

**AGENDA**  
**FINANCE COMMITTEE MEETING**  
**OF THE EL CAMINO HOSPITAL BOARD**  
**Monday, July 27, 2020 – 7:05 pm**

El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, EL CAMINO HEALTH WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

**1-669-900-9128, MEETING CODE: 369-007-4917#. No participant code. Just press #.**

**MISSION:** To provide oversight, information sharing and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital Board of Directors. In carrying out its review, advisory and oversight responsibilities, the Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<b>1. CALL TO ORDER / ROLL CALL</b>	John Zoglin, Chair		<b>7:05 – 7:06 pm</b>
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	John Zoglin, Chair		<b>information 7:06 – 7:07</b>
<b>3. PUBLIC COMMUNICATION</b> a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	John Zoglin, Chair		<b>information 7:07 – 7:10</b>
<b>4. CONSENT CALENDAR</b> <i>Any Committee Member may remove an item for discussion before a motion is made.</i> <b>Approval</b> a. <a href="#">Minutes of the Open Session of the Finance Committees (06/03/2020)</a> b. <a href="#">FY20 Period 11 Financials</a> <b>Information</b> c. <a href="#">FY21 Pacing Plan</a> d. <a href="#">Progress Against FY21 Committee Goals</a>	John Zoglin, Chair	<i>public comment</i>	<b>motion required 7:10 – 7:13</b>
<b>5. REPORT ON BOARD ACTIONS</b> <a href="#">ATTACHMENT 5</a>	John Zoglin, Chair		<b>information 7:13 – 7:18</b>
<b>6. FY20 PERIOD 12 FINANCIALS (YEAR END)</b> <a href="#">ATTACHMENT 6</a>	Michael Moody, Interim CFO	<i>public comment</i>	<b>possible motion 7:18 – 7:33</b>
<b>7. FY21 BUDGET – ROLLING FORECAST</b> <a href="#">ATTACHMENT 7</a>	Michael Moody, Interim CFO	<i>public comment</i>	<b>possible motion 7:33 – 7:43</b>
<b>8. CAPITAL FUNDING REQUESTS</b> a. <a href="#">Additional Radiation Oncology Equipment Funding for Construction</a> b. <a href="#">Sterile Processing Equipment Replacement Funding</a>	Ken King, CASO	<i>public comment</i>	<b>possible motion 7:43 – 7:58</b>

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<b>9. ECHMN FINANCIAL REPORT</b> <a href="#">ATTACHMENT 9</a>	Bruce Harrison, President, SVMD; David Neapolitan, VP of Finance, SVMD		<b>information</b> 7:58 – 8:18
<b>10. POST-IMPLEMENTATION REVIEW</b> a. <a href="#">LG Cancer Center</a> b. <a href="#">Waste Water Treatment</a>	Ken King, CASO		<b>information</b> 8:18 – 8:38
<b>11. ADJOURN TO CLOSED SESSION</b>	John Zoglin, Chair		<b>motion required</b> 8:38 – 8:39
<b>12. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	John Zoglin, Chair		<b>information</b> 8:39 – 8:40
<b>13. CONSENT CALENDAR</b> <i>Any Committee Member may remove an item for discussion before a motion is made.</i> <b>Approval</b> <i>Gov't Code Section 54957.2:</i> - Minutes of the Closed Session of the Finance Committees (06/03/2020)	John Zoglin, Chair		<b>motion required</b> 8:40 – 8:41
<b>14. Health and Safety Code Section 32106(b)</b> – for a report and discussion involving healthcare facility trade secrets: - Physician Contracts a. EKG Reading Panel Renewal Agreement b. Gastroenterology (GI) Call Panel (MV)	Mark Adams, MD, CMO		<b>information</b> 8:41 – 8:46
<b>15. Gov't Code Sections 54957</b> for report and discussion on personnel matters – Senior Management: - Executive Session	John Zoglin, Chair		<b>information</b> 8:46 – 8:51
<b>16. ADJOURN TO OPEN SESSION</b>	John Zoglin, Chair		<b>motion required</b> 8:51 – 8:52
<b>17. RECONVENE OPEN SESSION / REPORT OUT</b>  To report any required disclosures regarding permissible actions taken during Closed Session.	John Zoglin, Chair		<b>information</b> 8:52 – 8:52
<b>18. APPROVE/RECOMMEND PHYSICIAN CONTRACTS</b> a. EKG Reading Panel Renewal b. Gastroenterology (GI) Call Panel (MV)	Mark Adams, MD, CMO	<i>public comment</i>	<b>required motion</b> 8:52 – 8:54
<b>19. PROPOSED CHANGES TO FY21 PERFORMANCE INCENTIVE GOALS (FINANCE AND GROWTH)</b> <a href="#">ATTACHMENT 19</a>	John Zoglin, Chair	<i>public comment</i>	<b>required motion</b> 8:54 – 9:04
<b>20. CLOSING COMMENTS</b>	John Zoglin, Chair		<b>information</b> 9:04 – 9:09
<b>21. ADJOURNMENT</b>	John Zoglin, Chair	<i>public comment</i>	<b>motion required</b> 9:09 – 9:10

**Upcoming Meetings:**

Regular Meetings: September 29, 2020, November 23, 2020, January 25, 2021 (Joint with Investment Committee), March 29, 2021, April 26, 2021, May 24, 2021 (Joint with ECHB)



**Minutes of the Open Session of the  
Finance Committee of the  
El Camino Hospital Board of Directors  
Monday, June 3, 2020**

**El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040**

**Members Present**

**John Zoglin, Chair\*\***  
**Joseph Chow\*\***  
**Boyd Faust\*\***  
**Gary Kalbach\*\***  
**Don Watters\*\***  
**Richard Juelis\*\***

**Members Absent**

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
<b>1. CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 5:30pm by Chair John Zoglin. A verbal roll call was taken. Joseph Chow was not present during roll call. All other members were present and participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
<b>2. POTENTIAL CONFLICT OF INTEREST</b>	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
<b>3. PUBLIC COMMUNICATION</b>	There were no comments from the public.	
<b>4. CONSENT CALENDAR</b>	<p>Chair Zoglin asked if any member of the Committee wished to remove an item from the consent calendar. None were noted.</p> <p>Motion: To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee Meeting (04/27/2020) and (b) Massimo Agreement, and for information: (c) FY20 Committee Pacing Plan, (d) Major Capital Projects in Progress, (e) Progress Against FY20 Committee Goals, (f) Articles of Interest and (g) Siemens Services Agreement.</p> <p><b>Movant:</b> Kalbach  <b>Second:</b> Faust  <b>Ayes:</b> Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chow  <b>Recused:</b> None</p>	<i>Consent Calendar was approved.</i>
<b>5. REPORT ON BOARD ACTIONS</b>	Chair Zoglin asked the Committee for any questions or feedback on the Report on Board Actions as further detailed in the packet. There were no questions.	
<b>6. COMMITTEE RECRUITMENT</b>	Chair Zoglin stated there were three candidates in early May 2020. Management and Ad Hoc Committee members felt that two complimented with some skill sets. The current plan is for the full Committee to interview them at the July 27 <sup>th</sup> meeting. The expectation is only to recruit one additional member.	
<b>7. PERIOD 10 FINANCIALS</b>	Michael Moody, Interim CFO, presented the FY20 Period 10 Financials. Mr. Moody stated that, in April, COVID-19 affected volumes which were down in excess of 30% and ECH alone were below budget in excess of 30%. Net patient revenue was down 35%. Mr. Moody stated that the	

	<p>investment portfolio came back by about \$37M and continues to improve. Included in the results is Rent Forgiveness of \$976,000 for independent physicians. The independent physicians are focused on generating their own revenue, but obviously they have been challenged during this time. Rent forgiveness was one of the ways ECH was able to help them. The other way ECH was able to assist them was by having our IT team assist them with setting up virtual appointments.</p> <p>Mr. Moody reported that Medicare is paying for video visits the same as in person visits, but phone appointments may have a lower payment rate.</p> <p>Jim Griffith, COO, presented the salary and wage updates. He stated that management has put in programs immediately to take care of those staff that were displaced from units that were closing or decreased operations, including a labor pool. Mr. Griffith stated there was a command center set up to run the operations of the hospital and to ensure there was proper protective personal equipment for the whole staff. There were many initiatives in place from hiring freezes to combining units to mitigate the financial impact of COVID-19. There was a plan for a \$9M per month savings target, which has been identified and implemented.</p> <p>Bruce Harrison, President, SVMD, stated that at SVMD, on March 15, there was an immediate drop in visits by 75%. During that week, there were over 2,000 appointments cancelled due to the Shelter In Place. Telehealth visits were implemented and staff called the patients to reschedule to continue their care. On the expense side, SVMD had identified a \$600,000 per month savings including amending operating hours and closed the First Street location. Mr. Harrison stated that as of end of May, volume at SVMD has grown 80% from where it was during the height of COVID-19. The percentage of visits is now down 30% as patients are developing more comfort coming back to the office.</p> <p>Mr. Moody stated that on the month to date report, there is a total cash increase of \$118M that is made up of the Medicare Advance, the CARES Act Funding, and the change in the Investment Portfolio. On a year to date basis, operating margin is \$27.3M and unfavorable to budget by \$36M (cumulative impact of operating loss of March and April).</p> <p>In response to committee members' questions, Mr. Moody stated that rent forgiveness has been set up only for March and April at the moment. Mr. Griffith stated that as far as per diems for any contract staff, management has eliminated or reduced those types of staff. The month of May could be a break even month give or take a couple million dollars. There has been a substantial flexing in staff including a reduction in Medical Directors and the number of hours they are working.</p>	
<p><b>8. FY21 BUDGET PROCESS &amp; TIMELINE</b></p>	<p>Mr. Moody presented the FY21 Budget Process &amp; Timeline and stated forecasting Fiscal Year 21 has been a challenge due to what has happened. There will be a budget presented during the July 27<sup>th</sup> joint meeting with ECHB.</p>	
<p><b>9. AGENDA ITEM 18: FY21 COMMITTEE PLANNING</b></p>	<p><b>Agenda Item #18 was moved to the first part of the open session following Agenda Item #8 by Chair Zoglin.</b></p> <p>There were recommended changes to item 18(b) regarding FY21 Committee Goals. Mr. Watters noted that he feels uncomfortable waiting for Goal #3 and should prioritize this goal as the #1 Goal. Mr. Faust noted that other committees should be focused on patient experience. Chair Zoglin suggests that should be moved to Goal #4 as this is evaluated at</p>	<p><i>FY21 Committee Planning was approved.</i></p>

	<p>the Quality Committee level.</p> <p><b>Motion:</b> To approve the Proposed FY21 Committee Goals, Pacing Plan and Meeting Dates with the changes noted.</p> <p><b>Movant:</b> Kalbach  <b>Second:</b> Watters  <b>Ayes:</b> Chow, Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<p><b>10. ADJOURN TO CLOSED SESSION</b></p>	<p><b>Motion:</b> To adjourn to closed session at 6:31pm.</p> <p><b>Movant:</b> Kalbach  <b>Second:</b> Faust  <b>Ayes:</b> Chow, Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><i>Adjourned to closed session at 6:31pm</i></p>
<p><b>11. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT</b></p>	<p>The open session reconvened at 7:48 pm. Agenda Items 10-15 were covered in closed session. During the closed session, the Committee approved Meeting Minutes of the Closed Session of the Finance Committee (04/27/2020) by a unanimous vote of all members present (Chow, Faust, Juelis, Kalbach, Watters, and Zoglin).</p>	
<p><b>12. AGENDA ITEM 17: APPROVE/RECOMMEND PHYSICIAN CONTRACTS</b></p>	<p><b>Motion:</b> To approve the (a) Ophthalmology Professional Services Renewal Agreements (Enterprise) (b) Anatomic Pathology and Laboratory Medical Director Renewal Agreement (Enterprise) (c) Cancer Program Medical Director Renewal Agreement (Enterprise) (d) Respiratory Care Services Medical Director Renewal Agreement (MV) (e) Radiation Oncology Medical Director Renewal Agreement (MV) (f) NICU Medical Director Renewal Agreement (MV) (g) New Inpatient Perinatal Program Medical Director Agreement (MV) (h) Cardiac Cath Lab Medical Director Renewal Agreement (MV) (i) Echocardiography Medical Director Renewal Agreement (MV)</p> <p><b>Movant:</b> Kalbach  <b>Second:</b> Watters  <b>Ayes:</b> Chow, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> Faust  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><i>Physician Contracts approved.</i></p>
<p><b>13. AGENDA ITEM 19: PROPOSED FY21 PERFORMANCE INCENTIVE GOALS (FINANCE AND GROWTH)</b></p>	<p>Mr. Moody presented the Proposed FY21 Performance Incentive Goals. He stated that the finance goal is measured by operating EBIDA and the growth goal is measured by net revenue. Management is proposing to use the rolling forecast for this item. For the operating EBIDA goal, minimum would be at a hundred percent of the rolling forecast model post the October 2020 updates. That would incorporate the actual experience from May through October as part of the monthly target. The target would be 110% of the rolling forecast and stretch to be at 120%. Growth would be used by the same results of the model and would be 90% of the rolling forecast, 105% for target and 110% for stretch.</p> <p>In response to committee members' questions, Mr. Moody stated that management believes that linking the goal more to actual revenue would</p>	<p><i>FY21 Performance Incentive Goals approved.</i></p>

	<p>be a better metric given the loss in volume from a procedure standpoint. Mr. Moody also stated that management will adjust the numbers based on experience. In November 2020, there will be a model that takes into account actual experience through October 2020 and forecasts that through June 2021. After October, the only way the forecast can be changed again is if it came back through the Board for any changes proposed.</p> <p><b>Motion:</b> To recommend Board approval of the Proposed FY21 Performance Incentive Goals (Finance and Growth).</p> <p><b>Movant:</b> Kalbach <b>Second:</b> Watters <b>Ayes:</b> Chow, Juelis, Kalbach, Watters, and Zoglin <b>Noes:</b> Faust <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None</p>	
<p><b>14. AGENDA ITEM 19: ADJOURNMENT</b></p>	<p><b>Motion:</b> To adjourn at 8:06pm</p> <p><b>Movant:</b> Kalbach <b>Second:</b> Juelis <b>Ayes:</b> Chow, Faust, Juelis, Kalbach, Watters, and Zoglin <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None</p>	<p><i>Meeting adjourned at 8:06pm</i></p>

**Attest as to the approval of the foregoing minutes by the Finance Committee of El Camino Hospital:**

\_\_\_\_\_  
John Zoglin  
Chair, Finance Committee



# El Camino Health

## Summary of Financial Operations

*Fiscal Year 2020 – Period 11*

*7/1/2019 to 5/31/2020*

# Consolidated Statement of Operations (\$000s)

Period ending 05/31/2020

Period 11 FY 2019	Period 11 FY 2020	Period 11 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
315,671	253,514	333,599	(80,085)	(24.0%)	<b>Gross Revenue</b>	3,257,772	3,339,949	3,517,942	(177,993)	(5.1%)
(227,095)	(182,584)	(246,797)	64,213	26.0%	<b>Deductions</b>	(2,391,514)	(2,457,998)	(2,600,337)	142,339	5.5%
<b>88,576</b>	<b>70,930</b>	<b>86,802</b>	<b>(15,872)</b>	<b>(18.3%)</b>	<b>Net Patient Revenue</b>	<b>866,258</b>	<b>881,951</b>	<b>917,605</b>	<b>(35,654)</b>	<b>(3.9%)</b>
5,318	3,550	5,386	(1,835)	(34.1%)	<b>Other Operating Revenue</b>	39,680	47,770	50,013	(2,243)	(4.5%)
<b>93,894</b>	<b>74,480</b>	<b>92,187</b>	<b>(17,707)</b>	<b>(19.2%)</b>	<b>Total Operating Revenue</b>	<b>905,938</b>	<b>929,721</b>	<b>967,618</b>	<b>(37,897)</b>	<b>(3.9%)</b>
					<b>OPERATING EXPENSE</b>					
47,215	45,971	47,727	1,756	3.7%	<b>Salaries &amp; Wages</b>	472,925	507,895	510,656	2,761	0.5%
13,869	9,881	12,874	2,993	23.2%	<b>Supplies</b>	126,449	141,079	133,979	(7,100)	(5.3%)
15,028	12,870	13,205	336	2.5%	<b>Fees &amp; Purchased Services</b>	121,729	157,055	144,092	(12,963)	(9.0%)
3,316	3,203	3,672	469	12.8%	<b>Other Operating Expense</b>	30,559	40,767	42,472	1,705	4.0%
189	1,419	1,428	10	0.7%	<b>Interest</b>	3,871	8,050	10,511	2,461	23.4%
4,406	3,122	5,225	2,103	40.2%	<b>Depreciation</b>	47,780	49,554	54,255	4,701	8.7%
<b>84,023</b>	<b>76,465</b>	<b>84,131</b>	<b>7,666</b>	<b>9.1%</b>	<b>Total Operating Expense</b>	<b>803,312</b>	<b>904,399</b>	<b>895,964</b>	<b>(8,436)</b>	<b>(0.9%)</b>
<b>9,871</b>	<b>(1,985)</b>	<b>8,056</b>	<b>(10,041)</b>	<b>(124.6%)</b>	<b>Net Operating Margin</b>	<b>102,626</b>	<b>25,321</b>	<b>71,654</b>	<b>(46,333)</b>	<b>(64.7%)</b>
(12,156)	24,966	3,300	21,666	656.5%	<b>Non Operating Income</b>	30,008	33,281	34,896	(1,615)	(4.6%)
<b>(2,285)</b>	<b>22,981</b>	<b>11,356</b>	<b>11,625</b>	<b>102.4%</b>	<b>Net Margin</b>	<b>132,634</b>	<b>58,603</b>	<b>106,550</b>	<b>(47,948)</b>	<b>(45.0%)</b>
15.4%	3.4%	16.0%	(12.5%)		<b>EBITDA</b>	17.0%	8.9%	14.1%	(5.2%)	
10.5%	-2.7%	8.7%	(11.4%)		<b>Operating Margin</b>	11.3%	2.7%	7.4%	(4.7%)	
-2.4%	30.9%	12.3%	18.5%		<b>Net Margin</b>	14.6%	6.3%	11.0%	(4.7%)	



# Significant Financial Improvement in May

- The Operating Loss in May was \$2.0 million dollars which is a \$22.6 million improvement from April.
  - ECH posted an Operating Gain of \$1.2 million to lead the improvement in the financial results.
  - SVMD experienced a \$3.0 million dollar Operating Loss which included a write-down of \$860,000 of a receivable from Verity related to the acquisition of the SJMG.
    - Without this write-down the Operating Loss would have been \$2.1 million which is also a significant improvement from previous months

# Significant Financial Improvement in May

- Revenue is consistent with volume and payer mix
  - The unfavorable variance in Net Patient Revenue was reduced to \$15.9 million in May
  - Volume is down 23% at ECH and 18% at SVMD
  - The revenue per unit of service increased at ECH & SVMD due to higher collections and the proportion of Commercial insurance inpatients at ECH
  - Included in Net Patient Revenue is a write-down of a receivable of \$860,000 from the purchase of SJMG from Verity
- Overall, Revenue was \$17.7 million below budget and driven by the volume shortfall

# Significant Financial Improvement in May

- Expense management improved in May – all categories were favorable
  - Overall Operating Expenses were \$7.7 million or 9% favorable compared to the budget
    - Productivity continues to improve with the last pay period of the month being at 100%
    - Supplies & Purchased Services focus continues with the unfavorable variance in Purchased Services being arrested
- Included in expenses are \$2.0 million of expenses directly related to COVID 19

## Pro Forma w. COVID direct costs pulled out

	<u>ECH</u>	<u>SVMD</u>	<u>Total</u>
Misc Operating Income - Rent	\$ 51	\$ -	\$ 51
Salaries & Wages	1,188		\$ 1,188
Supplies	372	15	\$ 387
Fees & Purchased Services	411		\$ 411
Other Operating Expenses			\$ -
Subtotal	<u>\$ 2,022</u>	<u>\$ 15</u>	<u>\$ 2,037</u>
Total Operating Expenses w.o COVID costs	\$ 67,219	\$ 6,406	\$ 73,625
Budgeted Operating Costs	<u>75,702</u>	<u>7,335</u>	<u>83,037</u>
Variance	<u>\$ 8,483</u>	<u>\$ 929</u>	<u>\$ 9,412</u>
Variance Percentage	<u>11%</u>	<u>13%</u>	<u>11%</u>

# Financial Overview – Year to Date May

## Financial Performance

- The Operating Margin is \$25.3M thru May. This is unfavorable to the budget by \$46.3M
- The unfavorable variance is due to the losses incurred in March of \$9.7M, April of \$24.5M and May of \$2.0
  - The reasons for these losses have been presented previously
- Non Operating Income is at budget due to the material mark-to-market adjustment for the investment portfolio in from April – May and CARES Act distributions received in April

