and 633-A:3, Chapter 632-A: Sexual Assault and Related Offenses, and result in criminal prosecution.

As a Contractor and/or Subcontractor of the NH Department of Corrections, I understand that I shall inform all employees of the Contractor and/or Subcontractor to adhere to all policies concerning PREA, RSA 633-A:2, RSA 633-A:3 and departmental policies including NHDOC PPD 5.19 - PREA; NHDOC Administrative Rules, Conduct and Confidentiality Information regarding my conduct, reporting of incidents and treatment of those under the supervision of the NH Department of Corrections. (Ref. RSA Chapter 632-A, NHDOC PPD 5.19 and Administrative Rules, Rules of Conduct for Persons Providing Contract Services, Confidentiality of Information Agreement).

Name (print): Bruce R. Burns Date: 4/11/2014
(Name of Contract Signatory)

Signature: 
(Signature of Contract Signatory)

**CONCORD HOSPITAL
BOARD OF TRUSTEES
2014**

<u>Name</u>	<u>Mailing Address</u>	<u>Business Address/Phone/Fax/E-mail</u>
Muriel D. Schadee, CPA Chair	Nathan Wechsler & Co., PA 70 Commercial St., Suite 401 Concord, NH 03301	Same 224-5357 224-3792 F mschadee@nathanwechsler.com
Philip Boulter, MD Vice Chair	<i>Nov 1 – Apr 30</i> [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]
	<i>May 1 – Oct 31</i> [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]
Mary Boucher Secretary	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]
Robert P. Steigmeyer President and CEO (ex-officio)	Capital Region Health Care Concord Hospital 250 Pleasant Street Concord, NH 03301	Same 227-7000x3003 228-7123 F rsteigmeyer@crhc.org
Bruce R. Burns Treasurer (Not a Board Member)	Chief Financial Officer Capital Region Health Care Concord Hospital 250 Pleasant Street Concord, NH 03301	Same 227-7000x3019 230-6049 F bburns@crhc.org
D. Thomas Akey, MD	Concord Pulmonary Medicine Pillsbury Building 248 Pleasant Street Concord, NH 03301	Same 224-9661 228-7051 F takey@crhc.org
Diane E. Wood Allen, RN CH Chief Nursing Officer (ex-officio)	Chief Nursing Officer Concord Hospital 250 Pleasant Street Concord, NH 03301	Same 227-7000x3358 228-7020 F dallen@crhc.org
Sol Asmar	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
C. Thomas Brown	Chair & CEO NH Distributors, Inc. 65 Regional Drive Concord, NH 03301	Same 224-9991 224-0415 F tbrown@nhdist.com

<u>Name</u>	<u>Mailing Address</u>	<u>Business Address/Phone/Fax/E-mail</u>
William L. Chapman, Esq.	Orr & Reno, PA One Eagle Square PO Box 3550 Concord, NH 03302-3550	Same 223-9107 224-2318 F wlc@orr-reno.com
Michelle Chicoine	CFO St. Paul's School 325 Pleasant Street Concord, NH 03301	Same 229-4785 229-4655 F mchicoine@sps.edu
Douglas Ewing, MD CH Medical Staff Pres. (ex-officio)	X-Ray Professional Assn. c/o Concord Hospital 250 Pleasant Street Concord, NH 03301	Same 228-1521 228-3307 F [REDACTED]
Christian Hallowell, MD	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Jeffrey S. Kipperman, CPA	Mason + Rich, CPAs 6 Bicentennial Square Concord, NH 03301	Same 224-2000 224-2613 F jkipperman@masonrich.com
David Ruedig	UBS Financial Services 10 Park Street Concord, NH 03301	Same 226-1112 226-2953 F [REDACTED]
David A. Stevenson, MD	Concord OB/GYN, PA 189 North Main Street Concord, NH 03301	Same 228-1111 226-4314 F dstevens@crhc.org
Hon. Michael Sullivan	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Jeffrey K. Towle	[REDACTED] [REDACTED]	Davis & Towle Ins. 115 Airport Road PO Box 1260 Concord, NH 03301 225-6611 jeff@davistowle.com
Claudia Walker	Merrimack County Savings PO Box 2826 Concord, NH 03302-2826	Same 223-2721 224-6439 F [REDACTED]

List of Key Personnel and Resumes

Robert Steigmeyer, *Chief Executive Officer, President*. Prior to assuming this position in January 2014, Mr. Steigmeyer was Chief Executive officer at Geisinger Community Medical Center in Scranton, Pennsylvania, a regional healthcare resource that includes a 297-bed hospital and trauma center, and a 180-bed skilled nursing facility. Prior to his position in Pennsylvania, Steigmeyer served as the Senior Vice President of Operations and Finance for Northwest Hospital & Medical Center in Seattle, Washington where he was responsible for overseeing all clinical programs, nursing, medical groups, and support functions, including information technology and finance.

Prior to his experience in healthcare administration, Mr. Steigmeyer was a partner in ECG Management Consultants, Inc. a national firm that provides a broad range of strategic, management, and information technology-related consulting services to healthcare providers. Mr. Steigmeyer holds a Bachelor of Arts degree from Wabash College, a Master of Business Administration degree from St. Louis University School of Business, and a Master of Health Administration degree from St. Louis University Center for Health Services Education and Research.

Bruce R. Burns, *Chief Financial Officer, Senior Vice President - Finance, Board Treasurer*. Mr. Burns joined Concord Hospital in June 1993. Prior to joining the Hospital, he served for five years as Director of Finance, for three years as Director of Accounting, and for one year each as Assistant Controller and Assistant Director, Operations at Danbury Hospital, Danbury, Connecticut. Mr. Burns is a Fellow in the Healthcare Financial Management Association and Vice Chair of the New Hampshire Health and Education Facilities Authority. He also serves as the Finance Chair and Treasurer for the University of New Hampshire School of Law. He is the Treasurer for CRHC and holds memberships on various Boards of the Hospital-affiliated joint ventures and member organizations. He received his BA (1977) from the University of Washington and his MPH in Hospital Administration (1982) from Yale University School of Medicine.

David F. Green, MD, FACS, *Senior Vice President of Medical Affairs and Chief Medical Officer*. Dr. Green is a senior partner at Concord Hospital's Center for Urologic Care, where he has practiced since 1987. He is also an Adjunct Associate Professor of Surgery at Dartmouth Medical School. Since October 2006, he has served in the role of Senior Vice President of Medical Affairs and Chief Medical Officer for Concord Hospital. He is a Fellow in the American College of Surgeons, a Member in the American College of Physician Executives, and a Diplomate of the American Board of Urology. He has served in several capacities since 1987 with the New England Section of the American Urologic Association, as well as with the American Urologic Association ("AUA"). Currently, Dr. Green is a member of the AUA Board of Directors and he is also on the Board of UROPAC (the only political action committee dedicated to the interests of the nation's urologists). He is also a past President of the Concord Hospital Medical Staff and has served on the Concord Hospital Board of Trustees. Dr. Green received his BA in Psychology from Allegheny College and is a 1979 graduate of the Pennsylvania State University School of Medicine. He completed his post-graduate training in Urology at Yale University. He was an American Urologic Association Scholar and Assistant Professor of Surgery at Yale following his residency.

Joseph M. Conley, *Chief Operating Officer, Senior Vice President*. Mr. Conley joined Concord Hospital in April 1996. Prior to joining the Hospital, he served for ten years as Executive Vice President of Yankee Alliance (an alliance of approximately 20 health care organizations designed to develop

List of Key Personnel and Resumes continued

efficiencies among its members) in Andover, Massachusetts. He was previously employed for three years as a Vice President with Affiliated Healthcare Management in Bangor, Maine. Mr. Conley also served for three years as Administrative Director, Professional Services, and three years as Director of Respiratory Care, at Beverly Hospital in Beverly, Massachusetts. Mr. Conley is a Fellow of the American College of Healthcare Executives and Past President of the New Hampshire Health Executives Forum. He is a former member of the Board of the Riverbend Community Mental Health Center, a former member of the Advisory Board of Bishop Brady High School, an Incorporator of Laconia Savings Bank, a past President of the Hopkinton Youth Sports Association and has coached little league baseball for the past 8 years. He received his BA (1969) from Saint Anselm College in Goffstown, New Hampshire and his MBA (1980) from Suffolk University, Boston, Massachusetts.

**Concord Hospital, Inc.
and Subsidiaries**

Audited Consolidated Financial Statements

Years Ended September 30, 2013 and 2012

With Independent Auditors' Report

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements

Years Ended September 30, 2013 and 2012

CONTENTS

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BAKER | NEWMAN | NOYES

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Concord Hospital, Inc.

