# Staywell Health Care, Inc.

## Financial Statements
## and Independent Auditor's Report

## June 30, 2019 and 2018

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**Staywell Health Care, Inc.**

Index

# Independent Auditor's Report

To the Board of Directors
Staywell Health Care, Inc.

*Report on the Financial Statements*

We have audited the accompanying financial statements of Staywell Health Care, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2019, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

CohnReznick

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Staywell Health Care, Inc. as of June 30, 2019 and 2018, and the 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.

*Emphasis-of-Matter*

As discussed in Note 2 to the financial statements, Staywell Health Care, Inc. adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively. Our opinion is not modified with respect to this matter.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2019 on our consideration of Staywell Health Care, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Staywell Health Care, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Staywell Health Care, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
November 21, 2019

**Staywell Health Care, Inc.**

**Statements of Financial Position**
**June 30, 2019 and 2018**

Assets

| | 2019 | 2018 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 3,653,002 | $ 3,866,537 |
| Short-term investments | 509,398 | 501,496 |
| Patient service receivables, net | 749,908 | 693,811 |
| Grant receivables | 785,620 | 708,331 |
| Other receivables | 498,404 | 787,494 |
| Prepaid expenses | 391,729 | 298,634 |
| Total current assets | 6,588,061 | 6,856,303 |
| Property and equipment, net | 4,616,534 | 4,716,023 |
| Deferred compensation assets | 124,845 | 236,773 |
| Investment in Donor-advised fund | 24,980 | 26,878 |
| Investment in Community Health Network of Connecticut, Inc. | 83,333 | 83,333 |
| Total assets | $ 11,437,753 | $ 11,919,310 |

Liabilities and Net Assets

| | 2019 | 2018 |
|---|---|---|
| Current liabilities | | |
| Accounts payable | $ 318,442 | $ 359,226 |
| Accrued expenses | 1,025,190 | 831,956 |
| Accrued profit sharing | 669,395 | 1,263,756 |
| Deferred revenue | 146,689 | 131,927 |
| Total current liabilities | 2,159,716 | 2,586,865 |
| Long-term liabilities | | |
| Deferred compensation liabilities | 124,845 | 236,773 |
| Total liabilities | 2,284,561 | 2,823,638 |
| Commitments and contingencies | | |
| Net assets | | |
| Net assets without donor restrictions | 9,153,192 | 9,095,672 |
| Total net assets | 9,153,192 | 9,095,672 |
| Total liabilities and net assets | $ 11,437,753 | $ 11,919,310 |

See Notes to Financial Statements.

**Staywell Health Care, Inc.**

**Statements of Activities and Changes in Net Assets**
**Years Ended June 30, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| Changes in net assets without donor restrictions | | |
| Support and revenue | | |
| Patient service revenue (net of contractual allowances and discounts) | $ 13,801,644 | $ 12,914,006 |
| Provision for uncollectible accounts | (1,052,114) | (943,390) |
| Net patient service revenue | 12,749,530 | 11,970,616 |
| Grant revenue | 6,817,176 | 6,301,637 |
| Donated vaccines, medical supplies and equipment | 944,553 | 799,206 |
| Rental income | 42,609 | 42,533 |
| Pharmacy revenue | 3,489,509 | 2,236,776 |
| Fundraising and contributions | 14,174 | 28,273 |
| Other revenue | 143,834 | 63,737 |
| Total support and revenue | 24,201,385 | 21,442,778 |
| Functional expenses | | |
| Program expenses | 21,037,600 | 18,310,354 |
| General and administrative | 3,145,659 | 3,873,309 |
| Fundraising | 8,956 | 5,475 |
| Total functional expenses | 24,192,215 | 22,189,138 |
| Change in net assets without donor restrictions before non-operating activities | 9,170 | (746,360) |
| Non-operating activities | | |
| Grant funds for capital | 34,727 | 460,264 |
| Gain on disposal of assets | 13,623 | 290,513 |
| Total nonoperating activities | 48,350 | 750,777 |
| Change in net assets | 57,520 | 4,417 |
| Net assets, beginning | 9,095,672 | 9,091,255 |
| Net assets, end | $ 9,153,192 | $ 9,095,672 |

See Notes to Financial Statements.

