



Redwood Region Economic Development Commission

LOAN APPLICATION SUMMARY

RREDC Loan Committee Meeting October 16, 2024

RREDC Executive Committee Meeting October 21, 2024

Applicant: Southern Humboldt Community Healthcare District

Legal Structure:	Special District	Business Type:	Healthcare District providing services to Southern Humboldt, Eastern Trinity, and Northern Mendocino Counties.
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Summary of Project Request

Purpose	Manage cash flow
Amount	\$3,500,000
Loan Type	Working capital
Term	6 months All principal and interest due 60 days following receipt of IGT funds.
Rate	6% fixed
Fee (Underwriting)	.5% plus all out of pocket costs
Monthly Payments	N/A
Primary Source of Repayment	Accounts Receivable
Secondary Source of Repayment	Property Tax Assessment Income

Strengths

- 1) Strong leverage with applicants, with RREDC providing approximately 14% of IGT match funds.
- 2) District has tax assessment that provides supplemental income to the hospital.
- 3) Hospital District has strong balance sheet.
- 4) Strong source of repayment.
- 5) District provides critical healthcare services to broad region of Southern Humboldt County.
- 6) District employs over 100 FTEs in Southern Humboldt.

Weaknesses

- 1) Healthcare institutions are highly regulated and subject to fluctuations in funding.
- 2) District is a public entity providing critical services. Collecting in the event of default could carry significant reputational risk.

Background

The Southern Humboldt Community Healthcare District (SHCHD) is a Special District that provides healthcare services to the Southern Humboldt, Northern Mendocino and Western Trinity County areas. The District covers 775 square miles with a service population of 10,365 full-time residents. The District is centered at the Jerold Phelps Community Hospital and the Southern Humboldt Community Clinic located in Garberville. The community has received healthcare services at that location since 1949.

In 2002 the hospital received Critical Access Hospital (CAH) designation, which helped position SHCHD for a more sustainable future. Critical Access Hospital is a designation given to eligible rural hospitals by the Centers for Medicare and Medicaid Services (CMS). Congress created the Critical Access Hospital designation through the Balanced Budget Act of 1997 in response to a string of rural hospital closures during the 1980s and early 1990s. The CAH designation is designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services.

In June of 2018, Measure F, which was an extension of a property tax assessment to support the District, passed with 75% of the vote. This provides critical funding that stabilizes the District's finances providing approximately \$1.1 million annually to the District's coffers. The tax sunsets in 2028.

Direct services include an acute care hospital, 24/7 emergency room, laboratory, radiology, physical therapy, occupational therapy, mammography, x-ray, home health/visiting nurse program, swing-bed, visiting specialists, skilled nursing, a rural health clinic, pharmacy, and a Family Resource Center. It is the only 24-hour emergency room between Willits and Fortuna, a distance of 120 miles.

The District currently employs over 100 FTEs with a current minimum wage of \$18.00 per hour and all full-time employees receive benefits.

The District is also preparing for the construction of a new hospital and clinic, a move necessitated by the need to upgrade facilities to meet state-mandated earthquake standards. The Healthcare District determined that purchasing and constructing a new healthcare facility is more beneficial than rehabilitating the current, dated, facility. Groundbreaking is expected to occur in February 2026 with an opening date of January 2029.

