

Statement of Work: 2018 – 002

This Statement of Work No. 2018-002 (“SOW”), effective as of April 16, 2018 (the “SOW Effective Date”), by and between Navigant Consulting, Inc. (“Navigant”) and Grays Harbor Community Hospital (“GHCH”), is executed pursuant to and as part of that certain Master Consulting Services Agreement, effective February 18, 2018 by and between Navigant and Client (the “Agreement”).

NOW, THEREFORE, for and in consideration of the foregoing premises, and the agreements of the parties set forth below, Client and Navigant agree as follows:

BACKGROUND

The parties entered into Statement of Work 2018-001 to perform a rapid assessment to identify operational and financial improvement opportunities that would benefit GHCH (the “Assessment”). At the end of the Assessment, Navigant provided GHCH results and recommendations for GHCH to consider.

The Assessment identified for GHCH performance improvement opportunities (Table 1). The services to be provided under SOW 2018-001 will conclude at the final SOW 2018-001 Steering Committee meeting on April 4th, 2018.

Table 1

Operating Margin			
Functional Area	Implemented	In process	Total
Workforce	\$5.5M	\$1.6M	\$7.1M
Revenue Cycle	\$340K	\$2.9M	\$3.2M
Supply Chain		\$1.6M	\$1.6M
Increase		\$4.5M	\$4.5M
Effectiveness	\$3.8M		\$3.7M
Strategy/ Growth		\$2.0M	\$2.0M
Enterprise		\$1.0M	\$1.0M
SUM	\$9.6M	\$13.9M	\$23.5M
Balance Sheet			
Functional Area	Implemented	In process	Total
AR Reduction		3.6M	3.6M
SUM	0	3.6M	3.6M

Additionally, the Assessment process helped GHCH to refine and articulate its go forward business imperatives that GHCH will leverage to support implementation of change described in this Statement of Work. The chart below and Table 2 highlight the financial results of GHCH over the recent years and highlights GHCH’s contributions to its community.

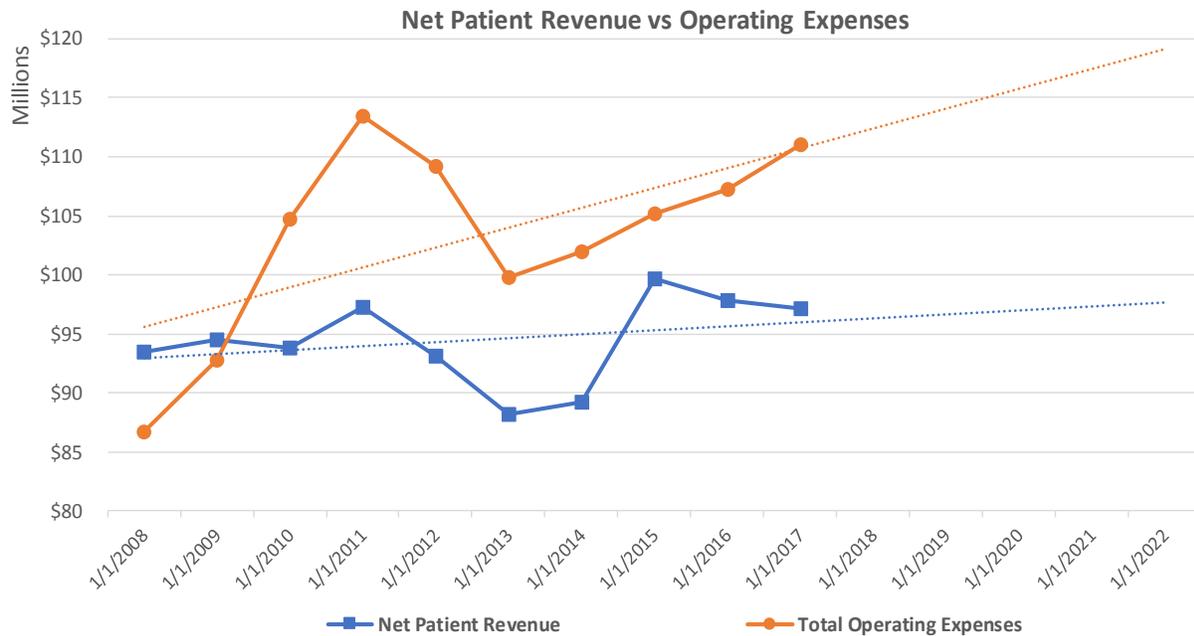


Table 2

Impact	Description
Serving Essential Community Needs	<ul style="list-style-type: none"> We provide over \$27 million in services every year to those who are not able to pay for their care 426 babies were born in the last year Over 27,000 were treated in our Emergency Department—an average of 75 per day Over 4800 patient days were recorded at HarborCrest Substance Abuse Treatment Center
Contributing to Significant Economic Impact	<ul style="list-style-type: none"> Over 600 employees make GHCH one of the area’s largest employers GHCH pays almost \$1.2 million in taxes every year to support our city, county, and state GHCH invests in clinical providers, from medical students to residency, through partnership with Grays Harbor College and the local high school



The Assessment also yielded a 13-week cash model. The model demonstrates the precarious financial performance and cash balances at GHCH including:

- Prior to any proposed intervention/improvement: (\$8)M after 26 weeks, and at an annual run rate at (\$20)M
- At the end of the 26 week period, and assuming all proposed rapid actions are taken by GHCH as proposed, we anticipate results would improve the annual run rate would be (\$4.7)M and an annual improvement of approximately \$9M.
- After swiftly implementing all identified improvements, we anticipate GHCH will achieve a positive cash position of \$4M after 26 weeks and at an annual run rate of >8M.

