



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

**Summary of Financial Operations
Fiscal Year 2019 – Period 1**

7/1/2018 to 7/31/2018

Finance Committee

Iftikhar Hussain, CFO

September 24, 2018

Financial Overview

Volume:

- For the first period of the year, IP volume (Acute Discharges) were below budget by 8.1% and below prior year by 10.2%. Deliveries were below budget by 12.8% and below prior year by 14.8%. The majority of the IP decline occurred in the MCH, HVI and General Medicine service lines respectively for both current and prior year.
- OP cases were favorable to budget by 2.1% and greater than prior year by 2.3%. Most notable increases in Imaging and Lab, however General Medicine as well as Oncology have decreased.

Financial Performance:

- Net Patient Revenue was unfavorable to budget by 1.7% and above prior year by 1.4%. Driven primarily by lower IP activity partially offset by the increase in OP cases.
- Operating Expense was favorable to budget by 3.8% and above prior year by 9.5%. Primarily due to flexing of labor in line with reduction in volumes and timing in hiring budgeted management positions.
- Operating income was \$1.0M favorable to budget and \$4.9M below prior year.
- Strong investments continue for July, investment earnings are \$8.4 million ahead of target.

Payor Mix:

- Commercial was on budget. Medicare was slightly below budget by 1.2% while Medi-Cal was slightly above budget by 1.1%. Compared for prior year, Commercial has dropped 1.6% and Medi-Cal has increased 2.3%.

Cost:

- Prod Hrs/APD for July is favorable vs target by 3%.

Balance Sheet:

- Net days in AR is 45.9 which is 2.1 days better than budget.

Dashboard - ECH combined as of July 31, 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	233	216	234	(19)	233	216	234	(19)
Utilization MV	64%	59%	66%	-7%	64%	59%	66%	-7%
Utilization LG	29%	27%	26%	1%	29%	27%	26%	1%
Utilization Combined	53%	49%	53%	-4%	53%	49%	53%	-4%
Adjusted Discharges	3,003	2,781	2,845	(64)	3,003	2,781	2,845	(64)
Total Discharges (Excl NNB)	1,698	1,520	1,658	(138)	1,698	1,520	1,658	(138)
Inpatient Cases								
MS Discharges	1,180	1,065	1,154	(89)	1,180	1,065	1,154	(89)
Deliveries	392	334	383	(49)	392	334	383	(49)
BHS	95	79	90	(11)	95	79	90	(11)
Rehab	31	42	31	11	31	42	31	11
Outpatient Cases								
ED	11,777	12,045	11,793	252	11,777	12,045	11,793	252
Procedural Cases								
OP Surg	4,032	4,050	3,964	86	4,032	4,050	3,964	86
Endo	353	358	356	2	353	358	356	2
Interventional	199	198	203	(5)	199	198	203	(5)
All Other	174	172	187	(15)	174	172	187	(15)
	7,019	7,267	7,083	184	7,019	7,267	7,083	184
Financial Perf.								
Net Patient Revenues	69,679	70,623	71,859	(1,236)	69,679	70,623	71,859	(1,236)
Total Operating Revenue	71,684	72,437	73,937	(1,500)	71,684	72,437	73,937	(1,500)
Operating Expenses	59,541	65,213	67,768	(2,556)	59,541	65,213	67,768	(2,556)
Operating Income \$	12,143	7,224	6,169	1,055	12,143	7,224	6,169	1,055
Operating Margin	16.9%	10.0%	8.3%	1.6%	16.9%	10.0%	8.3%	1.6%
EBITDA \$	16,451	11,567	10,787	781	16,451	11,567	10,787	781
EBITDA %	22.9%	16.0%	14.6%	1.4%	22.9%	16.0%	14.6%	1.4%
Payor Mix								
Medicare	46.0%	45.5%	46.7%	-1.2%	46.0%	45.5%	46.7%	-1.2%
Medi-Cal	6.9%	9.2%	8.1%	1.1%	6.9%	9.2%	8.1%	1.1%
Commercial IP	23.1%	21.7%	22.9%	-1.2%	23.1%	21.7%	22.9%	-1.2%
Commercial OP	21.0%	20.9%	19.7%	1.2%	21.0%	20.9%	19.7%	1.2%
Total Commercial	44.2%	42.6%	42.6%	0.0%	44.2%	42.6%	42.6%	0.0%
Other	2.9%	2.8%	2.6%	0.1%	2.9%	2.8%	2.6%	0.1%
Cost								
Total FTE	2,569.5	2,564.8	2,611.8	(47)	2,569.5	2,564.8	2,611.8	(47)
Productive Hrs/APD	30.3	31.5	32.4	(1)	30.3	31.5	32.4	(1)
Balance Sheet								
Net Days in AR	47.7	45.9	48.0	(2)	47.7	45.9	48.0	(2)
Days Cash	505	529	266	263	505	529	266	263
Affiliates - Net Income (\$000s)								
Hosp	17,341	14,975	6,625	8,350	17,341	14,975	6,625	8,350
Concern	336	557	37	519	336	557	37	519
ECSC	(2)	(1)	0	(1)	(2)	(1)	0	(1)
Foundation	202	507	151	356	202	507	151	356
SVMD	(82)	554	(88)	642	(82)	554	(88)	642