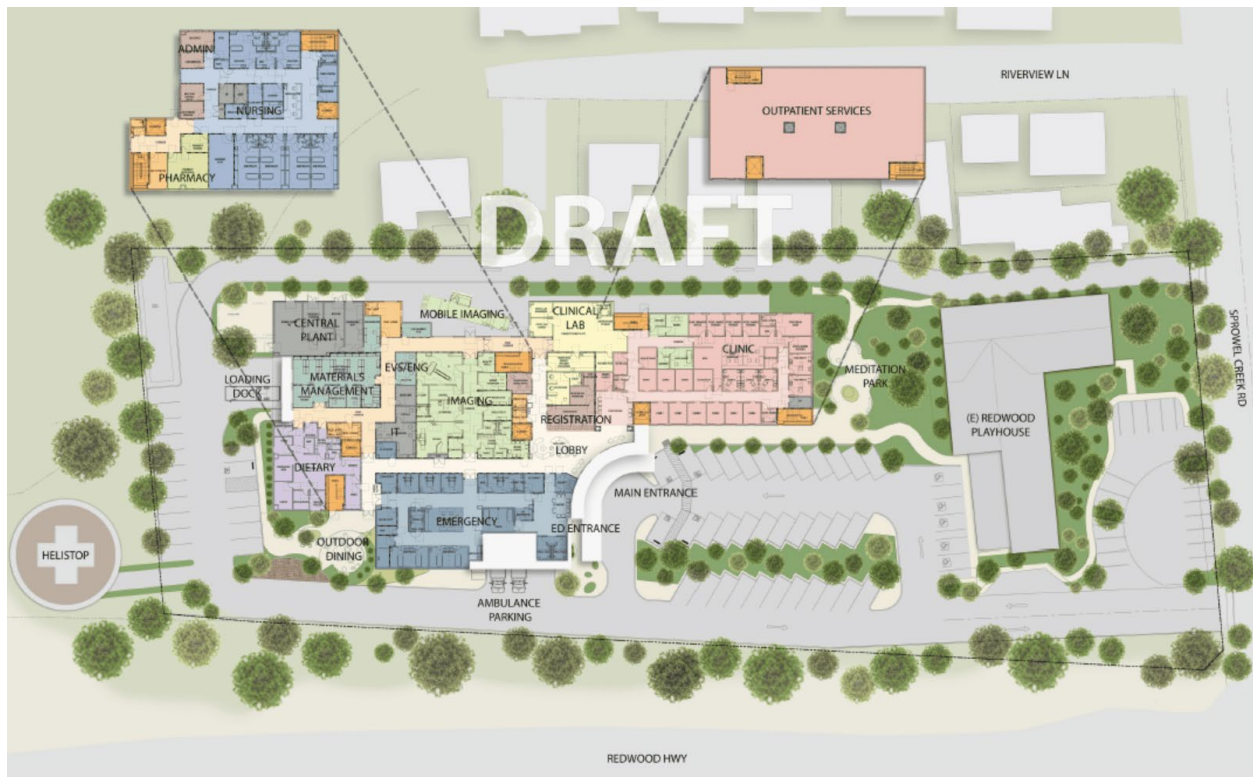
This facility will include:

Hospital | roughly 30,000 square feet

- Emergency Department with 8 beds
- Radiology services: X-Ray, CT, Ultrasound, Mobile MRI
- Full-service Laboratory
- Dining options with outdoor seating area
- 2nd floor inpatient nursing unit with ten beds
- Helistop for expedited patient transfers

Community Clinic | roughly 15,000 square feet

- Full-service primary care facility
- Two specialty treatment rooms and twelve exam rooms
- Mammography suite
- Bone density scanning
- 2nd Floor outpatient surgery suite
- Meditation Park: peaceful outdoor space for patients and families



In addition, SHCHD has purchased buildings to accommodate the expansion of their pharmacy (the only pharmacy in Southern Humboldt and Northern Mendocino). In 2023, the District purchased an optometry office (Alan French O.D.) to provide those services in Southern Humboldt following the closure of the only optometric office in the region. Dr. French is now providing service via the District. They also started a mobile clinic in 2022 and added ultrasound services in the fall of 2022.

The District has a strong management team and is led by a five-member board of directors. Key management includes:

- Matt Rees, MBA - CEO – Over 20 years of experience in healthcare administration.
- Kent Scown - COO – Over 20 years of experience at the District.
- Paul Eves, MBA – CFO – Over 10 years' experience in medical accounting.
- Adelaida Yanez, RN – Chief Nursing Officer
- Kristen Rees, MPH – Chief Quality and Compliance Officer

Loan Request

The District participates in the Medicaid “Intergovernmental Governmental Transfer” program (IGT). In this program, the federal government provides matching funds to states for all qualifying Medicaid expenditures. California has the lowest standard rate, which is 50 percent. States must fund their share of Medi-Cal expenditures to access federal dollars, but they have some flexibility in the sources of funding.

Local entities, like the SHCHD, contribute funding to support state Medicaid programs. Local funds typically take the form of either intergovernmental transfers (IGT)—a transfer of funds from another governmental entity to the state Medicaid agency—or Certified Public Expenditures (CPE)—an expenditure made by a governmental entity that funds Medicaid-covered services. Both are eligible for federal matching funds. As noted above, the District participates in the IGT program.

To receive the IGT payment, the District must submit funds to the state from the District’s operating capital. The state then requests additional funding for the District for expenses not covered by Medi-Cal. The federal government provides the unfunded expenses to the state, which passes them back, along with the District’s original funds. This process can take up to four months to complete. The District is submitting approximately \$3.5 million dollars and is requesting \$3.5 million from RREDC. The loan will reduce the burden on operational cash and will be repaid from revenue received through accounts receivable and expected property tax revenue.

