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Lander County Hospital District

2025 Audit Results and Report to Governance

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Executive Summary

Results of Professional Services

Results of Professional Services

Significant Transactions

- Capital expenditures
- Investments

Audit Adjustments

- No material audit adjustments

Other Matters

- No significant subsequent events identified

Internal Control Results

- No material weaknesses

Deliverables

- Report on the Financial Statements (FY 25)
- Report on Internal Control Over Financial Reporting on Compliance and Other Matters
- Report on Compliance with Nevada Revised Statutes
- Board Packet including Required Communications and Internal Control Communications
- Preparation of the Medicare Cost report

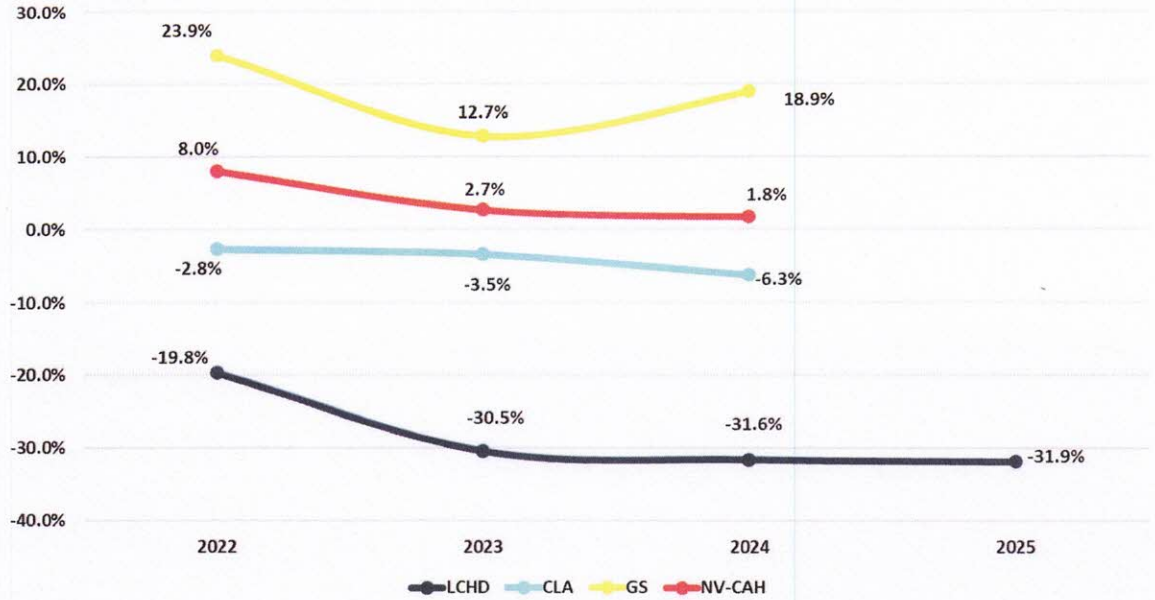
Your Business

Financial Highlights

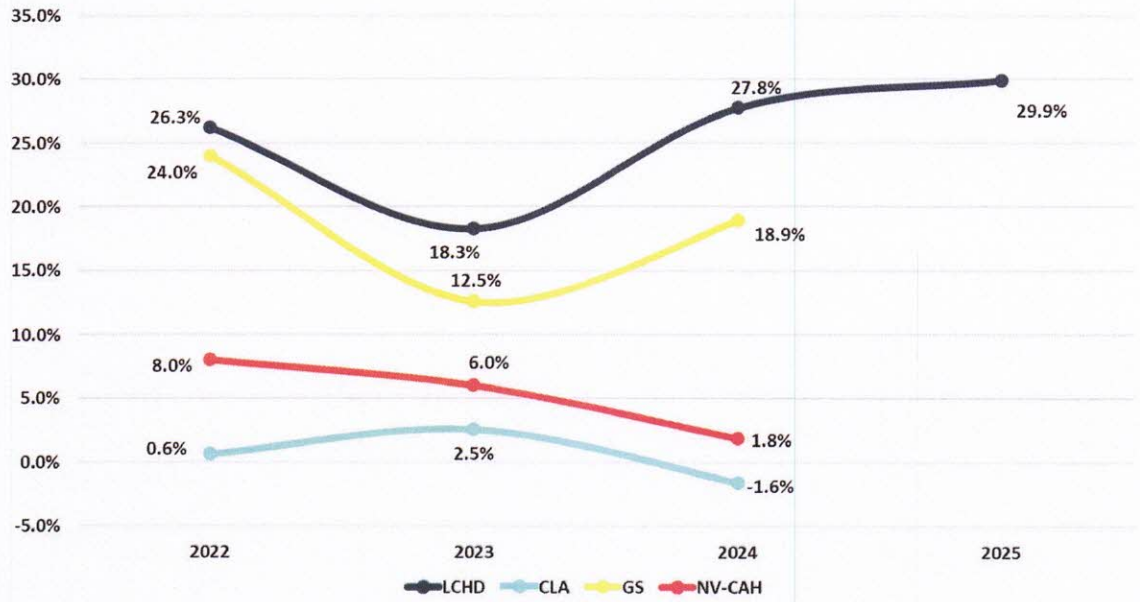
- **Lander County Hospital District dba: Battle Mountain General Hospital (LCHD)** — 2022-2025
  - $13 Million Net Patient Service Revenue in FY 2025
  - Based on Audited Financial Statements
- **CliftonLarsonAllen Gold Standard** — 2022-2024
  - 1,300 fiscal year reports analyzed and used in preparation of ratios and benchmarks
  - 44 Gold Standard Facilities
- **Nevada Critical Access Hospitals (NV-CAH)** — 2022-2024
  - Nevada CAH data extracted as part of CliftonLarsonAllen Gold Standard Study
- **CLA Small Size CAH Clients (CLA)** — 2022-2024
  - Hospital's with between $10 and $25 million of net patient service revenue

