

November 5, 2018

Mr. Karl Rude

President
Health Management Service, LLC
1001 S. 24th Street // W #311
Billings, MT 59102

DEAR MR. RUDE:

As the community evaluates the opportunity to build a critical access hospital, understanding the needs and demands for health care services in Saratoga and the surrounding area is crucial. We understand from you that leaders within the community and members of the Corbett Medical Foundation will explore the possibility of funding the critical access hospital construction project through a United States Department of Agriculture (USDA) loan. Therefore, you need to engage a reputable CPA and advisory firm with a depth of specialized expertise with USDA loan requirements and to provide timely, targeted forecasting services that can help to meet the various reporting requirements for obtaining the right funding. We believe **BKD, LLP** is that firm.

Staying up-to-date with complex reporting requirements, changing accounting standards and specific USDA reporting requirements can prove challenging. Therefore, it is essential to have confidence in your professional advisors. At BKD, our team is armed with knowledge and insight to share best practices, ideas and specific recommendations related to the USDA process that can help you and the community navigate these requirements.

Our experience performing feasibility studies and financial forecasts for health care providers across the nation can help the community and you navigate issues related to undertaking this major construction project. We can help assess the viability of decisions in a timely manner with the goal of receiving a funding commitment so that you may proceed with construction as planned. You can have confidence knowing our responsive professionals have the knowledge to help you address your challenges while remaining at the forefront of industry developments and trends.

We believe our proposal will help you select our firm for timely, efficient and objective services delivered by experienced professionals. We will call you soon to answer questions you may have about this proposal, or you may reach us at the contact information provided below.

Sincerely,



Joseph M. Watt, CPA
Partner
816.701.0246
jwatt@bkd.com



Eric Lopata, CPA
Director
816.489.4273
elopata@bkd.com

cc: Mr. Will Faust
Mr. George Haigh

■ THE ORGANIZATION'S DESIRED OUTCOMES

The community, members of the Corbett Medical Foundation and you (collectively referred to as the “Organization” going forward in this proposal) wants to work with a qualified CPA and advisory firm that can help you navigate a financial feasibility study for your proposed critical access hospital (CAH) project as part of your strategy to bring sustainable health care to the community. You want the following:

- ▶ Advisors with specific understanding of the United States Department of Agriculture (USDA) Rural Development Community Facilities Programs who can provide customized reports mindful of program requirements and will allow for timely submission of your USDA application in advance of the deadline
- ▶ Professionals who can leverage knowledge of reimbursement assumptions related to your CAH designation to help develop tailored forecasts
- ▶ Professionals who have worked with other communities on proposed projects in Wyoming in establishing baselines from similar established CAHs
- ▶ Timely services that allow for review and discussions in advance of the deadlines
- ▶ Value from advisors who take your investment seriously

With industry professionals who have the specialized knowledge needed to provide quality forecasting services, BKD is a name you can trust.

■ SOLUTIONS FOR THE ORGANIZATION

The Organization has requested information and a fee quote for financial forecasting services.

Through financial forecasting, including an assessment of your service area, our advisors can help you summarize the information necessary to make an informed decision regarding the proposed project and related borrowing. Our reputation among bond rating agencies, bond insurers and lending institutions has helped clients obtain financing through leases, bank-qualified debt, lines of credit and tax-exempt bonds that have been rated by major rating agencies or enhanced by major bond issues. In the past five years alone, BKD has helped health care providers issue billions of dollars in bonds.

We will discuss with management and gain an understanding of any assessments of your service area that have been completed in advance of starting our assessment. We will review any existing related documents to the project that are available and we will customize our approach and eliminate any duplicative efforts in preparing the financial forecast needed. We will work with management to establish a timeline and follow up on any items needing further clarification and explanation to minimize disruption to your day-to-day activities and to make sure the necessary information is included in the financial forecast.

With the qualified CPA and advisory firms you are considering, it can be challenging to make a decision. Your selection may come down to the engagement team you believe is most capable of helping you meet your current and future needs. Providing personal attention and frequent communication to our clients is what drives us—and delivering value beyond the basic service approach is among our top priorities.