We have audited the accompanying consolidated financial statements of Concord Hospital, Inc. and Subsidiaries (the System), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2013 and 2012, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Manchester, New Hampshire
December 9, 2013

Baker Newman & Noyes

Limited Liability Company

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2013 and 2012

ASSETS
(In thousands)

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 24,006	\$ 32,720
Investments	2,384	14,382
Accounts receivable, less allowance for doubtful accounts of \$19,695 in 2013 and \$17,995 in 2012	46,061	41,614
Due from affiliates	584	240
Supplies	1,153	740
Prepaid expenses and other current assets	<u>5,983</u>	<u>4,452</u>
Total current assets	80,171	94,148
Assets whose use is limited or restricted:		
Board designated	230,143	174,864
Funds held by trustee:		
Workers' compensation reserves and self-insurance escrows	9,212	7,966
Construction fund	10,398	-
Donor-restricted	<u>32,367</u>	<u>29,642</u>
Total assets whose use is limited or restricted	282,120	212,472
Other noncurrent assets:		
Due from affiliates, net of current portion	2,779	3,167
Bond issuance costs and other assets	<u>18,651</u>	<u>10,311</u>
Total other noncurrent assets	21,430	13,478
Property and equipment:		
Land and land improvements	5,394	5,383
Buildings	166,951	157,893
Equipment	205,283	192,633
Construction in progress	<u>9,286</u>	<u>14,000</u>
	386,914	369,909
Less accumulated depreciation	<u>(230,767)</u>	<u>(212,808)</u>
Net property and equipment	<u>156,147</u>	<u>157,101</u>
	<u>\$ 539,868</u>	<u>\$ 477,199</u>

LIABILITIES AND NET ASSETS

(In thousands)

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Short-term notes payable	\$ 1,027	\$ 701
Accounts payable and accrued expenses	21,822	22,236
Accrued compensation and related expenses	23,293	22,222
Accrual for estimated third-party payor settlements	14,599	11,342
Current portion of long-term debt	<u>7,931</u>	<u>9,721</u>
Total current liabilities	68,672	66,222
Long-term debt, net of current portion	111,781	97,512
Accrued pension and other long-term liabilities	<u>64,102</u>	<u>83,000</u>
Total liabilities	244,555	246,734
Net assets:		
Unrestricted	262,946	200,823
Temporarily restricted	14,127	12,890
Permanently restricted	<u>18,240</u>	<u>16,752</u>
Total net assets	295,313	230,465
	<u>\$ 539,868</u>	<u>\$ 477,199</u>

See accompanying notes.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended September 30, 2013 and 2012
(In thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted revenue and other support:		
Net patient service revenue, net of contractual allowances and discounts	\$432,232	\$409,261
Provision for doubtful accounts	<u>(31,493)</u>	<u>(26,251)</u>
Net patient service revenue less provision for doubtful accounts	400,739	383,010
Other revenue	24,140	25,413
Net assets released from restrictions for operations	<u>1,886</u>	<u>1,973</u>
Total unrestricted revenue and other support	426,765	410,396
Expenses:		
Salaries and wages	180,716	173,024
Employee benefits	45,644	43,943
Supplies and other	76,347	71,989
Purchased services	59,783	59,057
Professional fees	3,170	2,629
Depreciation and amortization	25,047	24,595
Medicaid enhancement tax	16,541	16,175
Interest expense	<u>4,720</u>	<u>4,918</u>
Total expenses	<u>411,968</u>	<u>396,330</u>
Income from operations	14,797	14,066
Nonoperating (loss) income:		
Unrestricted gifts and bequests	159	3,984
Investment income and other	92	2,079
Loss on extinguishment of debt	<u>(3,169)</u>	<u>—</u>
Total nonoperating (loss) income	<u>(2,918)</u>	<u>6,063</u>
Excess of revenues and gains over expenses	<u>\$ 11,879</u>	<u>\$ 20,129</u>

See accompanying notes.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended September 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted net assets:		
Excess of revenues and gains over expenses	\$ 11,879	\$ 20,129
Net unrealized gains on investments	22,870	16,891
Net transfers from affiliates	295	258
Net assets released from restrictions used for purchases of property and equipment	112	503
Pension adjustment	<u>26,967</u>	<u>(15,369)</u>
Increase in unrestricted net assets	62,123	22,412
Temporarily restricted net assets:		
Restricted contributions and pledges	1,285	1,346
Restricted investment income	66	336
Contributions to affiliates and other community organizations	(135)	(123)
Net unrealized gains on investments	2,019	1,715
Net assets released from restrictions for operations	(1,886)	(1,973)
Net assets released from restrictions used for purchases of property and equipment	<u>(112)</u>	<u>(503)</u>
Increase in temporarily restricted net assets	1,237	798
Permanently restricted net assets:		
Restricted contributions and pledges	1,022	129
Unrealized gains on trusts administered by others	<u>466</u>	<u>898</u>
Increase in permanently restricted net assets	<u>1,488</u>	<u>1,027</u>
Increase in net assets	64,848	24,237
Net assets, beginning of year	<u>230,465</u>	<u>206,228</u>
Net assets, end of year	<u>\$295,313</u>	<u>\$230,465</u>

See accompanying notes.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2013 and 2012

(In thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 64,848	\$ 24,237
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Restricted contributions and pledges	(2,307)	(1,475)
Depreciation and amortization	25,047	24,595
Net realized and unrealized gains on investments	(23,589)	(20,623)
Bond discount/premium amortization	(202)	(209)
Loss on extinguishment of debt	3,169	-
Provision for doubtful accounts	31,493	26,251
Equity in earnings of affiliates, net	(5,835)	(5,987)
Loss on disposal of property and equipment	56	321
Pension adjustment	(26,967)	15,369
Changes in operating assets and liabilities:		
Accounts receivable	(35,940)	(24,721)
Supplies and prepaid expenses	(1,944)	(179)
Other assets	(11,973)	(3,339)
Due from affiliates	44	515
Accounts payable and accrued expenses	(414)	(538)
Accrued compensation and related expenses	1,071	1,773
Accrual for estimated third-party payor settlements	3,257	2,831
Accrued pension and other long-term liabilities	<u>8,069</u>	<u>(1,137)</u>
Net cash provided by operating activities	27,883	37,684
Cash flows from investing activities:		
Increase in property and equipment, net	(23,961)	(23,559)
Purchases of investments	(161,265)	(84,651)
Proceeds from sales of investments	127,222	96,910
Equity distributions from affiliates	<u>6,152</u>	<u>6,456</u>
Net cash used by investing activities	(51,852)	(4,844)
Cash flows from financing activities:		
Proceeds from long-term debt	81,052	-
Payments on long-term debt	(67,646)	(9,755)
Change in short-term notes payable	326	(243)
Bond issuance costs	(766)	-
Restricted contributions and pledges	<u>2,289</u>	<u>1,429</u>
Net cash provided (used) by financing activities	<u>15,255</u>	<u>(8,569)</u>
Net (decrease) increase in cash and cash equivalents	(8,714)	24,271
Cash and cash equivalents at beginning of year	<u>32,720</u>	<u>8,449</u>
Cash and cash equivalents at end of year	<u>\$ 24,006</u>	<u>\$ 32,720</u>

See accompanying notes.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Concord Hospital, Inc., (the Hospital) located in Concord, New Hampshire, is a not-for-profit acute care hospital. The Hospital provides inpatient, outpatient, emergency care and physician services for residents within its geographic region. Admitting physicians are primarily practitioners in the local area. The Hospital is controlled by Capital Regional Health Care Corporation (CRHC).

In 1985, the then Concord Hospital underwent a corporate reorganization in which it was renamed and became CRHC. At the same time, the Hospital was formed as a new entity. All assets and liabilities of the former hospital, now CRHC, with the exception of its endowments and restricted funds, were conveyed to the new Hospital. The endowments were held by CRHC for the benefit of the Hospital, which is the true party in interest. Effective October 1, 1999, CRHC transferred these funds to the Hospital.

In March 2009, Concord Hospital created The Concord Hospital Trust (the Trust), a separately incorporated, not-for-profit organization to serve as the Hospital's philanthropic arm. In establishing the Trust, the Hospital transferred philanthropic permanent and temporarily restricted funds, including board designated funds, endowments, indigent care funds and specific purpose funds, to the newly formed organization together with the stewardship responsibility to direct monies available to support the Hospital's charitable mission and reflect the specific intentions of the donors who made these gifts. Concord Hospital and the Trust constitute the Obligated Group at September 30, 2013 and 2012 to certain debt described in Note 6.

Subsidiaries of the Hospital include:

Capital Region Health Care Development Corporation (CRHCDC) is a not-for-profit real estate corporation that owns and operates medical office buildings and other properties.

Capital Region Health Ventures Corporation (CRHVC) is a not-for-profit corporation that engages in health care delivery partnerships and joint ventures. It operates ambulatory surgery and diagnostic facilities in cooperation with other entities.

CH/DHC, Inc. d/b/a Dartmouth-Hitchcock-Concord (CH/DHC) is a not-for-profit corporation that provides clinical medical services through a multi-specialty group practice. CH/DHC was formed under a joint agreement between the Hospital and DH-Concord.

