



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Financial Report to the Board

Fiscal Year 2018 – Period 12
7/1/2017 to 6/30/2018

Financial Overview

- **Volume:**

- For the year, overall volume, measured in adjusted discharges is 5.4% higher than budget of 34,080. Medical and ER cases were high due to the flu season. Strong service line growth in Neurosciences, HVI, BHS, Oncology. Deliveries are lower than prior year and 4.4% below budget primarily due to the decline in birth rate.
- OP cases also show strong service line growth in General Surgery, General Medicine, Orthopedics, Imaging Services, MCH and Rehab.

- **Financial Performance:**

- For the month, operating income is \$15.5M better than budget of \$5.2 M due to \$8.4 million in IGT revenue \$2.3 million in revenue due to reversal of Medicare RAC reserve. For the year operating margin is \$63.3 million ahead of target of \$77 M due to higher volume, \$29 million in unusual items and strong revenue cycle operations.
- Strong investment income during the month and the year, investment earnings are \$40.5 million ahead budget. The portfolio return was 110 bps above benchmark.

- **Payor Mix:**

- Medicare Mix is higher due to growth in HVI, oncology and general medicine which have a high Medicare mix.

- **Cost:**

- Prod Hrs/APD for June is unfavorable vs target. YTD we are on budget.

- **Balance Sheet:**

- Net days in AR is 46.8 which is 1.2 days better than budget.

Dashboard - ECH combined as of June 30, 2018

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	245	227	237	(10)	239	239	240	(1)
Utilization MV	67%	63%	65%	-3%	66%	66%	66%	-1%
Total Discharges (Excl NNB)	1,682	1,664	1,607	57	19,646	20,313	19,695	618
Financial Perf.								
Net Patient Revenues	87,356	84,329	68,354	15,975	832,263	896,484	832,066	64,418
Operating Income \$	24,211	20,692	5,169	15,524	112,176	140,408	77,090	63,318
Operating Margin	27.1%	23.9%	7.4%	16.5%	13.1%	15.2%	9.0%	6.2%
EBITDA %	29.1%	29.1%	15.0%	14.0%	18.9%	21.1%	16.2%	4.9%
Payor Mix								
Medicare	47.7%	46.3%	47.4%	-1.1%	47.7%	47.6%	47.4%	0.2%
Medi-Cal	7.0%	8.5%	7.2%	1.3%	7.3%	7.8%	7.2%	0.6%
Total Commercial	43.0%	43.5%	42.9%	0.6%	42.5%	42.1%	42.9%	-0.8%
Other	2.4%	1.6%	2.5%	-0.9%	2.5%	2.5%	2.5%	0.0%
Cost								
Total FTE	2,578.6	2,585.2	2,525.6	60	2,506.7	2,578.7	2,529.6	49
Productive Hrs/APD	30.0	31.4	30.3	1	30.3	30.4	30.4	(0)
Balance Sheet								
Net Days in AR	44.8	46.8	48.0	(1)	44.8	46.8	48.0	(1)
Days Cash	444	504	266	238	444	504	266	238
Affiliates - Net Income (\$000s)								
Hosp	25,493	22,015	5,394	16,622	169,576	194,220	79,793	114,427
Concern	307	(94)	126	(220)	1,556	707	1,430	(723)
ECSC	(14)	(5)	0	(5)	(105)	(96)	0	(96)
Foundation	243	173	135	38	2,420	1,911	737	1,175
SVMD	204	(270)	(7)	(263)	209	1,127	(0)	1,127

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-06/30/2018) Waterfall

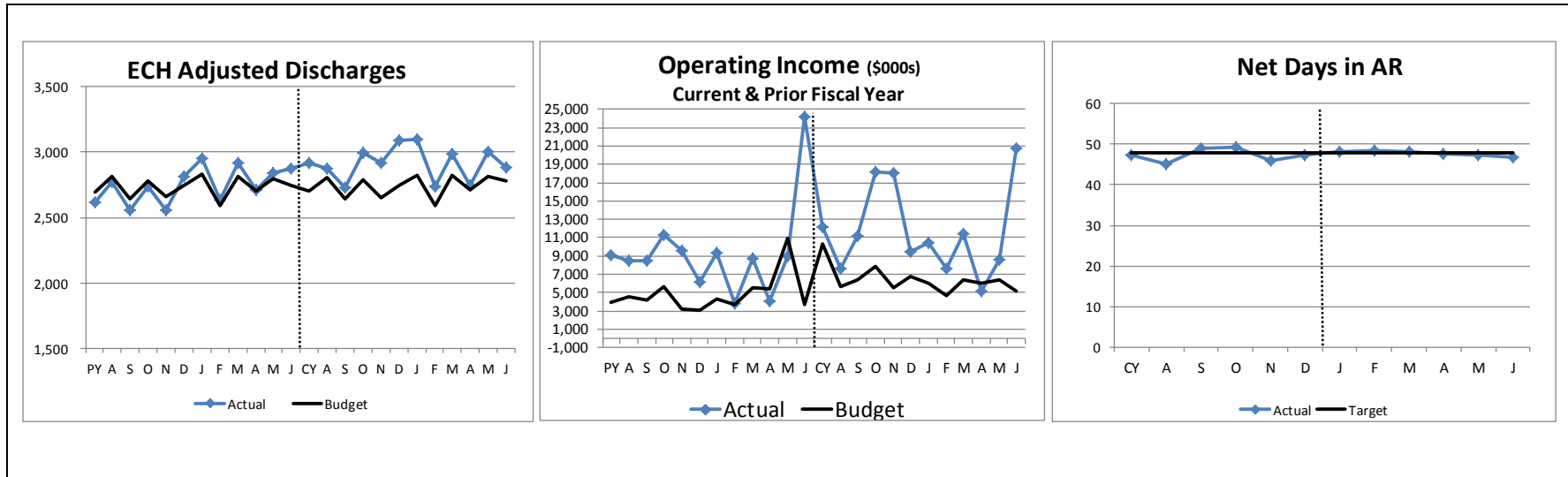
(in thousands; \$000s)	Year to Date (YTD)	
	Net Income	% Net Revenue
Budgeted Hospital Operations FY2018	77,090	9.0%
Net Revenue - Favorable due higher volume, revenue cycle operations and \$25 million unusual items. Fav. volume in General Med and ED due to flu and Service Line growth in HVI, Neuro, Imaging and rehab	70,621	7.6%
Labor and Benefit Expense Change - Labor favorable vs budget after adjusting for volume, GASB credit in P12	2,091	0.2%
Professional Fees & Purchased Services -Recruiting costs for several key positions in the organization and backfill for vacant positions, repairs for survey readiness	(11,068)	-1.2%
Supplies - unfavorable due to increase in surgical and other general supplies, offset by savings in Spine supplies as well as Drugs. Higher volumes also driving increase and net positive to volume adjusted budget	(6,027)	-0.7%
Other Expenses - primarily due strategic fund expenses not spent	937	0.1%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as LG projects	6,764	0.7%
Actual Hospital Operations FY2018	140,408	15.2%

