



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

**Summary of Financial Operations
Fiscal Year 2019 – Period 3**

7/1/2018 to 9/30/2018

El Camino Hospital Board of Directors

Iftikhar Hussain, CFO

October 10, 2018

Financial Overview

Volume:

- Due to continued strong OP Activity, YTD adjusted discharges remained at budgeted levels (31 cases favorable to budget) . IP volume was below budget by 3.6% (170 cases) and below prior year by 6.0% (280 cases). YTD Deliveries were below budget by 6.0% (64 deliveries) and below prior year by 9.0% (95 deliveries). The majority of the IP decline occurred in the MCH, HVI, and the Ortho/Neuro/Spine service lines.
- OP cases YTD were on budget and below prior year by 0.9% (333 cases). Most notable increase was in Imaging, however Lab, Oncology and BHS were lower than budget.

Financial Performance:

- Net Patient Revenue was favorable to budget by 0.9% (\$2.0M) YTD and above prior year by 3.6% (\$7.7M). The consistent increase in OP volumes contributed to the overall positive revenue.
- Operating Expense was favorable to budget by 1.6% (\$3.3M) YTD and above prior year by 6.7% (\$12.6M). Favorability in Salaries & Wages was primarily due to flexing of labor reduction to volumes and timing in hiring budgeted management positions. Supplies and Purchased Services were unfavorable to budget.
- Operating income was favorable to budget by 21% (\$4.4M) YTD and 19% (\$5.7M) below prior year for the same time period.
- Investments were lower than expected in September, however YTD investment earnings are \$13.8 million ahead of target.

Payor Mix:

- Both Commercial and Medicare are favorable to plan YTD and slightly unfavorable to PY

Cost:

- Prod FTEs were favorable to target by 0.1% in September and 0.9% YTD.

Balance Sheet:

- Net days in AR was 49.2 which was 1.2 days unfavorable to budget.

Dashboard - ECH combined as of September 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	236	228	220	8	234	223	228	(5)
Utilization MV	67%	63%	62%	0%	65%	61%	64%	-3%
Utilization LG	25%	28%	23%	5%	27%	28%	26%	2%
Utilization Combined	53%	52%	50%	2%	53%	50%	52%	-1%
Adjusted Discharges	2,765	2,798	2,783	15	8,714	8,570	8,511	59
Total Discharges (Excl NNB)	1,593	1,530	1,558	(28)	4,969	4,677	4,860	(183)
Inpatient Cases								
MS Discharges	1,103	1,058	1,085	(27)	3,463	3,229	3,400	(171)
Deliveries	387	347	375	(28)	1,160	1,060	1,129	(69)
BHS	81	83	77	6	257	264	243	21
Rehab	22	42	22	20	89	124	89	35
Outpatient Cases								
ED	12,058	11,589	11,960	(371)	36,721	36,391	36,371	20
Procedural Cases	3,830	3,790	3,769	21	11,849	11,697	11,654	43
OP Surg	408	379	407	(28)	1,141	1,188	1,143	45
Endo	184	184	186	(2)	602	599	609	(10)
Interventional	158	184	167	17	518	555	544	11
All Other	7,478	7,052	7,432	(380)	22,611	22,352	22,421	(69)
Financial Perf.								
Net Patient Revenues	71,716	71,453	71,653	(200)	212,156	219,855	217,816	2,039
Total Operating Revenue	73,452	73,523	74,118	(594)	218,732	225,577	224,496	1,081
Operating Expenses	62,304	65,337	67,085	(1,748)	187,842	200,445	203,762	(3,316)
Operating Income \$	11,148	8,186	7,032	1,154	30,890	25,132	20,734	4,398
Operating Margin	15.2%	11.1%	9.5%	1.6%	14.1%	11.1%	9.2%	1.9%
EBITDA \$	15,468	12,611	11,887	724	43,744	38,308	34,809	3,499
EBITDA %	21.1%	17.2%	16.0%	1.1%	20.0%	17.0%	15.5%	1.5%
Payor Mix								
Medicare	46.7%	45.2%	45.9%	-0.7%	45.9%	46.0%	46.4%	-0.4%
Medi-Cal	7.4%	7.5%	7.6%	-0.1%	7.7%	8.1%	7.8%	0.3%
Commercial IP	22.8%	22.1%	22.4%	-0.3%	23.0%	21.9%	22.7%	-0.8%
Commercial OP	20.3%	22.2%	21.1%	1.1%	20.6%	21.4%	20.4%	1.0%
Total Commercial	43.1%	44.3%	43.5%	0.8%	43.6%	43.2%	43.1%	0.2%
Other	2.8%	3.0%	2.9%	0.1%	2.8%	2.6%	2.7%	-0.1%
Cost								
Total FTE	2,548.9	2,609.1	2,605.5	4	2,557.7	2,589.8	2,613.5	(24)
Productive Hrs/APD	31.2	31.2	33.1	(2)	30.9	31.2	32.6	(1)
Balance Sheet								
Net Days in AR	47.7	49.2	48.0	1	47.7	49.2	48.0	1.2
Days Cash	505	511	449	62	505	511	449	62
Affiliates - Net Income (\$000s)								
Hosp	19,024	8,096	7,489	608	47,616	41,451	22,103	19,348
Concern	302	80	137	(57)	725	775	103	672
ECSC	(2)	(10)	0	(10)	(7)	(12)	0	(12)
Foundation	334	18	102	(83)	510	956	355	602
SVMD	379	467	(30)	497	229	1,363	(214)	1,578