The Hospital, its subsidiaries and the Trust are collectively referred to as the System. The consolidated financial statements include the accounts of the Hospital, the Trust, CRHCDC, CRHVC and CH/DHC. All significant intercompany balances and transactions have been eliminated in consolidation.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas which are affected by the use of estimates include the allowance for doubtful accounts and contractual adjustments, estimated third-party payor settlements, and actuarial assumptions used in determining pension expense, health benefit plan expense, workers' compensation costs and malpractice losses.

Concentration of Credit Risk

Financial instruments which subject the Hospital to credit risk consist primarily of cash equivalents, accounts receivable and investments. The risk with respect to cash equivalents is minimized by the Hospital's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Hospital's accounts receivable are primarily due from third-party payors and amounts are presented net of expected contractual allowances and uncollectible amounts. The Hospital's investment portfolio consists of diversified investments, which are subject to market risk. Investments that exceeded 10% of investments include the Harbor Funds International Fund and the State Street S&P 500 CTF as of September 30, 2013 and 2012.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and secured repurchase agreements with original maturities of three months or less, excluding assets whose use is limited or restricted.

The Hospital maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts.

Supplies

Supplies are carried at the lower of cost, determined on a weighted-average method, or market.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets held by trustees under indenture agreements, workers' compensation reserves, quasi-endowment funds, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

Investments are carried at fair value in the accompanying consolidated balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues and gains over expenses unless the income is restricted by donor or law. Gains and losses on investments are computed on a specific identification basis. Unrealized gains and losses on investments are excluded from the excess of revenues and gains over expenses unless the investments are classified as trading securities or losses are considered other-than-temporary. Periodically, management reviews investments for which the market value has fallen significantly below cost and recognizes impairment losses where they believe the declines are other-than-temporary.

Beneficial Interest in Perpetual Trusts

The System has an irrevocable right to receive income earned on certain trust assets established for its benefit. Distributions received by the System are unrestricted. The System's interest in the fair value of the trust assets is included in assets whose use is limited. Changes in the fair value of beneficial trust assets are reported as increases or decreases to permanently restricted net assets.

Investment Policies

The System's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns. The invested assets include endowment, specific purpose and board designated (unrestricted) funds.

Endowment funds are identified as permanent in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Temporarily restricted funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives.

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is designed to increase, with minimum risk, the inflation adjusted principal and income of the endowment funds over the long term. The System targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Spending Policy for Appropriation of Assets for Expenditure

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

Spending policies may be adopted by the System, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The System has a current spending policy on various funds currently equivalent to 5% of twelve-quarter moving average of the funds' total market value.

Accounts Receivable and the Allowance for Doubtful Accounts

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

The System's allowance for doubtful accounts for self-pay patients decreased from 88% of self-pay accounts receivable at September 30, 2012 to 87% of self-pay accounts receivable at September 30, 2013. The total provision for the allowance for doubtful accounts was \$31,493 and \$26,251 for the years ended September 30, 2013 and 2012, respectively. The System also allocates a portion of the allowance and provision for doubtful accounts to charity care, which is reflected within net patient service revenue, net of contractual allowance and discounts, in the accompanying consolidated statements of operations. The System's self-pay bad debt writeoffs increased \$232, from \$32,052 in 2012 to \$32,284 in 2013. The change in the allowance as a percentage of self-pay accounts receivable and bad debt writeoffs was a result of collection trends.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost at time of purchase, or at fair value at time of donation for assets contributed, less any reductions in carrying value for impairment and less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. Depreciation is computed using the straight-line method in a manner intended to amortize the cost of the related assets over their estimated useful lives. For the years ended September 30, 2013 and 2012, depreciation expense was \$24,859 and \$24,407, respectively.

The System has also capitalized certain costs associated with property and equipment not yet in service. Construction in progress includes amounts incurred related to major construction projects, other renovations, and other capital equipment purchased but not yet placed in service. Interest capitalized as part of construction projects was \$23 and \$166 during 2013 and 2012, respectively.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues and gains over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Federal Grant Revenue and Expenditures

Revenues and expenses under federal grant programs are recognized as the grant expenditures are incurred.

Bond Issuance Costs/Original Issue Discount or Premium

Bond issuance costs incurred to obtain financing for construction and renovation projects and the original issue discount or premium are being amortized by the straight-line method, which approximates the effective interest method, over the life of the respective bonds. The original issue discount or premium is presented as a component of bonds payable.

Charity Care

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates (Note 11). Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The System determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Funds received from gifts and grants to subsidize charity services provided for the years ended September 30, 2013 and 2012 were approximately \$13 and \$15, respectively.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Temporarily and Permanently Restricted Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported as either net assets released from restrictions (for noncapital related items) or as net assets released from restrictions used for capital purchases (capital related items). Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments and fee schedules. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in these estimates are reflected in the financial statements in the year in which they occur. For the years ended September 30, 2013 and 2012, net patient service revenue in the accompanying consolidated statements of operations increased by approximately \$1,366 and \$3,256, respectively, due to actual settlements and changes in assumptions underlying estimated future third-party settlements.

Revenues from the Medicare and Medicaid programs accounted for approximately 28% and 3% and 27% and 3% of the System's net patient service revenue for the years ended September 30, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation.

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients, the Hospital provides a discount approximately equal to that of its largest private insurance payors. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for doubtful accounts related to uninsured patients in the period the services are provided.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and intentions to give are reported at fair value at the date the condition is met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets.

Excess of Revenues and Gains Over Expenses

The System has deemed all activities as ongoing, major or central to the provision of health care services and, accordingly, they are reported as operating revenue and expenses, except for unrestricted contributions and pledges, the related philanthropy expenses, investment income and loss on extinguishment of debt which are recorded as nonoperating income (loss).

The consolidated statements of operations also include excess of revenues and gains over expenses. Changes in unrestricted net assets which are excluded from excess of revenues and gains over expenses, consistent with industry practice, include the change in net unrealized gains and losses on investments other than trading securities or losses considered other than temporary, permanent transfers of assets to and from affiliates for other than goods and services, the minimum pension liability adjustment and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Estimated Workers' Compensation and Health Care Claims

The provision for estimated workers' compensation and health care claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

The Hospital, CRHCDC, CRHVC, CH/DHC and the Trust are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the System's tax positions and concluded the System has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to or disclosure in the accompanying consolidated financial statements. With few exceptions, the System is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2010.

Advertising Costs

The System expenses advertising costs as incurred, and such costs totaled approximately \$184 and \$286 for the years ended September 30, 2013 and 2012, respectively.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain 2012 amounts have been reclassified to conform with the current year presentation.

Subsequent Events

Management of the System evaluated events occurring between the end of its fiscal year and December 9, 2013, the date the consolidated financial statements were available to be issued.

2. Transactions With Affiliates

The System provides funds to CRHC and its affiliates which are used for a variety of purposes. The System records the transfer of funds to CRHC and the other affiliates as either receivables or directly against net assets, depending on the intended use and repayment requirements of the funds. Generally, funds transferred for start-up costs of new ventures or capital related expenditures are recorded as charges against net assets. For the years ended September 30, 2013 and 2012, transfers made to CRHC were \$(212) and \$(32), respectively, and transfers received from Capital Region Health Care Services Corporation (CRHCSC) were \$507 and \$290, respectively.

A brief description of affiliated entities is as follows:

- CRHCSC is a for-profit provider of health care services, including an eye surgery center and assisted living facility.
- Concord Regional Visiting Nurse Association, Inc. and Subsidiary (CRVNA) provides home health care services.
- Riverbend, Inc. provides behavioral health services.

Amounts due the System, primarily from joint ventures, totaled \$3,363 and \$3,407 at September 30, 2013 and 2012, respectively. Amounts have been classified as current or long-term depending on the intentions of the parties involved. Beginning in 1999, the Hospital began charging interest on a portion of the receivables (\$968 and \$1,002 at September 30, 2013 and 2012, respectively) with principal and interest (6.75% at September 30, 2013) payments due monthly. Interest income amounted to \$67 and \$69 for the years ended September 30, 2013 and 2012, respectively.

