

#### AGENDA FINANCE COMMITTEE MEETING OF THE EL CAMINO HOSPITAL BOARD Tuesday, May 28, 2019 – 6:30 pm Conference Rooms A&B (Ground Floor) El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

Williams Hobbs will be participating via teleconference from 99 Degaris Avenue, Dartmouth, MA 02748

**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
1.	CALL TO ORDER / ROLL CALL	John Zoglin, Chair		6:30 – 6:32 pm
2.	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		6:32 - 6:33
3.	<ul> <li>PUBLIC COMMUNICATION <ul> <li>a. Oral Comments</li> <li>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</li> <li>b. Written Correspondence</li> </ul> </li> </ul>	John Zoglin, Chair		6:33 - 6:36
4.	<b>CONSENT CALENDAR</b> Any Committee Member may remove an item for discussion before a motion is made.	John Zoglin, Chair	public comment	motion required 6:36 – 6:39
	<ul> <li>Approval <ul> <li>a. Minutes of the Open Session of the Finance Committee Meeting (April 22, 2019)</li> <li>b. FY19 Period 9 Financials</li> </ul> </li> <li>Information <ul> <li>c. Review Major Capital Projects in progress</li> <li>d. FY 20 Pacing Plan</li> <li>e. Progress Against Goals</li> <li>f. Article of Interest</li> </ul> </li> </ul>			
5.	REPORT ON BOARD ACTIONS <u>ATTACHMENT 5</u>	John Zoglin, Chair		information 6:39 – 6:44
6.	FY19 PERIOD 10 FINANCIALS <u>ATTACHMENT 6</u>	Iftikhar Hussain, CFO		discussion 6:44 – 6:59
7.	REVIEW AND RECOMMEND FY20 BUDGET <u>ATTACHMENT 7</u>	Iftikhar Hussain, CFO	public comment	motion required 6:59–7:09
8.	REVIEW AND RECOMMEND FY20 ORGANIZATIONAL GOALS	Iftikhar Hussain, CFO	public comment	motion required 7:09 – 7:34

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.

May 26, 2019   Fage 2			
AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
ATTACHMENT 8			
9. FACILITIES CAPITAL FUNDING REQUESTS <u>ATTACHMENT 9</u>	Ken King	public comment	motion required 7:34 – 7:49
10. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		motion required 7:49 – 7:50
11. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		7:50 – 7:51
<ul> <li>12. CONSENT CALENDAR <ul> <li>Any Committee Member may remove an item for discussion before a motion is made.</li> <li>Approval <ul> <li>Gov't Code Section 54957.2:</li> </ul> </li> <li>a. Minutes of the Open Session of the Finance Committee Meeting <ul> <li>(April 22, 2019)</li> </ul> </li> </ul></li></ul>	John Zoglin, Chair		motion required 7:51 – 7:54
<ul> <li>13. Gov't Code Section 54956.9(d)(2) – conference with legal counsel – pending or threatened litigation:</li> <li>PHYSICIAN CONTRACTS</li> </ul>	Mary Rotunno, General Counsel Jim Griffith, COO		motion required 7:54 – 8:04
<ul> <li>14. Gov't Code Sections 54957 for report and discussion on personnel matters – Senior Management:</li> <li>EXECUTIVE SESSION</li> </ul>	John Zoglin, Chair		discussion 8:04 – 8:09
15. ADJOURN TO OPEN SESSION	John Zoglin, Chair		motion required 8:09 – 8:10
16. RECONVENE OPEN SESSION / REPORT OUT	John Zoglin, Chair		8:10 - 8:11
To report any required disclosures regarding permissible actions taken during Closed Session.			
<ul> <li>17. APPROVAL OF PHYSICIAN CONTRACTS         <ul> <li>Lithotripsy Professional Services Agreement Renewal</li> <li>Behavioral Health Unit On-Call Panel Renewal</li> <li>Infection Control Medical Director Agreement Renewal</li> </ul> </li> </ul>	Jim Griffith, COO		discussion 8:11 – 8:21
18. CLOSING COMMENTS	John Zoglin, Chair		information 8:23 – 8:25
19. ADJOURNMENT	John Zoglin, Chair		motion required 8:25 - 8:26

**Upcoming Finance Committee Meetings in FY20:** Monday, July 29, 2019\*

Monday, July 29, 2019\* Monday, September 23, 2019\* Monday, November 25, 2019\* Monday, January 27, 2020\* Monday, March 23, 2020\* Monday, April 27, 2020\* Agenda: Finance Committee May 28, 2019 | Page 3 Tuesday, May 26, 2020\* *\*Tentative pending approval of ECH Board* 



#### Minutes of the Open Session of the Finance Committee Monday, April 22, 2019 El Camino Hospital | Conference Room A&B 2500 Grant Road, Mountain View, CA 94040

<u>Members Present</u> John Zoglin, Chair Joseph Chow Boyd Faust William Hobbs Gary Kalbach Richard Juelis* *Attending by teleconferen	<u>Members Absent</u> None	
Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	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. Joseph Chow was absent for roll call and Richare Juelis participated via teleconference. Roll call was taken. All other Committee members were present.	5:30 pm
2. POTENTIAL CONFLICT OF INTEREST	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<ul> <li>Chair Zoglin asked if any member of the Committee wished to remove an item from the consent calendar.</li> <li>Chair Zoglin pulled three items from the consent calendar:</li> <li>4(b). Proposed FY20 Committee Goals:</li> <li>Chair Zoglin requested that goal number two be changed from its current classification of educational to that of an actionable item. The Committee's request is to evaluate five or ten, consumer-facing bills of various service types for understandability. The Committee also requested to evaluate bill detail from the patient portal (myChart online) as well.</li> <li>Iftikhar Hussain, CFO, explained that patients only receive a bill when their insurance company makes a determination to not pay the entire costs billed for their care.</li> <li>Chair Zoglin also commented on goal number three, to review three new service lines being Ortho, Neuro and MCH. Noting that the Committee wants to learn of the strategy for the service line, and the KPIs in support of said strategy.</li> <li>4(c). Pacing Plan: there was no discussion on this item.</li> <li>4(d). Capital Project Approvals:</li> <li>The Committee discussed the criteria to use for "Approved Amounts" to determine which projects it wants to review . The Committee asked the team to bring the PACS Image Archive System Replacement project back for post implementation review in July 2019. The Committee will then assess the "Approved Amount" criteria for future reviews.</li> </ul>	

		Motion: To approve the consent calendar with the adjustments as	
		discussed: Open Minutes of the Finance Committee Meeting for (March	
		25, 2019); and for Information: Proposed FY20 Committee Goals, and	
		Pacing Plan.	
		Movant: Kalbach	
		Second: Hobbs	
		Ayes: Zoglin, Faust, Hobbs, Juelis, Kalbach	
		Noes: None	
		Abstentions: None	
		Absent: Chow	
		Recused: None	
5.	REPORT ON	Chair Zoglin asked the Committee for any questions or feedback on the	
	<b>BOARD ACTIONS</b>	Report on Board Actions as further detailed in the packet.	
		A	
		Chair Zoglin explained that for this year the reported "Annual Board	
		Assessment Tool" would only be applied to the El Camino Hospital	
		Board and not to the Committees, in response to Boyd Faust's question.	
6.	ADJOURN TO	Motion: To adjourn to closed session at 5:45pm.	Adjourned to
	CLOSED SESSION	Movant: Kalbach	closed session
		Second: Hobbs	at 5:45pm.
		Ayes: Zoglin, Faust, Hobbs, Juelis, Kalbach	1
		Noes: None	
		Abstentions: None	
		Absent: Chow	
		Recused: None	
7.	AGENDA ITEM 15:	Open session was reconvened at 6:50pm. Agenda Items 8-13 were	
	<b>RECONVENE OPEN</b>	covered in closed session. Mr. Chow joined the meeting during the closed	
	SESSION/	session.	
	<b>REPORT OUT</b>	During the closed session, the Committee approved <b>Meeting Minutes of</b>	
		the Closed Session of the Finance Committee (March 25, 2019) and	
		Summary of Physician Financial Arrangements by a unanimous vote	
		of all members present (Zoglin, Chow, Faust, Hobbs, Juelis, Kalbach).	
8.	AGENDA ITEM 16:	There were no additional closing comments.	
	CLOSING		
	COMMENTS		
9.	AGENDA ITEM 21:	Motion: To adjourn at 8:10pm.	Meeting
	ADJOURNMENT	Movant: Kalbach	adjourned at
		Second: Juelis	8:10pm.
		Ayes: Zoglin, Chow, Faust, Hobbs, Juelis, Kalbach	
		Noes: None	
		Abstentions: None	
		Absent: None	
		Recused: None	
		f the foregoing minutes by the Finance Committee of Fl Camino Hospita	

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

Chair Zoglin Chair, Finance Committee



Summary of Financial Operations

Fiscal Year 2019 – Period 9 7/1/2018 to 03/31/2019

# **Financial Overview**

#### Volume:

- Volumes in March brings the YTD combined volume measured in adjusted discharges to 1.9% below budget. Inpatient volume is lower in MCH (deliveries), and the Ortho/Spine service lines.
- YTD outpatient volume is below budget by 1.5% (1,663 visits). Imaging (CT Service) and Rehab services remain favorable to budget. Lab volume is 5.9% or 1,270 visits below budget. 650 Cases for LG Infusion were expected in the Oncology Outpatient service line for volumes will not materialize until FY20.

#### **Financial Performance:**

- YTD Operating income is favorable to budget by 15.9% (\$12.1M) primarily due to continued favorable revenue cycle operations. Net Patient Revenue is favorable to budget by 1.6% (\$10.6M).
- YTD Operating Expense is favorable to budget 1.2% (\$7.4M). YTD Salaries & Wages are favorable to budget by 1.2% (\$4.6M). YTD Non Labor expenses are also favorable to budget by 1.1% (\$2.8M).

#### **Payor Mix:**

- YTD, Medicare is 1.8 percentage points unfavorable to budget and the Commercial Payor mix is 1.7 percentage points unfavorable to budget.

#### Cost:

- Prod FTEs were unfavorable to target for March by 4.2% and on budget YTD.



### Dashboard - ECH combined as of March 31, 2019

Г		Month		]	Г				
T	PY	CY Bu	ıd/Target	Variance	Ī	PY	CY B	ud/Target	Variance
				CY vs Bud					CY vs Buc
<mark>/olume</mark>									
Licenced Beds	443	443	443	-		443	443	443	-
ADC	244	263	262	1		244	240	245	(5
Utilization MV	67%	73%	71%	2%		67%	66%	67%	-19
Utilization LG	31%	31%	34%	-3%		30%	29%	30%	-19
Utilization Combined	55%	59%	59%	0%		55%	54%	55%	-19
Adjusted Discharges	3,108	3,236	3,380	(144)		27,016	26,783	27,107	(324
Total Discharges (Excl NNB) Inpatient Cases	1,753	1,831	1,874	(43)		15,408	14,873	15,488	(615
MS Discharges	1,271	1,326	1,338	(12)		10,833	10,454	10,907	(453
Deliveries	370	365	409	(44)		3,423	3,193	3,460	(267
BHS	77	92	90	2		826	846	795	51
Rehab	35	48	37	11		326	380	326	54
Outpatient Cases	13,007	13,216	14,187	(971)		112,500	111,614	113,280	(1,666
ED	4,215	4,574	4,416	158		37,424	35,977	36,510	(533
Procedural Cases									
OP Surg	418	437	521	(84)		3,532	3,723	3,723	0
Endo	220	246	246	(0)		1,811	1,962	1,882	80
Interventional	197	185	214	(29)		1,588	1,625	1,638	(13
All Other	7,957	7,774	8,791	(1,017)		68,145	68,327	69,527	(1,200
inancial Perf.									
Net Patient Revenues	80,083	81,005	82,699	(1,694)		670,258	688,239	677,648	10,591
Total Operating Revenue	82,224	83,004	85,836	(2,832)		692,328	708,576	703,853	4,723
Operating Expenses	70,827	73,511	74,872	(1,361)		586,287	620,039	627,443	(7,404
Operating Income \$	11,398	9,493	10,964	(1,471)		106,040	88,537	76,410	12,127
Operating Margin	13.9%	11.4%	12.8%	-1.3%		15.3%	12.5%	10.9%	1.69
EBIDA \$	16,289	14,430	15,852	(1,422)		147,204	130,613	119,648	10,966
EBIDA %	19.8%	17.4%	18.5%	-1.1%		21.3%	18.4%	17.0%	1.49
Payor Mix									
Medicare	49.5%	51.2%	46.9%	4.3%		47.4%	48.7%	46.7%	2.19
Medi-Cal	7.5%	8.5%	7.9%	0.6%		7.8%	8.1%	7.9%	0.39
Commercial IP	19.7%	18.5%	21.3%	-2.9%		22.0%	20.1%	22.3%	-2.39
Commercial OP	19.6%	19.7%	21.4%	-1.7%		20.2%	20.7%	20.5%	0.29
Total Commercial	39.3%	38.1%	42.7%	-4.6%	Γ	42.2%	40.7%	42.8%	-2.19
Other	3.7%	2.2%	2.6%	-0.4%		2.5%	2.4%	2.7%	-0.39
Cost									
Total FTE	2,602.0	2,751.6	2,811.2	(60)		2,578.8	2,659.5	2,694.5	(35
Productive Hrs/APD	30.8	30.7	29.8	1		30.0	30.7	31.4	(33
Balance Sheet	00.0		2310					0111	(-
Net Days in AR	50.7	48.5	48.0	0		50.7	48.5	48.0	0.5
Days Cash	505	493	449	44		505	493	449	44
Affiliates - Net Ir	ncome (	\$000s)							
Ноѕр	9,771	21,517	11,310	10,206		149,758	98,883	80,188	18,695
Concern	141	405	64	341		1,006	2,303	661	1,643
ECSC	(19)	(0)	0	(0)		(41)	(47)	0	(47
	(1)	(0)	5	(0)		(71)	(+/)	0	(+/
Foundation	5	477	148	328		1,520	1,922	1,231	690

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# **Budget Variances**

#### Fiscal Year 2019 YTD (7/1/2018-3/31/2019) Waterfall

	Year to D	ate (YTD)
(in thousands; \$000s)	Net Op Income	% Net Revenue
Budgeted Hospital Operations FY2019	76,410	10.9%
Net Revenue	4,723	0.7%
Labor and Benefit Expense Change - Flexing staff and vacancies in support departments.	4,588	0.6%
Professional Fees & Purchased Services - JACHO readiness and purchased services (in place of FTE) are	(1,325)	-0.2%
the biggest drivers		
Supplies - Positive variance in Drugs due to slow growth in OP Pharmacy.	3,368	0.5%
Other Expenses	(389)	-0.1%
Depreciation & Interest - primarily due to delayed capital spending	1,161	0.2%
Actual Hospital Operations FY2019	88,537	12.5%



## El Camino Hospital (\$000s)

Period ending 03/31/2019

Period 9	Period 9	Period 9	Variance			YTD	YTD	YTD	Variance	
FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%	\$000s	FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%
					OPERATING REVENUE					
292,898	314,759	331,750	(16,991)	(5.1%)	Gross Revenue	2,494,405	2,608,009	2,637,723	(29,714)	(1.1%)
(212,815)	(233,754)	(249,051)	15,297	6.1%	Deductions	(1,824,147)	(1,919,770)	(1,960,075)	40,305	2.1%
80,083	81,005	82,699	(1,694)	(2.0%)	Net Patient Revenue	670,258	688,239	677,648	10,591	1.6%
2,141	1,999	3,137	(1,138)	(36.3%)	Other Operating Revenue	22,069	20,337	26,205	(5,868)	(22.4%)
82,224	83,004	85,836	(2,832)	(3.3%)	Total Operating Revenue	692,328	708,576	703,853	4,723	0.7%
					OPERATING EXPENSE					
41,202	43,963	45,265	1,301	2.9%	Salaries & Wages	353,569	375,179	379,767	4,588	1.2%
12,219	12,209	13,309	1,100	8.3%	Supplies	94,953	99,651	103,019	3,368	3.3%
10,327	9,664	8,919	(745)	(8.4%)	Fees & Purchased Services	75,972	80,960	79,636	(1,325)	(1.7%)
2,188	2,738	2,492	(247)	(9.9%)	Other Operating Expense	20,629	22,173	21,784	(389)	(1.8%)
691	575	490	(85)	(17.4%)	Interest	4,293	3,541	3,411	(130)	(3.8%)
4,201	4,361	4,398	37	0.8%	Depreciation	36,871	38,536	39,826	1,291	3.2%
70,827	73,511	74,872	1,361	1.8%	Total Operating Expense	586,287	620,039	627,443	7,404	1.2%
11,398	9,493	10,964	(1,471)	(13.4%)	Net Operating Income/(Loss)	106,040	88,537	76,410	12,127	15.9%
(1,626)	12,023	346	11,677	3370.7%	Non Operating Income	43,718	10,346	3,778	6,568	173.9%
9,771	21,517	11,310	10,206	90.2%	Net Income(Loss)	149,758	98,883	80,188	18,695	23.3%
19.8%	17.4%	18.5%	(1.1%)		EBITDA	21.3%	18.4%	17.0%	1.4%	
13.9%	11.4%	12.8%	(1.3%)		<b>Operating Margin</b>	15.3%	12.5%		1.6%	
11.9%	25.9%	13.2%	12.7%		Net Margin	21.6%	14.0%	11.4%	2.6%	



### Non Operating Items and Net Income by Affiliate

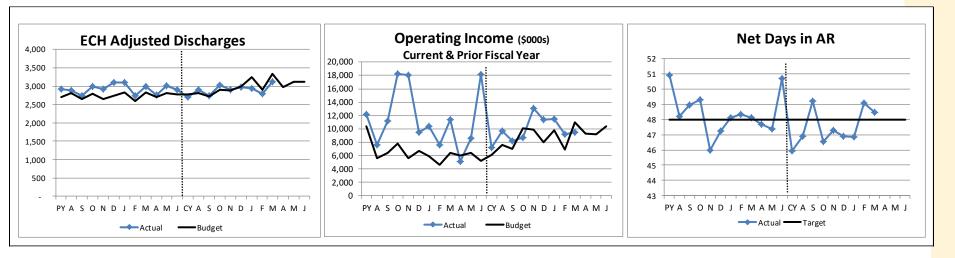
\$ in thousands

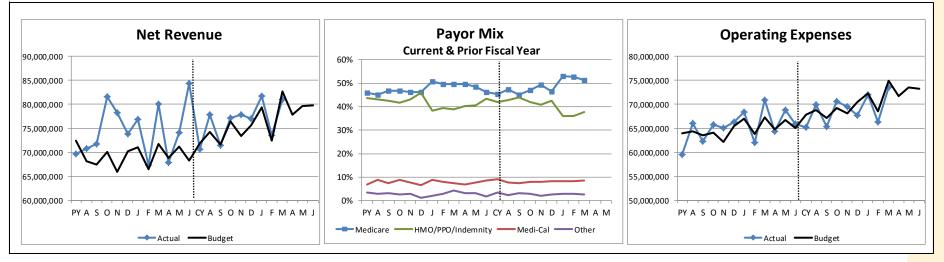
	Pe	eriod 9 - Mon	th	Р	eriod 9 - FYTI	כ
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	9,077	8,253	824	80,530	59,661	20,869
Los Gatos	416	2,711	(2,294)	8,007	16,750	(8,743)
Sub Total - El Camino Hospital, excl. Afflilates	9,493	10,964	(1,471)	88,537	76,410	12,127
Operating Margin %	11.4%	12.8%		12.5%	10.9%	
El Camino Hospital Non Operating Income						
Investments <sup>2</sup>	12,955	2,368	10,587	23,935	21,969	1,965
Swap Adjustments	829	(100)	929	243	(900)	1,143
Community Benefit	(101)	(300)	199	(3,627)	(2,700)	(927)
Pathways	0	0	0	(1,243)	0	(1,243)
Satellite Dialysis	(36)	(25)	(11)	414	(225)	639
Community Connect	0	(53)	53	0	(477)	477
SVMD Funding <sup>1</sup>	(959)	(1,219)	260	(6,991)	(10,971)	3,981
Other	(664)	(324)	(340)	(2,504)	(2,918)	413
Sub Total - Non Operating Income	12,023	346	11,677	10,346	3,778	6,568
El Camino Hospital Net Income (Loss)	21,517	11,310	10,206	98,883	80,188	18,695
ECH Net Margin %	25.9%	13.2%		14.0%	11.4%	
Concern	405	64	341	2,303	661	1,643
ECSC	(0)	0	(0)	(47)	0	(47)
Foundation	477	148	328	1,922	1,231	690
Silicon Valley Medical Development	1,958	43	1,915	3,175	(123)	3,299
Net Income Hospital Affiliates	2,840	255	2,585	7,353	1,769	5,584
Total Net Income Hospital & Affiliates	24,356	11,566	12,791	106,237	81,957	24,280

<sup>1</sup>Favorable variances for SVMD and Community Connect are due to delayed implementation

<sup>2</sup>Equity markets experienced a massive selloff during October, and volatility is continuing

### **Monthly Financial Trends**



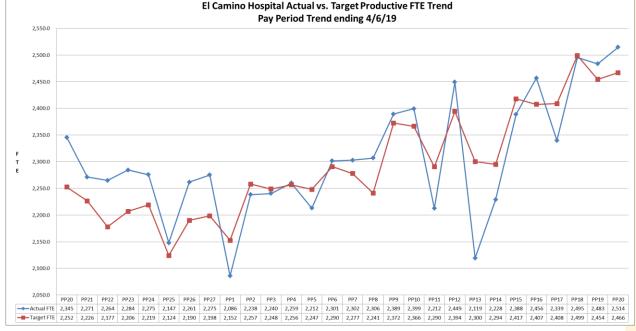




### **Productivity and Medicare Length of Stay**

At or below FTE target. YTD we are slightly worse than budget (adjusted for volume). Ramp up for SJMG/SVMD beginning in PP19.