Budget Variances

Fiscal Year 2019 YTD (7/1/2018-07/31/2018) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Income	% Net Revenue
Budgeted Hospital Operations FY2019	6,169	8.3%
Net Revenue - Sharp decreases in IP volume	(1,500)	-2.1%
Labor and Benefit Expense Change - Flexing in staff and mgmt positions not yet filled.	1,459	2.0%
Professional Fees & Purchased Services - Consulting services not expensed.	482	0.7%
Supplies - Medical and Non Medical Supplies are over budget, but savings in Drugs offset the variance	225	0.3%
Other Expenses - planned services not yet expensed.	115	0.2%
Depreciation & Interest	275	0.4%
Actual Hospital Operations FY2019	7,224	10.0%

El Camino Hospital (\$000s)

Period ending 07/31/2018

Period 1 FY 2018	Period 1 FY 2019	Period 1 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
250,848	265,640	275,902	(10,261)	-3.7%	Gross Revenue	250,848	265,640	275,902	(10,261)	-3.7%
(181,169)	(195,018)	(204,043)	9,025	1.0%	Deductions	(181,169)	(195,018)	(204,043)	9,025	-4.4%
69,679	70,623	71,859	(1,236)	-1.7%	Net Patient Revenue	69,679	70,623	71,859	(1,236)	-1.7%
2,005	1,814	2,078	(264)	-12.7%	Other Operating Revenue	2,005	1,814	2,078	(264)	-12.7%
71,684	72,437	73,937	(1,500)	-2.0%	Total Operating Revenue	71,684	72,437	73,937	(1,500)	-2.0%
					OPERATING EXPENSE					
38,215	40,062	41,521	1,459	3.5%	Salaries & Wages	38,215	40,062	41,521	1,459	3.5%
8,209	9,939	10,164	225	2.2%	Supplies	8,209	9,939	10,164	225	2.2%
7,035	8,435	8,917	482	5.4%	Fees & Purchased Services	7,035	8,435	8,917	482	5.4%
1,775	2,434	2,549	115	4.5%	Other Operating Expense	1,775	2,434	2,549	115	4.5%
418	121	323	202	62.6%	Interest	418	121	323	202	62.6%
3,890	4,222	4,295	72	1.7%	Depreciation	3,890	4,222	4,295	72	1.7%
59,541	65,213	67,768	2,556	3.8%	Total Operating Expense	59,541	65,213	67,768	2,556	3.8%
12,143	7,224	6,169	1,055	17.1%	Net Operating Income/(Loss)	12,143	7,224	6,169	1,055	17.1%
5,198	7,751	456	7,295	1598.3%	Non Operating Income	5,198	7,751	456	7,295	1598.3%
17,341	14,975	6,625	8,350	126.0%	Net Income(Loss)	17,341	14,975	6,625	8,350	126.0%
22.9%	16.0%	14.6%	1.4%		EBITDA	22.9%	16.0%	14.6%	1.4%	
16.9%	10.0%	8.3%	1.6%		Operating Margin	16.9%	10.0%	8.3%	1.6%	
24.2%	20.7%	9.0%	11.7%		Net Margin	24.2%	20.7%	9.0%	11.7%	