Contributions to affiliates and other community organizations from temporarily restricted net assets were \$135 and \$123 in 2013 and 2012, respectively.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

3. Investments and Assets Whose Use is Limited or Restricted

Investments totaling \$2,384 and \$14,382 at September 30, 2013 and 2012, respectively, are comprised primarily of cash and cash equivalents. Assets whose use is limited or restricted are carried at fair value and consist of the following at September 30:

	<u>2013</u>	<u>2012</u>
Board designated funds:		
Cash and cash equivalents	\$ 2,416	\$ 1,200
Fixed income securities	44,245	34,997
Marketable equity and other securities	168,040	125,808
Inflation-protected securities	<u>15,442</u>	<u>12,859</u>
	230,143	174,864
 Held by trustee for workers' compensation reserves:		
Fixed income securities	3,629	3,655
 Health insurance and other escrow funds:		
Cash and cash equivalents	863	863
Fixed income securities	912	773
Marketable equity securities	3,808	2,673
Guaranteed interest contract	<u>—</u>	<u>2</u>
	5,583	4,311
 Held by trustee for construction fund:		
Cash equivalents	10,398	—
 Donor restricted:		
Cash and cash equivalents	2,635	2,015
Fixed income securities	3,696	3,250
Marketable equity securities	13,961	12,719
Inflation-protected securities	1,290	1,357
Trust funds administered by others	10,678	10,212
Other	<u>107</u>	<u>89</u>
	<u>32,367</u>	<u>29,642</u>
	<u>\$282,120</u>	<u>\$212,472</u>

Included in marketable equity and other securities above are \$80,648 and \$69,967 at September 30, 2013 and 2012, respectively, in so called alternative investments. See also note 14.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

3. Investments and Assets Whose Use is Limited or Restricted (Continued)

Investment income, net realized gains and losses and net unrealized gains and losses on assets whose use is limited or restricted, cash and cash equivalents, and other investments are as follows at September 30:

	<u>2013</u>	<u>2012</u>
Unrestricted:		
Interest and dividends	\$ 2,936	\$ 2,457
Investment income from trust funds administered by others	496	509
Net realized (losses) gains on sales of investments	<u>(1,632)</u>	<u>1,003</u>
	1,800	3,969
Restricted:		
Interest and dividends	200	220
Net realized (losses) gains on sales of investments	<u>(134)</u>	<u>116</u>
	<u>66</u>	<u>336</u>
	<u>\$ 1,866</u>	<u>\$ 4,305</u>
Other changes in net assets:		
Net unrealized gains on investments:		
Unrestricted	\$ 22,870	\$ 16,891
Temporarily restricted	2,019	1,715
Permanently restricted	<u>466</u>	<u>898</u>
	<u>\$ 25,355</u>	<u>\$ 19,504</u>

In compliance with the System's spending policy, portions of investment income and related fees are recognized in other operating revenue on the accompanying consolidated statements of operations. Investment income reflected in other operating revenue was \$1,550 and \$2,284 in 2013 and 2012, respectively.

Investment management fees expensed and reflected in nonoperating income were \$736 and \$756 for the years ended September 30, 2013 and 2012, respectively.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

3. Investments and Assets Whose Use is Limited or Restricted (Continued)

The following summarizes the Hospital's gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2013 and 2012:

	<u>Less Than 12 Months</u>		<u>12 Months or Longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
<u>2013</u>						
Marketable equity securities	\$41,047	\$ (882)	\$ 47	\$ (19)	\$41,094	\$ (901)
REIT	108	(3)	-	-	108	(3)
Fund-of-funds	<u>7,344</u>	<u>(658)</u>	<u>8,800</u>	<u>(981)</u>	<u>16,144</u>	<u>(1,639)</u>
	<u>\$48,499</u>	<u>\$ (1,543)</u>	<u>\$ 8,847</u>	<u>\$ (1,000)</u>	<u>\$57,346</u>	<u>\$ (2,543)</u>
<u>2012</u>						
Marketable equity securities	\$ 4,753	\$ (341)	\$ 1,818	\$ (348)	\$ 6,571	\$ (689)
REIT	-	-	107	(2)	107	(2)
Fund-of-funds	<u>-</u>	<u>-</u>	<u>18,612</u>	<u>(4,097)</u>	<u>18,612</u>	<u>(4,097)</u>
	<u>\$ 4,753</u>	<u>\$ (341)</u>	<u>\$20,537</u>	<u>\$ (4,447)</u>	<u>\$25,290</u>	<u>\$ (4,788)</u>

In evaluating whether investments have suffered an other-than-temporary decline, based on input from outside investment advisors, management evaluated the amount of the decline compared to cost, the length of time and extent to which fair value has been less than cost, the underlying creditworthiness of the issuer, the fair values exhibited during the year, estimated future fair values and the System's intent and ability to hold the security until a recovery in fair value or maturity. Based on evaluations of the underlying issuers' financial condition, current trends and economic conditions, management believes that unrealized losses related to securities that have suffered an other-than-temporary decline in value are not material to these consolidated financial statements.

4. Defined Benefit Pension Plan

The System has a noncontributory defined benefit pension plan (the Plan), covering all eligible employees of the System and subsidiaries. The Plan is a cash balance plan that provides benefits based on an employee's years of service, age and the employee's compensation over those years. The System's funding policy is to contribute annually the amount needed to meet or exceed actuarially determined minimum funding requirements of the *Employee Retirement Income Security Act of 1974* (ERISA).

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

4. Defined Benefit Pension Plan (Continued)

The System accounts for its defined benefit pension plan under ASC 715, *Compensation Retirement Benefits*. This Statement requires entities to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements.

The following table summarizes the Plan's funded status at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pension benefits:		
Fair value of plan assets	\$ 131,706	\$ 117,798
Projected benefit obligation	<u>(172,761)</u>	<u>(186,897)</u>
	<u>\$ (41,055)</u>	<u>\$ (69,099)</u>
Activities for the year consist of:		
Benefit payments and administrative expenses	\$ 9,356	\$ 3,846
Net periodic benefit cost	10,923	8,655

The table below presents details about the System's defined benefit pension plan, including its funded status, components of net periodic benefit cost, and certain assumptions used in determining the funded status and cost:

	<u>2013</u>	<u>2012</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$186,897	\$155,288
Service cost	8,711	7,733
Interest cost	7,940	7,799
Actuarial (gain) loss	(21,431)	19,923
Benefit payments and administrative expenses paid	<u>(9,356)</u>	<u>(3,846)</u>
Benefit obligation at end of year	<u>\$172,761</u>	<u>\$186,897</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$117,798	\$ 98,213
Actual return on plan assets	11,264	11,431
Employer contributions	12,000	12,000
Benefit payments and administrative expenses paid	<u>(9,356)</u>	<u>(3,846)</u>
Fair value of plan assets at end of year	<u>\$131,706</u>	<u>\$117,798</u>
Funded status and amount recognized in noncurrent liabilities at September 30	<u>\$ (41,055)</u>	<u>\$ (69,099)</u>

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

4. Defined Benefit Pension Plan (Continued)

Amounts recognized as a change in unrestricted net assets during the years ended September 30, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Net actuarial (gain) loss	\$ (22,539)	\$ 17,874
Net amortized loss	(4,492)	(2,722)
Prior service credit amortization	<u>64</u>	<u>217</u>
 Total amount recognized	 <u>\$ (26,967)</u>	 <u>\$ 15,369</u>

Pension Plan Assets

The fair values of the System's pension plan assets and target allocations as of September 30, 2013 and 2012, by asset category are as follows (see Note 14 for level definitions):

	Target Allo- cation	<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	Percentage of Plan Assets September 30, <u>2013</u>
Short-term investments:	0 – 5%						7%
Money market funds		\$ 9,186	\$ –	\$ –	\$ –	\$ 9,186	
Equity securities:	40 – 70%						71%
Common stocks		6,960	–	–	–	6,960	
Mutual funds – international		36,542	–	–	–	36,542	
Common collective trust		–	20,170	–	–	20,170	
Funds-of-funds		–	3,672	26,582	–	30,254	
Fixed income securities:	10 – 60%						13%
Mutual funds - REIT		545	–	–	–	545	
Mutual funds – fixed income		11,529	–	–	–	11,529	
Funds-of-funds		–	–	4,568	–	4,568	
Hedge funds:	0 – 20%						9%
Inflation hedge		–	<u>11,952</u>	–	–	<u>11,952</u>	
		<u>\$ 64,762</u>	<u>\$ 35,794</u>	<u>\$ 31,150</u>	<u>\$ 131,706</u>		

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

4. Defined Benefit Pension Plan (Continued)

	Target Allo- cation					Percentage of Plan Assets September 30,
	<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>2012</u>
Short-term investments:	0 – 5%					0%
Money market funds		\$ –	\$ –	\$ –	\$ –	
Equity securities:	40 – 70%					69%
Common stocks		6,532	–	–	6,532	
Mutual funds – international		29,738	–	–	29,738	
Foreign		–	661	–	661	
Common collective trust		–	14,965	–	14,965	
Funds-of-funds		–	–	28,766	28,766	
Fixed income securities:	10 – 60%					26%
U.S. government and agency obligations		2,575	12,439	–	15,014	
Mutual funds - REIT		473	–	–	473	
Mutual funds – fixed income		10,256	–	–	10,256	
Funds-of-funds		–	–	5,006	5,006	
Hedge funds:	0 – 20%					5%
Inflation hedge		–	6,387	–	6,387	
		<u>\$49,574</u>	<u>\$34,452</u>	<u>\$33,772</u>	<u>\$117,798</u>	

The funds-of-funds are invested with six investment managers and have various restrictions on redemptions. Four of the managers holding amounts totaling approximately \$21 million allow for monthly redemptions, with notices ranging from 5 to 15 days. Two managers holding amounts totaling approximately \$14 million allow for quarterly redemptions, with a notice of 45 or 65 days. Two of the funds also require a one-year lock on initial deposit of funds. One fund also may include a fee estimated to be equal to the cost the fund incurs in converting investments to cash (maximum of 1.5%).

