

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$17,860,000

Gaylord Hospital Finance Authority

Hospital Revenue and Refunding Bonds, Series 2004

Otsego Memorial Hospital Association Obligated Group

Provide nine-digit CUSIP* numbers if available, to which the information relates:

368177AB7

368177AC5

368177AD3

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 16 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: _____

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: January – December 2008 (FY2008)

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input checked="" type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Quarterly or Monthly Financial Information and Operating Data
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: January – March 2010 (FY2010Q1)

F. Other Secondary Market Information (Specify): Progress and Status of Implementation of Consultant's Recommendations

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name Shelley I. Aronson Title President
Employer First River Advisory I. L. C.
Address 2640 Override Drive City Ann Arbor State MI Zip Code 48104
Telephone (734) 761-3624 Fax (734) 761-3614
Email Address aronson@firstriver.com Relationship to Issuer Dissemination Agent

Obligor Contact, if any:

Name Timothy G. Eckert Title Vice President of Finance
Employer Otsego Memorial Hospital
Address 825 North Center Street City Gaylord State MI Zip Code 49735
Telephone (989) 731-2238 Fax (989) 731-2217
Email Address Teckert@otsegomemorialhospital.org Obligor Web Site Address www.otsegomemorialhospital.org

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

OTSEGO MEMORIAL HOSPITAL ASSOCIATION
825 NORTH CERTER STREET
GAYLORD, MI 49735

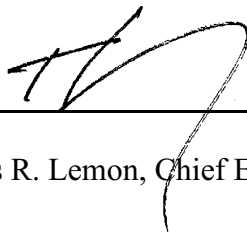
OFFICER'S CERTIFICATE

DATED: MAY 6, 2010

This Officer's Certificate is delivered pursuant to Section 5.10(b) of the Loan Agreement between Otsego Memorial Hospital Association (on behalf of Itself and as Obligated Group Agent on behalf of the Obligated Group) (the Corporation) and Gaylord Hospital Finance Authority (the Issuer), dated as of November 1, 2004, and Section 605(a)(ii) of the Indenture and Loan Agreement among the Corporation, the Issuer and Fifth Third Bank (Northern Michigan), dated as of February 1, 2005, relating to the Issuer's \$9,000,000 Hospital Revenue Bonds, Series 2005, issued on behalf of the Corporation (the Series 2005 Bonds). All capitalized terms used herein are as defined in the Loan Agreement, in the Indenture and Loan Agreement, or in the Master Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Master Trustee, dated as of November 1, 2004.

Attached are internally-prepared quarterly financial statements for the Fiscal Year quarter ended March 31, 2010, including a balance sheet as of such date and a statement of activities and statement of cash flows for such quarter on a FY-to-date basis (the Quarterly Financial Statements). The undersigned certifies that:

1. I am the Chief Executive Officer of the Corporation and duly authorized to deliver this Officer's Certificate;
2. the Quarterly Financial Statements have been prepared on substantially the same accounting basis as the Corporation's audited financial statements for its Most Recent Fiscal Year; and
3. the Quarterly Financial Statements are, to the best of my belief, true and correct, but may be subject to audit and Fiscal Year-end adjustments.



Thomas R. Lemon, Chief Executive Officer

OTSEGO MEMORIAL HOSPITAL ASSOCIATION

MANAGEMENT'S REPORT

FY2010Q1

This Management's Report is delivered pursuant to Section 5.10(b) of the Loan Agreement between Otsego Memorial Hospital Association (on behalf of Itself and as Obligated Group Agent on behalf of the Obligated Group) (the Corporation) and Gaylord Hospital Finance Authority (the Issuer), dated as of November 1, 2004, relating to the Issuer's \$17,860,000 Hospital Revenue and Refunding Bonds, Series 2004, issued on behalf of the Corporation (the Series 2004 Bonds), and Section 605(a)(ii) of the Indenture and Loan Agreement among the Corporation, the Issuer and Fifth Third Bank (Northern Michigan), dated as of February 1, 2005, relating to the Issuer's \$9,000,000 Hospital Revenue Bonds, Series 2005, issued on behalf of the Corporation (the Series 2005 Bonds). All capitalized terms used herein are as defined in the Loan Agreement, in the Indenture and Loan Agreement, in the Master Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Master Trustee, dated as of November 1, 2004, or in the Official Statement relating to the Series 2004 Bonds dated November 11, 2004 (the OS).

