El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

AGENDA
FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Monday, July 29, 2019 – 5:30 pm
Conference Rooms A&B (Ground Floor)
El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

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		**5:30 – 5:32 pm**
2.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	John Zoglin, Chair		**5:32 – 5:33**
3.	**PUBLIC COMMUNICATION** a. Oral Comments *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.* b. Written Correspondence	John Zoglin, Chair		**5:33 – 5:36**
4.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** a. Minutes of the Open Session of the Finance Committee Meeting (May 28, 2019) b. Minutes of the Open Session of the Joint Board and Finance Committee Meeting (May 28, 2019) c. Financial Report (FY19 Period 11) ***Information*** d. Major Capital Projects in progress e. FY20 Pacing Plan f. Progress Against Goals g. Article of Interest	John Zoglin, Chair	*public comment*	**motion required 5:36 – 5:39**
5.	**REPORT ON BOARD ACTIONS** **ATTACHMENT 5**	John Zoglin, Chair		**information 5:39 – 5:44**
6.	**FY19 YEAR END (PERIOD 12) FINANCIALS** **ATTACHMENT 6**	Iftikhar Hussain, CFO	*public comment*	**motion required 5:44 – 5:54**

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.

7. CAPITAL FUNDING REQUEST ED REMODEL PROJECT **ATTACHMENT 7**	Jim Griffith, COO Ken King, Chief Admin Svcs Officer	*public comment*	**motion required 5:54 – 6:09**
8. MEDICAL STAFF DEVELOPMENT PLAN **ATTACHMENT 8**	Mark Adams, CMO Jim Griffith, COO Bruce Harrison, President SVMD	*public comment*	**motion required 6:09 – 6:24**
9. REVIEW OF PATIENT BILLINGS **ATTACHMENT 9**	Iftikhar Hussain, CFO		**discussion 6:24 – 6:44**
10. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		**motion required 6:44 – 6:45**
11. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		**6:45 – 6:46**
12. CONSENT CALENDAR *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2*: - Minutes of the Open Session of the Finance Committee Meeting (May 28, 2019) - Minutes of the Open Session of the Joint Board and Finance Committee Meeting (May 28, 2019)	John Zoglin, Chair		**motion required 6:46 – 6:49**
13. *Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets:* - PHYSICIAN CONTRACTS o Heart Failure Program Medical Director Agreement o Cardiothoracic Surgery On-Call Panel o Colon-Rectal Surgeon – Physician Income Guarantee	Mark Adams, CMO		**discussion 6:49 – 7:04**
14. *Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets:* - Radiation Oncology Equipment – Funding Request to Support New Programs and Services	Jim Griffith, COO		**discussion 7:04 – 7:14**
15. *Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets:* - LONG TERM FINANCIAL FORECAST	Iftikhar Hussain, CFO KaufmanHall, Consultants		**discussion 7:14 – 7:44**
16. *Gov't Code Sections 54957 for report and discussion on personnel matters – Senior Management:* - EXECUTIVE SESSION	John Zoglin, Chair		**discussion 7:44 – 7:49**

17. ADJOURN TO OPEN SESSION	John Zoglin, Chair		**motion required 7:49 – 7:50**
18. RECONVENE OPEN SESSION / REPORT OUT	John Zoglin, Chair		**7:50 – 7:51**
To report any required disclosures regarding permissible actions taken during Closed Session.			
19. APPROVAL OF PHYSICIAN CONTRACTS a. Heart Failure Program Medical Director Agreement b. Cardiothoracic Surgery On-Call Panel c. Colon-Rectal Surgeon – Physician Income Guarantee	Mark Adams, CMO	*public comment*	**Motion(s) required 7:51 – 7:53**
20. CAPITAL FUNDING REQUEST: Radiation Oncology Equipment Replacement	Jim Griffith, COO	*public comment*	**motion required 7:53 – 7:55**
21. CLOSING COMMENTS	John Zoglin, Chair		**information 7:55 – 7:56**
22. ADJOURNMENT	John Zoglin, Chair		**motion required 7:56 – 7:57**

Upcoming Finance Committee Meetings in FY20:

FC	Monday, July 29, 2019	FC	Monday, January 27, 2020
FC	Monday, September 23, 2019	FC	Monday, March 23, 2020
FC	Monday, November 25, 2019	FC	Monday, April 27, 2020
FC|IC	Monday, January 27, 2020	FC |ECHB	Tuesday, May 26, 2020

Minutes of the Open Session of the
Finance Committee
Tuesday, May 28, 2019
El Camino Hospital | Conference Room A&B
2500 Grant Road, Mountain View, CA 94040

Members Present	**Members Absent**
John Zoglin, Chair	William Hobbs
Joseph Chow	
Boyd Faust	
Gary Kalbach	
Richard Juelis	

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 6:30pm by Chair John Zoglin. Roll call was taken. William Hobbs was absent. All other Committee members were present.	6:30 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	Chair Zoglin asked if any member of the Committee wished to remove an item from the consent calendar. Items 4(a) April 22nd Open Session Minutes and 4(d) Pacing Plan were pulled for discussion. The Committee requested the following corrections to the Minutes: 1. Show Criteria for "Post Implementation Review" as 18 months following approval of capital projects funded in the amount of $2 million or more. 2. Reflect that Mr. Chow was present for the entire meeting. 3. Correct the spelling of Mr. Juelis' first name in the Roll Call section. The Committee also requested that the Pacing Plan be changed to show the following reviews: 1. Patient Billing Practices (Cttee Goal #2) – July Meeting 2. Ortho/Neuro/Spine Service Line – September Meeting 3. Maternal Child Health Service Line– November Meeting 4. SVMD, LLC – January Meeting 5. HVI Service Line – March Meeting Motion: To approve the consent calendar (a) Open Minutes of the Finance Committee Meeting for (April 22, 2019) as corrected; (b) FY19 Period 9 Financials and for Information: (c) Review Major Capital Projects in progress; (d) FY 20 Pacing Plan as amended; (e) Progress Against Goals; and (f) Article of Interest **Movant:** Faust **Second:** Juelis **Ayes:** Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None	***Consent Calendar approved with amendments to Minutes and Pacing Plan***

	Absent: Hobbs **Recused:** None	
5. REPORT ON BOARD ACTIONS	Chair Zoglin asked the Committee for any questions or feedback on the Report on Board Actions as further detailed in the packet. There were no comments.	
6. FY19 PERIOD 10 FINANCIALS	Iftikhar Hussain, CFO, provided highlights of FY19 Period 10 Financials. Mr. Hussain reviewed the April 2019 volumes, revenues and monthly financial trends, noting that there was a setback in LOS due to long stay outlier cases. He also reported that the run rate for April was $15,908,000 against a budgeted operating margin of $9,308,000. He reported that, for Q1 2019, the Surplus Cash return was 6.7 %, that the Cash Balance Plan return was 7.7% and that they were 2.6% and 2.7% respectively FYTD through March 31st. Mr. Hussain commented that the projected capital spend for FY19 is much less than budgeted due to delays in completion of major facilities projects. In response to Mr. Faust's question about why April was such a strong month, Jim Griffith, COO, commented that it was due in part to more very sick patients coming in through the emergency department. There were no objections to the financial reports.	
7. REVIEW AND RECOMMEND FY20 BUDGET	The Proposed FY20 Budget had been reviewed in detail at the immediately preceding Joint Meeting of the Finance Committee and the Board. In response to questions from the Committee members , management provided the following information: 1. To reduce pharmaceutical expenses management will be engaging physicians to use less expensive drugs that are equally clinically effective. 2. While a $4.45 million expense reduction may seem light in a $1 billion budget, only those items for which there is a concrete plan for cost reduction were included. 3. ECH is using its Centers of Excellence as differentiators to encourage insurance plans to direct volume to it. 4. The total cost to complete all work related to the demolition of the Old Main Hospital is estimated at $69 million, but only $20 million will be spent in FY20. Motion: To recommend that the Board approve the Proposed FY20 Budget. **Movant:** Kalbach **Second:** Juelis **Ayes:** Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	***Recommended to approve FY20 Budget***
8. REVIEW AND RECOMMEND FY20 ORGANIZATIONAL GOALS	Chair Zoglin noted that it is the Finance Committee's roll to review the financial threshold goal and questioned whether 95% of operating margin is an appropriate level for the incentive plan threshold goal given that management has beaten the budget 5% - 90% over the last 8 years. The Committee members discussed this and management staff provided historical perspective that at one time the goal was 100%, then dropped to 90% and was brought back up to 95% two years ago. Dan Woods, CEO, commented that the two new major risks to the budget are SVMD's	***Recommend to approve Proposed FY20 Organizational Goals***

	absorption of SJMG and the opening of Stanford's new hospital. **Motion:** To recommend that the Board approve the Proposed FY20 Organizational Goals. **Movant:** Kalbach **Second:** Juelis **Ayes:** Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	
9. FACILITIES CAPITAL FUNDING REQUEST	Ken King, Chief Admin Svcs. Officer, gave an overview of the request to fund MV Campus Site Signage. Mr. King explained that the plan includes 120 new or retrofitted signs including two new major monument signs at North and South Drive, electrical work and lighting changes. Motion: To approve funding for the MV Campus Site Signage not to exceed $2.5 million. **Movant:** Faust **Second:** Chow **Ayes:** Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	***Facilities Capital Funding Request was approve.***
10. ADJOURN TO CLOSED SESSION	**Motion:** To adjourn to closed session at 7:25pm. **Movant:** Kalbach **Second:** Chow **Ayes:** Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	***Adjourned to closed session at* 7:25pm.**
11. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened at 7:52pm. Agenda Items 11-14 were covered in closed session. During the closed session, the Committee approved Meeting Minutes of the Closed Session of the Finance Committee (April 22, 2019) by a unanimous vote of all members present (Zoglin, Chow, Faust, Juelis, Kalbach).	
12. AGENDA ITEM 17: APPROVAL OF PHYSICIAN CONTRACTS	**Motion:** To approve the proposed Lithotripsy Professional Services Agreement Renewal and the Behavioral Health Unit On-Call Panel Renewal. **Movant:** Kalbach **Second:** Chow **Ayes:** Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None **Motion:** To recommend the Board approve the Proposed Infection Control Medical Director Agreement Renewal. **Movant:** Kalbach **Second:** Chow	***Physician Contracts were approved/recommended to approve***

	Ayes: Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	
13. AGENDA ITEM 18: CLOSING COMMENTS	There were no additional closing comments.	
14. AGENDA ITEM 21: ADJOURNMENT	**Motion:** To adjourn at 7:55pm **Movant:** Kalbach **Second:** Chow **Ayes:** Zoglin, Chow, Faust, Juelis, Kalbach **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	***Meeting adjourned at 7:55pm.***

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

_____

Chair Zoglin
Chair, Finance Committee

Minutes of the Special Joint Open Session of the
Finance Committee and the
El Camino Hospital Board of Directors
Tuesday, May 28, 2019
2500 Grant Road, Mountain View, CA 94040
Conference Rooms F&G (ground floor)

Board Members Present	Board Members Absent	Members Absent
Lanhee Chen, Chair	**Peter C. Fung, MD**	None
Jeffrey Davis, MD*	**Julie Kliger, MPA, BSN**	
Gary Kalbach		
Julia E. Miller, Secretary/Treasurer	**Committee Members Present**	
Bob Rebitzer	**Joseph Chow**	
George O. Ting, MD	**Boyd Faust**	*via teleconference
Don Watters	**William Hobbs***	
John Zoglin, Vice Chair	**Richard Juelis**	

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Special Joint Meeting of the Finance Committee and the El Camino Hospital Board of Directors (the "Board") was called to order at 5:30pm by Vice Chair Zoglin. A verbal roll call was taken. Director Davis and Finance Committee member Bill Hobbs participated via teleconference. Directors Fung and Kliger and were absent. Chair Chen arrived at 5:34pm and Director Rebitzer arrived at 5:45pm during Agenda Item 4: FY20 Capital and Operating Budget. All other Board and Finance Committee Members were present at roll call.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Vice Chair Zoglin asked if any Board or Finance Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	None.	
4. FY20 CAPITAL AND OPERATING BUDGET	Iftikhar Hussain, CFO, explained the major projected FY20 investments with significant financial impacts on the proposed budget as well as the budget drivers and assumptions. He reported that the proposed budget reflects projected inpatient volume growth of 3.8% and a projected 5.2% outpatient volume growth. Mr. Hussain explained that the projected decrease in operating margin for FY20 is being driven by depreciation, interest, investment in SVMD ($18 million) and loss of one of CONCERN's major clients. He also noted that the current and projected key financial metrics (days of cash on hand, debt service ratio and debt capitalization ratio) all look good. On the expense side, Mr. Hussain explained the proposed operating expense increase of 5.2% is driven by labor costs, supplies and activation and operational costs of new buildings as well as the related increased depreciation and interest expense. He reported that the Truven/Action OI benchmarking analysis shows ECH at the 56.3 percentile for workforce productivity and explained the major categories the planned additional 137 FTE's are in. He also reported on the planned $4.45 million in cost savings initiatives including elimination of incidental overtime through better shift change planning, and reductions in supply and pharmaceutical costs. Mr. Hussain explained that that there is a total of $3.7 million planned for the Hospital's community benefit grant program, including $320,000 in earnings from the Board's designated community benefit endowment fund.	

	Mr. Hussain described the proposed FY20 capital budget totaling $292,937,000 of which $268,937,000 is planned for facilities, $6 million for IT Hardware and Software, $18 million for other medical and non- medical equipment and $5 million is unallocated. In response to questions from the Board and Committee members, Mr. Hussain and Jim Griffith, COO, responded as follows: 1. Despite a trend of declining deliveries (Maternal-Child Health Service Line), management projects growth in FY20 through OB/GYN physician recruitments that are in progress. 2. Occupancy assumptions are driven by an increase in inpatient rehab beds in Los Gatos, increase in BHS beds in MV, and procedural growth for in-patient surgery. 3. Management expects ECH's percentage of commercial payors to remain stable in the low 40's. Growth plans are built around a healthy mix of commercial and Medicare patients. 4. Increase in oncology services will be driven by adding an additional two hours of operations at the MV Infusion center, an additional third provider in place, and planned recruitment of two more providers as well as high demand for infusion services in LG. 5. The projected net revenue (as opposed to revenue) is based on the difference between ECH's billed charges and commercial contracted and government imposed reimbursement rates. 6. Approved planned capital spending may not be achieved when there are delays in obtaining approvals from the City of Mountain View and OSHPD. Funds for other planned and placeholder projects may not be spent as management is still evaluating these.	
5. ADJOURN TO CLOSED SESSION	**Motion:** To adjourn to closed session at 6:06pm pursuant to *Health and Safety Code Section 32106(b)* for a report and discussion involving health care facility trade secrets: Development of New Services and Programs: Budgetary Implications. **Movant:** Kalbach **Second:** Miller **Ayes:** Chen, Chow, Davis, Faust, Juelis, Kalbach, Miller, Rebitzer, Ting, Zoglin **Noes:** None **Abstentions:** None **Absent:** Fung, Hobbs**, Kliger **Recused:** None **Mr. Hobbs was no longer on the teleconference line when the meeting adjourned to closed session.	***Adjourned to closed session at 6:06pm***
6. AGENDA ITEM 9: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened at 6:26pm by Chair Chen. Agenda items 6-8 were addressed in closed session. There were no actions taken in closed session.	
7. AGENDA ITEM 23: ADJOURNMENT	**Motion**: To adjourn at 6:27pm. **Movant:** Kalbach **Second:** Miller **Ayes:** Chen, Chow, Davis, Faust, Juelis, Kalbach, Miller, Rebitzer, Ting, Zoglin **Noes:** None	***Meeting adjourned at 6:27pm***

	Abstentions: None **Absent:** Fung, Hobbs, Kliger **Recused:** None	

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

_____
Lanhee Chen
Chair, ECH Board of Directors

_____
Julia E. Miller
Secretary, ECH Board of Directors

_____
John Zoglin
Chair, Finance Committee

Prepared by: Cindy Murphy, Director of Governance Services

El Camino Health

Summary of Financial Operations

Fiscal Year 2019 – Period 11

7/1/2018 to 05/31/2019

Financial Overview

Volume

May

- May operating income is favorable to budget by 51.4% ($4.7M) driven by favorable revenue 6.9% ($5.7M) offset by unfavorable operating expense -1.4% ($1.0M).
  - Mountain View operating income favorable by 104.1% ($7.0M)
  - Los Gatos operating income unfavorable by -89.2% (-$2.3M)
- May operating Income if favorable to prior year by 62.6% ($5.4M)

Year to Date

- YTD operating income is favorable to budget by 24.9% ($23.6M) driven by favorable revenue 1.9% ($16.3M) and favorable operating expense 0.9% ($7.2M). Favorable revenue is partially due to $18 million in unusual items and continued improvement to revenue cycle by lowering denials and underpayments.
  - Mountain View operating income favorable by 44.9% ($33.1M)
  - Los Gatos operating income unfavorable by -45.2% (-$9.5M)
- YTD operating income is unfavorable to prior year by by 1.0% ($1.2M)

Payor Mix

- YTD, Commercial is 2.2 percentage points unfavorable

Cost

- Prod FTEs were unfavorable to target for May by 1.5% and on target YTD.

Dashboard - ECH combined as of May 31, 2019

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	219	245	252	(7)	240	243	247	(4)
Utilization MV	60%	67%	70%	-3%	66%	67%	68%	-1%
Utilization LG	26%	32%	30%	1%	30%	30%	30%	0%
Utilization Combined	49%	55%	57%	-2%	54%	55%	56%	-1%
Adjusted Discharges	3,098	3,338	3,184	154	32,914	33,232	33,333	(101)
Total Discharges (Excl NNB)	1,669	1,832	1,805	27	18,646	18,460	19,032	(572)
Inpatient Cases								
MS Discharges	1,140	1,275	1,292	(17)	13,059	12,981	13,434	(453)
Deliveries	381	391	386	5	4,164	3,935	4,223	(288)
BHS	107	113	89	24	1,021	1,070	976	94
Rehab	41	53	37	16	402	474	399	75
Outpatient Cases	12,715	13,379	13,806	(427)	137,251	138,109	139,779	(1,670)
ED	4,090	4,140	4,316	(176)	45,455	44,313	45,011	(698)
Procedural Cases								
OP Surg	434	453	422	31	4,339	4,587	4,558	29
Endo	213	241	183	58	2,204	2,416	2,231	185
Interventional	194	183	183	0	1,947	2,017	1,979	38
All Other	7,784	8,362	8,702	(340)	83,306	84,776	86,000	(1,224)
Financial Perf.								
Net Patient Revenues	74,092	86,688	79,627	7,061	812,155	859,752	835,164	24,588
Total Operating Revenue	77,398	88,563	82,761	5,802	839,262	884,026	867,625	16,401
Operating Expenses	68,832	74,575	73,567	1,009	719,547	765,453	772,712	(7,259)
Operating Income $	8,566	13,988	9,195	4,794	119,715	118,573	94,913	23,660
Operating Margin	11.1%	15.8%	11.1%	4.7%	14.3%	13.4%	10.9%	2.5%
EBIDA $	13,185	18,529	14,971	3,558	170,265	169,684	149,731	19,952
EBIDA %	17.0%	20.9%	18.1%	2.8%	20.3%	19.2%	17.3%	1.9%
Payor Mix								
Medicare	48.6%	49.8%	46.5%	3.3%	47.7%	49.1%	46.6%	2.4%
Medi-Cal	7.6%	7.4%	8.3%	-0.9%	7.7%	8.0%	7.9%	0.1%
Commercial IP	20.5%	19.9%	22.1%	-2.3%	21.9%	20.0%	22.3%	-2.3%
Commercial OP	20.7%	21.3%	20.4%	0.9%	20.1%	20.6%	20.5%	0.2%
Total Commercial	41.1%	41.2%	42.6%	-1.4%	42.0%	40.6%	42.8%	-2.2%
Other	2.6%	1.6%	2.7%	-1.1%	2.5%	2.3%	2.6%	-0.3%
Cost								
Total FTE	2,564.2	2,737.3	2,739.4	(2)	2,578.2	2,675.4	2,703.2	(28)
Productive Hrs/APD	31.3	30.8	30.8	0	30.3	30.6	31.3	(1)
Balance Sheet								
Net Days in AR	50.7	46.3	48.0	(2)	50.7	46.3	48.0	(1.7)
Days Cash	505	495	449	46	505	495	449	46
Affiliates - Net Income ($000s)								
Hosp	17,733	(7,092)	9,541	(16,633)	172,204	120,613	99,384	21,229
Concern	(139)	(475)	69	(544)	801	1,779	811	967
ECSC	(30)	(25)	0	(25)	(91)	(102)	0	(102)
Foundation	22	(482)	61	(543)	1,738	2,074	1,251	823
SVMD	557	5,789	47	5,742	1,397	8,272	(31)	8,303

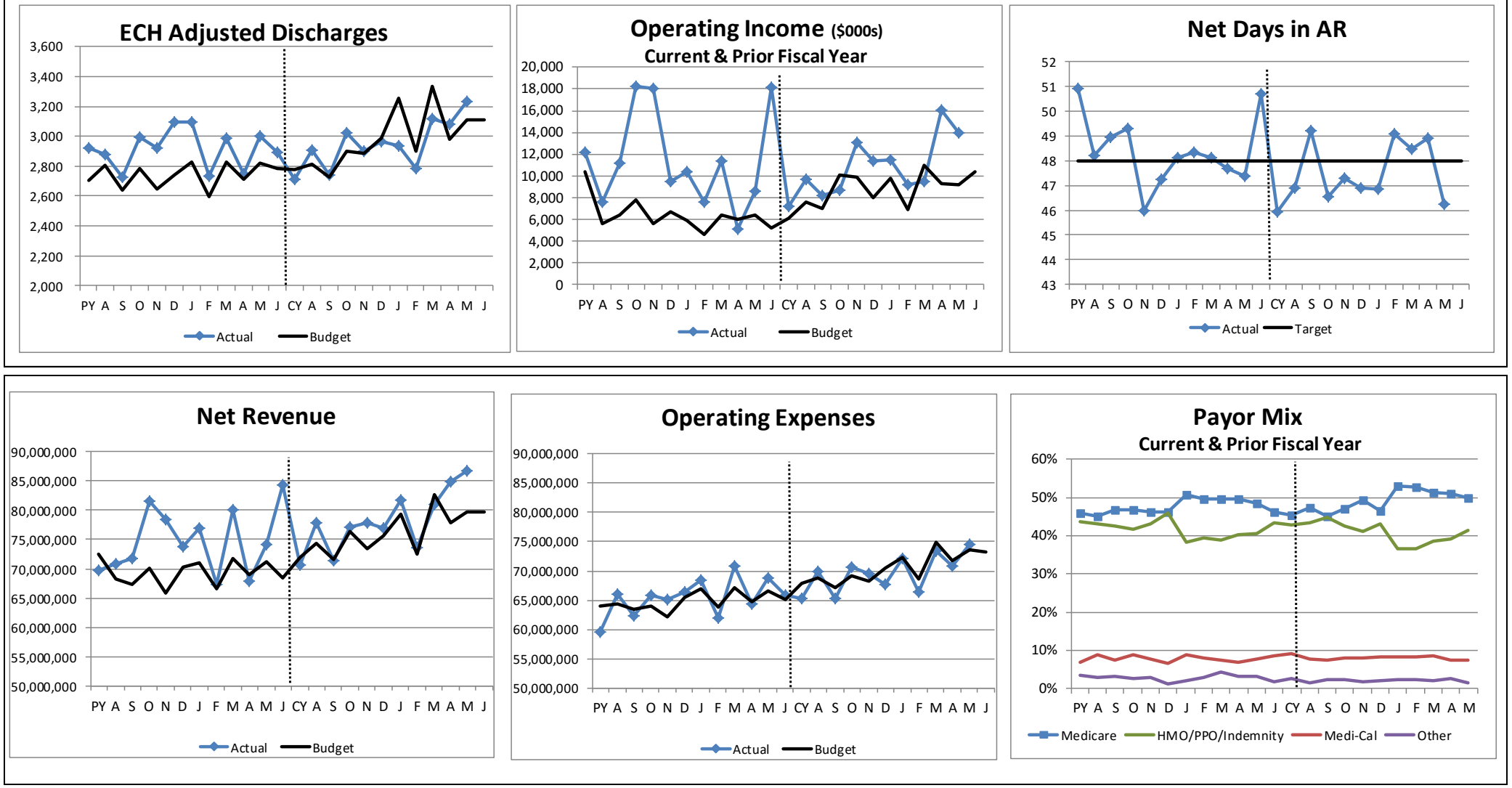
El Camino Health

El Camino Hospital ($000s)

Period ending 05/31/2019

Period 11 FY 2018	Period 11 FY 2019	Period 11 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
277,853	309,755	310,951	(1,196)	(0.4%)	**Gross Revenue**	3,027,371	3,237,768	3,247,107	(9,339)	(0.3%)
(203,761)	(223,067)	(231,324)	8,256	3.6%	**Deductions**	(2,215,216)	(2,378,016)	(2,411,943)	33,927	1.4%
74,092	**86,688**	**79,627**	**7,061**	**8.9%**	**Net Patient Revenue**	**812,155**	**859,752**	**835,164**	**24,588**	**2.9%**
3,305	1,875	3,134	(1,258)	(40.2%)	**Other Operating Revenue**	27,107	24,274	32,461	(8,187)	(25.2%)
77,398	**88,563**	**82,761**	**5,802**	**7.0%**	**Total Operating Revenue**	**839,262**	**884,026**	**867,625**	**16,401**	**1.9%**
					OPERATING EXPENSE					
40,884	44,624	44,084	(540)	(1.2%)	**Salaries & Wages**	432,661	463,141	466,659	3,518	0.8%
11,556	13,338	12,560	(778)	(6.2%)	**Supplies**	116,771	125,298	127,619	2,321	1.8%
9,404	9,365	8,687	(677)	(7.8%)	**Fees & Purchased Services**	94,299	98,936	96,957	(1,979)	(2.0%)
2,368	2,708	2,459	(249)	(10.1%)	**Other Operating Expense**	25,265	26,967	26,659	(308)	(1.2%)
431	189	1,425	1,236	86.8%	**Interest**	5,290	3,871	6,261	2,390	38.2%
4,189	4,352	4,351	(1)	(0.0%)	**Depreciation**	45,259	47,240	48,557	1,317	2.7%
68,832	**74,575**	**73,567**	**(1,009)**	**(1.4%)**	**Total Operating Expense**	**719,547**	**765,453**	**772,712**	**7,259**	**0.9%**
8,566	**13,988**	**9,195**	**4,794**	**52.1%**	**Net Operating Income/(Loss)**	**119,715**	**118,573**	**94,913**	**23,660**	**24.9%**
9,167	(21,080)	346	(21,426)	(6185.0%)	**Non Operating Income**	52,489	2,040	4,471	(2,431)	(54.4%)
17,733	**(7,092)**	**9,541**	**(16,633)**	**(174.3%)**	**Net Income(Loss)**	**172,204**	**120,613**	**99,384**	**21,229**	**21.4%**
17.0%	20.9%	18.1%	2.8%		**EBITDA**	20.3%	19.2%	17.3%	1.9%	
11.1%	15.8%	11.1%	4.7%		**Operating Margin**	14.3%	13.4%	10.9%	2.5%	
22.9%	-8.0%	11.5%	(19.5%)		**Net Margin**	20.5%	13.6%	11.5%	2.2%	

