

Coffey Health System
A Component Unit of Coffey County, Kansas

Accountants' Report and Financial Statements

December 31, 2009 and 2008



Coffey Health System
A Component Unit of Coffey County, Kansas
December 31, 2009 and 2008

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and Supplementary Information 1**

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Coffey Health System
Burlington, Kansas

We have audited the accompanying balance sheets of Coffey Health System, a component unit of Coffey County, Kansas, as of December 31, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the System's management. 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 Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coffey Health System as of December 31, 2009 and 2008, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The System has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audits were conducted for the purpose of forming an opinion on the System's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

May 13, 2010

Coffey Health System
A Component Unit of Coffey County, Kansas
Balance Sheets
December 31, 2009 and 2008

	2009	2008
Assets		
Current Assets		
Cash	\$ 109,125	\$ 983,681
Short-term certificates of deposit	2,552,717	3,229,007
Patient accounts receivable, net of allowance; 2009 - \$1,828,000; 2008 - \$1,468,000	2,633,478	2,571,647
Estimated amounts due from Medicare and Medicaid	323,000	-
Supplies	460,858	373,598
Prepaid expenses and other	370,443	123,102
Total current assets	6,449,621	7,281,035
Capital Assets, Net	9,968,921	10,589,278
Total assets	\$ 16,418,542	\$ 17,870,313
 Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 322,555	\$ 337,321
Accounts payable	539,603	496,391
Accrued expenses	1,248,143	1,540,304
Estimated amounts due to Medicare and Medicaid	66,000	388,000
Total current liabilities	2,176,301	2,762,016
Long-term Debt	27,241	349,795
Total liabilities	2,203,542	3,111,811
Net Assets		
Invested in capital assets, net of related debt	9,619,125	9,880,457
Unrestricted	4,595,875	4,878,045
Total net assets	14,215,000	14,758,502
Total liabilities and net assets	\$ 16,418,542	\$ 17,870,313

Coffey Health System
A Component Unit of Coffey County, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Gross patient service revenue	\$ 30,719,874	\$ 28,009,478
Contractual adjustments	(7,842,851)	(6,984,181)
Charity care	(40,704)	(137,963)
Provision for uncollectible accounts	<u>(1,700,395)</u>	<u>(738,078)</u>
Net patient service revenue	21,135,924	20,149,256
Other	<u>810,918</u>	<u>765,650</u>
 Total operating revenues	 <u>21,946,842</u>	 <u>20,914,906</u>
Operating Expenses		
Salaries and wages	12,305,411	11,567,549
Employee benefits	2,647,513	2,414,289
Purchased services and professional fees	1,322,855	1,291,750
Supplies and other	5,526,884	5,272,328
Depreciation	<u>1,499,017</u>	<u>1,488,169</u>
 Total operating expenses	 <u>23,301,680</u>	 <u>22,034,085</u>
Operating Loss	<u>(1,354,838)</u>	<u>(1,119,179)</u>
Nonoperating Revenues (Expenses)		
Intergovernmental revenue	750,000	1,050,000
Interest income	46,252	123,085
Interest expense	(24,031)	(46,577)
Noncapital grants and gifts	<u>39,115</u>	<u>19,250</u>
 Total nonoperating revenues, net	 <u>811,336</u>	 <u>1,145,758</u>
 Increase (Decrease) in Net Assets	 <u>(543,502)</u>	 <u>26,579</u>
 Net Assets, Beginning of Year	 <u>14,758,502</u>	 <u>14,731,923</u>
 Net Assets, End of Year	 <u><u>\$ 14,215,000</u></u>	 <u><u>\$ 14,758,502</u></u>

