

Healthfirst Family Care Center, Inc/ Stanley Street Treatment and Resources

Sub-Recipient Operating Agreement

This operating agreement is an attachment to the Sub Recipient Agreement of by and between Healthfirst Family Care Center, Inc. (HFCC), grant recipient, and Stanley Street Treatment and Resources (SSTAR), grant sub-recipient, regarding the award of Section 330 grant funds.

PURPOSE. This operating agreement sets forth expectations and establishes administrative, financial and reporting policies, procedures and practices to implement the Sub Recipient Agreement effectively and efficiently and support HFCC's monitoring and oversight of SSTAR's program performance and use of Section 300 grant funds to ensure HFCC's sound stewardship of Federal Section 330 grant funds.

POLICES, PROCEDURES AND PRACTICES

Administrative

Coordination. The CEOs of HFCC and SSTAR shall establish a CHC Grant Steering Committee composed of the CEOs or their designees, and select members of each respective organization's management team including administration, finance and clinical. The Committee will meet monthly to review and assess grant-related sub-recipient program operations in the context of overall Section 330 grant-related operations as well to resolve any matters that may arise regarding the progress being made in achieving the access, clinical, business and financial objectives set forth in the current HRSA-approved grant application.

The HFCC CEO, or her designee, shall serve as the Committee Chairperson. The Chairperson shall be responsible for convening and conducting Committee meetings, preparing the agendas and ensuring the timely distribution of meeting agendas and minutes prior to Committee meetings. Either party may submit agenda topics. However at a minimum the meeting will address the following topics: budgetary/financial performance, access, provider productivity and clinical coordination. The Committee shall meet monthly in accordance with a meeting schedule established and agreed to by the CEOs.

Due Diligence. HFCC, as the Section 330 grantee, is responsible and accountable for ensuring that grant funds are disbursed and expended appropriately and in accordance with applicable statutes, regulations, and HRSA policies. (These include and are not necessarily limited to 45CFR Part 74, OMB circular A-133, (auditing standards, OMB A-122 cost principles, and applicable Policy Information Notices.) In addition, HFCC is

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responsible and accountable for ensuring that the goals and objectives set forth in the grant application are met. Accordingly, HFCC will exercise due diligence consistent with its grantee responsibility and accountability. In particular, the HFCC CEO will at her discretion request that STARR make available its administrative, clinical and financial policies and procedures manuals for review by the CEO or her designees no more than annually or when STARR implements a material change thereto.. These manuals include practice management (patient registration, appointment scheduling, referral, sliding fee scale implementation, billing and collection including participation with Medicaid, Medicare and CHIP) procurement, human resources, provider credentialing files, clinical treatment protocols, and quality assurance/quality improvement program. In addition, STARR shall make available evidence of malpractice insurance coverage of its providers and certify that its Board of Directors composition and operation meets Section 330 statutory and program policy requirements. STARR shall also certify that it provides the full scope of required primary care services including dental services, mental health and substance abuse services, referral services either directly or through referral.

In cases where the HFCC CEO or her designee determines STARR's policies and procedures would appear to be inconsistent with applicable statutes, regulations, and HRSA policies, then the HFCC CEO shall inform the STARR CEO and request that corrective action be taken. If the STARR CEO concurs with the finding then STARR shall ensure that changes would be made to bring the identified policies and/or procedures into compliance by a mutually agreed to date certain. If the CEOs determine that further clarification is required from HRSA, then the HFCC CEO will contact the HRSA grant Project Officer in accordance with the procedures set forth below.

STARR shall maintain a financially viable organization that fulfills grant requirements and objectives and supports FHCC's stewardship of the Section 330 grant. Accordingly, STARR shall make its annual A-133 financial audit, including the portion of the audit regarding internal controls and compliance with requirements of major Federal programs, available to FHCC upon the request of the FHCC CEO. In cases where STARR's audit contains a reportable condition and/or material weakness, the SSTAR CEO shall prepare or cause to be prepared a time-phased corrective action plan to resolve the reportable conditions and/or material weakness. The plan shall be presented to the FHCC CEO for her review and approval.

Project Officer/HRSA Contacts. Contacts with the HRSA grant Project Officer will occur through the HFCC CEO and/or her designee. In cases where the STARR believes that any grant-related matter should be brought to the HRSA Grant Project Officer for discussion, clarification and/or resolution, the STARR CEO or her designee shall inform and discuss the matter with HFCC CEO or her designee. The HFCC CEO will, at her discretion, contact the HRSA Grant Project Officer to discuss, clarify and resolve the matter at issue. The HFCC CEO can, at her discretion, include the STARR CEO or her designee in her discussion and/or resolution of the matter with the HRSA Project Officer. In either case, the HFCC CEO shall inform the STARR CEO or her designee's as soon as is practical regarding the discussion, clarification or resolution of the matter.

