



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

Summary of Financial
Operations

Fiscal Year 2018 – Period 2

7/1/2017 to 8/31/2017

Dashboard - ECH combined as of August 31, 2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	242	239	237	245	228	232	228	229	233	229
Adjusted Discharges	22,499	23,446	31,495	23,359	2,471	2,615	2,506	4,820	5,249	4,959
Total Discharges	19,367	19,660	24,048	19,781	1,948	1,990	1,969	3,827	4,008	3,911
Inpatient Cases										
MS Discharges	13,344	13,616	17,892	13,499	1,403	1,487	1,435	2,771	2,982	2,849
Deliveries	4,717	4,660	4,680	4,810	404	384	412	787	780	819
BHS	806	923	1,068	901	95	82	79	177	178	157
Rehab	500	461	408	570	46	37	43	92	68	86
Outpatient Cases										
ED	139,935	145,927	147,672	147,053	12,501	12,729	12,259	23,946	24,612	24,221
Procedural Cases	48,609	48,648	48,120	51,258	4,122	3,988	4,023	8,034	8,020	8,045
OP Surg	6,070	6,666	5,922	6,427	523	522	550	1,005	987	1,086
Endo	2,324	2,159	2,532	2,479	196	221	177	332	422	350
Interventional	2,021	1,963	1,932	2,323	162	157	172	349	322	339
All Other	80,911	86,491	89,166	84,566	7,498	7,841	7,337	14,226	14,861	14,401
Financial Perf.										
Net Patient Revenues	772,020	832,279	842,640	832,066	66,835	70,761	68,210	132,021	140,440	140,655
Total Operating Revenue	795,657	858,363	871,682	855,195	68,749	73,596	70,046	135,638	145,280	144,337
Operating Expenses	743,044	752,786	753,233	778,105	60,221	65,997	64,424	117,992	125,539	128,375
Operating Income \$	52,613	105,578	118,449	77,090	8,528	7,598	5,622	17,645	19,742	15,962
Operating Margin	6.6%	12.3%	13.6%	9.0%	12.4%	10.3%	8.0%	13.0%	13.6%	11.1%
EBITDA \$	108,554	157,631	169,657	138,862	13,081	11,825	10,498	26,690	28,276	25,741
EBITDA %	13.6%	18.4%	19.5%	16.2%	19.0%	16.1%	15.0%	19.7%	19.5%	17.8%
IP Margin ¹	-8.7%	-6.2%	-6.8%	-14.7%	-8.6%	0.3%	-14.7%	-8.7%	-6.8%	-14.7%
OP Margin ¹	26.7%	33.1%	33.3%	30.9%	30.1%	36.6%	30.9%	31.6%	33.3%	30.9%
Payor Mix										
Medicare	46.6%	47.7%	45.5%	47.4%	47.7%	45.0%	47.4%	48.2%	45.5%	47.4%
Medi-Cal	7.4%	7.3%	7.8%	7.2%	7.0%	8.8%	7.2%	6.8%	7.8%	7.2%
Commercial IP	23.2%	22.3%	23.1%	22.6%	22.2%	23.0%	22.6%	22.4%	23.1%	22.6%
Commercial OP	18.7%	20.2%	20.8%	20.3%	20.6%	20.5%	20.3%	20.5%	20.8%	20.3%
Total Commercial	41.9%	42.5%	43.9%	42.9%	42.9%	43.6%	42.9%	42.8%	43.9%	42.9%
Other	4.1%	2.5%	2.8%	2.5%	2.5%	2.7%	2.5%	2.3%	2.8%	2.5%
Cost										
Employees	2,542.8	2,510.0	2,229.2	2,238.9	2,114.6	2,229.2	2,238.9	2,174.5	2,229.2	2,238.9
Hrs/APD	30.4	30.3	30.8	31.4	30.1	31.3	31.6	30.2	30.8	31.4
Balance Sheet										
Net Days in AR	53.7	44.8	45.2	48.0	44.8	45.2	48.0	44.8	45.2	48.0
Days Cash	361	444	463	266	444	463	266	444	463	266
Affiliates - Net Income (\$000s)										
Hosp	43,043	164,026	171,552	79,793	13,276	11,251	5,847	33,562	28,592	16,413
Concern	1,823	1,391	2,537	1,430	125	87	125	504	423	253
ECSC	(282)	(105)	(32)	0	(0)	(3)	0	(3)	(5)	0
Foundation	982	2,430	1,053	737	126	(27)	31	640	175	95
SVMD	156	195	(897)	(0)	(47)	(67)	(1)	143	(149)	(1)

Volume:

- For the year, overall volume, measured in adjusted discharges is 5.8% higher than budget.
- IP Med-Surg cases are 4.7% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are flat with prior year but 4.8% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Financial Performance:

- August's operating income is \$1.9M over budget, due to favorable revenue due to higher volume.
- EBITDA for August is favorable to budget by \$1.3M and \$2.5M YTD.

Payor Mix:

- Commercial insurance is 0.7% more of the Payor Mix in August than budget.

Cost:

- Hrs/APD for August is 31.3 and slightly better than budget.

Balance Sheet:

- Net days in AR is 45.2 which is 2.8 less than budget. Total cash on hand is high for August at 463 days.

