Erie County Medical Center Corporation
March 26, 2019 Minutes of the
Board of Directors Regular Meeting
Dr. Joseph A. Zizzi, Sr. Conference Center

Present: Ronald Bennett, Bishop Michael Badger, Scott Bylewski, Ronald A. Chapin, Anthony J. Colucci, III, Jonathan Dandes, Darby Fishkin (via phone), Kathleen Grimm, MD, Sharon Hanson, Michael Hoffert (via phone), James Lawicki, Christopher O'Brien, Jennifer Persico, Thomas J. Quatroche, Jack Quinn, Eugino Russi

Excused: William Pauly, Michael Seaman

Also Present: Donna Brown, Peter Cutler, Andrew Davis, Richard Embden, William Flynn, MD, Steven Gary, Joseph Giglia, Susan Gonzalez, Al Hammonds, Donna Jones, Pamela Lee, Charlene Ludlow, Keith Lukasik (via phone), Brian Murray, MD, James Turner, Karen Ziemianski

---

I. Call to Order:
The meeting was called to order at 4:35 p.m.

II. Minutes
Upon a motion made by Sharon Hanson and seconded by Jennifer Persico, the minutes of the February 26, 2019 regular meeting of the Board of Directors were unanimously approved.

III. Action Items

Resolution of the Board of Directors Approving Items for Annual Review
Moved by Michael Badger and seconded by Christopher O'Brien.
Motion approved unanimously

Resolution Receiving and Filing the Annual Audit Performed by RSM US LLP
Moved by Darby Fishkin and seconded by Jennifer Persico.
Motion approved unanimously

Resolution Approving the Corporation's Annual Report
Moved by Jennifer Persico and seconded by Sharon Hanson.
Motion approved unanimously

Resolution Receiving and Filing Medical-Dental Staff Meeting Minutes
Moved by Kathleen Grimm and seconded by Christopher O'Brien.
Motion approved unanimously

IV. Board Presentations

Metz Culinary Management/Environmental Services
Heidi Charland, MS, RD, CDN, District Manager, Healthcare

Members of the Metz Culinary Management team described their services, programs, vision and goals. Metz will begin services on Saturday, April 6th.

V. Reports of Corporation Management

Chief Executive Officer and President

Quality
Thomas Quatroche reported that the hospital continues to strive for zero harm and high reliability. A Joint Commission Chemical Dependency Accreditation Survey showed no clinical findings.

Patient Experience
"My Care Transition Plan" will begin with the collaboration of the Patient Experience and Care Management team. Mr. Quatroche reported that the Corporation maintained a 3 out of 5 star CMS ranking and that the HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) scores indicate that ECMC physician/nurse communication to patients remain in the 80th percentile.

Culture
The Springfest Auction date was announced. YOUniversity first graduating class expressed positive feedback for the program. Two Strategic Planning Leadership Retreat sessions included mid-level managers and Medical Executive leadership, and a physician work group. ECMC is a finalist in Business First's Best Places to Work and Buffalo Niagara Business Ethics Association's Ethics Award.

Operations
ECMC staff attended the Kensington Heights Community Advisory Committee meeting and participated in HANYS Advocacy Day in Albany. Crothall Healthcare began services on March 1. ECMC was awarded a 5-year NYS Education Grant to deliver driver evaluations for participants of ACCESS-VR of Buffalo in the amount of $226,000.

The Corporation's volume-related activity showed that average length of stay is higher than budget and 2018 resulting from a higher than average case mix index. Overall volumes were lower than budget and 2018.

Chief Financial Officer

A summary of the financial results through February 28, 2019 was briefly reviewed and the full set of these materials are received and filed.

VI. Reports from Standing Committees

a. **Executive Officers Committee:** Mr. Dandes reportedd on the Great Lakes Health Board meeting, requested a training program for the ECMCC board, requested greater board participation in events and expressed the board's gratitude and support of the CEO and the leadership team.

b. **Finance Committee:** No report.

c. **Audit Committee:** No report.

d. **Building and Grounds Committee:** Ronald Bennett reported that all projects are progressing and scheduled to meet given deadlines.

e. **Quality Improvement and Patient Safety Committee:** Michael Hoffert reported on the presentations made at the March meeting.

All reports except that of the Performance Improvement Committee are received and filed.

VII. Recess to Executive Session – Matters Made Confidential by Law

Moved by Jennifer Persico and seconded by Kathleen Grimm, MD, to enter into Executive Session at 5:47 p.m. to consider matters made confidential by law, including certain litigation matters, strategic investments, and business plans.
Motion approved unanimously.

VIII. Reconvene in Open Session

Moved by Kathleen Grimm, MD and seconded by James Lawicki reconvene in Open Session at 5:59 p.m. No action was taken by the Board of Directors in Executive Session
Motion approved unanimously

IX. Adjournment

Moved by Jennifer Persico and seconded by Kathleen Grimm, MD to adjourn the Board of Directors meeting at 6:00 p.m.

Michael A. Badger
Michael A. Badger
Corporation Secretary

A Resolution of the Board of Directors Approving Items for Annual Review

Approved March 26, 2019

WHEREAS, pursuant to New York Public Authorities Law, Erie County Medical Center Corporation (the "Corporation") is required to annually review and approve its procurement guidelines, property disposal guidelines, investment policy, and mission statement (the "Items for Annual Review"); and

WHEREAS, the Board has been presented the Items for Annual Review and has had an opportunity to review and discuss such items; and

WHEREAS, the Board wishes to approve the Items for Annual Review in the form presented.

NOW, THEREFORE, the Board of Directors resolves as follows:

1. The Board of Directors of the Corporation approve the Items for Annual Review in the form presented.

2. The Corporation is authorized to do all things necessary and appropriate to effectuate this resolution.

3. This resolution shall take effect immediately.

Michael A. Badger
Corporation Secretary

Mission

To provide every patient the highest quality of care delivered with compassion.

Vision

ECMC WILL BE A LEADER IN AND RECOGNIZED FOR:

- High quality family centered care resulting in exceptional patient experiences.
- Superior clinical outcomes.
- The hospital of choice for physicians, nurses, and staff.
- Strong collaboration with community partners to improve access to healthcare and the quality of life and vitality of the region.
- Academic affiliations that provide the best education for physicians, dentists, nurses, and other clinical staff.

The difference between healthcare and true care™

ECMC

Core Values

ACCESS
All patients get equal care regardless of their ability to pay or source of payment. We address the healthcare needs of each patient that we can appropriately serve, without bias or pre-judgment.

EXCELLENCE
Excellence is a standard that will never be lowered; there is an expectation of excellence in all areas.

DIVERSITY
We recognize the importance and value of diversity and the enrichment that diversity can bring to ECMCC.

FULFILLING POTENTIAL
We respect the value and potential of each individual as offering a significant contribution to the good of the whole organization. Personal growth and development is important for organizational success.

DIGNITY
Each individual, no matter his or her limitations, background or situation, has intrinsic dignity and unique capabilities.

PRIVACY
We honor each person's right to privacy and confidentiality.

FAIRNESS and INTEGRITY
Equity and fairness are guidelines for all decision-making. We demand personal and institutional integrity.

COMMUNITY
In accomplishing our mission we remain mindful of the public's trust and are always responsive to the immediate surrounding community and our natural environment. This commitment represents both our organization and us as individuals. A successful future for ECMCC depends on a vibrant community and a healthy environment.

COLLABORATION
Collaboration with other organizations is beneficial within the context of our mission and is fundamental to achieving our goals.

COMPASSION
All involved with ECMCC's service delivery demonstrate caring, compassion, and understanding for patients, employees, volunteers, and families.

STEWARDSHIP
We can only be successful in carrying out our mission through solid financial performance and by assuring that resources provided to us are used effectively, in the way they were intended, and for the benefit of our patients and community.

The difference between healthcare and true care™

ECMC

Erie County Medical Center Corporation

Statement of Investment Policy and Guidelines

Arthur J. Gallagher & Co.
310 Grant Street, Suite 802
Pittsburgh, Pennsylvania 15219
(412) 232-1000
Drafted: December 12, 2006
Revised: April 15, 2014
December 2014
September 2015
October 2016

TABLE OF CONTENTS

I. INTRODUCTION

In accordance with the Public Authorities Law, art.9 §§2800 to 2985; State Finance Law §8 (14), Section 201: An investment program involving public funds must include four basic ingredients – legality, safety, liquidity and reasonable return.

It is the responsibility of each public authority to determine and evaluate its own risk in all its investment transactions with due regard to prudent business principles and practices and diligence under the circumstances then prevailing that a knowledgeable and prudent investor would act. The financial resources of the public authority should be properly managed to achieve investment income consistent with sound investment practice.

Guideline requirements are intended to represent only minimum standards.

This document defines the investment policies, objectives, and guidelines applicable to the Erie County Medical Center Corporation's ("Corporation") Investment Funds. It was developed by Arthur J. Gallagher & Co. ("Gallagher") in conjunction with the Corporation's Investment Committee ("Committee").

The purpose of this document is threefold. First, it will constitute the investment plan for these assets. Second, it will serve as a communication tool between the Committee and its investment manager(s). Third, these guidelines will provide a framework to measure the ongoing progress of the recommended structure, and as such should be reviewed annually. Within the constraints imposed by this document, the manager will have total discretion to manage the fund's assets according to its professional judgment and fiduciary obligations. The managers' strategies shall be communicated to the Committee at regularly scheduled review meetings.

II. GENERAL OBJECTIVES

A. Protection of principal.

B. Maintain sufficient liquidity to ensure cash availability for operating cash flow requirements.

C. Maximize the total rate of return within a reasonable risk profile. Monies that are not required for immediate use or disbursement are invested with an average investment time horizon of three years or greater.

III. DELEGATION OF AUTHORITY

The Board of Directors is charged by law with the responsibility for the management of the assets of the Corporation. The Board of Directors shall discharge its duties solely in the interest of the Corporation, with the care, skill, prudence and diligence under the circumstances then prevailing. In this regard, the Board of Directors, the Investment Committee, and Corporation management shall invest and manage Corporation funds as a prudent investor would, by considering the purposes, terms and other circumstances of the funds in the Corporation's care and by pursuing an overall investment strategy reasonably suited to the Corporation, and they shall require the same standard of prudence from investment managers and consultants they engage to assist them.

Within the broad framework of policy set by the Board of Directors, the Investment Committee shall have direct responsibility for the oversight and management of the invested assets of the Corporation and for the establishment of investment policies and procedures.

A. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Corporation's assets.

B. Determining the Corporation's risk tolerance and investment horizon and communicating these to the appropriate parties.

C. Designate an appropriate Corporation individual as "Investment Officer" whose responsibility it will be to proscribe and maintain a control structure to protect investment assets from loss, theft, and misuse.

D. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitoring investment objective progress.

E. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

F. Advising and communicating with the Board of Directors as necessary with respect to investment matters.

G. Recommending to the Board of Directors proposed changes and revisions to this Investment Policy.

H. Reviewing any independent audits of the investment program.

I. Prudently and diligently selecting qualified investment professionals, including Investment Management Consultants, Investment Managers, and Custodians, to which the Committee is authorized to delegate the following responsibilities:

1. ***Investment Management Consultant.*** The Investment Management Consultant may assist the Investment Committee in: establishing investment policy, objectives, and guidelines, including investment time horizon risk tolerance and total return objectives; selecting one or more investment managers; reviewing and evaluating such manager's performance over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. ***Investment Manager***. The Corporation enters into agreements with selected investment managers who provide day-to-day investment management services to the Corporation. Each investment manager will have discretion to purchase, sell or hold the specific securities that will be used to meet the Corporation's investment objectives. Such appointments do not relieve the Committee from the responsibilities of overseeing the investment program.
3. ***Custodian.*** The Custodian will provide full custodian services. It will maintain possession of securities owned by the Corporation, collect dividend and interest payments, and redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of assets owned, purchased, or sold, as well as movement of assets into and out of the Corporation accounts. In addition, the custodian will provide monthly documentation of portfolio activity and portfolio value.
4. Additional specialists such as attorneys, auditors, and others may be employed by the Board of Directors, acting on its own or through its Investment Committee, to assist in meeting its responsibilities and obligations to administer Corporation assets prudently.

IV. RESPONSIBILITIES OF THE INVESTMENT MANAGERS

Adherence to Investment guidelines

The investments are to be managed in accordance with the guidelines expressed herein, or expressed by separate written instructions, when deviation is deemed prudent and desirable by the Investment Committee. Written instructions amending this document must be authorized by the Investment Committee of the Board (Committee) and should be communicated through the Chief Investment Officer.

Discretionary Authority

The investment managers are expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this Statement of Investment Policy and Guidelines.

Such discretion includes decisions to buy, hold, or sell equity or fixed-income securities (including cash equivalents) in amounts and proportions reflective of each manager's current investment strategy. However, the Committee is aware that its decision to invest in a commingled account and/or mutual fund may relieve the manager from strict adherence to all elements of the policy.

Realized Gains/Losses

In addition to investment income, fiscal year net realized gains/losses are an important element of the Corporation's budgeting process. Specifically, the Corporation requires that its investment managers communicate, in advance, any intentions to realize fiscal year losses in excess of $250,000.

Communication

The Committee encourages, and the investment managers are responsible for, frequent and open communication with the Committee on all significant matters pertaining to the investment of the Corporation's assets. These communications would generally be addressed to the Chief Investment Officer. In this manner, the managers will advise the Committee of any major changes in investment outlook, investment strategy, asset allocation, portfolio structure, market value of the investments, and other substantive matters affecting the assets under their management. The managers will advise the Committee promptly of any significant changes in the ownership, organization structure, financial condition, or senior personnel of the investment management organization. Audited financial statements of the management organizations are to be furnished annually to the Investment Management Consultant.

All documents, exhibits, and other written material, etc., which will be used during review meetings between the Committee and the investment managers, should be submitted to the Committee or to any investment consultant acting on the Committee’s behalf, at least one week in advance of these meetings. It is expected that these meetings will take place periodically at the Committee's direction.

The Committee recognizes that the Statement of Investment Policy and Guidelines requires periodic re-examination and perhaps revision if it is to continue to serve as a working document to encourage effective investment management. Whenever an investment manager believes that the Statement should be altered, it is the responsibility of the manager to initiate written communication with the Committee through the Chief Investment Officer.

Reporting

The Committee expects the managers to forward, on a timely basis, quarterly reports containing portfolio activity, valuations at market, and quarterly strategy updates.

Compliance with Prudency and Diversification Measures

As a fiduciary, each investment manager is expected to diversify the portfolio to minimize the risk of large losses. The manager is expected to invest the assets with care, skill, prudence, and diligence under the circumstances then prevailing. In this regard, the manager shall invest and manage Corporation funds as a prudent investor would, by considering the purposes, terms and other circumstances of the funds in the Corporation's care and by pursuing an overall investment strategy reasonably suited to the Corporation. Furthermore, the investment manager is expected to acknowledge its intention to comply with the Statement of Investment Policy and Guidelines as it currently exists or as modified by the Committee in the future.

V. RESPONSIBILITIES OF THE TRUSTEE/CUSTODIAN

The Trustee/Custodian is responsible for the safekeeping of Corporation assets, assuring protection from loss, theft or misuse, and timely/reliable auditing of earnings and transactions.

Safekeeping Accounts

Securities purchased should be delivered against payment and held in a custodian safekeeping account in investment accounts segregated from the custodian's own assets. Exceptions shall be: (1) repurchase agreements made with approved banks or dealers (see page 16) for one week or less, and (2) Eurodollar time deposits, for which no instruments are created.

The Custodian annually must furnish to the Corporation's Investment Officer a copy of its "SSAE 16 Report" from its independent auditors.

VI. RESPONSIBILITY OF THE INVESTMENT MANAGEMENT CONSULTANT

The Investment Management Consultant's role is to provide investment advice to the Investment Committee concerning the investment management of Corporation assets. Such advice will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy and making recommendations to the Committee.

2. Conducting investment manager searches where appropriate and making recommendations as required.

3. Monitoring the performance of the Investment Manager(s) and providing the Committee periodic reports so that it may determine the Corporation's progress toward its investment objectives and adherence to its investment program compliance.

4. Monitoring the total fees, commissions, and other charges paid in rendering investment services to the Corporation, at least annually.

5. Communicating matters of policy, manager research, and manager performance to the Committee and making recommendations where appropriate.

6. Reviewing Corporation investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Committee.

7. Providing "due diligence" on investment managers such as any qualitative change to investment management organizations: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

8. Providing current Statement of Investment Policy and Guidelines to existing, replacement and additional Investment Managers when changes occur.

9. Maintaining timely and appropriate communications with the Chief Financial Officer, Chief Investment Officer and Chairman of the Committee relative to matters of substance regarding:

   A. Changes in investment forecast, investment strategies, or changes in portfolio structure;

   B. Changes in ownership, organization, financial conditions, and key personnel within the investment management organization.

VII. RECOMMENDED POLICY

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the allocation percentage to equities is increased.

Each investment manager is instructed to normally remain 95-100% invested in its respective asset classes for which it is retained, with a target of 100%. When an investment manager has received a cash contribution, or has taken significant profits, up to 10% of the account may be temporarily (up to 90 days) invested in cash. Deviations from the policy must have prior approval from the Committee or its named representative. For fixed-income managers, the cash allocation may exceed 5% if strategic in nature. This restriction does not apply to the cash equivalent manager.

VIII. EXCESS LIQUIDITY FUND

A. Investment Goals

The investment goals of the Fund are to:

- provide for the spending needs of Corporation in excess of operations;
- consistently invest assets in a prudent, high-quality, diversified manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

The Excess Liquidity Fund provides for short-to-intermediate-term spending needs of the Corporation. The Fund's cash flow is generally positive but it needs to maintain some degree of liquidity to meet unexpected needs. The Fund can assume a low-to-moderate risk profile.

B. Asset Allocation

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio.

Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The assets are viewed as having a short-to-intermediate time horizon with moderate liquidity needs. The Committee's goal is to maximize returns over the long term and has, therefore, taken a low-to-moderate investment posture which holds a modicum of equity holdings.

Based on the investment goals and risk tolerances stated in this document, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	Target	Range
Equity	30%	15 – 35%
Fixed Income	65%	55 – 75%
Short-Term Investments	5%	0 – 10%

C. **Return Requirements - Trailing Three-Year Time Horizon**

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the Excess Liquidity Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Custom Universe	Top 50%

* An index constructed from the S&P 500, ML 1-3 Year Gov't, ML 1-3 Year G/C and 91- day T-Bill Indices in the same allocation as the target asset mix.

IX. NYS RETIREMENT RESERVE FUND

A. **Investment Goals**

The investment goals of the Fund are to:

- provide for the funding of the NYS retirement system obligations when excess cash allows for short term investing;
- assure that safety of principal is paramount;
- consistently invest assets in a prudent, diversified, risk-averse manner;
- achieve the acceptable return possible within the specified risk parameters;
- adhere to the established guidelines.

The NYS Retirement Reserve Fund provides for short-term NYS pension obligations of the Corporation. The Fund's cash flow is generally positive but it needs to maintain a high degree of liquidity to meet annual obligation. The Fund can assume a low risk profile.

B. **Asset Allocation**

Given the nature of the Funds' goals, there can be no volatility of results. Consequently, the Committee has decided to control volatility by setting up long-term asset allocation targets. The assets are viewed as having a short time horizon with high liquidity needs. The Committee's goal is to minimize risk which favors cash equivalent investments.

Based on the investment goals and risk tolerances stated in this document, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	**Target**	**Range**
Equity	0%	0%
Fixed Income	30%	20 – 40%
Short-Term Investments	70%	60 – 100%

C. **Return Requirements - Trailing Three-Year Time Horizon**

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the NYS Retirement Reserve Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Custom Universe	Top 50%

* An index constructed from the S&P 500, ML 1-3 Year Gov't, ML 1-3 Year G/C and 91- day T-Bill Indices in the same allocation as the target asset mix.

X. CAPITAL RESERVE FUND

A. Investment Goals

The investment goals of the Fund are to:

- provide for the capital spending needs of the Corporation in excess of operations;
- consistently invest assets in a prudent, high-quality, diversified, manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

The Capital Reserve Fund provides for intermediate- to long-term spending needs of the Corporation. The Fund's cash flow is generally positive, but it needs to maintain some degree of liquidity to meet unexpected needs. The Fund can assume a low-to-moderate risk profile.

It is the intention of the Committee that appropriate external investment funds/managers be employed to invest the assets. The external investment managers will be responsible for the investment and reinvestment of principal and income assets and are expected to exercise reasonable investment discretion within the bounds of the guidelines delineated by the Committee.

B. **Asset Allocation**

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio. Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The assets are viewed as having a long-term time horizon with moderate liquidity needs. The Committee's goal is to maximize returns over the long term and has, therefore, taken a conservative investment posture that includes equity holdings, but favors fixed-income holdings.

Based on the investment goals and risk tolerances stated in this document, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	**Target**	**Range**
Equity	30%	15 – 35%
Fixed Income	65%	55 – 75%
Short-Term Investments	5%	0 – 10%

C. **Return Requirements - Trailing Three-Year Time Horizon**

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the Funded Depreciation Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Custom Universe	Top 50%

* An index constructed from the S&P 500, ML 1-3 Year G/C and 91-day T-Bill Indices in the same allocation as the target asset mix.

XI. RETIREE HEALTH RESERVE FUND

A. Investment Goals

The investment goals of the Fund are to:

- provide for the funding and payment of retiree health obligations;
- consistently invest assets in a prudent, high-quality, diversified, manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

The Retiree Health Reserve Fund provides for intermediate- to long-term spending needs consistent with retiree health expenses. The Fund’s cash flow is generally positive, but it needs to maintain some degree of liquidity to meet unexpected needs. The Fund can assume a low-to-moderate risk profile.

It is the intention of the Committee that appropriate external investment funds/managers be employed to invest the assets. The external investment managers will be responsible for the investment and reinvestment of principal and income assets and are expected to exercise reasonable investment discretion within the bounds of the guidelines delineated by the Committee.

B. Asset Allocation

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio. Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The assets are viewed as having a long-term time horizon with moderate liquidity needs. The Committee's goal is to maximize returns over the long term and has, therefore, taken a conservative investment posture that includes equity holdings, but favors fixed-income holdings.

Based on the investment goals and risk tolerances stated in this document, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	Target	Range
Equity	30%	15 – 35%
Fixed Income	65%	55 – 75%
Short-Term Investments	5%	0 – 10%

C. **Return Requirements - Trailing Three-Year Time Horizon**

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the Retiree Health Reserve Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Custom Universe	Top 50%

* An index constructed from the S&P 500, ML 1-3 Year G/C and 91-day T-Bill Indices in the same allocation as the target asset mix.

XII. WC/PROFESSIONAL LIABILITY RESERVE

A. Investment Goals

The investment goals of the Fund are to:

- provide for the payment of workers' compensation and professional liability claims;
- consistently invest assets in a prudent, high-quality, diversified, manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

The WC/Professional Liability Reserve Fund provides for intermediate- to long-term spending needs consistent with actuarial determined estimates of workers' compensation and medical malpractice claims. The Fund's cash flow is generally positive, but it needs to maintain some degree of liquidity to meet unexpected needs. The Fund can assume a low-to-moderate risk profile.

It is the intention of the Committee that appropriate external investment funds/managers be employed to invest the assets. The external investment managers will be responsible for the investment and reinvestment of principal and income assets and are expected to exercise reasonable investment discretion within the bounds of the guidelines delineated by the Committee.

B. **Asset Allocation**

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio. Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The assets are viewed as having a long-term time horizon with moderate liquidity needs. The Committee's goal is to maximize returns over the long term and has, therefore, taken a conservative investment posture that includes equity holdings, but favors fixed-income holdings.

Based on the investment goals and risk tolerances stated in this document, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	**Target**	**Range**
Equity	30%	15 – 35%
Fixed Income	65%	55 – 75%
Short-Term Investments	5%	0 – 10%

C. **Return Requirements - Trailing Three-Year Time Horizon**

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the Retiree Health Reserve Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Custom Universe	Top 50%

* An index constructed from the S&P 500, ML 1-3 Year G/C and 91-day T-Bill Indices in the same allocation as the target asset mix.

XIII. GENERAL DEPOSITORY & GENERAL OPERATING RESERVE

A. Investment Goals

The investment goals of the Fund are to:

- provide the necessary funds and liquidity for operating expenses of the Corporation;
- assure that safety of principal is paramount;
- consistently invest assets in a prudent, diversified, risk-averse manner;
- achieve the acceptable return possible within the specified risk parameters;
- transfer excess liquidity assets as determined by management to the General Operating Reserve Fund;
- adhere to the established guidelines.

It is the intention of the Committee that appropriate external investment funds/managers be employed to invest the liquidity assets. The external investment managers will be responsible for the investment and reinvestment of principal and income assets and are expected to exercise reasonable investment discretion within the bounds of the guidelines delineated by the Committee. The Fund will assume a very conservative risk profile.

B. Asset Allocation

Given the nature of the Funds' goals, there can be no volatility of results. Consequently, the Committee has decided to control volatility by setting up long-term asset allocation targets. The assets are viewed as having a short time horizon with high liquidity needs. The Committee's goal is to minimize risk which favors cash equivalent investments.

Based on the investment goals and risk tolerances stated in this document, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	Target	Range
Equity	0%	N/A
Fixed Income	0%	N/A
Short-Term Investments	100%	N/A

C. **Return Requirements - Trailing Three-Year Time Horizon**

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the General Depository Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Ultra-Short	Top 60%

* An index constructed from the 30-day T-Bill Index.

XIV. DEBT SERVICE and DEBT SERVICE RESERVE FUNDS – 2004 SERIES and 2011 SERIES

A. **Investment Goals**

The investment goals of the Fund are to:

- provide for the funding for debt service coverage;
- consistently invest assets in a prudent, high-quality, diversified manner;
- achieve the optimal return possible within the specified risk parameters;
- adhere to the established guidelines.

The Debt Service Reserve Fund is used to satisfy necessary interest payments. The required funds must be available for disbursement on the May 1 and November 1 payment dates for the 2004 Series Funds; and on the First of Each Month for the 2011 Series Funds. Any shortfall would need to come from operations. The Fund can assume a low-to-moderate risk profile. The Debt Service Reserve Fund is held in contingency by the Trustee to offset principal and/or interest payments, if needed.

B. **Asset Allocation**

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

It is believed that the most significant decision to affect the overall volatility of results is that which controls the split among various asset classes, particularly the equity versus fixed-income ratio.

Consequently, the Committee has decided to control this ratio by setting up long-term asset allocation targets. The assets are viewed as having a short-to-intermediate time horizon with moderate liquidity needs. The Committee's goal is to maximize returns over the long term and has, therefore, taken a low-to-moderate investment posture which holds a modicum of equity holdings.

Based on the investment goals and risk tolerances stated in this document, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	**Target**	**Range**
Equity	20%	10 – 20%
Fixed Income	75%	70 – 80%
Short-Term Investments	5%	0 – 10%

C. **Return Requirements - Trailing Three-Year Time Horizon**

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the Debt Service Reserve Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Custom Universe	Top 50%

* An index constructed from the S&P 500, ML 1-3 Year Gov't, ML 1-3 Year G/C and 91- day T-Bill Indices in the same allocation as the target asset mix.

XV. GNMA BOND RESERVE FUND

A. Investment Goals

The investment goals of the Fund are to:

- to be held until maturity and to use the earnings for funding of The Grider Initiative, Inc.;
- adhere to the established guidelines.

The GNMA Bond Reserve Fund is used to hold bonds used for construction of the Gates Vascular Institute. The earnings from this fund will be paid to the The Grider Initiative, Inc. on an annual basis.

B. Asset Allocation

The purpose of this fund is to hold referenced fixed income fund until maturity.

Based on the above, the following asset mix targets and ranges are considered appropriate:

Portfolio Section	Target	Range
Equity	0%	0%
Fixed Income	100%	0 - 100%
Short-Term Investments	0%	0%

C. Return Requirements - Trailing Three-Year Time Horizon

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the Debt Service Reserve Fund. Performance relative to the investment objectives will be measured over a three-year time period. All returns are measured net of investment management fees.

- Relative to appropriate indexes:

Section	Index	Expectation
Total Fund	Target Index*	Exceed

- Relative to other professionally managed accounts:

Section	Peer Universe	Expectation
Total Fund	Core Fixed Income	Top 50%

* An index constructed from the S&P 500, ML 1-3 Year Gov't, ML 1-3 Year G/C and 91- day T-Bill Indices in the same allocation as the target asset mix.

XVI. ALLOWABLE INVESTMENTS

A. Fixed Income and Cash Equivalents

1. Instruments and Credit Quality

a. Instruments issued and fully guaranteed by the U.S. Government or any of its agencies and instrumentalities.

b. Instruments issued by domestic corporations, including corporate notes and floating rate notes, must be rated “Baa”/“BBB” or better at time of purchase by Moody's Investor Service or Standard and Poor's. Asset-backed securities and collateralized mortgage obligations must be rated “Aaa”/“AAA” by the rating agencies. If the domestic corporation has a senior debt rating of "Baa" or better, the issuer's commercial paper rating and/or CD rating must be one of “A1”, “P1”, or “F1”. If the issuer does not have a senior debt rating, the issuer's commercial paper rating and/or CD rating must be any two of “A1", “P1", “F1" or have a letter of credit drawn on the issuer, meeting the above guidelines.

c. Obligations of domestic banks, including banker's acceptances, certificates of deposit, time deposits, notes, and other debt instruments.

d. Instruments of countries or foreign corporations rated at least “Aa”/"AA" by appropriate rating organization. Instruments issued by the U.S. agency of a foreign corporation are also permitted, subject to the same quality constraints. Instruments referred to in this section cannot comprise more than 20% of the total combined portfolio, at market.

e. The following types of Euro issues: banker's acceptances, time deposits, bonds, and floating rate notes of any issue rated “Aa”/“AA” or better by Standard and Poor's or Moody's.

f. Yankee securities are subject to the quality constraints outlined in section “d” above.

g. Securities resold under SEC Rule 144A subject to the quality constraints outlined in section “b” above.

h. Repurchase Agreements are permitted with such government dealers who have and maintain a minimum equity value of $50 million, as the investment manager shall, in its discretion, determine from time to time. Repurchase Agreements shall be subject to: 102% initial market value collateralization of the loaned amount, collateral market value is priced daily and always maintained above 100% of the loaned amount, and physical custody must be taken by the custodial bank in the form of direct obligations of the United States Government.

i. Total portfolio--this guideline is intended to give the investment manager sufficient latitude to periodically take advantage of bond-quality yield spreads. The average cost-weighted quality shall be no less than 3.0 based on the following scale:

U.S. Government and Agencies	5.0
Aaa Bonds	4.0
Aa Bonds	3.0
A Bonds	2.0
Baa Bonds	1.0

2. Maturity

a. Cash Equivalent Manager

The weighted average maturity of the fund is at the discretion of the investment manager, however, no instrument may have a maturity greater than eighteen months. Issues with maturities greater than six months may not exceed 25% of the value of the portfolio:

(1) Floating rate issues may have a longer maturity if the interest adjustment is based on an instrument with an effective maturity of less than six months.

(2) A putable bond may be utilized if the put can be exercised within six months.

(3) An asset-backed security, collateralized-mortgage obligation, or similar instrument, is permitted if the average life is projected to be less than six months. Issues of this type should be limited to an amount consistent with normal liquidity requirements, but should not exceed 25% of the value of the portfolio.

b. Short-Term Fixed Income Manager

The portfolio's maximum duration should be less than 120% of the Merrill 1-3 Treasury Index, and no instrument with a maturity greater than 5 years is permissible, except that:

(1) Floating rate issues may have a longer maturity if the interest adjustment is based on an instrument with a maturity of less than 5 years.

(2) A putable bond may be utilized if the put can be exercised within 5 years.

(3) An asset-backed security, collateralized-mortgage obligation, or similar instrument, is permitted if the average life is projected to be less than three years at the date of purchase and subsequently less than five years. Issues of this type should be limited to an amount consistent with normal liquidity requirements, but should not exceed 15% of the value of the portfolio.

c. Long-Term Fixed-Income Manager

The portfolio’s maximum duration should be less than 135% of the ML (7-10 yrs.) Gov’t./Corp. Index.

3. Diversification

a. The manager will maintain prudent diversification across instruments, market sectors, industries, and specific issuers.

b. Except for issues guaranteed directly or indirectly by the U.S. Government, the combined holdings of securities from one issuer shall not constitute more than 5% of the fund. All letters of credit shall be part of the invested amount of the guarantor for purposes of the 5% rule.

B. Equities

1. Instruments and Credit Quality

a. The managers will be invested in high-quality common stocks. Convertible bonds, convertible preferred stocks, preferred stocks and non-voting stocks are permitted if the risk/return characteristics are favorable versus the underlying common equity. American Depository Receipts are permitted. Specific constraints include the avoidance of restricted issues, which have limited marketability, excluding SEC Rule 144A securities.

b. There are no qualitative guidelines suggested with regard to domestic equity ratings, rankings, etc., except that prudent standards should be utilized by the investment managers. Convertible bonds will be considered as equity investments and must be rated "Baa"/"BBB" or better by both Moody's and Standard & Poor's.

2. Diversification

The investment managers should diversify the equity portfolio in an attempt to minimize the impact of substantial loss in any specific industry or issue. Therefore, no more than the greater of 20% of the total portfolio or two times the appropriate equity market weighting may be invested in any one economic sector as defined by Standard & Poor's for domestic equities or as defined by MSCI for international equities, valued at market. In addition, no more than 5% of the total portfolio may be invested in any one company, valued at cost, and no more than 10% valued at market.

XVII. PROHIBITED INVESTMENTS

The following categories of securities are not considered appropriate:

Interest only and principal only portions of collateralized mortgage obligations, or similar securities,
Private placements,
Margin trading,
Options and futures, except for hedging purposes

XVII. PERFORMANCE EXPECTATIONS

Investment objectives are intended to provide quantifiable benchmarks against which the progress toward long-range investment goals can be measured. The objectives are measured net of fees over a trailing three-year time horizon. In the case where three years of data does not exist, composite returns of an investment management organization will be used to determine compliance. On an individual investment firm basis, if two of the three objectives are not met, the Committee may consider replacing such firm.

A. Growth Equity Manager - - American Funds Growth Fund

Relative to appropriate indices:

Section	Index	Objective
Total	Russell 1000 Growth	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	Large Cap Growth Equity	Top 50%

B. Value Equity Manager - - Franklin Income Fund

Relative to appropriate index:

Section	Index	Objective
Total Fund	Core Index	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	Flexible Portfolio	Top 50%

C. Mid-Cap Core Equity Manager - - Fidelity Low Priced Stock Fund

Relative to appropriate index:

Section	Index	Objective
Total	Russell Mid-Cap Core	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	Mid-Cap Core Equity	Top 50%

D. Mid-Cap Value Equity Manager - - Wells Capital Mid-Cap Value Fund

Relative to appropriate index:

Section	Index	Objective
Total Fund	Russell Mid-Cap Value	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	Mid-Cap Value Equity	Top 50%

E. Global Core Equity Manager - - American Funds Capital Fund

Relative to appropriate index:

Section	Index	Objective
Total Fund	Global Allocation	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	World Allocation	Top 50%

F. Global Fixed Income Manger - - Franklin Templeton Global Bond Plus

Relative to appropriate index:

Section	Index	Objective
Total Fund	Citigroup World Government Bond	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	Global Unhedged Fixed Income	Top 50%

G. Short-Term Fixed Manager - - Goldman Sachs Asset Management (GSAM)

Relative to appropriate index:

Section	Index	Objective
Total Fund	ML (1-3) G/C	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	Short Term Fixed Income	Top 50%

Risk tolerance:

Section	Index	Objective
Total Fund	ML (1-3) G/C	Exceed

H. Cash Equivalent Manager

Relative to appropriate index:

Section	Index	Objective
Total Fund	90-day T-Bill index	Exceed

Relative to other professionally managed accounts:

Section	Peer Universe	Objective
Total Fund	Taxable Money Market	Top 50%

XIX. PRIMARY CONTACTS

Erie County Medical Center Corporation

Chief Financial Officer and Chief Investment Officer
Stephen Gary– (716) 898-6291
Director of Finance and Authorized Investment Decision Maker
Vanessa S. Hinderliter – (716) 898-3730

Arthur J. Gallagher

Frank N. Domeisen, CFA, Area Executive VP & Area Director – (412) 232-1039

M&T Bank

Laurie G. Finn, Relationship Manager – (716) 848-7348

Wilmington Trust (Custodian)

Amy G. Roe, VP, Director, Client Services – (717) 560-3193
Dawn M. Nelson, Trust & Custody Administrator – (716) 842-4352

U.S. Bank National Association, Debt Service Accounts Trustee

Christopher Grell, Vice President – (212) 951-6990
Ann Cappelletti, Assistant Vice President – (617) 603-6601

Erie County Medical Center Corporation

Procurement Guidelines

Effective March 1, 2018.

CONTENTS

I. STATEMENT OF PURPOSE AND SCOPE

A. Authority.

1. Public Authorities Law ("PAL"), Article 9, Title 4, New York Statutes, as amended.

2. Public Authorities Law, Article 10-C, New York Statutes, as amended (the "ECMCC Act").

3. General Municipal Law ("GML"), Article 5-A, New York Statutes, as amended.

4. Public Health Law ("PHL"), Article 28, New York Statutes, as amended.

5. Executive Law ("EL") Article 15A, New York Statutes, as amended.

6. State Finance Law ("SFL"), Article 9, New York Statutes, as amended.

7. Economic Development Law ("EDL"), Article 4-C, as amended.

B. Purpose.

The purpose of these Procurement Guidelines ("Guidelines") is to set forth the procedures for purchasing supplies, equipment, materials, construction and services, including professional services, for Erie County Medical Center Corporation ("ECMCC"). These Guidelines are applicable to ECMCC and may be applied by ECMCC in other contexts, in its discretion.

C. Interpretation.

These Guidelines shall be construed and applied to promote compliance with all applicable laws. In the event of a conflict between these Guidelines and the requirements of any applicable law, the applicable law will prevail.

D. Application of These Guidelines.

1. Effective Date. These Guidelines are effective March 1, 2018.

2. Scope. These Guidelines shall apply to all contracts for construction and the purchase of all supplies, equipment, materials and services, including professional services, made by ECMCC irrespective of the source of funds, except as otherwise provided by law.

3. Severability. If any provision of these Guidelines or application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or application of these Guidelines which can be given effect without the invalid provision or application, and to this end the provisions of these Guidelines are declared to be severable.

4. Annual Review. These Guidelines, as adopted pursuant to Section 2879 of the Public Authorities Law and Section 104-b of the General Municipal

Law, shall be subject to annual review and may otherwise be changed without notice by the Board of Directors of ECMCC. The Guidelines are for the use of ECMCC and should not be relied upon as establishing any right by any person or entity other than ECMCC.

E. Referenced Policies.

1. Property Disposal Policy

2. Preferred Source Policy

3. Procurement Disclosure Policy

II. DEFINITION OF TERMS

The following terms shall, for purposes of these Guidelines, have the meanings set forth below unless the context clearly indicates a different meaning:

1. Best Value. The basis for awarding Contracts for services to a Contractor that optimizes quality, cost and efficiency, among responsive and responsible respondents. Such basis shall reflect, wherever possible, objective and quantifiable analysis. Such basis may also identify a quantitative factor for respondents that are Small Businesses or Minority- or Women-owned Business Enterprises ("M/WBE") to be used in evaluation of Bids or Proposals for awarding of Contracts for services. In any case where a respondents' gross price is reducible by an allowance for the value of used machinery, equipment, apparatus or tools to be traded in by a political subdivision, the gross price shall be reduced by the amount of such allowance, for the purpose of determining the Best Value. (SFL § 163(1)(j) and GML § 103).

2. Bid. An offer or proposal submitted in response to an Invitation for Bids.

3. Construction. The building, renovation, retrofitting, rehabilitation, restoration, painting, alteration or repair of any real property or improvements thereon, exclusive of the installation and assembly of any medical equipment, apparatus or device.

4. Consulting Services. Analysis, evaluation, research, training, data processing, computer programming, engineering, environmental, health, and mental health services, accounting, auditing, paralegal, legal, or similar services.

5. Contract. A written agreement, memorandum of understanding, letter agreement, letter of intent, or purchase order that formalizes the obligations of all parties involved.

6. Contractor. Any individual, business or other legal entity awarded a Contract to furnish goods or services to ECMCC.

7. Contract Value. The total value of a Contract, including all renewal options. If the value of the Contract is not known or cannot be determined at the time the Contract is awarded (i.e., a service Contract that states an hourly fee but does not state the total hours of service to be provided; a commodities Contract that states the price of the commodities but does not state the total volume of

commodities to be purchased), the Contract Value shall be the total amount that ECMCC reasonably anticipates spending under the Contract during the term and any renewal options. With respect to joint Procurements, the amount to be expended by entities other than ECMCC shall be excluded from the Contract Value.

8. County. The County of Erie, New York.

9. Foreign Business Enterprise. shall mean a business enterprise, including a sole proprietorship, partnership, limited liability company or corporation, which offers for sale, lease or other form of exchange, goods sought by ECMCC and which are substantially produced outside New York State, or services sought by ECMCC and which are substantially performed outside New York State. (PAL § 2879(5)(b)(i)).

10. Group Purchasing Organization (GPO). An entity that aggregates the purchasing volume of members, such as hospitals and health-care providers, to leverage discounts with manufacturers, distributors and other vendors intending to realize administrative savings and efficiencies. (PHL § 2803-a).

11. Invitation for Bids (IFB). A formal competitive solicitation seeking sealed Bids for Construction work or specified goods or services, pursuant to which award is made to the responsive and responsible bidder(s) submitting the lowest price, provided that Contracts for goods and services (excluding Contracts for services necessary for the completion of a Construction project) may be awarded on the basis of Best Value to a responsive and responsible bidder. Generally, IFBs are used for the Procurement of Construction, equipment, materials and supplies.

12. Medical Building. The component of a Medical Project constituting appurtenant structures or facilities necessary to house or render the remaining components of the Medical Project operational. Medical Building does not include apparatus, equipment, devices, systems, supplies, or any combination thereof. (PAL § 3628(11)(g)(iii)).

13. Medical Project. Any substantial durable apparatus, equipment, devise, or system, or any combination of the foregoing, including services necessary to install, erect, or assemble the foregoing, and any Medical Building, to be used for the purpose of care, treatment or diagnosis of disease or injury or the relief of pain and suffering of sick or injured persons. Medical Projects do not include ordinary supplies and equipment expended or used in the customary care and treatment of patients. (PAL § 3628(11)(g)(iv)).

14. Minority or Women-Owned Business Enterprise ("M/WBE"). A business certified under Article 15-A of the Executive Law that is independently owned, operated and authorized to do business in New York State; and is owned and controlled by at least 51% women or minority group members, respectively, who are citizens of the U.S. or permanent resident aliens. Such ownership must be real, substantial and continuing, and the minorities or women must have and exercise the authority to control independently the day-to-day business decisions of the enterprise.

15. New York State Business Enterprise. A business enterprise, including a sole proprietorship, partnership, limited liability company or business corporation, which offers for sale or lease or other form of exchange, goods which are sought by ECMCC and which are substantially manufactured, produced or assembled in New York State, or services which are sought by ECMCC and which are substantially performed within New York State. (PAL § 2879(5)(b)(ii)).

16. New York Resident. A natural person who maintains his or her permanent and principal home, within New York State and to which such person, whenever temporarily located away from such home, always intends to return.

17. New York State Contract Reporter ("NYSCR"). A publication of procurement opportunities printed for the New York State Economic Development Bureau pursuant to the New York State Economic Development Law. (EDL §§ 141 - 143).

18. Personal Services. Any services performed for a fee, commission or other compensation by persons or organizations that are not providing such services as employees of ECMCC. Personal Services include, but are not limited to, professional services or any other services of a consulting, technical or professional nature.

19. Preferred Source. Contractors selected in accordance with ECMCC's Preferred Source Policy and State Finance Law Section 162, offering specific commodities or services that meet the form, function and utility requirements of ECMCC.

20. Project Developer. Any individual or entity that has submitted a Proposal in response to a Request for Proposals for a Medical Project. (PAL § 3628(11)(g)(i)).

21. Procurement. The acquisition of goods and/or services.

22. Procurement Contract. Any written agreement to which ECMCC is a party for the acquisition of goods or services of any kind in the actual or estimated amount of five thousand dollars ($5,000) or more. (EDL § 141).

23. Procurement Record. Documentation of the decisions made and the approach taken with respect to a Procurement.

24. Professional Services. Services involving the provision of advice, instruction or specialized work from an individual, firm or corporation specifically qualified or licensed to provide such services including, but not limited to, accounting, legal, health care, consulting and management services.

25. Proposal. An offer or response submitted in response to a Request for Proposals.

26. Recycled Product. A product that is manufactured from secondary materials as defined in the EDL § 261(1)(d).

27. Request for Proposal ("RFP"). A competitive solicitation seeking Proposals for a specified service or technology, pursuant to which an award is made to the responsive and responsible respondent offering the best value. Generally, RFPs are used for the Procurement of services, information technology systems, and

consultants.

28. Responsible. The status afforded an individual or company based on factors such as: financial ability and organization capacity; legal authority to conduct business in New York state; integrity as it relates to business related conduct; and past performance.

29. Responsive. Meeting the minimum Specifications or Requirements as prescribed in a solicitation for goods or services.

30. Small Business. A business which is resident in New York State, independently owned and operated, not dominant in its field and employs one hundred or less persons. (SFL § 163(1)(e)).

31. Specifications (Requirements). Description of the physical or functional characteristics or the nature of a good, the work to be performed, the service or products to be provided, the necessary qualifications of the offeror, the capacity and capability of the offeror to successfully carry out the proposed Contract, the process for achieving specific results and/or anticipated outcomes, or any other requirement necessary to perform the work.

III. SOURCE SELECTION

A. Methods of Source Selection.

Unless otherwise authorized by law, all ECMCC Contracts will be awarded in accordance with one of the following Sections of these Guidelines:

(a) Section III.B (Preferred Source)
(b) Section III.C (Invitation for Bid);
(b) Section III.D (Request for Proposal);
(c) Section III.E (Discretionary Procurements);
(d) Section III.F (Medical Projects);
(e) Section III.G (Exemptions);
(F) Section III.H. (Joint Purchase).

B. Preferred Source.

Prior to engaging in any other method of source selection for the purchase of goods or services, ECMCC shall assess, in accordance with the ECMCC Preferred Source Policy and Section 162 of the State Finance Law, whether the desired goods or services are available from an offeror that has been afforded Preferred Source status. If a Preferred Source has goods or services available in the form, function and utility consistent with the needs of ECMCC, such goods or services shall be procured in accordance with the requirements of State Finance Law section 162 and ECMCC's Preferred Source Policy. If a good or service is not available in form, function and utility consistent with the needs of ECMCC from a Preferred Source, ECMCC may then exercise its authority to utilize any of the other applicable procurement methods set forth in these Guidelines.

C. Invitation for Bid.

1. Conditions for Use. Contracts will be awarded competitively by evaluating Bids submitted in response to an Invitation for Bid, except as otherwise provided in these Guidelines.

2. Invitation for Bid. When the estimated amount of Procurement exceeds $20,000 for supplies and services, or $35,000 for public construction projects, and does not qualify for a Request for Proposals (see Section III.D), a Discretionary Procurement (see Section III.E) or for an Exemption from Formal Competition (see Section III.G), ECMCC will issue an Invitation for Bid which shall include Specifications and the contractual terms and conditions applicable to the Procurement. (GML § 103(1)).

3. Public Notice. ECMCC must publish notice of the IFB in a daily newspaper, having general circulation in the County, at least five (5) days prior to the date set forth therein for the opening of Bids. Such notice shall state the time and place for opening of the Bids. Where applicable, ECMCC must also publish notice of the IFB in the Contract Reporter in accordance with Section IV.A. (GML § 103(2), PAL § 3628(10)(b)).

4. Bid Acceptance and Evaluation. Timely bids will be unconditionally accepted and evaluated for responsiveness based on the requirements set forth in the IFB, which may include criteria to determine acceptability such as inspection, quality, workmanship, delivery and suitability for a particular purpose.

5. Correction or Withdrawal of Bids; Cancellation of Awards. ECMCC may permit, where appropriate, the withdrawal of inadvertently erroneous Bids before or after award, or cancellation of awards or Contracts based on such Bid mistakes. After Bid opening, no changes to Bid prices or other provisions of Bids prejudicial to the interest of ECMCC or fair competition shall be permitted.

6. Award. A Contract will be awarded after all necessary approvals have been obtained by written notice to the lowest responsible and responsive bidder (or bidders, in the case of multiple awards) whose Bid meets the requirements and criteria set forth in the IFB.

7. Bid Retention. All Bids received, including all related documentation and communications received from bidders during the bidding process, will be maintained in a Procurement Record by ECMCC for twelve (12) months.

D. Request for Proposal.

1. Conditions for Use. A Contract may be solicited through an RFP rather than an IFB if the estimated amount of Procurement exceeds $20,000 for supplies and services or $35,000 for public construction projects and factors other than price are critical to the Procurement (such as specialized skills or equipment) and none of the exemptions described in Section III.G (Exemptions from Formal Competition) are applicable. For example, an RFP might be used for the Procurement of Personal Services or the Procurement of biotechnology, electronic, software and system applications. (GML § 103(1)).

2. Request for Proposal. ECMCC will issue an RFP, which shall include a

statement of work and/or Specifications, and the contractual terms and conditions applicable to the Procurement.

3. Public Notice. ECMCC shall, if applicable, publish notice of the IFB in the Contract Reporter in accordance with Section IV.A. ECMCC may also publish notice of the RFP in a newspaper or other publication for purposes of soliciting participation as determined by the Director of Purchasing.

4. Evaluation. Where the basis for award is the Best Value offer, the Procurement Record shall include a determination of the evaluation criteria in advance of the initial receipt of proposals, which whenever possible, shall be quantifiable, and shall describe the process to be used in the determination of Best Value and the manner in which the evaluation process and selection shall be conducted. The RFP shall set forth criteria stating the relative importance of each evaluation factor to the Procurement, including price, to be used by ECMCC during the evaluation period. Each Procurement based on Best Value shall be evaluated by a selection committee of no fewer than two (2) impartial employees or contractors of ECMCC with subject matter expertise. The Procurement Record shall include a full record of all evaluations performed by selection committee, including scorecards of the criteria.

5. Negotiations with Responsible Offeror and Revisions to Proposals. As provided in the RFP, a selection committee may conduct negotiations with responsible offerors who timely submit Proposals determined to be reasonably qualified to be selected for award. The purpose of negotiations will be to seek the Best Value for ECMCC and to clarify for and advise offerors of the deficiencies in both the technical and price aspects of their Proposals so as to assure the full understanding of and conformance to the solicitation requirements. No offeror will be provided information about any other offeror's Proposal, and no offeror will be assisted in bringing its Proposal up to the level of any other Proposal. Offerors will not be directed to reduce their Proposal prices to a specified amount in order to be considered for award. A common deadline will be established for receipt of Proposal revisions and communicated to responsible offerors.

6. Award. After evaluation of Proposal revisions, if any, award will be made to the responsible offeror (or offerors, in the case of multiple awards) whose Proposal is determined to be the most advantageous to ECMCC taking into consideration price and the evaluation factors set forth in the RFP.

7. Documentation of Award. If an award is made to an offeror who is not the lowest bidder, ECMCC shall document the factors taken into consideration, and findings indicating the requirements of ECMCC are met by the award. Such documentation shall be maintained in the Procurement Record.

8. Proposal Retention. All Proposals received, including all related documentation and communications received from offerors during the selection process, will be maintained by ECMCC for twelve (12) months.

E. Discretionary Procurements.

For purchases up to the discretionary Procurement thresholds set forth below, ECMCC shall not be required to conduct formal competitive bidding processes. With respect to any discretionary Procurement, ECMCC must (i) ensure that the goods, services or technology acquired meet ECMCC's form, function and utility needs; (ii) document and justify the selection of the vendor; (iii) document and justify the reasonableness of the price; and (iv) ensure that the vendor is a responsible vendor. Reasonableness of price may be determined by obtaining three (3) alternate quotes or comparing the proposed price to prices paid for similar goods or services within the previous twelve (12) months.