Budget Variances

Fiscal Year 2019 YTD (7/1/2018-09/30/2018) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Op Income	% Net Revenue
Budgeted Hospital Operations FY2019	20,734	9.2%
Net Revenue - IP volumes continue to be lower than expectation, however higher OP volumes are making up the difference.	1,081	0.5%
Labor and Benefit Expense Change - Flexing in staff and mgmt positions not yet filled.	1,616	0.7%
Professional Fees & Purchased Services - Favorable variances in physician, consulting and legal fees	340	0.2%
Supplies - Medical and Non Medical Supplies are over budget, but savings in Drugs offset the variance	(302)	-0.1%
Other Expenses - timing difference for services .	764	0.3%
Depreciation & Interest	899	0.4%
Actual Hospital Operations FY2019	25,132	11.1%

El Camino Hospital (\$000s)

Period ending 09/30/2018

Period 3 FY 2018	Period 3 FY 2019	Period 3 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
270,383	267,887	277,448	(9,561)	(3.4%)	OPERATING REVENUE					
(198,667)	(196,434)	(205,795)	9,361	4.5%	Gross Revenue	796,950	824,411	840,584	(16,173)	(1.9%)
71,716	71,453	71,653	(200)	(0.3%)	Deductions	(584,794)	(604,556)	(622,768)	18,212	2.9%
1,736	2,070	2,464	(394)	(16.0%)	Net Patient Revenue	212,156	219,855	217,816	2,039	0.9%
73,452	73,523	74,118	(594)	(0.8%)	Other Operating Revenue	6,576	5,722	6,679	(958)	(14.3%)
					Total Operating Revenue	218,732	225,577	224,496	1,081	0.5%
					OPERATING EXPENSE					
38,311	40,359	40,040	(319)	(0.8%)	Salaries & Wages	116,127	121,514	123,130	1,616	1.3%
9,362	10,251	11,114	863	7.8%	Supplies	29,032	32,559	32,257	(302)	(0.9%)
7,949	8,176	8,767	591	6.7%	Fees & Purchased Services	23,316	26,307	26,647	340	1.3%
2,361	2,127	2,310	183	7.9%	Other Operating Expense	6,513	6,888	7,652	764	10.0%
298	174	323	149	46.2%	Interest	1,050	452	970	518	53.4%
4,022	4,250	4,532	281	6.2%	Depreciation	11,805	12,724	13,105	381	2.9%
62,304	65,337	67,085	1,748	2.6%	Total Operating Expense	187,842	200,445	203,762	3,316	1.6%
11,148	8,186	7,032	1,154	16.4%	Net Operating Income/(Loss)	30,890	25,132	20,734	4,398	21.2%
7,875	(90)	456	(546)	(119.7%)	Non Operating Income	16,726	16,320	1,369	14,950	1091.9%
19,024	8,096	7,489	608	8.1%	Net Income(Loss)	47,616	41,451	22,103	19,348	87.5%
21.1%	17.2%	16.0%	1.1%		EBITDA	20.0%	17.0%	15.5%	1.5%	
15.2%	11.1%	9.5%	1.6%		Operating Margin	14.1%	11.1%	9.2%	1.9%	
25.9%	11.0%	10.1%	0.9%		Net Margin	21.8%	18.4%	9.8%	8.5%	

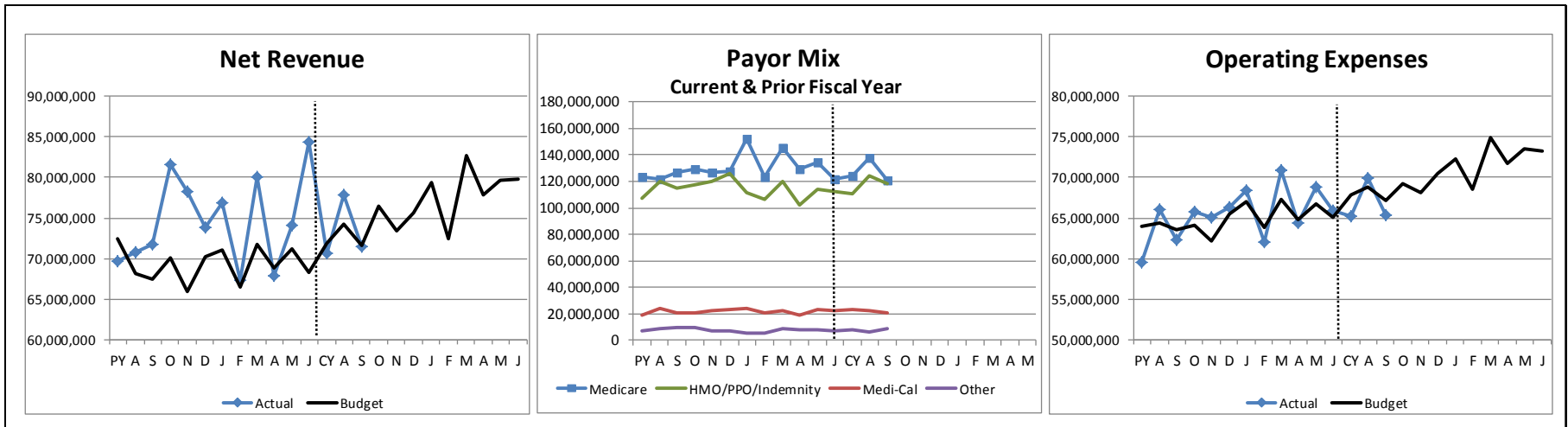
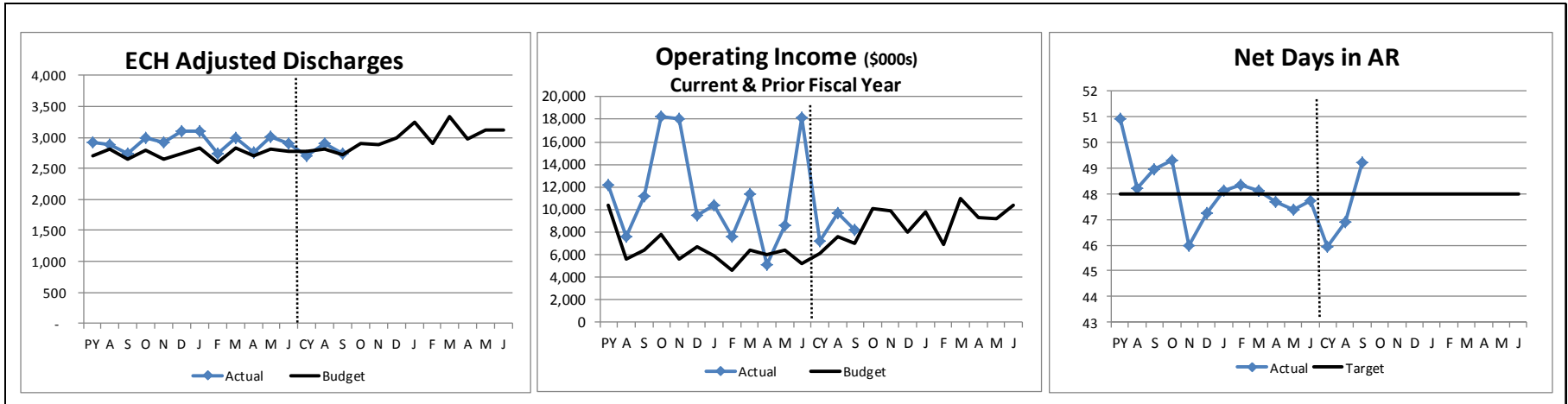
Non Operating Items and Net Income by Affiliate

