

Mission Health System, Inc.

Agreed Upon Procedures Report

For Year Ending September 30, 2007

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mission Health System, Inc., North Carolina Department of Justice,  
and Department of Health and Human Services

We have performed the procedures enumerated below, which were agreed to by Mission Health System, Inc. ("Mission" or the "Hospital"), North Carolina Department of Justice, and Department of Health and Human Services ("DHHS") (the specified parties), solely to assist you in determining Mission's compliance with the terms outlined in the Certificate of Public Advantage ("COPA") agreement between Mission and DHHS for the year ended September 30, 2007. Mission's management is responsible for the Hospital's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows (Numbering below corresponds to Section III of the Third Amended Certificate of Public Advantage):

1. Obtain and read the most recent report from **The Joint Commission** regarding Mission's participation in the Hospital Accreditation Program.

*We obtained and read the most recent reports from the Joint Commission as of September 30, 2007 regarding Mission's participation in the Hospital Accreditation Program. The reports indicated that Mission is fully accredited.*

2. Obtain Mission's North Carolina Hospital Community Benefits Report and agree the amounts reported to supporting documentation (e.g., audited financial statements, client supporting schedules, etc.).

*We obtained Mission Hospital's North Carolina Hospital Community Benefits Report and agreed amounts reported to supporting documentation without exception.*

Perform the following procedures for a sample of charity care patient discounts granted during the year that results in a 95% confidence level that Mission followed its Financial Assistance and Charity Care Policy:

- a. Obtain documentation supporting the charity discount granted from Mission's patient accounting system including the completed application and other supporting documentation.

*We selected a sample of 60 charity care patient discounts granted during the year and obtained documentation supporting the charity care discount granted including the completed application and other supporting documentation. Based on our procedures, we noted six instances where the completed application or other supporting documentation was not available. As a result of the discounts for which the documentation was not available, we were not able to achieve a 95% confidence level.*

- b. Read the patient's completed Mission Health System Financial Statement. If total amount of charity discount exceeded \$2,000, determine that proof of income and assets was performed and the financial statement was signed by the patient.

*For the sample of charity care patient discounts referred to above, we obtained and read the patient's completed Mission Health System Financial Statement. For each of the charity care patient discounts that exceeded \$2,000, we determined that proof of income and assets was performed and that the financial statement was signed by the patient. As a result of the six instances noted above where documentation was not available, we were not able to achieve a 95% confidence level.*

- c. Determine that the charity discount was approved in accordance with the approval levels reflected in the Hospital's Financial Assistance and Charity Care Policy.

*For the sample of charity care patient discounts referred to above, we determined that the charity discount was approved in accordance with the approval levels reflected in the Hospital's Financial Assistance and Charity Care Policy. No exceptions were noted during this procedure.*

- d. Determine that the patient's account was classified as "charity care" and the account was written off using the designated general ledger code.

*For the sample of charity care patient discounts referred to above, we determined that the patient's account was classified as "charity care" and the account was written off using the designated general ledger code. No exceptions were noted during this procedure.*

- e. Determine that the Revenue Cycle management team completed regular audits of compliance with authorized signatory approval levels and documentation requirements for charity discounts granted.

*We obtained documentation indicating that the Revenue Cycle management team completed regular audits of compliance with authorized signatory approval levels and documentation requirements for charity discounts granted in accordance with the Mission Health System Financial Assistance and Charity Care Policy in place during fiscal year 2007.*

- f. Determine that the Mission Health System Financial Assistance and Charity Care Policy was reviewed at least annually by the Vice President of Revenue Cycle Management and any revisions, updates, or confirmation of no changes to the policy were approved by the Senior Vice President of Finance and CFO.

*We obtained documentation indicating that the Mission Health System Financial Assistance and Charity Care Policy was reviewed by the Vice President of Revenue Cycle Management and any revisions, updates, or confirmation of no changes to the policy were approved by the Senior Vice President of Finance and CFO during 2007.*

3. Perform the following procedures for a sample of purchases during the year that results in a 95% confidence level that Mission followed its Materials Management Policy and Procedures Manual:

- a. Determine that the equipment or supply item was purchased under a global purchasing contract.

*We selected a sample of 60 purchases during the year and obtained documentation indicating whether the equipment or supply item was purchased under a global purchasing contract.*

- b. If the equipment or supply item was not purchased under a global purchasing contract, obtain documentation of the Hospital obtaining bids as outlined in the matrix on page 2 of the Materials Management Policy and Procedure Manual covering the Solicitation of Bids.

*For the equipment and supply items selected that were not purchased under a global purchasing contract, we obtained documentation of the Hospital obtaining bids as outlined in the matrix on page 2 of the Materials Management Policy and Procedure Manual covering the Solicitation of Bids. Based on our procedures, we noted 14 instances where documentation was not available to enable us to determine that the equipment or supply item was purchased as outlined in the abovementioned matrix. As a result of the information not being available for these items, we were not able to achieve a 95% confidence level.*

4. See Independent Accountant's Report on Applying Agreed-Upon Procedures for procedures related to Controls on Costs and Margins.

*Dixon Hughes Goodman issued an Independent Accountant's Report on Applying Agreed-Upon Procedures dated June 28, 2008 related to Controls on Costs and Margins.*

5. Obtain the Hospital's 5 largest provider contracts (by revenue) and perform the following:

- a. Read the provider contract and determine whether the agreement contains a provision that prohibits the Hospital from entering into a provider contract for any services it offers with any other health plan.

