



**El Camino Hospital**<sup>®</sup>

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2018 – Period 6  
7/1/2017 to 12/31/2017

## Dashboard - ECH combined as of December 31, 2017

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
<b>Volume</b>								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	240	257	240	17	231	241	233	9
Utilization MV	67%	70%	66%	4%	63%	66%	64%	2%
Utilization LG	28%	33%	29%	4%	28%	29%	28%	1%
Utilization Combined	54%	58%	54%	4%	52%	55%	53%	2%
Adjusted Discharges	2,897	3,164	2,867	297	16,520	17,934	17,005	929
Total Discharges (Excl NNB)	1,708	1,822	1,661	161	9,570	10,245	9,809	436
Total Discharges	2,012	2,159	1,960		11,521	12,231	11,641	CORF
<b>Inpatient Cases</b>								
MS Discharges	1,221	1,283	1,153	130	6,484	7,100	6,702	398
Deliveries	373	397	395	2	2,372	2,377	2,411	(34)
BHS	76	98	73	25	464	550	449	101
Rehab	38	44	40	4	250	218	248	(30)
<b>Outpatient Cases</b>	12,196	12,691	12,532	159	71,589	74,476	73,070	1,406
ED	4,093	4,473	4,160	313	23,552	24,149	24,266	(117)
Procedural Cases								
OP Surg	413	418	391	27	2,190	2,381	2,275	106
Endo	199	229	181	48	1,181	1,214	1,057	157
Interventional	163	131	181	(50)	1,071	990	1,055	(65)
All Other	7,328	7,440	7,619	(179)	43,595	45,742	44,416	1,326
<b>Financial Perf.</b>								
Net Patient Revenues	68,996	73,810	70,209	3,601	404,036	445,886	414,225	31,661
Total Operating Revenue	71,205	75,792	72,179	3,613	418,769	461,692	426,158	35,533
Operating Expenses	65,037	66,333	65,429	904	365,691	385,046	383,613	1,433
Operating Income \$	6,169	9,459	6,750	2,709	53,078	76,646	42,546	34,100
Operating Margin	8.7%	12.5%	9.4%	3.1%	12.7%	16.6%	10.0%	6.6%
EBITDA \$	10,346	14,133	11,833	2,300	79,915	103,478	72,567	30,911
EBITDA %	14.5%	18.6%	16.4%	2.3%	19.1%	22.4%	17.0%	5.4%
IP Margin <sup>1</sup>	5.8%	7.7%	-10.2%	17.9%	5.8%	7.7%	-10.2%	17.9%
OP Margin <sup>1</sup>	37.0%	41.6%	31.7%	9.9%	37.0%	41.6%	31.7%	9.9%
<b>Payor Mix</b>								
Medicare	46.8%	46.2%	47.4%	-1.2%	46.7%	46.1%	47.4%	-1.2%
Medi-Cal	5.9%	6.6%	7.2%	-0.6%	7.1%	7.7%	7.2%	0.5%
Commercial IP	23.1%	24.6%	22.6%	2.0%	23.1%	23.0%	22.6%	0.4%
Commercial OP	21.6%	21.6%	20.3%	1.3%	20.6%	20.8%	20.3%	0.5%
Total Commercial	44.7%	46.2%	42.9%	3.3%	43.7%	43.8%	42.9%	0.9%
Other	2.6%	1.0%	2.5%	-1.5%	2.5%	2.4%	2.5%	-0.2%
<b>Cost</b>								
Total FTE	2,480.8	2,594.2	2,524.0	70	2,471.8	2,569.0	2,502.3	67
Productive Hrs/APD	29.5	28.1	30.4	(2)	30.5	30.1	31.0	(1)
<b>Balance Sheet</b>								
Net Days in AR	44.8	47.3	48.0	(1)	44.8	47.3	48.0	(1)
Days Cash	444	479	266	213	444	479	266	213
<b>Affiliates - Net Income (\$000s)</b>								
Hosp	11,336	7,461	6,975	485	65,530	107,688	43,898	63,790
Concern	247	83	110	(27)	473	1,028	759	270
ECSC	(1)	(1)	0	(1)	(52)	(19)	0	(19)
Foundation	644	373	44	329	1,528	1,589	415	1,175
SVMD	(41)	(99)	(29)	(70)	(10)	466	(14)	479

### Volume:

- For the year, overall volume, measured in adjusted discharges is 5.5% higher than budget.
- IP cases are 5.1% over budget, specifically Neurosciences, HVI, BHS, Oncology and General Medicine. Deliveries are flat with prior year and 1.4% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab, Outpatient Clinics and Urology.

### Financial Performance:

- Operating income is \$2.7M over budget. Revenue for the month include \$1.2 million in unusual items. For the year op margin is \$34.1M ahead of target

### Payor Mix:

- Commercial insurance is 0.9% more of the Payor Mix in December than budget where Medicare has decreased 1.2%.

### Cost:

- Prod Hrs/APD for December is 28.1 and better than budget . YTD we are slightly better than budget.

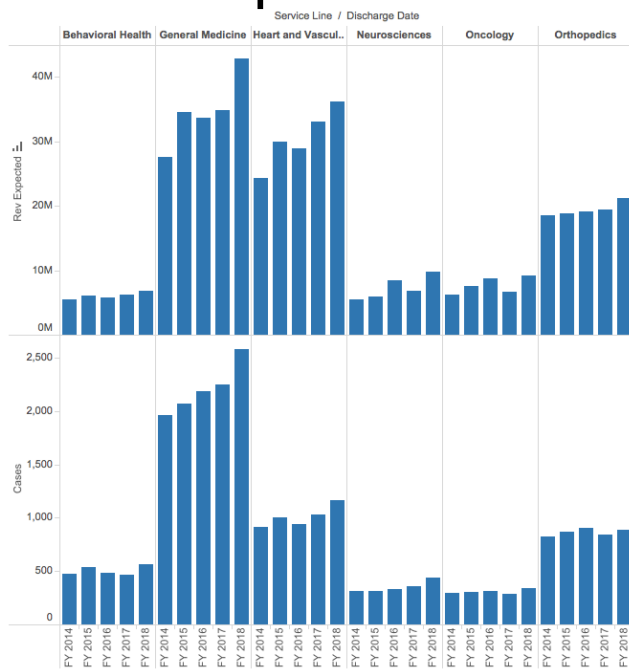
### Balance Sheet:

- Net days in AR is 47.3 which is .7 days less than budget.

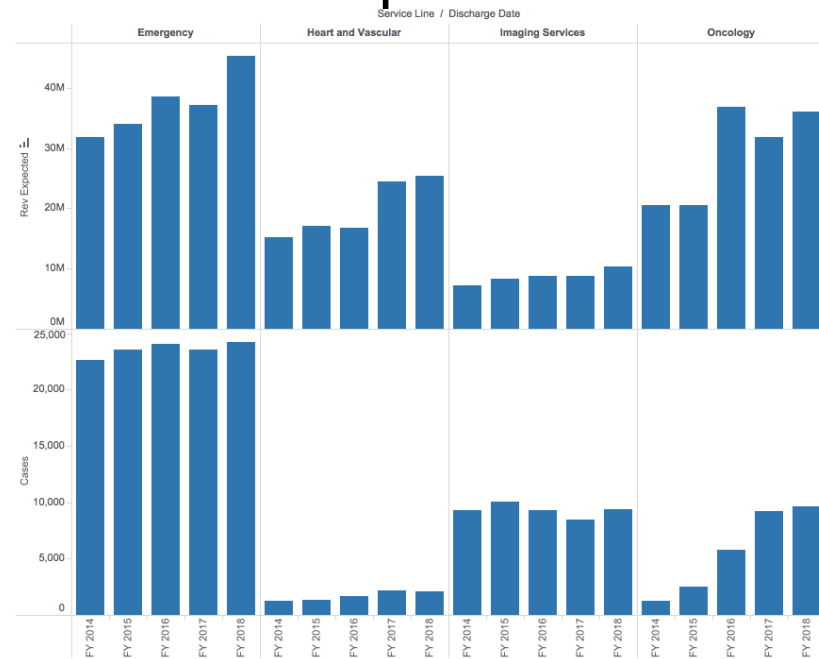
# Financial Operations

- Service line growth and gain in mkt share in
  - HVI, Neuro, Oncology, Ortho
- Increase due to general demand in
  - General Medicine (Flu and aging population), ER (Flu)