During FY2007Q4, the Master Trustee, with the consent of the Beneficial Owners of the Series 2004 Bonds and Series 2005 Bonds, waived the Obligated Group's failure to comply with the Debt Service Coverage Ratio covenant relating to FY2006. In consideration for having granted this waiver, the Corporation (on behalf of Itself and as Obligated Group Agent on behalf of the Obligated Group) executed a Supplemental Indenture Number 6 which amends and supplements the Master Trust Indenture (as previously amended and supplemented) and a First Amendment to Indenture and Loan Agreement which amends and supplements the Indenture and Loan Agreement, each dated as of December 1, 2007.

This Management's Report should be read in conjunction with the most recent Management's Report which related to FY2009Q4.

Attached are volume and utilization data for the Fiscal Year (FY) quarter ended March 31, 2010. These data are presented in a cumulative FY-to-date format, with a comparison to the same cumulative period in the prior FY.

MANAGEMENT'S DISCUSSION

The following comments by management are required by Section 201(a)(i)(A) of Supplemental Indenture Number 6 and Section 2(i)(A) of the First Amendment to Indenture and Loan Agreement.

COVENANT NON-COMPLIANCE

The Obligated Group has failed to comply with Debt Service Coverage Ratio (DSCR), Days Cash on Hand (DCOH) and various other covenants, as outlined below together with document references. The Corporation remains in active discussions with the Beneficial Owners of the Series 2004 Bonds and Series 2005 Bonds for waivers of the applicable covenants and the establishment of revised covenants for future periods.

Annual Financial Covenants

FY2008 and FY2009 DSCR < 1.50x MADS	Supplemental Indenture #6, Section 303 First Amendment to Indenture & Loan Agreement, Section 4
FY2008 DSCR < 1.25x MADS	Supplemental Indenture #6, Section 304 First Amendment to Indenture & Loan Agreement, Section 4
FY2009 DSCR < 1.25x MADS	Supplemental Indenture #6, Section 304 First Amendment to Indenture & Loan Agreement, Section 4
Unrestricted Net Assets < \$13,500,000 at FYE2009	Paragraph (i) of Exhibit D to the Indenture and Loan Agreement
30-day “clean up” of Short-Term Indebtedness during FY2009	Master Indenture, Section 505(a)(v)(B)

Semiannual Financial Covenant

DCOH at December 31, 2008, June 30, 2009 and December 31, 2009	Supplemental Indenture #6, Section 305 First Amendment to Indenture & Loan Agreement, Section 3
--	--

Quarterly Financial Covenants

Included in the Annual Financial Covenants	The rolling 4 quarters DSCR measurement ended at FYE2008, per the definition of Debt Service Coverage Measurement Date
--	--

Reporting Covenants

Audited financial statements for FY2008 past due	Supplemental Indenture #6, Section 201(a)(ii) 2004 Loan Agreement, Section 5.10(a) First Amendment to Indenture & Loan Agreement, Section 2(ii)
Quarterly financial statements for FY2009Q4 past due	Supplemental Indenture #6, Section 201(a)(i) 2004 Loan Agreement, Section 5.10(b) First Amendment to Indenture & Loan Agreement, Section 2(i)
Audited financial statements for FY2009 past due	Supplemental Indenture #6, Section 201(a)(ii) 2004 Loan Agreement, Section 5.10(a) First Amendment to Indenture & Loan Agreement, Section 2(ii)

Other

Failure to repay Line of Credit Note by September 30, 2008	Second Amendment to Business Loan Agreement, Section 1.1.1
--	--

INCOME STATEMENT PRESENTATION

Certain FY-end adjustments were applied to the income statement during FY2009Q4. Even though a portion of such adjustments were applicable to prior quarters of FY2009, no adjustments have been made to such prior quarters. As a result, the FY2009Q1 “Prior Year” figures on the

FY2010Q1 income statement portray better financial performance than would have been the case had those adjustments been applied.