ALOS vs Milliman well-managed benchmark. Trend shows steady improvement with FY 2019 below benchmark (blue). Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)





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### **El Camino Hospital Volume Annual Trends**

6											-	MONTH		PROCED	URAL?	FACIL	TY	LEVEL OF D	DETAIL
Χ	VOLUME BY	SERVICE	LINE								09	)-Mar	<b>Y</b> (A	.11)	· · ·	(AII)	T S	ervice Line	
2				ANNUAL 1	REND			FY19 Bud	/s FY18			MONTH					YEAR		
		2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY
•	Behavioral Health	1,012	1,052	928	924	1,098	1,062	-36	-3.2%	77	93	90	3	16	826	847	795	52	
	General Medicine &	4,165	4,592	4,459	4,961	5,285	5,325	40	0.8%	476	493	490	3	17	4,061	3,773	3,972	-199	-3
	General Surgery	1,243	1,150	1,311	1,318	1,305	1,344	39	3.0%	112	122	132	-10	10	971	1,037	991	46	
	GYN	390	313	293	270	243	255	12	4.9%	25	27	20	7	2	191	173	183	-10	
	Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,445	73	3.1%	219	205	251	-46	-14	1,792	1,681	1,774	-93	
	MCH	6,695	6,371	5,953	5,822	5,718	5,764	46	0.8%	480	465	498	-33	-15	4,296	4,035	4,312	-277	
	Neurosciences	667	672	677	688	870	907	37	4.3%	81	78	74	4	-3	663	659	691	-32	
	Oncology	606	564	652	594	632	726	94	14.9%	61	60	61	-1	-1	490	529	520	9	
	Orthopedics	1,695	1,773	1,746	1,690	1,705	1,819	114	6.7%	131	157	161	-4	26	1,310	1,268	1,392	-124	
	Rehab Services	547	555	500	461	441	436	-5	-1.1%	35	48	37	11	13	326	380	326	54	
	Spine Surgery	377	429	417	474	375	465	90	24.0%	31	31	42	-11	0	295	248	340	-92	
	Urology	172	169	234	257	255	274	19	7.4%	25	32	19	13	7	187	222	194	28	
	Total	19,428	19,638	19,171	19,662	20,299	20,823	524	2.6%	1,753	1,811	1,874	-63	58	15,408	14,852	15,488	-636	
	Behavioral Health	910	886	2,394	3,260	3,151	3,417	266	8.4%	284	213	337	-124	-71	2,413	2,024	2,507	-483	
	Dialysis	1,059	155	6			0					0					0		
	Emergency	46,006	49,091	48,590	48,625	49,412	49,122	-290	-0.6%	4,215	4,587	4,416	171	372	37,424	35,989	36,510	-521	-
	General Medicine &	6,637	6,620	7,195	7,129	7,265	7,457	192	2.6%	635	729	716	13	94	5,420	5,929	5,609	320	
	General Surgery	1,837	1,853	1,797	1,836	2,004	2,068	64	3.2%	175	179	198	-19	4	1,497	1,476	1,531	-55	
	GYN	1,220	1,308	1,018	1,081	1,099	1,171	72	6.6%	98	116	122	-6	18	842	1,040	856	184	
	Heart and Vascular	2,570	2,712	3,795	4,361	4,364	4,410	46	1.1%	396	411	423	-12	15	3,219	3,441	3,314	127	
	Imaging Services	19,546	20,072	17,807	17,249	18,503	18,744	241	1.3%	1,619	1,527	1,738	-211	-92	13,765	14,250	13,902	348	
	Laboratory Services	30,599	29,726	29,007	29,153	28,565	29,071	506	1.8%	2,556	2,262	2,667	-405	-294	21,705	20,460	21,733	-1,273	-
	MCH	5,034	4,826	5,092	5,576	5,644	5,928	284	5.0%	482	428	549	-121	-54	4,235	4,007	4,399	-392	
	Neurosciences	110	61	127	125	114	155	41	36.0%	8	7	10	-3	-1	87	64	126	-62	
	Oncology	4,015	4,179	14,329	18,540	19,276	22,037	2,761	14.3%	1,659	1,854	2,112	-258	195	14,452	15,142	15,508	-366	
	Orthopedics	866	776	584	615	641	714	73	11.4%	58	63	85	-22	5	454	544	553	-9	
	Outpatient Clinics	1,817	1,705	1,680	1,288	1,883	1,517	-366	-19.4%	140	106	130	-24	-34	1,457	1,256	1,135	121	
	Rehab Services	1,731	1,747	3,954	4,518	4,926	4,900	-26	-0.5%	441	505	428	77	64	3,628	4,028	3,576	452	
	Sleep Center	160	223	498	368	242	300	58	24.0%	20	39	25	14	19	142	243	223	20	
	Spine Surgery	325	399	309	324	311	326	15	4.8%	25	25	35	-10	0	232	213	245	-32	
	Urology	1,755	1,771	1,739	1,898	2,052	2,058	6	0.3%	196	170	199	-29	-26	1,528	1,512	1,554	-42	
	Total	126.197	128.110	139.921	145,946	149.452	153.395	3,943	2.6%	13.007	13,221	14.187	-966	214	112,500	111.618	113,280	-1,662	



### **ECH Operating Margin**



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

FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <unfav></unfav>										
Revenue Adjustments	J	Α	S	0	N	D	J	F	Μ	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	137	443	516	129	129	1,774
IGT Supplemental	-	-	-	-	2,672	-	-	-	-	2,672
AB 915	-	-	2,875	-	-	-	-	-	-	2,875
RAC Release	-	-	161	-	-	(305)	-	(1,005)	-	(1,149)
Various Adjustments under \$250k	4	5	6	8	11	12	12	66	6	130
Total	145	116	3,137	84	2,820	150	528	(809)	135	6,305



### INVESTMENT SCORECARD AS OF MARCH 31, 2019

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark		Benchmark	FY19 Year End Budget	Expectation Per Asset Allocation
Investment Performance		1Q 2019		Fiscal Ye	Fiscal Year-to-date		6y 5m Since Inception (annualized)		2018
Surplus cash balance*		\$999.8						\$891.1	
Surplus cash return		6.7%	6.7%	2.6%	2.6%	5.4%	5.2%	3.2%	5.3%
Cash balance plan balance (millions)		\$270.6						\$276.9	
Cash balance plan return		8.3%	7.7%	2.9%	2.7%	7.6%	6.8%	6.0%	5.7%
403(b) plan balance (millions)		\$496.8							
Risk vs. Return		3-յ	year				e Inception alized)		2018
Surplus cash Sharpe ratio		1.16	1.09			1.03	1.00		0.43
Net of fee return		6.9%	6.3%			5.4%	5.2%		5.3%
Standard deviation		4.8%	4.6%			4.7%	4.6%		6.7%
Cash balance Sharpe ratio		1.18	1.08			1.14	1.07		0.40
Net of fee return		8.3%	7.3%			7.6%	6.8%		5.7%
Standard deviation		6.0%	5.5%			6.1%	5.8%		8.1%
Asset Allocation		1Q	2019						
Surplus cash absolute variances to target		8.8%	< 10%						
Cash balance absolute variances to target		5.4%	< 10%						
Manager Compliance		1Q	2019						
Surplus cash manager flags		22	< 24 Green < 30 Yellow						
Cash balance plan manager flags		27	< 27 Green < 34 Yellow		-	-			

\*Excludes debt reserve funds (~\$105 mm), District assets (~\$38 mm), and balance sheet cash not in investable portfolio (~\$100 mm). Includes Foundation (~\$29 mm) and Concern (~\$14 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



### Capital Spend Trend & FY 19 Budget

	Actual	Actual	Actual	Projected	Budget
Capital Spending (in 000's)	FY2016	FY2017	FY2018	FY2019	2019
EPIC	20,798	2,755	1,114	-	-
IT Hardware / Software Equipment**	6,483	2,659	1,108	19,732	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	11,206	11,206
Non CIP Land, Land I, BLDG, Additions	4,189	-	2,070	-	-
Facilities	48,137	82,953	137,364	205,451	279,450
GRAND TOTAL	96,740	97,923	157,435	236,389	310,388
*Includes 2 robot purchases in FY2017					
**Includes ERP Implementation					

#### **Facilities**

- Projected facilities spend is lower than forecast in the budget primarily due to timing of project activity.
  - \$27M for iMOB
  - \$6M Patient Family Residence
  - \$5M Women's Hospital Expansion
  - \$3M Behavioral Health Hospital replacement



## El Camino Hospital

### Capital Spending (in millions)

				Total				Variance	
			Total Estimated	Authorized	Spent from			Projected vs	
Categ	ory Detail	Approved	Cost of Project	Active	Inception	FY19 Budget	FY 19Proj Spend	Budget F	Y 19 YTD Spent
CIP ERP L	pgrade			9.6	4.0	9.6	9.6	0.0	4.0
IT Hardware, Softw	IT Hardware, Software, Equipment & Imaging				3.4	10.1	10.1	0.0	3.4
Medical & Non Me	dical Equipment FY 18		5.6	9.6	0.0	0.0	0.0	3.5	
Medical & Non Me		11.2	7.5	11.2	11.2	0.0	7.5		
Facility Projects									
	1245 Behavioral Health Bldg	FY16	96.1	96.1	68.3	45.0	41.7	-3.3	22.4
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.4	0.0	0.7	0.7	0.2
	1414 Integrated MOB	FY15	302.1	302.1	209.0	150.0	123.3	-26.7	88.5
	1422 CUP Upgrade	FY16	9.0	9.0	8.3	0.8	1.4	0.6	0.7
	1430 Women's Hospital Expansion	FY16	135.0	135.0	5.6	10.0	4.8	-5.2	2.4
	Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.6	-1.4	0.0
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0	0.0	0.0
	1525 New Main Lab Upgrades		3.1	3.1	2.7	0.3	0.0	-0.3	0.5
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.3	-4.3	0.0
	1503 Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0	-1.0	0.0
	1602 JW House (Patient Family Residence)		6.5	6.5	0.4	6.0	0.1	-5.9	0.1
	Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.3	-0.7	0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.2	-2.2	0.0
	1707 Imaging Equipment Replacement ( 5 or	6 rooms)	20.7	0.3	0.0	6.0	6.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	,	19.4	19.4	0.0	5.0	1.0	-4.0	0.9
	1804 SVMD Clinic @ North First Street		8.0	8.0	0.0	0.0	0.0	0.0	0.0
	Flooring Replacement		1.6	1.6	0.0	1.5	0.4	-1.1	0.4
	1219 LG Spine OR	FY13	0.0	0.0	4.0	0.0	0.0	0.0	0.2
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.0	0.0	0.1
	1307 LG Upgrades	FY13	19.3	19.3	18.8	0.8	0.0	-0.8	1.0
	1507 LG IR Upgrades		1.3	0.0	0.0	1.3	1.3	0.1	0.0
	1603 LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0	-0.5	0.0
	1711 Emergency Sanitary & Water Storage		1.5	1.5	0.3	1.3	1.5	0.3	0.1
	LG Modular MRI & Awning		3.9	3.9	0.4	3.5	0.6	-2.9	0.3
	LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.4	-0.1	0.0
	LG Observation Unit (Conversion of ICL	J 2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1712 LG Cancer Center		5.0	5.0	1.3	4.8	3.7	-1.1	1.1
	Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0	0.0	0.0
	Primary Care Clinic Development (2@	\$3 Million Ea	6.0	6.0	0.0	5.0	4.0	-1.0	0.0
	Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	9.0	-6.0	0.0
	Willow SC Upgrades ( 35,000 @ \$50)		1.8	1.8	0.0	1.8	0.0	-1.8	0.0
	New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.2	-1.0	0.0
	80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0	0.0	0.0
	Primary Care Clinic (TI's Only) FY 17 (82	8 Wincheste		3.6	0.0	0.3	0.0	-0.3	0.0
	All Other Projects		9.2	8.6	108.2	7.8	3.9	-3.9	2.8
			765.8	738.3	473.0	279.5	205.5	-74.0	122.0
GRAND TOTAL				769.2	497.6	300.8	E 236.4	110 -74.0 S	140.5

# Balance Sheet (in thousands)

#### ASSETS

			Audited
(	CURRENT ASSETS	March 31, 2019	June 30, 2018
	Cash	92,611	118,992
	Short Term Investments	173,961	150,664
	Patient Accounts Receivable, net	127,282	124,427
	Other Accounts and Notes Receivable	2,638	3,402
	Intercompany Receivables	2,859	2,090
(1)	Inventories and Prepaids	79,775	75,594
	Total Current Assets	479,126	475,171
ľ	BOARD DESIGNATED ASSETS		
	Plant & Equipment Fund	164,972	153,784
(2)	Women's Hospital Expansion	15,472	9,298
(3)	Operational Reserve Fund	139,057	127,908
	Community Benefit Fund	17,791	18,675
	Workers Compensation Reserve Fund	21,730	20,263
	Postretirement Health/Life Reserve Fund	29,662	29,212
	PTO Liability Fund	25,633	24,532
	Malpractice Reserve Fund	1,831	1,831
	Catastrophic Reserves Fund	19,036	18,322
	Total Board Designated Assets	435,185	403,826
(4) I	FUNDS HELD BY TRUSTEE	104,161	197,620
I	LONG TERM INVESTMENTS	344,151	345,684
I	INVESTMENTS IN AFFILIATES	34,939	32,412
r	PROPERTY AND EQUIPMENT		
	Fixed Assets at Cost	1,295,837	1,261,854
	Less: Accumulated Depreciation	(607,709)	(577,959)
	Construction in Progress	342,011	220,991
	Property, Plant & Equipment - Net	1,030,138	904,886
ľ	DEFERRED OUTFLOWS	20,726	21,177
ļ	RESTRICTED ASSETS - CASH	0	0
	TOTAL ASSETS	2,448,427	2,380,776

#### LIABILITIES AND FUND BALANCE

			Audited
	CURRENT LIABILITIES	March 31, 2019	June 30, 2018
(5)	Accounts Payable	36,424	49,925
	Salaries and Related Liabilities	14,558	26,727
	Accrued PTO	25,633	24,532
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	11,747	10,068
	Intercompany Payables	255	125
	Malpractice Reserves	1,831	1,831
(6)	Bonds Payable - Current	8,630	3,850
(7)	Bond Interest Payable	4,963	12,975
	Other Liabilities	8,413	8,909
	Total Current Liabilities	114,756	141,242
	LONG TERM LIABILITIES		
	Post Retirement Benefits	29,662	29,212
	Worker's Comp Reserve	19,430	17,963
	Other L/T Obligation (Asbestos)	3,946	3,859
	Other L/T Liabilities (IT/Medl Leases)	-	-
(8)	Bond Payable	508,520	517,781
	Total Long Term Liabilities	561,557	568,815
	DEFERRED REVENUE-UNRESTRICTED	561	528
	DEFERRED INFLOW OF RESOURCES	22,835	22,835
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,313,533	1,243,529
	Board Designated	435,185	403,825
	Restricted	0	0
(9)	Total Fund Bal & Capital Accts	1,748,718	1,647,355
	TOTAL LIABILITIES AND FUND BALANCE	2,448,427	2,380,776



#### March 2019 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.
- (2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.
- (3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.
- (4) Decrease is due to draws from the 2015A/2017 Bond Project funds for the on-going IMOB and BHS construction and semi-annual 2015/2017 bond payment
- (5) Decrease is due to the yearend accruals that were paid out in July and August.
- (6) The increase is due to recognition of the first 2017 principal bond payment that will be in February 2020.
- (7) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in February.
- (8) Decrease is due to the establishment of FY2020 2015A and 2017 Bond Principal Payable moving to current bond payables.
- (9) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.



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

**Plant & Equipment Fund** – original established by the District Board in the early 1960's to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District's Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.

Women's Hospital Expansion – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women's Hospital upon the completion of Integrated Medical Office Building currently under construction. At the end of fiscal year 2018 another #6.2 million was added to this fund.

- **Operational Reserve Fund** originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on the current projected budget) and only be used in the event of a major business interruption event and/or cash flow.
- **Community Benefit Fund** following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn't granted tax exempt status), that generates an amount of \$500,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, in fiscal yar it generated over \$1.1 million of investment income for the program.



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

Workers Compensation Reserve Fund – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.

**Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.

**PTO (Paid Time Off) Liability Fund** – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.

Malpractice Reserve Fund – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.

**Catastrophic Loss Fund** – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.



# APPENDIX



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

#### Period ending 03/31/2019

Period 9	Period 9	Period 9	Variance			YTD	YTD	YTD	Variance	
FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%	\$000s	FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%
					OPERATING REVENUE					
242,772	259,896	266,244	(6,348)	(2.4%)	Gross Revenue	2,047,101	2,143,900	2,143,685	216	0.0%
(175,442)	(192,610)	(200,316)	7,706	3.8%	Deductions	(1,493,958)	(1,575,870)	(1,596,376)	20,505	1.3%
67,330	67,286	65,928	1,358	2.1%	Net Patient Revenue	553,143	568,030	547,309	20,721	3.8%
1,924	1,613	2,896	(1,283)	(44.3%)	Other Operating Revenue	20,476	17,609	24,046	(6,438)	(26.8%)
69,255	68,899	68,824	75	0.1%	Total Operating Revenue	573,619	585,639	571,356	14,283	2.5%
					OPERATING EXPENSE					
34,332	36,645	37,441	795	2.1%	Salaries & Wages	294,343	312,698	316,579	3,881	1.2%
10,219	10,054	10,478	424	4.0%	Supplies	77,010	81,272	83,112	1,840	2.2%
9,082	7,899	7,528	(370)	(4.9%)	Fees & Purchased Services	63,993	67,914	67,515	(399)	(0.6%)
664	1,093	974	(119)	(12.2%)	Other Operating Expense	6,556	8,034	7,931	(103)	(1.3%)
691	575	490	(85)	(17.4%)	Interest	4,293	3,541	3,411	(130)	(3.8%)
3,512	3,556	3,660	103	2.8%	Depreciation	31,463	31,650	33,147	1,497	4.5%
58,500	59,822	60,571	748	1.2%	Total Operating Expense	477,658	505,108	511,695	6,586	1.3%
10,754	9,077	8,253	824	10.0%	Net Operating Income/(Loss)	95,961	80,530	59,661	20,869	35.0%
(1,626)	12,023	346	11,677	3370.7%	Non Operating Income	43,762	10,346	3,778	6,568	173.9%
9,128	21,100	8,600	12,500	145.4%	Net Income(Loss)	139,724	90,876	63,439	27,438	43.3%
21 60/	10.20/	10.00/	1 10/			22.0%	10.00/	10.00/	2.00/	
21.6%	19.2%		1.1%		EBITDA	23.0%	19.8%	16.8%	2.9%	
15.5%	13.2%	12.0%	1.2%		Operating Margin	16.7%	13.8%	10.4%	3.3%	
13.2%	30.6%	12.5%	18.1%		Net Margin	24.4%	15.5%	11.1%	4.4%	



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

#### Period ending 03/31/2019

Period 9	Period 9	Period 9	Variance			YTD	YTD	YTD	Variance	
FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%	\$000s	FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%
					OPERATING REVENUE					
50,126	54,863	65,507	(10,643)	(16.2%)	Gross Revenue	447,304	464,109	494,038	(29,929)	(6.1%)
(37,373)	(41,144)	(48,736)	7,591	15.6%	Deductions	(330,189)	(343,900)	(363,700)	19,800	5.4%
12,753	13,719	16,771	(3,052)	(18.2%)	Net Patient Revenue	117,115	120,209	130,339	(10,129)	(7.8%)
217	386	241	145	60.2%	Other Operating Revenue	1,593	2,728	2,159	570	26.4%
12,970	14,105	17,012	(2,907)	(17.1%)	Total Operating Revenue	118,708	122,938	132,497	(9,560)	(7.2%)
					OPERATING EXPENSE					
6,870	7,318	7,824	506	6.5%	Salaries & Wages	59,226	62,480	63,188	707	1.1%
1,999	2,155	2,831	675	23.9%	Supplies	17,943	18,379	19,907	1,528	7.7%
1,245	1,765	1,390	(375)	(27.0%)	Fees & Purchased Services	11,979	13,047	12,121	(926)	(7.6%)
1,524	1,645	1,518	(127)	(8.4%)	Other Operating Expense	14,073	14,139	13,853	(286)	(2.1%)
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
689	804	738	(66)	(9.0%)	Depreciation	5,408	6,886	6,679	(207)	(3.1%)
12,326	13,688	14,301	613	4.3%	Total Operating Expense	108,629	114,931	115,748	817	0.7%
643	416	2,711	(2,294)	(84.6%)	Net Operating Income/(Loss)	10,079	8,007	16,750	(8,743)	(52.2%)
0	0	0	0	0.0%	Non Operating Income	(45)	0	0	0	0.0%
643	416	2,711	(2,294)	(84.6%)	Net Income(Loss)	10,035	8,007	16,750	(8,743)	(52.2%)
10.3%	8.7%	20.3%	(11.6%)		EBITDA	13.0%	12.1%	17.7%	(5.6%)	
5.0%	3.0%	15.9%	(13.0%)		Operating Margin	8.5%	6.5%	12.6%	(6.1%)	
5.0%	3.0%	15.9%	(13.0%)		Net Margin	8.5%	6.5%	12.6%	(6.1%)	

- Lower Gross Revenue:
  - -\$2,5M Due to delay start of the Infusion center
  - -\$1,2M OR and OR Related Supplies (Spine/Orthopedic cases)
  - -\$700K Delivery related volume shortfall
- Patient Days are lower than expected by 5%
- Contract labor showing up in the Fees and Purchased services are offset
   by open positions in employee Salaries and Wages.
- Lower Gross Revenue:
  - -\$10.2M OR and OR Related Supplies (Spine/Orthopedic cases)
  - -\$1.2M Delivery related volume shortfall
  - -\$2,5M Due to delay start of the Infusion center
  - -\$1.0M OP Emergency Room
  - High purchased services due to higher rehab volume (paid per case) (\$475K)
  - TJC facility repair and maintenance costs in the early part of the fiscal year continues to be reflected in the YTD numbers.