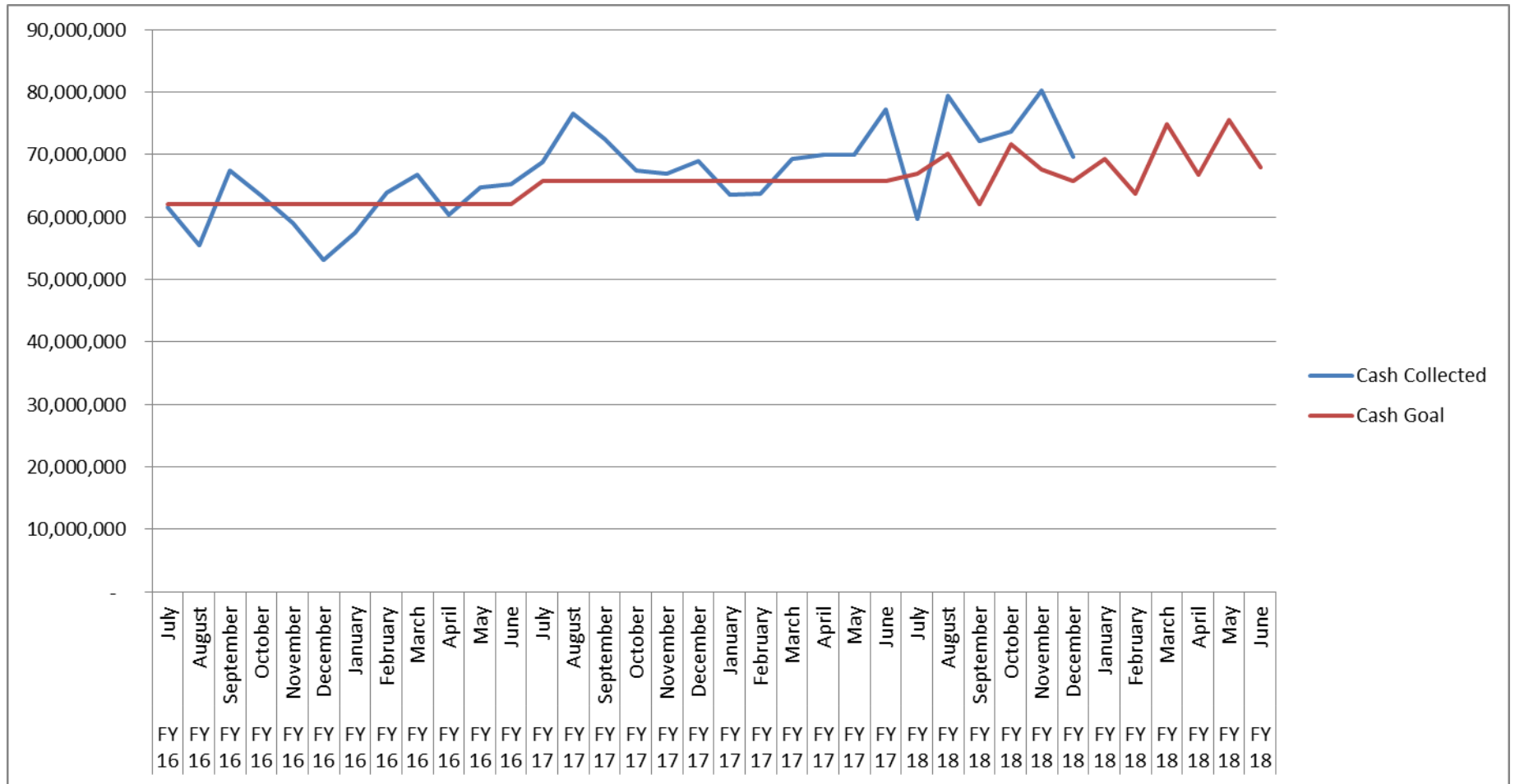
## Inpatient



## Outpatient



# Cash Collections exceeded target by \$45 million in FY 2017



# Budget Variances

## Fiscal Year 2018 YTD (7/1/2017-12/31/2017) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
<b>Budgeted Hospital Operations FY2018</b>	<b>42,546</b>	<b>10.0%</b>
<b>Net Revenue</b> - Favorable due Rev Cycle operations (charge capture, lower denials and underpayments), higher volume, favorable payor mix and \$13.4 million unusual items	35,533	7.7%
<b>Labor and Benefit Expense Change</b> - Labor favorable vs budget after adjusting for higher volume	(2,667)	-0.6%
<b>Professional Fees &amp; Purchased Services</b> -Recruiting costs and backfill for vacant position; pro fees increase in oncology offset by higher revenues	(1,283)	-0.3%
<b>Supplies</b> - unfavorable due to increase in surgical and other general supplies, offset by savings in Spine supplies as well as Drugs. Higher volumes also driving increase.	(1,300)	-0.3%
<b>Other Expenses</b> - primarily due to no strategic fund expenses offset with property tax retro payment and regular payment for half year.	628	0.1%
<b>Depreciation &amp; Interest</b> - Favorable due to delay in Parking Structure as well as LG projects	3,189	0.7%
<b>Actual Hospital Operations FY2018</b>	<b>76,646</b>	<b>16.6%</b>