Coffey Health System
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Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 20,429,093	\$ 20,415,024
Payments to suppliers and contractors	(7,119,423)	(6,609,727)
Payments to and on behalf of employees	(15,245,085)	(13,857,853)
Other receipts	810,918	765,530
	<u>(1,124,497)</u>	<u>712,974</u>
Noncapital Financing Activities		
Intergovernmental revenue supporting operations	750,000	1,050,000
Noncapital grants and gifts	39,115	19,250
	<u>789,115</u>	<u>1,069,250</u>
Capital and Related Financing Activities		
Principal paid on capital leases	(337,320)	(322,811)
Interest paid on capital leases	(24,031)	(46,577)
Purchase of capital assets	(900,365)	(946,741)
Proceeds from sale of capital assets	-	120
	<u>(1,261,716)</u>	<u>(1,316,009)</u>
Investing Activities		
Interest income received	46,252	123,085
Purchase of short-term certificates of deposit	(49,619)	(1,683,449)
Proceeds from disposition of short-term certificates of deposit	725,909	1,165,649
	<u>722,542</u>	<u>(394,715)</u>
Increase (Decrease) in Cash	(874,556)	71,500
Cash, Beginning of Year	<u>983,681</u>	<u>912,181</u>
Cash, End of Year	<u>\$ 109,125</u>	<u>\$ 983,681</u>

Coffey Health System
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Statements of Cash Flows (Continued)
Years Ended December 31, 2009 and 2008

	2009	2008
Reconciliation of Net Operating Revenues (Expenses)		
to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (1,354,838)	\$ (1,119,179)
Depreciation	1,499,017	1,488,169
Gain on disposal of capital assets	-	(120)
Changes in operating assets and liabilities		
Patient accounts receivable, net	(61,831)	25,768
Estimated amounts due from and to third-party payers	(645,000)	240,000
Accounts payable and accrued expenses	(227,244)	58,882
Supplies, prepaid expenses and other assets	(334,601)	19,454
	\$ (1,124,497)	\$ 712,974
 Supplemental Cash Flows Information		
Capital asset additions included in accounts payable	\$ -	\$ 21,705

Coffey Health System
A Component Unit of Coffey County, Kansas
Notes to Financial Statements
December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Coffey Health System (System) is an acute care hospital located in Burlington, Kansas. The System is a component unit of Coffey County, Kansas (County), and the Board of County Commissioners appoints members to the Board of Trustees of the System. The System primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Coffey County area. It also operates a home health agency and long-term care and assisted living facilities in the same geographic area.

Basis of Accounting and Presentation

The financial statements of the System have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated nonexchange transactions that are not program specific, such as intergovernmental revenue, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The System first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The System prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the System has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Intergovernmental Revenue

The System received approximately 3% in 2009 and 5% in 2008 of its financial support from intergovernmental revenue derived from property taxes levied by the County. One hundred percent of these funds were used to support operations in both years.

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Property taxes are assessed by the County in November and are received beginning in January of the following year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

Risk Management

The System is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

Patient Accounts Receivable

The System reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The System provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the System:

Land improvements	5 – 25 years
Buildings	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable equipment	3 – 20 years

Coffey Health System
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Compensated Absences

System policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Assets

Net assets of the System are classified in two components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt.

Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The System provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the System does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the System is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the System is subject to federal income tax on any unrelated business taxable income.

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Foundation

The System is the beneficiary of East Central Kansas Health Foundation (Foundation), a separate legal entity with its own board of trustees. The Foundation has legal title to all of the Foundation's assets. The Foundation is not a component unit of the System and, thus, not reflected in the accompanying financial statements.

Subsequent Events

Subsequent events have been evaluated through May 13, 2010, which is the date the financial statements were available to be issued.

Note 2: Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, or per billable service unit. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services (skilled swing-bed) are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. Rural health clinic services are paid on a cost basis. Home health services are paid on a per-episode basis using clinical, diagnostic and other factors. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Medicaid reimbursement for long-term care facility residents is based on a cost-based prospective reimbursement methodology. The System is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are computed each calendar quarter using an average of the 2005, 2006 and 2007 cost reports and changes in the Medicaid resident case mix index. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 43% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for both years ended December 31, 2009 and 2008. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Net patient service revenue includes approximately \$184,000 in 2009 and \$484,000 in 2008 related to Medicaid disproportionate share payments.