LIQUIDITY

The Corporation has been able to manage its liquidity satisfactorily without the availability of a working capital line of credit. Days in accounts payable have been reduced by over \$700,000 since March 2009, equating to a 23 percent reduction of days in accounts payable. Corporation management has begun to explore various cash infusion approaches.

OPERATIONAL IMPROVEMENTS

The Corporation has made significant progress toward the full implementation of the Wellspring Partners' recommendations that were set forth in its report dated December 9, 2009. A more complete report of the Corporation's progress and implementation status as of March 31, 2010 is attached.

MANAGEMENT

Timothy G. Eckert, the Corporation's Chief Financial Officer, will be leaving the Corporation's employment on May 21, 2010. The Corporation has engaged Lorna J. Morrow as its Interim Chief Financial Officer for at least a three-month period. Ms. Morrow has held a variety of interim financial management and restructuring positions since 2003, mainly in the automotive industry. Prior to that, she held permanent accounting positions at automotive suppliers and at a Detroit-area teaching hospital. One of Ms. Morrow's professional references is an officer in the special asset group of the Beneficial Owner of the Series 2005 Bonds.

CONFERENCE CALL WITH BENEFICIAL OWNERS OF THE RELATED BONDS

Corporation management has scheduled its next quarterly conference call, as required by Section 202 of Supplemental Indenture Number 6 and Section 2 of the First Amendment to Indenture and Loan Agreement, for Monday, May 10, at 2:00 P.M. Eastern Daylight Time. Access instructions will be provided separately to Continuing Disclosure Recipients and their representatives by First River Advisory L.L.C., the Corporation's Financial Advisor.

FINANCIAL RATIO CALCULATIONS

The following calculations of financial ratios are required by Section 201(a)(i)(B) of Supplemental Indenture Number 6 and Section 2(i)(B) of the First Amendment to Indenture and Loan Agreement. Net Income Available for Debt Service (NIADS) measured on a rolling-four-quarters basis will continue to be depressed through FY2010Q3, after which the exceptionally weak financial performance during FY2009Q4 need not be included in the calculation. NIADS for FY2010Q1 alone exhibits significant improvement.

<i>Debt Service Coverage Ratio Calculation</i>					
<i>for the Rolling Four Quarters Ended March 31, 2010</i>					
<i>(\$000s omitted, except for Debt Service Coverage Ratio)</i>					
			<i>Minus</i>	<i>Plus</i>	
		<i>FY2009</i>	<i>FY2009Q1</i>	<i>FY2010Q1</i>	<i>Rolling Four Quarters</i>
		<i>Unaudited</i>	<i>Unaudited</i>		<i>Unaudited</i>
Excess (Deficit) of Revenue over Expenses		(2,662)	(705)	11	(1,946)
Depreciation and Amortization Expense		2,005	478	489	2,016
Interest Expense		1,541	435	373	1,479
Unrealized (Gains) Losses on Investment Securities		(624)	0	0	(624)
(Gains) Losses on the Disposition of Capital Assets		11	0	0	11
(Gains) Losses on Extinguishment of Debt		0	0	0	0
Net Income Available for Debt Service	NIADS	271			937
Maximum Annual Debt Service Requirements	MADS				2,256
Debt Service Coverage Ratio	NIADS / MADS				0.42
Requirement					1.50

