

Board Meeting

Finance Committee Meeting: Supplemental Packet - December 9, 2025

NIH Financial Audit

Draft - Financial Audit 2

Waypoint Contract for SNF Partnership

Presentation - Waypoint 23

Waypoint Contract 26

Financial and Statistical

CFO - Report Financial Summary and Operation Insights - Oct 2025 35

NIHD Finance Committee Update Oct 2025 39



DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY

Northern Invo Healthcare District

2025 Audit Results and Report to the Board of Directors

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Table of Contents

| <i>Topic</i> | <i>Page</i> |
|--------------------------|-------------|
| Executive Summary | |
| Observations | 4 |
| Financial Highlights | 7 |
| Your Industry | |
| Industry Trends | 14 |
| Appendix | |
| Required Communications | 26 |
| Internal Control | 29 |

DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY



Create Opportunities

2



Executive Summary

Results of Professional Services

DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://claglobal.com/disclaimer).
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Results of Professional Services

Significant Events and Transactions

- Construction in Progress
- Employee Retention Credit
- Reimbursement Settlements

Audit Adjustments

- No passed adjustments

Subsequent Events

- No significant subsequent events affecting the financial statements

Internal Controls

- No material weaknesses identified





Health Care & Life Sciences 4 Major Drivers in 2025

DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY



©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

4 Drivers we're watching in 2025



**President,
Congress** will
drive changes
across health
care, life
sciences

**Need for
strategic
growth** will
drive
transactions



**Need to
improve
financial
position** will
drive actions

**AI,
technology**
will drive
efficiencies



©2025 CliftonLarsonAllen LLP



DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY

Hospitals & Health Systems



Administration, Congress

- Robust Capitol Hill activity
- Site neutral a target
- Price transparency continues
- 340B program
- Medicaid program reforms
- DSH, state-directed payments scrutiny
- Medicare Advantage reforms possible
- Ban on physician owned hospitals potentially adjusted

© 2025 CLM/LarsonAllen LLP



Strategic Growth

- Deals will continue
- New collaborations or unique alliances (ex: Risant Health or Longitude Health) continue
- Segment seeks to transform itself from within
- More joint ventures (ex with ASC) new partnerships
- Ongoing movement to outpatient setting/services



Financial Improvement

- Management structure will be flattened
- Outsourcing certain functions (like rev cycle) pursued
- Financial calculus for some may require closing unperforming locations or services (OB/labor, behavioral health)
- Continued contract disputes with MA plans
- Labor need, costs



AI, Technology

- Technology and innovations will grow
- Technology and AI will produce improvements and efficiencies in the key areas: patient discharge processes, virtual care delivery, AI scribes, revenue cycle functions, and care quality
- Cybersecurity a must



10



OBBBA: Medicaid Policies

DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY



©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

OBBBA Law: Key Medicaid Policies

Provider taxes

- Bans new provider taxes
- Tighter provider tax methodology requirements
- Freezes provider taxes in non-expansion states
- Reduces provider tax rate (ie: safe harbor %) in expansion states from 6% to 3.5%
 - Reduction of 0.5% each year beginning 2028 through 2032
 - Exempts nursing homes, intermediate care facilities (i.e.: their %s would not phase down)

State directed payments (SDPs)

- Bans states from mandating Medicaid managed care companies pay providers more than 100% of Medicare
- Allows non-expansion states to pay up to 110% of Medicare rates
- Grandfathered SDPs rates reduced by 10% each year until rate equals either 100% Medicare or 110% Medicare, beginning in 2028.



OBBBA Law: Additional Medicaid Policies

Work requirements for able-bodied adults

- Called “community engagement requirements”
- Effective Dec. 31, 2026

Mandated cost-sharing for expansion adults

- Up to \$35 cost sharing
- Services provided at FQHCs, RHCs, BHCs exempt

Heightened and more frequent eligibility/verification requirements

Shortened retroactive eligibility

- One-month retroactive eligibility for expansion enrollees
- Two months retroactive eligibility for traditional enrollees



OBBBA Law: Additional Medicaid Policies

Reduced FMAP for emergency Medicaid for individuals

- Applies to individuals who would otherwise be eligible for expansion coverage except for immigration status
- Emergency Medicaid FMAP rate is now set at the state's standard FMAP
- Effective Oct. 1, 2026

Home equity limits (LTC) Medicaid eligibility set at \$1 million

- Not indexed for inflation
- Not waivable
- Some state flexibility for homes on farmland
- Effective Jan. 1, 2028

New state home & community-based support waiver (1915 c)

- May now cover individuals who do not need institutional level care
- Effective July 1, 2028



OBBBA Law: Rural Health Transformation Fund

Rural fund created.

\$50 billion.

\$10 billion per year.

Begins federal fiscal year 2026 through 2030.

Funds distributed to states only.

State submits one application (approval lasts five years).

-- 50% of funds go to states equally
-- 50% determined by HHS (based on specific rural metrics)

States must distribute/use the funds by the end of each fiscal year after the funds received.

States must use funds for at least 3 specific activities ...

Examples of Specific Activities:

- Chronic disease management
- Health care provider payments
- Technology solutions
- Training/technical assistance (technology)
- Technical assistance, software, hardware for significant IT advances
- Access to opioid use, substance use, mental health services, treatments
- Value-based care models
- Others



States Options to Address Funding Cuts?



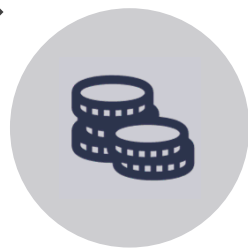
Cutting Medicaid eligibility levels.



Cutting provider reimbursements. This means cuts to hospitals, nursing homes and others.



Increasing state taxes.



Cutting state spending on other programs to backfill Medicaid.

or any combination of the above



©2025 CliftonLarsonAllen LLP



22

A Few Final Thoughts

Estimates of \$1.2 trillion in total health care cuts

Many, many moving and interrelated parts

Impacts will vary by policy, by year, by state

Policies all have varying effective dates

Each state will need to assess impact, develop plans to address shortfalls and enact policy changes

New rural transformation funds could assist some locations

State and federal advocacy will be ongoing.

There are many individual/business tax opportunities

CLA can help. Reach out today.



©2025 CliftonLarsonAllen LLP



23



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.



Appendix

DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Required Communications

| Topic | Communication |
|--|--|
| Our responsibility under Generally Accepted Auditing Standards | <ul style="list-style-type: none"> • Express an opinion on the fair presentation of the financial statements in conformity with GAAP • Plan and perform the audit to obtain reasonable, non absolute assurance that the financial statements are free of material misstatement • Evaluate internal control over financial reporting • Utilize a risk-based audit approach • Communicate significant matters to appropriate parties |
| Planned Scope and Timing of the Audit | <ul style="list-style-type: none"> • Performed the audit according to the planned scope and timing previously communicated. |
| Other Information in Documents Containing the Audited Financial Statements | <ul style="list-style-type: none"> • Financial statements may only be used in their entirety • Our approval is required to use our audit report in a client prepared document • We have no responsibility to perform procedures beyond those related to the financial statements |



Required Communications

| Topic | Communication |
|---|--|
| Significant Accounting Policies | <ul style="list-style-type: none"> • Management is responsible for the accounting policies of the organization • Accounting policies are outlined in Note 1 to the consolidated financial statements • Adoption of GASB 101 and 104 in fiscal year 2025 • Accounting policies deemed appropriate • No unusual transactions occurred |
| Significant Accounting Estimates | <ul style="list-style-type: none"> • An area of focus under a risk-based audit approach • Significant estimates include allowance for bad debts, contractual allowances, and third-party payor settlements, Health Insurance Claims incurred but not remitted. • Estimates determined by management based on their knowledge and experience • No management bias indicated • Estimates were deemed reasonable • Estimate uncertainty is disclosed in the financial statements |
| Significant Financial Statement Disclosures | <ul style="list-style-type: none"> • No sensitive disclosures • No significant risks, exposures, or uncertainties • No unusual transactions • Disclosures are neutral, consistent, and clear |

DRAFT REPORT FOR DISCUSSION PURPOSES ONLY



Required Communications

| Topic | Communication |
|----------------------------------|---|
| Supplemental Information | <ul style="list-style-type: none"> • Schedule of Changes in the Net Pension Liability and Related Ratios – Pension Plan • Schedules of Contributions – Pension Plan • Schedule of Investment Returns – Pension Plan • Combining Statement of Net Position • Combining Statement of Revenues, Expenses, and Changes in Net Position • Combining Statement of Cash Flows • Statistical Information |
| Management Representation Letter | <ul style="list-style-type: none"> • Management provided signed representation letter prior to finalization of the audit report |
| Other | <ul style="list-style-type: none"> • No difficulties encountered in performing the audit • No issues discussed prior to retention as independent auditors • No disagreements with management regarding accounting, reporting, or other matters • No Consultations with other independent auditors • No other findings or issues were discussed with, or communicated to, management |

DRAFT REPORT
FOR DISCUSSION PURPOSES ONLY



Internal Control Matters

| Topic | Communication |
|--------------------------|---|
| Purpose | <ul style="list-style-type: none"> Express an opinion on the financial statements not on the effectiveness of internal controls. Our consideration of internal controls was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. |
| Material Weakness | <ul style="list-style-type: none"> Reasonable possibility that a material misstatement would not be prevented or detected and corrected on a timely basis. |
| Significant Deficiencies | <ul style="list-style-type: none"> Less significant than a material weakness, yet important enough to merit the attention of governance. |
| Restricted Use | <ul style="list-style-type: none"> This communication is intended solely for the information and use of management, the audit committee, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties. |
| Results | No material weaknesses. |