1. Supplies and Services under $20,000. Any Procurement of goods and services, including Professional Services, with a Contract Value that does not exceed $20,000 including all renewal options may be made without a competitive bidding process; provided, however, that reasonable efforts shall be made to ensure that the price to be paid is reasonable. A Procurement shall not be artificially divided so as to constitute a discretionary Procurement under this Section. (GML § 103(1)).

2. Public Works under $35,000. Any construction project with a total Contract Value that does not exceed $35,000 may be awarded without a competitive bidding process; provided, however, that reasonable efforts shall be made to ensure that the price paid is reasonable. A construction project may not be divided into more than one project so as to constitute a discretionary Procurement under this Section. (GML § 103(1)).

3. M/WBE Goods and Services under $200,000. Any Procurement Contract for goods or services, with a Contract Value that does not exceed $200,000 including all renewal options, may be awarded to an M/WBE without a competitive bidding process, provided that the price for the goods or services is determined to be reasonable in accordance with the M/WBE Policy. The reasonably expected aggregate amount of all purchases of the same commodities or services from the same provider within the twelve-month period commencing on the date of the first purchase cannot exceed the $200,000 limit. Therefore, even though the value of an individual Procurement Contract may be below the Discretionary M/WBE Procurement threshold, expected purchases during the following twelve (12) month period should be evaluated to determine whether the discretionary procurement exception is available. Where the Contract Value exceeds $50,000, the Contract award, and if applicable, the mini-bid directed to M/WBE firms, must be advertised in the New York State Contract Reporter in accordance with Section IV.A. (PAL § 2879)

4. Small Business Goods and Services under $200,000. Any Procurement Contract for goods or services with a Contract Value that does not exceed $200,000, including all renewal options, may be awarded to a Small Business without competitive bidding process, provided that the price for the goods or services is determined to be reasonable. For purposes of determining reasonableness of price, the same process set forth in the M/WBE Policy shall apply to Small Business discretionary awards. The Procurement requirements shall not be artificially divided so as to constitute a discretionary Procurement under this Section III.G. Where the Contract Value exceeds $50,000, the Contract award and, if applicable, the solicitation directed to Small Businesses, must be advertised in the New York State Contract Reporter in

accordance with Section IV.A. (PAL § 2879).

F. Medical Projects.

1. Source Selection. ECMCC may award Contracts for Medical Projects to Project Developers on the basis of factors other than cost alone, including but not limited to, facility design, system reliability, efficiency, safety and compatibility with other elements of patient care. Notwithstanding any contrary provisions of law, a Contract for a Medical Project with a Project Developer may be awarded pursuant to the competitive bidding process outlined in Section III.C (Invitation for Bid) or pursuant to the Proposal evaluation process outlined in Section III.D (Request for Proposal). (PAL § 3628(10)).

2. Public Notice. When an RFP is issued for a Medical Project, ECMCC shall publish notice of such issuance in at least one (1) newspaper of general circulation in the County. Concurrent with the publication of such notice, a draft RFP shall be filed with the County Commissioner of Health. (PAL § 3628(10)(b)).

3. Board Resolution. If after issuance of an RFP for a Medical Project, a Contract is awarded to a Project Developer who is not the lowest bidder, ECMCC shall adopt a resolution containing particularized findings indicating that the requirements of ECMCC are met by the award and that such award is in the public's best interest. (PAL § 3628(10)(b)).

4. Project Cost over $500,000. Where a Medical Project expected to cost more than
$500,000 involves the construction of a Medical Building, ECMCC's Contract with the Project Developer shall provide that the Medical Building shall be constructed through Contracts awarded through the competitive bidding process outlined in Section III.C (Invitation for Bid) and shall require separate and independent competitive bidding in each of the following subdivisions:

   (a) plumbing and gas fitting;

   (b) steam heating, hot water heating, ventilating and air conditioning apparatus; and

   (c) electric wiring and standard illuminating fixtures.

   (PAL §§ 3628(11)(b)(i)-(iii)).

5. Bid Security. Where a Medical Project expected to cost more than $500,000 involves the construction of a Medical Building, the Project Developer or the Project Developer's construction subcontractors shall furnish bid security as provided in Section V.A(1). (PAL § 3628(11)).

G. Exemptions from Formal Competition.

The following types of Procurements are exempt from the competitive bidding process and may be awarded by ECMCC without issuance of a formal IFB, provided however that unless otherwise noted herein or within the M/WBE Policy, exemption from competitive bidding shall not exempt the Procurement from applicable M/WBE participation requirements set forth in the M/WBE Policy or Contract Reporter publication requirements set forth in Section IV.A:

1. Professional Services. Where the issuance of an RFP is impractical due to the professional nature or scope of the services to be provided, such Professional Services may be procured through the solicitation of price quotations from no less than three (3) offerors. Such quotations must be obtained in writing. Award will be made to the offeror providing the Best Value to ECMCC based on an evaluation of the price and other specified factors. If factors other than price are utilized in the evaluation of the quotes, such factors shall be disclosed to all offerors at the time the price quotation is solicited. The names, addresses and/or telephone numbers of the offerors and persons contacted, along with the date and amount of each quotation shall be recorded and maintained in the Procurement Record. Any award of a Contract under this Section III.G(1) shall comply with ECMCC's M/WBE policies and procedures and the Contractor Reporter publication requirements set forth in Section IV.A.

2. Additional Items under Existing Contract. Where the need for additional items or services arises under an existing Contract awarded pursuant to an IFB or RFP, such Procurement may be made without issuing a new IFB or RFP, provided that the additional items or services were contemplated under the original IFB or RFP, are provided within eighteen (18) months of the original RFP or IFB and the quantity of additional items or services does not exceed thirty (30%) percent of the quantity of items or services procured under the original Contract. All communications and documentation related to the Procurement of additional items or services will be maintained in the Procurement Record. For avoidance of doubt, this Section shall not apply to any discretionary Procurements to the extent that the additional items or services would cause the Contract Value to exceed the discretionary Procurement threshold. To the extent that the additional items or services impact the Contract Value, and the Contract is subject to M/WBE goals, ECMCC shall require the Contractor to submit an updated M/WBE Utilization Plan in accordance with the M/WBE Policy.

3. Standardization. For reasons of efficiency or economy, purchase Contracts for equipment, material, supplies or services may be standardized to a particular make, model or brand upon the approval by at least three-fifths of the members of the Board of Directors of ECMCC. The resolution adopted by the Board shall specify the reasons that standardization is appropriate. A common reason for standardization is to ensure that equipment purchased is compatible with existing equipment or spare parts. For such purchases to be justified, the original equipment should be suitable for the required purpose, the price should be reasonable when compared to the overall cost, and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to ECMCC. After a resolution is adopted, ECMCC may specify the standardized make, model or brand in specification document, however all competitive processes set forth in these Guidelines must still be followed. (GML § 103(5)).

4. Sole Source. When ECMCC determines that there is only one source for required goods or services, and no other vendor offers functionally equivalent goods or services in the marketplace, a Procurement Contract for such goods or services may be awarded without competitive procedures, provided that a Sole Source Justification Form is completed by the Department initiating the Procurement and approved by the Director of Purchasing, Counsel, and ECMCC's CEO or CFO. Sole source Procurements with Contract Values exceeding $50,000 shall be advertised in the Contract Reporter in accordance with Section IV.A. The definition of "Sole Source" under these Guidelines shall include those instances where goods or services are available from two or more vendors, but a particular vendor is preferable because of specific factors described in this section. Factors supporting an award in such a "single source" situation include: (i) legislation or appropriation mandates use of particular vendor; (ii) warranty voided if service or parts are provided by a different vendor; (iii) software license renewals, additions, or upgrades available from only one source, or (iv) other proprietary circumstances as may be identified in the Sole Source Justification Form, as may be amended. (1983 Op. St. Compt. No. 83-67)

5. Emergency Procurement. Notwithstanding any other provision of these Guidelines, ECMCC may make or authorize others to make an emergency Procurement in the event of an immediate threat to public health, welfare or safety, or to prevent or minimize serious disruption of ECMCC services jeopardizing patient health, welfare or safety; subject to the following provisions:

    (a) The emergency Procurement shall be limited to those supplies, services or construction items necessary to meet the immediate emergency;

    (b) Whenever practicable, approval of the CEO shall be obtained prior to the Procurement;

    (c) Emergency Procurements shall be made with such competition as is practicable under the circumstances;

    (d) The official responsible for the Procurement shall submit to the Board of Directors a written determination of the basis for the emergency and for the selection of the particular Contractor prior to the next meeting of the Board and the Board shall ratify the Emergency Procurement at such Board meeting. (GML § 103(4)).

6. Joint Hospital Purchases. ECMCC may participate in a joint purchasing agreement for the Procurement of goods, supplies and services with one or more other municipal, state, federal or privately-owned hospital or other health related facility or medical school that receives public funding without competitive bidding. Such cooperative or joint purchasing may include, but is not limited to, multi-party contracts between public Procurement units and open-ended public Procurement unit contracts that are made available to other entities. Such joint purchases are exempt from traditional M/WBE goals but must comply with other applicable M/WBE policies ECMCC has in place governing joint purchases. (PHL § 2803-a).

7. Group Purchasing Organizations. ECMCC recognizes purchases made through Group Purchasing Organizations as a best practice in hospital purchasing nationwide with associated efficiencies, savings and speed. ECMCC may participate in one or more group purchasing organizations (GPO). Procurements made pursuant to a GPO arrangement shall not be subject to competitive bidding processes or traditional M/WBE goals. (PHL § 2803-a).

8. Surplus and Second-Hand. Surplus and second-hand supplies, equipment and materials purchased from the federal government, New York State, or any other political subdivision, district or public benefit corporation are not subject to the competitive bidding process. (GML § 103(6)).

9. Recycled Products. Recycled products may be purchased without regard to the competitive Bid process so long as they meet the specified requirements and are reasonably competitive. Reasonably competitive shall mean that the cost of the recycled product does not exceed a cost premium of ten (10%) percent above a comparable non- recycled product. (GML § 104-a).

10. Government Sources. ECMCC may purchase from the New York State Office of General Services when the purchase exceeds $500, or it may make purchases from the federal government, without regard to the competitive Bid process or M/WBE goals. However, when ECMCC elects to use a federal source for the purchase of goods or services, no purchase may be made where a Bid for such good or service has been received, unless the purchase may be entered into upon the same terms, conditions, and Specifications and represent a cost savings to ECMCC. (SFL § 163(3)(iv), PAL § 3628(9)).

11. Board Waiver of Requirements for Competitive Selection of Contractors. The ECMCC Board may, by resolution, waive requirements for the competitive selection of contractors for a specific procurement that otherwise would be awarded on a competitive basis when such waiver is in the best interest of ECMCC. Accordingly, the Board of Directors may, upon careful deliberation and a vote of 2/3 of the Directors present at a meeting of the Board at which such Contract is presented, waive the selection of contractors on a competitive basis when doing so is in the best interest of ECMCC. (PAL § 2879(3)(b)(i)).

12. Professional Health Care Services. Contracts for professional health care services including but not limited to services performed by health care agencies or entities, physicians, dentists, physician's assistants, home health and personal care aides, occupational, speech, respiratory and physical therapists, nurses, nurses' assistants, medical and laboratory technicians, diagnosticians, social workers, psychiatric workers, veterinarians, and persons who provide care, treatment, counseling, case management, rehabilitative or preventative services to the mentally ill, developmentally disabled and those suffering from the disease of alcoholism or substance abuse are exempt from competitive bidding.

H. Pre-qualification/Request for Qualifications.

Prospective suppliers may be pre-qualified for particular types of supplies, services or construction. Such pre-qualification, however, is subject to subsequent review and does not necessarily constitute a finding of responsibility for any particular contract award nor does it guarantee an amount to be awarded. Notice of the Request for Qualifications shall be published at least annually in a newspaper of general circulation, and shall be published in the New York State Contract Reporter, similar to an IFB/RFP. The pre-qualified vendor list generated by the Request for Qualifications shall not contain less than five (5) bidders and must remain open for additional qualified bidders. Prequalification of bidders does not constitute competitive bidding. An IFB or RFP must still be used to determine how a particular Procurement will be awarded. (GML § 103(15)(b)).

I. New York State Business Enterprises.

It is the goal of ECMCC to promote the participation of New York State Business Enterprises and New York State Residents in Procurement Contracts. (PAL §§ 2879(3)(n)-(p)).

IV. PROCEDURES and STANDARD PROVISIONS

A. New York State Contract Reporter. All Procurements (other than joint purchases and contracts for health care services) of goods, services or public works having a Contract Value of Fifty Thousand Dollars ($50,000) or more shall be published in the New York State Contract Reporter (except as provided below).

1. Notice of Procurement. For all Procurement Contracts with a Contract value equal to or greater than $50,000 ECMCC will, prior to issuing an IFB or RFP, submit the following information to the New York State Contract Reporter website: (a) ECMCC's name and address; (b) the IFB or RFP number; (c) a brief description of the goods and/or services sought, the location where goods are to be delivered and/or services provided and the contract term; (d) the address where bids or proposals are to be submitted; (e) the due date for Bids or Proposals; (6) a description of any eligibility or qualification requirements or preferences; (7) a statement as to whether the contract requirements may be fulfilled by a subcontracting, joint venture or coproduction arrangement; (8) any other information deemed useful to potential contractors; (9) the name, address, and phone number of the person to be contacted for additional information and (10) a statement as to whether the goods and/or services sought have, in the immediately preceding three-year period, been supplied by a Foreign Business Enterprise (as defined in EDL § 141(2)). The notice of Procurement opportunity shall appear in the NYSCR at least fifteen (15) business days prior to the Bid or Proposal due date. (EDL § 142(2)(c)).

2. Notice of Contract Award. At the time a determination of intent to award a Procurement Contract is made, the following information shall be submitted for publication in NYSCR:

   (a) For Procurement Contracts obtained through IFB, the result of the Bid opening including the names of bidding firms and the amounts bid by each;

   (b) For Procurement Contracts obtained through RFP or quote solicitation, the names of vendors submitting

Proposals or quotes and the vendor submitting the selected Best Value Proposal or quote.

(c) For all other Procurement Contracts (including Procurement Contracts with a value of $50,000 or more awarded on a sole source or single source basis, including such Contracts not exceeding $200,000 awarded to Small Businesses or M/WBE firms, or for the purchase of goods and/or technology that are recycled or remanufactured, and certain other Procurement Contracts exempt from the general advertising requirement for procurement contract bidding opportunities), the name of the proposed awardee. (EDL §§ 143(2)-(3)).

3. Exemptions. This Section IV.A shall not apply (a) in the event of an Emergency Procurement,_(b) if the Procurement is being resolicited within forty-five (45) business days after the date Bids or Proposals were originally due, or (c) to Procurement Contracts awarded to not-for-profit human services providers. (EDL § 144).

B. Cancellation of Invitation for Bid or Request for Proposal.

An IFB, RFP or other solicitation may be canceled, or any or all Bids or Proposals may be rejected in whole or in part as may be specified in the solicitation or otherwise, when it is in the best interest of ECMCC. The reasons for the cancellation or rejection shall be made part of the Procurement Record. (GML § 103(1)).

C. Responsibility of Bidders and Respondents.

1. Standards. Factors to be considered in determining whether the standard of "responsibility" has been met include whether a prospective contractor has:

   (a) Available the appropriate financial, material, equipment, facility and/or personnel resources and expertise, or the ability to obtain them, necessary to indicate its ability to meet all contractual requirements;
   (b) A satisfactory record of performance with projects of a similar size and nature;
   (c) A satisfactory record of integrity;
   (d) Qualified legally to contract with ECMCC; and
   (e) Promptly supplied all necessary information in connection with the inquiry concerning responsibility.

2. Written Determination of Non-Responsibility or Nonresponsiveness Required. If a bidder or offeror who otherwise would have been awarded a contract is found non-responsible or nonresponsive, ECMCC shall issue a written determination of non-responsibility or nonresponsiveness setting forth the basis of the finding.

D. Compliance with Procurement Lobbying Law. In accordance with ECMCC's Procurement Disclosure Policy, bidders and offerors are required to disclose prior violations of the Procurement Lobbying Law and certify compliance with ECMCC's

Procurement Disclosure Policy. ECMCC shall investigate any report of violation of the Procurement Disclosure Policy. Failure to comply with the Procurement Disclosure Policy may result in the disqualification of a Contractor from future Procurement opportunities.

E. **Vendor Preparation of Technology Specifications**. If a vendor prepares and furnishes specifications for a technology Procurement proposal, to be used in a competitive Procurement, such vendor shall not be permitted to bid or propose on such Procurement, either as a prime vendor or as a subcontractor. Contracts for evaluation of offers for products or services shall not be awarded to a vendor that would then evaluate its own offers for products or services. Such restrictions shall not apply where:

1. The vendor is the sole source or single source of the product or service;

2. More than one vendor has been involved in preparing the specifications for a Procurement proposal; or

3. A vendor has furnished at ECMCC's request specifications or information regarding a product or service they provide, but such vendor has not been directly requested to write specifications for such product or service or an ECMCC technology procurement proposal.

F. **Contract Provisions.**

1. All Contracts for Personal Services shall detail the scope of services to be performed and the time frame for performance, the monitoring or reviewing of that performance by ECMCC personnel and, where appropriate, any permitted use of supplies, facilities or personnel. Such contracts also shall state the compensation for the services, the timing of payment, the preconditions for receiving payment from ECMCC, procedures for termination of the contract and any other provisions counsel deems necessary or appropriate for each particular contract. If the performance of any contract permits or requires the use of subcontractors, the Contract shall require the Contractor to act affirmatively to secure such participation by M/WBEs and to report the nature and extent of such efforts to ECMCC in accordance with predetermined ECMCC participation goals.

2. All Contracts awarded through one of the competitive Bid processes also must include the following non-collusive bidding certification language:

   (a) By submission of this bid, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that to the best of knowledge and belief:

      - The prices in this bid have been arrived at independently without collusion, consultation, communication, or agreement, for the purpose of restricting competition, as to any matter relating to such prices with any other bidder or with any competitor;

      - Unless otherwise required by law, the prices which have been quoted in this bid have not been knowingly disclosed by the bidder and will not knowingly be disclosed by the bidder prior to opening, directly or indirectly, to any other bidder or to any competitor; and

- Unless otherwise required by law, the prices which have been quoted in this bid have not been knowingly disclosed by the bidder and will not knowingly be disclosed by the bidder prior to opening, directly or indirectly, to any other bidder or to any competitor; and

- No attempt has been made or will be made by the bidder to induce any other person, partnership or corporation to submit or not to submit a bid for the purpose of restricting competition.

G. Contract Review and Approval.

1. General Counsel. All contracts and amendments to contracts must be reviewed and approved by ECMCC's General Counsel, with the exception of renewals or extensions to existing contracts upon the same terms and conditions previously reviewed and approved by the General Counsel. General Counsel may designate an attorney member of the Office of General Counsel to perform review in any particular instance.

2. Board Approval of Non-Budgeted Contracts. Any Contract with a Contract Value in excess of $500,000 that does not appear in the budget must be approved by the Board of Directors.

3. Board Approval and Annual Review of Certain Contracts for Services. Any Procurement Contract for services with an actual or anticipated term of more than one (1) year must be approved by and annually reviewed by the Board of Directors. (PAL § 2879).

4. Signing Authority. The CEO, CFO and President are the only persons authorized to sign Contracts on behalf of ECMCC.

H. ECMCC Reserved Rights. The following statement of reserved rights may be incorporated in all RFPs and IFBs.

ECMCC reserves the right to:

1. Reject any and all proposals submitted in response to this Request for Proposals or Invitation for Bids;

2. Disqualify any respondent whose conduct or proposal fails to conform to the requirements of this RFP/IFB;

3. Withdraw this RFP/IFB at any time at its sole discretion;

4. Prior to submission of proposals to amend the RFP/IFB specifications to correct errors or oversights, or to supply additional information as it becomes available;

5. Change any of the scheduled dates;

6. Waive any requirements that are not material;

7. Waive any non-conformity with the requirements of this RFP/IFB;

8. Terminate this RFP/IFB process at any time;

9. Seek clarification from a respondent at any time throughout the RFP/IFB process for the purpose of resolving ambiguities or questioning information presented in proposals;

10. Award the contract in whole or in part and/or apportion the award among one or more respondents;

11. Negotiate final terms with the successful respondent(s);

12. Conduct contract negotiations with the next responsible bidder, should ECMCC be unsuccessful in negotiating with the selected bidder; and

13. Prepare a list of finalists based on initial proposal evaluations and request that finalists present in-person or telecommunicated presentations to ECMCC.

V. BOND REQUIREMENT

A. Bid Security.

1. Requirement for Bid Security on Construction Contracts. Bid security shall be required for Contracts involving the construction of a Medical Building when the cost is estimated to exceed $500,000. Bid security shall be in the form of a bond from the Project Developer or the Project Developer's construction subcontractor guaranteeing prompt payment when due to all persons furnishing labor and materials. Such bond shall be provided by a surety company authorized to do business in New York, or the equivalent in cash or otherwise supplied in a form satisfactory to ECMCC. Nothing herein prevents the requirement of such bonds on other construction Contracts or Contracts valued under $500,000 when the circumstances warrant. (PAL § 3628(11))

2. Bid Security on Supply or Services Contracts. Bid security may be required for supply or service contracts, as ECMCC deems necessary to protect ECMCC's interests. Any security requirements shall be set forth in the solicitation. Bid security shall be a bond provided by a surety company authorized to do business in New York or the equivalent in cash or otherwise supplied in a form satisfactory to ECMCC. Bid security shall not be used as a substitute for a determination of a bidder or offeror's responsibility.

3. Rejection of Solicitations for Noncompliance with Bid Security Requirements. When the solicitation requires security, noncompliance requires that the Bid or Proposal be rejected unless otherwise waived by ECMCC pursuant to these Guidelines. (PAL § 3628(11)).

B. Other Forms of Security on Construction Contracts.

ECMCC may require other forms of security to assure timely, faithful and uninterrupted performance, including, but not limited to, operations period surety bonds, letters of credit, and appropriate written guarantees from the Contractor.

VI. ETHICS

A. Definitions.

1. Direct and Indirect Participation. Involvement through decision, approval, disapproval, recommendation, preparation of any part of a purchase request, influencing the content of any specification or Procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity.

2. Employee. Any individual drawing a salary from ECMCC or any non-compensated individual performing services for ECMCC.

3. Relative. An individual residing in the same household as the ECMCC employee and any individual who is a direct descendent of the employee's grandparents or the spouse of such descendent.

B. Conflict of Interest.

1. Conflict of Interest. It shall be a breach of ethical standards for any employee to participate directly or indirectly in a Procurement when the employee knows that:
   (a) The employee or a relative of the employee has a financial interest pertaining to the Procurement;
   (b) A business or organization in which the employee or relative is involved has a financial interest pertaining to the Procurement;
   (c) Any other person, business, or organization with whom the employee or relative is negotiating or has an arrangement concerning prospective employment is involved in the Procurement.

C. Kickbacks.

It shall be a breach of ethical standards for any payment, gratuity, or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor, higher tier subcontractor or any person associated therewith, or a relative of such contractors or subcontractors, as an inducement for the award of a subcontract or order.

D. Procurement Disclosure Policy.

ECMCC, its officers, agents and representatives shall comply with State Finance Law Sections 139-j and 139-k and ECMCC's Procurement Disclosure Policy with respect to all Procurements with an estimated annualized expenditure of $15,000.

VII. MINORITY AND WOMEN BUSINESS ENTERPRISE ("M/WBE") REQUIREMENTS.

A. **Scope**. All Procurement Contracts entered into by ECMCC exceeding $25,000 for labor, services, supplies, equipment, or materials or exceeding $100,000 for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements, must comply with the M/WBE requirements set forth in New York State Executive Law Article 15-A, as well as 5 NYCRR Parts 142-144 ("M/WBE Regulations") ("State Contracts"). With respect to procurement of services and commodities, ECMCC shall consider the reasonably expected aggregate amount of all purchases of the same commodities or services to be made within a twelve (12) month period commencing on the date of purchase when determining whether these requirements apply. Aggregate purchases of the same commodities or services within a twelve (12) month period are deemed a single transaction.

B. **M/WBE Goal Plan.**

1. Annually, ECMCC shall submit to the director of the NYS Department of Economic Development, Division of Minority and Women's Business Development (the "Division"), an M/WBE Goal Plan setting forth the percentage of ECMCC expenditures targeted for the participation of M/WBEs in the following State Contract categories:

   - Construction;
   - Commodities;
   - Construction related professional services; and
   - Non-construction related professional and non-professional services.

2. Establishment of Goals. ECMCC shall review all State Contracts and establish overall goals for each contract as well as goals for specific MBE and WBE participation, as required by 5 NYCRR 142.2. Generally, ECMCC is committed to achieving an overall M/WBE utilization percentage of thirty percent (30%) of ECMCC's Agency Budget, which percentage goal may be amended from time to time as set forth in the M/WBE Goal Plan (the "M/WBE Goal"). This goal is generally subdivided into twenty percent (20%) MBE and ten percent (10%) WBE participation, but may be reduced or increased on an individual basis at ECMCC's discretion.

3. Exempt and Excluded Expenditures. The M/WBE Goal Plan includes a list of "Exempt" and "Excluded" expenditures, which expenditures are not included in ECMCC's agency budget. Such exemptions and exclusions shall include those otherwise described within these Guidelines, but may also include other areas that ECMCC determines insufficient M/WBE utilization is available.

4. State Contract Goals. Each IFB, RFP, and proposed contract that is expected to result in a State Contract (other than an exempt or excluded State Contract) shall set forth the M/WBE Goal for the State Contract.

Individual goals may be set for each State Contract, taking into consideration the factors set forth in 5 NYCRR 141.2(e). Each IFB and RFP shall include detailed instructions on M/WBE compliance and requirements to be met in responding the IFB or RFP.

C. **ECMCC's Good Faith Efforts**. For all procurements anticipated to result in a State Contract (other than an exempt or excluded State Contract), ECMCC shall employ good faith efforts to achieve M/WBE participation in accordance with 5 NYCRR 141.6, including, but not limited to, the following notice of solicitation strategies:

1. NYS Contract Reporter. With respect to all procurements expected to result in a State Contract exceeding $50,000, such procurements shall be advertised in the New York State Contract Reporter.

2. Direct Solicitation of M/WBEs. Notice of the solicitation (by email or letter) shall be sent by ECMCC's Department of Purchasing directly to certified M/WBEs that have been identified by ECMCC as M/WBE vendors qualified to provide the service or commodity.

3. Other Media. Advertisements for RFPs, IFBs and other solicitations anticipated to result in a State Contract will also be placed in minority and women-focused media as appropriate.

D. **Documentation of Good Faith Efforts.** ECMCC shall document its Good Faith Efforts by including in the procurement record: (1) documentation showing M/WBE vendors, organizations and associations that were solicited and/or copies of advertisements placed in general circulation media, trade association, publications and/or minority-focused media, and (2) all bids, quotes, proposals or other responses received from M/WBE vendors.

E. **Contractor's Good Faith Efforts.** When an opportunity for subcontracting or indirect expenditure with an M/WBE firm exists on a State Contract, ECMCC shall ensure that prime vendors employ a good faith effort to utilize M/WBE subcontractors as required under 5 NYCRR 142.8. In determining whether a Contractor has made good faith efforts to utilize M/WBE subcontractors, ECMCC shall consider, at a minimum, whether the Contractor has undertaken the following efforts:

1. Solicit certified M/WBEs and provide copies of solicitations and responses thereto upon ECMCC's request;

2. Advertise for participation of M/WBEs in in appropriate general circulation, trade and minority- or women-oriented publications, and provide copies of the listing(s) and date(s) of the publication to ECMCC upon request; and

3. Undertake steps to reasonably structure the contract scope of work for the purpose of subcontracting with, or obtaining supplies from, certified M/WBEs.

F. Joint Ventures and Teaming Agreements.

Where a State Contract does not afford opportunities for subcontracting or subconsulting, potential contractors shall be encouraged to enter into joint ventures and teaming agreements with M/WBEs.

1. Joint Venture. A contractual agreement joining together two or more business enterprises, one of which is a certified M/WBE, for the purpose of performing on a State Contract. The M/WBE must provide a percentage of value added services representing an equitable interest in the joint venture. All parties to the joint venture must agree to share in the profits and losses of the business endeavor according to their percentage of equitable interest.

2. Teaming Agreement. A utilization plan arrangement between two or more business enterprises, one of which is a certified M/WBE, to perform on a specific State Contract if awarded to the team. The team itself may be a joint venture, or one of the team members may be designated to act as the prime contractor, and the other member(s) designated to act as subcontractors.

3. Information Required**.** In the event that a contractor responding to a solicitation is a joint venture, teaming agreement, or other similar arrangement that includes a certified M/WBE, such a contractor must submit the M/WBEs identifying information, including federal identification number and copy of certification, as well as a copy of the joint venture or teaming agreement.

G. M/WBE Utilization.

1. M/WBE Utilization Plan. With respect to procurements that are anticipated to result in the execution of a State Contract, ECMCC shall include a blank M/WBE Utilization Plan with any IFB, RFP, or proposed contract (where the contract is exempt from competition requirements set forth in GML § 103).

2. Review of Utilization Plan. ECMCC shall review and approve all M/WBE documentation (Utilization Plan, Staffing Plan, etc.), or otherwise notify the potential contractor of disapproval or deficiency of the documentation within twenty (20) business days of submission, as required by 5 NYCRR §142.4. If the Utilization Plan is not approved, the M/WBE Program Coordinator will provide the contractor with a written notice of deficiency of the Utilization Plan within twenty (20) business days of its receipt, as required under 5 NYCRR Part 142.6(c). The potential contractor must respond to the notice of deficiency by submitting to the M/WBE Compliance Coordinator a written remedy within the period of time set forth in the bid or RFP documents, as permitted by 5 NYCRR Part 142.6(e). If the written remedy submitted is found to be inadequate, the M/WBE Compliance Coordinator will notify the contractor and may request the contractor to submit a request for a waiver. If a contractor is deemed non-responsive or non-responsible by ECMCC in accordance with Section any request for waiver shall be deemed to be moot (5 NYCRR Part 142.7(a) (1) (b)).

3. Determination of Non-Responsiveness. ECMCC may disqualify a potential contractor as non-responsive (5 NYCRR §142.6(f)) to the requirements of NYS Executive Law Article 15-A upon the occurrence of any of the following:

   (i) Contractor fails to submit a M/WBE Utilization Plan in accordance with the requirements of this Policy or apply for a waiver;
   (ii) Contractor fails to submit a written remedy in response to a notice of Utilization Plan deficiency in accordance with this Policy;
   (iii) Contractor fails to submit a request for waiver upon request by ECMCC;
   (iv) Denial of a request for waiver by the M/WBE Compliance Coordinator or the Division; or
   (v) M/WBE Compliance Coordinator determines that the contractor has failed to perform good faith efforts.

H. **Self-Performance.** Contractors that are NYS certified M/WBEs and will self-perform all or a portion of a State Contract may count the value of the self-performed work as either MBE or WBE involvement up to the dollar value of such involvement. Contractor must also engage participation from another MBE or WBE firm of the opposite designation in order to meet the requirements of ECMCC's M/WBE Program. Example: On a contract for supplies with a 30% M/WBE goal (15% MBE and 15% WBE), ABC Company is a WBE and intends to self-perform 20% of the contract work. Company ABC may count 20% of the contract value as WBE utilization performed by Company ABC. Company ABC must still engage at least one NYS certified MBE as a subcontractor or supplier to perform at least 15% of the contract work in order to meet the M/WBE requirements of the contract.

I. **Commercially Useful Function.** In accordance with 5 NYCRR 140.1(f), only sums paid to M/WBEs for the performance of a commercially useful function may be applied towards the achievement of the applicable M/WBE participation goal. An M/WBE performs a commercially useful function when it is responsible for execution of the work of the contract and is carrying out its responsibilities by actually performing, managing, and supervising the work involved. An M/WBE does not perform a commercially useful function if its role adds no substantive value and is limited to that of an extra participant in a transaction, contract, or project through which funds are passed in order to obtain the appearance of participation.

J. **Contractor Reporting.** The State Contract shall require contractor to submit monthly M/WBE utilization reports throughout the term of the Contract.

K. **Non-Compliance.** Contractors who fail to comply with the utilization percentages set forth in their approved Utilization Plan shall be subject disqualification, liquidated damages, termination of the State Contract, or other enforcement as set forth in the Contract.

L. **Waivers.** If a contractor or potential contractor, after engaging in good faith efforts as described within the M/WBE Regulations, is unable to achieve the M/WBE goals applicable to the RFP, IFB, or State Contract, ECMCC may permit the contractor to request a total or partial waiver of the M/WBE goals by submitting a request for waiver accompanied by documentation of good faith efforts. Within seven (7) business days of submission, ECMCC will determine in its discretion whether the request should be approved, denied, or whether additional action should be taken by the contractor to reach the applicable goal. Contractors are responsible for preparation of all Requests for Waiver and supporting documentation, and waiver requests that do not contain sufficient documentation of Good Faith Efforts should not be approved.

M. **M/WBE Discretionary Purchases.** Consistent with New York Public Authorities Law Section 2879, where goods or services are available from certified M/WBEs, procurements may be made by ECMCC in amounts not exceeding $200,000 without competitive bidding, in accordance with the March 31, 2015 resolution of the ECMCC Board of Directors (each a "Discretionary M/WBE Procurement"). ECMCC must document in the procurement record support for both the reasonableness of the price and the selection of the M/WBE vendor. Any contracts entered into as Discretionary M/WBE Procurements must include language providing for the termination of the agreement should the M/WBE lose its state certification.

1. <u>Solicitation of discretionary quotes</u>. When making a Discretionary Procurement, ECMCC may solicit quotes from multiple M/WBE vendors ("M/WBE Mini-Bid"). Generally, the Discretionary M/WBE Procurement should be awarded to the responsible M/WBE vendor submitting the lowest price.

2. <u>Advertisement of Discretionary M/WBE Procurements.</u>

   Advertising requirements under NYS Economic Development Law still apply to Discretionary M/WBE Procurements. The language that should be used for advertisement of a Discretionary M/WBE Procurement is as follows for M/WBE Mini-Bids (as described below):

   "ECMCC intends to procure [insert project description, i.e. 1,000 widgets] *pursuant to its discretionary purchasing authority under New York Public Authorities Law section 2879. This procurement opportunity is limited to New York State businesses certified pursuant to Article 15-A of the New York State Executive Law."*

   If this is <u>not</u> intended as an M/WBE Mini-Bid, the following language shall be used:

   "ECMCC intends to procure [insert project description, e.g. 1,000 widgets] *as a discretionary spend pursuant to its purchasing authority under New York Public Authorities Law section 2879. ECMCC will procure these services or goods from a New York State businesses certified pursuant to Article 15-A of the New York State Executive Law. This is not a bid opportunity. Please do not contact ECMCC requesting bid information."*

3. <u>Negotiation of Procurement Price</u>. When an M/WBE submits a quote for a commodity or service in a Discretionary M/WBE Procurement (not exceeding $200,000) and the quote is deemed high, ECMCC should engage in direct negotiation with the M/WBE vendor in an attempt to reach

reasonableness of price. This step is not permitted for a competitive procurement.

4. Reasonableness of Price. ECMCC must document in the procurement record the “reasonableness of price” for any Discretionary M/WBE Procurement. Generally, reasonableness of price can be determined by: (1) Comparing the quoted price with the price for the same or similar services purchased within the last six months; (2) Comparing the price with other quoted prices; (3) Comparing the quoted price with prices in various procurement publications; (4) Reviewing the type of work that was previously accepted by ECMCC at a similar price; or (5) Comparing the price of the product or service with the current market value of the same product or service.

5. Justification for the Selection of M/WBE Vendor. ECMCC must document justification for the selection of the M/WBE vendor in the procurement record. Selection may be supported by: (1) demonstrating reasonableness of cost; (2) showing enhanced or best value provided by the vendor; (3) (if applicable) noting the vendor is a NYS small business; and (4) identifying the vendor as an M/WBE (this cannot be the sole justification).

N. Consideration of Diversity Practices.

1. Generally. ECMCC may consider potential contractors’ “Diversity Practices” in awarding contracts in excess of $250,000 that are not subject to formal competitive bidding, and are awarded on the basis of best value. With respect to such contracts awarded through the RFP process and anticipated to be in excess of $250,000, prior to issuing the RFP, ECMCC shall determine whether it is practical, feasible and appropriate to include Diversity Practices in the evaluation. If ECMCC makes a determination that the evaluation of Diversity Practices is not practicable, feasible, or appropriate for service contracts, such determination shall be supported in writing in the procurement record.

2. Diversity Practices. A contractor's “diversity practices” are its past, present, and prospective practices and policies with respect to: (a) utilizing certified M/WBEs in contracts awarded by New York State agencies, other public entities or private sector companies, as subcontractors and suppliers; and (b) entering into partnerships, joint ventures or other similar arrangements with certified M/WBEs as defined in this part or other applicable federal, state, or local statutes or regulations, or certified by the certifying entities recognized by the Division governing an entity's utilization of minority or women-owned business enterprises, and (c) any other information requested by that demonstrates the contractor's commitment to a policy of diversity practices related to M/WBEs.

3. Determination of Practicality or Feasibility. A determination by ECMCC as to whether it is practical, feasible and appropriate to assess the diversity practices of all prime contractors making such submissions shall include consideration of the: (1) nature of the labor, services, supplies, equipment and materials being procured; (2) method of procurement undertaken to make the award; (3) certified M/WBE utilization plans required by ECMCC;

and (4) availability of certified M/WBEs in the region in which the contract is to be performed.

4. Diversity Practice Submissions. Where ECMCC determines with respect to a particular contract that Diversity Practices will be considered in awarding the Contract, ECMCC shall require all potential contractors to complete and submit a Diversity Questionnaire and shall consider the potential contractors' Diversity Practices as a factor in making a determination regarding contract award.

ERIE COUNTY MEDICAL CENTER CORPORATION

DISPOSAL OF PROPERTY GUIDELINES

Revised
MARCH 28, 2017

TABLE OF CONTENTS

ERIE COUNTY MEDICAL CENTER CORPORATION

DISPOSAL OF PROPERTY GUIDELINES

I. STATEMENT OF PURPOSE

These Guidelines are adopted pursuant to the provisions Article 9, Title 5-A "Disposal of Property by Public Authorities" of the Public Authorities Law of the State of New York. These Guidelines set forth Erie County Medical Center Corporation's ["ECMCC's"] operative policy and instructions regarding the use, awarding, monitoring and reporting of contracts for the disposal of property, and the designation of a Contracting Officer (hereinafter defined) who shall be responsible for ECMCC's compliance with, and enforcement of, the Guidelines.

These Guidelines shall be consistent with ECMCC's procurement contract guidelines, Article 10-C of the Public Authorities Law of the State of New York [the "ECMCC Act"], Article 5-A of the General Municipal Law, New York Public Authorities Law Article 9, Title 5-A and other applicable law for the disposition of property.

II. DEFINITION OF TERMS

For purposes of these Guidelines, the following terms shall have the following meanings:

a. "Contracting Officer" means the ECMCC employee as appointed by resolution of the ECMCC Board of Directors to be responsible for the disposition of property.

b. "Dispose" or "disposal" means transfer of title or any other beneficial interest in personal or real property in accordance with these Guidelines.

c. "ECMCC" shall mean Erie County Medical Center Corporation.

d. "ECMCC Act" means Article 10-C of the New York Public Authorities Law.

e. "Property" shall mean personal property in excess of five thousand dollars in value, real property, and any inchoate or other interest in such property, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party.

III. ANNUAL REVIEW, APPROVAL AND DISTRIBUTION

The Board of Directors shall annually review and approve these Guidelines, and any amendments thereto, by no later than March 31st each year. On or before March 31st each year, the Contracting Officer shall 1) file with the New York Office of the State Comptroller a copy of these Guidelines, as most recently approved by the Board of Directors, and 2) post on the ECMCC website a copy of these Guidelines, as most recently approved by the Board of Directors. A copy of the then-current Disposal of Property Guidelines shall be continuously maintained on the ECMCC website.

IV. CONTRACTING OFFICER'S RESPONSIBILITIES

Section 1. Administration. The ECMCC Contracting Officer shall be responsible for implementing these Guidelines and enforcing ECMCC's compliance therewith. In addition to the foregoing, the Contracting Officer shall be the person responsible for performing the following duties on behalf of ECMCC:

a. maintain adequate inventory controls and accountability systems for all property under ECMCC's control;

b. periodically inventory such property to determine which property shall be disposed of;

c. produce a written report of such property in accordance with the requirements set forth below; and

d. transfer or dispose of such property as promptly as possible in accordance with the procedures set forth below.

Section 2. Publication. In addition to his/her responsibilities under Article II above, the Contracting Officer shall publish, not less frequently than annually, a report listing all ECMCC property. Such report shall consist of a list and full description of all real and personal property disposed of during such period. The report shall contain the price received by ECMCC and the name of the purchaser for all such property sold by ECMCC during such period. The Contracting Officer shall deliver copies of such report to the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the New York State Legislature.

Section 3. Reporting. The Contracting Officer shall report to the ECMCC Chief Financial Officer and shall provide such reports at such times and in such manner as may be requested by the Chief Financial Officer or the finance committee of the Board of Directors.

V. DISPOSAL OF PROPERTY

Section 1. Supervision and Direction. Except as otherwise provided herein, the Contracting Officer shall have supervision and direction over the disposition of ECMCC property.

Section 2. Custody and Control. The custody and control of the property of ECMCC, pending its disposition, and the disposal of such property, shall be performed by ECMCC or by the Commissioner of General Services when so authorized under New York Public Authorities Law Article 9, Title 5-A and these Guidelines.

Section 3. Method of Disposition. Except as otherwise provided herein, ECMCC may dispose of property for not less than the fair market value of such property by sale, exchange, or transfer, for cash, credit, or other property, with or without warranty, and upon such other terms and conditions as the Contracting Officer deems proper, and it may execute such documents for the transfer of title or other interest in property and take such other action as it deems necessary or proper to dispose of such property under the provisions of these Guidelines. Any property, including any interest therein, which because of its unique nature is not subject to fair market pricing, shall be disposed of only after an appraisal of the value of such property has been made by an independent appraiser and such appraisal is included in the record of the transaction. In engaging an appraiser, the Contracting Officer shall comply with ECMCC's procurement contract guidelines.

Section 4. Sales by the Commissioner of General Services. When it shall be deemed advantageous to the State of New York, ECMCC may enter into an agreement with the Commissioner of General Services where he/she may dispose of ECMCC property under terms and conditions agreed to by ECMCC and the Commissioner of General Services. In disposing of any such property, the Commissioner of General Services shall be bound by the terms of New York Public Authorities Law Article 9, Title 5-A and in such instances, references therein to the contracting officer shall be deemed to refer to such commissioner.

Section 5. Validity of Instruments. A deed, bill of sale, lease, or other instrument executed by or on behalf of ECMCC, purporting to transfer title or any other interest in property of ECMCC under these Guidelines shall be conclusive evidence of compliance with the provisions of New York Public Authorities Law Article 9, Title 5-A concerning title or other interest of any bona fide grantee or transferee.

Section 6. Bids for Disposal.

Except as provided in Section 7 below, all disposals, or contracts for disposal, of property shall be made after publicly advertising for bids as follows:

a. the Contracting Officer shall advertise for bids prior to disposal or contract for disposal of property by publishing notice thereof in at least one newspaper of general circulation, and the Contracting Officer shall have the discretion to advertise for bids through such additional methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the property;

b. all bids shall be publicly disclosed at the time and place stated in the advertisement; and

c. the award shall be made with reasonable promptness by written notice from the Contracting Officer to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the state and ECMCC, price and other factors considered; provided, that all bids may be rejected when it is in the public interest to do so.

Section 7. Disposal by Negotiation; Explanatory Statement.

a. Disposals and contracts for disposal of property may be negotiated or made by public auction without regard to Section 6 above, but subject to obtaining such competition as is feasible under the circumstances, if, in the opinion of the Contracting Officer:

1) the personal property involved is of a nature and quantity which, if disposed of under Section 6 above, would aversely affect the state or local market for such property, and the estimated fair market value of such property and other satisfactory terms of disposal can be obtained by negotiation;

2) the fair market value of the property does not exceed fifteen thousand dollars;

3) bid prices after advertising therefor are not reasonable, either as to all or some part of the property, or have not been independently arrived at in open competition;

4) the disposal will be to the state or any political subdivision, and the estimated fair market value of the property and other satisfactory terms of disposal are obtained by negotiation;

5) the disposal is for an amount less than the estimated fair market value of the property, the terms of such disposal are obtained by public auction or negotiation, the disposal of the property is intended to further the public health, safety or welfare or an economic development interest of the state or a political subdivision (to include but not limited to, the prevention or remediation of a substantial threat to public health or safety, the creation or retention of a substantial number of job opportunities, or the creation or retention of a substantial source of revenues, or where the ECMMC Act permits), the purpose and the terms of such disposal are documented in writing by the Contracting Officer and approved by resolution of the ECMCC Board of Directors; or

6) such action is otherwise authorized by applicable law.

b. The Contracting Officer shall prepare an explanatory statement describing the circumstances of each disposal by negotiation of any of the following:

1) any personal property which has an estimated fair market value in excess of fifteen thousand dollars;

2) any real property that has an estimated fair market value in excess of one hundred thousand dollars, except that any real property disposed of by lease or exchange shall only be subject to paragraphs 3 and 4 of this subparagraph;

3) any real property disposed of by lease for a term of five years or less, if the estimated fair annual rent is in excess of one hundred thousand dollars for any of such years;

4) any real property disposed of by lease for a term of more than five years, if the total estimated rent over the term of the lease is in excess of one hundred thousand dollars; or

5) any real property or real and related personal property disposed of by exchange, regardless of value, or any property, any part of the consideration for which is real property.

Each such statement shall be transmitted to the State Comptroller, the Director of the Budget, the Commissioner of General Services, and the New York State Legislature not less than ninety days in advance of such disposal, and a copy thereof shall be preserved in the files of ECMCC.

Resolution Receiving and Filing the
Annual Audit Performed by RSM US LLP

Approved March 26, 2019

WHEREAS, under section 3642 of the Public Authorities Law, Erie County Medical Center Corporation (the "Corporation") is obligated to have an annual audit performed by an independent certified public accountant; and

WHEREAS, the Corporation has engaged RSM US LLP to perform an annual audit of the Corporation's books, records, and accounts, among other things, for the period ending December 31, 2018; and

WHEREAS, the audit report has been reviewed by the Audit & Compliance Committee of the Corporation's Board of Directors and said committee has recommended that the Corporation's annual audit report be received and filed.

NOW, THEREFORE, the Board of Directors resolves as follows:

1. The 2018 Annual Audit performed by RSM US LLP is hereby received and filed and the Corporation's management is directed to distribute the report in accordance with law.

2. This resolution shall take effect immediately.

Michael A. Badger
Corporation Secretary

Erie County Medical Center Corporation

(A Component Unit of the County of Erie)

Financial Report
December 31, 2018

Contents

RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Erie County Medical Center Corporation

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Erie County Medical Center Corporation (the “Corporation”), a component unit of the County of Erie, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of ECMC Foundation, Inc., The Grider Initiative, Inc., and Research for Health in Erie County, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of Erie County Medical Center Corporation as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As disclosed in Note 10 to the financial statements, the Corporation restated net position at January 1, 2018 by $284,568,043. The restatement was required to be made for the implementation of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is applied retroactively by restating beginning net position. Our opinion is not modified with respect to this matter.

Other Matter
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-11 as well as the required supplementary information data on pages 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

RSM US LLP

March 14, 2019

Management's Discussion and Analysis

The Corporation is considered a discrete component unit of the County of Erie, New York with its mission to provide every patient the highest quality of care delivered with compassion. The Corporation fully embraces and is proud to serve as the safety net provider for supporting persons in need who lack the ability to pay for the greater western region of New York State.

To assist the reader in understanding the operations of the Corporation, this required annual report has been organized into three parts that should be read together:

- Management's discussion and analysis
- Financial statements and notes to the financial statements and
- Supplemental schedules

Management has prepared this discussion and analysis providing an overview of the financial position and results of activities of Erie County Medical Center Corporation (the Corporation or ECMCC) as of and for the year ended December 31, 2018. The purpose of the discussion and analysis is to provide the reader with objective data to evaluate the Corporation. This narrative and the financial statements and footnotes, are the responsibility of the Corporation's management.

The financial statements (the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows) present financial information in a form similar to that used by other government hospitals and have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements of the Corporation include financial data of the Corporation's component units (i) ECMC Foundation, Inc. (ii) The Grider Initiative, Inc. and (iii) Research For Health in Erie County, Inc., however, Management's Discussion and Analysis focuses on the Corporation.

Introduction

During 2018, the Corporation was proud to celebrate its 100 year anniversary and the 5th anniversary of the opening of Terrace View, its long-term care facility. The Corporation also broke ground on a new Level 1 Trauma Center and Emergency Department, conducted a naming ceremony for its dialysis center and medical office building and began construction of its new lobby to be named for local philanthropists and long-time supporters of the Corporation. The culture and family of dedicated caregivers, support staff, leadership and a dedicated Board of Directors continue to advance the mission of the Corporation, its service to the greater Western New York area, and its ability to achieve these milestones. The Corporation is becoming the provider of choice in Western New York, as demonstrated by volume growth and other indicators discussed later in this narrative, by its continual focus on quality, patient satisfaction and physician engagement. In this context, we are proud to present the following discussion and analysis.

Operations Analysis

The Corporation completed calendar year 2018 providing another year of record levels of services to Western New York residents and, given its unique services, to many others beyond this region. Significant volumes of patient encounters (not expressed in thousands) are as follows:

	2013	2014	2015	2016	2017	2018	% Increase 2013 - 2018
Inpatients	16,316	17,789	18,378	18,839	19,260	20,555	26.0%
Surgeries	12,714	13,360	14,364	14,552	14,818	15,315	20.5%
Emergency	64,698	66,418	67,296	69,290	68,862	70,110	8.4%
Outpatients	253,781	295,676	305,737	316,691	314,927	321,661	26.7%
Dialysis	21,350	22,224	24,617	27,291	24,772	25,063	17.4%

The favorable growth reflects the trust that the Western New York community, our physicians and our employees placed in ECMCC and has translated into favorable financial results. Notable achievements in 2018 include:

- Verified Level 1 Trauma Center status from the American College of Surgeons
- Achieved National Committee for Quality Assurance (NCQA) Patient Centered Medical Home, Level 3, status.
- Centers for Medicare & Medicaid Services (CMS) 4-star designation for Terrace View.
- Commission on Accreditation of Rehabilitation Facilities (CARF) and American Association of Blood Banks (AABB) certifications/accreditation for rehabilitation and blood banks, respectively.
- A B rating by Leapfrog.
- Greater than 250 Nursing Daisy Award nominations, including 3 national nominations.
- Many community outreach activities including: mobile mammography coach, Let's Not Meet by Accident Program, and Opiate Addiction collaborative.
- Minority and Women Owned business participation rate of 31%.
- Consistent with ECMCC's goals of a high reliability organization and zero harm improvements were realized in fall prevention rates, hospital acquired infection rates, surgical site infection rates and re-admission rates.
- Conducted 14 different staff training programs with a total of 801 participants.
- Recruitment of 77 new physicians to the Medical Staff across 18 disciplines.
- Improvement in all CMS measured value based purchasing domains.
- Improvements in safe patient handling, resulting in a reduction of employee injury and workers' compensation claims.
- Established a dedicated Diversity and Inclusion Department in support of workforce development.

In addition to the favorable financial results and health care quality of the Corporation, the first-ever capital campaign to raise funds for a new Level 1 Adult Trauma Center and Emergency Department, saw continued growth in pledges, now exceeding $10,000. ECMC Foundation, Inc., the Corporation's principal fundraising entity completed another year with record levels of attendance at signature events including: The Springfest Gala, October breast cancer awareness month, its annual golf tournament and other events. Of particular note, employee participation in annual fundraising more than tripled from 2015 to 2018.