Monthly Financial Trends

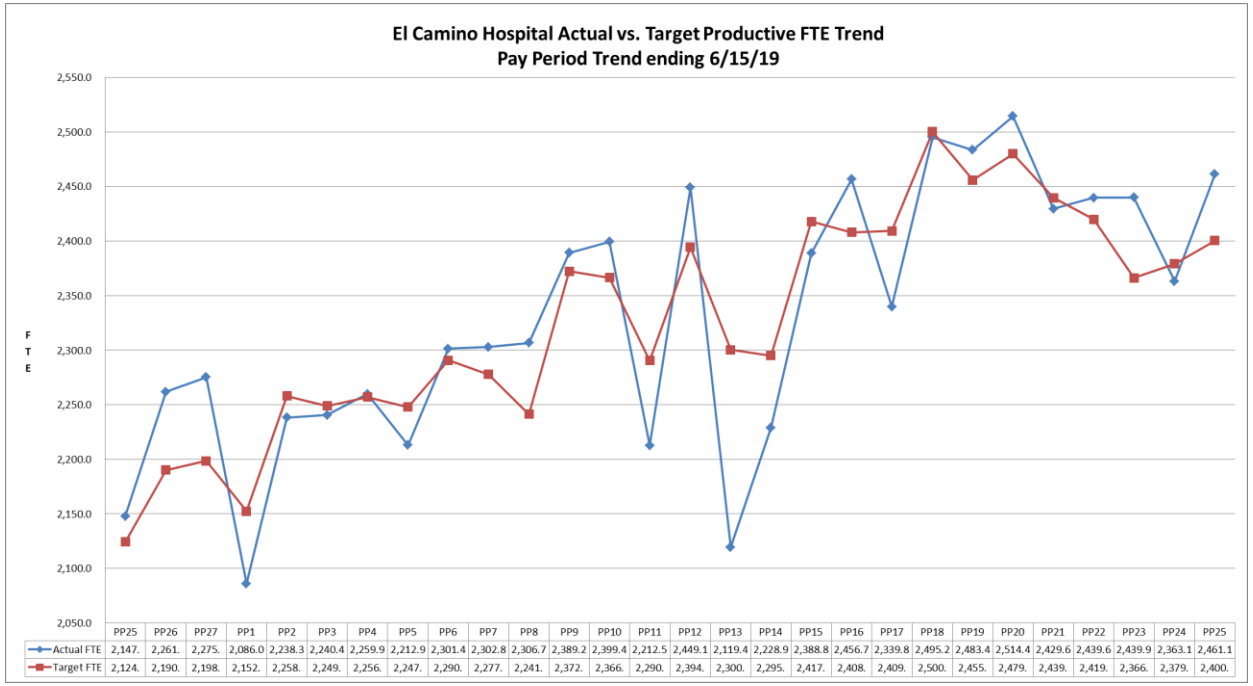


El Camino Health

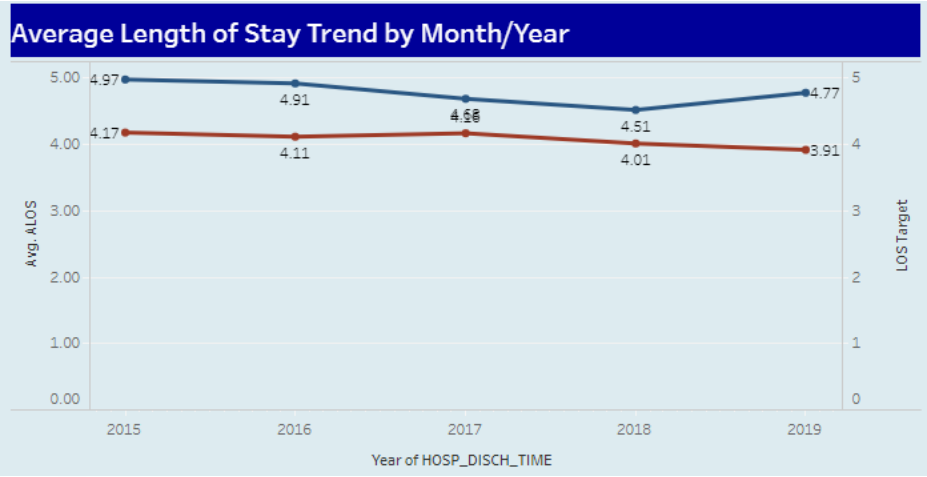
Productivity and Medicare Length of Stay

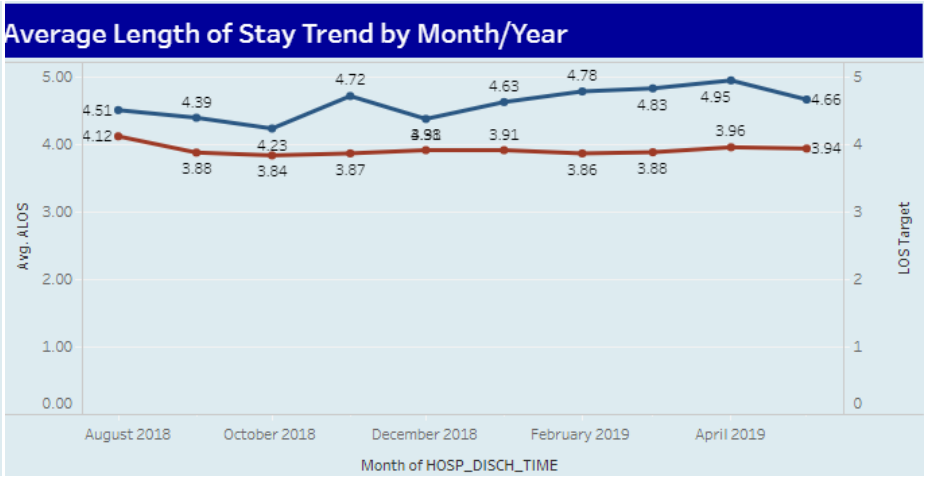
At or below FTE target. YTD we are slightly worse than budget (adjusted for volume). Ramp up for SJMG/SVMD beginning in PP19.

ALOS vs Milliman well-managed benchmark (red line). FY19 ALOS has increased due to long stay outlier cases beginning in January but improved in May



	PP25	PP26	PP27	PP1	PP2	PP3	PP4	PP5	PP6	PP7	PP8	PP9	PP10	PP11	PP12	PP13	PP14	PP15	PP16	PP17	PP18	PP19	PP20	PP21	PP22	PP23	PP24	PP25
Actual FTE	2,147.	2,261.	2,275.	2,086.0	2,238.3	2,240.4	2,259.9	2,212.9	2,301.4	2,302.8	2,306.7	2,389.2	2,399.4	2,212.5	2,449.1	2,119.4	2,228.9	2,388.8	2,456.7	2,339.8	2,495.2	2,483.4	2,514.4	2,429.6	2,439.6	2,439.9	2,363.1	2,461.1
Target FTE	2,124.	2,190.	2,198.	2,152.	2,258.	2,249.	2,256.	2,247.	2,290.	2,277.	2,241.	2,372.	2,366.	2,290.	2,394.	2,300.	2,295.	2,417.	2,408.	2,409.	2,500.	2,455.	2,479.	2,439.	2,419.	2,366.	2,379.	2,400.

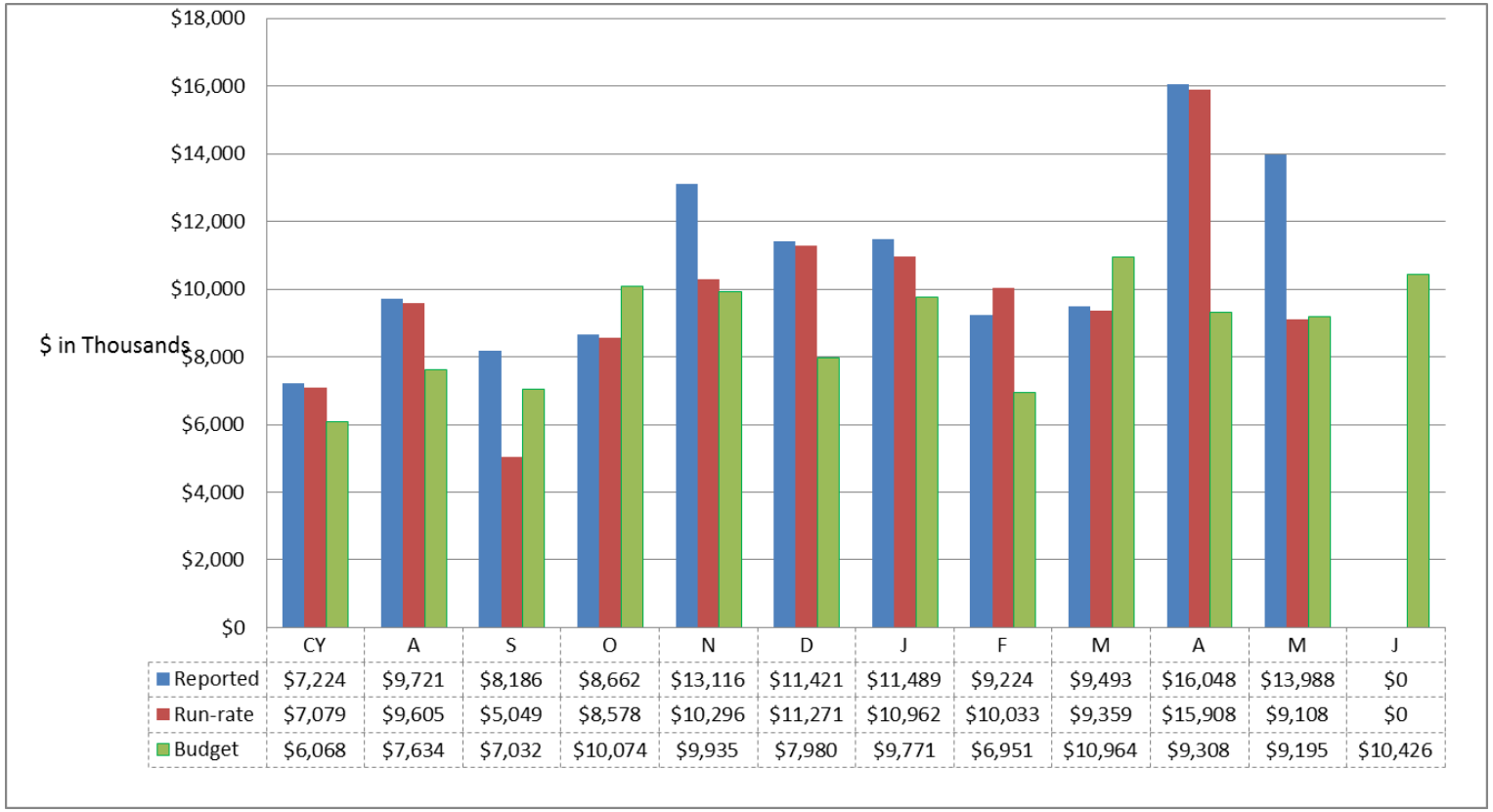




El Camino Health

ECH Operating Margin

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



	CY	A	S	O	N	D	J	F	M	A	M	J
Reported	$7,224	$9,721	$8,186	$8,662	$13,116	$11,421	$11,489	$9,224	$9,493	$16,048	$13,988	$0
Run-rate	$7,079	$9,605	$5,049	$8,578	$10,296	$11,271	$10,962	$10,033	$9,359	$15,908	$9,108	$0
Budget	$6,068	$7,634	$7,032	$10,074	$9,935	$7,980	$9,771	$6,951	$10,964	$9,308	$9,195	$10,426

FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>													
Revenue Adjustments		J	A	S	O	N	D	J	F	M	A	M	YTD
	Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	137	443	516	129	129	129	(79)	1,825
	BX/BS LD Settlement	-	-	-	-	-	-	-	-	-	-	-	-
	Medi-Cal Supplemental	-	-	-	-	-	-	-	-	-	-	-	-
	IGT Supplemental	-	-	-	-	2,672	-	-	-	-	-	-	2,672
	AB 915	-	-	2,875	-	-	-	-	-	-	-	1,282	4,157
	RAC Release	-	-	161	-	-	(305)	-	(1,005)	-	-	-	(1,149)
	Hospital Fee	-	-	-	-	-	-	-	-	-	-	3,717	3,717
	Various Adjustments under $250k	4	5	6	8	11	12	12	66	6	11	(41)	100
	Total	**145**	**116**	**3,137**	**84**	**2,820**	**150**	**528**	**(809)**	**135**	**140**	**4,880**	**11,325**

El Camino Health

Updated Quarterly
Last update 03/31/19

INVESTMENT SCORECARD AS OF MARCH 31, 2019

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year End Budget	Expectation Per Asset Allocation
Investment Performance		**1Q 2019**		**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-year**				**6y 5m Since Inception (annualized)**			**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.

El Camino Health

Balance Sheet

(in thousands)

ASSETS

		May 31, 2019	Audited June 30, 2018
	CURRENT ASSETS		
	Cash	110,404	118,992
	Short Term Investments	150,050	150,664
	Patient Accounts Receivable, net	126,974	124,427
	Other Accounts and Notes Receivable	3,312	3,402
	Intercompany Receivables	4,914	2,090
(1)	Inventories and Prepaids	81,454	75,594
	Total Current Assets	**477,109**	**475,171**
	BOARD DESIGNATED ASSETS		
	Plant & Equipment Fund	167,411	153,784
(2)	Women's Hospital Expansion	15,472	9,298
(3)	Operational Reserve Fund	139,057	127,908
	Community Benefit Fund	17,990	18,675
	Workers Compensation Reserve Fund	22,232	20,263
	Postretirement Health/Life Reserve Fund	29,762	29,212
	PTO Liability Fund	26,476	24,532
	Malpractice Reserve Fund	1,831	1,831
	Catastrophic Reserves Fund	18,331	18,322
	Total Board Designated Assets	**438,561**	**403,826**
(4)	**FUNDS HELD BY TRUSTEE**	**88,901**	**197,620**
	LONG TERM INVESTMENTS	**363,153**	**345,684**
	INVESTMENTS IN AFFILIATES	**42,765**	**32,412**
	PROPERTY AND EQUIPMENT		
	Fixed Assets at Cost	1,301,542	1,261,854
	Less: Accumulated Depreciation	(616,414)	(577,959)
	Construction in Progress	369,328	220,991
	Property, Plant & Equipment - Net	**1,054,456**	**904,886**
	DEFERRED OUTFLOWS	20,626	21,177
	RESTRICTED ASSETS - CASH	-	0
	TOTAL ASSETS	**2,485,571**	**2,380,776**

LIABILITIES AND FUND BALANCE

		May 31, 2019	Audited June 30, 2018
	CURRENT LIABILITIES		
(5)	Accounts Payable	35,812	49,925
	Salaries and Related Liabilities	26,943	26,727
	Accrued PTO	26,476	24,532
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	12,041	10,068
	Intercompany Payables	434	125
	Malpractice Reserves	1,831	1,831
(6)	Bonds Payable - Current	8,630	3,850
(7)	Bond Interest Payable	7,814	12,975
	Other Liabilities	8,509	8,909
	Total Current Liabilities	**130,789**	**141,242**
	LONG TERM LIABILITIES		
	Post Retirement Benefits	29,762	29,212
	Worker's Comp Reserve	19,932	17,963
	Other L/T Obligation (Asbestos)	3,965	3,859
	Other L/T Liabilities (IT/Medl Leases)	-	-
(8)	Bond Payable	510,545	517,781
	Total Long Term Liabilities	**564,204**	**568,815**
	DEFERRED REVENUE-UNRESTRICTED	596	528
	DEFERRED INFLOW OF RESOURCES	22,835	22,835
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,328,586	1,243,529
	Board Designated	438,561	403,825
	Restricted	-	0
(9)	**Total Fund Bal & Capital Accts**	**1,767,147**	**1,647,355**
	TOTAL LIABILITIES AND FUND BALANCE	**2,485,571**	**2,380,776**

May 2019 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

(1) Increase due to quarterly pension contributions to the plan.

(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 2018.

(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.

APPENDIX

Non Operating Items and Net Income by Affiliate

$ in thousands

	Period 11 - Month			Period 11 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	13,717	6,689	7,029	107,004	73,810	33,193
Los Gatos	271	2,506	(2,235)	11,569	21,103	(9,534)
Sub Total - El Camino Hospital, excl. Afflilates	**13,988**	**9,195**	**4,794**	**118,573**	**94,913**	**23,660**
Operating Margin %	**15.8%**	**11.1%**		**13.4%**	**10.9%**	
El Camino Hospital Non Operating Income						
Investments[2]	(16,721)	2,368	(19,089)	22,330	26,705	(4,375)
Swap Adjustments	(855)	(100)	(755)	(1,981)	(1,100)	(881)
Community Benefit	(24)	(300)	276	(3,683)	(3,300)	(383)
Pathways	333	0	333	(732)	0	(732)
Satellite Dialysis	0	(25)	25	542	(275)	817
Community Connect	0	(53)	53	0	(283)	283
SVMD Funding[1]	(3,693)	(1,219)	(2,474)	(11,725)	(13,409)	1,684
Other	(227)	(324)	97	(2,939)	(3,867)	929
Sub Total - Non Operating Income	**(21,080)**	**346**	**(21,426)**	**2,040**	**4,471**	**(2,431)**
El Camino Hospital Net Income (Loss)	**(7,092)**	**9,541**	**(16,633)**	**120,613**	**99,384**	**21,229**
ECH Net Margin %	**-8.0%**	**11.5%**		**13.6%**	**11.5%**	
Concern	(475)	69	(544)	1,779	811	967
ECSC	(25)	0	(25)	(102)	0	(102)
Foundation	(482)	61	(543)	2,074	1,251	823
Silicon Valley Medical Development	5,789	47	5,742	8,272	(31)	8,303
Net Income Hospital Affiliates	**4,807**	**177**	**4,630**	**12,021**	**2,031**	**9,990**
Total Net Income Hospital & Affiliates	**(2,285)**	**9,718**	**(12,003)**	**132,634**	**101,415**	**31,219**

El Camino Health

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

[2]Equity markets volatility is continuing

El Camino Hospital

Capital Spending (in millions)

Category		Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY19 Budget	FY 19 YTD Spent
CIP		ERP Upgrade			9.6	5.7	9.6	5.7
IT Hardware, Software, Equipment & Imaging					10.1	7.8	10.1	7.8
Medical & Non Medical Equipment FY 18					5.6	10.2	0.0	4.2
Medical & Non Medical Equipment FY 19					11.2	11.5	11.2	11.5
Facility Projects								
	1245	Behavioral Health Bldg	FY16	96.1	96.1	74.2	45.0	28.3
	1413	North Drive Parking Expansion	FY15	24.5	24.5	24.4	0.0	0.2
	1414	Integrated MOB	FY15	302.1	302.1	222.6	150.0	102.2
	1422	CUP Upgrade	FY16	9.0	9.0	8.4	0.8	0.8
	1430	Women's Hospital Expansion	FY16	135.0	135.0	6.4	10.0	3.2
		Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.0
	1502	Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0
	1525	New Main Lab Upgrades		3.1	3.1	2.7	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 2)		0.0	0.0	0.0	0.0	0.0
	1712	LG Cancer Center		5.0	5.0	2.8	4.8	2.6
		Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0
		Primary Care Clinic Development (2 @ $3 Million Ea		6.0	6.0	0.0	5.0	0.0
		Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	0.0
		Willow SC Upgrades (35,000 @ $50)		1.8	1.8	0.0	1.8	0.0
		New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.0
		80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0
		Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0
		All Other Projects		9.2	8.6	130.4	7.8	4.5
				765.8	738.3	517.2	279.5	145.7
GRAND TOTAL					**769.2**	**552.3**	**300.8**	**174.7**

El Camino Health

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.

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

VOLUME BY SERVICE LINE

MONTH: 11-May | PROCEDURAL?: (All) | FACILITY: (All) | LEVEL OF DETAIL: Service Line

		ANNUAL TREND						FY19 Bud vs 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 Var
IP	Behavioral Health	1,012	1,052	928	924	1,098	1,062	-36	-3.2%	107	113	89	24	6	1,021	1,070	976	94	49
	General Medicine & ..	4,165	4,592	4,459	4,960	5,285	5,325	40	0.8%	420	466	468	-2	46	4,897	4,736	4,881	-145	-161
	General Surgery	1,243	1,150	1,311	1,318	1,305	1,344	39	3.0%	107	127	122	5	20	1,162	1,289	1,219	70	127
	GYN	390	313	293	270	243	255	12	4.9%	16	21	20	1	5	224	216	234	-18	-8
	Heart and Vascular	1,859	1,998	2,001	2,204	2,372	2,445	73	3.1%	203	210	235	-25	7	2,181	2,100	2,243	-143	-81
	MCH	6,695	6,371	5,953	5,822	5,710	5,764	54	1.0%	485	495	490	5	10	5,232	4,974	5,278	-304	-258
	Neurosciences	667	672	677	688	870	907	37	4.3%	60	92	71	21	32	791	812	821	-9	21
	Oncology	606	564	652	594	632	726	94	14.9%	49	67	54	13	18	585	676	642	34	91
	Orthopedics	1,695	1,773	1,746	1,690	1,705	1,819	114	6.7%	134	140	142	-2	6	1,571	1,549	1,663	-114	-22
	Rehab Services	547	555	500	461	441	436	-5	-1.1%	41	52	37	15	11	402	473	399	74	71
	Spine Surgery	377	429	417	474	375	465	90	24.0%	19	33	45	-12	14	348	307	424	-117	-41
	Urology	172	169	234	257	255	274	19	7.4%	28	22	31	-9	-6	232	267	250	17	35
	Total	19,428	19,638	19,171	19,662	20,291	20,823	532	2.6%	1,669	1,838	1,805	33	169	18,646	18,469	19,032	-563	-177
OP	Behavioral Health	910	886	2,394	3,260	3,151	3,417	266	8.4%	248	260	329	-69	12	2,919	2,550	3,104	-554	-369
	Dialysis	1,059	155	6			0					0					0		
	Emergency	46,006	49,091	48,590	48,625	49,411	49,122	-289	-0.6%	4,090	4,148	4,316	-168	58	45,455	44,319	45,011	-692	-1,136
	General Medicine & ..	6,637	6,620	7,195	7,129	7,266	7,457	191	2.6%	663	740	623	117	77	6,642	7,387	6,823	564	745
	General Surgery	1,837	1,853	1,797	1,837	2,003	2,068	65	3.2%	180	160	193	-33	-20	1,834	1,777	1,895	-118	-57
	GYN	1,220	1,308	1,018	1,079	1,099	1,171	72	6.6%	85	138	88	50	53	1,017	1,297	1,054	243	280
	Heart and Vascular	2,570	2,712	3,795	4,361	4,364	4,410	46	1.1%	393	396	388	8	3	3,971	4,248	4,059	189	277
	Imaging Services	19,546	20,072	17,807	17,249	18,503	18,744	241	1.3%	1,649	1,659	1,657	2	10	16,940	17,466	17,068	398	526
	Laboratory Services	30,599	29,726	29,007	29,153	28,563	29,071	508	1.8%	2,298	2,429	2,529	-100	131	26,293	25,258	26,534	-1,276	-1,035
	MCH	5,034	4,826	5,092	5,576	5,642	5,928	286	5.1%	476	521	538	-17	45	5,192	5,026	5,416	-390	-166
	Neurosciences	110	61	127	125	114	155	41	36.0%	9	6	3	3	-3	107	75	140	-65	-32
	Oncology	4,015	4,179	14,329	18,541	19,276	22,037	2,761	14.3%	1,688	1,984	2,289	-305	296	17,684	18,991	19,712	-721	1,307
	Orthopedics	866	776	584	615	641	714	73	11.4%	74	77	53	24	3	582	693	657	36	111
	Outpatient Clinics	1,817	1,705	1,680	1,288	1,883	1,517	-366	-19.4%	144	106	130	-24	-38	1,728	1,471	1,390	81	-257
	Rehab Services	1,731	1,747	3,954	4,518	4,925	4,900	-25	-0.5%	453	497	457	40	44	4,503	5,066	4,456	610	563
	Sleep Center	160	223	498	368	242	300	58	24.0%	40	39	25	14	-1	209	312	273	39	103
	Spine Surgery	325	399	309	324	311	326	15	4.8%	30	27	19	8	-3	289	265	296	-31	-24
	Urology	1,755	1,771	1,739	1,898	2,053	2,058	5	0.2%	195	199	168	31	4	1,885	1,910	1,891	19	25
	Total	126,197	128,110	139,921	145,946	149,447	153,395	3,948	2.6%	12,715	13,386	13,806	-420	671	137,250	138,111	139,779	-1,668	861

El Camino Hospital – Mountain View ($000s)

Period ending 05/31/2019

Period 11 FY 2018	Period 11 FY 2019	Period 11 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
227,364	251,681	249,373	2,308	0.9%	**Gross Revenue**	2,483,199	2,657,054	2,635,811	21,243	0.8%
(167,004)	(178,923)	(185,951)	7,028	3.8%	**Deductions**	(1,814,077)	(1,947,365)	(1,961,916)	14,551	0.7%
60,361	**72,757**	**63,422**	**9,335**	**14.7%**	**Net Patient Revenue**	**669,122**	**709,689**	**673,895**	**35,794**	**5.3%**
3,084	1,492	2,893	(1,401)	(48.4%)	**Other Operating Revenue**	25,071	20,778	29,822	(9,044)	(30.3%)
63,444	**74,250**	**66,316**	**7,934**	**12.0%**	**Total Operating Revenue**	**694,193**	**730,467**	**703,717**	**26,750**	**3.8%**
					OPERATING EXPENSE					
34,026	36,981	36,683	(298)	(0.8%)	**Salaries & Wages**	360,079	385,747	388,946	3,199	0.8%
9,573	11,012	9,711	(1,301)	(13.4%)	**Supplies**	95,287	102,503	102,458	(46)	(0.0%)
7,962	7,808	7,326	(482)	(6.6%)	**Fees & Purchased Services**	79,538	82,966	82,145	(822)	(1.0%)
831	1,005	862	(142)	(16.5%)	**Other Operating Expense**	8,135	9,654	9,687	33	0.3%
431	189	1,425	1,236	86.8%	**Interest**	5,290	3,871	6,261	2,390	38.2%
3,496	3,537	3,619	82	2.3%	**Depreciation**	38,466	38,722	40,410	1,688	4.2%
56,318	**60,532**	**59,627**	**(905)**	**(1.5%)**	**Total Operating Expense**	**586,795**	**623,464**	**629,907**	**6,444**	**1.0%**
7,127	**13,717**	**6,689**	**7,029**	**105.1%**	**Net Operating Income/(Loss)**	**107,398**	**107,004**	**73,810**	**33,193**	**45.0%**
9,167	(21,080)	346	(21,426)	(6185.0%)	**Non Operating Income**	52,534	2,040	4,471	(2,431)	(54.4%)
16,294	**(7,362)**	**7,035**	**(14,398)**	**(204.6%)**	**Net Income(Loss)**	**159,932**	**109,043**	**78,281**	**30,762**	**39.3%**
17.4%	23.5%	17.7%	5.8%		**EBITDA**	21.8%	20.5%	17.1%	3.4%	
11.2%	18.5%	10.1%	8.4%		**Operating Margin**	15.5%	14.6%	10.5%	4.2%	
25.7%	-9.9%	10.6%	(20.5%)		**Net Margin**	23.0%	14.9%	11.1%	3.8%	