## Staywell Health Care, Inc.

## Statement of Functional Expenses
## Year Ended June 30, 2019 With Comparative Totals for 2018

| | Program expenses | General and administrative | Fundraising | 2019 | 2018 |
|---|---|---|---|---|---|
| Salary and wages | $ 12,560,894 | $ 1,395,655 | $ - | $ 13,956,549 | 12,765,439 |
| Fringe benefits and payroll taxes | 3,049,827 | 1,008,266 | - | 4,058,093 | 4,039,763 |
| Insurance | 93,046 | 9,472 | - | 102,518 | 80,034 |
| Temporary help and contracted services | 1,675,100 | 170,532 | - | 1,845,632 | 1,723,975 |
| Vaccines | 944,553 | - | - | 944,553 | 799,206 |
| Occupancy | 359,537 | 36,602 | - | 396,139 | 387,557 |
| Equipmental rental and maintenance | 176,700 | 17,989 | - | 194,689 | 381,076 |
| Dues and subscriptions | 74,987 | 7,634 | - | 82,621 | 86,604 |
| Meetings and conferences | 99,070 | 10,086 | - | 109,156 | 57,380 |
| Program activities, supplies and materials | 1,403,961 | 199,618 | - | 1,603,579 | 1,038,853 |
| Professional fees | - | 220,466 | - | 220,466 | 193,126 |
| Publishing, printing and mailing | 51,708 | 5,264 | - | 56,972 | 42,486 |
| Travel | 68,916 | 7,016 | - | 75,932 | 65,153 |
| Other | 180,538 | 19,189 | 8,956 | 208,683 | 184,345 |
| Interest | - | 7,455 | - | 7,455 | 4,106 |
| Depreciation | 298,763 | 30,415 | - | 329,178 | 340,035 |
| Total functional expenses | $ 21,037,600 | $ 3,145,659 | $ 8,956 | $ 24,192,215 | $ 22,189,138 |

See Notes to Financial Statements.

## Staywell Health Care, Inc.

## Statements of Cash Flows
### Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ 57,520 | $ 4,417 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation and amortization | 329,178 | 340,035 |
| Grant funds for capital | (34,727) | (460,264) |
| Provision for uncollectible accounts | 1,052,114 | 943,390 |
| Gain on disposal of assets | (13,623) | (290,513) |
| Changes in operating assets and liabilities | | |
| Patient service receivables, net | (1,108,211) | (1,025,856) |
| Grant receivables | (77,289) | 460,987 |
| Other receivables | 289,090 | (561,251) |
| Prepaid expenses | (93,095) | (42,134) |
| Deferred compensation assets | 111,928 | (21,693) |
| Accounts payable | (40,784) | 214,711 |
| Accrued expenses | 193,234 | 29,037 |
| Accrued profit sharing | (594,361) | 144,811 |
| Deferred revenue | 14,762 | (33,619) |
| Deferred compensation liabilities | (111,928) | 21,693 |
| Net cash used in operating activities | (26,192) | (276,249) |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (216,066) | (631,927) |
| Proceeds from insurance | - | 754,888 |
| Purchases of short-term investments | (7,902) | (1,482) |
| Sales (purchases) of investments in donor-advised fund | 1,898 | (26,878) |
| Net cash (used in) provided by investing activities | (222,070) | 94,601 |
| Cash flows from financing activities | | |
| Grant funds for capital | 34,727 | 460,264 |
| Net cash provided by financing activities | 34,727 | 460,264 |
| Net (decrease) increase in cash and cash equivalents | (213,535) | 278,616 |
| Cash and cash equivalents, beginning | 3,866,537 | 3,587,921 |
| Cash and cash equivalents, end | $ 3,653,002 | $ 3,866,537 |

See Notes to Financial Statements.