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

Category	2014	2015	2016	2017	2018	Category	2014	2015	2016	2017	2018
EPIC	6,838	29,849	20,798	2,755	1,114	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	2,788	4,660	6,483	2,659	1,108	1415 - Signage & Wayfinding	-	-	106	58	136
Medical/Non Medical Equipment	12,891	13,340	17,133	9,556	15,780	1416 - MV Campus Digital Directories	-	-	34	23	95
Non CIP Land, Land I, BLDG, Additions	22,292	-	4,189	-	2,070	1423 - MV MOB TI Allowance	-	-	588	369	-
	•					1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
Facilities Projects CIP						1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
Mountain View Campus Master Plan Projects						1430 - Women's Hospital Expansion	-	-	-	464	2,763
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676	1432 - 205 South Dr BHS TI	-	8	15	-	52
1413 - North Drive Parking Structure Exp		167	1,266	18,120	4,670	1501 - Women's Hospital NPC Comp	-	4	-	223	320
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319	1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
1422 - CUP Upgrade	-	-	896	1,245	5,428	1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
Sub-Total Mountain View Campus Master Plan		5,950	12,426	62,493	114,093	1504 - Equipment Support Infrastructure	-	61	311	-	60
	1,237	3,550	12,420	02,433	114,055	1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
Mountain View Capital Projects						1525 - New Main Lab Upgrades	-	-	- 37	464 99	1,739 10
9900 - Unassigned Costs	470	3,717	-	-	-	1526 - CONCERN TI Sub-Total Mountain View Projects	- 7,219	26,744	57 5,588	5,535	7,948
0906 - Slot Build-Out	1,576	15,101	1,251	294	-	•	7,219	20,744	3,300	5,555	7,940
1109 - New Main Upgrades	393	2	-	-	-	Los Gatos Capital Projects					
1111 - Mom/Baby Overflow	29	-	-	-	-	0904 - LG Facilities Upgrade	-	-	-	-	-
1204 - Elevator Upgrades	30	-	-	-	-	0907 - LG Imaging Masterplan	774	1,402	17	-	-
0800 - Womens L&D Expansion	1,531	269	-	-	-	1210 - Los Gatos VOIP	89	-	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-	1116 - LG Ortho Pavillion	24	21	-	-	-
1227 - New Main eICU	21	-	-	-	-	1124 - LG Rehab BLDG	458	-	-	-	-
1230 - Fog Shop	80	-	-	-	-	1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1315 - 205 So. Drive TI's	500	2	-	-	-	1308 - LG Infrastructure	114	-	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961	1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1125 - Will Pav Fire Sprinkler	39	-	-	-	-	1219 - LG Spine OR	214	323	633	2,163	447
1216 - New Main Process Imp Office	1	16	-	-	-	1221 - LG Kitchen Refrig 1248 - LG - CT Upgrades	85 26	- 345	- 197	- 6,669	- 1,673
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-	1248 - LG Mobile Imaging	146	- 545	197	0,009	1,075
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-	1328 - LG Ortho Canopy FY14	255	- 209	_		
1301 - Desktop Virtual	13	-	-	-	-	1345 - LG Lab HVAC	112	- 205	_	_	
1304 - Rehab Wander Mgmt	87	-	-	-	-	1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1310 - Melchor Cancer Center Expansion	44	13	-	-	-	1347 - LG Central Sterile Upgrades	-	181	43	66	_
1318 - Women's Hospital TI	48	48	29	2	-	1421 - LG MOB Improvements	-	198	65	303	356
1327 - Rehab Building Upgrades	-	15	20	-	22	1508 - LG NICU 4 Bed Expansion	-		-	207	-
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-	1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1340 - New Main ED Exam Room TVs	8	193	-	-	-	1603 - LG MOB Improvements	-	-	-	285	4,593
1341 - New Main Admin	32	103	-	-	-	Sub-Total Los Gatos Projects	5,276	6,246	6,116	14,780	12 <mark>,306</mark>
1344 - New Main AV Upgrd	243	-	-	-	-	1550 - Land Acquisition		-	24,007	,	Í.
1400 - Oak Pav Cancer Center	-	5,208	666	52	156	1701 - 828 S Winchester Clinic TI	-	-	- 24,007	- 145	3,018
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-	Sub-Total Other Strategic Projects	-	-	- 24,007	145 145	3,018 3,018
1404 - Park Pav HVAC	64	105	-	-	-		-	-	24,007	143	3,018
1405 - 1 - South Accessibility Upgrades	-	- '	- 168	- 95	_	Subtotal Facilities Projects CIP	13,753	38,940	48,137	82,953	<mark>137,364</mark>
1403 - New Main Accessibility Upgrades	_	- 7	46	501	- 12	Grand Total	58,561	86,789	96,740	07 072	157,435
THO - MEW Main Accessionity Oberanes	-	/	40	100	12	Granu rolai	30,301	00,789	90,740	57,523	157,435





**Hospital Campuses** 

2500 Grant Road Mountain View, CA 94040 650-940-7000

815 Pollard Road Los Gatos, CA 95032 408-378-6131

elcaminohealth.org

## Memorandum

To:	Board Finance Committee
From:	Ken King, CASO
Date:	May 28, 2019
Subject:	Major Projects Update

#### 1. Purpose:

To keep the Finance Committee informed on the progress of major capital projects in process.

#### 2. Summary:

a. Situation/Status

**Taube Pavilion** (aka BHS) construction is 89% complete and progressing towards substantial completion in late July, with the Lobby finishes being the last element to be completed. Furniture and equipment fit up is scheduled to begin in mid-June and be completed by the end of July. The waste water storage project which must be completed to obtain final occupancy begins on May 20<sup>th</sup> and is scheduled to be substantially complete by August 21<sup>st</sup>. This project is forecasted to be completed within the approved budget. (See Attachment #1 – Cost Reports)

**Sabrato Pavilion** (aka IMOB) construction is 77% complete and progressing towards substantial completion in late September with Tenant TI's being the last element to be completed. Furniture and equipment fit up is scheduled to begin in early August and be completed by the end of September. To minimize the traffic impact the "offsite work" on Grant Road and other areas around the hospital are scheduled to be completed during the summer months. This project is forecasted to be completed with the approved budget. (See Attachment #1 - Cost Reports)

**Women's Hospital** construction documents are in the final stage of review prior to submission to OSPHD for plan review and permitting. We are pushing for a nine month process to obtain a building permit so that construction can begin in the spring of 2020.

**Demo Old Main Hospital & Related Construction** development planning is in process. The initial phase of the project requires the partial demolition of the structure so that a Temporary Loading Dock and Receiving Area can be constructed. (See Attachment #1 for Project Preview)



b. Authority

This memo is to keep the Finance Committee informed of the progress towards completion of the major development projects within the Mountain View Campus Development Plan.

c. Background

The Board of Directors approved the Mountain View Campus Development Projects which consist of the following:

<u>Step I:</u> North Parking Garage Expansion -Behavioral Health Services Building -Integrated Medical Office Building -Central Plant Upgrades -

Women's Hospital Expansion -

Demolition of Old Main Hospital -

Complete Construction Construction Complete

Status

Plan Review/Permit Schematic Design

d. Assessment

Step II:

In addition to the construction activities all impacted departments are working on the activation, training, move planning and budgeting for the future state of operations.

e. Other Reviews

None

f. Outcomes

The primary objective continues to be completing the projects within the approved budgets and to safely transition into the new building environments.

#### 3. List of Attachments:

Attachment #1 – Cost Reports & Old Main Demo & Related Site Work Project Preview

#### 4. Suggested Finance Committee Discussion Questions:

None

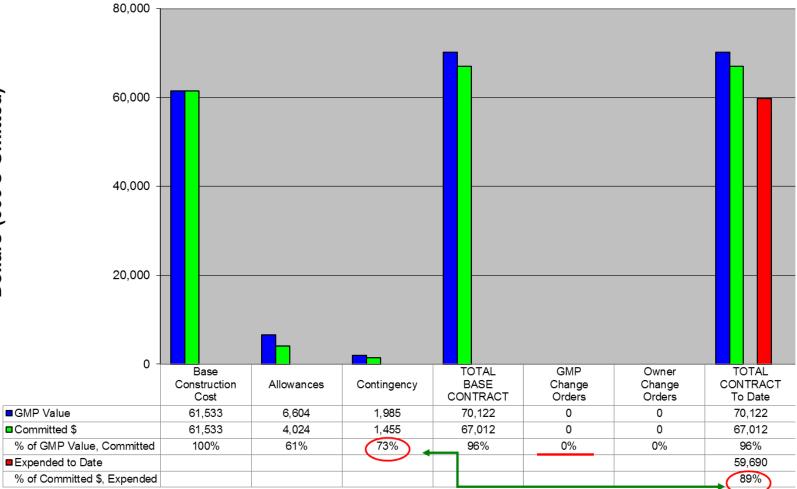


# Finance Committee – Major Projects Update May 28, 2019

Ken King, CASO

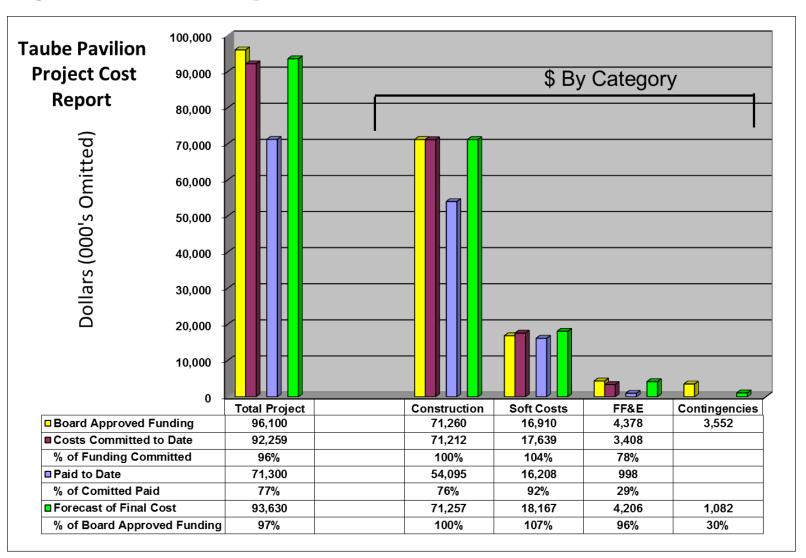
## **Taube Pavilion Construction Contract Cost Report**

Dollars (000's Omitted)





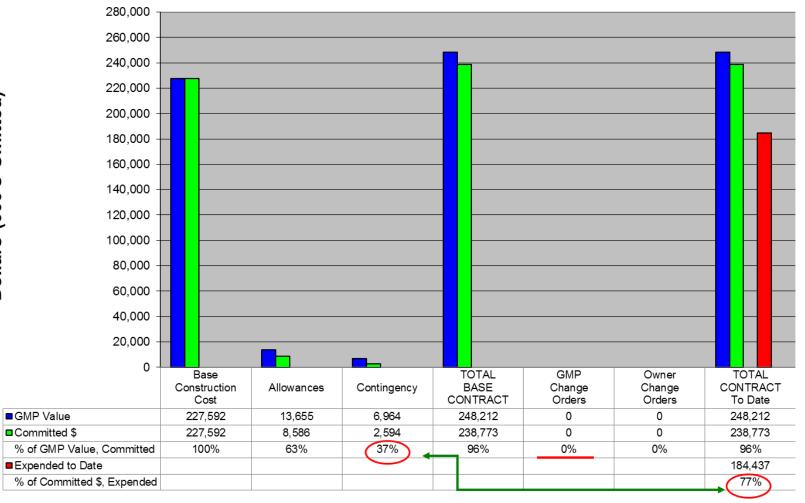
## **Taube Pavilion Project Cost Report**





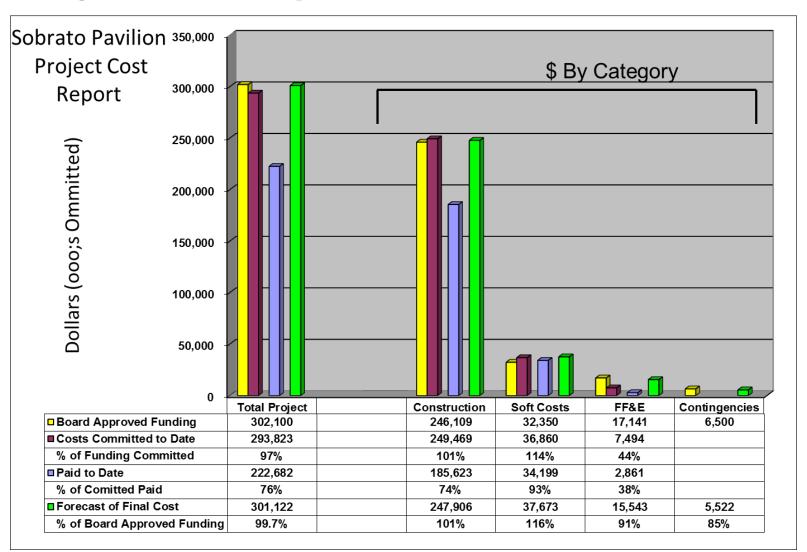
## **Sobrato Pavilion Construction Contract Cost Report**

Dollars (000's Omitted)





## **Sobrato Pavilion Project Cost Report**



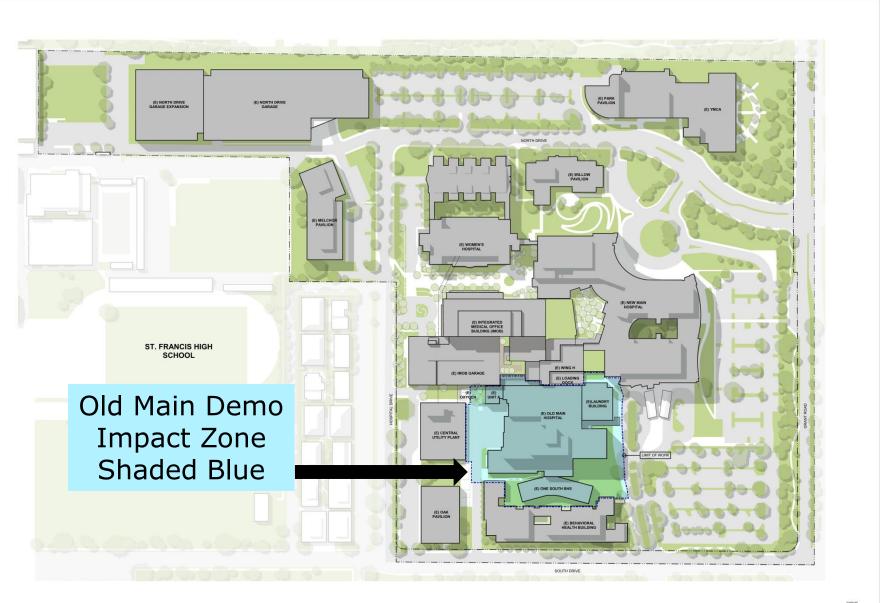


# **Old Main Demo & Related Site Work**

**Project Scope Preview** 



Mountain View Campus Existing Site Plan





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WRNSSTUDIO

Mountain View Campus Proposed Site Plan





**WRNS** STUDIO

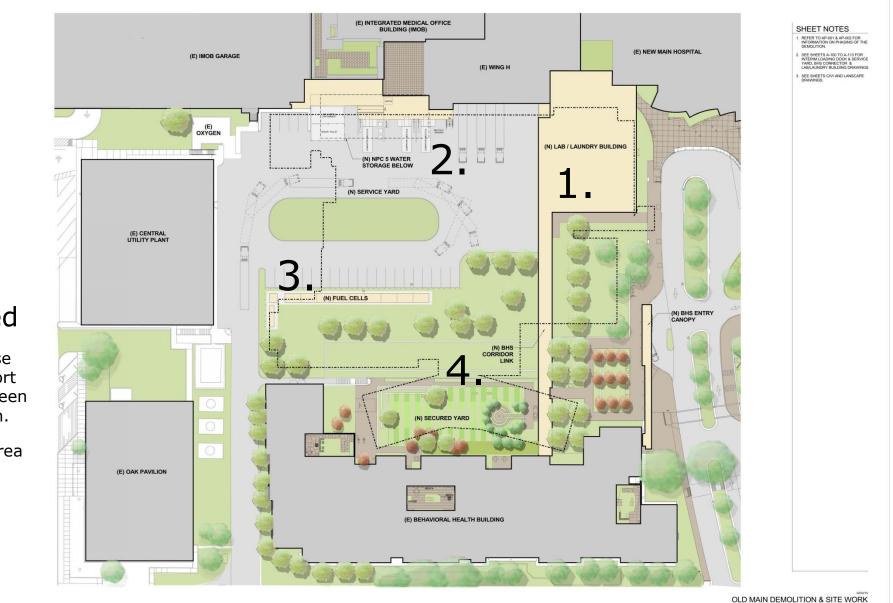
Mountain View Campus Proposed Site Plan Close UP

## Key Elements Proposed

- 1. New Structure proposed to house Cardiac Rehab Services & Support Space with a Corridor Link between Main Hospital and Taube Pavilion.
- 2. New Service Yard & Receiving Area
- 3. Fuel Cell Installation
- 4. Courtyard & Landscaping

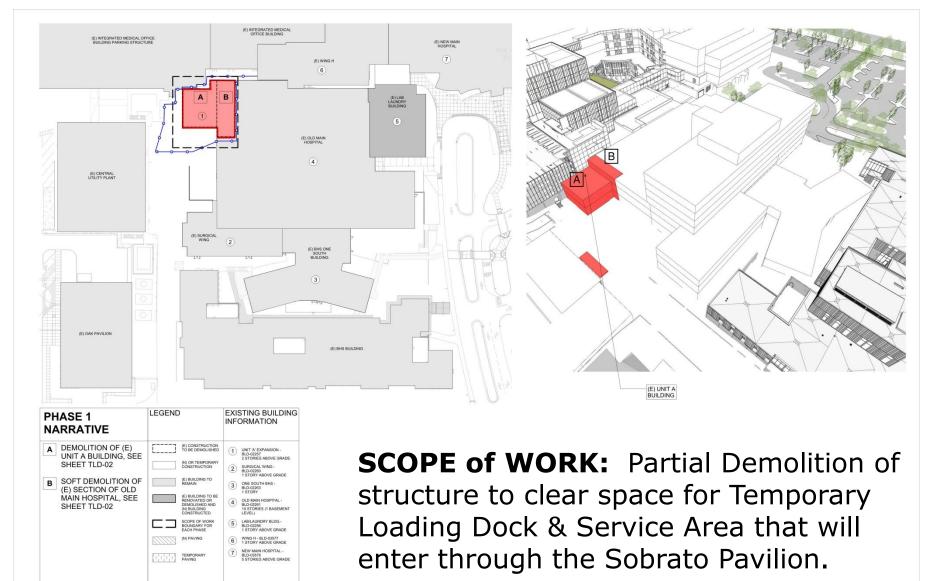


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SITE PLAN - COMPLETE PROJECT # 1907100 G-103 REVISED 9142016 9

Old Main Hospital Demo & Related Site Work Phase I

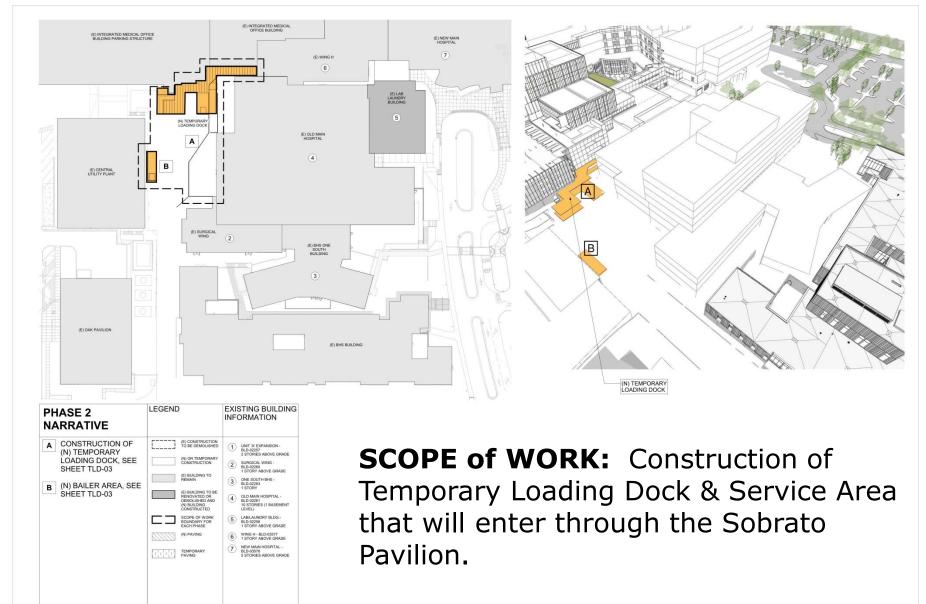




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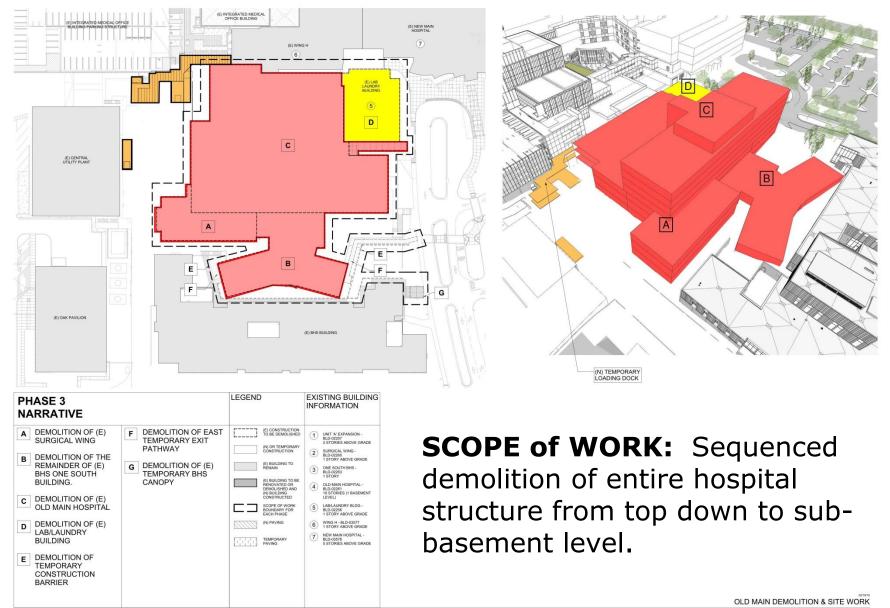
Old Main Hospital Demo & Related Site Work Phase II





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Old Main Hospital Demo & Related Site Work Phase III

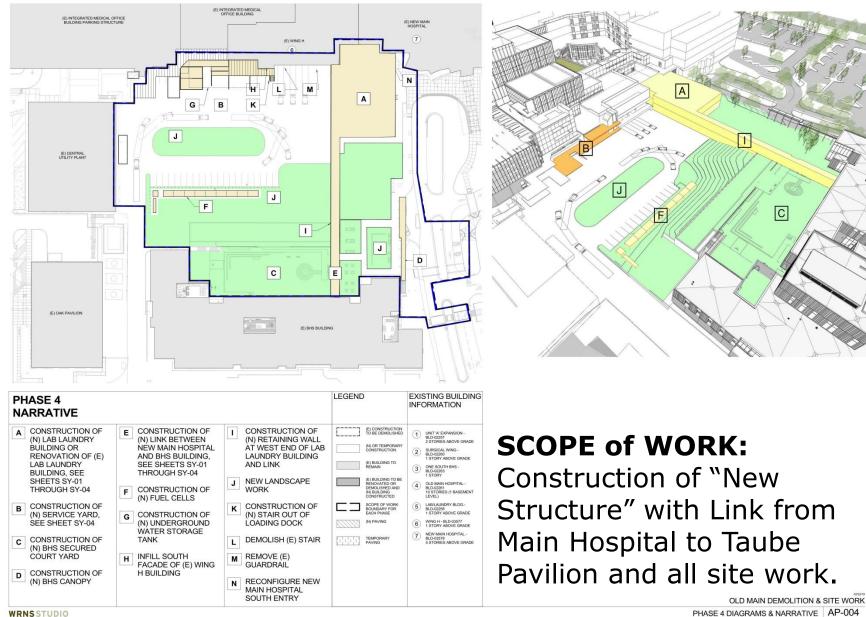




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**Old Main Hospital Demo &** Related Site Work Phase IV