Note 3: Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The System's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2009 and 2008, respectively, \$1,591,015 and \$2,956,304 of the System's bank balances of \$2,915,290 and \$4,299,156 were exposed to custodial credit risk as follows:

	2009	2008
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the System's name	<u>\$ 1,591,015</u>	<u>\$ 2,956,304</u>

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2009	2008
Carrying value		
Deposits	\$ 2,660,972	\$ 4,211,818
Petty cash	870	870
	<u>\$ 2,661,842</u>	<u>\$ 4,212,688</u>
Included in the following balance sheet captions		
Cash	\$ 109,125	\$ 983,681
Short-term certificates of deposit	2,552,717	3,229,007
	<u>\$ 2,661,842</u>	<u>\$ 4,212,688</u>

Coffey Health System
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Notes to Financial Statements
December 31, 2009 and 2008

Note 4: Patient Accounts Receivable

The System grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2009 and 2008, consisted of:

	<u>2009</u>	<u>2008</u>
Medicare	\$ 802,521	\$ 928,510
Medicaid	134,601	169,502
Blue Cross	623,408	647,129
Other third-party payers	558,547	508,912
Patients	<u>2,342,401</u>	<u>1,785,594</u>
	4,461,478	4,039,647
Less allowance for uncollectible accounts	<u>1,828,000</u>	<u>1,468,000</u>
	<u>\$ 2,633,478</u>	<u>\$ 2,571,647</u>

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2009 and 2008, was:

	<u>2009</u>			
	<u>Beginning</u>		<u>Disposals</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>
Land	\$ 274,184	\$ -	\$ -	\$ 274,184
Land improvements	925,007	57,750	-	982,757
Buildings	11,051,078	180,415	-	11,231,493
Fixed equipment	5,163,107	-	-	5,163,107
Major moveable equipment	<u>10,869,550</u>	<u>640,495</u>	-	<u>11,510,045</u>
	28,282,926	878,660	-	29,161,586
Less accumulated depreciation				
Land improvements	711,109	52,811	-	763,920
Buildings	5,819,797	318,213	-	6,138,010
Fixed equipment	3,365,311	180,058	-	3,545,369
Major moveable equipment	<u>7,797,431</u>	<u>947,935</u>	-	<u>8,745,366</u>
	17,693,648	1,499,017	-	19,192,665
Capital assets, net	<u>\$10,589,278</u>	<u>\$ (620,357)</u>	<u>\$ -</u>	<u>\$ 9,968,921</u>

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	2008			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 246,684	\$ 27,500	\$ -	\$ 274,184
Land improvements	901,656	23,351	-	925,007
Buildings	11,051,078	-	-	11,051,078
Fixed equipment	5,141,402	21,705	-	5,163,107
Major moveable equipment	9,980,160	895,890	(6,500)	10,869,550
	27,320,980	968,446	(6,500)	28,282,926
Less accumulated depreciation				
Land improvements	656,045	55,064	-	711,109
Buildings	5,487,505	332,292	-	5,819,797
Fixed equipment	3,183,997	181,314	-	3,365,311
Major moveable equipment	6,884,432	919,499	(6,500)	7,797,431
	16,211,979	1,488,169	(6,500)	17,693,648
Capital assets, net	\$11,109,001	\$ (519,723)	\$ -	\$10,589,278

Note 6: Medical Malpractice Coverage and Claims

The System purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$800,000 of coverage for each medical incident and \$2,400,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the System's claims experience, no such accrual has been made. It is reasonably possible this estimate could change materially in the future.

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Notes to Financial Statements
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Note 7: Long-term Debt

The following is a summary of long-term debt transactions for the System for the years ended December 31, 2009 and 2008:

	2009				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligations	\$ 687,116	\$ -	\$ 337,320	\$ 349,796	\$ 322,555

	2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligations	\$ 1,009,927	\$ -	\$ 322,811	\$ 687,116	\$ 337,321

Capital Lease Obligations

The System is obligated under leases for buildings and equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2009 and 2008, totaled \$789,105 and \$1,202,684, respectively, net of accumulated depreciation of \$1,736,326 and \$1,322,747, respectively. The following is a schedule by year of future minimum lease payments under the capital lease obligations including interest at rates of 2.80% to 5.00% together with the present value of the future minimum lease payments as of December 31, 2009:

Year Ending December 31,	
2010	\$ 331,801
2011	27,426
Total minimum lease payments	359,227
Less amount representing interest	9,431
Present value of future minimum lease payments	\$ 349,796

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Note 8: Pension Plan

The System contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the System's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Board of County Commissioners. The plan is a replacement for social security and provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the System's governing body. Contribution rates for plan members and the System expressed as a percentage of covered payroll were 4% for both 2009 and 2008. Contributions actually made by plan members and the System aggregated \$454,523 and \$795,415 during 2009 and \$438,622 and \$772,253 during 2008, respectively.

Note 9: Related Party Transactions

The System and the Foundation are related parties. The System authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions. During 2003, the System obtained financing for certain capital asset additions in the form of a capital lease obligation from the Foundation. The capital lease matures in January 2011. The outstanding amount of the capital lease at December 31, 2009 and 2008, was \$136,607 and \$256,466, respectively, and is included in the capital lease information in *Note 7*.

Note 10: Significant Estimates and Concentrations

Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the System.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the System's future operating results. Further, the effect of economic conditions on the government may have an adverse effect on cash flows related to the Medicare and Medicaid program.

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Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts receivable that could negatively impact the System's ability to maintain sufficient liquidity.

Note 11: Subsequent Events

Medicaid Rate Cuts

On December 17, 2009, the Kansas Health Policy Authority (KHPA) published a public notice in the Kansas Register of a 10% reduction in Medicaid reimbursement rates to be effective with service dates on or after January 1, 2010.

Health Care Reform

During March 2010, President Obama signed into law the *Patient Protection and Affordable Care Act* and the *Health Care and Education Tax Credits Reconciliation Act of 2010*. Together, these two acts will reform the health care system and will impact payments received by hospitals. Any reductions in hospital payments may be offset by reductions in hospital bad debts and charity care, as the number of uninsured Americans is reduced. However, the overall impact on the System of the health care reform is not presently determinable.

Supplementary Information

Coffey Health System
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Schedules of Net Patient Service Revenues
Years Ended December 31, 2009 and 2008

	2009		
	Inpatient	Outpatient	Total
Nursing Services			
Acute hospital	\$ 1,787,035	\$ 7,500	\$ 1,794,535
Swing-bed	126,183	-	126,183
Nursery	57,845	-	57,845
Long-term care	1,664,025	-	1,664,025
Assisted living	541,434	-	541,434
	<u>4,176,522</u>	<u>7,500</u>	<u>4,184,022</u>
Other Professional Services			
Operating room	264,928	1,173,602	1,438,530
Recovery room	56,985	278,715	335,700
Delivery room	92,895	19,075	111,970
Anesthesiology	180,543	482,822	663,365
Radiology	796,097	3,672,305	4,468,402
Laboratory	547,236	1,697,639	2,244,875
Blood administration	35,754	20,794	56,548
Respiratory services	309,698	754,072	1,063,770
Physical therapy	108,872	480,043	588,915
Occupational therapy	76,518	117,574	194,092
Speech pathology	2,305	18,190	20,495
Electrocardiology	50,580	174,615	225,195
Central service	1,300,033	869,011	2,169,044
Pharmacy	1,875,835	2,624,893	4,500,728
Specialty clinics	150	113,207	113,357
Emergency room	1,331	840,843	842,174
Observation	55,066	254,980	310,046
Rural health clinic	-	4,403,236	4,403,236
Ambulance	-	719,807	719,807
Home health	-	234,031	234,031
Physician clinics	-	1,595,075	1,595,075
Lifeline	-	34,307	34,307
Senior care	-	36,863	36,863
Wolf Creek	-	165,327	165,327
	<u>5,754,826</u>	<u>20,781,026</u>	<u>26,535,852</u>
	<u>\$ 9,931,348</u>	<u>\$ 20,788,526</u>	<u>30,719,874</u>
Contractual Allowances, Charity Care and Provision for Uncollectible Accounts			<u>9,583,950</u>
Net Patient Service Revenue			<u>\$ 21,135,924</u>