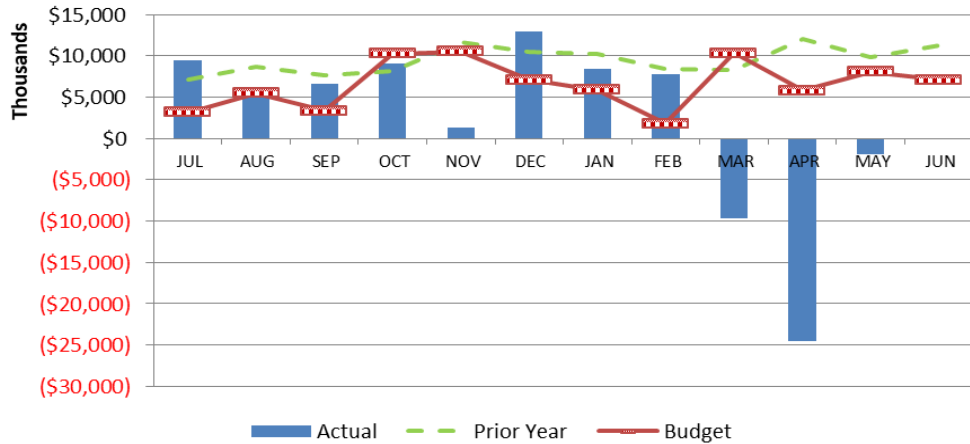
# Dashboard - as of May 31, 2020

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
<b>Consolidated Financial Perf.</b>								
Total Operating Revenue	93,894	74,480	92,187	(17,707)	905,938	929,721	967,618	(37,897)
Operating Expenses	84,023	76,465	84,131	7,666	803,312	904,399	895,964	(8,436)
Operating Margin \$	9,871	(1,985)	8,056	(10,041)	102,626	25,321	71,654	(46,333)
Operating Margin %	10.5%	(2.7%)	8.7%	(11.4%)	11.3%	2.7%	7.4%	(4.7%)
EBIDA \$	14,466	2,556	14,709	(12,154)	154,277	82,925	136,420	(53,494)
EBIDA %	15.4%	3.4%	16.0%	(12.5%)	17.0%	8.9%	14.1%	(5.2%)
<b>Hospital Volume</b>								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	245	197	245	(48)	243	228	241	(13)
Utilization MV	67%	50%	67%	(16.5%)	67%	62%	65%	(3.5%)
Utilization LG	32%	32%	31%	1.1%	30%	30%	32%	(1.8%)
Utilization Combined	55%	44%	55%	(10.8%)	55%	51%	54%	(2.9%)
Adjusted Discharges	3,230	2,455	3,201	(746)	32,389	32,535	33,074	(539)
Total Discharges (Excl NNB)	1,783	1,360	1,681	(321)	18,034	17,545	18,060	(515)
Total Discharges	2,151	1,742	2,036	(294)	21,743	21,336	21,796	(460)
<b>Inpatient Cases</b>								
MS Discharges	1,227	810	1,120	(310)	12,557	11,972	12,335	(363)
Deliveries	391	401	363	38	3,935	4,003	3,918	85
BHS	113	98	146	(48)	1,069	1,073	1,271	(198)
Rehab	52	51	53	(2)	473	497	536	(39)
<b>Outpatient Cases</b>								
ED	13,383	9,528	14,031	(4,503)	138,089	136,087	144,293	(8,206)
Procedural Cases	4,146	2,282	4,066	(1,784)	44,310	40,078	43,804	(3,726)
OP Surg	452	293	491	(198)	4,597	4,408	4,710	(302)
Endo	241	116	250	(134)	2,415	2,100	2,551	(451)
Interventional	183	128	204	(76)	2,017	1,812	2,076	(264)
All Other	8,361	6,709	9,020	(2,311)	84,750	87,689	91,152	(3,463)
<b>Hospital Payor Mix</b>								
Medicare	49.8%	46.9%	49.0%	(2.2%)	49.0%	48.7%	48.6%	0.0%
Medi-Cal	7.4%	7.5%	7.9%	(0.4%)	8.0%	7.5%	8.1%	(0.5%)
Commercial IP	19.9%	22.0%	19.5%	2.6%	20.0%	20.2%	20.4%	(0.1%)
Commercial OP	21.3%	21.0%	21.5%	(0.5%)	20.7%	21.2%	20.6%	0.6%
Total Commercial	41.2%	43.0%	40.9%	2.1%	40.7%	41.4%	41.0%	0.4%
Other	1.6%	2.6%	2.2%	0.5%	2.4%	2.4%	2.3%	0.1%
<b>Hospital Cost</b>								
Total FTE	2,737.3	2,623.7	2,539.5	(84.2)	2,675.8	2,771.2	2,723.1	(48.1)
Productive Hrs/APD	30.8	36.2	30.0	(6.2)	30.6	32.6	31.5	(1.1)
<b>Consolidated Balance Sheet</b>								
Net Days in AR	47.6	51.1	49.0	(2.1)	47.6	51.1	49.0	(2.1)
Days Cash	495	498	435	63	495	498	435	63

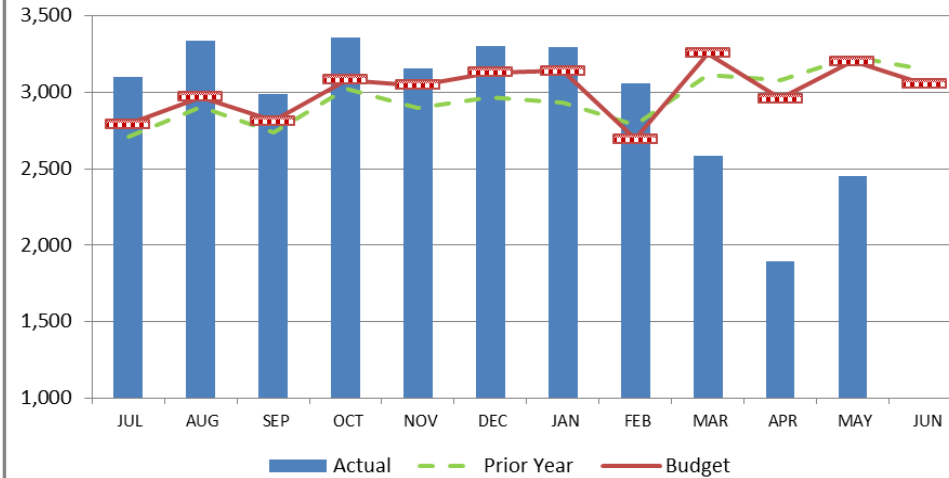
\*Beginning with the June FY 19 report, the Dashboard and the financial report has been updated to show the ECH consolidated results instead of just the Hospitals. The descriptions of the metrics indicate whether the data is hospital only.

# Monthly Financial Trends

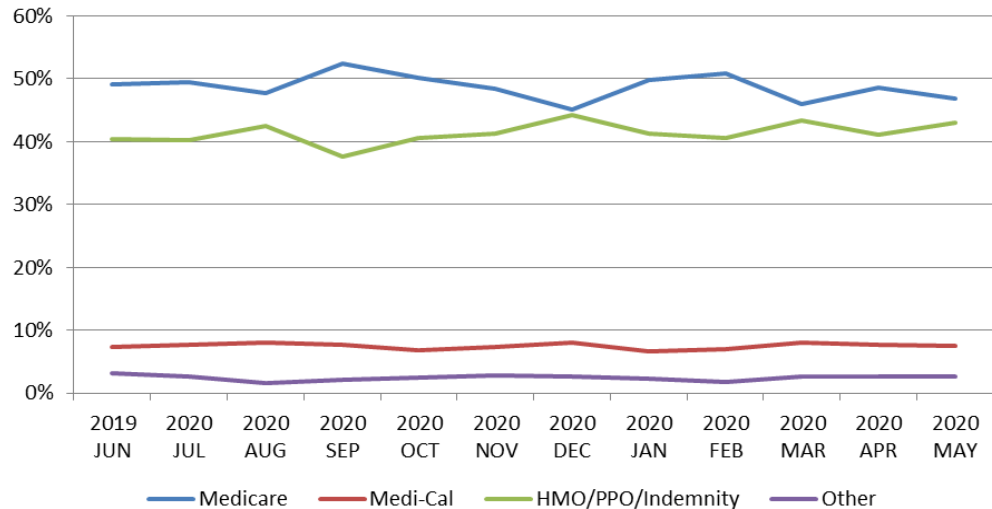
### Consolidated Operating Margin (\$000s) Current & Prior Fiscal Year



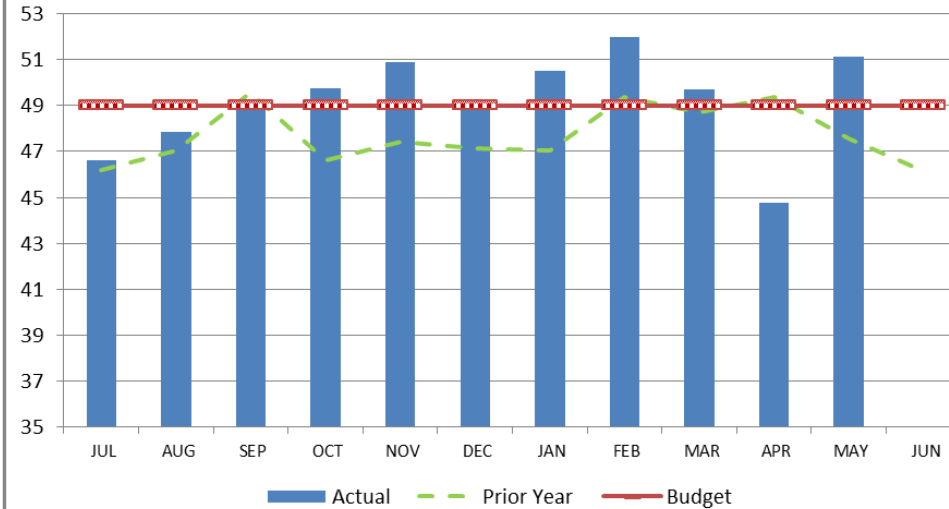
### Hospital Adjusted Discharges



### Hospital Payor Mix



### Consolidated Net Days in AR



# APPENDIX



# Non Operating Items and Net Margin by Affiliate

\$ in thousands

	Period 11- Month			Period 11- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Operating Margin</b>						
Mountain View	40	8,644	(8,605)	56,221	82,619	(26,398)
Los Gatos	1,150	1,829	(679)	9,174	17,680	(8,506)
<b>Sub Total - El Camino Hospital, excl. Affililates</b>	<b>1,189</b>	<b>10,473</b>	<b>(9,284)</b>	<b>65,395</b>	<b>100,299</b>	<b>(34,905)</b>
Operating Margin %	1.7%	12.2%		7.4%	11.1%	
<b>El Camino Hospital Non Operating Income</b>						
<b>Sub Total - Non Operating Income</b>	<b>23,713</b>	<b>2,860</b>	<b>20,853</b>	<b>28,391</b>	<b>30,078</b>	<b>(1,687)</b>
<b>El Camino Hospital Net Margin</b>	<b>24,902</b>	<b>13,334</b>	<b>11,569</b>	<b>93,786</b>	<b>130,378</b>	<b>(36,592)</b>
<b>ECH Net Margin %</b>	<b>35.4%</b>	<b>15.5%</b>		<b>10.6%</b>	<b>14.4%</b>	
Concern	78	79	(1)	759	904	(145)
ECSC	(1)	0	(1)	(69)	4	(73)
Foundation	1,004	27	977	1,621	1,335	286
Silicon Valley Medical Development	(3,003)	(2,084)	(920)	(37,495)	(26,071)	(11,424)
<b>Net Margin Hospital Affiliates</b>	<b>(1,921)</b>	<b>(1,977)</b>	<b>56</b>	<b>(35,184)</b>	<b>(23,828)</b>	<b>(11,356)</b>
<b>Total Net Margin Hospital &amp; Affiliates</b>	<b>22,981</b>	<b>11,356</b>	<b>11,625</b>	<b>58,603</b>	<b>106,550</b>	<b>(47,948)</b>

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

Period ending 5/31/2020

Period 11 FY 2019	Period 11 FY 2020	Period 11 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
251,681	192,753	264,279	(71,527)	(27.1%)	<b>Gross Revenue</b>	2,657,054	2,646,635	2,774,109	(127,474)	(4.6%)
(178,923)	(137,874)	(196,756)	58,882	29.9%	<b>Deductions</b>	(1,947,365)	(1,941,463)	(2,062,358)	120,895	5.9%
<b>72,757</b>	<b>54,879</b>	<b>67,523</b>	<b>(12,645)</b>	<b>(18.7%)</b>	<b>Net Patient Revenue</b>	<b>709,689</b>	<b>705,172</b>	<b>711,751</b>	<b>(6,579)</b>	<b>(0.9%)</b>
1,492	1,318	2,685	(1,367)	(50.9%)	<b>Other Operating Revenue</b>	20,778	17,911	22,228	(4,317)	(19.4%)
<b>74,250</b>	<b>56,196</b>	<b>70,208</b>	<b>(14,012)</b>	<b>(20.0%)</b>	<b>Total Operating Revenue</b>	<b>730,467</b>	<b>723,082</b>	<b>733,978</b>	<b>(10,896)</b>	<b>(1.5%)</b>
					<b>OPERATING EXPENSE</b>					
36,981	36,161	38,090	1,929	5.1%	<b>Salaries &amp; Wages</b>	385,747	402,276	404,483	2,207	0.5%
11,012	7,656	9,968	2,311	23.2%	<b>Supplies</b>	102,503	112,201	102,556	(9,645)	(9.4%)
6,558	5,790	5,758	(32)	(0.6%)	<b>Fees &amp; Purchased Services</b>	69,216	77,063	64,022	(13,041)	(20.4%)
2,255	2,168	2,092	(76)	(3.6%)	<b>Other Operating Expense</b>	23,404	28,430	26,702	(1,729)	(6.5%)
189	1,419	1,428	10	0.7%	<b>Interest</b>	3,871	8,050	10,511	2,461	23.4%
3,537	2,962	4,227	1,265	29.9%	<b>Depreciation</b>	38,722	38,842	43,086	4,244	9.9%
<b>60,532</b>	<b>56,157</b>	<b>61,564</b>	<b>5,407</b>	<b>8.8%</b>	<b>Total Operating Expense</b>	<b>623,464</b>	<b>666,862</b>	<b>651,359</b>	<b>(15,502)</b>	<b>(2.4%)</b>
<b>13,717</b>	<b>40</b>	<b>8,644</b>	<b>(8,605)</b>	<b>(99.5%)</b>	<b>Net Operating Margin</b>	<b>107,004</b>	<b>56,221</b>	<b>82,619</b>	<b>(26,398)</b>	<b>(32.0%)</b>
(21,080)	23,713	2,860	20,853	729.0%	<b>Non Operating Income</b>	2,040	28,391	30,078	(1,687)	(5.6%)
<b>(7,362)</b>	<b>23,753</b>	<b>11,505</b>	<b>12,248</b>	<b>106.5%</b>	<b>Net Margin</b>	<b>109,043</b>	<b>84,612</b>	<b>112,698</b>	<b>(28,085)</b>	<b>(24.9%)</b>
23.5%	7.9%	20.4%	(12.5%)		<b>EBITDA</b>	20.5%	14.3%	18.6%	(4.3%)	
18.5%	0.1%	12.3%	(12.2%)		<b>Operating Margin</b>	14.6%	7.8%	11.3%	(3.5%)	
-9.9%	42.3%	16.4%	25.9%		<b>Net Margin</b>	14.9%	11.7%	15.4%	(3.7%)	

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

Period ending 5/31/2020

Period 11 FY 2019	Period 11 FY 2020	Period 11 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
58,074	54,346	60,233	(5,887)	(9.8%)	<b>Gross Revenue</b>	580,714	617,261	643,410	(26,149)	(4.1%)
(44,144)	(40,479)	(44,540)	4,061	9.1%	<b>Deductions</b>	(430,651)	(462,334)	(476,915)	14,581	3.1%
<b>13,930</b>	<b>13,867</b>	<b>15,693</b>	<b>(1,827)</b>	<b>(11.6%)</b>	<b>Net Patient Revenue</b>	<b>150,063</b>	<b>154,927</b>	<b>166,495</b>	<b>(11,568)</b>	<b>(6.9%)</b>
383	367	273	94	34.3%	<b>Other Operating Revenue</b>	3,496	3,746	2,988	758	25.4%
<b>14,314</b>	<b>14,234</b>	<b>15,966</b>	<b>(1,733)</b>	<b>(10.9%)</b>	<b>Total Operating Revenue</b>	<b>153,559</b>	<b>158,673</b>	<b>169,483</b>	<b>(10,810)</b>	<b>(6.4%)</b>
					<b>OPERATING EXPENSE</b>					
7,642	7,924	7,512	(412)	(5.5%)	<b>Salaries &amp; Wages</b>	77,394	82,266	81,016	(1,250)	(1.5%)
2,326	1,934	2,521	587	23.3%	<b>Supplies</b>	22,795	24,306	27,034	2,728	10.1%
2,806	2,883	2,775	(108)	(3.9%)	<b>Fees &amp; Purchased Services</b>	29,720	30,217	30,070	(146)	(0.5%)
453	272	528	256	48.5%	<b>Other Operating Expense</b>	3,563	3,735	4,623	888	19.2%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
815	71	802	731	91.1%	<b>Depreciation</b>	8,518	8,975	9,059	84	0.9%
<b>14,043</b>	<b>13,084</b>	<b>14,138</b>	<b>1,054</b>	<b>7.5%</b>	<b>Total Operating Expense</b>	<b>141,989</b>	<b>149,499</b>	<b>151,803</b>	<b>2,304</b>	<b>1.5%</b>
<b>271</b>	<b>1,150</b>	<b>1,829</b>	<b>(679)</b>	<b>(37.1%)</b>	<b>Net Operating Margin</b>	<b>11,569</b>	<b>9,174</b>	<b>17,680</b>	<b>(8,506)</b>	<b>(48.1%)</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	0	0	0	0	0.0%
<b>271</b>	<b>1,150</b>	<b>1,829</b>	<b>(679)</b>	<b>(37.1%)</b>	<b>Net Margin</b>	<b>11,569</b>	<b>9,174</b>	<b>17,680</b>	<b>(8,506)</b>	<b>(48.1%)</b>
7.6%	8.6%	16.5%	(7.9%)		<b>EBITDA</b>	13.1%	11.4%	15.8%	(4.3%)	
1.9%	8.1%	11.5%	(3.4%)		<b>Operating Margin</b>	7.5%	5.8%	10.4%	(4.7%)	
1.9%	8.1%	11.5%	(3.4%)		<b>Net Margin</b>	7.5%	5.8%	10.4%	(4.7%)	

# Silicon Valley Medical Development (\$000s)

Period ending 5/31/2020

Period 11 FY 2019	Period 11 FY 2020	Period 11 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)
					<b>OPERATING REVENUE</b>				
5,916	6,415	9,087	(2,671)	(29.4%)	<b>Gross Revenue</b>	20,004	76,053	100,423	(24,370)
(4,028)	(4,231)	(5,501)	1,271	23.1%	<b>Deductions</b>	(13,498)	(54,201)	(61,064)	6,863
<b>1,889</b>	<b>2,185</b>	<b>3,585</b>	<b>(1,401)</b>	<b>(39.1%)</b>	<b>Net Patient Revenue</b>	<b>6,506</b>	<b>21,852</b>	<b>39,359</b>	<b>(17,507)</b>
2,726	1,233	1,665	(432)	(26.0%)	<b>Other Operating Revenue</b>	3,604	18,373	16,413	1,960
<b>4,614</b>	<b>3,418</b>	<b>5,251</b>	<b>(1,833)</b>	<b>(34.9%)</b>	<b>Total Operating Revenue</b>	<b>10,111</b>	<b>40,225</b>	<b>55,771</b>	<b>(15,547)</b>
					<b>OPERATING EXPENSE</b>				
2,119	1,432	1,594	162	10.1%	<b>Salaries &amp; Wages</b>	4,327	18,334	19,435	1,101
525	288	372	84	22.5%	<b>Supplies</b>	1,032	4,476	4,250	(227)
4,592	3,900	4,196	296	7.1%	<b>Fees &amp; Purchased Services</b>	16,026	45,705	45,711	6
539	713	980	268	27.3%	<b>Other Operating Expense</b>	2,760	7,787	10,364	2,577
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0
51	88	193	104	54.2%	<b>Depreciation</b>	504	1,710	2,083	373
<b>7,826</b>	<b>6,421</b>	<b>7,335</b>	<b>913</b>	<b>12.5%</b>	<b>Total Operating Expense</b>	<b>24,649</b>	<b>78,012</b>	<b>81,842</b>	<b>3,830</b>
<b>(3,211)</b>	<b>(3,003)</b>	<b>(2,084)</b>	<b>(920)</b>	<b>44.1%</b>	<b>Net Operating Margin</b>	<b>(14,539)</b>	<b>(37,787)</b>	<b>(26,071)</b>	<b>(11,717)</b>
9,000	0	0	0	0.0%	<b>Non Operating Income</b>	22,810	292	0	292
<b>5,789</b>	<b>(3,003)</b>	<b>(2,084)</b>	<b>(920)</b>	<b>44.1%</b>	<b>Net Margin</b>	<b>8,272</b>	<b>(37,495)</b>	<b>(26,071)</b>	<b>(11,424)</b>
					<b>EBITDA</b>	-138.8%	-89.7%	-43.0%	(46.7%)
					<b>Operating Margin</b>	-143.8%	-93.9%	-46.7%	(47.2%)
					<b>Net Margin</b>	81.8%	-93.2%	-46.7%	(46.5%)



## FY21 Finance Committee Pacing Plan

FY21 FC Pacing Plan – Q3		
January 25, 2021	February 2021	March 29, 2021
<p><b>5:30pm</b>  <b>Joint Meeting with the Investment Committee:</b>  <b>Topic: Long Term Financial Forecast</b></p> <p>6:30pm                      Approval Items</p> <ul style="list-style-type: none"> <li>• Financial Report (FY21 Periods 5 and 6)</li> <li>• Committee Recruitment (Candidate Interviews)</li> </ul> <p>Discussion</p> <ul style="list-style-type: none"> <li>• Service Line Report – Behavioral Health</li> <li>• COVID-19 Recovery Plan</li> <li>• PIR                             <ul style="list-style-type: none"> <li>○ Medical Staff Development Plan</li> <li>○ Radiation Oncology Equipment</li> <li>○ ED Remodel</li> </ul> </li> </ul>	<p><b>No Scheduled Finance Committee Meeting</b></p>	<p>Approval Items</p> <ul style="list-style-type: none"> <li>• Financial Report (FY21 Periods 7 and 8)</li> <li>• FY22 Committee Planning                             <ul style="list-style-type: none"> <li>○ Meeting Dates</li> <li>○ Committee Goals</li> <li>○ FY22 Pacing Plan</li> </ul> </li> </ul> <p>Discussion Items</p> <ul style="list-style-type: none"> <li>• Preview FY22 Budget Part # 1 Process and Assumptions)</li> <li>• COVID 19 Recovery Plan</li> <li>• SVMD Financial Report</li> <li>• Summary of Physician Financial Arrangements (Year-End)</li> <li>• PIR                             <ul style="list-style-type: none"> <li>○ Mountain View Campus Completion</li> </ul> </li> </ul>
FY20 FC Pacing Plan – Q4		
April 26, 2021	May 24, 2021	June 2021
<p>Discussion Items</p> <ul style="list-style-type: none"> <li>• FY22 Budget Preview</li> </ul> <p><i>April 28, 2021 Joint Board/Committee Educational Session</i></p>	<p><b>5:30pm</b>  <b>Joint Meeting with the Hospital Board: FY22 Operating &amp; Capital Budget</b></p> <p>6:30pm                      Approval Items</p> <ul style="list-style-type: none"> <li>• Financial Report (FY21 Periods 9 and 10)</li> <li>• Review and Recommend FY22 Capital and Operating Budget</li> <li>• FY22 Organizational Goals</li> <li>• FY22 Committee Goals, Pacing Plan and Meeting Dates (If Necessary)</li> </ul> <p>Discussion Items</p> <ul style="list-style-type: none"> <li>• Payor Update</li> <li>• Revenue Cycle Patient Satisfaction Metrics</li> <li>• SVMD Financial Report</li> </ul>	<p><b>No Scheduled Finance Committee Meeting</b></p>

