



ESSENT HEALTHCARE, INC.

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| Section: | Corporate Compliance | Effective Date: | 10/10/03 |
| Subject: | Financial Reporting | Revision Date: | 05/10/05 |
| Policy #: | CC-14 | Review Date: | 03/25/08 |
| Responsible Party: | Corporate Compliance Officer | Revision #: | 2 |

Scope:

This policy applies to all facilities of Essent Healthcare, Inc., (“Essent”).

Purpose:

The purpose of this policy is to outline Essent policy regarding the reporting of certain financial information to the Corporate Office.

Policy:

It is the policy of Essent to require its facilities to report certain financial information on a periodic basis as outlined below.

Daily Monitor

- For statistical reporting purposes any Emergency Department visit that manifests in the patient being charged a facility E&M level code (CPT codes 99281-99285 and 99291) constitutes an ED visit.
- Surgeries are all surgical procedures with the exception of:
 - Endoscopies
 - Pain Management Procedures.
- The Daily Monitor is due to corporate by Noon each business day.
- Reporting daily cash collections can be communicated through the Daily Monitor. You will still need to report operating and payroll disbursements on the next business day to Corporate using the current form.

FTE Reporting & New Hires

- Bi-Weekly FTE reporting will also follow the standard format. This report should be sent to corporate each Tuesday following payroll. Recipients for this report are Steve Wylie and John Fick.
- If the hospital is not achieving its budget on a year to date basis, all new hires and replacement positions must be approved by corporate senior management before any job offers are extended.



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Business Office

- Corporate will contract with the agencies in order to gain pricing and expectation leverage. Hospital CFO's will receive copies and be responsible for day-to-day relationship/outcome management.
- Monitors for the business office are to be submitted as follows:
 - Cash Collections – Monthly
 - Bad Debt Projections – Weekly
 - Unbilled Insurance Days – Daily
 - AR Days Monitor – Weekly
 - Front End Collection Logs- Monthly
- Steve Wylie will work with the appropriate people to ensure audit periods are consistent with the policies that have been developed; 5 days for Medicare and 2-3 for other payers after significant charge capture training. This allows for consistent measurement of expectations for unbilled insurance days/cash collections.

Month End Close

- Net Revenue will be recognized at 100% upon admission for all Medicare Inpatient Accounts.
- Our Bad debt standard has been established at 120 days from discharge for all financial categories. All balances over this date shall be fully reserved as doubtful accounts. The only exception to this policy shall be acquisition facilities. These facilities can be granted a waiver to this policy and recognize bad debts on an income statement basis, with approval from Steve Wylie or Mike Browder and monitoring by John Fick.
- Intercompany cash accounts will be consolidated effective with the December close. Steve Perry will coordinate this effort with the Hospital controllers.

Financial Projections

- A standard template for financial projections has been developed and distributed to each facility.
- Projections are due on the 15th and 1st day of each month. The 1st is as of the end of the previous month. Projections are due to corporate by noon on the due date. In the event the due date is a weekend day, the projections are due on the Monday following. Projections should be sent to Corporate Vice President - Operations.



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Capital Process

- Approval levels for capital purchases are as follows:
 - Each facility will be granted approval authority for individual capital purchases up to \$5,000 under the following conditions.
 - The facility is achieving its budgeted plan.
 - The facility has not exceeded the total approved capital budget for the fiscal year.
 - For emergency purchases, call Steve Wylie for necessary input into documentation/procedures under the circumstances.
 - In all other instances, a full CER package must be sent to Corporate for review and approval by the specific officers, depending on materiality and budget status at the time of the request.

Contracting

- Corporate approval is required for all contracts with physicians, individually or in a group practice setting. Also, all contracts that are longer than one year in duration, or any contract that will result in ≥ \$12,500 in expenditures must be reviewed by Corporate prior to execution of the agreement.
- All physician contracts must be based on the standard contract templates maintained by the Corporate Compliance Officer.
- All contracts that require corporate approval are to be submitted with the appropriate compliance checklist.
- Contracts must be retained by the contracting facility for a period of not less than six years from the contract termination date.