El Camino Hospital (\$000s)

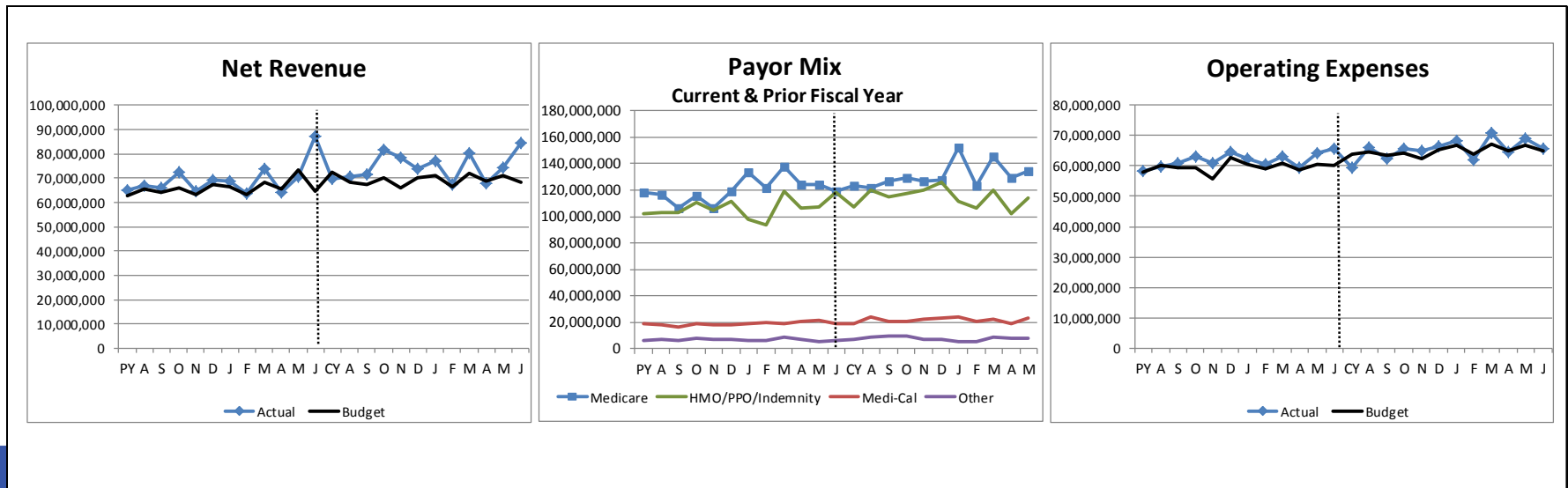
12 months ending 06/30/2018

Period 12 FY 2017	Period 12 FY 2018	Period 12 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
264,551	268,471	264,630	3,841	1.5%	OPERATING REVENUE					
(177,195)	(184,142)	(196,276)	12,134	1.0%	Gross Revenue	3,019,083	3,295,842	3,193,505	102,337	3.2%
87,356	84,329	68,354	15,975	23.4%	Deductions	(2,186,820)	(2,399,358)	(2,361,440)	(37,918)	1.6%
1,840	2,224	1,861	363	19.5%	Net Patient Revenue	832,263	896,484	832,066	64,418	7.7%
89,196	86,554	70,215	16,338	23.3%	Other Operating Revenue	26,085	29,332	23,129	6,202	26.8%
					Total Operating Revenue	858,347	925,816	855,195	70,621	8.3%
					OPERATING EXPENSE					
34,869	35,604	39,532	3,928	9.9%	Salaries & Wages	446,085	468,265	470,357	2,091	0.4%
13,572	11,407	9,994	(1,413)	-14.1%	Supplies	121,826	128,179	122,151	(6,027)	-4.9%
12,251	11,670	7,830	(3,840)	-49.0%	Fees & Purchased Services	101,123	105,970	94,901	(11,068)	-11.7%
2,558	2,721	2,309	(412)	-17.8%	Other Operating Expense	27,503	27,986	28,924	937	3.2%
(2,141)	241	725	485	66.8%	Interest	1,709	5,531	8,705	3,174	36.5%
3,876	4,218	4,656	438	9.4%	Depreciation	47,925	49,477	53,067	3,590	6.8%
64,985	65,861	65,047	(815)	-1.3%	Total Operating Expense	746,171	785,408	778,105	(7,303)	-0.9%
24,211	20,692	5,169	15,524	300.3%	Net Operating Income/(Loss)	112,176	140,408	77,090	63,318	82.1%
1,282	1,323	225	1,098	487.2%	Non Operating Income	57,400	53,812	2,704	51,109	1890.4%
25,493	22,015	5,394	16,622	308.2%	Net Income(Loss)	169,576	194,220	79,793	114,427	143.4%
29.1%	29.1%	15.0%	14.0%		EBITDA	18.9%	21.1%	16.2%	4.9%	
27.1%	23.9%	7.4%	16.5%		Operating Margin	13.1%	15.2%	9.0%	6.2%	
28.6%	25.4%	7.7%	17.8%		Net Margin	19.8%	21.0%	9.3%	11.6%	