Dan Frein, CPA
Principal, Health Care
Dan.Frein@CLAconnect.com
(425) 250-6037



CLAconnect.com



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

©2021 CliftonLarsonAllen LLP

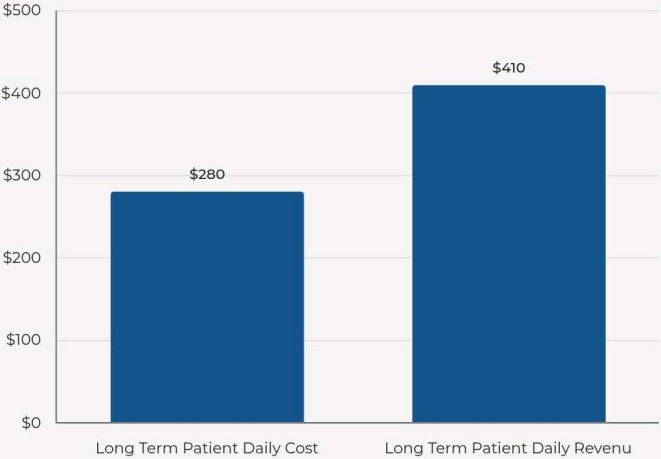
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Distinct Part Nursing Facility



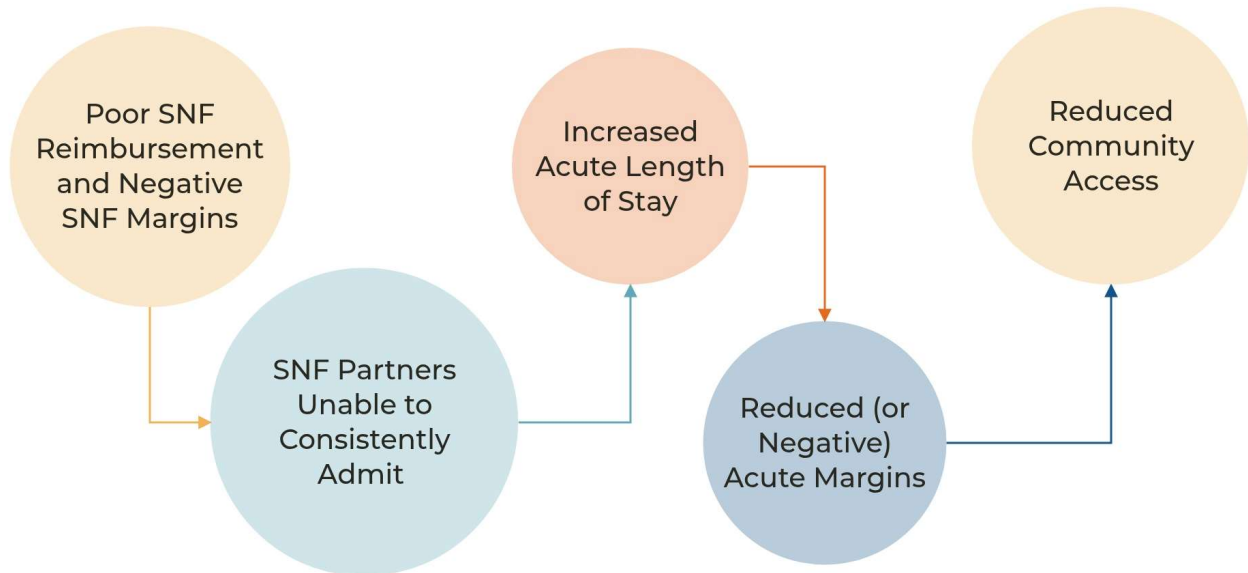
SNF Medi-Cal Dilemma

Long Term SNF Patient Revenue Vs Cost of Care



\$-130
Discrepancy

Acute Medi-Cal Dilemma



DP SNF

- **SNF Benefits**

Significant increase to Medi-Cal revenue for long term patients

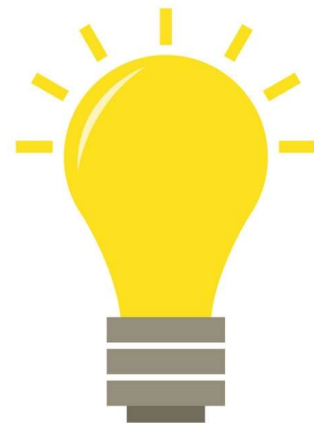
More intimate relationship with the hospital and potential elevated clinical outcomes

- **District Benefits**

Dramatically improved Acute through-put of SNF Medi-Cal patients

Gain-share a portion of additional SNF Revenue

Other ancillary revenue



Initial Waypoint Contract

- Waypoint develops a contract that marries the needs of the District with the needs of Bishop Care Center**
- Waypoint analyzes cost reports to create a financial model
- Waypoint pays the cost of external legal and accounting support
- Waypoint is paid only if a transaction is completed, and is paid a portion of the Bishop Care Center revenue increase.

**The initial contract does not compel the District to acquire the SNF.

Questions?

Affiliation Agreement

This Affiliation Agreement ("Agreement") is entered into this [EFFECTIVE DATE] (the "Effective Date") by and between Waypoint Management Consulting, LLC, a California limited liability company ("Waypoint") and Northern Inyo Healthcare District ("NIHD").

Recitals

A. NIHD operates a general acute care hospital located at 150 Pioneer Lane, Bishop, CA 93514 (the "Hospital").

B. A skilled nursing facility ("SNF") that is currently commonly known as Bishop Care Center and is located in the immediate geographic vicinity of the Hospital (the "Facility"). Waypoint and NIHD believe the Facility are enrolled in the Medi-Cal (California Medicaid) program (Title XIX of the Social Security Act), the Medicare program (Title XVIII of the Social Security Act), and other private and public programs that pay for services provided to residents of the Facility and is operated as a free-standing SNF.

C. NIHD has determined that it would be advantageous to NIHD the Facility was operated as a distinct part of the Hospital within the meaning of 42 C.F.R. section 483.5 (a "Distinct Part"). NIHD wishes to engage Waypoint to assist in establishment of this Facility as a distinct part of the Hospital, and Waypoint wishes to accept the engagement.

Agreement

In consideration of the recitals, the mutual covenants set forth below, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement agree as follows:

1. Engagement. NIHD hereby authorizes and engages Waypoint, for the term of this Agreement, to serve as its sole and exclusive affiliate for the purposes of assisting NIHD in establishing the Facility as a Distinct Part of the Hospital.

2. Waypoint's Services. Waypoint will use commercially reasonable efforts to provide the following services on behalf of NIHD (Waypoint's "Services"):

(a) Waypoint will assist NIHD in the selection of a suitable Facility and associated operator (the "SNF Operator") for establishment of a Facility as a Distinct Part by providing the following Services:

(i) Identify and introduce NIHD to the prospective SNF Operators who may be eligible under applicable law and regulation to transition operation of their associated Facility as a Distinct Part of the Hospital.

(ii) Review the financial information and business operations, prospects and forecasts of future financial results of NIHD and other matters that Waypoint deems relevant to enable it to render advice and assistance to NIHD, and, in conjunction with NIHD, prepare that information for presentation to prospective SNF Operators;

(iii) Assist NIHD in conducting due diligence with respect to prospective SNF Operators, and in evaluating their suitability as operators of the Facility; and

(iv) Advise NIHD as to the business and financial aspects of any proposed Transaction (as defined in Section 5.) with a SNF Operator.

(b) Once NIHD and Waypoint have identified a prospective SNF Operator for a Transaction, Waypoint will provide the following services:

(i) Develop a working relationship with the SNF Operator's leadership team and relevant system executives;

(ii) Provide a draft lease and an operating, management or similar agreement for review by NIHD and the SNF Operator, in accordance with all such requirements that may be imposed by the fee owner of the Facility;

(iii) assist in negotiating the terms and conditions of the Transaction, including any lease of the Facility to NIHD, and any operating or management agreement to be entered into between the SNF Operator and NIHD; and

(iv) Lead negotiations and manage revision of the draft lease agreement between NIHD and SNF Operator (the "Lease Agreement") and the operating agreement between NIHD and SNF Operator (the "Operating Agreement")

(all such agreements entered into in connection with consummation of a Transaction, the "Definitive Agreements").

(c) Upon execution of the Definitive Agreements, assist in the transition of the Facility to Distinct Part status by—

(i) Assisting with the submission of the required Change of Ownership (CHOW) application to the California Department of Public Health (CDPH), and managing the CHOW process with CDPH;

(ii) Coordinating communication with the Centers for Medicare and Medicaid Services (CMS) for DP NF-B Designation for the Facility;

(iii) Managing initial rate setting pro-forma and communication with DHCS Rate Setting; and

(iv) Assisting in the implementation of the terms of the Operating Agreement.

(d) Following the consummation of a Transaction, Waypoint will make reasonably available to NIHD, at NIHD's request, the additional services described in Attachment B hereto (the "Post-Transaction Services") which may be set forth in a separate written agreement between the parties hereto (the "Post-Transaction Agreement"), provided, however, there shall be no additional fee or charge for the Post-Transaction Services as long as NIHD pays Waypoint's Fee as set forth in Attachment C hereto in accordance with Section 5..

(e) NIHD acknowledges that in providing its services under this Agreement, Waypoint will be using and relying upon data, material and other information furnished in writing by NIHD, its employees and representatives expressly for use in the provision of the Services ("Company Information"). NIHD agrees and represents that all Company Information furnished to Waypoint in connection with this Agreement shall be accurate and complete in all material respects at the time furnished; and that if the information, in whole or part, becomes materially inaccurate, misleading or incomplete during the term of Waypoint's engagement under this Agreement, NIHD shall so advise Waypoint in writing and correct any such inaccuracy or omission. Accordingly, Waypoint assumes no responsibility for the accuracy and completeness of Company Information, and will not be required to make an independent verification of any such information.