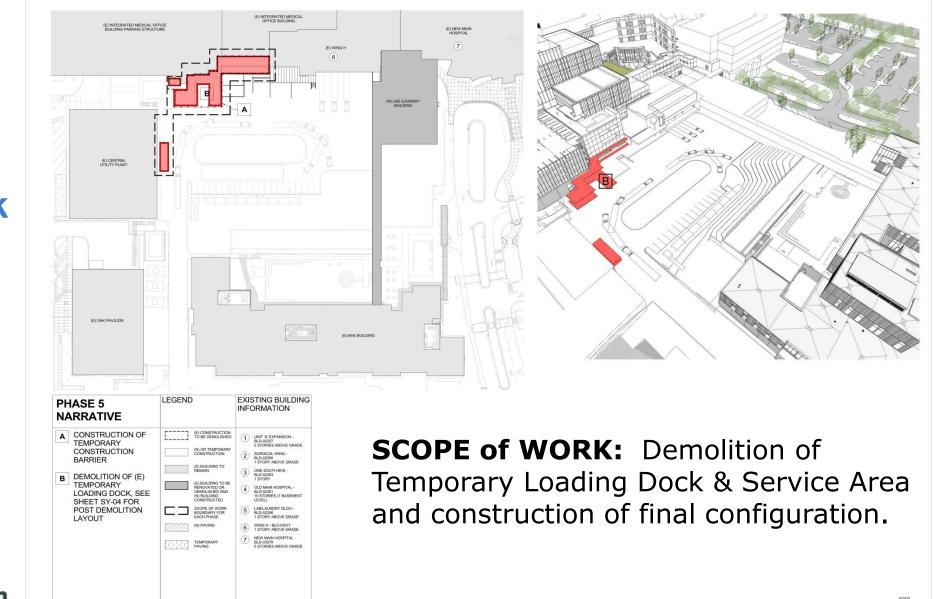


**El Camino Health** 

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С

Old Main Hospital Demo & Related Site Work Phase V





**WRNS**STUDIO

OLD MAIN DEMOLITION & SITE WORK
PHASE 5 DIAGRAMS & NARRATIVE
PHASE 5 DIAGRAMS & NARRATIVE
PHASE 5 DIAGRAMS & NARRATIVE
PHASE 5 DIAGRAMS

4

#### **Finance Committee**

	FY20 FC Pacing Plan – Q1	
July 29, 2019	August 2019	September 23, 2019
<ul> <li>Meeting Minutes (May 2019), any policies</li> <li>Financial Report (FY19 Period 11, 12)</li> <li>Physician Contracts</li> <li>Capital Funding Requests</li> <li>Review Major Capital Projects in progress</li> <li>Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>Year-End Financial Report</li> <li>Education Topic (TBD)</li> <li>Executive Session</li> <li>Long Term Financial Forecast</li> <li>Medical Staff Development Plan</li> </ul>	No scheduled meeting	<ul> <li>Meeting Minutes (July 2019), any policies</li> <li>Financial Report (FY20 Period 1, 2)</li> <li>Physician Contracts</li> <li>Capital Funding Requests</li> <li>Review Major Capital Projects in Progress</li> <li>Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>Service Line Review – HVI</li> <li>Executive Session</li> </ul>
	FY20 FC Pacing Plan – Q2	
October 2019	November 25, 2019	December 2019
- October 23, 2019 – Board and Committee Educational Session	<ul> <li>Meeting Minutes (September 2019), any policies</li> <li>Financial Report (FY20 Period 3,4)</li> <li>Physician Contracts</li> <li>Capital Funding Requests</li> <li>Review Major Capital Projects in progress</li> <li>Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>Service Line Review – Oncology</li> <li>Post implementation Review</li> <li>Payor Update</li> <li>Executive Session</li> <li>Long Term Financial Forecast</li> </ul>	No scheduled meeting

#### **Finance Committee**

FY20 FC Pacing Plan – Q3										
January 27, 2020	February 2020	March 23, 2020								
<ul> <li>**Joint Meeting with the Investment Committee <ul> <li>Long Term Forecast</li> </ul> </li> <li>Meeting Minutes (November 2019), any policies</li> <li>Financial Report (FY20 Period 5,6)</li> <li>Physician Contracts</li> <li>Capital Funding Requests</li> <li>Review Major Capital Projects in progress</li> <li>Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>Executive Session</li> </ul>	No scheduled meeting	<ul> <li>Meeting Minutes (January 2020), any policies</li> <li>Financial Report (FY20 Period 7,8)</li> <li>Physician Contracts</li> <li>Capital Funding Requests</li> <li>Review Major Capital Projects in progress</li> <li>Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>Preview FY21 Budget Part # 1</li> <li>Discuss and recommend FY21 Committee Goals</li> <li>Discuss FY21 Committee Dates</li> <li>Payor Update</li> <li>Executive Session</li> <li>BHS Service Line</li> <li>Summary of Physician Financial Arrangements (Year-End)</li> </ul>								
	FY20 FC Pacing Plan - Q4									
April 27, 2020	May 26, 2020	June 2020								
<ul> <li>FY21 Budget Review – Part 2</li> <li>April 22, 2020 – Board and Committee Educational Session</li> </ul>	<ul> <li>**Joint Meeting with the Hospital Board on the Operating &amp; Capital Budget</li> <li>Meeting Minutes (March 2020), any policies</li> <li>Financial Report (FY20 Period 9,10)</li> <li>Long Term Financial Forecast</li> <li>Physician Contracts</li> <li>Capital Funding Requests</li> <li>Review Major Capital Projects in progress</li> <li>Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>Review and recommend FY21 Budget</li> <li>Review and recommend FY21 Organizational Goals</li> <li>Executive Session</li> </ul>	No scheduled meeting								

• Post-Implementation Reviews every (15-18 months)



# **FY19 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.

#### Iftikhar Hussain, Chief Financial Officer (Executive Sponsor) STAFF:

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.

G	OALS	TIMELINE	METRICS		
1.	Review major capital projects	ajor capital projects Each regular meeting			
2.	Review two education topics: 1) Medicare Loss and 2) Inpatient and Outpatient Margins	Q1	Presentation at the July meeting COMPLETED		
3.	Post-Implementation review	Q2	Review results of major investments after their first year of implementation COMPLETED		
4.	Review the top three (3) service lines: 1) Heart & Vascular Institute (HVI), 2) Oncology, and 3) Behavioral Health Services (BHS)	- HVI (Q1) - Oncology (Q2) - BHS (Q3)	Presentations in September, November, and March. BHS moved to March from Jan to allow review of Ad Hoc Committee work. HVI follow up presented at the May meeting COMPLETED		

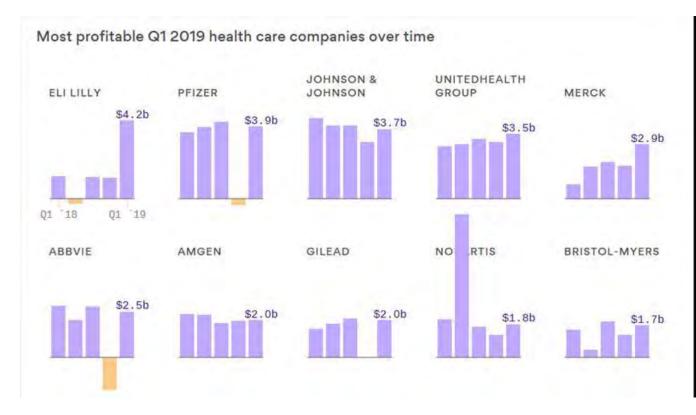
#### SUBMITTED BY:

Chair: John Zoglin **Executive Sponsor:** Iftikhar Hussain

Approved by the El Camino Hospital Board on June 13, 2018

## 1 big thing: Pricing power keeps pharma on top

#### AXIOS By <u>Caitlin Owens</u>



#### Data: Company filings; Chart: Naema Ahmed/Axios

A majority of the health care industry's profits in the first three months of 2019 went to the top 10 companies, and 9 of those 10 companies were pharmaceutical manufacturers, according to Axios' Bob Herman's <u>quarterly analysis</u> of industry financial reports.

**The bottom line:** <u>Quarter</u> after <u>quarter</u> after <u>quarter</u> shows drugmakers continue to wield the highest profit margins in the industry even though the political and public uproar over drug prices has somewhat dampened their stocks.

**Between the lines:** Nothing has fundamentally changed for drug companies even though the Trump administration is <u>tinkering with ideas</u> on how to <u>lower what people pay</u> for their prescriptions.

• Drug companies are charging more for their patent-protected medicines at prices that are well above what it costs to make them, and/or they are selling more of their drugs overall.

By the numbers: Investors have sourced a bit on health care, including pharma, but the numbers don't lie.

• 12 of the most profitable drug companies in Q1 collectively reported more than \$29 billion in profits.

• A dozen companies had net profit margins above 30% in the first quarter, 9 of which were pharma firms. Alexion Pharmaceuticals' margin was <u>52%</u>, one of the highest margins in the industry after accounting for odd, one-time items.

**Yes, but:** Our analysis does not include financial statements of not-for-profit hospitals, due to their protracted reporting patterns, and there are a lot more hospitals in the country than drug companies.

- Hospitals represent the largest share of health care spending, and an initial look at the not-forprofit systems' Q1 reports shows net income has been increasing.
- Negotiating power <u>over private health insurers</u> has allowed the dominant hospital systems to maintain or grow their wealth.



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

To: **Finance Committee** From: Cindy Murphy, Director of Governance Services Date: May 28, 2019 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 once and the District Board has met twice. However, District Board Actions were not available when this document was prepared. In addition, the Board has delegated certain authority to the Finance Committee, Compliance and Audit Committee and the Executive Compensation Committee. Going forward, those approvals will also be noted in this report.

#### A. **ECH Board Actions**

#### May 8, 2019

- Approved Resolution 2019-06 acknowledging the Stroke Team for receiving Thrombectomy Capable Stroke Center Designation from The Joint Commission \_
  - Elected Board Officers for Two-Year Term effective July 1, 2019
    - Lanhee Chen, Board Chair 0
    - o John Zoglin, Vice Chair
    - o Julia Miller Secretary/Treasurer
- Approved Revised Executive Incentive Plan Policy

#### B. **ECHD Board Actions**

May 20, 2019

May 21, 2019

#### C. **Finance Committee and Compliance and Audit Committee Actions**

Approved Annual Report of Physician Financial Arrangements

#### D. <u>Executive Compensation Committee Actions: None Since Last Meeting</u>

- 4. <u>Assessment</u>: N/A
- 5. <u>Other Reviews</u>: N/A
- 6. <u>Outcomes</u>: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None



Summary of Financial Operations

Fiscal Year 2019 – Period 10 7/1/2018 to 04/30/2019

# **Financial Overview**

#### Volume

### April

 Strong volume in April as measured by Adjusted Discharges (AD) were favorable to both budget by 3.4% (100 ADs) and prior year by 12.0% (331 ADs). High inpatient volume driven my General & Pulmonary, Oncology, and Orthopedics cases. High outpatient driven by Endoscopy, Interventional Bronchoscopy, Cardiac Interventional, Imaging (CT Scan), and Rehab Services.

#### Year to Date

- Favorable April volume improves the YTD 1.4% below budget (411 ADs) and favorable (61 ADs) compared to prior year.
- YTD inpatient volume is below budget by 3.4% (591 cases) driven by MCH (305 cases), Orthopedics/ Spine (218 cases), and HVI (118 cases).
- Outpatient volume is below budget by 0.8% (1,250 visits) driven by LG Infusion (954 visits) due to delay in start of the program originally expected to begin in January. Service will begin in October of FY20. MCH, and Behavioral Health visits continue to remain below budget.

#### **Financial Performance**

#### April

- Driven by favorable volumes, April Operating Income is favorable to budget by 72.4% (\$6.7M) driven by favorable Revenue 7.3% (\$5.9M) and favorable Operating Expense 1.2% (\$0.8M).

#### •Year to Date

- YTD Operating Income is favorable to budget by 22% (\$18.9M) driven by favorable Revenue 1.4% (\$10.6M) and favorable Operating Expense 1.2% (\$8.3M). Favorable revenue is due to \$4 million in unusual items and improvement to revenue cycle by lowering denials and underpayments.

#### **Payor Mix**

- YTD, Commercial is 2.3 percentage points unfavorable to budget primarily due to low MCH volume which is mainly commercial.

#### Cost

Prod FTEs were unfavorable to target for April by 1.3% and on target YTD.



## Dashboard - ECH combined as of April 30, 2019

Г		Month			YTD			
F	PY		ud/Target	Variance	PY		ud/Target	Varianc
				CY vs Bud				CY vs Bu
/olume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	226	265	254	11	242	242	246	(
Utilization MV	62%	72%	70%	2%	67%	67%	68%	-1
Utilization LG	28%	34%	30%	4%	30%	30%	30%	-1
Utilization Combined	51%	60%	57%	2%	55%	55%	56%	-1
Adjusted Discharges	2,817	3,171	3,043	128	29,832	29,913	30,150	(23
Total Discharges (Excl NNB)	1,576	1,786	1,739	47	16,984	16,637	17,227	(59
Inpatient Cases								
MS Discharges	1,093	1,284	1,234	50	11,926	11,717	12,141	(42
Deliveries	360	351	377	(26)	3,783	3,544	3,837	(29
BHS	88	108	93	15	914	955	887	e
Rehab	35	43	36	7	361	421	362	5
Outpatient Cases	12,038	13,113	12,693	420	124,538	124,727	125,973	(1,24
ED	3,942	4,182	4,185	(3)	41,366	40,176	40,695	(51
Procedural Cases								
OP Surg	373	407	413	(6)	3,905	4,131	4,136	
Endo	180	212	166	46	1,991	2,175	2,048	12
Interventional	165	206	159	47	1,753	1,833	1,797	3
All Other	7,378	8,106	7,771	335	75,523	76,412	77,298	(88
inancial Perf.		·						
Net Patient Revenues	67,804	84,825	77,889	6,936	738,063	773,064	755,537	17,52
Total Operating Revenue	69,537	86,887	81,011	5,875	761,864	795,463	784,864	10,59
Operating Expenses	64,428	70,839	71,703	(864)	650,715	690,878	699,146	(8,26
Operating Income \$	5,109	16,048	9,308	6,739	111,150	104,585	85,719	18,80
Operating Margin	7.3%	18.5%	11.5%	7.0%	14.6%	13.1%	10.9%	2.
EBIDA \$	9,875	20,541	15,113	5,428	157,079	151,155	134,761	16,39
EBIDA %	14.2%	23.6%	18.7%	5.0%	20.6%	19.0%	17.2%	1.
ayor Mix								
Medicare	49.7%	50.9%	46.7%	4.2%	47.6%	49.0%	46.7%	2.
Medi-Cal	6.9%	7.4%	8.1%	-0.6%	7.7%	8.1%	7.9%	0.
Commercial IP	21.5%	19.3%	22.1%	-2.8%	22.0%	20.0%	22.3%	-2.
Commercial OP	19.2%	19.7%	20.6%	-0.9%	20.1%	20.6%	20.5%	0.
Total Commercial	40.7%	39.0%	42.7%	-3.7%	42.1%	40.5%	42.8%	-2.
Other	2.7%	2.7%	2.6%	0.1%	2.5%	2.4%	2.6%	-0.
Cost								
Total FTE	2,586.6	2,755.8	2,745.2	11	2,579.6	2,669.0	2,699.5	(3
Productive Hrs/APD	32.2	2,755.8	2,745.2	(1)	30.2	30.6	2,099.5	(-
Balance Sheet	52.2	29.0	50.8	(1)	50.2	50.0	51.5	
Net Days in AR	50.7	48.9	48.0	1	50.7	48.9	48.0	0
Days Cash	505	505	449	56	505	505	449	
Affiliates - Net I				50				
	4,713	28,821	9,655	19,166	154,471	127,704	89,843	37,8
Concern	(66)		9,035	-	941	2,254	743	
ECSC	. ,	(50)	82 0	(132)	-	,	743	1,51
	(20)	(30)	-	(30)	(61)	(77)		(1)
Foundation	196	634	(42)	676	1,717	2,556	1,189	1,36
SVMD	494	(693)	45	(738)	840	2,483	(78)	2,5

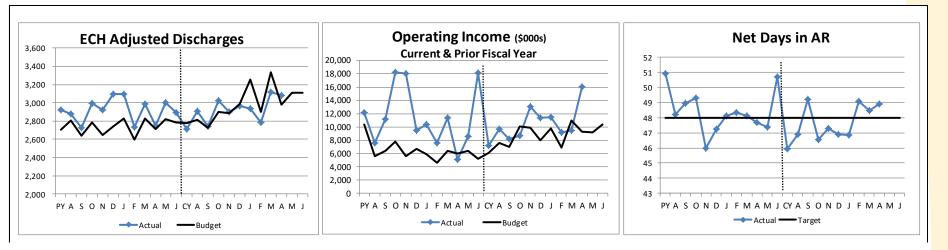
## El Camino Hospital (\$000s)

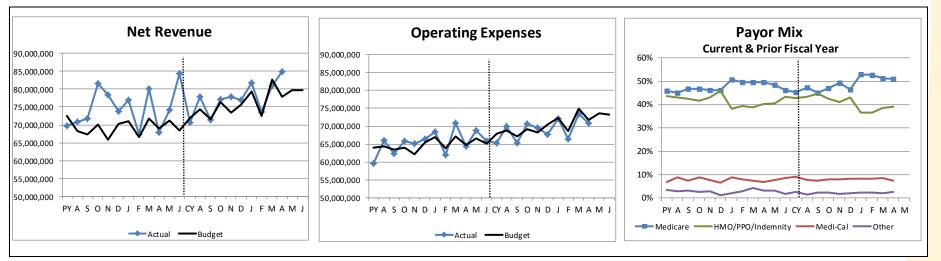
#### Period ending 04/30/2019

Period 10	Period 10	Period 10	Variance				YTD	YTD	Variance	
FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%	\$000s	FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%
					OPERATING REVENUE					
255,113	320,004	298,433	21,570	7.2%	Gross Revenue	2,749,518	2,928,013	2,936,156	(8,143)	(0.3%)
(187,308)	(235,179)	(220,544)	(14,634)	(6.6%)	Deductions	(2,011,455)	(2,154,949)	(2,180,620)	25,671	1.2%
67,804	84,825	77,889	6,936	8.9%	Net Patient Revenue	738,063	773,064	755,537	17,527	2.3%
1,732	2,062	3,122	(1,060)	(34.0%)	Other Operating Revenue	23,802	22,399	29,328	(6,929)	(23.6%)
69,537	86,887	81,011	5,875	7.3%	Total Operating Revenue	761,864	795,463	784,864	10,599	1.4%
					OPERATING EXPENSE					
38,208	43,339	42,808	(531)	(1.2%)	Salaries & Wages	391,777	418,518	422,575	4,057	1.0%
10,262	12,309	12,041	(269)	(2.2%)	Supplies	105,215	111,960	115,060	3,099	2.7%
8,924	8,611	8,634	23	0.3%	Fees & Purchased Services	84,895	89,571	88,269	(1,302)	(1.5%)
2,268	2,086	2,416	330	13.6%	Other Operating Expense	22,897	24,259	24,199	(59)	(0.2%)
567	141	1,425	1,284	90.1%	Interest	4,859	3,682	4,836	1,154	23.9%
 4,199	4,352	4,380	27	0.6%	Depreciation	41,070	42,888	44,206	1,318	3.0%
64,428	70,839	71,703	864	1.2%	Total Operating Expense	650,715	690,878	699,146	8,268	1.2%
 5,109	16,048	9,308	6,739	72.4%	Net Operating Income/(Loss)	111,150	104,585	85,719	18,866	22.0%
 (396)	12,773	346	12,427	3587.2%	Non Operating Income	43,322	23,119	4,124	18,995	460.6%
4,713	28,821	9,655	19,166	198.5%	Net Income(Loss)	154,471	127,704	89,843	37,861	<b>42.1%</b>
14.2%	23.6%	18.7%	5.0%		EBITDA	20.6%	19.0%	17.2%	1.8%	
7.3%	18.5%	11.5%	7.0%		Operating Margin	14.6%	13.1%	10.9%	2.2%	
6.8%	33.2%	11.9%	21.3%		Net Margin	20.3%	16.1%	11.4%	4.6%	



## **Monthly Financial Trends**





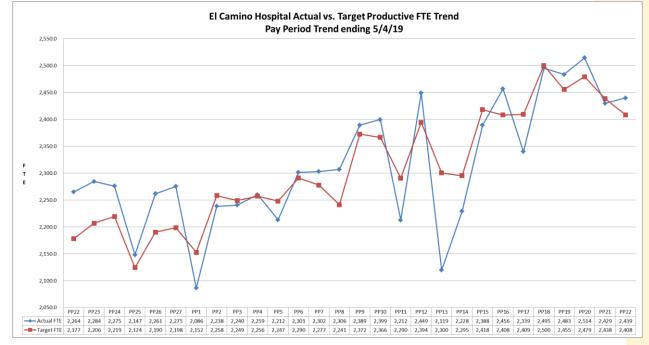


## **Productivity and Medicare Length of Stay**

At or below FTE target. YTD we are slightly worse than budget (adjusted for volume). Ramp up for SJMG/SVMD beginning in PP19.