Budget Variances

(in thousands)	Month to Date (MTD)		Year to Date (YTD)	
	Net Income Impact	% Net Revenue	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	5,623	8.0%	15,964	11.1%
Net Revenue - Favorable due to higher volume a favorable payor mix	3,550	4.8%	943	0.6%
Labor and Benefit Expense Change - Labor is close to budget after adjsuting for higher volume	(668)	-0.9%	(253)	-0.2%
Professional Fees & Purchased Services - Unfavorable due to recruiting costs in Imaging, Clincial Education and EHS.	(512)	-0.7%	564	0.4%
Supplies - Unfavorable due to drug expense (cancer drugs offset by revenue), robotic supplies and new non-capital surgical instruments in OR.	(1,523)	-2.1%	229	0.2%
Other Expenses - Favorable due quarterly BETA (insurance) rebate, reduction in property taxes due to common area correction, and no strategic fund expenses.	479	0.7%	1,050	0.7%
Depreciation & Interest - Favorable due to delay in new parking structure. Will start depreciation in P3.	650	0.9%	1,244	0.9%
Actual Hospital Operations FY2018	7,598	10.3%	19,742	13.6%

El Camino Hospital (\$000s)

2 months ending 8/31/2017

PERIOD 2 FY 2017	PERIOD 2 FY 2018	PERIOD 2 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
243,585	275,719	264,194	11,525	4.4%	Gross Revenue	474,847	526,566	523,118	3,449	0.7%
(176,750)	(204,958)	(195,983)	(8,974)	1.0%	Deductions	(342,826)	(386,126)	(382,463)	(3,663)	1.0%
66,835	70,761	68,210	2,551	3.7%	Net Patient Revenue	132,021	140,440	140,655	(215)	-0.2%
1,914	2,835	1,835	1,000	54.5%	Other Operating Revenue	3,616	4,840	3,682	1,158	31.4%
68,749	73,596	70,046	3,550	5.1%	Total Operating Revenue	135,638	145,280	144,337	943	0.7%
OPERATING EXPENSE										
35,755	39,601	38,933	(668)	-1.7%	Salaries & Wages	71,269	77,816	77,563	(253)	-0.3%
9,838	11,460	9,937	(1,523)	-15.3%	Supplies	18,278	19,669	19,899	229	1.2%
7,463	8,333	7,821	(512)	-6.5%	Fees & Purchased Services	14,461	15,367	15,932	564	3.5%
2,612	2,377	2,856	479	16.8%	Other Operating Expense	4,940	4,152	5,202	1,050	20.2%
459	333	725	392	54.1%	Interest	921	751	1,451	699	48.2%
4,094	3,893	4,151	257	6.2%	Depreciation	8,124	7,783	8,327	544	6.5%
60,221	65,997	64,423	(1,574)	-2.4%	Total Operating Expense	117,992	125,539	128,373	2,834	2.2%
8,528	7,598	5,623	1,976	35.1%	Net Operating Income/(Loss)	17,645	19,742	15,964	3,777	23.7%
4,749	3,652	225	3,427	1521.0%	Non Operating Income	15,916	8,851	451	8,400	1864.2%
13,277	11,251	5,848	5,403	92.4%	Net Income(Loss)	33,562	28,592	16,415	12,177	74.2%
19.0%	16.1%	15.0%	1.1%		EBITDA	19.7%	19.5%	17.8%	1.6%	
12.4%	10.3%	8.0%	2.3%		Operating Margin	13.0%	13.6%	11.1%	2.5%	
19.3%	15.3%	8.3%	6.9%		Net Margin	24.7%	19.7%	11.4%	8.3%	

Non Operating Items and Net Income by Affiliate

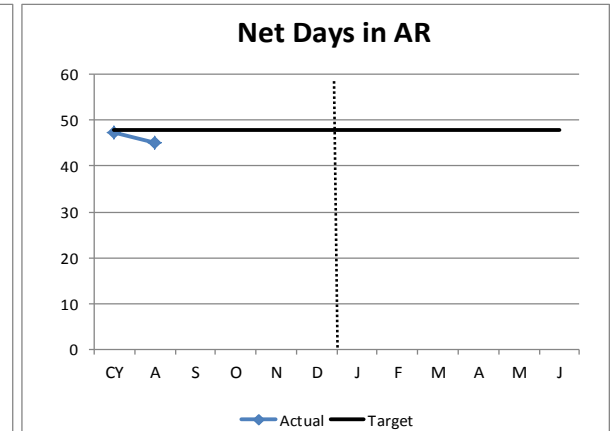
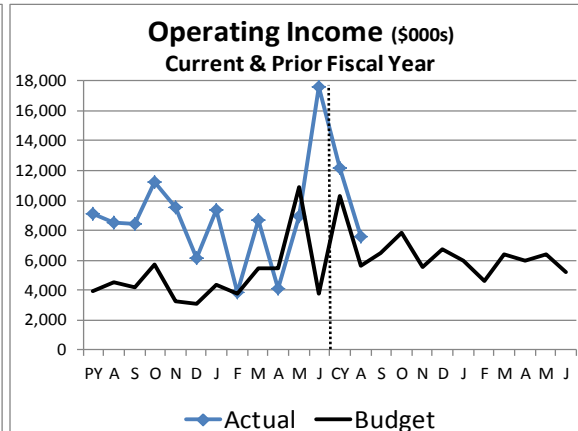
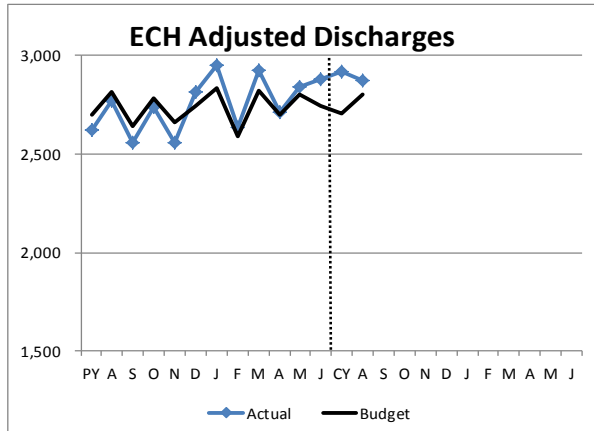
\$ in thousands