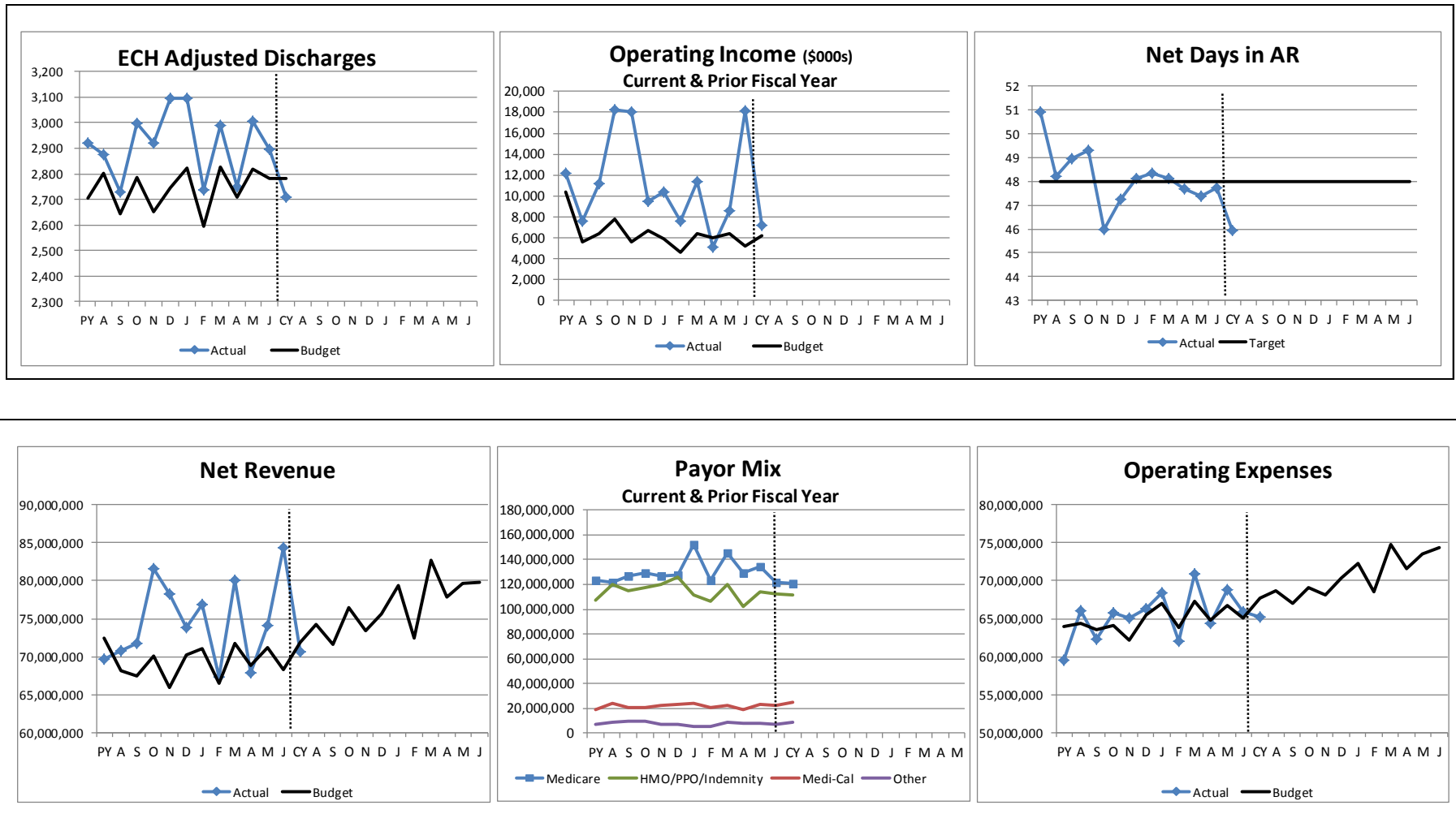
Non Operating Items and Net Income by Affiliate

\$ in thousands

	Period 1 - Month			Period 1 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	7,041	5,086	1,956	7,041	5,086	1,956
Los Gatos	182	1,083	(900)	182	1,083	(900)
Sub Total - El Camino Hospital, excl. Affiliates	7,224	6,169	1,055	7,224	6,169	1,055
Operating Margin %	10.0%	8.3%		10.0%	8.3%	
El Camino Hospital Non Operating Income						
Investments	10,867	2,478	8,389	10,867	2,478	8,389
Swap Adjustments	298	(100)	398	298	(100)	398
Community Benefit	(2,581)	(300)	(2,281)	(2,581)	(300)	(2,281)
Pathways	(235)	0	(235)	(235)	0	(235)
Satellite Dialysis	0	(25)	25	0	(25)	25
Community Connect	0	(53)	53	0	(53)	53
SVMD Funding ¹	(398)	(1,219)	821	(398)	(1,219)	821
Other	(199)	(324)	125	(199)	(324)	125
Sub Total - Non Operating Income	7,751	456	7,295	7,751	456	7,295
El Camino Hospital Net Income (Loss)	14,975	6,625	8,350	14,975	6,625	8,350
ECH Net Margin %	20.7%	9.0%		20.7%	9.0%	
Concern	557	37	519	557	37	519
ECSC	(1)	0	(1)	(1)	0	(1)
Foundation	507	151	356	507	151	356
Silicon Valley Medical Development	554	(88)	642	554	(88)	642
Net Income Hospital Affiliates	1,616	100	1,516	1,616	100	1,516
Total Net Income Hospital & Affiliates	16,592	6,725	9,866	16,592	6,725	9,866