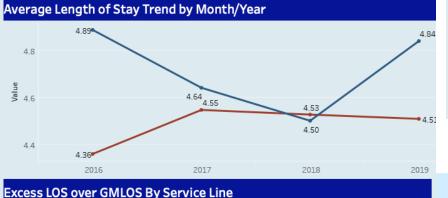
ALOS vs Milliman well-managed benchmark (red line). Fy 19 alos has increased due to long stay outlier cases and outcomes are improving in May

Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



#### Average Length of Stay Trend by Month/Year







6

## **ECH Operating Margin**

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



FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <unfav></unfav>											
Revenue Adjustments	J	А	S	0	Ν	D	J	F	М	А	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	137	443	516	129	129	129	1,904
IGT Supplemental	-	-	-	-	2,672	-	-	-	-	-	2,672
AB 915	-	-	2,875	-	-	-	-	-	-	-	2,875
RAC Release	-	-	161	-	-	(305)	-	(1,005)	-	-	(1,149)
Various Adjustments under \$250k	4	5	6	8	11	12	12	66	6	11	141
Total	145	116	3,137	84	2,820	150	528	(809)	135	140	6,445



## INVESTMENT SCORECARD AS OF MARCH 31, 2019

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark		Benchmark	FY19 Year End Budget	Expectation Per Asset Allocation
Investment Performance		1Q	2019	Fiscal Ye	ar-to-date	6y 5m Since Inception (annualized)			2018
Surplus cash balance*		\$999.8						\$891.1	
Surplus cash return		6.7%	6.7%	2.6%	2.6%	5.4%	5.2%	3.2%	5.3%
Cash balance plan balance (millions)		\$270.6						\$276.9	
Cash balance plan return		8.3%	7.7%	2.9%	2.7%	7.6%	6.8%	6.0%	5.7%
403(b) plan balance (millions)		\$496.8							
Risk vs. Return		3-յ	year				e Inception alized)		2018
Surplus cash Sharpe ratio		1.16	1.09			1.03	1.00		0.43
Net of fee return		6.9%	6.3%			5.4%	5.2%		5.3%
Standard deviation		4.8%	4.6%			4.7%	4.6%		6.7%
Cash balance Sharpe ratio		1.18	1.08			1.14	1.07		0.40
Net of fee return		8.3%	7.3%			7.6%	6.8%		5.7%
Standard deviation		6.0%	5.5%			6.1%	5.8%		8.1%
Asset Allocation		1Q	2019						
Surplus cash absolute variances to target		8.8%	< 10%						
Cash balance absolute variances to target		5.4%	< 10%						
Manager Compliance	Manager Compliance 1Q 2019								
Surplus cash manager flags		22	< 24 Green < 30 Yellow						
Cash balance plan manager flags		27	< 27 Green < 34 Yellow		-	-			

\*Excludes debt reserve funds (~\$105 mm), District assets (~\$38 mm), and balance sheet cash not in investable portfolio (~\$100 mm). Includes Foundation (~\$29 mm) and Concern (~\$14 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



## Capital Spend Trend & FY 19 Budget

	Actual	Actual	Actual	Projected	Budget
Capital Spending (in 000's)	FY2016	FY2017	FY2018	FY2019	2019
EPIC	20,798	2,755	1,114	-	-
IT Hardware / Software Equipment**	6,483	2,659	1,108	19,732	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	11,206	11,206
Non CIP Land, Land I, BLDG, Additions	4,189	-	2,070	-	-
Facilities	48,137	82,953	137,364	205,451	279,450
GRAND TOTAL	96,740	97,923	157,435	236,389	310,388
*Includes 2 robot purchases in FY2017					
**Includes ERP Implementation					

#### **Facilities**

- Projected facilities spend is lower than forecast in the budget primarily due to timing of project activity.
  - \$27M for iMOB
  - \$6M Patient Family Residence
  - \$5M Women's Hospital Expansion
  - \$3M Behavioral Health Hospital replacement



# Balance Sheet (in thousands)

#### ASSETS

Short Term Investments181Patient Accounts Receivable, net131Other Accounts and Notes Receivable2Intercompany Receivables3(1) Inventories and Prepaids82Total Current AssetsBOARD DESIGNATED ASSETSPlant & Equipment Fund166(2) Women's Hospital Expansion15(3) Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund26Malpractice Reserve Fund1	, 2019         June 30, 2018           8,424         118,992           1,751         150,664           1,653         124,427           2,453         3,402
Short Term Investments181Patient Accounts Receivable, net131Other Accounts and Notes Receivable2Intercompany Receivables3(1) Inventories and Prepaids82Total Current AssetsBOARD DESIGNATED ASSETSPlant & Equipment Fund166(2) Women's Hospital Expansion15(3) Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund26Malpractice Reserve Fund1	1,751 150,664 1,653 124,427
Patient Accounts Receivable, net       131         Other Accounts and Notes Receivable       2         Intercompany Receivables       3         (1) Inventories and Prepaids       82         Total Current Assets       510         BOARD DESIGNATED ASSETS       9         Plant & Equipment Fund       166         (2) Women's Hospital Expansion       15         (3) Operational Reserve Fund       139         Community Benefit Fund       17         Workers Compensation Reserve Fund       29         PTO Liability Fund       26         Malpractice Reserve Fund       1	1,653 124,427
Other Accounts and Notes Receivable       2         Intercompany Receivables       3         (1) Inventories and Prepaids       82         Total Current Assets       510         BOARD DESIGNATED ASSETS       9         Plant & Equipment Fund       166         (2) Women's Hospital Expansion       15         (3) Operational Reserve Fund       139         Community Benefit Fund       17         Workers Compensation Reserve Fund       21         Postretirement Health/Life Reserve Fund       29         PTO Liability Fund       26         Malpractice Reserve Fund       1	
Intercompany Receivables       3         (1) Inventories and Prepaids       82         Total Current Assets       510         BOARD DESIGNATED ASSETS       9         Plant & Equipment Fund       166         (2) Women's Hospital Expansion       15         (3) Operational Reserve Fund       139         Community Benefit Fund       17         Workers Compensation Reserve Fund       21         Postretirement Health/Life Reserve Fund       29         PTO Liability Fund       26         Malpractice Reserve Fund       1	2 453 2 402
(1) Inventories and Prepaids       82         Total Current Assets       510         BOARD DESIGNATED ASSETS       9         Plant & Equipment Fund       166         (2) Women's Hospital Expansion       15         (3) Operational Reserve Fund       139         Community Benefit Fund       17         Workers Compensation Reserve Fund       21         Postretirement Health/Life Reserve Fund       29         PTO Liability Fund       26         Malpractice Reserve Fund       1	2,402
Total Current Assets510BOARD DESIGNATED ASSETS Plant & Equipment Fund166(2) Women's Hospital Expansion15(3) Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	3,576 2,090
BOARD DESIGNATED ASSETSPlant & Equipment Fund166(2) Women's Hospital Expansion15(3) Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	2,581 75,594
Plant & Equipment Fund166(2)Women's Hospital Expansion15(3)Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	0,439 475,171
(2)Women's Hospital Expansion15(3)Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	
(3)Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	6,499 153,784
(3)Operational Reserve Fund139Community Benefit Fund17Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	5,472 9,298
Workers Compensation Reserve Fund21Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	9,057 127,908
Postretirement Health/Life Reserve Fund29PTO Liability Fund26Malpractice Reserve Fund1	7,988 18,675
PTO Liability Fund 26 Malpractice Reserve Fund 1	1,951 20,263
Malpractice Reserve Fund 1	9,712 29,212
	6,493 24,532
Catastrophic Posorivos Fund	1,831 1,831
Catastrophic Reserves Fullu 19	9,736 18,322
Total Board Designated Assets 438	8,740 403,826
(4) FUNDS HELD BY TRUSTEE 95	5,486 197,620
LONG TERM INVESTMENTS 347	7,954 345,684
INVESTMENTS IN AFFILIATES 37	7,203 32,412
PROPERTY AND EQUIPMENT	
Fixed Assets at Cost 1,298	8,184 1,261,854
Less: Accumulated Depreciation (612	2,062) (577,959)
Construction in Progress 354	4,962 220,991
Property, Plant & Equipment - Net 1,041	1,085 904,886
DEFERRED OUTFLOWS 20	
RESTRICTED ASSETS - CASH	0,676 21,177
TOTAL ASSETS 2,491	0,676 21,177 <u>0</u> 00

#### LIABILITIES AND FUND BALANCE

			Audited
	CURRENT LIABILITIES	April 30, 2019	June 30, 2018
(5)	Accounts Payable	38,924	49,925
	Salaries and Related Liabilities	21,708	26,727
	Accrued PTO	26,493	24,532
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	11,739	10,068
	Intercompany Payables	93	125
	Malpractice Reserves	1,831	1,831
(6)	Bonds Payable - Current	8,630	3,850
(7)	Bond Interest Payable	6,389	12,975
	Other Liabilities	8,436	8,909
	Total Current Liabilities	126,541	141,242
	LONG TERM LIABILITIES		
	Post Retirement Benefits	29,712	29,212
	Worker's Comp Reserve	19,651	17,963
	Other L/T Obligation (Asbestos)	3,955	3,859
	Other L/T Liabilities (IT/Medl Leases)	-	-
(8)	Bond Payable	509,738	517,781
	Total Long Term Liabilities	563,057	568,815
	DEFERRED REVENUE-UNRESTRICTED	610	528
	DEFERRED INFLOW OF RESOURCES	22,835	22,835
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,339,799	1,243,529
	Board Designated	438,740	403,825
	Restricted	0	0
(9)	Total Fund Bal & Capital Accts	1,778,538	1,647,355
	TOTAL LIABILITIES AND FUND BALANCE	2,491,582	2,380,776



#### April 2019 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.
- (2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.
- (3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.
- (4) Decrease is due to draws from the 2015A/2017 Bond Project funds for the on-going IMOB and BHS construction and semi-annual 2015/2017 bond payment
- (5) Decrease is due to the yearend accruals that were paid out in July and August.
- (6) The increase is due to recognition of the first 2017 principal bond payment that will be in February 2020.
- (7) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in February.
- (8) Decrease is due to the establishment of FY2020 2015A and 2017 Bond Principal Payable moving to current bond payables.
- (9) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.



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# APPENDIX



## Non Operating Items and Net Income by Affiliate \$ in thousands

	Period 10 - Month Period 10					d 10 - FYTD	
	Actual	Budget	Variance	Actual	Budget	Variance	
El Camino Hospital Income (Loss) from Operations							
Mountain View	12,756	7,461	5,295	93,286	67,121	26,165	
Los Gatos	3,292	1,848	1,444	11,299	18,597	(7,299)	
Sub Total - El Camino Hospital, excl. Afflilates	16,048	9,308	6,739	104,585	85,719	18,866	
Operating Margin %	18.5%	11.5%		13.1%	10.9%		
El Camino Hospital Non Operating Income							
Investments <sup>2</sup>	15,117	2,368	12,749	39,051	24,337	14,714	
Swap Adjustments	(1,369)	(100)	(1,269)	(1,126)	(1,000)	(126)	
Community Benefit	(32)	(300)	268	(3,659)	(3,000)	(659)	
Pathways	177	0	177	(1,065)	0	(1,065)	
Satellite Dialysis	128	(25)	153	542	(250)	792	
Community Connect	0	(53)	53	0	(530)	530	
SVMD Funding <sup>1</sup>	(1,042)	(1,219)	177	(8,033)	(12,190)	4,158	
Other	(206)	(324)	118	(2,710)	(3,242)	532	
Sub Total - Non Operating Income	12,773	346	12,427	23,119	4,124	18,995	
El Camino Hospital Net Income (Loss)	28,821	9,655	19,166	127,704	89,843	37,861	
ECH Net Margin %	33.2%	11.9%		16.1%	11.4%		
Concern	(50)	82	(132)	2,254	743	1,511	
ECSC	(30)	0	(30)	(77)	0	(77)	
Foundation	634	(42)	676	2,556	1,189	1,366	
Silicon Valley Medical Development	(693)	45	(738)	2,483	(78)	2,561	
Net Income Hospital Affiliates	(139)	85	(224)	7,215	1,854	5,361	
Total Net Income Hospital & Affiliates	28,682	9,740	18,943	134,919	91,697	43,222	

<sup>1</sup>Favorable variances for SVMD and Community Connect are due to delayed implementation

<sup>2</sup>Equity markets experienced a massive selloff during October, and volatility is continuing

## El Camino Hospital

## Capital Spending (in millions)

CIP	Category ERP Upgrade	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active 9.6	Spent from Inception 4.6	FY19 Budget 9.6	FY 19 YTD Spent 4.6
	, Software, Equipm	ent & Imaaina			9.0 10.1	4.8	9.0	4.0
	lon Medical Equipn				5.6	10.1	0.0	4.1
	lon Medical Equipn				11.2	8.2	11.2	8.2
Facility Proje					11.2	0.2	11.2	0.2
,		1245 Behavioral Health Bldg	FY16	96.1	96.1	71.3	45.0	25.3
		1413 North Drive Parking Expansion	FY15	24.5	24.5	24.4	45.0	0.2
		- · ·	FY15	302.1	302.1	215.4	150.0	94.9
		1414 Integrated MOB 1422 CUP Upgrade	FY15 FY16	9.0	302.1 9.0	8.4	0.8	0.8
		1422 COP Opgrade 1430 Women's Hospital Expansion	FY16 FY16	9.0 135.0	9.0 135.0	6.2	10.0	2.9
		Demo Old Main & Related Site Work	F110	30.0	30.0	0.2	2.0	0.0
		1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0
		1525 New Main Lab Upgrades	1110	3.1	3.1	2.7	0.3	0.5
		1515 ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.0
		1503 Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0
		1602 JW House (Patient Family Residence)		6.5	6.5	0.4	6.0	0.1
		Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.0
		Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.0
		1707 Imaging Equipment Replacement ( 5 or	6 rooms)	20.7	0.3	0.0	6.0	0.0
		1708 IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	0.9
		1804 SVMD Clinic @ North First Street		8.0	8.0	0.0	0.0	0.0
		Flooring Replacement		1.6	1.6	0.0	1.5	0.4
		1219 LG Spine OR	FY13	0.0	0.0	4.0	0.0	0.2
		1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0
		1248 LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.1
		1307 LG Upgrades	FY13	19.3	19.3	18.8	0.8	1.0
		1507 LG IR Upgrades		1.3	0.0	0.0	1.3	0.0
		1603 LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0
		1711 Emergency Sanitary & Water Storage		1.5	1.5	0.3	1.3	0.1
		LG Modular MRI & Awning		3.9	3.9	0.4	3.5	0.3
		LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.0
		LG Observation Unit (Conversion of ICU	J 2)	0.0	0.0	0.0	0.0	0.0
		1712 LG Cancer Center		5.0	5.0	1.4	4.8	1.2
Workstation Inventory Replacement				2.0	2.0	0.0	0.0	0.0
Primary Care Clinic Development (2 @ \$3 Milli			\$3 Million Ea		6.0	0.0	5.0	0.0
		Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	0.0
		Willow SC Upgrades (35,000 @ \$50)		1.8	1.8	0.0	1.8	0.0
		New 28k MOB (Courthouse Prop)		22.4 4.5	22.4 4.5	0.0 0.0	1.2 0.0	0.0 0.0
		80 Great Oaks Upgrades Primary Care Clinic (TI's Only) FY 17 (82	9 Winchosto		4.5	0.0	0.0	0.0
		All Other Projects	o wincheste	3.6 9.2	3.6 8.6	118.4	7.8	2.9
				765.8	738.3	493.2	279.5	132.1
GRAND TOT	AL			, 03.0	769.2	520.4	Cam 300.8	HOS 153.3

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

**Plant & Equipment Fund** – original established by the District Board in the early 1960's to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District's Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.

Women's Hospital Expansion – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women's Hospital upon the completion of Integrated Medical Office Building currently under construction. At the end of fiscal year 2018 another #6.2 million was added to this fund.

- **Operational Reserve Fund** originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on the current projected budget) and only be used in the event of a major business interruption event and/or cash flow.
- **Community Benefit Fund** following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn't granted tax exempt status), that generates an amount of \$500,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, in fiscal yar it generated over \$1.1 million of investment income for the program.



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

Workers Compensation Reserve Fund – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.

**Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.

**PTO (Paid Time Off) Liability Fund** – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.

Malpractice Reserve Fund – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.

**Catastrophic Loss Fund** – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.



## **El Camino Hospital Volume Annual Trends**

0	<b>.</b>											MONTH		PROCED	URAL?	FACIL		LEVEL OF I	DETAIL
	VOLUME BY	SERVICE	LINE								10	)-Apr	• (A	1)	-	(AII)		Service Line	
2				ANNUAL 1	REND			FY19 Bud v	rs FY18			MONTH					YEAR		
		2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY
	Behavioral Health	1,012	1,052	928	924	1,098	1,062	-36	-3.2%	88	108	93	15	20	914	955	887	68	
	General Medicine &	4,165	4,592	4,459	4,961	5,285	5,325	40	0.8%	416	503	441	62	87	4,477	4,274	4,413	-139	
	General Surgery	1,243	1,150	1,311	1,318	1,305	1,344	39	3.0%	84	122	106	16	38	1,055	1,160	1,097	63	
	GYN	390	313	293	270	243	255	12	4.9%	17	22	31	-9	5	208	195	214	-19	
	Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,445	73	3.1%	186	208	234	-26	22	1,978	1,889	2,008	-119	
	MCH	6,695	6,371	5,953	5,822	5,718	5,764	46	0.8%	458	449	477	-28	-9	4,754	4,485	4,789	-304	
	Neurosciences	667	672	677	688	870	907	37	4.3%	68	60	59	1	-8	731	719	750	-31	
	Oncology	606	564	652	594	632	726	94	14.9%	46	82	69	13	36	536	612	589	23	
	Orthopedics	1,695	1,773	1,746	1,690	1,705	1,819	114	6.7%	127	144	129	15	17	1,437	1,411	1,521	-110	
	Rehab Services	547	555	500	461	441	436	-5	-1.1%	35	43	36	7	8	361	421	362	59	
	Spine Surgery	377	429	417	474	375	465	90	24.0%	34	22	40	-18	-12	329	271	379	-108	
	Urology	172	169	234	257	255	274	19	7.4%	17	23	25	-2	6	204	245	219	26	
	Total	19,428	19,638	19,171	19,662	20,299	20,823	524	2.6%	1,576	1,786	1,739	47	210	16,984	16,637	17,227	-590	
þ	Behavioral Health	910	886	2,394	3,260	3,151	3,417	266	8.4%	258	235	268	-33	-23	2,671	2,273	2,775	-502	
	Dialysis	1,059	155	6			0					0					0		
	Emergency	46,006	49,091	48,590	48,625	49,412	49,122	-290	-0.6%	3,942	4,182	4,185	-3	240	41,366	40,176	40,695	-519	-
	General Medicine &	6,637	6,620	7,195	7,129	7,265	7,457	192	2.6%	558	740	591	149	182	5,978	6,662	6,200	462	
	General Surgery	1,837	1,853	1,797	1,836	2,003	2,068	65	3.2%	157	141	171	-30	-16	1,654	1,615	1,702	-87	
	GYN	1,220	1,308	1,018	1,081	1,099	1,171	72	6.6%	90	123	111	12	33	932	1,163	966	197	
	Heart and Vascular	2,570	2,712	3,795	4,361	4,364	4,410	46	1.1%	359	408	357	51	49	3,578	3,851	3,671	180	
	Imaging Services	19,546	20,072	17,807	17,249	18,503	18,744	241	1.3%	1,525	1,576	1,509	67	51	15,291	15,813	15,411	402	
	Laboratory Services	30,599	29,726	29,007	29,153	28,565	29,071	506	1.8%	2,292	2,374	2,272	102	82	23,997	22,825	24,005	-1,180	-
	MCH	5,034	4,826	5,092	5,576	5,643	5,928	285	5.1%	483	494	478	16	11	4,717	4,503	4,878	-375	
	Neurosciences	110	61	127	125	114	155	41	36.0%	11	4	10	-6	-7	98	69	136	-67	
	Oncology	4,015	4,179	14,329	18,540	19,276	22,037	2,761	14.3%	1,544	1,866	1,915	-49	322	15,996	17,009	17,423	-414	
	Orthopedics	866	776	584	615	641	714	73	11.4%	54	71	51	20	17	508	615	604	11	
	Outpatient Clinics	1,817	1,705	1,680	1,288	1,883	1,517	-366	-19.4%	127	109	126	-17	-18	1,584	1,365	1,261	104	
	Rehab Services	1,731	1,747	3,954	4,518	4,925	4,900	-25	-0.5%	422	539	423	116	117	4,050	4,569	3,999	570	
	Sleep Center	160	223	498	368	242	300	58	24.0%	27	30	25	5	3	169	273	248	25	
	Spine Surgery	325	399	309	324	311	326	15	4.8%	27	23	33	-10	-4	259	236	277	-41	
	Urology	1,755	1,771	1,739	1,898	2,053	2,058	5	0.2%	162	198	169	29	36	1.690	1,710	1,723	-13	
	Total	126,197	128,110	139.921	145,946	149.450	153,395	3.945	2.6%	12.038	13.113	12.693	420	1.075	124,538	124,727	125,973	-1.246	

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

#### Period ending 04/30/2019

Period 10	Period 10	Period 10	Variance			YTD	YTD	YTD	Variance	
FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%	\$000s	FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%
					OPERATING REVENUE					
208,733	261,473	242,753	18,720	7.7%	Gross Revenue	2,255,835	2,405,373	2,386,438	18,935	0.8%
(153,115)	(192,571)	(179,589)	(12,982)	(7.2%)	Deductions	(1,647,073)	(1,768,441)	(1,775,965)	7,524	0.4%
55,618	68,902	63,164	5,738	9.1%	Net Patient Revenue	608,762	636,932	610,473	26,459	4.3%
1,511	1,677	2,882	(1,205)	(41.8%)	Other Operating Revenue	21,988	19,286	26,929	(7,643)	(28.4%)
57,130	70,579	66,046	4,533	6.9%	Total Operating Revenue	630,749	656,218	637,402	18,816	3.0%
					OPERATING EXPENSE					
31,710	36,068	35,684	(384)	(1.1%)	Salaries & Wages	326,053	348,766	352,263	3,497	1.0%
8,704	10,219	9,635	(584)	(6.1%)	Supplies	85,714	91,492	92,747	1,256	1.4%
7,584	7,244	7,304	60	0.8%	Fees & Purchased Services	71,576	75,158	74,818	(340)	(0.5%)
749	616	894	278	31.1%	Other Operating Expense	7,305	8,649	8,825	176	2.0%
567	141	1,425	1,284	90.1%	Interest	4,859	3,682	4,836	1,154	23.9%
3,507	3,535	3,644	109	3.0%	Depreciation	34,970	35,185	36,791	1,606	4.4%
52,819	57,823	58,586	763	1.3%	Total Operating Expense	530,477	562,931	570,280	7,349	1.3%
4,311	12,756	7,461	5,295	71.0%	Net Operating Income/(Loss)	100,272	93,286	67,121	26,165	39.0%
(396)	12,773	346	12,427	3587.2%	Non Operating Income	43,366	23,119	4,124	18,995	460.6%
3,914	25,529	7,807	17,722	227.0%	Net Income(Loss)	143,638	116,406	71,246	45,160	63.4%
14.7%	23.3%	19.0%	4.3%		EBITDA	22.2%	20.1%	17.1%	3.1%	
7.5%	18.1%	11.3%	6.8%		<b>Operating Margin</b>	15.9%	14.2%	10.5%	3.7%	
6.9%	36.2%	11.8%	24.4%		Net Margin	22.8%	17.7%	11.2%	6.6%	