(Dollars in Thousands)

Operations Analysis (Continued)

Adoption of GASB 75 – Post-Employment Benefits Other Than Pensions (OPEB)

The Corporation adopted Governmental Accounts Standards Board (GASB) Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. The pronouncement replaced the requirements of GASB 45 and required the cumulative effect of the change on all prior periods to be recognized as a charge against net position, which amounted to $284,568. Further information related to this matter is discussed in Note 10 to the financial statements.

Financial Metric Analysis

The Corporation's total net position decreased in 2018 as a result of the adoption of GASB 75 referenced above and increased as a result of favorable key operating activities previously discussed, leading to favorable results from operations as further discussed below.

Comparative financial ratios for the Corporation to the 2017 (most recent publicly available audited data) average of NYS Public Benefit Corporation (PBC) hospitals are presented in the following table. The financial statements used for the calculation of the following ratios, where appropriate, have been reclassified to conform to the presentation used in the development of the benchmarks, consistent with GAAP for entities not subject to GASB standards.

	ECMCC			PBC Average
	2018	2017	2016	2017
Operating margin	0.6%	0.5%	0.3%	-5.2%
Operating cash flow margin	6.0%	6.2%	6.3%	0.7%
Debt service coverage	3.1	4.1	2.1	0.7
Days cash on hand	112.1	101.5	67.8	58.4
Days in accounts receivable	61.5	69.1	50.3	37.8
Average age of plant	14.1	12.8	11.8	18.0

The financial ratios reflect continuous improved results of operations and generally favorable performance compared to NYS Public Benefit Corporation Hospitals. Days cash on hand increased as a result of favorable operating performance, Care Restructuring Enhancement Pilot (CREPS) Program grant proceeds and the collection of both cyber insurance and third party reimbursement settlements from prior years. Days in accounts receivable decreased by 7.6 days (11%) due to a 5% growth in average daily revenue and resolution of aged accounts due to the April 2017 malware attack. Average age of plant increased by 1.3 years as a result of depreciation in excess of routine asset replacements due to a major focus on the construction projects noted above.

Summary Financial Statements with Analysis

Management is providing the following summary financial statements and variance analysis for certain financial statement lines where it believes the readers understanding of the financial statements is enhanced.

(Dollars in Thousands)

Statement of Net Position

Net position is categorized as follows:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by outstanding debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted: Result when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted: Represents the resources derived primarily from services rendered to patients and other operating revenues and not meeting the previously listed criteria. These resources are used for transactions related to the general healthcare and academic operations of the Corporation, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Condensed Statements of Net Position are as follows:

			2018-2017	
	2018	2017	$ Change	% Change
Assets				
Current assets, excluding assets whose use is limited	$ 232,303	$ 245,064	$ (12,761)	(5.2)
Assets whose use is limited	246,049	244,174	1,875	0.8
Capital assets, net	265,542	248,005	17,537	7.1
Other assets	26,854	32,141	(5,287)	(16.4)
Total assets	770,748	769,384	1,364	0.2
Deferred outflows of resources	107,080	87,081	19,999	23.0
Total assets and deferred outflows	$ 877,828	$ 856,465	$ 21,363	2.5
Liabilities				
Current liabilities	$ 202,986	$ 174,922	$ 28,064	16.0
Noncurrent liabilities	694,606	538,379	156,227	29.0
Total liabilities	897,592	713,301	184,291	25.8
Deferred inflows of resources	140,237	19,617	120,620	614.9
Net Position				
Net investment in capital assets	95,282	89,103	6,179	6.9
Restricted	62,017	35,746	26,271	73.5
Unrestricted	(317,300)	(1,302)	(315,998)	24,270.2
Total net position	(160,001)	123,547	(283,548)	(229.5)
Total liabilities, deferred inflows and net position	$ 877,828	$ 856,465	$ 21,363	2.5

Statement of Net Position (Continued)

Overall, total assets and deferred outflows of resources increased $21,363 from 2017 to 2018.

The following variances in total assets are noteworthy:

Total current assets, excluding the current portion of assets whose use is limited, decreased by $12,761 due to the following:

- Cash, cash equivalents and investments decreased by $2,044.
- Patient accounts receivable, net, decreased by $6,687 as a result of collection efforts associated with the April 2017 malware attack as further discussed later in this document. Increases in volumes noted earlier contributed to a 5.4% growth in average daily revenue and accounts receivable.
- Other receivables increased by $3,851 which is due to a $29,559 increase in Medicaid DSH and UPL program receivables offset by a $16,040 decrease of the CREPS Program grant receivable and $10,000 due to collection of proceeds from the cyber insurance claim accrued in 2017, $3,082 decrease in inventory, prepaid expenses, health insurance rebates and other receivables.

- Assets whose use is limited, including current portion, increased by a net of $1,875, which is due to an increase of $25,891 due to receipt of DSRIP grant funds offset by a $14,412 decrease from the use of proceeds from the 2018 financing for various construction and renovation projects and capitalized interest during construction, $1,703 due to decreased reserve account funding for actuarial liabilities, a $3,964 decrease in debt service reserve funds, and $3,930 decrease in collateral held for workers compensation claims.
- Capital assets, net, increased by $17,357 due to investments in new capital assets being greater than depreciation expense. Significant investments in capital assets are summarized in a following section.
- Other assets decreased by $5,287 largely as a result of decreases in investments in joint ventures.

Overall, total liabilities and deferred inflows increased $304,911 and net position decreased $283,548 from 2017.

The following variances in total liabilities are noteworthy:

Total current liabilities increased by $28,064 due to the following:

- Accounts payable and accrued salaries and benefits increased by $18,780 due to timing of payments, $5,255 of which was related to capital asset acquisitions.
- Other accrued liabilities increased by $10,386 largely as a result of an increase in payables to affiliated organizations.
- Unearned revenue increased by $13,508 due to receipt of CREPs grant funds.
- Estimated net third party liabilities decreased by $15,249 as a result of settlements on prior year payables.

- A decrease in the net pension liability was recognized in 2018 in the amount of $46,867 due to changes in actuarial assumptions made by and investment performance of the New York State and Local Retirement System (NYSLRS) further described in Note 9.
- The long-term portion of self-insured obligations decreased by $8,161 due to favorable claims expense and changes in actuarial estimates for self-insured retentions for malpractice and workers' compensation claims greater than payments made on those claims. The current portion of self-insured obligations is unchanged.

(Dollars in Thousands)

Statements of Net Position (Continued)

- The liability for OPEB increased by $228,253 due to the adoption of GASB 75 and changes to actuarial assumptions required by that standard, as further discussed in Note 10.
- Net position decreased by $284,568 due to the adoption of GASB 75 and increased by $1,020 due to favorable operations results and capital contributions.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position are as follows:

			2018-2017	
	2018	2017	$ Change	% Change
Net patient service revenue	$ 529,548	$ 506,842	$ 22,706	4.5
Disproportionate share revenue (DSH)	72,071	67,411	4,660	6.9
Delivery System Reform Incentive Payment (DSRIP) grants	22,339	27,286	(4,947)	(18.1)
Other operating revenue	37,074	45,834	(8,760)	(19.1)
Total operating revenues	661,032	647,373	13,659	2.1
Operating expenses:				
Payroll and employee benefits	331,069	344,784	(13,715)	(4.0)
Professional fees	89,801	76,552	13,249	17.3
Purchased services	59,088	53,352	5,736	10.8
Supplies	96,230	83,616	12,614	15.1
Other operating expenses	24,152	22,942	1,210	5.3
Delivery System Reform Incentive Payment (DSRIP) grant expenses	21,192	26,044	(4,852)	(18.6)
Depreciation and amortization	27,930	28,740	(810)	(2.8)
Total operating expenses	649,462	636,030	13,432	2.1
Operating income before interest expense	11,570	11,343	227	2.0
Interest expense	7,733	8,159	(426)	(5.2)
Operating income	3,837	3,184	653	20.5
Total net non-operating (expenses) revenue	(2,817)	1,860	(4,677)	251.5
Net income	1,020	5,044	(4,024)	(79.8)
Change in net position	1,020	5,044	(4,024)	79.8
Net position - beginning of year, as restated (Note 10)	(161,021)	118,503	(279,524)	(235.9)
Net position - end of year	$ (160,001)	$ 123,547	$ (283,548)	(229.5)

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Overall, operating revenues increased by $13,659 or 2.1% in 2018 with increases attributable to the following:

- Net patient service revenue increased $22,706, or 4.5% in 2018. Volumes increased across multiple lines of business, as presented in the table in the section entitled "Operations Analysis".
- DSH increased by $4,660 or 6.9%, in 2018 as a result of an increase in uncompensated care cost for services provided.
- Other operating revenue decreased by $8,760, or 19.1%, in 2018, principally as the result of $10,000 in insurance proceeds from the April 2017 malware attack being recognized in 2017, offset by an income of $2,400 in CREPs grant revenue and $1,960 in other grant or other operations revenues.

Operating expenses increased $13,432 or 2.1%, in 2018. Expense increases are attributable to the following:

- Payroll and employee benefit expenses have decreased by $13,715 or 4.0% as the net result of increases in staffing levels due to the aforementioned volume increases, increased payroll and other taxes as a result of that growth, wage increases associated with collective bargaining agreements, increased active employee and retiree health insurance expense offset by the impact of the adoption of GASB 75 on that expense, favorable investment performance by the New York State Retirement System, resulting in a decrease in pension expense and efforts to improve workers' compensation claims experience. Salaries and employee benefit expense decreased by 3.2% of total operating revenue, from 53.3% in 2017 to 50.1% of total operating revenue in 2018.
- Supply expenses have increased from 16.5% of net patient revenue to 18.2% of net patient revenue due to increases in pharmaceuticals and an increase in surgical volumes.

Capital Assets, Net

At December 31, 2018, the Corporation had capital assets, net of accumulated depreciation, of $265,542 compared to $248,005 at December 31, 2017, representing an increase of $17,537 or 7.1%.

The Corporation invested in the development of a new Level 1 Adult Trauma Center and Emergency Department, including its enabling projects ($19,674) and a new main lobby ($3,762). Construction of these projects began in 2017 and are scheduled to be completed in 2020. In addition, new pharmacy distribution system cabinets ($2,044), various mechanical, electrical, plumbing and elevator initiatives ($594), renovations to nursing units ($1,952), a new dental clinic ($771), and various facility infrastructure projects. Other additions to capital assets included other medical and non-medical equipment, software and furniture and fixtures.

Forward Looking Factors

Management has prepared the following forward looking factors to assist the reader in understanding the financial, economic and market factors impacting the Corporation.

Collective Bargaining Agreements

The Corporation operates under three collective bargaining agreements that cover substantially all employees. Corporation employees of the Civil Service Employee Association (CSEA) are covered by a contract negotiated in concert with Erie County, New York, which contains a sub-bargaining unit representing only Corporation employees. The agreement began in 2018 and runs through December 31, 2022. Registered Nurses (RNs) are covered under an agreement with the New York State Nurses Association (NYSNA). The current agreement was executed in September 2014 and expired on December 31, 2018. The renewal of this agreement is currently being negotiated. The Corporation's agreement with the American Federation of State, County and Municipal Employees (AFSCME), a contract negotiated in concert with the County of Erie, New York, and ratified with AFSCME employees in 2017 runs through December 31, 2022.

Transactions with the County of Erie

The Corporation is a component unit of the County of Erie, New York. The County has ongoing contractual and legal obligations to the Corporation and the Corporation has ongoing contractual and legal obligations to the County.

Health Reform Law

The status of Health Reform including the Health Reform Law continues to be debated through the date of this report, however the individual insurance mandate, a central tenant to the Health Reform Law was repealed as part of the Tax Reform Bill and signed into law in December 2017. The health care industry will continue to be subject to significant new statutory and regulatory requirements, and consequently, structural and operational challenges. In 2012, the U.S. Supreme Court altered certain aspects of the law. Certain other aspects of the law have been delayed through Executive Orders issued by the President of the United States.

Management of the Corporation is continually analyzing the various proposals being promulgated and the Health Reform Law to better understand its effect on current and projected operations, financial performance and financial condition. The Health Reform Law is complex and comprehensive, and includes a myriad of programs, initiatives and changes to existing programs, practices and laws.

Delivery System Reform Incentive Payment (DSRIP)

On April 14, 2014, Gov. Andrew M. Cuomo announced that New York finalized terms and conditions of an agreement with the U.S. government that will allow New York State to reinvest $8 billion in federal savings generated by Medicaid Redesign Team reforms. This program is known as the Delivery System Reform Incentive Payment (DSRIP) Program.

The Corporation was selected as one of the lead entities and has worked with others to form a Performing Provider System (PPS) to achieve the goals established in the waiver. As a result, the Corporation, and the PPS have been awarded a five (5) year grant which began April 1, 2015. Certain revenues and expenses associated with this effort, and the related receivables and payables, have been recognized in the financial statements.

The DSRIP program is designed to stabilize the state's healthcare safety-net system and to re-align the state's delivery system. The overarching goal of the DSRIP program is to help New York and its health care providers achieve the triple aim of improved population health, improved quality care, and controlled costs.

Reducing avoidable hospital admissions and avoidable emergency room visits by 25 percent over the next five years is the DSRIP program's ultimate objective. Secondarily, the DSRIP program is expected to preserve and transform New York's fragile healthcare safety net, ensuring all Medicaid beneficiaries have access to vital services.

Successful execution of DSRIP-funded projects requires community-focused plans where population health and healthcare costs are addressed by hospitals working with other healthcare organizations such as Federal Qualified Health Centers (FQHCs), physician practices, Health Homes (HHs), and Skilled Nursing Facilities (SNFs). The expectation is to achieve savings by reducing avoidable hospitalizations and Emergency Department visits, requiring hospitals to "restructure themselves," reducing beds, strengthening outpatient and primary-care, and improving alignment with post-acute care settings.

In Western New York, the first step in this process was to form a group of nearly 400 health care partners led by the Corporation and known as Millennium Collaborative Care (MCC). In December 2014, MCC submitted its application for DSRIP program funding to begin the process of reform. Through 2018, the Corporation and MCC have worked diligently to achieve the goals established for the first four years of the grant.

Care Restructuring Enhancement Pilot (CREPS) Program Grant

The Corporation was awarded a grant under the CREPS Program administered by the New York State Department of Health. The total award amount is approximately $97,260 over the period April 1, 2016 to March 31, 2020 in state fiscal year annual distribution amounts of $43,930, $30,010, $13,320, and $10,000, respectively. The Corporation is responsible for achieving certain goals of the CREPS Program in each year in order to qualify for the funding. The Corporation believes it has achieved all of the goals for years 1 and 2 and substantially all of the goals from year 3 of the program and has recognized related revenue in the amount of $25,750 and $23,330, in the 2018 and 2017 financial statements, respectively.

Contacting the Corporation's Financial Management

This financial report is designed to provide our community and creditors with a general overview of Erie County Medical Center Corporation's finances and to demonstrate the Corporation's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer, Erie County Medical Center Corporation, 462 Grider Street, Buffalo, New York 14215.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Net Position
December 31, 2018
(Dollars in Thousands)

Assets and Deferred Outflows	
Current assets:	
Cash and cash equivalents	$ 19,076
Investments	44,853
Assets whose use is limited	161,036
Patient accounts receivable, net	89,287
Other receivables	67,322
Supplies, prepaids and other	11,765
Total current assets	393,339
Assets whose use is limited	85,013
Capital assets, net	265,542
Other assets, net	26,854
	377,409
Total assets	770,748
Deferred outflows of resources:	
Pension	88,634
Other post employment benefits	892
Other	17,554
Total deferred outflows of resources	107,080
Total assets and deferred outflows of resources	$ 877,828
Liabilities, Deferred Inflows and Net Position	
Current liabilities:	
Current portion of long-term debt	$ 11,126
Accounts payable	59,502
Accrued salaries, wages and employee benefits	21,561
Accrued other liabilities	48,578
Unearned revenue	55,127
Estimated third-party payor settlements	7,092
Total current liabilities	202,986
Long-term debt, net	246,199
Net pension liability	24,677
Self-insured obligations	42,654
Other post employment benefits	377,151
Other	3,925
Total liabilities	897,592
Deferred inflows of resources:	
Pension	87,326
Other post employment benefits	52,911
Total deferred inflows of resources	140,237
Net Position	
Net investment in capital assets	95,282
Restricted:	
Nonexpendable	-
Expendable	62,017
Unrestricted	(317,300)
Total net position	(160,001)
Total liabilities, deferred inflows and net position	$ 877,828

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018
(Dollars in Thousands)

Operating revenues:	
Net patient service revenue, net of provision for bad debts of $14,321	$ 529,548
Disproportionate share revenue (DSH)	72,071
Delivery System Reform Incentive Payment (DSRIP) grants	22,339
Other operating revenue	37,074
Total operating revenues	661,032
Operating expenses:	
Payroll and employee benefits	$ 331,069
Professional fees	89,801
Purchased services	59,088
Supplies	96,230
Other operating expenses	24,152
Delivery System Reform Incentive Payment (DSRIP) grant expenses	21,192
Depreciation and amortization	27,930
Total operating expenses	649,462
Operating income	11,570
Non-operating expenses:	
Investment loss	(4,567)
Interest expense	(7,733)
Total non-operating expenses	(12,300)
Income before capital contributions	(730)
Capital contributions	1,750
Total change in net position	1,020
Net position – beginning of year, as restated (Note 10)	(161,021)
Net position – end of year	$ (160,001)

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Cash Flows
Year Ended December 31, 2018
(Dollars in Thousands)

Cash flows from operating activities:	
Receipts from patients and third party payors	$ 496,956
Payments to employees for salaries and benefits	(319,931)
Payments to vendors for supplies and other	(256,226)
Other receipts	144,992
Net cash provided by operating activities	65,791
Cash flows from capital and related financing activities:	
Purchases of capital assets	(40,229)
Borrowings on long-term debt	2,453
Payments on long term debt	(17,634)
Interest paid on long term debt	(7,733)
Net cash used in capital and related financing activities	(63,143)
Cash flows from investing activities:	
Purchases of assets whose use is limited, net	(1,875)
Investment loss	(4,567)
Purchases of investments, net	(2,785)
Capital contributions	1,750
Net cash used in investing activities	(7,477)
Net change in cash and cash equivalents	(4,829)
Cash and cash equivalents:	
Beginning	23,905
Ending	$ 19,076

Noncash capital and related financing activities:
Included in accounts payable at December 31, 2018 was $10,493 of invoices related to capital asset acquisitions.

(Continued)

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Cash Flows (Continued)
Year Ended December 31, 2018
(Dollars in Thousands)

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	11,570
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		27,930
Provision for bad debt		31,226
Patient accounts receivable		(24,539)
Other receivables		(3,851)
Supplies, prepaids and other		13,168
Deferred outflows of resources		(19,999)
Accounts payable		11,498
Accrued liabilities		12,934
Unearned revenue		13,508
Estimated third-party payor settlements		(15,429)
Self-insured obligations		(7,860)
Net pension liability		(46,867)
OPEB		(58,118)
Deferred inflows of resources		120,620
Net cash provided by operating activities	$	65,791

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Net Position - Discretely Presented Component Units
December 31, 2018
(Dollars in Thousands)

	ECMC Foundation, Inc.	The Grider Initiative, Inc.	Research for Health in Erie County, Inc.	Total (memorandum only)
Assets				
Current assets:				
Cash and cash equivalents	$ 860	$ 273	$ 6	$ 1,139
Investments	-	-	996	996
Other receivables	2,744	-	-	2,744
Supplies, prepaids and other	135	-	-	135
Total current assets	3,739	273	1,002	5,014
Other receivables	3,120	-	-	3,120
Endowment and other investments	5,714	10,668	-	16,382
Equipment and vehicles, net	123	-	-	123
	8,957	10,668	-	19,625
Total assets	$ 12,696	$ 10,941	$ 1,002	$ 24,639
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$ 283	$ -	$ -	$ 283
Funds held in custody for others	462	-	-	462
Total current liabilities	745	-	-	745
Related party	1,449	-	-	1,449
Total liabilities	2,194	-	-	2,194
Net Position				
Restricted:				
Nonexpendable	50	10,000	-	10,050
Expendable	8,617	941	-	9,558
Unrestricted	1,835	-	1,002	2,837
Total net position	10,502	10,941	1,002	22,445
Total liabilities and net position	$ 12,696	$ 10,941	$ 1,002	$ 24,639

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Revenues, Expenses and Changes in Net Position - Discretely Presented Component Units
Year Ended December 31, 2018
(Dollars in Thousands)

	ECMC Foundation, Inc.	The Grider Initiative, Inc.	Research for Health in Erie County, Inc.	Total (memorandum only)
Operating revenues:				
Grants, contributions and special events	$ 6,106	$ -	$ -	$ 6,106
Total operating revenues	6,106	-	-	6,106
Operating expenses:				
Program services and grants	3,062	-	31	3,093
Fundraising	1,440	-	-	1,440
Other operating expenses	204	1	1	206
Total operating expenses	4,706	1	32	4,739
Operating income (loss)	1,400	(1)	(32)	1,367
Non-operating revenue:				
Investment income	-	(127)	15	(112)
Change in net position	1,400	(128)	(17)	1,255
Net position – beginning of year	9,102	11,069	1,019	21,190
Net position – end of year	$ 10,502	$ 10,941	$ 1,002	$ 22,445

See notes to the financial statements.

Note 1. Organization

The Corporation: Erie County Medical Center Corporation (referred to as the "Corporation" or "ECMCC") is a public benefit corporation created by the Erie County Medical Center Corporation Act, Chapter 143 of the Laws of New York State, 2003 (Title 6 of Article 10-C of the Public Authorities Law) (the "Act") as amended in 2016. The Corporation was created under the Act to secure a form of governance which permits the Corporation to have the legal, financial, and managerial flexibility to operate its health care facilities for the benefit of the residents of New York State (the "State"), the County of Erie (the "County"), and Western New York, including persons in need who lack the ability to pay.

The Corporation's "Health Care Facilities" consist of the Medical Center, a 573 bed acute tertiary care facility providing inpatient, emergency, outpatient, primary care and specialty clinic services (Medical Center), a 390-bed residential health care facility (Terrace View) both located on Grider Street in the City of Buffalo and three chemical dependency and alcohol rehabilitation clinics located throughout the County. The Corporation serves as the region's only Level 1 Adult Trauma Center, burn center, comprehensive traumatic brain injury and spinal cord injury rehabilitative center, Comprehensive Psychiatric Emergency Program provider for acute psychiatric emergencies, Regional Center of Excellence for Transplantation and Kidney Care, and is the primary provider of HIV inpatient and outpatient specialty care.

The Corporation has the power under the Act to acquire, operate, and manage its facilities and to issue bonds and notes to finance the costs of providing such facilities. The Act specifically provides that the Corporation's existence shall continue until terminated by law; provided, however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding unless adequate provision has been made for the payment or satisfaction thereof. The Corporation's primary purpose is the operation of the Medical Center and Terrace View, and its powers, duties, and functions are as set forth in the Act, as amended, and other applicable laws.

The Corporation qualifies as a governmental entity and, accordingly, is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code of 1986.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, the Corporation's financial statements are included, as a discretely presented component unit, in the County's Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from the Erie County Comptroller's Office, 95 Franklin Street, Room 1100, Buffalo, New York, 14202. The Corporation is subject to New York civil service law.

Governance: The Corporation is governed by its Board of Directors (the "Board") consisting of fifteen (15) voting directors, eight (8) of whom are appointed by the Governor of the State of New York and seven (7) of whom are appointed by the Erie County Executive with the advice and consent of the Erie County Legislature. There are four non-voting representatives, as well. The directors and non-voting members serve staggered terms and continue to hold office until their successors are appointed. Directors have experience in the fields of health care services, quality and patient safety, human resources, strategic growth, law, and financial management and reflect a broad representation of the community served by the Corporation. Regular meetings of the Board are scheduled eleven (11) times per year. Board leaders are appointed by the Board.

Note 1. Organization (Continued)

Great Lakes Heath System: The Corporation is a member of Great Lakes Health System of Western New York (Great Lakes). Great Lakes is a not-for-profit, community-based corporation comprised of unified partners whose objective is to provide the highest quality of healthcare to the residents of Western New York. Great Lakes is comprised of the Corporation, Kaleida Health, The Center for Hospice and Palliative Care and the State University of New York at Buffalo (the “University”).

Medical School Collaboration: The Corporation serves as a primary teaching hospital for the Jacobs School of Medicine and Biomedical Sciences of the State University of New York at Buffalo (the “Medical School”). An agreement governs the relationship between the Corporation and the Medical School. The Corporation serves as an integral part of the education and research mission of the Medical School by providing the clinical settings for the Medical School’s public mission to educate and train physicians, nurses and other healthcare professionals, conduct clinical research programs and deliver healthcare services to patients. There are currently 175 full-time equivalent medical residents assigned to the Corporation in various Academic College of Graduate Medical Education accredited residency programs.

Component Units: Accounting principles generally accepted in the United States of America (GAAP) require the inclusion within the Corporation’s financial statements of certain organizations as component units. The component units discussed below are included because the nature and significance of their relationship to the Corporation are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete under criteria set forth by the Governmental Accounting Standards Board (GASB).

The component unit information in the accompanying basic financial statements includes the financial data of the Corporation’s three discretely presented component units. These component units are discussed in more detail below:

ECMC Foundation, Inc.: The ECMC Foundation, Inc. (the “Foundation”), formerly the ECMC Lifeline Foundation, Inc., is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation was formed for the purpose of supporting Corporation programs. The financial statements of the Foundation have been prepared on an accrual basis. The annual financial report can be obtained by writing to: Executive Director, ECMC Foundation, Inc., 462 Grider Street, Buffalo, NY 14215.

The Grider Initiative, Inc.: The Grider Initiative, Inc. (the “Physician Endowment”) is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the IRC. The Physician Endowment was funded in 2010, for the purpose of recruiting physicians who shall practice on the Grider Street campus of the Corporation. The entity was funded with an initial transfer of $10,000 from the Corporation. Earnings from the investment of the initial transfer may be used only for physician recruitment and retention and necessary expenses of the entity. The financial statements of The Grider Initiative, Inc. have been prepared on an accrual basis. The annual financial report can be obtained by writing to: Chair, The Grider Initiative, Inc. 462 Grider Street, Buffalo, NY 14215.

Research for Health in Erie County, Inc.: Research for Health in Erie County, Inc. (RHEC) is a not-for-profit organization dedicated to support research activities relating to the causes, nature, and treatment of diseases, disorders, and defects of particular importance to the public health in areas served by the Corporation. RHEC is exempt from income tax as a not-for-profit corporation under Section 501(c)(3) of the IRC and is incorporated under the laws of the State of New York. The entity has not received external funding in recent years and its revenue comes primarily from investment income. The annual financial report can be obtained by writing to: Grant Administration, Research for Health in Erie County, Inc., 462 Grider Street, Buffalo, NY 14215.

Note 1. Organization (Continued)

In addition, the financial statements of the Corporation include the operations of the following component units, which are blended with the accounts of the Corporation:

PPC Strategic Services LLC (PPC): The Corporation is the sole owner of this enterprise, which was established to enable the Corporation to enter into various other business relationships. The entity was formed as a management support organization (MSO) to provide various support services to the Corporation and Preferred Physician Care, P.C. These services include providing employees, management and administrative services, and facilities management.

Grider Support Services, LLC: The Corporation is the sole owner of this enterprise, which was formed to act as an MSO for oncology and physician services.

Grider Community Gardens, LLC: This entity is wholly-owned and controlled by the Corporation and was formed for the purpose of purchasing and holding properties in proximity to the Corporation's Grider Street Campus.

1827 Fillmore, LLC: This entity is controlled by the Corporation and was formed for the purchase and development of property immediately adjacent to the Corporation's Grider Street campus.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The Corporation uses the accrual basis of accounting. Revenue is recognized in the period it is earned and expenses are recognized in the period incurred. Under this basis of accounting, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Corporation are included in the statement of net position.

For financial accounting and reporting purposes, the Corporation follows all pronouncements of the GASB. All references to relevant authoritative literature issued by the GASB with which the Corporation must comply are hereinafter referred to generally as "U.S. GAAP." The discretely presented component units, as previously described, report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Use of estimates: The preparation of the 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 in the financial statements and accompanying notes. The reserve for uncollectible accounts, contractual allowances, amounts payable to third-party payors, workers compensation reserves, malpractice reserves, pension obligations, other post-employment benefits, self-insured obligations, as well as Disproportionate Share (DSH) revenue and certain other accounts, require the significant use of estimates. Actual results could differ from those estimates.

Included in net patient service revenue are adjustments to prior year estimated third-party payor settlements, and their related estimated receivables and payables that were originally recorded in the period the related services were rendered, as well as adjustments to the net realization rate for collections on patient accounts receivable. These adjustments are made in the normal course of operations and amounts reported are consistent with approach in prior years. The adjustments to prior year estimates and other third-party reimbursement or recoveries that relate to prior years also impact Disproportionate Share revenues as discussed in Note 4. The combined effect of changes related to prior years estimates resulted in an increase of $3,119 in total operating revenue for the year ended December 31, 2018.

(Dollars in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The Corporation's cash and cash equivalents include cash on hand and cash in checking and money market accounts as well as investments with a maturity of three months or less when purchased. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows. Monies deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks are collateralized with specifically designated securities held by a pledging financial institution, as required by State regulations.

Patient accounts receivable: Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid and other third party payor programs. Current operations are charged with an estimated provision for bad debts estimated based on the age of the account, prior experience and any other circumstances which affect collectability. The Corporation's policy does not require collateral or other security for patient accounts receivable and the Corporation routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies. The allowance for estimated doubtful accounts at December 31, 2018 was approximately $17,391.

Investments and assets whose use is limited: The Corporation generally records its investments at fair value. Such assets are comprised of cash and cash equivalents, including money market funds, fixed income securities, commercial paper and equity funds. Assets classified as investments are unrestricted. Assets classified as limited as to use are restricted under Board designation or terms of agreements with third parties and include debt service funds, funds for self-insured workers compensation costs and medical malpractice costs, collateral for insured workers compensation programs, patient and resident monies, funding for future retiree health costs, and funds limited as to use for the acquisition of property, plant and equipment.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net position of ECMCC.

Other receivables: The composition of other receivables, as of December 31, 2018 is as follows:

Medicaid Disproportionate Share (DSH) and Upper Payment Limit (UPL) (Note 4)	$ 54,848
Due from affiliated organizations and joint ventures	5,482
Health insurance rebates	1,411
Other	5,581
	$ 67,322

(Dollars in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are stated at cost. Depreciation is computed under the straight-line method over the estimated useful life of the asset. Estimated useful lives of assets have been established as follows:

Land and land improvements	5 – 25 years
Buildings and improvements	10 – 40 years
Fixed equipment	10 – 20 years

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected for the period. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful life of the asset, whichever is shorter. Maintenance and repairs are charged to expense as incurred with significant renewals and betterments being capitalized. During periods of construction, the Corporation capitalizes interest incurred with borrowings for construction. Capitalized interest was $5,212 at December 31, 2018.

Capital assets that are donated (without restriction) are recorded at their fair market values as a direct increase to the component of net investment in capital assets.

Deferred outflows of resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist primarily of unrecognized items not yet charged to pension expense related to the net pension liability and items related to the 2017 financing transaction.

The 2017 financing transaction included the payment of points, in the amount of $17,040 to Erie County associated with the differential in interest rate on the 2017 financing using the credit rating of Erie County and the rate that the Corporation was projected to pay independent of a relationship with Erie County. The points are being amortized on the interest method over the term of the 2017 financing. The unamortized amount of points at December 31, 2018 is $15,076. The 2017 financing transaction also included the advance refunding of the 2011 financing, the proceeds of which were used to finance the construction of the Terrace View Nursing Home on the Corporation's campus. The deposit required to the advance refunding escrow was greater than the balance outstanding on the 2011 financing in the amount of $2,038 and is being amortized on the interest method over the life of the advance refunding component of the transaction. The unamortized portion of this advance refunding at December 31, 2018 is $1,701.

Deferred inflows of resources: Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist primarily of the unamortized portion of certain items related to the Corporation's pension and other post-employment benefits.

Other assets: Amounts due from the County, as noted in Note 13 as well as ownership interests in various business enterprises are included in other assets.

Collaborative Care Ventures, LLC (Collaborative Care) was formed in 2014 by ECMCC and Kaleida Health System (KHS). Collaborative Care was created as a vehicle for ECMCC and KHS to participate in various investments in the future consistent with their missions. At December 31, 2018, the Corporation's share of the net assets of Collaborative Care amounted to $692.

Note 2. Summary of Significant Accounting Policies (Continued)

Great Lakes Integrated Network (GLIN) was formed in 2018 by ECMCC and Kaleida Health System. GLIN was formed to support, manage and negotiate value based contracts and/or risk based contracts with third party payors for the purpose of managing population health and anticipated payment reform. GLIN is a development stage enterprise with the Corporation's share of contributed capital supporting organizational development. The Corporation's share of GLIN's profit or less is recognized as a non-operating expense. At December 31, 2018, the Corporation's share of the net assets of GLIN amounted to $134.

Unearned revenue: Unearned revenue represents funds received by the Corporation for the DSRIP and CREPS Program for expenses not yet incurred.

Compensated absences: The Corporation has accrued liabilities for certain compensated absences earned by its employees, to include vacation, sick, and compensatory time. The Corporation's employees are permitted to accumulate unused vacation and sick leave time up to certain maximum limits. The Corporation accrues the estimated obligation related to vacation pay based on pay rates currently in effect. Sick leave credits, if accumulated above certain prescribed levels, may be the basis of a supplemental payment to employees upon retirement. The Corporation accrues an estimated liability for these estimated terminal payments. These amounts have been included in the statement of net position at December 31, 2018, within the caption accrued salaries, wages and employee benefits in the amount of $12,851.

Net position: Net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of the Corporation's obligations. The Corporation's net position is described as follows:

Net investment in capital assets: This represents the Corporation's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted: The restricted expendable component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The restricted nonexpendable component of net position is permanently unavailable for use. The earnings on the nonexpendable net position are classified as restricted expendable.

Unrestricted: This component of net position consists of net position that does not meet the definition of other components of net position described above. These resources are used for transactions relating to the general health care operations of the Corporation, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Net patient service revenue: Net patient service revenue is reported as services are rendered at estimated net realizable amounts, including estimated retroactive revenue adjustments under reimbursement agreements with third party payors. Estimated settlements under third party reimbursement agreements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. An estimated provision for bad debts is included in net patient service revenue.

Note 2. Summary of Significant Accounting Policies (Continued)

Charity care: The Corporation provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the accompanying statement of revenues, expenses, and changes in net position. The estimated costs of caring for charity care patients were $12,426 for the year ended December 31, 2018. Additionally, the Corporation provided approximately $3,721 in discounts to self-pay patients for the year ended December 31, 2018.

Contributions: The Foundation reports gifts of cash or promises to give as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as with donor restrictions. When a donor restriction expires, restricted - expendable net positions are released to unrestricted net position. The Foundation is conducting a capital campaign to raise funds to support the construction of a new Level 1 Adult Trauma Center, Emergency Department and other capital needs in support of the mission of the Corporation. Receivables for pledges associated with this campaign are recorded net of a reserve for uncollectible pledges and are discounted to present value using a 2.5% discount rate, over the expected collection period of the pledges.

Classification of revenues: The Corporation has classified its revenues as either operating or non-operating revenues according to the following criteria:

> **Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as payments for providing services and payments for goods and services received, for health care services provided to patients, net of contractual allowances and provisions for bad debts.
>
> **Non-operating revenues:** Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, income from investments and contributions.

Income taxes: The Corporation is a Public Benefit Corporation of the State of New York and is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Contributed services: RHEC receives contributions from the Corporation consisting primarily of donated space, equipment, and personnel support. During 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Certain immaterial amounts related to contributed rents have been reflected in the Foundation's financial statements as contributed services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation in meeting its goals and objectives. Such services are not recognized in the Foundation financial statements.

No amounts have been reflected in the Physician Endowment financial statements for contributed services, as the value of contributed services meeting the requirements for recognition in the financial statements was not material.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent and pending accounting pronouncements: Effective January 1, 2018, the Corporation adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The impact of the adoption of this statement, further detailed in Note 10, required the restatement of prior year net position to conform to the 2018 presentation.

In November 2016, GASB issued Statement No. 83, *Capital Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is defined as a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Corporation has not yet determined the impact this statement will have on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and the focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Corporation has not yet determined the impact this statement will have on the financial statements.

Effective January 1, 2018, the Corporation adopted GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement was to address a variety of topics including issues related to blending component units, goodwill, fair value measurement and post-employment benefits. There was no significant impact on the Corporation's financial statements due to the adoption of Statement No. 85.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. Under this Statement, a lessee is required to recognize a lease liability and a right to use asset as a single model for lease accounting based on the principle that leases are financing instruments. The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2019. The Corporation has not yet determined the impact this Statement will have on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* – The objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Corporation has not yet determined the impact this Statement will have on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simply accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 and should be applied prospectively. The Corporation has not yet determined the impact this Statement will have on the financial statements, however, expects the impact to be material.

GASB Statement No. 90, *Majority Equity Interests* – The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Corporation has not yet determined the impact this Statement will have on the financial statements.

Subsequent events: The Corporation has evaluated subsequent events for potential recognition and/or disclosure through March 14, 2019, the date the financial statements were issued.

Note 3. Net Patient Service Revenue and Patient Accounts Receivable

The Corporation has agreements with third-party payors that provide for payment to the Corporation at amounts different from its established rates. A summary of the payment arrangements for hospital services with major third-party payors is as follows:

Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge and per patient day depending on the service. Acute care rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient and outpatient services, as well as defined organ acquisition, capital and medical education costs related to Medicare beneficiaries are paid based on regulatory proscribed formulae. The Corporation is reimbursed for such items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. Most outpatient reimbursements are based on an Ambulatory Payment Classification weighting by acuity system, although some outpatient cost reimbursement still exists.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates in accordance with Part 86 of the New York Codes, Rules and Regulations and New York State Law which are promulgated by the New York State Department of Health (DOH). Outpatient services are similarly paid at either prospective rates or fee schedule amounts.

Under the New York Health Care Reform Act, the Corporation also enters into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates, discounts from charges, and prospectively determined per diem rates. Medicaid, Workers' Compensation and No-fault continue to have reimbursement rates determined based on New York's Prospective Reimbursement Methodology.

(Dollars in Thousands)

Note 3. Net Patient Service Revenue and Patient Accounts Receivable (Continued)

Terrace View provides services to residents under agreements with third-party payors (Medicaid, Medicare and HMO's) under provisions of their respective cost reimbursement formulas or contractually negotiated rates. If amounts received are less than established billing rates, the difference is accounted for as a reduction of revenue. Final determination of the reimbursement rates are subject to review by appropriate third-party payors. Provisions are made in the financial statements for anticipated adjustments that may result from such reviews. Difference between the estimated amounts accrued and final settlements are reported in operations in the year of settlement.

Net patient service revenue, as reported on the statement of revenues, expenses and changes in net position is comprised of the following for the year ended December 31, 2018:

Gross charges	$ 1,094,720
Less:	
Discounts and allowances	550,851
Provision for bad debts	14,321
	$ 529,548

Net patient service revenue by payor for the year ended December 31, 2018 is as follows:

		%
Medicare*	$ 187,390	35.4%
Medicaid*	164,080	31.0%
No-fault	25,045	4.7%
Commercial and other third party payors	149,335	28.2%
Self-pay	3,698	0.7%
	$ 529,548	100.0%

* Medicare and Medicaid include Managed Care plans.

Laws and regulations governing Medicare, Medicaid, and other third-party payor programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in future periods. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

(Dollars in Thousands)

Note 3. Net Patient Service Revenue and Patient Accounts Receivable (Continued)

Patient accounts receivable consist of the following at December 31, 2018:

Gross accounts receivable	$	180,658
Less:		
Discounts and allowances		73,980
Allowance for bad debts		17,391
	$	89,287

Concentration of credit risk: The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor arrangements. The mix of net receivables from patients and third-party payors at December 31, 2018 is as follows:

Medicare*	28.5%
Medicaid*	28.4%
Commercial and other third party payors	30.0%
No-fault	9.9%
Self-pay	3.2%
Total	100.0%

* Medicare and Medicaid include Managed Care plans.

Note 4. Disproportionate Share Revenue

The Medicaid DSH program is designed to provide funds to certain hospitals to help offset the cost of uncompensated care provided to the uninsured. Each state has a specified Federal DSH allotment. In addition, New York State law authorizes the DOH to make supplemental DSH medical assistance payments to public hospitals located in Erie County, Nassau County, and Westchester County. For long term care facilities, DSH revenue is recognized in accordance with Upper Payment Limit (UPL) regulations promulgated by CMS.

In 2018, DSH funding recorded by the Corporation totaled $72,071. The DSH funding process is complex and includes both tentative and final settlements for various state fiscal years which are subject to the availability of state and federal funding among other factors. As a result, DSH revenue is estimated and final settlements may vary significantly from the initial estimates.

For hospital services, DSH revenue of $55,656 was recognized in 2018. In addition, during 2018 the Corporation recognized $16,415 of UPL revenue for Terrace View. The UPL for New York State fiscal year 2018-2019, for public nursing homes has not yet been finalized. As a result, UPL revenue for the long term care units are estimates based on historical experience.

(Dollars in Thousands)

Note 4. Disproportionate Share Revenue (Continued)

In addition, the Centers for Medicare and Medicaid Services (CMS) has indicated that cost reports dating back to the 2016 reporting year and the methodology employed to calculate DSH revenue are subject to audit. At this time, the impact of the CMS audit activity on the Corporation's DSH revenue is not certain. Management has taken what it believes to be reasonable and appropriate steps to assure compliance with the CMS methodology.

Note 5. Cash and Cash Equivalents, Investments, and Assets Whose use is Limited

Cash and cash equivalents and investments: The Corporation's investments are made in accordance with State regulations and its own investment policy. The investment policy is regularly reviewed by an investment committee of the Board which evaluates the performance of investment managers and monitors compliance with the investment policy.

The Corporation's investments are generally reported at fair value, as discussed in Note 2. The carrying amounts of cash and cash equivalents, investments and assets whose use is limited are included in the Corporation's statement of net position as follows:

Cash and cash equivalents	$	19,076
Investments		44,853
Assets whose use is limited – current		161,036
Assets whose use is limited – non-current		85,013
	$	309,978
Current portion of assets whose use is limited:		
Patient and residents trust cash	$	299
Restricted for debt service [a]		6,356
Restricted for capital projects [d]		84,628
Designated for self-insurance obligations [b]		6,672
Designated for retiree health obligations [b]		12,251
Designated for DSRIP program [b]		50,332
NYS voluntary defined contribution plan escrow		94
Medical and dental staff funds		404
Total current portion of assets whose use is limited	$	161,036
Noncurrent portion of assets whose use is limited:		
Restricted for debt service [a]	$	9,469
Designated for long-term investment [b]		18,595
Designated for retiree health obligations [b]		12,579
Designated for self-insurance obligations [b]		28,953
Restricted – insured workers compensation collateral [c]		15,417
Total noncurrent portion of assets whose use is limited	$	85,013

[a] Funds restricted by operation of indenture agreement
[b] Funds internally designated by operation of Board authority
[c] Funds restricted – insured workers compensation collateral agreement
[d] Unspent proceeds from borrowings, which are to be used for construction projects

Note 5. Cash and Cash Equivalents, Investments, and Assets Whose use is Limited (Continued)

The Corporation's cash and cash equivalents as well as investments are exposed to various risks, including credit, custodial credit, interest rate, and market risks, as discussed in more detail below:

Deposits

All monies are deposited with banks or trust companies designated by the Corporation's investment committee of the Board of Directors. Funds not needed for immediate expenditure may be deposited in interest or non-interest bearing accounts or invested in various marketable securities and bonds.

Custodial credit risk: Custodial credit risk is the risk that, in the event of bank failure, the Corporation's deposits might not be recovered. FDIC insurance through December 31, 2018 for funds held in interest bearing accounts is $250 per depositor per category of legal ownership. New York law requires that deposits in excess of FDIC insured amounts are collateralized. The Corporation's bank deposits at December 31, 2018, totaled $52,051, of which $897 of the deposits were insured at December 31, 2018. Amounts over FDIC insured limits were fully collateralized with securities held by the pledging financial institution.

Investments

The Corporation's investment policy authorizes the Corporation to invest in accordance with New York State Finance Law Section 8(14), Section 201 and Public Authorities Law Article 9 Section 2800 to 2985, as well as the relevant provisions of the ECMCC Act. Compliance with the policy is monitored by the Corporation's investment committee and reported on quarterly by the Corporation's investment advisor.

Credit risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the Corporation to experience a loss of principal. The Corporation's investment policy limits investments in equity and fixed income securities with ratings only in the highest category. ECMCC's investments in government bonds carry the explicit guarantee of the U.S. government. The corporate bonds, short-term fixed income and government bonds are all rated AA+ or better by the Standards & Poor's rating agency.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's cash equivalent securities are limited to maturities of no greater than eighteen months; short-term fixed income securities are limited to maturities of no greater than five years; and long-term fixed income securities are limited to maturities to no more than ten years. Substantially all of the Corporation's investments and assets whose use is limited have stated maturities of less than one year.

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investment policy does not address custodial credit risk.

(Dollars in Thousands)

Note 5. Cash and Cash Equivalents, Investments, and Assets Whose use is Limited (Continued)

Concentration of credit risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any single issuer. The Corporation's investment policy indicates the combined holdings of securities from one issuer shall not constitute more than 5.0% of the fund except for issues guaranteed directly or indirectly by the U.S. Government. The Corporation had no holdings in Federal National Mortgage Association (Fannie Mae) or Federal Home Loan Mortgage Corporation (Freddie Mac) issues at December 31, 2018.

Fair value of financial instruments: Fair value is defined in the accounting standards as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by GASB. Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets that the Corporation has the ability to access.

Level 2: Valuations based on quoted prices in active markets for similar assets, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market-based inputs. The Corporation has no Level 3 assets.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 19,076	$ -	$ -	$ 19,076
Investments and assets whose use is limited:				
Cash and cash equivalents	159,533	-	-	159,533
Marketable equity securities:				
Mid-cap value equities	3,584	-	-	3,584
Value equities	1,887	-	-	1,887
Growth equities	11,313	-	-	11,313
Global core equities	3,665	-	-	3,665
Short-term fixed income	-	38,538	-	38,538
Corporate bonds	-	7,711	-	7,711
Government bonds	-	64,671	-	64,671
Total investments and assets whose use is limited	179,982	110,920	-	290,902
Total	$ 199,058	$ 110,920	$ -	$ 309,978

(Dollars in Thousands)

Note 6. Capital Assets, Net

Capital asset activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Capital assets – being depreciated				
Land and land improvements	$ 20,526	$ 3,120	$ -	$ 23,646
Buildings and improvements	422,295	2,718	(59)	424,954
Fixed/major moveable equipment	162,296	15,588	(504)	177,380
Total capital assets – being depreciated	605,117	21,426	(563)	625,980
Less accumulated depreciation	(365,579)	(27,873)	165	(393,287)
Total capital assets – being depreciated, net	239,538	(6,447)	(398)	232,693
Capital assets – not being depreciated				
Construction in progress	8,467	31,447	(7,065)	32,849
Total capital assets, net	$ 248,005	$ 25,000	$ (7,463)	$ 265,542

Construction in progress at December 31, 2018 includes costs associated with the planning, design, and construction of the Level 1 Adult Trauma Center and emergency department expansion project, as well as construction and planning costs for various other facility projects. $100,000 of the project is funded through loans from Erie County (see Note 8).

Depreciation expense amounted to $27,873 for the year ended December 31, 2018.

(Dollars in Thousands)

Note 7. Accrued Other Liabilities

The composition of accrued other liabilities as of December 31, 2018 is as follows:

Due to Erie County	$	14,571
Other post-employment benefits (OPEB)		12,580
Other		7,818
Workers compensation claims		5,000
Due to joint venture		4,448
Interest costs		1,789
Medical malpractice claims		1,672
Due to discretely presented component units		700
Total	$	48,578

Note 8. Indebtedness

Long-term debt consisted of the following at December 31, 2018:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Erie County - Guaranteed Senior Revenue Bonds, Series 2004	$ 78,910	$ -	$ (3,185)	$ 75,725	$ 3,360
Erie County – 2017 loan payable	99,261	-	(462)	98,799	1,369
Erie County – 2017 loan payable	72,398	-	(3,594)	68,804	3,729
Erie County – 2017 capitalized interest assumption obligation	8,262	-	(38)	8,224	114
Key Bank loan	8,033	-	(8,033)	-	-
Capital lease obligations	5,642	2,453	(2,322)	5,773	2,554
Total debt	$ 272,506	$ 2,453	$ (17,634)	$ 257,325	$ 11,126

(Dollars in Thousands)

Note 8. Indebtedness (Continued)

Future annual principal payments applicable to long term debt for the years subsequent to December 31, 2018 are as follows:

2019	$ 11,126
2020	10,909
2021	10,865
2022	11,261
2023	11,679
2024-2028	64,120
2029-2033	76,772
2034-2038	54,603
2039	5,990
Total	$ 257,325

The Series 2004 Bonds are secured by a pledge of the gross receipts of the Corporation and amounts on deposit in certain debt service reserve funds. Interest rates on the bonds range from 5.5% to 5.7%, with principal payments ranging from $3,185 to $7,220 due annually on November 1 with interest payments due semi-annually on May 1 and November 1.

Pursuant to a Guaranty Agreement, the County has unconditionally guaranteed to the Corporation, the punctual payment of the principal, interest, and redemption premium, if any, on the Series 2004 Bonds, as the same shall become due and payable, and has pledged the faith and credit of the County for the performance of such guaranty. A municipal bond insurance policy has been purchased by the Corporation to guarantee all debt service payments in case of default by the Corporation and the County.

In 2017, the Corporation entered into a loan agreement and a capitalized interest liability assumption agreement with the County of Erie, with the assistance of the Erie County Fiscal Stability Authority. The proceeds of the loan were used to finance the construction of a new Level 1 Adult Trauma Center and Emergency Department, fund various other capital projects on the Corporation’s campus as well as refinance the 2011 loan. The loan has an interest rate of 3.377% with monthly principal and interest payments ranging from $38 to $930 during the term of the loan. In addition to the loan, the Corporation assumed the liability related to funds borrowed to pay capitalized interest during construction on the various projects noted above. The capitalized interest liability assumption has an interest rate of 3.377% with monthly principal and interest payments ranging from $3 to $77 during the term of the loan. The new money portion of the loan and the capitalized interest assumption agreement is fully amortized and matures in 2039. The refinancing component of the loan has an interest rate of 2.649% with monthly principal and interest payments ranging from $300 to $460 during the term of the loan and is fully amortized and maturing in 2034.

During 2016, the Corporation signed a business loan agreement with Key Bank. Interest was payable monthly at the 1-month LIBOR rate plus 2.25%. The loan was paid in full on December 11, 2018.

Note 8. Indebtedness (Continued)

During 2015, the Corporation entered into a capital lease agreement in the amount of $10,000, the proceeds of which were used to purchase various equipment. The agreement requires principal and interest payments (cost of capital is estimated at 2.3%) of $194 and matures June 2020.

During 2018, the Corporation entered into a capital lease agreement in the amount of $2,044, the proceeds of which were used to purchase various equipment. The agreement requires principal and interest payments (cost of capital is estimated at 5.5%) of $29 and matures September 2025.

During 2018, the Corporation entered into a capital lease agreement in the amount of $409, the proceeds of which were used to purchase various suite improvements. The agreement requires principal and interest payments (cost of capital is estimated at 3.8%) of $4 and matures October 2028.