	Period 2 - Month			Period 2 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	6,926	4,344	2,582	18,870	13,505	5,364
Los Gatos	673	1,278	(606)	872	2,459	(1,587)
Sub Total - El Camino Hospital, excl. Affiliates	7,598	5,623	1,976	19,742	15,964	3,777
Operating Margin %	10.3%	8.0%		13.6%	11.1%	
El Camino Hospital Non Operating Income						
Investments	4,292	1,516	2,776	12,004	3,031	8,973
Swap Adjustments	(499)	0	(499)	(519)	0	(519)
Community Benefit	(33)	(283)	250	(2,004)	(567)	(1,437)
Affiliate Funding (IPECH / Foundation / SVMMD)	(423)	(705)	282	(571)	(1,409)	838
Other	139	(309)	448	(35)	(617)	582
Satellite Dialysis	(70)	(35)	(34)	(70)	(71)	1
Pathways	245	42	204	45	83	(38)
Sub Total - Non Operating Income	3,652	225	3,427	8,851	451	8,400
El Camino Hospital Net Income (Loss)	11,251	5,848	5,403	28,592	16,415	12,177
ECH Net Margin %	15.3%	8.3%		19.7%	11.4%	
Concern	87	125	(38)	423	253	170
ECSC	(3)	0	(3)	(6)	0	(6)
Foundation	(27)	31	(57)	175	95	80
Silicon Valley Medical Development	(67)	(1)	(67)	(149)	(1)	(149)
Net Income Hospital Affiliates	(11)	155	(166)	444	347	96
Total Net Income Hospital & Affiliates	11,240	6,003	5,237	29,036	16,762	12,273

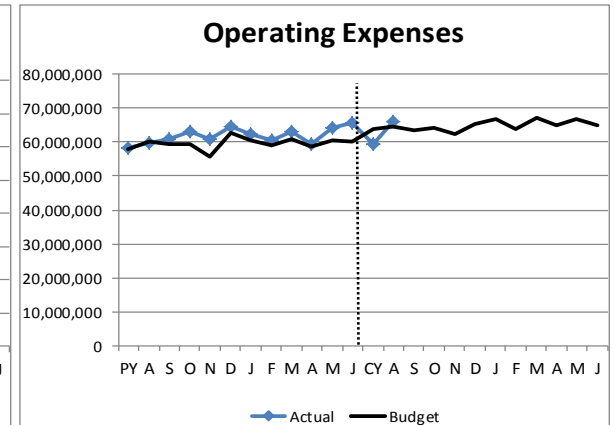
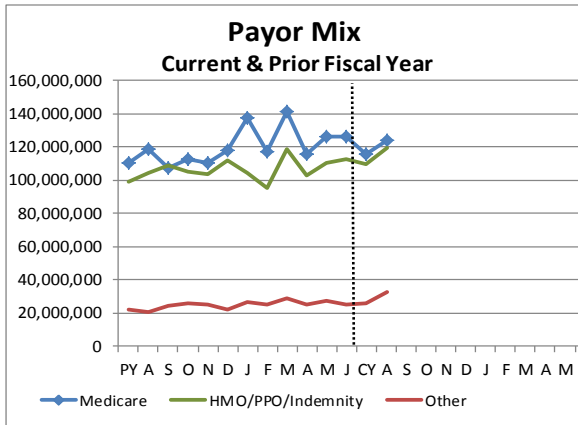
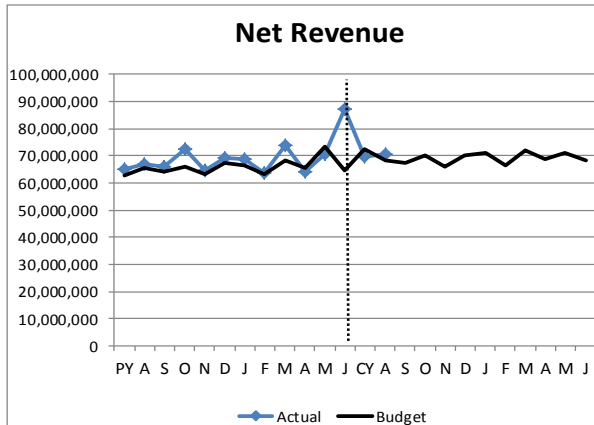
- Investment income favorable due to strong market