# El Camino Hospital (\$000s)

6 months ending 12/31/2017

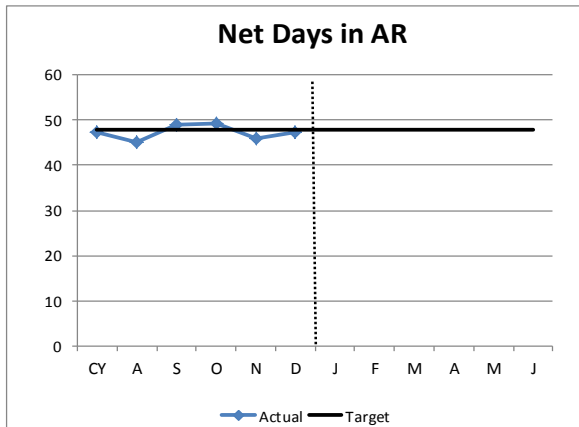
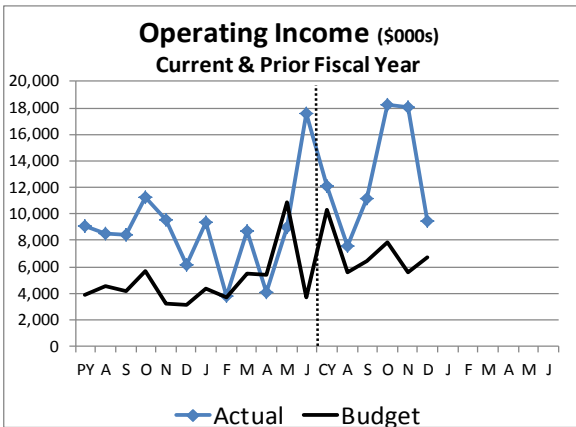
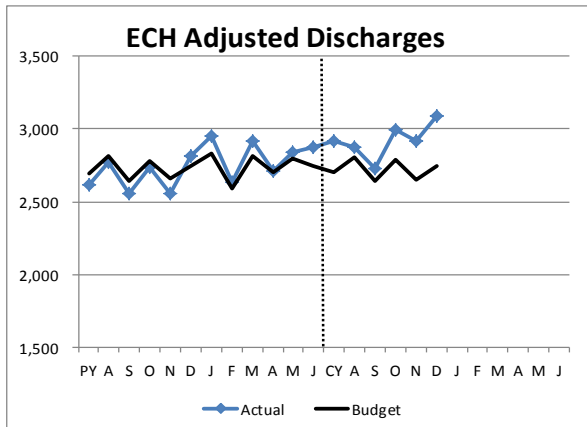
Period 6 FY 2017	Period 6 FY 2018	Period 6 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
252,128	279,885	272,138	7,748	2.8%	<b>Gross Revenue</b>	1,450,379	1,650,774	1,578,384	72,391	4.6%
(183,132)	(206,075)	(201,928)	(4,147)	1.0%	<b>Deductions</b>	(1,046,343)	(1,204,889)	(1,164,159)	(40,730)	3.5%
<b>68,996</b>	<b>73,810</b>	<b>70,209</b>	<b>3,601</b>	<b>5.1%</b>	<b>Net Patient Revenue</b>	<b>404,036</b>	<b>445,886</b>	<b>414,225</b>	<b>31,661</b>	<b>7.6%</b>
2,210	1,982	1,970	12	0.6%	<b>Other Operating Revenue</b>	14,734	15,806	11,933	3,873	32.5%
<b>71,205</b>	<b>75,792</b>	<b>72,179</b>	<b>3,613</b>	<b>5.0%</b>	<b>Total Operating Revenue</b>	<b>418,769</b>	<b>461,692</b>	<b>426,158</b>	<b>35,533</b>	<b>8.3%</b>
<b>OPERATING EXPENSE</b>										
40,285	39,831	39,738	(93)	-0.2%	<b>Salaries &amp; Wages</b>	222,254	233,964	231,296	(2,667)	-1.2%
9,730	11,550	10,375	(1,175)	-11.3%	<b>Supplies</b>	55,706	61,330	60,030	(1,300)	-2.2%
8,476	7,553	7,882	329	4.2%	<b>Fees &amp; Purchased Services</b>	46,896	48,835	47,552	(1,283)	-2.7%
2,369	2,726	2,352	(373)	-15.9%	<b>Other Operating Expense</b>	13,999	14,085	14,713	628	4.3%
177	456	725	269	37.1%	<b>Interest</b>	2,534	2,606	4,353	1,747	40.1%
4,000	4,218	4,357	139	3.2%	<b>Depreciation</b>	24,302	24,227	25,669	1,442	5.6%
<b>65,037</b>	<b>66,333</b>	<b>65,429</b>	<b>(904)</b>	<b>-1.4%</b>	<b>Total Operating Expense</b>	<b>365,691</b>	<b>385,046</b>	<b>383,613</b>	<b>(1,433)</b>	<b>-0.4%</b>
<b>6,169</b>	<b>9,459</b>	<b>6,750</b>	<b>2,709</b>	<b>40.1%</b>	<b>Net Operating Income/(Loss)</b>	<b>53,078</b>	<b>76,646</b>	<b>42,546</b>	<b>34,100</b>	<b>80.1%</b>
5,168	(1,998)	225	(2,224)	-986.9%	<b>Non Operating Income</b>	12,451	31,042	1,352	29,691	2196.4%
<b>11,336</b>	<b>7,461</b>	<b>6,975</b>	<b>485</b>	<b>7.0%</b>	<b>Net Income(Loss)</b>	<b>65,530</b>	<b>107,688</b>	<b>43,898</b>	<b>63,790</b>	<b>145.3%</b>
14.5%	18.6%	16.4%	2.3%		<b>EBITDA</b>	19.1%	22.4%	17.0%	5.4%	
8.7%	12.5%	9.4%	3.1%		<b>Operating Margin</b>	12.7%	16.6%	10.0%	6.6%	
15.9%	9.8%	9.7%	0.2%		<b>Net Margin</b>	15.6%	23.3%	10.3%	13.0%	

## Non Operating Items and Net Income by Affiliate

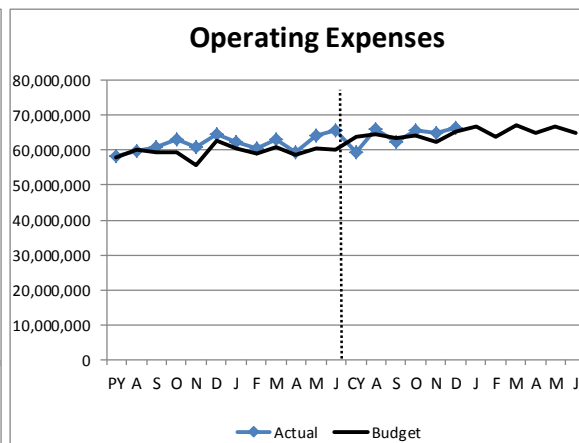
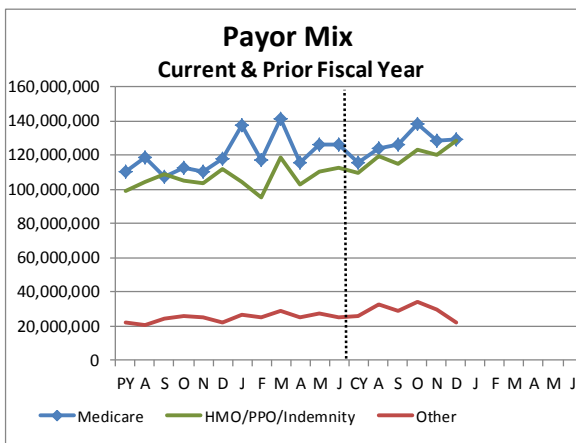
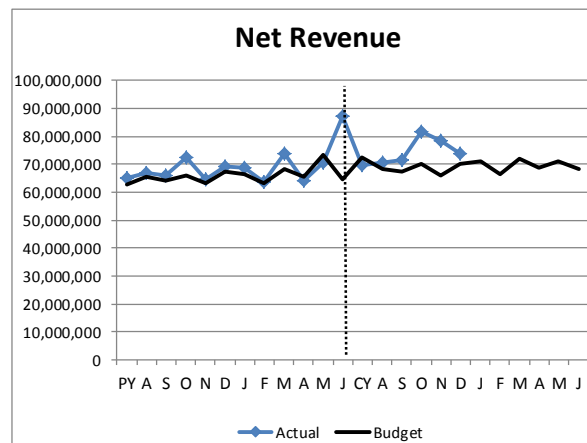
\$ in thousands