\$ in thousands

	Period 3 - Month			Period 3 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	6,757	5,889	868	23,149	16,953	6,196
Los Gatos	1,429	1,143	286	1,983	3,781	(1,798)
Sub Total - El Camino Hospital, excl. Affiliates	8,186	7,032	1,154	25,132	20,734	4,398
Operating Margin %	11.1%	9.5%		11.1%	9.2%	
El Camino Hospital Non Operating Income						
Investments	820	2,478	(1,657)	21,267	7,433	13,834
Swap Adjustments	509	(100)	609	403	(300)	703
Community Benefit	(4)	(300)	296	(2,621)	(900)	(1,721)
Pathways	0	0	0	(46)	0	(46)
Satellite Dialysis	0	(25)	25	2	(75)	77
Community Connect	0	(53)	53	0	(159)	159
SVMD Funding ¹	(967)	(1,219)	252	(1,812)	(3,657)	1,845
Other	(449)	(324)	(124)	(874)	(973)	99
Sub Total - Non Operating Income	(90)	456	(546)	16,320	1,369	14,950
El Camino Hospital Net Income (Loss)	8,096	7,489	608	41,451	22,103	19,348
ECH Net Margin %	11.0%	10.1%		18.4%	9.8%	
Concern	80	137	(57)	775	103	672
ECSC	(10)	0	(10)	(12)	0	(12)
Foundation	18	102	(83)	956	355	602
Silicon Valley Medical Development	467	(30)	497	1,363	(214)	1,578
Net Income Hospital Affiliates	555	209	346	3,083	244	2,839
Total Net Income Hospital & Affiliates	8,651	7,697	954	44,535	22,347	22,188

