

July 15, 2021

Mr. Carson VanZant, Board Chair
Mangum Regional Hospital
1 Wickersham Street
Mangum, OK 73554

We are pleased to confirm our engagement to prepare the Medicare cost report of MANGUM REGIONAL HOSPITAL for the year ended December 31, 2020.

Our Services and Responsibilities

While cost report preparation involves assembly of information in a financial statement format, that information is solely for cost report purposes and should not be used for any other purpose. Management is responsible for the representations contained in the cost reports. That responsibility includes posting any accounting entries determined to be needed as part of the cost report preparation process.

We will use information from your accounting system and will rely on information furnished by your employees and representatives. We will not investigate or verify the accuracy or completeness of such information. Our engagement is not designed to prevent or detect and cannot be relied upon to prevent or detect fraud, abusive acts, errors and omissions, including but not limited to:

- Nonallowable costs that you have not identified or that are misclassified or combined in another account
- Insufficient underlying documentation to support the information you have provided to us
- Billing errors, including coding errors, billing for noncovered services, and improper bundling or unbundling of charges
- Insufficient medical records documentation of physician orders, medical necessity of services, or performance of services
- Inappropriate physician arrangements, including payments for referrals or contracts that do not comply with the laws commonly known as the “Stark” or “anti-kickback” laws
- Misstatements that might exist due to fraudulent financial reporting or misappropriation of assets
- Failure to comply with the Medicare and Medicaid conditions of participation
- Failure to comply with the Internal Revenue Code and related regulations

- Related-party costs that you have not disclosed to us

Our engagement will include submission of the Medicare cost report to Novitas Solutions, Inc. (Novitas) on your behalf and we have your authorization to access and submit your Medicare cost report electronically using the Medicare Cost Report e-Filing (MCR eF) portal. We will not make submissions to any other third parties on your behalf unless we are separately engaged to do so.

This engagement is not intended to evaluate the effectiveness of your controls over compliance with Medicare, Medicaid, IRS, or other laws or regulations or the degree of compliance with those laws or regulations. You agree to advise us of any adverse communications from regulators or third parties, including legal counsel, which may affect compliance with laws and regulations related to your cost reports.

Cost reports are subject to review by administrative contractors and others with oversight responsibility. Professional judgment is used in resolving questions where the cost report and reimbursement rules and regulations are unclear. You understand that reviewers may choose to interpret rules and regulations in a manner different than that reflected in the cost reports, and reviewers may propose adjustments to your cost reports which could have an adverse effect on your cost report settlements.

Our engagement is not designed to nor intended to prevent or detect errors, fraud, illegal acts, or misappropriation of assets. Management is responsible for establishing and maintaining effective internal control over financial reporting and setting the proper tone; creating and maintaining a culture of honesty and high ethical standards; and establishing appropriate controls to prevent, deter, and detect fraud, illegal acts, and noncompliance with laws and regulations. Because of the limits in any internal control structure, errors, fraud, illegal acts, or instances of noncompliance may occur and not be detected. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls or management may override the system.

Other Services

Regulators, such as Medicare Administrative Contractors, State Medicaid Agencies, and contracted cost report auditors, make routine requests in connection with activities, such as cost report acceptance, desk reviews, settlements, and interim payment calculations. To facilitate timely responses to these routine requests, by signature on this engagement letter, you have requested that we provide information directly to the regulators. We will notify you of routine requests received directly by us from regulators. Responses to such requests will be billed separately.

Except for the responses to routine requests by regulators discussed above, our engagement will not include the submission of documentation to any third parties unless we are separately engaged to do so.

Your Responsibilities

You acknowledge that submission of the cost report and any related materials to Novitas is your responsibility. You will review the information we submit and will be solely responsible for its accuracy and completeness. You will be responsible for signing the Worksheet S certification page of the Medicare cost report. If you identify any errors or discrepancies in the submissions, it is your responsibility to notify us to discuss resolution options.