	Period 6 - Month			Period 6 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Income (Loss) from Operations</b>						
Mountain View	6,484	5,226	1,258	67,392	34,521	32,871
Los Gatos	2,975	1,524	1,451	9,254	8,025	1,229
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>9,459</b>	<b>6,750</b>	<b>2,709</b>	<b>76,646</b>	<b>42,546</b>	<b>34,100</b>
<b>Operating Margin %</b>	<b>12.5%</b>	<b>9.4%</b>		<b>16.6%</b>	<b>10.0%</b>	
<b>El Camino Hospital Non Operating Income</b>						
Investments	(1,659)	1,516	(3,175)	34,800	9,093	25,707
Swap Adjustments	109	0	109	608	0	608
Community Benefit	(69)	(283)	214	(2,169)	(1,700)	(469)
Pathways	135	42	93	312	208	104
Satellite Dialysis	(8)	(35)	27	(86)	(177)	91
Other	(506)	(1,013)	508	(2,423)	(6,073)	3,649
<b>Sub Total - Non Operating Income</b>	<b>(1,998)</b>	<b>225</b>	<b>(2,224)</b>	<b>31,042</b>	<b>1,352</b>	<b>29,691</b>
<b>El Camino Hospital Net Income (Loss)</b>	<b>7,461</b>	<b>6,975</b>	<b>485</b>	<b>107,688</b>	<b>43,898</b>	<b>63,790</b>
<b>ECH Net Margin %</b>	<b>9.8%</b>	<b>9.7%</b>		<b>23.3%</b>	<b>10.3%</b>	
Concern	83	110	(27)	1,028	759	270
ECSC	(1)	0	(1)	(19)	0	(19)
Foundation	373	44	329	1,589	415	1,175
Silicon Valley Medical Development	(99)	125	(223)	466	(14)	479
<b>Net Income Hospital Affiliates</b>	<b>356</b>	<b>125</b>	<b>231</b>	<b>3,064</b>	<b>1,160</b>	<b>1,904</b>
<b>Total Net Income Hospital &amp; Affiliates</b>	<b>7,816</b>	<b>7,100</b>	<b>716</b>	<b>110,752</b>	<b>45,057</b>	<b>65,694</b>

# Monthly Financial Trends



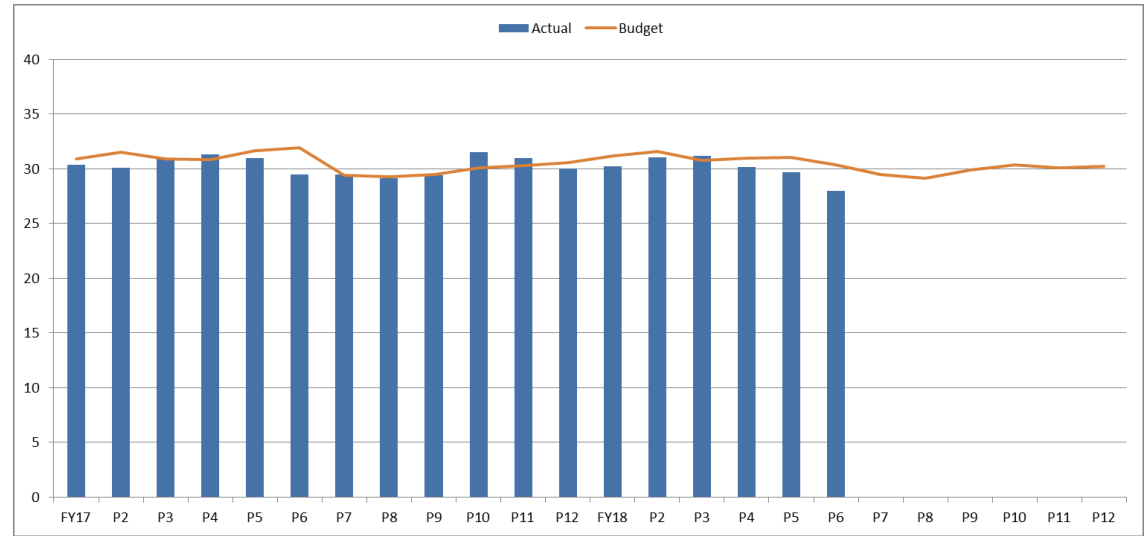
Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Behavioral Health, HVI and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics, General Surgery and Rehab



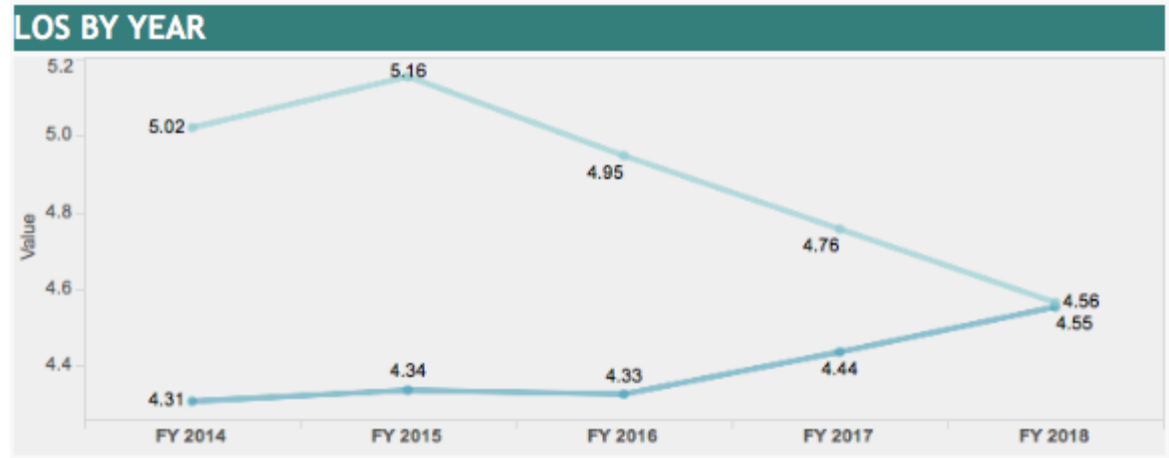


# Productivity and Medicare Length of Stay

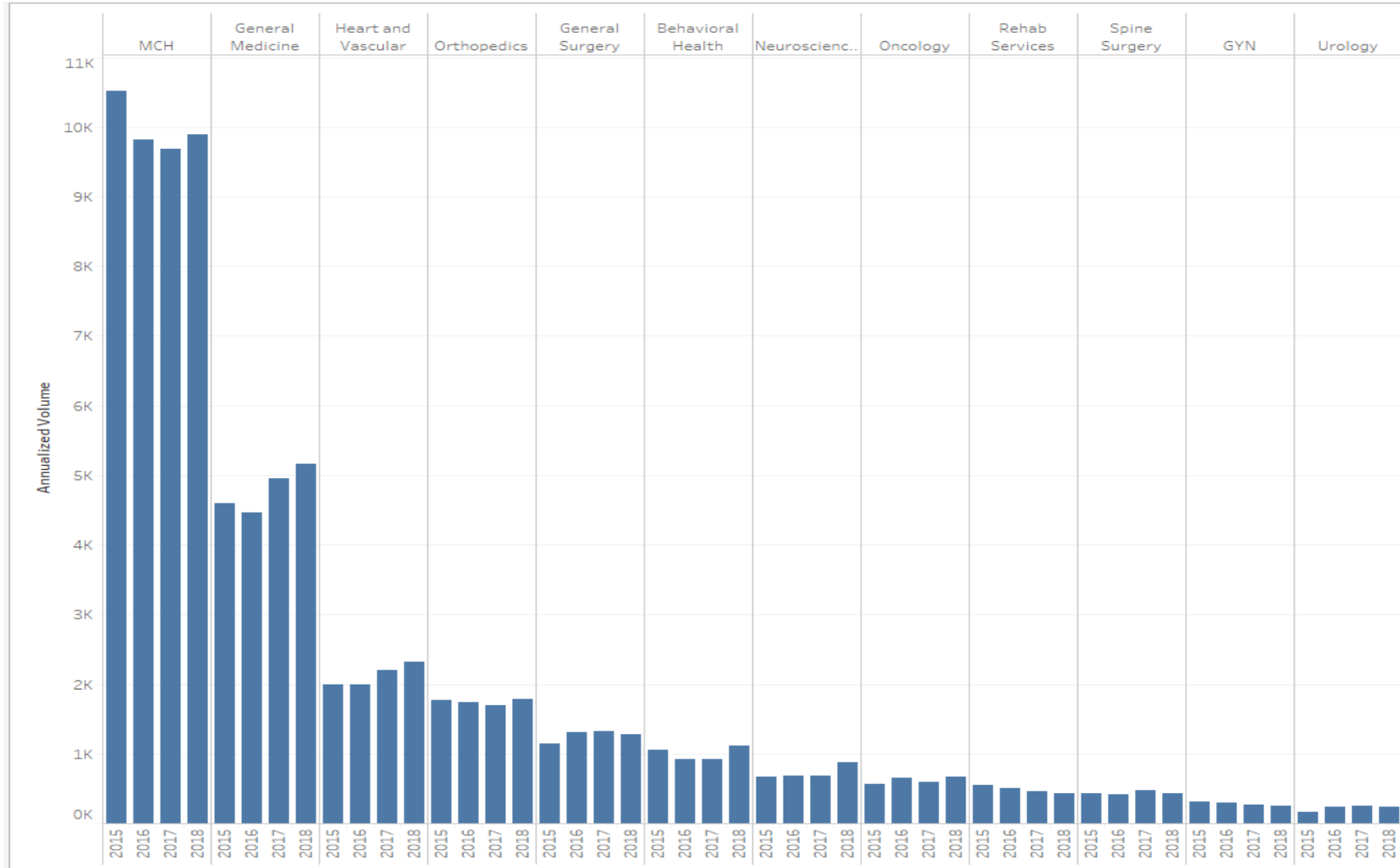
Work hours per adjusted patient day decreased again in December under budget by 2.3. Overall the month of December is 28 worked hours per adjusted patient day