- Community Benefit variance due to timing of grants

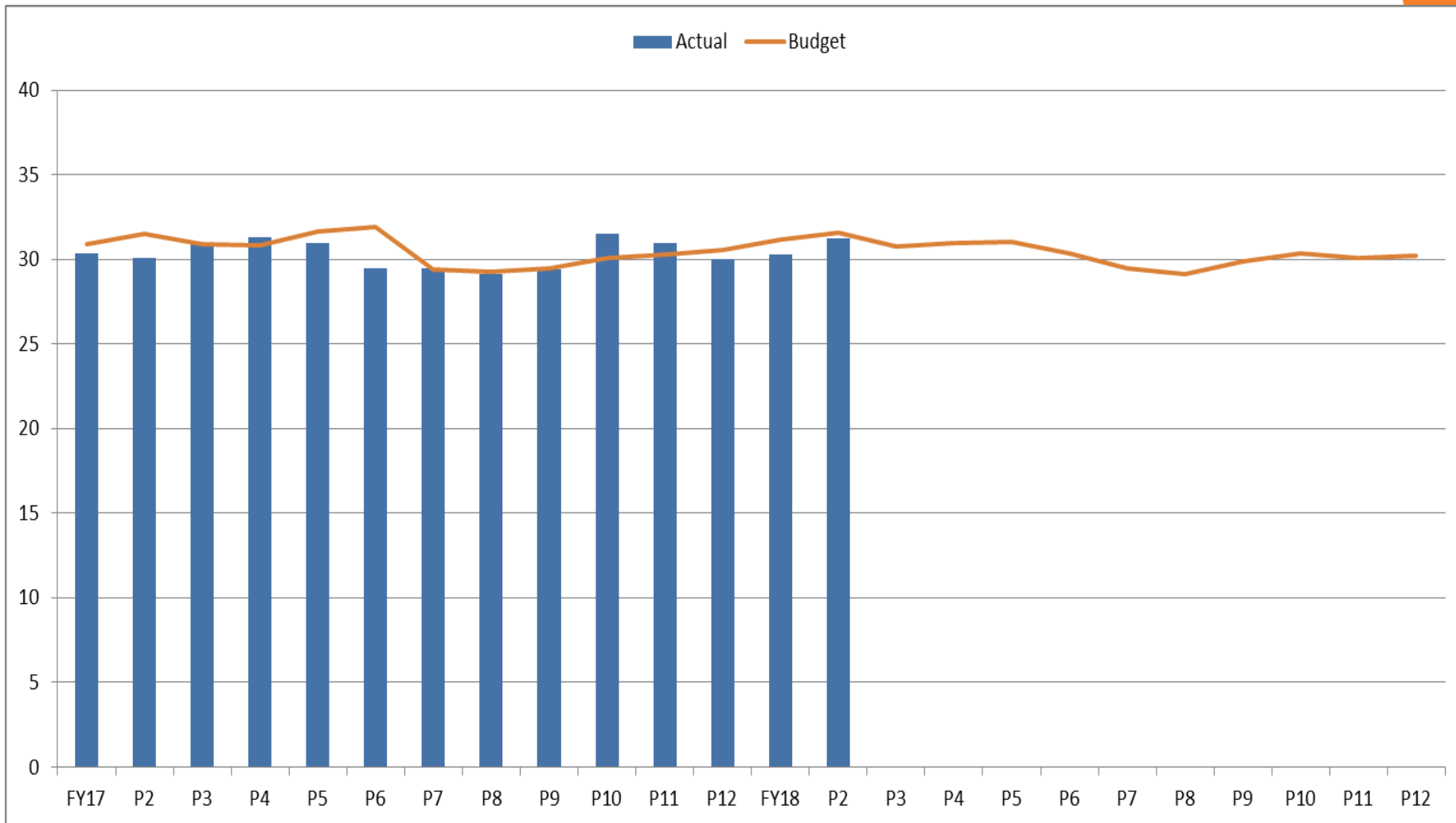
Monthly Financial Trends



Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.

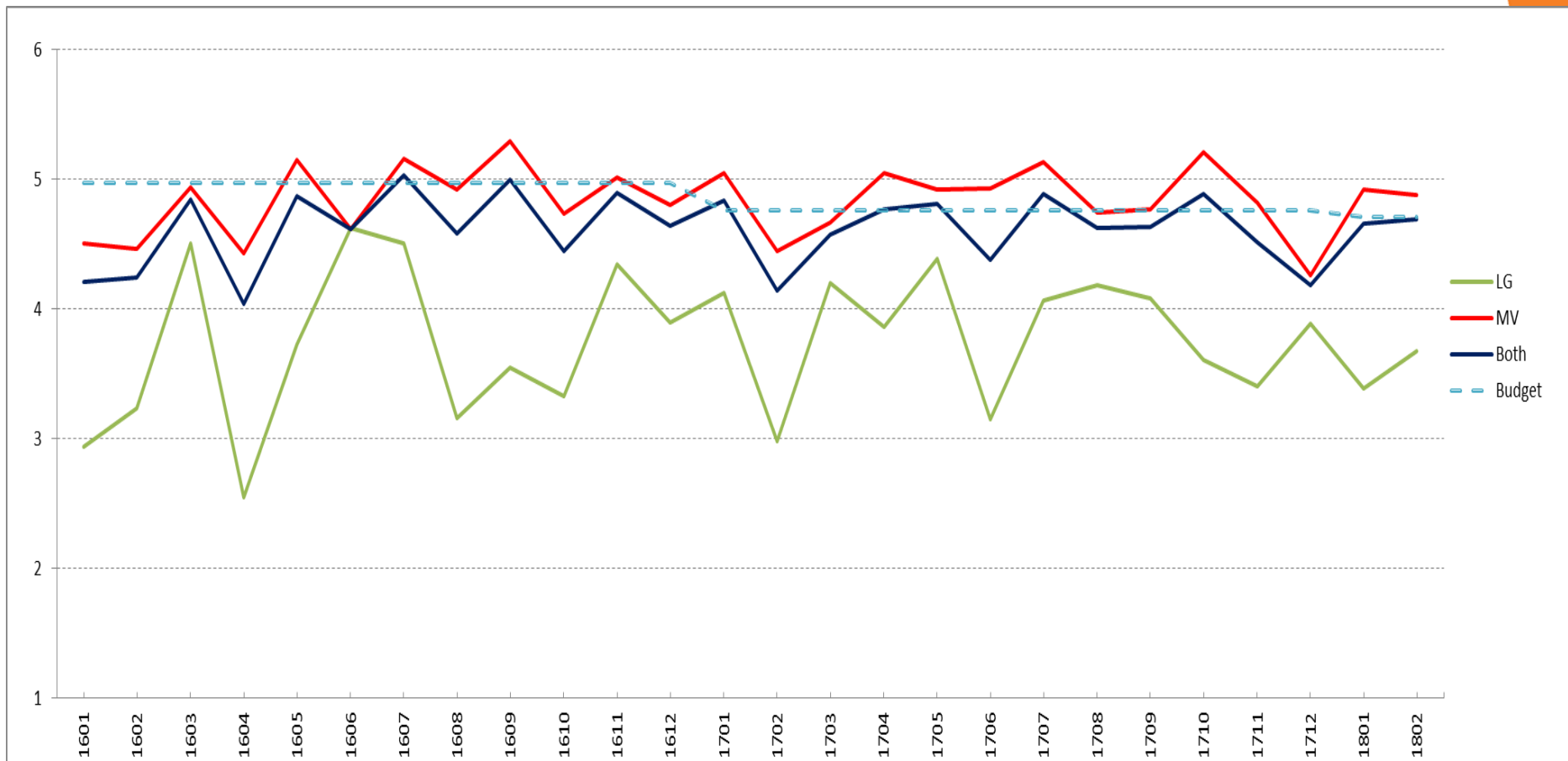


Worked Hours per Adjusted Patient Day



Work hours per adjusted patient day increased in August by 0.9. Overall the month of August is 31.2 worked hours per adjusted patient day.