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

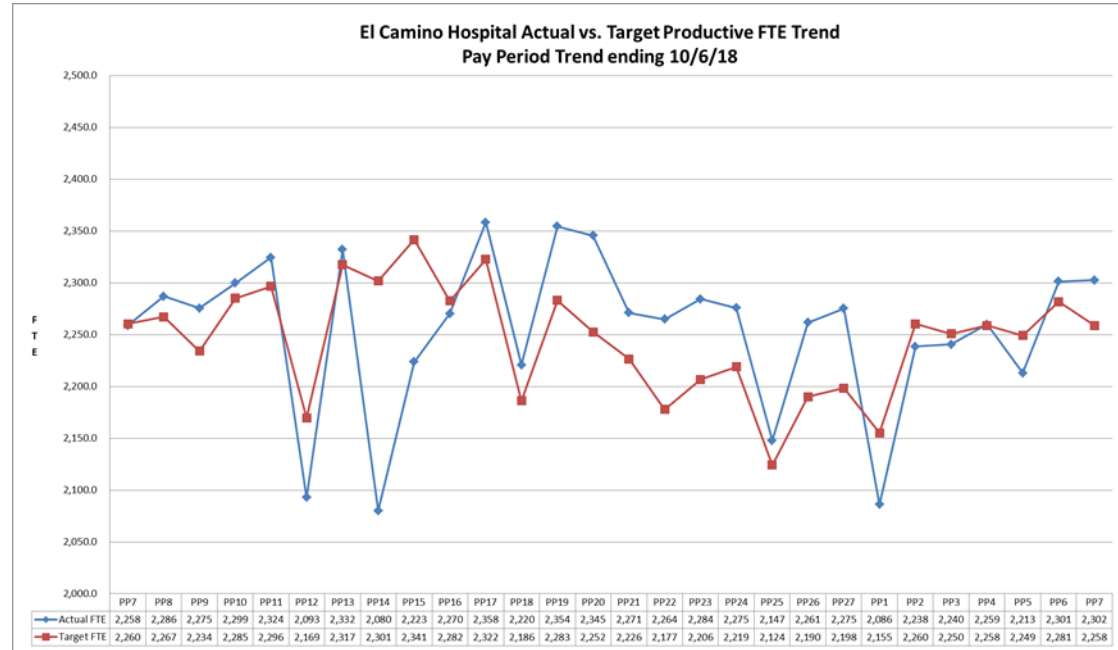
Monthly Financial Trends



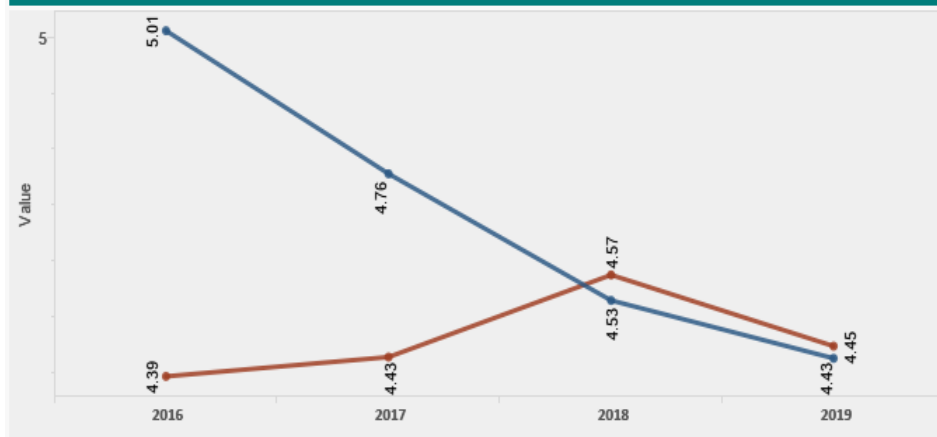
Productivity and Medicare Length of Stay

At or below FTE target for the first seven 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



El Camino Hospital Volume Annual Trends Inpatient

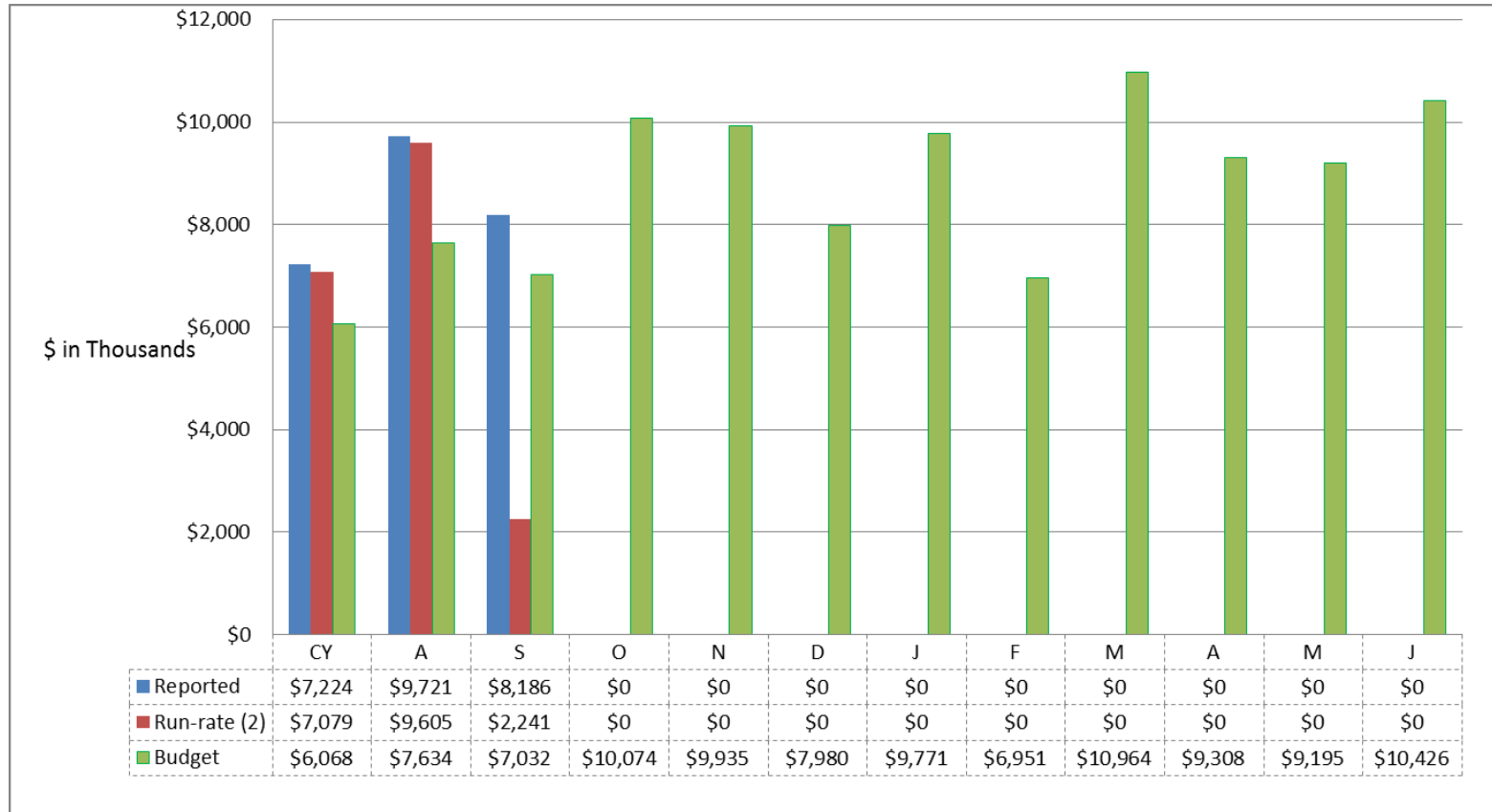
Inpatient ServLn	Annual Trend							FY 19 Bud vs FY 18		Month					YTD				
	2014	2015	2016	2017	2018	Bud 2018	Bud 2019	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var
Behavioral Health	1,012	1,052	928	924	1,098	912	1,062	(36)	-3.2%	83	92	79	13	9	261	279	246	33	18
General Medicine	4,160	4,591	4,459	4,962	5,288	4,679	5,325	37	0.7%	385	365	359	6	(20)	1,237	1,141	1,153	(12)	(96)
General Surgery	1,243	1,150	1,311	1,317	1,304	1,306	1,344	40	3.1%	104	113	108	5	9	322	350	336	14	28
GYN	390	313	293	270	243	275	255	12	4.9%	19	24	16	8	5	64	56	57	(1)	(8)
Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,082	2,445	73	3.1%	183	170	178	(8)	(13)	580	495	562	(67)	(85)
MCH	6,695	6,371	5,951	5,819	5,716	6,206	5,764	48	0.8%	475	429	460	(31)	(46)	1,459	1,320	1,412	(92)	(139)
Neurosciences	667	672	677	688	870	697	907	37	4.3%	69	50	79	(29)	(19)	219	190	249	(59)	(29)
Oncology	606	564	652	594	633	572	726	93	14.7%	51	68	51	17	17	148	191	150	41	43
Orthopedics	1,695	1,773	1,746	1,690	1,706	1,762	1,819	113	6.6%	139	142	142	0	3	420	410	431	(21)	(10)
Other	5	1						-							-				
Rehab Services	547	555	500	461	441	497	436	(5)	-1.1%	22	42	22	20	20	89	124	89	35	35
Spine Surgery	377	429	417	474	375	478	465	90	24.0%	41	28	43	(15)	(13)	107	82	112	(30)	(25)
Urology	172	169	234	257	254	240	274	20	7.9%	24	17	24	(7)	(7)	67	55	67	(12)	(12)
	19,428	19,638	19,169	19,659	20,300	19,705	20,823	523	2.6%	1,595	1,540	1,560	(20)	(55)	4,973	4,693	4,863	(170)	(280)
Change		1.1%	-2.4%	2.6%	3.3%	0.2%	2.6%						-1.3%	-3.4%				-3.5%	-5.6%