**FY21 Finance Committee Pacing Plan  
Last 18 Months Capital Project Approvals  
January 2019 – May 2019**

<b>APPROVAL DATE</b>	<b>APPROVING BODY</b>	<b>PROJECT NAME</b>	<b>APPROVED AMOUNT</b>	<b>PROPOSED FC POST-IMPLEMENTATION REVIEW DATE</b>
9/13/2017	ECH Board	Increase BHS Building Budget	Additional \$4.6 M	Update each meeting
9/13/2017	ECH Board	Increase Sobrato Pavilion Budget	Additional \$27.1 M	Update each meeting
1/16/2019	ECH Board	Los Gatos Cancer Center Funding	\$6.4 M	7/2020
1/30/2019	Finance Committee	Waste Water Storage Project	\$3.9 M	7/2020
1/30/2019	Finance Committee	Purchase Da Vinci Robot Xi Model	\$1,550,000 (Net)	N/A < \$2 M
2/13/2019	ECH Board	Women's Hospital Planning	\$10 M (Total Now \$16M)	9/2020
2/13/2019	ECH Board	SVMD Clinic Site Tenant Improvements	\$8 M	9/2020
2/13/2019	ECH Board	Interventional Equipment Replacement	\$13 M	9/2020
2/13/2019	ECH Board	Imaging Equipment Replacement	\$16.9 M	9/2020
2/13/2019	ECH Board	SVMD Asset Acquisition	\$1.2 M	9/2020
3/13/2019		None		
3/25/2019	Finance Committee	SVMD Clinic IT Infrastructure	\$4.6 M	9/2020
5/28/2019	Finance Committee	MV Campus Signage	\$1.1 M	N/A < \$2 M
8/21/2019	ECH Board	Medical Staff Development Plan	\$6.1 M	1/2021
8/21/2019	ECH Board	Radiation Oncology Replacement Equipment	\$6.75M	1/2021
8/21/2019	ECH Board	ED Remodel	\$6.75M	1/2021
10/10/19	ECH Board	MV Campus Completion (Old Main Demo)	\$24.9M	3/2021
1/25/20*	Finance Committee	Satellite Dialysis*	No approval on /1/25/20 – presented only	7/2021

## FY21 COMMITTEE GOALS

### Finance Committee

#### PURPOSE

The purpose of the Finance Committee (the “Committee”) is to provide oversight, information sharing, and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital (ECH) Hospital Board of Directors (“Board”). In carrying out its review, advisory, and oversight responsibilities, the Finance Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

**STAFF:** **Michael Moody**, Interim Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair’s consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Evaluate and monitor COVID-19 Recovery Plan	Q1, Q2, Q3 and Q4	Presentations in July (2020), September (2020), November (2020, January (2021) and March (2021)
2. Capital Deployment Methodology & Reporting	Q1	Receive project completion reports on Taube and Sobrato Pavilions including performance against budget in July
	Q1 and Q3	Review (September) and approve (November) a revised policy and procedure regarding an enterprise wide capital deployment and reporting.
3. Review strategy, goals, and performance of business affiliates and service lines: 1) Oncology, 2) Behavioral Health, 3) MCH, 4) SVMD	Q1	SVMD (July), Oncology Service Line (September)
	Q2	Maternal Child Health Service Line and SVMD (November)
	Q3	Behavioral Health Service Line (January), SVMD (March)
	Q4	SVMD (May)
4. Review and evaluate ongoing customer service/patient experience tactics and metrics for the Revenue Cycle – possibly combined statements for SVMD & ECH	Q2 and Q4	Monitor customer service and patient satisfaction metrics

**SUBMITTED BY:** **Chair:** John Zoglin | **Executive Sponsor:** Michael Moody, Interim CFO



**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMMITTEE MEETING MEMO**

**To:** Finance Committee  
**From:** Cindy Murphy, Director of Governance Services  
**Date:** July 27, 2020  
**Subject:** Report on Board Actions

**Purpose:**

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

**Summary:**

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Finance Committee meeting, the Hospital Board has met twice and the District Board has met twice. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee those approvals are also noted in this report.

<b>Board/Committee</b>	<b>Meeting Date</b>	<b>Actions (Approvals unless otherwise noted)</b>
<b>ECH Board</b>	June 10, 2020	<ul style="list-style-type: none"> <li>- FY20 Period 10 Financials</li> <li>- FY21 Community Benefit Grant Program Funding</li> <li>- Medical Staff Report</li> <li>- Deferral of Revisions to Executive Salary Ranges for FY21</li> <li>- Medical Director Agreements</li> <li>- FY21 Board and Committee Master Calendar</li> <li>- FY21 Advisory Committee Goals</li> <li>- FY21 Advisory and Committee Liaison Agreements</li> <li>- Restructuring of FY 20 Incentive Goals</li> </ul>
	July 8, 2020	No Approvals
<b>ECHD Board</b>	June 16, 2020	<ul style="list-style-type: none"> <li>- FY20 YTD Financials</li> <li>- Allocation of \$7,830,671 in FY18 Capital Outlay Funds to Mountain View Women's Hospital Expansion Project</li> <li>- Modification to District Funded Community COVID-19 Testing Program Authorization</li> <li>- Funding for FY21 Community Benefit Grant Program</li> <li>- Appointed Director Miller as Liaison to the Community Benefit Advisory Council</li> </ul>
	July 15, 2020	<ul style="list-style-type: none"> <li>- Appointment of Ad Hoc Committee to Review Compliance Issue</li> </ul>

Report on Board Actions  
July 27, 2020

<b>Board/Committee</b>	<b>Meeting Date</b>	<b>Actions (Approvals unless otherwise noted)</b>
<b>Finance Committee</b>		- None since last report
<b>Compliance and Audit Committee</b>		- None since last report
<b>Exec. Comp Committee</b>		- None since last report

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

**List of Attachments**: None.

**Suggested Committee Discussion Questions**: None.

**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMMITTEE MEETING COVER MEMO**

**To:** Finance Committee  
**From:** Michael Moody, Interim CFO  
**Date:** July 27, 2020  
**Subject:** Period 12 Financials

**Purpose:**

The purpose of this agenda item is to present both the Period 12 and Fiscal Year 2020 operating results and a balance sheet and statement of cash flows for the period ending June 30, 2020.

**Summary:** As part of their governance role, the Finance Committee reviews the latest financial results for the organization on a consolidated basis. The goal of the discussion is to understand the drivers of the current results and the financial position of the organization. This will allow the Committee to assess the overall operating results and financial position of the organization with management on an ongoing basis.

1. **Situation:** The financial results will be used to assess the ongoing financial health of the organization and the effectiveness of the business.
2. **Authority:** This is the role of the Finance Committee.
3. **Background:** None
4. **Assessment:** The Period 12 financial statements reflect the operations as impacted by the COVID 19 pandemic.
5. **Other Reviews:** No other Committees or departments have reviewed this material. The approved financial statements will be forwarded to the Board for approval at their next meeting.
6. **Outcomes:** Approval of the Period 12 financial statements.

**List of Attachments:**

1. Period 12 Financial Statement Summary

**Suggested Committee Discussion Questions:**

1. How is management approaching and developing the financial recovery plan given the current situation?
2. How will the current situation impact the FY21 budget preparation and completion?



# El Camino Health

## Summary of Financial Operations

*Fiscal Year 2020 – Period 12*

*7/1/2019 to 6/30/2020*

## Period 12 Overview

- The month of June includes certain year-end adjustments that distort the monthly results
  - Included in this presentation is a pro-forma reconciliation to show the June operating results without these adjustments
  - The results for June, without the year-end adjustments, are favorable in comparison to both the prior months and the budget
    - ***The Operating Gain is favorable by \$2.3 million***
- The year-end adjustments are significant and approximately 67% of the adjustments are the result of year-end actuary studies

# Consolidated Statement of Operations (\$000s)

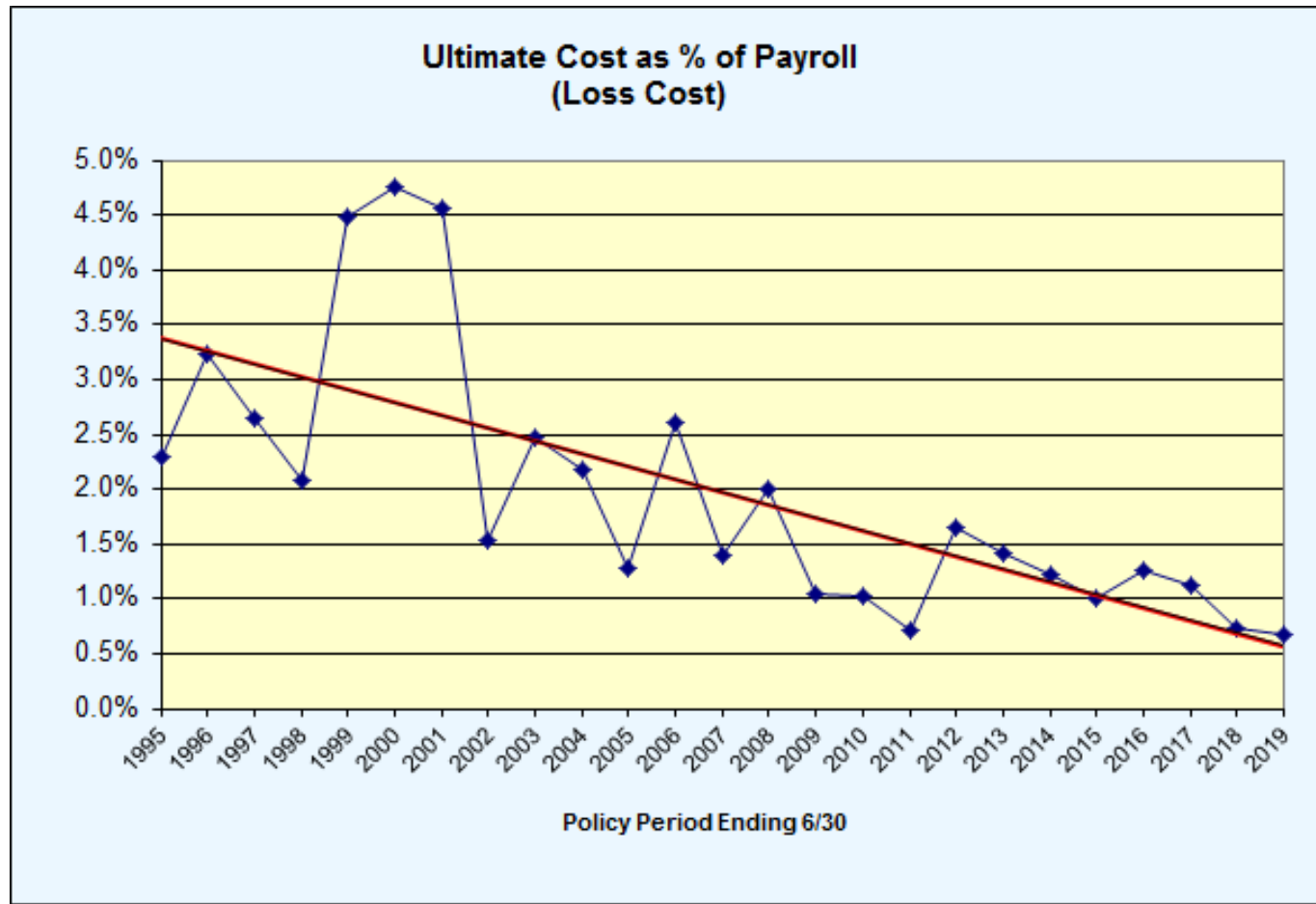
Period ending 06/30/2020

Period 12 FY 2019	Period 12 FY 2020	Period 12 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
294,309	308,375	331,617	(23,242)	(7.0%)	<b>OPERATING REVENUE</b>					
(208,746)	(222,670)	(245,544)	22,874	9.3%	<b>Gross Revenue</b>	3,552,081	3,648,324	3,849,558	(201,235)	(5.2%)
<b>85,563</b>	<b>85,705</b>	<b>86,073</b>	<b>(368)</b>	<b>(0.4%)</b>	<b>Deductions</b>	(2,600,260)	(2,680,668)	(2,845,881)	165,212	5.8%
7,346	8,148	4,482	3,666	81.8%	<b>Net Patient Revenue</b>	<b>951,821</b>	<b>967,655</b>	<b>1,003,678</b>	<b>(36,023)</b>	<b>(3.6%)</b>
<b>92,909</b>	<b>93,853</b>	<b>90,555</b>	<b>3,298</b>	<b>3.6%</b>	<b>Other Operating Revenue</b>	47,026	55,919	54,496	1,423	2.6%
					<b>Total Operating Revenue</b>	<b>998,847</b>	<b>1,023,574</b>	<b>1,058,173</b>	<b>(34,599)</b>	<b>(3.3%)</b>
					<b>OPERATING EXPENSE</b>					
39,162	35,508	46,999	11,491	24.4%	<b>Salaries &amp; Wages</b>	512,087	543,403	557,655	14,252	2.6%
12,106	11,412	12,818	1,406	11.0%	<b>Supplies</b>	138,555	152,491	146,796	(5,695)	(3.9%)
21,465	16,377	13,470	(2,907)	(21.6%)	<b>Fees &amp; Purchased Services</b>	143,194	173,431	157,562	(15,870)	(10.1%)
4,184	3,460	3,524	64	1.8%	<b>Other Operating Expense</b>	34,742	44,227	45,996	1,769	3.8%
369	1,399	1,428	29	2.0%	<b>Interest</b>	4,240	9,449	11,939	2,490	20.9%
4,401	4,428	5,208	780	15.0%	<b>Depreciation</b>	52,181	53,982	59,463	5,481	9.2%
<b>81,686</b>	<b>72,583</b>	<b>83,447</b>	<b>10,864</b>	<b>13.0%</b>	<b>Total Operating Expense</b>	<b>884,998</b>	<b>976,984</b>	<b>979,411</b>	<b>2,427</b>	<b>0.2%</b>
<b>11,223</b>	<b>21,270</b>	<b>7,108</b>	<b>14,162</b>	<b>199.2%</b>	<b>Net Operating Margin</b>	<b>113,849</b>	<b>46,590</b>	<b>78,762</b>	<b>(32,172)</b>	<b>(40.8%)</b>
23,039	33,538	3,300	30,238	916.3%	<b>Non Operating Income</b>	53,048	66,819	38,196	28,624	74.9%
<b>34,262</b>	<b>54,808</b>	<b>10,408</b>	<b>44,400</b>	<b>426.6%</b>	<b>Net Margin</b>	<b>166,896</b>	<b>113,410</b>	<b>116,958</b>	<b>(3,549)</b>	<b>(3.0%)</b>
17.2%	28.9%	15.2%	13.7%		<b>EBITDA</b>	17.0%	10.7%	14.2%	(3.4%)	
12.1%	22.7%	7.8%	14.8%		<b>Operating Margin</b>	11.4%	4.6%	7.4%	(2.9%)	
36.9%	58.4%	11.5%	46.9%		<b>Net Margin</b>	16.7%	11.1%	11.1%	0.0%	

# June Pro-Forma results (000's)

Description	Amount	Commentary
Consolidated Operating Gain	\$ 21,270	
YEAR END ADJUSTMENTS:		
Inter Government Transfer Revenue	2,580	Budgeted In May
Foundation transfer of COVID funds	1,160	Fund balance transfer from restricted
Pension Liability adjustment	6,023	Actuary calculated
Workers' Compensation liability adjustment	1,818	Actuary calculated
COVID related expenses		
Salaries, Wages & Benefits	(501)	COVID related direct costs
Supplies	(159)	COVID related direct costs
Purchased Services	(806)	COVID related direct costs
Depreciation true-up for Behavioral Bldg. & MOB	1,000	Timing of building opening
Other year-end true-ups	788	Final reconciliations & Accruals
Total of Year-end adjustments	<u>11,903</u>	
June Pro-Forma Operating Income	\$ 9,367	
Budgeted Operating Income	<u>\$ 7,108</u>	
Favorable Operating Gain Variance	<u><u>\$ 2,259</u></u>	

# Workers' Compensation Ultimate Loss Trend



The Ultimate Loss Trend for Workers' Compensation costs being below 1% of payroll and the downward slope of the cost is the driver of the favorable year-end adjustment to Worker's Compensation expense.



# Financial Overview - June

## Financial Performance

- Operating Gain excluded the pro-forma adjustments was \$9.4M, compared to a budgeted Operating Gain of \$7.1M. Revenues approximated the budget while expenses were favorable. The drivers are:
  - Volumes and Revenues continue to improve but remain below pre Covid levels
    - Adjusted Discharges are 260 cases or 9% below budget
    - Gross charges are \$23M or 7% below budget
    - Higher mix of procedural cases drove Net Revenue per Adjusted Discharge 9.5% higher than budget (see slide 8)
  - Operating Expenses are favorable to budget, excluding year-end adjustments, by \$2.7M
    - Salaries, Wages & Benefits were favorable by \$3.7M (8%)
    - Supplies were favorable by \$1.4M (11%)
    - Fees & Purchased Services were unfavorable \$2.1M (15%)
- Non Operating Income is favorable to the budget by \$30.2M which is driven by:
  - A mark-to-market positive adjustment of approximately \$30.0M due to unrealized gains in equity and fixed income positions during the month.

# Financial Overview – June cont.

## Financial Performance

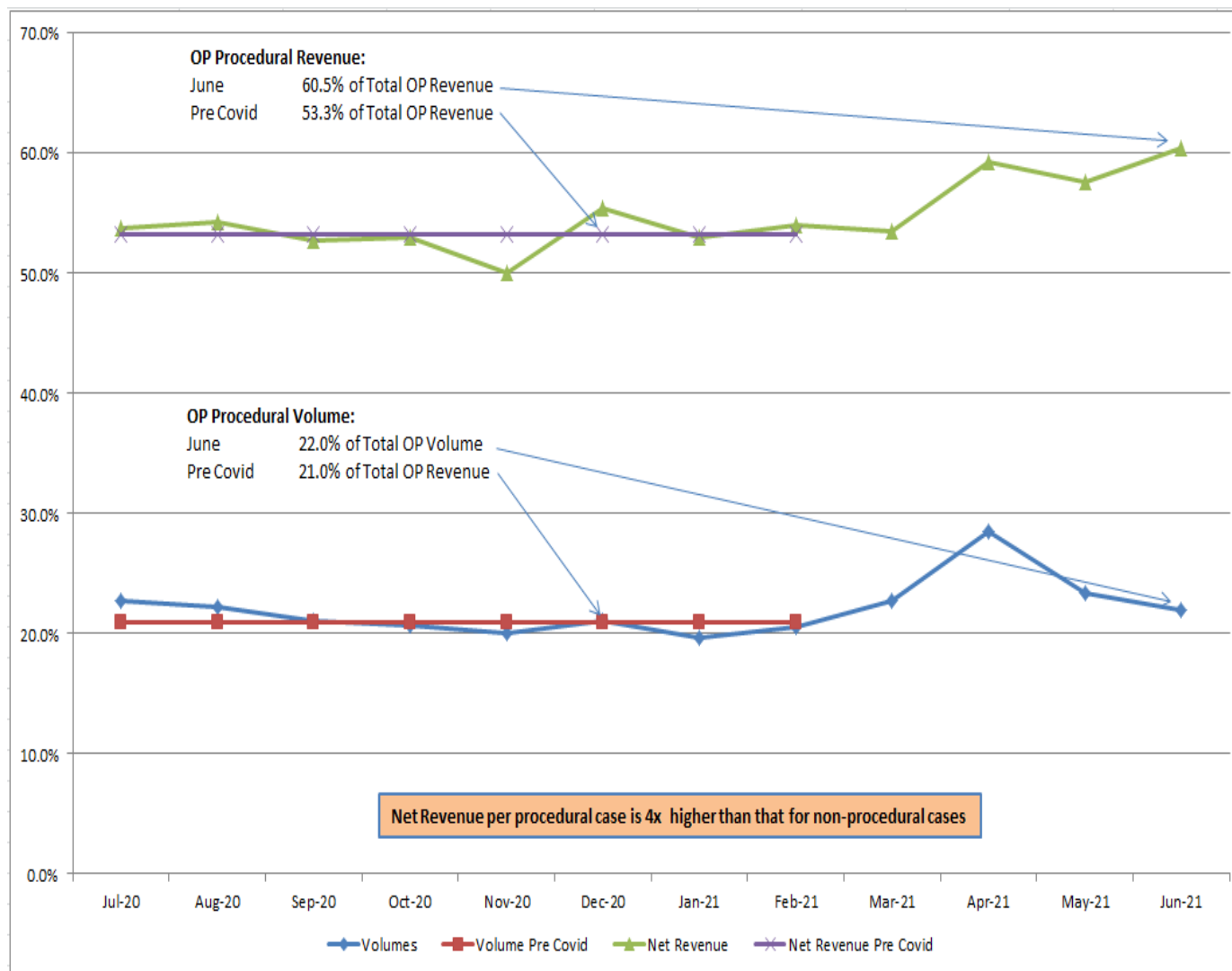
### Hospitals

- Adjusted Discharges (AD) unfavorable to budget by 260 ADs (9%) and unfavorable to prior year by 357 AD's
- This volume generated revenues at budget levels
  - Mountain View: Unfavorable to budget by 254 ADs (10%) and unfavorable to prior year by 417 AD's
  - Los Gatos: Unfavorable to budget by 6 ADs (1%) and favorable to prior year by 61 AD's
- Operating Expense\* Per Adjusted Discharge was \$21,056 which is 6% below budget
- Excluding the year-end adjustments, the Operating Expense\* Per Adjusted Discharge was \$23,625 which is 6% above budget
  - \* Excluding Depreciation and Interest

### El Camino Health Medical Network

- Visits, including Telehealth were 18,478 for June, 12% higher than the average monthly visit volume prior to the COVID pandemic
- Additionally, the collection percentage increased by 16% from May causing a positive adjustment to Net Revenue

# Procedural Volume & Revenue Trend



A higher concentration of Outpatient procedural cases over the last few months has generated higher overall Revenue.