Medicare ALOS

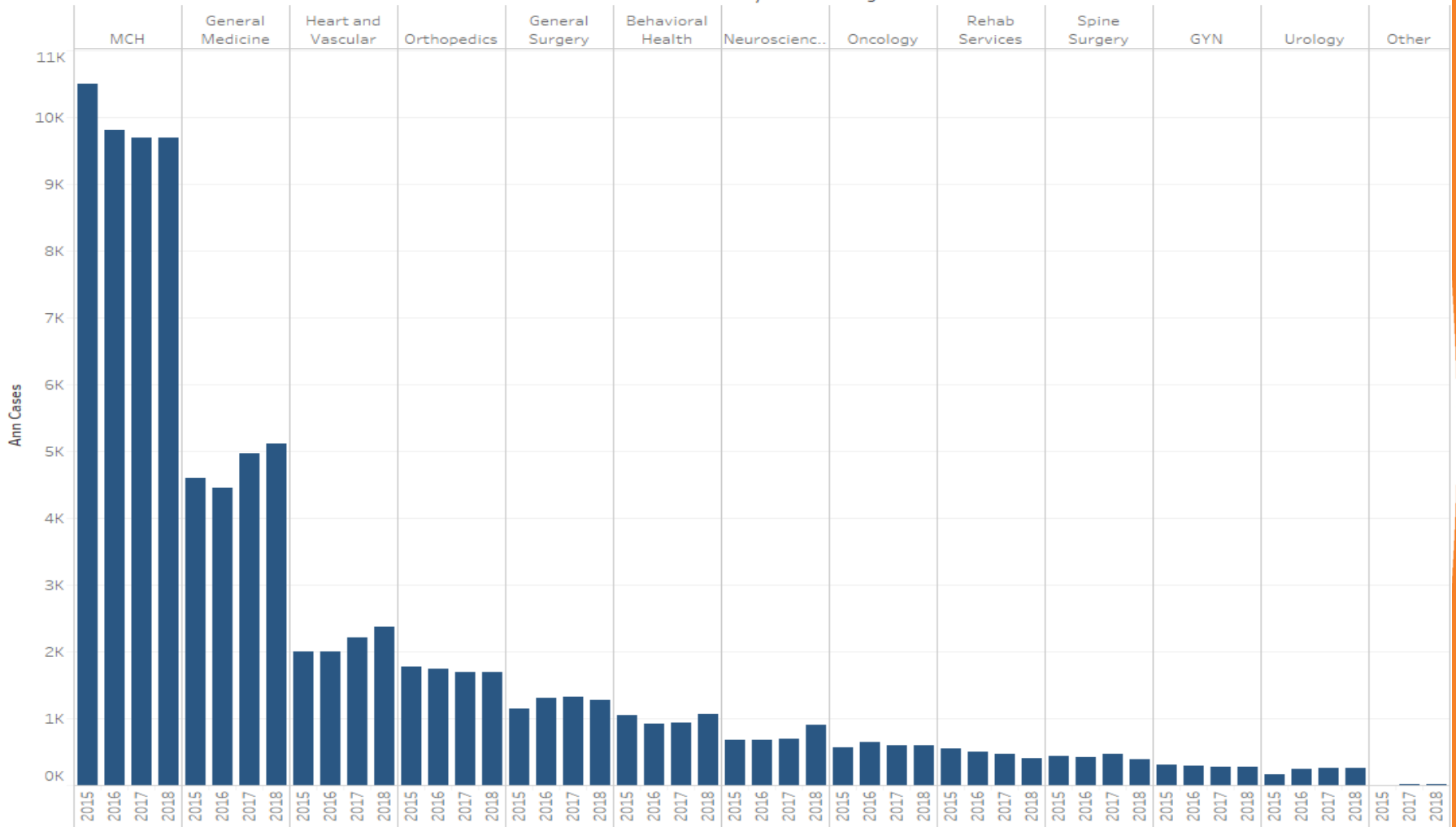


• August ALOS is 4.69 and compared to ALOS budget of 4.71 is lower by 0.2.