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

#### Period ending 04/30/2019

Period 10	Period 10	Period 10	Variance			YTD	YTD	YTD	Variance	
FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var% \$000s		FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%
					OPERATING REVENUE					
46,379	58,531	55,680	2,851	5.1%	Gross Revenue	493,683	522,640	549,719	<b>(A)</b> (27,079)	(4.9%)
(34,193)	(42,608)	(40,955)	(1,653)	(4.0%)	Deductions	(364,382)	(386,508)	(404,655)	18,147	4.5%
12,186	15,923	14,725	1,198	8.1%	Net Patient Revenue	129,301	136,132	145,064	<b>(B)</b> (8,932)	(6.2%)
221	385	240	145	60.4%	Other Operating Revenue	1,814	3,113	2,399	714	29.8%
12,407	16,308	14,965	1,342	9.0%	Total Operating Revenue	131,115	139,245	147,463	(8,217)	(5.6%)
					OPERATING EXPENSE					
6,498	7,271	7,124	(147)	(2.1%)	Salaries & Wages	65,724	69,752	70,312	560	0.8%
1,558	2,090	2,406	315	13.1%	Supplies	19,501	20,469	22,313	1,844	8.3%
1,340	1,367	1,330	(37)	(2.8%)	Fees & Purchased Services	13,319	14,413	13,451	<b>(C)</b> (962)	(7.2%)
1,520	1,470	1,522	51	3.4%	Other Operating Expense	15,592	15,609	15,375	(235)	(1.5%)
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
692	817	736	(81)	(11.0%)	Depreciation	6,100	7,703	7,415	(288)	(3.9%)
11,609	13,016	13,117	101	0.8%	Total Operating Expense	120,237	127,947	128,865	919	0.7%
799	3,292	1,848	1,444	78.1%	Net Operating Income/(Loss)	10,878	11,299	18,597	(7,299)	(39.2%)
0	0	0	0	0.0%	Non Operating Income	(45)	0	0	0	0.0%
799	3,292	1,848	1,444	78.1%	Net Income(Loss)	10,833	11,299	18,597	(7,299)	(39.2%)
12.0%	25.2%	17.3%	7.9%		EBITDA	12.9%	13.6%	17.6%	(4.0%)	
6.4%	20.2%	12.3%	7.8%		Operating Margin	8.3%	8.1%	12.6%	(4.5%)	
6.4%	20.2%	12.3%	7.8%		Net Margin	8.3%	8.1%	12.6%	(4.5%)	
<ul> <li>Gen</li> <li>OP</li> <li>Orther</li> </ul>	1,340       1,367       1,330       (37)       (2.8%)         1,520       1,470       1,522       51       3.4%         0       0       0       0       0.0%         692       817       736       (81)       (11.0%)         1,609       13,016       13,117       101       0.8%         799       3,292       1,848       1,444       78.1%         0       0       0       0       0.0%         799       3,292       1,848       1,444       78.1%         12.0%       25.2%       17.3%       7.9%         6.4%       20.2%       12.3%       7.8%         April Gross Revenue driven by:       •       General Surgery       \$2.4M         •       OP Urology       \$1.3M         •       OP Urology       \$1.3M         •       Op General Med       \$0.8M				<ul> <li>YTD April</li> <li>Ortho/Spine Volume</li> <li>Infusion Delay</li> <li>MCH Volume</li> <li>OP Gen Med (Endo/flip)</li> <li>General Surg (Robotic)</li> </ul>		5M 0M 2M	<u>Net Pt Rever</u> -\$6.5M -\$3.6M -\$0.9M +\$1.4M +\$1.1M <b>(E</b>		ng Exp
•		u			<ul> <li>(C) • Purchased Services</li> <li>• PS -TJC related facil</li> </ul>	(PS) due to h	nigher rehab	volume	-	50K 25K



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

Category	2014	2015	2016	2017	2018	Category	2014	2015	2016	2017	2018
EPIC	6,838	29,849	20,798	2,755	1,114	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	2,788	4,660	6,483	2,659	1,108	1415 - Signage & Wayfinding	-	-	106	58	136
Medical/Non Medical Equipment	12,891	13,340	17,133	9,556	15,780	1416 - MV Campus Digital Directories	-	-	34	23	95
Non CIP Land, Land I, BLDG, Additions	22,292	-	4,189	-	2,070	1423 - MV MOB TI Allowance	-	-	588	369	-
	•					1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
Facilities Projects CIP						1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
Mountain View Campus Master Plan Projects						1430 - Women's Hospital Expansion	-	-	-	464	2,763
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676	1432 - 205 South Dr BHS TI	-	8	15	-	52
1413 - North Drive Parking Structure Exp		167	1,266	18,120	4,670	1501 - Women's Hospital NPC Comp	-	4	-	223	320
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319	1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
1422 - CUP Upgrade	-	-	896	1,245	5,428	1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
Sub-Total Mountain View Campus Master Plan		5,950	12,426	62,493	114,093	1504 - Equipment Support Infrastructure	-	61	311	-	60
	1,237	3,550	12,420	02,433	114,055	1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
Mountain View Capital Projects						1525 - New Main Lab Upgrades	-	-	- 37	464 99	1,739 10
9900 - Unassigned Costs	470	3,717	-	-	-	1526 - CONCERN TI Sub-Total Mountain View Projects	- 7,219	- 26,744	57 5,588	5,535	7,948
0906 - Slot Build-Out	1,576	15,101	1,251	294	-	•	7,219	20,744	3,300	5,555	7,940
1109 - New Main Upgrades	393	2	-	-	-	Los Gatos Capital Projects					
1111 - Mom/Baby Overflow	29	-	-	-	-	0904 - LG Facilities Upgrade	-	-	-	-	-
1204 - Elevator Upgrades	30	-	-	-	-	0907 - LG Imaging Masterplan	774	1,402	17	-	-
0800 - Womens L&D Expansion	1,531	269	-	-	-	1210 - Los Gatos VOIP	89	-	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-	1116 - LG Ortho Pavillion	24	21	-	-	-
1227 - New Main eICU	21	-	-	-	-	1124 - LG Rehab BLDG	458	-	-	-	-
1230 - Fog Shop	80	-	-	-	-	1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1315 - 205 So. Drive TI's	500	2	-	-	-	1308 - LG Infrastructure	114	-	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961	1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1125 - Will Pav Fire Sprinkler	39	-	-	-	-	1219 - LG Spine OR	214	323	633	2,163	447
1216 - New Main Process Imp Office	1	16	-	-	-	1221 - LG Kitchen Refrig 1248 - LG - CT Upgrades	85 26	- 345	- 197	- 6,669	- 1,673
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-	1248 - LG Mobile Imaging	146	- 545	197	0,009	1,075
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-	1328 - LG Ortho Canopy FY14	255	- 209	_		
1301 - Desktop Virtual	13	-	-	-	-	1345 - LG Lab HVAC	112	-	_	_	
1304 - Rehab Wander Mgmt	87	-	-	-	-	1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1310 - Melchor Cancer Center Expansion	44	13	-	-	-	1347 - LG Central Sterile Upgrades	-	181	43	66	_
1318 - Women's Hospital TI	48	48	29	2	-	1421 - LG MOB Improvements	-	198	65	303	356
1327 - Rehab Building Upgrades	-	15	20	-	22	1508 - LG NICU 4 Bed Expansion	-	-	-	207	-
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-	1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1340 - New Main ED Exam Room TVs	8	193	-	-	-	1603 - LG MOB Improvements	-	-	-	285	4,593
1341 - New Main Admin	32	103	-	-	-	Sub-Total Los Gatos Projects	5,276	6,246	6,116	14,780	12 <mark>,306</mark>
1344 - New Main AV Upgrd	243	-	-	-	-	1550 - Land Acquisition	-	·	24,007	-	Í.
1400 - Oak Pav Cancer Center	-	5,208	666	52	156	1701 - 828 S Winchester Clinic Tl	-	-	- 24,007	- 145	3,018
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-	Sub-Total Other Strategic Projects	-	-	24,007	143 145	3,018 3,018
1404 - Park Pav HVAC	64	7	-	-	-			-	27,007	145	3,010
1405 - 1 - South Accessibility Upgrades	-	-	168	95	-	Subtotal Facilities Projects CIP	13,753	38,940	48,137	82,953	<mark>137,364</mark>
1408 - New Main Accessibility Upgrades	-	7	46	501	12	Grand Total	58,561	86,789	96,740	97 972	157,435
THO MEM Main Accessionity ObErades	-	,	40	501	12		30,301	00,789	50,740	51,525	157,455





# El Camino Hospital and Affiliates FY2020 Operating & Capital Budget – Open Session El Camino Hospital Board

May 28, 2019 Dan Woods, CEO Iftikhar Hussain, CFO Jim Griffith, COO

# Contents

- Strategic Guidance
- Operating Budget
  - Investments with significant financial impact
  - Key drivers & assumptions
  - Volume
  - Consolidated hospital and affiliates
  - Hospital
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- Capital Budget
- Appendix
  - Affiliates
  - Capital budget detail



# **Strategy to Guide the Budget**

**Aligning Effort to Achieve ECH's Vision** 







# **FY20 Operating Budget**



## FY2020 Investments with Significant Financial Impacts

Investments	Description	Comments				
Sobrato Pavilion		<ul> <li>Expected opening Dec 1, 2019</li> <li>Activation costs, additional depreciation</li> </ul>				
Program Changes	Behavioral Health Building	<ul> <li>Expected opening Oct 1, 2019.</li> <li>Increased inpatient psychiatry capacity. Activation costs, additional depreciation.</li> </ul>				
	LG Outpatient Infusion Center	Expected Oct 1, 2019				
Growth/Volume Driven	Service Line Growth	<ul> <li>MV Oncology</li> <li>Ortho/Spine</li> <li>Rehab Services</li> <li>HVI</li> <li>Lung Nodule Program</li> <li>Interventional Gastro</li> <li>Robotic Bronchoscopy</li> <li>Thoracic Oncology</li> </ul>				
Strategic/ Innovation	Quality	<ul> <li>Additional focus on sepsis program to improve diagnosis capabilities and reduce LOS</li> <li>Invest in HRO Culture of Safety</li> <li>Develop pre anesthesia clinic</li> </ul>				
	Patient Flow/Capacity Management	<ul><li>Capacity Management Center</li><li>Expansion of centralized monitoring</li></ul>				



## **FY2020 Budget Drivers and Assumptions**

Category	Item Description	Assumptions	Comments
Growth	Service Line Growth <ul><li>Inpatient</li><li>Outpatient</li></ul>	<ul><li>3.8%</li><li>5.2%</li></ul>	Based on service line plans & strategic programs
Revenue	Reimbursement increase	3% for HMO/PPO payer, 1% for Gov't. Overall 2.6%	Affordability - to remain mid- market and promote volume growth
	Wages and benefits	3.0%	Based on CPI of 1.9% and high local cost of living
Inflation	Pharmacy	4.0%	From our GPO Premier. Includes inflation and utilization of lower cost alternatives
	Supplies	3.0%	Expected inflation from Premier
Investments	Return on investment portfolio	4%	Target based on asset allocation
ALOS	Reduce Medicare loss by reducing ALOS	Maintain Milliman Well- Managed benchmark	Key lever in managing Medicare loss



### **FY2020 Volume Summary – Inpatient**

- Overall +745 cases or <u>3.8%</u> growth
- Service Line Growth
  - Opening of Taube Pavilion Mental Health & Addiction Services Building
    - +281 admissions, 25% increase
  - Orthopedics
    - +107 cases, 6.6% increase
    - Orthopedic Robot in Mountain View and increased volume from identified surgeons
  - Acute Rehabilitation Services at Los Gatos
    - +96 admissions, 19.6% increase
  - Spine Surgery
    - +45 cases, 14.2% increase
    - Ramp up of identified surgeons
  - Maternal Child Health (MCH)
    - +46 additional deliveries and associated volumes



#### **FY2020 Volume Summary - Outpatient**

- Overall +7,812 visits or 5.2% growth
- Service Line Growth
  - Oncology +4,712 visits, 23.2% increase
    - Opening of Los Gatos Infusion Center in October 2019, +3,052 visits.
    - Mountain View increase in hours of operation & MD recruitment, +1,660 visits.
  - Behavioral Health +372 visits, 13.3% increase
    - Enhanced MD coverage and additional partial hospitalizations
    - Add Addiction track for adolescents to existing Aspire program
    - Addiction Program extension to 40 weeks
  - General Medicine procedural volume, +538 cases, 7.4% increase
    - Additional endoscopies at Mountain View & Los Gatos
    - Additional pulmonary function and bronchoscopy volume from lung program
    - Additional Interventional Gastroenterology volume from new program at Los Gatos
  - Imaging Services +260 visits, 1.3% increase
    - New MRI at Los Gatos and additional volume from lung nodule program, electrophysiology (EP) studies, and gastroenterology.
  - Maternal Child Health +194 visits, 3.6% increase
    - Outpatient volumes generated from additional deliveries



## FY2020 – Proposed Hospital & Affiliate Consolidated Budget P&L

\$000s	2016	2017	2018	2019Ann	2020 Bud	Percent Change
OPERATING REVENUE						
Gross Revenue	2,755,722,169	3,020,407,891	3,298,115,282	3,489,070,086	3,858,733,551	10.6%
Deductions	(1,983,548,835)	(2,187,761,179)	(2,404,362,165)	(2,567,475,047)	(2,845,880,772)	10.8%
 Net Patient Revenue	772,173,333	832,646,712	893,753,117	921,595,040	1,012,852,779	9.9%
Other Operating Revenue	39,406,784	42,909,648	45,060,246	40,759,294	45,320,459	11.2%
Total Operating Revenue	811,580,117	875,556,360	938,813,363	962,354,333	1,058,173,238	10.0%
	28.0%	27.6%	27.1%	26.4%	26.2%	
OPERATING EXPENSE						
Salaries & Wages	443,258,272	453,364,844	472,748,025	507,873,416	557,623,143	9.8%
Supplies	118,183,227	121,980,344	128,106,815	133,511,459	146,762,816	9.9%
Fees & Purchased Services	82,065,587	88,723,794	90,789,148	94,984,770	127,162,754	33.9%
Other Operating Expense	61,207,687	51,799,644	59,802,284	61,753,442	76,428,694	23.8%
Interest	7,193,382	1,709,428	5,227,159	4,720,770	11,939,128	152.9%
Depreciation	48,803,363	47,969,821	49,711,649	51,956,931	59,462,720	14.4%
Total Operating Expense	760,711,517	765,547,875	806,385,079	854,800,788	979,379,255	14.6%
Net Operating Income/(Loss)	50,868,600	110,008,485	132,428,284	107,553,545	18,193,982	-26.7%
Non Operating Income	(5,146,989)	63,647,753	64,663,611	34,095,343	38,195,902	12.0%
Net Income(Loss)	45,721,611	173,656,238	197,091,895	141,648,888	116,989,884	-17.4%
EBITDA	13.2%	18.2%	20.0%	17.1%	14.2%	
<b>Operating Margin</b>	6.3%	12.6%	14.1%	11.2%	7.4%	
Net Margin	5.6%	19.8%	21.0%	14.7%	11.1%	

Change in Operating Margin from FY2019 to FY2020:

Hospital

Concern

SVMD

2019 Operating Income

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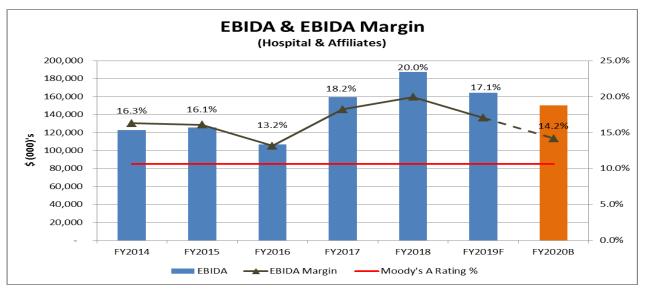
- (8.1M) \$13M Depreciation and Interest expense offset by growth
- (18.2M) Ambulatory Expansion
- (1.7M) Loss of major account
- Other

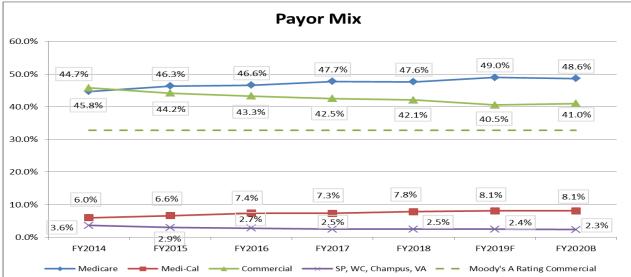
(0.8M)



2020 Budget Operating Income \$78.8M

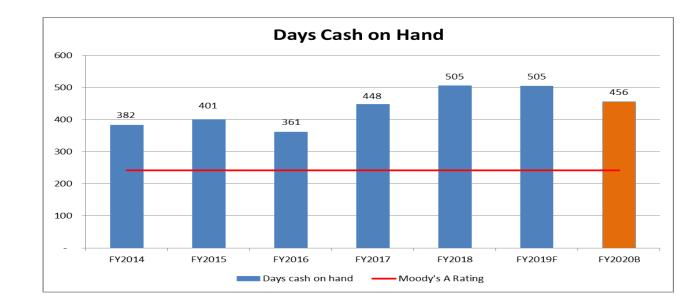
#### **Key Financial Metrics**

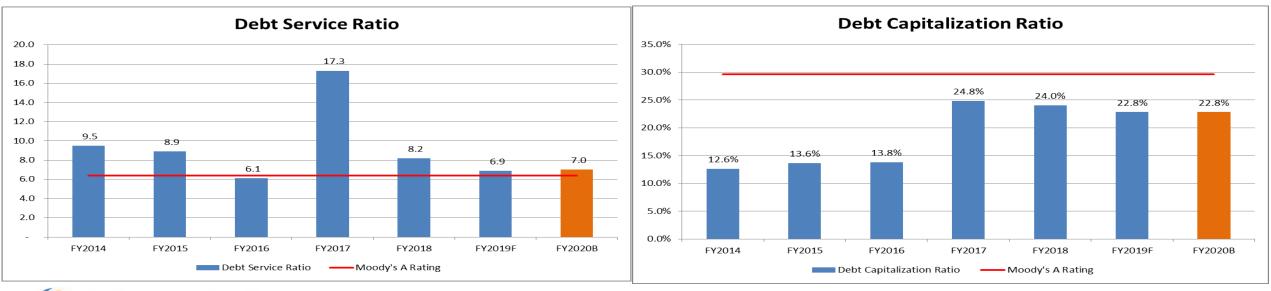




# **Key Financial Metrics**

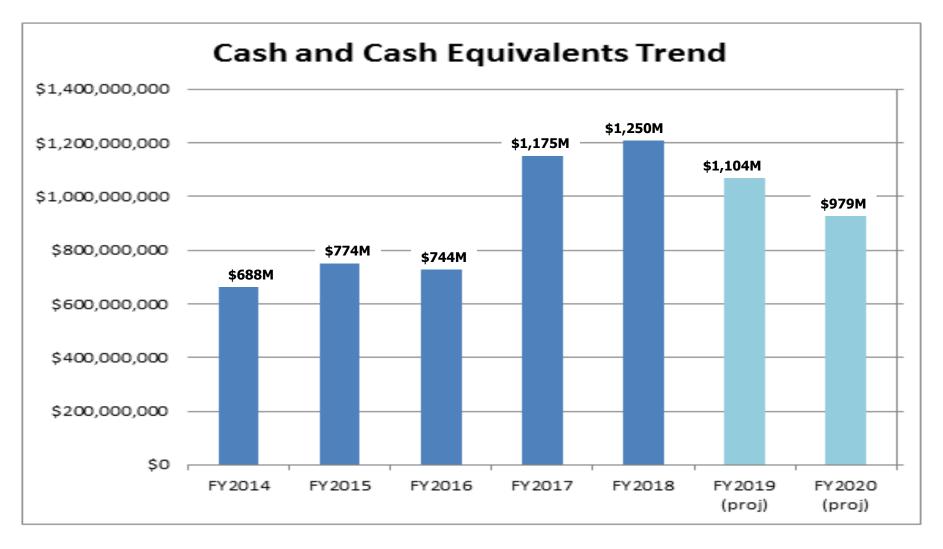
- Payer mix trend shows growth in Medicare and Medi-Cal
- FY 20 growth plans to provide the commercial volume to stabilize the payer mix





🜔 El Camino Health

#### FY 2020 Budget





## FY 2020 Budget

#### Sources and Uses Statement - FY 2020 Forecast (000s)

EL Camino Health (Excl. District)

Sources of Cash	
Cash From Operations:	
Mountain View Hospital	137,299
Los Gatos Hospital	29,832
SVMD	(26,142
Other	(2,732
Cash from Non-Ops	38,196
TOTAL SOURCES OF CASH	176,453
Uses of Cash	
Facility Capital	268,937
Other Capital	24,000
Bond Principal	8,630
TOTAL USES OF CASH	301,567
Beginning Cash and Cash Equivalents	1,104,004
Total Sources of Cash	176,453
Total Uses of Cash	(301,567
Ending Cash and Cash Equivalents	978,890



#### **Hospital P&L – Revenue Highlights**

- Revenue
  - Net Patient Revenue increasing <u>4.7%</u> or <u>\$42.8M</u>
    - 2.2% or \$19.9M due to effective increase from rate change
    - 2.5% or \$23.6M due to growth/volume
      - MV and LG Infusion \$8.7M
      - Surgery \$7.9M
      - IP Rehab \$3.5M
      - IP Psych \$2.4M



### **Hospital P&L – Expense Highlights**

- Expense
  - Operating Expense increasing <u>6.2%</u> or <u>\$51.1M</u>
    - Salaries & Wages up <u>4.8%</u> or <u>\$24.0M</u>
      - \$14.7M driven by wage rate increases
      - \$4.6M driven by growth/volume increases
      - \$4.8M driven by Strategic/Innovation programs
      - \$2.2M driven by support of new programs
      - (\$1.1M) driven by reduction in Outside Labor costs
      - (\$1.2M) from identified savings
    - Supplies up <u>6.9%</u> or <u>\$9.1M</u>
      - \$5.6M driven by drugs related to LG Infusion (New Program) and MV Infusion growth
      - \$3.5M driven by inflation
      - \$2.6M driven by growth/volume increases
      - (\$2.6M) from identified savings
    - Other Operating Expenses up 6.9% or \$4.1M
      - Primarily due to activation and operational costs associated with new building openings
    - Depreciation expense up <u>11.2%</u> or <u>\$5.8M</u>
      - Primarily due to iMOB and Mental Health & Addiction Services buildings opening in 2020
    - Interest Expense up <u>152.9%</u> or <u>\$7.2M</u> due to end of capitalizing interest on completed projects