El Camino Hospital Volume Annual Trends Outpatient

Outpatient	2014-2019							Cases		PY vs CY vs Bud					PY vs CY vs Bud					
	2014	2015	2016	2017	2018	Bud 2018	Bud 2019	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var	
Behavioral Health	911	886	2,395	3,262	3,152	3,282	3,417	265	8.4%	275	208	264	(56)	(67)	805	665	781	(116)	(140)	
Dialysis	1,060	154	7					-				-	-				-	-		
Emergency	46,005	49,077	48,576	48,615	49,420	48,975	49,122	(298)	-0.6%	3,830	3,792	3,769	23	(38)	11,849	11,699	11,654	45	(150)	
General Medicine	5,969	5,999	6,569	6,540	6,783	6,504	6,850	67	1.0%	533	546	540	6	13	1,691	1,726	1,724	2	35	
General Surgery	1,840	1,854	1,798	1,843	2,007	2,049	2,068	61	3.0%	160	145	158	(13)	(15)	459	484	459	25	25	
GYN	1,221	1,308	1,018	1,080	1,094	1,172	1,171	77	7.0%	101	105	99	6	4	264	336	259	77	72	
Heart and Vascular	2,575	2,719	3,811	4,372	4,366	4,393	4,410	44	1.0%	341	381	351	30	40	1,064	1,167	1,098	69	103	
Imaging Services	19,549	20,077	17,801	17,244	18,509	17,597	18,744	235	1.3%	1,479	1,474	1,446	28	(5)	4,499	4,739	4,398	341	240	
Laboratory Services	30,595	29,710	29,028	29,137	28,569	28,741	29,071	502	1.8%	2,372	2,118	2,357	(239)	(254)	7,060	6,871	7,023	(152)	(189)	
MCH	5,038	4,830	5,092	5,583	5,646	5,200	5,928	282	5.0%	471	423	467	(44)	(48)	1,426	1,344	1,410	(66)	(82)	
Neurosciences	110	61	127	125	114	142	155	41	36.0%	11	5	13	(8)	(6)	35	15	42	(27)	(20)	
Oncology	4,002	4,174	14,306	18,578	19,278	19,438	22,037	2,759	14.3%	1,585	1,519	1,628	(109)	(66)	4,828	4,711	4,958	(247)	(117)	
Orthopedics	866	776	584	616	642	588	714	72	11.2%	59	64	69	(5)	5	160	168	184	(16)	8	
Other	664	635	629	543	513	703	607	94	18.3%	42	50	43	7	8	131	148	127	21	17	
Outpatient Clinics	1,817	1,706	1,681	1,304	1,890	1,450	1,517	(373)	-19.7%	196	140	143	(3)	(56)	591	411	365	46	(180)	
Rehab Services	1,732	1,747	3,951	4,518	4,928	4,326	4,900	(28)	-0.6%	391	430	388	42	39	1,230	1,310	1,221	89	80	
Sleep Center	160	223	499	368	211	720	300	89	42.2%	12	15	23	(8)	3	39	49	75	(26)	10	
Spine Surgery	325	401	309	324	310	331	326	16	5.2%	32	17	31	(14)	(15)	84	70	82	(12)	(14)	
Urology	1,758	1,773	1,740	1,898	2,053	1,875	2,058	5	0.2%	168	165	171	(6)	(3)	506	485	510	(25)	(21)	
Change		1.5%	9.2%	4.3%	2.4%	1.1%	2.6%	3,910	2.6%	12,058	11,597	11,960	(363)	(461)	36,721	36,398	36,371	27	(323)	
																			0.1%	-0.9%