## Note 1 - Organization and summary of significant accounting policies

### Organization

Staywell Health Care, Inc. (the "Center") is a private nonprofit corporation which provides comprehensive medical, dental and mental health services to residents of Waterbury, Connecticut and its surrounding communities. The medical component provides primary healthcare and related services as well as prenatal care, pediatric and behavioral health services. The dental component provides a full range of dentistry. Services are primarily offered on an outpatient basis with a sliding fee scale, based on income level, number of dependents and ability to pay. The Center's primary sources of revenue consist of grants and patient fees. The Center receives a Section 330 Grant from the U.S. Department of Health and Human Services ("DHHS"), which makes the Center eligible for Medicaid and Medicare reimbursements as a Federally Qualified Health Center.

DHHS provides substantial support to the Center. The Center is obligated under the terms of DHHS grants to comply with specified conditions and program requirements set forth by the grantor.

### Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Center reports information regarding its financial position and activities according to the following net asset categories:

*Net assets without donor restrictions* - Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes by action of the Board of Directors.

*Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions are temporary in nature, such as that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Performance indicator

The statements of activities and changes in net assets include the change in net assets without donor restrictions before non-operating activities as the performance indicator.

### Cash and cash equivalents

The Center considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### Short-term investments

The Center holds investments in certificates of deposit accounts that have a maturity period exceeding three months, but will mature in less than one year. These are classified as short-term investments in the statements of financial position. These investments are reported at their current fair value and any appreciation is recorded in the accompanying statements of activities and changes in net assets as other income. The Center classifies its short-term investments as “held to maturity” if it has the positive intent and ability to hold the securities to maturity. Securities classified as held to maturity are carried at amortized cost.

**Concentrations of credit risk**
The Center's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, patient service revenue and receivables, and grant revenue and receivables.

The Center maintains cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Patient service receivables**
The collection of receivables from third-party payors and patients is the Center's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient service receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Receivables due directly from patients are carried at the original charge for the service performed, less discounts provided under the Center's charity care policy, less amounts covered by third-party payors and an estimated allowance for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Center considers accounts past due when they are outstanding beyond 60 days with no payment. The Center does not charge interest on past due accounts.

Patient receivables are written off to an allowance account when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of the provision for uncollectable accounts when received.

**Property and equipment**
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 3 to 39 years. Expenditures exceeding $5,000 are capitalized. Leasehold improvements are amortized over the shorter of the estimated useful life or lease term. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statements of activities and changes in net assets.

Construction-in-progress is recorded at cost. The Center capitalizes construction and other costs during the period of construction. Depreciation is recorded when construction is substantially complete and the assets are placed in service.

Certain property and equipment have been purchased with grant funds received from DHHS. Such items or a portion thereof may be reclaimed by the federal government if not used to further the grant's objectives.

**Contribution of long-lived assets**
When applicable, the Center reports gifts of property and equipment as without donor restriction 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 with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Impairment of long-lived assets**
The Center reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

In performing a review for impairment, the Center compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values giving consideration to recent operating performance and pricing trends. The Center does not believe that any material impairment currently exists related to its long-lived assets.

**Revenue recognition**

**Patient service revenue**
The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

The Center provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

**Charity care and community benefit**
The Center is open to all patients, regardless of their ability to pay. In the ordinary course of business, the Center renders services to patients who are financially unable to pay for healthcare. The Center provides care to these patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than the established rates. Charity care services are computed using a sliding fee scale based on patient income and family size. The Center maintains records to identify and monitor the level of sliding fee discount it provides. For uninsured self-pay patients that do not qualify for charity care, the Center recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided.

Community benefit represents the cost of services for Medicaid, Medicare and other public patients for which the Center is not reimbursed.

