

AGREED UPON PROCEDURES

For the North Carolina Department of
Health and Human Services



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Accountants' Report
- On Applying Agreed-Upon Procedures -

Department of Health and Human Services
The North Carolina Medical Care Commission
Raleigh, North Carolina

We have performed the procedures enumerated below, which were agreed to by the North Carolina Department of Health and Human Services ("DHHS") and Mission Health System, Inc. in relation to the Certificate of Public Advantage Program under which Mission Health System, Inc. ("Mission") is operating for the fiscal year 2011. Management is responsible for Mission's compliance with the Certificate of Public Advantage Program. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. *Obtain the data elements listed in Schedule "2" for the Hospitals listed in Schedule "1".*

We obtained the data elements shown in Attachment #1.

Note:

The cost report information was obtained independently of the individual hospitals, except as noted below. Other items listed were obtained directly from each respective hospital.

Exceptions:

The cost report information for Spartanburg Regional Medical Center excluded bad debt expense from total operating expenses. The bad debt expense was added to the cost report total operating expenses amount to maintain consistency with the other hospitals.

The cost report information for Centra Health, Inc., New Hanover Regional Medical Center, Mission Hospital, Palmetto Baptist Hospital, and Spartanburg Regional Medical Center was not obtained independently. The individual hospitals provided copies of the cost reports.

- 2. Based on the data elements collected, we will calculate the ratios in Schedule "3".*

We computed the calculations and reported these amounts in Attachment #2.

Note:

Charity care (at cost) and bad debt expense were obtained for information only and were not used to calculate ratios listed.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report, including the schedules and attachments, is considered proprietary in nature and is intended solely for the information and use of the North Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the North Carolina Department of Health and Human Services.

Charlotte, North Carolina
September 11, 2012

Dixon Hughes Goodman LLP

Schedule #1

Organization	Hospital
Novant Health	Forsyth Medical Center
Palmetto Health	Palmetto Richland Hospital
Spartanburg Regional Healthcare System	Spartanburg Regional Medical Center
First Health of the Carolinas	Moore Regional Hospital
Wake Medical	Wake Medical - New Bern Avenue Campus
New Hanover Health Network	New Hanover Regional Medical Center
Cape Fear Valley Health System	Cape Fear Valley Medical Center
Centra Health, Inc.	Lynchburg General Hospital and Virginia Baptist Hospital
Mission Health System, Inc.	Mission Hospital

Schedule #2

All data elements listed below will be based on the fiscal year ended 2011.

The information requested below will include hospital activity only and will exclude any psych, rehab, newborns, joint ventures, skilled nursing facilities and investments.

For the Hospitals listed in "Schedule #1", we will obtain the following data elements:

- Cost Report (Gross Inpatient Revenue, Gross Outpatient Revenue, Net Patient Service Revenue, Operating Expenses, Other Revenue)
- Number of Inpatient Discharges, excluding newborns
- Overall Case Mix Index for all patients, excluding newborns
- Total Bad Debt Expense
- Total Charity Care (at cost, per ANDI report)

Schedule #3

All procedures listed below will be based on the fiscal year ended 2011.

Based on the data elements collected in "Schedule #2", we will calculate the following ratios:

- Discharges Adjusted for Case Mix Index, excluding newborns
- Inpatient Revenue per Discharge Adjusted for Case Mix Index ("CMI"), excluding newborns
- Outpatient Revenue per Discharge Adjusted for CMI, excluding newborns (labeled as Equivalent Outpatient Discharge)
- Total Adjusted Discharges Adjusted for CMI
- Total Operating Expenses per Adjusted Discharge Adjusted for CMI
- Operating Margin (Deficit) (Total Net Patient Service Revenue plus Other Revenue less Total Operating Expenses divided by Total Net Patient Service Revenue plus Other Revenue).