2008		
Inpatient	Outpatient	Total
\$ 2,012,050	\$ 7,100	\$ 2,019,150
207,102	-	207,102
62,785	-	62,785
1,330,233	-	1,330,233
541,445	-	541,445
<u>4,153,615</u>	<u>7,100</u>	<u>4,160,715</u>
228,236	942,717	1,170,953
56,430	248,535	304,965
117,125	28,665	145,790
167,378	391,850	559,228
906,430	3,150,190	4,056,620
592,844	1,528,629	2,121,473
37,540	10,168	47,708
299,790	629,577	929,367
125,927	408,614	534,541
100,966	74,811	175,777
1,270	4,885	6,155
57,280	147,050	204,330
870,500	522,219	1,392,719
2,048,042	2,320,419	4,368,461
125	117,393	117,518
506	892,237	892,743
27,016	154,163	181,179
-	4,370,947	4,370,947
-	691,209	691,209
-	258,334	258,334
-	1,066,716	1,066,716
-	34,658	34,658
-	43,872	43,872
-	173,500	173,500
<u>5,637,405</u>	<u>18,211,358</u>	<u>23,848,763</u>
<u>\$ 9,791,020</u>	<u>\$ 18,218,458</u>	28,009,478
		<u>7,860,222</u>
		<u>\$ 20,149,256</u>

Coffey Health System
A Component Unit of Coffey County, Kansas
Contractual Allowances and Other Operating Revenue
Years Ended December 31, 2009 and 2008

Contractual Allowances

	<u>2009</u>	<u>2008</u>
Medicare	\$ 3,581,686	\$ 3,422,701
Medicaid	1,177,399	950,987
Blue Cross	2,376,652	2,027,984
Other third-party payers	658,636	472,947
Charity care	40,704	137,963
Administrative adjustments	48,478	109,562
Provision for uncollectible accounts	<u>1,700,395</u>	<u>738,078</u>
	<u>\$ 9,583,950</u>	<u>\$ 7,860,222</u>

Other Operating Revenue

	<u>2009</u>	<u>2008</u>
Mobile magnetic resonance imaging	\$ 424,465	\$ 415,371
Pharmacy sales to employees	170,546	156,893
Cafeteria	142,903	133,513
In-house catering	37,507	36,030
Laboratory services	19,445	10,981
Education	4,968	1,870
Sale of medical records	2,997	3,638
Vending machine	102	243
Rebates from vendors	14,000	424
Gain on disposal of capital assets	-	120
Miscellaneous	<u>(6,015)</u>	<u>6,567</u>
	<u>\$ 810,918</u>	<u>\$ 765,650</u>

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Operating Expenses
Years Ended December 31, 2009 and 2008