(f) Waypoint retains all rights to all property delivered or made available to NIHD in connection with the Services, including all designs, drawings, notes, documents, information, documentation, improvements, works of authorship, processes, techniques, know-how, specifications, data, analysis, and other materials of any kind that Waypoint may make, conceive, develop or reduce to practice, alone or jointly with others, in connection with performing the Services, or that result from or that are related to the Services, and all derivatives thereof (collectively, "Waypoint Work Product"). Waypoint Work Product does not include, and specifically excludes, all Company Information. Waypoint grants NIHD a limited, non-exclusive, fully-paid license, irrevocable during the term of this Agreement, to use and disclose Waypoint Work Product solely for purposes of pursuing a Transaction the consummation of which would entitle Waypoint to the Fee (the "Permitted Purpose"). NIHD shall maintain the Waypoint Work Product in strict confidence, and shall not use or disclose it except for the Permitted Purpose. Upon termination of this Agreement, NIHD shall destroy or return to Waypoint all Waypoint Work Product and all derivatives thereof, shall retain no copies thereof, and shall, at the request of Waypoint, certify to Waypoint in writing that it has done so.

3. Exclusivity. During the term of this Agreement, NIHD agrees to retain Waypoint, and agrees to cause its Affiliates to retain Waypoint, on an exclusive basis to perform the Services described in Paragraph 2. in connection with the Facility, and agrees not to negotiate with the entities licensed to operate the Facility, the owners of the Facility or the real

property associated therewith, or any other party affiliated with the Facility, other than under the terms of this Agreement. During the term of this Agreement, Waypoint agrees that it shall not represent any other business for the negotiation of any transaction (including those contemplated under this Agreement) with NIHD. NIHD or any of its managers, members or affiliates receives an inquiry concerning a possible Transaction concerning the Facility subject to this Agreement, they will promptly inform Waypoint of the party's prospective interest in order that Waypoint can assess that party's interest and assist NIHD in any resulting negotiations. However, NIHD will retain the ability to choose to not pursue any agreement that would lead to the transition of the Facility to NIHD. For purposes of this section, "Affiliate" means any person or entity directly or indirectly controlling, controlled by, or under common control with, NIHD. The terms "control," "controlled by" and "under common control with," with respect to any person, mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such person, whether through the ownership of voting securities or by contract or otherwise.

4. Term.

(a) The term of this Agreement shall continue for a term of five (5) years from the Effective Date (the "Initial Term"). It may be renewed by mutual written agreement signed by both parties to this Agreement.

(b) Either party may terminate this Agreement if the other is in material breach hereof, and fails to cure such breach within thirty (30) days of delivery of notice thereof by the non-breaching party, which notice shall set forth in reasonable detail the asserted breach and the manner of curing it; provided that if the breach can be cured, but not within such 30-day period, it shall not be cause for termination of this Agreement as long as the breaching party commences cure within such 30-day period, and diligently pursues cure thereafter. On the second-year anniversary of the Effective Date, NIHD may elect to terminate this Agreement if there have been no agreements reached between AHVD and SNF Operator. NIHD shall notify Waypoint no later than thirty (30) days after the second-year anniversary and such termination shall take effect thirty (30) days after notification is given.

(c) At its option, Waypoint may extend the term of this Agreement by five (5) years beyond the Initial Term (such additional five-year term, the "First Renewal Term"), and by five (5) years beyond the expiration of the First Renewal Term (such second additional five-year term, the "Second Renewal Term").

(d) At its option, NIHD may elect to terminate this Agreement within 30 days of the completion of a facility licensure as a Distinct Part Nursing Facility. Notice of termination must be received by Waypoint within 30 days of licensure. The effective date of termination will be the date of licensure.

(e) The Agreement will expire automatically on the date on which Waypoint ceases to be entitled to the Fee as described in Section 5. below.

5. Fees. Upon and following the consummation of any Transaction that occurs during the term of this Agreement or within twenty-four (24) months of its termination or expiration for any cause or reason, NIHD agrees to pay Waypoint a fee calculated and paid as set forth in Attachment C (the "Fee"). For purposes of this Agreement, a "Transaction" means (and shall be deemed to have occurred upon) a transaction as a result of which NIHD or its Affiliate either (i) acquires the Facility or a substantial part of the Facility, (ii) enters into a lease or sublease of the Facility or a substantial part of either or both Facility, (iii) receives a license from the California Department of Public Health or its successor to operate one the Facility, or a substantial part of the Facility, as a skilled nursing facility, and/or (iv) becomes eligible to be reimbursed by the Medi-Cal program for skilled nursing services provided at the Facility. Waypoint shall be entitled to the Fee if any Transaction occurs within the period set forth above, regardless of whether the SNF Operator with which the Transaction occurs was identified or introduced by Waypoint, and regardless of whether Waypoint assisted in the Transaction, and shall thereafter be entitled to the Fee for as long as any one or more of the events or conditions described in clauses (i) through (iv) above has occurred and remains in existence or effect. For purposes of this Agreement, an "Affiliate" of NIHD is any person or entity that directly or indirectly controls or is controlled by NIHD, or under common control with it; and the terms "control," "controlled by" and "under common control with" have the meanings given them in Section 3.. The obligations set forth in this Section 5. shall survive termination of this Agreement for any reason.

6. Confidential Information; Protected Health Information.

(a) Waypoint shall execute and deliver to NIHD a Non-Disclosure Agreement in the form attached hereto as Attachment D (the "Nondisclosure Agreement").

(b) Subject to the provisions of the Nondisclosure Agreement, Waypoint may perform services for others, as long as the performance of those services does not require the use of Company Information.

(c) At NIHD's request, Waypoint and NIHD shall enter into a business associate agreement concurrently with entering into the Definitive Agreements.

7. Independent Contractor. Waypoint shall at all times be an independent contractor of NIHD, and NIHD does not assume any liability for the withholding or payment of any federal, state or local taxes in connection with its payments to Waypoint for the Services. Waypoint shall be responsible for the payment of all wages, payroll taxes, fringe benefits and any other expenses that may become owing to or on behalf of all persons employed by Waypoint in providing the Services. Waypoint is not the agent of NIHD, and has no authority to enter into contracts or make commitments on behalf of NIHD.

8. Waypoint's Liability. Except insofar as the following limitations may be prohibited by applicable law:

(a) Waypoint makes no promise or guaranty of success, including (without limitation) any promise or guaranty that the Services will result in a Transaction, or that any Transaction will result in any particular benefit, or any benefit at all, to NIHD, including any increase in operating revenue for NIHD. NIHD agrees that it is solely responsible for evaluating and approving (or disapproving) any proposal or agreement solicited or negotiated by Waypoint, and for the consequences of accepting any such proposal or entering into any such agreement.

(b) In no event shall Waypoint be liable to NIHD or any of its members, shareholders, agents, employees, contractors or affiliates (each, a "NIHD Party") any for any claim, cost or liability of any kind arising from any act or omission of Waypoint, its members, agents, employees, contractors or affiliates (each, a "Waypoint Party"), except insofar as such claim, cost or liability is due to the gross negligence or willful misconduct of Waypoint or a Waypoint Party.

(c) In no event shall Waypoint or any Waypoint Party be liable to NIHD or any NIHD Party for special, indirect, incidental, consequential, punitive or exemplary damages (including without limitation, lost profits), arising out of or in connection with the this Agreement or a Transaction, or any other services or materials provided in connection herewith, whether based on warranty, contract, tort or any other legal theory, and whether or not the Waypoint Party is advised of the possibility of such damages, and even if any stated remedy fails of its essential purpose.

(d) In no event shall the aggregate liability of Waypoint or any Waypoint Party to NIHD under or in connection with this Agreement (including any agreement attached to this Agreement or referred to herein), however arising, exceed the amount of the Fee paid to Waypoint under the provisions of Section 5 during the twelve (12)-month period immediately preceding the event giving rise to such liability.

9. Miscellaneous Provisions

(a) Entire Agreement. This Agreement, with its attachments, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior understandings between the parties, whether written or oral, as to such subject matter. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties. No waiver shall be binding unless executed in writing by the party making the waiver.

(b) Headings. The headings to the various sections of this Agreement have been inserted for reference purposes only and shall not modify, define, limit or expand the expressed provisions of this Agreement.

(c) Counterparts. This Agreement may be executed in any number of counterparts, and exchanged by fax transmission, each of which shall be an original, and such counterparts shall together constitute but one and the same Agreement.

(d) Force Majeure. Neither party shall be liable, and its performance shall be excused, for any delays resulting from circumstances or causes beyond its reasonable control, including without limitation, fire or other casualty,

act of God, strike or labor dispute, war, sabotage, terrorism, acts of aggression or other violence provided such party shall have used its commercially reasonable efforts to mitigate its effects and has given prompt written notice to the other party.

(e) Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given when hand delivered or three business days after deposit in the United States mail, if mailed by certified or registered mail, return receipt requested, postage prepaid and addressed as set forth below. A party may change its address by giving notice in the manner provided above.

(f) Governing Law. This Agreement shall be deemed to have been made and shall be construed and interpreted in accordance with the laws of the State of California.

(g) Attorneys' Fees. In the event of the breach of this Agreement, the non-breaching party shall be entitled, in addition to any other remedy provided by law, to the recovery of all costs and attorneys' fees incurred in the enforcement of the non-breaching party's rights hereunder.

(h) No Referrals. Nothing herein is intended nor shall be construed to require either party to refer patients to the other party or an Affiliate of such party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Northern Inyo Healthcare District

Waypoint Management Consulting, LLC

By: _____
Print name:
Its:

Address:

150 Pioneer Ln
Bishop, CA 93514

By: _____
Timothy R. Cooley, Jr.
Manager

Address:

1320 Flynn Road
Camarillo, CA 93012

Post Transaction Services

After transition of the Facility to Distinct Part status, and as provided by the Post-Transaction Agreement (as described in section (d) of this Agreement) , Waypoint will provide the following additional Services:

1. Preparing monthly/quarterly reports for NIHD. Including semi-annual mock survey.
2. Managing ongoing cost reporting process for rate accuracy and optimization.
3. Assisting the Hospital in fulfilling the Operator's obligation of "oversight" in accordance with legal and regulatory requirements (unless the Operating Agreement indicates otherwise).