Monthly Financial Trends

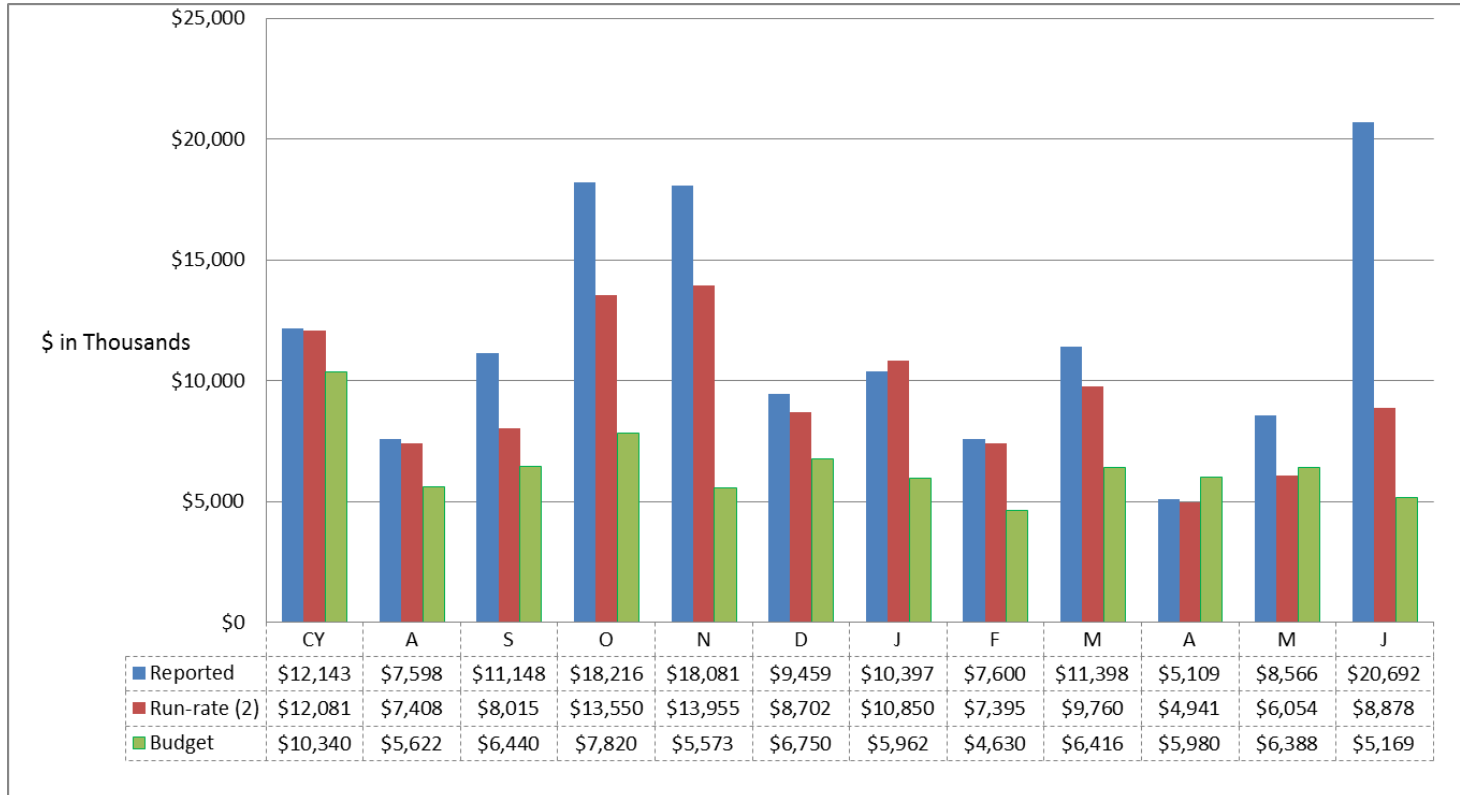


Higher inpatient volume occurring in Inpatient Behavioral Health, HVI, Neurosciences and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics, General Surgery and Rehab. Payor mix shows growth in Medicare primarily due to growth in Medicare intensive services such as Gen Med, HVI and Oncology



ECH Operating Margin

Run rate is booked operating income adjusted for material non-recurring transactions



FY 2018 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	N	D	J	F	M	A	M	J	YTD
Insurance (Payment Variance)	-	-	-	611	-	669	28	-	603	-	-	204	2,116
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	184	81	396	92	92	224	92	(16)	2,312
BPCI Settlement	-	-	-	-	-	-	-	-	-	-	-	331	331
Medi-Cal Supplemental	-	-	-	-	-	-	-	-	-	0	-	899	900
IGT Supplemental	-	-	-	-	-	-	-	-	-	-	-	8,410	8,410
AB 915	-	-	-	-	-	-	-	103	926	-	1,302	-	2,332
RAC Release	-	-	-	-	-	-	(894)	-	-	(63)	(1)	2,348	1,391
Hospital Fee	-	-	-	712	1,024	-	-	-	-	-	-	-	1,736
PRIME Incentive	-	-	-	-	2,902	-	-	-	-	-	1,108	-	4,010
Credit Balance Quarterly Review	-	-	2,201	-	-	-	-	-	-	-	-	(582)	1,620
Late Charge Accrual	-	-	-	3,283	-	-	-	-	-	-	-	-	3,283
Various Adjustments under \$250k	9	35	27	6	16	8	(878)	10	17	(56)	9	218	(579)
Total	63	190	3,134	4,667	4,126	757	(453)	205	1,638	169	2,511	11,814	28,819