# Consolidated Balance Sheet

(in thousands) ASSETS

	Audited	
	June 30, 2020	June 30, 2019
<b>CURRENT ASSETS</b>		
Cash	228,464	124,912
Short Term Investments	222,095	177,165
Patient Accounts Receivable, net	116,523	132,198
Other Accounts and Notes Receivable	10,811	5,058
Intercompany Receivables	72,515	8,549
Inventories and Prepays	101,267	64,093
<b>Total Current Assets</b>	<b>751,675</b>	<b>511,976</b>
<b>BOARD DESIGNATED ASSETS</b>		
Foundation Board Designated	15,364	16,895
Plant & Equipment Fund	169,236	171,304
Women's Hospital Expansion	22,563	15,472
Operational Reserve Fund	148,917	139,057
Community Benefit Fund	17,916	18,260
Workers Compensation Reserve Fund	16,482	20,732
Postretirement Health/Life Reserve Fund	30,731	29,480
PTO Liability Fund	27,515	26,149
Malpractice Reserve Fund	1,965	1,831
Catastrophic Reserves Fund	17,667	19,678
<b>Total Board Designated Assets</b>	<b>468,356</b>	<b>458,857</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>23,478</b>	<b>83,073</b>
<b>LONG TERM INVESTMENTS</b>	<b>383,699</b>	<b>375,729</b>
<b>CHARITABLE GIFT ANNUITY INVESTMENTS</b>	<b>680</b>	<b>602</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>29,065</b>	<b>38,532</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,831,861	1,692,693
Less: Accumulated Depreciation	(676,535)	(622,877)
<b>Property, Plant &amp; Equipment - Net</b>	<b>1,155,326</b>	<b>1,069,816</b>
<b>DEFERRED OUTFLOWS</b>	20,952	33,876
<b>RESTRICTED ASSETS</b>	28,823	24,279
<b>OTHER ASSETS</b>	3,231	1,036
<b>TOTAL ASSETS</b>	<b>2,865,283</b>	<b>2,597,775</b>

LIABILITIES AND FUND BALANCE

	Audited	
	June 30, 2020	June 30, 2019
<b>CURRENT LIABILITIES</b>		
Accounts Payable	35,323	38,390
Salaries and Related Liabilities	35,209	30,296
Accrued PTO	28,124	26,502
Third Party Settlements	10,956	11,331
Intercompany Payables	70,214	8,464
Bonds Payable - Current	9,020	8,630
Bond Interest Payable	8,463	12,775
Other Liabilities	7,082	14,577
<b>Total Current Liabilities</b>	<b>204,391</b>	<b>150,966</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	30,731	29,480
Worker's Comp Reserve	16,482	18,432
Other L/T Obligation (Asbestos)	4,094	3,975
Bond Payable	508,002	507,531
<b>Total Long Term Liabilities</b>	<b>559,308</b>	<b>559,417</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	77,133	1,113
<b>DEFERRED INFLOW OF RESOURCES</b>	31,221	13,715
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	1,775,990	1,389,510
Board Designated	188,542	458,839
Restricted	28,697	24,215
<b>Total Fund Bal &amp; Capital Accts</b>	<b>1,993,229</b>	<b>1,872,563</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>2,865,283</b>	<b>2,597,775</b>

# Statement of Cash Flows

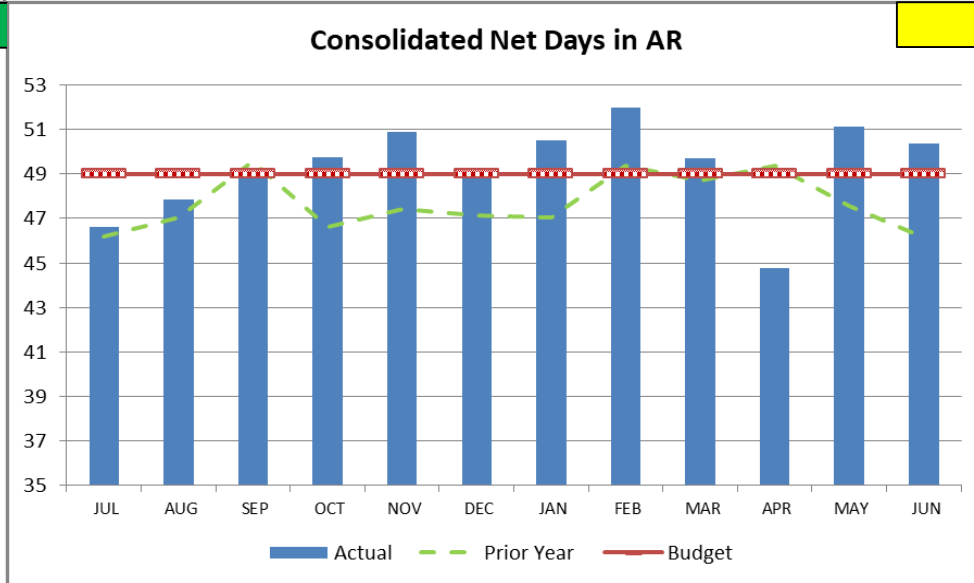
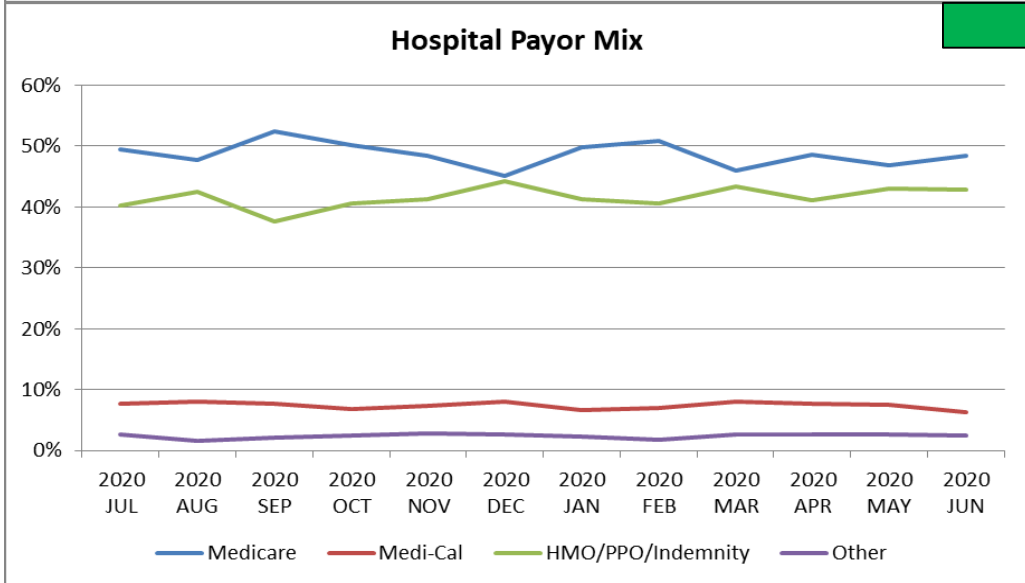
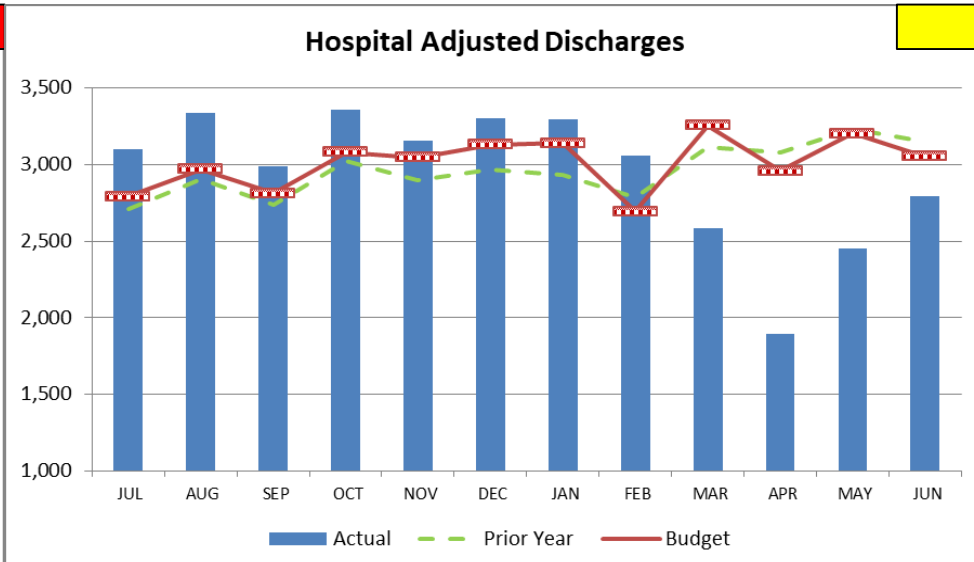
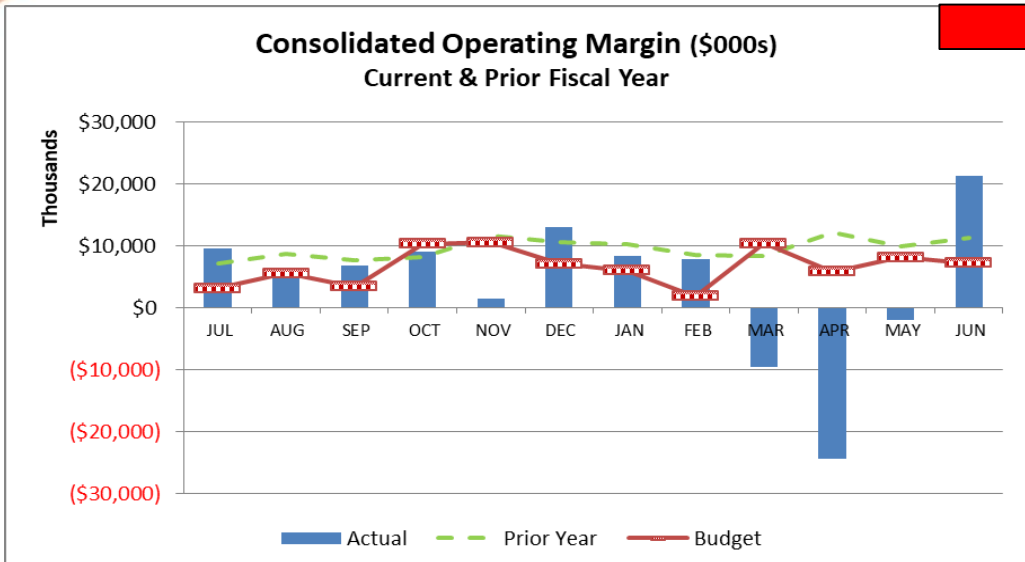
	<b>MTD</b>	<b>YTD</b>
Cash from Operations		
Net Income	\$54,808	\$113,410
add Depreciation	\$4,428	\$53,658
(Increase) decrease in working capital:		
Accounts Receivable	(6,499)	15,670
Inventory & Prepays	386	654
Other AR and Notes Receivable	(2,803)	(69,986)
Accounts Payable	2,038	42,853
Payroll, PTO and Related Liabilities	8,793	6,294
Third Party Settlements	719	(200)
Short Term Leases	2,924	(352)
Bonds Current & Interest Payable	1,693	(737)
<u>Net Cash Flow s From Operations</u>	<u>7,251</u>	<u>(5,804)</u>
Net Cash Provided by (used in) Operations	66,487	161,264
Investing Cash flow s		
Board Designated Assets & Investments	(2,711)	43,980
Investment in Affiliates	718	9,467
Property Plant & Equipment	(2,534)	(123,256)
Other Assets	(22,103)	(31,724)
<u>Net Cash Provided by (used in) Investing</u>	<u>(26,629)</u>	<u>(101,533)</u>
Financing Cash Flow s		
Deferred Revenues / Income	18,345	93,973
Increase (decrease) in Debt	(5,208)	(10,770)
Deferred Inflow s of Resources	-	-
Fund Balance Transfers	(1,441)	5,548
<u>Net Cash Provided by (used in) Financing</u>	<u>\$11,696</u>	<u>\$88,751</u>
Total Cash Increase (Decrease)	\$51,554	\$148,482
Starting Cash Balance	\$399,006	\$302,077
Total Cash Increase (Decrease)	\$51,554	\$148,482
Ending Cash Balance	\$450,559	\$450,559

## Dashboard - as of June 30, 2020

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
<b>Consolidated Financial Perf.</b>								
Total Operating Revenue	92,909	93,853	90,555	3,298	998,847	1,023,574	1,058,173	(34,599)
Operating Expenses	81,686	72,583	83,447	10,864	884,998	976,984	979,411	2,427
Operating Margin \$	11,223	21,270	7,108	14,162	113,849	46,590	78,762	(32,172)
Operating Margin %	12.1%	22.7%	7.8%	14.8%	11.4%	4.6%	7.4%	(2.9%)
EBIDA \$	15,993	27,097	13,744	13,352	170,270	110,021	150,164	(40,143)
EBIDA %	17.2%	28.9%	15.2%	13.7%	17.0%	10.7%	14.2%	(3.4%)
<b>Hospital Volume</b>								
<b>Licensed Beds</b>	443	454	443	11	443	444	443	1
ADC	236	212	256	(44)	242	227	242	(16)
Utilization MV	65%	54%	70%	(15.9%)	66%	61%	66%	(4.5%)
Utilization LG	30%	31%	33%	(1.4%)	30%	30%	32%	(1.7%)
Utilization Combined	53%	47%	58%	(11.1%)	55%	51%	55%	(3.6%)
Adjusted Discharges	3,149	2,791	3,052	(261)	35,538	35,326	36,126	(800)
Total Discharges (Excl NNB)	1,696	1,424	1,680	(256)	19,730	18,967	19,740	(773)
Total Discharges	2,024	1,739	2,021	(282)	23,767	23,073	23,817	(744)
<b>Inpatient Cases</b>								
MS Discharges	1,187	961	1,137	(176)	13,744	12,931	13,472	(541)
Deliveries	348	336	357	(21)	4,283	4,340	4,275	65
BHS	112	82	136	(54)	1,181	1,154	1,407	(253)
Rehab	49	45	50	(5)	522	542	586	(44)
<b>Outpatient Cases</b>								
ED	4,144	2,743	3,933	(1,190)	48,454	42,846	47,737	(4,891)
<b>Procedural Cases</b>								
OP Surg	426	363	445	(82)	5,023	4,771	5,155	(384)
Endo	247	195	241	(46)	2,662	2,295	2,792	(497)
Interventional	162	176	178	(2)	2,179	1,988	2,254	(266)
All Other	7,550	9,556	8,700	856	92,300	97,196	99,852	(2,656)
<b>Hospital Payor Mix</b>								
Medicare	49.1%	48.4%	48.5%	(0.1%)	49.0%	48.6%	48.6%	0.0%
Medi-Cal	7.3%	6.3%	8.1%	(1.8%)	8.0%	7.4%	8.1%	(0.7%)
Commercial IP	19.1%	19.5%	20.8%	(1.3%)	20.0%	20.2%	20.4%	(0.2%)
Commercial OP	21.3%	23.4%	20.3%	3.1%	20.7%	21.4%	20.6%	0.8%
Total Commercial	40.4%	42.9%	41.1%	1.8%	40.7%	41.5%	41.0%	0.6%
Other	3.2%	2.4%	2.2%	0.2%	2.4%	2.4%	2.3%	0.1%
<b>Hospital Cost</b>								
Total FTE	2,752.9	2,668.0	2,696.2	28.2	2,682.2	2,762.7	2,721.2	(41.5)
Productive Hrs/APD	31.6	32.2	30.6	(1.6)	30.6	32.6	31.4	(1.2)
<b>Consolidated Balance Sheet</b>								
Net Days in AR	46.2	50.4	49.0	(1.4)	46.2	50.4	49.0	(1.4)
Days Cash	507	525	435	89	507	525	435	89

\*Beginning with the June FY 19 report, the Dashboard and the financial report has been updated to show the ECH consolidated results instead of just the Hospitals. The descriptions of the metrics indicate whether the data is hospital only.

# Monthly Financial Trends

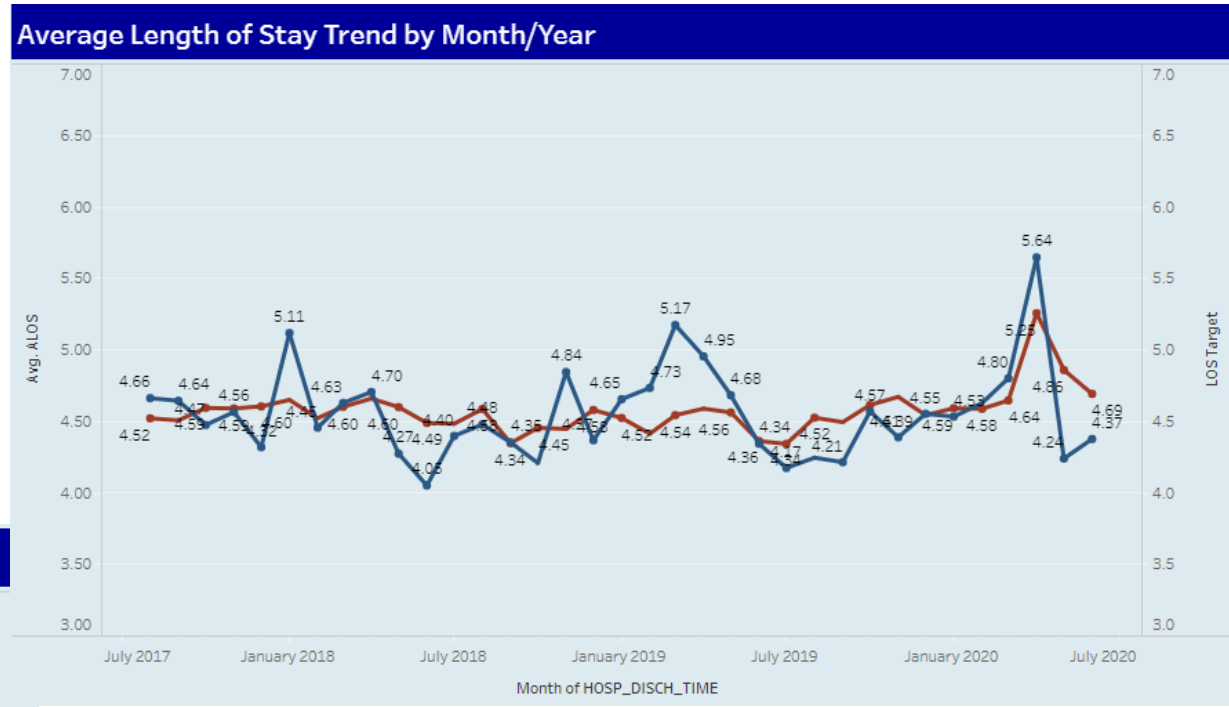


# APPENDIX



# Medicare Length of Stay

ALOS vs Milliman well-managed benchmark (red line). Medicare is our largest book of business and growing due to aging population. Lower length of stay is a key driver for improving the Medicare margin



Actual Benchmark

# Non Operating Items and Net Margin by Affiliate

\$ in thousands

	Period 12- Month			Period 12- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Operating Margin</b>						
Mountain View	22,371	7,346	15,025	78,592	89,965	(11,373)
Los Gatos	1,359	2,296	(936)	10,533	19,976	(9,443)
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>23,731</b>	<b>9,642</b>	<b>14,089</b>	<b>89,125</b>	<b>109,941</b>	<b>(20,816)</b>
<b>Operating Margin %</b>	<b>27.0%</b>	<b>11.4%</b>		<b>9.2%</b>	<b>11.1%</b>	
<b>El Camino Hospital Non Operating Income</b>						
<b>Sub Total - Non Operating Income</b>	<b>32,552</b>	<b>2,860</b>	<b>29,691</b>	<b>60,943</b>	<b>32,939</b>	<b>28,004</b>
<b>El Camino Hospital Net Margin</b>	<b>56,282</b>	<b>12,502</b>	<b>43,780</b>	<b>150,069</b>	<b>142,880</b>	<b>7,188</b>
<b>ECH Net Margin %</b>	<b>64.0%</b>	<b>14.8%</b>		<b>15.5%</b>	<b>14.5%</b>	
Concern	429	91	338	1,189	995	193
ECSC	0	0	(0)	(69)	4	(73)
Foundation	664	162	503	2,284	1,497	788
El Camino Health Medical Network	(2,568)	(2,347)	(221)	(40,063)	(28,418)	(11,645)
<b>Net Margin Hospital Affiliates</b>	<b>(1,474)</b>	<b>(2,094)</b>	<b>620</b>	<b>(36,659)</b>	<b>(25,922)</b>	<b>(10,737)</b>
<b>Total Net Margin Hospital &amp; Affiliates</b>	<b>54,808</b>	<b>10,408</b>	<b>44,400</b>	<b>113,410</b>	<b>116,958</b>	<b>(3,549)</b>