Waypoint will be responsible for paying the fees of the firm retained by NIHD for preparing cost report, provided that NIHD will consult with Waypoint on the selection of the firm, and provided, further, that the fees of the firm shall be subject to Waypoint's reasonable approval.

Post Transaction Fees

Following the consummation of a Transaction, Waypoint shall be entitled to a monthly fee (the “Fee”) from NIHD or its successor-in-interest equal to the relevant Percentage Share (as set forth in the table below) of the Gross Monthly Medi-Cal Revenue Delta. For purposes of the foregoing:

“Gross Monthly Medi-Cal Revenue Delta” is calculated by subtracting the Base Rate from the Current Rate and then multiplying the difference by the total billable Medi-Cal patient days during the given month and, for each such patient day, taking into account any adjustments to the actual payment amount received from the Medi-Cal program for such patient day to the extent it differs from the Current Rate.

The Base Rate is \$280 per day.

The “Current Rate” for any month is the daily rate at which the Facility is reimbursed by the Medi-Cal program for skilled nursing services provided during the month.

Waypoint’s Percentage Share of the Net Monthly Medi-Cal Revenue Delta is 15% (the “Percentage Share”).

In no event shall Waypoint’s Fee be less than \$0.

The Fee is payable within 30 days from NIHD’s first receipt of Medi-Cal revenue and on a monthly basis thereafter. With each payment NIHD shall provide Waypoint with an accounting of the calculation of the Fee, and NIHD shall provide Waypoint with such additional documentation as Waypoint may from time to time request in order to verify the accounting.

Non-Disclosure Agreement

This Non-Disclosure Agreement (this "Agreement") is attached to and a part of the Affiliation Agreement (the "Affiliation Agreement") entered into of even date herewith by and between Waypoint Management Consulting, LLC, a California limited liability company ("Waypoint") and Norther Inyo Healthcare District ("NIHD").

Recitals

NIHD and the Waypoint are entering into the Affiliation Agreement for the provision of certain services by Waypoint (the "Services"). In the performance of the Services, Waypoint will obtain or create confidential and proprietary information of NIHD. The parties wish to enter into this Agreement to provide the confidential treatment of information obtained by Waypoint in the performance of the Services.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledges, the parties agree as follows:

Agreement

1. Confidential Information. For purposes of this Agreement, "Confidential Information" means all information provided by or pertaining to NIHD or its business, assets or operations provided to or received, obtained or created by Waypoint in the course of or for the purpose of providing the Services, whether written or oral, whether or not designated as confidential, and whether received from NIHD or from third parties, other than information which: (i) was in the public domain at the time it was disclosed or falls within the public domain, except through the fault of the Waypoint; (ii) was disclosed after written approval by NIHD; or (iii) was rightfully communicated to Waypoint from a party other than NIHD free of any obligation of confidence subsequent to the time it was communicated by NIHD to Waypoint.

2. Use and Disclosure of Confidential Information. Except with the prior written consent of NIHD or as required by law, Waypoint will maintain in confidence and will not use or disclose any Confidential Information except as necessary to provide the Services. Prior to disclosing any Confidential Information pursuant to legal process or other requirement of law, Waypoint shall provide NIHD with as much advance notice as is practicable under the circumstances, and shall cooperate with NIHD at NIHD's expense in opposing such disclosure should NIHD desire to do so. Waypoint may disclose Confidential Information to Waypoint's employees as necessary to allow Waypoint to perform his or her services under this Agreement, provided that Waypoint instructs his or her employees as to the confidential nature of such information and the obligations of Waypoint under this Agreement. Except in the case of a disclosure required by law, Waypoint shall be responsible for the failure of any person to whom it discloses Confidential Information to comply with the terms of this Agreement.

3. Safeguarding of Confidential Information. Waypoint shall take reasonable and appropriate measures to secure Confidential Information against any use or disclosure not permitted by this Agreement, including, at a minimum, the measures Waypoint takes to safeguard his or her own confidential information. Waypoint shall promptly report to NIHD any use or disclosure of Confidential Information not permitted by this Agreement.

4. Return of Confidential Information. Confidential Information shall remain the property of NIHD. Upon request of NIHD, Waypoint shall return, and shall cause its officers, directors, affiliates, associates, employees, attorneys, advisors and agents to return, to NIHD all Confidential Information (including all copies, summaries, and extracts), and shall retain no copies thereof

5. Injunctive Relief. The Parties agree that a violation of this Agreement by Waypoint will result in irreparable harm to NIHD, and that (without limiting the remedies available to NIHD) NIHD shall be entitled to injunctive relief, without the obligation to post bond, in order to protect the confidentiality of its Confidential Information.

6. Survival. The obligations set forth in Section 2., Section 3., Section 4., and Section 5. shall survive the expiration or termination of this Agreement or the Affiliation Agreement.

7. Affiliation Agreement. This Agreement is a part of the Affiliation Agreement, and is subject all of the provisions of the provisions of the Affiliation Agreement.

Northern Inyo Healthcare District

By: _____

Print name:

Its:

Address:

150 Pioneer Ln
Bishop, CA 93514

Date: _____

Waypoint Management Consulting, LLC

By: _____

Timothy R. Cooley, Jr.

Its: Manager

Address:

1320 Flynn Rd
Camarillo, CA 93012

Date: _____



DATE: December 2025
TO: Board of Directors, Northern Inyo Healthcare District
FROM: Andrea Mossman, Chief Financial Officer
RE: Financial Summary and Operation Insights October 2025

Financial Summary

1. Net Income (loss): October's net loss was \$(1.1M) which was worse than budget by \$(3.2M) and worse than last year by \$(530k). This was due to a combination of lower net patient revenue along with increased expenses. Revenue was under budget due to lower volume in several outpatient areas along with lower reimbursement. Expenses were over budget due to wages which were aggressively budgeted to be lower.
2. Operating Income (loss): October's operating loss was \$(1.6M) which was worse than budget by \$(2.5M) and worse than last year by \$(719k). This was due to a combination of lower net patient revenue along with increased expenses as mentioned above.

Action Plan: The Mammoth Orthopedic Institute has a slower start but is ramping up in volume. We anticipate recouping the lost surgical volumes and increasing our revenue. Additionally, we are educating leaders to be the "CEO of their own cost center" and manage their expenses to budgets FYE 2026.

Stats Summary

1. Admits (excluding Nursery): Admits were over budget by 7 admits (+10%) due to medical admissions through the ER.
2. Inpatient Days (excluding Nursery): Inpatient days were under budget due to less deliveries and a decrease in length of stay.
3. Average Daily Census: Census was also under budget due to a lower amount of patient days.
4. Average Length of Stay (ALOS): Length of stay was also under budget due to a lower amount of patient days.
5. Deliveries: Deliveries were -7 or (32%) under budget for October.

6. Surgical Procedures: For October, surgeries were -29 or (16%) under budget due to orthopedics, ophthalmology, and general surgery. For ortho, MOI grew from September by 4 additional cases. For ophthalmology, Dr. Reid retired, and we didn't have an exact date to plan for budget. For general, this was related to provider time off.
7. Emergency Department (ED) Visits: ED visits were -5% under budget October but acuity was higher leading to higher medical admits.
8. Diagnostic Imaging (DI) Exams: Exams were -3% under budget for October.
9. Rehab Visits: Rehab visits were -33% under budget for the October.
10. Outpatient Infusion / Injections / Wound Care Visits: These visits were 118% higher than budget for October.
11. Observation Hours: Observations hours were down (39%) due to change in processes to meet regulatory requirements.
12. Rural Health Clinic (RHC) Visits: RHC was -5% or -183 visits lower than budget for October.
13. Other Clinics: Other clinics were -7% lower than budget for the October.

Action Plan: The Mammoth Orthopedic Institute started in July to help recoup orthopedic clinic and surgical volumes. Their volume has increased each month since July. We are working on reviewing operational efficiency including space utilization reviews to maximize patient flow and care.

Additionally, we have formed an OR Utilization Task Force and are implementing a deliberate service line strategy.

Revenue Summary

1. For October, gross revenue was under budget by \$(912k) and net revenue was under budget by \$(1.2M). This was due to lower volumes in ER, DI, rehab, RHC, and other clinics. Length of stay was lower which impacts our per day Medicare reimbursement.

Action Plan: We will continue to work on efficiency in schedules and increasing surgical volume.

Deductions Summary

1. Deductions were higher than budget by \$448k due to lower surgical volumes which has a higher reimbursement rate than other areas such as medical admissions.

Action Plan: Our AR days have decreased by 16 days from last October meaning we are collecting payments sooner. Aged AR > 90 days has decreased \$7.7M from last October. Jorie AI is taking over all billing except for self-pay which will further improve out cash.

Salaries

1. Total Salaries: Salaries were over budget by 9% for the month of October. This was due to higher than budgeted FTEs. However, contract labor was lower by -15% in expenses.
2. Average Hourly Rate: Average hourly rate was 8% higher than budget in October.

Action Plan: We have developed reports to monitor our largest expense better including overtime, missed meal and rest breaks, and call pay to ensure we are staffing effectively. Leadership will be meeting with the chiefs to work on accountability plans and targets. When volume is low in patient facing areas, we still have to staff the areas based on staffing ratios.

Benefits

1. Total Benefits: Benefits were over budget by \$319k for October This was due to higher medical claims.
2. Benefits % of Wages: We were 49% for October. However, for the year, we were at 415 which was lower than budget by -5%.