The table below sets forth a summary of changes in plan assets using unobservable inputs (Level 3):

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$33,772	\$38,315
Unrealized losses related to instruments still held at the reporting date	(566)	(4,543)
Purchases	4,000	–
Sales	<u>(6,056)</u>	<u>–</u>
Balance, end of year	<u>\$31,150</u>	<u>\$33,772</u>

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

4. Defined Benefit Pension Plan (Continued)

The System considers various factors in estimating the expected long-term rate of return on plan assets. Among the factors considered include the historical long-term returns on plan assets, the current and expected allocation of plan assets, input from the System's actuaries and investment consultants, and long-term inflation assumptions. The System's expected allocation of plan assets is based on a diversified portfolio consisting of domestic and international equity securities, fixed income securities, and real estate.

The System's investment policy for its pension plan is to balance risk and returns using a diversified portfolio consisting primarily of high quality equity and fixed income securities. To accomplish this goal, plan assets are actively managed by outside investment managers with the objective of optimizing long-term return while maintaining a high standard of portfolio quality and proper diversification. The System monitors the maturities of fixed income securities so that there is sufficient liquidity to meet current benefit payment obligations. The System's Investment Committee provides oversight of the plan investments and the performance of the investment managers.

Amounts included in expense during fiscal 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Components of net periodic benefit cost:		
Service cost	\$ 8,711	\$ 7,733
Interest cost	7,940	7,799
Expected return on plan assets	(10,156)	(9,382)
Amortization of prior service cost and gains and losses	<u>4,428</u>	<u>2,505</u>
Net periodic benefit cost	<u>\$ 10,923</u>	<u>\$ 8,655</u>

The accumulated benefit obligations for the plan at September 30, 2013 and 2012 were \$161,290 and \$172,908, respectively.

	<u>2013</u>	<u>2012</u>
Weighted average assumptions to determine benefit obligation:		
Discount rate	5.38%	4.40%
Rate of compensation increase	2.00	2.00
Weighted average assumptions to determine net periodic benefit cost:		
Discount rate	4.40%	5.15%
Expected return on plan assets	8.00	8.00
Cash balance credit rate	5.00	5.00
Rate of compensation increase	2.00	2.00

In selecting the long-term rate of return on plan assets, the System considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the plan. This included considering the plan's asset allocation and the expected returns likely to be earned over the life of the plan, as well as the historical returns on the types of assets held and the current economic environment.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

4. Defined Benefit Pension Plan (Continued)

The loss and prior service credit amount expected to be recognized in net periodic benefit cost in 2013 are as follows:

Actuarial loss	\$ 2,770
Prior service credit	<u>(33)</u>
	<u>\$ 2,737</u>

The System funds the pension plan and no contributions are made by employees. The System funds the plan annually by making a contribution of at least the minimum amount required by applicable regulations and as recommended by the System's actuary. However, the System may also fund the plan in excess of the minimum required amount.

Cash contributions in subsequent years will depend on a number of factors including performance of plan assets. However, the System expects to fund \$12,000 in cash contributions to the plan for the 2014 plan year.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ended September 30</u>	<u>Pension Benefits</u>
2014	\$ 8,999
2015	10,034
2016	10,917
2017	13,101
2018	13,520
2019 – 2023	82,301

5. Estimated Third-Party Payer Settlements

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient and outpatient services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical diagnosis and other factors. In addition to this, the System is also reimbursed for medical education and other items which require cost settlement and retrospective review by the fiscal intermediary. Accordingly, the System files an annual cost report with the Medicare program after the completion of each fiscal year to report activity applicable to the Medicare program and to determine any final settlements.

The physician practices are reimbursed on a fee screen basis.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

5. Estimated Third-Party Payer Settlements (Continued)

Medicaid Enhancement Tax

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.5% of net patient service revenues, with certain exclusions. The amount of tax incurred by the System for fiscal 2013 and 2012 was \$16,541 and \$16,175, respectively.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. In addition, as part of the State of New Hampshire's biennial budget process for the two-year period ended June 30, 2013, the State eliminated disproportionate share payments to certain New Hampshire hospitals, including the System. As a result, during the fiscal years ended September 30, 2013 and 2012, the System paid the State of New Hampshire's MET based on 5.5% of net patient service revenues, with certain exclusions but did not receive disproportionate share payments.

The System amended certain past MET returns based upon further guidance which provided that certain exclusions can be deducted from net patient service revenues. Subsequent to September 30, 2013, the State completed an initial audit of those amended returns. The outcome of the amended returns and related audits is uncertain at the date of these consolidated financial statements, and no amounts have been reflected in these consolidated financial statements related to those matters.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under fee schedules and cost reimbursement methodologies subject to various limitations or discounts. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid program.

The physician practices are reimbursed on a fee screen basis.

Other

The System has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

The accrual for estimated third-party payor settlements reflected on the accompanying consolidated balance sheets represents the estimated net amounts to be paid under reimbursement contracts with the Centers for Medicare and Medicaid Services (Medicare), the New Hampshire Department of Welfare (Medicaid) and any commercial payors with settlement provision. Settlements for the Hospital have been finalized through 2009 for Medicare and Medicaid.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

6. Long-Term Debt and Notes Payable

Long-term debt consists of the following at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
2.0% to 5.0% New Hampshire Health and Education Facilities Authority (NHHEFA) Revenue Bonds, Concord Hospital Issue, Series 2013A; due in annual installments, including principal and interest ranging from \$1,543 to \$3,555 through 2043, including unamortized original issue premium of \$3,550 in 2013	\$ 47,860	\$ -
1.71% fixed rate NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2013B; due in annual installments, including principal and interest ranging from \$1,651 to \$3,977 through 2024	31,011	-
1.3% to 5.6% NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2011; due in annual installments, including principal and interest of \$5,200 through 2026, including unamortized original issue premium of \$252 in 2013 and \$270 in 2012	40,841	44,196
3.0% to 5.5% NHHEFA Hospital Revenue Bonds, Concord Hospital Issue, Series 2001; due in annual installments, including principal and interest of \$2,302 through 2031; net of unamortized original issue discount of \$391 in 2012. Refunded in 2013 through the Series 2013A issuance as described below	-	27,284
2.88% to 5.25% NHHEFA Hospital Revenue Bonds, Concord Hospital Issue Series 2004; due in annual installments, including principal and interest of \$4,264, payable through 2024; including unamortized original issue premium of \$1,167 in 2012. Refunded in 2013 through the Series 2013B issuance as described below	-	32,967
4% to 5% NHHEFA Revenue Anticipation Notes, Concord Hospital Issue, Series 2008; due in annual installments, including principal and interest ranging from \$2,861 to \$3,756 through 2013, including unamortized original issue premium of \$66 in 2012. Paid in full in 2013	-	<u>2,786</u>
	<u>119,712</u>	<u>107,233</u>
Less current portion	<u>(7,931)</u>	<u>(9,721)</u>
	<u>\$111,781</u>	<u>\$ 97,512</u>

In February 2013, \$48,631 (including an original issue premium of \$3,631) of NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2013A, were issued to assist in the funding of a significant facility improvement project and to advance refund the Series 2001 NHHEFA Hospital Revenue Bonds. The facility improvement project includes enhancements to the System's power plant, renovation of certain nursing units, expansion of the parking capacity at the main campus and various other routine capital expenditures and miscellaneous construction, renovation and improvements of the System's facilities. As a result of the advance refunding, the unamortized bond issuance costs and original issue discount related to the Series 2001 NHHEFA Hospital Revenue Bonds were included in loss on extinguishment of debt and totaled \$1,483 for the year ended September 30, 2013. As of September 30, 2013, none of the Series 2001 advance refunded bonds remain outstanding.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

6. Long-Term Debt and Notes Payable (Continued)

In April 2013, \$32,421 of NHHEFA Revenue Bonds, Concord Hospital Issues, Series 2013B, were issued to advance refund the Series 2004 NHHEFA Hospital Revenue Bonds. As a result of the bond refinancing, the unamortized bond issuance costs and original issue premium related to the Series 2004 NHHEFA Hospital Revenue Bonds were included on loss on extinguishment of debt and totaled \$1,686 for the year ended September 30, 2013. As of September 30, 2013, \$31,800 of advance refunded bonds, which are considered extinguished for purposes of these consolidated financial statements, remain outstanding.

In March 2011, \$49,795 of NHHEFA Revenue Bonds, Concord Hospital Issue, Series 2011, were issued to assist in the funding of a significant facility improvement project and pay off the Series 1996 Revenue Bonds. The project included expansion and renovation of various Hospital departments, infrastructure upgrades, and acquisition of capital equipment. The project began during fiscal year 2011 and was completed in fiscal year 2012.