	2009			2008		
	Salaries	Other	Total	Salaries	Other	Total
Nursing Services						
Nursing service	\$ 1,286,292	\$ 62,477	\$ 1,348,769	\$ 1,253,349	\$ 74,057	\$ 1,327,406
Nursery	22,990	2,158	25,148	22,601	523	23,124
Long-term care	1,217,027	388,764	1,605,791	1,108,539	333,494	1,442,033
Assisted living	466,695	197,251	663,946	471,913	192,333	664,246
Nursing administration	79,299	16,979	96,278	108,372	13,994	122,366
	<u>3,072,303</u>	<u>667,629</u>	<u>3,739,932</u>	<u>2,964,774</u>	<u>614,401</u>	<u>3,579,175</u>
Other Professional Services						
Operating room	154,037	105,261	259,298	150,830	83,634	234,464
Recovery room	77,470	35	77,505	58,621	113	58,734
Delivery room	149,939	5,225	155,164	147,495	10,805	158,300
Anesthesiology	337,806	188,679	526,485	353,612	148,756	502,368
Radiology	566,627	512,811	1,079,438	500,918	497,970	998,888
Laboratory	229,497	419,005	648,502	220,048	326,879	546,927
Blood administration	-	67,010	67,010	-	55,589	55,589
Respiratory services	193,911	263,119	457,030	183,448	216,760	400,208
Physical therapy	190,218	131,751	321,969	102,472	219,419	321,891
Occupational therapy	99,900	4,649	104,549	107,369	1,047	108,416
Speech pathology	44,100	766	44,866	19,962	1,747	21,709
Electrocardiology	18,453	6,913	25,366	17,318	3,601	20,919
Central service	34,518	697,984	732,502	24,861	333,416	358,277
Pharmacy	180,387	837,263	1,017,650	172,682	873,736	1,046,418
Specialty clinics	34,995	16,240	51,235	42,739	8,305	51,044
Emergency room	489,662	39,567	529,229	444,981	48,916	493,897
Rural health clinic	2,583,749	623,529	3,207,278	2,535,698	552,747	3,088,445
Ambulance	687,194	84,555	771,749	640,832	93,415	734,247
Home health	197,369	31,807	229,176	197,707	37,077	234,784
Physician clinics	993,984	208,990	1,202,974	745,334	143,885	889,219
Lifeline	1,540	1,114	2,654	3,081	6,735	9,816
Senior care	13,872	9,184	23,056	23,439	9,139	32,578
Wolf Creek	113,747	5,026	118,773	109,036	12,425	121,461
	<u>7,392,975</u>	<u>4,260,483</u>	<u>11,653,458</u>	<u>6,802,483</u>	<u>3,686,116</u>	<u>10,488,599</u>

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Operating Expenses (Continued)
Years Ended December 31, 2009 and 2008

	2009			2008		
	Salaries	Other	Total	Salaries	Other	Total
General Services						
Plant operation	\$ 151,503	\$ 395,142	\$ 546,645	\$ 142,337	\$ 482,606	\$ 624,943
Laundry	7,887	12,040	19,927	18,497	17,727	36,224
Housekeeping	184,937	36,842	221,779	153,227	33,735	186,962
Dietary	259,113	263,262	522,375	282,395	285,549	567,944
	<u>603,440</u>	<u>707,286</u>	<u>1,310,726</u>	<u>596,456</u>	<u>819,617</u>	<u>1,416,073</u>
Administration Services						
Administration and general	958,702	897,879	1,856,581	906,772	1,154,955	2,061,727
Medical records	226,785	125,032	351,817	246,625	102,263	348,888
Marketing	51,206	191,430	242,636	50,439	186,726	237,165
	<u>1,236,693</u>	<u>1,214,341</u>	<u>2,451,034</u>	<u>1,203,836</u>	<u>1,443,944</u>	<u>2,647,780</u>
Employee Benefits		<u>2,647,513</u>	<u>2,647,513</u>		<u>2,414,289</u>	<u>2,414,289</u>
Depreciation		<u>1,499,017</u>	<u>1,499,017</u>		<u>1,488,169</u>	<u>1,488,169</u>
	<u>\$ 12,305,411</u>	<u>\$ 10,996,269</u>	<u>\$ 23,301,680</u>	<u>\$ 11,567,549</u>	<u>\$ 10,466,536</u>	<u>\$ 22,034,085</u>