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

Period ending 6/30/2020

Period 12 FY 2019	Period 12 FY 2020	Period 12 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
234,756	238,825	259,347	(20,522)	(7.9%)	<b>OPERATING REVENUE</b>					
(165,550)	(171,585)	(193,343)	21,758	11.3%	<b>Gross Revenue</b>	2,891,810	2,885,460	3,033,457	(147,996)	(4.9%)
<b>69,206</b>	<b>67,240</b>	<b>66,004</b>	<b>1,236</b>	<b>1.9%</b>	<b>Deductions</b>	(2,112,915)	(2,113,049)	(2,255,701)	142,653	6.3%
4,646	5,296	1,800	3,497	194.3%	<b>Net Patient Revenue</b>	<b>778,895</b>	<b>772,412</b>	<b>777,755</b>	<b>(5,344)</b>	<b>(0.7%)</b>
<b>73,852</b>	<b>72,536</b>	<b>67,804</b>	<b>4,732</b>	<b>7.0%</b>	<b>Other Operating Revenue</b>	25,424	23,207	24,027	(820)	(3.4%)
					<b>Total Operating Revenue</b>	<b>804,319</b>	<b>795,619</b>	<b>801,782</b>	<b>(6,164)</b>	<b>(0.8%)</b>
					<b>OPERATING EXPENSE</b>					
30,172	26,296	37,176	10,881	29.3%	<b>Salaries &amp; Wages</b>	415,919	428,572	441,659	13,088	3.0%
9,641	8,346	9,690	1,344	13.9%	<b>Supplies</b>	112,144	120,547	112,246	(8,300)	(7.4%)
10,841	8,846	5,859	(2,987)	(51.0%)	<b>Fees &amp; Purchased Services</b>	80,057	85,909	69,881	(16,028)	(22.9%)
2,652	2,065	2,088	23	1.1%	<b>Other Operating Expense</b>	26,056	30,495	28,790	(1,706)	(5.9%)
369	1,399	1,428	29	2.0%	<b>Interest</b>	4,240	9,449	11,939	2,490	20.9%
3,534	3,213	4,216	1,002	23.8%	<b>Depreciation</b>	42,256	42,055	47,302	5,247	11.1%
<b>57,209</b>	<b>50,165</b>	<b>60,458</b>	<b>10,293</b>	<b>17.0%</b>	<b>Total Operating Expense</b>	<b>680,673</b>	<b>717,027</b>	<b>711,817</b>	<b>(5,209)</b>	<b>(0.7%)</b>
<b>16,643</b>	<b>22,371</b>	<b>7,346</b>	<b>15,025</b>	<b>204.5%</b>	<b>Net Operating Margin</b>	<b>123,646</b>	<b>78,592</b>	<b>89,965</b>	<b>(11,373)</b>	<b>(12.6%)</b>
16,474	32,552	2,860	29,691	1038.0%	<b>Non Operating Income</b>	18,514	60,943	32,939	28,004	85.0%
<b>33,117</b>	<b>54,923</b>	<b>10,207</b>	<b>44,716</b>	<b>438.1%</b>	<b>Net Margin</b>	<b>142,160</b>	<b>139,535</b>	<b>122,904</b>	<b>16,631</b>	<b>13.5%</b>
27.8%	37.2%	19.2%	18.0%		<b>EBITDA</b>	21.2%	16.4%	18.6%	(2.3%)	
22.5%	30.8%	10.8%	20.0%		<b>Operating Margin</b>	15.4%	9.9%	11.2%	(1.3%)	
44.8%	75.7%	15.1%	60.7%		<b>Net Margin</b>	17.7%	17.5%	15.3%	2.2%	

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

Period ending 6/30/2020

Period 12 FY 2019	Period 12 FY 2020	Period 12 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
52,469	61,644	62,519	(875)	(1.4%)	<b>Gross Revenue</b>	633,183	678,905	705,929	(27,024)	(3.8%)
(37,379)	(46,650)	(46,295)	(355)	(0.8%)	<b>Deductions</b>	(468,030)	(508,984)	(523,209)	14,225	2.7%
<b>15,090</b>	<b>14,994</b>	<b>16,224</b>	<b>(1,230)</b>	<b>(7.6%)</b>	<b>Net Patient Revenue</b>	<b>165,153</b>	<b>169,921</b>	<b>182,720</b>	<b>(12,799)</b>	<b>(7.0%)</b>
383	455	273	182	66.9%	<b>Other Operating Revenue</b>	3,879	4,201	3,260	941	28.9%
<b>15,473</b>	<b>15,449</b>	<b>16,497</b>	<b>(1,048)</b>	<b>(6.4%)</b>	<b>Total Operating Revenue</b>	<b>169,032</b>	<b>174,122</b>	<b>185,980</b>	<b>(11,858)</b>	<b>(6.4%)</b>
					<b>OPERATING EXPENSE</b>					
6,947	7,112	7,555	443	5.9%	<b>Salaries &amp; Wages</b>	84,341	89,378	88,571	(807)	(0.9%)
1,916	2,504	2,711	206	7.6%	<b>Supplies</b>	24,710	26,810	29,745	2,935	9.9%
3,061	3,272	2,754	(518)	(18.8%)	<b>Fees &amp; Purchased Services</b>	32,781	33,489	32,824	(665)	(2.0%)
415	310	385	75	19.4%	<b>Other Operating Expense</b>	3,978	4,046	5,009	963	19.2%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
813	891	797	(94)	(11.9%)	<b>Depreciation</b>	9,331	9,867	9,856	(11)	(0.1%)
<b>13,152</b>	<b>14,090</b>	<b>14,201</b>	<b>112</b>	<b>0.8%</b>	<b>Total Operating Expense</b>	<b>155,141</b>	<b>163,589</b>	<b>166,004</b>	<b>2,415</b>	<b>1.5%</b>
<b>2,321</b>	<b>1,359</b>	<b>2,296</b>	<b>(936)</b>	<b>(40.8%)</b>	<b>Net Operating Margin</b>	<b>13,891</b>	<b>10,533</b>	<b>19,976</b>	<b>(9,443)</b>	<b>(47.3%)</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	0	0	0	0	0.0%
<b>2,321</b>	<b>1,359</b>	<b>2,296</b>	<b>(936)</b>	<b>(40.8%)</b>	<b>Net Margin</b>	<b>13,891</b>	<b>10,533</b>	<b>19,976</b>	<b>(9,443)</b>	<b>(47.3%)</b>
20.3%	14.6%	18.7%	(4.2%)		<b>EBITDA</b>	13.7%	11.7%	16.0%	(4.3%)	
15.0%	8.8%	13.9%	(5.1%)		<b>Operating Margin</b>	8.2%	6.0%	10.7%	(4.7%)	
15.0%	8.8%	13.9%	(5.1%)		<b>Net Margin</b>	8.2%	6.0%	10.7%	(4.7%)	

# El Camino Health Medical Network (\$000s)

Period ending 6/30/2020

Period 12 FY 2019	Period 12 FY 2020	Period 12 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
7,084	7,905	9,750	(1,845)	(18.9%)	<b>Gross Revenue</b>	27,088	83,958	110,173	(26,215)	(23.8%)
(5,817)	(4,435)	(5,906)	1,471	24.9%	<b>Deductions</b>	(19,315)	(58,636)	(66,970)	8,334	12.4%
<b>1,266</b>	<b>3,470</b>	<b>3,844</b>	<b>(374)</b>	<b>(9.7%)</b>	<b>Net Patient Revenue</b>	<b>7,773</b>	<b>25,323</b>	<b>43,203</b>	<b>(17,880)</b>	<b>(41.4%)</b>
1,693	1,477	1,648	(171)	(10.4%)	<b>Other Operating Revenue</b>	5,297	19,850	18,061	1,789	9.9%
<b>2,959</b>	<b>4,948</b>	<b>5,492</b>	<b>(545)</b>	<b>(9.9%)</b>	<b>Total Operating Revenue</b>	<b>13,070</b>	<b>45,173</b>	<b>61,264</b>	<b>(16,091)</b>	<b>(26.3%)</b>
					<b>OPERATING EXPENSE</b>					
1,773	1,633	1,753	120	6.9%	<b>Salaries &amp; Wages</b>	6,100	19,967	21,188	1,221	5.8%
529	536	405	(132)	(32.6%)	<b>Supplies</b>	1,561	5,013	4,654	(358)	(7.7%)
7,132	4,155	4,509	353	7.8%	<b>Fees &amp; Purchased Services</b>	23,158	49,860	50,219	359	0.7%
929	881	980	99	10.1%	<b>Other Operating Expense</b>	3,689	8,668	11,344	2,676	23.6%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
51	310	193	(117)	(60.8%)	<b>Depreciation</b>	555	2,020	2,276	256	11.2%
<b>10,414</b>	<b>7,516</b>	<b>7,839</b>	<b>324</b>	<b>4.1%</b>	<b>Total Operating Expense</b>	<b>35,063</b>	<b>85,528</b>	<b>89,682</b>	<b>4,154</b>	<b>4.6%</b>
<b>(7,455)</b>	<b>(2,568)</b>	<b>(2,347)</b>	<b>(221)</b>	<b>9.4%</b>	<b>Net Operating Margin</b>	<b>(21,993)</b>	<b>(40,355)</b>	<b>(28,418)</b>	<b>(11,937)</b>	<b>42.0%</b>
5,000	0	0	0	0.0%	<b>Non Operating Income</b>	27,810	292	0	292	0.0%
<b>(2,455)</b>	<b>(2,568)</b>	<b>(2,347)</b>	<b>(221)</b>	<b>9.4%</b>	<b>Net Margin</b>	<b>5,817</b>	<b>(40,063)</b>	<b>(28,418)</b>	<b>(11,645)</b>	<b>41.0%</b>
					<b>EBITDA</b>	-164.0%	-84.9%	-42.7%	(42.2%)	
-250.2%	-45.6%	-39.2%	(6.4%)		<b>Operating Margin</b>	-168.3%	-89.3%	-46.4%	(42.9%)	
-251.9%	-51.9%	-42.7%	(9.2%)		<b>Net Margin</b>	44.5%	-88.7%	-46.4%	(42.3%)	
-83.0%	-51.9%	-42.7%	(9.2%)							

**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMMITTEE MEETING COVER MEMO**

**To:** Finance Committee  
**From:** Michael Moody, Interim CFO  
**Date:** July 27, 2020  
**Subject:** FY21 Budget & Financial Forecast Update

**Purpose:**

To present the proposed FY21 budget, based on version 1 of the forecast model developed, to the Finance Committee and the ECH Board. Also, have the Finance Committee recommend approval of the FY21 budget to the ECH Board of Directors.

**Summary:** The COVID 19 pandemic has had a significant impact on the financial results of El Camino Health. In lieu of the standard budgeting process, Management has developed a financial forecast tool for the organization that will be updated on an ongoing basis in FY21 based on the actual results. The attached presentation is a budget that has been derived from version 1 of the financial forecast. The budget will be the basis for establishment of financial incentive goals for the management team and additionally, the District is required to have an approved budget in place by September 1<sup>st</sup>. For these reasons, and more importantly, it is a best practice for the ongoing financial management of the organization to go through the financial planning process, we have constructed a budget for Fiscal Year 2021 that will be presented this evening.

1. **Situation:** See Summary.
2. **Authority:** Both financial stewardship and approval of the FY 21 budget are responsibilities of the Finance Committee and ultimately the Board of Directors. Also the District, by regulation, is required to have an approved FY21 budget by September 1, 2020 for FY21.
3. **Background:** See Summary
4. **Assessment:** Management has developed a new tool for forecasting and managing the business that was also utilized to develop the FY21 budget. The ongoing oversight of the Finance Committee are an important Governance role of the Finance Committee.
5. **Other Reviews:** None
6. **Outcomes:** The desired outcome is for the Committee to approve the FY21 budget.
7. **List of Attachments:**
  1. FY 21 Forecast and Budget

**Suggested Committee Discussion Questions:**

1. Is the Finance Committee comfortable with the budgeted operating results of the organization?
2. Has management been both thoughtful and prudent in their development of the underlying assumptions and their impact on operations? Are there recommended changes to the approach?
3. What potential risks of achieving the budgeted results be discussed further, whether included or not in our analysis?



# FY 21 Forecast & Budget Presentation

*Finance Committee  
Open Session  
July 27, 2020*

# Objectives

- Present baseline budget for FY21
  - Based on the FY21 forecast version 1
- Discuss the drivers and key assumptions being presented and the inherent risks
- Present scenarios and their impact on the forecast version 1
- Present the cadence and process for updating the forecast model – how governance will be engaged
- Have an interactive discussion during this presentation



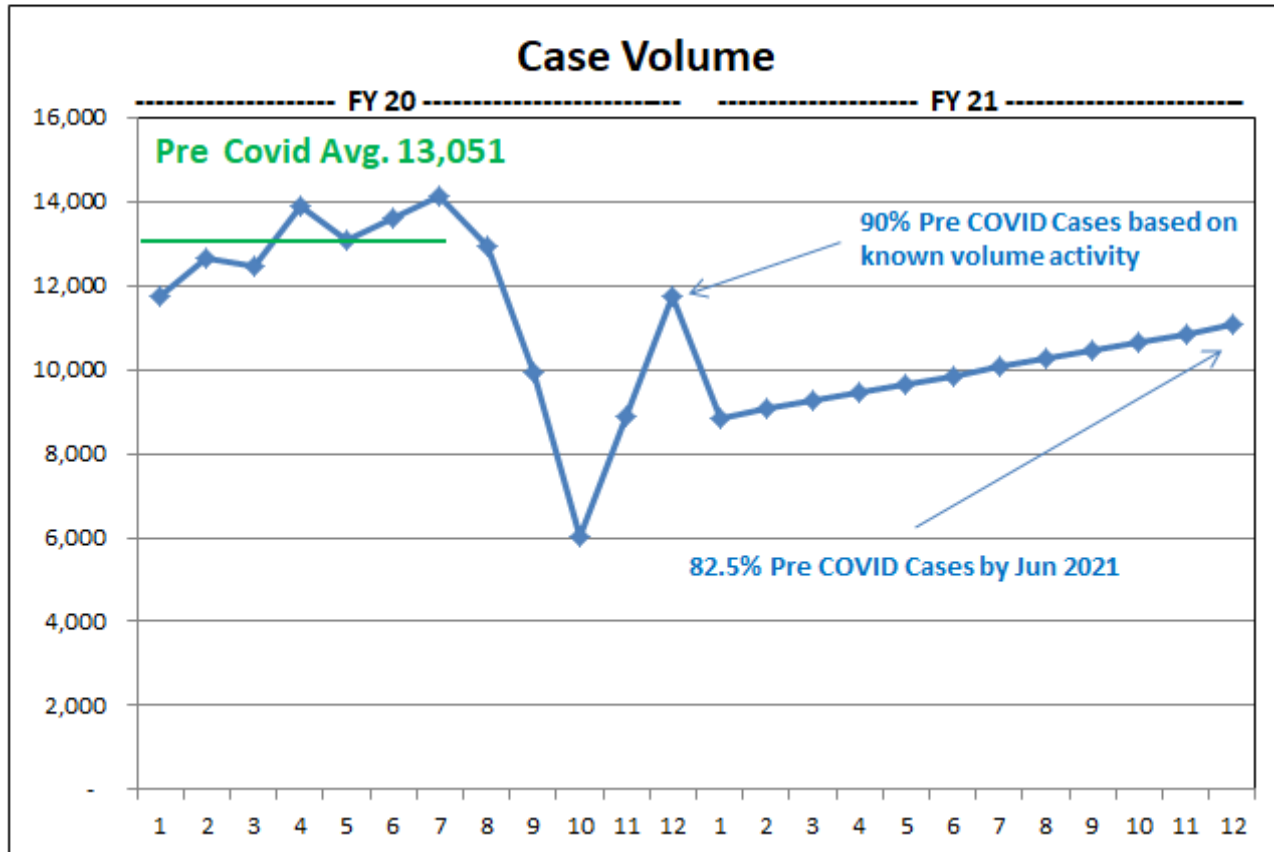
# The Current Environment

- COVID 19 cases continued to rise in the month of July and the COVID hospitalization rate in the current environment is beginning to match our experience in March/April
- The month of June saw significant increases in volumes across ECH & SVMD
  - Significant focus on recovering cancelled cases from the Shelter in Place timeframe
- The forecasted volumes for July are below June – however we are seeing increased demand overall, but not at pre-COVID levels

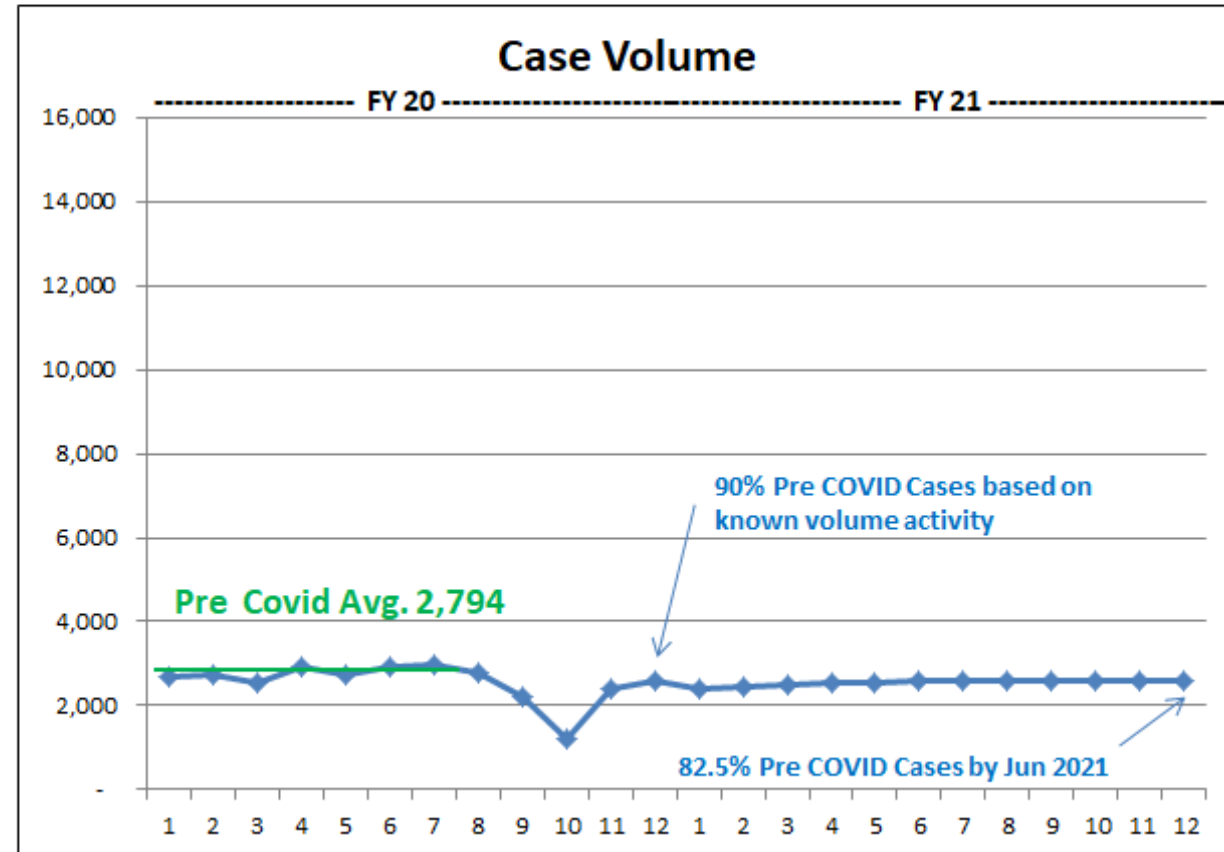
# El Camino Hospitals

# Financial Forecast Update – Hospital Overall Volumes

## Mountain View



## Los Gatos



# Key Assumptions-P/L

Category	Item Description	Assumptions	Comments
Revenue - Net Patient Revenue	By Product & Payor	Driven by historical net revenue per case	Includes contract increase assumptions July 1
Revenue - General	Rate increase	3% annually for HMO/PPO payer, 1% for Gov't. Overall 2.6% (Current Plan)	Affordability - to remain mid-market
	Payor Mix	Based on Actual July-May Experience	Held flat through projection period.

# Key Assumptions-PL

Category	Item Description	Assumptions	Comments
Labor - Salaries	Variable Departments	FY20 Budget Productivity Targets applied with adjustments made for FY20 approved additions/changes	Productivity metric applied to projected departmental volumes to arrive at productive FTEs. Annual Wage increases included
	Fixed Departments	Held flat at current levels	Model will allow for projected flexing Annual wage increases included
Labor - Benefits	All Departments	Overall Hospitals Benefits rate established based on July19- April 20 actuals	Benefit rate applied to projected Salaries
Inflation/Other	Wages and benefits	Inflation: 3.0%	Per contractual obligation and historical trend
	Pharmacy	Inflation: 4.2%	From GPO. Includes inflation and utilization of lower cost alternatives
	Supplies	Inflation: 2.0%	From GPO
	Purchased Services/Consulting	Overall Reduction: 10%	

# ECH Hospital- Comparatives Profit/Loss Statement (in 000,000's)

\$ in Millions	FY20 Budget	FY20 Actual (Annualized)	FY21 Budget	Delta	Delta %
Net Patient Revenue	960.5	938.3	857.3	(81.0)	-8.6%
Other Operating Revenue	27.3	23.6	23.3	(0.3)	-1.3%
<b>Total Net Revenue</b>	<b>987.8</b>	<b>961.9</b>	<b>880.6</b>	<b>(81.3)</b>	<b>-8.5%</b>
Salaries, Wages & Benefits	530.2	528.6	509.1	(19.5)	-3.7%
Supplies & Drugs	142.0	148.9	130.4	(18.5)	-12.4%
Physician Fees	24.5	22.3	26.3	4.0	18.0%
Purchased Services & Consulting	78.2	94.8	87.0	(7.8)	-8.2%
All Other (Leases, G&A Other)	33.8	35.1	38.8	3.7	10.5%
Depreciation & Interest	69.1	60.9	76.4	15.4	25.3%
<b>Total Operating Expense</b>	<b>877.8</b>	<b>890.6</b>	<b>868.0</b>	<b>(22.6)</b>	<b>-2.5%</b>
<b>Operating Margin</b>	<b>109.9</b>	<b>71.3</b>	<b>12.6</b>	<b>(58.7)</b>	<b>-82.3%</b>
Non Operating Income/Expense	32.9	31.0	31.9	0.9	2.9%
<b>Net Margin</b>	<b>142.9</b>	<b>102.3</b>	<b>44.5</b>	<b>(57.8)</b>	<b>-56.5%</b>
<b>EBIDA</b>	<b>179.0</b>	<b>132.3</b>	<b>89.0</b>	<b>(43.3)</b>	<b>-32.7%</b>
EBIDA Margin	18.1%	13.8%	10.1%		
Operating Margin	11.1%	7.4%	1.4%		
<b>Total Margin</b>	<b>14.5%</b>	<b>10.6%</b>	<b>5.1%</b>		

## Key Statistics & Indicators to compare FY20 actual to FY21 forecast

	FY20 Budget	FY20 Actual (Annualized)	FY21 Budget	Budget O(U) Actual	Percent Change
<b>KEY STATISTICS</b>					
Adjusted Discharges (AD)	36,106	35,441	32,195	(3,246)	-9.2%
Deliveries	4,270	4,371	4,358	(13)	-0.3%
Total Surgical Cases	11,851	11,341	10,114	(1,227)	-10.8%
Total ED Visits	61,005	57,085	45,202	(11,883)	-20.8%
<b>KEY INDICATORS</b>					
Net Revenue per AD	\$27,358	\$27,141	\$27,714	\$573	2.1%
Salaries per AD (excl Contract Labor)	\$9,643	\$9,848	\$10,677	\$829	8.4%
Total Operating Expense (excl Dep and Interest) per AD	\$22,399	\$23,409	\$24,587	\$1,179	5.0%
Supplies per AD (excl Drugs)	\$2,741	\$2,953	\$2,737	(\$216)	-7.3%
Drug Exp per AD	\$1,192	\$1,249	\$1,315	\$66	5.3%
Prod FTE per AOB	5.5	5.7	5.9	0.2	3.8%

# SVMD



# FY 2021 Operating Budget- Assumptions

## Volume Assumptions

- Volumes based on FY20 performance through January 2020
- Adjusted for impact of COVID-19 Pandemic impact
- Addition of New Providers including:
  - Acquisition of new OBGYN practice, July 6, 2020
  - Nine (9) new providers added over the last 5 months of FY 20
    - Primary Care (2)
    - OB/GYN (3 includes 2 midwives)
    - Sleep Medicine(1)
    - General and Surgical Oncology (1)
    - Hematology/Oncology (1)
    - Women's Heart & Vascular (1)
- Consolidated six (6) provider positions that were vacated during FY 20.