Percentage Growth in Net Patient Revenue

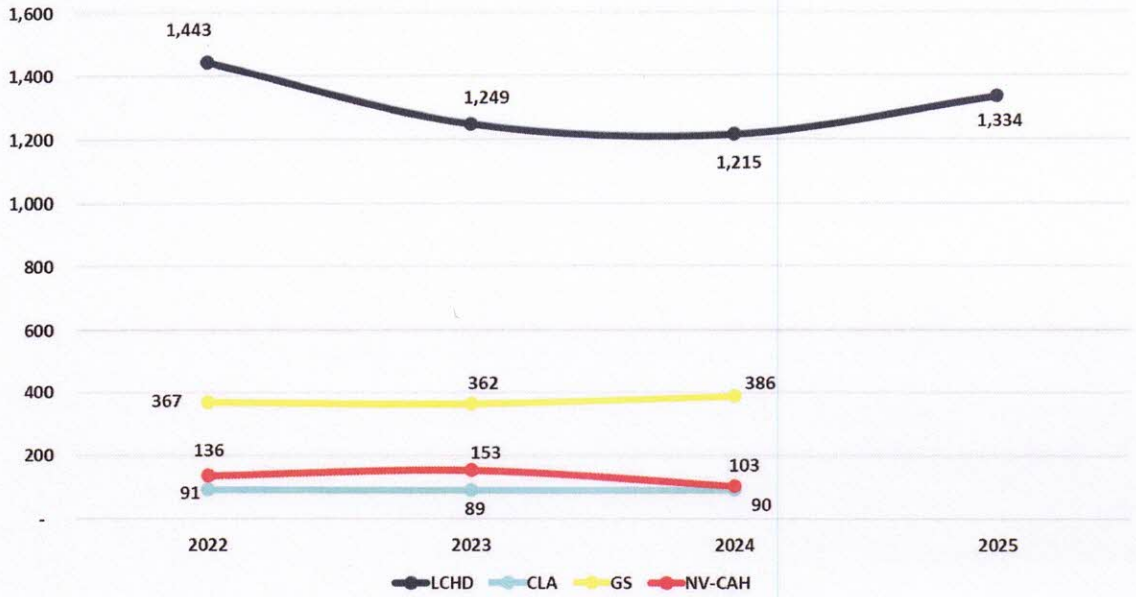
Operating Margin



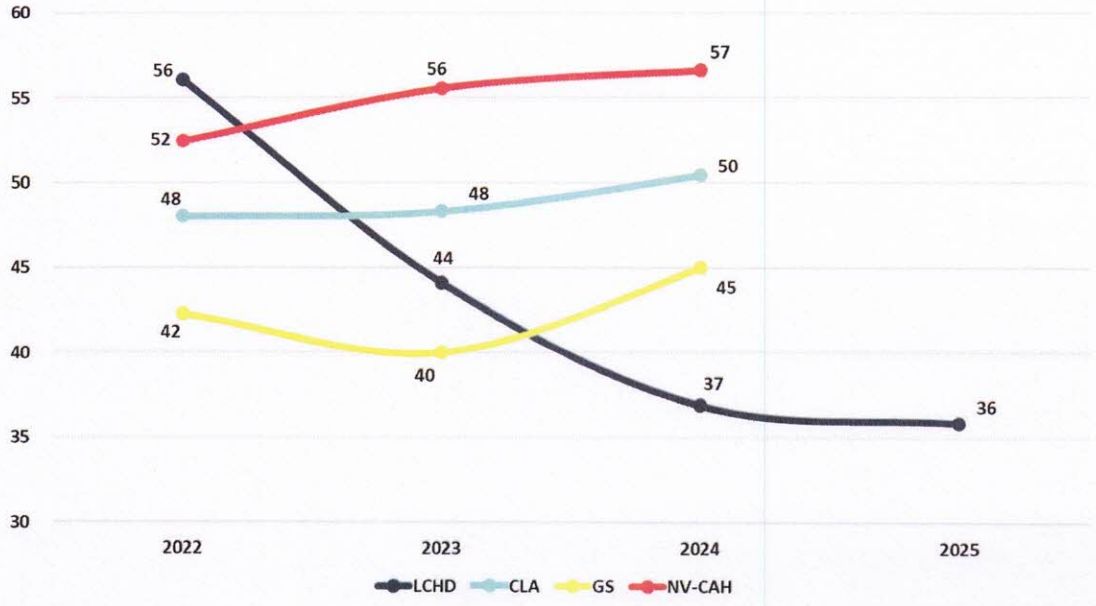
Total Margin



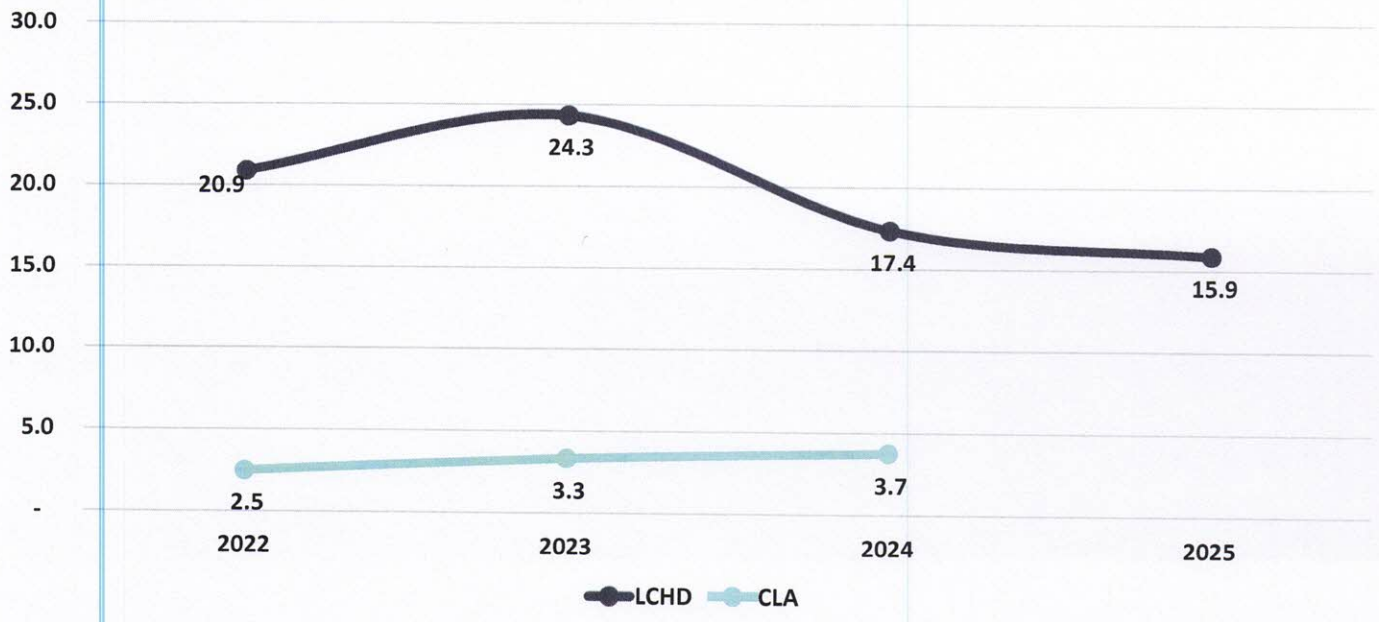
Days Cash on Hand



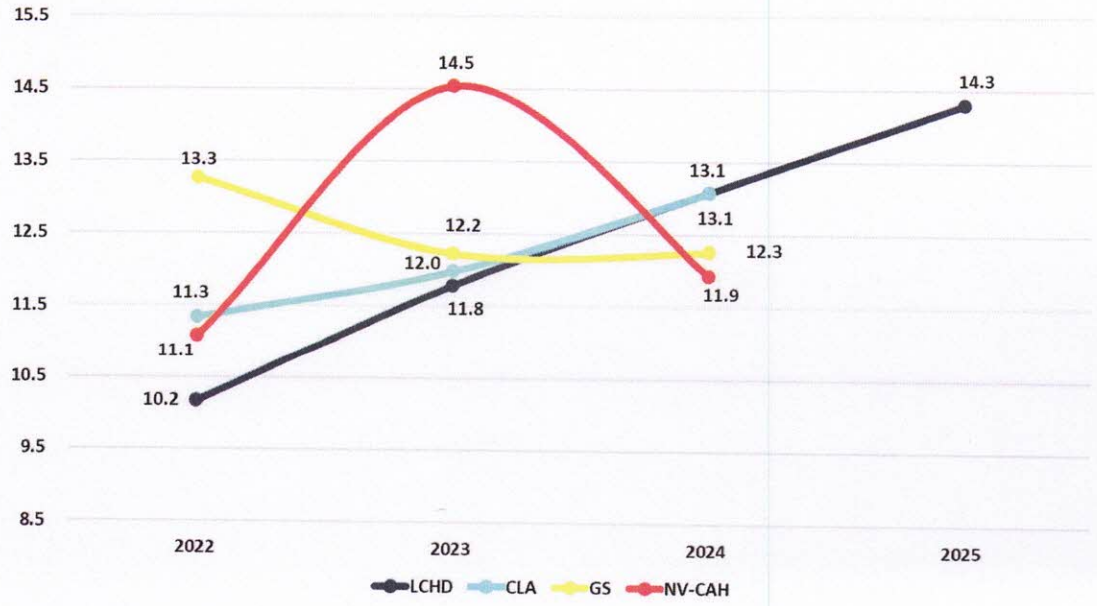
Net Days in Accounts Receivable



Current Ratio

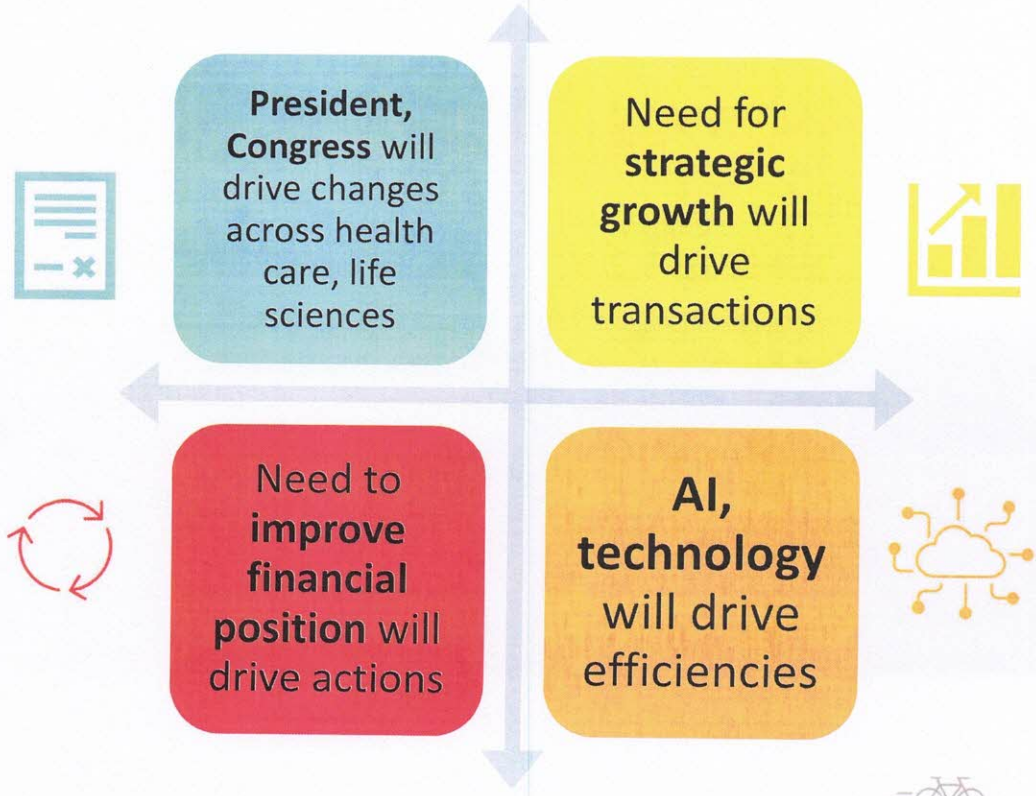


Average Age of Plant



Health Care & Life Sciences
4 Major Drivers in 2025

4 Drivers we're watching in 2025



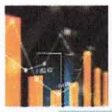
Hospitals & Health Systems

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

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 ASCs), new partnerships
- Ongoing movement to outpatient setting/services



Financial Improvement

- Management structures 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

OBBBA: Medicaid Policies