Debt Service Coverage Ratio Calculation				
for the Annualized Three-Month Period Ended March 31, 2010				
(\$000s omitted, except for Debt Service Coverage Ratio)				
			<i>Minus</i>	
		<i>FY2010Q1</i>		<i>Three-Month</i>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Period</i>
Excess (Deficit) of Revenue over Expenses		11		11
Depreciation and Amortization Expense		489		489
Interest Expense		373		373
Unrealized (Gains) Losses on Investment Securities		0		0
(Gains) Losses on the Disposition of Capital Assets		0		0
(Gains) Losses on Extinguishment of Debt		0		0
Net Income Available for Debt Service	NIADS	872	0	872
¼ of Maximum Annual Debt Service Requirements	MADS			564
Debt Service Coverage Ratio	NIADS / MADS			1.55

Days' Cash on Hand Calculation at March 31, 2010		
(for information only – not a covenant measurement date)		
(\$000s omitted, except for Days' Cash on Hand)		
a	Cash and Cash Equivalents	698
b	Short-Term Investments	966
c	Board-Designated Investments	1,159
d	Outstanding Principal Balance of Short-Term Indebtedness	629
e = a + b + c - d	Financial Assets	2,195
f	Operating Expenses	16,335
g	Minus: Depreciation and Amortization Expense	(489)
h = f - g	Adjusted Operating Expenses	15,846
i = h / days	Daily Operating Expenses	176
e ÷ i	Days' Cash on Hand	12
	Requirement	52

**OTSEGO MEMORIAL HOSPITAL
BALANCE SHEET w Foundation**

4/22/2010

	Current Month March-10	Prior Month February-10	Prior Year March-09
Current Assets			
Cash and cash equivalents	\$ 698,039	\$ 254,363	\$ (74,344)
Short-term investments-foundation	966,427	935,409	751,740
Accounts receivable, Net	5,152,734	5,648,687	6,292,580
Estimated third-party settlements	1,537,576	1,139,295	199,869
Other current assets	1,848,544	1,967,088	1,668,724
Total current assets	10,203,320	9,944,842	8,838,569
Assets Limited as to Use			
Bond payment fund	1,683,724	1,697,412	1,753,868
Funded depreciation	1,159,359	1,116,594	3,502,789
Total	27,376,926	27,449,124	28,771,141
Property and Equipment			
Total	27,376,926	27,449,124	28,771,141
Other Assets			
Investment in joint ventures	507,333	506,930	575,976
Cash surrender value of life insurance	48,621	48,621	54,601
Bond issue and other unamortized costs	384,319	390,300	456,097
Other long-term investments	597,885	588,132	494,153
Total	1,538,158	1,534,083	1,620,827
Total assets	\$ 41,961,487	\$ 41,741,955	\$ 44,457,194
Current Liabilities			
Current portion of long-term debt	918,143	918,143	878,535
Notes payable	0	0	1,009,000
Accounts payable	3,125,759	3,350,257	3,871,782
Accrued liabilities and other:			
Accrued compensation	995,638	763,497	791,693
Accrued compensation absences	990,805	1,008,218	859,574
Accrued professional and other liability claims	300,000	300,000	300,000
Accrued interest & other liabilities**	1,327,965	1,342,639	415,966
Total	7,658,310	7,682,754	8,126,550
Total current liabilities	7,658,310	7,682,754	8,126,550
Long-Term Debt			
Total	21,444,656	21,519,219	22,358,677
Other Liabilities - Deferred compensation			
Total	597,885	588,132	494,153
Total liabilities	29,700,851	29,790,105	30,979,380
Net Assets			
Unrestricted	12,260,636	11,951,850	13,477,814
Total liabilities and net assets	\$ 41,961,487	\$ 41,741,955	\$ 44,457,194