El Camino Hospital Investment Committee Scorecard June 30, 2018

Key Performance Indicator	Status	2Q 2018		Fiscal Year-to-date		5y 8m Since Inception (annualized)		FY18	Expectation
		El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	Year-end Budget	Per Asset Allocation
Investment Performance									
Surplus cash balance*		\$942.9	--	--	--	--	--	\$926.1	--
Surplus cash return	■	1.3%	0.8%	6.9%	5.8%	5.7%	5.4%	1.9%	5.3%
Cash balance plan balance (millions)		\$264.4	--	--	--	--	--	\$257.1	--
Cash balance plan return	■	2.0%	0.9%	8.9%	7.0%	8.1%	7.2%	6.0%	5.7%
403(b) plan balance (millions)		\$464.6	--	--	--	--	--	--	--
Risk vs. Return									
Surplus cash Sharpe ratio	■	0.99	0.96	--	--	1.30	1.24	--	0.43
Net of fee return	■	5.3%	5.0%	--	--	5.7%	5.4%	--	5.3%
Standard deviation	■	4.7%	4.6%	--	--	4.1%	4.0%	--	6.7%
Cash balance Sharpe ratio	■	1.02	0.96	--	--	1.41	1.31	--	0.40
Net of fee return	■	6.6%	5.9%	--	--	8.1%	7.2%	--	5.7%
Standard deviation	■	5.8%	5.5%	--	--	5.4%	5.2%	--	8.1%
Asset Allocation									
Surplus cash absolute variances to target	■	7.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target	■	6.1%	< 10%	--	--	--	--	--	--
Manager Compliance									
Surplus cash manager flags	■	20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	■	22	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~\$223 mm), District assets (~\$33 mm), and balance sheet cash not in investable portfolio (~\$133 mm). Includes Foundation (~\$26 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



El Camino Hospital

Capital Spending (in millions)

Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Current Proj Spend	FY18 Orig Proj Spend	Variance	
								Between Current Proj Spend and Orig Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade			1.9	1.1	1.9	1.9	0.0	1.1
IT Hardware, Software, Equipment & Imaging*				12.2	1.2	12.2	12.2	0.0	1.2
Medical & Non Medical Equipment FY 17**				14.0	13.0	8.6	0.0	8.6 ²	7.6
Medical & Non Medical Equipment FY 18***				5.6	6.3	5.6	5.6	0.0	6.3
Facility Projects									
	1245 Behavioral Health Bldg	FY16	96.1	96.1	45.4	27.0	51.4	-24.4 ¹	27.8
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.2	2.6	3.4	-0.8	4.5
	1414 Integrated MOB	FY15	302.1	302.1	119.0	72.0	130.1	-58.1 ¹	73.1
	1422 CUP Upgrade	FY16	9.0	9.0	7.6	5.5	4.0	1.5	5.3
	1430 Women's Hospital Expansion	FY16	120.0	6.0	3.2	3.6	7.0	-3.4	2.8
	1425 IMOB Preparation Project - Old Main	FY16	20.0	0.0	2.8	0.0	0.0	0.0	0.2
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.6	0.0	0.0	0.0	0.2
	1525 New Main Lab Upgrades		3.1	3.1	2.2	2.5	0.0	2.5	1.7
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	0.3	0.0	0.4	0.0	0.4	0.0
	1503 Willow Pavilion Tomosynthesis	FY16	0.8	0.0	0.3	0.0	0.0	0.0	0.0
	1602 JW House (Patient Family Residence)		6.5	0.5	0.2	0.5	0.5	0.0	0.2
	Site Signage and Other Improvements		1.0	0.0	0.0	0.3	1.0	-0.8	0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	0.1	0.0	0.1	0.0
	1707 Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	0.3	0.1	0.2	0.0
	1708 IR/ Cath Lab Equipment Replacement		19.4	0.0	0.0	0.3	2.0	-1.8	0.0
	Flooring Replacement		1.6	0.3	0.0	0.4	0.0	0.4	0.0
	1219 LG Spine OR	FY13	0.0	0.0	3.8	0.0	0.0	0.0	0.4
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0	0.4
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	8.8	9.0	8.9	0.6	0.7	-0.1	1.6
	1307 LG Upgrades	FY13	19.3	19.3	17.8	4.9	5.0	-0.1	3.9
	1508 LG NICU 4 Bed Expansion	FY16	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1507 LG IR Upgrades		1.3	0.0	0.0	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)		5.0	5.0	4.9	3.5	3.5	0.0	4.6
	1711 Emergency Sanitary & Water Storage		1.4	0.3	0.1	0.2	3.2	-3.0	0.1
	LG Modular MRI & Awning		3.9	3.9	0.0	0.4	0.0	0.4	0.0
	LG Nurse Call System Upgrade		2.8	0.0	0.0	0.0	0.0	0.0	0.0
	LG Observation Unit (Conversion of ICU 2)		1.8	0.0	0.0	0.8	0.0	0.8	0.0
	1712 LG Cancer Center		2.4	0.3	0.2	0.4	0.0	0.4	0.2
	All Other Projects under \$1M		5.6	0.1	90.9	1.8	0.0	1.8	4.1
GRAND TOTAL			684.4	479.6	338.3	128.0	211.9	-83.9	131.2
				499.4	360.0	156.5	231.7	-75.2	147.4

* Excluding EPIC

** Unspent Prior Year routine used as contingency

*** Includes 2 robot purchases

¹ Variance due to delay in MV campus plan

² Initial assumption was to spend all FY17 in FY17

Balance Sheet (in thousands)