Based on the cost of patient services, charity care approximated $2,367,000 and $1,510,000 and community benefit approximated $5,434,000 and $6,068,000 for the years ended June 30, 2019 and 2018, respectively.

**Contributions**

Contributions are recorded at fair value when received or pledged. Amounts are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as net assets without donor restrictions. Conditional contributions are recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions on the statements of activities and changes in net assets.

**340B Pharmacy**

The Center participates in Section 340B of the Public Health Service Act ("PHS Act"), *Limitation on Prices of Drugs Purchased by Covered Entities*. Participation in this program allows the Center to purchase pharmaceuticals at a discounted rate for prescriptions to eligible patients. The Center has outsourced the administration of this program to commercial pharmacies. The Center records revenue based on the price of the pharmaceuticals dispensed.

**Grant revenue**

Revenue from government grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's requirements. Cash received in excess of revenue recognized is recorded as deferred revenue in the statements of financial position. These grants require the Center to provide certain healthcare services during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allocated under the grants.

**Donated goods and services**

Donated goods and services are recorded at fair value at the time of the donation.

**In-kind contributions**

In-kind contributions consist primarily of vaccines, medical supplies and equipment, which are recorded at the fair value of the supplies provided. The fair value of those goods as provided by the funding source is $944,553 and $799,206 for the years ended June 30, 2019 and 2018, respectively, and is recorded as donated vaccines, medical supplies and equipment, along with a corresponding charge to direct operating expenses in the accompanying statements of activities and changes in net assets.

**Interest earned on federal funds**

Interest earned on federal funds is recorded as a payable to the United States Public Health Service ("PHS") in compliance with the regulations of the United States Office of Management and Budget.

**Functional expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, equipment rental and maintenance, insurance, and deprecation which are allocated on a square footage basis. The Center allocates salaries and wages, donated supplies, rent, and travel, conferences, and meetings based on actual expenses incurred. Weighted average methodology is used for employee benefits, contracted services, professional services, postage and supplies, interest and other expenses.

**Income taxes**

The Center was incorporated as a not-for-profit entity and is exempt from federal income tax under the provisions of the Internal Revenue Code Section 501(c)(3), except for taxes on unrelated business income.

The Center has no unrecognized tax benefits at June 30, 2019 and 2018. The Center's federal and state information returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Center has unrelated business income taxes, it will recognize interest and penalties associated with uncertain tax positions as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

**New accounting pronouncement**

During 2019, the Center adopted the provisions of Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* The provisions improve the usefulness and reduce the complexities of information provided to donors, grantors, creditors, and other users of the financial statements by eliminating the distinction between the resources with permanent restrictions and those with temporary restrictions from the face of the financial statements. Enhanced disclosures in the notes to the financial statements will provide useful information about the nature, amounts and effects of the various types of donor-imposed restrictions, which often include limits on the purposes for which resources can be used as well the time frame for their use. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their nature and functional classification. While the adoption of ASU 2016-14 requires net assets to be presented with and without donor restrictions, the ASU has no effect on the Center's total assets. The changes required by the update have been applied retrospectively to all periods presented.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 follows:

| | ASU 2016-14 Classifications | | |
|---|---|---|---|
| Net Assets Classifications | Without donor restrictions | With donor restrictions | Total |
| As previously presented | | | |
| Unrestricted | $ 6,665,293 | $ - | $ 6,665,293 |
| Temporarily restricted | | 2,430,379 | 2,430,379 |
| Permanently restricted | - | - | - |
| Net assets, as previously presented | 6,665,293 | 2,430,379 | 9,095,672 |
| Reclassifications to implement ASU 2016-14 | | | |
| Equipment and building improvements purchased with grants | 2,430,379 | (2,430,379) | - |
| Net assets, as reclassified | $ 9,095,672 | $ - | $ 9,095,672 |

**Subsequent events**

The Center has evaluated events and transactions for potential recognition or disclosure through November 21, 2019, which is the date the financial statements were available to be issued.