Action Plan: We will continue to review opportunities with our benefits broker to save money while still offering quality benefits to our employees.

Total Salaries, Wages and Benefits (SWB)

1. Salaries, Wages and Benefits (SWB) / Adjusted Patient Day: Because volume was under budget, SWB/ adjusted patient day was over budget by 39% for the month of October.
2. Salaries, Wages and Benefits (SWB) % of Total Expenses: For October, were were right at budget which was 49%. When considering contract labor, we were at 53% of total expenses which was lower than budget.

Contract Labor

1. Contract Labor Expense: Contract labor was \$(63k) under budget for October.
2. Contract Labor Rates: For October, rates were under budget by -8%.
3. Contract Labor Full-Time Equivalents (FTEs): For October, FTEs were -7% under budget.

Action Plan: We are retaining employees and using less contract workers. However, we do anticipate staffing challenges and more contract labor in order to support labor & delivery services.

Other Expenses

1. Physician Expense / Adjusted Patient Day: For October, physician expenses were 12% over budget.
2. Other Professional Fees: For October, other professional fees are 30% over budget due to Jorie billing and collection fees. However, we are also seeing improved cash due to Jorie.
3. Supplies: For October, supplies were over budget by \$112k due to higher implant costs.

4. Total Expenses: For October, total expenses were over budget by \$1.3M due to higher wages, higher medical claims, higher non-medical supplies, higher landscaping, higher repairs, and higher utilities.
Action Plan: We are educating leaders to be the “CEO of their own cost center” and manage their expenses to budgets FYE 2026. We still need to adjust review supplies and staffing costs when volume is low.

Cash Summary

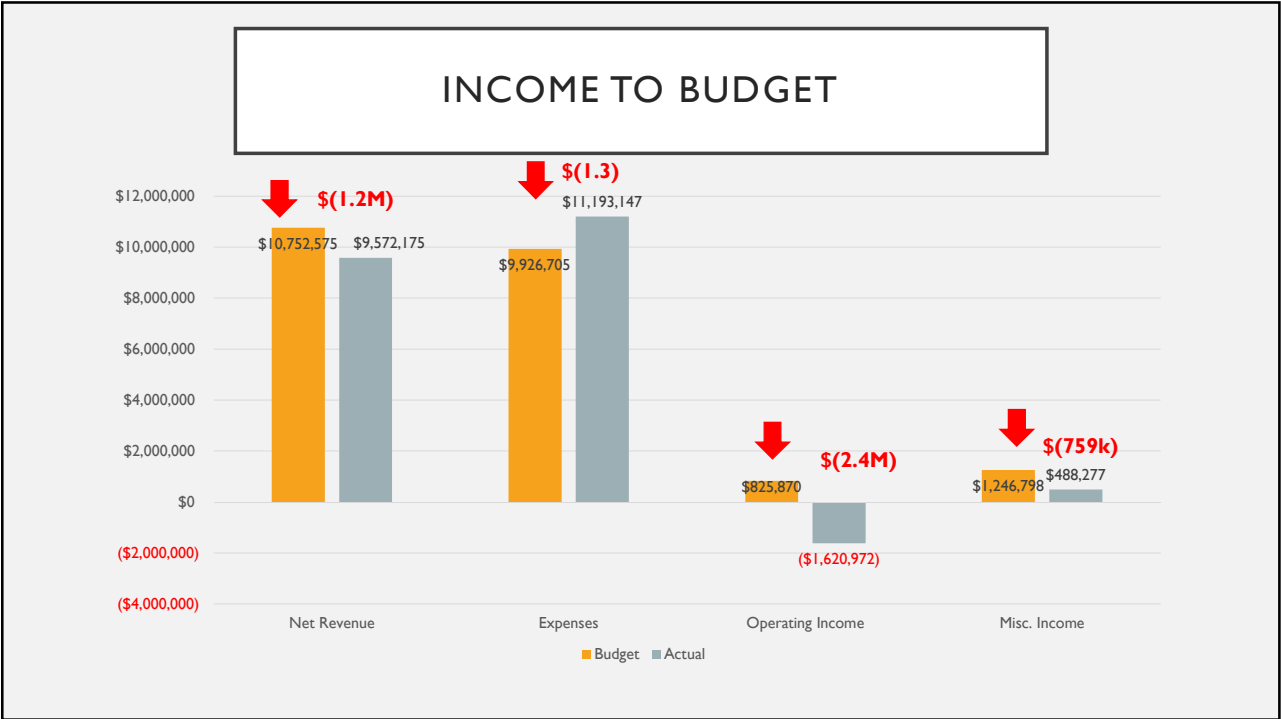
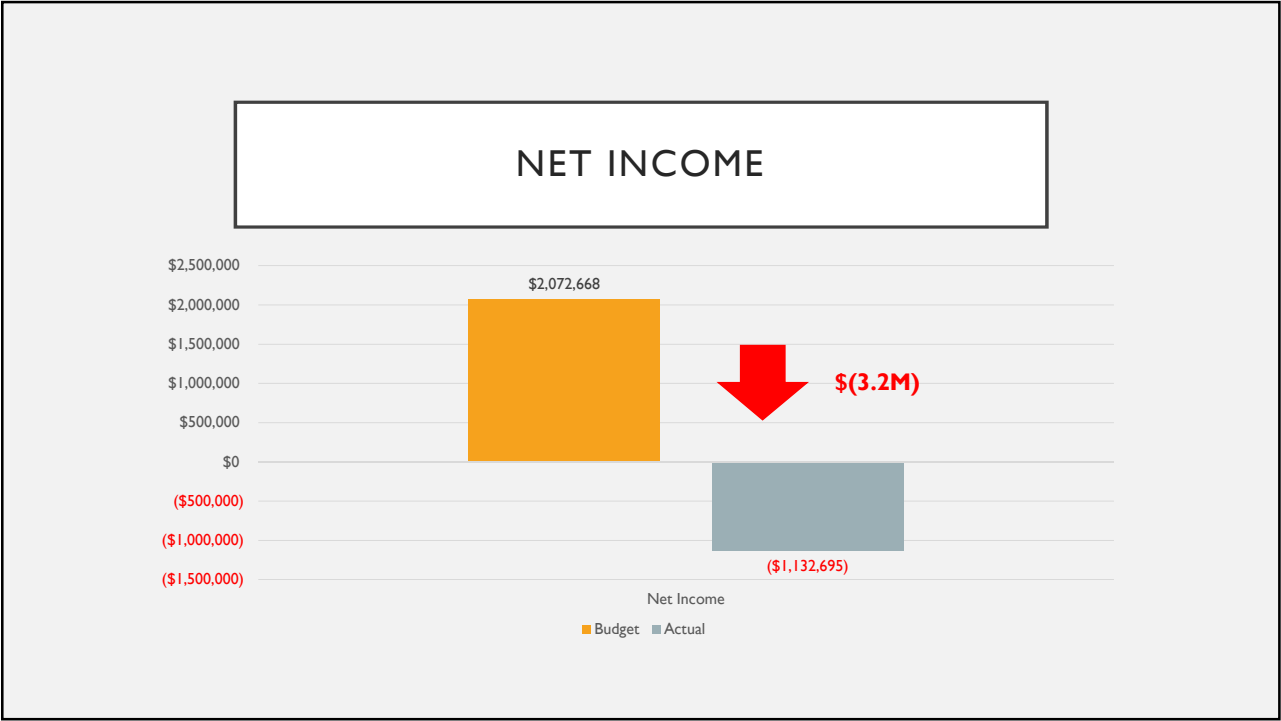
1. Days Cash on Hand: Days cash on hand was 84. Our bond requirement is 75 days if we are profitable and 100 if we are not profitable.
2. Estimated Days until Depletion (excluding supplement/IGT): This month we collected more than we spent. We have 671 days excluding IGT.
3. Unrestricted Cash: Unrestricted cash balance is now \$26.7M. This is \$347k higher than last October.
Action Plan: The cash flow action team continues to work on projects to decrease billing delays and improve cash. Our AR days has improved by 16 days or 2 weeks meaning we get cash in the door quicker. Jorie AI billing is helping us improve AR and cash flow.