SERVICE DESCRIPTION

FORECASTING

Based on our conversations with you, the Organization is considering building a CAH in the community to provide necessary healthcare services to individuals in Saratoga, Wyoming and the surrounding areas. The CAH project would likely be financed through the USDA’s Rural Development Direct Loan Program. As part of the proposed financing, you will receive an assessment of the financial feasibility of the financing plan and its related projects.

You also will need an examined financial forecast, prepared in the required format, to be submitted as part of the application for the USDA loan if the Organization decides to proceed with the proposed project.

We propose a phased approach, allowing you to stop or adjust the process and avoid costs if plans change or if the financing project needs to be placed on hold. We have outlined our approach below.

PHASE 1: FINANCIAL FORECAST MODEL DEVELOPMENT & ASSESSMENT OF DEMAND

We will conduct an on-site meeting with senior leaders within the Organization to discuss many aspects of the project. In addition, we will schedule conference calls with management to assist in the development of the financial forecast.

- ▶▶ Help management develop a statement of project funding sources and uses
- ▶▶ Assist you in defining your primary and secondary service areas
- ▶▶ Perform an initial assessment of the market demand of your service areas, based upon information from management and other sources
- ▶▶ Evaluate information from CAH facilities in Wyoming and other states similar to the planned project
- ▶▶ Develop an automated financial forecast model reflecting management’s assumptions

We estimate it will take approximately four to six weeks from the signing of an engagement letter to complete Phase 1.

PHASE 2: ASSESSMENT OF MANAGEMENT’S ASSUMPTIONS WITHIN FINANCIAL FORECAST MODEL

Based on the findings of Phase 1, we will proceed with Phase 2 only if the Organization agrees and directs us to proceed. During Phase 2 we will:

- ▶▶ Provide feedback on management’s forecast operating assumptions based upon discussions during the on-site meeting and conference calls
- ▶▶ Prepare detailed demographic analysis and summarize population trends
- ▶▶ Complete the market demand assessment
- ▶▶ Assess competition and market share in your service area
- ▶▶ Provide a complete set of financial statements suitable for internal management use. The financial forecast will be for internal use only in this phase

We estimate it will take an additional two to three weeks after the completion of Phase 1 to complete Phase 2. However, based upon our conversations with you and the information available, the timing could be shorter.

OUR THREE-PHASE APPROACH TO FORECASTING

1 – Financial Forecast Model Development & Assessment of Demand

2 – Assessment of Management’s Assumptions Within Financial Forecast Model

3 – Examination of Financial Forecast

PHASE 3: EXAMINATION OF FINANCIAL FORECAST

Based on the findings of Phase 2, we will proceed with Phase 3 only if the Organization agrees and directs us to proceed. During Phase 3 we will:

- ▶▶ Prepare examined forecasted financial statements for use in securing a USDA Community Facilities Direct Loan
- ▶▶ Examine the assumptions provided by management to provide an opinion relative to the reasonableness of the assumptions
- ▶▶ Develop sensitivity analyses of significant forecast assumptions
- ▶▶ Provide a written Independent Accountant's Report on the examined forecast, which will include findings from the assessment of demand performed in Phase 2
- ▶▶ Respond to additional information requests
- ▶▶ Provide additional iterations of forecasted financial statements in plain paper form to accommodate modifications to the financing plan or additional sensitivity analyses

We estimate it will take an additional two to three weeks after the completion of Phase 2 to complete Phase 3. However, based upon our conversations with you and the information available, the timing could be shorter.

We will request assistance from your personnel in the preparation of materials for our use in the project. Your timely response to this request will help us achieve efficient performance of our work.

EXPERIENCE RESPONSIVENESS

“Community Memorial Hospital needed an Examined Financial Forecast for financing of a replacement hospital through the USDA. While the list of information needed was long, BKD was helpful in filtering through it and identifying what was a priority so they could begin their work. They were quick to respond to our questions. We were on a tight time frame to meet the USDA application deadline and they pushed our project through on time. Everyone we worked with was knowledgeable and professional. We couldn't have asked for a better team!”

Sara Trainor
Chief Financial Officer
Community Memorial Hospital

■ YOUR INVESTMENT

BKD knows our clients do not like fee surprises. Neither do we. Our goal is to be candid and timely, and we want to answer your questions about fees upfront. We determine our fees by evaluating a number of variables: the complexity of the work, the project’s scope, the time we will spend and the level of professional staff needed.