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-bodies 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

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.

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Appendix

Required Communications

Topic	Communication
Our responsibility under Generally Accepted Auditing Standards	• **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	• Performed the audit **according to the planned scope and timing** previously communicated.
Other Information in Documents Containing the Audited Financial Statements	• 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
Significant Accounting Policies	• **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** in fiscal year 2025 • Accounting policies **deemed appropriate** • No unusual transactions occurred
Significant Financial Statement Disclosures	• No sensitive disclosures • No significant risks, exposures, or uncertainties • No unusual transactions • Disclosures are neutral, consistent, and clear

Required Communications

Topic	Communication
Significant Accounting Estimates	• **An area of focus** under a risk-based audit approach • Significant estimates include **allowance for bad debts, contractual allowances, and third-party payor settlements.** • **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
Supplemental Information	• Schedule of Proportionate Share of PERS Net Pension Liability and PERS Schedule of Contributions • Budget Comparison to Actual • Management Schedules – Net Patient Service Revenue, Other Revenue, Tax Revenue, and Operating Expenses • Engaged to report in relation to the financial statements as a whole • Method of preparing has not changed from the prior year supplemental information reconciles to consolidated statements • Supplemental information is appropriate and complete in relation to our audit
Management Representation Letter	• Management will provide signed representation letters prior to finalization of the audit reports
Other	• **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

Required Communications

Topic	Communication
Corrected and Uncorrected Adjustments	• **Corrected adjustments identified** – no significant auditor proposed adjustments

Internal Control Matters

Topic	Communication
Purpose	• 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	• Reasonable possibility that a material misstatement would not be prevented, or detected and corrected on a timely basis.
Significant Deficiencies	• Less significant than a material weakness, yet important enough to merit the attention of governance.
Restricted Use	• 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.**

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