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

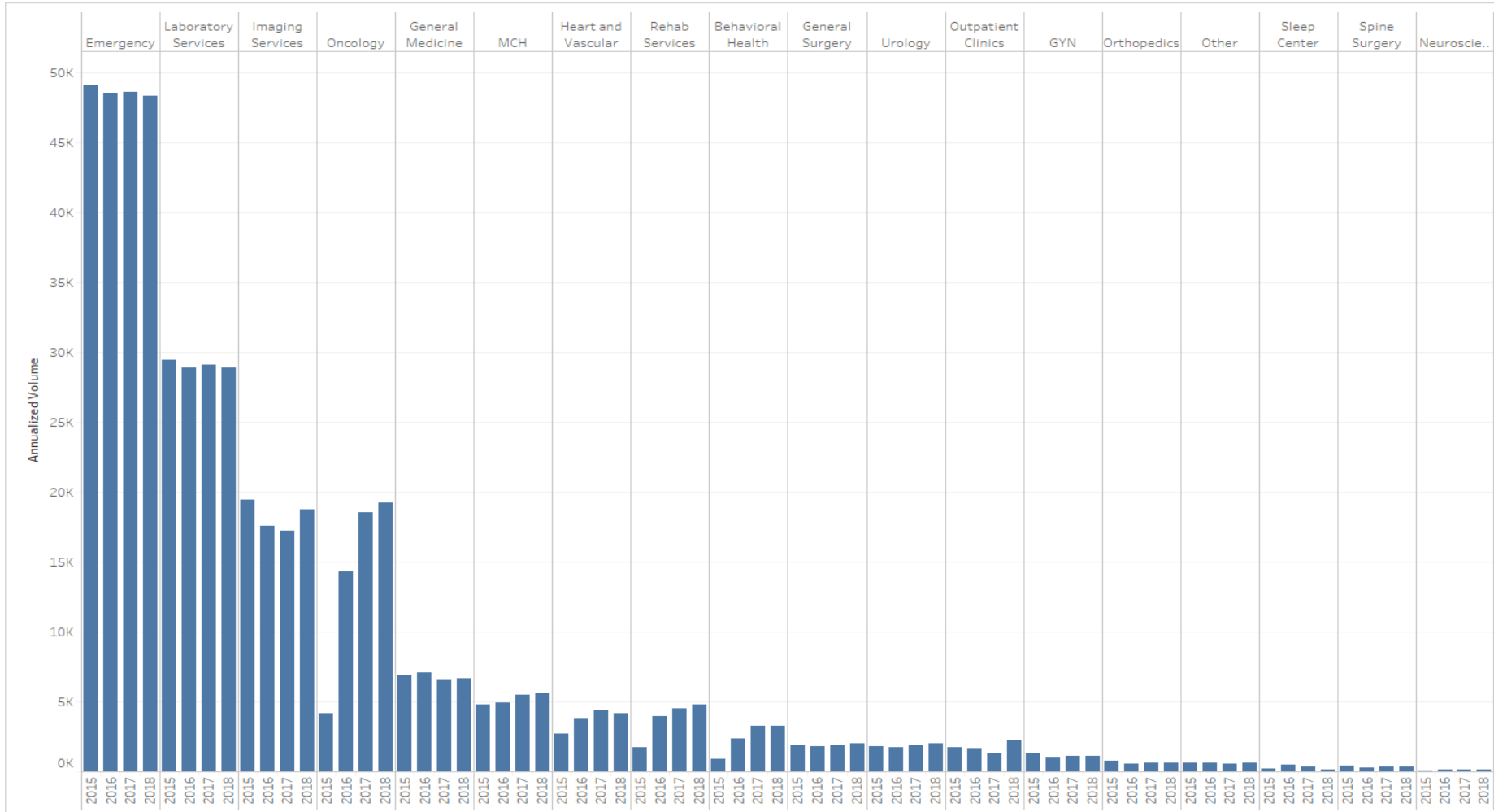


## El Camino Hospital Volume Annual Trends – Inpatient FY 2018 is annualized



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

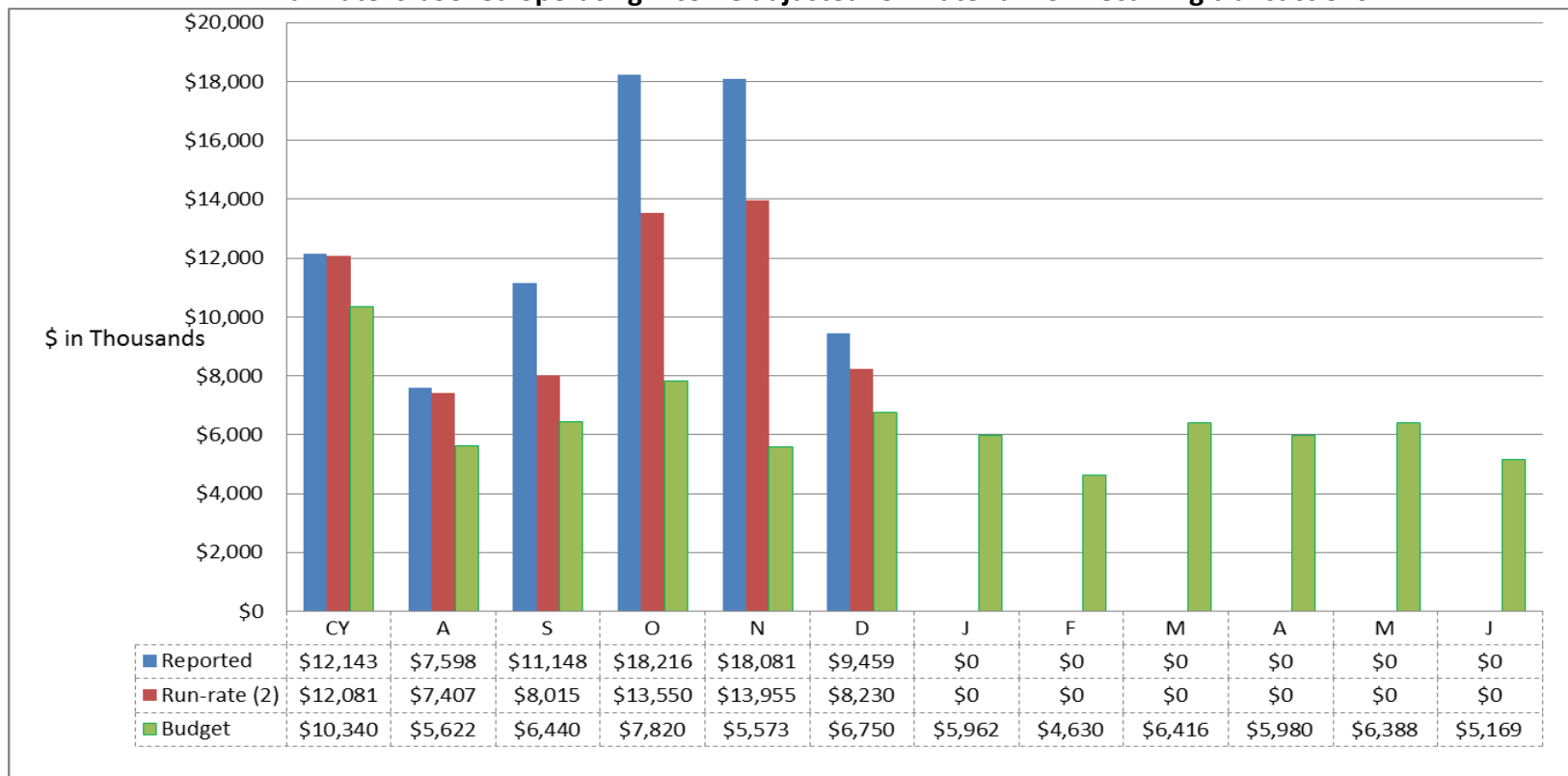
## El Camino Hospital Volume Annual Trends – Outpatient FY 2018 is annualized