PROPOSED FEES

Health Management Services, LLC

| Feasibility Study | Fees |
|---|-----------------|
| Phase 1: Financial Forecast Model Development & Assessment of Demand * | \$17,500 |
| Phase 2: Assessment of Management’s Assumptions Within Financial Forecast Model | \$21,000 |
| Phase 3: Examination of Financial Forecast | \$10,000 |
| Total | \$48,500 |

**Our fees in Phase 1 include one on-site visit with the Organization to kick-off the project and to discuss preliminary planning aspects of the project. Any additional on-site visits, as requested and directed by the Organization, will be subject to additional fees.*

In addition, you will be billed an administrative fee of 4 percent to cover items such as copies, postage and other delivery charges, supplies, technology-related costs, such as computer processing, software licensing, research and library databases, and similar expense items. Our fees may increase if our duties or responsibilities change because of new rules, regulations and accounting or auditing standards. We will consult with you should this happen.

BKD performing this work is subject to our formal client acceptance process.

■ YOUR BKD ENGAGEMENT TEAM

The most critical factor in providing you with high-quality service is choosing your engagement team. We take team selection seriously and have the appropriate team of advisors to meet your needs.



Joseph M. Watt, CPA
Partner

Joe has served the health care industry since 1991. He is a member of BKD National Health Care Group and the North Region health care industry leader. Joe also is the engagement executive for a large number of hospital, physician and long-term care organization clients.

He provides financial statement audit services, Medicare and Medicaid strategic consulting services and corporate integrity services and assists health care organizations with strategic positioning. He manages a large number of client engagements, which includes supervising engagement teams, presenting recommendations for improving operations and positioning and communicating results to senior management and boards of directors. In addition, Joe has experience providing strategic consulting related to market position and operating effectiveness as well as affiliations, mergers and acquisitions.

Joe also leads BKD’s corporate integrity solutions services for clients across the country and acts as the independent review organization for Office of Inspector General and Department of Justice audits regarding corporate integrity agreements. He also assists in developing and redesigning compliance programs, conducting compliance effectiveness reviews, facilitating compliance retreats and consulting with compliance officers on a range of matters.

Joe has had articles published in a variety of national magazines, including **hfm**, **Nursing Homes** and **Compliance Today**. Joe also presents on a regular basis and has spoken at the Healthcare Financial Management Association (HFMA) National Institute, National Rural Health Association's Critical Access Hospital Conference and other state hospital association conferences across the country.

He is a member of the American Institute of CPAs, Missouri Society of CPAs, Health Care Compliance Association and Kansas Hospital Association. He also is an advanced member of HFMA, has earned the Follmer and Reeves outstanding achievement awards and is a former president of the group's Sunflower Chapter.

Joe is a licensed CPA in Arizona, Iowa, Missouri, Nebraska and Kansas.

He is a graduate of Rockhurst University, Kansas City, Missouri, with a B.S. degree in accounting.



Timothy T. Wilson, CPA, CCIFP®
National Industry Partner

Tim is national industry partner for BKD National Construction & Real Estate Group. He has more than 30 years of experience performing audit, accounting, tax and management consulting services in various industries. He assists clients in the areas of business and strategic planning, operational and control reviews, mergers, acquisitions, consolidations, financial forecasts, feasibility studies, valuations, business process improvement and audit and tax issues. In addition, he is leading the implementation of BKD's firmwide Federal Acquisition Regulation (FAR) and Cost Accounting Standards (CAS) practices.

Tim has provided strategic planning consulting for a variety of businesses and industries, including startups. He has assisted many clients with their long-range business development plans, using business and market fundamentals with an emphasis on the financial aspects of growing a business.

He is a member of the American Institute of CPAs, Missouri Society of CPAs, Associated General Contractors of America (AGC) and the Construction Financial Management Association (CFMA). He also is a Certified Construction Industry Financial Professional (CCIFP) through the Institute of Certified Construction Industry Financial Professionals (ICCFP). Tim is co-chair on the AICPA Engineering and Construction Revenue Recognition Task Force, the AGC Financial Issues Committee and the CPA Advisory Council for the National Association of Surety Bond Producers. He also serves on the CFMA Emerging Issues Committee and is an advisory board member of Truman State University School of Business. He served as past chair on the board of St. James Academy and is a past member of the Kansas City Area Development Council Board of Directors.