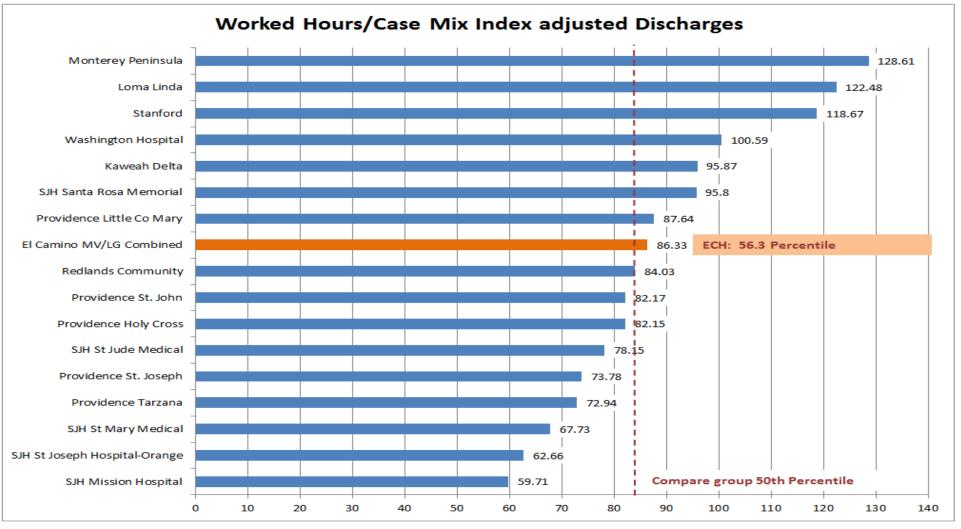


### **Reconciliation FY2019 to Hospital Budget FY2020 (000's)**

	FY 2019 Projected/ Actual	Growth/ Volume Driven	Growth Support Services (BHS & iMOB)	Inflation	Strategic/ Innovation	Operations Improvement	Other	Increase / (Decrease)	FY 2020 Budget
NET PATIENT REVENUE	917,652	23,605		19,890			-672	42,823	960,475
Yield	<b>26.4%</b>							<b>-0.7%</b>	25.7%
OTHER OPERATING REVENUE	27,116						172	172	27,288
TOTAL NET OPERATING REVENUE	944,768	23,605		19,890			-501	42,994	987,763
SALARIES & WAGES	500,238	4,626	2,269	14,624	4,780	-1,200	-1,064	24,036	524,274
SUPPLIES	132,868	8,328		3,480		-2,650	-34	9,123	141,991
FEES & PURCHASED SERVICES	78,181				2,240	-600	-843	797	78,979
OTHER OPERATING EXPENSE	59,330	800	2,750		718		-149	4,119	63,449
INTEREST	4,721						7,218	7,218	11,939
DEPRECIA TION	51,381						5,777	5,777	57,158
TOTAL OPERATING EXPENSE	826,718	13,753	5,019	18,104	7,738	-4,450	10,906	51,071	877,790
OPERATING MARGIN	118,050	9,852	-5,019	1,786	-7,738	4,450	-11,407	-8,077	109,973



#### Workforce Productivity Hospital Comparison



- Based on FY 2018 Truven/Action OI benchmarking Analysis
- · Lower value equates to better productivity

#### FY2020 Hospital Budget Detail of Full Time Equivalent (FTE) Change

Paid FTEs	FY19 Projected	Change	FY20 Budget
TOTAL	2,648	+137	2,784
Patient Care/Volume/Growth		+67.3	
Growth: Support Services (BHS & iMOB)		+15.9	
Ambulatory Support		+31.0	Offset by SVMD Purchased Service
<ul> <li>Strategic Initiatives</li> <li>BHS Aspire &amp; Addiction Programs</li> <li>Centralized Monitoring</li> <li>Capacity Management</li> <li>Peter C. Fung, MD Stroke Center</li> <li>Women's Heart Center</li> <li>Cardiac Oncology Center</li> </ul>		+14.2	
Regulatory/Compliance <ul> <li>Sterile Processing</li> </ul>		+3.8	
Quality <ul> <li>Sepsis Program Manager &amp; Analyst</li> <li>Program Manager Continuous Improvement</li> </ul>		+2.6	
Other		+2.2	

## **FY2020 Budget: Savings Initiatives**

\$ Opportunity	Type of Spend	Initiative
\$500K	Purchased Service	OSL vendor – Use Premier vendor (AMN parent of BE Smith), bid or negotiate savings from RightSource. Estimated savings \$900K based on \$9 million annual spend.
\$500K	Health Benefits	(Medical/Dental), \$40M annual expense. Health Net quote with \$1.6M savings for 2020 calendar year.
\$600K		Professional Services: \$6M annual expense
\$200K		Premium time incidental overtime
\$350K	Other Spending	Pharmaceuticals
\$2.3M		Supply initiatives
\$4.45M		TOTAL



#### FY2020 – Proposed Hospital Budget P&L (Mountain View & Los Gatos)

\$000s	2016	2017	2018	2019Ann	2020 Bud	Percent Change
OPERATING REVENUE						
Gross Revenue	2,755,387,126	3,019,082,917	3,297,555,552	3,477,345,850	3,739,385,548	7.5%
Deductions	(1,983,366,755)	(2,186,820,126)	(2,403,957,321)	(2,559,693,853)	(2,778,910,637)	8.6%
Net Patient Revenue	772,020,371	832,262,791	893,598,231	917,651,998	960,474,911	4.7%
<b>Other Operating Revenue</b>	23,636,455	26,084,597	29,717,640	27,116,151	27,287,665	0.6%
Total Operating Revenue	795,656,826	858,347,388	923,315,871	944,768,149	987,762,576	4.6%
OPERATING EXPENSE						
Salaries & Wages	435,988,262	446,084,705	465,264,794	500,238,034	524,273,701	4.8%
Supplies	117,987,515	121,826,016	127,894,777	132,868,018	141,991,342	6.9%
Fees & Purchased Services	72,882,133	77,835,086	79,203,145	78,181,198	78,978,640	1.0%
Other Operating Expense	60,245,252	50,790,881	58,387,075	59,329,583	63,449,060	6.9%
Interest	7,193,382	1,709,428	5,227,159	4,720,770	11,939,128	152.9%
Depreciation	48,747,598	47,924,823	49,477,262	51,380,866	57,157,678	11.2%
Total Operating Expense	743,044,142	746,170,940	785,454,213	826,718,469	877,789,549	6.2%
Net Operating Income/(Loss)	52,612,685	112,176,448	137,861,659	118.049.681	109.973.026	-6.8%
Non Operating Income	(9,570,053)	57,399,730	55,774,765	13,794,983	32,938,932	138.8%
Net Income(Loss)	43,042,632	169,576,178	193,636,424	131,844,664	142,911,959	8.4%
EBITDA	13.6%	18.9%	20.9%	18.4%	18.1%	
<b>Operating Margin</b>	6.6%	13.1%	14.9%	12.5%	11.1%	
Net Margin	5.4%	19.8%	21.0%	14.0%	14.5%	



## **Board Designated Community Benefit Endowment Fund**

- In FY16, the Board established an endowment to provide investment income to fund community benefit.
- We agreed to evaluate whether the fund should be increased during the annual budget cycle.
- Recommendation
  - Endowment funding earnings available for FY 20 community is \$320,000. Total Hospital community benefit for FY 20 is \$3.7 million
  - Endowment fund balance to remain \$15 million since FY 20 capital plan exceeds EBITDA by \$114 million





## **FY20 Capital Budget**



# **Capital Summary**

Capital Spending (in 000's)	Actual FY2016	Actual FY2017	Actual FY2018	Projected FY2019	Budget 2020
EPIC	20,798	2,755	1,114	-	-
IT Hardware / Software Equipment	6,483	2,659	1,108	6,000	6,000
Medical / Non Medical Equipment	17,133	9 <i>,</i> 556	15,780	18,000	18,000
Non CIP Land, Land I, BLDG, Additions	4,189	-	2,070	-	-
Facilities	48,137	82,953	137,364	205,451	268,937
GRAND TOTAL	96,740	97,923	157,435	229,451	292,937
*Includes \$5M unallocated amount					



#### FY 2020 Facilities Capital Budget Breakdown \$ in 000's

	<b>Estimated Total</b>	<b>Total Committed</b>	FY-20	FY -20
	Project Cost	\$\$ To Date	<b>REQUEST FOR</b>	SPEND
	May 2019		APPROVAL	
Approved Funded Projects - In Process	\$504,881	\$487,481	\$11 <b>,2</b> 00	\$1 <b>2</b> 3,586
Planned Projects - Pending Approval	204,240	18,100	178,040	72,254
Placeholder Projects - To Be Evaluated.	242,700	500	157,200	73,097
TOTALS	\$951,821	\$506,081	\$346,440	\$268,937



#### FY 2020 Facilities Capital Detail Approved Funded Projects – In Process

		Estimated Total Project Cost	Total Committed \$\$To Date	FY 20 BUDGET \$\$	FY -20 Spend
Approved Fund	ed Projects - In Process	May 2019		(A)	
	BHS Replacement	96,100,000	96,100,000		12,799,752
	North Dr Parking Structure Expansion	24,500,000	24,500,000		
	Integrated Medical Office Building	302,100,000	302,100,000		64,489,474
	CUP Upgrades	9,000,000	9,000,000		
	LG Campus Planning	250,000	250,000		122,777
	Imaging Equipment Replacement (Imaging Dept. Only)	21,700,000	16,900,000	4,800,000	11,700,000
	IR / Cath Lab Equipment Replacement (5 or 6 Rooms)	19,400,000	13,000,000	6,400,000	9,500,000
	Willow Surgery Center Improvements	6,200,000			6,200,000
	MV SPD Ultrasconic Cleaner Installation	175,520	175,520		
	MV Infrastructure Upgrades Misc	360,000	360,000		260,000
	Lab Equipment & Security Upgrades	240,000	240,000		160,000
	Emergency Sanitary & Water Storage	3,900,000	3,900,000		3,489,645
	CT Equipment Replacement @ Radiation Oncology	993,302	993,302		814,095
	Herman Miller Inventory (Partial Replacement)	210,000	210,000		150,000
	MOB Upgrades (MV Campus) FY-19	250,000	250,000		220,000
	LG Infrastructure Upgrades Misc.	240,000	240,000		146,185
	LG Modular MRI & Awning	3,900,000	3,900,000		3,386,809
	LG Cancer Center	6,400,000	6,400,000		3,063,525
	LG MOB Improvements FY-19	498,300	498,300		340,140
	Primary Care Clinic (TI's Only) FY 19 (237 @ N. 1st)	8,000,000	8,000,000		6,743,808
	SVMD - Administrative Office	359,000	359,000		
	SVMD - OB/GYN Clinic - 2204 Grant Rd.	105,000	105,000		
	Subtotal Approved Projects	504,881,122	487,481,122	11,200,000	123,586,210

(A) Projects > \$1M will come to Finance Committee for approval



#### FY 2020 Facilities Capital Detail Planned Projects – Pending Approval

	Estimated Total	Total Committed		FY -20 Spend
	Project Cost	\$\$To Date	\$\$	
Planned Projects - Pending Approval	May 2019		(A)	
Women's Hosp Expansion	111,000,000	16,000,000	95,000,000	33,000,000
Demo Old Main & Related Site Work	70,000,000	1,000,000	69,000,000	20,000,000
ED Remodel Triage / Psych Observation	6,750,000	250,000		6,339,525
Site Signage & Other Improvements	2,250,000	250,000		2,031,900
Nurse Call System Upgrade (Overlay Only)	800,000			700,000
Various Relocation Projects	800,000			700,000
Flooring Replacement	1,600,000	600,000	1,000,000	1,182,827
MV Wireless Infrastructure Upgrade	1,600,000		1,600,000	1,000,000
MV Physician Dining Room	1,200,000		1,200,000	1,200,000
Other Undefined	2,000,000		2,000,000	500,000
LG Nurse Call System Replacement	2,400,000		2,400,000	1,800,000
LG Security System	460,000		460,000	420,000
LG Rehab Finish Upgrades	400,000		400,000	400,000
LG Campus Signage	500,000		500,000	500,000
LG Wireless Infrastructure Upgrades	480,000		480,000	480,000
LG Paving Upgrades	800,000		800,000	800,000
LG Decontamination in OR	600,000		600,000	600,000
LG Pharmacy USP 797 & 800 Upgrades	600,000		600,000	600,000
Subtotal Planned Projects	204,240,000	18,100,000	178,040,000	72,254,252

(A) Projects > \$1M will come to Finance Committee for approval



#### FY 2020 Facilities Capital Detail Placeholder Projects – To Be Evaluated

	Estimated Total	Total Committed		FY -20 Spend
	Project Cost	\$\$To Date	\$\$	
Placeholder Projects - To Be Evaluated.	May 2019		(A)	
New 28k MOB (Courthouse Prop)	22,400,000		22,400,000	12,400,000
LG Campus Redevelopment (100 Bed Hospital)	0		30,000,000	12,000,000
Willow Pavilion FA Sys and Equip Upgrades	1,400,000		1,400,000	1,400,000
Patient Family Residence	20,000,000	500,000	19,500,000	596,729
Nurse Call / RTLS (PT. Rm of Future) Main Hospital Only	5,000,000		5,000,000	250,000
Radiation Oncology Equipment Replacement	12,000,000		12,000,000	10,000,000
MV MOB Upgrades FY 20	1,000,000		1,000,000	500,000
MV Facilities Planning Allowance FY 20	600,000		600,000	600,000
MV Equipment & Infrastructure Upgrades FY 20	900,000		900,000	900,000
MV Cancer Center Expansion	2,400,000		2,400,000	1,200,000
MV Undefined Annual	56,000,000			
LG IR Upgrades	1,500,000		1,500,000	250,000
LG MOB Upgrades FY 20	500,000		500,000	500,000
LG Facilities Planning Allowance FY 20	500,000		500,000	500,000
LG Equipment & Infrastructure Upgrades FY 20	600,000		600,000	600,000
LG Undefined Annual	14,000,000			
SVMD - Facilities Future Years	15,000,000			
SVMD - Clinic / Admin Office Building (New Construction	25,000,000		25,000,000	3,000,000
SVMD - MeKee Clinic Relocation (Assumes 12,000 SF, TI's)	6,300,000		6,300,000	2,000,000
SVMD - Planning & Upgrades Allowance	1,600,000		1,600,000	400,000
Property Acquisitions	56,000,000		26,000,000	26,000,000
Subtotal Placeholder Projects	242,700,000	500,000	157,200,000	73,096,729

(A) Projects > \$1M will come to Finance Committee for approval



# **Physician Recruitment Budget\***

- \$4.5 million practice start up investment for a target of 26 Silicon Valley Medical Development and San Jose Medical Group physicians
- \$2.5 million start up investment for a target of 8 physicians in community practices for specialties with physician manpower shortages (income guarantee reserve)

FY2020 Hospital Physician Needs	
Physician Recruitment Needs	15
Less SVMD & SJMG	-7
Expected Community Recruitment	8



FY2020 SVMD & SJMG Provider Recruitment Plan				
New Recruitment				
OB/Gyn (Physicians + APP)	5			
РСР	5			
Medical Oncology	2			
Ophthamology	1			
Ortho PA	2			
General Surgeon (Breast)	1			
New Recruit Subtotal	16			
Replacement				
Endocrinology	1			
ENT	1			
OB/Gyn	1			
Orthopedics	1			
Gastroenterology	1			
РСР	1			
Urgent Care (APP)	2			
Hospitalists	2			
Replacement Subtotal	10			
Total	26			

# FY2020 Budget - Risks

#### **Volume Drivers**

- Delayed physician recruitment
- Unplanned physician leaves of absence
- Opening of Stanford's new hospital
  - The impact may reach \$3M should Stanford increase it's market share by 10% across El Camino's northern primary market
- Facility approval or equipment delays medical oncology

#### **Profitability Drivers**

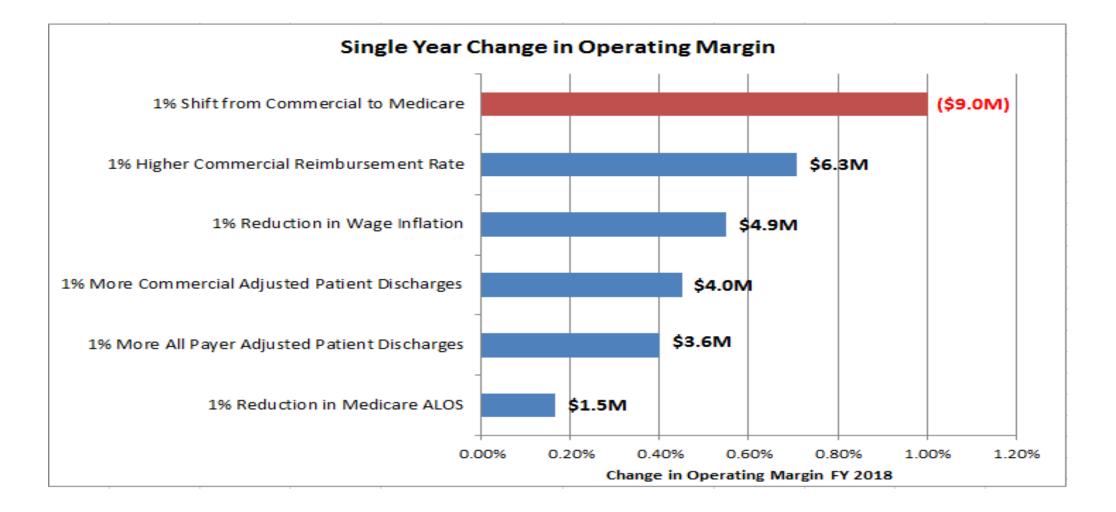
- Payer mix shift (due to competition or outpatient shift)
- Labor contract / wage rate increase
- Commercial contract negotiation and/or narrow network development

#### **New Program Risks**

• SVMD / SJMG integration



## **Sensitivity Analysis**











## **CONCERN Highlights**

#### **Revenue Changes**

- Loss of large customer with 70,000 employees
- PEPM revenue reduce by \$ 2M
- Major onsite counseling program terminated 3/31/2019 reduce by \$ 2M
- Enhanced Support reduce by \$110,000; no customer will be using this service
- Training/OD reduce by \$100,000 anticipated larger customers will use less

#### **Expense Changes**

- Labor down 5 FTEs Budget 19 to Budget 20
- Provider costs/claims reduced by \$2.3M
- Other Purchased Services reduced by \$270,000
- After hours call service reduced by \$100,000



# FY2020 Budget – Concern P&L

						2020B/2019Ann
\$000s	2016	2017	2018	2019Ann	2020 Bud	Change
OPERATING REVENUE						
<b>Total Operating Revenue</b>	15,755,428	16,825,052	15,295,322	13,575,165	9,146,949	(4,428,216)
OPERATING EXPENSE						
Salaries & Wages	5,754,050	5,308,632	5,278,000	4,573,830	4,405,500	(168,330)
Supplies	130,342	74,622	58,935	48,110	62,503	14,393
Fees & Purchased Services	7,810,983	9,224,465	8,272,291	6,017,183	3,521,507	(2,495,676)
Other Operating Expense	744,832	725,248	696,530	623,616	523,725	(99,891)
Interest	-	-	-	-	-	-
Depreciation	42,449	29,617	35,413	27,458	15,901	(11,557)
Total Operating Expense	14,482,656	15,362,584	14,341,170	11,290,197	8,529,135	(2,761,062)
Net Operating Income/(Loss)	1,272,772	1,462,468	954,152	2,284,968	617,814	(1,667,154)
EBITDA	8.3%	8.9%	6.5%	17.0%	6.9%	
<b>Operating Margin</b>	8.1%	8.7%	6.2%	16.8%	6.8%	

• Revenue adjusted to reflect large customer termination with major onsite counseling program effective 3/31/2019

• Salaries reduced reflecting reduction in staff that supported large customer.

• Purchased Services reduction due to loss of large customer – fewer crisis intervention and activity and counseling visits.



### **Foundation Budget Highlights – 1/2**

#### <u>COMPUTER SOFTWARE: Budget increase of \$5,000</u>

- Most of our software will remain the same except for the addition of two new software packages to better support our fundraising events
- Greater Giving Will streamline event management and deliver a smooth volunteer and guest experience for registration, auction bidding, and other transaction processing.
- Social Tables Provides event diagraming, seating, and check-in services. This will enable the events team
  to collaborate and communicate with donors and vendors. The software will save time and improve the
  event planning process.