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

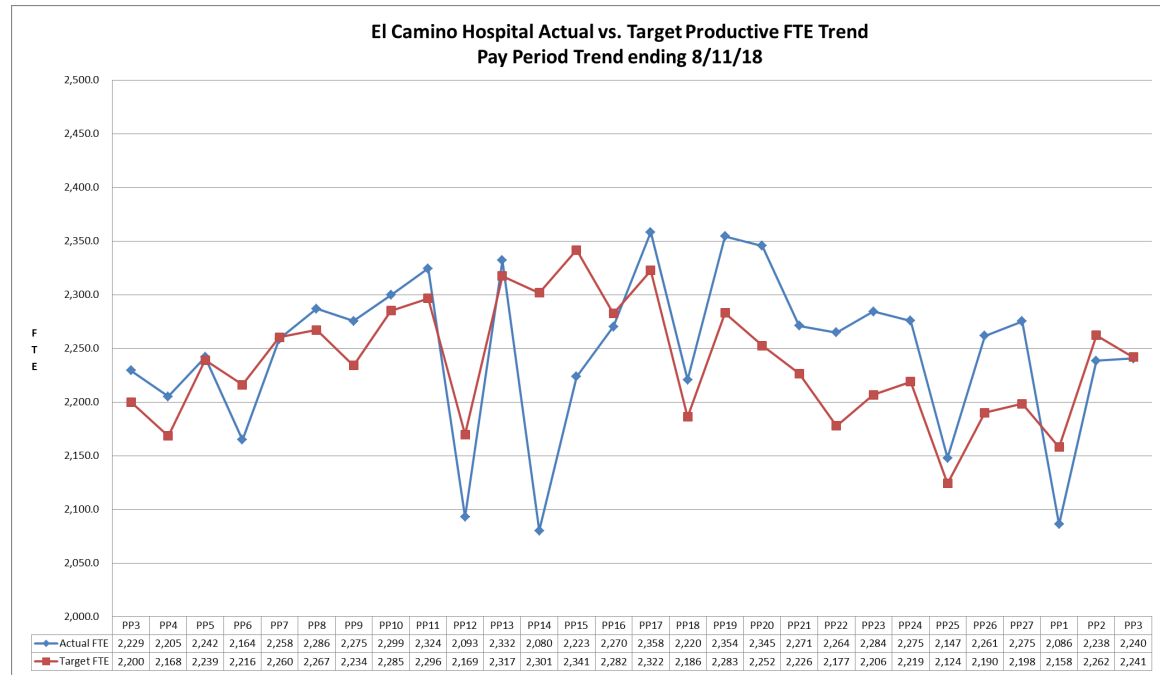
Monthly Financial Trends



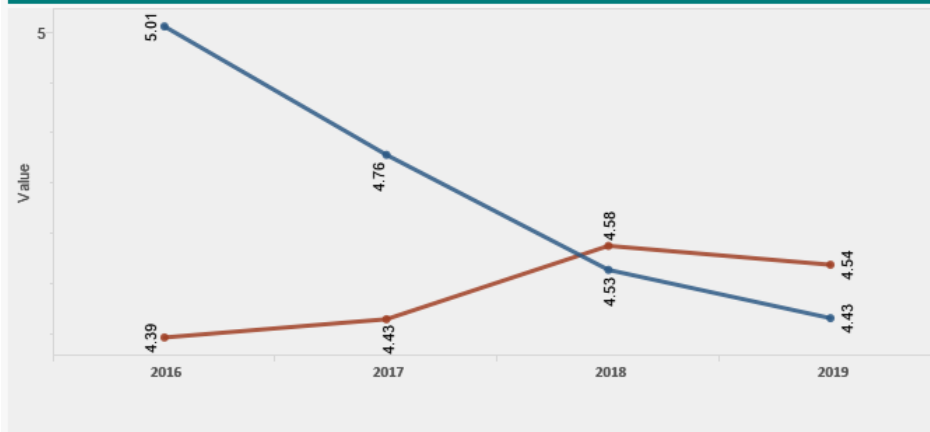
Productivity and Medicare Length of Stay

At or below FTE target for the first three pay periods of the year.

ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2019 below benchmark (blue). 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



Inpatient Volume

Inpatient ServLn	Annual Trend							FY 19 Bud vs FY 18		Month				
	2014	2015	2016	2017	2018	Bud 2018	Bud 2019	Cases	Percent	PY	CY	Bud	Bud Var	PY Var
Behavioral Health	1,012	1,052	928	924	1,099	912	1,062	(37)	-3.3%	96	83	91	(8)	(13)
General Medicine	4,160	4,591	4,459	4,962	5,288	4,679	5,325	37	0.7%	449	402	418	(16)	(47)
General Surgery	1,243	1,150	1,311	1,317	1,304	1,306	1,344	40	3.1%	95	99	100	(1)	4
GYN	390	313	293	270	244	275	255	11	4.5%	17	11	15	(4)	(6)
Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,082	2,445	73	3.1%	199	157	191	(34)	(42)
MCH	6,695	6,371	5,951	5,819	5,713	6,206	5,764	51	0.9%	498	422	482	(60)	(76)
Neurosciences	667	672	677	688	871	697	907	36	4.1%	77	70	85	(15)	(7)
Oncology	606	564	652	594	633	572	726	93	14.7%	46	61	47	14	15
Orthopedics	1,695	1,773	1,746	1,690	1,707	1,762	1,819	112	6.6%	137	133	141	(8)	(4)
Other	5	1				-	-	-			14	-	14	14
Rehab Services	547	555	500	461	442	497	436	(6)	-1.4%	31	42	31	11	11
Spine Surgery	377	429	417	474	375	478	465	90	24.0%	29	20	30	(10)	(9)
Urology	172	169	234	257	254	240	274	20	7.9%	25	11	26	(15)	(14)
	19,428	19,638	19,169	19,659	20,302	19,705	20,823	521	2.6%	1,699	1,525	1,659	(134)	(174)
Change		1.1%	-2.4%	2.6%	3.3%	0.2%	2.6%						-8.1%	-10.2%

- Strong growth trend in of the last 2 years built into the FY 19 budget
- July volume lower than PY and budget

Outpatient Volume

Outpatient	2014	2015	2016	2017	2018	Bud 2018	Bud 2019	Cases	Percent	PY	CY	Bud	Bud Var	PY Var
Behavioral Health	911	886	2,395	3,262	3,152	3,282	3,417	265	8.4%	260	224	260	(36)	(36)
Dialysis	1,060	154	7					-					-	-
Emergency	46,005	49,077	48,576	48,615	49,428	48,975	49,122	(306)	-0.6%	4,032	4,035	3,964	71	3
General Medicine	5,969	5,999	6,569	6,540	7,046	6,504	6,850	(196)	-2.8%	544	619	559	60	75
General Surgery	1,840	1,854	1,798	1,843	2,007	2,049	2,068	61	3.0%	149	156	150	6	7
GYN	1,221	1,308	1,018	1,080	1,096	1,172	1,171	75	6.8%	81	108	79	29	27
Heart and Vascular	2,575	2,719	3,811	4,372	4,367	4,393	4,410	43	1.0%	353	366	365	1	13
Imaging Services	19,549	20,077	17,801	17,244	18,514	17,597	18,744	230	1.2%	1,446	1,582	1,413	169	136
Laboratory Services	30,595	29,710	29,028	29,137	28,576	28,741	29,071	495	1.7%	2,191	2,354	2,182	172	163
MCH	5,038	4,830	5,092	5,583	5,646	5,200	5,928	282	5.0%	466	449	458	(9)	(17)
Neurosciences	110	61	127	125	114	142	155	41	36.0%	11	5	13	(8)	(6)
Oncology	4,002	4,174	14,306	18,578	19,279	19,438	22,037	2,758	14.3%	1,545	1,482	1,588	(106)	(63)
Orthopedics	866	776	584	616	642	588	714	72	11.2%	46	43	53	(10)	(3)
Other	664	635	629	543	513	703	607	94	18.3%	40	50	37	13	10
Outpatient Clinics	1,817	1,706	1,681	1,304	1,890	1,450	1,517	(373)	-19.7%	172	138	93	45	(34)
Rehab Services	1,732	1,747	3,951	4,518	4,929	4,326	4,900	(29)	-0.6%	398	444	395	49	46
Sleep Center	160	223	499	368	211	720	300	89	42.2%	12	14	23	(9)	2
Spine Surgery	325	401	309	324	310	331	326	16	5.2%	21	15	21	(6)	(6)
Urology	1,758	1,773	1,740	1,898	1,785	1,875	2,058	273	15.3%	138	123	138	(15)	(15)
	126,197	128,110	139,921	145,950	149,505	147,485	153,395	3,890	2.6%	11,905	12,207	11,793	414	302
Change		1.5%	9.2%	4.3%	2.4%	1.1%	2.6%						3.5%	2.5%