Tim is a graduate of Truman State University, Kirksville, Missouri, with a B.S. degree in accounting.



Eric M. Lopata, CPA
Director

Eric has served the health care and not-for-profit industries for nearly 10 years. He is a member of BKD National Health Care Group and has experience performing financial statement audits, employee benefit plan audits and providing consulting services. Eric assists clients with feasibility studies as well as financial forecasts that are prepared in accordance with expected bond offerings, loans from banks and other governmental entities. These forecasts have been prepared for both internal and external use.

He is the engagement executive for several hospitals, long-term care facilities and not-for-profit organizations. He is responsible for managing several client engagements and supervises audit teams through the audit and forecasting process, including presenting recommendations for improving operations and communicating results to senior management and boards of directors.

He is a member of the American Institute of CPAs, Missouri Society of CPAs and Iowa chapter of the Healthcare Financial Management Association.

Eric is a graduate of Northwest Missouri State University, Maryville, with a B.S. degree in accounting, and received an M.B.A. degree.



Sue Brammer, CPA, CHFP, FHFMA
Partner

Sue has more than 29 years of experience assisting hospitals, skilled nursing facilities, home health agencies and other health care providers with Medicare and Medicaid reimbursement issues, including cost report preparation and reviews, provider appeals, assistance with Medicare Administrative Contractor (MAC) audit and review assistance and complex reimbursement help. She also helps clients evaluate the reimbursement and compliance impacts of various strategic options they are considering. Sue has experience leading multiple large projects, including area wage index reviews, disproportionate share, intern and resident contract projects and systemwide reimbursement and compliance projects.

She also is the firm leader of our wage index practice. She has extensive experience working with providers on both in-depth and analytical reviews of the wage index and OMS data. Sue leads our education initiatives relative to wage index and modeling the impact of potential changes.

Sue is a member of the American Institute of CPAs (AICPA) and Missouri Society of CPAs. Sue is a former board member and president of the Healthcare Financial Management Association (HFMA) Heart of America Chapter and earned the Follmer Bronze, Reeves Silver, Munice Gold and Medal of Honor merit awards for her volunteer service. She is a Certified Healthcare Financial Professional (CHFP) and Fellow of HFMA (FHFMA).

She has been published in **Reimbursement Advisor** and various HFMA publications, has served as an instructor for two HFMA chapters' reimbursement training course, teaching both the advanced- and beginner-level courses, and spoke at HFMA's Annual National Institute on the Medicare wage index. In addition, Sue has provided wage index education to a variety of HFMA local chapters. She also has presented at various industry conferences and groups, including the AICPA National Health Care Industry Conference, Missouri Hospital Association and HFMA Iowa, Arkansas, Nebraska and Heart of America Chapters.

Sue is a summa cum laude graduate of University of Central Missouri, Warrensburg, with a B.S. degree in business administration.



Patrick N. Smith
Senior Consultant II

Patrick is a member of BKD National Health Care Group and provides accounting and consulting services to companies in a variety of health care and not-for-profit organizations. He assists clients with feasibility studies, financial forecasts and other consulting engagements.

Patrick also has experience providing audit services to clients in a variety of industries, including financial services, technology and health care.

He is a member of the Greater Heartland chapter of the Healthcare Financial Management Association.

Patrick is a 2010 magna cum laude graduate of Drury University, Springfield, Missouri, with a B.B.A. degree in accounting.

■ REFERENCES

Our clients are our best ambassadors, and we encourage you to contact them about their satisfaction with our services. The following clients have consented to discussing BKD's services and service delivery with you at your convenience.