El Camino Hospital – Los Gatos($000s)

Period ending 05/31/2019

Period 11 FY 2018	Period 11 FY 2019	Period 11 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
50,489	58,074	61,578	(3,504)	(5.7%)	**Gross Revenue**	544,172	580,714	611,296	(30,582)	(5.0%)
(36,757)	(44,144)	(45,373)	1,229	2.7%	**Deductions**	(401,140)	(430,651)	(450,027)	19,376	4.3%
13,732	**13,930**	**16,205**	**(2,275)**	**(14.0%)**	**Net Patient Revenue**	**143,033**	**150,063**	**161,269**	**(11,206)**	**(6.9%)**
222	383	240	143	59.4%	**Other Operating Revenue**	2,036	3,496	2,639	857	32.5%
13,953	**14,314**	**16,445**	**(2,132)**	**(13.0%)**	**Total Operating Revenue**	**145,069**	**153,559**	**163,908**	**(10,349)**	**(6.3%)**
					OPERATING EXPENSE					
6,858	7,642	7,401	(241)	(3.3%)	**Salaries & Wages**	72,582	77,394	77,713	319	0.4%
1,983	2,326	2,849	523	18.4%	**Supplies**	21,485	22,795	25,162	2,367	9.4%
1,442	1,556	1,361	(195)	(14.3%)	**Fees & Purchased Services**	14,761	15,970	14,812	(1,157)	(7.8%)
1,538	1,703	1,597	(106)	(6.7%)	**Other Operating Expense**	17,130	17,313	16,971	(341)	(2.0%)
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
693	815	732	(84)	(11.4%)	**Depreciation**	6,793	8,518	8,147	(371)	(4.6%)
12,514	**14,043**	**13,940**	**(103)**	**(0.7%)**	**Total Operating Expense**	**132,752**	**141,989**	**142,805**	**816**	**0.6%**
1,439	**271**	**2,506**	**(2,235)**	**(89.2%)**	**Net Operating Income/(Loss)**	**12,317**	**11,569**	**21,103**	**(9,534)**	**(45.2%)**
0	0	0	0	0.0%	**Non Operating Income**	(45)	0	0	0	0.0%
1,439	**271**	**2,506**	**(2,235)**	**(89.2%)**	**Net Income(Loss)**	**12,272**	**11,569**	**21,103**	**(9,534)**	**(45.2%)**
15.3%	7.6%	19.7%	(12.1%)		**EBITDA**	13.2%	13.1%	17.8%	(4.8%)	
10.3%	1.9%	15.2%	(13.3%)		**Operating Margin**	8.5%	7.5%	12.9%	(5.3%)	
10.3%	1.9%	15.2%	(13.3%)		**Net Margin**	8.5%	7.5%	12.9%	(5.3%)	

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

Category	2014	2015	2016	2017	2018
EPIC	**6,838**	**29,849**	**20,798**	**2,755**	**1,114**
IT Hardware/Software Equipment	**2,788**	**4,660**	**6,483**	**2,659**	**1,108**
Medical/Non Medical Equipment	**12,891**	**13,340**	**17,133**	**9,556**	**15,780**
Non CIP Land, Land I, BLDG, Additions	**22,292**	**-**	**4,189**	**-**	**2,070**
Facilities Projects CIP					
Mountain View Campus Master Plan Projects					
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676
1413 - North Drive Parking Structure Exp	-	167	1,266	18,120	4,670
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319
1422 - CUP Upgrade	-	-	896	1,245	5,428
Sub-Total Mountain View Campus Master Plan	**1,257**	**5,950**	**12,426**	**62,493**	**114,093**
Mountain View Capital Projects					
9900 - Unassigned Costs	470	3,717	-	-	-
0906 - Slot Build-Out	1,576	15,101	1,251	294	-
1109 - New Main Upgrades	393	2	-	-	-
1111 - Mom/Baby Overflow	29	-	-	-	-
1204 - Elevator Upgrades	30	-	-	-	-
0800 - Womens L&D Expansion	1,531	269	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-
1227 - New Main eICU	21	-	-	-	-
1230 - Fog Shop	80	-	-	-	-
1315 - 205 So. Drive TI's	500	2	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961
1125 - Will Pav Fire Sprinkler	39	-	-	-	-
1216 - New Main Process Imp Office	1	16	-	-	-
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-
1301 - Desktop Virtual	13	-	-	-	-
1304 - Rehab Wander Mgmt	87	-	-	-	-
1310 - Melchor Cancer Center Expansion	44	13	-	-	-
1318 - Women's Hospital TI	48	48	29	2	-
1327 - Rehab Building Upgrades	-	15	20	-	22
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-
1340 - New Main ED Exam Room TVs	8	193	-	-	-
1341 - New Main Admin	32	103	-	-	-
1344 - New Main AV Upgrd	243	-	-	-	-
1400 - Oak Pav Cancer Center	-	5,208	666	52	156
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-
1404 - Park Pav HVAC	64	7	-	-	-
1405 - 1 - South Accessibility Upgrades	-	-	168	95	-
1408 - New Main Accessibility Upgrades	-	7	46	501	12

Category	2014	2015	2016	2017	2018
Facilities Projects CIP cont.					
1415 - Signage & Wayfinding	-	-	106	58	136
1416 - MV Campus Digital Directories	-	-	34	23	95
1423 - MV MOB TI Allowance	-	-	588	369	-
1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
1430 - Women's Hospital Expansion	-	-	-	464	2,763
1432 - 205 South Dr BHS TI	-	8	15	-	52
1501 - Women's Hospital NPC Comp	-	4	-	223	320
1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
1504 - Equipment Support Infrastructure	-	61	311	-	60
1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
1525 - New Main Lab Upgrades	-	-	-	464	1,739
1526 - CONCERN TI	-	-	37	99	10
Sub-Total Mountain View Projects	**7,219**	**26,744**	**5,588**	**5,535**	**7,948**
Los Gatos Capital Projects					
0904 - LG Facilities Upgrade	-	-	-	-	-
0907 - LG Imaging Masterplan	774	1,402	17	-	-
1210 - Los Gatos VOIP	89	-	-	-	-
1116 - LG Ortho Pavillion	24	21	-	-	-
1124 - LG Rehab BLDG	458	-	-	-	-
1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1308 - LG Infrastructure	114	-	-	-	-
1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1219 - LG Spine OR	214	323	633	2,163	447
1221 - LG Kitchen Refrig	85	-	-	-	-
1248 - LG - CT Upgrades	26	345	197	6,669	1,673
1249 - LG Mobile Imaging	146	-	-	-	-
1328 - LG Ortho Canopy FY14	255	209	-	-	-
1345 - LG Lab HVAC	112	-	-	-	-
1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1347 - LG Central Sterile Upgrades	-	181	43	66	-
1421 - LG MOB Improvements	-	198	65	303	356
1508 - LG NICU 4 Bed Expansion	-	-	-	207	-
1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1603 - LG MOB Improvements	-	-	-	285	4,593
Sub-Total Los Gatos Projects	**5,276**	**6,246**	**6,116**	**14,780**	**12,306**
1550 - Land Acquisition	-	-	24,007	-	-
1701 - 828 S Winchester Clinic TI	-	-	-	145	3,018
Sub-Total Other Strategic Projects	**-**	**-**	**24,007**	**145**	**3,018**
Subtotal Facilities Projects CIP	**13,753**	**38,940**	**48,137**	**82,953**	**137,364**
Grand Total	**58,561**	**86,789**	**96,740**	**97,923**	**157,435**

El Camino Health

El Camino Health

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: **July 29, 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 90% complete with construction activities being pushed out until late August. The revised construction completion date is due in large part to a conflict in the ceiling system installation that required re-engineering, OSPHD approval and installation of additional braces at over 300 locations in the building. Furniture and equipment fit up has begun and is now scheduled to be completed by the end of September. The opening event date has been rescheduled to October 24th. The waste water storage project which must be completed to obtain final occupancy is 50% complete and is scheduled to be substantially complete by August 28th. This project is forecasted to be completed within the approved budget. (See Attachment #1 – Cost Reports)

   Sabrato Pavilion (aka IMOB) construction is 81% 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 has been pushed out to begin in mid-September and be completed by the end of October. The new Pavilion will be ready for the opening event scheduled for November 17th. The "offsite work" in the YMCA parking lot is in process and pending PG&E sign-off the work on Grant Road is expected to begin in early August. This project is forecasted to be completed with the approved budget. (See Attachment #1 – Cost Reports)

   Women's Hospital construction documents were submitted to OSPHD for plan review and permitting in late May. 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. The second phase is the actual abatement and demolition of the entire old main hospital building. The third and final phase is the reconstruction of what will be a very large hole in the center of the campus. The documents for the initial phase are under development and are expected to be submitted to OSHPD for plan review in early October. A complete presentation of cost forecasts and project scope will be presented at the next meeting of the Finance Committee.

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:

Step I:	Status
North Parking Garage Expansion -	Complete
Behavioral Health Services Building -	Construction
Integrated Medical Office Building -	Construction
Central Plant Upgrades -	Complete
Step II:	
Women's Hospital Expansion -	Plan Review/Permit
Demolition of Old Main Hospital -	Construction Docs Phase 1

d. Assessment

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

4. Suggested Finance Committee Discussion Questions:

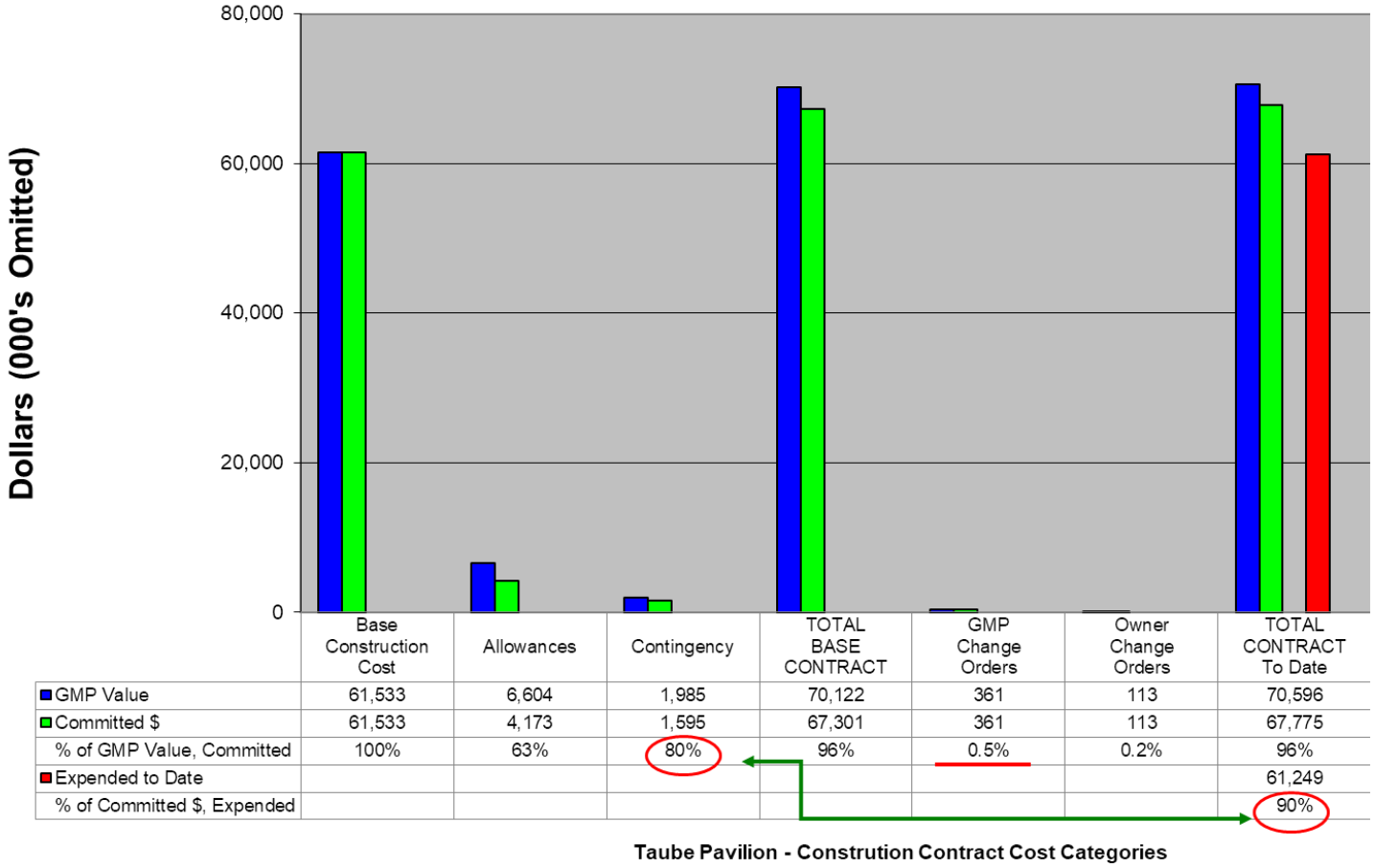
None

El Camino Health

Finance Committee – Major Projects Update
July 29, 2019

Ken King, CASO

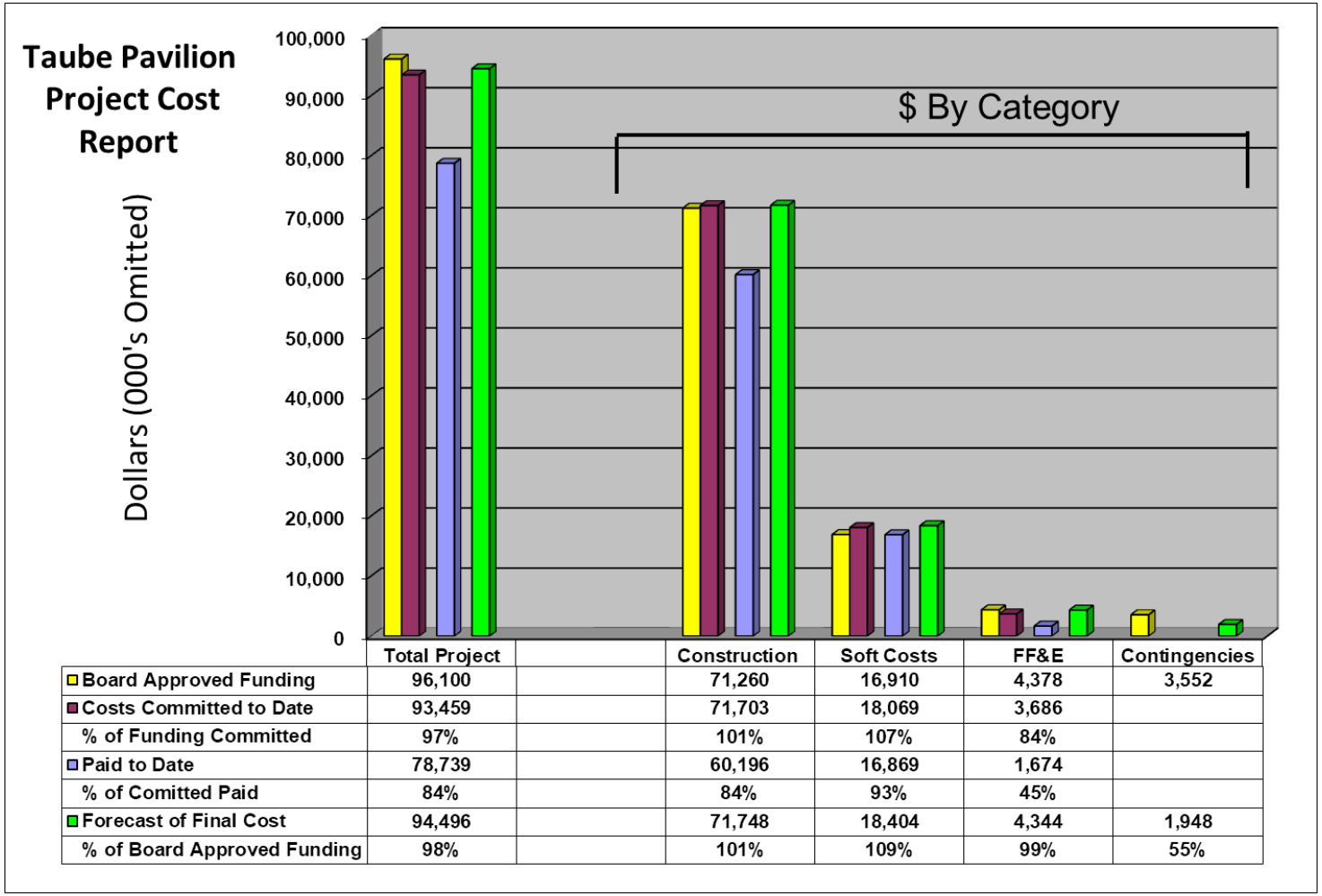
Taube Pavilion Construction Contract Cost Report



	Base Construction Cost	Allowances	Contingency	TOTAL BASE CONTRACT	GMP Change Orders	Owner Change Orders	TOTAL CONTRACT To Date
GMP Value	61,533	6,604	1,985	70,122	361	113	70,596
Committed $	61,533	4,173	1,595	67,301	361	113	67,775
% of GMP Value, Committed	100%	63%	80%	96%	0.5%	0.2%	96%
Expended to Date							61,249
% of Committed $, Expended							90%

El Camino Health

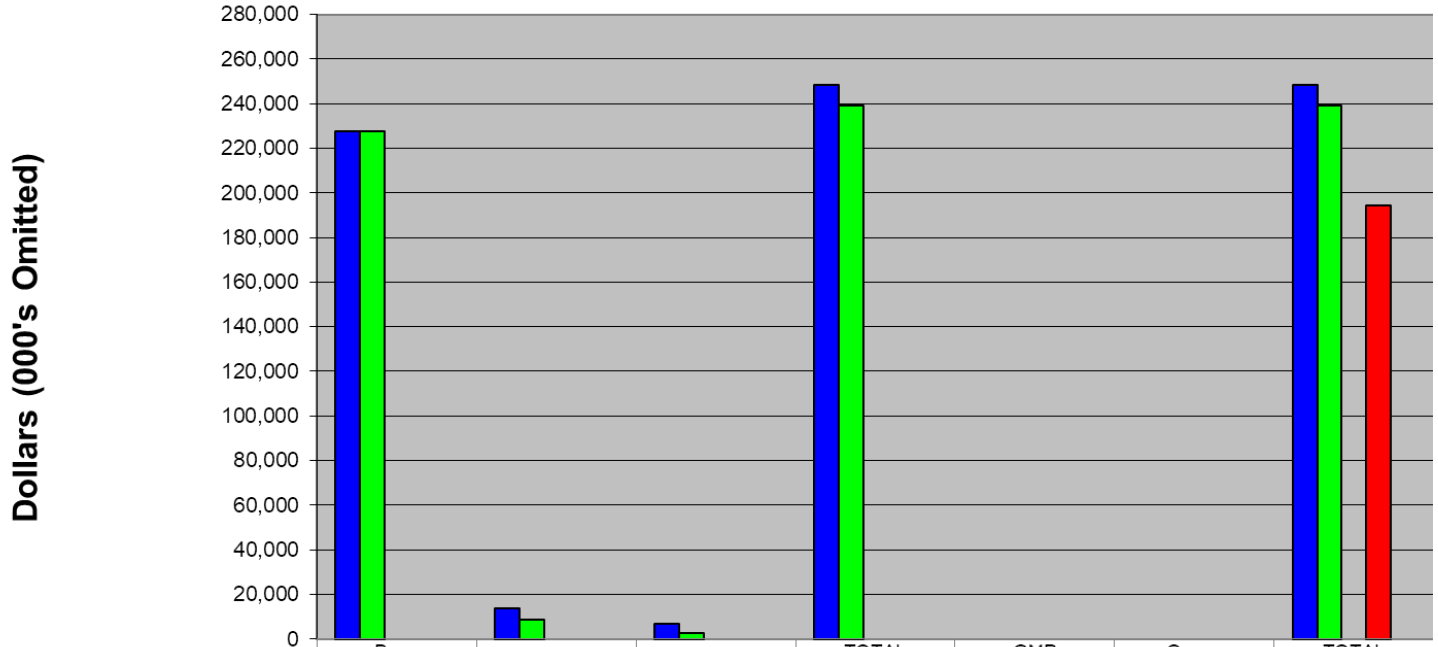
Taube Pavilion Project Cost Report



	Total Project		Construction	Soft Costs	FF&E	Contingencies
Board Approved Funding	96,100		71,260	16,910	4,378	3,552
Costs Committed to Date	93,459		71,703	18,069	3,686	
% of Funding Committed	97%		101%	107%	84%	
Paid to Date	78,739		60,196	16,869	1,674	
% of Comitted Paid	84%		84%	93%	45%	
Forecast of Final Cost	94,496		71,748	18,404	4,344	1,948
% of Board Approved Funding	98%		101%	109%	99%	55%

El Camino Health

Sobrato Pavilion Construction Contract Cost Report

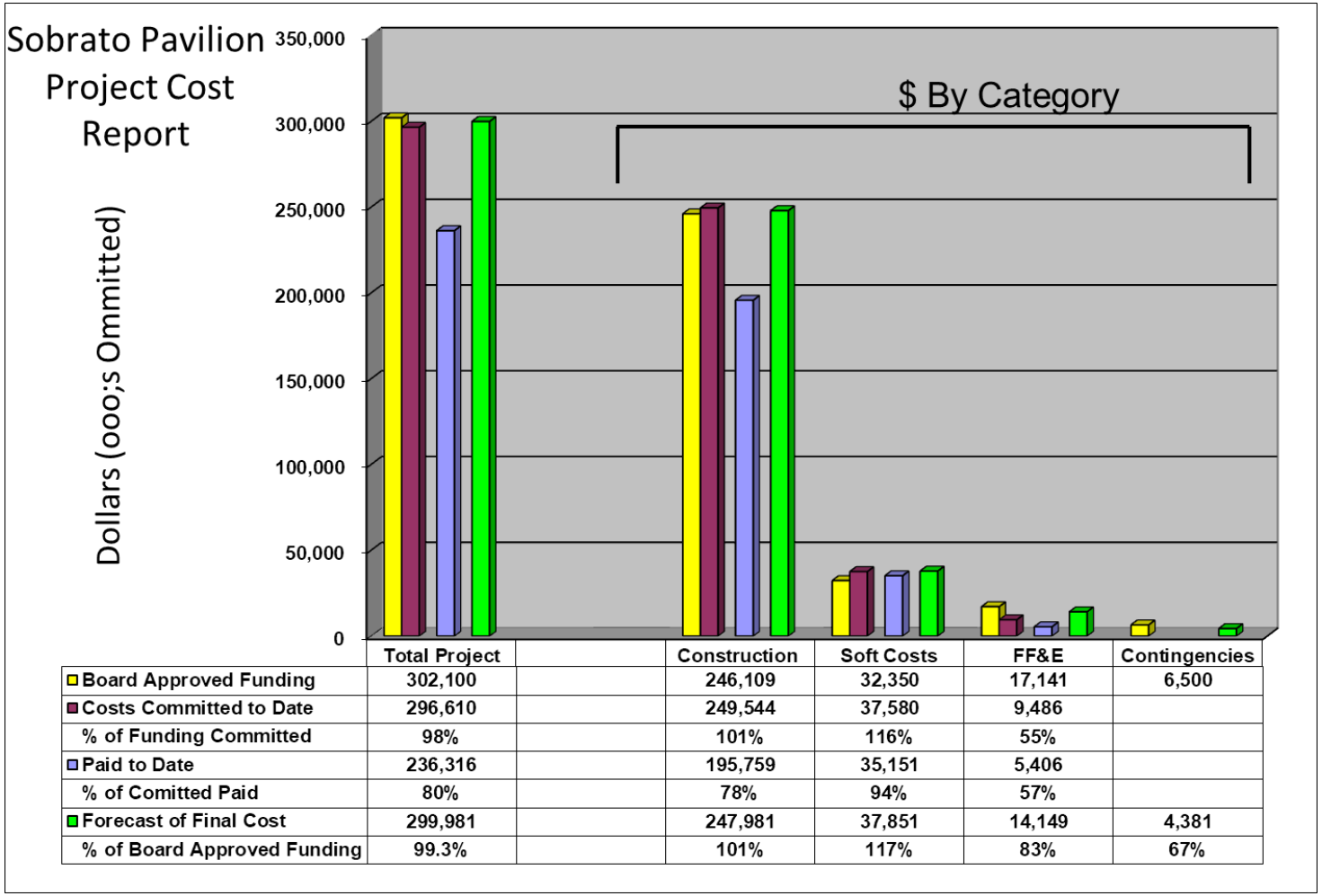


	Base Construction Cost	Allowances	Contingency	TOTAL BASE CONTRACT	GMP Change Orders	Owner Change Orders	TOTAL CONTRACT To Date
GMP Value	227,592	13,655	6,964	248,212	0	0	248,212
Committed $	227,592	8,765	2,751	239,109	0	0	239,109
% of GMP Value, Committed	100%	64%	40%	96%	0%	0%	96%
Expended to Date							194,566
% of Committed $, Expended							81%

Sobrato Pavilion - Construction Contract Cost Categories

El Camino Health

Sobrato Pavilion Project Cost Report



	Total Project		Construction	Soft Costs	FF&E	Contingencies
Board Approved Funding	302,100		246,109	32,350	17,141	6,500
Costs Committed to Date	296,610		249,544	37,580	9,486	
% of Funding Committed	98%		101%	116%	55%	
Paid to Date	236,316		195,759	35,151	5,406	
% of Comitted Paid	80%		78%	94%	57%	
Forecast of Final Cost	299,981		247,981	37,851	14,149	4,381
% of Board Approved Funding	99.3%		101%	117%	83%	67%