- Growth primarily in imaging and lab
- Drop in oncology, urology

ECH Operating Margin

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



FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>		
Revenue Adjustments	J	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	141
Various Adjustments under \$250k	4	4
Total	145	145

El Camino Hospital Investment Committee Scorecard June 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		2Q 2018		Fiscal Year-to-date		5y 8m Since Inception (annualized)			2018
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		3-year				5y 8m Since Inception (annualized)			2018
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		2Q 2018							
Surplus cash absolute variances to target		7.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.1%	< 10%	--	--	--	--	--	--
Manager Compliance		2Q 2018							
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	0.0	1.2	
Medical & Non Medical Equipment FY 17**				14.0		13.0	8.6	8.6 ²	7.6	
Medical & Non Medical Equipment FY 18***				5.6		6.3	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		UnAudited		LIABILITIES AND FUND BALANCE	
	July 31, 2018	June 30, 2017		July 31, 2018	June 30, 2017
CURRENT ASSETS				CURRENT LIABILITIES	
Cash	123,936	118,992	(6) Accounts Payable	38,747	49,925
Short Term Investments	147,279	150,664	(7) Salaries and Related Liabilities	31,310	26,727
Patient Accounts Receivable, net	112,893	117,157	Accrued PTO	24,199	24,532
Other Accounts and Notes Receivable	2,753	3,402	Worker's Comp Reserve	2,300	2,300
Intercompany Receivables	1,755	2,090	Third Party Settlements	10,032	10,068
(1) Inventories and Prepays	79,809	75,594	Intercompany Payables	49	125
Total Current Assets	468,425	467,901	Malpractice Reserves	1,831	1,831
BOARD DESIGNATED ASSETS			Bonds Payable - Current	3,850	3,850
Plant & Equipment Fund	155,033	153,784	(8) Bond Interest Payable	3,991	12,975
(2) Women's Hospital Expansion	13,967	9,298	Other Liabilities	8,938	8,909
(3) Operational Reserve Fund	139,057	127,908	Total Current Liabilities	125,247	141,242
(4) Community Benefit Fund	16,111	18,675	LONG TERM LIABILITIES		
Workers Compensation Reserve Fund	20,377	20,263	Post Retirement Benefits	29,262	29,212
Postretirement Health/Life Reserve Fund	29,262	29,212	Worker's Comp Reserve	18,077	17,963
PTO Liability Fund	24,199	24,532	Other L/T Obligation (Asbestos)	3,868	3,859
Malpractice Reserve Fund	1,831	1,831	Other L/T Liabilities (IT/Medl Leases)	-	-
Catastrophic Reserves Fund	19,041	18,322	Bond Payable	517,427	517,781
Total Board Designated Assets	418,877	403,826	Total Long Term Liabilities	568,635	568,815
(5) FUNDS HELD BY TRUSTEE	181,201	197,620	DEFERRED REVENUE-UNRESTRICTED	482	528
LONG TERM INVESTMENTS	349,723	345,684	DEFERRED INFLOW OF RESOURCES	22,835	22,835
INVESTMENTS IN AFFILIATES	32,779	32,412	FUND BALANCE/CAPITAL ACCOUNTS		
PROPERTY AND EQUIPMENT			Unrestricted	1,240,527	1,236,259
Fixed Assets at Cost	1,264,618	1,261,854	Board Designated	418,877	403,825
Less: Accumulated Depreciation	(582,181)	(577,959)	Restricted	0	0
Construction in Progress	222,034	220,991	(9) Total Fund Bal & Capital Accts	1,659,404	1,640,085
Property, Plant & Equipment - Net	904,471	904,886	TOTAL LIABILITIES AND FUND BALANCE	2,376,603	2,373,506
DEFERRED OUTFLOWS	21,127	21,177			
RESTRICTED ASSETS - CASH	0	0			
TOTAL ASSETS	2,376,603	2,373,506			

July 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) Increase is primarily due to a Cash Balance funding in July of \$2,600,000.
- (2) Increase of \$4.7 million is a partial transfer of the District's June approval of \$6.2 million to fund the Women's Hospital Expansion project. The remaining amount will occur in subsequent months.
- (3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2019.
- (4) The decrease is due to the first wave of Grants and Sponsorships paid to Community Benefit recipients in July.
- (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) Decrease is due to significant yearend accruals that were paid out in July.
- (7) Increase in due to an additional three (3) days of payroll accrual needed in the month of July.
- (8) Decrease is due to semi-annual Revenue Bond payments for the 2015A and 2017 bond debt.
- (9) The increase is due to a combination of July's net income and within the Board Designated Funds the increase in the Operational Reserve and the Women's Hospital Expansion.