Substantially all the property and equipment relating to the aforementioned construction and renovation projects, as well as subsequent property and equipment additions thereto, and a mortgage lien on the facility, are pledged as collateral for the Series 2011 and 2013A and B Revenue Bonds. In addition, the gross receipts of the Hospital are pledged as collateral for the Series 2011 and 2013A and B Revenue Bonds. The most restrictive financial covenants require a 1.10 (1.25 in 2012) to 1.0 ratio of aggregate income available for debt service to total annual debt service and a day's cash on hand ratio of 75 days (90 days in 2012). The Hospital was in compliance with its debt covenants at September 30, 2013 and 2012.

The obligations of the Hospital under the Series 2013A and B and Series 2011 Revenue Bond Indentures are not guaranteed by any of the subsidiaries or affiliated entities.

Interest paid on long-term debt amounted to \$4,892 and \$5,236 for the years ended September 30, 2013 and 2012, respectively.

The aggregate principal payments on long-term debt for the next five fiscal years ending September 30 are as follows:

2014	\$ 7,931
2015	8,131
2016	8,337
2017	8,570
2018	8,822
Thereafter	<u>77,921</u>
	<u>\$119,712</u>

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

7. Commitments and Contingencies

Malpractice Loss Contingencies

Prior to February 1, 2011, the System was insured against malpractice loss contingencies under claims-made insurance policies. A claims-made policy provides specific coverage for claims made during the policy period. The System maintained excess professional and general liability insurance policies to cover claims in excess of liability retention levels. The System has established reserves to cover professional liability exposures for incurred but unpaid or unreported claims. The amounts of the reserves have been determined by actuarial consultants and total \$4,692 and \$6,502 at September 30, 2013 and 2012 and are reflected in the accompanying consolidated balance sheets within accrued pension and other long-term liabilities. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the System.

Effective February 1, 2011, the System insures its medical malpractice risks through a multiprovider captive insurance company under a claims-made insurance policy. Premiums paid are based upon actuarially determined amounts to adequately fund for expected losses. At September 30, 2013, there were no known malpractice claims outstanding for the System which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor were there any unasserted claims or incidents which required loss accruals. The captive retains and funds up to actuarial expected loss amounts, and obtains reinsurance at various attachment points for individual and aggregate claims in excess of funding in accordance with industry practices. The System's interest in the captive represents approximately 28% of the captive. Control of the captive is equally shared by participating hospitals. The System has recorded its interest in the captive's equity, totaling approximately \$1,335 at September 30, 2013 and 2012, in other noncurrent assets on the accompanying consolidated balance sheets. Changes in the System's interest are included in nonoperating income on the accompanying consolidated statements of operations.

In accordance with Accounting Standards Update No. 2010-24, "*Health Care Entities*" (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*, at September 30, 2013 and 2012, the Hospital recorded a liability of approximately \$12,900 and \$3,000, respectively, related to estimated professional liability losses. At September 30, 2013 and 2012, the Hospital also recorded a receivable of \$12,900 and \$3,000, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in accrued pension and other long-term liabilities, and bond issuance costs and other assets, respectively, on the consolidated balance sheets.

Workers' Compensation

The Hospital maintains workers' compensation insurance under a self-insurance plan. The plan offers, among other provisions, certain specific and aggregate stop-loss coverage to protect the Hospital against excessive losses. The Hospital has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses of \$2,456 and \$2,995 at September 30, 2013 and 2012, respectively, have been discounted at 6% and, in management's opinion, provide an adequate reserve for loss contingencies. A trustee held fund has been established as a reserve under the plan.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

7. Commitments and Contingencies (Continued)

Litigation

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's financial position, results of operations or cash flows.

Health Insurance

The System has a self-funded health insurance plan. The plan is administered by an insurance company which assists in determining the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. The System recognizes revenue for services provided to employees of the System during the year. The System is insured above a stop-loss amount of \$440 on individual claims. Estimated unpaid claims, and those claims incurred but not reported at September 30, 2013 and 2012, have been recorded as a liability of \$5,034 and \$6,662, respectively, and are reflected in the accompanying consolidated balance sheets within accounts payable and accrued expenses.

Operating Leases

The System has various operating leases relative to its office and offsite locations. Future annual minimum lease payments under noncancellable lease agreements as of September 30, 2013 are as follows:

Year Ending September 30:	
2014	\$ 4,900
2015	4,257
2016	4,200
2017	3,634
2018	3,357
Thereafter	<u>19,952</u>
	<u>\$40,300</u>

Rent expense was \$8,456 and \$8,207 for the years ended September 30, 2013 and 2012, respectively.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2013</u>	<u>2012</u>
Health education and program services	\$ 12,821	\$ 11,446
Capital acquisitions	1,053	652
Indigent care	181	709
For periods after September 30 of each year	<u>72</u>	<u>83</u>
	<u>\$ 14,127</u>	<u>\$ 12,890</u>

Income on the following permanently restricted net asset funds is available for the following purposes at September 30:

	<u>2013</u>	<u>2012</u>
Health education and program services	\$ 15,513	\$ 14,213
Capital acquisitions	803	606
Indigent care	1,810	1,883
For periods after September 30 of each year	<u>114</u>	<u>50</u>
	<u>\$ 18,240</u>	<u>\$ 16,752</u>

9. Patient Service and Other Revenue

Net patient service revenue for the years ended September 30 is as follows:

	<u>2013</u>	<u>2012</u>
Gross patient service charges:		
Inpatient services	\$393,992	\$353,457
Outpatient services	469,048	432,131
Physician services	125,705	118,631
Less charitable services	<u>(33,903)</u>	<u>(38,487)</u>
	954,842	865,732
Less contractual allowances and discounts:		
Medicare	313,177	265,505
Medicaid	68,347	57,662
Other	<u>170,770</u>	<u>162,873</u>
	<u>552,294</u>	<u>486,040</u>
Total Hospital net patient service revenue (net of contractual allowances and discounts)	402,548	379,692
Other entities	<u>29,684</u>	<u>29,569</u>
	<u>\$432,232</u>	<u>\$409,261</u>

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

9. Patient Service and Other Revenue (Continued)

An estimated breakdown of patient service revenue, net of contractual allowances, discounts and provision for doubtful accounts recognized in 2013 and 2012 from these major payor sources, is as follows for the Hospital. The provision for doubtful accounts for subsidiaries of the Hospital was not significant in 2013 and 2012.

	Hospital			
	Gross Patient Service Revenues	Contractual Allowances and Discounts	Provision for Doubtful Accounts	Net Patient Service Revenues Less Provision for Doubtful Accounts
<u>2013</u>				
Private payors (includes coinsurance and deductibles)	\$413,913	\$(170,770)	\$ (9,270)	\$233,873
Medicaid	79,936	(68,347)	-	11,589
Medicare	429,908	(313,177)	(1,948)	114,783
Self-pay	<u>31,085</u>	<u>-</u>	<u>(19,660)</u>	<u>11,425</u>
	<u>\$954,842</u>	<u>\$(552,294)</u>	<u>\$(30,878)</u>	<u>\$371,670</u>
<u>2012</u>				
Private payors (includes coinsurance and deductibles)	\$404,540	\$(162,873)	\$ (8,219)	\$233,448
Medicaid	66,890	(57,662)	-	9,228
Medicare	374,479	(265,505)	(1,648)	107,326
Self-pay	<u>19,823</u>	<u>-</u>	<u>(15,828)</u>	<u>3,995</u>
	<u>\$865,732</u>	<u>\$(486,040)</u>	<u>\$(25,695)</u>	<u>\$353,997</u>

Electronic Health Records Incentive Payments

The CMS Electronic Health Records (EHR) incentive programs provide a financial incentive for the "meaningful use" of certified EHR technology to achieve health and efficiency goals. To qualify for incentive payments, eligible organizations must successfully demonstrate meaningful use of certified EHR technology through various stages defined by CMS. The System filed its Stage I Year 2 meaningful use attestations with CMS. Revenue totaling \$3,719 and \$4,025 associated with these meaningful use attestations was recorded as other revenue for the years ended September 30, 2013 and 2012, respectively. In addition, a receivable amount of \$1,616 was recorded within prepaid expenses and other current assets at September 30, 2013.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

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(In thousands)

10. Functional Expenses

The System provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	<u>2013</u>	<u>2012</u>
Health care services	\$306,213	\$292,546
General and administrative	59,447	58,096
Depreciation and amortization	25,047	24,595
Medicaid enhancement tax	16,541	16,175
Interest expense	<u>4,720</u>	<u>4,918</u>
	<u>\$411,968</u>	<u>\$396,330</u>

Fundraising related expenses were \$690 and \$614 for the years ended September 30, 2013 and 2012, respectively.