El Camino Health

FY20 Finance Committee Pacing Plan – Updated July 11, 2019

FY20 FC Pacing Plan – Q1		
July 29, 2019	August 2019	**September 23, 2019**
- Meeting Minutes (May 2019), any policies - Financial Report (FY19 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Year-End Financial Report - Review of Patient Billings (FC Committee Goal) - Executive Session - Long Term Financial Forecast - Medical Staff Development Plan ~~- Post – Implementation Review (PACS/RIS)~~ -	No scheduled meeting	- Meeting Minutes (July 2019), any policies - Financial Report (FY20 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – Ortho Neuro Spine - Executive Session - Post Implementation Review - Per attached schedule
FY20 FC Pacing Plan – Q2		
October 2019	**November 25, 2019**	December 2019
- **October 23, 2019 – Board and Committee Educational Session**	- Meeting Minutes (September 2019), any policies - Financial Report (FY20 Period 3,4) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – MCH - Post implementation Review – Per attached Schedule - Payor Update - Executive Session - Long Term Financial Forecast	No scheduled meeting

Formatted: List Paragraph, Indent: Left: 0.06", Bulleted + Level: 1 + Aligned at: 0.25" + Indent at:

FY20 Finance Committee Pacing Plan – Updated July 11, 2019

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

FY20 Finance Committee Pacing Plan – Updated July 11, 2019

Last 18 Months Capital Project Approvals
September 2017 - May 2019

APPROVAL DATE	APPROVING BODY	PROJECT NAME	APPROVED AMOUNT	PROPOSED FC POST-IMPLEMENTATION REVIEW DATE
9/13/2017	ECH Board	Increase BHS Building Budget	Additional $4.6 M	Update each meeting
9/13/2017	ECH Board	Increase Sobrato Pavilion Budget	Additional $27.1 M	Update each meeting
10/11/17		None	N/A	N/A
11/8/2017		None	N/A	N/A
1/10/2018		None	N/A	N/A
2/14/2018	ECH Board	PACS Image Archive System Replacement	$2.2 M	7/2019
3/14/2018		None	N/A	N/A
4/18/2018		None	N/A	N/A
5/9/2018		None	N/A	N/A
6/13/2018		None	N/A	N/A
8/15/2018		None	N/A	N/A
9/12/2018		None	N/A	N/A
10/10/2018	ECH Board	Los Gatos Imaging Equipment	$1.6 M	N/A < $2 M
11/14/2018		None	N/A	N/A
12/5/2018		None	N/A	N/A
1/16/2019	ECH Board	Los Gatos Cancer Center Funding	$6.4 M	7/2020
1/30/2019	Finance Committee	Waste Water Storage Project	$3.9 M	7/2020
1/30/2019	Finance Committee	Purchase Da Vinci Robot Xi Model	$1,550,000 (Net)	N/A < $2 M
2/13/2019	ECH Board	Women's Hospital Planning	$10 M (Total Now $16M)	9/2020
2/13/2019	ECH Board	SVMD Clinic Site Tenant Improvements	$8 M	9/2020
2/13/2019	ECH Board	Interventional Equipment Replacement	$13 M	9/2020
2/13/2019	ECH Board	Imaging Equipment Replacement	$16.9 M	9/2020
2/13/2019	ECH Board	SVMD Asset Acquisition	$1.2 M	1/2020
3/13/2019		None		
3/25/2019	Finance Committee	SVMD Clinic IT Infrastructure	$4.6 M	9/2020
5/28/2019	Finance Committee	MV Campus Signage	$1.1 M	N/A < $2 M

El Camino Health

FY20 COMMITTEE GOALS

Finance Committee

PURPOSE

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

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

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

GOALS	TIMELINE	METRICS
1. Review major capital projects	Each regular meeting	Update on major capital projects in progress - Ongoing
2. Evaluate consumer-facing bills for ease of understanding, including patient portal (MyChart)	Q1	Review 5 – 10 bills with common/usual diagnoses/procedures and make recommendations to staff and Board – 7/29/19
3. Review the top three (3) service lines: 1) Heart & Vascular Institute (HVI), 2) Ortho, Neuro and Spine, and 3) MCH	- HVI (Q3) - Ortho, Neuro and Spine (Q1) - MCH (Q2)	Presentations in September, November, and March (Paced)

SUBMITTED BY:

Chair: John Zoglin
Executive Sponsor: Iftikhar Hussain

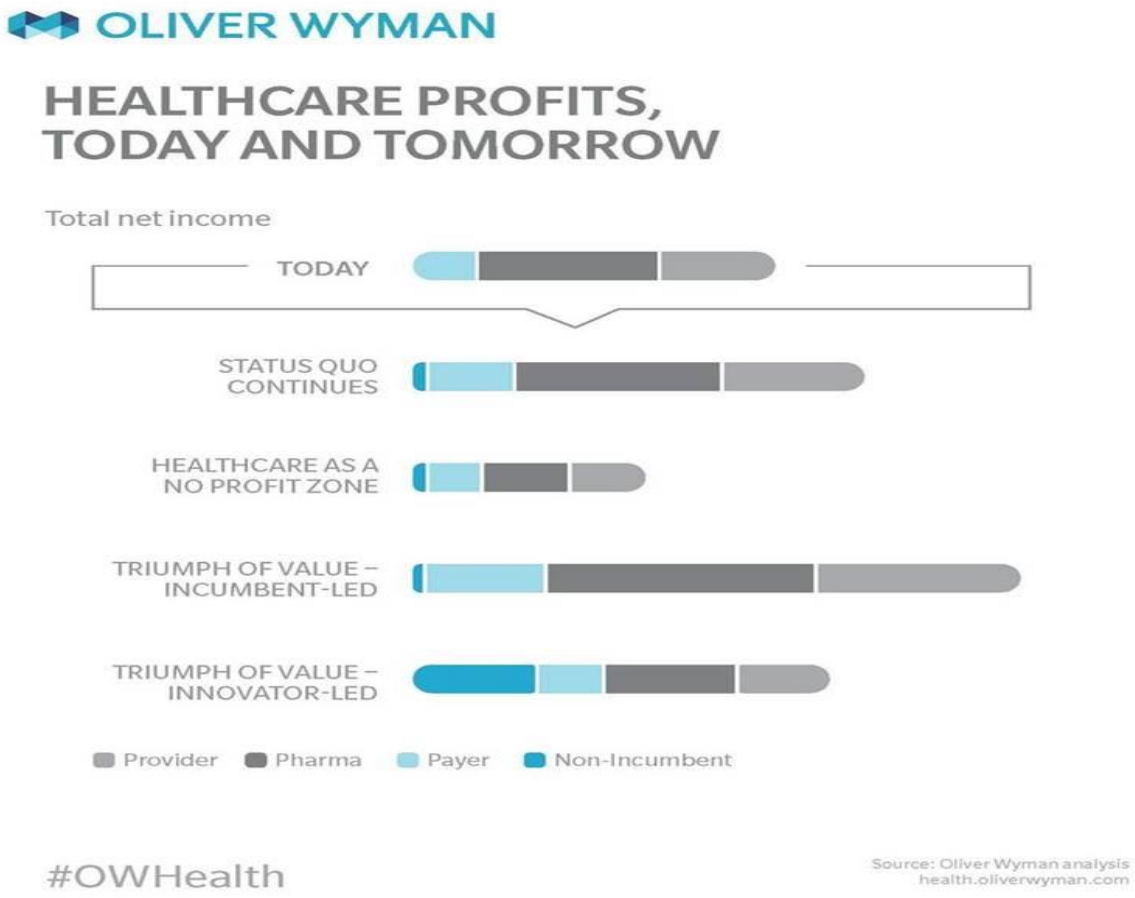
Approved by the ECH Board of Directors 6/12/2019

Healthcare 2030: Four Economic Scenarios

Oliver Wyman Health
David Fries & Fritz Heese | FEBRUARY 21, 2019

There are a few claims we're making (with confidence!) about healthcare's future. We predict healthcare's migration to value will continue. Margin pressure and intense competitive pressure will push efficiency among incumbents (like automating and transitioning care to lower acuity environments). Industry boundaries will be challenged as digital, retail, and other companies make deeper forays into healthcare. But how fast will change happen? And who will win (and lose) profit share?

Looking back on how the industry has progressed over the last two decades, US healthcare now comprises 18 percent of total gross domestic product, up 13 percent from twenty years ago. The composition of that spending has remained (remarkably) stable since 1960, with 38 percent to hospitals, 23 percent to physician services, and 12 percent to prescription drugs. Pharma accounts for less than one-sixth of total healthcare spend, while deriving almost half of healthcare ecosystem profits.



Is this share of profits in the industry stable, or is it about to be turned upside down over the next decade? Below, we examine the range of possible scenarios.

Key Questions Driving Our 2030 Scenarios
1. Will the move to value continue at the same pace?

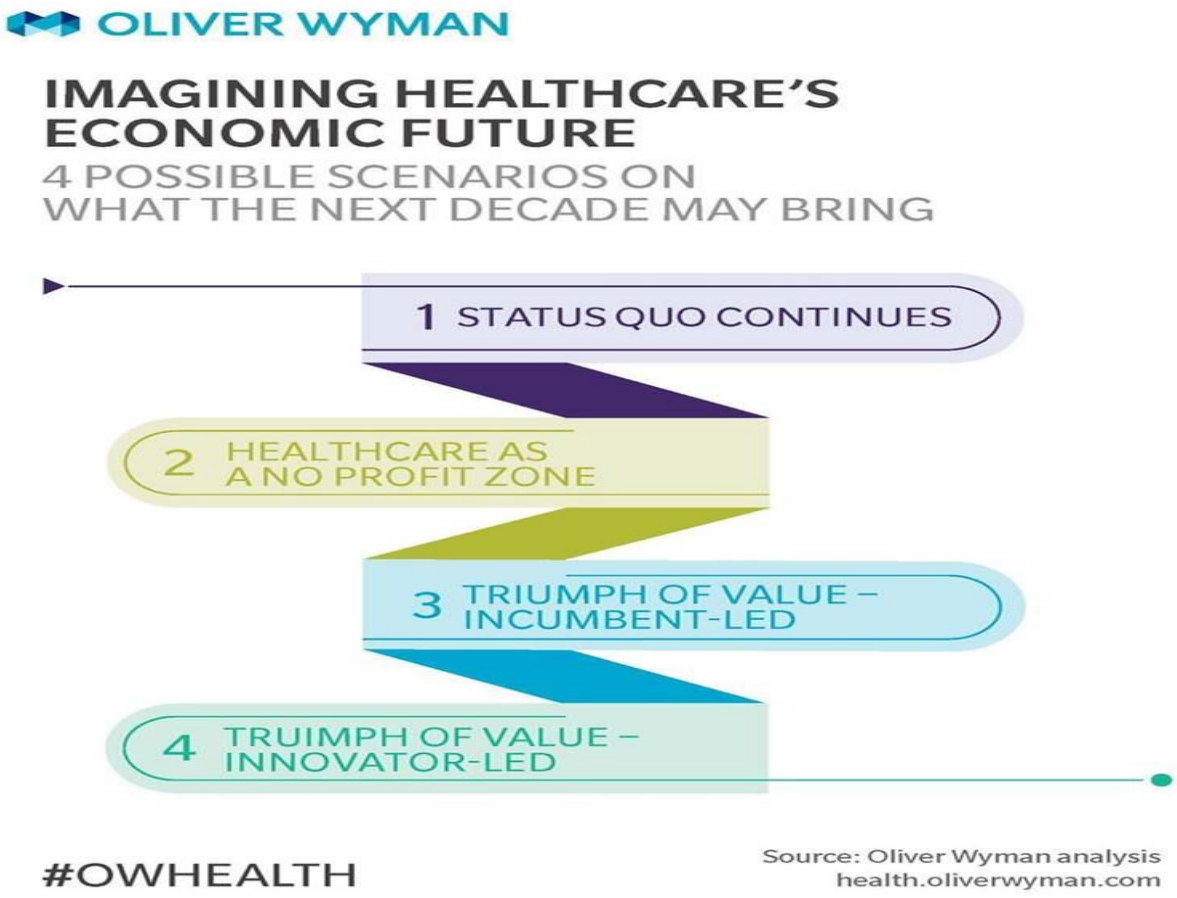
2. Will healthcare costs increase faster than the system can bear?

3. Will the government aggressively demand change?

4. Where will most tech-driven innovations originate and who will monetize them?

5. Will incumbents or out-of-industry players invest more in (building and/or acquiring) innovation?

6. How empowered and motivated will consumers be to “vote with their wallets” for better healthcare?



Scenario 1: Status Quo Continues

Here, the next decade closely mirrors the last. Total healthcare costs increase before levelling off with gross domestic product growth. Value-based reimbursement models become only slightly more common. Healthcare's still primarily fee-for-service. Government deficits continue, but Medicare and Social Security remain solvent.

Incumbents still create incremental efficiency through consolidation and process improvement. Most improvements are uniform, maintaining competitive parity without providing undue advantage to new business models. Electronic Health Record penetration reaches maturity, creating process efficiencies and modest clinical management improvements, reducing unnecessary medical costs.

Payers' progress is evolutionary. They create simpler, more flexible products featuring integrated ancillary coverage, sculpted networks, and other cost-cutting levers. Care management programs slowly improve. Payer business models aren't fundamentally disrupted.

Providers see continued inpatient to outpatient migration, from higher to lower acuity, from general to more highly specialized Industrialized Factory environments, driving better consumer experiences and lower costs, without fundamentally disrupting business models. These improvements cancel out net increases in healthcare demand. Provider compensation grows, although slower than before.

On the life sciences side, a modest number of new blockbuster treatments emerge (as neurology joins oncology and immunology as a critical source of profit growth), roughly offsetting patent expirations. Pharma sparks meaningful innovation, enabling medical advancements that drive economic value. In areas with profit headwinds like diabetes and cardiology, pharma companies integrate new non-product-based offers, like behavior change programs.

Next-generation delivery models (like Iora, Amazon, and Omada) with potential for massive disruption exist, but still at the margins. Innovation happens in pockets. Nobody develops scalable, innovative solutions. Costs increase, but not faster than the system can withstand. Medicare and Social Security remain solvent. Industry economics are largely unchanged.

This scenario may seem unlikely. But if we'd written these words in 2009, it's this scenario that would have best described the next ten years, where innovations and improvements happen in silos without fundamentally changing healthcare's economic landscape.

Scenario 2: Healthcare As A No Profit Zone

This scenario begins like the last, but with less optimistic macroeconomics. The industry cannot drive incremental value without fundamentally disrupting existing business models.

Government deficits skyrocket. Continued increase in deductibles and out-of-pocket spend oppresses patients, driving political reform. As a result, there's a "reckoning" five years out, when rising healthcare costs become unbearable.

Medicare and Medicaid reimbursement is reduced, hitting pharma hard, as the government targets drug reimbursement parity with Organization for Economic Co-operation and Development (OECD) countries. Annual prescription drug price increases disappear. More stringent limitations regarding comparative effectiveness limit new drugs coming to market. The government launches a "Medicare for all" single payer option which is managed similarly to Medicare Fee-for-Service, where payers play only a small, back office processing role. And thus, payers lose most of their commercially insured members to Medicare, now a direct competitor. Employers, eager to reduce costs and offer lower premiums and deductibles, contract directly with providers for the remaining commercial business, further dwindling legacy payer membership.

Incumbents' margins are dramatically compressed. Consolidation pushes as far as regulators allow, leaving a few incumbents with razor thin margins, as price and earnings multiples enter mid-single digits. Like Scenario 1, innovative start-up and out-of-industry solutions exist in pockets, but aren't profitable, or scalable enough to disrupt. Despite enough well-funded investors to spark competition and drive lower prices, a killer solution doesn't thrive and prosper in the end.

Scenario 3: Triumph of Value – Incumbent-Led

Several "vectors to value" reach critical inflection points, going from pilots and silos to disruptors. Market incumbents lead the way. This creates massive consumer value and significantly expands healthcare profit pools, increasing opportunities to harness value for both incumbents and new market entrants. "Value" broadly includes supply-side and demand-side innovations driving better outcomes and lower cost of care, including vectors like:

Behavior: Behavior change companies go to market with new psychologically nuanced, magnetic behavior change programs so compelling, many consumers willingly pay for them (instead of being paid to participate). These Automated Agents leverage a data explosion to personally remind and nudge consumers toward healthy behaviors. A mainstream "healthy living culture" emerges. Chronic disease rates drop. Consumer peer pressure to stay healthy spikes.
Tech: A new killer app takes charge, like how Apple transformed technology. A centralized platform guaranteeing excellent consumer experience manages all consumer interactions with the healthcare system.
Tools: The healthcare ecosystem achieves nearly optimal incentives across stakeholders and universal access, creating necessary tools that drive best practitioner choices. Industrialized Factories compete to deliver the highest quality, lowest cost care possible, leading to more efficient best practices and standardization. Integrated Patient Managers are strongly

incentivized to manage highly complex patients and more innovatively and efficiently deliver care.
Science: Headline-grabbing technologies (like genomics, personalized medicine, and robot caregivers) become mainstream faster than predicted. Genomics, particularly, drives a step change in healthcare outcomes as new breakthrough therapies come to market, commanding large pharma premiums. Scientific advances make personalized prevention the norm in many disease areas.
Delivery: Virtual and bricks and mortar healthcare experiences become almost fully interchangeable for all but the highest acuity care episodes. Access Specialists systematically deliver convenient care though new delivery channels.
The "Behavior" and "Tools" vectors mentioned above (where healthcare incumbents already play) may prove triumphant, but incumbents also leave their comfort zones for other vectors. Incumbents maintain financial footing long enough to fuel healthy innovation investments and leverage core strengths like healthcare financing control, healthcare data access, and point of care proximity.

The "brave new world" of genetic and personalized medicine creates a new sub-industry for life sciences and device companies. Payers leave underwriting and risk taking for healthcare data science, behavior change, and managing an "iPhone-like" integrated healthcare experience. Highly performing providers heavily incentivized for cost and quality achieve massive gainsharing. Across these industries, incumbents hyper-aggressively acquire new innovations that drive transformation.

Just like how biotech drove significant clinical value two or three decades ago, pharma – with 40 percent of value capture thanks to new developments in artificial intelligence, genomics, gene science, personalized therapy, and the like – captures value and withstands price pressure.

Scenario 4: Triumph of Value – Innovator-Led

Like Scenario 3, several "vectors to value" reach critical inflection points, but this time driven by new market entrants.

Healthcare majorly pivots towards consumerism; the "Behavior", "Tech", and "Science" vectors initially dominate. Brand power, engagement, and strong consumer relationships become primary differentiators. Magnetic platform owners creating quality consumer experiences accrue value. Amazon and/or smart phone apps provide integrated consumer solutions to find doctors, purchase insurance, and change behaviors, leading to healthier lives. New market entrants capitalize on customer relationships to provide more traditional healthcare services, playing in the "Tools" and "Delivery" vectors. Increasingly, these solutions lead patients to healthcare's "new front door" through retail clinics or virtual care owned and operated by new entrants. Incumbent business models remain largely stagnant, relegated to suppliers highly detached from customers.

Health insurers and traditional providers are commoditized, “racing to the bottom” to offer the lowest prices for services where patients use digital comparative shopping tools. Patients are loyal to the platform, not payers and providers (now secondary vendors). In an extreme case, the traditional healthcare system becomes a last resort destination as patients seek virtual care or retail clinic options, for all but the highest acuity care episodes. Low acuity care is no longer considered “healthcare”, but a consumer service provided by a mix of retail and Internet companies.

For incumbents, results mirror the “Health as a No Profit Zone,” Scenario 2 as they cede wallet share to out-of-industry players, now earning only a small profit portion in healthcare’s new market. Meanwhile, companies considered “non-healthcare” in 2019 will accumulate well over a trillion dollars in healthcare market cap by 2030.

In the future, different scenarios will increase value with highly contrasting implications for profit shares. Those who understand trends, vectors, and how to create strategic control and value will be best positioned. 2030, here we come.

El Camino Health

EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: July 29, 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 once. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee those approvals are also noted in this report.

A. ECH Board Actions

June 12, 2019

- Approved FY19 Period 10 Financials
- Approved FY20 Organizational Goals
- Approved FY20 El Camino Hospital Capital and Operating Budget
- Approved FY20 Community Benefit Plan
- Approved FY20 CEO Salary Range
- Approved FY20 Master Calendar, Committee Appointments and Committee Goals
- Approved Infection Control Medical Director Agreement

B. ECHD Board Actions

June 18, 2019

- Approved Resolution 2019-05 Recognizing ECH Community Benefit Grantee Cristo Rey San Jose Jesuit High School
- Approved Resolution 2019-06 Establishing Tax Appropriation Limit
- Approved FY20 Community Benefit Plan

- Approved FY20 ECH Capital and Operating Budget, FY20 ECHD Consolidated and Stand-Alone Budget and FY19 Period 10 Financials
- Allocated $6,958,521 of tax revenues to the Mountain View Campus Women's Hospital Expansion/Renovation/Reconstruction Project
- Appointed Director Julia Miller as the District's Liaison to the Community Benefit Advisory Council
- Elected New Board Officers
    - Gary Kalbach, Chair
    - George O. Ting, MD, Vice Chair
    - Julia Miller, Secretary/Treasurer
- Appointed Julia Miller as Chair of the ECH Board Member Election and Re-Election Ad Hoc Committee, George O. Ting, MD as a member of the Committee and Lanhee Chen and Christina Lai as advisors.

C. Finance Committee Actions

- Approved Lithotripsy Professional Services Agreement and Behavioral Health Unit On-Call Panel Agreements
- Approved Funding for MV Campus Signage not to exceed $2.5 million

D. Compliance and Audit Committee: None since last report.

E. Executive Compensation Committee Actions

- Approved FY20 Executive Bases Salary Ranges and Base Salaries
- Approved FY20 Individual Executive Goals

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None

El Camino Health

Summary of Financial Operations

Fiscal Year 2019 – Period 12

7/1/2018 to 06/30/2019

Financial Overview

Hospital Volume

June

- June volume as measured by Adjusted Discharges (AD) were favorable to both budget by 1.0% (32 ADs) and prior year by 8.5% (246 ADs). High inpatient volume driven service line growth initiatives in General, Gastroenterology, Pulmonary, Behavioral Health, and Spine Surgery cases. Outpatient service line growth in Endoscopy, Interventional Bronchoscopy, Cardiac Interventional, and Imaging (CT Scan).

Year to Date

- Year to Date Adjusted Discharges were unfavorable to budget by 0.7% (267 ADs) mostly due to the delay start of the LG infusion program. Excluding the LG infusion, we are off by .13% (46 ADs) YTD. Growth from prior year is 1.5% (530 ADs).
- YTD inpatient volume is below budget by 2.9% (613 cases) driven by MCH (342 cases) due to declining birth rate, Orthopedics/ Spine (253 cases) due to loss of physicians and ramp of new physicians, and HVI (146 cases) primary .
- YTD outpatient volume is below budget by 1.8% (2,752 visits) driven by LG Infusion (1,165 visits) due to delay in start of the program originally expected to begin in January. Service will begin in Q2 of FY20. Lab, and Behavioral Health visits continue to remain below budget.

Consolidated Financial Performance

June

- June Operating Margin was favorable to budget by $1.9M driven by $11 million unusual and non recurring items.

Year to Date

- YTD Operating Margin was favorable to budget by $26 million driven by $23 million in unusual non recurring items favorable revenue cycle by lowering denials and underpayments.

Hospital Payor Mix

- YTD, Commercial is 2.2 percentage points unfavorable to budget. Declining Commercial mix is linked to the decline in MCH volume and is a concern given that all other payer categories do not cover the cost of care.

Hospital Cost

- Productive FTEs were unfavorable to target by 1.3% for June but on target YTD.