ASSETS			LIABILITIES AND FUND BALANCE		
	Audited			Audited	
	June 30, 2018	June 30, 2017		June 30, 2018	June 30, 2017
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	118,976	125,551	Accounts Payable	30,474	38,457
Short Term Investments	158,582	140,284	Salaries and Related Liabilities	27,476	25,109
Patient Accounts Receivable, net	116,372	109,089	Accrued PTO	24,532	23,409
Other Accounts and Notes Receivable	3,117	2,628	Worker's Comp Reserve	2,300	2,300
Intercompany Receivables	2,052	1,495	Third Party Settlements	7,000	10,438
(1) Inventories and Prepaids	75,421	50,657	Intercompany Payables	124	84
Total Current Assets	474,520	429,705	Malpractice Reserves	1,634	1,634
			Bonds Payable - Current	3,850	3,735
BOARD DESIGNATED ASSETS			Bond Interest Payable	13,031	11,245
(2) Plant & Equipment Fund	153,784	131,153	Other Liabilities	9,078	4,889
Women's Hospital Expansion	9,298	9,298	Total Current Liabilities	119,500	121,299
(3) Operational Reserve Fund	127,908	100,196			
(4) Community Benefit Fund	18,675	12,237	LONG TERM LIABILITIES		
Workers Compensation Reserve Fund	22,261	20,007	Post Retirement Benefits	19,787	19,218
Postretirement Health/Life Reserve Fund	19,787	19,218	Worker's Comp Reserve	19,961	17,707
PTO Liability Fund	24,532	23,409	Other L/T Obligation (Asbestos)	3,859	3,746
Malpractice Reserve Fund	1,634	1,634	Other L/T Liabilities (IT/Medl Leases)	-	-
Catastrophic Reserves Fund	18,322	16,575	Bond Payable	517,781	527,371
Total Board Designated Assets	396,202	333,727	Total Long Term Liabilities	561,388	568,042
(5) FUNDS HELD BY TRUSTEE	197,269	287,052			
			DEFERRED REVENUE-UNRESTRICTED	528	567
LONG TERM INVESTMENTS	343,409	256,652	(7) DEFERRED INFLOW OF RESOURCES	21,333	10,666
INVESTMENTS IN AFFILIATES	32,775	32,451	FUND BALANCE/CAPITAL ACCOUNTS		
			Unrestricted	1,254,920	1,132,525
PROPERTY AND EQUIPMENT			Board Designated	396,202	333,726
(6) Fixed Assets at Cost	1,261,854	1,192,047	Restricted	0	0
Less: Accumulated Depreciation	(577,959)	(531,785)	(8) Total Fund Bal & Capital Accts	1,651,121	1,466,251
Construction in Progress	204,623	138,017			
Property, Plant & Equipment - Net	888,518	798,279	TOTAL LIABILITIES AND FUND BALANCE	2,353,871	2,166,825
DEFERRED OUTFLOWS	21,177	28,960			
RESTRICTED ASSETS - CASH	0	0			
TOTAL ASSETS	2,353,871	2,166,825			

June 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The significant increase is due to the actuarially determined (GASB 68) prepaid funding of the Cash Balance Plan just completed by Conduent, as given the investment performance in calendar 2017 the value of prepaid funding grew by approximately \$20M. Note there is about a 50% offset on the Liability side of the Balance Sheet – see Deferred Inflow of Resources.
- (2) The increase is due to funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains \$14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds, item (5).
- (3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.
- (4) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (5) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (6) The increase is due to the capitalization of the Parking Structure expansion in August, CT upgrades at LG in September and the MOB upgrades also at LG.
- (7) Increase related to Cash Balance adjust this year (GASB 68) – see footnote #1
- (8) The increase is mostly attributable to the year's financial performance producing an operating income of \$140 million and non-operating of \$54 million (mostly from unrealized gains on investments).

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/ HISTORY (1 OF 2)

- **Plant & Equipment Fund** – original established by the District Board in the early 1960’s to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District’s Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.
- **Women’s Hospital Expansion** – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.
- **Operational Reserve Fund** – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on projected budget) and only be used in the event of a major business interruption event and/or cash flow.
- **Community Benefit Fund** – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/ HISTORY (2 OF 2)

- **Workers Compensation Reserve Fund** – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.
- **Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.
- **PTO (Paid Time Off) Liability Fund** – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.
- **Malpractice Reserve Fund** – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.
- **Catastrophic Loss Fund** – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

El Camino Hospital – Mountain View (\$000s)

12 months ending 06/30/2018

Period 12 FY 2017	Period 12 FY 2018	Period 12 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
215,651	220,687	214,584	6,103	2.8%	Gross Revenue	2,477,932	2,703,886	2,617,727	86,159	3.3%
(143,134)	(149,454)	(159,931)	10,477	-6.6%	Deductions	(1,789,652)	(1,963,531)	(1,943,291)	(20,239)	1.0%
72,517	71,233	54,653	16,580	30.3%	Net Patient Revenue	688,281	740,355	674,436	65,919	9.8%
1,676	1,732	1,648	85	5.1%	Other Operating Revenue	24,080	26,804	20,561	6,243	30.4%
74,192	72,965	56,301	16,665	29.6%	Total Operating Revenue	712,360	767,159	694,997	72,162	10.4%
					OPERATING EXPENSE					
28,310	29,223	33,017	3,793	11.5%	Salaries & Wages	370,202	389,302	393,466	4,165	1.1%
11,627	9,339	8,013	(1,325)	-16.5%	Supplies	99,717	104,625	98,332	(6,293)	-6.4%
10,623	10,004	6,561	(3,444)	-52.5%	Fees & Purchased Services	84,598	89,542	79,535	(10,007)	-12.6%
918	1,212	772	(439)	-56.9%	Other Operating Expense	8,406	9,347	10,246	898	8.8%
(2,141)	241	725	485	66.8%	Interest	1,709	5,531	8,705	3,174	36.5%
3,382	3,493	3,819	326	8.5%	Depreciation	41,801	41,959	43,943	1,983	4.5%
52,719	53,512	52,907	(605)	-1.1%	Total Operating Expense	606,434	640,307	634,227	(6,080)	-1.0%
21,473	19,453	3,394	16,060	473.2%	Net Operating Income/(Loss)	105,926	126,852	60,769	66,082	108.7%
1,282	1,323	225	1,098	487.2%	Non Operating Income	57,410	53,857	2,704	51,153	1892.1%
22,755	20,776	3,619	17,157	474.1%	Net Income(Loss)	163,337	180,709	63,473	117,236	184.7%
30.6%	31.8%	14.1%	17.7%		EBITDA	21.0%	22.7%	16.3%	6.4%	
28.9%	26.7%	6.0%	20.6%		Operating Margin	14.9%	16.5%	8.7%	7.8%	
30.7%	28.5%	6.4%	22.0%		Net Margin	22.9%	23.6%	9.1%	14.4%	