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

## ECH Operating Margin

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



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

Revenue Adjustments	J	A	S	O	N	D	YTD
Insurance (Payment Variance)	-	-	-	611	-	669	1,280
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	184	81	1,433
Hospital Fee	-	-	-	712	1,024	-	1,736
PRIME Incentive	-	-	-	-	2,902	-	2,902
Credit Balance Quarterly Review	-	-	2,201	-	-	472	2,673
Late Charge Accrual	-	-	-	3,283	-	-	3,283
Various Adjustments under \$250k	9	36	27	6	16	8	101
<b>Total</b>	<b>63</b>	<b>191</b>	<b>3,134</b>	<b>4,667</b>	<b>4,126</b>	<b>1,229</b>	<b>13,409</b>

## El Camino Hospital Investment Committee Scorecard September 30, 2017

Key Performance Indicator	Status	3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)		FY18	Expectation
		El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	Year-end Budget	Per Asset Allocation
<b>Investment Performance</b>									
		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash balance & op. cash (millions)*		\$1,158.2	--	--	--	--	--	\$1,262.5	--
Surplus cash return	Green	2.7%	2.7%	2.7%	2.7%	5.7%	5.6%	1.9%	5.7%
Cash balance plan balance (millions)		\$250.4	--	--	--	--	--	\$257.1	--
Cash balance plan return	Green	3.1%	3.1%	3.1%	3.1%	8.2%	7.6%	6.0%	6.1%
403(b) plan balance (millions)		\$411.2	--	--	--	--	--	--	--
<b>Risk vs. Return</b>									
		3-year		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash Sharpe ratio	Green	1.08	1.13	--	--	1.36	1.33	--	0.46
Net of fee return	Green	5.0%	5.3%	--	--	5.7%	5.6%	--	5.7%
Standard deviation	Green	4.4%	4.4%	--	--	4.0%	4.1%	--	7.2%
Cash balance Sharpe ratio	Green	1.08	1.07	--	--	1.45	1.39	--	0.43
Net of fee return	Green	6.3%	6.0%	--	--	8.2%	7.6%	--	6.1%
Standard deviation	Green	5.6%	5.3%	--	--	5.4%	5.2%	--	8.7%
<b>Asset Allocation</b>									
		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash absolute variances to target	Green	8.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target	Green	6.2%	< 10%	--	--	--	--	--	--
<b>Manager Compliance</b>									
		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	Green	19	< 20 Green < 25 Yellow	--	--	--	--	--	--

\*Includes Debt Reserve funds, excludes District assets, Foundation assets, and Concern.

Capital Spending  
As of December 2017

# El Camino Hospital

## Capital Spending (in millions)

Category	Detail	Approved	Total	Total	Spent from Inception	2018 Current Proj	FY18 Orig Proj	Variance	FY 18 YTD Spent	
			Estimated Cost of Project	Authorized Active		Spend	Spend	Between Current Proj Spend and Orig Proj Spend		
<b>CIP</b>	EPIC Upgrade			1.9		1.0	1.0	-1.0	1.0	
<b>IT Hardware, Software, Equipment &amp; Imaging*</b>				12.2		0.4	11.8	-0.4	0.4	
<b>Medical &amp; Non Medical Equipment FY 17***</b>				10.3		7.3	3.0	-3.4	7.3	
<b>Medical &amp; Non Medical Equipment FY 18***</b>				5.6		1.8	3.8	-1.8	1.8	
<b>Facility Projects</b>										
	1245 Behavioral Health Bldg	FY16		96.1	96.1	29.6	27.0	51.4	-24.4 <sup>1</sup>	12.0
	1413 North Drive Parking Expansion	FY15		24.5	24.5	23.3	2.6	3.4	-0.8	3.6
	1414 Integrated MOB	FY15		302.1	302.1	72.8	72.0	130.1	-58.1 <sup>1</sup>	26.9
	1422 CUP Upgrade	FY16		9.0	9.0	3.4	5.5	4.0	1.5	1.2
	1430 Women's Hospital Expansion	FY16		120.0	6.0	2.3	3.6	7.0	-3.4	1.8
	1425 IMOB Preparation Project - Old Main	FY16		20.0	0.0	2.7	0.0	0.0	0.0	0.1
	1502 Cabling & Wireless Upgrades	FY16		0.0	0.0	2.5	0.0	0.0	0.0	0.1
	1525 New Main Lab Upgrades			3.1	3.1	1.8	2.5	0.0	2.5	1.3
	1515 ED Remodel Triage/Psych Observation	FY16		5.0	0.3	0.0	0.4	0.0	0.4	0.0
	1503 Willow Pavilion Tomosynthesis	FY16		0.8	0.0	0.3	0.0	0.0	0.0	0.0
	1602 JW House (Patient Family Residence)			6.5	0.5	0.0	0.5	0.5	0.0	0.0
	Site Signage and Other Improvements			1.0	0.0	0.0	0.3	1.0	-0.8	0.0
	Nurse Call System Upgrades			2.4	0.0	0.0	0.1	0.0	0.1	0.0
	1707 Imaging Equipment Replacement ( 5 or 6 rooms)			20.7	0.0	0.0	0.3	0.1	0.2	0.0
	1708 IR/ Cath Lab Equipment Replacement			19.4	0.0	0.0	0.3	2.0	-1.8	0.0
	Flooring Replacement			1.6	0.3	0.0	0.4	0.0	0.4	0.0
	1219 LG Spine OR	FY13		0.0	0.0	3.7	0.0	0.0	0.0	0.3
	1313 LG Rehab HVAC System & Structural	FY16		0.0	0.0	4.1	0.0	0.0	0.0	0.4
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16		8.8	8.8	8.1	0.6	0.7	-0.1	0.7
	1307 LG Upgrades	FY13		19.3	19.3	15.3	4.9	5.0	-0.1	1.4
	1508 LG NICU 4 Bed Expansion	FY16		0.0	0.0	0.2	0.0	0.0	0.0	0.0
	1507 LG IR Upgrades			1.3	0.0	0.0	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)			5.0	5.0	4.2	3.5	3.5	0.0	3.9
	1711 Emergency Sanitary & Water Storage			1.4	0.3	0.0	0.2	3.2	-3.0	0.0
	LG Modular MRI & Awning			3.9	3.9	0.0	0.4	0.0	0.4	0.0
	LG Nurse Call System Upgrade			2.8	0.0	0.0	0.0	0.0	0.0	0.0
	LG Observation Unit (Conversion of ICU 2)			1.8	0.0	0.0	0.8	0.0	0.8	0.0
	1712 LG Cancer Center			2.4	0.3	0.0	0.4	0.0	0.4	0.0
	All Other Projects under \$1M			5.6	0.4	17.7	1.8	0.0	1.8	2.6
<b>GRAND TOTAL</b>				<b>684.4</b>	<b>479.6</b>	<b>191.8</b>	<b>128.0</b>	<b>211.9</b>	<b>-83.9</b>	<b>56.2</b>