#### • FUNDRAISING EVENTS: Budget decrease of \$200,000

- Spring Gala The FY19 expense budget was based on the previous event structure under Sapphire Soiree.
   Last year, the Foundation had redesigned the event, introducing a new format and beneficiary. Heading into FY20, the Foundation is continuing with this new format and reducing the event budget to reflect that.
- Other events expected retain the same budget



## **Foundation Budget Highlights - 2/2**

#### STEWARDSHIP EVENTS: Budget neutral

- Ribbon-cutting Ceremonies
- With the opening of the Taube Pavilion and Sobrato Pavilion, the Foundation will be allocating a portion of its major gift cultivation/salon budget for a special donor events around the opening

#### ANNUAL GIVING: Budget neutral

- Focus on personalized message to support mid-level donor program
- Proactive rounding on prospects while they are in the hospital to better support the Circle of Caring grateful patient program
- More segmentation by clinical program for targeted message to acquire new donors/grateful patients



## **Foundation – FY2020 Fundraising Detail**

FY20 ECH Foundation		FY20 Goals	Unrestricted	Restricted	Gift Focus
Major & Planned Gifts		\$5,500,000	\$1,500,000		Restricted outright gifts; restricted irrevocable planned gift commitments; unrestricted gifts from matured estates; APS sponsorships
Spring Forward \$350,000 \$240,000 \$110,000 Event Expense; beneficiary: TBD		Event Expense; beneficiary: TBD			
Forward       Forward       Forward         Golf       \$325,000       \$280,000       \$45,000       Event Expense; beneficiary: Peter C. Fund, MD Stroke Center         SAHC       \$200,000       \$125,000       \$75,000       9858 SAHC Event then transfer proceeds to SAHC Restricted Fund		Event Expense; beneficiary: Peter C. Fund, MD Stroke Center			
SAHC \$200,000 \$125,000 9858 SAHC Event then transfer proceeds to SAHC R		9858 SAHC Event then transfer proceeds to SAHC Restricted Fund			
<u></u>	NLL	\$200,000	\$200,000	\$0	9860 Special Events Expense then transfer net proceeds to determined beneficiary
Annual Giving		\$600,000	\$240,000	\$360,000	El Camino Fund (unrestricted gifts) and restricted gifts for specific service line/departmental needs
Investment Income		\$500,000	\$500,000	\$0	El Camino Fund (unrestricted)
	TOTAL	\$7,675,000	\$3,085,000	\$4,590,000	



### **Foundation - Fundraising Trend**

ECH FOUNDATION		FY20 Goal	FY19 as of 3/31	FY18 Actual	FY17 Actual	FY16 Actual
Major 8	k Planned Gifts	5,500,000	15,668,021	3,232,425	4,213,319	4,059,779
Special Events	Spring Forward	350,000	500	360,650	788,360	936,240
	Golf Tournament	325,000	338,080	353,650	273,100	326,205
	Scarlet Ball	200,000	124,186	349,209	315,295	292,180
	Norma's Luncheon	200,000	131,505	284,380	153,300	245,106
Annual Giving		600,000	561,708	658,005	587,582	507,745
Grants						64,833
Investment Income		500,000	1,406,426	911,273	1,138,296	1,319,905
TOTAL			18,230,426	6,149,592	7,469,252	7,751,993
Annual Goal by FY		7,675,000	6,175,000	6,150,000	6,170,000	7,300,000



## **FY2020 Budget – Foundation P&L**

						2020B/2019Ann
\$000s	2016	2017	2018	2019Ann	2020 Bud	Change
OPERATING REVENUE						
<b>Total Operating Revenue</b>	-	-	-	-	-	-
OPERATING EXPENSE						
Salaries & Wages	1,430,420	1,570,419	1,436,670	1,480,170	1,831,365	351,195
Supplies	45,092	60,233	57,340	96,838	88,364	(8,474)
Fees & Purchased Services	1,204,088	1,111,546	729,834	685,956	1,105,004	419,048
Other Operating Expense	240,132	221,645	214,288	259,026	340,960	81,933
Interest	-	-	-	-	-	-
Depreciation	13,316	13,316	13,316	13,316	13,316	0
Total Operating Expense	2,933,047	2,977,159	2,451,448	2,535,305	3,379,008	843,703
Net Operating Income/(Loss)	(2,933,047)	(2,977,159)	(2,451,448)	(2,535,305)	(3,379,008)	(843,703)
Non Operating Income	3,914,780	5,397,358	4,394,594	5,097,308	4,875,703	(221,605)
Net Income(Loss)	981,733	2,420,199	1,943,146	2,562,002	1,496,694	(1,065,308)

• Salaries increasing due to vacant/partial year positions (Philanthropy Officer, Admin Assistant and Database Coordinator

• Purchased Services higher due to major event expenses in FY19 have yet to be posed to actuals (South Asian Heart center & Gala)

• Other Operating Expense higher due to donor events for openings of Sobrato & Taube Pavilions.





# Capital Equipment IT & Routine Capital Detail



# FY 2020 Capital Request Detail Information Technology

Sum of Bu	dget	l				
Facility	-	Cost Center 🔹	Cost Center Desc	-	Request Name	Total
	Ξ1	■ 8480	■ INFO SVS AND TELECOMM		IS Baseline: Server - Baseline Replacement & Maintenance Parts	1,100,000
					IS Baseline: Storage - Baseline Primary & Backup Storage Growth	875,000
					IS Baseline: Network - Baseline Replacement & Maintanance Parts	750,000
					IS Baseline: Software Upgrades: Existing Software	400,000
					IS Baseline: Devices - Baseline Cart Replacement & Growth and eTime Badge Reader Repla	290,000
					IS Baseline: Telecom - Baseline Replacement, Growth & Maintanance Parts	150,000
		<b>8485</b>	■ IS SECURITY		IS Security Program	758,000
					IS Security Program: Disaster Recovery Phase 2 - VRP Implementation	450,000
		<b>8486</b>	■ICARE		Epic Program: Licenses, Hardware, and Implementation	727,000
					Epic Program (MyChart/ MyChart Bedside)	500,000
1 Total						6,000,000
Grand Tot	al					6,000,000



### FY 2020 Capital Request Detail Medical/Non-Medical Equipment Items > \$100K Mountain View

Facility	<b>,</b> T	Cost Center 🛛 🔻	Cost Center Desc	J Request Name	斗 Total
	∎1		■ NICU	Timeless Medical System for Breast Milk, Donor Milk and Infant Formula tracking	166,000
		<b>6177</b>	■ MED SURG ONC 4B; MED SURG 1	Accutor Vital Signs Monitor	159,840
		≡ 6900	PRE-OP SHORT STAY; OPS	Centralized Monitoring 2B Pre-Op-Short Stay	224,778
		≡ 7400	LABOR DELIVERY	Auto populate Vital Signs into the EMR	200,000
		≡ 7420	OPERATING ROOM	Liva Nova Heart-Lung Machine	328,290
				EPIQ CVx Ultrasound system	240,629
				System 8 Precision Saw	161,347
				Instruments for the Stryker System 8 Precision Saw	128,653
		<b>7501</b>	LABORATORY	Chemistry Automation Line	1,064,880
				Urinalysis Instrument	161,347
		≡ 7520	ANATOMIC PATHOLOGY	Leica Bond IHC Stainer	125,000
		■ 7560	ECHOCARDIOGRAPHY	Replacement of two older-style Echo units with Philips Epiq CVx	196,283
		■ 7570	■ INTERVENTIONAL SERVICES	EnSite Precisionâ, ¢ Cardiac Mapping System	247,900
				SonoSite S II Ultrasound System	146,588
				Excimer Laser System The CVX-300	142,543
		■ 7720	RESPIRATORY CARE SVCS	Olypus Tower and Cart	218,000
		<b>7761</b>	ENDOSCOPY	Arietta 850 EUS Processor	238,650
			THERAPY SERVICES - IP	Fiberoptic Endoscopic Evaluation of Swallowing (FEES)	124,282
		≡ 8380	STERILE PROCESSING	Vision 1300 series Cart Washer / Disinfector	276,618
				Sterrad ALLCLEAR 1-DR DUO	209,067
				AMSCO 400 SERIES 60†Medium Steam Sterilizer	152,800
				Reliance Vision Single-chamber Washer/Disinfector	100,918
		■ 8660	EMP WELLNESS AND HEALTH SVCS	Fitness Court	100,000
		■ 8794	HEART AND VASCULAR INST	ECMO Equipment	130,000
1 Total					5,244,413

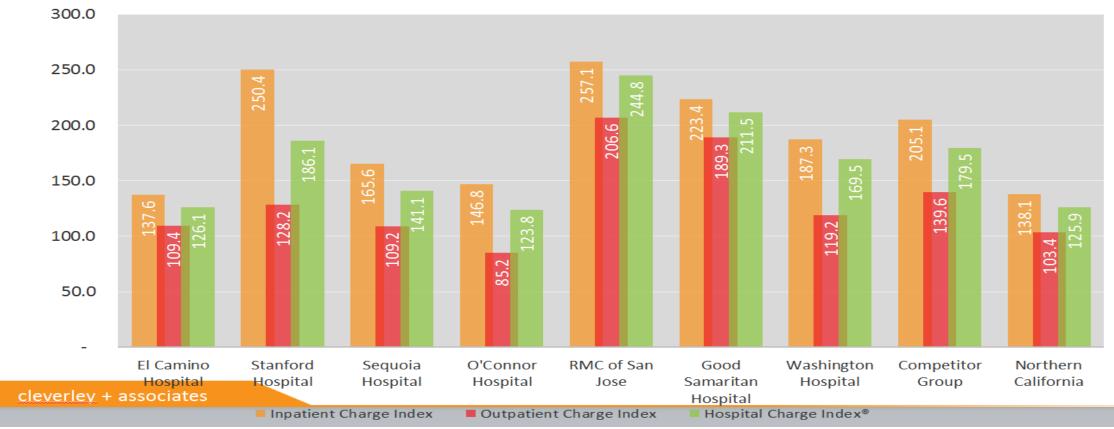


# FY 2020 Capital Request Detail Medical/Non-Medical Equipment Items > \$100K Los Gatos & Total

Sum of Bu	udgetl						
Facility	T Cost Cent	ter 💌	Cost Center Desc	÷,	Request Name	4	Total
	<b>11</b>	≡ 7420	OPERATING ROOM		Jackson Table for Spine Los Gatos		516,919
		■ 7520	ANATOMIC PATHOLOGY		Histology Lab Remodel		100,000
		= 7670	IMAGING - US/ECHO		Additional Ultrasound Unit Los Gatos Campus		218,556
		≡ 7680	IMAGING - CT SCAN		CT scanner for LG ED - replace XR		900,000
		■ 7720	■ RESPIRATORY CARE SVCS		Medtronics EMB		186,000
		<b>≡ 8380</b>	STERILE PROCESSING		ALLCLEAR 1-DR DUO		209,067
					AMSCO 400 SERIES 48†Medium Steam Sterilizer		134,139
11 Total							2,264,681
Grand Tot	tal						7,509,093
					Infusion Pump Replacement (Estimated)		500,000
					Items < \$100K		2,798,266
					Strategic Capital		2,139,000
					Unallocated Funds		5,053,641
					Total Equipment		24,000,000



# **Charge Master Pricing Comparison with Benchmark Data**



### Hospital Charge Index<sup>®</sup>



### **Charge Master Pricing Comparison with Benchmark Data (cont.)**

- According to hospital industry pricing experts at Cleverley & Associates, Medicare claims level data shows El Camino Hospital prices below mid-market level compared to its local peer group, which includes Good Samaritan Hospital, Regional Medical Center, O'Connor Hospital, Stanford Hospital, Sequoia Hospital, and Washington Hospital.
- A score of 100 on the Hospital Charge Index represents the national average. Our local peer ("competitor") group's blended Hospital Charge Index is 179.5 (i.e. 79.5% higher than the national average) – a reflection of the higher cost of living and prices in the Bay Area.
- In comparison, El Camino Hospital's blended Hospital Charge Index is much lower at 126.1.
- Even with the 5.0% price increase in FY19, our overall charges remain below the mid-market level of our peer group.
- 5.0% charge increase is proposed in the FY20 budget



#### FY20 PROPOSED ORGANIZATIONAL INCENTIVE GOALS

STRATEGY	Weight	GOAL	OBJECTIVES/OUTCOMES	Benchmark		Measurement Defined			Measurement Period	Owner
Finance	Threshold	Budgeted Operating Margin				95% of Budgeted		FY20	Iftikhar	
	To Total 100%	What will be achieved to make strategy a success?	Define specific outcome and measurement	Internal Benchmarks	Provide source and benchmark data	Minimum	Target	Stretch	Whenever possible goal should be based on full fiscal year	
Quality and	30.0%	Zero Preventable Harm	Risk-Adjusted Inpatient Mortality Index	1.05 in FY 18. 0.90 FY19 through 11/18. FY 19 target: 0.95	Premier Standard Risk Calculation	Lower of actual FY 19 or 0.95 (FY19 target)	1/3 gap to P85	1/2 gap to P85	FY20	Mark
Safety			Risk-Adjusted Readmission Index	1.08 in FY 18. 1.00 through 11/18	Premier Standard Risk Calculation	Lower of actual FY 19 or 1.05 (FY19 target)	1/3 gap to P85	1/2 gap to P85		
Service	30.0%	Exceptional Personalized Experience, Always	HCAHPS : Staff Responsiveness	65.1 through 12/18. FY19 goal 67.0	HCAHPS baseline: 65.1 (Q417-Q318)	Improvement over FY 2019 = top 50% of improvers	Improvement over FY 2019 = top 30% of improvers	Improvement over FY 2019 = top 10% of improvers	FY20	Cheryl
			HCAHPS: Discharge Information		Improvement based on Press Ganey data for FY19 all hospitals	Improvement over FY 2019 = top 50% of improvers	Improvement over FY 2019 = top 30% of improvers	Improvement over FY 2019 = top 10% of improvers	FY20	
People	20.0%	Teams Empowered with Trust	Management: Overall employee satisfaction on Employee Engagement Survey for El Camino Hospital	ECH results last two surveys: 4.09 and 4.27. FY19 target 4.14	Press Ganey 4.32 is 90th percentile for FY19	4.24	4.27	4.30	FY20	Kathryn
reopie	20.07	and Purpose	Employees: Participation in Employee Engagement survey	Last two surveys: 79% and 87%. FY19 target 80	Press Ganey average participation-75%	80	85	90	FY20	Kathryn
Growth	20.0%	Market Relevance and Access	Adjusted Discharges	Adjusted discharges 0.7% below budget through P8FY19. Planned growth is 4% in FY20		98% of Budget	100% of Budget	102% of budget	FY20	Jim

#### DRAFT 5/16/19



### Memorandum

Hospital Campuses

2500 Grant Road Mountain View, CA 94040 650-940-7000

815 Pollard Road Los Gatos, CA 95032 408-378-6131

elcaminohealth.org

To:	Board Finance Committee	е
From:	Ken King, CASO	
Date:	May 28, 2019	
Subject:	MV Campus Site Signage - Project Funding Request	

1. <u>Request:</u> The Finance Committee is requested to approve the funding for the MV Campus Site Signage Project at a cost not to exceed \$2.5 million.

### 2. <u>Summary:</u>

a. <u>Situation</u>: With the opening of new buildings and the planned demolition of the Old Main Hospital the signage on the MV campus must change to provide appropriate way-finding. Additionally the Planned Community Permit requires us to submit an upgraded signage plan for review and approval by the City of Mountain View.

The proposed scope of work includes new major monument signs at North and South Drive, along with new building signage for new and existing buildings and replacement sign faces on all directional signage and campus directories. A total of 120 new or retrofitted signs are included in the scope of work.

- b. <u>Authority:</u> Policy requires that expenditures exceeding \$1 million be approved by the Finance Committee.
- c. <u>Background</u>: The City of Mountain View specifically excluded signage additions and modifications from the planned community permit that was issued for the new building construction projects. With the addition of new buildings and the eventual demolition of the Old Main Hospital we need to update the campus wayfinding signage. This along with the new brand identity makes it the ideal time to refresh all the signage with a fresh new look, while maintaining the basic foundation and structure of many existing signs.
- d. <u>Assessment:</u> The cost of this renovation project breaks down as follows:

Sign Construction & Installation	\$1,800,000
Soft Costs (Design, Permits, PM)	\$ 480,000
Contingency	\$ 220,000
Total	\$2,500,000

This cost is included in the FY-19 Capital Facilities Budget projections.

- e. Other Reviews: None
- f. <u>Outcomes:</u> The target date for completing the installation of new signs is September 30, 2019.

### 3. List of Attachments:

Attachment #1 - New Sign Examples

### 4. <u>Suggested Finance Committee Discussion Questions:</u>

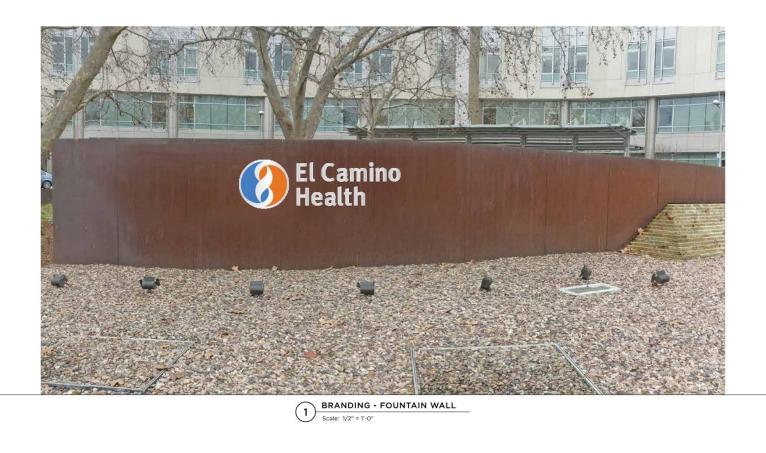
None



# Finance Committee – May 28, 2019 Attachment #1 – Site Signage Examples

Ken King, CASO

# Monument Sign



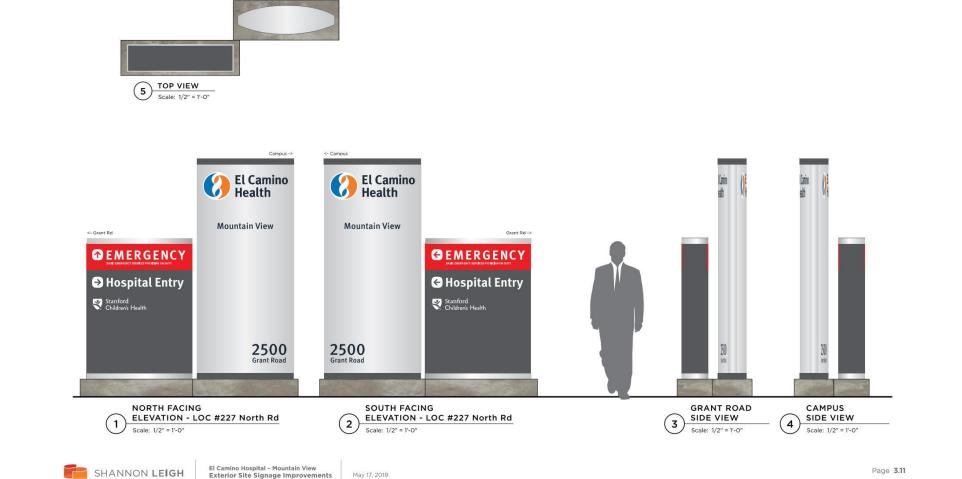


El Camino Hospital – Mountain View Exterior Site Signage Improvements

May 17, 2019

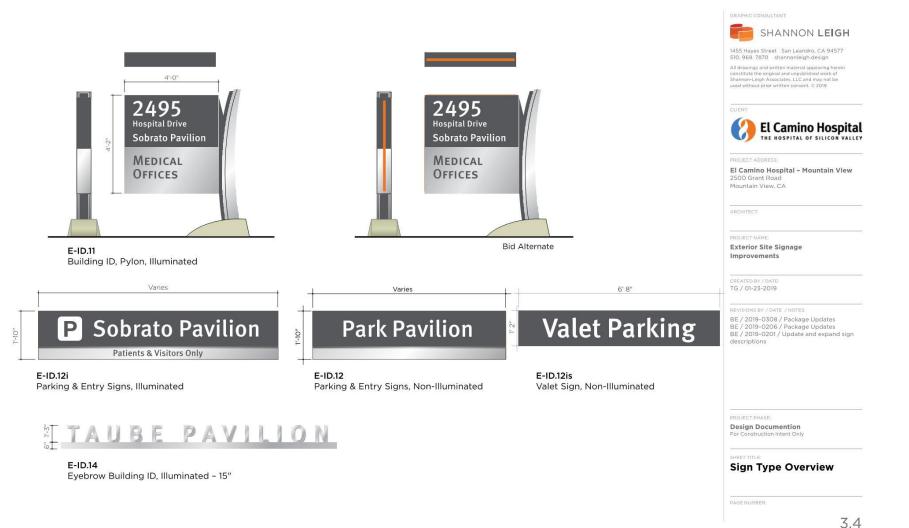


### Campus Entry Signs





### Building Monument Signs





### **Building Canopy Signs**







### SHANNON LEIGH

1455 Hayes Street San Leandro, CA 94577 510. 969. 7870 shannonleigh.design

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PROJECT ADDRESS:

El Camino Hospital - Mountain View 2500 Grant Road Mountain View, CA

Exterior Site Signage Improvements

TG / 01-23-2019

#### REVISIONS BY / DATE / NOTES:

BE / 2019-0308 / Package Updates BE / 2019-0206 / Package Updates BE / 2019-0201 / Update and expand sign descriptions

**Design Documention** For Construction Intent Only

E-ID.14 Eyebrow Building ID For Positioning Only

3.35



LOC# 317

LOC# 447

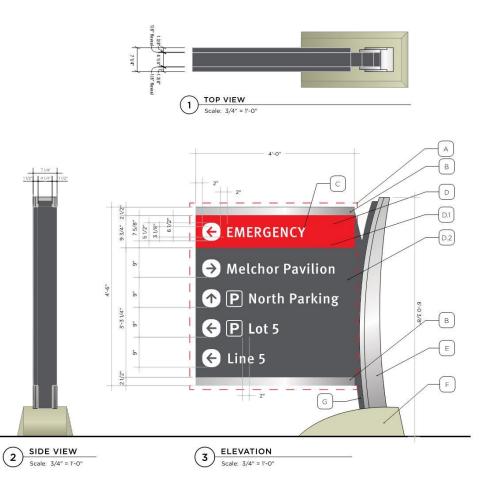




LOC# 136



### Campus Directional Signs



NOTE: retrofitted locations will replace cabinet, retaining on the existing upright and footing, repaint upright on site.

Other signs are completely new. Electrical will need to be brought to each of those new locations.

A. Internally double sided illuminated cabinet Painted, Color: P-5 LED illumination evenly diffused with no hot spots NOTE: Replace existing cabinet for all RETROFIT locations.

B. Non-Illuminated accent strip Painted, Color: P-4

C. 3" tall, 1/8" deep push through illuminated copy. Acrylic: A-1 Typeface: Meta Pro Medium

D. 1/8" thick aluminum face with routed out copy.

D.1 Emergency Background Painted, Color: P-1

D.2 Background, Painted Painted, Color: P-5

E. Curved upright anchoring assembly Painted, Color: P-3

F. Precast concrete decorative base See page 4.3

G. Inner cover for upright. Painted, Color: P-5

GRAPHIC LAYOUT MEASURMENTS: Margins to be continued onto both sides of sign, left justified

RETROFIT: Replacement cabinet on exisiting upright: A, B, C, D, E, F Note: G: existing upright to be painted, color (TBD)

COMPLETELY NEW SIGN: A, B, C, D, E, F, G

PROJECT PHASE:

Design Documention For Construction Intent Only

#### E-WF.21 3-5 Line Wayfinding

JMBER:

3.69



GRAPHIC CONSULTAN

(

2500 Grant Road

Mountain View, CA

**Exterior Site Signage** 

BE / 2019-0308 / Package Updates BE / 2019-0206 / Package Updates

BE / 2019-0201 / Update and expand sign

Improvements

TG / 01-23-2019

descriptions

#### SHANNON LEIGH 1455 Hayes Street San Leandro, CA 94577 510. 969. 7870 shannonleigh.design

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**El Camino Hospital** 

THE HOSPITAL OF SILICON VALLEY

El Camino Hospital - Mountain View

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