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. At the end of fiscal year 2018 another \$6.2 million was added to this fund.
- **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 the current 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 \$500,000 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, in fiscal year it generated over \$1.1 million of 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. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.
- **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)

Period ending 07/31/2018

Period 1 FY 2018	Period 1 FY 2019	Period 1 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
207,481	218,059	228,863	(10,804)	-4.7%	Gross Revenue	207,481	218,059	228,863	(10,804)	-4.7%
(148,917)	(159,876)	(169,642)	9,767	-5.8%	Deductions	(148,917)	(159,876)	(169,642)	9,767	-5.8%
58,563	58,184	59,220	(1,037)	-1.8%	Net Patient Revenue	58,563	58,184	59,220	(1,037)	-1.8%
1,845	1,552	1,853	(300)	-16.2%	Other Operating Revenue	1,845	1,552	1,853	(300)	-16.2%
60,408	59,736	61,073	(1,337)	-2.2%	Total Operating Revenue	60,408	59,736	61,073	(1,337)	-2.2%
OPERATING EXPENSE										
31,696	33,162	35,051	1,889	5.4%	Salaries & Wages	31,696	33,162	35,051	1,889	5.4%
6,828	7,967	8,356	389	4.7%	Supplies	6,828	7,967	8,356	389	4.7%
5,851	7,071	7,631	561	7.3%	Fees & Purchased Services	5,851	7,071	7,631	561	7.3%
271	886	1,032	145	14.1%	Other Operating Expense	271	886	1,032	145	14.1%
418	121	323	202	62.6%	Interest	418	121	323	202	62.6%
3,400	3,488	3,594	107	3.0%	Depreciation	3,400	3,488	3,594	107	3.0%
48,465	52,695	55,987	3,293	5.9%	Total Operating Expense	48,465	52,695	55,987	3,293	5.9%
11,943	7,041	5,086	1,956	38.5%	Net Operating Income/(Loss)	11,943	7,041	5,086	1,956	38.5%
5,198	7,751	456	7,295	1598.3%	Non Operating Income	5,198	7,751	456	7,295	1598.3%
17,142	14,793	5,542	9,251	166.9%	Net Income(Loss)	17,142	14,793	5,542	9,251	166.9%
26.1%	17.8%	14.7%	3.1%		EBITDA	26.1%	17.8%	14.7%	3.1%	
19.8%	11.8%	8.3%	3.5%		Operating Margin	19.8%	11.8%	8.3%	3.5%	
28.4%	24.8%	9.1%	15.7%		Net Margin	28.4%	24.8%	9.1%	15.7%	

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

Period ending 07/31/2018

Period 1 FY 2018	Period 1 FY 2019	Period 1 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
43,367	47,581	47,039	542	1.2%	Gross Revenue	43,367	47,581	47,039	542	1.2%
(32,252)	(35,142)	(34,400)	(741)	2.2%	Deductions	(32,252)	(35,142)	(34,400)	(741)	2.2%
11,116	12,439	12,639	(199)	-1.6%	Net Patient Revenue	11,116	12,439	12,639	(199)	-1.6%
160	262	226	36	15.9%	Other Operating Revenue	160	262	226	36	15.9%
11,276	12,701	12,864	(163)	-1.3%	Total Operating Revenue	11,276	12,701	12,864	(163)	-1.3%
OPERATING EXPENSE										
6,518	6,900	6,470	(430)	-6.6%	Salaries & Wages	6,518	6,900	6,470	(430)	-6.6%
1,381	1,972	1,809	(164)	-9.0%	Supplies	1,381	1,972	1,809	(164)	-9.0%
1,184	1,364	1,285	(79)	-6.1%	Fees & Purchased Services	1,184	1,364	1,285	(79)	-6.1%
1,503	1,547	1,517	(30)	-2.0%	Other Operating Expense	1,503	1,547	1,517	(30)	-2.0%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
489	735	700	(34)	-4.9%	Depreciation	489	735	700	(34)	-4.9%
11,076	12,518	11,781	(737)	-6.3%	Total Operating Expense	11,076	12,518	11,781	(737)	-6.3%
200	182	1,083	(900)	-83.2%	Net Operating Income/(Loss)	200	182	1,083	(900)	-83.2%
0	0	0	0	0.0%	Non Operating Income	0	0	0	0	0.0%
200	182	1,083	(900)	-83.2%	Net Income(Loss)	200	182	1,083	(900)	-83.2%
6.1%	7.2%	13.9%	-6.6%		EBITDA	6.1%	7.2%	13.9%	-6.6%	
1.8%	1.4%	8.4%	-7.0%		Operating Margin	1.8%	1.4%	8.4%	-7.0%	
1.8%	1.4%	8.4%	-7.0%		Net Margin	1.8%	1.4%	8.4%	-7.0%	