In cases where the HFCC receives information from HRSA and/or the HRSA Grant Project Officer that is material to the grant and/or the sub-recipient, the HFCC CEO shall make said information available to the STARR CEO as soon as is practicable following the receipt of information from HRSA and/or the Project Officer.

Scope of Project. The STARR CEO may propose a change in the current Section 330 grant scope of project to the HFCC CEO. The HFCC will review the proposed change in scope notify the STARR CEO regarding her concurrence. If the HFCC agrees with the proposed change in scope, then the CEOs or their designees shall collaborate in the preparation of a formal change in scope application to the BPHC. Subject to the HFCC CEO's concurrence, the HFCC CEO will submit the completed change in scope application to the BPHC.

Access

User Growth. The STARR CEO, or her designee, shall prepare STARR's proposed Section 330 sub-recipient grantee primary care access user growth target and the projected number of STARR's grant-related primary care medical, dental and mental health and substance abuse users (patients) and utilization (encounters) expected for each Section 330 grant budget period. In addition, the projections shall be prepared consistent with the definitions of users and encounters set forth in the BPHC UDS manual. The target growth rate and utilization projections will be submitted to the HFCC CEO for her review and concurrence. The growth target and utilization projections, subject to the concurrence of HFCC's CEO, shall be incorporated in the annual Section 330 continuation grant application. More specifically, the total estimated number of users and encounters for the grant recipient and sub-recipient shall be tabulated and included in the grant application.

The STARR CEO or her designee shall report on the number of CHC users and encounters by type of service monthly to the FHCC CEO, or her designee, monthly. The report shall reflect users and encounters on a current and year-to-date basis as well as any variances between actual users and encounters and the projected number of users and encounters set forth in the grant application. The FHCC or her designee shall prepare a consolidated report monthly of encounter's and users. The report shall be presented during the monthly Steering Committee.

Financial Management

Functionality. STARR shall maintain a financial management and reporting system that meets Federal grants management standards for tracking, accounting for and reporting on the use of Section 330 grant funds. This includes maintenance of adequate internal controls and compliance with the requirements of major Federal programs.

Operating Budget. As soon as is practicable following HFCC's receipt of the Notice of Grant Award (NGA) the CEOs, or their designees, shall prepare an annual operating

CHC budget for both STARR and HFCC's CHC components separately and for the CHC as a whole. The budget shall be consistent with the grant application budget and incorporate projected program income set forth in the NGA; i.e., non-grant funds including State, local, and other operational funding and fees, premiums, and third party reimbursements which FHCC and STARR expect to receive during the budget period related to the Section 330 grant-supported operations of each organization. The STARR CEO may propose revisions to STARR's grant-related operating budget to the HFCC CEO for her review and concurrence. Budget revisions and supporting documentation shall be prepared in manner which the HFCC CEO shall prescribe. Proposed budget revisions, including accelerated grant draws, shall be subject to the HFCC's approval prior to implementation. The operational budget shall be the basis for STARR's monthly current and year-to-date budget variance reports for its grant-supported operational activities. These reports will describe STARR CHC's progress in achieving the financial performance set forth in the operating budget.

Staff Time Allocations. STARR shall ensure that its grant-supported staff are engaged in grant-related activities in proportion to the amount of grant support they receive consistent with the budget period grant application. STARR shall ensure that its grant-supported employees maintain adequate time and attendance records documenting the extent to which their work time is spent in grant-related activities.

Reporting. The STARR CEO, or her designee, shall prepare and send monthly financial reports to the HFCC CEO or her designee. These reports shall reflect STARR's CHC operational revenues including Section 330 grant "draws" and program income and expenses. The reports shall be in a format specified by HFCC's CEO and in sufficient detail which would allow the HFCC CEO to monitor and assess STARR's progress in achieving the financial projections set forth in the grant application budget and obtaining a reasonable assurance of STARR's ongoing financial viability

In particular STARR's CHC financial report shall include:

- Budget Variance Report. This report shall show prorated projected revenues and expenses based on the approved Section 330 grant period budget, actual revenues and expenses and variances, if any, between projected and actual performance. The report shall reflect both current and year-to-date financial activity.
- Aged Accounts Receivable Report. This report shall reflect aged accounts receivables on a 30, 60, 90, 120 and 120+ day basis by payer; i.e., self-pay, Medicaid, Medicare, private insurers and other public programs, if applicable.
- Sliding Fee Scale Discounts. This report shall reflect the dollar value of sliding fee scale discounts provided to patients. (These amounts will be part of the basis for the sliding fee scale amounts reported on the UDS.).