\* Excluding EPIC

\*\* Unspent Prior Year routine used as contingency

\*\*\* Includes 2 robot purchases

<sup>1</sup> Variance due to delay in MV campus plan

# Balance Sheet (in thousands)

## ASSETS

	Audited	
	December 31, 2017	June 30, 2017
<b>CURRENT ASSETS</b>		
Cash	118,841	125,551
Short Term Investments	156,141	140,284
Patient Accounts Receivable, net	120,065	109,089
Other Accounts and Notes Receivable	2,395	2,628
Intercompany Receivables	1,363	1,495
(1) Inventories and Prepays	55,375	50,657
<b>Total Current Assets</b>	<b>454,180</b>	<b>429,705</b>
<b>BOARD DESIGNATED ASSETS</b>		
(2) Plant & Equipment Fund	145,347	131,153
Women's Hospital Expansion	9,298	9,298
(3) Operational Reserve Fund	127,908	100,196
(4) Community Benefit Fund	18,523	12,237
Workers Compensation Reserve Fund	20,839	20,007
Postretirement Health/Life Reserve Fund	19,477	19,218
PTO Liability Fund	22,762	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	18,107	16,575
<b>Total Board Designated Assets</b>	<b>383,894</b>	<b>333,727</b>
(5) FUNDS HELD BY TRUSTEE	<b>244,413</b>	<b>287,052</b>
<b>LONG TERM INVESTMENTS</b>	<b>279,897</b>	<b>256,652</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>33,313</b>	<b>32,451</b>
<b>PROPERTY AND EQUIPMENT</b>		
(6) Fixed Assets at Cost	1,249,549	1,192,047
Less: Accumulated Depreciation	(552,787)	(531,785)
Construction in Progress	136,184	138,017
<b>Property, Plant &amp; Equipment - Net</b>	<b>832,946</b>	<b>798,279</b>
<b>DEFERRED OUTFLOWS</b>	<b>28,660</b>	<b>28,960</b>
<b>RESTRICTED ASSETS - CASH</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>2,257,303</b>	<b>2,166,825</b>

## LIABILITIES AND FUND BALANCE

	Audited	
	December 31, 2017	June 30, 2017
<b>CURRENT LIABILITIES</b>		
(7) Accounts Payable	22,892	38,457
(8) Salaries and Related Liabilities	28,092	25,109
Accrued PTO	22,762	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	9,249	10,438
Intercompany Payables	61	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
Bond Interest Payable	10,747	11,245
Other Liabilities	6,666	4,889
<b>Total Current Liabilities</b>	<b>108,138</b>	<b>121,299</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	19,477	19,218
Worker's Comp Reserve	18,539	17,707
Other L/T Obligation (Asbestos)	3,803	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	526,763	527,371
<b>Total Long Term Liabilities</b>	<b>568,581</b>	<b>568,042</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	<b>472</b>	<b>567</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>10,666</b>	<b>10,666</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	1,185,553	1,132,525
Board Designated	383,894	333,726
Restricted	0	0
(9) <b>Total Fund Bal &amp; Capital Accts</b>	<b>1,569,447</b>	<b>1,466,251</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>2,257,303</b>	<b>2,166,825</b>

## DECEMBER 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to two quarterly pension fundings of \$2.6M in July and October.
- (2) The increase is due 5 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains \$14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds.
- (3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.
- (4) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (5) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (6) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (7) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (8) This increase is primarily due additional accrued expense for the 403B Match for the 2nd half of calendar year 2017, as the payment for all of calendar year is made in January 2018
- (9) The increase is attributable to the first SIX periods of financial performance producing an operating income of \$78 million and non-operating of \$31 million (mostly from unrealized gains on investments).



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

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

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

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

# APPENDIX

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

6 months ending 12/31/2017

Period 6 FY 2017	Period 6 FY 2018	Period 6 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
204,773	226,462	223,569	2,893	1.3%	<b>Gross Revenue</b>	1,192,540	1,347,954	1,294,700	53,254	4.1%
(148,486)	(167,977)	(166,657)	(1,320)	0.8%	<b>Deductions</b>	(857,971)	(982,352)	(958,139)	(24,213)	2.5%
<b>56,287</b>	<b>58,485</b>	<b>56,913</b>	<b>1,572</b>	<b>2.8%</b>	<b>Net Patient Revenue</b>	<b>334,569</b>	<b>365,602</b>	<b>336,562</b>	<b>29,041</b>	<b>8.6%</b>
1,972	1,777	1,755	22	1.3%	<b>Other Operating Revenue</b>	13,629	14,790	10,653	4,137	38.8%
<b>58,259</b>	<b>60,262</b>	<b>58,668</b>	<b>1,595</b>	<b>2.7%</b>	<b>Total Operating Revenue</b>	<b>348,198</b>	<b>380,392</b>	<b>347,214</b>	<b>33,178</b>	<b>9.6%</b>
<b>OPERATING EXPENSE</b>										
32,941	33,124	33,302	178	0.5%	<b>Salaries &amp; Wages</b>	184,981	194,662	193,550	(1,112)	-0.6%
7,828	9,253	8,374	(880)	-10.5%	<b>Supplies</b>	45,899	49,424	48,296	(1,128)	-2.3%
7,003	6,214	6,603	388	5.9%	<b>Fees &amp; Purchased Services</b>	38,904	40,969	39,832	(1,136)	-2.9%
854	1,206	820	(387)	-47.2%	<b>Other Operating Expense</b>	4,113	4,448	5,307	860	16.2%
177	456	725	269	37.1%	<b>Interest</b>	2,534	2,606	4,353	1,747	40.1%
3,485	3,524	3,619	95	2.6%	<b>Depreciation</b>	21,127	20,893	21,356	463	2.2%
<b>52,289</b>	<b>53,778</b>	<b>53,442</b>	<b>(337)</b>	<b>-0.6%</b>	<b>Total Operating Expense</b>	<b>297,559</b>	<b>313,001</b>	<b>312,694</b>	<b>(307)</b>	<b>-0.1%</b>
<b>5,970</b>	<b>6,484</b>	<b>5,226</b>	<b>1,258</b>	<b>24.1%</b>	<b>Net Operating Income/(Loss)</b>	<b>50,638</b>	<b>67,392</b>	<b>34,521</b>	<b>32,871</b>	<b>95.2%</b>
5,168	(1,998)	225	(2,224)	-986.9%	<b>Non Operating Income</b>	12,462	31,087	1,352	29,735	2199.7%
<b>11,137</b>	<b>4,486</b>	<b>5,451</b>	<b>(966)</b>	<b>-17.7%</b>	<b>Net Income(Loss)</b>	<b>63,100</b>	<b>98,478</b>	<b>35,872</b>	<b>62,606</b>	<b>174.5%</b>
16.5%	17.4%	16.3%	1.1%		<b>EBITDA</b>	21.3%	23.9%	17.3%	6.5%	
10.2%	10.8%	8.9%	1.9%		<b>Operating Margin</b>	14.5%	17.7%	9.9%	7.8%	
19.1%	7.4%	9.3%	-1.8%		<b>Net Margin</b>	18.1%	25.9%	10.3%	15.6%	