## Note 2 - Patient service receivables, net

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables, net from patients and third-party payors as of June 30, 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Medicaid | $ 526,533 | $ 528,629 |
| Medicare | 160,584 | 107,823 |
| Third-party payors | 89,826 | 75,036 |
| Patients | 1,660,950 | 1,122,001 |
| | 2,437,893 | 1,833,489 |
| Less allowance for doubtful accounts | (1,687,985) | (1,139,678) |
| | $ 749,908 | $ 693,811 |

Patient service receivables are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient service receivables, the Center 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 uncollectable 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 Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectable 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 Center records a provision for uncollectible 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 provided by the Center's policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts.

The Center's allowance for doubtful accounts is 69% and 62% of patient service receivables at June 30, 2019 and 2018, respectively. The Center has not changed its charity care or uninsured discount policies during 2019 and 2018. The Center had approximately $504,000 and $807,000 of write-offs during the years ended June 30, 2019 and 2018, respectively.

## Note 3 - Liquidity

The Center regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2019, the Center has the following financial assets available to meet annual operating needs for the 2020 fiscal year:

| | |
|---|---|
| Cash and cash equivalents | $ 3,653,002 |
| Short-term investments | 509,398 |
| Receivables | |
| Patient service receivables, net | 749,908 |
| Grant receivables | 785,620 |
| Other receivables | 498,404 |
| Financial assets available to meet general expenditures over the next twelve months | $ 6,196,332 |

As part of the Center's liquidity management, the Center keeps its financial assets available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Center has a committed line of credit of $500,000, which it could draw upon.

## Note 4 - Grants receivables

Grant receivables are evidenced by contracts with a variety of federal and state government agencies and, based on historical experience, management believes these receivables represent negligible credit risk. Accordingly, management has not established an allowance for doubtful accounts. Grant receivables at June 30, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Federal | $ 731,280 | $ 600,537 |
| State | 30,971 | 71,294 |
| Other | 23,369 | 36,500 |
| | $ 785,620 | $ 708,331 |

The Center receives a significant amount of grants from DHHS. As with all government funding, these grants are subject to reduction or termination in future years. For the years ended June 30, 2019 and 2018, grants from DHHS consisted of 85% and 82% of total grant revenue, respectively.

## Note 5 - Property and equipment, net

Property and equipment, net consists of the following as of June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Land | $ 384,297 | $ 384,297 |
| Building | 6,615,703 | 6,235,258 |
| Medical equipment | 37,722 | 37,722 |
| Dental equipment | 647,817 | 605,623 |
| Computer equipment | 595,326 | 545,810 |
| Telephone equipment | 90,705 | 90,705 |
| Leasehold improvements | 98,649 | 98,649 |
| Furniture and fixtures | 57,091 | 57,091 |
| | 8,527,310 | 8,055,155 |
| Less accumulated depreciation and amortization | (3,990,120) | (3,660,942) |
| | 4,537,190 | 4,394,213 |
| Construction-in-progress | 79,344 | 321,810 |
| Total | $ 4,616,534 | $ 4,716,023 |

In the event the DHHS grants are terminated, DHHS reserves the right to transfer all property and equipment purchased with grant funds to PHS or other third-parties.

## Note 6 - Investment in Community Health Network of Connecticut, Inc.

The Center is a member of a not-for-profit health plan, Community Health Network of Connecticut, Inc. ("CHNCT"). CHNCT provides statewide healthcare services for the State of Connecticut HUSKY A, HUSKY B and Charter Oak Populations. The Center has purchased an interest in

CHNCT. The Center's investment in CHNCT amounted to $83,333 as of June 30, 2019 and 2018 and is recognized based on cost-basis due to less than 20% ownership.