El Camino Hospital – Los Gatos(\$000s)

12 months ending 06/30/2018

Period 12 FY 2017	Period 12 FY 2018	Period 12 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
48,900	47,784	50,047	(2,263)	-4.5%	Gross Revenue	541,151	591,956	575,778	16,178	2.8%
(34,061)	(34,688)	(36,346)	1,658	-4.6%	Deductions	(397,168)	(435,827)	(418,148)	(17,679)	4.2%
14,839	13,096	13,701	(605)	-4.4%	Net Patient Revenue	143,982	156,129	157,630	(1,501)	-1.0%
164	492	214	278	130.4%	Other Operating Revenue	2,005	2,528	2,568	(40)	-1.6%
15,003	13,588	13,915	(326)	-2.3%	Total Operating Revenue	145,987	158,657	160,198	(1,541)	-1.0%
OPERATING EXPENSE										
6,559	6,381	6,515	134	2.1%	Salaries & Wages	75,883	78,963	76,890	(2,073)	-2.7%
1,945	2,069	1,981	(87)	-4.4%	Supplies	22,109	23,553	23,819	266	1.1%
1,628	1,666	1,270	(396)	-31.2%	Fees & Purchased Services	16,524	16,427	15,366	(1,061)	-6.9%
1,640	1,509	1,537	28	1.8%	Other Operating Expense	19,098	18,639	18,678	39	0.2%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
495	725	837	112	13.4%	Depreciation	6,124	7,518	9,125	1,607	17.6%
12,266	12,349	12,140	(210)	-1.7%	Total Operating Expense	139,737	145,101	143,878	(1,223)	-0.9%
2,738	1,239	1,775	(536)	-30.2%	Net Operating Income/(Loss)	6,250	13,556	16,320	(2,764)	-16.9%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
2,738	1,239	1,775	(536)	-30.2%	Net Income(Loss)	6,240	13,511	16,320	(2,809)	-17.2%
21.5%	14.5%	18.8%	-4.3%		EBITDA	8.5%	13.3%	15.9%	-2.6%	
18.2%	9.1%	12.8%	-3.6%		Operating Margin	4.3%	8.5%	10.2%	-1.6%	
18.2%	9.1%	12.8%	-3.6%		Net Margin	4.3%	8.5%	10.2%	-1.7%	

LG margin improved from prior year and favorable compared to benchmarks. However performance is lower than budget due to MD turnover.

Non Operating Items and Net Income by Affiliate

\$ in thousands

	Period 12 - Month			Period 12 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	19,453	3,394	16,060	126,852	60,769	66,082
Los Gatos	1,239	1,775	(536)	13,556	16,320	(2,764)
Sub Total - El Camino Hospital, excl. Affiliates	20,692	5,169	15,524	140,408	77,090	63,318
Operating Margin %	23.9%	7.4%		15.2%	9.0%	
El Camino Hospital Non Operating Income						
Investments	2,144	1,516	629	58,668	18,186	40,481
Swap Adjustments	64	0	64	1,151	0	1,151
Community Benefit	(33)	(283)	251	(3,153)	(3,400)	247
Pathways	(289)	42	(331)	(634)	500	(1,134)
Satellite Dialysis	56	(35)	92	(127)	(425)	298
Community Connect	0	(141)	141	0	(1,686)	1,686
SVMD Funding ¹	(448)	(448)	1	(2,695)	(5,380)	2,685
Premier Investment ²	0	0	0	3,695	0	3,695
Other	(172)	(424)	252	(3,092)	(5,091)	1,999
Sub Total - Non Operating Income	1,323	225	1,098	53,812	2,704	51,109
El Camino Hospital Net Income (Loss)	22,015	5,394	16,622	194,220	79,793	114,427
ECH Net Margin %	25.4%	7.7%		21.0%	9.3%	
Concern	(94)	126	(220)	707	1,430	(723)
ECSC	(5)	0	(5)	(96)	0	(96)
Foundation	173	135	38	1,911	737	1,175
Silicon Valley Medical Development	(270)	(7)	(263)	1,127	(0)	1,127
Net Income Hospital Affiliates	(196)	254	(450)	3,650	2,167	1,483
Total Net Income Hospital & Affiliates	21,819	5,648	16,172	197,870	81,960	115,910