Dashboard - ECH combined as of June 30, 2019

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Hospital Volume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	227	236	257	(21)	239	242	247	(5)
Utilization MV	63%	65%	70%	-6%	66%	66%	68%	-1%
Utilization LG	28%	30%	32%	-3%	29%	30%	31%	-1%
Utilization Combined	51%	53%	58%	-5%	54%	55%	56%	-1%
Adjusted Discharges	2,992	3,225	3,197	28	35,904	36,470	36,530	(60)
Total Discharges (Excl NNB)	1,645	1,740	1,791	(51)	20,291	20,210	20,823	(613)
Total Discharges	1,951	2,026	2,112	(86)	24,061	23,769	24,647	
Inpatient Cases								
MS Discharges	1,153	1,231	1,280	(49)	14,212	14,223	14,714	(491)
Deliveries	376	348	388	(40)	4,540	4,283	4,611	(328)
BHS	77	112	86	26	1,098	1,182	1,062	120
Rehab	39	49	37	12	441	522	436	86
Outpatient Cases	12,197	12,535	13,616	(1,081)	149,446	150,637	153,395	(2,758)
ED	3,956	4,147	4,111	36	49,411	48,462	49,122	(660)
Procedural Cases								
OP Surg	387	425	450	(25)	4,726	5,010	5,008	2
Endo	209	246	224	22	2,413	2,661	2,455	206
Interventional	168	162	156	6	2,115	2,180	2,135	45
All Other	7,477	7,555	8,675	(1,120)	90,781	92,324	94,675	(2,351)
Consolidated Financial Perf.								
Total Operating Revenue	84,882	92,097	85,150	6,947	938,813	998,034	968,953	29,081
Operating Expenses	68,073	81,243	76,166	5,076	806,385	884,554	881,971	2,583
Operating Margin $	16,809	10,854	8,984	1,870	132,428	113,480	86,982	26,498
Operating Margin	19.8%	11.8%	10.6%	1.2%	14.1%	11.4%	9.0%	2.4%
EBIDA $	21,002	15,501	14,740	761	187,367	169,778	147,913	21,865
EBIDA %	24.7%	16.8%	17.3%	-0.5%	20.0%	17.0%	15.3%	1.7%
Hospital Payor Mix								
Medicare	46.3%	49.2%	46.2%	3.0%	47.6%	49.1%	46.6%	2.5%
Medi-Cal	8.5%	7.4%	8.2%	-0.8%	7.8%	8.0%	8.0%	0.0%
Commercial IP	23.1%	19.2%	21.8%	-2.6%	22.0%	19.9%	22.2%	-2.3%
Commercial OP	20.4%	21.1%	21.0%	0.0%	20.2%	20.7%	20.5%	0.1%
Total Commercial	43.5%	40.2%	42.8%	-2.6%	42.1%	40.6%	42.8%	-2.2%
Other	1.6%	3.2%	2.8%	0.3%	2.5%	2.4%	2.7%	-0.2%
Hospital Cost								
Total FTE	2,585.2	2,752.8	2,774.4	(22)	2,578.7	2,681.7	2,709.1	(27)
Productive Hrs/APD	31.3	31.6	30.2	1	30.4	30.7	31.2	(0)
Hospital Balance Sheet								
Net Days in AR	50.7	45.6	48.0	(2)	50.7	45.6	48.0	(2.4)
Days Cash	505	500	449	51	505	500	449	51

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

El Camino Health

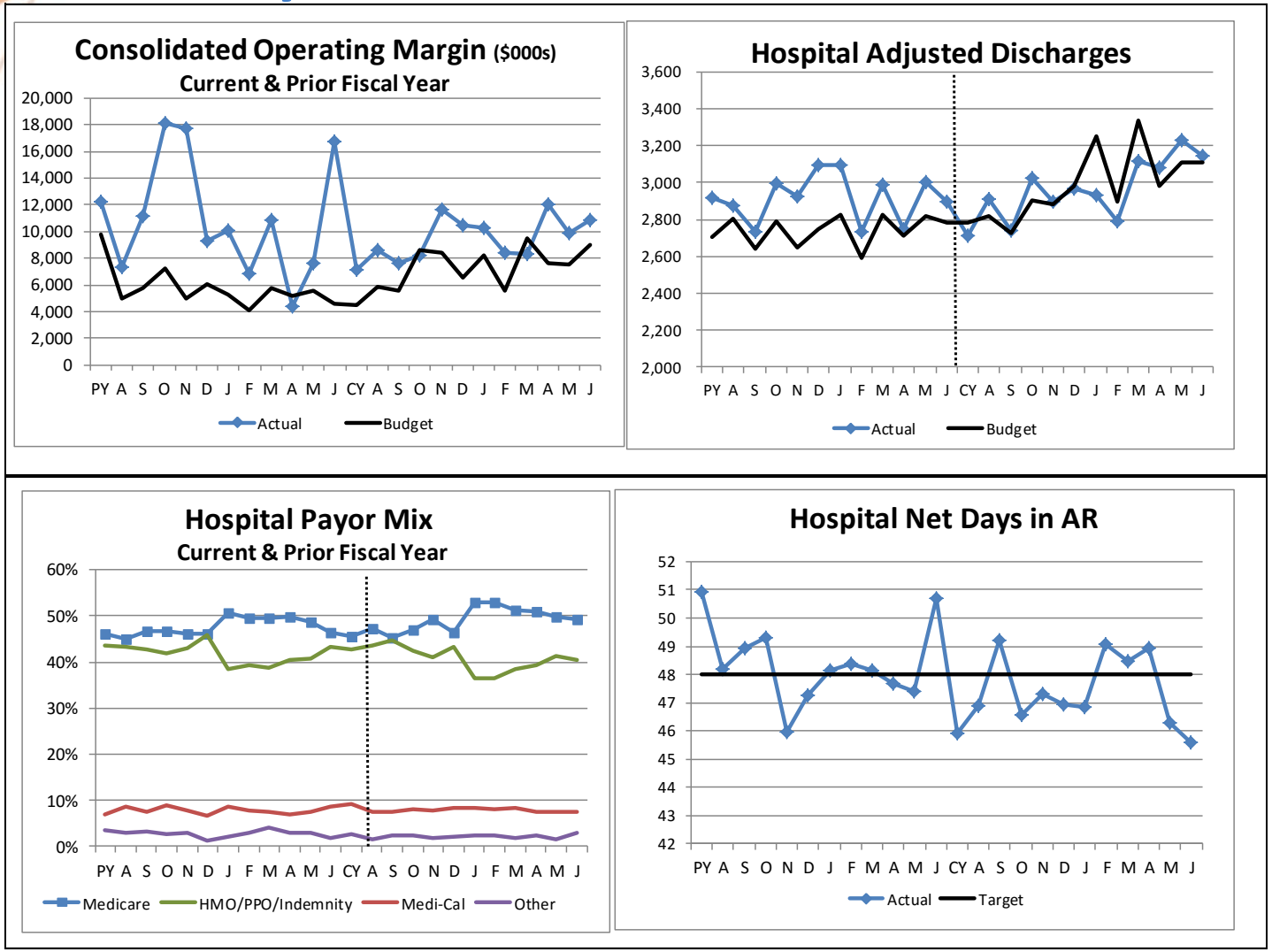
Consolidated Statement of Operations ($000s)

Period ending 06/30/2019

Period 12 FY 2018	Period 12 FY 2019	Period 12 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
270,184	300,082	312,377	(12,296)	(3.9%)	**Gross Revenue**	3,298,115	3,557,853	3,570,368	(12,515)	(0.4%)
(188,734)	(214,080)	(232,216)	18,136	7.8%	**Deductions**	(2,404,362)	(2,605,594)	(2,650,863)	45,269	1.7%
81,451	**86,002**	**80,161**	**5,841**	**7.3%**	**Net Patient Revenue**	**893,753**	**952,260**	**919,505**	**32,755**	**3.6%**
3,431	6,095	4,989	1,106	22.2%	**Other Operating Revenue**	45,060	45,775	49,448	(3,674)	(7.4%)
84,882	**92,097**	**85,150**	**6,947**	**8.2%**	**Total Operating Revenue**	**938,813**	**998,034**	**968,953**	**29,081**	**3.0%**
					OPERATING EXPENSE					
33,212	41,619	43,804	2,185	5.0%	**Salaries & Wages**	472,748	514,544	516,568	2,024	0.4%
11,172	11,705	13,081	1,376	10.5%	**Supplies**	128,107	138,154	141,164	3,011	2.1%
16,224	19,254	10,794	(8,460)	(78.4%)	**Fees & Purchased Services**	120,971	140,983	130,493	(10,490)	(8.0%)
3,273	4,018	2,732	(1,286)	(47.1%)	**Other Operating Expense**	29,620	34,576	32,815	(1,761)	(5.4%)
(63)	246	1,425	1,179	82.8%	**Interest**	5,227	4,117	7,686	3,570	46.4%
4,256	4,401	4,331	(70)	(1.6%)	**Depreciation**	49,712	52,181	53,244	1,063	2.0%
68,073	**81,243**	**76,166**	**(5,076)**	**(6.7%)**	**Total Operating Expense**	**806,385**	**884,554**	**881,971**	**(2,583)**	**(0.3%)**
16,809	**10,854**	**8,984**	**1,870**	**20.8%**	**Net Operating Margin**	**132,428**	**113,480**	**86,982**	**26,498**	**30.5%**
4,233	8,162	2,067	6,095	294.9%	**Non Operating Income**	64,664	38,170	25,484	12,687	49.8%
21,042	**19,016**	**11,051**	**7,965**	**72.1%**	**Net Margin**	**197,092**	**151,650**	**112,466**	**39,184**	**34.8%**
24.7%	16.8%	17.3%	(0.5%)		**EBITDA**	20.0%	17.0%	15.3%	1.7%	
19.8%	11.8%	10.6%	1.2%		**Operating Margin**	14.1%	11.4%	9.0%	2.4%	
24.8%	20.6%	13.0%	7.7%		**Net Margin**	21.0%	15.2%	11.6%	3.6%	

El Camino Health

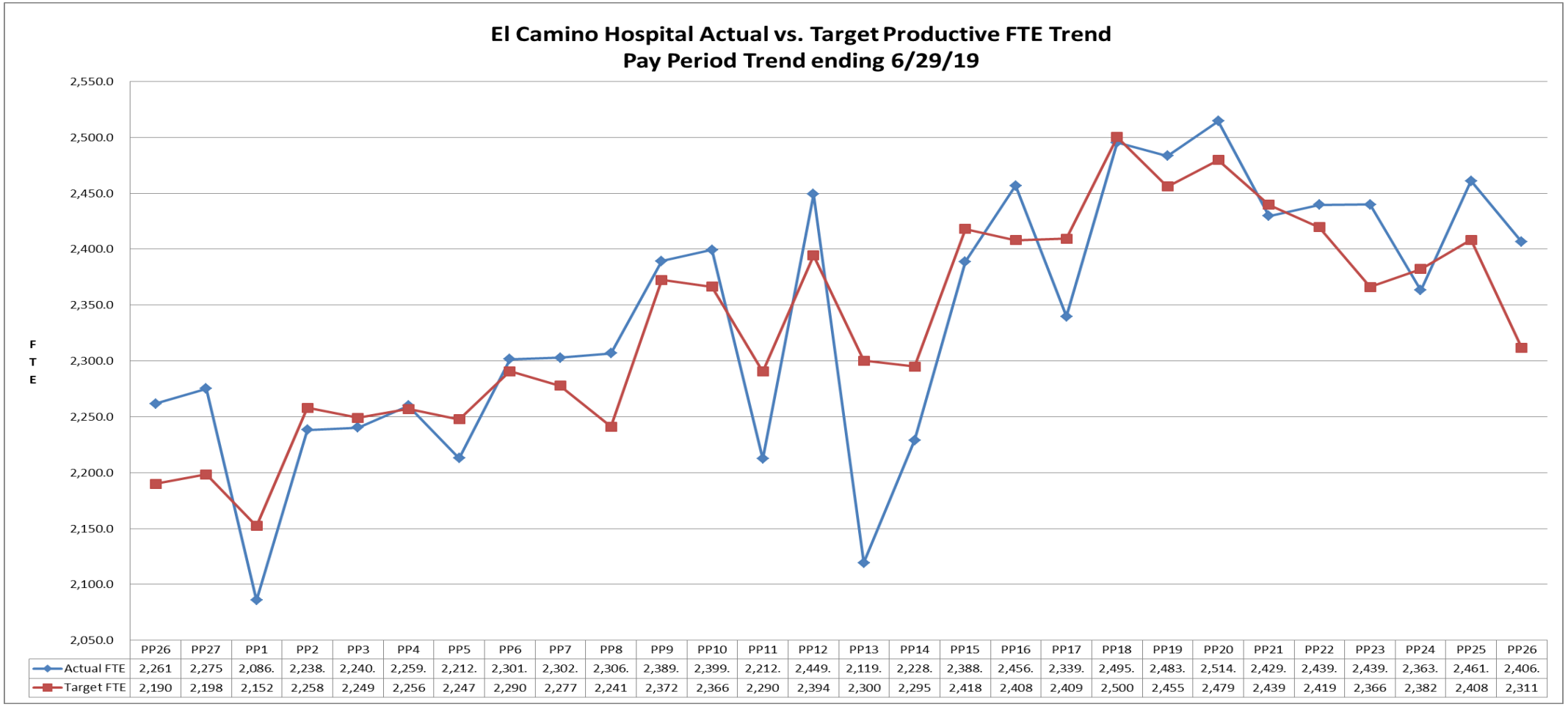
Monthly Financial Trends



- Volume trend is positive the last quarter
- Operating Margin in June includes $12 million in unusual items
- Adverse trend in Payor mix with a decline in Commercial mix due mainly to drop in MCH volume
- Revenue cycle operation consistently better than targets and show a favorable trend

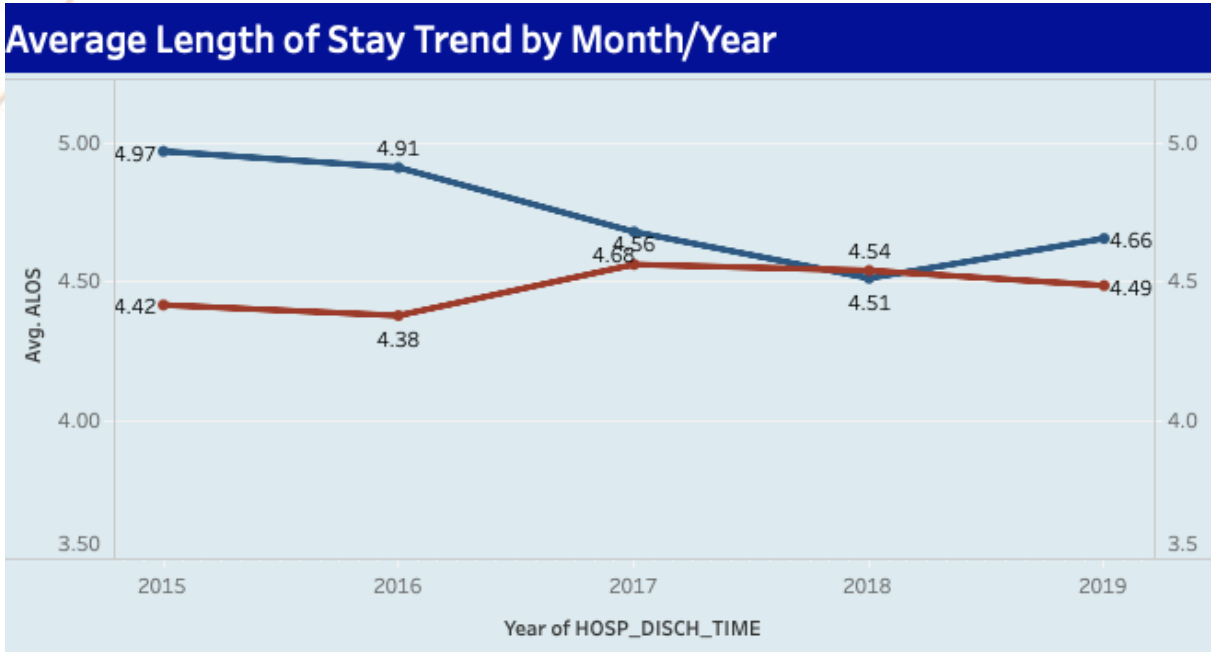
Hospital Productivity

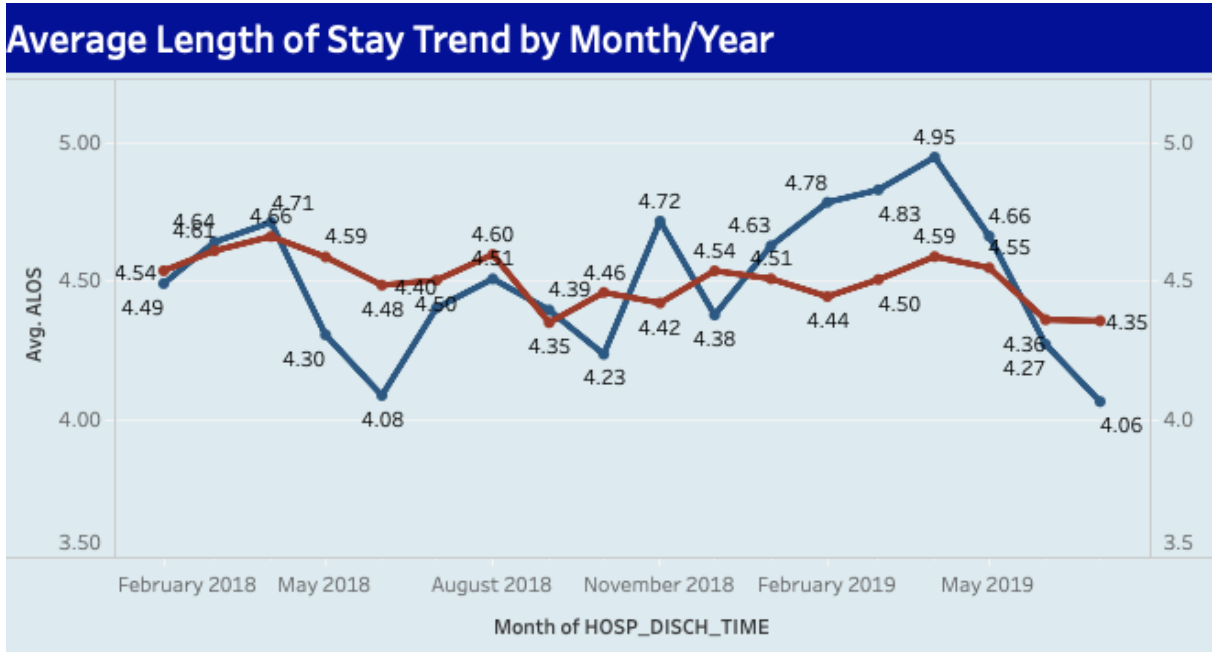
Productive FTEs were unfavorable to target by 1.3% for June but on target YTD



	PP26	PP27	PP1	PP2	PP3	PP4	PP5	PP6	PP7	PP8	PP9	PP10	PP11	PP12	PP13	PP14	PP15	PP16	PP17	PP18	PP19	PP20	PP21	PP22	PP23	PP24	PP25	PP26
Actual FTE	2,261	2,275	2,086.	2,238.	2,240.	2,259.	2,212.	2,301.	2,302.	2,306.	2,389.	2,399.	2,212.	2,449.	2,119.	2,228.	2,388.	2,456.	2,339.	2,495.	2,483.	2,514.	2,429.	2,439.	2,439.	2,363.	2,461.	2,406.
Target FTE	2,190	2,198	2,152	2,258	2,249	2,256	2,247	2,290	2,277	2,241	2,372	2,366	2,290	2,394	2,300	2,295	2,418	2,408	2,409	2,500	2,455	2,479	2,439	2,419	2,366	2,382	2,408	2,311

Hospital Medicare Length of Stay





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

FY19 ALOS has increased due to long stay outlier cases beginning in January but improved in May and June

El Camino Health

Updated Quarterly
Last update 03/31/19

INVESTMENT SCORECARD AS OF MARCH 31, 2019

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year End Budget	Expectation Per Asset Allocation
Investment Performance		**1Q 2019**		**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-year**				**6y 5m Since Inception (annualized)**			**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.

El Camino Health

Capital Spend Trend & FY 19 Budget

Capital Spending (in 000's)	FY2016	FY2017	FY2018	FY2019	Budget 2019 Cash Flow
EPIC	20,798	2,755	1,114	-	-
IT Hardware / Software Equipment**	6,483	2,659	1,108	13,690	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	12,082	11,206
Non CIP Land, Land I , BLDG, Additions	4,189	-	2,070	-	-
Facilities (Cash Flow)	48,137	82,953	137,364	157,896	279,450
GRAND TOTAL	96,740	97,923	157,435	183,668	310,388
*Includes 2 robot purchases in FY2017					
**Includes ERP Implementation					

Facilities Variances	(in Millions)
Construction Delays	Variance
Sobrato Pavilion (IMOB)	$ 41.0
Taub Pavilion (Behavioral Health)	$ 15.0
	$ 56.0
Placeholder/Deferred Planning	
Strategic Capital	$ 15.0
Equipment Replacement	$ 12.3
Primary Care Clinics	$ 6.9
Women's Hospital	$ 6.6
LG Projects	$ 6.6
Patient Family Residence	$ 6.0
ED Remodel	$ 4.6
Other	$ 2.2
Updates/Upgrades	$ 2.0
Willow Upgrades	$ 1.8
MOB (Courthouse Prop)	$ 1.2
	$ 65
Total	**$ 121**

Hospital Balance Sheet

(in thousands)

	ASSETS		Audited
	CURRENT ASSETS	**June 30, 2019**	**June 30, 2018**
	Cash	117,697	118,992
	Short Term Investments	148,233	150,664
	Patient Accounts Receivable, net	128,589	124,427
	Other Accounts and Notes Receivable	3,230	3,402
	Intercompany Receivables	6,023	2,090
(1)	Inventories and Prepaids	63,708	75,594
	Total Current Assets	**467,481**	**475,171**
	BOARD DESIGNATED ASSETS		
	Plant & Equipment Fund	170,096	153,784
(2)	Women's Hospital Expansion	15,472	9,298
(3)	Operational Reserve Fund	139,057	127,908
	Community Benefit Fund	18,259	18,675
	Workers Compensation Reserve Fund	20,732	20,263
	Postretirement Health/Life Reserve Fund	29,812	29,212
	PTO Liability Fund	27,145	24,532
	Malpractice Reserve Fund	1,831	1,831
	Catastrophic Reserves Fund	19,678	18,322
	Total Board Designated Assets	**442,082**	**403,826**
(4)	**FUNDS HELD BY TRUSTEE**	**83,073**	**197,620**
	LONG TERM INVESTMENTS	**367,272**	**345,684**
	INVESTMENTS IN AFFILIATES	**44,217**	**32,412**
	PROPERTY AND EQUIPMENT		
	Fixed Assets at Cost	1,306,570	1,261,854
	Less: Accumulated Depreciation	(620,761)	(577,959)
	Construction in Progress	379,318	220,991
	Property, Plant & Equipment - Net	**1,065,127**	**904,886**
	DEFERRED OUTFLOWS	29,754	21,177
	RESTRICTED ASSETS - CASH	-	0
	TOTAL ASSETS	**2,499,006**	**2,380,776**

	LIABILITIES AND FUND BALANCE		Audited
	CURRENT LIABILITIES	**June 30, 2019**	**June 30, 2018**
(5)	Accounts Payable	38,194	49,925
	Salaries and Related Liabilities	30,185	26,727
	Accrued PTO	27,145	24,532
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	12,526	10,068
	Intercompany Payables	1,002	125
	Malpractice Reserves	1,800	1,831
(6)	Bonds Payable - Current	8,630	3,850
(7)	Bond Interest Payable	9,201	12,975
	Other Liabilities	7,491	8,909
	Total Current Liabilities	**138,473**	**141,242**
	LONG TERM LIABILITIES		
	Post Retirement Benefits	29,812	29,212
	Worker's Comp Reserve	18,432	17,963
	Other L/T Obligation (Asbestos)	3,975	3,859
	Other L/T Liabilities (IT/Medl Leases)	-	-
(8)	Bond Payable	511,106	517,781
	Total Long Term Liabilities	**563,325**	**568,815**
	DEFERRED REVENUE-UNRESTRICTED	494	528
	DEFERRED INFLOW OF RESOURCES	10,006	22,835
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,344,626	1,243,529
	Board Designated	442,082	403,825
	Restricted	-	0
(9)	**Total Fund Bal & Capital Accts**	**1,786,708**	**1,647,355**
	TOTAL LIABILITIES AND FUND BALANCE	**2,499,006**	**2,380,776**

El Camino Health

June 2019 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

(1) The decrease is primarily due to the annual actuarially determined Cash Balance GASB 68 calculation recorded at the end of each fiscal year, which in this instance was based on the calendar year 2018 market performance. As 2018 experienced poor investment returns, our Prepaid Pension Asset dropped in value by approximately $15M to a current calculation of $41M.

(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 2018.

(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.

EL CAMINO HOSPITAL
FINANCE COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee

From: Jim Griffith, COO
Cheryl Reinking, CNO
Ken King, CASO

Date: July 28, 2019

Subject: Capital Facilities Project Request – Emergency Room Remodel, Mountain View

1. **Recommendation:**

   The executive staff requests that the Finance Committee recommend Board Approval for the remodel of the emergency department on the Mountain View campus at a cost not to exceed $6.75 million.

2. **Summary:**

   a. Situation: The Mountain View campus emergency room was opened in 2009 with a volume of 41,166. Emergency room volume in FY-19 was 48,718; an 18% increase over 10 years. Included in these visits are increases in patient acuity and patients with mental health and addiction illnesses. The increased volume has required us to add providers and staff and the existing environment for check-in, triage, registration and fast track services is not adequately configured to effectively manage throughput. Additionally, with the increase of mental health and addiction patients presenting in our emergency room daily, a more secure and efficient care environment is needed.

   Emergency room visits are expected to increase approximately 1% each year for the next 10 years with mental health and addiction and higher acuity cases continuing to grow faster than "come and go" emergency room visits. Without reconfiguring the space we have it will be extremely difficult, if not impossible to handle additional visits.

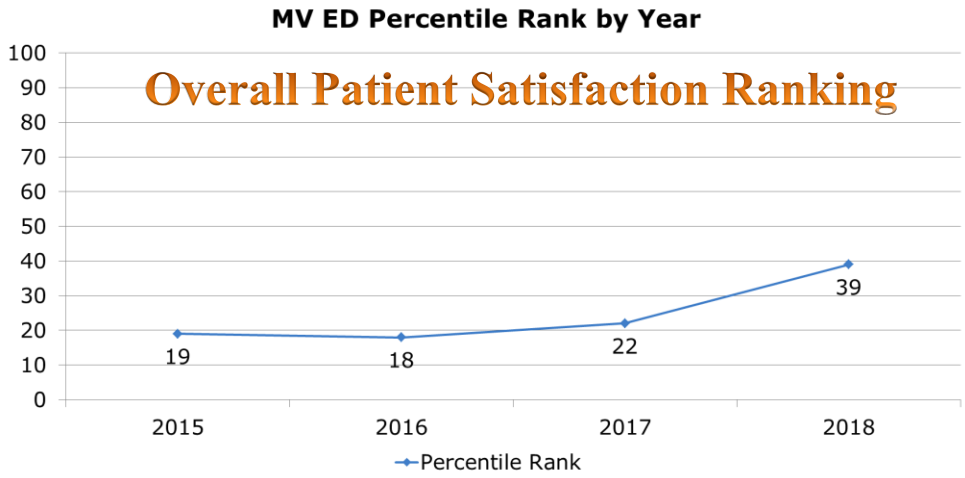
   b. Authority: Expenditures exceeding $5 million require the approval of the Board of Directors with a recommendation from the Finance Committee.

   c. Background: It has been 15 years since the emergency room was designed and two major factors have occurred since then. The first is the dramatic increase in both visits and acuity and the second is the dramatic increase in patients presenting with mental health and addiction illness. We have been able to absorb the additional volume by expanding the emergency room into the adjacent ten bed clinical decision unit. Additionally, over the past three years as the volume and acuity has increased, the emergency room providers and staff have gone through two lean assessments and work flow improvement projects and made adjustments to how patients are treated without changes to the physical environment. During that time improvements have been made, but as time goes on it is more and more evident that the physical layout is the largest constraint to improved patient flow and patient, provider and staff satisfaction.

   The other factor that continues to stress the capacity and efficiency of the emergency room is increased number of patients with mental health and addiction illness. In the past year we have had four (4) to five (5) patients per day who have long stays (recent average of 513 minutes) and often require one to one sitters in addition to the direct care nurse oversite. These patients are roomed in exam rooms that were designed for

medical care and as such they pose potential safety risks to at risk patients and the staff who care for them.

All of these factors combined have resulted in higher than acceptable wait times and lower patient satisfaction. The following chart shows how our overall patient satisfaction with the emergency room ranks when compared to our peers.



The remodel construction plans for this project have been completed and reviewed by OSHPD and a building permit has been issued. A general contractor has provided a competitively bid Guaranteed Maximum Price (GMP) Proposal for the construction and upon approval the work will begin within eight weeks. The breakdown of project costs is as follows:

Construction	$5,155,769	
Soft Costs	$ 971,374	
FF&E	$ 169,805	
Contingency	$ 437,302	
Total	$6,748,000	Rounded to $6,750,000

d. Assessment: The benefits of this remodel include the following:

- Improved physician and staff morale and efficiency
- Improved patient satisfaction and safety
- Improved financial results based on allowing growth in emergency services

Every effort to improve the situation has run into the constraints of the physical environment and all other options have been exhausted.