*We obtained and read the five largest provider contracts (by revenue) and determined that none of the agreements contained a provision that prohibits the Hospital from entering into a provider contract for any services it offers with any other health plan.*

- b. Read the provider contract and determine whether the agreement contains a provision that requires the payer to contract with the Hospital's employed physicians as a precondition to contracting with the Hospital or any of its affiliated facilities.

*We obtained and read the five largest provider contracts (by revenue) and determined that none of the agreements contained a provision that requires the payer to contract with the Hospital's employed physicians as a precondition to contracting with the Hospital or any of its affiliated facilities.*

6. Obtain a listing all contracts between the Hospital and individual physicians or groups of physicians. Excluding contracts with anesthesiologists, radiologists, nuclear medicine physicians, pathologists, psychiatrists, emergency-room physicians, infectious disease physicians, neonatologists,

nephrologists, pediatric subspecialists (e.g., pediatric cardiologists); perinatologists, pulmonologists, radiation oncologists, trauma surgeons, cardiologists, cardiovascular surgeons, neurologists, and physicians providing services in Mission Health's community access clinics, select a sample of physician contracts that results in 95% confidence level regarding whether the agreements contain an exclusive provision that requires the physician or group of physicians to render services only at Mission Hospitals, or which requires only one physician or group of physicians to provide particular services at Mission Hospitals.

*We obtained a listing of all contracts between the Hospital and individual physicians or groups of physicians (excluding the aforementioned exempted contracts) and selected a sample of two physician contracts to determine whether the physician contracts contained an exclusive provision that requires the physician or group of physicians to render services only at the Hospital, or which requires only one physician or group of physicians to provide particular services at the Hospital. Based on our procedures, we noted no contracts between the Hospital and individual physicians or groups of physicians(excluding the aforementioned exempted contracts) containing exclusive provisions that require the physician or group of physicians to render services only at the Hospital, or which requires only one physician or group of physicians to provide particular services at Mission Hospitals.*

7. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.
8. Obtain Hospital's calculation of the percentage of physicians in Buncombe and Madison counties under exclusive contracts and perform the following procedures:
  - a. Agree the data utilized in the numerator and denominator to supporting documentation.

*We obtained the Hospital's calculation of the percentage of physicians in Buncombe and Madison counties under exclusive contracts and agreed numerator and denominator to supporting documentation without exception.*

- b. Re-compute the percentage.

*We recomputed the Hospital's percentage of physicians in Buncombe and Madison counties under exclusive contracts without exception. Per the Second Amended COPA, which was the COPA in effect during fiscal year 2007, Mission Health may employ or enter into exclusive contracts with no more than 20% of the physicians in its primary service area of Buncombe and Madison Counties, practicing in any of the following areas: family practice/internal medicine, general pediatrics, or obstetrics/gynecology.*

9. Obtain and read the provider agreements with the five largest payers (by revenue) and determine whether the agreement contains a most favored nation provision that guarantees either party that it will receive the benefit of any better price, term, or condition that the other party to the contract allows to a third person for the same service.

*We obtained and read the five largest provider agreements (by revenue) noting that none of the agreements contained a most favored nation provision that guarantees either party that it will receive the benefit of any better price, term, or condition that the other party to the contract allows to a third person for the same service.*

10. Perform the following procedures for a sample of referrals for durable medical equipment, home health services, and home infusion services made by the Hospital that results in a 95% confidence level that Mission followed its policy regarding such referrals:

- a. Obtain documentation of Hospital staff informing patient or patient's family of the freedom to choose a particular provider.

*We selected a sample of 60 referrals for durable medical equipment, home health services, and home infusion services made by the Hospital and obtained documentation to determine that Hospital staff informed patient or patient's family of the freedom to choose a particular provider. Based on our procedures, we noted four instances where documentation was not available to demonstrate that the patient or patient's family was informed of his/her freedom to choose a particular provider. As a result of the information not being available for these items, we were not able to achieve a 95% confidence level.*

- b. Determine that the patient's discharge plan identifies disclosable financial interests between the Hospital and particular providers on choice lists provided to the patient.

*For the sample of referrals for durable medical equipment, home health services, and home infusion services made by the Hospital referred to above, we obtained the patient's discharge plan to determine that the discharge plan identifies disclosable financial interests between the Hospital and particular providers on choice lists provided to the patient. Based on our procedures, we noted 3 instances where documentation was not available to demonstrate that the patient was notified of financial interests between the Hospital and particular providers. As a result of these exceptions noted, we were not able to achieve a 95% confidence level that Mission followed its policy regarding such referrals.*

11. Obtain the Periodic Report and any Interim Report filed for the year and determine that the respective reports were filed in accordance with the terms of the Certificate of Public Advantage.

*We obtained the Periodic Report filed for the fiscal year ended September 30, 2007. This Periodic Report was filed in accordance with the terms of the Certificate of Public Advantage.*

12. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.
13. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.
14. Obtain documentation of the Hospital's status as a non-profit entity.

*We obtained correspondence from the Internal Revenue Service dated July 18, 2011 indicating that the Hospital was granted exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code in March 1982.*

15. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.
16. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.
17. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.
18. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.
19. No procedures performed for this item of Section III of the Third Amended Certificate of Public Advantage.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is considered proprietary in nature and is intended solely for the information and use of Mission, North Carolina Department of Justice, and DHHS and is not intended to be and should not be used by anyone other than those specified parties.

Charlotte, North Carolina  
September 12, 2012

*Dixon Hughes Goodman LLP*