El Camino Hospital Volume Annual Trends – Inpatient

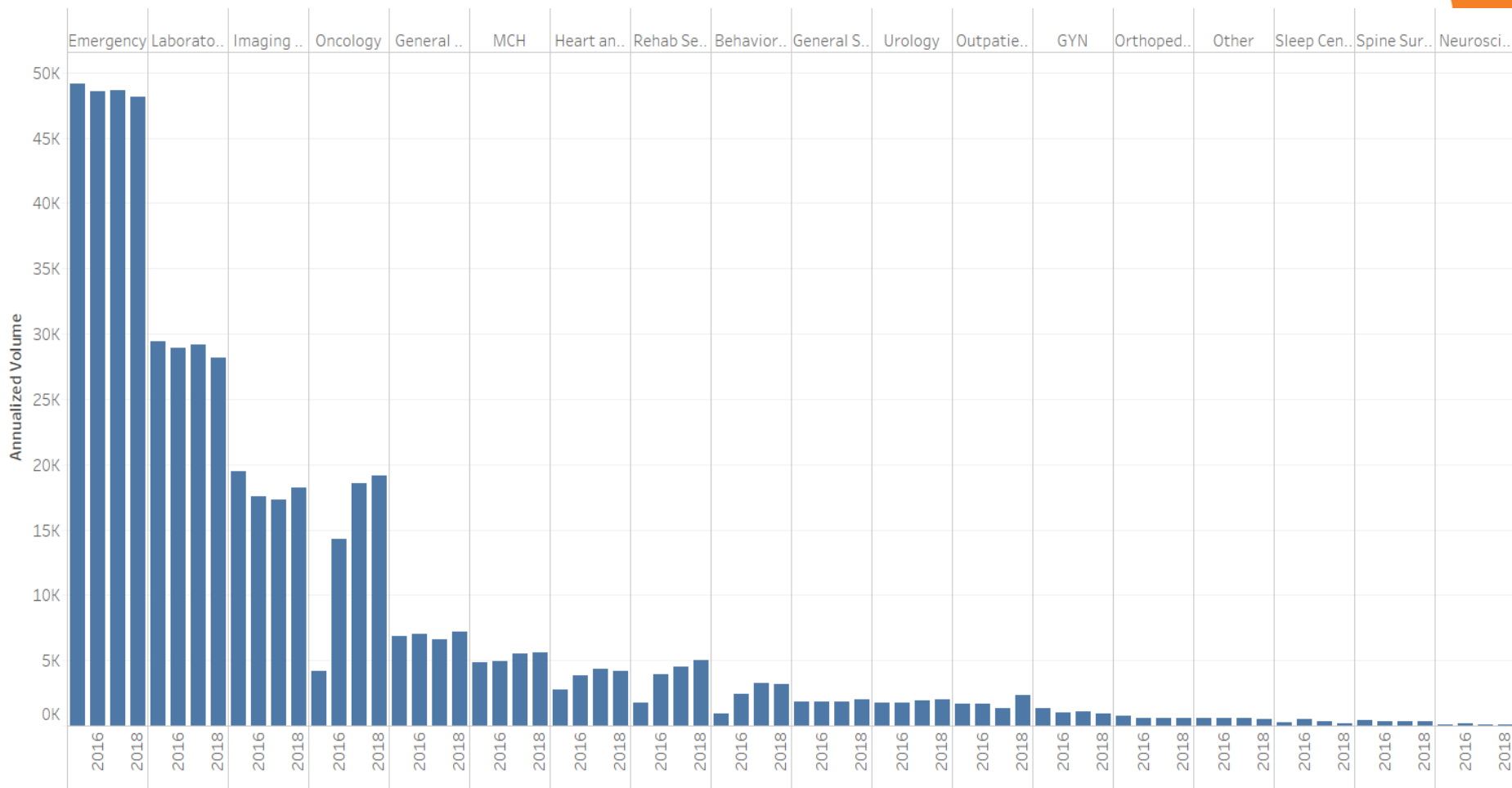
FY 2018 is annualized

Product Code Level 2 Desc / Enc - Discharge Fiscal Year



- MCH, General Medicine, HVI, Orthopedics, Behavioral Health , Neuroscience and Urology display an increasing trend year to year.
- Conversely, General Surgery, Oncology, Rehab Services, Spine Surgery and GYN show a decreasing trend year to year.

El Camino Hospital Volume Annual Trends – Outpatient FY 2018 is annualized



- Comparing year-over-year Imaging Services, Oncology, General Medicine, MCH, Rehab Services, Behavioral Health, Urology, General Surgery, and Outpatient Clinics are all increasing in volume.

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
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	-	-	-	-	-	-	-	-	-	-	209
Various Adjustments under \$250k	9	36	-	-	-	-	-	-	-	-	-	-	45
Total	63	191	-	-	-	-	-	-	-	-	-	-	254

El Camino Hospital Investment Committee Scorecard

June 30, 2017

Key Performance Indicator	Status	El Camino		Benchmark		El Camino		Benchmark		FY17 Year-end Budget	Expectation Per Asset Allocation
		2Q 2017	Benchmark	Fiscal Year-to-date	Benchmark	4y 8m Since Inception (annualized)	Benchmark	4y 8m Since Inception (annualized)	May 2016		
Investment Performance											
Surplus cash balance & op. cash (millions)		\$900.5	--	--	--	--	--	--	--	\$657.2	--
Surplus cash return	Green	2.4%	2.1%	8.9%	8.7%	5.4%	5.3%	5.4%	5.3%	4.0%	5.2%
Cash balance plan balance (millions)		\$243.8	--	--	--	--	--	--	--	\$220.6	--
Cash balance plan return	Green	3.1%	2.4%	11.2%	10.3%	7.9%	7.2%	7.9%	7.2%	6.0%	5.8%
403(b) plan balance (millions)		\$406.6	--	--	--	--	--	--	--	--	--
Risk vs. Return											
Surplus cash Sharpe ratio	Green	0.83	0.86	--	--	1.26	1.24	1.26	1.24	--	0.55
Net of fee return	Green	3.9%	4.1%	--	--	5.4%	5.3%	5.4%	5.3%	--	5.2%
Standard deviation	Green	4.5%	4.5%	--	--	4.1%	4.1%	4.1%	4.1%	--	8.6%
Cash balance Sharpe ratio	Green	0.84	0.79	--	--	1.37	1.31	1.37	1.31	--	0.49
Net of fee return	Green	4.9%	4.5%	--	--	7.9%	7.2%	7.9%	7.2%	--	5.8%
Standard deviation	Green	5.7%	5.6%	--	--	5.6%	5.3%	5.6%	5.3%	--	10.7%
Asset Allocation											
Surplus cash absolute variances to target	Green	9.6%	< 10%	--	--	--	--	--	--	--	--
Cash balance absolute variances to target	Green	9.4%	< 10%	--	--	--	--	--	--	--	--
Manager Compliance											
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--	--	--
Cash balance plan manager flags	Yellow	20	< 20 Green < 25 Yellow	--	--	--	--	--	--	--	--