Note 9. Pension Plan

Retirement plan: The Corporation participates in the New York State and Local Retirement System (“NYSLRS” or the “System”), which is a cost-sharing, multiple-employer public employees' retirement system. There are more than 471,000 pensioners and beneficiaries in the System with nearly 1.1 billion participants.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NYSLRS and additions to/deductions from NYSLRS' fiduciary net position have been determined on the same basis as they are reported by NYSLRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The net pension liability is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position. The net pension liability should be measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year, consistently applied from period to period.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (RSSL). As set forth in the RSSL, the Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

NYSLRS provides three main types of retirement benefits: service retirements, ordinary disability retirements (non job-related disabilities), and accident disability retirements (job-related disabilities) to members who are in different "Tiers." The members' Tier is determined by the date of membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of 5 or 10 years of service depending on their Tier. Employees may be required to contribute a percentage of their salary to the pension plan based on their Tier, determined by their date of membership in the plan. Annual pension benefits can be calculated as a percentage of final average salary times number of years of service and changes with the number of years of membership within the plan.

(Dollars in Thousands)

Note 9. Pension Plan (Continued)

At December 31, 2018, the Corporation reported a liability of $24,677, for its proportionate share of the NYSLRS net pension liability. The total pension liability used to calculate the net pension liability is determined by an actuarial valuation as of April 1st each year and rolled forward to March 31st. The Corporation's proportion for the net pension liability for each fiscal year was based on the Corporation's indexed present value of future compensation to NYSLRS of all participating employers for 2018, which was 0.7646%.

(a) Actuarial Assumptions

The total pension liability for the March 31, 2018 measurement date was determined using an actuarial valuation as of April 1, 2017, with update procedures used to roll-forward the total pension liability to March 31, 2018. The actuarial valuations used the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.8%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense
Cost of living adjustments	1.3%
Mortality improvement	Society of Actuaries Scale MP-2014

(b) Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables at December 31:

	2018	
Asset class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36.0%	4.6%
International equity	14.0%	6.4%
Private equity	10.0%	7.5%
Real estate	10.0%	5.6%
Absolute return strategies	2.0%	3.8%
Bonds and mortgages	17.0%	1.3%
Inflation-indexed bonds	4.0%	1.3%
Opportunistic portfolio	3.0%	5.7%
Real assets	3.0%	5.3%
Cash	1.0%	-0.3%
	100.0%	

(Dollars in Thousands)

Note 9. Pension Plan (Continued)

(c) Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2018 was 7.0% The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSLRS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on NYSLRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.0% at December 31, 2018, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2018		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Corporation's proportionate share of the net pension liability	$ 186,713	$ 24,677	$ (112,399)

(d) Deferred Outflows and Inflows of Resources

At December 31, 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Differences between expected and actual actuarial experience	$ 8,802
Difference between projected and actual earnings on pension plan investments	35,841
Changes in assumptions	16,363
Corporation contributions subsequent to the measurement date	26,447
Other	1,181
Total	$ 88,634
Deferred inflows of resources:	
Differences between expected and actual actuarial experience	$ 7,273
Difference between projected and actual earnings on pension plan investments	70,747
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	9,306
Total	$ 87,326

(Dollars in Thousands)

Note 9. Pension Plan (Continued)

The change in employer proportionate share is the difference between the employer proportionate share of net pension liability in the prior year compared to the current year. Changes in these amounts are amortized over a five-year closed period, reflecting the average remaining service life of plan members.

(e) Annual Pension Expense

The Corporation's annual pension expense for calendar year ending 2018, which includes contributions toward the actuarially determined accrued liability and the amortization of deferred inflows of resources, was approximately $26,421.

Note 10. Other Post-Employment Benefits (OPEB)

For the year ended December 31, 2018, the Corporation implemented the provisions of GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Among other changes, this Statement was issued to improve accounting and financial reporting by governments for postemployment benefits other than pensions. As a result of implementing this Statement, the Corporation was required to restate, net position as of January 1, 2018. The effect of the restatement on net position is as follows:

Net position as previously reported, January 1, 2018	$	123,547
Adjustment for removal of net OPEB liability under GASB 45		161,477
Recognition of net OPEB liability and deferred outflows of resources, under GASB 75		(446,045)
Net position as restated, January 1, 2018	$	(161,021)

Plan description: The Corporation provides OPEB that include basic medical and hospitalization plan coverage to eligible retirees. Eligible retirees may only be covered under the indemnified plan of the Corporation. To qualify, a retiree must meet various eligibility requirements as agreed to in collective bargaining agreements. The Corporation pays varying amounts based on specific union agreements.

Funding the plan: Currently, there is no New York State statute that expressly authorizes local governments to create a trust for OPEB purposes. Additionally, New York State's General Municipal Law does not allow for a reserve fund to accumulate funds for OPEB obligations. The Corporation's Board of Directors and management believe it is prudent to reserve funds for the Plan and have therefore internally designated $24,830 in 2018 for purposes of funding future post-employment benefits. These internally designated funds are included within assets whose use is limited. In addition to the funding for future post-employment benefits, the Corporation continues to finance current benefits on a pay-as-you-go basis.

(Dollars in Thousands)

Note 10. Other Post-Employment Benefits (OPEB) (Continued)

Annual OPEB cost and net OPEB obligation: The Corporation’s total OPEB liability measured at December 31, 2018 of $389,730 was determined by an actuarial valuation as of January 1, 2018. The measurement date of the obligation is December 31, 2018.

(a) Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3%
Salary increases	3.3% per annum
Pre-Medicare Plans	7.0% for 2018, 3.8% ultimate trend rate in 2075
Medicare Plans	5.0% for 2018, 3.8% ultimate trend rate in 2075
Prescription Plan	9.5% for 2018, 3.8% ultimate trend rate in 2075
Mortality	Society of Actuaries Scale MP-2014

(b) Changes in the OPEB Liability

Changes in the OPEB obligation		
Projected OPEB obligation at the beginning of year	$	446,045
Service cost		5,838
Interest cost		15,322
Change of benefit terms		(532)
Difference between expected and actual experience		1,097
Change in assumptions		(65,103)
Actual benefit payments		(12,937)
Projected OPEB obligation at the end of year	$	389,730

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of December 31, 2018 and January 1, 2018 was 4.1% and 3.4%, respectively, based on the Bond Buyer 20-year Bond GO index rate.

The following presents the Corporation’s total OPEB liability calculated using the discount rate of 4.1% as well as what the Corporation’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.1%) or 1 percentage point higher (5.1%) than the current rate.

	1% Decrease (3.1%)	Discount Rate (4.1%)	1% Increase (5.1%)
The Corporation's total OPEB liability	$ 455,710	$ 389,730	$ 336,955

(Dollars in Thousands)

Note 10. Other Post-Employment Benefits (OPEB) (Continued)

The following presents the Corporation's total OPEB liability calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
The Corporation's total OPEB liability	$ 328,469	$ 389,730	$ 469,718

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and inflows at December 31, 2018:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual actuarial experience	$ 892	$ -
Changes in assumptions	-	52,911
Total	$ 892	$ 52,911

The net deferred outflows and inflows of resources at December 31, 2018 will be recognized as follows:

	Amount
2019	$ (11,987)
2020	(11,987)
2021	(11,987)
2022	(10,482)
2023	(5,576)
	$ (52,019)

(e) Annual OPEB Expense

The Corporation's annual OPEB expenses for the year ended December 31, 2018 was $8,641.

Note 11. Delivery System Reform Incentive Payment (DSRIP) Program

In April 2014, the federal government approved a New York State Medicaid waiver request to reinvest $8 billion in federal savings to support implementation of transformative reforms to the State's healthcare system. Delivery system reforms will primarily be implemented through $7.4 billion of DSRIP Incentive payments for community-level collaborations to achieve programmatic objectives with a goal of reducing avoidable hospital use by 25% over five years. Additionally, $500 million was awarded through an Interim Access Assurance Fund (IAAF) to ensure the financial viability of critical safety net providers during the period prior to DSRIP implementation.

In June 2015, the New York State Department of Health (NYSDOH) announced DSRIP valuation awards, which represent the total potential amount that each Performing Provider System (PPS) is eligible to earn in performance payments over the five years of the DSRIP program. The Corporation-led PPS received a valuation award of $243,020.

Note 11. Delivery System Reform Incentive Payment (DSRIP) Program (Continued)

As the DSRIP program requires, the Corporation serves as fiduciary or lead entity for a coalition of Medicaid provider and social services organizations referred to as a Performing Provider System (PPS). The PPS is referred to as Millennium Collaborative Care (MCC). Since April 2014, the Corporation has dedicated significant effort to enterprise-level and PPS-level preparation for participation in the DSRIP program, and in execution of NYSDOH required organizational and project planning essential to implementing and managing DSRIP program efforts. Notable activities include the establishment of PPS governance structures and the operationalization of MCC which is dedicated to DSRIP implementation and management.

During 2018, net DSRIP payments received by the Corporation totaled $47,581. In addition, $22,339 was recorded as grant revenue for the year ended December 31, 2018 based on meeting the eligibility requirements and $21,192 of related grant program expenses were incurred during 2018.

Note 12. Care Restructuring Enhancement Pilot (CREPS) Program Grant

During 2016, the federal government approved a NYS Medicaid waiver request establishing the CREPS Program. The Corporation was awarded a grant under the CREPS Program administered by the New York State Department of Health. The total award amount is approximately $97,260 over the period April 1, 2016 to March 31, 2020 in state fiscal year annual distribution amounts of $43,930, $30,010, $13,320, and $10,000, respectively. The Corporation is responsible for achieving certain goals of the CREPS Program in each year in order to qualify for the funding. The Corporation has achieved all of the goals for years 1 and 2 and believes it has achieved substantially all of the goals for year 3 of the program and has recognized related revenue in the amount of $25,750 for 2018.

Note 13. Transactions With the County of Erie

Settlement agreement: On December 30, 2009, the Corporation and the County entered into a “Settlement Agreement”. The Settlement Agreement resulted in the Corporation and the County entering into a number of transactions to resolve litigation and prepare for implementing the Corporation’s master facility plan.

In October 2012, the Corporation and the County signed an amendment to the 2009 Settlement Agreement (the “Amendment”). The terms of the Amendment provide for the County to be reimbursed from the Corporation for certain workers compensation claims incurred by Corporation employees that were paid by the County. The Amendment also provides for the County to reimburse the Corporation, over time, for post-retirement health expenses that the Corporation incurred for Corporation employees with service time at the County.

In 2017, the Corporation entered into a loan agreement and a capitalized interest liability assumption agreement with the County of Erie. A component of the loan agreement included the payment of points by the Corporation to the County of Erie in the amount of $17,040 as further described in Note 2 and Note 8.

Note 13. Transactions With the County of Erie (Continued)

Other transactions: Amounts that are included in operating revenues and expenses in the statement of revenues, expenses, and changes in net position, which represent related-party transactions that occurred between the Corporation and the County during the year ended December 31, 2018 are as follows:

The Corporation earned revenue totaling $3,018 for the year ended December 31, 2018 from the County. Revenue earned relates to services provided to School 84, mental health services and various other charges related to County departments located within the Corporation's physical plant. The Corporation's expenses incurred for services provided by the County totaled $33 for the year ended December 31, 2018. Expenses incurred include services for laboratory fees.

The net amount due from the County of approximately $7,904 at December 31, 2018, is non-interest bearing and reflect the Corporation's net amount owed from the County as a result of various transactions and services between parties. This balance is reported as a component of other receivables in the statement of net position.

Note 14. Self-Insured Obligations

The Corporation is self-insured for all medical malpractice claims for occurrences on or after January 1, 2004. Additionally, the Corporation began purchasing excess stop loss insurance on a claims made basis for medical malpractice effective November 2008. The current policy provides $35,000 of coverage in excess of $4,000 of individual claims or $12,000 in aggregate claims effective November 18, 2013. Previously the policy provided $35,000 of coverage in excess of $3,000 of individual claims or $10,000 in aggregate claims.

Effective April 1, 2016, the Corporation became self-insured for workers compensation claims through a combination of self-insurance and a high-deductible plan for certain periods as follows: The Corporation maintains a stop-loss insurance policy for the claims in excess of $750. Effective January 1, 2012, the Corporation insured a portion of its Workers' Compensation exposure through a claims made high-deductible plan. The Corporation remains responsible for the first $750 of an individual claim payment after December 31, 2011. The Corporation is required to pledge certain assets under this arrangement. As of December 31, 2018, $15,417, has been designated to service workers compensation claims and included as part of assets whose use is limited. The Corporation remains self-insured for Workers' Compensation claims prior to January 1, 2012. The County has assumed a portion of liabilities for all occurrences originating prior to 2004.

Losses from asserted and unasserted medical malpractice and workers compensation claims are accrued based on actuarial estimates that incorporate the Corporation's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries, if any, on unsettled claims.

The Corporation has accrued $23,743 at December 31, 2018, for medical malpractice related exposures. Such amounts have been discounted at 2.0% for 2018 and the accrued liabilities are included within the accrued other liabilities and self-insured obligations caption of the accompanying statement of net position. Charges to expense for medical malpractice costs are included within the other operating expenses caption of the accompanying statement of revenues, expenses and changes in net position.

(Dollars in Thousands)

Note 14. Self-Insured Obligations (Continued)

The Corporation has accrued $25,610 at December 31, 2018, for workers compensation related exposures. Such amounts have been discounted at 1.25% and the liabilities are included within the accrued other liabilities and self-insured obligations captions of the accompanying statement of net position. Charges to expense for workers compensation costs approximated $4,827 in 2018, and are included within the payroll, employee benefits and contract labor caption of the accompanying statements of revenues, expenses and changes in net position.

Eligible retirees are provided basic medical and hospitalization coverage by the Corporation as more fully described in Note 10.

The composition of self-insured obligations as of December 31, 2018, is as follows:

	Beginning Balance	Actuarial estimate of claims incurred	Claims Paid	Ending Balance	Due Within One Year
Medical malpractice	$ 28,767	$ 142	$ (5,166)	$ 23,743	$ 1,699
Workers compensation	28,747	4,044	(7,181)	25,610	5,000
	$ 57,514	$ 4,186	$ (12,347)	$ 49,353	$ 6,699

Medical malpractice and workers compensation amounts due within one year are management's estimates based on historical claims.

Note 15. Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Government activity, in recent years, has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. While no regulatory allegations have been made against the Corporation, compliance with such laws and regulations can be subject to future government review and interpretations as well as regulatory actions unknown or unasserted at this time. Management and its counsel are not aware of any such actions that will have a material adverse effect on the Corporation's financial statements.

Loss contingency liabilities are recorded in accordance with U.S. GAAP, which requires recognition of a loss when it is deemed probable that an asset has been impaired or a liability has been incurred, and the amount of the loss can be reasonably estimated. As of December 31, 2018, the Corporation has recorded no loss contingencies except as disclosed in Note 14.

The Corporation leases various equipment and facilities under operating leases expiring at various dates through May 2026. Total rental expense for all operating leases was approximately $3,300 in 2018. During 2017, the Corporation entered into a $10,000 revolving operating lease facility to support various equipment in information technology infrastructure. As of December 31, 2018, $9,747 of this lease facility has been disbursed with $253 remaining.

(Dollars in Thousands)

Note 15. Commitments and Contingencies (Continued)

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2018 that have initial or remaining lease terms in excess of one year:

2019	$	3,353
2020		3,179
2021		2,803
2022		2,710
2023		2,292
2024-2028		2,809
	$	17,146

The Corporation formed 1827 Fillmore, LLC (1827) for the purpose of acquiring and developing land immediately adjacent to its Grider Street campus. A condition of the acquisition was that 1827 demolish a building on the site with known asbestos abatement requirements. This condition was met in 2018. The Corporation has started a community planning process to determine the future use(s) of the site. The site requires the environmental remediation expenditures, however the amount of such expenditures is dependent on the ultimate use of the site and requirements from regulators.

The Corporation, together with Kaleida Health is in the process of forming Great Lakes Health Integrated Network (GLIN) with each maintaining a 50% ownership interest. This development state organization is in the process of formation due to required regulatory approvals. Investments made to date for startup operations are recognized as Investment in Joint Ventures. A capital contribution of $800 is due from the Corporation at final formation with potential additional capital contributions required as the organization matures.

Supplementary Information

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Corporation's Contributions
NYSLRS Pension Plan
December 31, 2018
(Dollars in Thousands)

	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 25,803	$ 25,235	$ 26,722	$ 29,771	$ 29,835	$ 27,164
Contributions in relation to the contractually required contribution	25,803	25,235	26,722	29,771	29,835	27,164
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
ECMCC covered-employee payroll	$ 216,044	$ 183,540	$ 166,691	$ 175,409	$ 163,395	$ 151,906
Contributions as a percentage of covered-employee payroll	11.9%	13.7%	16.0%	17.0%	18.3%	17.9%

Note: During December 2018, the Corporation prepaid its 2019 contribution to the plan in the amount of $26,447 to take advantage of a prepayment discount in the amount of $225.

Note: GASB requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Corporation wil present information for those year for which information is available.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Corporation's Proportionate Share of Net Pension Liability
NYSLRS Pension Plan
December 31, 2018
(Dollars in Thousands)

	2018	2017	2016	2015
ECMCC proportionate of the net pension liability	0.7646%	0.7614%	0.7228%	0.7137%
ECMCC proportionate share of the net pension liability	$ 24,677	$ 71,544	$ 116,006	$ 24,112
ECMCC covered-employee payroll	216,044	183,540	166,691	175,409
ECMCC proportionate share of the net pension liability as a percentage of it's covered-employee payroll	11.4%	39.0%	69.6%	13.7%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%

Note: GASB requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Corporation wil present information for those year for which information is available.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Corporation's Changes in Total OPEB Liability and Related Ratios
December 31, 2018
(Dollars in Thousands)

Total OPEB liability	
Service cost	$ 5,838
Interest cost	15,322
Change in benefit terms	(532)
Differences between expected and actual experience	1,097
Changes of assumptions	(65,103)
Benefit payments	(12,937)
Net change in total OPEB liability	(56,315)
Total OPEB liability - beginning	446,045
Total OPEB liability - ending	$ 389,730
Covered employee payroll	$ 100,112
Total OPEB liability as a percentage of covered employee payroll	389.29%
Discount rate	4.10%

Erie County Medical Center Corporation

(A Component Unit of the County of Erie)

Uniform Guidance Audit Requirements

December 31, 2018

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/Pass-Through/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services Health Resources and Services Administration:				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	$ -	$ 657,205
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	N/A	-	440,044
Primary Care Medicine and Dentistry Clinician Educator Career Development Awards Program	93.976	N/A	-	161,571
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924	N/A	-	15,543
Grants to Increase Organ Donations	93.134	N/A	-	49,806
Total U.S. Department of Health and Human Services Health Resources and Services Administration Direct Programs			-	1,324,169
U.S. Department of Health and Human Services pass through program from: Health Research Inc.:				
Hospital Preparedeness Program (HPP) Ebola Preparedness and Response Activities	93.817	6U3REP1505200102	-	102,627
National Bioterrorism Hospital Preparedness Program	93.889	NU90TP000515	-	50,500
Total U.S. Department of Health and Human Services Pass Through Programs			-	153,127
Total Expenditures of Federal Awards			$ -	$ 1,477,296

See notes to the schedule of expenditures of federal awards.

Note to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Erie County Medical Center Corporation (the Corporation) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

For purposes of the Schedule, federal awards include all federal assistance entered into directly between the Corporation and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. The Schedule does not include payments received under Medicare and Medicaid reimbursement programs. Because the Schedule presents only a selected portion of the activities of the Corporation, it is not intended to, and does not, present the financial position, changes in net position and cash flows of the Corporation.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation has elected to not exercise its option to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Other Federal Awards

There were no federal awards expended for noncash assistance, insurance, or any loans, loan guarantees, or interest subsidies outstanding at December 31, 2018.

Note 4. Subrecipients

The Corporation did not provide federal awards to any subrecipients during the year ended December 31, 2018.

RSM

RSM US LLP

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors
Erie County Medical Center Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of Erie County Medical Center Corporation (the "Corporation") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 14, 2019. The financial statements of ECMC Foundation, Inc., the Grider Initiative, Inc. and Research for Health in Erie County, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with ECMC Foundation, Inc., the Grider Initiative, Inc. and Research for Health in Erie County, Inc.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements, will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

March 14, 2019

RSM

RSM US LLP

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Erie County Medical Center Corporation

Report on Compliance for Each Major Federal Program
We have audited Erie County Medical Center Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2018. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program
In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance
Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of December 31, 2018 as of and for the year ended December 31, 2018 and have issued our report thereon dated March 14, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

March 14, 2019

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		yes	X	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.153	Coordinated Services and Access to Reseach for Women, Infants, Children and Youth

Dollar threshold used to distinguish between Type A and Type B programs:			$ 750,000	
Auditee qualified as a low risk auditee?	X	yes		no

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018

Section II - Financial Statement Findings

No findings noted.

Section III - Findings and Questioned Costs for Federal Awards

No findings noted.

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2018

<u>Section II – Financial Statement Findings</u>

No findings noted.

<u>Section III - Findings and Questioned Costs for Federal Awards</u>

No findings noted.

Resolution Approving the Corporation's Annual Report

Approved March 26, 2019

WHEREAS, Erie County Medical Center Corporation (the "Corporation") is a public benefit corporation obligated under sections 2800 and 3642 of New York Public Authorities Law to prepare, approve and distribute an Annual Report of its operations; and

WHEREAS, the Corporation has prepared a draft of the 2018 Annual Report and distributed this draft to members of the Corporation's Board of Directors for consideration before the meeting called to consider approval;

NOW, THEREFORE, the Board of directors resolves as follows:

1. The 2018 Annual Report prepared by the Corporation is approved in substantially the form and content as presented to the Board of Directors.

2. The Corporation is directed to file and distribute the 2018 Annual Report in the manner prescribed by New York Public Authorities Law.

3. This resolution shall take effect immediately.

Michael A. Badger
Corporation Secretary

2018 Annual Report of

Erie County Medical Center Corporation

(As required by N.Y. Public Authorities Law)

Respectfully Submitted by the Corporation
March 31, 2019

TABLE OF CONTENTS

MESSAGE FROM THE LEADERSHIP OF ECMC CORPORATION

On behalf of the over three thousand employees and many hundreds of others who work each day at one of the numerous facilities of Erie County Medical Center Corporation ("ECMC Corporation" or the "Corporation"), it is our pleasure to present this 2018 Annual Report. Like years past, 2018 was a record-setting period for the Corporation by several different measures.

With more patients choosing ECMCC than ever before, our institution recorded another historic year of caring for Western New York. This is a testament to the incredible ECMCC caregivers that live the values and culture of True Care, demonstrating that the patient always comes first and is our single most important focus.

As we proceed into the Corporation's second century, we are grateful for the opportunity to serve as the region's only adult Level 1 Trauma Center, burn center, center of excellence in transplantation, and behavioral health, helping patients from the most influential to the most vulnerable. In 2018, the Corporation completed capital improvements to facilities housing the region's only Comprehensive Psychiatric Emergency Program while pursuing the construction of a new, state-of-the-art Emergency Department and Trauma Center as well as the construction of a larger and more welcoming Russel J. Salvatore Atrium at the main entrance to its Grider Street Campus. In short, the Corporation is proud of its past and preparing for its future.

Late in 2018, the Corporation initiated a community conversation concerning the future use of several parcels of land surrounding the ECMCC Grider Street health campus. Through a collaboration with University at Buffalo students and faculty, the Corporation is studying the future use of several parcels on Grider Street as well as a 17-acre lot on Fillmore Avenue, formally known as Kensington Heights.

The Corporation has enjoyed a very productive relationship with Kaleida Health for many years, and 2018 was no exception. After two years of effort with caregivers, administrators and others, Kaleida Health and the Corporation launched Great Lakes Cancer Care in October 2018. As well, Kaleida Health and the Corporation entered into a new relationship with 5-Star Urgent Care, combining the Corporation and Kaleida's share of MASH Urgent Care Centers with those of 5-Star Urgent Care, growing our footprint to provide these services throughout Western New York. Kaleida Health and the Corporation also initiated efforts in 2018 to improve health care quality, procurement and information technology services.

For the first time, 2018 inpatient hospital visits exceeded 20,000 and Emergency Department visits exceeded 70,000. Record hospital activity included: 6.7 percent increase in inpatient discharges in 2018 (20,558) versus 2017 (19,260); total surgeries increased 5.7 percent, with outpatient surgeries increasing by 11 percent over 2017, continued strong growth in head and neck surgeries (22 percent increase), ENT surgeries (13 percent increase), orthopaedic surgeries (11 percent increase), and kidney transplants (144 transplants in 2018 versus 138 transplants in 2017). Additional growth occurred in the hospital's outpatient clinics, including the Center for Occupational and Environmental Medicine (71.7 percent growth), Neurology (46.9 percent growth), Urology (34.7 percent growth), Cardiology (20.2 percent growth) and Primary Care (16.3 percent growth). The Corporation's Department of Rehabilitation Services experienced inpatient admissions and outpatient services increases in 2018 of 6.5 percent. Total outpatient services increased 2 percent in 2018 to 307,854.

In short, the Corporation cared for more and sicker patients than at any time in the 100 years that health care has been delivered at its facilities. As the accompanying financial information attests, the

Corporation provided these services while maintaining the appropriate oversight of the public assets it is responsible for operating.

As the national healthcare landscape continues to evolve and change, the ECMCC workforce remains committed to providing the highest quality care, while incorporating programs and initiatives that support sustainability and reliability. The men and women working for the Corporation everyday are joined by community leaders and others that enable and encourage the Corporation to identify and meet the challenges that lie ahead. On behalf of all of us, we are humbled to serve this community.

Sincerely,

Wm J Flynn Jr MD, FACS

Thomas J. Quatroche Jr., PhD	Jonathan A. Dandes	William J. Flynn Jr., MD FACS
President & Chief Executive Officer	Chair, Board of Directors	President, Medical Executive Committee

CERTIFICATION

The financial reports submitted in this Annual Report have been approved by the Board of Directors of the Erie County Medical Center Corporation and are hereby certified, as indicated by signatures below, by the Chief Executive Officer and Chief Financial Officer.

Specifically, the undersigned certify, based on our knowledge and information provided to us that the financial reports and the information provided therein (1) are accurate, correct and do not contain any untrue statement of material fact; (2) do not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made; and (3) fairly present, in all material respects, the financial condition and results of operations of the Erie County Medical Center Corporation as of, and for, the year ended December 31, 2018.

Respectfully submitted,

Thomas J. Quatroche, Ph.D.
President and Chief Executive Officer

Stephen M. Gary Sr., CPA, CGMA
Chief Financial Officer

ECMCC MISSION STATEMENT

MISSION

To provide every patient the highest quality of care delivered with compassion.

VISION

ECMC WILL BE A LEADER IN AND RECOGNIZED FOR:

- **High quality family centered care resulting in exceptional patient experiences.**
- **Superior clinical outcomes.**
- **The hospital of choice for physicians, nurses, and staff.**
- **Strong collaboration with community partners to improve access to healthcare and the quality of life and vitality of the region.**
- **Academic affiliations that provide the best education for physicians, dentists, nurses, and other clinical staff.**

CORE VALUES

ACCESS
All patients get equal care regardless of their ability to pay or source of payment. We address the healthcare needs of each patient that we can appropriately serve, without bias or pre-judgment.

EXCELLENCE
Excellence is a standard that will never be lowered; there is an expectation of excellence in all areas.

DIVERSITY
We recognize the importance and value of diversity and the enrichment that diversity can bring to ECMCC.

FULFILLING POTENTIAL
We respect the value and potential of each individual as offering a significant contribution to the good of the whole organization. Personal growth and development is important for organizational success.

DIGNITY
Each individual, no matter his or her limitations, background or situation, has intrinsic dignity and unique capabilities.

PRIVACY
We honor each person's right to privacy and confidentiality.

FAIRNESS and INTEGRITY
Equity and fairness are guidelines for all decision-making. We demand personal and institutional integrity.

COMMUNITY
In accomplishing our mission we remain mindful of the public's trust and are always responsive to the immediate surrounding community and our natural environment. This commitment represents both our organization and us as individuals. A successful future for ECMCC depends on a vibrant community and a healthy environment.

COLLABORATION
Collaboration with other organizations is beneficial within the context of our mission and is fundamental to achieving our goals.

COMPASSION
All involved with ECMCC's service delivery demonstrate caring, compassion, and understanding for patients, employees, volunteers, and families.

STEWARDSHIP
We can only be successful in carrying out our mission through solid financial performance and by assuring that resources provided to us are used effectively, in the way they were intended, and for the benefit of our patients and community.

Great Lakes Health System of WNY

The difference between healthcare and true care™

ECMC

ecmc.edu

2018 ACCOMPLISHMENTS

February

- ECMC received the national the national **Women's Choice Award®** for both Bariatrics and Orthopaedics. The Bariatric Surgery award signifies that ECMC is in the top 9% of 4,812 U.S. hospitals reviewed. The Orthopaedics award signifies that ECMC is in the top 11% of 3,230 U.S. hospitals offering orthopaedic services.

April

- **ECMC verified as a Level 1Trauma Center** by the Verification Review Committee (VRC), an ad hoc committee of the Committee on Trauma (COT) of the **American College of Surgeons (ACS)**. This achievement recognizes ECMC's dedication to providing optimal care for injured patients. Established by the American College of Surgeons in 1987, the COT's Consultation/Verification Program for Hospitals promotes the development of trauma centers in which participants provide not only the hospital resources necessary for trauma care, but also the entire spectrum of care to address the needs of all injured patients. This spectrum encompasses the prehospital phase through the rehabilitation process.

- Successful 5-year reaccreditation by **The Centers for Medicare and Medicaid Services** (CMS), part of the Department of Health and Human Services (HHS) of Transplant program, housed in ECMC's Regional Center of Excellence for Transplantation and Kidney Care.

- **The Centers for Medicare and Medicaid Services (CMS)**, part of the Department of Health and Human Services (HHS) conferred Three Stars on ECMC's Outpatient Dialysis services.

May

- Medical Intensive Care Unit (MICU) presented silver-level **American Association of Critical Care Nurses (AACN) Beacon Award for Excellence**, which is a three-year designation highlighting the Unit's achievement of exceptional care through improved outcomes and greater overall patient satisfaction.

- The **American College of Health Care Administrators (ACHCA**) honored Anthony DePinto, Administrator of ECMC's Terrace View Long-Term Care Facility with the 2018 Eli Pick Facility Leadership Award.

- **NYS Department of Health Commissioner**, based on American College of Surgeons' recent verification of ECMC as Level 1 Trauma Center, designates ECMC as a Level 1 Adult Trauma Center, stating "This is a significant achievement not only for your institution and for the New York Trauma system as a whole, but for the community you serve."

- ECMC received **the American Heart Association/American Stroke Association's Get With The Guidelines®-Stroke Gold Plus Quality Achievement Award**. The award recognizes the hospital's commitment and success in ensuring stroke patients receive the most appropriate treatment according to nationally recognized, research-based guidelines based on the latest scientific evidence.

- Synergy Bariatrics / Center for Bariatric and Metabolic Surgery has been accredited for a second consecutive three-year period as a "Comprehensive Center" under the **Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program (MBSAQIP®) –** a joint program of the American College of Surgeons (ACS) and the American Society for Metabolic and Bariatric Surgery (ASMBS). This accreditation extends from 3/27/18 to 3/27/21.

June

- **CARF International** (Commission on Accreditation of Rehabilitation Facilities) awarded three-year accreditation to ECMC's Acute Inpatient Rehabilitation Unit.

July

- **New York State Office of Alcoholism and Substance Abuse Services** (OASAS) re-issued full, three-year operating certificates ECMC's inpatient and three outpatient chemical dependency treatment service locations.

September

- **U.S. Department of Health & Human Services (DOH) Centers for Medicare & Medicaid Services** (CMS) ranked ECMC's Terrace View Long-Term Care Facility #1 in its Skilled Nursing Facility Value-Based Purchasing (VBP) Program out of 15,421 skilled nursing facilities (SNFs) nationwide.

October

- **Commission on Dental Accreditation** (CDA) for ECMC's Advanced Education Program in General Practice Residency was "approv[ed] without reporting requirements." The CDA visiting committee concluded that the program was in compliance with Commission on Dental Accreditation policies and procedures. Based on a review of the program's outcomes assessment process and resident achievement measures, the visiting CDA committee found the program has demonstrated positive programmatic resident achievement outcomes through the American Board of General Dentistry Outcomes Assessment Examination, end-of-year evaluation of program by residents, resident evaluations, and graduating resident placement.

November

- **The Leapfrog Group**, an independent, national not-for-profit organization founded more than a decade ago by the nation's leading employers and private health care experts, rated ECMC's overall patient safety score at 'B'. The Leapfrog patient surveys assess: medical errors, accidents, injuries, infections and patient experiences.
- Annual **Medicare/Medicaid survey by the NYS Department of Health** for Terrace View reported only 3 low-level care related deficiencies. This marks 5th year of improved survey scores and the best survey performance in the history of Terrace View.

December

- ECMC Hepatology Clinic at Erie County Medical Center (ECMC) presented the **New York State Department of Health Commissioner's Special Recognition Award**. The award recognizes individuals or teams in New York State committed to eliminating hepatitis C by promoting testing, ensuring timely linkage to care and improving access to hepatitis C care, treatments and cures.

2018 Performance Goals/Outcomes

Goals

- Continue High Reliability Zero Harm Focus
- Accreditations
  - OASAS
  - ACS Trauma
  - Bariatrics ACS
- Implement GLH Quality Initiatives
- Lead State and Local Initiatives for Patient Experience
- Improve Patient Food Service
- Create Clinically Integrated Network with Kaleida Health
- Initiate Pilot Programs with Payers (Gainsharing, Bundle, DSRIP, etc)
- Target GPO Consolidation and Supply Chain
- Execute IT Collaboration Implementation Plan (Cyber Security, EMR) w/ Kaleida Health
- Develop Oncology Coordination and Marketing
- Implement Capital Campaign - $15 Million
- Create Strategy Department
  - GLH, DSRIP, Payors
  - Fee for service to Value Based Purchasing, etc.
- Launch HRIS – Phase 1 Implementation
- Advance Observation Unit Construction
- Prioritize Physician Recruitment
  - Psychiatry
  - Thoracic
  - Nephrology
  - Urology
  - Primary Care

Outcomes

1. Quality

Leapfrog B

Accreditations

- Level 1Trauma Center by Verification American College of Surgeons.
- 5-year reaccreditation by Centers for Medicare and Medicaid Services of ECMC Transplant program.
- Synergy Bariatrics / Center for Bariatric and Metabolic Surgery accredited for a second consecutive three-year period as a “Comprehensive Center” under the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program (MBSAQIP®) – a joint program of the American College of Surgeons (ACS) and the American Society for Metabolic and Bariatric Surgery (ASMBS).
- CARF International (Commission on Accreditation of Rehabilitation Facilities) awarded three-year accreditation to ECMC’s Acute Inpatient Rehabilitation Unit.
- New York State Office of Alcoholism and Substance Abuse Services (OASAS) re-issued full, three-year operating certificates ECMC’s

inpatient and three outpatient chemical dependency treatment service locations.

- Commission on Dental Accreditation (CDA) for ECMC's Advanced Education Program in General Practice Residency was "approv[ed] without reporting requirements."

Implement GLH Quality Initiatives – VP Quality and Patient Safety Physician

2. Operations

Volume Goals:	Goal	Outcome
Inpatient	↑3.3%	↑3.9%
Outpatient visits	↑2.8%	↔2.0%
Surgeries	↑1.0%	↑5.7%
Behavioral Health	↔	↑14.5%

Revenue Goals:
$10 Million Revenue Cycle Improvement ($4.6 M)
$642.4 Million Total Revenue ($677 M)
Capital Campaign - $10 Million

Strategy Department – Hired Chief Strategy Officer
HRIS – In Process
Observation Unit Construction Completed
Clinically Integrated Network – GLIN Created
Pilot Programs with Payers – Bundles Signed, Gain Sharing Implemented
GPO Consolidation and Supply Chain- Premiere
Oncology Coordination and Marketing – Great Lakes Cancer Care

Physician Recruitment Total=77

Internal Medicine (21), Radiology (7), Urology (10), Psychiatry (6), Orthopaedic Surgery (5), Surgery (4), Anesthesia (3), Nephrology (3), Pathology (3), Thoracic/Cardiovascular Surgery (3), Dentistry (2) Emergency Medicine (2), Neurology (2), Neurosugery (2), Oral and Maxillofacial Surgery (1), Plastic and Reconstructive Surgery (1), Primary Care (1), & Rehabilitation Medicine (1).

IT Collaboration Efforts with Kaleida Health:

Application Consolidation Strategy.
Inventory of all applications and associated resources across Great Lakes Health.
Identify common applications that can be consolidated and/or hosted in a single data center.
Develop long-term plan for process and application version standardization.
Web Team Process Improvement.
Introducing web development team to ECMC resources to collaborate on best practices and process improvement.

3. **Patient Experience**

Improved Global Rating of Overall Hospital to 70%
Improved Patient Food Service – Metz Culinary Management
CPEP Advisory Committee Established

2019 PERFORMANCE GOALS

- **Exceptional Quality-** Raise the standard of clinical care to improve quality, patient safety and patient experience in the acute care and ambulatory environments.
- **Performance Improvement-** Generate the margin necessary to meet our budgetary goals by lowering ECMC's overall cost position, reducing length-of-stay, and enhancing revenue cycle performance.
- **Cultural Identity-** Preserve ECMC's strong cultural identity while further instilling a sense of urgency and genuine stewardship to achieve our organizational objectives.
- **Targeted Growth-** Identify accretive growth opportunities in elective services that leverage our strength and fit within our OR and bed capacity constraints.
- **Ambulatory Network-** Buy, build or partner to establish lower-cost and convenient access points across the region, including ambulatory surgery capabilities and primary care access.
- **Risk-** Transition from DSRIP to Medicaid risk contracts whereby ECMC is responsible for managing overall healthcare spend and quality for a large portion of WNY's Medicaid population.
- **Address Community Needs-** Through partnerships and targeted investments, address the significant social determinant of health issues that impact the communities surrounding ECMC.
- **Kaleida Partnership-** Further increase interconnectivity between Kaleida and ECMC by elevating the roles of Great Lakes Integrated Network and GPPC while continuing to align key hospital-based functional areas.
- **Campus Transformation-** Address the significant deferred maintenance issues in our core facility, expand surgical and acute care capacity, and integrate the development of the adjacent Kensington Heights property.
- **Academic Alignment-** Transform the University of Buffalo relationship, both clinically and academically, to solidify ECMC as a primary academic medical center to train and retain our next generation of clinicians.

Capital Projects

Project	Project Duration	Expenditure Through 2018
Emergency Room Renovation Project	Began December 2015	$21 million
Parking Lot Expansion	Began November 2017	$2.1 million
Nursing Unit Renovations	Began March 2018	$1.0 million
Building Envelope Replacement and Renovation	Began December 2018	$0.3 million
Main Lobby Renovations	Began August 2017	$3.9 million
Hot Water Tank Replacement	Began November 2017	$1.1 million
Ground Floor Renovations	Began October 2017	$1.4 million
Emergency Department Ramp	Began November 2017	$1.7 million
Mechanical, Electrical, Plumbing and Elevator Improvements	Began November 2018	$0.6 million
Comprehensive Psychiatric Emergency Program (CPEP) Renovations	Began January 2017	$1.1 million
New Pharmacy Inventory Carts	Began October 2018	$2.0 million
New Dental Clinic	Began June 2018	$0.8 million
New HRIS System	Began April 2018	$1.5 million
Water Piping/Valve	Began August 2018	$1.3 million
Parking Access Control System	Began September 2018	$0.8 million

REAL PROPERTY & PROPERTY ACQUISITIONS

The Corporation owns approximately 68 acres of land at 462 Grider Street, Buffalo, NY 14215, which constitutes the ECMC Hospital Health Care campus.

Additionally owned real property includes:

Property Address	***Property Type***	***Date of Acquisition***
1827 Fillmore Avenue	Vac. Comm. Land	5/29/2018
351 Grider Street	Vac. Comm. Land	2/14/2008
359 Grider Street	Rel.	8/5/2010
365 Grider Street	Res. V/L	2/4/2011
405 Grider Street	Res V/L	12/15/2015
409 Grider Street	Res V/L	1/24/2014
411 Grider Street	Res V/L	5/8/2014
415 Grider Street	2 Fam.	9/10/2010
419 Grider Street	Res. V/L	2/25/2008
421 Grider Street	Res. V/L	4/23/2013
425 Grider Street	Res. V/L	1/20/2011
429 Grider Street	Res. V/L	2/3/2006
431 Grider Street	Res. V/L	2/3/2006
467 Grider Street	Vac. Comm.	1/5/2006
475 Grider Street	Res.	5/11/2016
497 Grider Street	2 Fam.	4/23/2013
513-525 Grider Street	Vac. Ind/Rel.	3/11/2008
539 Grider Street	Res. V/L	2/20/2008

CODE OF ETHICS

See Appendix D. Article XI; Sections 1-8

INTERNAL CONTROL STRUCTURE AND PROCEDURES

Assessment of Effectiveness of Internal Controls

New York State Public Authority Reporting System (PARIS)

Erie County Medical Center Corporation

At and For the Year Ended December 31, 2018

The evaluation of the system of internal control is an ongoing process conducted throughout the year by myself in the capacity as the Chief Financial Officer of the Erie County Medical Center Corporation (ECMCC). In this ongoing process there is engagement and oversight by the Audit Committee of the Board of Directors with support, advice and assistance provided by the Chief Executive Officer, The Chief Operating Officer, the General Counsel and a robust internal audit function.

The conclusions of the ongoing assessment were that no control deficiencies, significant deficiencies or material weaknesses, collectively as defined in generally accepted auditing standards, in internal controls were identified, however, performance improvement opportunities to enhance internal control were identified and implemented.

Based on my ongoing assessment, the work of the internal audit function and the work of the independent audit firm for ECMCC there is an effective system of internal control to safeguard assets and to assure that transactions are properly authorized.

Respectfully submitted,

Stephen M. Gary, Sr., CPA, CGMA
Chief Financial Officer

PENDING LITIGATION

The corporation is involved in several matters related to medical malpractice, workers' compensation, and business disputes as discussed in Note 14 in the enclosed audited financial statements beginning on page 42. There are no other material matters pending litigation at this time.

CORPORATION AND BOARD STRUCTURE

ECMC's Board of Directors is comprised of 15 voting Directors, drawn from institutions and occupations across Western New York. Of these directors, eight are appointed by the Governor of New York – via the recommendations of the County Executive (3), County Legislature (3), the Temporary President of the NYS Senate and (1) the Speaker of the NYS Assembly (1) – and seven are appointed by the County Executive with the advice and consent of the Erie County legislature.

ECMC CORPORATION BOARD OF DIRECTORS

OFFICERS

Jonathan A. Dandes
Chair

Darby Fishkin, CPA
Vice Chair

Eugenio Russi
Secretary

Bishop Michael A. Badger
Treasurer

Thomas J. Quatroche Jr., PhD
President & CEO

Anthony J. Colucci III
Executive Vice President & General Counsel

BOARD MEMBERS

Ronald P. Bennett, Esq.

Scott A. Bylewski, Esq.

Ronald A. Chapin

Kathleen Grimm, MD

Sharon L. Hanson

Michael H. Hoffert

James Lawicki

Christopher J. O'Brien, Esq.

William A. Pauly

Jennifer C. Persico, Esq.

Jack Quinn

Michael A. Seaman

BOARD OF DIRECTORS REGULAR AND ANNUAL MEETINGS

Tuesday, January 30, 2018 (Annual and Regular Meeting)

Present:	Bishop Michael Badger, Douglas H. Baker, Ronald Bennett, Jonathan Dandes, Darby Fishkin, Kathleen Grimm, MD, Sharon Hanson, Michael Hoffert, Kevin Hogan, Anthony Iacono, Thomas Malecki, CPA, Frank Mesiah, Michael Seaman, William Pauly, Scott Bylewski, Thomas J. Quatroche
Excused:	Ronald A. Chapin
Also Present:	Donna Brown, Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Leslie Feidt, Stephen Gary, Susan Gonzalez, Al Hammonds Alexander Collichio, Melissa Gagne, Charlene Ludlow, Brian Murray, MD, Lorne Steinhart, James Turner, Karen Ziemianski

Tuesday, February 27, 2018

Present:	Bishop Michael Badger, Ronald Bennett, Ronald A. Chapin, Jonathan Dandes, Darby Fishkin, Kathleen Grimm, MD, Sharon Hanson, Michael Hoffert, Thomas Malecki, CPA, Christopher O'Brien, Jennifer Persico, Eugenio Russi, Michael Seaman, William Pauly, Scott Bylewski, Thomas J. Quatroche
Excused:	Frank Mesiah
Also Present:	Donna Brown, Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Leslie Feidt, Stephen Gary, Susan Gonzalez, Melissa Gagne, Charlene Ludlow, Brian Murray, MD, James Turner, Karen Ziemianski

Tuesday, March 27, 2018

Present:	Bishop Michael Badger, Ronald Bennett, Ronald A. Chapin, Jonathan Dandes, Kathleen Grimm, MD, Sharon Hanson, Michael Hoffert, Thomas Malecki, CPA, Jennifer Persico, Eugenio Russi, Michael Seaman, William Pauly, Scott Bylewski, Thomas J. Quatroche
Excused:	Darby Fishkin, Frank Mesiah, Christopher O'Brien
Also Present:	Donna Brown, Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Leslie Feidt, Stephen Gary, Melissa Gagne, Charlene Ludlow, Brian Murray, MD, James Turner, Karen Ziemianski

Tuesday, April 24, 2018

Present:	Bishop Michael Badger, Ronald Bennett, Ronald A. Chapin, Jonathan Dandes, Darby Fishkin, Kathleen Grimm, MD, Sharon Hanson, Michael Hoffert, James Lawicki, Thomas Malecki, CPA, Christopher O'Brien, Jennifer Persico, Eugenio Russi, Michael Seaman, William Pauly, Scott Bylewski, Thomas J. Quatroche
Excused:	Frank Mesiah
Also Present:	Donna Brown, Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Stephen Gary, Melissa Gagne, Charlene Ludlow, James Turner, Karen Ziemianski, Richard Embden, Susan Gonzalez, Keith Lukasik, Katie Panzarella, Al Hammonds

Tuesday, May 29, 2018

Present: Bishop Michael Badger, Ronald Bennett, Ronald A. Chapin, Darby Fishkin, Kathleen Grimm, MD, Sharon Hanson, Christopher O'Brien, Jennifer Persico, Eugenio Russi, William Pauly, Scott Bylewski, Thomas J. Quatroche

Excused: Jonathan Dandes, Michael Hoffert, James Lawicki, Thomas Malecki, CPA, Michael Seaman

Also Present: Cindy Bass, Donna Brown, Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Susan Fallis, Stephen Gary, Brian Murray, MD, James Turner, Karen Ziemianski, Richard Embden, Susan Gonzalez, Keith Lukasik

Tuesday, June 26, 2018

Present: Bishop Michael Badger, Ronald Bennett, Scott Bylewski, Jonathan Dandes, Kathleen Grimm, MD, Sharon Hanson, Michael Hoffert, James Lawicki, Christopher O'Brien, Jennifer Persico, William Pauly, Thomas J. Quatroche, Michael Seaman

Excused: Ronald A. Chapin, Darby Fishkin, Thomas Malecki, CPA, Eugenio Russi

Also Present: Donna Brown, Anthony Colucci, III, Esq., John Cumbo, Peter Cutler, Andrew Davis, Richard Embden, Stephen Gary, Susan Gonzalez, Al Hammonds, Donna Jones, Charlene Ludlow, Keith Lukasik, Brian Murray, MD, James Turner, Karen Ziemianski

Tuesday, July 31, 2018

Present: Bishop Michael Badger, Ronald Bennett, Scott Bylewski, Ronald A. Chapin, Jonathan Dandes, Kathleen Grimm, MD, Sharon Hanson, Michael Hoffert, Thomas J. Quatroche, Jack Quinn, Eugenio Russi, Michael Seaman

Excused: Darby Fishkin, James Lawicki, Christopher O'Brien, William Pauly, Jennifer Persico

Also Present: Donna Brown, Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Richard Embden, Stephen Gary, Susan Gonzalez, Donna Jones, Charlene Ludlow, Keith Lukasik, Brian Murray, MD, James Turner, Karen Ziemianski

Tuesday, September 25, 2018

Present: Ronald Bennett, Scott Bylewski, Ronald A. Chapin, Jonathan Dandes, Darby Fishkin, Kathleen Grimm, MD, Sharon Hanson, James Lawicki, Christopher O'Brien, William Pauly, Jennifer Persico, Thomas J. Quatroche, Jack Quinn, Eugenio Russi, Michael Seaman

Excused: Bishop Michael Badger, Michael Hoffert

Also Present: Donald Boyd, Donna Brown, Sam Cloud, D.O., Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Anthony DePinto, Richard Embden, Steven Gary, Joseph Giglia, Susan Gonzalez, Al Hammonds, Donna Jones, Pamela Lee, Jody Lomeo, Charlene Ludlow, Keith Lukasik, Brian Murray, MD, Lorne Steinhart, James Turner, Karen Ziemianski

Tuesday, November 27, 2018

Present: Bishop Michael Badger (via phone), Ronald Bennett, Scott Bylewski, Ronald A. Chapin (via phone), Jonathan Dandes, Darby Fishkin, Kathleen Grimm, MD,

	Sharon Hanson, Christopher O'Brien, William Pauly, Jennifer Persico, Thomas J. Quatroche, Jack Quinn, Eugenio Russi, Michael Seaman
Excused:	James Lawicki
Also Present:	Anthony Colucci, III, Esq., Peter Cutler, Andrew Davis, Richard Embden, Steven Gary, Joseph Giglia, Susan Gonzalez, Al Hammonds, Megan Holcomb, Donna Jones, Tom Kline, Pamela Lee, Charlene Ludlow, Keith Lukasik, Brian Murray, MD, James Turner, Richard Waterstram, Karen Ziemianski

COMMITTEES OF THE BOARD

STANDING COMMITTEE	*# OF MEMBERS*	*BOARD MEMBERSHIP*	*STAFF*
EXECUTIVE/ OFFICERS ***Call of Chair***	**5**	**Jonathan Dandes – Chair** Bishop Michael A. Badger Darby Fishkin Sharon L. Hanson Eugenio Russi *A.J. Colucci, III, ex officio*	Andrew L. Davis Stephen Gary Brian M. Murray, MD Thomas Quatroche Keith Lukasik Jeffra Wilson (Asst.)
QUALITY IMPROVEMENT/ PATIENT SAFETY ***Meets Monthly***	**6**	**MICHAEL HOFFERT – Chair** Kathleen Grimm James Lawicki Eugenio Russi Michael Seaman Jack Quinn	Andrew Davis Thomas Quatroche Donna Jones Brian Murray, MD Lisa Giacomazza (Asst.)
FINANCE ***Meets Monthly***	**4**	**MICHAEL A. SEAMAN – Chair** Scott Bylewski, Esq. Ronald A. Chapin Darby Fishkin	A.J. Colucci, III, Esq. Andrew Davis Stephen Gary *Thomas Quatroche* Lynn Sacha (Asst.)
AUDIT & COMPLIANCE ***Call of Chair***	**4**	**DARBY FISHKIN – Chair** Bishop Michael Badger Scott Bylewski, Esq James Lawicki *A.J. Colucci, III, Ex-Officio*	Andrew Davis Stephen Gary Thomas Quatroche Lynn Sacha (Asst.)

STANDING COMMITTEE	***# OF MEMBER S***	***BOARD MEMBERSHIP***	***STAFF***
EXECUTIVE COMPENSATIO N ***Call of Chair***	**3**	**JONATHAN DANDES – Chair** Sharon Hanson Christopher O'Brien	A.J. Colucci, III, Esq. Thomas Quatroche
GOVERNANCE ***Call of Chair***	**3**	**SHARON HANSON – Chair** Ronald Chapin Jennifer Persico *Thomas Quatroche, Jr., ex officio* *A.J. Colucci, III, ex officio*	Lori Hoffman (Asst.)
HUMAN RESOURCES ***Call of Chair***	**3**	**MICHAEL BADGER – Chair** Michael Hoffert Eugenio Russi	Thomas Quatroche Cory Wright (Asst.)
INVESTMENT ***Call of Chair***	**3**	**EUGENIO RUSSI - Chair** Sharon L. Hanson Eugenio Russi	Stephen Gary Thomas Quatroche Lynn Sacha (Asst.)
BUILDINGS & GROUNDS ***Ad-Hoc Committee Call of Chair***	**3**	**RONALD BENNETT – Chair** Michael Hoffert William Pauly Jennifer Persico	A.J. Colucci, III, Esq. Thomas Quatroche Michelle Kroupa (Asst.)