# Key Assumptions-Volume

Category	Timeframe	Method
Visits and Activity from Operating Revenues	<ul style="list-style-type: none"> <li>FY20 Actual</li> <li>FY21 Forecast/ Budget</li> </ul>	<ul style="list-style-type: none"> <li>Includes FY 20 actuals through May with estimates for June</li> <li>FY 21 Forecast based on July 2019 – January 2020 Actuals annualized for same store practices plus new providers added.</li> <li>July 2020 – September 2020: Monthly volume growth forecast to achieve 85% of pre Covid volume levels (Jul 2019 – Feb 2020)</li> <li>October 2020 – December 2020: Monthly volume growth forecast to achieve 100% of pre Covid volume levels</li> <li>January 2021 – June 2021: Monthly volume growth forecast to achieve 105% of pre Covid volume levels</li> </ul>

# Key Assumptions-PL

Category	Item Description	Assumptions	Comments
Patient Revenue - Charges	By Specialty and Provider	Driven by historical charge per visit by provider	Adjusted for changes in physicians.
Net Patient Revenue	Rate Increase and Revenue Cycle Improvements	Historical PPO reimbursement levels adjusted for FY 21 contract improvements and 1% annual update for Medicare funded programs	Adds \$2.5M in PPO plan reimbursement and \$82K from Medicare
	Payor Mix	Based on Actual July-April historical payor mix	Held flat through FY 21
Premium Revenue	Managed Care	Lives and premium revenues at current levels	May be opportunity to add plans and lives during second half of fiscal year.
Hospitalist / Intensivist Program	County of Santa Clara contract	Based on proposal submitted to County	Currently awaiting notice from County as to status of proposal. Contract renewal may be at risk.

# Key Assumptions- PL

Category	Item Description	Assumptions	Comments
Labor - Salaries	Clinic Departments	Staffing levels at required levels by department and projected volumes	Includes restructure of Willow Glen Urgent Care department
	Represented Staff	Adjusted current below market rates to reflect potential impact from negotiations	Adds approximately \$1.7M in salary and benefit costs
	Open Positions	Open positions will be frozen	Reduces operating loss by \$1.4M
Labor – Benefits	All Departments	Overall benefit rate established based on July 19- April 20 actuals	Benefit rate applied to projected salaries
Inflation	Wages and benefits	3%	Based on organizational estimate
Lab Draw Stations	Service to be outsourced	All lab draw stations to be outsourced to third party.	Reduces annual operating loss by \$1M

# Comparative F/S

	<u>FY 20 Budget</u>	<u>FY 20 Actual</u>	<u>FY 21 Budget</u>	<u>Delta</u>	<u>Delta %</u>
Operating Revenue					
Net Patient Revenue	\$ 43,202,799	25,780,050	35,792,913	10,012,863	38.8%
Other Operating Revenue	18,060,914	19,828,162	22,088,404	2,260,241	11.4%
<b>Total Revenue</b>	<b>61,263,713</b>	<b>45,608,212</b>	<b>57,881,317</b>	<b>12,273,105</b>	<b>26.9%</b>
Operating Expense					
Salary, Wages and Benefits	21,188,079	19,891,847	19,032,443	859,404	4.3%
Supplies and Drugs	4,654,234	5,012,723	5,145,018	(132,295)	-2.6%
Physician Fees (Comp, Benefits and Other)	39,910,834	34,504,174	38,736,993	(4,232,820)	-12.3%
Purchased Services and Consulting	10,308,326	14,905,859	14,220,006	685,853	4.6%
All Other (Leases, G&A Other)	11,344,265	8,667,273	10,529,379	(1,862,106)	-21.5%
Depreciation and Interest	2,275,825	2,019,830	3,134,700	(1,114,870)	-55.2%
<b>Total Operating Expense</b>	<b>89,681,563</b>	<b>85,001,706</b>	<b>90,798,538</b>	<b>(5,796,833)</b>	<b>-6.8%</b>
<b>Operating Margin</b>	<b>(28,417,850)</b>	<b>(39,393,494)</b>	<b>(32,917,222)</b>	<b>6,476,272</b>	<b>16.4%</b>
Non-Operating Income/Expense	-	292,138	-	(292,138)	-100.0%
Net Margin	<u>\$ (28,417,850)</u>	<u>(39,101,356)</u>	<u>(32,917,222)</u>	<u>6,184,134</u>	<u>15.8%</u>
<b>EBIDA</b>	<b><u>\$ (26,142,025)</u></b>	<b><u>(37,373,663)</u></b>	<b><u>(29,782,522)</u></b>	<b><u>7,591,142</u></b>	<b><u>20.3%</u></b>
EBIDA Margin	-42.7%	-81.9%	-51.5%		
Operating Margin	-46.4%	-86.4%	-56.9%		
Total Margin	-46.4%	-85.7%	-56.9%		

# Capital Budget

# Routine Capital Budget Pool

- Due to the current environment and other priorities management has not performed the typical standard capital budget forecast for Fiscal Year 2021
- Proposal
  - Establish a ***routine*** capital pool of dollars based on the EBIDA forecast less other cash flow items including principal and interest payments. This pool of funds is meant for the following categories:
    - Medical Equipment
    - Equipment
    - IT
- Additionally there are currently approved fully funded projects & partially funded projects
  - For fully funded projects management estimates \$51.4 million in expenditures for Fiscal Year 2021, these amounts are included in the cash flow estimates (a detailed list is in the appendix)
  - For partially funded projects management estimates \$42.6 million in potential expenditures for Fiscal year 2021, these amounts are NOT included in the cash flow estimates (a detailed list is in the appendix)
  - The outstanding projects will be assessed and evaluated during Fiscal year 2021 by management

# Sizing the Capital Pool

(000's)

	<u>Total</u>
Forecasted Consolidated EBIDA	\$ 55,800
Less:	
Prinicipal Payments (1)	(9,020)
Interest Payments (1)	(20,312)
Pension Contribution in excess of Pension Expense	(6,500)
Total Deductions	<u>(35,832)</u>
Cash Available for Routine Capital Expenditures	<u><u>\$ 19,968</u></u>

(1) Amounts are for 2015 and 2017 non-District bonds



# Other Entities

# Concern Comparative P&L

LineDescription	BUDGET 2020	ACTUAL 2020 (ANNUALIZED)	BUDGET 2021	Delta	Delta %
Net Patient Revenue					
Other Operating Revenue	9,146,949	8,443,977	8,686,385	242,408	2.9%
<b>Total Net Revenue</b>	<b>9,146,949</b>	<b>8,443,977</b>	<b>8,686,385</b>	<b>242,408</b>	<b>2.9%</b>
Salaries, Wages & Benefits	4,405,501	4,059,794	4,198,052	138,258	3.4%
Supplies & Drugs	62,503	41,568	45,344	3,776	9.1%
Physician Fees	70,220	48,612	67,280	18,668	38.4%
Purchased Services & Consulting	3,462,441	3,948,848	3,858,534	(90,314)	-2.3%
All Other (Leases, G&A Other)	512,570	646,288	509,726	(136,562)	-21.1%
Depreciation & Interest	15,901	16,020	15,901	(119)	-0.7%
<b>Total Operating Expense</b>	<b>8,529,136</b>	<b>8,761,130</b>	<b>8,694,838</b>	<b>(66,291)</b>	<b>-0.8%</b>
<b>Operating Margin</b>	<b>617,813</b>	<b>(317,153)</b>	<b>(8,453)</b>	<b>308,700</b>	<b>-97.3%</b>
Non Operating Income/Expense	377,392	1,145,641	377,392	(768,249)	-67.1%
<b>Net Margin</b>	<b>995,205</b>	<b>828,489</b>	<b>368,939</b>	<b>(459,550)</b>	<b>-55.5%</b>
<b>EBIDA</b>	<b>633,714</b>	<b>(301,133)</b>	<b>7,447</b>	<b>308,580</b>	<b>-102.5%</b>
EBIDA Margin	6.9%	-3.6%	0.1%		
Operating Margin	6.8%	-3.8%	-0.1%		
Total Margin	10.9%	9.8%	4.2%		

## Revenue:

- Increase driven by planned new business

## Operating Expense

- Purchased Services reduced due to reduction in work with software development partner & cancellation of contract to develop video counseling platform
- All Other reduced due to reduction in rental expense by moving to Melchor Pavilion

## Other

- Non Operating Income/Expense FY21 budget variance due to favorable Interest Income in FY20 not planned for FY21

# Foundation Comparative P&L

	BUDGET 2020	ACTUAL 2020 (ANNUALIZED)	BUDGET 2021	Delta	Delta %
Net Patient Revenue	-	-	-		
Other Operating Revenue	-	-	-		
<b>Total Net Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>		
Salaries, Wages & Benefits	1,831,365	1,416,285	1,895,393	479,108	33.8%
Supplies & Drugs	88,364	62,595	89,248	26,653	42.6%
Purchased Services & Consulting	1,105,004	363,037	1,105,004	741,967	204.4%
All Other (Leases, G&A Other)	340,960	241,382	325,960	84,578	35.0%
Depreciation & Interest	13,316	13,316	13,316	1	0.0%
<b>Total Operating Expense</b>	<b>3,379,008</b>	<b>2,096,614</b>	<b>3,428,921</b>	<b>1,332,306</b>	<b>63.5%</b>
<b>Operating Margin</b>	<b>(3,379,008)</b>	<b>(2,096,614)</b>	<b>(3,428,921)</b>	<b>(1,332,306)</b>	<b>63.5%</b>
Non Operating Income/Expense	4,875,702	3,865,191	3,269,790	(595,401)	-15.4%
<b>Net Margin</b>	<b>1,496,694</b>	<b>1,768,577</b>	<b>(159,131)</b>	<b>(1,927,708)</b>	<b>-109.0%</b>
<b>EBIDA</b>	<b>(3,365,692)</b>	<b>(2,083,299)</b>	<b>(3,415,605)</b>	<b>(1,332,306)</b>	<b>64.0%</b>

## Operating Expense

- FY21 SW&B included vacancies for 2 critical positions that have been filled. FY21 Budget flat to FY20 Budget Level
- FY21 Purchased Services budgeted at FY20 budget level. FY20 Actual at low level due to cancellation of events due to pandemic.

## Other

- Non Operating Income/Expense FY21 budget below FY20 actual level due to executive evaluation of allocation between unrestricted and restricted donations. Budget reflects unrestricted donations.

# Consolidated Results

# Consolidated P&L

## FY20 Budget & FY20 Proj. Compared to FY21

Enterprise (Excl District) \$ in Millions	FY20 Budget	FY20 Actual (Annualized)	FY21 Budget	Delta	Delta %
Net Patient Revenue	1,003.7	964.1	893.1	(71.0)	-7.4%
Other Operating Revenue	54.5	51.9	54.1	2.2	4.2%
<b>Total Net Revenue</b>	<b>1,058.2</b>	<b>1,016.0</b>	<b>947.2</b>	<b>(68.8)</b>	<b>-6.8%</b>
Salaries, Wages & Benefits	557.7	554.0	534.2	(19.8)	-3.6%
Supplies & Drugs	146.8	154.0	135.7	(18.3)	-11.9%
Physician Fees	64.5	56.8	65.1	8.3	14.5%
Purchased Services & Consulting	93.1	114.1	106.2	(7.9)	-6.9%
All Other (Leases, G&A Other)	46.0	44.6	50.1	5.5	12.3%
Depreciation & Interest	71.4	63.0	79.6	16.6	26.3%
<b>Total Operating Expense</b>	<b>979.4</b>	<b>986.5</b>	<b>970.9</b>	<b>(15.6)</b>	<b>-1.6%</b>
<b>Operating Margin</b>	<b>78.8</b>	<b>29.5</b>	<b>(23.7)</b>	<b>(53.2)</b>	<b>-180.6%</b>
Non Operating Income/Expense	38.2	36.3	35.5	(0.8)	-2.1%
<b>Net Margin</b>	<b>117.0</b>	<b>65.7</b>	<b>11.8</b>	<b>(54.0)</b>	<b>-82.1%</b>
<b>EBIDA</b>	<b>150.2</b>	<b>92.4</b>	<b>55.8</b>	<b>(36.6)</b>	<b>-39.6%</b>
EBIDA Margin	14.2%	9.1%	5.9%		
Operating Margin	7.4%	2.9%	-2.5%		
<b>Total Margin</b>	<b>11.1%</b>	<b>6.5%</b>	<b>1.2%</b>		

# Summary Cash Flow Statement

(000's)

	<u>FY 21 Budget</u>
Forecasted EBIDA	\$ 55,800
Less:	
Principial Payments (1)	(9,020)
Interest Payments (1)	(20,312)
Pension Contribution in excess of Pension Expense	(6,500)
Total Deductions	<u>(35,832)</u>
Cash Available for Routine Capital Expenditures	19,968
Cash Payments for previously approved projects	<u>(51,358)</u>
Operating Cash Flow	(31,390)
Non-Operating Income	<u>35,500</u>
FY 2021 Forecasted Cash Flow	<u><u>\$ 4,110</u></u>

(1) Amounts are for 2015 and 2017 non-District bonds

# Summary

# Ongoing Cadence with the Finance Committee

- The forecast models for ECH & SVMD will be updated on an ongoing basis with actual results
  - Will inform adjustments to our underlying assumptions with a focus on:
    - Volumes
    - Payer Mix
    - Cost containment
- Revised models will be a recurring agenda item on the Finance Committee agenda
  - The discussion will include the changes and what the drivers of the changes were



# Summary

- The continued financial recovery from the COVID 19 pandemic is a long road
- Management has prepared a budget that reflects the current short-term tactics as well as a plan to thoughtfully "right size" the cost structure going forward
  - We have called out risk factors along the way and with COVID 19 as an industry we are back to the basics of volumes, payer mix and cost containment
- ADDITIONAL QUESTIONS & COMMENTS
- THANK YOU

## Proposed Motion

- The Finance Committee of El Camino Health recommends to the El Camino Health Board of Directors approval of the Fiscal Year 2021 Financial Forecast Version 1 and the Fiscal Year 2021 Budget.

# Appendix

# Fully Approved Projects FY 21 Cash Flows

	Estimated Total Project Cost	Total Project July 2020	Total Funded \$ To Date	Spend to Date through FY 20 Per 12	Remaining Spend based on current Funding	Projected Spend FY 21
<b>Fully Funded Projects [Sorted by Funded Amt.]</b>						
1414	Integrated Medical Office Building	302,100,000	302,100,000	285,608,994	16,491,006	16,491,006
1245	BHS Replacement	96,100,000	96,100,000	90,500,809	5,599,191	5,599,191
1801	Demo Old Main & Related Site Work	172,500,000	24,900,000	3,081,165	21,818,835	5,454,709
1413	North Dr Parking Structure Expansion	24,500,000	24,500,000	24,444,816	55,184	0
1422	CUP Upgrades	9,000,000	9,250,000	8,709,422	540,578	540,578
1804	Primary Care Clinic (TI's Only) FY 19 (237 @ N. 1st)	8,000,000	8,000,000	7,652,634	347,366	(300,000)
1905	Radiation Oncology Equipment Replacement	10,300,000	6,750,000	2,238,918	4,511,082	8,061,082
1709	ED Remodel Triage / Psych Observation	6,750,000	6,750,000	4,356,768	2,393,232	2,393,232
1712	LG Cancer Center	6,400,000	6,400,000	6,266,522	133,478	103,478
1711	Emergency Sanitary & Water Storage	3,900,000	3,900,000	3,350,600	549,400	504,916
1702	LG Modular MRI & Awning	3,900,000	3,900,000	711,359	3,188,641	2,488,641
1917	Willow Surgery Dept. Improvements - Phase 2	3,800,000	3,800,000	0	3,800,000	760,000
1902	Site Signage & Other Improvements	2,500,000	2,500,000	593,021	1,906,979	1,506,979
1917	Willow Surgery Dept. Improvements - Phase 1	2,400,000	2,400,000	1,665,187	734,813	734,813
1931	SVMD - Sobrato Fit Up	1,000,000	1,000,000	917,899	82,101	82,101
2006	SVMD Clinic Morgan Hill	998,000	998,000			998,000
1921	LG MOB FY-20 Paving Upgrades	996,018	996,018	0	996,018	996,018
1713	Flooring Replacement	990,000	990,000	527,558	462,442	462,442
1916	LG Hospital Paving Upgrades	979,756	979,756	0	979,756	979,756
1920	SVMD Infrastructure Support & Equipment	898,500	898,500	647,014	251,486	102,986
1930	SVMD - Willow Glen CT Replacement	673,655	673,655	53,000	620,655	597,000
1802	LG MOB Improvements FY-19	498,300	498,300	328,538	169,762	169,762
1900	MV Infrastructure Upgrades Misc	402,500	402,500	287,814	114,686	114,686
1914	LG Rehab Finish Upgrades	373,000	373,000	82,460	290,540	290,540
1929	MV Sterile Processing Upgrades	1,850,000	250,000	82,182	167,818	1,767,818
1933	MV MOB Upgrades FY 20	1,000,000	250,000	0	250,000	250,000
1925	LG Equipment & Infrastructure Upgrades FY 20	240,000	240,000	78,766	161,234	161,234
2004	COVID-19 Response	175,000	175,000	88,003	86,997	46,997
	<b>Total Fully Funded Projects</b>		<b>509,974,729</b>	<b>442,273,448</b>	<b>66,703,281</b>	<b>51,357,965</b>

# Partially Approved Projects FY 21 Cash Flows

	Estimated Total Project Cost	Total Funded \$ To Date	Spend to Date through FY 20 Per 12	Remaining Spend based on current Funding	Projected Spend FY 21
<b>Fully Funded Projects [Sorted by Funded Amt.]</b>					
<b>Paritally Funded Projects (Additional Approvals TBD) [Sorted by Current Priority]</b>					
1707 Imaging Equipment Replacement	26,022,000	16,900,000	341,279	16,558,721	3,311,744
1708 IR / Cath Lab Equipment Replacement	22,800,000	13,000,000	1,580,439	11,419,561	4,567,824
2005 MV Willow CPWC Relocation	5,500,000	150,000	0	150,000	3,150,000
1430 Women's Hosp Expansion	150,000,000	16,000,000	10,102,265	5,897,735	25,897,735
2002 LG IR Upgrades	3,250,000	250,000	0	250,000	750,000
2002 LG IR Upgrades	1,500,000	250,000	0	250,000	250,000
2001 LG Nuc Med Equipment Replacement	950,000	250,000	0	250,000	250,000
1908 LG Decontamination in OR	900,000	250,000	0	250,000	250,000
1922 LG Pharmacy USP 797 & 800 Upgrades	750,000	250,000	5,090	244,910	48,982
1923 MV Main Pharmacy USP 797 & 800 Upgrades	600,000	250,000	56,892	193,108	38,622
1924 MOV Oak Pharmacy USP 797 & 800 Upgrades	600,000	250,000	0	250,000	50,000
1926 LG Security System	460,000	242,000	21,298	220,702	420,702
1909 LG Campus Redevelopment	820,000,000	980,000	474,511	505,489	1,505,489
1602 Patient Family Residence	57,750,000	500,000	411,611	88,389	2,088,389
<b>Total Partially Funded Projects</b>	<b>1,091,082,000</b>	<b>49,522,000</b>	<b>12,993,385</b>	<b>36,528,615</b>	<b>42,579,487</b>



**EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING COVER MEMO**

**To:** El Camino Hospital Finance Committee  
**From:** Jim Griffith, COO  
 Ken King, CASO  
**Date:** July 27, 2020  
**Subject:** Radiation Oncology Equipment Replacement – Updated Funding Request

**Recommendation(s):**

Management recommends that the Finance Committee recommend Board Approval for the updated costs to replace the Radiation Oncology Equipment Replacement Project at cost not to exceed \$10.3 million.

**Summary:**

- Situation:** The Finance Committee and Board of Directors approved the replacement of the Radiation Oncology Equipment that would allow ECH to provide new treatments and services with new state of the art equipment in July/August 2019. The room renovation costs initially estimated were based on the experience of the vendor for replacing equipment within an existing shielded vault. Since that time our architects and engineers who were engaged to prepare the construction/installation plans for a required building permit, discovered that a significant amount of work was needed to support the installation of the new equipment.

The major discovery is that the equipment installation requirements along with the current 2019 building code standards requires significant upgrades to the mechanical and electrical infrastructure of the building along with upgrades to the structural slabs in both of the shielded rooms. This includes amongst other things the replacement of the HVAC Units on the roof to meet the required air changes and temperature thresholds of the equipment. The bottom line is that the amount of construction required to install the replacement equipment is much more extensive than originally estimated. Additionally, it was discovered that the initial equipment estimates did not include all of the components needed for our building environment and they did not include tax and freight which adds approximately 10% to the total cost of the equipment. The difference from the initially requested funding and the final funding request is outlined below.

	Initially Requested	Final Negotiated Equipment Cost	Tax & Freight	Final Cost
Equipment	\$5,850,000	\$6,170,000	\$617,000	\$6,787,000
Facilities Costs	\$900,000			\$3,512,800
Total	\$6,750,000			\$10,299,800
			<b>Rounded</b>	<b>\$10,300,000</b>
<b>Facilities Costs Detail</b>				
Construction				\$2,466,916
Soft Costs				\$760,000
FF&E (Minor)				\$60,000
Contingency			7%	\$225,884
Total				\$3,512,800

Radiation Oncology Equipment Replacement – Updated Funding Request  
July 27, 2020

2. **Authority:** Policy requires both Finance Committee Review and Board Approval for expenditures over \$5 million.
3. **Background:** The justification for replacing the existing equipment made a year ago remains valid. The existing equipment has been in service since May of 2009 and was fully depreciated within seven years. The equipment is required for our ability to provide critical cancer treatment services to our patients and must be replaced. At this stage of the project we now have a GMP construction contract proposal from a qualified contractor and the City of Mountain View plan review process is in its final phase with a Building Permit expected by early August.