This is not the first time RREDC has supported this transaction. RREDC, the Headwaters Fund, and the Humboldt Area Foundation provided a \$1.8 million loan to the District in March of 2019 for a previous IGT payment. This loan was fully repaid in June 2019. In early 2020, RREDC approved a second loan of \$1 million with a similar purpose. That loan funded in mid-March 2020 and was repaid one month later. In 2023, RREDC provided a third loan of \$1 million that was paid back in 1.5 months. A fourth loan was issued in 2024, which was also repaid.

Year	Amount	Disbursement Date	Payoff Date	Participants
2019	\$1.8MM	3/25/2019	6/07/2019	RREDC/HAF/HWF
2020	\$1.0MM	3/12/2020	4/13/2020	RREDC
2023	\$1.0MM	3/8/2023	4/20/2023	RREDC
2024	\$1.5MM	3/13/2024	5/08/2024	RREDC/HWF

The IGT process has, to date, occurred early in the calendar year. However, this year the District was informed that this process has been accelerated, which means that the match deposit is due to the State of California by November 22, 2024.

Because the district is prohibited from borrowing funds to meet its IGT match, it will repay the loan using accounts receivable and anticipated revenue from its property tax assessment.

Sources and Uses of Funds

Sources		Uses	
RREDC	\$500,000	IGT Match	\$3,500,000
Humboldt Area Foundation	\$1,000,000		
Headwaters Fund RLF	\$800,000		
Headwaters Fund CIF	\$1,200,000		
Total	\$3,500,000	Total	\$3,500,000

Business Financial Analysis

RREDC has audited financial statements for FY 2019 – 2022 and internally prepared statements for FY 2023 and 2024. Full summaries are attached to this memo. The organization has a significant “Unrestricted Fund Balance” with minimal liabilities relative to assets.

District has shown an operational loss in three of the last four years. However, this is compensated for by property tax and other non-operating revenue.

Revenue and Expense Summary	Audited			Unaudited	
	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Total Operating Revenue	16,613,157	14,577,470	15,791,171	19,406,279	28,578,761
Total Operating Expense	15,167,300	15,607,276	16,781,480	21,181,250	27,401,145
Operating Income	1,445,857	(1,029,806)	(990,309)	(1,774,971)	1,177,616
Non-Operating Revenue	1,393,117	2,112,741	5,788,104	3,615,836	1,822,533
Total Net Revenue	2,838,974	1,082,935	4,797,795	1,840,865	3,000,149

Balance Sheet Summaries	Audited			Unaudited	
	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
ASSETS					
Current Assets					
Cash	15,843,576	17,093,771	14,886,052	9,370,238	6,976,593
Accounts Receivable	1,019,969	1,440,793	1,631,147	2,345,453	3,116,144
Other Receivables	7,789	11,627	24,775		1,874,193
Inventories	83,377	20,472	74,264	727,133	605,516
Estimated Third-Party Settlements		654,447	985,654		
Prepays and Deposits	188,427	125,045	115,846	209,438	965,146
Total Current Assets	17,143,138	19,346,155	17,717,738	12,652,262	13,537,592
Fixed Assets					
Nondepreciable capital assets	823,341	1,463,633	2,572,804		
Depreciable capital assets - Net	3,781,591	4,393,331	4,232,414		
Net Fixed Assets	4,604,932	5,856,964	6,805,218	11,716,480	16,062,183
Other Assets				5,852	
Total Assets	21,748,070	25,203,119	24,522,956	24,374,594	29,599,775
LIABILITES AND FUND BALANCE					
Current Liabilites					
Accounts Payable	322,153	763,378	747,546	10,128	892,870
Accrued Payroll and Related Costs	596,940	836,087	876,191	512,336	764,820
Current portion of refundable advance	559,600				
Unearned Revenue	3,100,784	510,325	112		
Current Maturities - Medicare Refundable Adv.		447,037	2,325,101		
Other Current Liabilites				1,415,667	(888,925)
Est. Third-Party Settlements	128,232				
Current Portion Long Term Debt		-	255,500		
Current Maturities - Capital lease obligations		72,370	95,528		
Total Current Liabilites	4,707,709	2,629,197	4,299,978	1,938,131	768,765
Long-Term Debt					
Bonds Payable	-				
Long-Term Debt less current portion	1,221,456	-	255,500		2,188,909
Capital Lease Obligations less current portion	-	263,183	223,499		223,499
Refundable Advance less current portion	3,917,201	3,752,114			
Net Long Term Debt	5,138,657	4,015,297	478,999	-	2,412,408
Total Liabilities	9,846,366	6,644,494	4,778,977	1,938,131	3,181,173
Net Position					
Net investment in capital assets	4,604,932	5,521,411	6,486,191		
Unrestricted	7,296,772	13,037,214	13,257,788	22,436,462	26,418,603
Restricted Fund Balance	-				
Total Fund Balance	11,901,704	18,558,625	19,743,979	22,436,462	26,418,603
Total Liabilites and Fund Balance	21,748,070	25,203,119	24,522,956	24,374,593	29,599,776

Policy Guidelines

This loan is consistent with the RREDC Revolving Loan Fund plan for the following reasons:

1. There is significant leverage of RREDC dollars of greater than 2:1.
2. Healthcare is a high priority in the Humboldt County CEDS.
3. The District provides a critical service vital to the economy and community, serving vulnerable populations of high poverty.
4. The District is a significant employer in the region, with over 100 FTEs.