STANDING COMMITTEE	***# OF MEMBER S***	***BOARD MEMBERSHIP***	***STAFF***
WBE/MBE SUBCOMMITT EE ***Call of Chair***	**3**	**BISHOP MICHAEL BADGER – Chair** Ronald A. Chapin Kathleen Grimm, MD	Donna Brown A.J. Colucci, III, Esq. Janique S. Curry Thomas Quatroche Jennifer Fuller (Asst.)
POST-ACUTE QI ***Call of Chair***	**3**	**RONALD CHAPIN – Chair** Michael Seaman Christophher O'Brien	Andrew Davis Thomas Quatroche Anthony DePinto MaryAnn Fix (Asst.)
Contracts Committee	**3**	**JENNIFER PERSICO, Esq. - Chair** Ronald Bennett Christopher O'Brien	 Lori Hoffman (Asst.)

Confidential Evaluation of Board Performance

Evaluation Tool: Completed on ____________________

Criteria	**Agree**	**Somewhat Agree**	**Somewhat Disagree**	**Disagree**
Board members have a shared understanding of the mission and purpose of ECMCC.				
The policies, practices and decisions of the Board are always consistent with this mission.				
Board members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles.				
The Board has adopted policies, by-laws, and practices for the effective governance, management and operations of ECMCC and reviews these annually.				
The Board sets clear and measurable performance goals for ECMCC that contribute to accomplishing its mission.				

The decisions made by Board members are arrived at through independent judgment and deliberation, free of political influence or self-interest.				
Individual Board members communicate effectively with executive staff so as to be well informed on the status of all important issues.				
Board members are knowledgeable about ECMCC's programs, financial statements, reporting requirements, and other transactions.				
The Board meets to review and approve all documents and reports prior to public release and is confident that the information being presented is accurate and complete.				
The Board knows the statutory obligations of ECMCC and if ECMCC is in compliance with state law.				
Board and committee meetings facilitate open, deliberate and thorough discussion, and the active participation of members.				
Board members have sufficient opportunity to research, discuss, question and prepare before decisions are made and votes taken.				
Individual Board members feel empowered to delay votes, defer agenda items, or table actions if they feel additional information or discussion is required.				
The Board exercises appropriate oversight of the CEO and other executive staff, including setting performance expectations and reviewing performance annually.				
The Board has identified the areas of most risk to ECMCC and works with management to implement risk mitigation strategies before problems occur.				
Board members demonstrate leadership and vision and work respectfully with each other.				

ECMC CORPORATION EXECUTIVE ADMINISTRATION

Thomas J. Quatroche Jr., PhD
President and Chief Executive Officer

Andrew L. Davis, MBA
Chief Operating Officer

Stephen M. Gary Sr., CPA, CGMA
Chief Financial Officer

Brian M. Murray, MD
Chief Medical Officer

Karen Ziemianski, MS, RN
Senior Vice President of Nursing

Anthony J. Colucci, III
Executive Vice President & General Counsel

James Turner, RN, BSN
Senior Vice President, Surgical and Outpatient Services

Charlene Ludlow, MHA, RN, CIC
Chief Safety Officer

Keith Lukasik
Chief Strategy Officer

Pamela Lee, MBA, MS, RN
Senior Vice President of Operations

Richard C. Embden Sr.
Chief Information Officer

Donna Jones, MHA, MSN, RN, FACHE, CPHQ
Chief Quality Officer

Joseph T. Giglia II, Esq.
Chief Human Resources Officer

Donna M. Brown
Associate Hospital Administrator

Peter K. Cutler
Vice President of Communications and External Affairs

Al Hammonds
Executive Director, Millennium Collaborative Care

Susan M. Gonzalez
Executive Director, ECMC Foundation

ECMC Corporation Medical-Dental Staff Officers

William J. Flynn Jr., MD, FACS
President

Kathleen Grimm, MD
Immediate Past President

Michael Cummings, MD
President-Elect

Jennifer Pugh, MD, MBA, FACEP
Treasurer

Rebecca Calabrese, MD
Secretary

Primary Corporation

Erie County Medical Center Corporation

The ECMC Corporation was established as a New York State Public Benefit Corporation and since 2004 has included an advanced academic medical center with 573 inpatient beds, on- and off-campus health centers, more than 30 outpatient specialty care services and Terrace View, a 390-bed long-term care facility. ECMC is Western New York's only Level 1 Adult Trauma Center, as well as a regional center for burn care, behavioral health services, transplantation, medical oncology and head & neck cancer care, rehabilitation and a major teaching facility for the University at Buffalo. Most ECMC physicians, dentists and pharmacists are dedicated faculty members of the university and/or members of a private practice plan. More Western New York residents are choosing ECMC for exceptional patient care and patient experiences – the difference between healthcare and true care™.

ECMC Corporation Employees: 3,746

SUBSIDIARY INFORMATION

PPC Strategic Services LLC

ECMC Corporation is the sole owner of this enterprise, which was established to enable the Corporation to enter into various other business relationships, and to provide management services to them, as needed. The accounts of PPC Strategic Services LLC are consolidated into the accounts of the Corporation as of, and for the years ended, December 31, 2018 and 2017, respectively.

The assets of PPC Strategic Services LLC consist of cash totaling approximately $58 thousand at year-end 2018. Net Position was approximately $58 thousand at December 31, 2018, and $1.9 million at the previous year-end. Operating Revenue was approximately $1.3 million while expenses totaled $3.2 million.

PPC Strategic Services LLC (formerly named ECMCC Strategic Services, LLC) owns Greater Buffalo Niagara SC Venture, LLC, a presently inactive entity. The ownership interest is accounted for utilizing the equity method of accounting.

The sole member of this entity is Erie County Medical Center Corporation.

Employees: 35

Grider Community Gardens, LLC

This entity is wholly owned and controlled by the Corporation. The Corporation's net investment as of December 31, 2018 and 2017 is approximately $488 thousand and $508 thousand, respectively, and is reflected in other non-current assets of the parent company's financial statements.

The sole member of this entity is Erie County Medical Center Corporation.

Employees: None

Grider Support Services, LLC

This entity was formed to act as a Management Services Organization ("MSO") for oncology and physician services for ECMC Hospital. The entity acts as a pass through entity, and has no substantial assets or liabilities, or significant operating results. Its activity is consolidated into ECMC Corporation operations.

The sole member of this entity is Erie County Medical Center Corporation.

Employees: 8

1827 Fillmore LLC

This entity was formed to enter into a contract for purchase of real estate adjacent to the current health campus for the purpose of future development. Its activities are consolidated into ECMC Corporation.

Net position for 2018 is $104 Thousand

The sole member of this entity is Erie County Medical Center Corporation.

Employees: None

APPENDIX A

<u>Financial Reports</u>

Erie County Medical Center Corporation

(A Component Unit of the County of Erie)

Financial Report
December 31, 2018

Contents

RSM

Independent Auditor's Report

RSM US LLP

To the Board of Directors
Erie County Medical Center Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Erie County Medical Center Corporation (the "Corporation"), a component unit of the County of Erie, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of ECMC Foundation, Inc., The Grider Initiative, Inc., and Research for Health in Erie County, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of Erie County Medical Center Corporation as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As disclosed in Note 10 to the financial statements, the Corporation restated net position at January 1, 2018 by $284,568,043. The restatement was required to be made for the implementation of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is applied retroactively by restating beginning net position. Our opinion is not modified with respect to this matter.

Other Matter
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-11 as well as the required supplementary information data on pages 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

RSM US LLP

March 14, 2019

Management's Discussion and Analysis

The Corporation is considered a discrete component unit of the County of Erie, New York with its mission to provide every patient the highest quality of care delivered with compassion. The Corporation fully embraces and is proud to serve as the safety net provider for supporting persons in need who lack the ability to pay for the greater western region of New York State.

To assist the reader in understanding the operations of the Corporation, this required annual report has been organized into three parts that should be read together:

- Management's discussion and analysis
- Financial statements and notes to the financial statements and
- Supplemental schedules

Management has prepared this discussion and analysis providing an overview of the financial position and results of activities of Erie County Medical Center Corporation (the Corporation or ECMCC) as of and for the year ended December 31, 2018. The purpose of the discussion and analysis is to provide the reader with objective data to evaluate the Corporation. This narrative and the financial statements and footnotes, are the responsibility of the Corporation's management.

The financial statements (the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows) present financial information in a form similar to that used by other government hospitals and have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements of the Corporation include financial data of the Corporation's component units (i) ECMC Foundation, Inc. (ii) The Grider Initiative, Inc. and (iii) Research For Health in Erie County, Inc., however, Management's Discussion and Analysis focuses on the Corporation.

Introduction

During 2018, the Corporation was proud to celebrate its 100 year anniversary and the 5th anniversary of the opening of Terrace View, its long-term care facility. The Corporation also broke ground on a new Level 1 Trauma Center and Emergency Department, conducted a naming ceremony for its dialysis center and medical office building and began construction of its new lobby to be named for local philanthropists and long-time supporters of the Corporation. The culture and family of dedicated caregivers, support staff, leadership and a dedicated Board of Directors continue to advance the mission of the Corporation, its service to the greater Western New York area, and its ability to achieve these milestones. The Corporation is becoming the provider of choice in Western New York, as demonstrated by volume growth and other indicators discussed later in this narrative, by its continual focus on quality, patient satisfaction and physician engagement. In this context, we are proud to present the following discussion and analysis.

Operations Analysis

The Corporation completed calendar year 2018 providing another year of record levels of services to Western New York residents and, given its unique services, to many others beyond this region. Significant volumes of patient encounters (not expressed in thousands) are as follows:

	2013	2014	2015	2016	2017	2018	% Increase 2013 - 2018
Inpatients	16,316	17,789	18,378	18,839	19,260	20,555	26.0%
Surgeries	12,714	13,360	14,364	14,552	14,818	15,315	20.5%
Emergency	64,698	66,418	67,296	69,290	68,862	70,110	8.4%
Outpatients	253,781	295,676	305,737	316,691	314,927	321,661	26.7%
Dialysis	21,350	22,224	24,617	27,291	24,772	25,063	17.4%

The favorable growth reflects the trust that the Western New York community, our physicians and our employees placed in ECMCC and has translated into favorable financial results. Notable achievements in 2018 include:

- Verified Level 1 Trauma Center status from the American College of Surgeons
- Achieved National Committee for Quality Assurance (NCQA) Patient Centered Medical Home, Level 3, status.
- Centers for Medicare & Medicaid Services (CMS) 4-star designation for Terrace View.
- Commission on Accreditation of Rehabilitation Facilities (CARF) and American Association of Blood Banks (AABB) certifications/accreditation for rehabilitation and blood banks, respectively.
- A B rating by Leapfrog.
- Greater than 250 Nursing Daisy Award nominations, including 3 national nominations.
- Many community outreach activities including: mobile mammography coach, Let's Not Meet by Accident Program, and Opiate Addiction collaborative.
- Minority and Women Owned business participation rate of 31%.
- Consistent with ECMCC's goals of a high reliability organization and zero harm improvements were realized in fall prevention rates, hospital acquired infection rates, surgical site infection rates and re-admission rates.
- Conducted 14 different staff training programs with a total of 801 participants.
- Recruitment of 77 new physicians to the Medical Staff across 18 disciplines.
- Improvement in all CMS measured value based purchasing domains.
- Improvements in safe patient handling, resulting in a reduction of employee injury and workers' compensation claims.
- Established a dedicated Diversity and Inclusion Department in support of workforce development.

In addition to the favorable financial results and health care quality of the Corporation, the first-ever capital campaign to raise funds for a new Level 1 Adult Trauma Center and Emergency Department, saw continued growth in pledges, now exceeding $10,000. ECMC Foundation, Inc., the Corporation's principal fundraising entity completed another year with record levels of attendance at signature events including: The Springfest Gala, October breast cancer awareness month, its annual golf tournament and other events. Of particular note, employee participation in annual fundraising more than tripled from 2015 to 2018.

(Dollars in Thousands)

Operations Analysis (Continued)

Adoption of GASB 75 – Post-Employment Benefits Other Than Pensions (OPEB)

The Corporation adopted Governmental Accounts Standards Board (GASB) Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. The pronouncement replaced the requirements of GASB 45 and required the cumulative effect of the change on all prior periods to be recognized as a charge against net position, which amounted to $284,568. Further information related to this matter is discussed in Note 10 to the financial statements.

Financial Metric Analysis

The Corporation's total net position decreased in 2018 as a result of the adoption of GASB 75 referenced above and increased as a result of favorable key operating activities previously discussed, leading to favorable results from operations as further discussed below.

Comparative financial ratios for the Corporation to the 2017 (most recent publicly available audited data) average of NYS Public Benefit Corporation (PBC) hospitals are presented in the following table. The financial statements used for the calculation of the following ratios, where appropriate, have been reclassified to conform to the presentation used in the development of the benchmarks, consistent with GAAP for entities not subject to GASB standards.

	ECMCC			PBC Average
	2018	2017	2016	2017
Operating margin	0.6%	0.5%	0.3%	-5.2%
Operating cash flow margin	6.0%	6.2%	6.3%	0.7%
Debt service coverage	3.1	4.1	2.1	0.7
Days cash on hand	112.1	101.5	67.8	58.4
Days in accounts receivable	61.5	69.1	50.3	37.8
Average age of plant	14.1	12.8	11.8	18.0

The financial ratios reflect continuous improved results of operations and generally favorable performance compared to NYS Public Benefit Corporation Hospitals. Days cash on hand increased as a result of favorable operating performance, Care Restructuring Enhancement Pilot (CREPS) Program grant proceeds and the collection of both cyber insurance and third party reimbursement settlements from prior years. Days in accounts receivable decreased by 7.6 days (11%) due to a 5% growth in average daily revenue and resolution of aged accounts due to the April 2017 malware attack. Average age of plant increased by 1.3 years as a result of depreciation in excess of routine asset replacements due to a major focus on the construction projects noted above.

Summary Financial Statements with Analysis

Management is providing the following summary financial statements and variance analysis for certain financial statement lines where it believes the readers understanding of the financial statements is enhanced.

(Dollars in Thousands)

Statement of Net Position

Net position is categorized as follows:

Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by outstanding debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted: Result when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted: Represents the resources derived primarily from services rendered to patients and other operating revenues and not meeting the previously listed criteria. These resources are used for transactions related to the general healthcare and academic operations of the Corporation, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Condensed Statements of Net Position are as follows:

			2018-2017	
	2018	2017	$ Change	% Change
Assets				
Current assets, excluding assets whose use is limited	$ 232,303	$ 245,064	$ (12,761)	(5.2)
Assets whose use is limited	246,049	244,174	1,875	0.8
Capital assets, net	265,542	248,005	17,537	7.1
Other assets	26,854	32,141	(5,287)	(16.4)
Total assets	770,748	769,384	1,364	0.2
Deferred outflows of resources	107,080	87,081	19,999	23.0
Total assets and deferred outflows	$ 877,828	$ 856,465	$ 21,363	2.5
Liabilities				
Current liabilities	$ 202,986	$ 174,922	$ 28,064	16.0
Noncurrent liabilities	694,606	538,379	156,227	29.0
Total liabilities	897,592	713,301	184,291	25.8
Deferred inflows of resources	140,237	19,617	120,620	614.9
Net Position				
Net investment in capital assets	95,282	89,103	6,179	6.9
Restricted	62,017	35,746	26,271	73.5
Unrestricted	(317,300)	(1,302)	(315,998)	24,270.2
Total net position	(160,001)	123,547	(283,548)	(229.5)
Total liabilities, deferred inflows and net position	$ 877,828	$ 856,465	$ 21,363	2.5

Statement of Net Position (Continued)

Overall, total assets and deferred outflows of resources increased $21,363 from 2017 to 2018.

The following variances in total assets are noteworthy:

Total current assets, excluding the current portion of assets whose use is limited, decreased by $12,761 due to the following:

- Cash, cash equivalents and investments decreased by $2,044.
- Patient accounts receivable, net, decreased by $6,687 as a result of collection efforts associated with the April 2017 malware attack as further discussed later in this document. Increases in volumes noted earlier contributed to a 5.4% growth in average daily revenue and accounts receivable.
- Other receivables increased by $3,851 which is due to a $29,559 increase in Medicaid DSH and UPL program receivables offset by a $16,040 decrease of the CREPS Program grant receivable and $10,000 due to collection of proceeds from the cyber insurance claim accrued in 2017, $3,082 decrease in inventory, prepaid expenses, health insurance rebates and other receivables.

- Assets whose use is limited, including current portion, increased by a net of $1,875, which is due to an increase of $25,891 due to receipt of DSRIP grant funds offset by a $14,412 decrease from the use of proceeds from the 2018 financing for various construction and renovation projects and capitalized interest during construction, $1,703 due to decreased reserve account funding for actuarial liabilities, a $3,964 decrease in debt service reserve funds, and $3,930 decrease in collateral held for workers compensation claims.
- Capital assets, net, increased by $17,357 due to investments in new capital assets being greater than depreciation expense. Significant investments in capital assets are summarized in a following section.
- Other assets decreased by $5,287 largely as a result of decreases in investments in joint ventures.

Overall, total liabilities and deferred inflows increased $304,911 and net position decreased $283,548 from 2017.

The following variances in total liabilities are noteworthy:

Total current liabilities increased by $28,064 due to the following:

- Accounts payable and accrued salaries and benefits increased by $18,780 due to timing of payments, $5,255 of which was related to capital asset acquisitions.
- Other accrued liabilities increased by $10,386 largely as a result of an increase in payables to affiliated organizations.
- Unearned revenue increased by $13,508 due to receipt of CREPs grant funds.
- Estimated net third party liabilities decreased by $15,249 as a result of settlements on prior year payables.

- A decrease in the net pension liability was recognized in 2018 in the amount of $46,867 due to changes in actuarial assumptions made by and investment performance of the New York State and Local Retirement System (NYSLRS) further described in Note 9.
- The long-term portion of self-insured obligations decreased by $8,161 due to favorable claims expense and changes in actuarial estimates for self-insured retentions for malpractice and workers' compensation claims greater than payments made on those claims. The current portion of self-insured obligations is unchanged.

(Dollars in Thousands)

Statements of Net Position (Continued)

- The liability for OPEB increased by $228,253 due to the adoption of GASB 75 and changes to actuarial assumptions required by that standard, as further discussed in Note 10.
- Net position decreased by $284,568 due to the adoption of GASB 75 and increased by $1,020 due to favorable operations results and capital contributions.

Statements of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position are as follows:

	2018	2017	2018-2017 $ Change	2018-2017 % Change
Net patient service revenue	$ 529,548	$ 506,842	$ 22,706	4.5
Disproportionate share revenue (DSH)	72,071	67,411	4,660	6.9
Delivery System Reform Incentive Payment (DSRIP) grants	22,339	27,286	(4,947)	(18.1)
Other operating revenue	37,074	45,834	(8,760)	(19.1)
Total operating revenues	661,032	647,373	13,659	2.1
Operating expenses:				
Payroll and employee benefits	331,069	344,784	(13,715)	(4.0)
Professional fees	89,801	76,552	13,249	17.3
Purchased services	59,088	53,352	5,736	10.8
Supplies	96,230	83,616	12,614	15.1
Other operating expenses	24,152	22,942	1,210	5.3
Delivery System Reform Incentive Payment (DSRIP) grant expenses	21,192	26,044	(4,852)	(18.6)
Depreciation and amortization	27,930	28,740	(810)	(2.8)
Total operating expenses	649,462	636,030	13,432	2.1
Operating income before interest expense	11,570	11,343	227	2.0
Interest expense	7,733	8,159	(426)	(5.2)
Operating income	3,837	3,184	653	20.5
Total net non-operating (expenses) revenue	(2,817)	1,860	(4,677)	251.5
Net income	1,020	5,044	(4,024)	(79.8)
Change in net position	1,020	5,044	(4,024)	79.8
Net position - beginning of year, as restated (Note 10)	(161,021)	118,503	(279,524)	(235.9)
Net position - end of year	$ (160,001)	$ 123,547	$ (283,548)	(229.5)

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

Overall, operating revenues increased by $13,659 or 2.1% in 2018 with increases attributable to the following:

- Net patient service revenue increased $22,706, or 4.5% in 2018. Volumes increased across multiple lines of business, as presented in the table in the section entitled "Operations Analysis".
- DSH increased by $4,660 or 6.9%, in 2018 as a result of an increase in uncompensated care cost for services provided.
- Other operating revenue decreased by $8,760, or 19.1%, in 2018, principally as the result of $10,000 in insurance proceeds from the April 2017 malware attack being recognized in 2017, offset by an income of $2,400 in CREPs grant revenue and $1,960 in other grant or other operations revenues.

Operating expenses increased $13,432 or 2.1%, in 2018. Expense increases are attributable to the following:

- Payroll and employee benefit expenses have decreased by $13,715 or 4.0% as the net result of increases in staffing levels due to the aforementioned volume increases, increased payroll and other taxes as a result of that growth, wage increases associated with collective bargaining agreements, increased active employee and retiree health insurance expense offset by the impact of the adoption of GASB 75 on that expense, favorable investment performance by the New York State Retirement System, resulting in a decrease in pension expense and efforts to improve workers' compensation claims experience. Salaries and employee benefit expense decreased by 3.2% of total operating revenue, from 53.3% in 2017 to 50.1% of total operating revenue in 2018.
- Supply expenses have increased from 16.5% of net patient revenue to 18.2% of net patient revenue due to increases in pharmaceuticals and an increase in surgical volumes.

Capital Assets, Net

At December 31, 2018, the Corporation had capital assets, net of accumulated depreciation, of $265,542 compared to $248,005 at December 31, 2017, representing an increase of $17,537 or 7.1%.

The Corporation invested in the development of a new Level 1 Adult Trauma Center and Emergency Department, including its enabling projects ($19,674) and a new main lobby ($3,762). Construction of these projects began in 2017 and are scheduled to be completed in 2020. In addition, new pharmacy distribution system cabinets ($2,044), various mechanical, electrical, plumbing and elevator initiatives ($594), renovations to nursing units ($1,952), a new dental clinic ($771), and various facility infrastructure projects. Other additions to capital assets included other medical and non-medical equipment, software and furniture and fixtures.

Forward Looking Factors

Management has prepared the following forward looking factors to assist the reader in understanding the financial, economic and market factors impacting the Corporation.

Collective Bargaining Agreements

The Corporation operates under three collective bargaining agreements that cover substantially all employees. Corporation employees of the Civil Service Employee Association (CSEA) are covered by a contract negotiated in concert with Erie County, New York, which contains a sub-bargaining unit representing only Corporation employees. The agreement began in 2018 and runs through December 31, 2022. Registered Nurses (RNs) are covered under an agreement with the New York State Nurses Association (NYSNA). The current agreement was executed in September 2014 and expired on December 31, 2018. The renewal of this agreement is currently being negotiated. The Corporation's agreement with the American Federation of State, County and Municipal Employees (AFSCME), a contract negotiated in concert with the County of Erie, New York, and ratified with AFSCME employees in 2017 runs through December 31, 2022.

Transactions with the County of Erie

The Corporation is a component unit of the County of Erie, New York. The County has ongoing contractual and legal obligations to the Corporation and the Corporation has ongoing contractual and legal obligations to the County.

Health Reform Law

The status of Health Reform including the Health Reform Law continues to be debated through the date of this report, however the individual insurance mandate, a central tenant to the Health Reform Law was repealed as part of the Tax Reform Bill and signed into law in December 2017. The health care industry will continue to be subject to significant new statutory and regulatory requirements, and consequently, structural and operational challenges. In 2012, the U.S. Supreme Court altered certain aspects of the law. Certain other aspects of the law have been delayed through Executive Orders issued by the President of the United States.

Management of the Corporation is continually analyzing the various proposals being promulgated and the Health Reform Law to better understand its effect on current and projected operations, financial performance and financial condition. The Health Reform Law is complex and comprehensive, and includes a myriad of programs, initiatives and changes to existing programs, practices and laws.

Delivery System Reform Incentive Payment (DSRIP)

On April 14, 2014, Gov. Andrew M. Cuomo announced that New York finalized terms and conditions of an agreement with the U.S. government that will allow New York State to reinvest $8 billion in federal savings generated by Medicaid Redesign Team reforms. This program is known as the Delivery System Reform Incentive Payment (DSRIP) Program.

The Corporation was selected as one of the lead entities and has worked with others to form a Performing Provider System (PPS) to achieve the goals established in the waiver. As a result, the Corporation, and the PPS have been awarded a five (5) year grant which began April 1, 2015. Certain revenues and expenses associated with this effort, and the related receivables and payables, have been recognized in the financial statements.

The DSRIP program is designed to stabilize the state's healthcare safety-net system and to re-align the state's delivery system. The overarching goal of the DSRIP program is to help New York and its health care providers achieve the triple aim of improved population health, improved quality care, and controlled costs.

Reducing avoidable hospital admissions and avoidable emergency room visits by 25 percent over the next five years is the DSRIP program's ultimate objective. Secondarily, the DSRIP program is expected to preserve and transform New York's fragile healthcare safety net, ensuring all Medicaid beneficiaries have access to vital services.

Successful execution of DSRIP-funded projects requires community-focused plans where population health and healthcare costs are addressed by hospitals working with other healthcare organizations such as Federal Qualified Health Centers (FQHCs), physician practices, Health Homes (HHs), and Skilled Nursing Facilities (SNFs). The expectation is to achieve savings by reducing avoidable hospitalizations and Emergency Department visits, requiring hospitals to "restructure themselves," reducing beds, strengthening outpatient and primary-care, and improving alignment with post-acute care settings.

In Western New York, the first step in this process was to form a group of nearly 400 health care partners led by the Corporation and known as Millennium Collaborative Care (MCC). In December 2014, MCC submitted its application for DSRIP program funding to begin the process of reform. Through 2018, the Corporation and MCC have worked diligently to achieve the goals established for the first four years of the grant.

Care Restructuring Enhancement Pilot (CREPS) Program Grant

The Corporation was awarded a grant under the CREPS Program administered by the New York State Department of Health. The total award amount is approximately $97,260 over the period April 1, 2016 to March 31, 2020 in state fiscal year annual distribution amounts of $43,930, $30,010, $13,320, and $10,000, respectively. The Corporation is responsible for achieving certain goals of the CREPS Program in each year in order to qualify for the funding. The Corporation believes it has achieved all of the goals for years 1 and 2 and substantially all of the goals from year 3 of the program and has recognized related revenue in the amount of $25,750 and $23,330, in the 2018 and 2017 financial statements, respectively.

Contacting the Corporation's Financial Management

This financial report is designed to provide our community and creditors with a general overview of Erie County Medical Center Corporation's finances and to demonstrate the Corporation's accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer, Erie County Medical Center Corporation, 462 Grider Street, Buffalo, New York 14215.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Net Position
December 31, 2018
(Dollars in Thousands)

Assets and Deferred Outflows	
Current assets:	
Cash and cash equivalents	$ 19,076
Investments	44,853
Assets whose use is limited	161,036
Patient accounts receivable, net	89,287
Other receivables	67,322
Supplies, prepaids and other	11,765
Total current assets	393,339
Assets whose use is limited	85,013
Capital assets, net	265,542
Other assets, net	26,854
	377,409
Total assets	770,748
Deferred outflows of resources:	
Pension	88,634
Other post employment benefits	892
Other	17,554
Total deferred outflows of resources	107,080
Total assets and deferred outflows of resources	$ 877,828
Liabilities, Deferred Inflows and Net Position	
Current liabilities:	
Current portion of long-term debt	$ 11,126
Accounts payable	59,502
Accrued salaries, wages and employee benefits	21,561
Accrued other liabilities	48,578
Unearned revenue	55,127
Estimated third-party payor settlements	7,092
Total current liabilities	202,986
Long-term debt, net	246,199
Net pension liability	24,677
Self-insured obligations	42,654
Other post employment benefits	377,151
Other	3,925
Total liabilities	897,592
Deferred inflows of resources:	
Pension	87,326
Other post employment benefits	52,911
Total deferred inflows of resources	140,237
Net Position	
Net investment in capital assets	95,282
Restricted:	
Nonexpendable	-
Expendable	62,017
Unrestricted	(317,300)
Total net position	(160,001)
Total liabilities, deferred inflows and net position	$ 877,828

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018
(Dollars in Thousands)

Operating revenues:		
Net patient service revenue, net of provision for bad debts of $14,321	$	529,548
Disproportionate share revenue (DSH)		72,071
Delivery System Reform Incentive Payment (DSRIP) grants		22,339
Other operating revenue		37,074
Total operating revenues		661,032
Operating expenses:		
Payroll and employee benefits	$	331,069
Professional fees		89,801
Purchased services		59,088
Supplies		96,230
Other operating expenses		24,152
Delivery System Reform Incentive Payment (DSRIP) grant expenses		21,192
Depreciation and amortization		27,930
Total operating expenses		649,462
Operating income		11,570
Non-operating expenses:		
Investment loss		(4,567)
Interest expense		(7,733)
Total non-operating expenses		(12,300)
Income before capital contributions		(730)
Capital contributions		1,750
Total change in net position		1,020
Net position – beginning of year, as restated (Note 10)		(161,021)
Net position – end of year	$	(160,001)

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Cash Flows
Year Ended December 31, 2018
(Dollars in Thousands)

Cash flows from operating activities:	
Receipts from patients and third party payors	$ 496,956
Payments to employees for salaries and benefits	(319,931)
Payments to vendors for supplies and other	(256,226)
Other receipts	144,992
Net cash provided by operating activities	65,791
Cash flows from capital and related financing activities:	
Purchases of capital assets	(40,229)
Borrowings on long-term debt	2,453
Payments on long term debt	(17,634)
Interest paid on long term debt	(7,733)
Net cash used in capital and related financing activities	(63,143)
Cash flows from investing activities:	
Purchases of assets whose use is limited, net	(1,875)
Investment loss	(4,567)
Purchases of investments, net	(2,785)
Capital contributions	1,750
Net cash used in investing activities	(7,477)
Net change in cash and cash equivalents	(4,829)
Cash and cash equivalents:	
Beginning	23,905
Ending	$ 19,076

Noncash capital and related financing activities:
Included in accounts payable at December 31, 2018 was $10,493 of invoices related to capital asset acquisitions.

(Continued)

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Cash Flows (Continued)
Year Ended December 31, 2018
(Dollars in Thousands)

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 11,570
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	27,930
Provision for bad debt	31,226
Patient accounts receivable	(24,539)
Other receivables	(3,851)
Supplies, prepaids and other	13,168
Deferred outflows of resources	(19,999)
Accounts payable	11,498
Accrued liabilities	12,934
Unearned revenue	13,508
Estimated third-party payor settlements	(15,429)
Self-insured obligations	(7,860)
Net pension liability	(46,867)
OPEB	(58,118)
Deferred inflows of resources	120,620
Net cash provided by operating activities	$ 65,791

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Net Position - Discretely Presented Component Units
December 31, 2018
(Dollars in Thousands)

	ECMC Foundation, Inc.	The Grider Initiative, Inc.	Research for Health in Erie County, Inc.	Total (memorandum only)
Assets				
Current assets:				
Cash and cash equivalents	$ 860	$ 273	$ 6	$ 1,139
Investments	-	-	996	996
Other receivables	2,744	-	-	2,744
Supplies, prepaids and other	135	-	-	135
Total current assets	3,739	273	1,002	5,014
Other receivables	3,120	-	-	3,120
Endowment and other investments	5,714	10,668	-	16,382
Equipment and vehicles, net	123	-	-	123
	8,957	10,668	-	19,625
Total assets	$ 12,696	$ 10,941	$ 1,002	$ 24,639
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$ 283	$ -	$ -	$ 283
Funds held in custody for others	462	-	-	462
Total current liabilities	745	-	-	745
Related party	1,449	-	-	1,449
Total liabilities	2,194	-	-	2,194
Net Position				
Restricted:				
Nonexpendable	50	10,000	-	10,050
Expendable	8,617	941	-	9,558
Unrestricted	1,835	-	1,002	2,837
Total net position	10,502	10,941	1,002	22,445
Total liabilities and net position	$ 12,696	$ 10,941	$ 1,002	$ 24,639

See notes to the financial statements.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Statement of Revenues, Expenses and Changes in Net Position - Discretely Presented Component Units
Year Ended December 31, 2018
(Dollars in Thousands)

	ECMC Foundation, Inc.	The Grider Initiative, Inc.	Research for Health in Erie County, Inc.	Total (memorandum only)
Operating revenues:				
Grants, contributions and special events	$ 6,106	$ -	$ -	$ 6,106
Total operating revenues	6,106	-	-	6,106
Operating expenses:				
Program services and grants	3,062	-	31	3,093
Fundraising	1,440	-	-	1,440
Other operating expenses	204	1	1	206
Total operating expenses	4,706	1	32	4,739
Operating income (loss)	1,400	(1)	(32)	1,367
Non-operating revenue:				
Investment income	-	(127)	15	(112)
Change in net position	1,400	(128)	(17)	1,255
Net position – beginning of year	9,102	11,069	1,019	21,190
Net position – end of year	$ 10,502	$ 10,941	$ 1,002	$ 22,445

See notes to the financial statements.

Note 1. Organization

The Corporation: Erie County Medical Center Corporation (referred to as the "Corporation" or "ECMCC") is a public benefit corporation created by the Erie County Medical Center Corporation Act, Chapter 143 of the Laws of New York State, 2003 (Title 6 of Article 10-C of the Public Authorities Law) (the "Act") as amended in 2016. The Corporation was created under the Act to secure a form of governance which permits the Corporation to have the legal, financial, and managerial flexibility to operate its health care facilities for the benefit of the residents of New York State (the "State"), the County of Erie (the "County"), and Western New York, including persons in need who lack the ability to pay.

The Corporation's "Health Care Facilities" consist of the Medical Center, a 573 bed acute tertiary care facility providing inpatient, emergency, outpatient, primary care and specialty clinic services (Medical Center), a 390-bed residential health care facility (Terrace View) both located on Grider Street in the City of Buffalo and three chemical dependency and alcohol rehabilitation clinics located throughout the County. The Corporation serves as the region's only Level 1 Adult Trauma Center, burn center, comprehensive traumatic brain injury and spinal cord injury rehabilitative center, Comprehensive Psychiatric Emergency Program provider for acute psychiatric emergencies, Regional Center of Excellence for Transplantation and Kidney Care, and is the primary provider of HIV inpatient and outpatient specialty care.

The Corporation has the power under the Act to acquire, operate, and manage its facilities and to issue bonds and notes to finance the costs of providing such facilities. The Act specifically provides that the Corporation's existence shall continue until terminated by law; provided, however, that no such termination shall take effect so long as the Corporation shall have bonds or other obligations outstanding unless adequate provision has been made for the payment or satisfaction thereof. The Corporation's primary purpose is the operation of the Medical Center and Terrace View, and its powers, duties, and functions are as set forth in the Act, as amended, and other applicable laws.

The Corporation qualifies as a governmental entity and, accordingly, is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code of 1986.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended, the Corporation's financial statements are included, as a discretely presented component unit, in the County's Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from the Erie County Comptroller's Office, 95 Franklin Street, Room 1100, Buffalo, New York, 14202. The Corporation is subject to New York civil service law.

Governance: The Corporation is governed by its Board of Directors (the "Board") consisting of fifteen (15) voting directors, eight (8) of whom are appointed by the Governor of the State of New York and seven (7) of whom are appointed by the Erie County Executive with the advice and consent of the Erie County Legislature. There are four non-voting representatives, as well. The directors and non-voting members serve staggered terms and continue to hold office until their successors are appointed. Directors have experience in the fields of health care services, quality and patient safety, human resources, strategic growth, law, and financial management and reflect a broad representation of the community served by the Corporation. Regular meetings of the Board are scheduled eleven (11) times per year. Board leaders are appointed by the Board.

Note 1. Organization (Continued)

Great Lakes Heath System: The Corporation is a member of Great Lakes Health System of Western New York (Great Lakes). Great Lakes is a not-for-profit, community-based corporation comprised of unified partners whose objective is to provide the highest quality of healthcare to the residents of Western New York. Great Lakes is comprised of the Corporation, Kaleida Health, The Center for Hospice and Palliative Care and the State University of New York at Buffalo (the "University").

Medical School Collaboration: The Corporation serves as a primary teaching hospital for the Jacobs School of Medicine and Biomedical Sciences of the State University of New York at Buffalo (the "Medical School"). An agreement governs the relationship between the Corporation and the Medical School. The Corporation serves as an integral part of the education and research mission of the Medical School by providing the clinical settings for the Medical School's public mission to educate and train physicians, nurses and other healthcare professionals, conduct clinical research programs and deliver healthcare services to patients. There are currently 175 full-time equivalent medical residents assigned to the Corporation in various Academic College of Graduate Medical Education accredited residency programs.

Component Units: Accounting principles generally accepted in the United States of America (GAAP) require the inclusion within the Corporation's financial statements of certain organizations as component units. The component units discussed below are included because the nature and significance of their relationship to the Corporation are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete under criteria set forth by the Governmental Accounting Standards Board (GASB).

The component unit information in the accompanying basic financial statements includes the financial data of the Corporation's three discretely presented component units. These component units are discussed in more detail below:

ECMC Foundation, Inc.: The ECMC Foundation, Inc. (the "Foundation"), formerly the ECMC Lifeline Foundation, Inc., is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation was formed for the purpose of supporting Corporation programs. The financial statements of the Foundation have been prepared on an accrual basis. The annual financial report can be obtained by writing to: Executive Director, ECMC Foundation, Inc., 462 Grider Street, Buffalo, NY 14215.

The Grider Initiative, Inc.: The Grider Initiative, Inc. (the "Physician Endowment") is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the IRC. The Physician Endowment was funded in 2010, for the purpose of recruiting physicians who shall practice on the Grider Street campus of the Corporation. The entity was funded with an initial transfer of $10,000 from the Corporation. Earnings from the investment of the initial transfer may be used only for physician recruitment and retention and necessary expenses of the entity. The financial statements of The Grider Initiative, Inc. have been prepared on an accrual basis. The annual financial report can be obtained by writing to: Chair, The Grider Initiative, Inc. 462 Grider Street, Buffalo, NY 14215.

Research for Health in Erie County, Inc.: Research for Health in Erie County, Inc. (RHEC) is a not-for-profit organization dedicated to support research activities relating to the causes, nature, and treatment of diseases, disorders, and defects of particular importance to the public health in areas served by the Corporation. RHEC is exempt from income tax as a not-for-profit corporation under Section 501(c)(3) of the IRC and is incorporated under the laws of the State of New York. The entity has not received external funding in recent years and its revenue comes primarily from investment income. The annual financial report can be obtained by writing to: Grant Administration, Research for Health in Erie County, Inc., 462 Grider Street, Buffalo, NY 14215.

Note 1. Organization (Continued)

In addition, the financial statements of the Corporation include the operations of the following component units, which are blended with the accounts of the Corporation:

PPC Strategic Services LLC (PPC): The Corporation is the sole owner of this enterprise, which was established to enable the Corporation to enter into various other business relationships. The entity was formed as a management support organization (MSO) to provide various support services to the Corporation and Preferred Physician Care, P.C. These services include providing employees, management and administrative services, and facilities management.

Grider Support Services, LLC: The Corporation is the sole owner of this enterprise, which was formed to act as an MSO for oncology and physician services.

Grider Community Gardens, LLC: This entity is wholly-owned and controlled by the Corporation and was formed for the purpose of purchasing and holding properties in proximity to the Corporation's Grider Street Campus.

1827 Fillmore, LLC: This entity is controlled by the Corporation and was formed for the purchase and development of property immediately adjacent to the Corporation's Grider Street campus.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The Corporation uses the accrual basis of accounting. Revenue is recognized in the period it is earned and expenses are recognized in the period incurred. Under this basis of accounting, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Corporation are included in the statement of net position.

For financial accounting and reporting purposes, the Corporation follows all pronouncements of the GASB. All references to relevant authoritative literature issued by the GASB with which the Corporation must comply are hereinafter referred to generally as "U.S. GAAP." The discretely presented component units, as previously described, report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Use of estimates: The preparation of the 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 in the financial statements and accompanying notes. The reserve for uncollectible accounts, contractual allowances, amounts payable to third-party payors, workers compensation reserves, malpractice reserves, pension obligations, other post-employment benefits, self-insured obligations, as well as Disproportionate Share (DSH) revenue and certain other accounts, require the significant use of estimates. Actual results could differ from those estimates.

Included in net patient service revenue are adjustments to prior year estimated third-party payor settlements, and their related estimated receivables and payables that were originally recorded in the period the related services were rendered, as well as adjustments to the net realization rate for collections on patient accounts receivable. These adjustments are made in the normal course of operations and amounts reported are consistent with approach in prior years. The adjustments to prior year estimates and other third-party reimbursement or recoveries that relate to prior years also impact Disproportionate Share revenues as discussed in Note 4. The combined effect of changes related to prior years estimates resulted in an increase of $3,119 in total operating revenue for the year ended December 31, 2018.

(Dollars in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The Corporation's cash and cash equivalents include cash on hand and cash in checking and money market accounts as well as investments with a maturity of three months or less when purchased. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows. Monies deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks are collateralized with specifically designated securities held by a pledging financial institution, as required by State regulations.

Patient accounts receivable: Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid and other third party payor programs. Current operations are charged with an estimated provision for bad debts estimated based on the age of the account, prior experience and any other circumstances which affect collectability. The Corporation's policy does not require collateral or other security for patient accounts receivable and the Corporation routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies. The allowance for estimated doubtful accounts at December 31, 2018 was approximately $17,391.

Investments and assets whose use is limited: The Corporation generally records its investments at fair value. Such assets are comprised of cash and cash equivalents, including money market funds, fixed income securities, commercial paper and equity funds. Assets classified as investments are unrestricted. Assets classified as limited as to use are restricted under Board designation or terms of agreements with third parties and include debt service funds, funds for self-insured workers compensation costs and medical malpractice costs, collateral for insured workers compensation programs, patient and resident monies, funding for future retiree health costs, and funds limited as to use for the acquisition of property, plant and equipment.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least possible that changes in risks in the near term could materially affect the net position of ECMCC.

Other receivables: The composition of other receivables, as of December 31, 2018 is as follows:

Medicaid Disproportionate Share (DSH) and Upper Payment Limit (UPL) (Note 4)	$	54,848
Due from affiliated organizations and joint ventures		5,482
Health insurance rebates		1,411
Other		5,581
	$	67,322

(Dollars in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are stated at cost. Depreciation is computed under the straight-line method over the estimated useful life of the asset. Estimated useful lives of assets have been established as follows:

Land and land improvements	5 – 25 years
Buildings and improvements	10 – 40 years
Fixed equipment	10 – 20 years

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected for the period. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful life of the asset, whichever is shorter. Maintenance and repairs are charged to expense as incurred with significant renewals and betterments being capitalized. During periods of construction, the Corporation capitalizes interest incurred with borrowings for construction. Capitalized interest was $5,212 at December 31, 2018.

Capital assets that are donated (without restriction) are recorded at their fair market values as a direct increase to the component of net investment in capital assets.

Deferred outflows of resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist primarily of unrecognized items not yet charged to pension expense related to the net pension liability and items related to the 2017 financing transaction.

The 2017 financing transaction included the payment of points, in the amount of $17,040 to Erie County associated with the differential in interest rate on the 2017 financing using the credit rating of Erie County and the rate that the Corporation was projected to pay independent of a relationship with Erie County. The points are being amortized on the interest method over the term of the 2017 financing. The unamortized amount of points at December 31, 2018 is $15,076. The 2017 financing transaction also included the advance refunding of the 2011 financing, the proceeds of which were used to finance the construction of the Terrace View Nursing Home on the Corporation's campus. The deposit required to the advance refunding escrow was greater than the balance outstanding on the 2011 financing in the amount of $2,038 and is being amortized on the interest method over the life of the advance refunding component of the transaction. The unamortized portion of this advance refunding at December 31, 2018 is $1,701.

Deferred inflows of resources: Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist primarily of the unamortized portion of certain items related to the Corporation's pension and other post-employment benefits.

Other assets: Amounts due from the County, as noted in Note 13 as well as ownership interests in various business enterprises are included in other assets.

Collaborative Care Ventures, LLC (Collaborative Care) was formed in 2014 by ECMCC and Kaleida Health System (KHS). Collaborative Care was created as a vehicle for ECMCC and KHS to participate in various investments in the future consistent with their missions. At December 31, 2018, the Corporation's share of the net assets of Collaborative Care amounted to $692.

Note 2. Summary of Significant Accounting Policies (Continued)

Great Lakes Integrated Network (GLIN) was formed in 2018 by ECMCC and Kaleida Health System. GLIN was formed to support, manage and negotiate value based contracts and/or risk based contracts with third party payors for the purpose of managing population health and anticipated payment reform. GLIN is a development stage enterprise with the Corporation's share of contributed capital supporting organizational development. The Corporation's share of GLIN's profit or less is recognized as a non-operating expense. At December 31, 2018, the Corporation's share of the net assets of GLIN amounted to $134.

Unearned revenue: Unearned revenue represents funds received by the Corporation for the DSRIP and CREPS Program for expenses not yet incurred.

Compensated absences: The Corporation has accrued liabilities for certain compensated absences earned by its employees, to include vacation, sick, and compensatory time. The Corporation's employees are permitted to accumulate unused vacation and sick leave time up to certain maximum limits. The Corporation accrues the estimated obligation related to vacation pay based on pay rates currently in effect. Sick leave credits, if accumulated above certain prescribed levels, may be the basis of a supplemental payment to employees upon retirement. The Corporation accrues an estimated liability for these estimated terminal payments. These amounts have been included in the statement of net position at December 31, 2018, within the caption accrued salaries, wages and employee benefits in the amount of $12,851.

Net position: Net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of the Corporation's obligations. The Corporation's net position is described as follows:

Net investment in capital assets: This represents the Corporation's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction or improvement of those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted: The restricted expendable component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The restricted nonexpendable component of net position is permanently unavailable for use. The earnings on the nonexpendable net position are classified as restricted expendable.

Unrestricted: This component of net position consists of net position that does not meet the definition of other components of net position described above. These resources are used for transactions relating to the general health care operations of the Corporation, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Net patient service revenue: Net patient service revenue is reported as services are rendered at estimated net realizable amounts, including estimated retroactive revenue adjustments under reimbursement agreements with third party payors. Estimated settlements under third party reimbursement agreements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. An estimated provision for bad debts is included in net patient service revenue.

Note 2. Summary of Significant Accounting Policies (Continued)

Charity care: The Corporation provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue in the accompanying statement of revenues, expenses, and changes in net position. The estimated costs of caring for charity care patients were $12,426 for the year ended December 31, 2018. Additionally, the Corporation provided approximately $3,721 in discounts to self-pay patients for the year ended December 31, 2018.

Contributions: The Foundation reports gifts of cash or promises to give as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as with donor restrictions. When a donor restriction expires, restricted - expendable net positions are released to unrestricted net position. The Foundation is conducting a capital campaign to raise funds to support the construction of a new Level 1 Adult Trauma Center, Emergency Department and other capital needs in support of the mission of the Corporation. Receivables for pledges associated with this campaign are recorded net of a reserve for uncollectible pledges and are discounted to present value using a 2.5% discount rate, over the expected collection period of the pledges.

Classification of revenues: The Corporation has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as payments for providing services and payments for goods and services received, for health care services provided to patients, net of contractual allowances and provisions for bad debts.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, income from investments and contributions.

Income taxes: The Corporation is a Public Benefit Corporation of the State of New York and is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Contributed services: RHEC receives contributions from the Corporation consisting primarily of donated space, equipment, and personnel support. During 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Certain immaterial amounts related to contributed rents have been reflected in the Foundation's financial statements as contributed services. The Foundation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation in meeting its goals and objectives. Such services are not recognized in the Foundation financial statements.

No amounts have been reflected in the Physician Endowment financial statements for contributed services, as the value of contributed services meeting the requirements for recognition in the financial statements was not material.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent and pending accounting pronouncements: Effective January 1, 2018, the Corporation adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The impact of the adoption of this statement, further detailed in Note 10, required the restatement of prior year net position to conform to the 2018 presentation.

In November 2016, GASB issued Statement No. 83, *Capital Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is defined as a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Corporation has not yet determined the impact this statement will have on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities and the focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Corporation has not yet determined the impact this statement will have on the financial statements.

Effective January 1, 2018, the Corporation adopted GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement was to address a variety of topics including issues related to blending component units, goodwill, fair value measurement and post-employment benefits. There was no significant impact on the Corporation's financial statements due to the adoption of Statement No. 85.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. Under this Statement, a lessee is required to recognize a lease liability and a right to use asset as a single model for lease accounting based on the principle that leases are financing instruments. The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2019. The Corporation has not yet determined the impact this Statement will have on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* – The objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Corporation has not yet determined the impact this Statement will have on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simply accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 and should be applied prospectively. The Corporation has not yet determined the impact this Statement will have on the financial statements, however, expects the impact to be material.

GASB Statement No. 90, *Majority Equity Interests* – The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Corporation has not yet determined the impact this Statement will have on the financial statements.

Subsequent events: The Corporation has evaluated subsequent events for potential recognition and/or disclosure through March 14, 2019, the date the financial statements were issued.

Note 3. Net Patient Service Revenue and Patient Accounts Receivable

The Corporation has agreements with third-party payors that provide for payment to the Corporation at amounts different from its established rates. A summary of the payment arrangements for hospital services with major third-party payors is as follows:

Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge and per patient day depending on the service. Acute care rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain inpatient and outpatient services, as well as defined organ acquisition, capital and medical education costs related to Medicare beneficiaries are paid based on regulatory proscribed formulae. The Corporation is reimbursed for such items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. Most outpatient reimbursements are based on an Ambulatory Payment Classification weighting by acuity system, although some outpatient cost reimbursement still exists.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates in accordance with Part 86 of the New York Codes, Rules and Regulations and New York State Law which are promulgated by the New York State Department of Health (DOH). Outpatient services are similarly paid at either prospective rates or fee schedule amounts.

Under the New York Health Care Reform Act, the Corporation also enters into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates, discounts from charges, and prospectively determined per diem rates. Medicaid, Workers' Compensation and No-fault continue to have reimbursement rates determined based on New York's Prospective Reimbursement Methodology.

(Dollars in Thousands)

Note 3. Net Patient Service Revenue and Patient Accounts Receivable (Continued)

Terrace View provides services to residents under agreements with third-party payors (Medicaid, Medicare and HMO's) under provisions of their respective cost reimbursement formulas or contractually negotiated rates. If amounts received are less than established billing rates, the difference is accounted for as a reduction of revenue. Final determination of the reimbursement rates are subject to review by appropriate third-party payors. Provisions are made in the financial statements for anticipated adjustments that may result from such reviews. Difference between the estimated amounts accrued and final settlements are reported in operations in the year of settlement.

Net patient service revenue, as reported on the statement of revenues, expenses and changes in net position is comprised of the following for the year ended December 31, 2018:

Gross charges	$ 1,094,720
Less:	
Discounts and allowances	550,851
Provision for bad debts	14,321
	$ 529,548

Net patient service revenue by payor for the year ended December 31, 2018 is as follows:

		%
Medicare*	$ 187,390	35.4%
Medicaid*	164,080	31.0%
No-fault	25,045	4.7%
Commercial and other third party payors	149,335	28.2%
Self-pay	3,698	0.7%
	$ 529,548	100.0%

* Medicare and Medicaid include Managed Care plans.