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade		1.9	0.0	1.9	0.4
IT Hardware, Software, Equipment & Imaging*			12.2	0.0	12.2	0.0
Medical & Non Medical Equipment FY 17**			10.3	8.4	6.4	6.4
Medical & Non Medical Equipment FY 18			5.6	0.2	5.6	0.2
Facility Projects						
	1245 Behavioral Health Bldg	91.5	91.5	22.1	51.4	4.5
	1413 North Drive Parking Expansion	24.5	24.5	21.5	3.4	1.8
	1414 Integrated MOB	275.0	275.0	54.9	130.1	9.0
	1422 CUP Upgrade	9.0	9.0	2.5	4.0	0.2
	1430 Women's Hospital Expansion	91.0	6.0	0.5	7.0	0.0
	1425 IMOB Preparation Project - Old Main	3.0	3.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	2.8	2.8	2.4	0.0	0.0
	1525 New Main Lab Upgrades	1.6	3.1	0.5	0.5	0.0
	1515 ED Remodel Triage/Psych Observation	1.6	0.0	0.0	1.0	0.0
	1503 Willow Pavilion Tomosynthesis	1.3	1.3	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	2.5	0.0	0.0	0.0	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.1	0.0
	IR Room #6 Development	2.6	0.0	0.0	2.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.0	0.0
	1707 Imaging Equipment Replacement (5 or 6)	20.7	0.0	0.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.0	0.0
	1709 ED Remodel / CT Triage - Other	5.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.0	0.0	0.0	0.0
	1219 LG Spine OR	4.1	4.1	3.4	0.0	0.0
	1313 LG Rehab HVAC System & Structural	3.7	3.7	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.7	0.6
	1307 LG Upgrades	19.3	19.3	14.2	5.0	0.3
	1519 LG Electrical Systems Upgrade	1.2	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.5	0.2	0.0	0.0
	1507 LG IR Upgrades	1.1	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	1.5	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	0.4	3.5	0.2
	All Other Projects under \$1M	26.4	4.8	42.9	3.2	0.2
		627.6	462.3	180.0	211.9	16.7
GRAND TOTAL			492.4	188.6	231.7	23.6

*Excluding EPIC

** Unspent Prior Year routine, subject to change as capital is purchased

Balance Sheet (in thousands)

ASSETS

	Audited	
	August 31, 2017	June 30, 2017
CURRENT ASSETS		
(1) Cash	97,250	125,551
Short Term Investments	126,385	140,284
Patient Accounts Receivable, net	111,890	109,089
Other Accounts and Notes Receivable	2,605	2,628
(2) Intercompany Receivables	1,507	1,495
(3) Inventories and Prepaids	54,402	50,657
Total Current Assets	394,039	429,705
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	139,638	131,153
Women's Hospital Expansion	9,298	9,298
(4) Operational Reserve Fund	127,908	100,196
(5) Community Benefit Fund	17,778	12,237
Workers Compensation Reserve Fund	20,352	20,007
Postretirement Health/Life Reserve Fund	19,424	19,218
PTO Liability Fund	23,205	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	16,403	16,575
Total Board Designated Assets	375,640	333,727
(6) FUNDS HELD BY TRUSTEE	271,295	287,052
LONG TERM INVESTMENTS	280,400	256,652
INVESTMENTS IN AFFILIATES	32,450	32,451
(7) PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,216,577	1,192,047
Less: Accumulated Depreciation	(536,344)	(531,785)
Construction in Progress	124,007	138,017
Property, Plant & Equipment - Net	804,241	798,279
DEFERRED OUTFLOWS	28,860	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,186,925	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	August 31, 2017	June 30, 2017
CURRENT LIABILITIES		
(8) Accounts Payable	30,823	38,457
Salaries and Related Liabilities	29,323	25,109
Accrued PTO	23,205	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,881	10,438
Intercompany Payables	83	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
(9) Bond Interest Payable	5,534	11,245
Other Liabilities	4,814	4,889
Total Current Liabilities	112,332	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,424	19,218
Worker's Comp Reserve	18,052	17,707
Other L/T Obligation (Asbestos)	3,765	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	527,890	527,371
Total Long Term Liabilities	569,131	568,042
DEFERRED REVENUE-UNRESTRICTED	540	567
DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,118,617	1,132,525
Board Designated	375,640	333,726
Restricted	0	0
(10) Total Fund Bal & Capital Accts	1,494,256	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,186,925	2,166,825

August 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July (primarily Board Designated and Long Term investments), as currently having the 2017 Project Bond monies available for payments of the major construction projects, the daily cash reserves did not need to be at amounts greater than \$100M.
- (2) The increase over the 2017 fiscal year end is principally due a transfer into the 60-day Operational Reserve within the Board Designated Assets to adjust the balance to needed reserve for the 2018 fiscal. Note this balance hadn't been reset for a couple of years.
- (3) The increase is due a quarterly \$2.6M pension contribution was made in July. Also at the beginning of every July a number of significant annual insurance premiums (D&O, Property, Cyber, and Auto) were paid and classified as a Prepaid Expense that subsequently are amortized over the upcoming fiscal year.
- (4) 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. Refer to item #2 above.
- (5) 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.
- (6) 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.
- (7) The increase is due to the capitalization of the Parking Structure expansion that has been put in service, which in turn reduced amounts in the Construction in Progress category.
- (8) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (9) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (10) The increase is attributable to the first two periods of financial performance producing an operating income of \$20 million and non-operating of \$8 million (mostly from unrealized gains on investments).

⁽¹⁾ Hospital entity only, excludes controlled affiliates

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)

2 months ending 8/31/2017

PERIOD 2 FY 2017	PERIOD 2 FY 2018	PERIOD 2 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
202,034	224,886	216,406	8,479	3.9%	Gross Revenue	395,665	432,366	428,505	3,862	0.9%
(146,835)	(167,199)	(161,279)	(5,920)	3.7%	Deductions	(287,148)	(316,116)	(313,752)	(2,364)	0.8%
55,198	57,687	55,128	2,559	4.6%	Net Patient Revenue	108,516	116,251	114,753	1,498	1.3%
1,741	2,675	1,629	1,046	64.2%	Other Operating Revenue	3,275	4,521	3,269	1,252	38.3%
56,939	60,363	56,757	3,606	6.4%	Total Operating Revenue	111,791	120,771	118,022	2,750	2.3%
OPERATING EXPENSE										
29,865	32,960	32,568	(392)	-1.2%	Salaries & Wages	59,405	64,656	64,859	203	0.3%
8,235	9,022	7,970	(1,051)	-13.2%	Supplies	15,316	15,849	15,963	114	0.7%
6,034	6,880	6,515	(365)	-5.6%	Fees & Purchased Services	11,686	12,731	13,321	590	4.4%
995	832	1,179	346	29.4%	Other Operating Expense	1,703	1,104	1,992	888	44.6%
459	333	725	392	54.1%	Interest	921	751	1,451	699	48.2%
3,558	3,410	3,456	46	1.3%	Depreciation	7,046	6,810	6,931	120	1.7%
49,146	53,437	52,413	(1,024)	-2.0%	Total Operating Expense	96,077	101,901	104,516	2,615	2.5%
7,793	6,926	4,344	2,582	59.4%	Net Operating Income/(Loss)	15,714	18,870	13,505	5,364	39.7%
4,759	3,697	225	3,471	1540.8%	Non Operating Income	15,927	8,895	451	8,445	1874.1%
12,553	10,623	4,570	6,053	132.5%	Net Income(Loss)	31,641	27,765	13,956	13,809	98.9%
20.7%	17.7%	15.0%	2.7%		EBITDA	21.2%	21.9%	18.5%	3.3%	
13.7%	11.5%	7.7%	3.8%		Operating Margin	14.1%	15.6%	11.4%	4.2%	
22.0%	17.6%	8.1%	9.5%		Net Margin	28.3%	23.0%	11.8%	11.2%	