While this model and estimates must be constantly updated based on actions taken and new information, it confirms comprehensive change through the implementation of all Assessment recommendations provide the best opportunity for GHCH to successfully improve performance.

SCOPE OF SERVICES

Areas of Implementation Support

We propose that the implementation support focus on the following areas:

- Patient classification and Care Management
 - Navigant continue to drive these processes in the short term and concurrently training GHCH employees to take over and sustain these processes (3 mos).
 - Monitor results monthly and provide support as necessary to ensure results are sustained (12 months)
 - GHCH will engage an independent, outside expert to review and assess whether patient classification decisions are made appropriately and in compliance will applicable clinical and regulatory guidelines
- Revenue Cycle
 - Manage/hold vendor accountable for cash realization related to AR days reduction (4 mos)
 - Work to reduce denials, improve processes related to POS/patient cash collections, patient eligibility checks, charge capture, Charge Description Master, and Clinical Documentation Improvement (6 to 9 months). It is estimated net revenue related to these areas will improve an estimated 3%.
- Medical Group
 - Address improvement opportunities in financial and operational performance related as identified in the assessment and related to
 - Governance and Management
 - Culture
 - Practice Performance
 - Compensation and Productivity



- Supply Chain
 - Provide oversight to recommended improvement efforts to reduce supply expense by \$1.6M
 - Provide direction on prioritization and strategy to drive expense reductions
- Benefits expense
 - Support initiatives to reduce benefits expense including identifying opportunities and variances to best practice, estimating benefits to advising on strategies for implementation
- Growth
 - Work with GHCH to develop an agreed upon list of performance improvement initiatives/projects to help accommodate recent volume losses, recover market share lost over recent years and develop key programmatic initiatives to support future growth
 - Provide periodic oversight in an effort to help keep GHCH projects and initiatives stay on track.
- Project Management
 - Assist GHCH with tracking the 13 week cash model and provide support to interim CFO related to improvement initiatives in scope.
 - Manage initiatives to realization schedule of implementation initiatives mutually developed by GHCH and Navigant.
 - Support Implementation Steering Committee.
 - Support change management and communication plan developed by GCHC.

Principles of Implementation Support

- GHCH and Navigant are dedicated working together to prevent GHCH insolvency and returning GHCH to positive operating margin within 12 months (run rate)
- Navigant has agreed to divide the total professional fees into a base fee and an at risk, performance fee based upon the achievement of certain metrics related to the implementation results delivered (the at-risk portion of the professional fees shall be referred to as the “Performance Fees”).
- The benefits resulting from Navigant’s implementation of the services described in this SOW 2018-002 will be measured against a baseline ending on January 31, 2018. Evaluation of whether Navigant achieved metrics related to the Performance Fees shall be performed no later than December 15, 2018 and any Performance Fees earned will be paid to Navigant on or before January 15, 2019.
- The progress and improvements achieved will be documented in writing in an Initiative Documentation Worksheet (“IDW”) in the form attached hereto and incorporated herein and submitted to the GHCH Steering Committee for review and approval on a monthly basis. Such approval shall be documented in the Steering Committee meeting minutes or as evidenced by a GHCH Steering Committee member signature on the IDW.
- Both GHCH and Navigant will continue to act on improvement opportunities in a timely manner. Any improvement opportunities or project initiatives not stated herein will be negotiated and agreed upon by Navigant and GHCH in a separate SOW duly executed by the parties.



- GHCH will dedicate the resources necessary to deliver results; Navigant Engagement Team listed below will deliver the services described herein.

ENGAGEMENT TEAM

Our engagement leadership team will include Kevin C. “Casey” Nolan and John Klare. John and Casey will be assisted by others including subject matter experts to address various area of the hospitals operations. In the event either John or Casey becomes unavailable for any reason, Navigant will endeavor to propose an alternate individual of like experience and expertise, who shall be reasonably acceptable to Company.

TERMS AND CONDITIONS: PRECEDENCE

The terms and conditions set forth in this SOW related to the services described hereunder shall govern. In the event of any conflict between the terms in the Agreement and this SOW 2018-002, the terms of this SOW shall prevail and govern.

Expenses. Based upon expense data from SOW 2018-001, Navigant has estimated the weekly expenses to be incurred under this SOW. Such weekly amounts are included in the payments. Estimated expense amounts will be reconciled with actual expenses incurred during the Quarterly True Up.