Financially, with a current NPV of $22.7 million, the investment of $6.75 million would allow us to continue to grow emergency room services. If that growth allows us to increase market share as indicated below in Scenarios 2, the ROI is solid. If that growth only matches the Scenario 1, projected market growth of 1% a year, then the $6.75 million would not provide a complete ROI.

Emergency Room Renovation Financial Pro Forma Summary		NPV	Return	Investment	ROI
Scenario 0	Current operations no remodel and no growth	$ 22,704,877	$ -		
Scenario 1	Remodel and allow retain market share with population growth	$ 28,257,703	$ 5,552,826	$ 6,750,000	-18%
Scenario 2	Remodel and take new market share all ED service lines	$ 40,559,449	$ 17,854,572	$ 6,750,000	165%

The investment will however provide the means to achieve the benefits stated above and ensure that we are meeting our Mission, Vision, Values and overall Strategic Goals.

e. Other Reviews: The emergency room physicians and providers along with staff have participated with architects and planners to develop a plan that addresses the short-comings of the existing environment. They along with the Executive Team members who have reviewed and evaluated the current situation and outcomes support the recommendation to invest in this remodel.

f. Outcomes: The following sequence and target timeline for construction is indicated below:

ED Remodel Target Timeline		2019					2020					
		Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
Design & Construction Documents	Complete											
OSPHD Plan Review & Permit	Complete											
Funding Approval												
Procurement & Pre-Construction												
Construction Phase 1												
Fit-Up & Licensing Approval												
Construction Phase 2												
Fit-Up & Licensing Approval												

Following the completion of the project we would expect to see higher patient satisfaction scores and improved through-put for inpatient admissions from the ER.

List of Attachments:

1. Power Point Presentation

Suggested Finance / Board Discussion Questions:

1. What alternatives were evaluated during the planning and redesign process?
2. What role did the ED physicians have during the redesign process and the final recommendations?
3. Where do other local hospitals stand in relation to ED design and modernization?

El Camino Health

Capital Facilities Project Request
Emergency Room Remodel, Mountain View

Finance Committee July 29, 2019

Jim Griffith, COO
Cheryl Reinking, CNO
Ken King, CASO

Situation – Why A Remodel is Needed

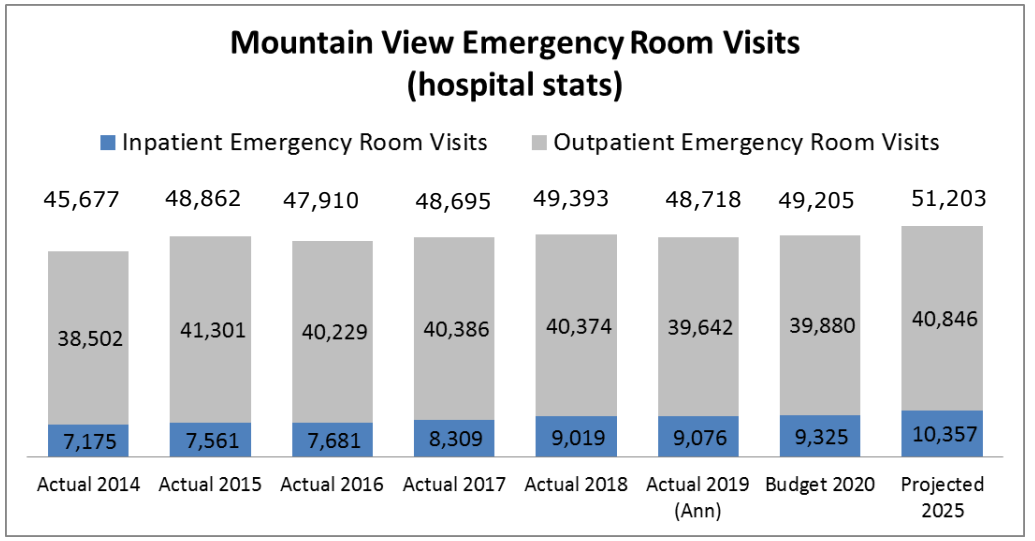
- The 2002 Master Plan that was the basis of design for the new hospital emergency room called for 28 exam rooms (25 private) and an adjacent 10 bed Clinical Decision Unit (CDU). The Old Main Hospital ER had 22 exam stations.
- The Master Plan called for the creation of a single Triage area with exam rooms for three tracks of care; Emergent, Urgent and Fast Track.
- The existing Emergency Room was designed between 2003 and 2004 when the annual average number of visits to the ER was 35,431.
- By the time we occupied the new hospital in 11/2009 the number of annual visits to the ER had climbed to 41,166.
- Visits to the Emergency room in FY-19 were 48,719. An 18% increase since 2009.
- We have also experienced an increase in patient acuity and the number of patients with mental health and addiction illness has increased dramatically.

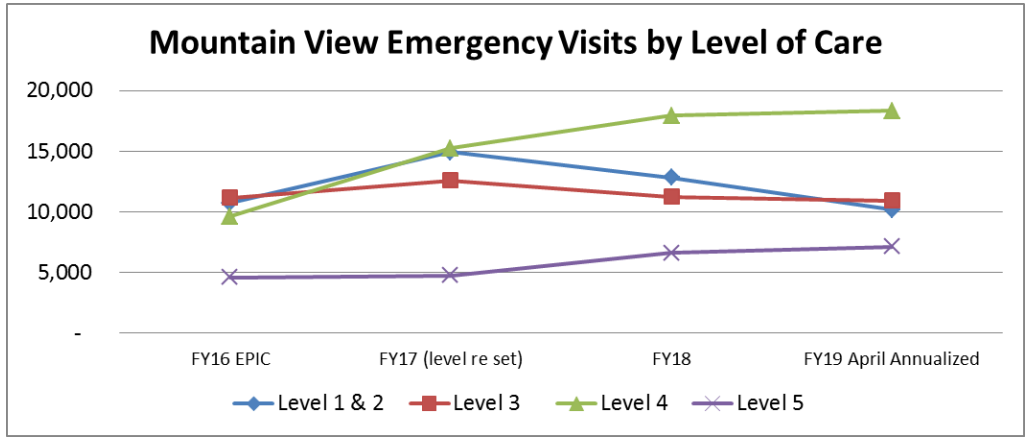
Situation – Why A Remodel is Needed

- With the increase in visits the model of care has changed and now at times we have three or four physician or physician assistant providers when there was previously just one.
- The new model would have providers performing a “Rapid Medical Evaluation” in the Triage Area, and these same providers caring for the “Fast Track” patients. Due to existing space constraints this cannot be accomplished. These functions are physically separated.
- The existing exam rooms designed for medical care are not well suited to care for mental health and addiction patients and the current standards of care often require one to one sitter observation.
- Physician and staff safety concerns can be addressed with a reconfiguration of department.
- NOTE that the increased number of ER visits has required us to expand ER services into the adjacent 10 bed clinical decision unit, giving us 38 ER Exam Rooms. (35 Private). The challenge we have is that we have a bottle-neck at the point of entry and triage.

Emergency Room Volume & Acuity Levels

- Emergency Room Visits include patients who are admitted and counted as inpatients and patients who are discharged and counted as outpatients.
- Total Emergency Room Visits have increase 18% since 2009 and are projected to increase by 1% a year as the population continues to age. (Top Chart)
- The increased number of patients who are admitted as inpatients indicates that we are seeing higher acuity patients arriving at the Emergency Room. The higher Level of Care for the past four years also demonstrates this fact. (Bottom Chart)
- Included in the volume is an increased number of mental health and addiction illness patients who at times require one to one sitter observation.



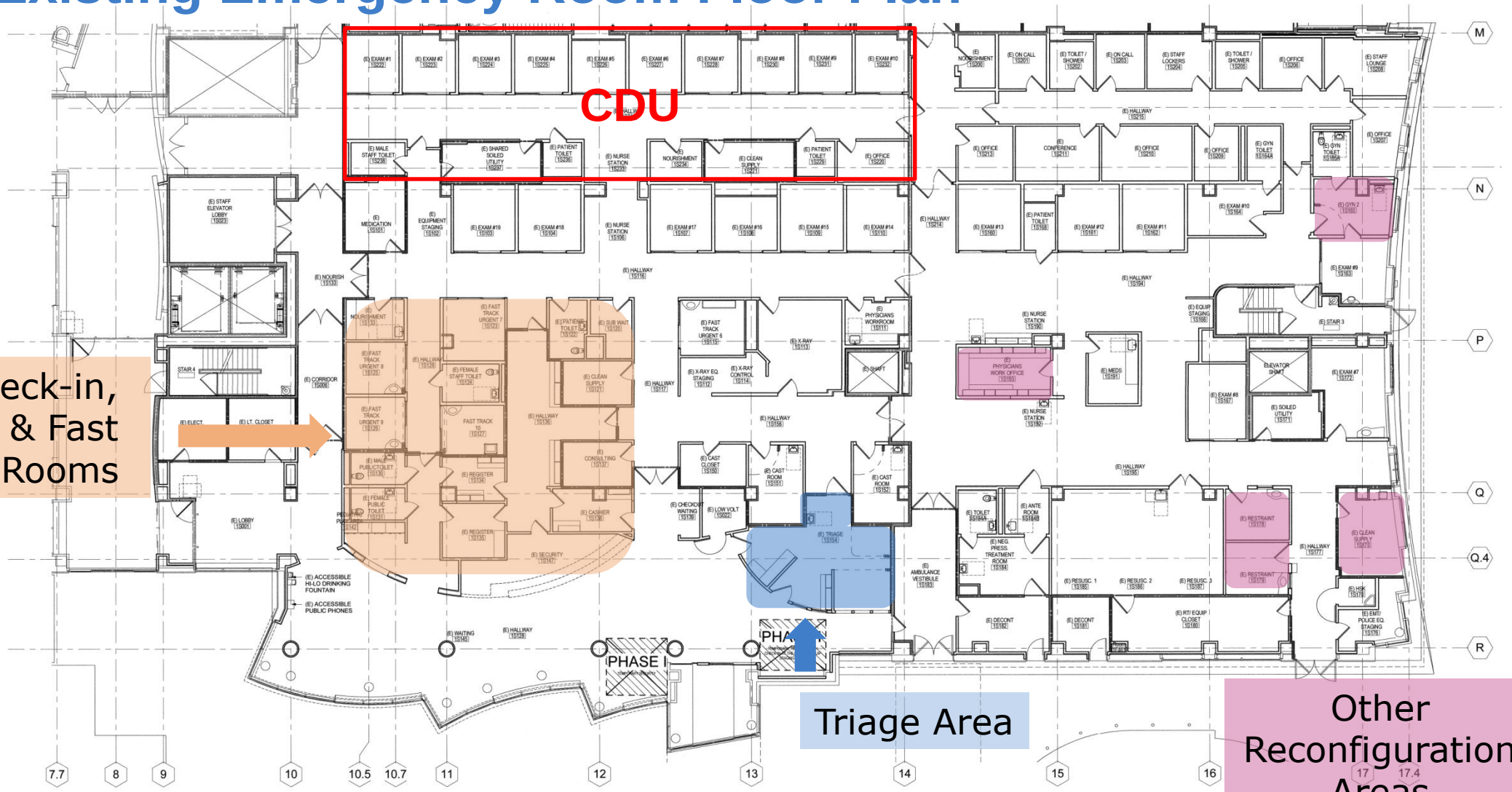


El Camino Health

Recommended Solution

- Relocate and reconfigure the Triage, Fast Track and Registration areas to be adjacent and efficient for care.
- Reconfigure the existing Triage Area and two exam rooms to create a safe environment for care of mental health and addiction patients.
- Open up the physician work room to work better with the nurses station.
- Relocate the Clean Utility supply room and add two restrooms.

Existing Emergency Room Floor Plan - Remodeled Area's Highlighted



1 PARTIAL FIRST FLOOR PHASING PLAN (PHASE 1)
1/8" = 1'-0"

Security, Check-in, Registration & Fast Track Exam Rooms

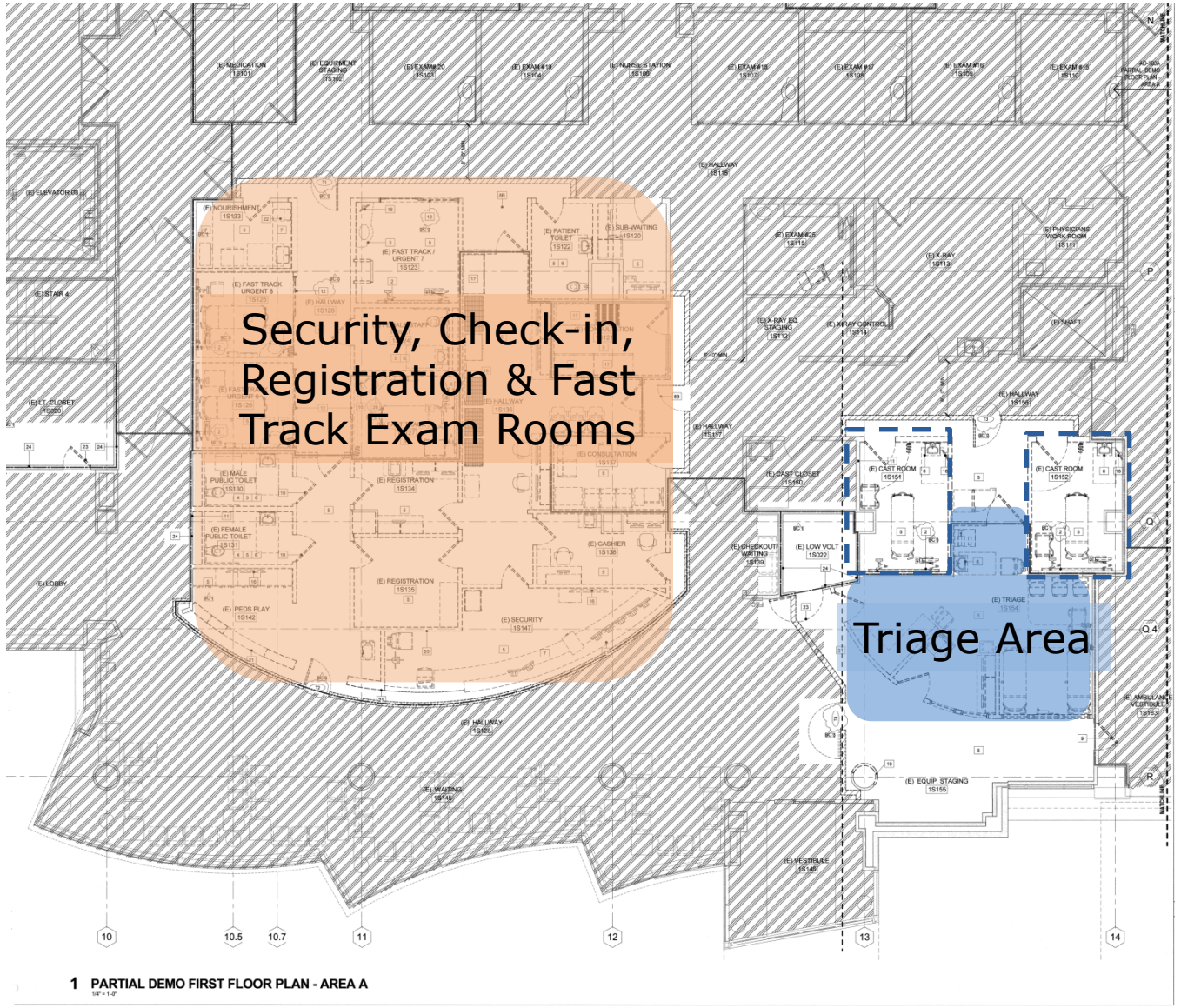
Triage Area

Other Reconfiguration Areas

El Camino Health

Existing Environment – Demo Plan

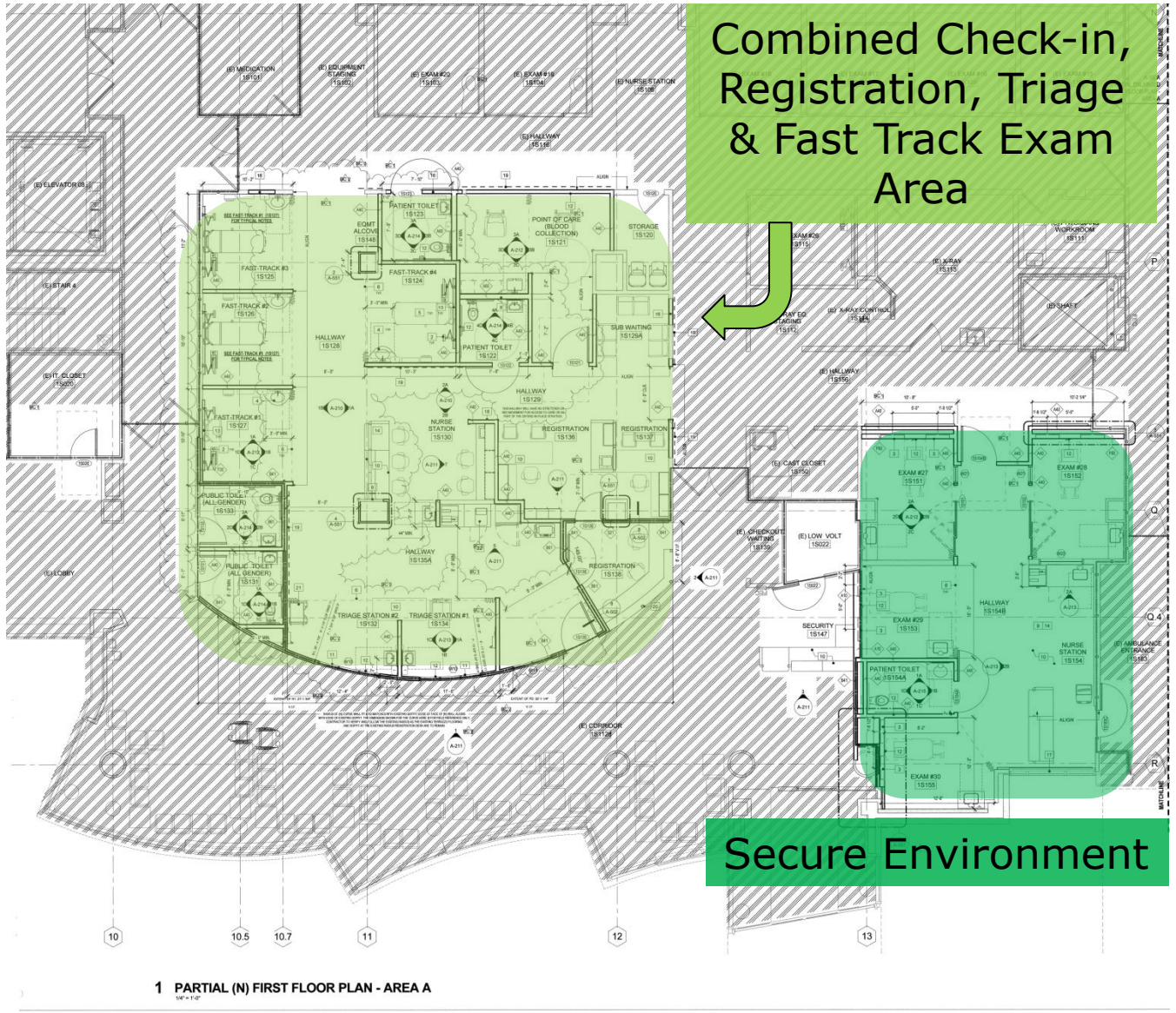
- The Triage Area is too small to support the daily volume and the number of providers.
- The check-in and registration area and the location of the “Fast-Track” area do not provide good work flow in conjunction with the Triage Area.
- There is no dedicated area for the care of mental health and addiction patients and safety precautions requires us to utilize exam rooms set up for medical treatment and pose potential risks to patients & staff.
- **NOT SHOWN** - The Physicians work room is too closed off from the care team and the clean utility supply room is in an inefficient location.



El Camino Health

Remodeled Environment – Recommended Solution

- Reconfiguration of the existing check-in, registration and fast track area into a combined Triage, Registration and Fast Track zone with much better patient flow will improve throughput.
- Conversion of the existing Triage area into a secured environment for the care of mental health and addiction patients will improve safety and efficiency.
- **NOT SHOWN** - Additional minor renovations to the physician work room and the utility room will improve provider and staff efficiency.
- **NOT SHOWN** - The addition of two restrooms to meet the increased volume of patients and staff.



El Camino Health

Benefits of the Remodeled Emergency Room

- Improved Patient Experience with shorter wait times and improved flow.
- Patient, Provider and Staff safety improvements that will increase satisfaction and efficiency.
- Provider and Staff work-flow improvements that will increase efficiency.
- Efficiencies will allow for continued growth in ED Visits which are projected to increase 1% per year.
- Growth in ED Visits will improve financial performance.
- The project supports the organizations strategic goals in all five pillars: Quality, Service, People, Finance and Growth.

The financial projection shows that renovation and taking 1% additional market share will provide a return on investment of 165%

Emergency Room Renovation Financial Pro Forma Summary		NPV	Return	Investment	ROI
Scenario 0	Current operations no remodel and no growth	$ 22,704,877	$ -		
Scenario 1	Remodel and allow retain market share with population growth	$ 28,257,703	$ 5,552,826	$ 6,750,000	-18%
Scenario 2	Remodel and take new market share all ED service lines	$ 40,559,449	$ 17,854,572	$ 6,750,000	165%

Key assumptions:

- Current payer mix and staffing productivity
- 1.6% net revenue inflation
- 3% expense inflation
- Scenario 0: loss of market share based on capacity constraints
- Scenario 1: Maintaining current market share based on added capacity after renovation
- Scenario 2: Adding 1% market share based on improved consumer preference

Target Timeline

ED Remodel Target Timeline		2019					2020					
		Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
Design & Construction Documents	Complete											
OSPHD Plan Review & Permit	Complete											
Funding Approval												
Procurement & Pre-Construction												
Construction Phase 1												
Fit-Up & Licensing Approval												
Construction Phase 2												
Fit-Up & Licensing Approval												

Recommendation

The executive staff requests that the Finance Committee recommend Board Approval for the Remodel of the Emergency Room on the Mountain View campus at a cost not to exceed $6.75 million

Costs include construction, soft costs, new furniture, fixtures and equipment and project contingency.

El Camino Health

Physician Recruitment Plan

El Camino Board

Mark Adams, MD, CMO

July 29, 2019 - Finance Committee*

The Purpose of this Document

- Review the Income Guarantee Recruitment Plan; and differentiate this plan from the SVMD/ECMA Recruitment Plan
- Provide a summary of the 2019 ECH Medical Staff Development Analysis
- Present an Income Guarantee Recruitment Plan Request for FY 20 and FY 21

Physician Recruitment Strategies

1. Shift Local Physician Preference to ECH: Local Recruitment
2. Income Guarantee Recruitment: Non-Local Recruitment
   - Bring physicians into the ECH Market in order to meet community and programmatic needs.
3. Employment: Grow El Camino Medical Associates (ECMA) and Clinic Network
   - Acquire physicians through ECMA employment at SVMD Clinic sites
4. Alliances and Affiliations
   - Create opportunities through certain arrangements that facilitate a closer relationship with independent physicians such as an IPA.

2019 ECH Medical Staff Development Plan Report

Primary Care Physician Need: Those specialties identified as immediate needs based upon current staffing levels and accessibility within the service area as well as anticipated three-year growth projections for the market. Succession risk includes those physicians expecting to retire within 1-2 years.