You agree to assist in establishing BKD as an authorized user to permit access to the cost reporting secure website/online portal. You agree to accept all responsibility for electronic submission of the cost report and supporting documentation. You agree to hold BKD harmless as a result of providing, maintaining and accessing the MCR eF portal on your behalf.

You agree to timely notify us and, as applicable, provide copies of any correspondence received by you from regulators regarding the cost report.

Engagement Fees

We have estimated the time required by our engagement and the fees will be \$13,500. In addition, you will be billed travel costs and fees for services from other professionals, if any, as well as an administrative fee of 4% to cover items such as copies; postage and other delivery charges; supplies; technology-related costs, such as computer processing, software licensing, research, and library databases; and similar expense items.

Further, our fees do not consider additional efforts related to the SARS-CoV-2 virus and the incidence of COVID-19 environment and the complexities and uncertainties involved with reimbursement reporting related to the various provisions within the new laws and the continued issuance of interpretative and procedural guidance from federal and state agencies. Such amounts will be billed based on time expended.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement, and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10% per annum, or as allowed by law at the earliest date thereafter, and highest applicable rate if less than 10%.

Our engagement fees do not include any time for postengagement consultation or assistance with your personnel or third parties, inquiries from regulators, including the submission of additional

information or response to audit or desk review adjustments, or depositions, testimony or other services involving such matters. Charges for any such services will be billed separately.

If our invoices for this or any other engagement you may have with BKD are not paid within 30 days, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

Other Engagement Matters and Limitations

Our timely completion depends on the level and timing of assistance you provide us in accumulating information and responding to our inquiries. Inaccuracies or delays in providing this information or the responses may result in an untimely cost report filing and may also impact our fees.

Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information.

You agree to indemnify and hold harmless BKD and its personnel from any claims, liabilities, costs, and expenses relating to our services under this agreement, except to the extent resulting from the intentional or deliberate misconduct of BKD personnel.

Any liability of BKD and its personnel to you is limited to the amount of the fees you paid for this engagement as liquidated damages.

You agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

Either of us may terminate these services at any time. Both of us must agree, in writing, to any future modifications or extensions. If services are terminated, you agree to pay us for time expended to date. In addition, you will be billed travel costs and fees for services from other professionals, if any, as well as an administrative fee of 4% to cover items such as copies; postage and other delivery charges; supplies; technology-related costs, such as computer processing, software licensing, research, and library databases; and similar expense items.

If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations, or agreements, written or oral, regarding these services. It shall be binding on heirs, successors, and assigns of you and BKD.

If these services are determined to be within the scope and authority of Section 1861(v)(1)(I) of the Social Security Act, we agree to make available to the Secretary of Health and Human Services, or to the Comptroller General, or any of their duly authorized representatives such of our billing records as are necessary to certify the nature and extent of our services, until the expiration of four years after the furnishing of these services.

We may from time to time utilize third-party service providers, *e.g.*, domestic software processors or legal counsel, or disclose confidential information about you to third-party service providers in serving your account. We remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information. In the event we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider.

You agree to assume full responsibility for maintaining your original data and records and that BKD has no responsibility to maintain this information. You agree you will not rely on BKD to provide hosting, electronic security or backup services, *e.g.*, business continuity or disaster recovery services, to you unless separately engaged to do so. You understand that your access to data, records, and information from BKD's servers, *i.e.*, BKDconnect, can be terminated at any time and you will not rely on using this to host your data and records.

We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via email or other mechanism. You recognize and accept the risk involved, particularly in email delivery as the internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand that those are for your review purpose only, should not be distributed in any way, and should be destroyed as soon as possible.

Any time you intend to reference our firm name in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification, contribution, assessment, or otherwise, for any debts, obligations, or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract, or otherwise.