## Note 7 - The Connecticut Community Foundation

During the year ended June 30, 2017, the Center paid $50,000 as an irrevocable gift to The Connecticut Community Foundation ("CCF"). These amounts were paid to establish a donor-advised fund and an endowment fund for $25,000 each to be held and administered by CCF. Pursuant to the terms of the agreements, CCF is required to, subject to its variance power, forward to the Center a certain amount of funds (based on CCF's spending policy) on an annual basis.

## Note 8 - Line of credit

The Center has a $500,000 line of credit with Bank of America available to be drawn upon, as needed, with interest at prime plus 0.75%. There were no outstanding amounts on the line of credit at June 30, 2019 or 2018. This line of credit, which is secured by all assets of the Center, expires on December 31, 2019.

## Note 9 - Patient services revenue (net of contractual allowances)

The Center recognizes patient service revenue associated with services provided to patients who have Medicaid, Medicare and third-party payor coverage on the basis of contractual rates for services rendered. For the years ended June 30, 2019 and 2018, patient service revenue, net of contractual allowances and discounts but before the provision for uncollectible accounts, consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Medicaid | $ 11,215,894 | $ 10,640,857 |
| Medicare | 962,191 | 596,161 |
| Third-party payors | 410,933 | 512,654 |
| Self-pay patients | 1,212,626 | 1,164,334 |
| | $ 13,801,644 | $ 12,914,006 |

Medicaid and Medicare revenue is reimbursed to the Center at the net reimbursement rates determined by each program. Reimbursement rates are subject to revisions under the provision of reimbursement regulations. Adjustments for such revisions are recognized in the fiscal year incurred.

## Note 10 - Operating leases

The Center holds several equipment leases, one vehicle lease, and one building lease with monthly payments ranging from $101 to $3,240 through December 2020. Lease expense for the years ended June 30, 2019 and 2018 totaled $79,426 and $42,533, respectively.

Aggregate future minimum rental payments for these leases are as follows:

| | | |
|---|---|---|
| 2020 | $ | 44,894 |
| 2021 | | 22,654 |
| | $ | 67,548 |

## Note 11 - Rental income

The Center leases portions of its facility at 80 Phoenix Avenue to unrelated third-parties. These leases expire at various dates through May 2022. Rental income for the years ended June 30, 2019 and 2018 was $42,609 and $42,533, respectively.

Future minimum lease payments to be received in each of the years subsequent to June 30, 2019 are as follows:

| | | |
|---|---|---|
| 2020 | $ | 23,436 |
| 2021 | | 23,436 |
| 2022 | | 21,483 |
| | $ | 68,355 |

## Note 12 - Employee benefit plans

The Center maintained a supplemental executive retirement plan ("SERP"). The Master Plan Document of the SERP stated that the participants will be fully vested at the earliest time of the following events: involuntary separation from service, death, disability, a change in control or attainment of a specified date or age. During fiscal year 2019, the SERP was closed and paid out.

The Center had funded the liability associated with the SERP by purchasing a life insurance policy on the executive. The Center was the owner of the life insurance policy. As of June 30, 2019 and 2019, the cash surrender value of the policy was $0 and $170,644, respectively.

The Center also maintains two nonqualified deferred compensation plans in accordance with Section 457(b) and 457(f) for certain key employees. Benefit payments to a participant or beneficiary are made according to the manner and method of payment, as elected in the plan documents provided within the plan. Investments, which are carried at fair value, in the amount of $124,845 and $66,129 as of June 30, 2019 and 2018, respectively, have been segregated as an asset of the Center, which represents the total amount of deferred compensation. Deferred compensation expense for these plans was $58,716 and $66,129 for the years ended June 30, 2019 and 2018, respectively.

The Center maintains a 401(k) profit sharing plan. The Center's Board of Directors determines, on an annual basis, the extent to which it can contribute to the plan. As of June 30, 2019 and 2018, the Center accrued $669,395 and $1,263,756 respectively, for the contribution to the plan.