Specialty	Current Need	Succession Risk	Total Need
Family Medicine	40	14.9	54.9
Internal Medicine	20	22.8	42.8
Pediatrics	10	13.8	23.8
Primary Care (Summary)	70	51.5	121.5

Based on ECG analysis of primary service areas including Eastern, Mountain View, Los Gatos zip codes

2019 ECH Medical Staff Development Plan Report

Physician Need and Succession Risk by *Medical* Specialty:

Medical Specialty	Current Need	Succession Risk	Total Need
Allergy & Immunology	2	2.5	4.5
Cardiology	5	14.1	19.1
Dermatology	1	6.4	7.4
Endocrinology	2	2.8	4.8
Gastroenterology	4	4.4	8.4
Hematology/Oncology	4	2.0	6.0
Infectious Disease	1	3.5	4.5
Nephrology	2	4.8	6.8
Neurology	4	5.6	9.6
Obstetrics/Gynecology	6	9.4	15.4
Pain Management	3	0.6	3.6
Physical Medicine/Rehabilitation	-	4.2	4.2
Psychiatry	14	7.2	21.2
Pulmonology/Critical Care	6	3.0	9.0
Radiation Oncology	2	0.1	2.1
Rheumatology	3	1.0	4.0

2019 ECH Medical Staff Development Plan Report

Physician Need and Succession Risk by *Surgical* Specialty:

Surgical Specialty	Current Need	Succession Risk	Total Need
Cardiac/Thoracic Surgery	3	4.0	7.0
General Surgery	16	6.3	22.3
Interventional Radiology	2	2.0	4.0
Neurosurgery	3	-	3.0
Orthopedic Surgery	7	16.1	23.1
Otolaryngology	3	2.8	5.8
Plastic Surgery	1	10.2	11.2
Podiatry	-	6.8	6.8
Urogynecology	-	0.4	0.4
Urology	6	6.0	12.0
Vascular Surgery	1	2.4	3.4

Income Guarantee Recruitment Plan FY 20-FY21

Based on the ECG Medical Staff Development Analysis, we request authorization for the following potential recruitments for FY 18/19

Income Guarantee Request (Specialty)	ECG Current Need	ECG Succession Risk	Max 2 Year Authorization Request	Estimated Support per Physician	Max Estimated Support
Primary Care	70	51.5	5	$300,000	$1,500,000
Obstetrics/Gynecology	6	9.4	2	$350,000	$700,000
Psychiatry	14	7.2	2	$260,000	$520,000
General Surgery	16	6.3	3	$400,000	$1,200,000
Orthopedic Surgery	7	16.1	3	$500,000	$1,500,000
Other Unspecified TBD			2	$350,000	$700,000
TOTAL	113	90.5	17		$6,120,000

El Camino Health

El Camino Health

Patient Financial Experience

Finance Committee

July 29, 2019

Iftikhar Hussain, CFO
Terri Manifesto, Senior Director, Revenue Cycle
Brian Fong, Director, Revenue Integrity

Contents

- Steps in the Billing Cycle
- Patient Payments Statistics
- Bad Debt/Early Out
- Self-Service Price Estimator Tool
- Patient Statement Examples
- Modern Healthcare Article RE: Online Price Estimator Tools
- Glossary
- Q&A

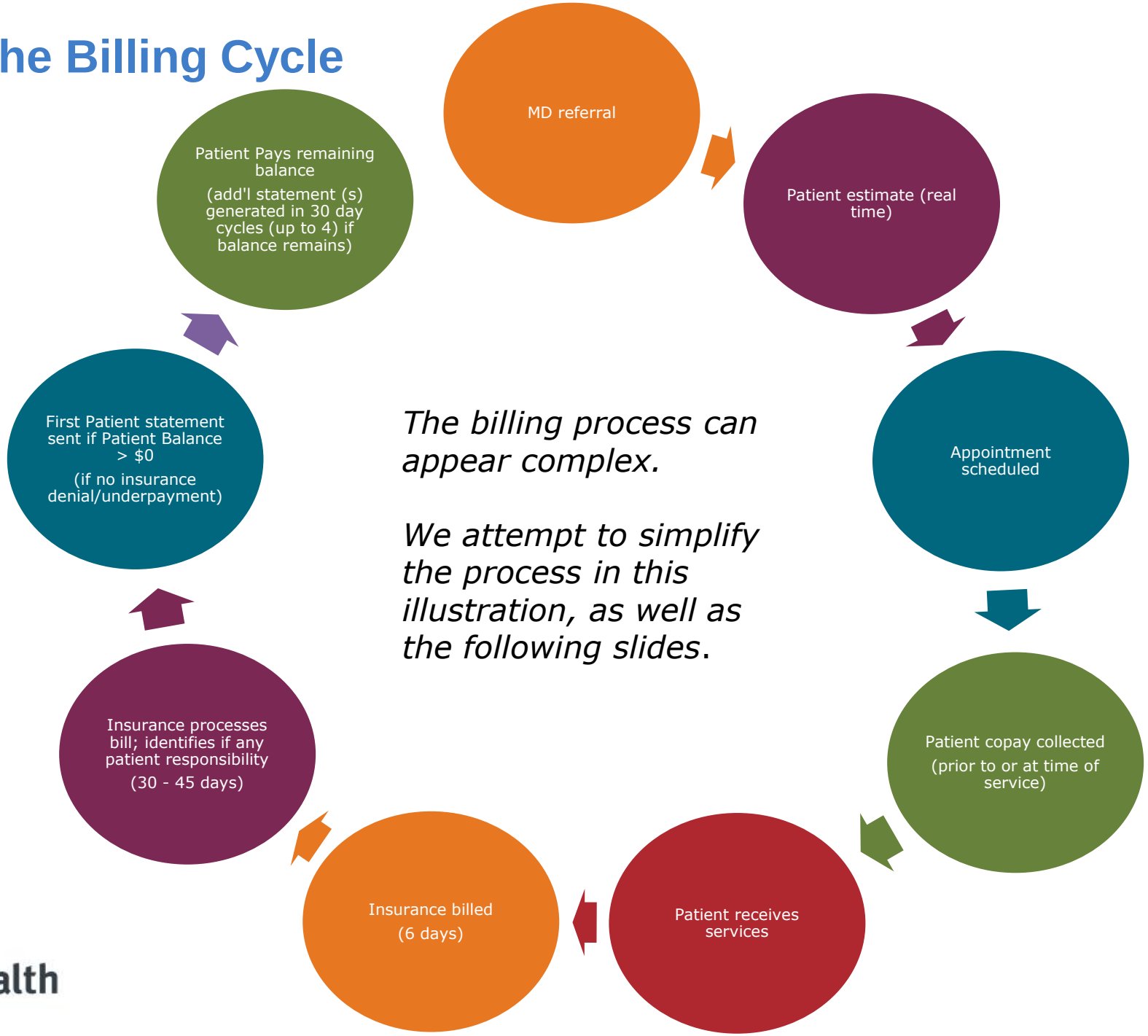
We know that the Revenue Cycle is the final opportunity to make a lasting impression, and we can greatly influence the patient's overall healthcare experience.

How:

- Create an excellent patient financial experience by providing a simple and transparent tool for patients to obtain an out of pocket price estimate for medical services, as well as a secure and convenient way to pay their medical bills.

- Provide a clear, concise, and patient-friendly statement in a way that the patient prefers to receive this information.

Steps in the Billing Cycle



The billing process can appear complex.

We attempt to simplify the process in this illustration, as well as the following slides.

El Camino Health

Steps in the Billing Cycle (cont.)

- Patient can access our online estimator tool for out of pocket price estimate for common procedures or call our Financial Counselors for estimates on more complex procedures.
- Patient schedules appointment and submits insurance information during registration.
- Hospital collects patient portion up-front, based on estimate or benefit information received from the payer during registration.
- An accurate up-front payment reduces our cost to collect and will close the account, thereby alleviating the need for a patient statement post service.
- Insurance is billed.
- It can take 30 – 45 days (or longer) to receive insurance payment from payer.
- Patient statement sent after payer identifies the patient responsibility.

Steps in the Billing Cycle (cont.)

- A total of four patient statements are sent over an average period of 120 days.
- Statements are sent in 30-day cycles.
- Please note that hospital billing statements do not include any professional fees for physicians, including but not limited to radiologists, pathologists, anesthesiologists, hospitalists, surgeons, or emergency room physicians. Professional fees are billed separately by the respective physician's billing service.
- El Camino Health offers patients financial assistance, including a generous self-pay discount, charity care where applicable, and interest-free extended payment plans.

Who is paying?

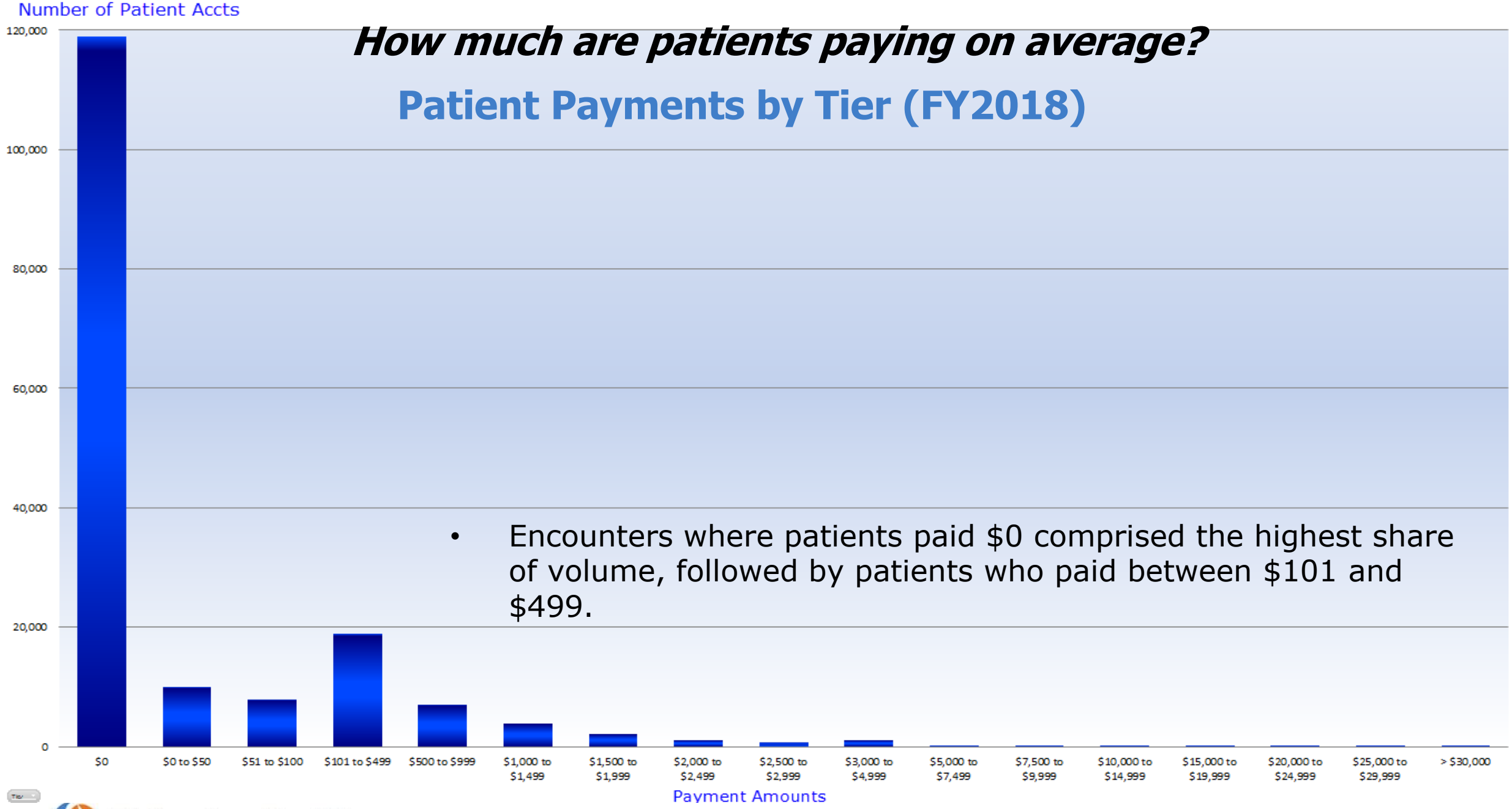
Patient Payments by Payer Category (FY2018)

Payer Category	Patient Encounters	Total Patient Payments	Average Patient Payment Per Encounter
HMO COMMERCIAL	7,223	$731,047	$101
HMO SENIOR	7,956	$1,036,227	$130
INDEMNITY	1,337	$275,738	$206
MEDI-CAL	4,315	$9,779	$2
MEDI-CAL MANAGED CARE	13,960	$8,692	$1
MEDICARE	52,185	$945,229	$18
PPO	75,560	$24,117,351	$319
SELF PAY	6,620	$3,829,999	$579
TRICARE	724	$16,506	$23
WORKERS COMP	1,997	$11,294	$6
Grand Total	**171,877**	**$30,981,863**	**$180**

- Nearly 80% of patient payments originate from patients with a PPO health plan.
- Total patient payments comprised approximately 4% of net revenue in FY2018.

How much are patients paying on average?

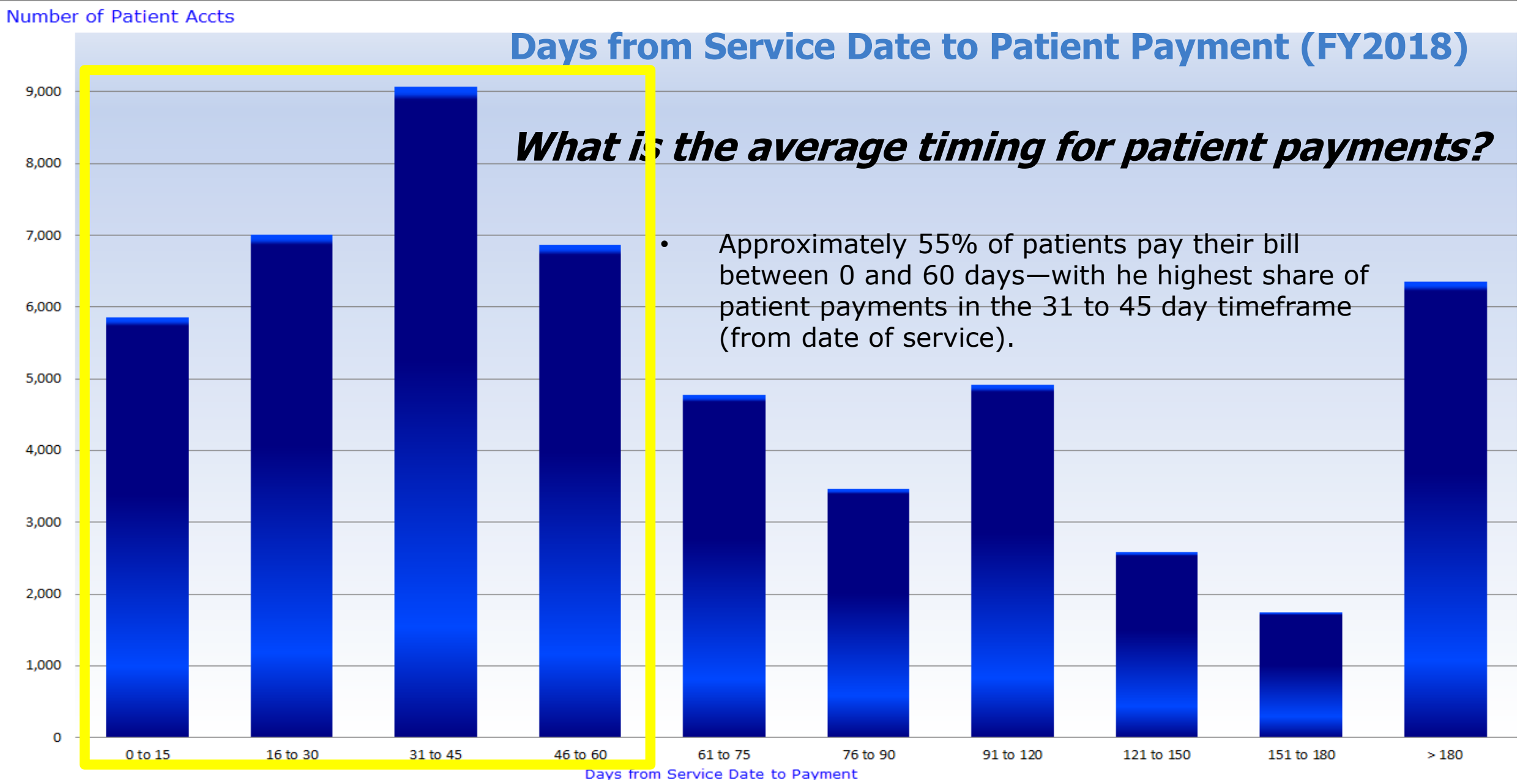
Patient Payments by Tier (FY2018)



- Encounters where patients paid $0 comprised the highest share of volume, followed by patients who paid between $101 and $499.

El Camino Health

Days from Service Date to Patient Payment (FY2018)

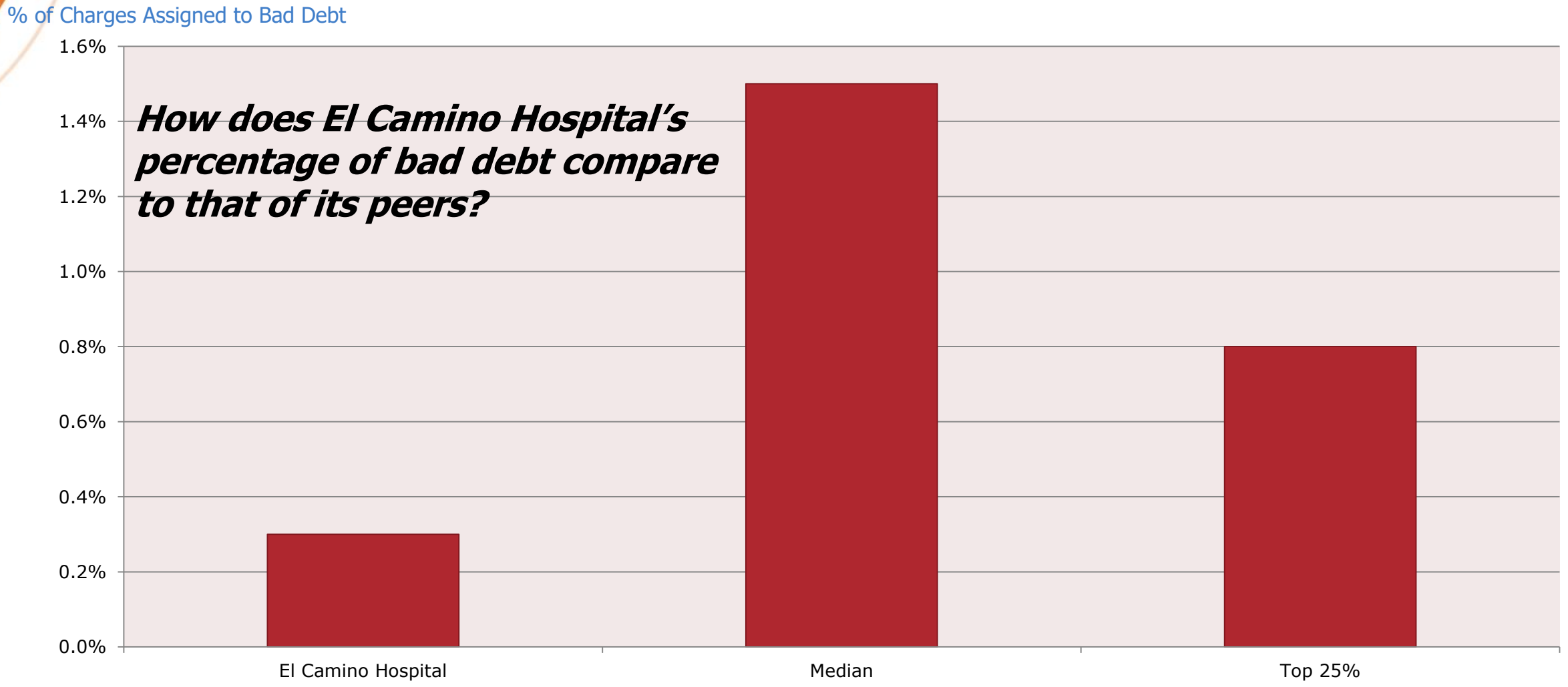


What is the average timing for patient payments?

- Approximately 55% of patients pay their bill between 0 and 60 days—with he highest share of patient payments in the 31 to 45 day timeframe (from date of service).

El Camino Health

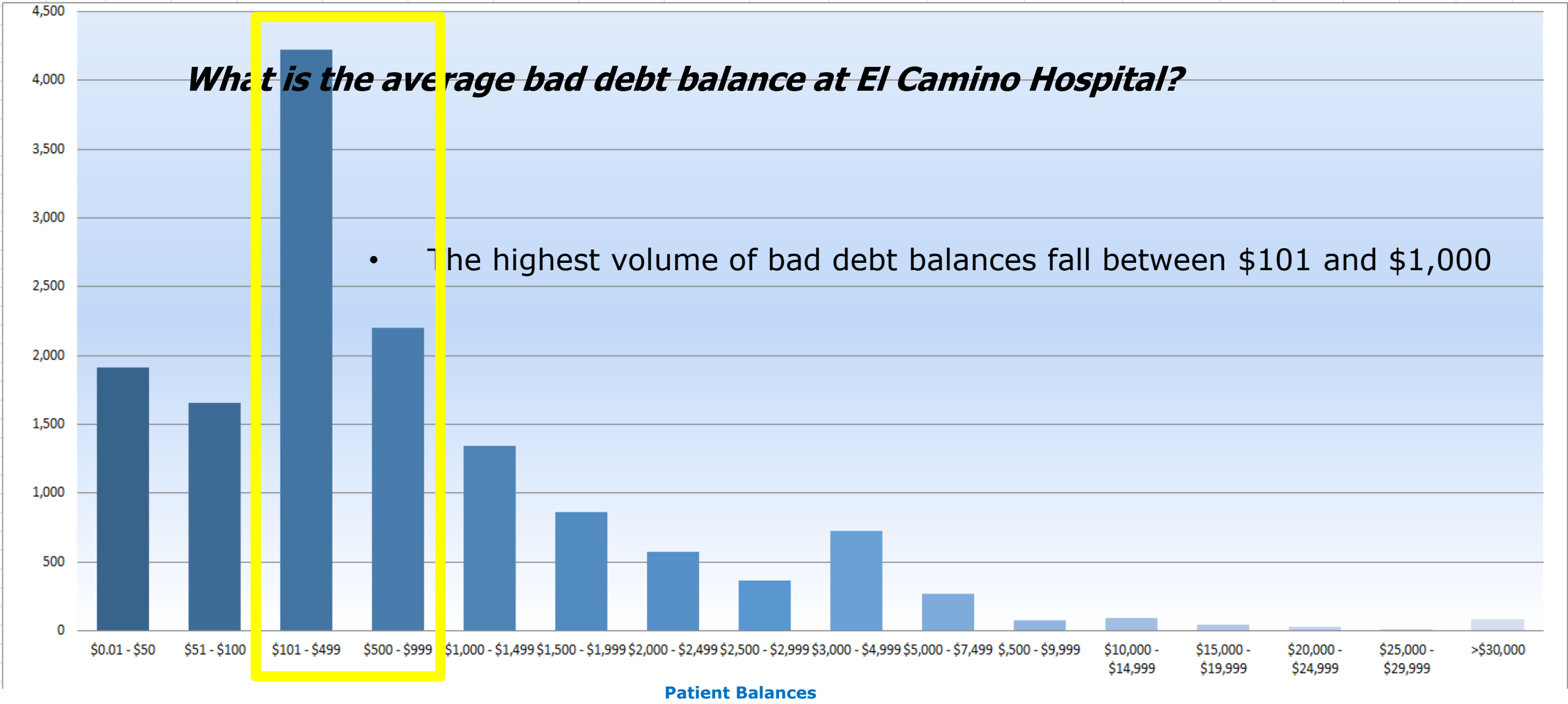
El Camino Hospital
Bad Debt Percentage Compared to Other Epic Hospital Clients



- El Camino Hospital's percentage of bad debt (0.3%) is significantly below the median of other Epic hospital clients and well below the top 25% benchmark.

El Camino Health

Bad Debt Patient Balances by Amount (FY2018)

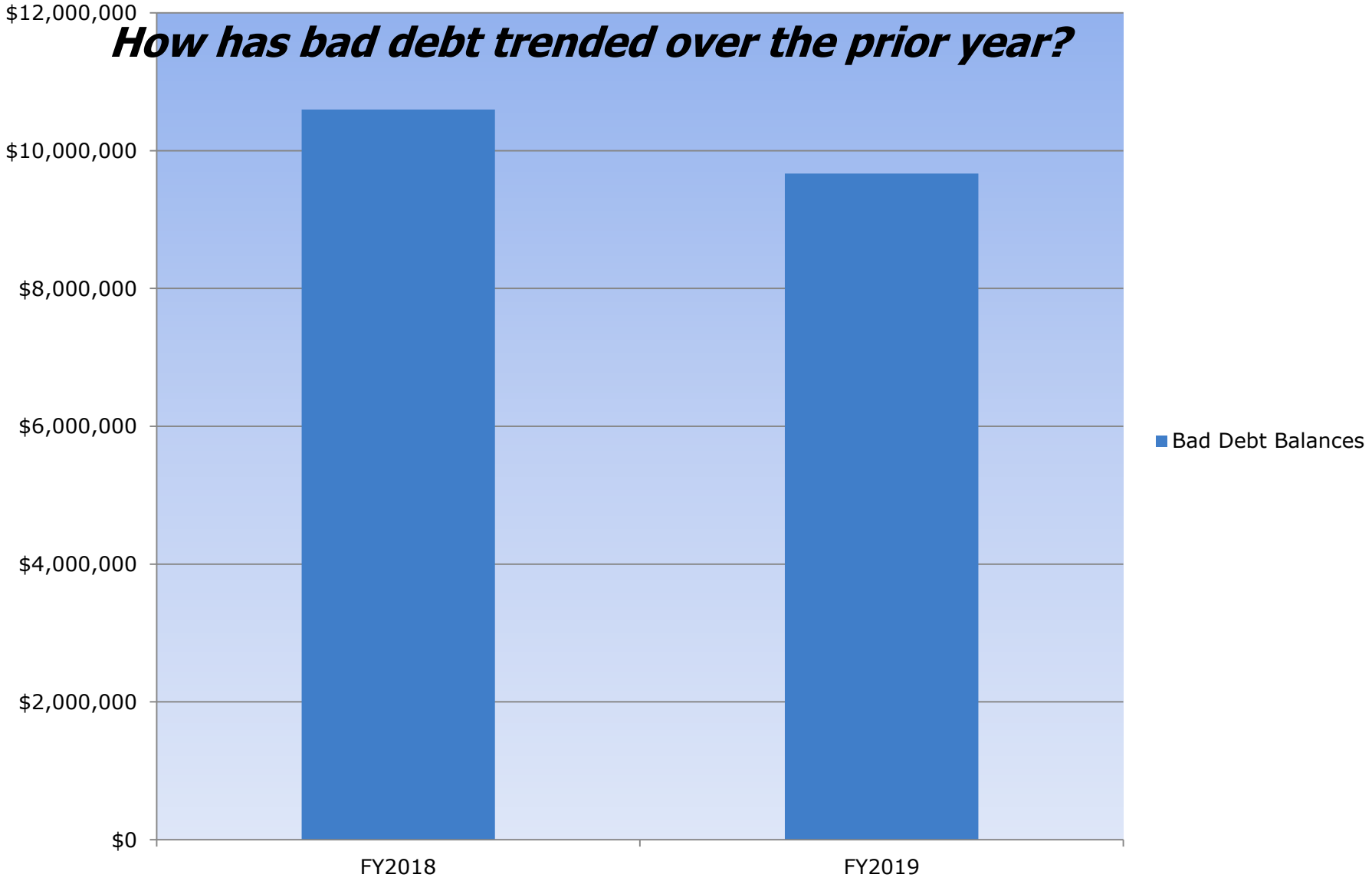


What is the average bad debt balance at El Camino Hospital?