HIPAA Business Associate Agreement

We agree not to use or disclose Protected Health Information of your patients (hereinafter referred to as “PHI”) obtained or produced in any form of media during the course of our work in a manner prohibited by HIPAA, as amended. We may use or disclose PHI for purposes of (a) performing our engagement, (b) management and administration of BKD, or (c) carrying out legal responsibilities of BKD. We will not further disclose information except as permitted or required by this contract or as required by law. When using or disclosing PHI in relation to this engagement, we will limit disclosures as required by HIPAA. We will not use PHI in any marketing activities in a manner that would violate HIPAA. We represent to you that we have implemented what we consider to be appropriate administrative, physical, and technical safeguards to protect the confidentiality, integrity, and availability of your PHI as required for us as a business associate to comply with HIPAA.

With respect to your PHI, we will report to you any breach (as defined in 45 CFR 164.402), material security incident or use or disclosure not authorized by this agreement and, to the extent practical, assist you in mitigating any harmful effects caused by breaches, material security incidents, or unauthorized uses or disclosures of which we become aware. To assist you in fulfilling your responsibility to notify impacted individuals and others of a breach involving unsecured PHI (as required under 45 CFR 164.400 et seq.), in this report we will identify to you, to the extent reasonably possible:

1. Each individual whose unsecured PHI was subject to the breach.
2. Any other available information you are required to include in your notification to such individual(s) or others under 45 CFR 164.404(c).

We agree that any material violation of these confidentiality provisions by us entitles you to terminate this engagement. Similarly, if we become aware of a violation of HIPAA by you that cannot be or is not timely cured, we may be obligated to terminate this engagement.

BKD agrees to:

1. Upon their request, make available to the Secretary of Health and Human Services (HHS) our internal practices and books and records relating to the use and disclosure of PHI for purposes of determining your compliance with the Security and Privacy Rule, subject to any applicable legal privileges.
2. Make available information necessary for you to make an accounting of disclosures of PHI about an individual.
3. To the extent we maintain information that is part of a Designated Record Set, make available information necessary for you to respond to requests by individuals for access to PHI that is not in your possession but is considered part of a Designated Record Set.
4. Upon receipt of a written request from you, incorporate any amendments or corrections to PHI contained in our workpapers in accordance with the Security and Privacy Rule to the extent such PHI is considered part of a Designated Record Set.

For purposes of this agreement, the term “Security and Privacy Rule” refers to the final rules published to implement the Administrative Simplification provisions of the *Health Insurance Portability and Accountability Act of 1996*, specifically 45 CFR Parts 160 and 164. The terms “Protected Health Information” and “Designated Record Set” have the same meaning as defined in the Security and Privacy Rule.

At the conclusion or termination of this engagement, any PHI retained by us will be subject to the same safeguards as for active engagements.

We will obtain from any agents, including subcontractors, to whom we provide PHI received from you, or created or received by us on behalf of you, an agreement to the same restrictions and conditions that apply to us with respect to such PHI.

To the extent that any relevant provision of HIPAA is eliminated or held to be invalid by a court of competent jurisdiction, the corresponding portion of this agreement shall be deemed of no force and effect for any purpose. To the extent that any relevant provision of HIPAA is materially amended in a manner that changes the obligations of business associates or covered entities that are embodied in term(s) of this engagement, the Parties agree to negotiate in good faith appropriate amendment(s) to this engagement to give effect to such revised obligations. In addition, the terms of this engagement should be construed in light of any interpretation and/or guidance on HIPAA issued by HHS from time to time.

Mr. Carson VanZant, Board Chair
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We will be pleased to discuss this letter with you and look forward to serving you. If the above arrangements are acceptable to you, please sign the enclosed copy of this letter and return it to us. If the signed copy you return to us is in electronic form, you agree that such copy shall be legally treated as a "duplicate original" of this agreement.

BKD, LLP

BKD, LLP

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us:

MANGUM REGIONAL HOSPITAL

By: _____
(Name and Title)

Date: _____

SCS/TCW/ajl

AM: 1183982