## Note 13 - Commitments and contingencies

The Center has contracted with various funding agencies to perform certain healthcare services and receives Medicaid and Medicare revenue from federal, state and local governments. Reimbursements received under these contracts and payments from Medicaid and Medicare are subject to audit by federal, state and local governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulation by healthcare providers. The Center believes that it is in material compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Center maintains its medical malpractice coverage under the Federal Tort Claims Act (the "FTCA"). The FTCA provides malpractice coverage to eligible PHS supported programs and applies to the Center and its employees while providing services within the scope of employment included under grant-related activities. The Attorney General, through the U.S. Department of Justice, has the responsibility for the defense of the individual and/or grantee for malpractice cases approved for FTCA coverage.

The Center is involved in various claims and legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Center, its results of operations or cash flows.

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Staywell Health Care, Inc.

Federal Awards in
Accordance with the Uniform Guidance
and Independent Auditor's Reports

June 30, 2019

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**Staywell Health Care, Inc.**

Index

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Staywell Health Care, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Staywell Health Care, Inc., (the "Center") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2019.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Hartford, Connecticut
November 21, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Staywell Health Care, Inc.

Report on Compliance for Each Major Federal Program

We have audited Staywell Health Care, Inc.'s (the “Center”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2019. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

*Opinion on Each Major Federal Program*

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

*Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2019.001. Our opinion on each major federal program is not modified with respect to these matters.

The Center's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identity certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2019.001, that we consider to be a significant deficiency.

The Center's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Center as of and for the year ended June 30, 2019, and have issued our report thereon dated November 21, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Hartford, Connecticut
November 21, 2019

## Staywell Health Care, Inc.

## Schedule of Expenditures of Federal Awards
## Year Ended June 30, 2019

| Federal Grantor / Pass-Through Grantor / Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| U.S. Department of Health and Human Services: | | | | |
| Health Center Program Cluster: | | | | |
| Health Center Program | 93.224 | N/A | $ - | $ 875,684 |
| Grants for New and Expanded Services under the Health Center Program | 93.527 | N/A | - | 3,114,688 |
| Total Health Center Program Cluster | | | - | 3,990,372 |
| Grants for Capital Development in Health Centers | 93.526 | N/A | - | 34,727 |
| Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease | 93.918 | N/A | - | 415,800 |
| Passed-through State of Connecticut Department of Public Health: | | | | |
| Immunization Cooperative Agreements* | 93.268 | Not available | - | 840,994 |
| HIV Prevention Activities Health Department Based | 93.940 | 2013-0136 | - | 28,123 |
| Passedthrough Community Health Center Association of Connecticut: | | | | |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth | 93.153 | H12HA24859 | - | 42,000 |
| Transforming Clinical Practice Initiative: Practice Transformation Networks | 93.638 | 1L1CMS331459-04-00 | - | 154,329 |
| Passed-through Wellmore: | | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | Not available | - | 77,683 |
| Passed-through Office of Health Strategy: | | | | |
| State Innovation Models: Funding for Model Design and Model Testing Assistance | 93.624 | 18OHS0016 | - | 16,204 |
| Passed-through the City of New Haven: | | | | |
| HIV Emergency Relief Project Grants | 93.914 | Not available | - | 1,006,903 |
| Total U.S. Department of Health and Human Services | | | - | 6,007,135 |
| U.S. Department of Housing and Urban Development: | | | | |
| Passed-through City of New Haven | | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | Not available | - | 77,572 |
| Total Expenditures of Federal Awards | | | $ - | $ 6,684,707 |

*noncash assistance

See Notes to Schedule of Expenditures of Federal Awards.