- The highest volume of bad debt balances fall between $101 and $1,000

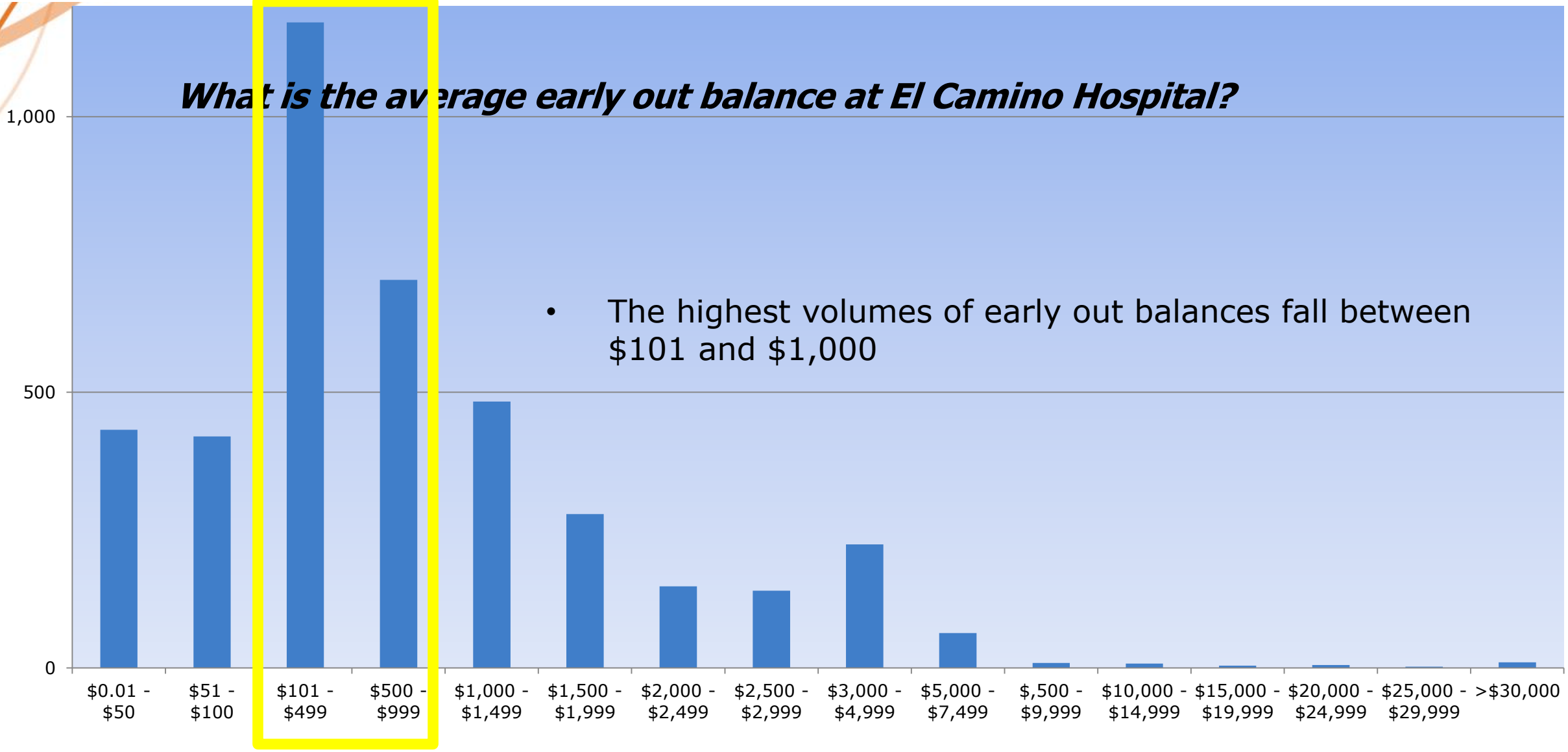
El Camino Health

Bad Debt Balances Assigned to Agency by Fiscal Year



- Total bad debt balances have decreased from FY2018 to FY2019 by almost $1 Million.

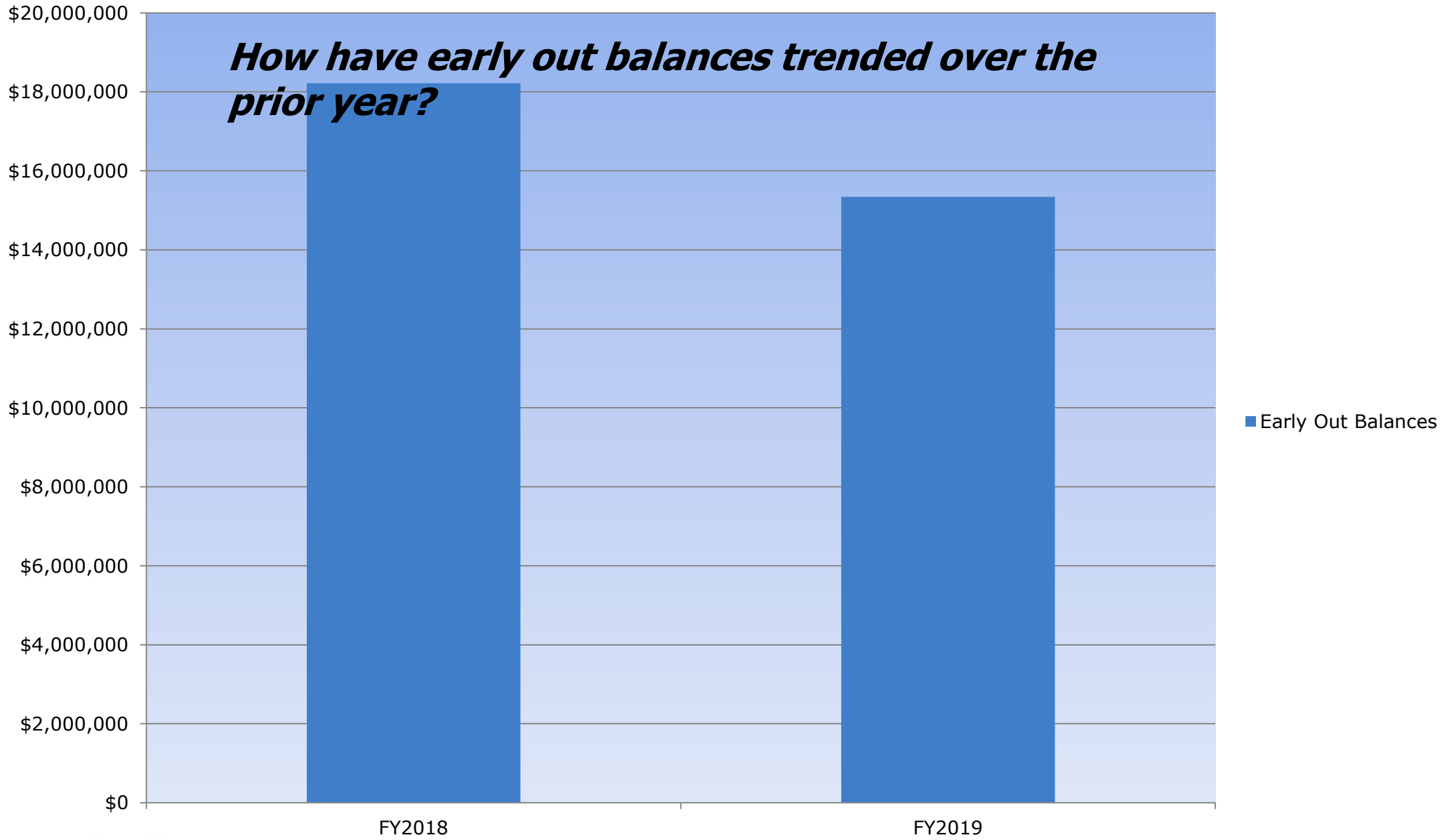
Early Out Patient Balances by Amount (FY2018)



- The highest volumes of early out balances fall between $101 and $1,000

El Camino Health

Early Out Balances Assigned to Agency by Fiscal Year

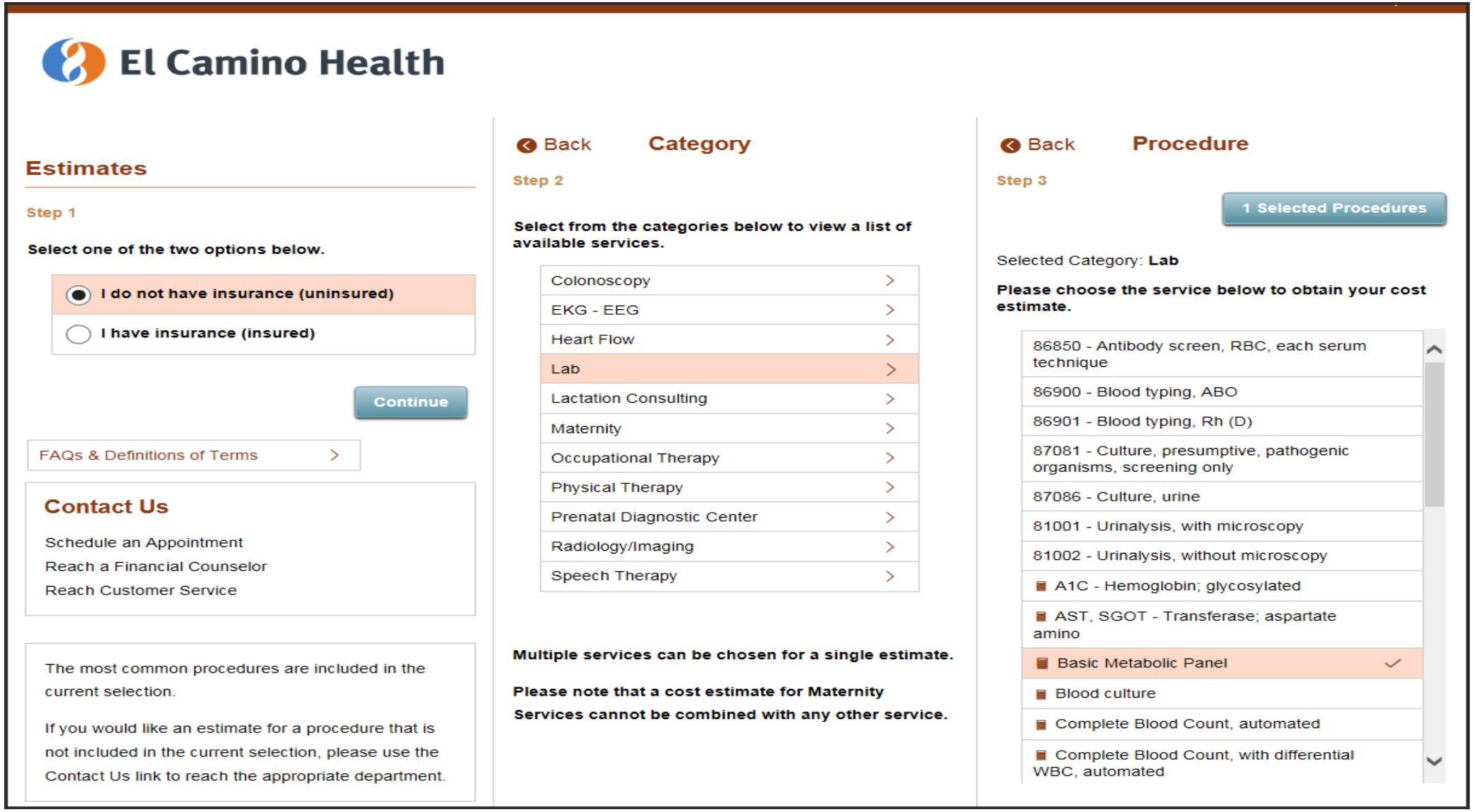


- Early Out balances have decreased from FY2018 to FY2019 by nearly $3 Million.

How can a patient get an instant price estimate online?

El Camino Health

Patient Self-Service Price Estimator Tool



Patient Self-Service Price Estimator Tool

Estimates

< Back to procedure selection

Selected Facility : **El Camino Health Billing**

Selected Services

Basic Metabolic Panel

Reset and Start Over >

FAQs & Definitions of Terms >

Patient Estimates (Patient Responsibility)

Your estimated service cost: **$138.40**

Print | Provide Feedback

Patient Statement Example

How do El Camino Hospital Patient Statements look?

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

[redacted]
MOUNTAIN VIEW CA 94040

Guarantor Information
Guarantor Name: [redacted]
Guarantor Number:

Account Summary

Delinquent Account Balance	$0.00
Payment Plan Account Balance	$0.00
Previous Account Balance	$0.00
Current Hospital Services Balance	$1,220.74
Total Guarantor Balance	$1,220.74

Please see reverse for account detail.

Statement of Hospital Services
Statement Date: February 06, 2019
Guarantor Name: [redacted]

Thank you for choosing El Camino Hospital for your health car needs.

Please Note:
This statement represents hospital charges only. Physicians are not employed by or agents of our facility and their charges will be billed separately.

Statement Balance Summary

nt options or

to 4:00 p.m.

- Ema patient_accounts@elcaminohospital.org

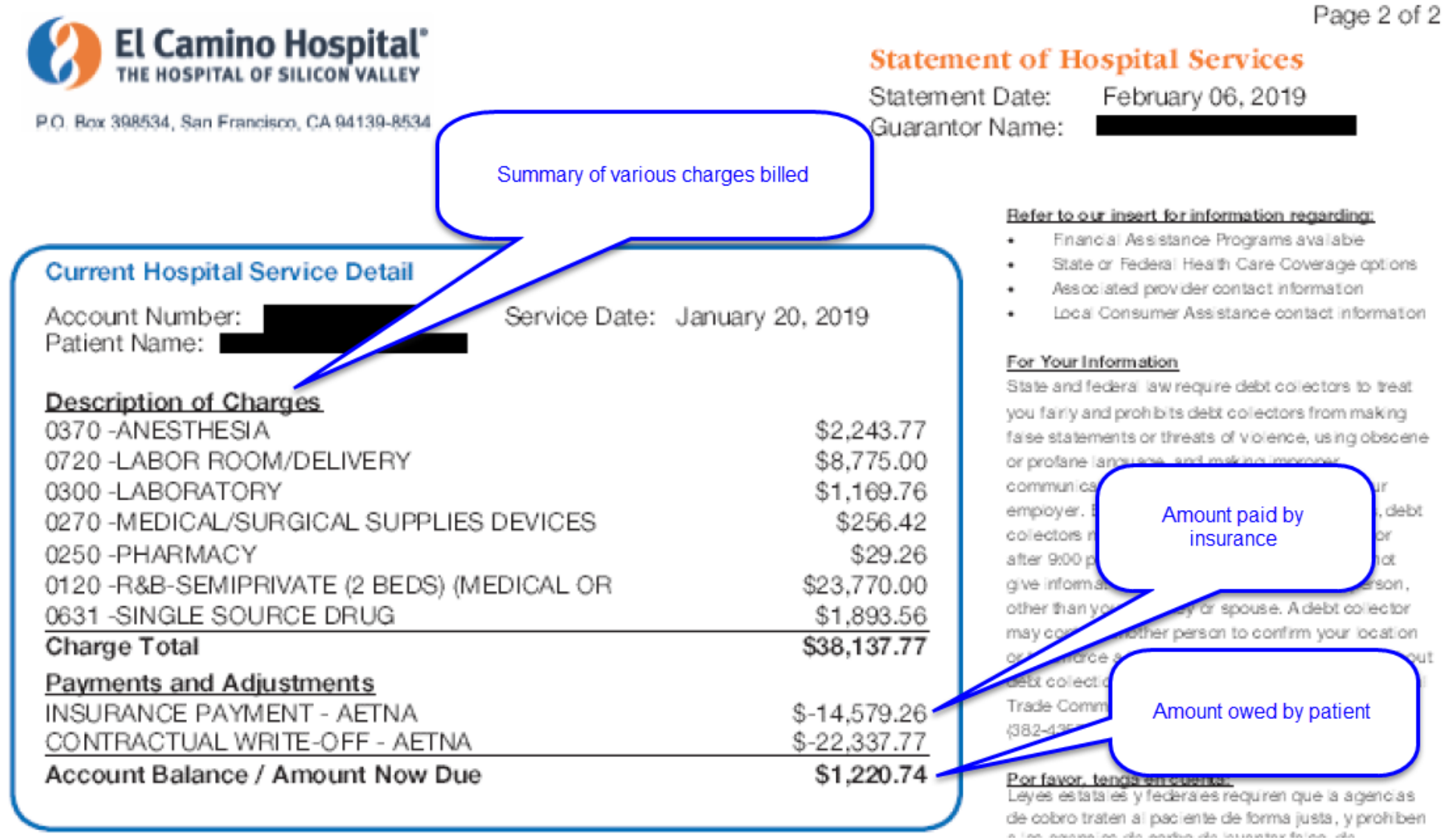
Pay by phone
To make self-service, credit card payments, 24 hours day, 7 days a week:
- 650-940-7220 or 800-665-6540

Online Patient Tools
myCare and the Estimator/Quick Pay online tools can be accessed from your computer, tablet or smart phone, 24 hours a day, 7 days a week.

myCare allows you to make payments with no sign-on needed. myCare also allows you to set up an account to view both your service summary and/or detail. myCare can be accessed at https://mycare.elcaminohospital.org.

The Estimator/Quick Pay allows you to make a payment or create an out-of-pocket estimate for hospital services without the need for a sign-on and can be accessed through our website at www.elcaminohospital.org.

Patient Statement Example (cont.)



Page 2 of 2

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

P.O. Box 398534, San Francisco, CA 94139-8534

Statement of Hospital Services

Statement Date: February 06, 2019
Guarantor Name: [redacted]

Summary of various charges billed

Current Hospital Service Detail

Account Number: [redacted] Service Date: January 20, 2019
Patient Name: [redacted]

Description of Charges	
0370 -ANESTHESIA	$2,243.77
0720 -LABOR ROOM/DELIVERY	$8,775.00
0300 -LABORATORY	$1,169.76
0270 -MEDICAL/SURGICAL SUPPLIES DEVICES	$256.42
0250 -PHARMACY	$29.26
0120 -R&B-SEMIPRIVATE (2 BEDS) (MEDICAL OR	$23,770.00
0631 -SINGLE SOURCE DRUG	$1,893.56
Charge Total	**$38,137.77**
Payments and Adjustments	
INSURANCE PAYMENT - AETNA	$-14,579.26
CONTRACTUAL WRITE-OFF - AETNA	$-22,337.77
Account Balance / Amount Now Due	**$1,220.74**

Amount paid by insurance

Amount owed by patient

Refer to our insert for information regarding:

- Financial Assistance Programs available
- State or Federal Health Care Coverage options
- Associated provider contact information
- Local Consumer Assistance contact information

For Your Information

State and federal law require debt collectors to treat you fairly and prohibits debt collectors from making false statements or threats of violence, using obscene or profane language, and making improper communications [illegible] employer. [illegible] debt collectors [illegible] after 9:00 p.m. [illegible] give information [illegible] person, other than your attorney or spouse. A debt collector may contact another person to confirm your location or [illegible] about debt collection [illegible] Trade Commission [illegible]

Por favor, tenga en cuenta:

Leyes estatales y federales requieren que las agencias de cobro traten al paciente de forma justa, y prohiben [illegible]

Early Out Patient Statement Example

[redacted]

CHANGE SERVICE REQUESTED

April 25, 2019

[redacted]

Guarantor Name: [redacted]

Account Summary

Reference	:60727
Account Number	[redacted]
Patient Name	[redacted]
Discharge Date	:01-02-12
Balance Owing	:$10022.00

Thank you for choosing El Camino Health for your health care needs. Your insurance has completed processing of your claim and the remaining balance is your responsibility. Balances are due in full upon receipt of this statement. If you have any questions please contact our Customer Service Team and they will be happy to assist you. Thank you.

El Camino Health

El Camino Health

IMPORTANT NOTICE

Test Client has requested we write to you regarding your account. As of 11-23-09, their records indicate you have a balance due in the amount of $10022.00 for health services rendered. As a convenience to you, Test Client accepts payments by MasterCard, Visa, American Express, and Discover. Please remit payment in full or contact our office to make an acceptable payment arrangement. Please disregard this notice if you have sent payment in full within the last five (5) days.

Open

Customer Service:

- **888-318-0025 Ext. 308**
- **For questions regarding Billing, Payment Plan, or Financial Assistance**
- **To make payments by telephone**
- **There is a $35 fee charged for all returned checks**

Online Options:

You may email a question or concern to us at:

patient_accounts@elcaminohealth.org

Early Out Patient Statement Example (cont.)

PLEASE MAKE CHECKS PAYABLE TO: EL CAMINO HEALTH

El Camino Health

Guarantor Name [redacted]

Account Number [redacted]

Date Due UPON RECEIPT

☐ Check here if your address or insurance information has changed. Please indicate changes on the back of this page

Amount Due: $10022.00

Amount Enclosed: $_____

For your convenience we accept:

☐ Visa ☐ MasterCard ☐ Discover ☐ AmEx

Card Number: _____

Expiration Date: _____

Print Cardholder's Name: _____

Signature: _____

[redacted]

CHANGE OF ADDRESS OR HEALTH INSURANCE INFORMATION

If you have new health insurance or a new address, please enter the information below.

NEW ADDRESS	CITY	STATE	ZIP CODE	NEW PHONE
POLICY HOLDER'S NAME/RELATIONSHIP TO PATIENT		POLICY ID#		GROUP #
EFFECTIVE DATE	BIRTH DATE OF INSURED	HMO/PPO/OTHER		INSURANCE PHONE#
IF GROUP INSURANCE, NAME OF GROUP (EMPLOYER, UNION/ASSOCIATION)				
INSURANCE COMPANY NAME		INSURANCE ADDRESS		

El Camino Hospital's Self-Service Price Estimator Tool Highlighted in Modern Healthcare Magazine *(June 2018)*

Modern Healthcare

June 23, 2018 01:00 AM

Hospitals roll out online price estimators as CMS presses for transparency

HARRIS MEYER

Getty Images

The growing availability of personalized estimator tools makes it harder for hospitals to argue they shouldn't be required to publish prices, as the CMS wants.

Leaders at El Camino Hospital, located in California's Silicon Valley, wanted to make it easy for tech-savvy consumers to shop online for personalized, reliable price estimates for its medical services.

Modern Healthcare

The independent not-for-profit hospital launched a consumer self-service tool in May 2017, after about a year of development work with Experian Health, which previously helped El Camino set up an internal price-estimator tool for its billing staff.

Since then, more than 3,000 people have visited the hospital's website, selected one or more of about 90 medical or surgical services they were interested in, entered their insurance information, and received an instant out-of-pocket cost estimate the hospital claims is 95% to 99% accurate.

Over the past two years, a growing number of hospitals have worked with vendors such as Experian and Recondo to offer online price estimates directly to consumers for common, less complex services. Previous tools allowed hospital staff to generate estimates for patients when they called or came in for a service.

Now, more providers want to offer self-service cost estimators on their websites. That's because they're experiencing strong demand from patients in high-deductible health plans who want to shop around and know their financial exposure in advance. When patients understand how much they'll owe, that can improve the collection process and reduce uncompensated care, hospital leaders say.

Prices, what prices?

Types of procedures for which El Camino Hospital offers price estimates to patients

Procedure type	Number offered
Radiology and imaging	25
Prenatal diagnostics	7
Surgery-outpatient	6
Surgery-inpatient	4
EKG-EEG	3
Colonoscopy	2
Maternity	2
Occupational therapy	2
Physical therapy	2
Speech therapy	2
Lactation	1

Source: El Camino Hospital website

"A lot of people don't have time to make phone calls or wait for a callback, they want an answer right away," said Terri Manifesto, El Camino's senior director of revenue cycle. "They expect this kind of information online. It's a great thing to offer patients."

Modern Healthcare

The hospital spends about $18,000 a year to provide the service, which currently offers estimates for 35 lab tests, 25 imaging or radiological procedures and about 30 surgical or other medical services.

Providers face mounting pressure from regulators and consumers to be transparent about costs, especially given increasing public anger about unexpected large bills. The CMS recently proposed a rule requiring hospitals to publish online a list of their standard charges in a machine-readable format and update the information at least once a year.

Still, experts note there are limits to the types of services for which consumers are able to price-shop. There is a risk they can get confused about more complex services and blame providers for underestimating the final cost. Vendors are still working on improving the reliability of the estimates, particularly for surgical procedures involving more cost variables.

Up to now, many hospital leaders have contended that insurers are better equipped to tell patients what they'll owe for particular services, claiming there's no infrastructure in place giving providers access to the necessary information. But that argument may be losing credibility as more hospitals partner with vendors to offer patients out-of-pocket cost estimates.

"There are enough examples now that show if providers want to offer better information to consumers, they can build the capacity to do it," said Suzanne Delbanco, executive director of Catalyst for Payment Reform, which monitors healthcare transparency efforts. "It clearly can be done, and symbolically it's the right thing for providers to do."

Online patient price-estimator tools for hospitals and healthcare providers represent a growing market for vendors. "This is an absolute area of interest based on regulation, high-deductible plans and increased patient responsibility for bills," said John Yount, vice president of healthcare solutions at TransUnion, which hopes to have a patient self-service tool on the market by the end of this year.

Franklin, Tenn.-based Experian, which offered its first price-estimator tool for hospitals' internal use in 2008, now has about 10 customers—including hospitals, physician groups, and outpatient and imaging centers—that have gone live with the company's online tool for consumers. It tested the product at St. Clair Hospital in Pittsburgh, which in 2016 became the first hospital to offer it to patients.

Modern Healthcare

Experian's product calculates patients' out-of-pocket cost based on the hospital's chargemaster price, its claims history for providing that service, its contract terms with the patient's insurer, and the patient's benefit structure and deductible status. It also estimates out-of-pocket costs for self-pay patients. The estimate currently covers just the facility fee, though El Camino wants to add professional fees into calculations available through the tool.

In addition to having the option of including facility fees alone in the estimate or including professional fees, providers have the option to present only the patient's out-of-pocket cost, or they can also disclose their actual charges and insurance payment rates. Vendors say providers in more competitive markets typically choose to display only the patient's out-of-pocket responsibility to avoid letting rivals see proprietary rate information.

"Offering an online price estimator is a marketing advantage for hospitals and medical groups that want to be transparent with patients," said Merideth Wilson, a senior vice president at Experian, which charges clients a one-time implementation fee and a monthly maintenance fee based on patient visit volume. "Our customers say it helps with consumer satisfaction, bringing patients back, and bringing more patients in."

Denver-based Recondo released its online cost estimator, called MySurePayHealth, three years ago, and now has about a dozen hospital systems, including Baylor Scott & White Health and ProMedica, using it. The accuracy of its estimates ranges from 75% to nearly 90%, depending on the complexity of the medical or surgical service, said Heather Kawamoto, vice president of products for Recondo, which charges clients a monthly subscription fee based on patient visit volume.

Some Recondo hospital clients, particularly those that own sizable physician practices, include professional fees in the estimate, which makes it much more useful to patients, she said. The tool also asks users if they want a hospital financial counselor to call to discuss a possible loan or charity-care arrangement.

"If the patient has concerns about ability to pay, our clients want to proactively engage in that conversation and put the patient in the best position to pay for that care," Kawamoto said.

Modern Healthcare

Quality indicators absent

These price-estimator tools currently do not offer any type of quality of care, outcomes, or patient satisfaction information to allow consumers to factor those into their shopping decision, though El Camino officials say they hope to build that in.

Delbanco said the lack of quality data is one problem with these tools. Another is that the estimate consumers receive may not reflect the full cost of the care because the professional fees are missing and an episode of care may include unanticipated additional services. A hospital's online price estimator "is not the optimal choice for consumers but it's certainly better than nothing," she said.

El Camino's Manifesto is trying to figure out whether offering the online cost estimator has boosted her hospital's revenue. "We're pretty excited that more than 3,000 consumers ran price estimates in one year's time," she said. "Now it would be great to know if they actually came in for services."

Glossary

- Early Out: Outsourcing of a patient balance (after insurance pays) to an early out vendor after 60 days from the first patient statement. The early out vendor will send the patient their third and fourth statements.

- Bad Debt: When a patient balance remains open after four patient statement cycles have been completed, the balance is considered bad debt and is outsourced to a bad debt collections agency.

Questions?