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	A	S	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	344
AB 915	-	-	2,875	2,875
Late Charge Accrual	-	-	2,828	2,828
Various Adjustments under \$250k	4	5	148	157
Total	145	116	5,946	6,207

El Camino Hospital Investment Committee Scorecard September 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		3Q 2018		Fiscal Year-to-date		5y 11m Since Inception (annualized)			2018
Surplus cash balance*		\$994.7	--	--	--	--	--	\$886.6	--
Surplus cash return		2.3%	2.0%	2.3%	2.0%	5.8%	5.5%	3.2%	5.3%
Cash balance plan balance (millions)		\$274.7	--	--	--	--	--	\$276.9	--
Cash balance plan return		2.8%	2.5%	2.8%	2.5%	8.3%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		\$481.7	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 11m Since Inception (annualized)			2018
Surplus cash Sharpe ratio		1.59	1.52	--	--	1.34	1.27	--	0.43
Net of fee return		7.5%	7.1%	--	--	5.8%	5.5%	--	5.3%
Standard deviation		4.1%	4.0%	--	--	4.0%	4.0%	--	6.7%
Cash balance Sharpe ratio		1.64	1.55	--	--	1.45	1.34	--	0.40
Net of fee return		9.4%	8.5%	--	--	8.3%	7.4%	--	5.7%
Standard deviation		5.1%	4.8%	--	--	5.3%	5.1%	--	8.1%
Asset Allocation		3Q 2018							
Surplus cash absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Manager Compliance		3Q 2018							
Surplus cash manager flags		20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		23	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~\$160 mm), District assets (~\$31 mm), and balance sheet cash not in investable portfolio (~\$94 mm).
Includes Foundation (~\$28 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	FY19 Budget	FY 19 YTD Spent
IT Hardware, Software, Equipment & Imaging				19.7	0.1	19.7	0.1
Medical & Non Medical Equipment FY 18				5.6	8.8	0.0	2.8
Medical & Non Medical Equipment FY 19				11.2	0.3	11.2	0.3
Facility Projects							
	1245 Behavioral Health Bldg	FY16	96.1	96.1	49.1	45.0	3.2
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.2	0.0	0.0
	1414 Integrated MOB	FY15	302.1	302.1	138.4	150.0	17.9
	1422 CUP Upgrade	FY16	9.0	9.0	7.7	0.8	0.1
	1430 Women's Hospital Expansion	FY16	135.0	135.0	4.0	10.0	0.8
	Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.0
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0
	1525 New Main Lab Upgrades		3.1	3.1	2.3	0.3	0.2
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.0
	1503 Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0
	1602 JW House (Patient Family Residence)		6.5	6.5	0.3	6.0	0.0
	Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.0
	1707 Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	6.0	0.0
	1708 IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	0.0
	Flooring Replacement		1.6	1.6	0.0	1.5	0.0
	1219 LG Spine OR	FY13	0.0	0.0	3.8	0.0	0.0
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.1
	1307 LG Upgrades	FY13	19.3	19.3	18.4	0.8	0.6
	1507 LG IR Upgrades		1.3	0.0	0.0	1.3	0.0
	1603 LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0
	1711 Emergency Sanitary & Water Storage		1.5	1.5	0.2	1.3	0.0
	LG Modular MRI & Awning		3.9	3.9	0.1	3.5	0.0
	LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.0
	LG Observation Unit (Conversion of ICU 2)		0.0	0.0	0.0	0.0	0.0
	1712 LG Cancer Center		5.0	5.0	0.2	4.8	0.0
	Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0
	Primary Care Clinic Development (2 @ \$3 Million Ea)		6.0	6.0	0.0	5.0	0.0
	Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	0.0
	Willow SC Upgrades (35,000 @ \$50)		1.8	1.8	0.0	1.8	0.0
	New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.0
	80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0
	Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0
	All Other Projects		7.2	6.9	11.7	7.8	0.3
GRAND TOTAL			755.9	728.4	281.7	279.5	23.2
				759.3	290.9	310.4	26.4

Balance Sheet (in thousands)

ASSETS			LIABILITIES AND FUND BALANCE		
	Audited			Audited	
	September 30, 2018	June 30, 2018		September 30, 2018	June 30, 2018
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	91,269	118,992	(5) Accounts Payable	31,930	49,925
Short Term Investments	154,060	150,664	(6) Salaries and Related Liabilities	22,072	26,727
Patient Accounts Receivable, net	117,602	124,427	Accrued PTO	24,906	24,532
Other Accounts and Notes Receivable	2,588	3,402	Worker's Comp Reserve	2,300	2,300
Intercompany Receivables	1,613	2,090	Third Party Settlements	10,444	10,068
(1) Inventories and Prepays	80,983	75,594	Intercompany Payables	156	125
Total Current Assets	448,115	475,171	Malpractice Reserves	1,831	1,831
BOARD DESIGNATED ASSETS			Bonds Payable - Current	3,850	3,850
Plant & Equipment Fund	158,878	153,784	(7) Bond Interest Payable	6,841	12,975
(2) Women's Hospital Expansion	13,967	9,298	Other Liabilities	9,888	8,909
(3) Operational Reserve Fund	139,057	127,908	Total Current Liabilities	114,218	141,242
Community Benefit Fund	18,174	18,675	LONG TERM LIABILITIES		
Workers Compensation Reserve Fund	20,940	20,263	Post Retirement Benefits	29,362	29,212
Postretirement Health/Life Reserve Fund	29,362	29,212	Worker's Comp Reserve	18,640	17,963
PTO Liability Fund	24,906	24,532	Other L/T Obligation (Asbestos)	3,888	3,859
Malpractice Reserve Fund	1,831	1,831	Other L/T Liabilities (IT/Medl Leases)	-	-
Catastrophic Reserves Fund	19,656	18,322	Bond Payable	517,204	517,781
Total Board Designated Assets	426,770	403,826	Total Long Term Liabilities	569,094	568,815
(4) FUNDS HELD BY TRUSTEE	158,698	197,620	DEFERRED REVENUE-UNRESTRICTED	519	528
LONG TERM INVESTMENTS	370,538	345,684	DEFERRED INFLOW OF RESOURCES	22,835	22,835
INVESTMENTS IN AFFILIATES	33,770	32,412	FUND BALANCE/CAPITAL ACCOUNTS		
PROPERTY AND EQUIPMENT			Unrestricted	1,267,012	1,243,529
Fixed Assets at Cost	1,267,454	1,261,854	Board Designated	426,770	403,825
Less: Accumulated Depreciation	(590,335)	(577,959)	Restricted	0	0
Construction in Progress	264,411	220,991	(8) Total Fund Bal & Capital Accts	1,693,783	1,647,355
Property, Plant & Equipment - Net	941,530	904,886	TOTAL LIABILITIES AND FUND BALANCE	2,400,449	2,380,776
DEFERRED OUTFLOWS	21,027	21,177			
RESTRICTED ASSETS - CASH	0	0			
TOTAL ASSETS	2,400,449	2,380,776			