Laws and regulations governing Medicare, Medicaid, and other third-party payor programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in future periods. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

(Dollars in Thousands)

Note 3. Net Patient Service Revenue and Patient Accounts Receivable (Continued)

Patient accounts receivable consist of the following at December 31, 2018:

Gross accounts receivable	$	180,658
Less:		
Discounts and allowances		73,980
Allowance for bad debts		17,391
	$	89,287

Concentration of credit risk: The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor arrangements. The mix of net receivables from patients and third-party payors at December 31, 2018 is as follows:

Medicare*	28.5%
Medicaid*	28.4%
Commercial and other third party payors	30.0%
No-fault	9.9%
Self-pay	3.2%
Total	100.0%

* Medicare and Medicaid include Managed Care plans.

Note 4. Disproportionate Share Revenue

The Medicaid DSH program is designed to provide funds to certain hospitals to help offset the cost of uncompensated care provided to the uninsured. Each state has a specified Federal DSH allotment. In addition, New York State law authorizes the DOH to make supplemental DSH medical assistance payments to public hospitals located in Erie County, Nassau County, and Westchester County. For long term care facilities, DSH revenue is recognized in accordance with Upper Payment Limit (UPL) regulations promulgated by CMS.

In 2018, DSH funding recorded by the Corporation totaled $72,071. The DSH funding process is complex and includes both tentative and final settlements for various state fiscal years which are subject to the availability of state and federal funding among other factors. As a result, DSH revenue is estimated and final settlements may vary significantly from the initial estimates.

For hospital services, DSH revenue of $55,656 was recognized in 2018. In addition, during 2018 the Corporation recognized $16,415 of UPL revenue for Terrace View. The UPL for New York State fiscal year 2018-2019, for public nursing homes has not yet been finalized. As a result, UPL revenue for the long term care units are estimates based on historical experience.

(Dollars in Thousands)

Note 4. Disproportionate Share Revenue (Continued)

In addition, the Centers for Medicare and Medicaid Services (CMS) has indicated that cost reports dating back to the 2016 reporting year and the methodology employed to calculate DSH revenue are subject to audit. At this time, the impact of the CMS audit activity on the Corporation's DSH revenue is not certain. Management has taken what it believes to be reasonable and appropriate steps to assure compliance with the CMS methodology.

Note 5. Cash and Cash Equivalents, Investments, and Assets Whose use is Limited

Cash and cash equivalents and investments: The Corporation's investments are made in accordance with State regulations and its own investment policy. The investment policy is regularly reviewed by an investment committee of the Board which evaluates the performance of investment managers and monitors compliance with the investment policy.

The Corporation's investments are generally reported at fair value, as discussed in Note 2. The carrying amounts of cash and cash equivalents, investments and assets whose use is limited are included in the Corporation's statement of net position as follows:

Cash and cash equivalents	$	19,076
Investments		44,853
Assets whose use is limited – current		161,036
Assets whose use is limited – non-current		85,013
	$	309,978
Current portion of assets whose use is limited:		
Patient and residents trust cash	$	299
Restricted for debt service [a]		6,356
Restricted for capital projects [d]		84,628
Designated for self-insurance obligations [b]		6,672
Designated for retiree health obligations [b]		12,251
Designated for DSRIP program [b]		50,332
NYS voluntary defined contribution plan escrow		94
Medical and dental staff funds		404
Total current portion of assets whose use is limited	$	161,036
Noncurrent portion of assets whose use is limited:		
Restricted for debt service [a]	$	9,469
Designated for long-term investment [b]		18,595
Designated for retiree health obligations [b]		12,579
Designated for self-insurance obligations [b]		28,953
Restricted – insured workers compensation collateral [c]		15,417
Total noncurrent portion of assets whose use is limited	$	85,013

[a] Funds restricted by operation of indenture agreement
[b] Funds internally designated by operation of Board authority
[c] Funds restricted – insured workers compensation collateral agreement
[d] Unspent proceeds from borrowings, which are to be used for construction projects

Note 5. Cash and Cash Equivalents, Investments, and Assets Whose use is Limited (Continued)

The Corporation's cash and cash equivalents as well as investments are exposed to various risks, including credit, custodial credit, interest rate, and market risks, as discussed in more detail below:

Deposits

All monies are deposited with banks or trust companies designated by the Corporation's investment committee of the Board of Directors. Funds not needed for immediate expenditure may be deposited in interest or non-interest bearing accounts or invested in various marketable securities and bonds.

Custodial credit risk: Custodial credit risk is the risk that, in the event of bank failure, the Corporation's deposits might not be recovered. FDIC insurance through December 31, 2018 for funds held in interest bearing accounts is $250 per depositor per category of legal ownership. New York law requires that deposits in excess of FDIC insured amounts are collateralized. The Corporation's bank deposits at December 31, 2018, totaled $52,051, of which $897 of the deposits were insured at December 31, 2018. Amounts over FDIC insured limits were fully collateralized with securities held by the pledging financial institution.

Investments

The Corporation's investment policy authorizes the Corporation to invest in accordance with New York State Finance Law Section 8(14), Section 201 and Public Authorities Law Article 9 Section 2800 to 2985, as well as the relevant provisions of the ECMCC Act. Compliance with the policy is monitored by the Corporation's investment committee and reported on quarterly by the Corporation's investment advisor.

Credit risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the Corporation to experience a loss of principal. The Corporation's investment policy limits investments in equity and fixed income securities with ratings only in the highest category. ECMCC's investments in government bonds carry the explicit guarantee of the U.S. government. The corporate bonds, short-term fixed income and government bonds are all rated AA+ or better by the Standards & Poor's rating agency.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's cash equivalent securities are limited to maturities of no greater than eighteen months; short-term fixed income securities are limited to maturities of no greater than five years; and long-term fixed income securities are limited to maturities to no more than ten years. Substantially all of the Corporation's investments and assets whose use is limited have stated maturities of less than one year.

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investment policy does not address custodial credit risk.

(Dollars in Thousands)

Note 5. Cash and Cash Equivalents, Investments, and Assets Whose use is Limited (Continued)

Concentration of credit risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any single issuer. The Corporation's investment policy indicates the combined holdings of securities from one issuer shall not constitute more than 5.0% of the fund except for issues guaranteed directly or indirectly by the U.S. Government. The Corporation had no holdings in Federal National Mortgage Association (Fannie Mae) or Federal Home Loan Mortgage Corporation (Freddie Mac) issues at December 31, 2018.

Fair value of financial instruments: Fair value is defined in the accounting standards as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by GASB. Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets that the Corporation has the ability to access.

Level 2: Valuations based on quoted prices in active markets for similar assets, quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market-based inputs. The Corporation has no Level 3 assets.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 19,076	$ -	$ -	$ 19,076
Investments and assets whose use is limited:				
Cash and cash equivalents	159,533	-	-	159,533
Marketable equity securities:				
Mid-cap value equities	3,584	-	-	3,584
Value equities	1,887	-	-	1,887
Growth equities	11,313	-	-	11,313
Global core equities	3,665	-	-	3,665
Short-term fixed income	-	38,538	-	38,538
Corporate bonds	-	7,711	-	7,711
Government bonds	-	64,671	-	64,671
Total investments and assets whose use is limited	179,982	110,920	-	290,902
Total	$ 199,058	$ 110,920	$ -	$ 309,978

(Dollars in Thousands)

Note 6. Capital Assets, Net

Capital asset activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Capital assets – being depreciated				
Land and land improvements	$ 20,526	$ 3,120	$ -	$ 23,646
Buildings and improvements	422,295	2,718	(59)	424,954
Fixed/major moveable equipment	162,296	15,588	(504)	177,380
Total capital assets – being depreciated	605,117	21,426	(563)	625,980
Less accumulated depreciation	(365,579)	(27,873)	165	(393,287)
Total capital assets – being depreciated, net	239,538	(6,447)	(398)	232,693
Capital assets – not being depreciated				
Construction in progress	8,467	31,447	(7,065)	32,849
Total capital assets, net	$ 248,005	$ 25,000	$ (7,463)	$ 265,542

Construction in progress at December 31, 2018 includes costs associated with the planning, design, and construction of the Level 1 Adult Trauma Center and emergency department expansion project, as well as construction and planning costs for various other facility projects. $100,000 of the project is funded through loans from Erie County (see Note 8).

Depreciation expense amounted to $27,873 for the year ended December 31, 2018.

(Dollars in Thousands)

Note 7. Accrued Other Liabilities

The composition of accrued other liabilities as of December 31, 2018 is as follows:

Due to Erie County	$	14,571
Other post-employment benefits (OPEB)		12,580
Other		7,818
Workers compensation claims		5,000
Due to joint venture		4,448
Interest costs		1,789
Medical malpractice claims		1,672
Due to discretely presented component units		700
Total	$	48,578

Note 8. Indebtedness

Long-term debt consisted of the following at December 31, 2018:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Erie County - Guaranteed Senior Revenue Bonds, Series 2004	$ 78,910	$ -	$ (3,185)	$ 75,725	$ 3,360
Erie County – 2017 loan payable	99,261	-	(462)	98,799	1,369
Erie County – 2017 loan payable	72,398	-	(3,594)	68,804	3,729
Erie County – 2017 capitalized interest assumption obligation	8,262	-	(38)	8,224	114
Key Bank loan	8,033	-	(8,033)	-	-
Capital lease obligations	5,642	2,453	(2,322)	5,773	2,554
Total debt	$ 272,506	$ 2,453	$ (17,634)	$ 257,325	$ 11,126

(Dollars in Thousands)

Note 8. Indebtedness (Continued)

Future annual principal payments applicable to long term debt for the years subsequent to December 31, 2018 are as follows:

2019	$	11,126
2020		10,909
2021		10,865
2022		11,261
2023		11,679
2024-2028		64,120
2029-2033		76,772
2034-2038		54,603
2039		5,990
Total	$	257,325

The Series 2004 Bonds are secured by a pledge of the gross receipts of the Corporation and amounts on deposit in certain debt service reserve funds. Interest rates on the bonds range from 5.5% to 5.7%, with principal payments ranging from $3,185 to $7,220 due annually on November 1 with interest payments due semi-annually on May 1 and November 1.

Pursuant to a Guaranty Agreement, the County has unconditionally guaranteed to the Corporation, the punctual payment of the principal, interest, and redemption premium, if any, on the Series 2004 Bonds, as the same shall become due and payable, and has pledged the faith and credit of the County for the performance of such guaranty. A municipal bond insurance policy has been purchased by the Corporation to guarantee all debt service payments in case of default by the Corporation and the County.

In 2017, the Corporation entered into a loan agreement and a capitalized interest liability assumption agreement with the County of Erie, with the assistance of the Erie County Fiscal Stability Authority. The proceeds of the loan were used to finance the construction of a new Level 1 Adult Trauma Center and Emergency Department, fund various other capital projects on the Corporation's campus as well as refinance the 2011 loan. The loan has an interest rate of 3.377% with monthly principal and interest payments ranging from $38 to $930 during the term of the loan. In addition to the loan, the Corporation assumed the liability related to funds borrowed to pay capitalized interest during construction on the various projects noted above. The capitalized interest liability assumption has an interest rate of 3.377% with monthly principal and interest payments ranging from $3 to $77 during the term of the loan. The new money portion of the loan and the capitalized interest assumption agreement is fully amortized and matures in 2039. The refinancing component of the loan has an interest rate of 2.649% with monthly principal and interest payments ranging from $300 to $460 during the term of the loan and is fully amortized and maturing in 2034.

During 2016, the Corporation signed a business loan agreement with Key Bank. Interest was payable monthly at the 1-month LIBOR rate plus 2.25%. The loan was paid in full on December 11, 2018.

Note 8. Indebtedness (Continued)

During 2015, the Corporation entered into a capital lease agreement in the amount of $10,000, the proceeds of which were used to purchase various equipment. The agreement requires principal and interest payments (cost of capital is estimated at 2.3%) of $194 and matures June 2020.

During 2018, the Corporation entered into a capital lease agreement in the amount of $2,044, the proceeds of which were used to purchase various equipment. The agreement requires principal and interest payments (cost of capital is estimated at 5.5%) of $29 and matures September 2025.

During 2018, the Corporation entered into a capital lease agreement in the amount of $409, the proceeds of which were used to purchase various suite improvements. The agreement requires principal and interest payments (cost of capital is estimated at 3.8%) of $4 and matures October 2028.

Note 9. Pension Plan

Retirement plan: The Corporation participates in the New York State and Local Retirement System ("NYSLRS" or the "System"), which is a cost-sharing, multiple-employer public employees' retirement system. There are more than 471,000 pensioners and beneficiaries in the System with nearly 1.1 billion participants.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NYSLRS and additions to/deductions from NYSLRS' fiduciary net position have been determined on the same basis as they are reported by NYSLRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The net pension liability is measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The net pension liability should be measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (RSSL). As set forth in the RSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

NYSLRS provides three main types of retirement benefits: service retirements, ordinary disability retirements (non job-related disabilities), and accident disability retirements (job-related disabilities) to members who are in different "Tiers." The members' Tier is determined by the date of membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of 5 or 10 years of service depending on their Tier. Employees may be required to contribute a percentage of their salary to the pension plan based on their Tier, determined by their date of membership in the plan. Annual pension benefits can be calculated as a percentage of final average salary times number of years of service and changes with the number of years of membership within the plan.

(Dollars in Thousands)

Note 9. Pension Plan (Continued)

At December 31, 2018, the Corporation reported a liability of $24,677, for its proportionate share of the NYSLRS net pension liability. The total pension liability used to calculate the net pension liability is determined by an actuarial valuation as of April 1st each year and rolled forward to March 31st. The Corporation's proportion for the net pension liability for each fiscal year was based on the Corporation's indexed present value of future compensation to NYSLRS of all participating employers for 2018, which was 0.7646%.

(a) Actuarial Assumptions

The total pension liability for the March 31, 2018 measurement date was determined using an actuarial valuation as of April 1, 2017, with update procedures used to roll-forward the total pension liability to March 31, 2018. The actuarial valuations used the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.8%, including inflation
Investment rate of return	7.0%, net of pension plan investment expense
Cost of living adjustments	1.3%
Mortality improvement	Society of Actuaries Scale MP-2014

(b) Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables at December 31:

	2018	
Asset class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36.0%	4.6%
International equity	14.0%	6.4%
Private equity	10.0%	7.5%
Real estate	10.0%	5.6%
Absolute return strategies	2.0%	3.8%
Bonds and mortgages	17.0%	1.3%
Inflation-indexed bonds	4.0%	1.3%
Opportunistic portfolio	3.0%	5.7%
Real assets	3.0%	5.3%
Cash	1.0%	-0.3%
	100.0%	

(Dollars in Thousands)

Note 9. Pension Plan (Continued)

(c) Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2018 was 7.0% The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSLRS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on NYSLRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.0% at December 31, 2018, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2018		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Corporation's proportionate share of the net pension liability	$ 186,713	$ 24,677	$ (112,399)

(d) Deferred Outflows and Inflows of Resources

At December 31, 2018, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Differences between expected and actual actuarial experience	$ 8,802
Difference between projected and actual earnings on pension plan investments	35,841
Changes in assumptions	16,363
Corporation contributions subsequent to the measurement date	26,447
Other	1,181
Total	$ 88,634
Deferred inflows of resources:	
Differences between expected and actual actuarial experience	$ 7,273
Difference between projected and actual earnings on pension plan investments	70,747
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	9,306
Total	$ 87,326

(Dollars in Thousands)

Note 9. Pension Plan (Continued)

The change in employer proportionate share is the difference between the employer proportionate share of net pension liability in the prior year compared to the current year. Changes in these amounts are amortized over a five-year closed period, reflecting the average remaining service life of plan members.

(e) Annual Pension Expense

The Corporation's annual pension expense for calendar year ending 2018, which includes contributions toward the actuarially determined accrued liability and the amortization of deferred inflows of resources, was approximately $26,421.

Note 10. Other Post-Employment Benefits (OPEB)

For the year ended December 31, 2018, the Corporation implemented the provisions of GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Among other changes, this Statement was issued to improve accounting and financial reporting by governments for postemployment benefits other than pensions. As a result of implementing this Statement, the Corporation was required to restate, net position as of January 1, 2018. The effect of the restatement on net position is as follows:

Net position as previously reported, January 1, 2018	$	123,547
Adjustment for removal of net OPEB liability under GASB 45		161,477
Recognition of net OPEB liability and deferred outflows of resources, under GASB 75		(446,045)
Net position as restated, January 1, 2018	$	(161,021)

Plan description: The Corporation provides OPEB that include basic medical and hospitalization plan coverage to eligible retirees. Eligible retirees may only be covered under the indemnified plan of the Corporation. To qualify, a retiree must meet various eligibility requirements as agreed to in collective bargaining agreements. The Corporation pays varying amounts based on specific union agreements.

Funding the plan: Currently, there is no New York State statute that expressly authorizes local governments to create a trust for OPEB purposes. Additionally, New York State's General Municipal Law does not allow for a reserve fund to accumulate funds for OPEB obligations. The Corporation's Board of Directors and management believe it is prudent to reserve funds for the Plan and have therefore internally designated $24,830 in 2018 for purposes of funding future post-employment benefits. These internally designated funds are included within assets whose use is limited. In addition to the funding for future post-employment benefits, the Corporation continues to finance current benefits on a pay-as-you-go basis.

(Dollars in Thousands)

Note 10. Other Post-Employment Benefits (OPEB) (Continued)

Annual OPEB cost and net OPEB obligation: The Corporation's total OPEB liability measured at December 31, 2018 of $389,730 was determined by an actuarial valuation as of January 1, 2018. The measurement date of the obligation is December 31, 2018.

(a) Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.3%
Salary increases	3.3% per annum
Pre-Medicare Plans	7.0% for 2018, 3.8% ultimate trend rate in 2075
Medicare Plans	5.0% for 2018, 3.8% ultimate trend rate in 2075
Prescription Plan	9.5% for 2018, 3.8% ultimate trend rate in 2075
Mortality	Society of Actuaries Scale MP-2014

(b) Changes in the OPEB Liability

Changes in the OPEB obligation	
Projected OPEB obligation at the beginning of year	$ 446,045
Service cost	5,838
Interest cost	15,322
Change of benefit terms	(532)
Difference between expected and actual experience	1,097
Change in assumptions	(65,103)
Actual benefit payments	(12,937)
Projected OPEB obligation at the end of year	$ 389,730

(c) Discount Rate

The discount rate used to measure the total OPEB liability as of December 31, 2018 and January 1, 2018 was 4.1% and 3.4%, respectively, based on the Bond Buyer 20-year Bond GO index rate.

The following presents the Corporation's total OPEB liability calculated using the discount rate of 4.1% as well as what the Corporation's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.1%) or 1 percentage point higher (5.1%) than the current rate.

	1% Decrease (3.1%)	Discount Rate (4.1%)	1% Increase (5.1%)
The Corporation's total OPEB liability	$ 455,710	$ 389,730	$ 336,955

(Dollars in Thousands)

Note 10. Other Post-Employment Benefits (OPEB) (Continued)

The following presents the Corporation's total OPEB liability calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
The Corporation's total OPEB liability	$ 328,469	$ 389,730	$ 469,718

(d) Deferred Outflows and Inflows of Resources

The following are components of deferred outflows and inflows at December 31, 2018:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual actuarial experience	$ 892	$ -
Changes in assumptions	-	52,911
Total	$ 892	$ 52,911

The net deferred outflows and inflows of resources at December 31, 2018 will be recognized as follows:

	Amount
2019	$ (11,987)
2020	(11,987)
2021	(11,987)
2022	(10,482)
2023	(5,576)
	$ (52,019)

(e) Annual OPEB Expense

The Corporation's annual OPEB expenses for the year ended December 31, 2018 was $8,641.

Note 11. Delivery System Reform Incentive Payment (DSRIP) Program

In April 2014, the federal government approved a New York State Medicaid waiver request to reinvest $8 billion in federal savings to support implementation of transformative reforms to the State's healthcare system. Delivery system reforms will primarily be implemented through $7.4 billion of DSRIP Incentive payments for community-level collaborations to achieve programmatic objectives with a goal of reducing avoidable hospital use by 25% over five years. Additionally, $500 million was awarded through an Interim Access Assurance Fund (IAAF) to ensure the financial viability of critical safety net providers during the period prior to DSRIP implementation.

In June 2015, the New York State Department of Health (NYSDOH) announced DSRIP valuation awards, which represent the total potential amount that each Performing Provider System (PPS) is eligible to earn in performance payments over the five years of the DSRIP program. The Corporation-led PPS received a valuation award of $243,020.

Note 11. Delivery System Reform Incentive Payment (DSRIP) Program (Continued)

As the DSRIP program requires, the Corporation serves as fiduciary or lead entity for a coalition of Medicaid provider and social services organizations referred to as a Performing Provider System (PPS). The PPS is referred to as Millennium Collaborative Care (MCC). Since April 2014, the Corporation has dedicated significant effort to enterprise-level and PPS-level preparation for participation in the DSRIP program, and in execution of NYSDOH required organizational and project planning essential to implementing and managing DSRIP program efforts. Notable activities include the establishment of PPS governance structures and the operationalization of MCC which is dedicated to DSRIP implementation and management.

During 2018, net DSRIP payments received by the Corporation totaled $47,581. In addition, $22,339 was recorded as grant revenue for the year ended December 31, 2018 based on meeting the eligibility requirements and $21,192 of related grant program expenses were incurred during 2018.

Note 12. Care Restructuring Enhancement Pilot (CREPS) Program Grant

During 2016, the federal government approved a NYS Medicaid waiver request establishing the CREPS Program. The Corporation was awarded a grant under the CREPS Program administered by the New York State Department of Health. The total award amount is approximately $97,260 over the period April 1, 2016 to March 31, 2020 in state fiscal year annual distribution amounts of $43,930, $30,010, $13,320, and $10,000, respectively. The Corporation is responsible for achieving certain goals of the CREPS Program in each year in order to qualify for the funding. The Corporation has achieved all of the goals for years 1 and 2 and believes it has achieved substantially all of the goals for year 3 of the program and has recognized related revenue in the amount of $25,750 for 2018.

Note 13. Transactions With the County of Erie

Settlement agreement: On December 30, 2009, the Corporation and the County entered into a "Settlement Agreement". The Settlement Agreement resulted in the Corporation and the County entering into a number of transactions to resolve litigation and prepare for implementing the Corporation's master facility plan.

In October 2012, the Corporation and the County signed an amendment to the 2009 Settlement Agreement (the "Amendment"). The terms of the Amendment provide for the County to be reimbursed from the Corporation for certain workers compensation claims incurred by Corporation employees that were paid by the County. The Amendment also provides for the County to reimburse the Corporation, over time, for post-retirement health expenses that the Corporation incurred for Corporation employees with service time at the County.

In 2017, the Corporation entered into a loan agreement and a capitalized interest liability assumption agreement with the County of Erie. A component of the loan agreement included the payment of points by the Corporation to the County of Erie in the amount of $17,040 as further described in Note 2 and Note 8.

Note 13. Transactions With the County of Erie (Continued)

Other transactions: Amounts that are included in operating revenues and expenses in the statement of revenues, expenses, and changes in net position, which represent related-party transactions that occurred between the Corporation and the County during the year ended December 31, 2018 are as follows:

The Corporation earned revenue totaling $3,018 for the year ended December 31, 2018 from the County. Revenue earned relates to services provided to School 84, mental health services and various other charges related to County departments located within the Corporation's physical plant. The Corporation's expenses incurred for services provided by the County totaled $33 for the year ended December 31, 2018. Expenses incurred include services for laboratory fees.

The net amount due from the County of approximately $7,904 at December 31, 2018, is non-interest bearing and reflect the Corporation's net amount owed from the County as a result of various transactions and services between parties. This balance is reported as a component of other receivables in the statement of net position.

Note 14. Self-Insured Obligations

The Corporation is self-insured for all medical malpractice claims for occurrences on or after January 1, 2004. Additionally, the Corporation began purchasing excess stop loss insurance on a claims made basis for medical malpractice effective November 2008. The current policy provides $35,000 of coverage in excess of $4,000 of individual claims or $12,000 in aggregate claims effective November 18, 2013. Previously the policy provided $35,000 of coverage in excess of $3,000 of individual claims or $10,000 in aggregate claims.

Effective April 1, 2016, the Corporation became self-insured for workers compensation claims through a combination of self-insurance and a high-deductible plan for certain periods as follows: The Corporation maintains a stop-loss insurance policy for the claims in excess of $750. Effective January 1, 2012, the Corporation insured a portion of its Workers' Compensation exposure through a claims made high-deductible plan. The Corporation remains responsible for the first $750 of an individual claim payment after December 31, 2011. The Corporation is required to pledge certain assets under this arrangement. As of December 31, 2018, $15,417, has been designated to service workers compensation claims and included as part of assets whose use is limited. The Corporation remains self-insured for Workers' Compensation claims prior to January 1, 2012. The County has assumed a portion of liabilities for all occurrences originating prior to 2004.

Losses from asserted and unasserted medical malpractice and workers compensation claims are accrued based on actuarial estimates that incorporate the Corporation's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries, if any, on unsettled claims.

The Corporation has accrued $23,743 at December 31, 2018, for medical malpractice related exposures. Such amounts have been discounted at 2.0% for 2018 and the accrued liabilities are included within the accrued other liabilities and self-insured obligations caption of the accompanying statement of net position. Charges to expense for medical malpractice costs are included within the other operating expenses caption of the accompanying statement of revenues, expenses and changes in net position.

(Dollars in Thousands)

Note 14. Self-Insured Obligations (Continued)

The Corporation has accrued $25,610 at December 31, 2018, for workers compensation related exposures. Such amounts have been discounted at 1.25% and the liabilities are included within the accrued other liabilities and self-insured obligations captions of the accompanying statement of net position. Charges to expense for workers compensation costs approximated $4,827 in 2018, and are included within the payroll, employee benefits and contract labor caption of the accompanying statements of revenues, expenses and changes in net position.

Eligible retirees are provided basic medical and hospitalization coverage by the Corporation as more fully described in Note 10.

The composition of self-insured obligations as of December 31, 2018, is as follows:

	Beginning Balance	Actuarial estimate of claims incurred	Claims Paid	Ending Balance	Due Within One Year
Medical malpractice	$ 28,767	$ 142	$ (5,166)	$ 23,743	$ 1,699
Workers compensation	28,747	4,044	(7,181)	25,610	5,000
	$ 57,514	$ 4,186	$ (12,347)	$ 49,353	$ 6,699

Medical malpractice and workers compensation amounts due within one year are management's estimates based on historical claims.

Note 15. Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Government activity, in recent years, has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. While no regulatory allegations have been made against the Corporation, compliance with such laws and regulations can be subject to future government review and interpretations as well as regulatory actions unknown or unasserted at this time. Management and its counsel are not aware of any such actions that will have a material adverse effect on the Corporation's financial statements.

Loss contingency liabilities are recorded in accordance with U.S. GAAP, which requires recognition of a loss when it is deemed probable that an asset has been impaired or a liability has been incurred, and the amount of the loss can be reasonably estimated. As of December 31, 2018, the Corporation has recorded no loss contingencies except as disclosed in Note 14.

The Corporation leases various equipment and facilities under operating leases expiring at various dates through May 2026. Total rental expense for all operating leases was approximately $3,300 in 2018. During 2017, the Corporation entered into a $10,000 revolving operating lease facility to support various equipment in information technology infrastructure. As of December 31, 2018, $9,747 of this lease facility has been disbursed with $253 remaining.

(Dollars in Thousands)

Note 15. Commitments and Contingencies (Continued)

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2018 that have initial or remaining lease terms in excess of one year:

2019	$	3,353
2020		3,179
2021		2,803
2022		2,710
2023		2,292
2024-2028		2,809
	$	17,146

The Corporation formed 1827 Fillmore, LLC (1827) for the purpose of acquiring and developing land immediately adjacent to its Grider Street campus. A condition of the acquisition was that 1827 demolish a building on the site with known asbestos abatement requirements. This condition was met in 2018. The Corporation has started a community planning process to determine the future use(s) of the site. The site requires the environmental remediation expenditures, however the amount of such expenditures is dependent on the ultimate use of the site and requirements from regulators.

The Corporation, together with Kaleida Health is in the process of forming Great Lakes Health Integrated Network (GLIN) with each maintaining a 50% ownership interest. This development state organization is in the process of formation due to required regulatory approvals. Investments made to date for startup operations are recognized as Investment in Joint Ventures. A capital contribution of $800 is due from the Corporation at final formation with potential additional capital contributions required as the organization matures.

Supplementary Information

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Corporation's Contributions
NYSLRS Pension Plan
December 31, 2018
(Dollars in Thousands)

	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 25,803	$ 25,235	$ 26,722	$ 29,771	$ 29,835	$ 27,164
Contributions in relation to the contractually required contribution	25,803	25,235	26,722	29,771	29,835	27,164
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
ECMCC covered-employee payroll	$ 216,044	$ 183,540	$ 166,691	$ 175,409	$ 163,395	$ 151,906
Contributions as a percentage of covered-employee payroll	11.9%	13.7%	16.0%	17.0%	18.3%	17.9%

Note: During December 2018, the Corporation prepaid its 2019 contribution to the plan in the amount of $26,447 to take advantage of a prepayment discount in the amount of $225.

Note: GASB requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Corporation wil present information for those year for which information is available.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Corporation's Proportionate Share of Net Pension Liability
NYSLRS Pension Plan
December 31, 2018
(Dollars in Thousands)

	2018	2017	2016	2015
ECMCC proportionate of the net pension liability	0.7646%	0.7614%	0.7228%	0.7137%
ECMCC proportionate share of the net pension liability	$ 24,677	$ 71,544	$ 116,006	$ 24,112
ECMCC covered-employee payroll	216,044	183,540	166,691	175,409
ECMCC proportionate share of the net pension liability as a percentage of it's covered-employee payroll	11.4%	39.0%	69.6%	13.7%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%

Note: GASB requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Corporation wil present information for those year for which information is available.

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Corporation's Changes in Total OPEB Liability and Related Ratios
December 31, 2018
(Dollars in Thousands)

Total OPEB liability		
Service cost	$	5,838
Interest cost		15,322
Change in benefit terms		(532)
Differences between expected and actual experience		1,097
Changes of assumptions		(65,103)
Benefit payments		(12,937)
Net change in total OPEB liability		(56,315)
Total OPEB liability - beginning		446,045
Total OPEB liability - ending	$	389,730
Covered employee payroll	$	100,112
Total OPEB liability as a percentage of covered employee payroll		389.29%
Discount rate		4.10%

Erie County Medical Center Corporation

(A Component Unit of the County of Erie)

Uniform Guidance Audit Requirements

December 31, 2018

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/Pass-Through/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services Health Resources and Services Administration:				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	N/A	$ -	$ 657,205
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	N/A	-	440,044
Primary Care Medicine and Dentistry Clinician Educator Career Development Awards Program	93.976	N/A	-	161,571
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	93.924	N/A	-	15,543
Grants to Increase Organ Donations	93.134	N/A	-	49,806
Total U.S. Department of Health and Human Services Health Resources and Services Administration Direct Programs			-	1,324,169
U.S. Department of Health and Human Services pass through program from: Health Research Inc.:				
Hospital Preparedeness Program (HPP) Ebola Preparedness and Response Activities	93.817	6U3REP1505200102	-	102,627
National Bioterrorism Hospital Preparedness Program	93.889	NU90TP000515	-	50,500
Total U.S. Department of Health and Human Services Pass Through Programs			-	153,127
Total Expenditures of Federal Awards			$ -	$ 1,477,296

See notes to the schedule of expenditures of federal awards.

Note to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Erie County Medical Center Corporation (the Corporation) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

For purposes of the Schedule, federal awards include all federal assistance entered into directly between the Corporation and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. The Schedule does not include payments received under Medicare and Medicaid reimbursement programs. Because the Schedule presents only a selected portion of the activities of the Corporation, it is not intended to, and does not, present the financial position, changes in net position and cash flows of the Corporation.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation has elected to not exercise its option to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Other Federal Awards

There were no federal awards expended for noncash assistance, insurance, or any loans, loan guarantees, or interest subsidies outstanding at December 31, 2018.

Note 4. Subrecipients

The Corporation did not provide federal awards to any subrecipients during the year ended December 31, 2018.

RSM

RSM US LLP

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors
Erie County Medical Center Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of Erie County Medical Center Corporation (the "Corporation") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 14, 2019. The financial statements of ECMC Foundation, Inc., the Grider Initiative, Inc. and Research for Health in Erie County, Inc. were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with ECMC Foundation, Inc., the Grider Initiative, Inc. and Research for Health in Erie County, Inc.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements, will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

March 14, 2019

RSM

RSM US LLP

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Erie County Medical Center Corporation

Report on Compliance for Each Major Federal Program
We have audited Erie County Medical Center Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2018. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program
In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance
Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of December 31, 2018 as of and for the year ended December 31, 2018 and have issued our report thereon dated March 14, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

March 14, 2019

Erie County Medical Center Corporation
(A Component Unit of the County of Erie)

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		yes	X	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.153	Coordinated Services and Access to Reseach for Women, Infants, Children and Youth

Dollar threshold used to distinguish between Type A and Type B programs:			$ 750,000	
Auditee qualified as a low risk auditee?	X	yes		no

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018

Section II - Financial Statement Findings

No findings noted.

Section III - Findings and Questioned Costs for Federal Awards

No findings noted.

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2018

Section II – Financial Statement Findings

No findings noted.

Section III - Findings and Questioned Costs for Federal Awards

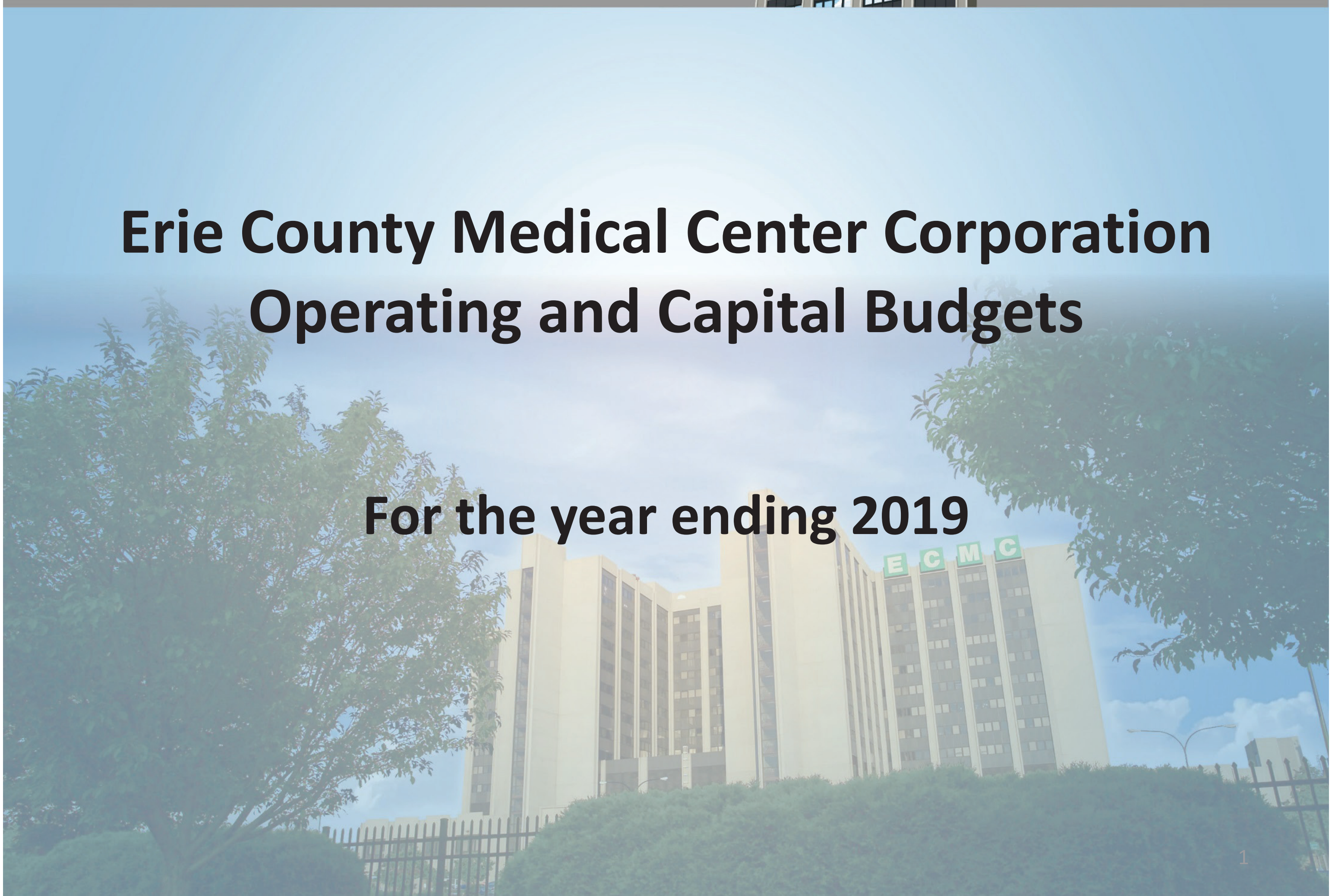
No findings noted.

Four-Year Financial Plan

The difference between healthcare and true care™ ecmc.edu

Erie County Medical Center Corporation
Operating and Capital Budgets

For the year ending 2019



The difference between healthcare and true care™ ecmc.edu

Table of Contents

The difference between healthcare and true care™ ECMC ecmc.edu

Management Discussion and Analysis

September 30, 2019

The 2019 Operating and Capital Budgets (the “Budget”), together with five year financial projections, presented in the following pages were developed by the Erie County Medical Center Corporation (“ECMCC”). The Budget is consistent with the ECMCC Strategic Plan and reflects investments made, or to be made, over the budget year. Investment returns, of course, are not only measured in financial terms, but also in terms of achieving the ECMCC mission, improving clinical quality, service excellence, and the health of the communities ECMCC serves.

Budgetary assumptions are a key component of the process that was followed in developing the Budget. The following summarizes management’s perspective in the development of these assumptions.

Management Discussion and Analysis

Budget Goals:

The achievement of an operating margin is a critical factor in generating sufficient cash flows to support the investment of capital in new programs and services. As a result of the ECMCC's mission to serve those unable to pay and expense inflation greater than reimbursement rate growth an operating margin of 0.4% has been budgeted. This level of performance is relatively and conservatively consistent with recent historical operating margin performance, which allows ECMCC to meet its obligations, and continue to invest in new programs and services for the communities we serve.

Activity Levels:

The Budget has been prepared on a consistent basis with current and prior year activity levels. Further consideration was given to the changes in evidence based medicine supporting clinical practice utilization rates, the goals of the NYS Medicaid Redesign effort, including the Delivery System Reform Incentive Payment program (DSRIP), changing regulations and payer payment policies, and other factors. Management believes that the levels of activity contained within the Budget are attainable.

Management Discussion and Analysis

Revenue and Reimbursement:

Management has completed a review of ECMCC's charge master and pricing schemes. The evaluation of gross revenue prices compared to market factors is currently in process, which management expects to be completed by the fourth quarter of 2018. The budget reflects an overall gross revenue increase consistent with broad market observations. The increasing consumer responsibility for healthcare costs and pricing transparency are also being considered as part of this overall evaluation.

Reimbursement from government payers has been incorporated based on current regulations and, where Management has evaluated as probable, proposed regulations. Reimbursement from commercial payers has been incorporated into the Budget based on current contracts, or at rates that Management has evaluated as probable for contracts currently being negotiated. Increases in net revenue associated with revenue cycle improvement initiatives have also been incorporated at levels that Management believes are attainable. Other Operating Revenue has been budgeted based on historical experience. Disproportionate Share and UPL payments have been budgeted based on the most current information available to Management at the time the Budget has been prepared.

Management Discussion and Analysis

Operating Expenses:

Operating expenses have been budgeted based on the volume of anticipated activity and adjusted for salary rate increases consistent with collective bargaining agreements, estimated benefit cost increases, supply and other expense inflation rates as well as impacts of critical performance improvement initiatives. Management believes that the expenses contained in the Budget are reasonable and attainable.

Non-Operating Revenue:

Non-Operating Revenues have been budgeted based on interest and dividend income only and do not consider realized or unrealized investment gains or losses associated with market movements.

Net Position:

The Net Position presented at December 31, 2018, and in future periods, has been adjusted to reflect the adoption of GASB75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Management Discussion and Analysis

Cash Flows:

Cash Flows have been budgeted based on the results of operations, investments in capital assets, required principal payments on long-term debt, funding of employee benefit plans and a stable net working capital position.

Range of Outcomes and Contingency Plans:

Management has considered the sensitivity of each material assumption within the Budget. Management believes that the Budget is reasonably positioned within the range of potential outcomes and recognizes its responsibility for achieving these results.

The difference between healthcare and true care™ ECMC ecmc.edu

Regulatory Budget Reporting Requirements

- All requirements have been met
  - NYCRR, Part 203, Chapter V, Title 2
  - This package communicates each of the 18 requirements
- New York State Office Of The State Comptroller
- Authority Budget Office
- PARIS submission and certification

Budget Process

- Executive Leadership Team (ELT) adopt budget schedule and goals
- Budget schedule reviewed with Finance Committee of Board
- Using the year to date 2018 performance budget and known/anticipated budget variances a baseline budget and financial projections were prepared
- Budget assumptions reviewed with Finance Committee of Board
- ELT meetings with department managers to align goals with operational performance
- Budget status report to Finance Committee of Board
- ELT meetings to challenge baseline budgets and make decisions to achieve goals
- ELT budget recommendation reviewed and approved by Finance Committee of ECMCC Board
- Budget recommendation reviewed and approved by ECMCC Board

The difference between healthcare and true care™ ECMC ecmc.edu

Key Financial Ratios

	2016	2017	Projected 2018	Budget 2019
Operating Margin %	0.3%	0.5%	0.5%	0.4%
NYS PBC Average %	-3.8%	-5.2%		
Operating EBITDA %	6.3%	6.2%	5.8%	5.6%
NYS PBC Average %	2.2%	0.7%		
FTE's	3,204	3,230	3,326	3,519
FTE's per Adjusted Occupied bed	3.94	3.94	3.95	4.07
Days Cash On Hand	68.3	98.9	104.7	94.6
NYS PBC Average	49.1	58.4		
Debt Service Coverage	2.2	2.2	2.3	2.2
NYS PBC Average	1.0	0.7		
Salaries, Wages & Benefits % of Revenue	64.2%	68.0%	63.9%	64.8%
Supply Expense % of Revenue	16.0%	16.5%	16.2%	16.0%
Benefit % of Salaries and Wages	47.7%	52.1%	51.0%	48.2%
Days In Accounts Receivable, net	50.2	69.1	68.0	58.0

Statement of Revenues and Expenses

(Thousands)

	2017 Audited		2018 Projected		2019 Budget		Increase (Decrease)	
	$	%	$	%	$	%		%
Net Patient Revenue	506,842	100%	551,157	100%	572,359	100%	21,202	3.8%
Disproportionate Share / IGT and UPL Payments	67,411	13%	70,151	13%	70,151	12%	-	0.0%
Other Operating Revenues	73,120	14%	65,652	12%	56,286	10%	(9,366)	-14.3%
Total Operating Revenues	647,373	128%	686,960	125%	698,796	122%	11,836	1.7%
Operating Expenses								
Salaries and Wages	226,649	45%	233,548	42%	250,331	44%	16,783	7.2%
Employee Benefits	118,136	23%	119,132	22%	120,752	21%	1,620	1.4%
Physician & Resident Fees	76,552	15%	87,288	16%	87,835	15%	547	0.6%
Purchased Services	53,352	11%	52,534	10%	48,616	8%	(3,918)	-7.5%
Supplies	83,616	16%	89,604	16%	91,730	16%	2,126	2.4%
Other Expenses	48,985	10%	65,169	12%	60,706	11%	(4,463)	-6.8%
Depreciation	28,740	6%	28,608	5%	28,550	5%	(58)	-0.2%
Interest	8,159	2%	7,739	1%	7,276	1%	(463)	-6.0%
Total Operating Expenses	644,189	127%	683,622	124%	695,796	122%	12,174	1.8%
Operating Income	3,184	1%	3,338	1%	3,000	1%	(338)	-10.1%
Non Operating Revenues	1,860	0%	3,567	1%	7,217	1%	3,650	102.3%
Excess of Revenues Over Expenses	5,044	1%	6,905	1%	10,217	2%	3,312	48.0%

Net Position Reconciliation

(Thousands)

Net Position at 12/31/17	123,547
Impact of Adoption of GASB 75	(258,265)
Adjusted Net Position at 12/31/17	(134,718)
Projected Net Income 2018	6,905
Net Position Projected at 12/31/18	(127,813)
Budgeted Net Income 2019	10,217
Net Position Projected at 12/31/19	(117,596)

The difference between healthcare and true care™ ECMC ecmc.edu

Balance Sheets

(Thousands)

	2017 Audited		2018 Projection		2019 Budget		Increase (Decrease)	
	$	%	$	%	$	%		%
Assets								
Current Assets								
Cash and Investments	65,973	7.7%	85,555	9.1%	68,836	7.5%	(16,719)	-19.5%
Patient Accounts Receivable, Net	95,974	11.2%	102,681	10.9%	90,944	9.9%	(11,737)	-11.4%
Other Current Assets	136,558	15.9%	116,442	12.3%	110,137	11.9%	(6,305)	-5.4%
Total Current Assets	298,505	34.9%	304,678	32.3%	269,917	29.3%	(34,761)	-11.4%
Assets Whose Use Is Limited								
Self Insurance Programs	30,355	3.5%	30,355	3.2%	30,659	3.3%	304	1.0%
Restricted for Capital Projects	99,041	11.6%	65,441	6.9%	-	0.0%	(65,441)	-100.0%
Restricted Under Third Party Agreements	42,742	5.0%	51,706	5.5%	48,223	5.2%	(3,483)	-6.7%
Designated Long Term Investments	18,595	2.2%	18,595	2.0%	18,595	2.0%	-	0.0%
Total Assets Whose Use Is Limited	190,733	22.3%	166,097	17.6%	97,477	10.6%	(68,620)	-41.3%
Property and Equipment, Net	248,005	29.0%	284,303	30.1%	366,953	39.8%	82,650	29.1%
Other Assets	119,222	13.9%	189,305	20.0%	187,305	20.3%	(2,000)	-1.1%
Total Assets	856,465	100.0%	944,383	100.0%	921,652	100.0%	(22,731)	-2.4%
Liabilities and Net Assets								
Current Liabilities								
Current Portion of Long Term Debt	10,307	1.2%	9,429	1.0%	10,654	1.2%	1,225	13.0%
Accounts Payable and Accrued Expenses	142,094	16.6%	141,582	15.0%	117,206	12.7%	(24,376)	-17.2%
Liability to Third Party Payers, Net	22,521	2.6%	22,279	2.4%	23,136	2.5%	857	3.8%
Total Current Liabilities	174,922	20.4%	173,290	18.3%	150,996	16.4%	(22,294)	-12.9%
Long Term Debt	262,199	30.6%	247,097	26.2%	236,443	25.7%	(10,654)	-4.3%
Deferred Inflows	19,617	2.3%	87,326	9.2%	87,326	9.5%	-	0.0%
Self Insurance Liabilities	276,180	32.2%	564,483	59.8%	564,483	61.2%	-	0.0%
Total Liabilities	732,918	85.6%	1,072,196	113.5%	1,039,248	112.8%	(32,948)	-3.1%
Net Position	123,547	14.4%	(127,813)	-13.5%	(117,596)	-12.8%	10,217	-44.9%
Total Liabilities and Net Assets	856,465	100.0%	944,383	100.0%	921,652	100.0%	(22,731)	-2.4%

The difference between healthcare and true care™ ECMC ecmc.edu

Statement of Cash Flow

(Thousands)

	Audited 2017	Projected 2018	Budget 2019
Cash Flows From Operating Activities			
Excess of Revenues Over Expenses	5,044	6,905	10,217
Depreciation & Amortization	28,740	28,608	28,550
(Increase) Decrease in Patient Accounts Receivable, Net	(28,600)	(6,707)	11,737
(Increase) Decrease in Current and Other Assets	61,367	(49,967)	8,305
Increase (Decrease) in Accounts Payable and Accrued Exp.	5,033	(512)	(24,376)
Increase (Decrease) in Third Party Payer Settlements	17,397	(242)	857
Increase (Decrease) in Deferred In-Flows	(986)	67,709	-
Increase (Decrease) in Self Insurance Liabilities	11,099	30,038	-
Net Cash Provided By (Used In) Operating Activities	99,094	75,832	35,290
Cash Flows From Investing Activities			
(Increase) Decrease in Assets Whose Use is Limited	(118,063)	24,636	68,620
Cash Flows From Financing Activities			
Additions to Property and Equipment	(11,930)	(64,906)	(111,200)
Changes in Long Term Debt	81,483	(15,980)	(9,429)
Net Cash (Used In) Financing Activities	69,553	(80,886)	(120,629)
Net Increase (Decrease) in Cash and Investments	50,584	19,582	(16,719)
Cash and Investments, Beginning	15,389	65,973	85,555
Cash and Investments, Ending	65,973	85,555	68,836

The difference between healthcare and true care™ ECMC ecmc.edu

Operating Performance Reconciliation

(Thousands)

	Operating Revenues	Operating Expenses	Operating Income
Budgeted 2018 Operating Income	660,584	658,584	2,000
Payor Rate Increases/Decreases, Net of Bad Debt	8,476		8,476
Volume Changes, Net	16,407	9,870	6,537
DSH /UPL	3,989		3,989
CREPS	5,800		5,800
DSRIP	3,038	2,739	299
Wage and Staffing Increases, Net of Volume		11,586	(11,586)
Benefits		762	(762)
Physician Fees		5,236	(5,236)
Contractual Fees		(2,098)	2,098
Medical Supplies, Net of Volume		4,777	(4,777)
Other Expenses		4,284	(4,284)
All Other, Net	502	56	446
Budgeted 2019 Operating Income	698,796	695,796	3,000

Principal Assumptions

- Volume
- Patient Revenue and Reimbursement
- IGT / UPL Payments
- Other Revenues
- Expenses
- Cash Flows

The difference between healthcare and true care™ ECMC ecmc.edu

Volume Assumptions

	2017 Actual	2018 Projection	2019 Budget	Increase (Decrease) 19 - 18	%
Discharges					
Acute	13,639	14,313	14,313	-	0.0%
Other	5,617	6,197	7,037	840	13.6%
Total	19,256	20,510	21,350	840	4.1%
Average Length of Stay					
Acute	6.0	6.0	6.0	-	0.0%
Other	11.9	10.8	10.0	(0.8)	-7.5%
Total	7.7	7.4	7.4	(0.0)	-0.4%
Observation	4,549	5,552	6,116	564	10.2%
Outpatient Visits					
Clinics	111,132	125,173	129,407	4,234	3.4%
Behavioral Health	35,293	36,130	37,200	1,070	3.0%
Chemical Dependency	48,224	44,825	48,149	3,324	7.4%
Dialysis	24,773	25,117	25,177	60	0.2%
Other	82,035	78,201	82,262	4,061	5.2%
Surgical Cases					
Inpatient	6,304	6,237	6,237	-	0.0%
Outpatient	6,525	7,053	7,053	-	0.0%
Total	12,829	13,290	13,290	-	0.0%
Case Mix Index	1.83	1.86	1.86	-	0.0%
Emergency Visits	56,522	57,141	57,141	-	0.0%
CPEP Visits	12,342	12,740	12,740	-	0.0%
Terrace View ADC	379.5	381.7	383.0	1.3	0.3%

The difference between healthcare and true care™ ecmc.edu

Revenue Assumptions

– Payer Rate Increases
  - Medicaid – 0.0%
  - Medicare – 2.0%
  - Local Payers – 5.0%
  - W/Comp, N/Fault, Others – 1.0%
  - Composite – 1.7%

– Other Operating Revenue
  - Grants per Contract
  - Inflation – 2.0%

– IGT
  - Continued delay of current legislated cuts

IGT and UPL Revenue (Accrual Basis Revenue)

	Audited 2017	Projected 2018	Budget 2019
DSH	55,909	53,824	55,548
UPL	11,502	16,327	14,603
Total	67,411	70,151	70,151