## Notes to Schedule of Expenditures of Federal Awards
## June 30, 2019

### Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Staywell Health Care, Inc. (the "Center") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

### Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Center has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**Staywell Health Care, Inc.**

**Schedule of Findings and Questioned Costs**
**Year Ended June 30, 2019**

I. Summary of Auditor's Results:

Financial Statements:

| | |
|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP | Unmodified opinion |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ____ yes _X_ no |
| Significant deficiencies(ies) identified? | ____ yes _X_ none reported |
| Noncompliance material to financial statements noted? | ____ yes _X_ no |

Federal Awards:

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | ____ yes _X_ no |
| Significant deficiency(ies) identified? | _X_ yes ____ none reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified opinion |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | _X_ yes ____ no |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| | U.S. Department of Health and Human Services: |
| | Health Center Program Cluster |
| 93.224 | Health Center Program |
| 93.527 | Grants for New and Expanded Services under the Health Center Program |
| 93.268 | Immunization Cooperative Agreements |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | _X_ yes ____ no |

**Schedule of Findings and Questioned Costs**
**Year Ended June 30, 2019**

II. Financial Statement Findings:

None.

III. Federal Award Findings and Questioned Costs:

| | |
|---|---|
| Finding 2019.001: | Sliding Fee Scale Documentation |
| Grantor: | U.S. Department of Health and Human Services |
| Federal Program Names: | Health Center Program Cluster, Health Center Program, Grants for New and Expanded Services under the Health Center Program |
| CFDA Numbers: | 93.224 and 93.527 |

Criteria
In accordance with the Uniform Guidance, health centers must prepare and apply a sliding fee discount schedule so that the amounts owed for health center services by eligible patients are adjusted (discounted) based on a patient's poverty level, which is determined by the patient's income and family size.

Condition
The Center did not always appropriately apply the sliding discount based on income levels.

Context
A test of 25 discount transactions was performed and resulted in 4 instances where the sliding fee discount was improperly provided to a patient who was not eligible to receive the discount. Our sample was a statistically valid sample.

Questioned Costs
None.

Cause
The Center did not have adequate internal controls in place to effectively ensure that only eligible patients receive the sliding fee discount.

Effect
The Center did not comply with the appropriate rules and regulations as per the Uniform Guidance.

Identification as Repeat Finding
No.

Recommendation
The Center should ensure that internal controls are in place to effectively prevent ineligible patients from receiving a sliding fee discount.

Views of Responsible Officials and Planned Corrective Actions
Management agrees with the audit finding and will strengthen internal controls and accountability to correct the deficiency.

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StayWell Health Center
Growing a healthier community one person at a time

**CORRECTIVE ACTION PLAN**

November 13, 2019

United States Department of Health and Human Services

Staywell Health Care, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2018.

CohnReznick LLP
350 Church Street
Hartford, CT 06103

Audit Period: June 30, 2019

The findings from the June 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

SIGNIFICANT DEFICIENCY

2019.001 – Sliding Fee Scale Discount

Recommendation
The Center should ensure that internal controls are in place to effectively prevent ineligible patients from receiving a sliding fee discount.

Action Taken

StayWell Health Center has created a new position, Director of Practice Management, reporting to the CFO. Recruitment is complete and new Director, Christopher Beausoleil, will be starting with StayWell Health Center on November 14, 2019 with sole purpose to ensure health center compliance and internal controls at the front desk operations with regard to accuracy of registration, patient demographic, insurance verification as well as the application of the Sliding Fee Discount Program.

Sliding Fee Discount determination via SFDP Application and POI is performed and approved by the front desk staff. With the newly created position, job descriptions will be updated, written Front Desk policies & procedures will be developed, training performed, ongoing monitoring, audit and reporting will be performed to ensure compliance and internal controls.

Anticipated completion date of all items: Job descriptions January 2020, Policies & Procedures March 2020, Intensive training with Front Desk staff and Practice Managers - ongoing thereafter, April 1st Auditing - Monitoring-Reporting to resume.

If the Cognizant or Oversight Agency for Audit has questions regarding this plan, please call: Lule Tracey, CFO at (203) 756-8021 ext. 3015.

Sincerely yours,

Lule Tracey, MST
Chief Financial Officer
ltracey@staywellhealth.org