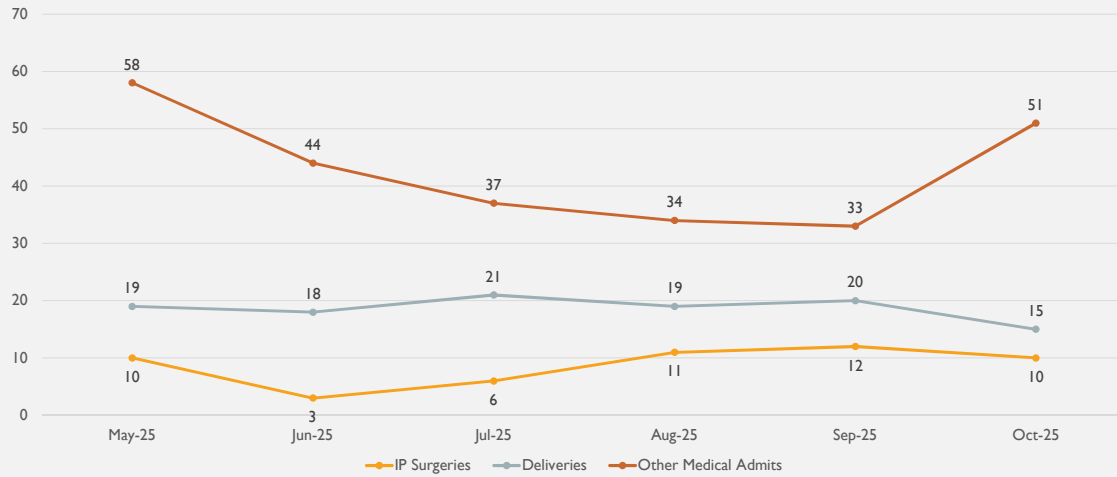
NIHD FINANCIAL UPDATE

October 2025

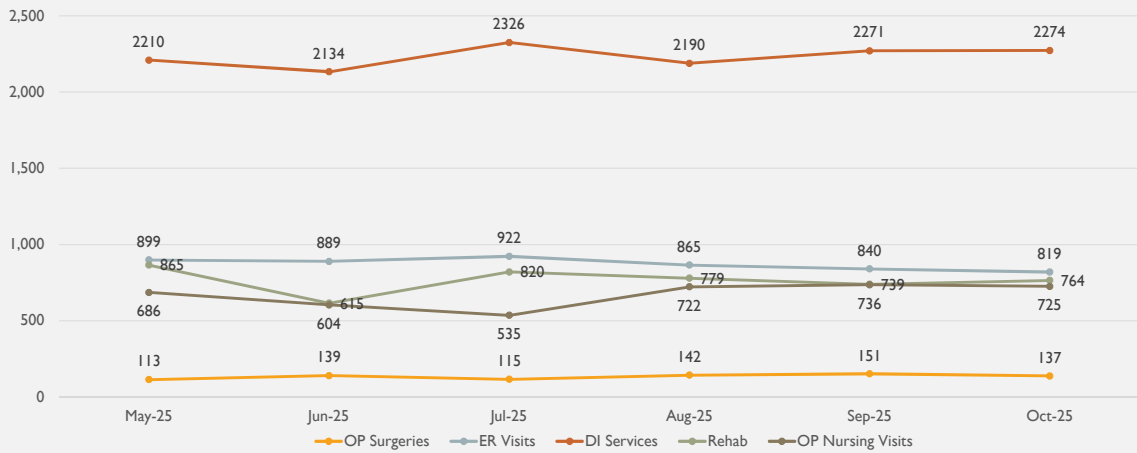
VOLUMES & INCOME



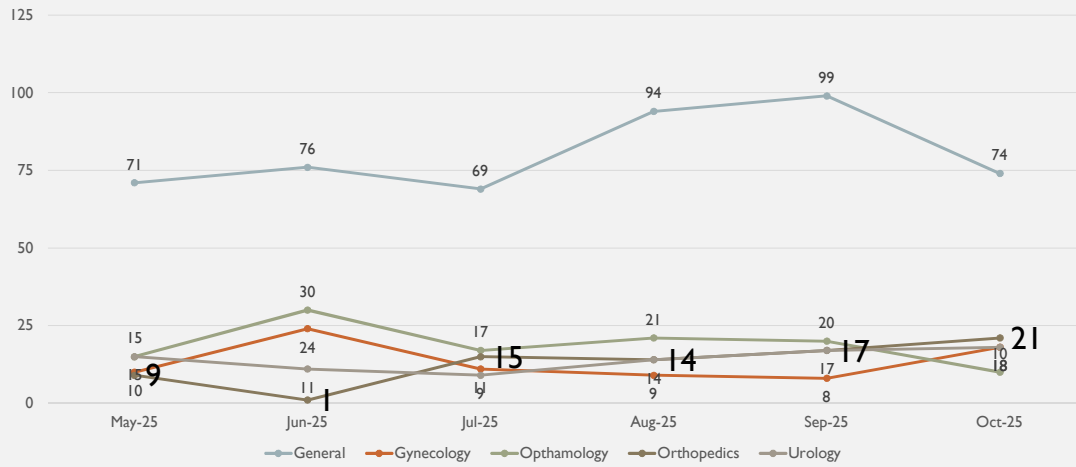
INPATIENT VOLUME PERFORMANCE



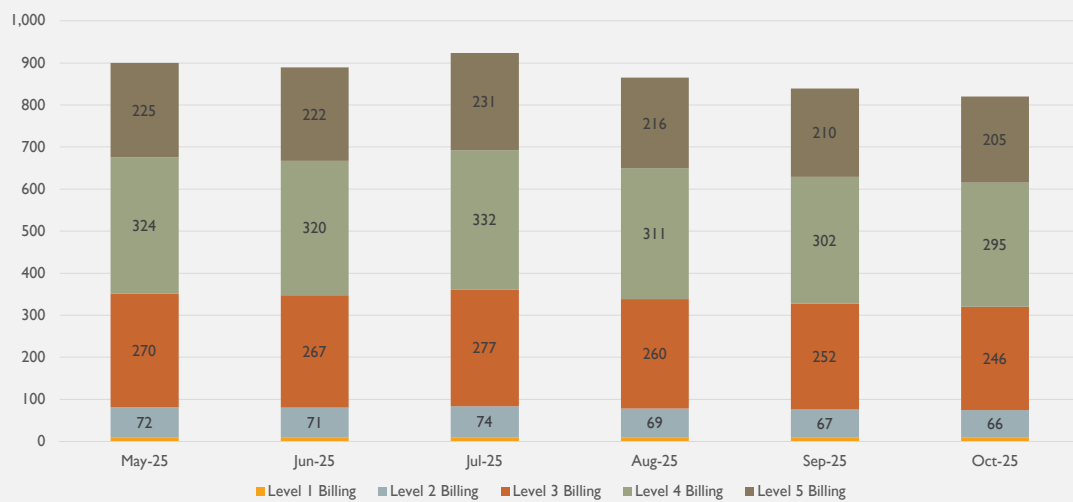
OUTPATIENT VOLUME PERFORMANCE



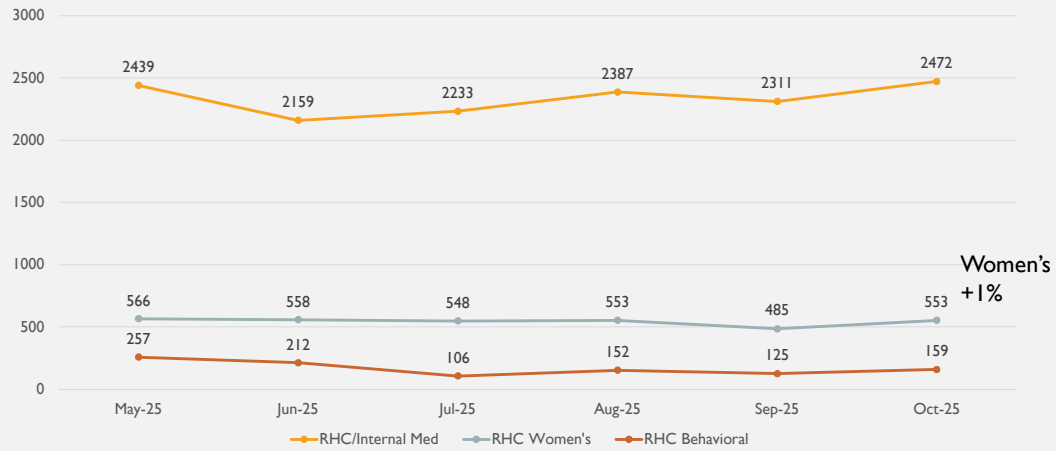
SURGERIES BY SPECIALTY



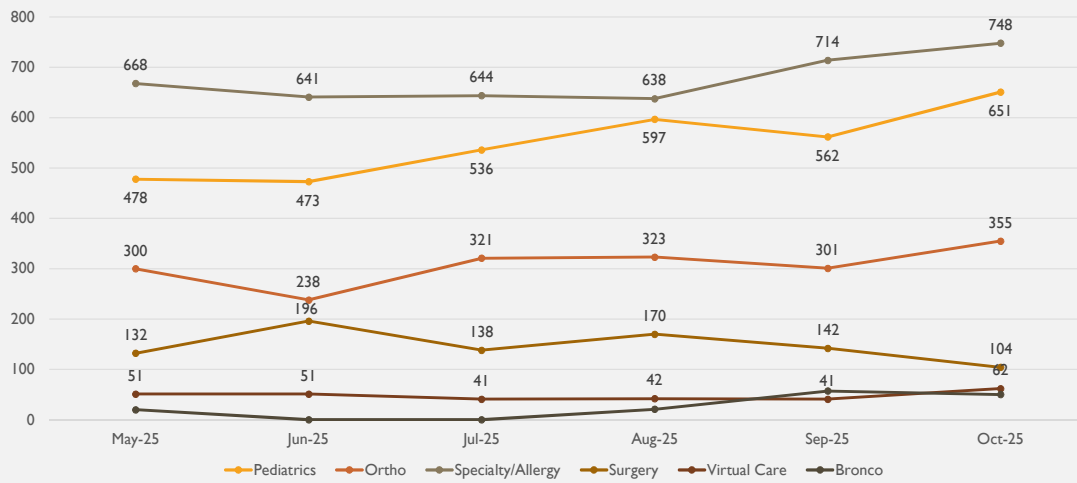
ER VISITS



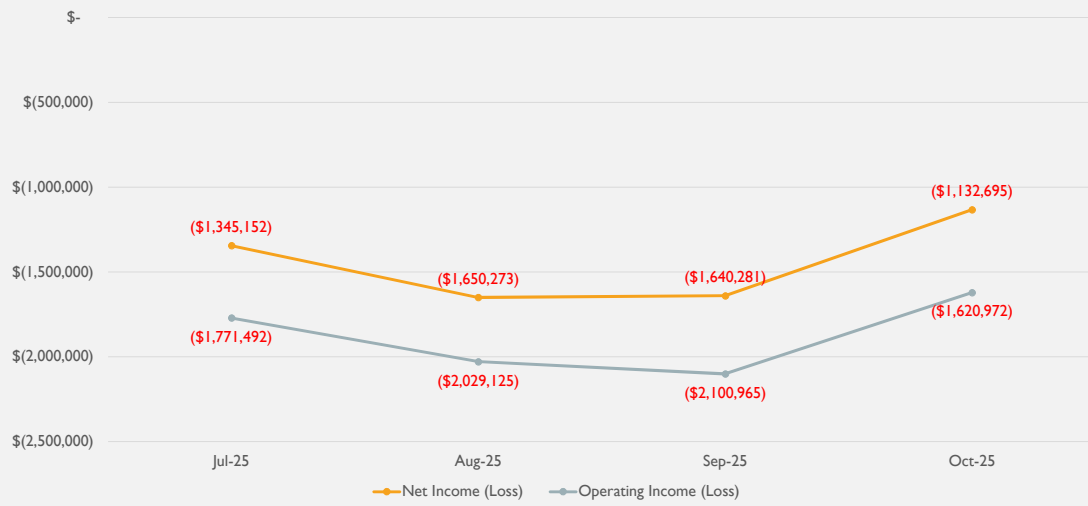
RHC VISITS



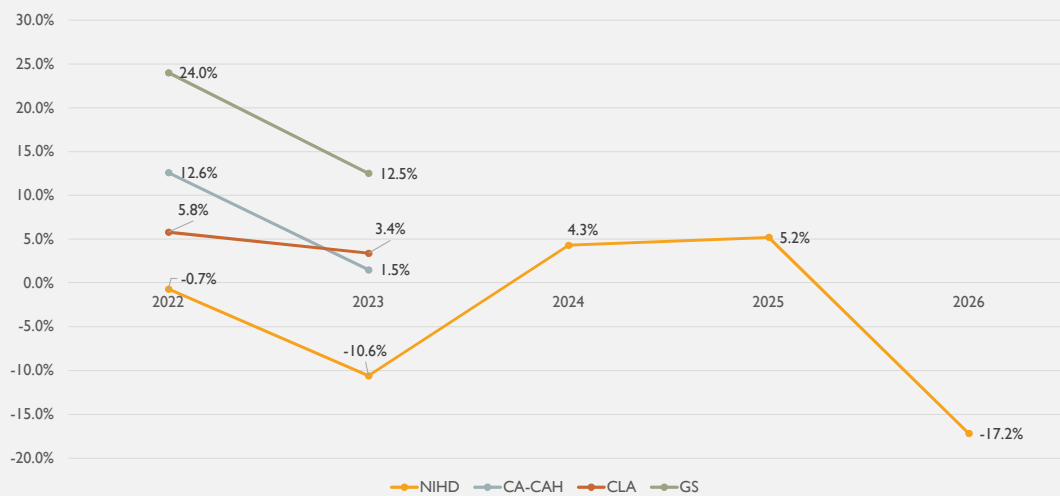
CLINIC VOLUME PERFORMANCE



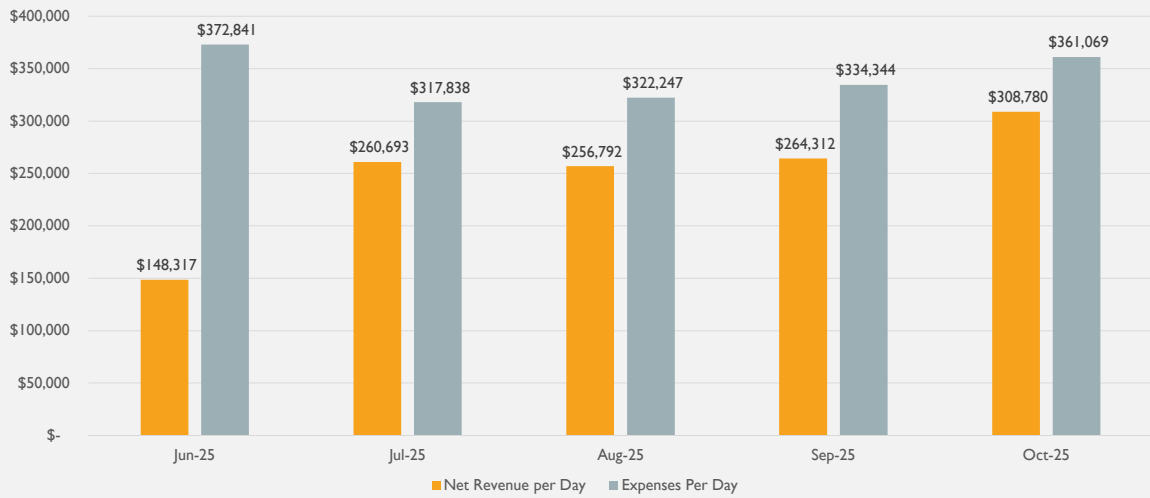
INCOME TREND



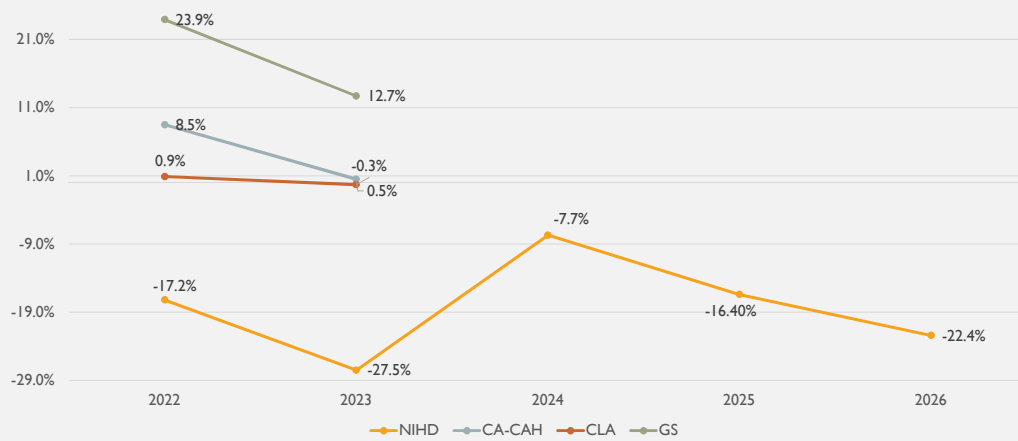
NET PROFIT MARGIN



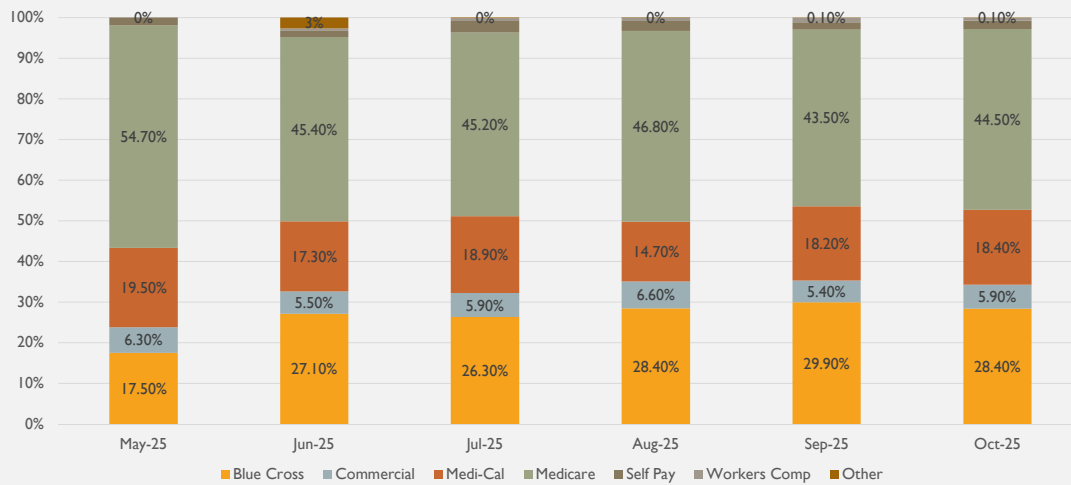
TREND PER CALENDAR DAY



OPERATING MARGIN



PAYOR MIX TREND



WAGE COSTS

| | Oct 2024 | Oct 2025 | Oct Budget |
|--|-------------|-------------|-------------|
| Total Paid FTEs | 394.6 | 397.3 | 394.6 |
| Salaries, Wages, Benefits (SWB) Expense (incl. contract labor) | \$6,062,133 | \$5,979,392 | \$5,323,804 |