**OTSEGO MEMORIAL HOSPITAL
STATEMENT OF CASH FLOWS**

	Year-to-Date Mar-10
Cash Flows from Operating Activities	
Cash received from customers and third-party payors	\$ 15,301,916
Cash paid to suppliers and employees	(17,124,075)
Interest received	83,500
Interest paid	(372,730)
Other cash receipts	<u>633,927</u>
Net cash provided by (used in) operating activities	(1,477,462)
Cash Flows from Investing Activities	
Purchase of property and equipment	(182,220)
Change in assets limited as to use	<u>2,824,694</u>
Net cash (used in) provided by investing activities	2,642,474
Cash Flows from Financing Activities	
Proceeds from issuance of long-term debt	-
Principal payments on long-term debt	(1,222,296)
Increase in deferred charges	<u>-</u>
Net cash (used in) provided by financing activities	<u>(1,222,296)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(57,284)
Cash and Cash Equivalents - Beginning of period	<u>1,721,751</u>
Cash and Cash Equivalents - End of period	<u>\$ 1,664,467</u>

OTSEGO MEMORIAL HOSPITAL ASSOCIATION

SERVICE VOLUMES AND UTILIZATION

FY2010Q1

<i>Historical Acute Care Utilization (excludes newborns)</i>		
	<i>Three Months Ended March 31</i>	
	<i>2010</i>	<i>2009</i>
Days in Period	90	90
Licensed Beds	46	46
Staffed Beds	39	39
Admissions	458	471
Patient Days	1,467	1,507
Births	58	66
Average Daily Census	16.3	16.7
Average Length of Stay	3.2	3.2
Occupancy Rate ¹ (%)	41.8	42.9
¹ Based on Staffed Beds		

<i>McReynolds Hall (Skilled Nursing) Utilization</i>		
	<i>Three Months Ended March 31</i>	
	<i>2010</i>	<i>2009</i>
Days in Period	90	90
Licensed and Staffed Beds	34	34
Patient Days	2,700	2,644
Average Daily Census	30.0	29.4
Occupancy Rate	88.2	86.4

<i>Outpatient Volumes</i>			
		<i>Three Months Ended March 31</i>	
		<i>2010</i>	<i>2009</i>
	ED Patients	2,986	3,048
	MedCare Encounters	3,334	3,337
Employed Physician Encounters	OMH Medical Group	17,252	16,320
	Montmorency Clinic	2,150	1,975
	Orthopedic Surgeons	3,106	2,995
	Total	22,508	21,290
	Outpatient Registrations	15,950	17,778

<i>Surgical and Other Procedures</i>			
		<i>Three Months Ended March 31</i>	
		<i>2010</i>	<i>2009</i>
Inpatient Surgeries		178	214
Outpatient	Surgeries	938	989
	Other Procedures	1,024	1,113
	Total Outpatient	1,962	2,102
Grand Total		2,140	2,316
Percent Outpatient		91.7%	90.8%

<i>Ancillary Services</i> <i>(the Corporation no longer distinguishes between ancillary services provided to inpatients and outpatients in its record-keeping)</i>		
	<i>Three Months Ended March 31</i>	
	<i>2010</i>	<i>2009</i>
Laboratory Orders	64,355	52,075
Electrocardiology Procedures	2,079	1,793
General Radiology Examinations	5,117	5,392
Ultrasound Examinations	989	867
Mammography Examinations	641	670
Nuclear Medicine Examinations	667	1,216
CT Scan Examinations	1,647	2,738
MRI Examinations	692	635
Cardio-Pulmonary Procedures	6,686	6,924
Physical Therapy Procedures	5,921	7,266
Occupational Therapy Procedures	4,588	3,480
Cardiac Rehabilitation Visits	1,607	1,294

**Otsego Memorial Hospital
Wellspring Partners Implementation Project**

In February 2009 Otsego Memorial Hospital engaged Wellspring Partners to complete an assessment of the Hospital. The assessment report was delivered to the Otsego Memorial Hospital Board of Directors on April 28, 2009. Wellspring Partners identified potential operational improvement opportunities ranging between \$5,090,000 to \$6,755,000.