Recommendation

Approval of this loan is recommended for the following reasons:

1. The loan is consistent with policy areas as outlined above.
2. There is a clearly identified source of repayment.
3. Approval of this loan will retain jobs and maintain cash flow stability.
4. Applicant has positive history of borrowing from RREDC.

Additional Conditions of Funding

1. Receipt of final audit for FY 2023.
2. Provision of updated property tax account statement.
3. Provision of current agreement for Intergovernmental Transfer funds.

Southern Humboldt Community Healthcare District
Parent Company (Consolidated)
ACS | Custom Balance Sheet
End of Jun 2024
Options: Activity Only

FINANCIAL ROW	AMOUNT
Assets	
Current Assets	
Cash - Checking & Investments	\$6,976,593.29
Patients Accounts Receivable	\$7,521,214.60
Less Allowances	(\$4,405,071.34)
Other Receivables	\$1,874,193.14
Inventories	\$605,516.01
Prepaid Expenses and Deposits	\$965,146.39
Total Current Assets	\$13,537,592.09
Property and Equipment	
Land	\$1,163,216.09
Land Improvements	\$553,251.44
Buildings	\$5,492,004.34
Equipment	\$7,619,310.60
Construction in progress	\$10,091,134.96
Less: Accumulated Depreciation	(\$8,856,734.08)
Net Property and Equipment	\$16,062,183.35
Total Assets	\$29,599,775.44
Liabilities & Fund Balance	
Current Liabilities	
Accounts Payable	\$892,869.62
Accrued Payroll & Related costs	\$764,820.10
Other Current Liabilities	
Deferred Revenue IGT	\$1,200.00
Loans & Current Portion of Lease Obligations	\$95,528.00
Reimbursement/Settlement	(\$985,653.71)
Total Other Current Liabilities	(\$888,925.71)
Total Current Liabilities	\$768,764.01
Long Term Debt, Less Current Portion	
LEAF Data Backup Liability	\$53,134.90
Maple Lane Loan	\$227,867.30
CHFFA Help II Loan	\$1,907,906.96
Lease Obligations	\$223,499.00
Net Long Term Debt	\$2,412,408.16
Equity	
Unrestricted Fund Balance - Prior Years	\$2,830,961.19
Retained Earnings	\$20,587,492.90
Net Income	\$3,000,149.18
Total Fund Balance	\$26,418,603.27
Total Liabilities & Fund Balance	\$29,599,775.44

Southern Humboldt Community Healthcare District
Parent Company (Consolidated)
SoHum Income Statement
From Jul 2023 to Adjust 2024 (6/30 - 6/30)
Options: Activity Only

FINANCIAL ROW	AMOUNT
Revenue	
Gross Patient Revenue	
Inpatient	\$2,466,935
Inpatient Ancillary	\$346,880
Outpatient	\$16,058,322
Outpatient Ancillary	\$7,868,440
Total Patient Revenue	\$26,740,577
Deductions from Revenue	
9060-913 - Supplemental Revenue	(\$1,641,486)
Contractual Allowances	\$3,070,889
Provision for Bad Debts	\$1,315,907
Other Allowances / Deductions	\$36,703
Cost Of Sales	\$0
Total Deductions	\$2,782,014
Net Patient Revenue	\$23,958,563
Other Operating Revenue	\$4,620,198
Total Operating Revenue	\$28,578,761
Expenses	
Salaries & Wages	\$9,765,991
Employee Benefits	\$3,543,217
Professional Fees	\$3,824,453
Supplies	\$5,139,807
Repairs & Maintenance	\$335,101
Purchased Services	\$2,337,162
Utilities	\$305,231
Insurance	\$172,820
Depreciation/ Amortization	\$768,168
Other	\$1,209,195
Total Operating Expenses	\$27,401,145
Operating Profit (Loss)	\$1,177,616
Tax Revenue	\$1,128,003
Other Non Operating Revenue (Expense)	\$525,701
Interest Income	\$168,829
Net Non Operating Revenue (Expense)	\$1,822,533
Net Income (Loss)	\$3,000,149