| SWB % of total expenses (including contract labor) | 58% | 53% | 54% |
| Employed Average Hourly Rate | \$54.79 | \$55.27 | \$51.36 |
| Benefits % of Wages | 52% | 49% | 44% |

VOLUME & INCOME ACTION PLAN

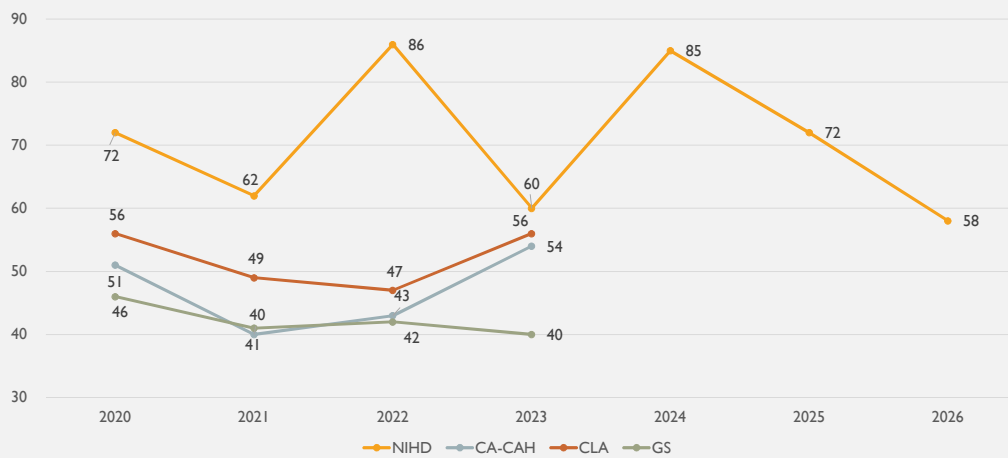
- The Mammoth Orthopedic Institute began orthopedic surgeries in July. Their surgical volume has steadily increased the past few month.
- We are working on reviewing operational efficiency including OR utilization and space utilization reviews to maximize patient flow and care.
- We are being more deliberate in our service line strategy.
- Additionally, we are educating leaders to be the “CEO of their own cost center” and manage their expenses to budgets FYE 2026.
- We have developed reports to monitor our largest expense better including overtime, missed meal and rest breaks, and call pay to ensure we are staffing effectively. Reports will be sent to leaders monthly with accountability plans being put in place to reduce premium pay.