The Otsego Memorial Hospital Board of Directors approved the engagement of Wellspring Partners to assist with the implementation and monitoring of the operational opportunities. Wellspring Partners delivered the Implementation Engagement Completion letter on December 9, 2009, which outlined the scope of opportunities implemented with a value of \$5,347,737.

The table below identifies the scope of the opportunities implemented with the amount of annualized and one time benefits that Otsego Memorial Hospital has received and agreed as implemented.

Service Area	Low	High	Implemented
Non-Labor	\$600,000	\$840,000	\$736,734
Revenue Cycle	\$300,000	\$500,000	\$900,000*
Physician Services	\$490,000	\$840,000	\$956,000
Labor	\$1,700,000	\$2,100,000	\$2,755,000
Total	\$3,090,000	\$4,280,000	\$5,347,734

Wellspring Partners provided the management of Otsego Memorial Hospital with monitoring tools to measure the ongoing compliance with the identified, implemented and monitored initiatives.

NON LABOR AND SUPPLIES

The Non-Labor team focused on the following operational areas: Purchased Services, Clinical Supplies, Food Services and Pharmacy. Wellspring Partners identified a wide range of opportunities to reduce the Non-Labor related costs ranging from \$600,000 to \$840,000. Based on the actual implementation the team identified a total of 42 initiatives in which 33 were implemented. The 42 total identified initiatives have an annual savings opportunity of \$736,734.

Following the departure of Wellspring Partners the Otsego Memorial Hospital management staff, lead by Ralph Pardo, Vice President, Support Services; implemented six additional identified opportunities. The 39-implemented initiatives offer an opportunity to realize \$690,129 in annualized savings. Three remaining initiatives require implementation, which includes the following:

PS03	Reduce the Cost of Office Supplies	\$18,118	To be implemented by 05/30
PS06	Reduce the Cost of Printing/Forms	\$21,313	To be implemented by 06/30
PS07	Reduce the Cost of Lease Agreements	\$7,174	Six lease agreements by 12/31

The Value Analysis Team has validated the ongoing compliance of the 39-implemented initiatives. Invoices have been pulled and compared to negotiated supply pricing. Various services agreements (radiology, pathology, MARSI) have been reviewed and compared against current invoices to identify compliance.

The Non Labor Team continues to maintain compliance with the Wellspring Partners implemented initiatives.

Potential Opportunities

Otsego Memorial Hospital has an opportunity to eliminate six lease agreements prior to year-end with monthly lease payments totaling \$39,196. Three of the lease agreements conclude with a \$1.00 buyout while the three remaining agreements conclude the potential purchase of the equipment at fair market value. These three agreements include the CT scanner, RIS (radiology information system), and PACS (picture archival communication system).

In addition the Hospital is assessing the opportunity to participate in the Health Resources and Services Administration 340B drug-pricing program. Section 340B limits the cost of covered outpatient drugs to certain federal grantees, federally qualified health center look-alikes and qualified disproportionate share hospitals. The Munson Healthcare reimbursement specialists are assisting with the review and feasibility of meeting and maintaining the eligibility requirements for participation.

REVENUE CYCLE

Wellspring Partners assisted Otsego Memorial Hospital to renegotiate the provisions of its agreement with Blue Cross Blue Shield of Michigan with the results as follows. The Benefits estimates were based on the baseline period volumes of calendar year 2008. The final actual benefits realized on a month-to-month basis will be higher or lower based on actual BCBSM patient and charge volumes.

The amended Letter of Agreement with BCBSM was executed on August 25, 2009 with a retroactive date to August 1, 2009. The reimbursement ratio increased 4% to 85.9% of the charge structure in place as of July 31, 2009. The estimated annual increase of \$900,000 annually was calculated on the 4% increase in reimbursement based on 2008 BCBSM charge volume of \$22,500,000.