October 1, 2024

Paul M. Eves
CFO
Southern Humboldt Community HCD (Jerold Phelps Comm Hosp)
733 Cedar Street
Garberville, CA 95542

Dear Paul M. Eves:

The Department of Health Care Services (DHCS) has completed its calculation of the following:

1. Rating Period CY 2023 Voluntary Rate Range Program (service period of January 1, 2023, through December 31, 2023) payment transfer amounts for the Intergovernmental Agreement Regarding Transfer of Public Funds (Agreement), **No. IGT-23-0099**. The executed Agreement is enclosed. As stated in Section 1.3 of the Agreement, the enrollment reconciliations will occur on an ongoing basis as updated enrollment figures become available. Actual enrollment will not be considered final until two years after December 31, 2023.
2. Rating Period CY 2022 Voluntary Rate Range Program (service period of January 1, 2022, through December 31, 2022) payment transfer amounts for the reconciliation to Intergovernmental Agreement Regarding Transfer of Public Funds (Agreement), **No. IGT-22-0098**. As stated in Section 1.3 of the Agreement, the enrollment reconciliations will occur on an ongoing basis as updated enrollment figures become available. Actual enrollment will not be considered final until two years after December 31, 2022.
3. DHCS correction (credit) from FY 18-19 Voluntary Rate Range Program (service period of July 1, 2018, through June 30, 2019) payment **credit** amounts for the reconciliation to Intergovernmental Agreement Regarding Transfer of Public Funds (Agreement).

Based on the above calculations, and as provided in the above referenced Agreements, DHCS is requesting that Southern Humboldt Community HCD (Jerold Phelps Comm Hosp) transfer funds in the amount of **\$3,506,454** to DHCS by no later than **Friday, November 22, 2024**. Detailed invoices are attached to the email communications. Please transfer the above Total Amount to the following:

California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Avenue, P.O. Box 997413
Sacramento, CA, 95899-7413
MS 4413 | Phone (916) 345-7070 | Fax (916) 650-6860
<https://www.dhcs.ca.gov/>

State of California
Gavin Newsom, Governor



New Bank Information:

U.S. Bank
1 California Street, Suite 100
San Francisco, CA 94111

For Credit: Department of Health Care Services
Account Number: 1-583-0005-7623
Routing Number: 122235821

For Further Credit to: Department of Health Care Services
Reference: CY 2023 Voluntary Rate Range Program Invoice

We require Governmental Funding Entity provide a 48-hour advance notice via e-mail prior to wiring any funds **over 5 million dollars**. As requested by the State Treasurer's Office (STO), all ACH/wires must be **transmitted prior to 10:00 a.m.** on the date of payment. **Please note: DHCS would prefer Automated Clearing House (ACH) payments, instead of wires.** Once the Governmental Funding Entity has transferred funds to the specified account above, please email Vivian Beeck at Vivian.Beeck@dhcs.ca.gov; Scott Gale at Scott.Gale@dhcs.ca.gov; and Michael Ha at Michael.Ha@dhcs.ca.gov with the completed transaction information.

If you have any questions regarding the Intergovernmental Transfer Agreement, please contact Vivian Beeck via email shown above.

Sincerely,

DocuSigned by:

641B9785907E40F September 30, 2024
Michael Jordan
Staff Services Manager II
Capitated Rates Development Division
Department of Health Care Services
P.O. Box 997413, MS 4413
Sacramento, CA 95899-7413

Enclosures

cc: Vivian Beeck
Staff Services Manager I
Capitated Rates Development Division
Department of Health Care Services
P.O. Box 997413, MS 4413
Sacramento, CA 95899-7413

Southern Humboldt Community Health District (Jerold Phelps CH)
 Agreement: IGT-23-0099