Capital Spend Trend & FY19 Budget

Capital Spending (in 000's)	Actual FY2016	Actual FY2017	Actual FY2018	Budget 2019
EPIC	20,798	2,755	1,922	-
IT Hardware / Software Equipment	6,483	2,659	12,238	19,732
Medical / Non Medical Equipment	17,133	9,556	14,275	11,206
Non CIP Land, Land I , BLDG, Additions	4,189	-	-	-
Facilities	48,137	82,953	128,030	279,450
GRAND TOTAL	96,740	97,923	156,465	310,388

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

Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0
Land Acquisition (1550)	0	0	0	24,007	0
828 S Winchester Clinic TI (1701)	0	0	0	0	145
Facilities Projects CIP					
Mountain View Campus Master Plan Projects					
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120
1414 - Integrated MOB	0	0	2,009	8,875	32,805
1422 - CUP Upgrade	0	0	0	896	1,245
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493
Mountain View Capital Projects					
9900 - Unassigned Costs	734	470	3,717	0	0
1108 - Cooling Towers	450	0	0	0	0
1120 - BHS Out Patient TI's	66	0	0	0	0
1129 - Old Main Card Rehab	9	0	0	0	0
0817 - Womens Hosp Upgrds	645	1	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294
1109 - New Main Upgrades	423	393	2	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0
1131 - MV Equipment Replace	216	0	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0
1225 - Rehab BLDG Roofing	7	241	4	0	0
1227 - New Main eICU	96	21	0	0	0
1230 - Fog Shop	339	80	0	0	0
1315 - 205 So. Drive TI's	0	500	2	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342
1125 - Will Pav Fire Sprinkler	57	39	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0
1216 - New Main Process Imp Office	19	1	16	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6
1301 - Desktop Virtual	0	13	0	0	0
1304 - Rehab Wander Mgmt	0	87	0	0	0
1310 - Melchor Cancer Center Expansion	0	44	13	0	0
1318 - Women's Hospital TI	0	48	48	29	2
1327 - Rehab Building Upgrades	0	0	15	20	0
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0
1341 - New Main Admin	0	32	103	0	0
1344 - New Main AV Upgrd	0	243	0	0	0
1400 - Oak Pav Cancer Center	0	0	5,208	666	52

Category	2013	2014	2015	2016	2017
Facilities Projects CIP cont.					
1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
1404 - Park Pav HVAC	0	64	7	0	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
1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1430 - Women's Hospital Expansion	0	0	0	0	464
1432 - 205 South Dr BHS TI	0	0	8	15	0
1501 - Women's Hospital NPC Comp	0	0	4	0	223
1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
1504 - Equipment Support Infrastructure	0	0	61	311	0
1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
1525 - New Main Lab Upgrades	0	0	0	0	464
1526 - CONCERN TI	0	0	0	37	99
Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
Los Gatos Capital Projects					
0904 - LG Facilities Upgrade	2	0	0	0	0
0907 - LG Imaging Masterplan	244	774	1,402	17	0
1005 - LG OR Light Upgrd	14	0	0	0	0
1122 - LG Sleep Studies	7	0	0	0	0
1210 - Los Gatos VOIP	147	89	0	0	0
1116 - LG Ortho Pavillion	177	24	21	0	0
1124 - LG Rehab BLDG	49	458	0	0	0
1247 - LG Infant Security	134	0	0	0	0
1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1308 - LG Infrastructure	0	114	0	0	0
1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1219 - LG Spine OR	0	214	323	633	2,163
1221 - LG Kitchen Refrig	0	85	0	0	0
1248 - LG - CT Upgrades	0	26	345	197	6,669
1249 - LG Mobile Imaging	0	146	0	0	0
1328 - LG Ortho Canopy FY14	0	255	209	0	0
1345 - LG Lab HVAC	0	112	0	0	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1347 - LG Central Sterile Upgrades	0	0	181	43	66
1421 - LG MOB Improvements	0	0	198	65	303
1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1603 - LG MOB Improvements	0	0	0	0	285
Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
Subtotal Facilities Projects CIP	9,294	13,753	38,940	24,130	82,808
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