Madison County Health Care System

Ms. Rebekah Gillespie
Chief Financial Officer
515.462.2373
rgillespie@madisonhealth.com
Winterset, IA
Services: Examined Financial Forecast

Holton Community Hospital

Ms. Carrie Saia
Chief Executive Officer
785.364.2116
Carrie.saia@hrjc.org
Holton, KS
Services: Examined Financial Forecast

Sublette County Rural Health Care District

Ms. Amanda Key
Practice Administrator
307.367.0018
amandak@sublettehealthcare.com
Marbleton, WY
Services: Examined Financial Forecast

■ REPRESENTATIVE LISTS OF CLIENTS

BKD has performed feasibility studies and other forecasting services for a variety of providers, including:

A.T. Still University of Health Sciences
Aultman Hospital
Avita Health System
BHI Senior Living, Inc.
Community Memorial Healthcare, Inc.
Compass Health
Grundy County Nursing Home District
Heartland Community Health Clinic
Hospital District No. 6 of Harper County, Kansas
Holton Community Hospital
Madison Parish Hospital Service District
Madison County Memorial Hospital

Moore County Hospital District
Mount Carmel Health System
Ninnescah Valley Health Systems, Inc.
Preston Memorial Hospital
San Luis Valley Regional Medical Center
Stigler Health and Wellness Center
The Methodist Hospitals, Inc.
Twin Pines Adult Care Center
Wickenburg Community Hospital
Willow Health Care, Inc.
Yavapai Community Hospital Association

■ FORECASTING SUCCESS STORIES

- ▶ An Arkansas health system was considering the construction of a new full-service acute care hospital in an area management had identified as underserved. BKD assisted management in its evaluation of the forecasted financial statements of this new facility as well as the effect it would have on the existing operations of other facilities within the health system.
- ▶ A large Kansas-based health care management company was considering construction of a new hospital in a market it had not previously served. BKD completed a compiled forecast suitable for submission to the proposed lenders. The forecast included an assessment of demand, identifying the expected service area, competitors within the service area, demographic and utilization trends and expected volumes based on the analysis.
- ▶ A California health system was considering completion of capital expenditures related to its master facility plan as well as a debt refinancing. BKD completed an examined forecast suitable for submission to the proposed lenders. The forecast model included functionality to account for reimbursement changes in the state, a significant reduction in force and a change in pension plan accounting standards.

■ WHY CHOOSE BKD

BKD DELIVERS VALUE

It is important to monitor expenditures and receive exceptional value for your investments. However, informed consumers understand value is about more than just price. Value from a professional CPA and advisory firm is about the quality of the work and the merit of the advice. Expect BKD's work to be accurate and insightful. We stand behind it.

As evidenced by our inclusion in the **INSIDE Public Accounting** Best of the Best Firms list for the last seven years, we also offer long-term consistency, exceptional performance and a national network of support and resources. BKD is large enough to help you address a variety of financial issues. At the same time, we pride ourselves on hard work and low overhead, which keep our fees competitive. With our reputation, size, service and experience, you can consider us a good value.



NATIONAL HEALTH CARE INDUSTRY EXPERTISE

We work with thousands of health care providers nationwide, including hospitals, long-term care organizations, community health centers and physicians and medical groups. We employ a provider-type specialization that allows us to provide an engagement team experienced with the specific financing and compliance challenges the Organization faces. The approximately 590 professionals in BKD National Health Care Group focus on health care year round to help you stay on top of changing laws and regulations.

Health care is the largest industry BKD serves, representing 23 percent of the firm's revenue. Per the 2016 **INSIDE Public Accounting 100** report, BKD National Health Care Group would rank as a top 30 CPA firm in the country, based solely on our revenues from the health care industry in 2016. We have a passion for serving the industry and our health care clients.

SIGNIFICANT HEALTH CARE FORECASTING EXPERIENCE

The Organization recognizes the importance of evaluating your options for development and receiving advice and recommendations based on your marketing and capital positions. BKD's extensive experience performing strategic planning and financial forecasting for health care providers in many markets can help. During the past four years, we have performed more than 100 individual financial forecasts. Our work has been accepted by the USDA, U.S. Department of Housing and Urban Development (HUD) and numerous bond underwriters across the country. Because of our expertise with health care providers, the USDA has requested that hospitals engage BKD before the USDA considers making loans to such entities.

Our advisors can help you summarize the information necessary to make an informed decision regarding your proposed project and related borrowing, and we can help you assess the viability of these decisions in a timely fashion. We are confident our attentive professionals have the experience needed to help you address your needs while remaining at the forefront of industry developments and trends both in Wyoming and across the United States.