Health Plan	County	Category of Aid	SIS/UIS	Contribution PMPM	Estimated Member Months*	Estimated Contribution (Non-Federal Share)
Partnership Health Plan of California	Regional	Child	SIS	\$ 0.23	2,592,101	\$ 596,183
Partnership Health Plan of California	Regional	Child	UIS	\$ 0.09	97,213	\$ 8,749
Partnership Health Plan of California	Regional	Adult	SIS	\$ 0.59	1,197,983	\$ 706,810
Partnership Health Plan of California	Regional	Adult	UIS	\$ 0.53	165,900	\$ 87,927
Partnership Health Plan of California	Regional	ACA Optional Expansion	SIS	\$ 0.12	2,433,755	\$ 292,051
Partnership Health Plan of California	Regional	ACA Optional Expansion	UIS	\$ 0.13	216,323	\$ 28,122
Partnership Health Plan of California	Regional	SPD	SIS	\$ 1.89	442,002	\$ 835,384
Partnership Health Plan of California	Regional	SPD	UIS	\$ 1.51	30,470	\$ 46,010
Partnership Health Plan of California	Regional	SPD/Full-Dual	SIS	\$ 0.61	915,287	\$ 558,325
Partnership Health Plan of California	Regional	SPD/Full-Dual	UIS	\$ 0.34	2,704	\$ 919
Partnership Health Plan of California	Regional	LTC	SIS	\$ 1.90	1,052	\$ 1,999
Partnership Health Plan of California	Regional	LTC	UIS	\$ 1.54	372	\$ 573
Partnership Health Plan of California	Regional	LTC/Full-Dual	SIS	\$ 0.63	29,766	\$ 18,753
Partnership Health Plan of California	Regional	LTC/Full-Dual	UIS	\$ 0.34	27	\$ 9
Partnership Health Plan of California	Regional	Whole Child Model	SIS	\$ 3.16	98,471	\$ 311,168
Partnership Health Plan of California	Regional	Whole Child Model	UIS	\$ 1.36	2,210	\$ 3,006
Partnership Health Plan of California	Regional	Est. FE Total			8,225,636	\$ 3,495,988

Total CY 2023 (January 2023 - December 2023) Section 1 Amount \$ 3,495,988

CY 2023 Section 3 Amount under the Agreement:

Total CY 2023 Section 1 Amount (above)	\$ 3,495,988
Less amount not subject to fee (Section 3.2)	\$ 3,495,988
Basis for 20% Assessment Fee	\$ -
20% Assessment Fee (Basis * 20%)	\$ -
Total CY 2023 Amount (as of 08/2024 estimated Member Months)	\$ 3,495,988
Balance remaining from CY 2022 (see 2022 invoice for details)	\$ 10,581
DHCS Correction (Credit) from FY 18-19 (not applicable if blank)	\$ (115)
Total Payment Transfer Amount	\$ 3,506,454

Southern Humboldt Community Health District (Jerold Phelps CH)
 Agreement: IGT-22-0098

Health Plan	County	Category of Aid	SIS/UIS	Contribution PMPM	Estimated Member Months*	Estimated Contribution (Non-Federal Share)
Partnership Health Plan of California	Regional	Child	SIS	\$ 0.20	2,563,705	\$ 512,741
Partnership Health Plan of California	Regional	Child	UIS	\$ 0.33	86,642	\$ 28,592
Partnership Health Plan of California	Regional	Adult	SIS	\$ 0.58	1,132,905	\$ 657,085
Partnership Health Plan of California	Regional	Adult	UIS	\$ 1.36	127,422	\$ 173,294
Partnership Health Plan of California	Regional	ACA Optional Expansion	SIS	\$ 0.12	2,306,792	\$ 276,815
Partnership Health Plan of California	Regional	ACA Optional Expansion	UIS	\$ 1.09	163,097	\$ 177,776
Partnership Health Plan of California	Regional	SPD	SIS	\$ 1.75	445,694	\$ 779,965
Partnership Health Plan of California	Regional	SPD	UIS	\$ 3.69	22,396	\$ 82,641
Partnership Health Plan of California	Regional	SPD/Full-Dual	SIS	\$ 0.38	866,583	\$ 329,302
Partnership Health Plan of California	Regional	SPD/Full-Dual	UIS	\$ 1.04	2,302	\$ 2,394
Partnership Health Plan of California	Regional	LTC (non-dual)	SIS	\$ 7.39	1,142	\$ 8,439
Partnership Health Plan of California	Regional	LTC (non-dual)	UIS	\$ 15.24	377	\$ 5,745
Partnership Health Plan of California	Regional	LTC/Full-Dual	SIS	\$ 5.47	31,123	\$ 170,243
Partnership Health Plan of California	Regional	LTC/Full-Dual	UIS	\$ 12.44	33	\$ 411
Partnership Health Plan of California	Regional	Whole Child Model	SIS	\$ 2.98	98,076	\$ 292,266
Partnership Health Plan of California	Regional	Whole Child Model	UIS	\$ 5.37	2,076	\$ 11,148
Partnership Health Plan of California	Regional	Est. FE Total			7,850,365	\$ 3,508,857

Total CY 2022 (January 2022 - December 2022) Section 1 Amount \$ 3,508,857

CY 2022 January 2022 - December 2022) Section 3 Amount under the Agreement:

Total CY 2022 (January 2022-December 2022) Section 1 Amount (above)	\$ 3,508,857
Less amount not subject to fee (Section 3.2)	\$ 2,833,318
Basis for 20% Assessment Fee	\$ 675,539
20% Assessment Fee (Basis * 20%)	\$ 135,108
Total CY 2022 Amount (January 2022 - December 2022) as of 8/2024 Estimated Member Months	\$ 3,643,965
Previous CY 2022 amount collected in February 2024	\$ 3,633,384
Balance remaining from CY 2022 Invoicing February 2024: (+/-)	\$ 10,581

**INTERGOVERNMENTAL AGREEMENT REGARDING
TRANSFER OF PUBLIC FUNDS**

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES (“DHCS”) and SOUTHERN HUMBOLDT COMMUNITY HEALTH CARE DISTRICT (“GOVERNMENTAL FUNDING ENTITY”) with respect to the matters set forth below.

The parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The GOVERNMENTAL FUNDING ENTITY agrees to make a transfer of funds to DHCS pursuant to sections 14164 and 14301.4 of the Welfare and Institutions Code. The amount transferred shall be based on the sum of the applicable rate category per member per month (“PMPM”) contribution increments multiplied by member months, as reflected in Exhibit 1. The GOVERNMENTAL FUNDING ENTITY agrees to initially transfer amounts that are calculated using the Estimated Member Months in Exhibit 1, which will be reconciled to actual enrollment for the service period of January 1, 2023 through December 31, 2023 in accordance with Sub-Section 1.3 of this Agreement. The funds transferred shall be used as described in Sub-Section 2.2 of this Agreement. The funds shall be transferred in accordance with the terms and conditions, including schedule and amount, established by DHCS.

1.2 The GOVERNMENTAL FUNDING ENTITY shall certify that the funds transferred qualify for Federal Financial Participation pursuant to 42 C.F.R. part 433, subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, Federal

money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. Impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

1.3 DHCS shall reconcile the "Estimated Member Months," in Exhibit 1, to actual enrollment in HEALTH PLAN(S) for the service period of January 1, 2023 through December 31, 2023 using actual enrollment figures taken from DHCS records. Enrollment reconciliation will occur on an ongoing basis as updated enrollment figures become available. Actual enrollment figures will be considered final two years after December 31, 2023. If reconciliation results in an increase to the total amount necessary to fund the nonfederal share of the payments described in Sub-Section 2.2, the GOVERNMENTAL FUNDING ENTITY agrees to transfer any additional funds necessary to cover the difference. If reconciliation results in a decrease to the total amount necessary to fund the nonfederal share of the payments described in Sub-Section 2.2, DHCS agrees to return the unexpended funds to the GOVERNMENTAL FUNDING ENTITY. If DHCS and the GOVERNMENTAL FUNDING ENTITY mutually agree, amounts due to or owed by the GOVERNMENTAL FUNDING ENTITY may be offset against future transfers.

2. Acceptance and Use of Transferred Funds

2.1 DHCS shall exercise its authority under section 14164 of the Welfare and Institutions Code to accept funds transferred by the GOVERNMENTAL FUNDING ENTITY pursuant to this Agreement as Intergovernmental Transfer (IGTs), to use for the purpose set forth in Sub-Section 2.2.

2.2 The funds transferred by the GOVERNMENTAL FUNDING ENTITY pursuant to Section 1 and Exhibit 1 of this Agreement shall be used to fund the non-federal share of Medi-Cal Managed Care actuarially sound capitation rates described in section 14301.4(b)(4) of the Welfare and Institutions Code as reflected in the contribution PMPM and rate categories reflected in Exhibit 1. The funds transferred shall be paid, together with the related Federal Financial Participation, by DHCS to HEALTH PLAN(S) as part of HEALTH PLAN(S)' capitation rates for the service period of January 1, 2023 through December 31, 2023, in accordance with section 14301.4 of the Welfare and Institutions Code.

2.3 DHCS shall seek Federal Financial Participation for the capitation rates specified in Sub-Section 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge that DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services.

2.5 DHCS shall not direct HEALTH PLAN(S)' expenditure of the payments received pursuant to Sub-Section 2.2.

3. Assessment Fee

3.1 DHCS shall exercise its authority under section 14301.4 of the Welfare and Institutions Code to assess a 20 percent fee related to the amounts transferred pursuant to Section 1 of this Agreement, except as provided in Sub-Section 3.2. GOVERNMENTAL FUNDING ENTITY agrees to pay the full amount of that assessment in addition to the funds transferred pursuant to Section 1 of this Agreement.

3.2 The 20-percent assessment fee shall not be applied to any portion of funds transferred pursuant to Section 1 that are exempt in accordance with sections 14301.4(d) or 14301.5(b)(4) of the Welfare and Institutions Code. DHCS shall have sole discretion to

determine the amount of the funds transferred pursuant to Section 1 that will not be subject to a 20 percent fee. DHCS has determined that \$ 3,491,164 of the transfer amounts will not be assessed a 20 percent fee, subject to Sub-Section 3.3.