Salary Expense Reconciliation

	FTE's	Thousands of $
Budgeted 2018 FTE's / Salaries and Wages	3,324	231,500
Unionized Workforce (2018 = 94.1% of Total)		
Increases In Staffing	185	11,135
Contractual Wage & Step Increases (3.5%)		6,277
2019 = 3,314 FTE's (94.2%)		
Non-Unionized Workforce (2018 = 5.9% of Total)		
Increases In Staffing	10	690
Wage Increases (3.0%)		729
2019 = 205 FTE's (5.8%)		
Budget 2019 FTE's / Salaries and Wages	3,519	250,331

20

The difference between healthcare and true care™ ECMC ecmc.edu

Benefits Expense

Benefits:

- Net increase of $1.6 Million or (1.4%)
  - 51.0% (2018) of salaries to 48.2% (2019) of salaries
- Increases:
  - Health insurance – active and retiree's
    - 8% Health/Dental insurance utilization and rate increase
    - Increase in employees due to volume
    - LMHF Dependent Eligibility Audit savings
  - Payroll taxes on increased salaries
- Decreases:
  - New York State Pension – GASB 68
  - Retiree Health Insurance – Adoption of GASB 75

The difference between healthcare and true care™ ECMC ecmc.edu

Other Operating Expenses

Physician & Residents:

- Net increase of $0.5 Million (0.6%)
  - Increases in contractual obligations to meet additional volume requirements and contractual rate increases
  - Increases in number of physicians partially offset by enhanced revenue

Contractual Fees:

- Net decrease of $3.9 Million (-7.5%)
  - Reduction in consulting, purchased services and maintenance contracts driven by specific initiatives

Supplies:

- Net increase of $2.1 Million (2.4%)
  - Pharmaceuticals – 5%
    - 8% inflation offset by 3% cost saving initiatives
  - Medical Supplies – 1%
    - 2% inflation offset by 1% GPO/joint purchase savings and other initiatives

The difference between healthcare and true care™ ECMC ecmc.edu

Cash Flow Assumptions

- Net decrease in cash of $16.7 Million
  - 104.7 days cash to 94.6 days cash
- Accounts receivable decrease of $11.7 Million
  - 68 days to 58 days
- Consistent other net working capital accounts
- Consistent capital budget spend of $15.0 Million

Budget Assumptions

- Revenue Cycle performance improvements
- IGT / UPL
- NYSNA Negotiations
- Health insurance expense
- GASB 68 and GASB 75 valuations
- Supply chain savings
- Management of contractual fees

The difference between healthcare and true care™ ECMC ecmc.edu

Performance Improvement Opportunities

- Continued growth strategies including continuum of care management
- Continued coordination of support services functions across Great Lakes Health
- Continued development of joint clinical programs with Kaleida
- Structured service line monitoring process with manager accountability
- Physician engagement in performance improvement initiatives

Emerging Issues and Accounting Pronouncements

- Federal and NYS legislative and funding uncertainty
- GASB 83 – contingent asset retirement obligations
- GASB 87 – accounting for leases
- GASB 89 – accounting for capitalized interest

Capital Budget Summary

- $96.2 Million construction projects
  - $66.4 Million from financing proceeds
  - $4.7 Million from Equity / Capital Campaign Receipts
  - $25.1 Million from internal funds

- $15.0 Million consistent capital spend

27

5 Year Financial Projections

- Phase into a 1.0% Operating Margin
- Reimbursement rate increases consistent with 2019 budget
- IGT/UPL increases based on current projections
- Continued trend in benefits % of salary expense reduction
- Supply and other expense inflation consistent with current trend

Statement of Revenues and Expenses – Projected

(Thousands)

	Audited 2017	Projected 2018	Budget 2019	2020	2021	Projected 2022	2023	2024
Net Patient Service Revenue	506,842	551,157	572,359	578,128	582,406	583,664	583,297	582,033
Disproportionate Share, IGT and UPL Revenue	67,411	70,151	70,151	70,151	70,151	70,151	70,151	70,151
Other Operating Revenue	73,120	65,652	56,286	59,912	50,110	48,812	49,788	50,784
Total Operating Revenue	647,373	686,960	698,796	708,191	702,667	702,627	703,237	702,968
Operating Expenses								
Salaries and Benefits	344,785	352,680	371,083	379,847	387,869	395,091	402,447	409,939
Physician Fees and Professional Services	129,904	139,822	136,451	139,133	141,875	144,678	147,543	150,473
Supplies	83,616	89,604	91,730	93,604	95,288	96,526	97,536	98,432
Other Expenses	48,985	65,169	60,706	61,920	63,159	64,422	65,710	67,024
Depreciation and Amortization	28,740	28,608	28,550	30,858	34,711	35,927	38,496	41,067
Interest	8,159	7,739	7,276	10,759	10,230	9,820	9,321	8,804
Total Operating Expenses	644,189	683,622	695,796	716,120	733,131	746,463	761,054	775,740
	3,184	3,338	3,000	(7,929)	(30,463)	(43,836)	(57,817)	(72,772)
Performance Improvement Initiatives	-	-	-	11,929	35,463	49,836	64,817	79,802
Operating Income	3,184	3,338	3,000	4,000	5,000	6,000	7,000	7,030
Non Operating Revenues	1,860	3,567	7,217	5,363	3,263	3,263	3,211	1,689
Excess of Revenues Over Expenses	5,044	6,905	10,217	9,363	8,263	9,263	10,211	8,719
Operating Margin %	0.49%	0.49%	0.43%	0.56%	0.71%	0.85%	1.00%	1.00%

Balance Sheet – Projected

(Thousands)

	Audited 2017	Projected 2018	Budget 2019	2020	2021	Projected 2022	2023	2024
ASSETS								
Current Assets								
Cash	65,973	85,555	68,836	32,336	45,957	64,545	81,890	106,036
Patient Accounts Receivable	95,974	102,681	90,944	90,288	89,376	87,945	86,292	84,535
Other Current Assets	136,558	116,442	110,137	112,890	115,713	118,606	121,571	124,610
Total Current Assets	298,505	304,678	269,917	235,514	251,046	271,096	289,753	315,181
Assets Whose Use Is Limited	190,733	166,097	97,477	93,929	90,387	86,546	87,054	87,566
Property and Equipment	248,005	284,303	366,953	395,395	381,684	366,758	349,362	323,295
Other Assets	119,222	189,305	187,305	185,305	183,305	181,305	179,305	177,305
Total Assets	856,465	944,383	921,652	910,144	906,422	905,705	905,473	903,346
LIABILITIES AND NET ASSETS								
Current Liabilities								
Current Portion of Long Term Debt	10,307	9,429	10,654	10,331	10,321	10,695	11,089	11,495
Accounts Payable and Accrued Expenses	142,094	141,582	117,206	106,757	104,931	105,220	105,487	105,781
Estimated Third Party Payer Settlements	22,521	22,279	23,136	23,369	23,542	23,593	23,578	23,527
Total Current Liabilities	174,922	173,290	150,996	140,457	138,794	139,508	140,154	140,803
Long Term Debt	262,199	247,097	236,443	226,111	215,790	205,095	194,006	182,511
Deferred Inflows	19,617	87,326	87,326	87,326	87,326	87,326	87,326	87,326
Self Insurance Reserves	276,180	564,483	564,483	564,483	564,483	564,483	564,483	564,483
Total Liabilities	732,918	1,072,196	1,039,248	1,018,377	1,006,393	996,412	985,969	975,123
Net Position	123,547	(127,813)	(117,596)	(108,233)	(99,971)	(90,707)	(80,496)	(71,777)
Total Liabilities and Net Assets	856,465	944,383	921,652	910,144	906,422	905,705	905,473	903,346

The difference between healthcare and true care™ ECMC ecmc.edu

Statement of Cash Flow - Projected

(Thousands)

	Audited	Projected	Budget			Projected		
	2017	2018	2019	2020	2021	2022	2023	2024
Cash Flows From Operating Activities								
Excess of Revenues Over Expenses	5,044	6,905	10,217	9,363	8,263	9,263	10,211	8,719
Depreciation & Amortization	28,740	28,608	28,550	30,858	34,711	35,927	38,496	41,067
(Increase) Decrease in Patient Accounts Receivable, Net	(28,600)	(6,707)	11,737	656	912	1,431	1,653	1,757
(Increase) Decrease in Current and Other Assets	61,367	(49,967)	8,305	(753)	(822)	(893)	(965)	(1,039)
Increase (Decrease) in Accounts Payable and Accrued Exp.	5,033	(512)	(24,376)	(10,449)	(1,826)	289	268	294
Increase (Decrease) in Third Party Payer Settlements	17,397	(242)	857	233	173	51	(15)	(51)
Increase (Decrease) in Deferred In Flows	(986)	67,709	-	-	-	-	-	-
Increase (Decrease) in Self Insurance Liabilities	11,099	30,038	-	-	-	-	-	-
Net Cash Provided By (Used In) Operating Activities	99,094	75,832	35,290	29,907	41,410	46,068	49,648	50,747
Cash Flows From Investing Activities	(118,063)	24,636	68,620	3,548	3,542	3,841	(508)	(512)
Cash Flows From Financing Activities								
Additions to Property and Equipment	(11,930)	(64,906)	(111,200)	(59,300)	(21,000)	(21,000)	(21,100)	(15,000)
Changes in Long Term Debt	81,483	(15,980)	(9,429)	(10,655)	(10,331)	(10,321)	(10,695)	(11,089)
Net Cash (Used In) Financing Activities	69,553	(80,886)	(120,629)	(69,955)	(31,331)	(31,321)	(31,795)	(26,089)
Net Increase (Decrease) in Cash and Investments	50,584	19,582	(16,719)	(36,500)	13,621	18,588	17,345	24,146
Cash and Investments, Beginning	15,389	65,973	85,555	68,836	32,336	45,957	64,545	81,890
Cash and Investments, Ending	65,973	85,555	68,836	32,336	45,957	64,545	81,890	106,036

Outstanding Bonds and Notes

Erie County Guaranteed Senior Revenue Bonds, Series 2004

No bonds were issued, called, or re-financed during 2018.

$3,185,000 of bonds matured or were redeemed in 2018.

$75,725,000 of 2004 bonds remain outstanding at December 31, 2018.

Erie County Loan Payable-2017 (Refinance)

During 2017, the Corporation refinanced its 2011 Loan with a $74,366,859 loan from the County of Erie.

$3,594,451 in principal payments were made in 2018.

$68,803,786 of debt is outstanding at December 31, 2018.

Erie County Loan Payable-2017 (New Money)

During 2017, the Corporation entered into a $99,492,034 loan with the County of Erie.

$461,581 in principal payments were made in 2018.

$98,799,663 of debt is outstanding at December 31, 2018.

Erie County Capitalized Interest Assumption Obligation-2017

During 2017, the Corporation entered into an $8,281,141 capitalized interest assumption obligation with the County of Erie.

$38,418 in principal payments were made in 2018.

$8,223,513 of debt is outstanding at December 31, 2018.

Key Government Finance Master Tax Exempt Lease/Purchase Agreement

During 2015, the Corporation entered into a $10,000,000 capital lease obligation

$2,217,236 in principal payments were made in 2018.

$3,424.928 of debt is outstanding at December 31, 2018.

Key Bank Loan

During 2016, the Corporation entered into a $8,100,000 business loan

$8,032,500 in principal payments were made in 2018.

$0 of debt is outstanding at December 31, 2018.

Long term liabilities, including those associated with employee benefit plans are presented in the audited financial report attached.

The annual audited financial statements prepared by an independent certified public accountant and presented in conformity with generally accepted accounting principles is included with this report.

APPENDIX B

COMPENSATION SCHEDULE

Last Name	First Name	Middle Initial	Title	Total Compensation
Allen	Tina	L	Assistant VP of Critical Care & Emergency	123,000.80
Amsterdam	Daniel		Director Laboratory	182,289.18
Anders	Mark	J	Medical Specialist	116,839.07
Aquilina	Therese	M	Unit Manager Ambulatory Care	103,387.98
Arcadi	Kristine Anne	F	Unit Manager MedicalSurgical	100,999.90
Arnold	William	R	Nursing Informatics Mgr	112,651.33
Baetzhold-Fabiniak	Karen		Physician Assistant	126,314.80
Ball	Therese	M	Nurse Practitioner ECMC	104,469.61
Bass	Cynthia	R.	Director of Diversity and Inclusion	103,076.32
Bass	Edmond	G	Nursing Informatics Mgr	100,321.30
Beauchamp	Sandra	A	Nurse Case Manager	104,490.00
Becker	Paula	K	Pharmacist ECMC	120,540.37
Beckman-Pilcher	Karen	M	Clinical Nurse Specialist Emerg Svcs	122,236.24
Bethea	Marquita	E	Director of Admissions LTC	108,002.12
Billittier	Anthony	J	Asst Medical Director PT	126,982.05
Borton	Angela	R	Pharmacist ECMC	115,149.62
Bozich	Danielle	E	Director of Recruitment and Training	102,834.60
Brennan	Stephanie		Pharmacist ECMC	115,379.35
Brock	Carole	D	Anesthetist	180,705.27
Brown	Dana	A	Anesthetist	180,845.04
Brown	Donna	M	Associate Hospital Administrator	119,881.84
Brown	Lisa	K	Director of Nursing Service LTC	113,453.38
Brown	Jillian	S W	Behavioral Health Clinical Manager	105,490.62
Brundin Jr	Douglas	A	Anesthetist	180,795.05
Burke	Mark	S	Attending Physician	622,702.37
Burridge	Suzanne	L	Pharmacist ECMC	120,553.22
Cantie	Shawn	M	Anesthesiologist ECMC MC	469,287.76
Carroll	Laurel	A	Behavioral Health Clinical Manager	111,500.44
Carroll	Jennifer	L	Behavioral Health Clinical Manager	104,020.91
Caruana	Joseph	A	Attending Physician	402,681.02
Cavaretta	Mark	F	Attending Physician	327,451.37

Cherkis	Jennifer	L	Transplant Coordinator	104,322.24
Chizuk	Steven	M	Director of Budget ECMCC	131,300.49
Ciccia	Frank	J	Consultant IV PT	106,792.00
Cieri	Margaret	M	Nursing Care Coordinator	115,353.54
Cirillo	Joseph	B	Director Public Relations Communication	103,316.36
Colebeck	Amanda	C	Dentist MC	216,310.78
Collichio	Alexander	C	Director of Labor & Employee Relations	129,696.43
Colomaio	Rosemarie	F	Nurse Case Manager	104,516.91
Colucci	Anthony	J	Executive Vice President and General Counsel	622,486.37
Coniglio	Julia	G.	Anesthetist	157,930.43
Cretacci	Nicole	A	Unit Manager MedicalSurgical	103,574.16
Cumbo	John	N	Director of Technical Services	154,632.70
Cutler	Peter	K	VP of Communications & External Affairs	204,422.82
Davis	Andrew	L	Chief Operating Officer ECMC	548,556.64
Davis	Howard	I	Anesthesiologist ECMC MC	453,484.43
Davis	Cassandra	A	VP of Ambulatory Svs & Population Health	164,423.80
Davis	Kristen	M	Vice President Managed Care	136,669.78
DelGuidice	Natalie		Clinical Pharmacy Specialist	124,789.04
DelPrince	Becky	S	VP of Systems and Integrated Care	168,730.35
DelVecchio	Regina	A	Staff Counsel ECMC	168,730.35
Denisco	Dawn	M	Anesthetist	176,423.78
Denny	Patricia	E	Director of Dialysis Operations	104,943.06
DePinto	Anthony	T	Administrator LTC	153,658.84
DePlato	Anthony	J	Anesthesiologist ECMC MC	428,415.30
Derenda	Nicole	M	Director of Nursing Education Med/Surg	108,461.90
Diina	David	J	Nurse Pract Transplant	125,783.73
Dobson	Judy	L	VP Medical Srugical Nursing Services	163,725.69
Dolansky	Evan	P	Pharmacist ECMC	121,405.97
Drozdowski	Michael		Director of Capital Projects	134,230.76
Duffin	Joy	R	Transplant Coordinator	100,206.22
Duffy	Brian	M	Anesthesiologist ECMC MC	277,712.35
Erhardt	Robert	M	Chief Hospital Public Safety Officer	102,179.51
Ervolina	Daryl	M	Senior Pharmacist ECMC	146,988.74
Everett	Charles	W	Anesthesiologist ECMC MC	453,484.43

Fallis	Susan	K	VP of Behavioral Health Services	143,038.00
Feidt	Leslie	A.	Chief Information Officer ECMC	214,225.66
Fenner	Nicholas	J.	Pharmacist ECMC	116,584.66
Ferguson	Richard	E.	Director of Neurology RPT	338,482.54
Flaherty	Amy	A	Staff Counsel - Risk Management	127,230.95
Flynn	William	J.	Director of Surgery	164,575.25
Forgensi	Stacey		Anesthetist	177,460.08
Fox	Heather	M	Nurse Case Mgr AIDS Services	105,155.54
Frustino	Jennifer	L	Dentist MC	214,338.77
Fryling	Kathleen	M	Transplant Coordinator	104,364.89
Furlani	Lisa	A	Anesthetist	180,448.54
Furnari	Graziella		Clinical Pharmacy Specialist	124,558.78
Gallineau	Anne-Marie		Nursing Care Coordinator	120,294.33
Gary	Stephen	M	Chief Financial Officer ECMC	524,519.38
Gatti	Donna	M	Director CPEP	111,269.54
Gerretsen	Carly	A.	Director Outpatient Operations & Oncolog	142,142.86
Gonzalez	Susan	M	Executive Director ECMC Lifeline Foundat	174,041.87
Gorczynski II	Thomas	S.	Information Technology Systems Architect	120,517.60
Green	Karen	A	Nursing Supervisor LTC	104,555.78
Grolemund	Stephanie	A	Anesthetist	160,151.60
Grzebinski	Jane	F	Pharmacist ECMC	125,032.65
Grzybowski	Helen	T	InService Education Coordinator	104,503.80
Gunther	Mark	W	Assistant VP of BH & Community	124,183.34
Hartman	Sandra	A	Nursing Care Coordinator Rehab Services	112,030.18
Hauss	Lisa Marie		Unit Manager MedicalSurgical	106,756.94
Hayes	Dale		Anesthetist	156,191.62
Heigl	Deborah	A	Nurse Case Manager	104,575.80
Hepburn	Jeremy		Nursing Care Coordinator	117,924.51
Hidalgo	Francisco		Code Compliance Manager	103,940.45
Hinderliter	Vanessa	S	Director Finance ECMC	132,475.05
Hines	Holly	L	Nurse Case Manager	101,550.66
Hodgson	Matthew	W.	Nurse Practitioner Plastics Recons Surg	113,093.83
Hoerner	Audrey	A	Nurse Practitioner Burn Treatment	126,170.29
Hughes	Christopher	J	Attending Physician	541,537.28

Hughes	Robert	L	Nurse Case Manager	103,155.09
Hynes	Anne	Z	Nursing Supervisor LTC	101,469.80
Iwanenko	Mary	M	Director Special Therapy Programs	106,128.55
Jager	Jonathan	J	Pharmacist ECMC	116,872.60
Jensen	Erik	J	Anesthesiologist ECMC MC	458,078.83
Johnson	Marie	A	Vice President of Rehabilitation Service	145,543.35
Jonmaire	Kenneth	F	Senior Director Outpatient Operations	114,808.32
Juncewicz	Edmund		Anesthesiologist ECMC MC	363,399.40
Kalinka	Lisa	M	Nurse Pract Transplant	105,415.90
Kapral	Elizabeth	B	Dentist MC	153,135.89
Kayler	Liise	K	Attending Physician RPT	135,239.00
Keenan	Lisa	A	Chief Clinical Psychologist	116,951.85
Kiblin	Patricia	A	Unit Manager MedicalSurgical	106,459.24
Kline	Timothy	J	Unit Manager Critical Care	104,537.64
Knox	Nicole	L	Director of Transplantation	105,971.23
Kocz	Remek		Anesthesiologist ECMC MC	352,539.44
Konikoff	Karen	S	VP Critical Care & Emergency Services	166,351.94
Kordasiewicz	Lynn	M	Nurse Practitioner Wound Care	124,364.97
Korff	Kathryn	C	Dentist ECMC RPT	173,727.52
Kossoff	Ellen	B	Senior Pharmacist ECMC	124,538.49
Ksiazek	Susan		Dir Of Med Staff Quality Education	156,367.83
Kuechle	Claire	S	Staff Counsel ECMC	130,872.50
Kwiatkowski	Andrew	J	Director of Project Management HIT	117,115.15
Labelle	Marc	P	VP Surgical Services	153,937.75
Lauer	Sandra	L	Director of Continuum Care	117,925.66
Lavarnway	Nicole	M	Nursing Supervisor LTC	104,653.06
Lawley	Melinda	M	Unit Manager Critical Care	104,689.14
Lenhard	Eric		Pharmacist ECMC	114,177.68
Leyh	Virginia	M	Transplant Coordinator	104,508.44
Lim	Meghan	K	Pharmacist ECMC RPT	109,554.42
Longobardi	Theresa		InService Education Coordinator	106,656.10
Loree	Thom	R	Attending Physician	836,354.34
Ludlow	Charlene	J	VP of Safety & Security	298,460.76
Lukasik	Keith	D	Chief Strategy Officer	173,077.20
Mack	Markita	N	Nursing Care Coordinator RPT	101,741.62
Madoo	Kevin	M.	Director Plant Operations	109,810.87

Maggio	Sarah	L	Director of Nursing Education Behavioral	100,673.52
Makson	Theresa	M	Manager - Care Management	108,028.77
Malovich	Jeanne	M	InService Education Coordinator	104,590.26
Marczak	Juliet	M	Nurse Practitioner ECMC	104,617.04
Markiewicz	Anthony	A	Vice President Clinical Business Intelli	165,897.07
Marso	Lisa	K	Anesthetist	159,627.54
Mason	Molly	A	Anesthetist	156,800.84
Mazur	Christopher		Senior Pharmacist ECMC	133,547.39
Mcdougall	Sarah	N	Pharmacist ECMC	115,246.79
McKeever	Ashley	L.	Anesthetist	136,562.95
McLean	Terrence	R	Dentist MC	392,995.80
Mertowski	Cheryl	A	Director of Imaging Services	114,347.62
Meyers	Shannon		Anesthetist	172,079.60
Miano	Joanne	C	Nurse Case Manager	101,609.78
Minhas	Parveen	K	Nurse Pract Transplant	109,786.95
Montesano	Susan		Nurse Case Manager	104,618.85
Mooney	Michelle	H	Nurse Case Manager	100,489.77
Moscato	Carla	J	Anesthetist	146,629.60
Mund	Nadine	M	Director of Corporate Compliance	147,249.88
Murawski	Phyllis	A	VP Transplantation & Renal Care	181,845.70
Murphy	Holly	R	Pharmacist ECMC	114,156.94
Murray	Brian	M	Medical Director ECMC	494,548.60
Musielak	Pia	L	Director Outpatient Operations Surg Care	133,413.85
Myers	David	P	Anesthesiologist ECMC MC	233,612.10
Nasca	Maureen	S	Chief of Service Dentistry	393,487.27
Neff	Melissa	A	Unit Manager Cardiac Cath Lab	104,778.31
Nesbitt	David	L	Staff Counsel (DSRIP)	139,160.91
Nice	Kimberly	A	Anesthetist	154,085.41
Nicosia	Cheryl	A	Clinical Nurse Specialist Critical Care	126,467.21
Oddo	Donna	M	Nursing Care Coordinator Emergency Dept	115,398.72
Ordon	Cheryl	A	Nurse Case Manager	102,998.47
Ormond	JoAnn		VP Revenue Cycle	174,004.52
Ormond	John	T	Senior VP of Finance & Accounting	168,966.47
Ott	Michael	C	Clinical Coord Pharmacy Services	127,325.06
Ozanne	Lindsey	A	Director of Employee Health and Safety	111,269.56
Pagano	Christina	M	Physician Assistant	103,637.92

Panesar	Mandip		Chief Medical Information Officer	397,636.40
Paolini	Karen	L.	Nurse Pract Transplant	121,500.41
Pawenski	Edward	J	Director of ONcology Dentistry and Prost	111,176.09
Picciano	Thomas	D	Nurse Case Manager	104,509.01
Plotkin	Scott	N	Anesthesiologist ECMC MC	453,484.43
Popat	Saurin	R	Attending Physician Con PT	345,832.91
Price	Donna	M	Nurse Case Manager	106,462.67
Prybylski	Monica	K	Nurse Practitioner Orthopedic Services	109,313.71
Pulka	Ashley	L	Pharmacist ECMC	115,077.04
Quatroche Jr.	Thomas		Chief Executive Officer ECMC	875,009.94
Quesinberry	Paula	R	Coord Stroke Program	103,274.56
Radovic	Vladan		Attending Physician	333,962.50
Rassman	Jeffrey	S	Physician Assistant	112,503.66
Reed	Karen	S	Anesthesiologist ECMC MC	438,058.80
Reeners	Eric	S	Manager of Financial Reporting	100,373.21
Reiter	Braden	J	Attending Physician	131,153.55
Resetarits	Christopher	M	Anesthetist RPT	173,301.04
Rhinehart	Mary	C	Director Critical Care and Nursing Educa	117,733.98
Riley	Pamela		Unit Manager MedicalSurgical	101,682.13
Rizzo	Heather	R	Anesthetist	158,744.05
Robinson	Constance	O	Nursing Supervisor LTC	109,837.07
Rogers	Nancy	S	Clinical Nurse Specialist Behavioral Hea	116,164.37
Rogers	Angeline	P	Nurse Case Manager	101,547.13
Rohrbacher	Bernhard	J	Medical Specialist RPT	106,748.01
Rojek	Janet	M	Senior Pharmacist ECMC	147,281.61
Roskopf	Laura		Consultant IV	161,923.42
Rossitto	Rachael	A	Dentist MC	286,138.10
Rubin	Kari	L	Nurse Case Manager	101,513.86
Ruh	Christine	A	Clinical Pharmacy Specialist	124,364.63
Sacks	Andrew	J	Anesthesiologist RPT MC	240,716.77
Sands	Robert	P	Anesthesiologist ECMC MC	453,484.43
Scharf	Jennifer	R	Staff Counsel ECMC	168,730.35
Schubbe	Jayson	J	Healthcare Data Warehouse Architect	105,251.78
Schunke	Katrina	M	Pharmacist ECMC	126,017.95
Schurr	Karen	D	Clinical Asst to VP Surg Card Svcs	110,555.34
Schwab	Linda		Trauma Program Manager	126,194.13
Schwanekamp	Karen	A	Anesthetist	180,006.68

Scrocco	Mary Carol		Nurse Practitioner Cardiovascular Lab	108,794.22
Seay	Michelle	D	Clinical Patient Care Liaison	110,174.77
Semrau	Jeffrey	M	Pharmacist ECMC	115,490.97
Shea	Mary Molly	E	Patient Safety Clinical Investigation Co	106,021.52
Sheppard	Judith	E	Nursing Supervisor LTC	110,323.42
Shisler	Tomi	E.	Nurse Pract Transplant	120,190.02
Skomra	Richard	L	Chief Anesthetist	248,070.50
Spada	Kristine	P	Director of Patient Access Services	114,822.02
Sperry	Howard	E	Clinical Director Medicine	280,595.64
Stegemann	Philip	M	Chief of Orthopedic Surgery	117,148.20
Steinhart	Lorne	H	Special Asst to CEO	123,055.22
Stercula	Edna	M.	Anesthetist	180,226.47
Steward	Kevin	R	Nursing Care Coordinator	115,222.43
Stobnicki	Cortney	B	Anesthetist	159,229.18
Stroud	Kerry	A	Nursing Care Coordinator	118,065.21
Sweeney	Kathleen	M	Nurse Case Manager	104,616.36
Syed	Masroor	A	Anesthesiologist ECMC MC	452,511.04
Tadak	Monica	J	Director of Revenue Capture and Integrit	120,836.31
Tague	Dana	E	Nurse Practitioner Rehab Services	120,211.14
Tait	Christopher	A	Nurse Case Manager	104,549.25
Tarbell	Ross	J	Senior Pharmacist ECMC	145,031.62
Thomas	Katheleen		Unit Manager Hemodialysis	104,415.52
Thompson	Denise	B.	Nursing Care Coordinator	108,798.89
Thorpe	Lisa	F	Supervisor of Rehab Medicine	118,567.78
Tomljanovich	Paul	I	Attending Physician Con PT	248,054.59
Tornambe	Lynne	L	Pharmacist ECMC	118,595.92
Torres	Carmen		Nurse Practitioner ECMC	104,496.25
Turner	James	T	Senior VP of Surgical and Ambulatory Ser	298,943.26
Twichell	Jerome	D	Senior Director Outpatient Operations	114,616.08
Vail	Robert	R	Healthcare Information Security Officer	149,897.83
Velicu	Simona		Attending Physician	292,676.40
Walters	Dawn	K	Consultant IV PT	108,925.95
Waterstram	Richard	C	Unit Manager Behavioral Health	106,401.17
Weiss	Katherine	A	Pharmacist ECMC	126,955.77
Welka	Andrew	J	Anesthesiologist ECMC MC	155,769.75
Wentz	Nicholas	G	Director of Biomedical Services	100,123.94

Wilde	Colleen	S	Unit Manager Post Anesthesia Care	105,291.69
Wohaibi	Eyad	M	Attending Physician	358,110.20
Wojtasik	Jeff		Director of Applications	125,300.30
Wolf	Joann	S	Assistant Vice President Surgical Nursin	128,605.34
Zakrzewski	Thomas	J	Nursing Supervisor LTC	109,783.59
Ziemianski	Karen	A	Senior VP of Nursing	349,037.69
Zynda	Elizabeth	A	Nurse Pract Transplant	112,544.10

APPENDIX C

CONTRACTS

Vendor Name	Payments	Contract Period		Purpose
1285 GROUP, LLC	591,273.25	3/12/2013	4/11/2023	Leasing Services
3M HEALTH INFORMATION	592,938.32	ANNUAL		Software/Support
4TH GENERATION CONSTRUCTION, INC.	829,571.61	9/18/2017	Project completion	Construction services
ABBOTT LABORATORIES DIAGNOSTIC DIV	737,357.87	4/15/2011	4/14/2021	Equipment & Supplies
ACADEMIC MEDICAL SERVICES, INC.	4,105,921.40	3/8/2018	3/7/2021	Medical Professional Services
ACCESS E-FORMS	138,772.00	7/1/2017	6/30/2019	Equipment & Supplies
ACELL, INC.	192,358.88	ANNUAL		Equipment & Supplies
AEROTEK INC	221,792.89	1/18/2018	1/17/2020	Staffing Services
AIRGAS EAST	149,666.31	9/10/2012	7/31/2017	Medical Gasses
ALLEGIANCE HEALTHCARE CORP	155,579.86	ANNUAL		Equipment & Supplies
ALLOSOURCE	400,167.38	ANNUAL		Equipment & Supplies
ALLPRO PARKING LLC	377,642.65	ANNUAL		Valet Parking Services
ALLSCRIPTS-MISYS LLC	652,119.42	6/7/2017	6/6/2019	Software/Support
AMR NETWORKS, LLC	151,662.63	ANNUAL		Software/Support
ANGIO DYNAMICS INC	114,903.26	ANNUAL		Equipment & Supplies
APOGEE MEDICAL MANAGEMENT	5,229,257.09	9/1/2015	3/31/2020	Medical Professional Services
AQUA SCIENCES INC	264,073.70	ANNUAL		Equipment & Supplies
AQUAMEDIX LLC	223,620.68	ANNUAL		Equipment & Supplies
ATLAS HEALTH CARE LINEN SERVICES	2,329,866.88	7/1/2004	6/30/2020	Equipment & Supplies
BARD ACCESS SYSTEMS	177,459.88	ANNUAL		Equipment & Supplies
BARD PERIPHERAL VASCULAR INC	200,094.30	ANNUAL		Equipment & Supplies
BAXTER BIOSCIENCE	211,977.26	11/25/2008	11/24/2019	Equipment & Supplies
BAXTER HEALTHCARE CORP	273,760.33	11/25/2008	11/24/2019	Equipment & Supplies

BAXTER HEALTHCARE CORP	295,276.27	11/25/2008	11/24/2019	Equipment & Supplies
BAXTER HEALTHCARE CORPORATION	111,987.57	ANNUAL		Equipment & Supplies
BAYER CORPORATION	185,221.09	12/19/2014	12/18/2019	Equipment & Supplies
BCH, INC.	297,596.84	ANNUAL		Professional Services
BE WELL HEALTHCARE MEDICINE	189,505.00	1/1/2017	12/31/2019	Professional Services
BIOCARE	381,548.30	ANNUAL		Equipment & Supplies
BIZWIN STRATEGIES, INC.	121,791.97	ANNUAL		Professional Services
BLOUNT CONSULTING SOLUTIONS, LLC	333,250.00	1/1/2018	12/31/2018	Professional Services
BLUECROSS BLUESHIELD	111,210.36	12/1/2010	12/31/2021	Insurance
BOSTON SCIENTIFIC CORP	246,720.00	4/28/2016	4/27/2020	Equipment & Supplies
BOSTON SCIENTIFIC CORPORATION	211,539.87	4/28/2016	4/27/2020	Equipment & Supplies
BOSTON SCIENTIFIC/MICROVASIVE	143,776.52	4/28/2016	4/27/2020	Equipment & Supplies
BUFFALO INTERNIST AND ASSOCIATES	4,438,159.32	6/13/2017	12/31/2020	Medical Professional Services
BUFFALO NEWS ADS	244,828.94	ANNUAL		Advertising
BUFFALO PAPER AND TWINE CO	792,284.35	ANNUAL		Equipment & Supplies
BUFFALO TRANSPORTATION INC.	434,156.50	ANNUAL		Patient Transportation
CANNON DESIGN INC	585,320.52	6/8/2015	Project completion	Professional Services
CARAHSOFT TECHNOLOGY CORPORATION	217,648.83	1/12/2018	1/11/2021	Technology Services
CARDINAL HEALTH	1,173,374.68	1/19/2013	5/31/2019	Equipment & Supplies
CARDINAL HEALTH MED PROD	2,580,441.30	5/1/2013	4/30/2019	Equipment & Supplies
CARDINAL VALUE LINK	9,716,067.60	12/1/2012	10/31/2022	Equipment & Supplies
CARESTREAM HEALTH INC	338,424.79	9/16/2015	9/15/2021	Software
CARLTON FIELDS	137,852.07	ANNUAL		Professional Services
CARTIVA, INC.	129,600.00	ANNUAL		Equipment & Supplies
CDW GOVERNMENT INC	453,031.25	ANNUAL		Equipment & Supplies
CENTRAL RADIOPHARMACEUTICAL SVC	324,921.52	ANNUAL		Equipment & Supplies

CERNER CORP	3,179,724.83	ANNUAL		Technology Services
CHANGE HEALTHCARE	873,786.71	11/15/2017	11/14/2020	Professional Services
CITY OF BUFFALO	878,253.65	ANNUAL		Utility/Water
CLARK PATTERSON LEE	854,671.46	1/1/2018	Project completion	Professional services
COMPUTERSEARCH CORPORATION	705,047.00	9/24/2018	9/23/2021	Technology Services
CONMED LINVATEC	465,618.43	10/26/2012	10/25/2015	Equipment & Supplies
CONSORTIUM INFORMATION SERVICES INC	111,266.00	ANNUAL		Professional Services
COOK INC	229,685.93	ANNUAL		Equipment & Supplies
CORE BTS INC	4,357,674.53	ANNUAL		Technology Services
COVIDIEN	979,752.87	4/1/2015	3/31/2020	Equipment & Supplies
CREEKRIDGE CAPITAL	645,240.64	4/1/2011	4/30/2016	Leasing Services
DCB ELEVATOR CO INC	207,964.63	1/1/2014	12/31/2018	Elevator Maintenance
DEAF ADULT SERVICES	140,905.00	ANNUAL		Translation Services
DELL MARKETING LP	1,149,652.71	3/24/2009	3/23/2019	Equipment & Supplies
DENTSPLY IH, INC.	128,929.90	ANNUAL		Equipment & Supplies
DEPUY ACE MEDICAL COMPANY	5,110,318.60	4/8/2013	4/7/2019	Equipment & Supplies
DIAGNOSTICA STAGO	136,102.31	2/19/2017	2/18/2018	Equipment & Supplies
DRAGER MEDICAL	114,850.02	1/12/2018	1/12/2020	Equipment & Supplies
DRFIRST.COM INC	270,090.00	9/1/2011	8/31/2019	Software/Support
ECOLAB/MICROTEK MEDICAL	158,657.49	ANNUAL		Equipment & Supplies
EPOCH HEALTH SOLUTIONS, LLC	422,924.99	6/1/2018	5/31/2021	Professional Services
ERIE NIAGARA AREA HEALTH EDUCATION	301,567.65	11/1/2015	3/31/2019	DSRIP services
ERIE NIAGARA NEUROSURGERY PLLC	469,187.64	ANNUAL		Medical Professional Services
EXPERIAN HEALTH, INC.	210,617.90	ANNUAL		Software/Support
FIBERTECH TECHNOLOGIES	250,460.85	ANNUAL		Equipment & Supplies
FIRE SAFETY SYS INC	161,922.51	ANNUAL		Equipment & Supplies

FISHER HEALTHCARE	144,071.94	ANNUAL		Equipment & Supplies
FORWARD ADVANTAGE	436,039.00	6/21/2018	6/20/2019	Equipment & Supplies
FOXY DELIVERY SERVICE INC	109,508.95	ANNUAL		Courier Services
FREED MAXICK CPAS PC	1,362,946.75	5/15/2015	5/14/2019	Professional Services
FRESENIUS MED CARE NA	646,674.21	ANNUAL		Equipment & Supplies
FREY ELECTRIC	876,536.10	10/9/2017	Project completion	Construction services
GE HEALTHCARE OEC	417,670.00	ANNUAL		Equipment & Supplies
GENERAL PHYSICIAN SUB II, PLLC	241,300.00	10/1/2016	9/30/2019	Medical Professional Services
GENERAL PHYSICIAN, P.C.	6,949,162.23	1/1/2018	12/31/2019	Medical Professional Services
GERIATRIC ASSOCIATES LLP	109,999.92	2/1/2011	7/31/2013	Medical Professional Services
GETINGE USA SALES, LLC	392,581.73	3/16/2018	1/11/2019	Equipment & Supplies
GILBANE BUILDING COMPANY	812,668.46	5/1/2018	Project completion	Professional services
GLOBUS MEDICAL INC	2,675,053.00	ANNUAL		Equipment & Supplies
GOODWIN ELECTRIC	144,626.60	9/25/2017	Project completion	Construction Services
GRAYLINE NIAGARA FALLS/BUFFALO	454,252.50	ANNUAL		Shuttle Services
GREAT LAKES BUILDING SYSTEMS INC.	524,188.43	ANNUAL		Equipment & Supplies
GREAT LAKES MEDICAL IMAGING, LLC	8,683,046.21	9/1/2015	8/31/2021	Medical Professional Services
GREYCASTLE SECURITY, LLC	255,571.11	ANNUAL		Professional Services
GRIDER SUPPORT SERVICES, LLC	1,352,768.89	ANNUAL		Professional Services
HANDICARE USA, INC.	175,575.08	12/29/2017	12/28/2019	Equipment & Supplies
HANYS SERVICES INC	112,114.00	ANNUAL		Equipment & Supplies
HEALTH RESOURCES OPTIMIZATION, INC	131,069.89	ANNUAL		Professional Services
HEALTH SYSTEM SERVICE	189,701.11	ANNUAL		Professional Services
HEALTHY COMMUNITY ALLIANCE, INC.	186,307.59	8/13/2015	6/30/2019	DSRIP services
HEWLETT-PACKARD COMPANY	824,029.72	6/30/2013	3/28/2018	Equipment & Supplies
HILL-ROM CO INC	671,801.29	ANNUAL		Equipment & Supplies

HODGSON RUSS LLP	207,163.51	ANNUAL		Professional Services
IMMCO DIAGNOSTICS INC	1,552,300.00	ANNUAL		Medical Professional Services
INFOR (US) INC.	1,609,695.91	4/27/2017	4/27/2019	Technology Services
INTEGRA LIFESCIENCES CORP	761,893.13	ANNUAL		Equipment & Supplies
INTEGRATED CONSTRUCTION	235,457.50	7/26/2017	Project completion	Construction Services
INTEGRATED ONCOLOGY	114,334.99	ANNUAL		Medical Professional Services
INTELLIGENT MEDICAL OBJECTS, INC.	162,119.00	ANNUAL		Equipment & Supplies
INTERIM PHYSICIANS LLC	102,461.02	ANNUAL		Medical Professional Services
INTERNATIONAL INSTITUTE OF BUFFALO	451,710.00	1/1/2018	12/31/2020	Professional Services
IODINE SOFTWARE, LLC	248,950.00	2/22/2018	2/21/2020	Software
IPC HOSPITALISTS OF NEW YORK PC	175,000.00	7/1/2013	6/30/2019	Medical Professional Services
ISECURE, LLC	206,467.72	ANNUAL		Technology Services
ISKALO ASSET FUND II LLC	190,851.68	ANNUAL		Leasing Services
IVANTAGE HEALTH	186,003.83	11/21/2017	11/20/2019	Software
JEAN JUREK ASSOCIATES INC	243,947.16	9/21/2015	9/20/2020	Professional Services
JOHNSON & JOHNSON HLTH CARE SYS INC	283,037.64	4/8/2013	4/7/2018	Equipment & Supplies
JOHNSON CONTROLS SECURITY SOLUTIONS	160,683.02	ANNUAL		Equipment & Supplies
K2M, INC	185,458.00	3/1/2017	2/28/2019	Equipment & Supplies
KARL STORZ ENDOSCOPY-AMERICA	306,394.90	11/9/2017	11/8/2018	Equipment & Supplies
KCI	497,619.29	ANNUAL		Equipment & Supplies
KIDENEY ARCHITECTS PC	1,297,669.55	ANNUAL		Professional Services
KRONOS	217,380.78	ANNUAL		Software/Support
KURK FUEL OIL CO	204,864.89	ANNUAL		Equipment & Supplies
L&M GROUP LTD	353,516.45	ANNUAL		Professional Services
LAB CORP OF AMERICA	497,528.78	ANNUAL		Equipment & Supplies
LANGUAGE LINE LLC	123,956.18	9/21/2009	9/20/2019	Professional Services

LAWLEY SERVICE, INC	2,567,672.80	5/1/2016	4/30/2019	Insurance
LIFENET	118,284.50	ANNUAL		Equipment & Supplies
LIMA USA INC	867,549.00	ANNUAL		Equipment & Supplies
LIQUITECH INC	162,962.00	ANNUAL		Equipment & Supplies
LIRO ENGINEERS, INC.	664,910.65	8/13/2018	9/1/2021	Professional Services
LOCKPORT PEDIATRICS	148,344.00	ANNUAL		Medical Professional Services
MAGAVERN, MAGAVERN & GRIMM LLP	318,316.49	ANNUAL		Professional Services
MAIN BUFFALO PEDIATRICS, LLP	150,858.00	ANNUAL		Medical Professional Services
MCKESSON	437,607.30	9/26/2008	9/25/2019	Professional Services
MCKESSON DRUG CO	20,977,472.75	ANNUAL		Equipment & Supplies
MEDICAL INFORMATION TECHNOLOGIES IN	901,484.00	7/14/2011	7/13/2019	Technology Services
MEDICAL STAFFING NETWORK	145,136.38	ANNUAL		Medical Professional Services
MEDLINE INDUSTRIES INC	122,686.44	ANNUAL		Equipment & Supplies
MEDTRONIC INC NEUROLOGICAL DIV	321,220.86	4/2/2013	4/1/2017	Equipment & Supplies
MEDTRONIC MIDAS REX	274,485.06	ANNUAL		Equipment & Supplies
MEDTRONIC SPINAL AND BIOLOGICS	501,670.32	4/2/2013	4/1/2018	Equipment & Supplies
MEDTRONIC XOMED INC	121,947.00	ANNUAL		Equipment & Supplies
MENTAL HEALTH ASSOCIATION	281,433.50	ANNUAL		Medical Professional Services
MERGE HEALTHCARE	321,823.43	ANNUAL		Equipment & Supplies
MERIDIAN IT INC.	269,127.67	ANNUAL		Equipment & Supplies
METRO COMMUNICATIONS	242,853.00	ANNUAL		Telecommunications
MICROSOFT	138,298.00	1/26/2016	1/25/2018	Hardware/Software
MID-CITY OFFICE FURNITURE	293,507.50	ANNUAL		Equipment & Supplies
MIZUHO OSI	183,747.14	ANNUAL		Equipment & Supplies
MLP PLUMBING & MECHANICAL INC.	537,937.19	2/26/2018	Projection completion	Construction Services
MORRISON'S HEALTHCARE INC	13,682,703.30	3/1/2013	4/5/2019	Dietary/Cafeteria

MUSCULOSKELETAL TRANSPLANT FOUND	208,930.00	ANNUAL		Equipment & Supplies
NALCO CO	122,150.77	4/27/2018	4/26/2023	Utility
NATIONAL GRID	827,492.56	1/0/1900	NA	Utility
NEUWATER AND ASSOCIATES	107,681.91	5/1/2018	6/30/2019	Professional Services
NEWCAL CONSTRUCTION, INC.	2,046,481.06	9/26/2017	Project completion	Construction Services
NEXERA, INC	615,000.00	ANNUAL		Professional Services
NOVADAQ	100,805.00	ANNUAL		Technology Services
NUANCE	338,483.97	ANNUAL		Software/Support
NXSTAGE MEDICAL INC	232,807.55	12/11/2017	12/10/2020	Medical Professional Services
O'CONNELL & ARONOWITZ, P.C.	111,002.21	ANNUAL		Professional Services
O'CONNELL ELECTRIC	255,197.17	ANNUAL		Construction Services
OFFICE DEPOT	372,387.77	ANNUAL		Equipment & Supplies
OMNICELL TECHNOLOGIES INC	141,638.92	6/25/2018	6/24/2019	Technology Services
OPTUM360 LLC	277,321.15	ANNUAL		Medical Professional Services
ORLICK, ARTHUR	354,302.82	1/1/2018	12/31/2019	Medical Professional Services
ORTHO CLINICAL DIAGNOSTICS	136,286.81	ANNUAL		Medical Professional Services
PARAGON 28, INC.	349,082.01	ANNUAL		Equipment & Supplies
PATERSON, PAUL	437,199.96	ANNUAL		Medical Professional Services
PATTERSON DENTAL INC	560,491.57	ANNUAL		Equipment & Supplies
PEARL CARROLL & ASSOCIATES LLC	561,334.40	ANNUAL		Insurance
PENTAX MEDICAL CO	271,276.30	10/1/2017	9/30/2020	Equipment & Supplies
PERSONAL COMPUTERS, INC.	196,515.00	ANNUAL		Technology Services
PHARMERICA	1,024,545.07	ANNUAL		Equipment & Supplies
PHILIPS MEDICAL SYSTEMS	2,624,865.29	1/1/2011	3/28/2018	Equipment & Supplies
PHILIPS MEDICAL SYSTEMS NA CO	261,703.24	1/1/2011	3/28/2018	Equipment & Supplies
PPC STRATEGIC SERVICES LLC	2,465,187.19	ANNUAL		Professional Services

PRAXAIR DIST INC	114,255.91	ANNUAL		Medical Gasses
PRECISION INC/BIOMET ORTHO	2,896,754.19	ANNUAL		Equipment & Supplies
PRE-EMPLOY.COM INC	136,427.55	ANNUAL		Professional Services
PREFERRED PHYSICIAN CARE, P.C.	2,766,382.96	ANNUAL		Medical Professional Services
PRESIDIO NETWORK SOLUTIONS	672,680.32	ANNUAL		Technology Services
PRESS GANEY ASSOCIATES INC	243,561.92	7/1/2014	6/30/2018	Patient Survey
PRODIGY SURGICAL/ARTHREX	1,234,989.80	ANNUAL		Equipment & Supplies
RELIABLE PROJECT MANAGEMENT INC	216,000.00	ANNUAL		Professional Services
RICOTTA & VISCO	488,982.92	ANNUAL		Professional Services
ROACH BROWN	528,811.23	ANNUAL		Professional Services
ROCHE DIAGNOSTIC CORP	2,167,179.40	11/19/2010	12/13/2017	Lab Services
RONCO SPECIALIZED SYSTEMS INC	299,784.51	ANNUAL		Equipment & Supplies
ROSWELL PARK CANCER INSTITUTE	184,228.05	1/10/2018	1/9/2020	Medical Professional Services
RSM US LLP	164,060.00	ANNUAL		Professional Services
RUPP BAASE PFALZGRAF	256,906.07	ANNUAL		Professional Services
S & V ASSOCIATES LLC	126,605.69	1/22/1996	10/31/2022	Leasing Services
SAMIE, MOHAMMAD REZA	114,600.00	ANNUAL		Medical Professional Services
SATURN RADIOLOGY PLLC	300,000.00	ANNUAL		Medical Professional Services
SEQIRUS USA, INC.	128,233.15	ANNUAL		Equipment & Supplies
SERENAGROUP, INC.	759,493.72	3/1/2015	2/28/2020	Medical Professional Services
SI TECHNOLOGIES, INC	628,505.77	ANNUAL		Technology Services
SICOLI CONSTRUCTION SERVICES, INC.	138,692.40	2/26/2018	Project completion	Construction Services
SIEMENS INDUSTRY INC	158,786.92	1/14/2010	1/13/2019	Repairs & Maintenance
SIEMENS MEDICAL	141,258.52	5/24/2012	3/23/2019	Equipment & Supplies
SIEMENS MEDICAL SOLUTIONS	699,800.39	3/31/2015	3/30/2020	Equipment & Supplies
SIMPLEX GRINNELL	525,157.24	ANNUAL		Repairs & Maintenance

SMITH & NEPHEW ENDOSCOPY	514,750.05	3/26/2016	3/25/2019	Equipment & Supplies
SMITH & NEPHEW HEALTHCARE (ORTHO)	1,151,682.68	3/26/2016	3/25/2019	Medical Professional Services
SONEX HEALTH, LLC	310,881.00	ANNUAL		Equipment & Supplies
STANSBERRY AND KNIGHT	258,867.96	ANNUAL		Medical Professional Services
STERICYCLE INC	625,454.08	2/1/2017	1/31/2022	Equipment & Supplies
STERIS CORPORATION	147,069.30	ANNUAL		Equipment & Supplies
STERIS CORPORATION	273,069.14	8/1/2018	7/31/2021	Equipment & Supplies
STRYKER CRANIOMAXILLOFACIAL	255,573.81	5/25/2012	5/24/2015	Equipment & Supplies
STRYKER ENDOSCOPY	219,945.18	ANNUAL		Equipment & Supplies
STRYKER INSTRUMENTS	1,419,945.56	5/25/2012	5/24/2018	Equipment & Supplies
STRYKER ORTHOPAEDICS	2,602,386.59	5/25/2012	5/24/2018	Equipment & Supplies
STRYKER SPINE	699,988.44	5/25/2012	5/24/2018	Equipment & Supplies
SUICIDE PREVENTION	736,920.84	1/1/2015	12/31/2018	Medical Professional Services
SUMMIT PEDIATRICS, P.C.	155,550.00	ANNUAL		Medical Professional Services
SUPERIOR PAYMENT PLAN, LLC	1,271,829.31	3/31/2017	3/31/2018	Insurance
SUPPLEMENTAL HEALTH CARE	106,082.00	ANNUAL		Medical Professional Services
SUSIE SPECIALTIES	159,811.28	ANNUAL		Technology Services
SUTURE EXPRESS	632,235.24	ANNUAL		Equipment & Supplies
SYNTHES	3,383,255.52	4/8/2013	4/7/2018	Equipment & Supplies
SYNTHES MAXILLOFACIAL	466,154.83	4/8/2013	4/7/2018	Equipment & Supplies
SYSMEX	152,186.83	3/30/2017	3/29/2024	Equipment & Supplies
SYSTEMS PERSONNEL INC	336,376.49	3/23/2017	3/22/2020	Staffing Services
TARANTINO FOODS LLC	158,079.50	ANNUAL		Equipment & Supplies
TEKSYSTEMS, INC.	485,090.83	ANNUAL		Staffing Services
TELETRACKING	103,628.64	3/1/2016	8/31/2020	Technology Services
TERUMO MEDICAL CORPORATION	143,698.00	ANNUAL		Equipment & Supplies

THE ADVISORY BOARD COMPANY	102,972.00	3/31/2012	3/30/2022	Professional Services
THE CRIMSON INITIATIVE	162,095.00	3/31/2012	3/30/2022	Equipment & Supplies
THE MARTIN GROUP LLC	1,603,758.17	6/9/2014	6/8/2020	Advertising Services
THE NATIONAL WITNESS PROJECT, INC.	224,906.00	8/24/2015	6/30/2019	DSRIP services
THE PIKE COMPANY	6,165,830.75	7/1/2017	Project completion	Professional Services
THE RESEARCH FOUNDATION	6,597,225.94	ANNUAL		Professional Services
TOSHIBA AMERICA MEDICAL SYSTEMS	175,677.08	ANNUAL		Equipment & Supplies
TRI-ANIM HEALTH SERVICES INC	113,401.18	2/23/2011	2/22/2014	Equipment & Supplies
TRI-DELTA RESOURCES CORP	121,500.00	9/1/2014	8/31/2019	Software/Support
TWENTY-FIRST CENTURY PRESS, INC.	101,077.80	ANNUAL		Professional Services
UB FAMILY MEDICINE INC.	2,422,680.47	6/1/2017	5/31/2020	Medical Professional Services
UB FOUNDATION ACTIVITES	454,663.99	ANNUAL		Medical Professional Services
UB NEUROSURGERY, INC.	390,920.21	9/1/2015	8/31/2019	Medical Professional Services
UB ORAL AND MAXILLOFACIAL	286,973.50	ANNUAL		Medical Professional Services
UB PATHOLOGISTS INC.	403,235.75	12/1/2010	2/28/2019	Medical Professional Services
UBMD PSYCHIATRY	10,744,392.11	8/1/2016	7/31/2019	Medical Professional Services
UNITED NETWORK FOR ORGAN SHARING	141,060.00	ANNUAL		Organ Acquisition
UNIV. SURGEONS, INC.	5,636,413.49	1/1/2018	12/31/2020	Medical Professional Services
UNIV. OPHTHALMOLOGY SERVICE, INC.	356,647.46	4/1/2013	9/30/2017	Medical Professional Services
UNIV. ORTHOPAEDIC SERVICES	1,982,849.32	1/1/2012	12/31/2018	Medical Professional Services
UNIV. UROLOGY INC.	256,010.97	2/1/2017	1/31/2020	Medical Professional Services
UNIVERSITY EMERGENCY MEDICAL	2,321,276.63	8/1/2017	7/31/2020	Medical Professional Services
UNIVERSITY GYNECOLOGISTS	365,371.26	10/1/2016	9/30/2019	Medical Professional Services
UNIVERSITY NEUROLOGY, INC.	164,996.00	ANNUAL		Medical Professional Services
UNIVERSITY OF MASSACHUSETTS	104,727.72	6/29/2017	6/30/2019	Medical Professional Services
UNUM	851,962.44	ANNUAL		Professional Services

UP TO DATE	159,000.00	ANNUAL		Software/Support
UPSTATE NY TRANSPLANT	10,977,250.20	ANNUAL		Organ Acquisition
US POSTAL SERVICE	300,338.00			Postage
VERATHON MEDICAL	205,976.50	ANNUAL		Equipment & Supplies
VERIZON WIRELESS	135,800.33	ANNUAL		Utility
VITALWARE, LLC	101,800.00	8/6/2018	8/5/2023	Software/Support
VIZIENT, INC	562,514.77	ANNUAL		Professional Services
W L GORE & ASSOC INC	368,397.00	ANNUAL		Equipment & Supplies
WBLK/WJYE/WYRK/WECK/WBU F	199,786.12	1/1/2018	12/31/2019	Advertising
WESTERN NEW YORK RURAL AREA HEALTH	180,113.08	4/1/2015	6/30/2019	DSRIP services
WILLIAM BELLES PC	451,840.44	ANNUAL		Medical Professional Services
WNY INDEPENDENT LIVING	116,212.64	ANNUAL		Medical Professional Services
WNYHEALTHENET LLC	160,000.00	ANNUAL		Professional Services
WORLDWIDE TRAVEL	364,909.34	12/8/2016	12/7/2019	Professional Services
XEROX CORPORATION	181,337.24	3/12/2012	3/11/2017	Leasing Services
XSOLIS LLC	436,499.50	10/5/2016	10/4/2019	Software/Support
ZIMMER UPSTATE NY INC	1,261,259.18	2/11/2015	2/10/2020	Equipment & Supplies
ZOLL MEDICAL CORPORATION	189,059.48	11/1/2016	10/31/2018	Equipment & Supplies

APPENDIX D

Enabling Legislation

See N.Y. Public Authorities Law §3625-3646

ECMC Corporation By-Laws

See Below

BY-LAWS OF

ERIE COUNTY MEDICAL CENTER

CORPORATION

As Amended Through November 27, 2018

TABLE OF CONTENTS

BY-LAWS

OF

ERIE COUNTY MEDICAL CENTER CORPORATION

PREAMBLE

The State of New York has enacted legislation, codified at Article 10-C of the Public Authorities Law of the State of New York (the "Act"), creating the Erie County Medical Center Corporation ("ECMCC" or the "Corporation"). These by-laws are intended to supplement the requirements of the Act.