11. Charity Care and Community Benefits (Unaudited)

The Hospital maintains records to identify and monitor the level of charity care it provides. The Hospital provides traditional charity care, as well as other forms of community benefits. The cost of all such benefits provided is as follows for the years ended September 30:

	<u>2013</u>	<u>2012</u>
Community health services	\$ 2,608	\$ 2,197
Health professions education	4,141	3,573
Subsidized health services	19,338	16,211
Research	89	96
Financial contributions	1,028	1,003
Community building activities	45	365
Community benefit operations	49	49
Charity care costs (see Note 1)	<u>13,405</u>	<u>14,532</u>
	<u>\$40,703</u>	<u>\$38,026</u>

In addition, the Hospital incurred costs for services to Medicare and Medicaid patients in excess of the payment from these programs of \$51,171 and \$61,265 in 2013 and 2012, respectively.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

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(In thousands)

12. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents of southern New Hampshire and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of September 30 is as follows:

	<u>2013</u>	<u>2012</u>
Patients	18%	19%
Medicare	37	34
Anthem Blue Cross	12	16
Cigna	5	6
Medicaid	10	6
Commercial	17	18
Workers' compensation	<u>1</u>	<u>1</u>
	<u>100%</u>	<u>100%</u>

13. Volunteer Services (Unaudited)

Total volunteer service hours received by the Hospital were approximately 36,500 in 2013 and 38,500 in 2012. The volunteers provide various nonspecialized services to the Hospital, none of which has been recognized as revenue or expense in the accompanying consolidated statements of operations.

14. Fair Value Measurements

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the System uses various methods including market, income and cost approaches. Based on these approaches, the System often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The System utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the System is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

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(In thousands)

14. Fair Value Measurements (Continued)

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the System performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following presents the balances of assets measured at fair value on a recurring basis at September 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2013</u>				
Cash and cash equivalents	\$ 41,277	\$ 1,425	\$ –	\$ 42,702
Fixed income securities	52,482	–	–	52,482
Marketable equity and other securities	61,840	43,321	80,648	185,809
Inflation-protected securities and other	11,898	4,941	–	16,839
Trust funds administered by others	<u>–</u>	<u>–</u>	<u>10,678</u>	<u>10,678</u>
	<u>\$167,497</u>	<u>\$49,687</u>	<u>\$91,326</u>	<u>\$308,510</u>
<u>2012</u>				
Cash and cash equivalents	\$ 49,755	\$ 1,425	\$ –	\$ 51,180
Fixed income securities	42,675	–	–	42,675
Marketable equity and other securities	35,623	35,610	69,967	141,200
Inflation-protected securities and other	14,305	–	–	14,305
Guaranteed interest contract	–	2	–	2
Trust funds administered by others	<u>–</u>	<u>–</u>	<u>10,212</u>	<u>10,212</u>
	<u>\$142,358</u>	<u>\$37,037</u>	<u>\$80,179</u>	<u>\$259,574</u>

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012
(In thousands)

14. Fair Value Measurements (Continued)

The System's Level 3 investments consist of so called alternative investments and trust funds administered by others. The alternative investments consist primarily of interests in limited partnership funds that are not publicly traded. The fair value measurement is based on significant unobservable inputs.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets and statements of operations.

A reconciliation of the fair value measurements using significant unobservable inputs (Level 3) is as follows for 2013 and 2012:

	<u>Trust Funds Administered by Others</u>	<u>Alternative Investments</u>
Balance at September 30, 2011	\$ 9,314	\$ 77,792
Sales	—	(15,778)
Net realized and unrealized gains	<u>898</u>	<u>7,953</u>
Balance at September 30, 2012	10,212	69,967
Purchases	—	10,900
Sales	—	(13,167)
Net realized and unrealized gains	<u>466</u>	<u>12,948</u>
Balance at September 30, 2013	<u>\$10,678</u>	<u>\$ 80,648</u>

In accordance with ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, the table below sets forth additional disclosures for investment funds (other than mutual funds) valued based on net asset value to further understand the nature and risk of the investments by category:

	<u>Fair Value</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
September 30, 2013:				
Funds-of-funds	\$42,265	\$ —	Monthly	5 – 15 days
Funds-of-funds	38,383	—	Quarterly	45 – 65 days
September 30, 2012:				
Funds-of-funds	\$29,860	\$ —	Monthly	5 – 15 days
Funds-of-funds	31,138	—	Quarterly	45 – 65 days
Funds-of-funds	8,969	—	Annually	60 days

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

14. Fair Value Measurements (Continued)

Investment Strategies

Fixed Income Securities

The primary purpose of fixed income investments is to provide a highly predictable and dependable source of income, preserve capital, and reduce the volatility of the total portfolio and hedge against the risk of deflation or protracted economic contraction.

Marketable Equity and Other Securities

The primary purpose of marketable equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss. The total marketable equity portion of the portfolio will be broadly diversified according to economic sector, industry, number of holdings and other characteristics including style and capitalization. The System may employ multiple equity investment managers, each of whom may have distinct investment styles. Accordingly, while each manager's portfolio may not be fully diversified, it is expected that the combined equity portfolio will be broadly diversified.

The System invests in other securities that are considered alternative investments that consist of limited partnership interests in investment funds, which, in turn, invest in diversified portfolios predominantly comprised of equity and fixed income securities, as well as options, futures contracts, and some other less liquid investments. Management has approved procedures pursuant to the methods in which the System values these investments at fair value, which ordinarily will be the amount equal to the pro-rata interest in the net assets of the limited partnership, as such value is supplied by, or on behalf of, each investment from time to time, usually monthly and/or quarterly by the investment manager. These investments are classified as Level 2 or 3, depending on the nature of the underlying assets and valuation methodologies used as reported by the fund managers.

System management is responsible for the fair value measurements of investments reported in the consolidated financial statements. Such amounts are generally determined using audited financial statements of the funds and/or recently settled transactions. Because of inherent uncertainty of valuation of certain alternative investments, the estimate of the fund manager or general partner may differ from actual values, and differences could be significant. Management believes that reported fair values of its alternative investments at the balance sheet dates are reasonable.

Inflation-Protected Securities

The primary purpose of inflation-protected securities is to provide protection against the negative effects of inflation.

CONCORD HOSPITAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

(In thousands)

14. Fair Value Measurements (Continued)

Fair Value of Other Financial Instruments

Other financial instruments consist of accounts and pledges receivable, accounts payable and accrued expenses, estimated third-party payor settlements, and long-term debt and notes payable. The fair value of all financial instruments other than long-term debt and notes payable approximates their relative book values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value. The fair value of the System's long-term debt and notes payable is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The carrying value and fair value of the System's long-term debt and notes payable amounted to \$119,712 and \$126,875, respectively, at September 30, 2013, and \$107,233 and \$121,350, respectively, at September 30, 2012.

Concord Hospital Consolidated Statement of Revenues & Expenses
For the period ending December 31 (in thousands)

Unaudited

	Year-to-Date Ending	
	December 31	
	2013	2012
Net patient service revenues after insurance	\$120,654	\$118,452
Community Charity Care	(9,426)	(8,804)
Uncompensated care	(8,547)	(8,394)
Net patient service revenues	\$102,681	\$101,254
Other operating revenues	6,187	6,037
Operating revenue	\$108,868	\$107,290
Salaries & benefits	\$58,209	\$56,697
Services & supplies	35,666	35,605
Medicaid enhancement tax	4,109	4,135
Depreciation & interest	7,412	7,368
Operating expenses	\$105,398	\$103,805
Gain from operations	3,471	3,485
Non-operating revenues	2,488	605
Excess of revenues over expenses	\$5,959	\$4,091

Concord Hospital Consolidated Balance Sheet
(in thousands)

Unaudited

	12/31/13	09/30/13
Cash & other current assets	\$73,941	\$78,945
Long-term investments	294,534	282,120
Property, plant & equipment-net	153,357	156,147
Other assets	8,534	8,531
Total assets	\$530,366	\$525,743
Current Liabilities	\$59,614	\$67,447
Long-term liabilities	161,704	162,983
Net assets:		
Unrestricted	275,333	262,947
Temporarily restricted	14,884	14,127
Permanently restricted	18,831	18,240
Total liabilities & net assets	\$530,366	\$525,743

Guide to Statement of Revenues and Expenses

Net Patient Service Revenues

Revenues expected to be collected for services provided net of any amounts set aside for Community Charity care and Uncompensated care.

Community Charity Care

Represents write-off charges for services to patients who were unable to pay.

Uncompensated care

Represents revenue lost because patients failed to pay amounts owed.

Gain from Operations

Excess of revenues over expenses from all patient and contract services

Non-operating revenues

Includes revenues and losses from investments, contributions and support from endowments.

Guide to Balance Sheet

Long-term investments

Includes funds restricted by donors or outside agencies, as well as funds designated by the Board for long-term investment.

Net Assets

Represents the value of Concord Hospital and subsidiaries that is available to meet future facility, equipment and strategic needs. Temporarily restricted represents funds restricted by donors for specific purposes. Permanently restricted represents funds restricted by donors to be maintained as a permanent endowment with earnings to be used to support hospital activities.



DNV HEALTHCARE INC.