September 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.
- (2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.
- (3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.
- (4) Decrease is due to continued draws from the Bond Project Funds, primarily for the IMOB and BHS project.
- (5) Decrease is due to the yearend accruals that were paid out in July and August.
- (6) Decrease is due a lesser number of days of payroll expenses for September opposed to a full 14 day pay period that was needed for June 30.
- (7) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in August.
- (8) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.

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 09/30/2018

Period 3 FY 2018	Period 3 FY 2019	Period 3 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
223,244	219,350	229,734	(10,385)	(4.5%)	OPERATING REVENUE					
(164,377)	(161,337)	(170,766)	9,429	5.5%	Gross Revenue	655,610	676,032	694,480	(18,448)	(2.7%)
58,867	58,012	58,968	(956)	(1.6%)	Deductions	(480,493)	(495,105)	(515,694)	20,589	4.0%
1,573	1,816	2,229	(412)	(18.5%)	Net Patient Revenue	175,118	180,927	178,787	2,141	1.2%
60,440	59,829	61,197	(1,368)	(2.2%)	Other Operating Revenue	6,093	4,949	5,995	(1,046)	(17.4%)
					Total Operating Revenue	181,211	185,877	184,781	1,095	0.6%
					OPERATING EXPENSE					
32,079	33,579	33,782	203	0.6%	Salaries & Wages	96,735	100,899	103,729	2,829	2.7%
7,795	8,298	9,093	795	8.7%	Supplies	23,645	26,218	26,436	217	0.8%
6,823	6,851	7,548	697	9.2%	Fees & Purchased Services	19,554	22,310	22,795	484	2.1%
809	660	796	136	17.1%	Other Operating Expense	1,913	2,345	2,961	616	20.8%
298	174	323	149	46.2%	Interest	1,050	452	970	518	53.4%
3,513	3,509	3,766	256	6.8%	Depreciation	10,324	10,503	10,938	436	4.0%
51,318	53,071	55,308	2,236	4.0%	Total Operating Expense	153,220	162,728	167,829	5,101	3.0%
9,122	6,757	5,889	868	14.7%	Net Operating Income/(Loss)	27,991	23,149	16,953	6,196	36.5%
7,875	(90)	456	(546)	(119.7%)	Non Operating Income	16,771	16,320	1,369	14,950	1091.9%
16,998	6,667	6,346	322	5.1%	Net Income(Loss)	44,762	39,468	18,322	21,146	115.4%
21.4%	17.5%	16.3%	1.1%		EBITDA	21.7%	18.3%	15.6%	2.7%	
15.1%	11.3%	9.6%	1.7%		Operating Margin	15.4%	12.5%	9.2%	3.3%	
28.1%	11.1%	10.4%	0.8%		Net Margin	24.7%	21.2%	9.9%	11.3%	

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

Period ending 09/30/2018

Period 3 FY 2018	Period 3 FY 2019	Period 3 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
47,139	48,537	47,714	824	1.7%	OPERATING REVENUE					
(34,290)	(35,096)	(35,028)	(68)	(0.2%)	Gross Revenue	141,339	148,379	146,104	2,275	1.6%
12,849	13,441	12,685	756	6.0%	Deductions	(104,301)	(109,451)	(107,074)	(2,377)	(2.2%)
163	254	235	18	7.7%	Net Patient Revenue	37,038	38,928	39,030	(102)	(0.3%)
13,012	13,695	12,921	774	6.0%	Other Operating Revenue	483	773	685	88	12.8%
					Total Operating Revenue	37,521	39,701	39,714	(14)	(0.0%)
					OPERATING EXPENSE					
6,232	6,780	6,259	(522)	(8.3%)	Salaries & Wages	19,392	20,615	19,402	(1,213)	(6.3%)
1,567	1,953	2,020	68	3.4%	Supplies	5,387	6,341	5,821	(519)	(8.9%)
1,126	1,325	1,219	(106)	(8.7%)	Fees & Purchased Services	3,762	3,997	3,852	(145)	(3.8%)
1,552	1,467	1,513	47	3.1%	Other Operating Expense	4,600	4,543	4,691	148	3.2%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
509	741	766	25	3.3%	Depreciation	1,482	2,222	2,167	(55)	(2.5%)
10,986	12,265	11,777	(488)	(4.1%)	Total Operating Expense	34,623	37,718	35,933	(1,784)	(5.0%)
2,026	1,429	1,143	286	25.0%	Net Operating Income/(Loss)	2,898	1,983	3,781	(1,798)	(47.6%)
0	0	0	0	0.0%	Non Operating Income	(45)	0	0	0	0.0%
2,026	1,429	1,143	286	25.0%	Net Income(Loss)	2,854	1,983	3,781	(1,798)	(47.6%)
19.5%	15.8%	14.8%	1.1%		EBITDA	11.7%	10.6%	15.0%	(4.4%)	
15.6%	10.4%	8.8%	1.6%		Operating Margin	7.7%	5.0%	9.5%	(4.5%)	
15.6%	10.4%	8.8%	1.6%		Net Margin	7.6%	5.0%	9.5%	(4.5%)	