Attachment #1 - 2011

Name of Hospital	Inpatient Discharges, excluding newborns	Overall Case Mix Index, excluding newborns	Gross Inpatient Revenue	Gross Outpatient Revenue	Total Operating Expenses	Total Bad Debt Expense	Net Patient Service Revenue	Charity Care (based on cost)	Other Revenue
	40,938	1.4300	1,045,765,632	958,468,673	998,502,538	20,404,049	937,278,901	40,197,952	15,446,989
	27,247	1.5294	1,600,311,465	721,934,605	639,362,290	135,475,000	618,876,046	28,230,052	48,493,316
	26,197	1.4630	942,311,485	619,752,352	564,227,426	46,739,693	561,666,134	29,328,104	7,439,350
	20,175	1.4792	583,453,174	454,913,491	427,714,670	23,339,425	403,119,854	8,441,749	34,977,846
	35,038	1.5774	1,547,028,019	945,312,845	716,774,909	5,064,596	690,430,047	37,687,416	11,260,206
	33,581	1.5945	991,742,064	718,973,902	601,210,996	97,516,500	615,078,045	15,373,389	25,960,901
	32,332	1.3900	1,234,481,891	786,135,878	681,438,738	82,269,000	561,673,124	24,405,000	28,211,488
	27,265	1.3683	617,488,719	360,717,554	550,425,260	20,079,547	501,313,833	17,520,095	45,995,914
Mission Hospital	40,566	1.6347	1,175,510,625	605,102,531	799,638,370	68,622,800	830,643,554	16,186,601	36,134,678

Attachment #2 - 2011

Name of Hospital	Number of inpatient discharges, excluding newborns	Overall Case Mix Index, excluding newborns	Discharges Adjusted for Case Mix Index, excluding newborns	Gross Inpatient Revenue	Inpatient Rev. per Discharge Adjusted for Case Mix Index, excluding newborns	Gross Outpatient Revenue	Equivalent Outpatient Discharge
	40,938	1.4300	58,541	1,045,765,632	17,864	958,468,673	53,654
	27,247	1.5294	41,672	1,600,311,465	38,403	721,934,605	18,799
	26,197	1.4630	38,326	942,311,485	24,587	619,752,352	25,207
	20,175	1.4792	29,843	583,453,174	19,551	454,913,491	23,268
	35,038	1.5774	55,269	1,547,028,019	27,991	945,312,845	33,772
	33,581	1.5945	53,545	991,742,064	18,522	718,973,902	38,817
	32,332	1.3900	44,941	1,234,481,891	27,469	786,135,878	28,619
	27,265	1.3683	37,306	617,488,719	16,552	360,717,554	21,793
Mission Hospital	40,566	1.6347	66,313	1,175,510,625	17,727	605,102,531	34,135
Total w/o Mission	242,773	11.8318	359,443	8,562,582,449	190,939	5,566,209,300	243,929
Avg. w/o Mission	30,347	1.4790	44,930	1,070,322,806	23,867	695,776,163	30,491
Total all entities	283,339	13.4665	425,756	9,738,093,074	208,666	6,171,311,831	278,064
Average of totals	31,482	1.4963	47,306	1,082,010,342	23,185	685,701,315	30,896
Mission over (under) avg. of entities w/o Mission	10,219	0.1557	21,383	105,187,819	(6,140)	(90,673,632)	3,644
Mission over (under) avg. of all entities	9,084	0.1384	19,007	93,500,283	(5,458)	(80,598,784)	3,239

(continued)

Attachment #2 - 2011, continued

Name of Hospital	Total Adjusted Discharges, adjusted for CMI	Total Operating Expenses	Total Operating Expense per Adj. Discharge, adj. for CMI	Net Patient Service Revenue	Other Revenue	Operating Margin (Deficit)
	112,195	998,502,538	8,900	937,278,901	15,446,989	-4.80%
	60,471	639,362,290	10,573	618,876,046	48,493,316	4.20%
	63,533	564,227,426	8,881	561,666,134	7,439,350	0.86%
	53,111	427,714,670	8,053	403,119,854	34,977,846	2.37%
	89,041	716,774,909	8,050	690,430,047	11,260,206	-2.15%
	92,362	601,210,996	6,509	615,078,045	25,960,901	6.21%
	73,560	681,438,738	9,264	561,673,124	28,211,488	-15.52%
	59,099	550,425,260	9,314	501,313,833	45,995,914	-0.57%
Mission Hospital	100,448	799,638,370	7,961	830,643,554	36,134,678	7.75%
Total w/o Mission	603,372	5,179,656,827	69,544	4,889,435,984	217,786,010	-9.40%
Avg. w/o Mission	75,422	647,457,103	8,693	611,179,498	27,223,251	-1.18%
Total all entities	703,820	5,979,295,197	77,505	5,720,079,538	253,920,688	-1.65%
Average of totals	78,202	664,366,133	8,612	635,564,393	28,213,410	-0.18%
Mission over (under) avg. of entities w/o Mission	25,027	152,181,267	(732)	219,464,056	8,911,427	8.93%
Mission over (under) avg. of all entities	22,246	135,272,237	(651)	195,079,161	7,921,268	7.93%