CERTIFICATE OF ACCREDITATION

Certificate No. 116992-2012-AHC-USA-NIAHO

This is to certify that

Concord Hospital

250 Pleasant Street, Concord, NH 03301

Complies with the requirements of the:

NIAHO® Hospital Accreditation Program

Pursuant to the authority granted to Det Norske Veritas Healthcare, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, this organization is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482). This certificate is valid for a period of three (3) years from the Effective Date of Accreditation.

Effective Date of Accreditation:

April 27, 2012

for the Accreditation Body:

DET NORSKE VERITAS
HEALTHCARE, INC.
HOUSTON, TEXAS

Patrick Horine
Executive Vice President, Accreditation



Yehuda Dror
President

Lack of continual fulfillment of the conditions set out in the Certification/Accreditation Agreement may render this Certificate invalid.

ACCREDITED UNIT: DNV HEALTHCARE INC., 400 TECHNECENTER DRIVE, SUITE 100 MILFORD, OHIO 45150, OH, UNITED STATES, TEL: 513-947-8334
WWW.DNVACCREDITATION.COM



STATE OF NEW HAMPSHIRE
 DEPARTMENT OF HEALTH AND HUMAN SERVICES
 OFFICE OF OPERATIONS SUPPORT

EFFECTIVE DATE 1/1/2014
 EXPIRATION: 12/31/2014

LICENSE NO: 01098 ISSUED TO BOARD OF TRUSTEES CONCORD HOSPITAL
 BY: CONCORD HOSPITAL

TOTAL BED
 COUNT: 295

LOCATED AT 250 PLEASANT STREET CONCORD NH THIS FACILITY HAS COMPLIED WITH RSA 151 AND THE RULES
 PROMULGATED THEREUNDER FOR LICENSURE AS THE
 FOLLOWING:

HOSPITAL	ADMINISTRATOR	MEDICAL DIRECTOR	LAB DIRECTOR	BED TYPE	BED
	MICHAEL B. GREEN			MED1	295

Comments ANNUAL CERTIFICATE

Waiver

Mary R. Costello

Senior Division Director

STATE OF NEW HAMPSHIRE DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONCORD HOSPITAL MEDICAL GROUP

PRACTICE NAME	SPECIALTY
Cardiac Associates	
Donna Adams, MD Don Chan, MD Melkon Hacobian, MD Jeffrey Lockhart, MD Michael Newton, MD Kirke Wheeler, MD Charles Wicks, MD Sue Corliss, APRN Sally Jenkins, APRN Mary Macklin, APRN Judy Tsiobas, APRN ----- <u>Laconia Office:</u> Husam Farah, MD (DHC) R. Jeffrey Lootens, MD (DHC) Ayesha Nazeer, MD (DHC) Alan Rosenfeld, MD	Cardiology
Cardiothoracic Surgery	
G. Darby Pope, MD Laki Rousou, MD Gerald Sardella, MD Alisha Adams, PA-C Thomas Gervais, PA-C Patricia Uhlig, PA-C	Cardiothoracic Surgery
Center for Urologic Care	
Scott J. Fabozzi, MD David F. Green, MD Thomas Jackson, MD Brian Marks, MD Robert Mitchell, MD William F. Santis, MD Paul M. Snyder, MD Veronica Triaca, MD Ronald Yap, MD Susan Buckley, APRN Katie Cail, APRN Cassie Delude, APRN Joanne Gutt, PA-C	Urology

Concord Family Medicine	
Hilary Alvarez, MD Elizabeth Clardy, MD Francis Hayes, MD Boguslawa Kremzner, MD Amy Martel, MD Jacqueline Morse, MD Richard Nelson, MD Eric Pollak, MD Gary Sobelson, MD Catherine Benoit, APRN Janie Boyle, APRN Juline Davis, APRN Karen Ducharme, APRN Tamy Prescott, APRN Jenna Reardon, APRN	Family Medicine
Concord OB/GYN	
Monica Chun, MD Heidi Hallonquist, MD Courtney Jones, MD Richard Salchunas, MD David Stevenson, MD Cathy Yi, MD Oglesby Young, MD Christina Auger, PA-C Sandra Bristol, APRN Donna Cassidy, APRN Doneta Fischer, APRN Debra Sawyer, APRN	Obstetrics/Gynecology
Concord Plastic Surgery	
Todd Burdette, MD Wayne Stadelmann, MD Amy Jay, PA-C Werner Muller, PA-C	Plastic/Reconstructive Surgery
Concord Surgical Associates	
Sharon I. Gunsher, MD Melissa M. Hoyt, MD Joseph P. Meyer, MD Richard K. Murphy, MD Russell A. Strong, III, MD Peter Wilson, MD Charles Barilla, PA-C Adam Boise, APRN Kellie DeCalogero, APRN Anne Nason, APRN Nicole Nelson, PA-C	General Surgery

Epsom Family Medicine	
Christopher Allen, MD John Barksdale, MD Ashley Wood, MD Jennifer Gaudet-Esenwine, APRN Jodi Schroeder, APRN Paula A. Weeman, APRN	Family Medicine
Family Care of Concord	
Barry Giglio, MD Mathew Sawyer, MD Kathleen Bourque, APRN Trisha Brooks, APRN Linda Mead, APRN Linda Reed, APRN ----- Weekend Access Cindi Swift-Croft, DO	Family Medicine
Family Physicians of Pembroke	
Joel Lowne, DO Robert Niegisch, MD Robb Stidwill, MD Sarah Bell, PA-C	Family Medicine
Family Tree Health Care	
Hopkinton Stephen Lawrence, MD Michael McLeod, DO FJ Milligan, MD Sara Carrier, PA-C Traci Ennis, PA-C Deirdre Fuller-Wiesner, APRN ----- Warner Angela Klingler, MD Lauri Ann Maitland, DO, MPH Shawn Sutton, MD Daphne Hall, APRN ----- Concord Michelle Currier, JD, DO Lynn Durand, MD	Family Medicine

Hospitalist Program	
<p>Tomasz Blaszcak, MD Stephen Bissah, MD (PD) Sudham Chand, MD William Crawford, MD Mary Kae Eckert, MD Kevin Fleming, MD Jimmy Fune, MD Alexander Gadbois, MD Toni Hadjiev, MD Suzy Ann Iverson, DO Fnu Jaipal, MD Klevis Kadiqi, MD Mustapha Karanouh, MD Christina Kirkpatrick, MD Santosh Kumar, MD Christopher Mertz, MD Maynard Pang, MD Philip Sprunger, MD D. Allen Young, MD Valerie Ziesmer, MD Brenda Ciampa, PA-C Patty Cousens, PA-C Richard Laflame, PA-C Sandra O'Loughlin, PA-C Heather Parent, PA-C Mary Kazanowski, APRN Linda Messenger, APRN Kelly White, APRN Bethany Zanetti, PA-C</p>	
Infectious Disease	
<p>Jennifer Gitzus, MD James Noble, MD Joshua White, MD Jennifer Barriault, PA-C</p>	Infectious Disease
Internal Medicine	
<p>Nicole Antinerella, DO Carl Ciak, MD Paul Clark, MD Lyn Lindpaintner, MD Kelly Seichepine, MD Tanja VanderLinde, MD Elizabeth DeNauw, PA-C Holli Gorrell, APRN Renee Plodzick, APRN Jessica Pollack, APRN</p> <p>----- <u>Horseshoe Pond:</u> Ted Benoit, MD Anne Chehade, MD Ian Waggett, MD Lynn Rossmann, PA-C Una Folan, APRN</p>	Internal Medicine

Neurology Associates	
Monica Burke, DO Ann Cabot, DO Mildred LaFontaine, MD Mark A. Lombardo, MD Christopher Martino, DO Diana Tanase, MD Brant Oliver, APRN	Neurology
Penacook Family Physicians	
Eric Kropp, MD John Lloyd, MD Carol Niegisch, MD W. Kent Smith, MD Michelle Spencer, MD Barbara Berthiaume, APRN Denise Fox, APRN	Family Medicine
Pleasant Street Family Medicine	
Frank A. Betchart, MD Patricia E. Clancy, MD Katharine T. Fox, MD Patrick Fox, MD Margarita Shugol, DO Judith Abbe, APRN Stacey Clark, PA-C	Family Medicine
Pulmonary Medicine	
D. Thomas Akey, MD Martin Black, MD Stephen P. Imgrund, MD Michael Laidlaw, MD Alejandro Saranglao, MD Patrick Tangney, MD Monica Heon, APRN Chad Lawrence, APRN Roslyn M. Lawrence, APRN Brent Richardson, APRN	Pulmonary Critical Care
Sleep Medicine David C. Picard, MD Irena Danys, MD Ashley Martin, APRN	Sleep Medicine
Wound Healing Center	
Joseph Snow, MD Christine DiGeronimo, APRN Robert Zahn, MD Hailey Paige, PA-C	Wound Care Hyperbaric Oxygen Therapy