3.3 The 20-percent assessment fee pursuant to this Agreement is non-refundable and shall be wired to DHCS simultaneously with the transfer amounts made under Section 1 of this Agreement. If at the time of the reconciliation performed pursuant to Sub-Section 1.3 of this Agreement, there is a change in the amount transferred that is subject to the 20-percent assessment in accordance with Sub-Section 3.1, then a proportional adjustment to the assessment fee will be made.

4. Amendments

4.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

4.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in Section 2 of this Agreement.

5. Notices. Any and all notices required, permitted, or desired to be given hereunder by one party to the other shall either be sent via secure email or submitted in writing to the other party personally or by United States First Class, Certified or Registered mail with postage prepaid, addressed to the other party at the address as set forth below:

To the GOVERNMENTAL FUNDING ENTITY:

Paul M. Eves, CFO
733 Cedar Street
Garberville, CA 95542
(707) 923-3921 x1291

peves@shchd.org

With copies to:

Matthew Rees, CEO
733 Cedar Street
Garberville, CA 95542
(707) 923-3921
mrees@shchd.org

To DHCS:

Vivian Beeck
California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Ave., MS 4413
Sacramento, CA 95814
Vivian.Beeck@dhcs.ca.gov

6. Other Provisions

6.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal payments described in Sub-Section 2.2 of this Agreement that are funded by the GOVERNMENTAL FUNDING ENTITY, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the GOVERNMENTAL FUNDING ENTITY and DHCS relating to the subject matter of this Agreement. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. This Agreement shall not modify the terms of any other agreement, existing or entered into in the future, between the parties.

6.2 The non-enforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

6.3 Sections 2 and 3 of this Agreement shall survive the expiration or termination of this Agreement.

6.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals. Accordingly, there shall be no third party beneficiary of this Agreement.

6.5 Time is of the essence in this Agreement.

6.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so. Any required signature(s) on any documents must be in compliance with California Government Code section 16.5 and any other applicable state or federal regulations.

7. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under Federal and State law and regulations.

8. Approval. This Agreement is of no force and effect until signed by the parties.

9. Term. This Agreement shall be effective as of January 1, 2023 and shall expire as of June 30, 2026 unless terminated earlier by mutual agreement of the parties.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

SOUTHERN HUMBOLDT COMMUNITY HEALTH CARE DISTRICT:

By: DocuSigned by:
Paul Eves
469EB8F9750F459... Date: July 22, 2024
Paul M. Eves, Chief Financial Officer

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: Signed by:
David Bishop
4E29B632D6CC45B... Date: September 3, 2024
David Bishop, Division Chief, Capitated Rates Development Division

Exhibit 1

Health Plan	Funding Entity	County	Service Period	Participation %
Partnership Health Plan of California	Southern Humboldt Community Health District (Jerold Phelps CH)	Regional	1/2023 - 12/2023	6.77%
Category of Aid	SIS/UIS	Contribution PMPM	Estimated Member Months*	Estimated Contribution (Non-Federal Share)
Child	SIS	\$ 0.23	2,591,827	\$ 596,120
Child	UIS	\$ 0.09	97,541	\$ 8,779
Adult	SIS	\$ 0.59	1,198,291	\$ 706,992
Adult	UIS	\$ 0.53	165,873	\$ 87,913
ACA Optional Expansion	SIS	\$ 0.12	2,436,431	\$ 292,372
ACA Optional Expansion	UIS	\$ 0.13	216,291	\$ 28,118
SPD	SIS	\$ 1.89	439,967	\$ 831,538
SPD	UIS	\$ 1.51	30,489	\$ 46,038
SPD/Full-Dual	SIS	\$ 0.61	912,959	\$ 556,905
SPD/Full-Dual	UIS	\$ 0.34	2,680	\$ 911
LTC	SIS	\$ 1.90	1,081	\$ 2,054
LTC	UIS	\$ 1.54	372	\$ 573
LTC/Full-Dual	SIS	\$ 0.63	29,751	\$ 18,743
LTC/Full-Dual	UIS	\$ 0.34	27	\$ 9
Whole Child Model	SIS	\$ 3.16	98,440	\$ 311,070
Whole Child Model	UIS	\$ 1.36	2,227	\$ 3,029
Est. FE Total			8,224,247	\$ 3,491,164

* Note that Estimated Member Months are subject to variation, and the actual total Contribution (Non-Federal Share) may differ from the amount listed here.

* FMAP is a weighted blend of multiple FMAPs.