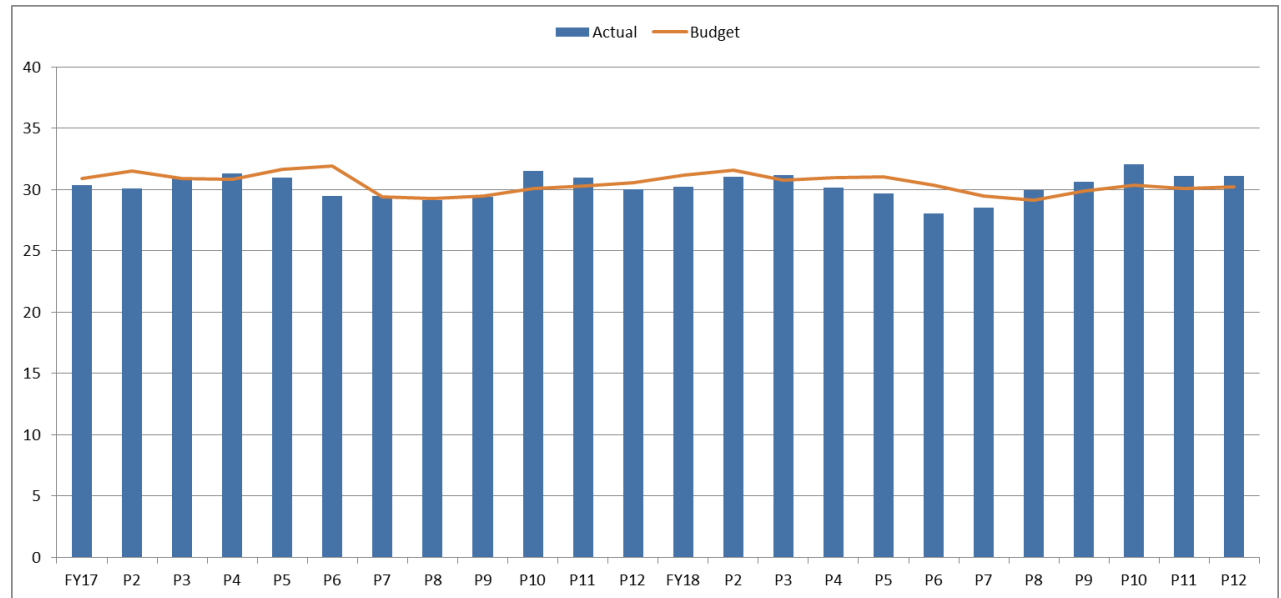
¹Favorable variances for SVMD and Community Connect are due to delayed implementation

²Gain on Premier stock sale of shares eligible were sold with proceeds going to pooled investments. No impact on vendor relationships.

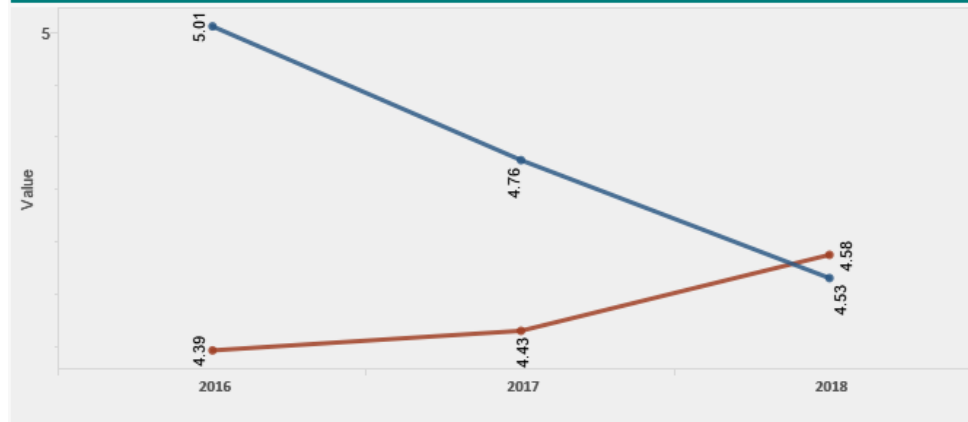
Productivity and Medicare Length of Stay

Work hours per adjusted patient day in June is over budget by 1.1. Overall the month of June is 31.4 worked hours per adjusted patient day

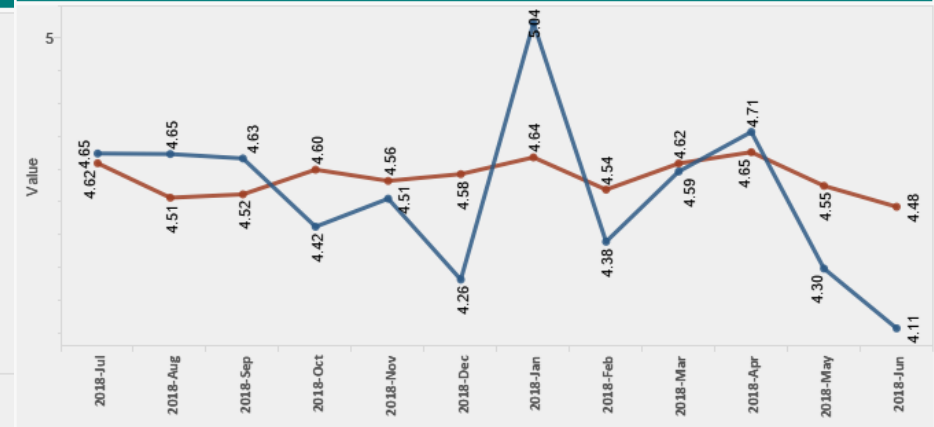
ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2018 at benchmark. Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



El Camino Hospital Volume Annual Trends – Inpatient

	2014	2015	2016	2017	2018	2018B	FY 18 Bud Var		Growth FY 18	
							Cases	%	Cases	%
Behavioral Health	1,012	1,052	928	924	1,099	912	187	21%	175	18.9%
General Medicine	4,160	4,591	4,459	4,961	5,288	4,679	609	13%	327	6.6%
General Surgery	1,243	1,150	1,311	1,318	1,304	1,306	(2)	0%	(14)	-1.1%
GYN	390	313	293	270	244	275	(31)	-11%	(26)	-9.6%
Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,082	290	14%	169	7.7%
MCH	6,695	6,371	5,951	5,819	5,754	6,206	(452)	-7%	(65)	-1.1%
Neurosciences	667	672	677	688	871	697	174	25%	183	26.6%
Oncology	606	564	652	594	633	572	61	11%	39	6.6%
Orthopedics	1,695	1,773	1,746	1,690	1,707	1,762	(55)	-3%	17	1.0%
Other	5	1				-	-		-	
Rehab Services	547	555	500	461	442	497	(55)	-11%	(19)	-4.1%
Spine Surgery	377	429	417	474	375	478	(103)	-22%	(99)	-20.9%
Urology	172	169	234	257	254	240	14	6%	(3)	-1.2%
	19,428	19,638	19,169	19,659	20,343	19,705	638	3%	684	3.5%
		1.1%	-2.4%	2.6%	3.5%					

- General Medicine, HVI, Behavioral Health, and Neuroscience display an increasing trend.
- Conversely, Rehab Services, MCH and GYN show a decreasing trend.
- The remaining service lines are staying flat.