Despite the additional costs the ROI remains strong. An updated financial analysis is provided in the assessment section below.

4. **Assessment:** The summary of the pro forma is as follows:

Varian Halcyon Capital Investment		Varian Edge Capital Investment	
Useful Life	7 Years	Useful Life	7 Years
Equipment Cost	\$3,737,000	Equipment Cost	\$3,050,000
Room Renovation Costs	\$2,107,680	Room Renovation Costs	\$1,405,120
<b>Total Capital Cost</b>	<b>\$5,844,680</b>	<b>Total Capital Cost</b>	<b>\$4,455,120</b>
<b>Payback</b>	<b>Year 3</b>	<b>Payback</b>	<b>Year 1</b>
<b>Return on Investment</b>	<b>384%</b>	<b>Return on Investment</b>	<b>2369%</b>
<b>Net Present Value</b>	<b>\$11,335,200</b>	<b>Net Present Value</b>	<b>\$76,008,726</b>

5. **Other Reviews:** The assessment financial pro-formas above were prepared by the Finance department and have been through the requisite review. The project is financially accretive.
6. **Outcomes:** The implementation timeline has been impacted by the COVID-19 Pandemic by approximately three months from the original plan.

Implementation timing is as follows (Original Plan)		UPDATED 07/20
8/19	Board approval of funding for equipment and planning	Done
9/19	Finalize equipment purchase agreement	Done
10/19	Place purchase orders	Done
12/19	Complete phased construction specs, submit for building permit	Done
5/20	Finalize construction costs and gain board approval for funding, if necessary	8/20
6/20	Obtain building permit and start construction	8/20
10/20	Complete construction and installation of HalcyonR	1/21
11/20	Gain CDPH and Radiation Board approval of HalcyonR	2/21
12/20	Start construction/installation of EDGER	3/21
4/21	Complete construction and installation of EDGER	6/21
5/21	CDPH and Radiation Board approval of EDGER	7/21

**List of Attachments:** None.

**Suggested Finance Committee Discussion Questions:** None.

**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
FINANCE COMMITTEE MEMO**

**To:** El Camino Hospital Finance Committee  
**From:** Ken King, CASO  
Cheryl Reinking, CNO  
**Date:** July 27, 2020  
**Subject:** MV Sterile Processing Equipment Replacement – Project Funding Request

**Recommendation(s):**

Management recommends that the Finance Committee approve the costs to replace the MV Sterile Processing Equipment with a project cost not-to-exceed \$1.85 million.

**Summary:**

1. **Situation:** The existing Sterile Processing Equipment was originally installed during the initial construction of the main hospital in 2009 and was fully depreciated seven years later in 2016. Over the past 12 to 15 months, there have been more frequent breakdowns and failures of the washer/disinfectors and steam sterilizers. This is a routine replacement of equipment that is essential and required for being able to perform surgeries and other procedures. The list of primary equipment is as follows:
  - A. Washer / Disinfectors – 3
  - B. Cart Washer – 1
  - C. Steam Sterilizers – 3
  - D. 3 Compartment Reprocessing Sink – 1
  - E. Pass Through Window – 1
  - F. Automated line configuration with Accessories for all Primary Equipment
2. **Authority:** Policy requires Finance Committee review and approval of expenditures over \$1 million.
3. **Background:** In the fall of 2019 we began to evaluate the best approach to replacing this equipment which is all purchased from a single manufacturer, Steris Corporation. It was determined that due to the age and performance of the equipment and the fact that an OSPHD permit was needed to install the replacement equipment that we would upgrade all the equipment at the same time. The actual installation will be sequenced to in order to keep sterile processing functioning during the equipment replacements, but the purchase of all the equipment and the coordinated construction and installation provided the best value.

We began the design and construction drawings and submitted them to OSHPD in the fall of 2019. We received plan approval in April 2020 and the building permit is in hand. The funding request was identified in the capital facilities project budget as an FY21 capital project. The cost of the project breaks down as follows:

Sterile Process Equipment, Accessories and Manufacture Installation	\$1,101,751
Construction & Infection Control Containment	\$ 270,000
Soft Costs (Design & Engineering, PM, Inspections, Misc.)	\$ 390,000
Contingency – 5%	\$ 88,249
<b>Total Project Cost</b>	<b>\$1,850,000</b>



MV Sterile Processing Equipment Replacement – Project Funding Request  
July 27, 2020

4. Assessment: This equipment is critical and essential to the routine delivery of surgery and procedure services provided by a hospital. In calendar year 2019, the sterile processing department ran over 80,000 sterilization runs. The existing equipment was maintained to remain in service for several years beyond its anticipated useful life and is now in need of replacement. The newer equipment comes with features and capabilities that will enhance the efficiency and throughput of the sterile processing of all instruments.
5. Other Reviews: No other reviews were conducted.
6. Outcomes: With the building permit in hand we will place the order for the equipment upon approval of funding and we will begin the infrastructure work the first week of August. The equipment lead time from date of order is approximately 8 weeks. The phased installation is targeted to be completed by the end of the December 2020.

**List of Attachments**: None

**Suggested Finance Committee Discussion Questions**: None

**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMMITTEE MEETING MEMO**

**To:** Finance Committee  
**From:** Bruce Harrison, President, SVMD  
David Neapolitan, VP of Finance, SVMD  
**Date:** July 20, 2020  
**Subject:** Silicon Valley Medical Development Quarterly Update

**Purpose:** To update the Finance Committee on the performance of the El Camino Health Medical Network through May 2020.

**Summary:**

1. **Situation:** SVMD will be providing a quarterly financial metric update to the Finance Committee.
2. **Authority:** The Finance Committee:
  - A. Reviews Quarterly financial metrics updates
  - B. Reviews SVMD financial plan and annual report of performance metrics
  - C. Approves annual operating and capital budgets
  - D. Approves long-range financial plan
3. **Background:** The Finance Committee requested Quarterly metrics include:
  - A. Patient Active Lives
    - i. Unique Patients
    - ii. Capitated Lives
  - B. New versus Established Patient Visits
  - C. Productivity Metrics
    - i. Total Visits by Month
    - ii. Total Visits per Business Day by Month
    - iii. Urgent Care Visits by Month
    - iv. Work RVU's by month
    - v. Productivity by Provider
  - D. Fiscal year to Date Financial Performance by Practice
  - E. Revenue Cycle Trends
    - i. Quarterly Payer Mix Trend
    - ii. Collection Rate Trend
    - iii. Days Accounts Receivable Outstanding
    - iv. Percentage of Accounts Receivable Greater than 90 Days

4. Assessment: Overall SVMD May YTD financial performance shows a negative variance to the budgeted net loss of \$11.4M. Primary factors include:
  - i. Overall operating revenues are \$15.5M or 27.9% below budgeted targets:
    1. Visits declined for a period of three months during EPIC go-live and due to COVID-19 Shelter in Place.
    2. Payer-related disruption resulted in managed care member loss.
    3. Charge lags during the EPIC go-live, charge holds, payer contracting transitions and untimely chart closure.
  - ii. Overall operating expenses are \$3.5M or 4.3% below budgeted targets.
    1. Salary, wages and benefits lower than budgeted as a result of the management of open positions during the fiscal year and staffing level management during the COVID-19 Shelter in Place.
    2. Changes to opening of new sites and lower than expected repair and maintenance costs.
  - iii. Management controls have been put in place with a focus on stabilization, patient retention, productivity improvement, revenue capture, expense management and strategic positioning.
5. Other Reviews: N/A
6. Outcomes: N/A

**List of Attachments:**

1. SVMD Quarterly Finance Committee Report presentation

**Suggested Committee Discussion Questions:**

1. What are our targets and benchmarks?
2. How are we performing to target?
3. What actions are being taken to achieve performance objectives?
4. What are the risks?

**July 27, 2020**

Fiscal Year 2020 Performance Summary

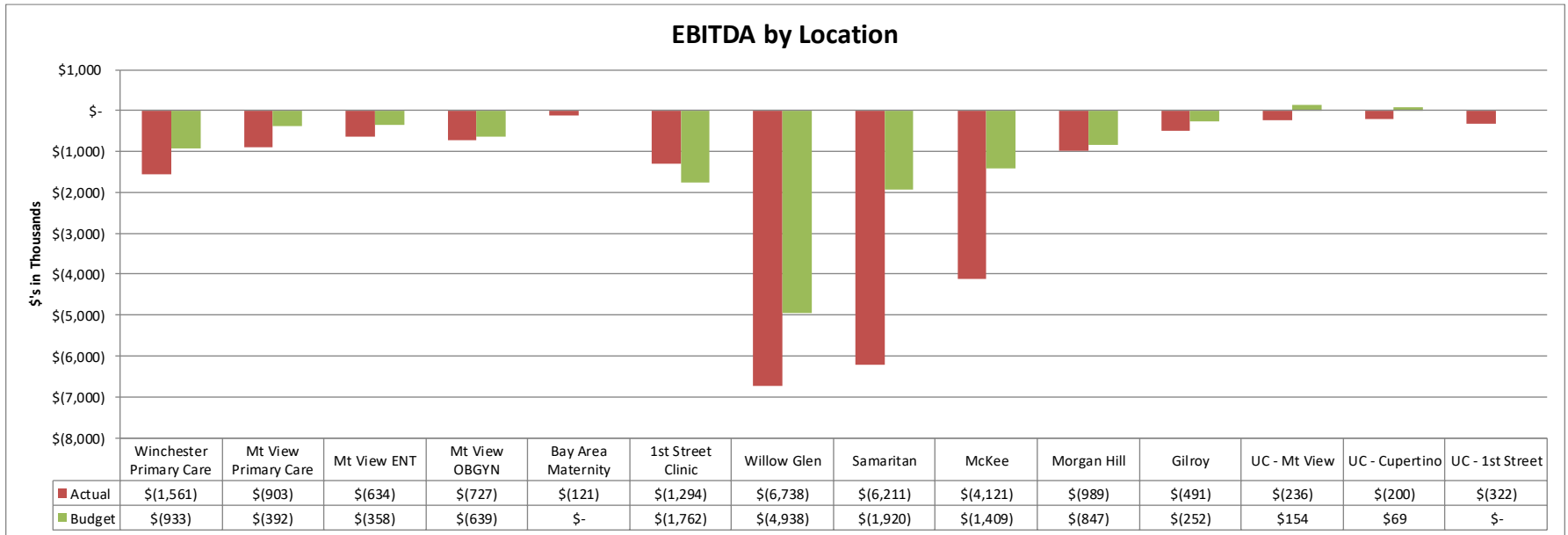
# FYTD May 31, 2020

## Summary Financial Performance by Division

	Fiscal Year to Date May 31, 2020				
	<u>Total Revenue</u>	<u>Total Expense</u>	<u>EBITDA</u>	<u>Non-Operating</u>	<u>Net Income / (Loss)</u>
Practice Divisions	\$24,972,130	\$48,756,315	\$ (23,784,185)	\$ (832,240)	\$ (24,616,430)
Urgent Care	\$ 2,171,834	\$ 2,929,282	\$ (757,448)	\$ (154,210)	\$ (911,658)
Hospitalist Program	\$10,195,561	\$ 7,394,313	\$ 2,801,248	\$ -	\$ 2,801,248
Managed Care	\$ 2,818,133	\$ 4,846,973	\$ (2,028,840)	\$ -	\$ (2,028,840)
Administrative Services	\$ 67,212	\$12,375,265	\$ (12,308,053)	\$ (431,298)	\$ (12,739,351)
<b>Total</b>	<b>40,224,870</b>	<b>76,302,148</b>	<b>(36,077,278)</b>	<b>(1,417,748)</b>	<b>(37,495,031)</b>

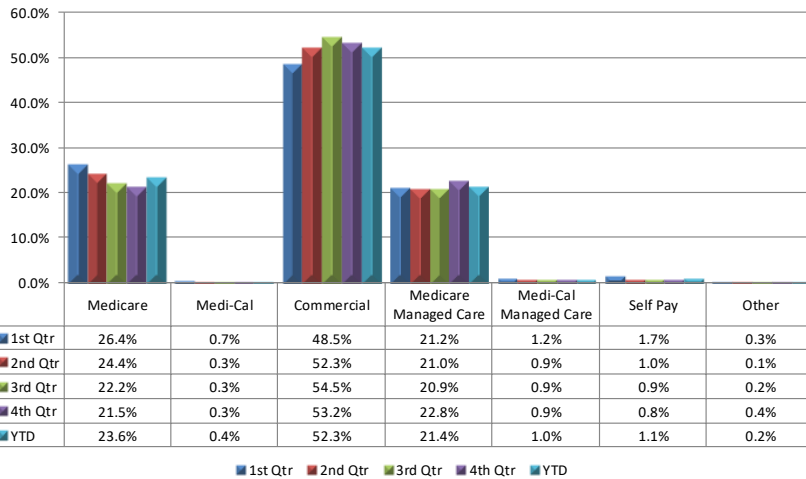
# FYTD May 31, 2020

## Financial Performance by Division

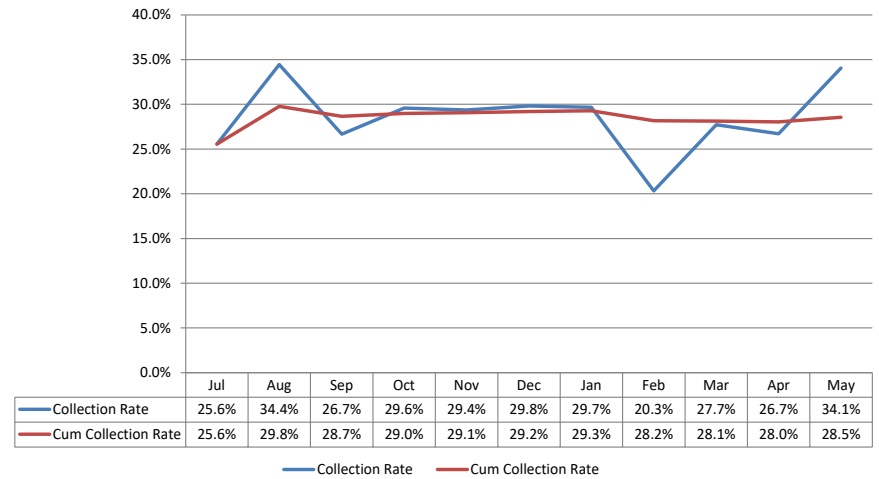


# FYTD May 31, 2020 – Revenue Cycle Trends

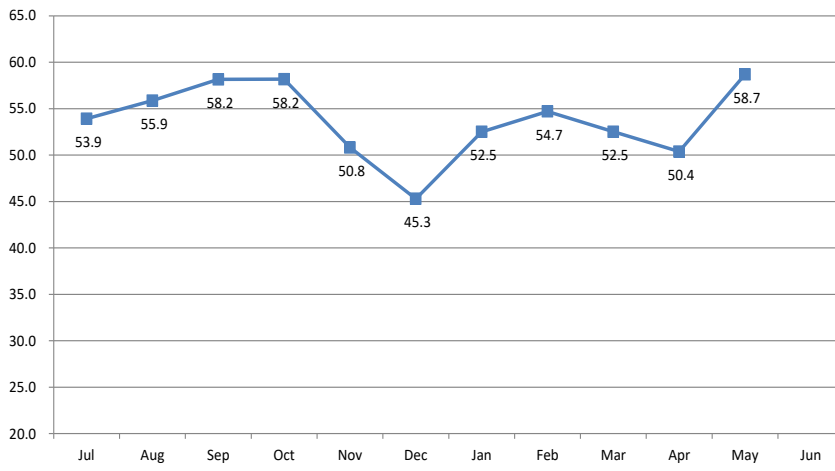
### Quarterly Payer Mix Comparison



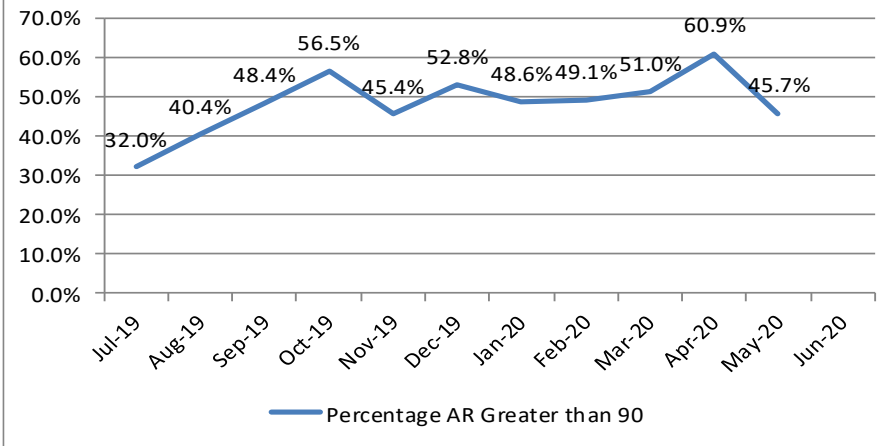
### Collection Rate Trend



### Days AR Outstanding



### Percentage AR Greater than 90

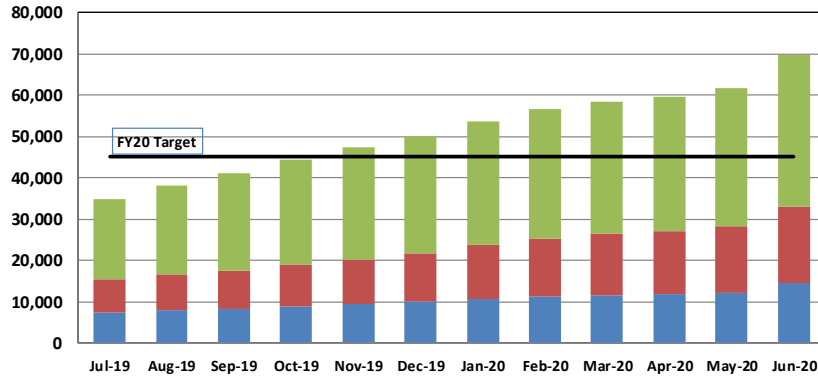


# Fiscal Year 2020 Leading Metrics



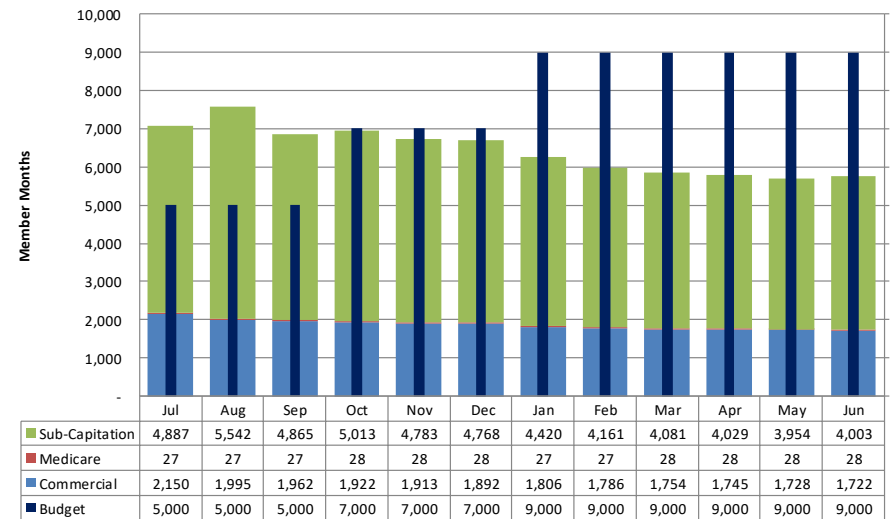
# FYTD June 30, 2020 – Leading Metrics – Active Lives

SVMD FY20 Unique Patients Seen in last 18 months



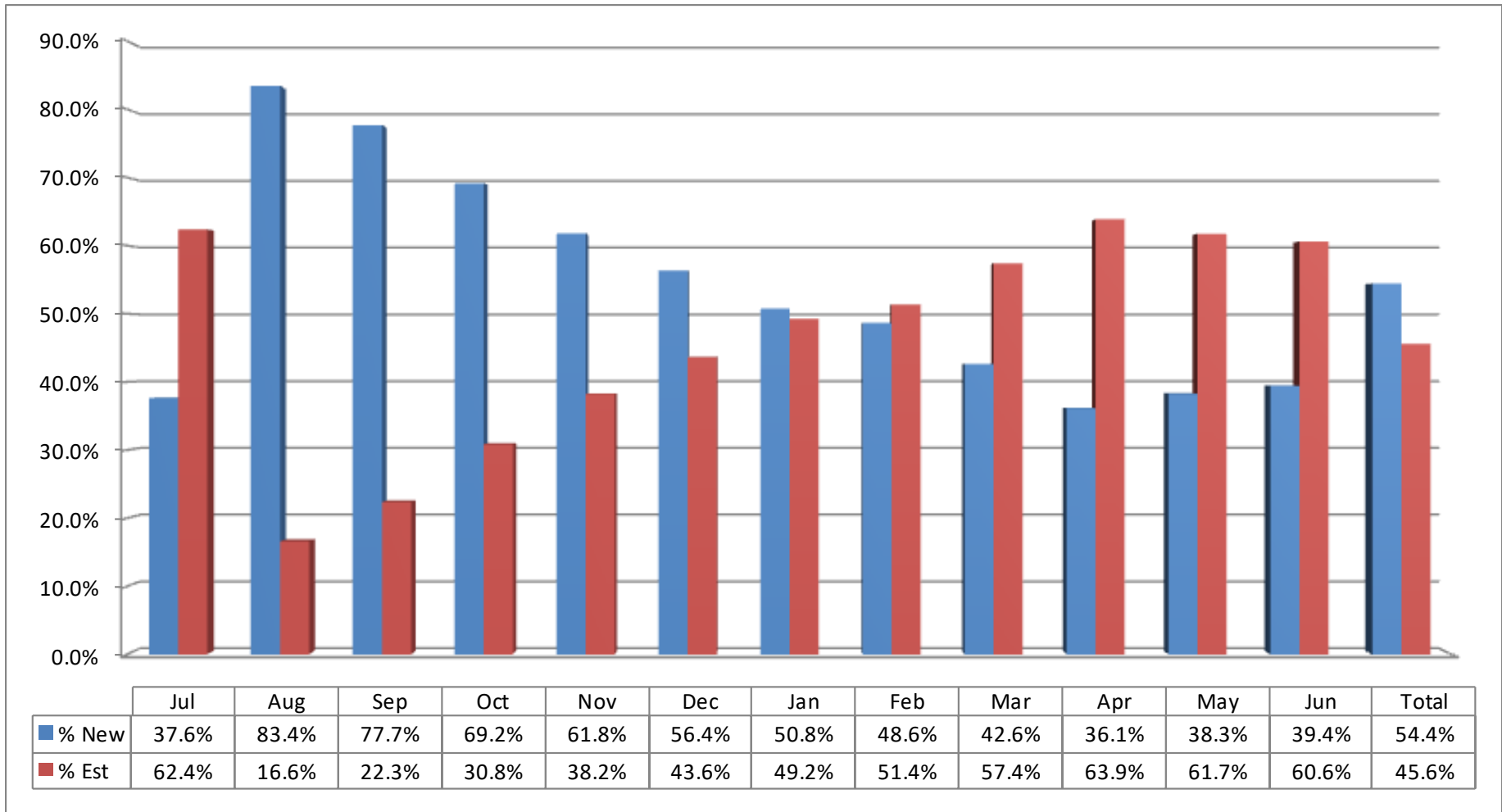
	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
SJMG	19,433	21,541	23,465	25,440	26,969	28,384	29,885	31,219	32,097	32,628	33,388	36,638
Urgent Care	8,009	8,709	9,331	10,070	10,872	11,766	13,034	14,212	14,959	15,350	16,215	18,613
ECMA	7,353	7,906	8,229	8,767	9,359	9,981	10,595	11,110	11,445	11,702	12,079	14,457
FY20 Target	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000