ARTICLE I
OFFICES

ECMCC may maintain offices at such places within or without Erie County, New York as the Board of Directors may, from time to time, determine.

ARTICLE II
PURPOSE OF BY-LAWS

Pursuant to the broad powers granted by the Act, the Board of Directors of ECMCC (the "Board") has adopted these By-Laws, to govern and manage its proceedings and affairs and for the advice and guidance of its members, and nothing contained in these By-Laws shall be deemed, nor are they intended in any manner or degree, to limit or restrict the power and right of the Board under existing law, to manage, control, operate and administer ECMCC and its personnel, patients and medical staff.

ARTICLE III
CORPORATE PURPOSE

To continue as a general, municipal hospital and provide health care services and health facilities for the benefit of the residents of the State of New York and the County of Erie, including persons in need of health care services without the ability to pay, as required by law.

ARTICLE IV
ERIE COUNTY MEDICAL CENTER CORPORATION BOARD OF DIRECTORS

Section 1. General Powers.
In addition to the powers and authorities expressly conferred by these By-laws, the Board may exercise all such general and special powers of the Corporation and do all such lawful acts and things as enumerated by the Act.

Section 2. Hiring Powers.
The Board shall hire, determine the compensation and benefits, and annually review the performance of the Chief Executive Officer ("CEO") and President of the Corporation. After

November 1, 2018, appointments made to fill the roles of the Chief Operating Officer ("COO"), Chief Financial Officer ("CFO"), Chief Medical Officer ("CMO"), Administrator of Terrace View, Associate Administrator for Health Systems Development, Internal Auditor and General Counsel of the Corporation shall be made by the CEO of the Corporation, who shall thereafter also be responsible for determining the compensation and benefits of the persons occupying these positions and for the annual review of the incumbents. The Board shall have the authority to discharge the CEO with or without cause; provided that the removal shall not prejudice the contract rights, if any, of such executive. The CEO shall have the authority to discharge the COO, CFO, CMO, Administrator of Terrace View, Associate Administrator for Health Systems Development, Internal Auditor and General Counsel with or without cause, provided that the removal shall not prejudice the contract rights, if any, of such executive.

Section 3. Voting Directors.

The Corporation shall be governed by fifteen voting Directors. The membership, term of office, selection of the voting Directors and the powers and duties of the Board shall be in accordance with the Act and these By-laws.

Section 4. Nonvoting Representatives.

The Corporation shall have four nonvoting Representatives. The term of office, selection and powers and duties of the nonvoting Representatives shall be in accordance with the Act and these By-laws. For the purpose of these By-Laws, the term "member" or "Board member" shall refer to both voting Directors and non- voting Representatives.

Section 5. Resignation.

Any Director or Representative may resign at any time by giving written notice to the Chairperson of the Board. Such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Removal.

Members of the Board may be removed from office by the Board for inefficiency, neglect of duty, or misconduct of any kind, including but not limited to violation of the law, after the Board has given such member a copy of the charges against him or her and an opportunity to be heard in person or by counsel in his or her defense, upon not less than ten days' notice.

Section 7. Vacancies.

Vacancies occurring other than by expiration of term shall be filled for the unexpired terms in the manner provided for original appointment in accordance with the Act.

Section 8. Monthly Meetings.

The Board shall hold regular monthly meetings at the ECMCC offices or other convenient locations as designated by the Board at such time as the Board may designate. In the event that a previously scheduled regular monthly meeting may not be required for a particular month, the Board may cancel that meeting.

Section 9. Annual & Special Meetings.

A meeting of the Board shall be held annually at which time officers of the Corporation shall be elected. A special meeting may be called by the Chairperson or Vice Chairperson acting in the Chairperson's absence, or by any three (3) members of the Board at any time upon proper notice under the Public Officers Law. The only action that can be taken at a special meeting is the consideration of the subject or subjects designated in the notice for the special meeting.

Section 10. Open Meetings Law.
All meetings of the Board shall comply with the requirements of Article 7 of the Public Officers Law. In a regular, annual or special meeting, the Board may request an Executive Session pursuant to Article 7 of the Public Officers Law or applicable sections of the Act.

Section 11. Quorum.
The powers of the Corporation shall be vested in and shall be exercised by the Board at a duly called and held meeting, where a quorum of eight Directors is present. No action shall be taken by the Corporation except pursuant to the favorable vote of at least eight Directors present at the meeting at which such action is taken.

Section 12. Telephone Meetings.
The members of the Board or any committee thereof may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 13. Action by Written Consent.
To the extent permitted by law, any action required or permitted to be taken by the Board or any committee thereof may be taken without a meeting if all members of the Board or the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board or committee shall be filed with the minutes of the proceedings of the Board or committee.

Section 14. Minutes of Meetings.
The Board shall keep a written record of all business conducted, including resolutions, findings, conclusions and recommendations that shall be filed with the minutes of the proceedings of the Board or committee.

Section 15. Compensation.
Neither the voting Directors nor the nonvoting Representatives shall receive compensation for their services, but shall be reimbursed for all their actual and necessary expenses incurred in connection with their duties under the Act and these By-laws.

Section 16. Defense and Indemnification.
The Corporation shall defend and indemnify the Directors of the Corporation and its officers for any and all lawful actions executed in the performance of their duties, to the full extent to which indemnification is permitted under the laws of the State of New York.

Section 17. Extension of Credit.
Pursuant to New York Public Authorities Law Section 2824(5), the Corporation shall not, directly or indirectly, including through any subsidiary, extend or maintain credit, arrange for the extension of credit, or renew any extension of credit, in the form of a personal loan to or for any Director, officer, or employee (or equivalent thereof) of the Agency.

ARTICLE V
OFFICERS

Section 1. General.

The officers of the Corporation shall be elected by the Board and shall be comprised of a Chairperson of the Board, a Vice Chairperson of the Board, a CEO, a Secretary, and a Treasurer. The Board may also appoint an Assistant Secretary and such other officers as the Board shall from time to time provide. All such officers shall exercise the duties as described in the Act, applicable law, by these By-Laws, and/or by Board resolution.

Section 2. Election, Term of Office.

The officers of the Corporation shall be elected by the Board at its annual meeting. Each officer elected shall hold office until his successor has been duly chosen and has qualified or until his or her earlier resignation or removal.

Section 3. Resignation.

Any officer may resign at any time by giving written notice thereof to the Board, provided that the resignation shall not prejudice the contract rights, if any, of the Corporation. Any such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal.

The Directors shall have the authority to discharge any officer with or without cause; provided that the removal without cause shall not prejudice the contract rights, if any, of the officer.

Section 5. Vacancies.

In the event of a vacancy occurring in the office of the Chairperson or Vice Chairperson, any member designated by the Board shall serve as Acting Chairperson for that meeting. In the event of a vacancy occurring in any other office, any member designated by the Board shall serve as an Acting officer for that meeting.

Section 6. Chairperson of the Board.

The Directors shall, by majority vote, select one of the fifteen Directors as the Chairperson of the Board. The Chairperson shall preside over all meetings of the Board, shall chair the Executive Committee of the Board, and shall have such other duties as the Directors may provide. Other than the Governance Committee, the Chairperson shall serve ex officio on all Board committees with full voting rights. The Chairperson shall serve for a two year term of office. No member of the Board shall be permitted to serve more than two consecutive two year terms as Chairperson of the Board.

Section 7. Vice-Chairperson(s) of the Board.

The Directors shall, by majority vote, select one or more of the fifteen Directors as the Vice-Chairperson of the Board. The Vice-Chairperson shall preside over all meetings where the Chairperson of the Board is absent, and shall have such other duties as the Directors may provide. The Vice-Chairperson shall serve for a two year term of office. At least one Vice-Chairperson shall be designated by a majority vote of the Board as “Vice-Chair, Chair-Elect” in the second year of that Vice- Chairperson’s term of office. At the conclusion of the term of the Vice-Chair, Chair-Elect, the Board shall retain authority to appoint the Vice-Chair, Chair-Elect or any other member of the Board of Directors as Chairperson of the Board of Directors.

Section 8. Chief Executive Officer.

The Board shall hire, set the compensation of, execute direct oversight of, and annually review the performance of the CEO. The CEO shall carry out the policies of the Board, provide services to the Board; and shall be subject to the By-Laws, rules and regulations of the Board. He or she shall have all the general powers and duties of a Superintendent of a public general municipal hospital as set forth and enumerated in the General Municipal Law of the State of New York, Section 129, sub. 1 through 9 as amended and of a chief executive officer as set forth in Title 10, subpart 405.3 of the New York Codes, Rules and Regulations and the Act. The CEO shall provide leadership, direction, and administration in all aspects of the Corporation's activities and other corporate entities to ensure compliance with established objectives and the realization of quality, economical health care services, and other related lines of business. The CEO shall ensure the Corporation's compliance with all applicable laws and regulations. The CEO shall submit monthly and special reports to the Board and its committees regarding strategic, operational and financial performance, along with the current status of ECMCC services and facilities. The CEO shall be expected to provide feedback to the Board regarding those employees which report directly to the CEO. The CEO shall ensure that subordinate officers provide meaningful reports to the Board regarding the previous month's activities. The CEO shall coordinate with the Board, Medical Staff, and other Corporation personnel to respond to the community's needs for quality healthcare services and monitor the adequacy of the Corporation's medical activities.

Section 9. President.

The Board shall hire, set the compensation and annually review the performance of the President. The duties of the President shall be distinct from the duties of other officers of the Corporation and shall be enumerated in a job description reviewed by the Executive Committee of the Board.

Section 10. Secretary & Assistant Secretary.

The Board shall, by majority vote, select either Directors or Representatives to serve as the Secretary and Assistant Secretary, if applicable. The Secretary shall send notices for all meetings of the Board. The Secretary shall act as custodian for all records and reports, and shall be responsible for keeping and reporting of adequate records of all meetings of the Board. The Secretary may delegate these duties to another officer to act on his/her behalf. The Secretary will approve and sign the minutes of all meetings of the Board which shall be kept in an official record book. In the absence of the Secretary at any meeting, the Assistant Secretary, if applicable, or any member designated by the Chairperson shall act as the Secretary for that meeting.

Section 11. Treasurer.

The Board shall, by majority vote, select either a Director or a Representative to serve as the Treasurer. The Treasurer shall monitor the financial affairs of ECMCC as managed by the officers of the Corporation and. The Treasurer will also have the power to establish bank accounts in the name of the Corporation. He or she shall do and perform all other duties incident to the office of Treasurer as may be prescribed by the Board from time to time.

Section 12. Immediate Past Chair.

The Immediate Past Chair of the Board shall remain available to the Board and the Chair for purposes of transitional continuity and may be appointed to serve as a member of any Standing or Special Committee of the Board, assuming his or her term of office as a Director has not expired.

ARTICLE VI
COMMITTEES

General Rules

Section 1. General.
The Standing Committees of the Board shall be: the Executive Committee, the Quality Improvement Committee, the Finance Committee, the Audit and Compliance Committee, the Building and Grounds Committee, the Human Resources Committee, the Executive Compensation Committee, the Ethics Committee, the Terrace View Quality Improvement Committee, the Governance Committee, the Investment Committee and the Contracts Committee. At the discretion of the Chairperson, and upon the advice of the Board, additional special committees may be appointed to address specific issues.

Section 2. Appointment of Committees.
The Chairperson of the Board shall appoint all members of standing and special committees. Appointments will be made at the first regular meeting following the annual election of officers, or at such other time deemed necessary by the Chairperson. The Chairperson of the Board shall appoint a Chairperson for each committee. Committee Chairpersons shall serve one year terms of office. The Chairperson may appoint individuals other than Board members to committees either standing or special, except the Executive Committee.

Section 3. Resignation.
A committee member may resign at any time by giving written notice to the Chairperson of the Board. Such resignation shall take effect at the time specified therein and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal.
Committee members may be removed from committee membership by the Board for inefficiency, neglect of duty, or misconduct of any kind, including but not limited to, violation of the law, after the board has given such member a copy of the charges against him or her and an opportunity to be heard in person or by counsel in his or her defense, upon not less than ten days' notice.

Section 5. Vacancies.
Vacancies occurring otherwise than by expiration of term of office shall be filled for the unexpired terms by appointment from the Chairperson of the Board.

Section 6. Quorum.
At a committee meeting, a quorum shall be one-half the number of members of the committee.

Section 7. Voting.
Only the members of the Board serving on a Standing or Special Committee, or an appointed non-member of the Board serving on a Standing or Special Committee, and the Chairperson of the Board serving ex officio, shall have a vote.

Section 8. Minutes.
Each committee meeting shall have an agenda, time convened and adjourned recorded, and shall submit minutes of its meeting to the Secretary of the Board in advance of the regular monthly meeting.

Standing Committees

Section 9. The Executive Committee.

The Executive Committee shall consist of four (4) Board members. The Corporation's General Counsel and Chief Executive Officer shall serve ex officio as members of the Executive Committee. Other members of the Board may be added when advisable. The Chairperson shall preside at all meetings of the Committee. The Executive Committee shall meet at least quarterly, or upon the call of the Chairperson.

Section 10. The Quality Improvement Committee.

The Quality Improvement Committee shall consist of three (3) members. The Chairperson of the Committee may, in his or her discretion, request the presence of other persons, as the issues before the Committee may dictate. The Committee shall meet at least quarterly, or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Inform the Board of patient safety, performance improvement and quality assurance issues of relevance to ECMCC.
b. Establishment, maintenance and operation of a coordinated quality assurance program integrating the review of activities of all hospital services in order to enhance the quality of patient care and to identify and prevent professional malpractice. The specific responsibilities of the Committee are further set forth in the quality assurance plan of the hospital.
c. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 11. The Finance Committee.

The Finance Committee shall consist of five (5) financially literate members of the Board. The Chairperson of the Committee may, in his or her discretion, request the presence of other persons, as the issues before the Committee may dictate. The Finance Committee shall meet at least quarterly, or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Review relevant budgets of the Corporation and maintain ongoing oversight of the financial situation of the Corporation.
b. Oversee, evaluate, and where appropriate, make recommendations with respect to financial operations of the Corporation.
c. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 12. The Audit & Compliance Committee.

The Audit & Compliance Committee shall consist of at least four (4) members. At least three (3) of the Committee's members shall be independent, as that term is defined by state law. The Corporation's General Counsel shall serve ex officio as a member of the Audit & Compliance Committee. The Chairperson of the Committee may, in his or her discretion, request the presence of other persons, as the issues before the committee may dictate. The Audit & Compliance Committee shall meet at least quarterly, or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Oversight of any independent auditors engaged by ECMCC.
b. Oversight of all ECMCC internal audit processes.
c. Other duties and responsibilities as may be assigned from time to time by the Board.
d. Collaboration with the Quality Improvement Committee in the establishment and maintenance of a coordinated quality assurance program.

e. Collaboration with the Compliance Officer on the establishment, maintenance and operation of a comprehensive compliance program, which shall comply with the Office of the Inspector General Compliance Program Guidance for Hospitals. Specifically, the Committee shall:
    1. Analyze the legal requirements and specific risk areas of the health care industry,
    2. Assess existing policies that address legal requirements and risk areas for possible incorporation into the ECMCC compliance program,
    3. Work with ECMCC departments to develop standards of conduct and policies and procedures to promote compliance with the ECMCC compliance program,
    4. Recommend and monitor the development of internal systems and controls to carry out ECMCC's standards, policies and procedures as part of its daily operations,
    5. Determine appropriate strategy to promote compliance with the ECMCC compliance program and detection of possible violations, including fraud reporting mechanisms, and
    6. Develop a system to solicit, evaluate and respond to complaints and problems.

Section 13. Buildings and Grounds Committee.

The Buildings and Grounds Committee shall consist of three (3) members. The Corporation's General Counsel shall serve ex officio as a member of the Buildings and Grounds Committee. The Chairperson of the Committee may, at his or her discretion, request the presence of other persons, as the issues before the Committee may dictate. The Buildings and Grounds Committee shall meet at least quarterly, or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Evaluation and provision of recommendations with respect to proposed and ongoing construction and renovation projects and budgets.
b. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 14. The Human Resources Committee.

The Human Resources Committee shall consist of three (3) members. The Chairperson of the Committee may, in his or her discretion, request the presence of other persons, as the issues before the Committee may dictate. The Committee will meet at least quarterly or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Establishment of a formal channel of communication among the Board, ECMCC management and the Labor Unions.
b. Responsibility for assuring that appropriate guidelines are in place and monitored to ensure and maintain open communication.
c. Discussion of issues that arise in the operation of the hospital as they affect all parties.
d. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 15. The Executive Compensation/Evaluation Committee.

The Executive Compensation/Evaluation Committee shall consist of no more than four (4) members of the Board. No person whose compensation is determined by the Executive Compensation/Evaluation Committee may serve as a member of the Committee. The Chairperson of the Committee may, in his or her discretion, request the presence of other persons, as the issues before the committee may dictate. The Executive Compensation/Evaluation Committee shall meet at least quarterly, or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Evaluation, at least annually, of the CEO and President of the Corporation.
b. Determination of the compensation, including benefits, of the above listed Corporation executives.
c. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 16. The Ethics Committee.

The Ethics Committee shall consist of at least one (1) member. The Committee Chairperson may, at their discretion, request the presence of other persons, as the issues before the committee may dictate. The Ethics Committee shall meet at least quarterly, or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Promotion of ethics, integrity, and compliance with laws, policies, and procedures.
b. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 17. The Terrace View Quality Improvement Committee.

The Terrace View Quality Improvement Committee shall consist of at least one (1) member. The Committee shall meet at least quarterly, or upon the call of the Chairperson. The Committee shall be responsible for the following:

a. Establishment and maintenance of a coordinated quality assurance program as specifically applicable to Terrace View.
b. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 18. The Governance Committee.

The Governance Committee shall consist of at least four (4) independent members, as that term is defined in New York Public Authorities Law §2825. The Chief Executive Officer and the General Counsel for the Corporation shall serve ex officio as members of the Committee, and the Chairperson of the Board may attend Committee meetings, but will not be a member of the Committee and will not vote. The Committee Chairperson may, at his or her discretion, request the presence of other persons as issues before the Committee may dictate. The Governance Committee shall meet at least semi- annually, or upon the call of the Committee Chairperson. The Committee shall be responsible for the following:

a. Provision of information to the Board regarding current best governance practices.
b. Review of corporate governance trends.
c. Recommend updates to the Corporation's governance principles.
d. Provision of advice to the Governor and to the Erie County Executive in their appointment of potential Board members regarding the skills and experience required of Board members.
e. Annually review and, as necessary, make recommendations to the Board regarding updating of the Corporation's Bylaws.
f. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 19. The Investment Committee.

The Investment Committee shall consist of at least three (3) members. The Chair of the Finance Committee and the Chief Executive Officer shall serve ex officio as members of the Investment Committee and the Chief Financial Officer shall serve as staff to the Committee. The Committee Chairperson may, at his or her discretion, request the presence of other persons as issues before the Committee may dictate. The Investment Committee shall meet at least semi-annually, or upon the call of the Committee Chairperson. The Committee shall be responsible for the following:

a. Recommendations regarding the designation of the Corporation's investment officer.
b. Recommendations regarding investment policies and procedures consistent with applicable law and the needs of the Corporation.
c. Implementation of appropriate internal controls for investments.
d. Recommendations regarding the selection of the Corporation's investment advisors and investment managers.
e. Review of independent audits of the investment program.
f. Review of quarterly reports from the Corporation's investment advisors and investment managers.
g. Reports to the Board on a quarterly basis.
h. Monitoring the Corporation's system of internal controls and the performance of the Corporation's investment advisors and investment managers.
i. Other duties and responsibilities as may be assigned from time to time by the Board.

Section 20. The Contracts Committee.

The Contracts Committee shall consist of at least three (3) members. The Contracts Committee shall review and make recommendations to the Board with respect to the approval of all contracts required to be approved by the Board pursuant to Corporation policy and applicable law, including Section 2879(3)(b)(ii) of the Public Authorities Law. The Contracts Committee shall meet at least quarterly or upon the call of the Committee Chairperson. The Committee shall be responsible for the following:

a. Review of contracts of the Corporation requiring Board approval and making recommendations to the Board regarding contracts of the Corporation.
b. Annual review of contracts requiring such review pursuant to Corporation policy and/or applicable law.
c. Reports to the Board on a monthly basis regarding the foregoing subsections.
d. Other duties and responsibilities as may be assigned from time to time by the Board.

ARTICLE VII
MEDICAL/DENTAL STAFF

Section 1. Organization.

The Board shall cause to be created a medical staff organization to be known as the ECMC Medical Dental Staff ("Medical Staff") whose membership shall be comprised of certain categories of health care practitioners, as determined by the Board. Members of the Medical Staff may only practice within the scope of privileges granted by the Board.

Section 2. Medical Staff Governance Documents.

The Medical Staff shall develop, adopt and at least once every three years review the following Medical Staff Governance Documents: By-Laws; Rules & Regulations; Credentials Procedures Manual; and Collegial Intervention, Peer Review, Fair Hearing & Appellate Review Procedures. These Governance Documents shall establish controls that are designed to ensure the achievement and maintenance of the highest quality medical care and high standards of professional and ethical practice. The Board shall approve all such Medical Staff Governance Documents.

Section 3. Appointment of Medical Staff.

Appointments and reappointments to the Medical Staff shall be made by the Board. The Board shall be responsible for granting and defining the scope of the clinical privileges to be exercised by each member of the Medical Staff, including but not limited to providing approval of modifications, suspensions and termination of such privileges and Medical Staff membership in accordance with the Medical Staff Governance Documents and written ECMCC policies. In acting on matters of Medical Staff membership and scope of privileges, the Board shall consider the recommendations of the Medical Staff's Medical Executive Committee. The procedures for Medical Staff appointment are more specifically outlined in the Medical Staff's Credentials Procedure Manual.

Section 4. Authority for Medical Staff Conduct.

Ultimate responsibility for the conduct of the Medical Staff remains with the Board. The Board shall enforce compliance with all medical staff Governance Documents by all members of the Medical Staff. No assignment, referral or delegation of authority by the Board to the Medical Director, COO, CEO, the Medical Staff or any other person shall preclude the Board from exercising the authority required to meet its responsibility for the conduct of the Corporation. The Board retains the right to rescind any such delegation.

Section 5. Duties of the Medical Staff.

The Board shall delegate to the Medical Staff the authority to monitor, evaluate and document professional performance of Medical Staff members in accordance with its Governance Documents. The Board shall hold the Medical Staff accountable, through the chiefs of service of the departments and the Medical Director, for making recommendations based on well-defined and written criteria related to the goals and standards of the Corporation concerning Medical Staff appointments, reappointments and clinical privileges.

Section 6. Quality of Patient Care.

The Medical Staff is accountable to the Board for the quality of care provided to patients.

Section 7. Rights at Meetings.

Members of the Medical Staff shall be entitled to be heard at all public meetings and committee meetings of the Board.

ARTICLE VIII
STANDARDS OF PATIENT CARE

The Board shall require that the following patient care practices are implemented, shall monitor ECMCC's compliance with these patient care practices, and shall take corrective action as necessary to attain compliance:

a. Every patient of ECMCC, whether an in-patient, emergency patient, or out-patient, shall be provided care that meets generally accepted standards of professional practice.
b. Every patient is under the care of a health care practitioner who is a member of the medical staff.
c. Patients are admitted to ECMCC only on the recommendation of a member of the medical staff permitted by the State law and Medical Staff Governance Documents to admit patients to the hospital.
d. A physician, a registered physician's assistant or a nurse practitioner, under the general supervision of a physician, is on duty at all times in the hospital.
e. A physician shall be responsible for the care of each patient with respect to any medical or psychiatric problem that is present on admission or develops during hospitalization.
f. In the event that human research is conducted within ECMCC, written policies and procedures shall be adopted and implemented pursuant to the provisions of Public Health Law Article 24-A for the protection of human subjects.
g. ECMCC shall have available at all times personnel sufficient to meet patient care needs.

ARTICLE IX
THE SCHOOL OF MEDICINE
STATE UNIVERSITY OF NEW YORK AT BUFFALO

The Board strongly supports the relationship between ECMCC and the School of Medicine and Biomedical Sciences of the State University of New York at Buffalo through an affiliation agreement. The Board shall take all appropriate action to retain and enhance the benefits arising from said relationship provided that the Board shall hold uppermost the discharge of its legal and fiduciary duties to ECMCC.

ARTICLE X
SUBSIDIARY CORPORATIONS AND ENTITIES

Except as expressly limited by law, the Corporation may exercise and perform all or part of its purposes, powers, duties, functions or activities through one or more subsidiary corporations or companies owned or controlled wholly or in part by the Corporation, which shall be formed pursuant to the Business Corporation Law, the Limited Liability Company Law, or the Not-For-Profit Corporation Law. Any such subsidiary may be authorized to act as a general or limited partner in a partnership or as a member of a limited liability company and to enter into an arrangement calling for an initial and subsequent payment by such subsidiary in consideration of an interest in revenues or other contractual rights. The Board has the exclusive authority to create subsidiaries or other entities related to the Corporation.

ARTICLE XI

CODE OF ETHICS AND CONFLICTS OF INTEREST

Section 1. Responsibility of Members of the Board and Employees.
This Code of Ethics shall apply to all officers and employees of the Corporation. These policies shall serve as a guide for official conduct and are intended to enhance the ethical and professional performance of the Corporation's directors and employees and to preserve public confidence in the Corporation's mission. It is accordingly the responsibility of each member of the Board and each employee to perform in accordance with the following:

a. Each member of the Board and all employees of the Corporation shall perform their duties with transparency, without favor and refrain from engaging in outside matters of financial or personal interest, including other employment, that could impair independence of judgment, or prevent the proper exercise of one's official duties.

b. Each member of the Board and all employees shall not directly or indirectly, make, advise, or assist any person to make any financial investment based upon information available through the director's or employee's official position that could create any conflict between their public duties and interests and their private interests.

c. Each member of the Board and all employees shall not accept or receive any gift or gratuities where the circumstances would permit the inference that: (a) the gift is intended to influence the individual in the performance of official business or (b) the gift constitutes a tip, reward, or sign of appreciation for any official act by the individual. This prohibition extends to any form of financial payments, services, loans, travel reimbursement, entertainment, hospitality, thing or promise from any entity doing business with or before the Corporation.

d. Each member of the Board and all employees shall not use or attempt to use their official position with the Corporation to secure unwarranted privileges for themselves, members of their family or others, including employment with the Corporation or contracts for materials or services with the Corporation.

e. Each member of the Board and all employees must conduct themselves at all times in a manner that avoids any appearance that they can be improperly or unduly influenced, that they could be affected by the position of or relationship with any other party, or that they are acting in violation of their public trust.

f. Each member of the Board and all employees may not engage in any official transaction with an outside entity in which they have a direct or indirect financial interest that may reasonably conflict with the proper discharge of their official duties.

g. Each member of the Board and all employees shall manage all matters within the scope of the Corporation's mission independent of any other affiliations or employment. Directors, including ex officio board members, and employees employed by more than one government entity shall strive to fulfill their professional responsibility to the Corporation without bias and shall support the Corporation's mission to the fullest.

h. Each member of the Board and all employees shall not use Corporation property, including equipment, telephones, vehicles, computers, or other resources, or disclose information acquired in the course of their official duties in a manner inconsistent with State or local law or policy and the Corporation's mission and goals.

i. Each member of the Board and all employees are prohibited from appearing or practicing before the Corporation for two (2) years following employment with the Corporation consistent with the provisions of Public Officers Law.

Section 2. Implementation of Code of Ethics.
This Code of Ethics shall be provided to all members of the Board and all employees upon commencement of employment or appointment and shall be reviewed annually by the Governance Committee.

Section 3. Compliance.
The members of the Board agree to comply with all applicable local and state regulations and laws regarding conflicts of interest.

Section 4. Conflict of Interest Policy.
The Board shall develop, implement, and update as needed a written policy governing conflicts of interest by members of the Board. The policy shall be reviewed annually by the Governance Committee and included and incorporated into these By-Laws as Appendix A.

Section 5. Disclosure of Personal Interest and Abstention.
It is the responsibility of every Board member to disclose to the Chairperson of the Board any personal or business interest in any matter that comes before the Board for consideration. Each member of the Board shall abstain from voting on any matter in which he or she has a personal or business interest.

Section 6. Self-Dealing.
The Corporation shall not engage in any transaction with a person, firm, or other business entity in which one or more of the Board members has a financial interest in such person, firm or other business entity, unless such interest is disclosed in good faith to the Board, and the Board authorizes such transaction by a vote sufficient for such purpose, without counting the vote of the interested Board member.

Section 7. Influence of Decision Makers.
No member of the Board shall use his or her position to influence the judgment or any decision of any Corporation employee concerning the procurement of goods or services on behalf of the Corporation.

Section 8. No Forfeit of Office or Employment.
Except as provided by law, no officer, member, or employee of the state or of any public corporation shall forfeit his or her office or employment by reason of his or her acceptance of appointment as a director, nonvoting representative, officer, or employee of the Corporation, nor shall such service as such a director, nonvoting representative, officer or employee be deemed incompatible or in conflict with such office or employment; and provided further, however, that no public officer elected to his or her office pursuant to the laws of the state or any municipality thereof may serve as a member of the governing body of the Corporation during his or her term of office.

ARTICLE XII
AMENDMENTS

These By-Laws of the Board may be amended by the affirmative vote of a quorum of members at the annual meeting, special or regular meetings of the Board, provided that a full presentation of such proposed amendment(s) shall have been presented to the Board at least thirty (30) days prior to the meeting, unless waived by majority of the whole number of the members of the Board.

CREDENTIALS COMMITTEE MEETING MINUTES

Committee Members Present:

Yogesh Bakhai, MD (Chair)
Victor Vacanti, MD
Richard Hall, DDS MD
Robert Glover, Jr., MD
Samuel Cloud, DO
Richard Skomra, CRNA
Mandip Panesar, MD

Excused:

Mark LiVecchi, MD, DMD, MBA
Brian Murray, MD, CMO (ex-officio)

Medical-Dental Staff Office and Administrative Members Present:

Cheryl Carpenter, Director Medical-Dental Staff Office
Tara Boone, Medical-Dental Staff Services Coordinator;
Kerry Carlin, Credentialing Specialist;
Judy Fenski, Credentialing Specialist;
Barb Fleissner, Credentialing Specialist

CALL TO ORDER

The meeting was called to order at 3:07pm. The Medical Executive Committee endorsed and the Board of Directors approved the March 2019 Credentials Committee meeting minutes.

FOR INFORMATION

ADMINISTRATIVE

The Credentials Committee was made aware of recent resignations, application withdrawals, leave requests or conclusions and presents the following names to the Executive Committee for information.

A. Deceased – None
B. Applications Withdrawn – None
C. Application Processing Cessation – None
D. Automatic Processing Conclusion – (inactive applications > 180 days from date of signature)-None
E. **Resignations (7)**

<u>Internal Medicine</u>	
Kim, Youn Jea NP	03/22/2019
Noor, Muhammed MD	03/27/2019
<u>Ophthalmology</u>	
Lema, Gareth MD	01/05/2019
<u>Oral and Maxillofacial Surgery</u>	
Ridolfo, Bruce DMD	04/03/2019
<u>Pathology</u>	
Mojica, Wilfrido MD	03/11/2019
<u>Urology</u>	
Griswold, John MD	03/08/2019
Sufrin, Gerald MD	03/21/2019

FOR INFORMATION

CHANGE IN STAFF CATEGORY

<u>Urology</u>

Tisdale, Britton MD

- *Change from Active to Courtesy, Refer and Follow*

FOR OVERALL ACTION

DEPARTMENT CHANGE or ADDITION

NONE

FOR OVERALL ACTION

CHANGE OR ADDITION OF COLLABORATING/SUPERVISING ATTENDING

Internal Medicine

Brindisi, Joseph FNP

- *Change from John Fudyma, MD to Christopher Schaeffer, MD*

FOR OVERALL ACTION

PRIVILEGE ADDITION/REVISION

Neurosurgery

Egnatchik, James MD

- *Spinal fusion, cervical, thoracic or lumbar with/without instrumentation*

**Per the Chief of Service, the current covering Physician is acceptable*

FOR OVERALL ACTION

PRIVILEGE WITHDRAWAL

Internal Medicine

Besseghini, Lara ANP

- Vein Puncture
- Limited Interpretation of EKG
- Moderate sedation

FOR OVERALL ACTION

UNACCREDITED FELLOWSHIPS

Nothing to report at this time

FOR INFORMATION

APPOINTMENT APPLICATIONS, recommended– comments as indicated

Initial Applications (7) indicated

Emergency Medicine

Fisher, Patrick, PA-C	Allied Health Professional

- *Supervising Physician: Dr. Camposeo*

Internal Medicine

Berenji, Farid MD	Associate
Chou, Richard MD	Active
Duvivier, Herbert MD	Active
Samuel, Sam MD	Active
Yonis, Mahfuz MD	Active

Radiology

Chohan, Omar DO	Active

DUAL DEPARTMENT INITIAL APPOINTMENT APPLICATIONS (1)

Internal Medicine

Zynda, Marcella NP	Allied Health Professional

- *Collaborating Physician – Dr. Anillo*

Thoracic/Cardiovascular Surgery

Zynda, Marcella NP	Allied Health Professional

- *Collaborating Physician – Dr. Picone*

*The Associate Medical Director spoke on one flag. With the recommendation from the Chief of Service, the Committee agreed to continue with the appointment

FOR OVERALL ACTION

REAPPOINTMENT APPLICATIONS, recommended – comments as indicated

Reappointment Review (47)	
<u>Anesthesiology</u>	
Jensen, Eric MD	Active
Syed, Masroor MD	Active
<u>Dermatology</u>	
Sinha, Animesh MD	Active
<u>Emergency Medicine</u>	
Billittier, Anthony MD	Active
Crowley, Charlotte MD	Active
DeFazio, Christian MD	Active
Hughes, David MD	Active
McCarthy, Elizabeth PA-C	Allied Health Professional
Supervising Physician: Dr. Manka	
McCormack, Robert MD	Active
<u>Family Medicine</u>	
Arnet-June, Willa ANP	Allied Health Professional
Collaborating Physician: Dr. Buslovich	
Hohensee, James MD	Courtesy, Refer & Follow
<u>Internal Medicine</u>	
Chemaly, Elie MD PhD	Active
Cobler, JoAnne MD	Courtesy, Refer & Follow
Ford, Daniel PA-C	Allied Health Professional
Supervising Physician: Dr. Alam	
Hanif, Ahamad MBBS	Active
Kothari, Shalin MBBS	Active
Mahran, Khalid MD	Active
Pack, Aaron NP	Allied Health Professional
Collaborating Physician: Dr. Brockman	
Scrocco, Mary FNP	Allied Health Professional
Collaborating Physician: Dr. Wadhwani	
Simon, Marie PA-C	Allied Health Professional
Supervising Physician: Dr. Tadakamalla	
Su, Winnie MD	Active
Talal, Andrew MD	Active
<u>Neurology</u>	
Al Masry, Mahmoud MD	Active
Elliott, Kathryn MD	Active
<u>Neurosurgery</u>	
Snyder, Kenneth MD	Active
<u>Ophthalmology</u>	
Mattern, Ruth MD, PhD	Active
<u>Oral & Maxillofacial Surgery</u>	
Hall, Richard DDS, MD	Active
<u>Orthopaedic Surgery</u>	
Bodo, Jules DPM	Active
Ehrensberger, Christine PA-C	Allied Health Professional
Supervising Physician: Dr. Duquin	
Fineberg, Marc MD	Active
Fishkin, Zair MD	Active

Weeks, Joshua PA-C	Allied Health Professional
Supervising Physician: Dr. Wind	
Pathology	
Hosking, Paul MD	Active
Petras, Melissa MD	Active
Psychiatry and Behavioral Medicine	
Hicks, Rebecca MD	Active
Radiology	
Curtis, Bernadette MD	Active
Haimes, Alison MD	Active
Lamoureux, Christine MD	Active
Tyler, Ira MD	Active
Rehabilitation Medicine	
Baker, John PhD	Allied Health Professional
Jafari, Ali DC	Allied Health Professional
Surgery	
Flynn, William MD	Active
Hofert, Misty PA-C	Allied Health Professional
Supervising Physician: Dr. Wohaibi	
Ortolani, John MD	Active
Posner, Alan MD	Courtesy, Refer & Follow
Thoracic/Cardiovascular Surgery	
Hennon, Mark MD	Active
VonFricken, Kurt MD	Active
DUAL DEPARTMENT INITIAL APPOINTMENT APPLICATIONS (1)	
Emergency Medicine	
Zent, Christopher FNP	Allied Health Professional
Collaborating Physician: Dr. Pugh	
Internal Medicine	
Zent, Christopher FNP	Allied Health Professional
Collaborating Physician: Dr. Brockman	

FOR OVERALL ACTION

PROVISIONAL APPOINTMENT REVIEW, recommended

The following members of the Provisional Staff from the previous year period are presented for movement to the Permanent Staff on the date indicated.

Provisional to Permanent Staff	**Provisional Period Expires 04/24/2019**
Emergency Medicine	
Vallone, Marisa PA-C	Allied Health Professional
Supervising Physician: Innes, Johanna MD	
Family Medicine	
Yates, Charles MD	Active
Internal Medicine	
Besseghini, Lara ANP	Allied Health Professional
Collaborating Physician: Sridhar, Nagaraja MD	
Internal Medicine/Hospitalist	
Shahid, Naveed MD	Active
Orthopaedic Surgery	
Martinez, Amanda AGNP	Allied Health Professional
Collaborating Physician: Anders, Mark MD	

The future June 2019 Provisional to Permanent Staff list will be compiled for Chief of Service for review and endorsement

FOR OVERALL ACTION

AUTOMATIC CONCLUSION, Reappointment Expiration, FIRST NOTICE

Internal Medicine

Patel, Sumit MD (Apogee) — Active

**Confirmed that he is leaving June 1, 2019*

AUTOMATIC CONCLUSION, Reappointment Expiration, SECOND NOTICE

Internal Medicine

Dockstader, Chantel MD* — Courtesy, Refer and Follow

*Has already stated intent to let privileges expire at the end of re-appointment cycle 5-31-2019

AUTOMATIC CONCLUSION, Reappointment Expiration, FINAL NOTICE

NONE

OLD BUSINESS

Office Operations

=Annual Dues: 3/22/19 a third and final reminder was sent via email; following the 2 previous mailings. The MDSO has had a positive response with a remaining 29 Providers still owing.

= A recent upgrade to Intellicred has caused some scanning issues for the Medical Dental Staff Office. Kaleida Health and ECMC have partnered to resolve the issues. The Medical Dental Staff Office will keep the Committee updated as to any and all progress with resolving the issues.

Privilege Forms

= The Chief of Service of Internal Medicine has requested that Maintenance of open airway be removed from the AHP combined privilege form. According to the Chief of Service, it is only used on the floors in an emergency situation and therefore is covered by, "**c. Emergency Privileges:** As defined in the Medical-Dental Staff Bylaws, in the case of an emergency, any practitioner, to the degree permitted by his or her license, regardless of Clinical Service, staff status or privileges, to save the life of a patient or save a patient from serious harm."

In addition, he has requested that the details on the previous Level II privileges for Moderate sedation now read as "ICU only". It has been confirmed, with the Director of the Hospitalist group, that sedation is not performed on the general floors. The committee agreed with the requested changes on the AHP Internal Medicine form. Forms will be updated following the Board of Directors meeting in April 2019.

JC Readiness

=The Director of Medical Dental Staff Office is currently reviewing and updating the ECMC bylaws and Credentialing Manual. The team continues to assist with "marrying up" policies and daily workflow.

=Fluoroscopy:

From: Mertowski, Cheryl
Sent: Tuesday, March 12, 2019 9:29 AM
To: Boone, Tara <tboone@ecmc.edu>
Subject: RE: fluoroscopy

Lisa G is tracking the education, I purchased material from ASRT. Its being handled. Thanks

Cheryl Mertowski

Director of Imaging Services
Erie County Medical Center Corp.
462 Grider St.
Buffalo, NY 14215
716-898-3453

**The MDSO Coordinator has emailed Cheryl for an estimate of how many Providers have completed this. To date, there are 35 providers that have completed the education.

Expirables Update

Emergency Medicine

Dice, William MD Active

PPD/ Heath Assessment (2/14/2019)

Internal Medicine

Steinagle, Gordon DO Active

Health Assessment (2/24/2019)

Temporary Privileges

The temporary privileges tracker was reviewed for the committee, noting the privileges granted since the last meeting. The quality control checks confirmed that all were executed in full compliance with policy.

*With the increased number of requested temporary privileges, the Committee suggested that the Medical-Dental Staff Office require a copy of the schedule to show the exact start date of Providers.

FOR OVERALL ACTION

NEW BUSINESS

=Introduce the new Director of Medical Dental Staff Office, Cheryl Carpenter.

=The Director of the Medical-Dental Staff Office spoke on current credentialing policies regarding Vrad and telemedicine. The Director will develop a new policy and present to the Credentials Committee next month.

=The Director discussed the Moderate Sedation Policy with the Committee and requested Committee input regarding the websites allowed for training of the providers. Based on that discussion, the Director will reach out to Anesthesia to assess the learning objectives of the web-based learning modules.

FOR INFORMATION

OPEN ISSUES

=After the expected Joint Commission visit, the Medical-Dental Staff Office will revisit the privilege form updates from the Department of Orthopaedic Surgery and Surgery. To be removed from agenda until such time

=The Medical-Dental Staff Office continues to wait for the Legal Department to approve the Physician Assistant agreement for ECMC employees. We will remove from the agenda until it is approved.

FOR INFORMATION

OTHER BUSINESS

FPPE-OPPE Report (included in the consent calendar of the Medical-Executive Committee)

FPPE (Focused Professional Practice Evaluation) (8)

Internal Medicine	2
Orthopaedic Surgery	3
Psychiatry	3

OPPE (Ongoing Professional Practice Evaluation) (29)

Chemical Depend	6
Cardio Surg.	1
Oral Max	1
Rehab	1
Otolaryngology	3
Urology	16
OBGYN	1

FOR INFORMATION

ADJOURNMENT

With no other business, a motion to adjourn was received and carried at 3:58PM.

Respectfully submitted,

Yogesh Bakhai, MD
Chairman, Credentials Committee

Att.

Temporary Privileges for Important Patient Care Needs
2019

REASON	QC CHECK	NAME AND DEPARTMENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	CC/BOD APPROVAL
		Anesthesiology:					
IMP.PT.CARE	Completed-TMB	Michael Watson, MD		01/31/19-03/31/19			BOD 2/26/19
		Dentistry:					
		Emergency Medicine:					
IMP.PT.CARE	Completed-KLL	Jeffrey Thompson, MD-change from CRF to active		1/1/19-3/1/19			BOD 1/29/19 Dec mtg cancelled
IMP.PT.CARE	Completed-TMB	Danielle Scheafer, DO		01/01/19-03/01/19			BOD 1/29/19
		Family Medicine:					
IMP.PT.CARE	Completed-TMB	Dalinda Condino, MD		01/09/19-03/09/19		03/10/19-05/09/19	Temps only
		Internal Medicine:					
IMP.PT.CARE	Completed-TMB	Espiridion Mendez, PA-C			11/29/18-2/28/19		BOD 1/29/19 Dec mtg cancelled
IMP.PT.CARE	Completed-TMB	Cathleen Finan, PA-C		12/3/18-2/3/19			BOD 1/29/19
IMP.PT.CARE	Completed -TMB	Tina Dubeck, NP		12/11/18-02/11/19			BOD 1/29/19 Dec mtg cancelled
IMP.PT.CARE	Completed -TMB	Emily Ross, NP		12/11/18-02/11/19			BOD 1/29/19
IMP.PT.CARE	Completed-TMB	Salvatore Calandra, MD		12/17/18-02/17/19			BOD 1/29/19 Dec mtg cancelled
IMP.PT.CARE	Completed-TMB	Jaime Leppard, NP		12/17/18-02/17/19			BOD 1/29/19
IMP.PT.CARE	Completed-TMB	Ahmed Shah, MD		12/18/18-02/18/19			BOD 1/29/19 Dec mtg cancelled
IMP.PT.CARE	Completed-KLL	Dybalski, Andrew, PA-C		12/21/18-2/21/19			BOD 1/29/19
IMP.PT.CARE	Completed-TMB	Haider Khadim, MD		01/01/19-03/01/19			BOD 1/29/19
IMP.PT.CARE	Completed-TMB	Bayardo Hernandez Rocha, PA-C		01/08/19-03/08/19			BOD 1/29/19
IMP.PT.CARE	Completed-TMB	Farhan Dadani, MD		01/15/19-03/15/19			BOD 1/29/19
		John Ruffino, MD-change in status		01/15/19-03/15/19			BOD 2/26/19
IMP.PT.CARE	Completed-TMB	Liveleen Gill, MD		02/01/19-04/01/19			BOD 2/26/19
		Neurology:					
		Neurosurgery:					
		Obstetrics and Gynecology					
		Oral-Max:					

Temporary Privileges for Important Patient Care Needs
2019

REASON	QC CHECK	NAME AND DEPARTMENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS	CC/BOD APPROVAL
		Orthopaedic Surgery:					
IMP.PT.CARE	Completed-TMB	Jessie Donaldson, PA-C		11/5/18-01/5/19	01/06/19-02/05/19		BOD 1/29/19 Dec mtg cancelled
IMP.PT.CARE	Completed-TMB	Stephanie Kaminska, PA-C		12/17/18-02/17/19			BOD 1/29/19
IMP.PT.CARE	Completed-TMB	Nicolette Sciolino, PA-C		12/19/18-02/19/19			BOD 1/29/19 Dec mtg cancelled
IMP.PT.CARE	Completed-TMB	Luke Martinic, PA-C		02/09/19-04/09/19			BOD 2/26/19
		Otolaryngology					
		Pathology					
		Plastic & Reconstructive Surgery:					
		Psychiatry:					
		Radiology					
IMP.PT.CARE	Completed-TMB	John McGrath, MD			11/20/18-02/20/19		BOD 1/29/19 Dec Cancelled
		Rehab Medicine					
		Surgery:					
IMP.PT.CARE	Completed-TMB	Michael Smith, PA-C		01/28/19-03/28/19			BOD 2/26/19
IMP.PT.CARE	Completed-TMB	Berndtson, Jeffrey MD		03/18/19-05/18/19			BOD 3/26/19
		Thoracic/Cardiovascular Surgery					
		Urology:					
IMP.PT.CARE	Completed -TMB	John Pinski, MD		12/3/18-2/3/19			BOD 1/29/19 Dec cancelled
IMP.PT.CARE	Completed -TMB	Mark Chazen, MD		12/19/18-02/19/19			BOD 1/29/19
		Going to CC; waiting for approval at BOD					
		completed					