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

2 months ending 8/31/2017

PERIOD 2 FY 2017	PERIOD 2 FY 2018	PERIOD 2 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
41,551	50,833	47,787	3,046	6.4%	Gross Revenue	79,183	94,200	94,613	(413)	-0.4%
(29,915)	(37,759)	(34,704)	(3,055)	8.8%	Deductions	(55,678)	(70,011)	(68,711)	(1,300)	1.9%
11,637	13,074	13,083	(9)	-0.1%	Net Patient Revenue	23,505	24,189	25,902	(1,713)	-6.6%
173	159	206	(47)	-22.6%	Other Operating Revenue	341	320	413	(94)	-22.7%
11,810	13,233	13,289	(55)	-0.4%	Total Operating Revenue	23,846	24,509	26,315	(1,806)	-6.9%
OPERATING EXPENSE										
5,890	6,641	6,365	(276)	-4.3%	Salaries & Wages	11,864	13,160	12,704	(456)	-3.6%
1,602	2,439	1,967	(471)	-24.0%	Supplies	2,962	3,820	3,935	115	2.9%
1,428	1,453	1,306	(147)	-11.2%	Fees & Purchased Services	2,775	2,637	2,611	(26)	-1.0%
1,617	1,545	1,677	132	7.9%	Other Operating Expense	3,237	3,048	3,210	162	5.0%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
537	483	695	212	30.4%	Depreciation	1,077	973	1,397	424	30.4%
11,075	12,561	12,010	(550)	-4.6%	Total Operating Expense	21,915	23,637	23,856	219	0.9%
735	673	1,278	(606)	-47.4%	Net Operating Income/(Loss)	1,931	872	2,459	(1,587)	-64.5%
(10)	(45)	0	(45)	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
724	628	1,278	(650)	-50.9%	Net Income(Loss)	1,921	827	2,459	(1,632)	-66.4%
10.8%	8.7%	14.8%	-7.1%		EBITDA	12.6%	7.5%	14.6%	-7.1%	
6.2%	5.1%	9.6%	-4.5%		Operating Margin	8.1%	3.6%	9.3%	-5.8%	
6.1%	4.7%	9.6%	-4.9%		Net Margin	8.1%	3.4%	9.3%	-6.0%	

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	5,635
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	211,886
GRAND TOTAL	86,789	96,740	97,923	231,681

*Includes 2 robot purchases in projected FY2017 & FY2016 Medical/Non Medical Equipment spent 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
						1408 - New Main Accessibility Upgrades	0	0	7	46	501
						1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
						1423 - MV MOB TI Allowance	0	0	0	588	369
Facilities Projects CIP						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
Mountain View Campus Master Plan Projects						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1430 - Women's Hospital Expansion	0	0	0	0	464
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1432 - 205 South Dr BHS TI	0	0	8	15	0
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1501 - Women's Hospital NPC Comp	0	0	4	0	223
1422 - CUP Upgrade	0	0	0	896	1,245	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493	1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
						1504 - Equipment Support Infrastructure	0	0	61	311	0
Mountain View Capital Projects						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
9900 - Unassigned Costs	734	470	3,717	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1108 - Cooling Towers	450	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1120 - BHS Out Patient TI's	66	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
1129 - Old Main Card Rehab	9	0	0	0	0	Los Gatos Capital Projects					
0817 - Womens Hosp Upgrds	645	1	0	0	0	0904 - LG Facilities Upgrade	2	0	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1109 - New Main Upgrades	423	393	2	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1225 - Rehab BLDG Roofing	7	241	4	0	0	1308 - LG Infrastructure	0	114	0	0	0
1227 - New Main eICU	96	21	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1230 - Fog Shop	339	80	0	0	0	1219 - LG Spine OR	0	214	323	633	2,163
1315 - 205 So. Drive TI's	0	500	2	0	0	1221 - LG Kitchen Refrig	0	85	0	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1248 - LG - CT Upgrades	0	26	345	197	6,669
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1345 - LG Lab HVAC	0	112	0	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1301 - Desktop Virtual	0	13	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1304 - Rehab Wander Mgmt	0	87	0	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1318 - Women's Hospital TI	0	48	48	29	2	1603 - LG MOB Improvements	0	0	0	0	285
1327 - Rehab Building Upgrades	0	0	15	20	0	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	1550 - Land Acquisition	0	0	0	24,007	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0	1701 - 828 S Winchester Clinic TI	0	0	0	0	145
1341 - New Main Admin	0	32	103	0	0	Sub-Total Other Strategic Projects	0	0	0	24,007	145
1344 - New Main AV Upgrd	0	243	0	0	0	Subtotal Facilities Projects CIP	9,294	13,753	38,940	48,137	82,953
1400 - Oak Pav Cancer Center	0	0	5,208	666	52	Grand Total	27,598	58,561	86,789	96,740	97,923
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000