Capitated Membership



# FYTD June 30, 2020 – Leading Metrics

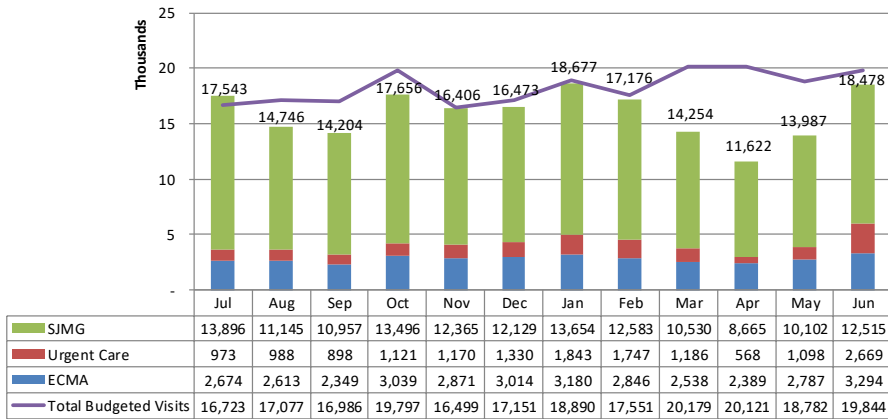
## New vs Established Visits



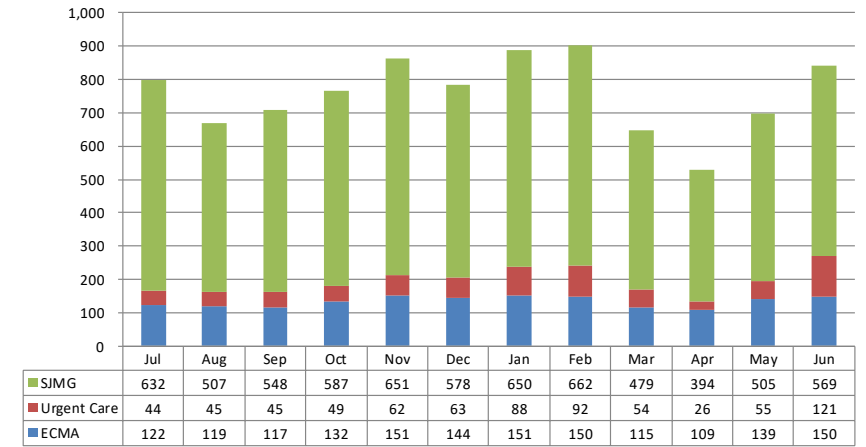
**Excludes Carbon Urgent Care sites**

# FYTD June 30, 2020 – Leading Metrics - Productivity

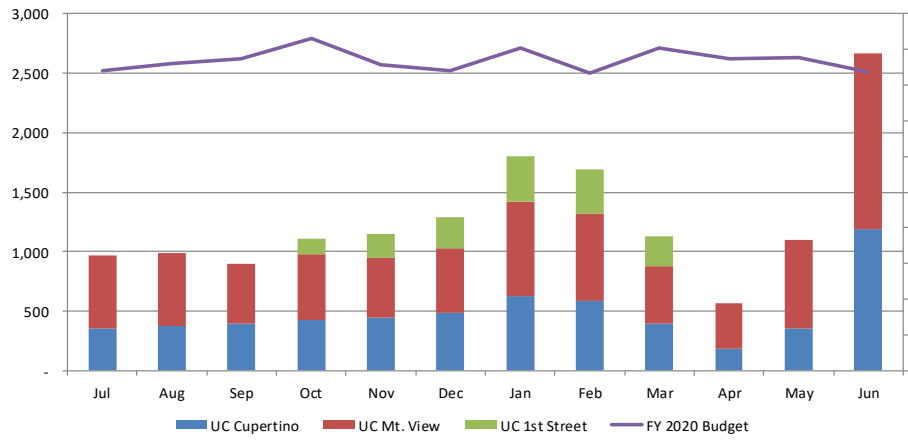
### Total Visit Comparison - FY 2020



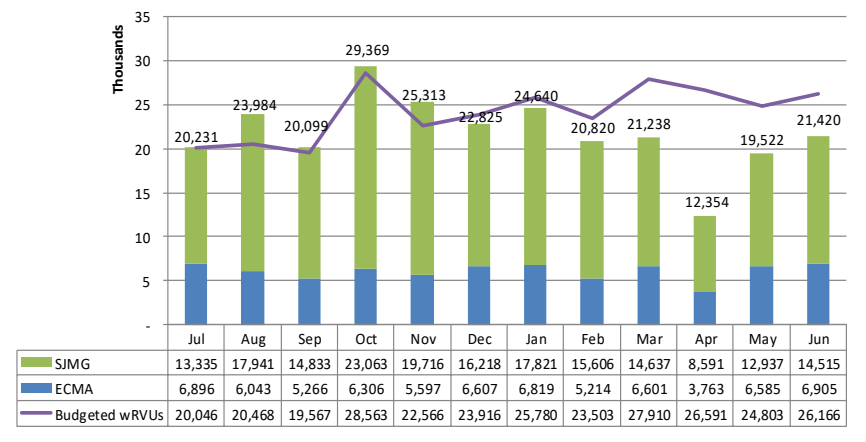
### Total Visits Per Business Day - FY 2020



### Urgent Care Visits

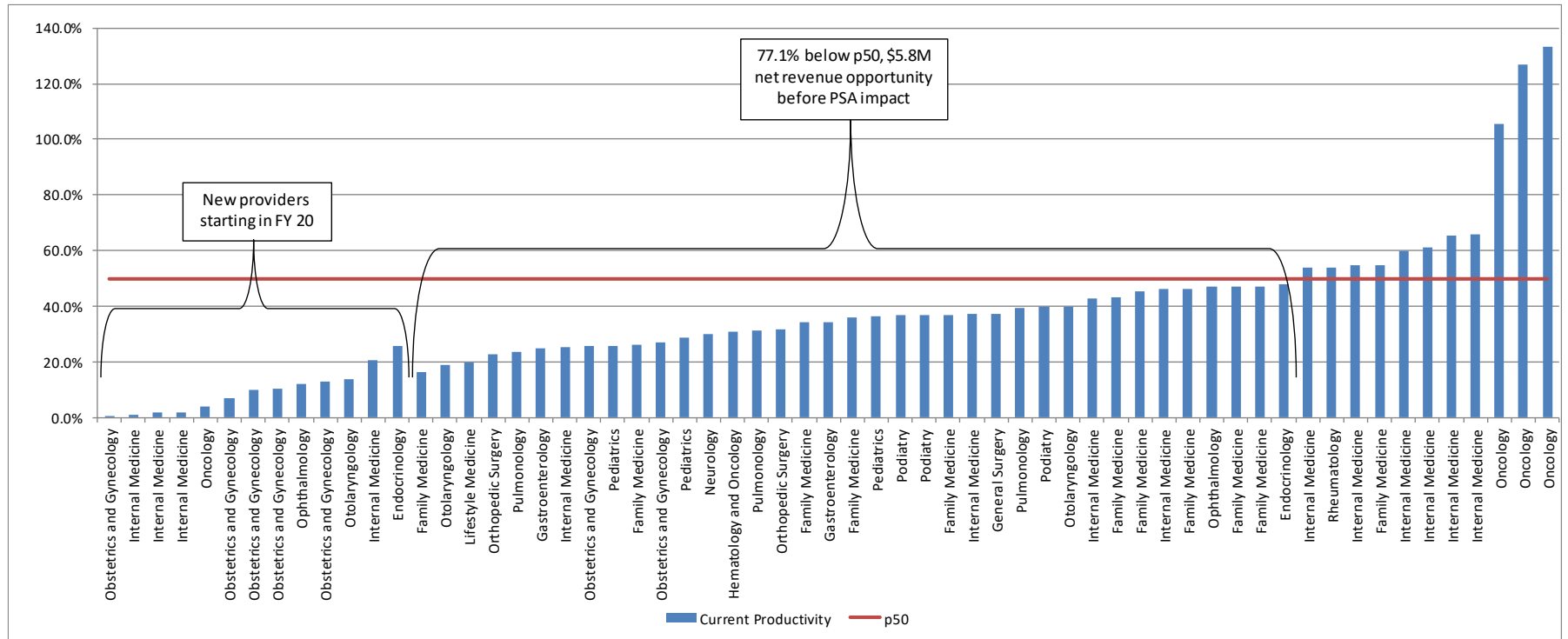


### Total Provider wRVUs - FY 2020



# FYTD June 30, 2020 Leading Metrics

## Provider Productivity



Excludes: Carbon and SVMD Urgent Care providers, Hospitalists and Contracted Providers



**EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING MEMO**

**To:** El Camino Hospital Finance Committee  
**From:** Ken King, CAO  
**Date:** July 27, 2020  
**Subject:** Capital Facilities Project Review – Los Gatos Cancer Center

The following is an overview of the Facilities Project and the delivery of the LG Cancer Center space for operations. This is not a review of the Cancer Center operations.

**Scope of Project:**

The project consisted of the conversion of traditional outpatient clinic space into a Licensed Outpatient Cancer Clinic and Infusion Center. The reconfigured space is to include three exam rooms, five infusion treatment stations, a USB 800 compliant pharmacy compounding area, mixing area and ante-room, along with support spaces such as clean & soiled utility rooms and patient, public and staff restrooms, reception and waiting areas. Also included was the furniture, fixtures and equipment required to outfit the new care environment. The project area to be reconfigured was approximately 4,620 square feet.

**Project Outcomes:**

On January 16, 2019 the Board of Directors approved a project budget not to exceed \$6.4 million and the final cost of the project was \$6,342,547.

The target completion date for the construction was July 31, 2019 with OSPDH, CDPH and Board of Pharmacy approvals forecasted to be complete in time for an October 1, 2019 opening. The actual opening date of Los Gatos Cancer Center was April 27, 2020. The seven month delay was due to multiple factors:

1. The construction of the new environment was late by five weeks due to late delivery of the main HVAC unit to the jobsite. (The manufacturer lead time was extended in order to obtain an OSPHD seismic shake test result.) The construction was completed on August 31, 2019.
2. OSHPD Approval Staff & Stock Approval was delayed six weeks due to a disputed air balance report which resulted in a resolution that required us to extend the outside air intake duct. The final air balance report was approved on October 16, 2019.
3. The Pharmacy Hood Inspection was conducted two weeks later by the Board of Pharmacy and the OPSHD Occupancy Inspection was conducted and Occupancy was granted on November 5, 2019.
4. In order to complete the CDPH Licensing Application, Fire Clearance by the local fire official is required. On November 18, 2019 the local fire official from the Santa Clara County Fire Department denied Fire Clearance because in his judgement additional horn strobe devices were needed. These devices were not required by the California Building Code, but the local official insisted that additional devices be installed. After several attempts to challenge this requirement without prevailing we were required to submit an OSPHD Change Order to install additional devices. This issue delayed the project an additional ten weeks.
5. The Local Fire Marshall re-inspected the area on January 23, 2020 and provided the Fire Clearance document a week later on January 31, 2020.
6. With the CDPH Application finally complete the central office passed the application to the local office of CDPH who scheduled a Licensing Inspection on March 6, 2020. Upon completion of the Inspection a License to operate was granted by CDPH.
7. The final hurdle to being able to open was the approval of the Board of Pharmacy to operate the compounding and mixing rooms. This bureaucracy added another seven weeks of effort in order

Capital Facilities Project Review – Los Gatos Cancer Center  
July 27, 2020

for the Board of Pharmacy to grant the required Pharmacy License. The new LG Cancer Center opened on April 27, 2020.

The complexity of working with multiple jurisdictions and the extensive requirements of all the public agencies that we are accountable to makes closing out projects more and more challenging every day. On top of this the COVID-19 pandemic and the shelter in place orders issued in mid-March impacted the response time of the public agencies.

**EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING MEMO**

**To:** El Camino Hospital Finance Committee  
**From:** Ken King, CAO  
**Date:** July 27, 2020  
**Subject:** Capital Facilities Project Review – MV Waste Water Storage Project

The following is an overview of the Facilities Project and the delivery of the MV Waste Water Storage Tank Project.

**Scope of Project:**

The scope of this project was to install three emergency holding tanks with a total capacity of 80,000 gallons to ensure that in the event of a public sewer system failure (in an earthquake) that the hospital could store up to 96 hours of waste water. The tanks were installed below the visitor parking lot A, directly in front of the main hospital building. The project scope included returning the parking area, adding a sidewalk from the bus stop on Grant Road and associated landscaping.

**Project Outcomes:**

On January 28, 2019 The Finance Committee approved budget for the project was not to exceed \$3.9 million and the final cost of the project was \$3,855,516.

When the project was presented for funding approval we were in the process of challenging the OSPHD approved method of the tank installation which required the tanks to be installed 30 feet below the finished grade, which would require pumping to empty the tanks. It was our position that the tanks should be installed so that they could drain by gravity and therefore only be installed 16 feet below the finished grade. We not only felt that this was a better design, but we also expected for the costs to be less than originally estimated.

We were successful in our challenge and the tanks were installed with the revised solution that put the tanks 16 feet below grade. The savings in excavation and shoring costs however were offset, by the requirement to install a redundant pump sewage pumping station that was fed with emergency power from the hospital emergency generators. This required trenching to a point of connection within the main hospital and electrical service upgrades to provide emergency power. Additionally, to comply with the State Storm Water Waste Prevention Plan standards we installed pervious asphalt that added a premium cost over regular asphalt.

The timeline to complete this project activity was tied to the completion of the new Taube Pavilion. The original target schedule compared to the actual schedule is below:

Target Timeline		Actual Outcome
Funding Approved	1/28/2019	1/28/2019
Tanks Ordered by	1/31/2019	1/31/2019
Resolution of OSHPD Appeal	2/28/2019	4/26/2019
Construction / Installation Start by	3/15/2019	5/20/2019
Construction / Installation Complete by	7/1/2019	10/7/2019
OSHPD Sign Off by	7/15/2019	10/21/2019

Capital Facilities Project Review – MV Waste Water Storage  
July 27, 2020

The two factors that impacted the target schedule were that it took longer to negotiate the OSHPD appeal and obtain approval of the revised solution and the construction timeline was extended six weeks to accommodate the added electrical work.

The final outcome was an installation that will serve the hospital well if the need arises and the cost of operating these tanks will be less expensive over the life of the installation due to the ability to drain by gravity.



**EL CAMINO HOSPITAL BOARD OF DIRECTORS  
COMMITTEE MEETING COVER MEMO**

**To:** Finance Committee  
**From:** Michael Moody, Interim CFO  
**Date:** July 27, 2020  
**Subject:** Proposed FY21 Performance Incentive Goals

**Recommendation:**

At the last Finance Committee meeting on June 3, 2020 management recommended that the methodology and targets for the FY21 Finance and Growth Incentive goals be established using the rolling forecast financial model. Subsequent to this meeting both the timeframe for measurement of the Finance incentive goal and achievement was changed to the entire Fiscal Year 2021. Additionally the Executive Compensation Committee asked that the number of goals be reduced and as a result the Growth goal has been removed. Lastly, an overall Threshold financial goal was added to the Incentives consistent with prior years. The recommended metric for the Finance goal remains as Operating EBIDA. Given the proposed changes, management is bringing back the methodology discussion to the Finance Committee tonight in anticipation of a larger discussion around FY21 Incentive goals.

The Operating EBIDA metric will be based off of the current version of the rolling forecast which is also the basis for the Fiscal year 2021 budget. For Operating EBIDA the methodology recommended to establish the target is:

Minimum – 90% of the forecasted Operating EBIDA (\$50.2 million)

Target – 100% of the forecasted Operating EBIDA (\$55.8 million)

Stretch – 110% of the forecasted Operating EBIDA (\$61.4 million)

The Threshold or “circuit breaker” for all incentives is also Operating EBIDA. This is consistent with the prior years and acts as a partial hedge for payment of incentives when financial results are disappointing. Given the uncertainty of many of the outside factors that could impact the financial performance of the organization in the coming fiscal year coupled with a long-term financial view by the Board for the organization, management is recommending that the Threshold Operating EBIDA be three percent (3%).

**Summary:** The purpose of this memorandum is to outline the methodology and how the actual dollar targets for the Operating EBIDA.

**Situation:** With the outbreak of the COVID 19 pandemic ECH has had to revisit their financial planning methodology and expected results. The revised Operating EBIDA targets are consistent with the budget presented this evening.

**Authority:** It is the policy of El Camino Hospital to have all financial related incentive goals and the underlying methodology be discussed and recommended for approval to the Board of Directors by the Finance Committee.

**Background:** Due to the COVID 19 pandemic and uncertainty that has been created,, the organization has developed a rolling forecast model and developed the Fiscal Year 2021 budget based on the first version of the rolling forecast..

Proposed FY 21 Performance Incentive Goals (Finance and Growth)

July 27, 2020

- The organization has incurred material losses from Operations in March and April due a significant drop in both inpatient and outpatient volumes.
- The rolling forecast model is utilizing Operating EBIDA as the metric to measure performance. Operating EBIDA, defined as Earnings Before Interest Depreciation and Amortization, measures the cash being generated by Operations and is a common metric used in industry to measure the financial viability and strength of a company. The cash generated by the Operations can be invested in the current operations or held for future operating investment needs.

Assessment: See above.

Other Reviews: None

Outcomes: Measuring management's financial performance and incentive goals with Operating EBIDA as previously discussed.

**List of Attachments:**

1. Proposed Fiscal Year 21 Incentive Goals

**Suggested Committee Discussion Questions:**

1. Is Operating EBIDA the right financial metric to measure management's financial performance?
2. Are the minimum, target and superior percentages fair and supported?

# Proposed Fiscal Year 2021 Incentive Goals

True North Pillar	Weight	GOAL	OBJECTIVES/OUTCOMES	Benchmark		Measurement Defined			Measurement Period
				Internal Benchmarks	External Benchmark	Minimum	Target	Stretch	
<b>Threshold</b>		Operating EBIDA	Return to, and maintain positive EBIDA	FY19: 16.9%. FY20 YTD P11: 11.5%		≥ 3% EBIDA			FY21
<b>Quality and Safety</b>	40.0%	Zero Preventable Harm	Serious Safety Event (SSEs) Rate	Dec 19-May 20 – 4.16 SSEs per 10K adj. pt. days	External Baseline – best practice is to reduce to zero	Maintain Baseline	Improve by 1/10K adj. pt. days	Additional 10% improvement over target	FY21
			Risk-Adjusted Readmission Index	FY 20 Target = 0.96. FY 20 Actual: 0.98 (through April)	Premier Standard Risk Calculation	Lower of FY20 Target or Baseline	Close gap to top performers (15%ile) by 50%	Close gap to top performers (15%ile) by 75%	FY21
			Medical Network: Healthcare Effectiveness Data and Information Set (HEDIS) Composite Score	FY20 composite score: 2.75 Aggregate score of the 8 selected measures	Internal Calculation; validate individual measures with external benchmarks	2.75 <i>Maintain baseline</i>	3.0 <i>10% improvement</i>	3.2 <i>15% improvement</i>	FY21
<b>Service</b>	40.0%	Exceptional Personalized Experience, Always	Likelihood to Recommend (LTR) – Inpatient	FY 19: 83.2 FY 20 : 83.1	Press Ganey Top 30% of performers	82.6 <i>50% of improvers</i>	83.6 <i>30% of Improvers</i>	85.2 <i>10% of Improvers</i>	FY21
			LTR – Emergency Department	FY 19: 71.3 FY 20: 75.7	Press Ganey Top 30% of performers	76.4 <i>50% of improvers</i>	78.2 <i>30% of Improvers</i>	80.7 <i>10% of Improvers</i>	FY21
			LTR – Outpatient Surgery	FY19: 83.2 OAS CAHPS FY20 YTD thru April: 84.6	Press Ganey Top 30% of performers	50% of improvers	30% of Improvers	10% of Improvers	FY21
			LTR – El Camino Health Medical Network	FY19 Baseline: 71.9 FY20 Q3: 71.1	NRC Net Promoter FY20 Q3 50%ile: 78.8	72.9	75.9	78.9	FY21
<b>People</b>	20.0%	Teams Empowered with Trust and Purpose	Management: Overall employee satisfaction on Employee Engagement Survey for El Camino Hospital	ECH results last two surveys: 4.09 and 4.27	Press Ganey 4.33 is 90 <sup>th</sup> percentile for FY20	4.24	4.27	4.30	FY21
<b>Finance</b>	20.0%	Sustainable Strength and Vitality	Operating EBIDA margin	FY19: 16.9%. FY20 Projected: 9.1%	S&P Global Ratings AA rating: 11.1%	90% of rolling forecast model	100% of rolling forecast model	110% of rolling forecast model	FY21
<b>Growth</b>	10.0%	Market Relevance and Access	Net Revenue	FY19: 35,500 FY20: TBD	Financial Data	90% of rolling forecast model	105% of rolling forecast model	110% of rolling forecast model	FY21