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

6 months ending 12/31/2017

Period 6 FY 2017	Period 6 FY 2018	Period 6 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
47,355	53,424	48,568	4,855	10.0%	<b>Gross Revenue</b>	257,839	302,820	283,683	19,137	6.7%
(34,646)	(38,099)	(35,272)	(2,827)	8.0%	<b>Deductions</b>	(188,372)	(222,536)	(206,020)	(16,517)	8.0%
<b>12,709</b>	<b>15,325</b>	<b>13,296</b>	<b>2,029</b>	<b>15.3%</b>	<b>Net Patient Revenue</b>	<b>69,467</b>	<b>80,284</b>	<b>77,664</b>	<b>2,620</b>	<b>3.4%</b>
238	205	215	(10)	-4.9%	<b>Other Operating Revenue</b>	1,105	1,016	1,280	(265)	-20.7%
<b>12,947</b>	<b>15,530</b>	<b>13,512</b>	<b>2,018</b>	<b>14.9%</b>	<b>Total Operating Revenue</b>	<b>70,572</b>	<b>81,299</b>	<b>78,944</b>	<b>2,356</b>	<b>3.0%</b>
<b>OPERATING EXPENSE</b>										
7,343	6,707	6,436	(271)	-4.2%	<b>Salaries &amp; Wages</b>	37,273	39,302	37,747	(1,555)	-4.1%
1,902	2,297	2,002	(295)	-14.8%	<b>Supplies</b>	9,807	11,906	11,734	(172)	-1.5%
1,473	1,338	1,279	(59)	-4.6%	<b>Fees &amp; Purchased Services</b>	7,992	7,866	7,720	(146)	-1.9%
1,515	1,519	1,533	14	0.9%	<b>Other Operating Expense</b>	9,885	9,637	9,405	(232)	-2.5%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
514	694	739	45	6.1%	<b>Depreciation</b>	3,175	3,334	4,313	979	22.7%
<b>12,748</b>	<b>12,555</b>	<b>11,988</b>	<b>(567)</b>	<b>-4.7%</b>	<b>Total Operating Expense</b>	<b>68,132</b>	<b>72,045</b>	<b>70,919</b>	<b>(1,126)</b>	<b>-1.6%</b>
<b>199</b>	<b>2,975</b>	<b>1,524</b>	<b>1,451</b>	<b>95.2%</b>	<b>Net Operating Income/(Loss)</b>	<b>2,440</b>	<b>9,254</b>	<b>8,025</b>	<b>1,229</b>	<b>15.3%</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	(10)	(45)	0	(45)	0.0%
<b>199</b>	<b>2,975</b>	<b>1,524</b>	<b>1,451</b>	<b>95.2%</b>	<b>Net Income(Loss)</b>	<b>2,430</b>	<b>9,210</b>	<b>8,025</b>	<b>1,185</b>	<b>14.8%</b>
5.5%	23.6%	16.7%	6.9%		<b>EBITDA</b>	8.0%	15.5%	15.6%	-0.1%	
1.5%	19.2%	11.3%	7.9%		<b>Operating Margin</b>	3.5%	11.4%	10.2%	1.2%	
1.5%	19.2%	11.3%	7.9%		<b>Net Margin</b>	3.4%	11.3%	10.2%	1.2%	

## Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	969
IT Hardware / Software Equipment	4,660	6,483	2,659	11,803
Medical / Non Medical Equipment*	13,340	17,133	9,556	6,821
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
<b>GRAND TOTAL</b>	<b>86,789</b>	<b>96,740</b>	<b>97,923</b>	<b>147,624</b>
*Includes 2 robot purchases in FY2017				

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

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
<b>EPIC</b>	<b>0</b>	<b>6,838</b>	<b>29,849</b>	<b>20,798</b>	<b>2,755</b>	<b>Facilities Projects CIP cont.</b>					
<b>IT Hardware/Software Equipment</b>	<b>8,019</b>	<b>2,788</b>	<b>4,660</b>	<b>6,483</b>	<b>2,659</b>	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
<b>Medical/Non Medical Equipment</b>	<b>10,284</b>	<b>12,891</b>	<b>13,340</b>	<b>17,133</b>	<b>9,556</b>	1404 - Park Pav HVAC	0	64	7	0	0
<b>Non CIP Land, Land I, BLDG, Additions</b>	<b>0</b>	<b>22,292</b>	<b>0</b>	<b>4,189</b>	<b>0</b>	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
						1408 - New Main Accessibility Upgrades	0	0	7	46	501
						1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
						1423 - MV MOB TI Allowance	0	0	0	588	369
						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
						1430 - Women's Hospital Expansion	0	0	0	0	464
						1432 - 205 South Dr BHS TI	0	0	8	15	0
						1501 - Women's Hospital NPC Comp	0	0	4	0	223
						1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
						1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
						1504 - Equipment Support Infrastructure	0	0	61	311	0
						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
						1525 - New Main Lab Upgrades	0	0	0	0	464
						1526 - CONCERN TI	0	0	0	37	99
						<b>Sub-Total Mountain View Projects</b>	<b>8,145</b>	<b>7,219</b>	<b>26,744</b>	<b>5,588</b>	<b>5,535</b>
						<b>Los Gatos Capital Projects</b>					
						0904 - LG Facilities Upgrade	2	0	0	0	0
						0907 - LG Imaging Masterplan	244	774	1,402	17	0
						1005 - LG OR Light Upgrd	14	0	0	0	0
						1122 - LG Sleep Studies	7	0	0	0	0
						1210 - Los Gatos VOIP	147	89	0	0	0
						1116 - LG Ortho Pavillion	177	24	21	0	0
						1124 - LG Rehab BLDG	49	458	0	0	0
						1247 - LG Infant Security	134	0	0	0	0
						1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
						1308 - LG Infrastructure	0	114	0	0	0
						1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
						1219 - LG Spine OR	0	214	323	633	2,163
						1221 - LG Kitchen Refrig	0	85	0	0	0
						1248 - LG - CT Upgrades	0	26	345	197	6,669
						1249 - LG Mobile Imaging	0	146	0	0	0
						1328 - LG Ortho Canopy FY14	0	255	209	0	0
						1345 - LG Lab HVAC	0	112	0	0	0
						1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
						1347 - LG Central Sterile Upgrades	0	0	181	43	66
						1421 - LG MOB Improvements	0	0	198	65	303
						1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
						1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
						1603 - LG MOB Improvements	0	0	0	0	285
						<b>Sub-Total Los Gatos Projects</b>	<b>1,150</b>	<b>5,276</b>	<b>6,246</b>	<b>6,116</b>	<b>14,780</b>
						1550 - Land Acquisition	0	0	0	24,007	0
						1701 - 828 S Winchester Clinic TI	0	0	0	0	145
						<b>Sub-Total Other Strategic Projects</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,007</b>	<b>145</b>
						<b>Subtotal Facilities Projects CIP</b>	<b>9,294</b>	<b>13,753</b>	<b>38,940</b>	<b>48,137</b>	<b>82,953</b>
						<b>Grand Total</b>	<b>27,598</b>	<b>58,561</b>	<b>86,789</b>	<b>96,740</b>	<b>97,923</b>
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000