Capital Spend Trend & FY 19 Budget

Capital Spending (in 000's)	Actual FY2016	Actual FY2017	Actual FY2018	Budget 2019
EPIC	20,798	2,755	1,114	-
IT Hardware / Software Equipment	6,483	2,659	1,108	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	11,206
Non CIP Land, Land I , BLDG, Additions	4,189	-	2,070	-
Facilities	48,137	82,953	137,364	279,450
GRAND TOTAL	96,740	97,923	157,435	310,388
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2014 – FY 2018

Category	2014	2015	2016	2017	2018	Category	2014	2015	2016	2017	2018
EPIC	6,838	29,849	20,798	2,755	1,114	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	2,788	4,660	6,483	2,659	1,108	1415 - Signage & Wayfinding	-	-	106	58	136
Medical/Non Medical Equipment	12,891	13,340	17,133	9,556	15,780	1416 - MV Campus Digital Directories	-	-	34	23	95
Non CIP Land, Land I, BLDG, Additions	22,292	-	4,189	-	2,070	1423 - MV MOB TI Allowance	-	-	588	369	-
Facilities Projects CIP						1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
Mountain View Campus Master Plan Projects						1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676	1430 - Women's Hospital Expansion	-	-	-	464	2,763
1413 - North Drive Parking Structure Exp	-	167	1,266	18,120	4,670	1432 - 205 South Dr BHS TI	-	8	15	-	52
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319	1501 - Women's Hospital NPC Comp	-	4	-	223	320
1422 - CUP Upgrade	-	-	896	1,245	5,428	1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
Sub-Total Mountain View Campus Master Plan	1,257	5,950	12,426	62,493	114,093	1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
Mountain View Capital Projects						1504 - Equipment Support Infrastructure	-	61	311	-	60
9900 - Unassigned Costs	470	3,717	-	-	-	1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
0906 - Slot Build-Out	1,576	15,101	1,251	294	-	1525 - New Main Lab Upgrades	-	-	-	464	1,739
1109 - New Main Upgrades	393	2	-	-	-	1526 - CONCERN TI	-	-	37	99	10
1111 - Mom/Baby Overflow	29	-	-	-	-	Sub-Total Mountain View Projects	7,219	26,744	5,588	5,535	7,948
1204 - Elevator Upgrades	30	-	-	-	-	Los Gatos Capital Projects					
0800 - Womens L&D Expansion	1,531	269	-	-	-	0904 - LG Facilities Upgrade	-	-	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-	0907 - LG Imaging Masterplan	774	1,402	17	-	-
1227 - New Main eICU	21	-	-	-	-	1210 - Los Gatos VOIP	89	-	-	-	-
1230 - Fog Shop	80	-	-	-	-	1116 - LG Ortho Pavillion	24	21	-	-	-
1315 - 205 So. Drive TI's	500	2	-	-	-	1124 - LG Rehab BLDG	458	-	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961	1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1125 - Will Pav Fire Sprinkler	39	-	-	-	-	1308 - LG Infrastructure	114	-	-	-	-
1216 - New Main Process Imp Office	1	16	-	-	-	1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-	1219 - LG Spine OR	214	323	633	2,163	447
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-	1221 - LG Kitchen Refrig	85	-	-	-	-
1301 - Desktop Virtual	13	-	-	-	-	1248 - LG - CT Upgrades	26	345	197	6,669	1,673
1304 - Rehab Wander Mgmt	87	-	-	-	-	1249 - LG Mobile Imaging	146	-	-	-	-
1310 - Melchor Cancer Center Expansion	44	13	-	-	-	1328 - LG Ortho Canopy FY14	255	209	-	-	-
1318 - Women's Hospital TI	48	48	29	2	-	1345 - LG Lab HVAC	112	-	-	-	-
1327 - Rehab Building Upgrades	-	15	20	-	22	1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-	1347 - LG Central Sterile Upgrades	-	181	43	66	-
1340 - New Main ED Exam Room TVs	8	193	-	-	-	1421 - LG MOB Improvements	-	198	65	303	356
1341 - New Main Admin	32	103	-	-	-	1508 - LG NICU 4 Bed Expansion	-	-	-	207	-
1344 - New Main AV Upgrd	243	-	-	-	-	1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1400 - Oak Pav Cancer Center	-	5,208	666	52	156	1603 - LG MOB Improvements	-	-	-	285	4,593
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-	Sub-Total Los Gatos Projects	5,276	6,246	6,116	14,780	12,306
1404 - Park Pav HVAC	64	7	-	-	-	1550 - Land Acquisition	-	-	24,007	-	-
1405 - 1 - South Accessibility Upgrades	-	-	168	95	-	1701 - 828 S Winchester Clinic TI	-	-	-	145	3,018
1408 - New Main Accessibility Upgrades	-	7	46	501	12	Sub-Total Other Strategic Projects	-	-	24,007	145	3,018
						Subtotal Facilities Projects CIP	13,753	38,940	48,137	82,953	137,364
						Grand Total	58,561	86,789	96,740	97,923	157,435