El Camino Hospital Volume Annual Trends – Outpatient

	2014	2015	2016	2017	2018	2018B	FY 18 Bud Var		Growth FY 18	
							Cases	%	Cases	%
Behavioral Health	911	886	2,395	3,262	3,151	3,282	(131)	-4%	(111)	-3.4%
Dialysis	1,059	154	6		22	-	22		22	
Emergency	46,019	49,105	48,592	48,625	49,442	48,975	467	1%	817	1.7%
General Medicine	6,754	6,874	7,053	6,622	6,726	6,504	222	3%	104	1.6%
General Surgery	1,840	1,854	1,798	1,843	2,012	2,049	(37)	-2%	169	9.2%
GYN	1,221	1,308	1,018	1,080	1,069	1,172	(103)	-9%	(11)	-1.0%
Heart and Vascular	2,575	2,719	3,812	4,375	4,361	4,393	(32)	-1%	(14)	-0.3%
Imaging Services	19,018	19,467	17,575	17,248	18,579	17,597	982	6%	1,331	7.7%
Laboratory Services	30,364	29,441	28,897	29,140	28,747	28,741	6	0%	(393)	-1.3%
MCH	5,040	4,829	4,952	5,475	5,614	5,200	414	8%	139	2.5%
Neurosciences	110	61	127	125	125	142	(17)	-12%	-	0.0%
Oncology	4,007	4,183	14,308	18,579	19,295	19,438	(143)	-1%	716	3.9%
Orthopedics	866	776	584	616	642	588	54	9%	26	4.2%
Other	620	603	622	547	605	703	(98)	-14%	58	10.6%
Outpatient Clinics	1,817	1,706	1,681	1,304	1,892	1,450	442	30%	588	45.1%
Rehab Services	1,733	1,747	3,953	4,518	4,934	4,326	608	14%	416	9.2%
Sleep Center	160	223	499	368	211	720	(509)	-71%	(157)	-42.7%
Spine Surgery	325	401	309	324	298	331	(33)	-10%	(26)	-8.0%
Urology	1,758	1,773	1,740	1,898	1,798	1,875	(77)	-4%	(100)	-5.3%
	126,197	128,110	139,921	145,949	149,523	147,485	2,038	1%	3,574	2.4%
		1.5%	9.2%	4.3%	2.4%					

- Comparing year-over-year Oncology, MCH, Rehab Services, Emergency and Outpatient Clinics are all increasing in volume. All others are remaining flat or decreasing.

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	14,275
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
GRAND TOTAL	86,789	96,740	97,923	156,465
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2017

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556	1404 - Park Pav HVAC	0	64	7	0	0
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
Land Acquisition (1550)	0	0	0	24,007	0	1408 - New Main Accessibility Upgrades	0	0	7	46	501
828 S Winchester Clinic TI (1701)	0	0	0	0	145	1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
Facilities Projects CIP						1423 - MV MOB TI Allowance	0	0	0	588	369
Mountain View Campus Master Plan Projects						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1430 - Women's Hospital Expansion	0	0	0	0	464
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1432 - 205 South Dr BHS TI	0	0	8	15	0
1422 - CUP Upgrade	0	0	0	896	1,245	1501 - Women's Hospital NPC Comp	0	0	4	0	223
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
						1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
Mountain View Capital Projects						1504 - Equipment Support Infrastructure	0	0	61	311	0
9900 - Unassigned Costs	734	470	3,717	0	0	1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
1108 - Cooling Towers	450	0	0	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1120 - BHS Out Patient TI's	66	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1129 - Old Main Card Rehab	9	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
0817 - Womens Hosp Upgrds	645	1	0	0	0	Los Gatos Capital Projects					
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0904 - LG Facilities Upgrade	2	0	0	0	0
1109 - New Main Upgrades	423	393	2	0	0	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1225 - Rehab BLDG Roofing	7	241	4	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1227 - New Main eICU	96	21	0	0	0	1308 - LG Infrastructure	0	114	0	0	0
1230 - Fog Shop	339	80	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1315 - 205 So. Drive TI's	0	500	2	0	0	1219 - LG Spine OR	0	214	323	633	2,163
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1221 - LG Kitchen Refrig	0	85	0	0	0
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1248 - LG - CT Upgrades	0	26	345	197	6,669
1211 - SIS Monitor Install	215	0	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1345 - LG Lab HVAC	0	112	0	0	0
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1301 - Desktop Virtual	0	13	0	0	0	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1304 - Rehab Wander Mgmt	0	87	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1318 - Women's Hospital TI	0	48	48	29	2	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1327 - Rehab Building Upgrades	0	0	15	20	0	1603 - LG MOB Improvements	0	0	0	0	285
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1340 - New Main ED Exam Room TVs	0	8	193	0	0	Subtotal Facilities Projects CIP	9,294	13,753	38,940	24,130	82,808
1341 - New Main Admin	0	32	103	0	0	Grand Total	27,598	58,561	86,789	96,740	97,923
1344 - New Main AV Upgrd	0	243	0	0	0	Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000
1400 - Oak Pav Cancer Center	0	0	5,208	666	52						