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Financial and Statistical Comparisons
Years Ended December 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues	\$21,946,842	\$20,914,906	\$19,820,167	\$19,719,800	\$19,483,644
Operating Expenses	<u>23,301,680</u>	<u>22,034,085</u>	<u>20,955,776</u>	<u>20,444,746</u>	<u>19,420,846</u>
Income (Loss) from Operations	<u>\$(1,354,838)</u>	<u>\$(1,119,179)</u>	<u>\$(1,135,609)</u>	<u>\$ (724,946)</u>	<u>\$ 62,798</u>
Total Salaries	<u>\$12,305,411</u>	<u>\$11,567,549</u>	<u>\$11,145,549</u>	<u>\$10,886,249</u>	<u>\$10,595,086</u>
Full-time Equivalents	<u>267.4</u>	<u>261.8</u>	<u>260.5</u>	<u>263.1</u>	<u>251.4</u>
Patient Days (Exclusive of Swing-bed)					
Medicare	1,958	2,335	2,221	2,397	2,692
Other	<u>1,384</u>	<u>1,444</u>	<u>1,473</u>	<u>1,318</u>	<u>1,471</u>
Total	<u>3,342</u>	<u>3,779</u>	<u>3,694</u>	<u>3,715</u>	<u>4,163</u>
Percent of Occupancy (Exclusive of Swing-bed)	<u>25.4</u>	<u>28.8</u>	<u>28.1</u>	<u>28.3</u>	<u>31.7</u>
Medicare Percent (Exclusive of Swing-bed)	<u>58.6</u>	<u>61.8</u>	<u>60.1</u>	<u>64.5</u>	<u>64.7</u>
Discharges (Exclusive of Swing-bed)					
Medicare	621	722	684	689	776
Other	<u>617</u>	<u>661</u>	<u>672</u>	<u>550</u>	<u>612</u>
Total	<u>1,238</u>	<u>1,383</u>	<u>1,356</u>	<u>1,239</u>	<u>1,388</u>
Average Length of Stay (Exclusive of Swing-bed)					
Medicare	3.2	3.2	3.2	3.5	3.5
Other	2.2	2.2	2.2	2.4	2.4
Overall	2.7	2.7	2.7	3.0	3.0

Coffey Health System
A Component Unit of Coffey County, Kansas
Insurance Coverage
December 31, 2009 and 2008

Travelers Property Casualty

Policy No. P-630-516K1113-TIL-09, expiring July 1, 2010:

Buildings	\$ 25,605,425
Building contents	14,089,652
Business income with extra expense	25,525,000

Policy No. QT-660-141-D0969-TIL-09, expiring July 1, 2010:

Mobile medical equipment	2,000,000
Siemens MRI unit	600,000
Scheduled equipment	166,708

Policy No. BA-6615C643-09-CAG, expiring July 1, 2010:

Automobile liability – MRI tractor	1,000,000
Uninsured motorists – MRI tractor	1,000,000
Automobile medical payments – MRI tractor	5,000

CNA Financial Insurance

Policy No. 267890716, expiring July 1, 2010:

Directors and officers	1,000,000
Employment practices	1,000,000

The Hartford Steam Boiler Inspection and Insurance Company

Policy No. FBP1921240, expiring January 20, 2010:

Equipment breakdown	36,838,777
Business income	15,956,192
Off premises property damage	25,000
Contingent business income	25,000
Perishable goods	25,000
Data restoration	100,000
Demolition	25,000
Ordinance or law	25,000
Expediting expense	25,000
Hazardous substances	25,000

EMC Insurance Companies

Certificate No. T221997, expiring February 17, 2010:

Employee dishonesty	50,000
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Coffey Health System
A Component Unit of Coffey County, Kansas
Insurance Coverage (Continued)
December 31, 2009 and 2008

Continental Western Group

Policy No. FDK 2583438-25, expiring January 1, 2010:

Automobile liability (ambulances and autos)	\$	500,000
Uninsured/underinsured motorists (ambulances and autos)		500,000
Automobile medical payments (ambulances and autos)		5,000

KHA Worker's Compensation Fund, Inc.

Expiring January 1, 2010:

Workers' compensation:

Per accident	500,000
Per employee disease	500,000
Policy limit	500,000

Kansas Medical Mutual Insurance Company

Policy No. HPL 0015055, expiring January 1, 2010:

Professional liability	200,000/600,000
Kansas Healthcare Stabilization Fund	800,000/2,400,000
General liability	1,000,000/3,000,000
Additional insureds	1,000,000/3,000,000
Employee benefits	250,000

American Casualty Co. of Reading, PA

Policy No. 257932022, expiring February 24, 2010:

Professional liability	200,000/600,000
Kansas Healthcare Stabilization Fund	800,000/2,400,000

Safeco Insurance

Policy No. EX 730940, expiring March 1, 2010:

Position schedule bond:

CEO/Administrator	50,000
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All policies expiring through March 1, 2010, were renewed at substantially the same coverage.