PROACTIVE PLANNING

One of the first things you will notice about BKD is our industry professionals are in communication with you and the Organization's management. We pay careful attention to the challenges you face to offer timely, proactive advice resulting in a better client working relationship. This knowledge sharing between your team and ours can prove beneficial in identifying effective and proactive solutions.

MEDICARE & MEDICAID REIMBURSEMENT EXPERIENCE

The BKD team assigned to the Organization's engagement is familiar with third-party billing, government payments and patient accounts receivable. This team works extensively in the health care industry, where third-party and governmental billing are routine. Our cost report professionals help our audit team evaluate the effect of Medicare and Medicaid cost reports on patient accounts receivable valuations and cost report settlement estimates.

From understanding the effect of diagnosis-related groups and cost report settlements to periodic interim payments and commercial payer contracts, our team members can use their health care knowledge to evaluate the reasonableness of the reserves established on the patient accounts receivable balances and the estimated settlements with Medicare and the state of Wyoming on the outstanding cost reports.

INDUSTRY INVOLVEMENT

BKD works closely with the state and national hospital and professional associations, including multiple chapters of Healthcare Financial Management Association (HFMA), the NRHA and the American Hospital Association (AHA). We also serve as the advisor to many state and national hospital associations, sub-acute industry groups and state accountancy associations. We enjoy helping providers stay up to date on the ever-changing health care environment.

Kevin Gore, South Region industry leader and partner in BKD's Tulsa office, is a member of the GASB Fiduciary Responsibilities Task Force. The GASB assembles task forces for most major standards-setting projects. Task forces serve as a sounding board, providing guidance and feedback to the GASB as a project progresses.

Chief Operating Officer Eric Hansen has been selected to serve as chair of the AICPA Board of Directors. He is currently serving a one-year term as vice chair, followed by a year as board chair and then another year as past chair, concluding his three-year rotation on October 31, 2019. Eric began serving a three-year term on the AICPA Board of Directors, effective November 1, 2013. The board acts as the executive committee for the AICPA's Governing Council, which includes elected and appointed members from all 50 states, the District of Columbia and other U.S. territories. Eric previously served on the Governing Council and was a member of the AICPA Task Force on the Future of Learning.

Carley Williams, partner in BKD's Tulsa office, is an elected national board member for the HFMA. In addition to Carley's national HFMA board position, BKD partners and professionals also serve on more than 20 local HFMA chapter boards.

Mike Engle, a partner in our Kansas City office, has been appointed to the AICPA Exempt Organizations Taxation Technical Resource Panel. This panel identifies issues and develops policies by monitoring legislative activity, suggesting regulatory changes and developing products and services to assist members with their tax practices.

Mike also is one of three new members appointed in May 2017 to a three-year term on the IRS's Advisory Committee on Tax Exempt and Government Entities (ACT), which with its seven returning members will present reports and recommendations to IRS leadership regarding operational policy and procedural improvements affecting tax-exempt and governmental organizations. Specific topics ACT project teams will explore include replacement plan requirements of the Federal Insurance Contributions Act (FICA), changes to the ACT and expansion of online accounts.

THOUGHT LEADERSHIP

BKD advisors are serious about reinforcing and strengthening their positions as thought leaders in the industries they serve. To help keep you informed about emerging issues in your industry, as well as changes in regulations and accounting and tax methods, we provide **BKD Thoughtware**[®] webinars, seminars and articles. Many of these are eligible for continuing professional education credit.

UNMATCHED CLIENT SERVICE

You want trusted advisors who will deliver exceptional client service, focus on your needs and take the time to address your unique challenges. BKD understands. We take our commitment so seriously, we penned five standards of unmatched client service and supporting guidelines in **The BKD Experience: Unmatched Client Service**, a book that articulates the firm's philosophy and sets expectations for serving clients. Those five standards are Integrity First, True Expertise, Professional Demeanor, Responsive Reliability and Principled Innovation.



Our acceptance of this engagement is subject to completion of our normal client acceptance procedures. Upon acceptance, the actual terms of our engagement will be documented in a separate letter to be signed by you and us. All information contained within this proposal is proprietary and confidential. The information provided in this proposal is intended for informational purposes only and may not be copied, used or modified, in whole or in part, without BKD's prior written approval. All information in this proposal is as of May 31, 2017, unless otherwise noted.