CASH PERFORMANCE

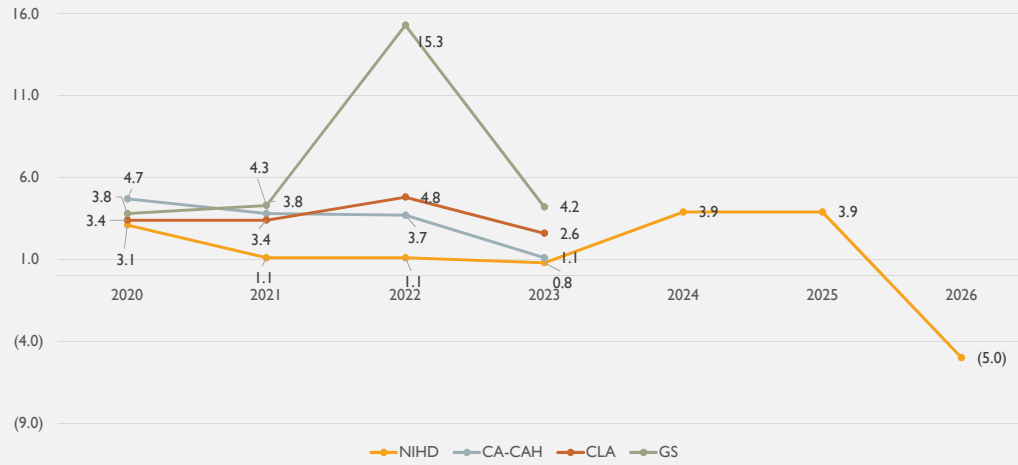
INCOME TO CASH

| | FYE 2025 |
|---|----------------------|
| Net Income | \$(5,766,469) |
| Principal Payments on Long-Term Debt | (1,171,947) |
| Other Debt (long-term leases & subscriptions) | \$(169,989) |
| Capital purchases | \$(340,553) |
| Timing of Accruals vs Payments on Invoices | \$5,171,888 |
| Impact to Cash | \$3,489,399 |
| Adjusted Net Income | \$(2,277,070) |

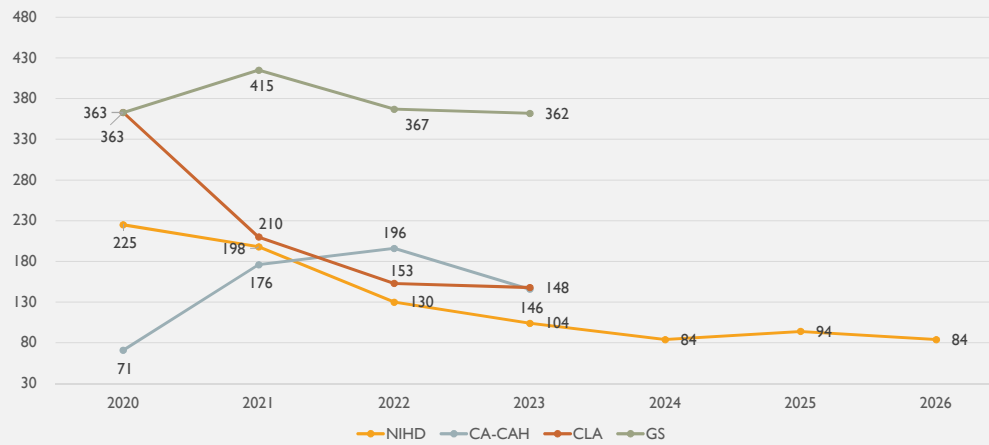
GROSS AR DAYS



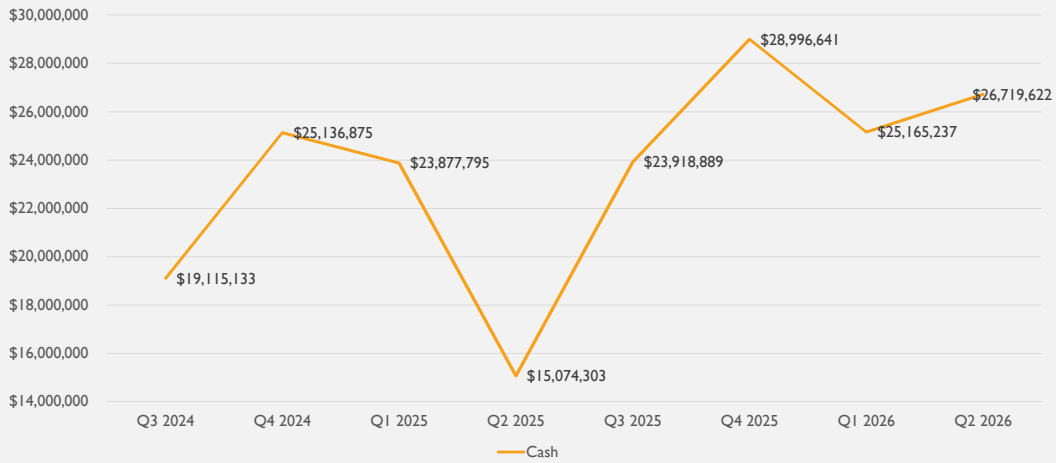
DEBT SERVICE COVERAGE RATIO



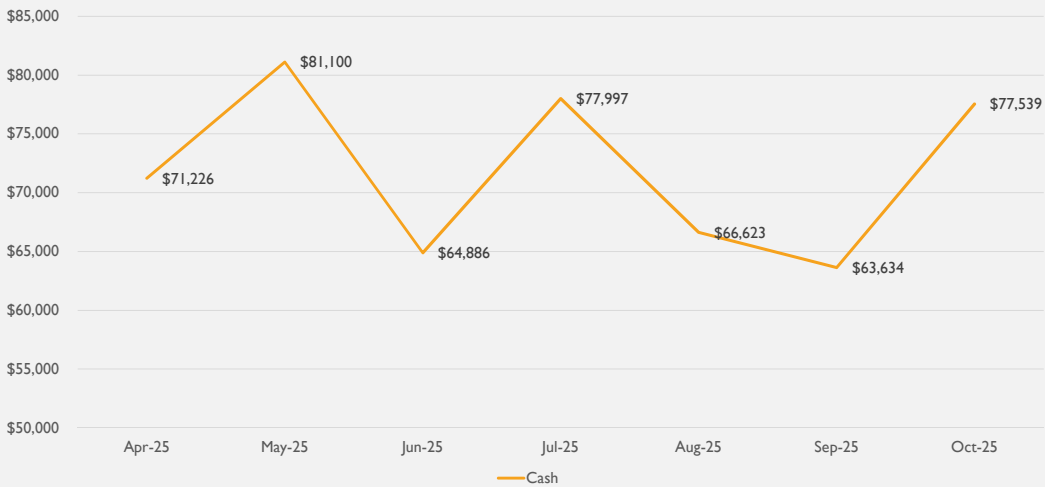
DAYS CASH ON HAND



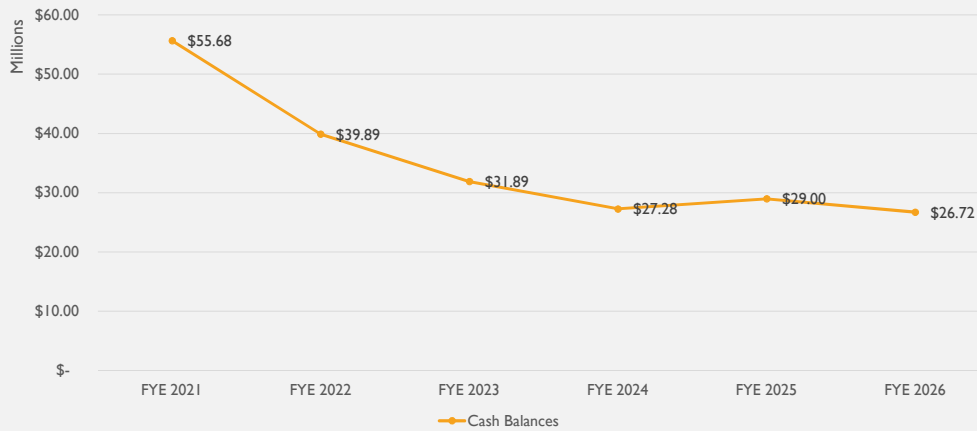
UNRESTRICTED FUNDS



UPFRONT CASH COLLECTIONS



CASH BALANCE TREND



CASH ACTION PLAN

- The cash flow action team is working to improve processes in all aspects of billing and collections.
- We have hired a new AI-based billing company, Jorie, and have hit record cash collections the past few months. The automation is now live in several areas.
- We have moved \$10M in cash to Five Star Bank to earn better returns on our cash.
- We have another \$5.5M in the LAIF warning over 4% interest.
- We have collected over \$500k higher than trend in both September and October.
- AR days are at a record low for the organization.
- We have switched our Medi-Cal billing to Jorie as of December to improve collections even further.
- We have received a net of \$300k from underpayments on claims