The HFCC's CEO or her designee shall prepare consolidated monthly CHC budget variance, aged accounts receivable and sliding fee scale discounts reports.

- Corporate Reporting. The STARR CEO shall provide the HFCC CEO with STARR corporate revenue and expense statement and balance sheet at least quarterly. Similarly the HFCC CEO shall provide HFCC corporate revenue and expense statement and balance sheet to the STARR CEO at least quarterly.
- UDS Reporting. The STARR CEO, or her designee, shall provide the HFCC CEO with data required to prepare the annual UDS report no later than _____ days prior to the due date of report submission. The data shall be prepared consistent with the requirements set forth in the UDS manual and include users, encounters and financial data. Designated FHCC and STARR shall collaborate as necessary to ensure the timely submission and completion of the UDS.

Clinical

Management. FHCC's Medical Director, or designee, shall be responsible for ensuring that the health service/clinical objectives set forth in the grant application; i.e., health care plan, are met. Accordingly, the Medical Director shall meet monthly with STARR Medical Director to review progress the recipient and sub recipient have made in achieving the health service/clinical objectives set forth in the grant application. The Medical Directors shall collaborate in the development of corrective actions to achieve these objectives when necessary. The FHCC CEO, or her designee, shall report on the progress made in meeting grant health service/clinical objectives monthly during the Steering Committee meetings

The STARR CEO, or her designee, shall make STARR's clinical policies and procedures, including quality assurance and quality improvement plan, available to the FHCC Medical Director, or his/her designee, for his/her review. The FHCC Medical Director shall review all STARR primary care clinical policies and procedures to ensure they are consistent with HRSA requirements. The FHCC and STARR Medical Directors shall collaborate to ensure that the best clinical practices set forth are implemented consistently in both organizations.

Health Care Plan. The HFCC and STARR Medical Director's shall collaborate in the development of the annual health care plan which will be incorporated in the annual continuation grant application. The health care plan shall include prioritized, goals and objectives; implementation time lines; responsible parties; and data requirements to support evaluations of progress made to date. The Medical Director's may propose revisions to the health care plan when warranted based on their assessment of the health care requirements of the grant service area/target population. The Health Care Plan shall be submitted to the HFCC CEO no later than _____ days prior to the grant application submission date.

Provider Productivity. The FHCC and STARR CEOs and Medical Directors or their designees shall collaborate in establishing provider productivity performance measures for

physicians, mid-levels (e.g., Nurse Practitioner Physician Assistants) dentists, hygienists and other providers which the recipient and sub-recipient deem appropriate. The provider productivity performance measures shall be consistent with BPHC guidelines, and definitions and calculations used in the UDS manual. They shall be used to develop revenue projections contained in the grant application income analysis work sheet.

The recipient and sub-recipient shall consider and take into account the demographics and clinical needs of their patient populations in developing the provider productivity performance measures. If available, data regarding the relative intensity of clinical services required to address the clinical needs of the patient population, such as those reflected in relative value units, shall be used in developing provider productivity performance measures. The Medical Directors may recommend adjustments to the provider productivity performance measures based their professional clinical judgments taking into account appropriate utilization and/or patient demographic data. Any recommended adjustment to the provider productivity performance measure shall be subject to the HFCC CEO's review and concurrence. The HFCC CEO shall take the financial impact of the proposed adjustment into account as part of her review.

Reporting. The STARR CEO or her designee shall prepare and submit a report on the number of CHC users and encounters by type of service and provider productivity by type of provider monthly to the FHCC CEO or her designee. The report shall be prepared in the format prescribed by the HFCC CEO. The FHCC CEO or her designee shall prepare a consolidated report monthly of encounters, users and provider productivity. The report shall be presented during the monthly Steering Committee.

ATTACHMENT

This operating agreement is an attachment to the Sub-Recipient Agreement of _____, 2004 and is incorporated by reference herein. Either party may propose amendments to this operating agreement to the other party. However, any amendment to this agreement shall be in writing and signed by both parties in order to be accepted and enforced,

In witness whereof, the Parties have executed this Operating Agreement, effective _____, 2005.

HealthFirst Family Care
Center, Inc.

Stanley Street Treatment and
and Resources, Inc.

By: _____
Sheryl K. Turgeon
Chief Executive Officer

By: _____
Nancy Paull
Chief Executive Officer

Date: _____

Date: _____