Kevin Wahr, Otsego Memorial Hospital Chief Revenue Officer audited 41 BCBSM claims between the time periods of August 1, 2009 through March 31, 2010 has validated that reimbursement is being received according to the terms of the Letter of Agreement.

The Revenue Cycle Team continues to maintain compliance with the identified and implemented Wellspring Partners initiative.

However, it should be noted that the BCBSM charge volume between the time periods of August 1, 2009 –March 31, 2010 totaled \$11,991,684 with an estimated revenue increase of \$266,931.

PHYSICIAN SERVICES

Wellspring Partners identified \$490,000 to \$840,000 in potential financial improvements for the OMH physician practices through revenue cycle performance, provider productivity and support staff alignment initiatives. The table below provides a summary of the practice improvement opportunities and the annualized results.

Initiative	Low	High	Achieved
Phy. Revenue Cycle	\$250,000	\$400,000	\$363,000
Provider Productivity	\$200,000	\$350,000	\$593,000
Staff Realignment	\$40,000	\$90,000	*achieved
Total	\$490,000	\$840,000	\$956,000

The implementation was divided into several inter-related projects:

Optimize Physician Practice Revenue Cycle Process: The objective of this project was to deliver \$250,000 to \$400,000 in annualized revenue improvements. The results were calculated by subtracting the average baseline during the assessment of \$2,252,100 minus the AR of October 2009 of \$1,887,652 yielding a reduction of \$363,448. The steps to accomplish these results are as follows:

Refocused and education front-office staff to improve up-front co-pay and balance due collections. The process moved the monthly average upfront collections from \$30,000 to a high of \$43,000 in October yielding an annualized increase of upfront collections by \$157,000.

A charge capture reconciliation process was implemented to assure that all charges were being appropriately captured.

Status: During the first quarter of 2010 achieved up-front and balance due collections of \$37,844, \$45,888, and \$66,140. The up-front co-pay collection rate during the first quarter averaged 75.17% versus the goal of 75%. Additionally the balance due collection rate of 71% was achieved versus the baseline average of 29.8%.

Further, the OMH physician practices reduced the accounts receivable balance to \$1,601,423 versus the October 2009 balance of \$1,887,652, yielding an additional reduction of \$286,229. Accordingly the days in accounts receivable declined from 40.7 to 35.3 during the same time period.

The physician practice revenue cycle process continues to maintain compliance with the Wellspring Partners implemented initiatives.

Improve Provider Productivity: The objective of this project was to deliver \$200,000 to \$350,000 in benefits through the design and implementation of a provider-by-provider improvement initiative.

To accomplish this goal, 16 individual physician productivity plans were designed, presented to and approved by each provider. The plans focus on increasing the physicians time available for patients by adding office hours or days and making sure that schedules were open when patient's wanted to be seen. A tool was developed to allow Management to track and report each physician's progress toward the individualized goals. At October the physicians were 120% above the baseline and had achieved 90% of the agreed upon targets yielding an annualized YTD gain of \$593,000.

Status: The physician provider productivity plan was established for the time period of October 2009 – September 2010. Upon completion of the first two quarters the physicians were 131% above the baseline and had achieved 94% of the agreed upon targets yielding an annualized YTD gain of \$637,741.

The provider productivity process maintains compliance with the Wellspring Partners implemented initiatives and benchmarks.

LABOR

The total annualized labor savings from the project is estimated at \$2.75 million. The labor savings falls into three categories: (1) General headcount reduction, (2) Elimination of Paid Lunch, and (3) 5% salary reduction. A majority of the headcount reduction was achieved through a Voluntary Separation Program and attritions, with minimal layoffs. The separation expenses associated with the reductions were \$231,000. The elimination of the paid lunch and 5% salary reductions took effect July 1, 2009.

Status: The Hospital reduced the number of paid FTE's from the 2008 baseline period of 513 to 459 during the most recent pay period, yielding a reduction of 54 paid FTE's. The elimination of the paid lunch and 5% salary reduction remains in effect.