

AGENDA

REGULAR MEETING OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Wednesday, December 11, 2019 – 5:30pm

El Camino Hospital | Conference Rooms A&B, F&G (ground floor)
2500 Grant Road Mountain View, CA 94040

Bob Rebitzer will be participating via teleconference from The L.A. Grand Hotel | 333 S. Figueroa St, Los Angeles, CA 90071.

Don Watters will be participating via teleconference from 260 Margarita Court Los Altos, CA 94022.

MISSION: To heal, relieve suffering, and advance wellness as your publicly accountable health partner.

| AGENDA ITEM | PRESENTED BY | | ESTIMATED TIMES |
|--|--|-----------------------|--|
| 1. CALL TO ORDER/ROLL CALL | Lanhee Chen, Board Chair | | 5:30 – 5:31pm |
| 2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES | Lanhee Chen, Board Chair | | information 5:31 – 5:32 |
| 3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence | Lanhee Chen, Board Chair | | information 5:32 -5:35 |
| 4. QUALITY COMMITTEE REPORT <u>ATTACHMENT 4</u> | Julie Kliger, Quality Committee Chair; Mark Adams, MD, CMO; Cheryl Reinking, RN, CNO | | discussion 5:35 – 5:50 |
| 5. FY20 PERIOD 4 FINANCIALS <u>ATTACHMENT 5</u> | Iftikhar Hussain, CFO | <i>public comment</i> | possible motion 5:50 – 6:05 |
| 6. EL CAMINO HEALTH ENTERPRISE STRUCTURE <u>ATTACHMENT 6</u> | Mary Rotunno, General Counsel; Vineeta Hiranandani, VP Marketing & Communications | | information 6:05 – 6:35 |
| 7. REVISED SVMD, LLC OPERATING AGREEMENT <u>ATTACHMENT 7</u> | Mary Rotunno, General Counsel | <i>public comment</i> | possible motion 6:35 – 7:05 |
| 8. INVESTMENT COMMITTEE REPORT <u>ATTACHMENT 8</u> | Gary Kalbach, Investment Committee Chair; Iftikhar Hussain, CFO | <i>public comment</i> | possible motion 7:05 – 7:20 |
| 9. ADJOURN TO CLOSED SESSION | Lanhee Chen, Board Chair | <i>public comment</i> | motion required 7:20 – 7:26 |
| 10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES | Lanhee Chen, Board Chair | | information 7:26 – 7:27 |
| 11. CONSENT CALENDAR <i>Any Board Member may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> a. Minutes of the Closed Session of the Hospital Board Meeting (11/6/2019) | Lanhee Chen, Board Chair | | motion required 7:27 – 7:29 |

A copy of the agenda for the Regular Board Meeting will be posted and distributed at least seventy two (72) hours prior to the meeting.

In observance of the Americans with Disabilities Act, please notify us at (650) 988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

| AGENDA ITEM | PRESENTED BY | | ESTIMATED TIMES |
|--|--|-----------------------|--|
| Information <i>Health and Safety Code Section 32106(b):</i> b. Revised FY20 Executive Individual Goals <i>Health & Safety Code Section 32155</i> c. Enterprise Quality Council Minutes | | | |
| 12. <i>Health & Safety Code Section 32155</i> for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters: - Medical Staff Report | Imtiaz Qureshi, MD, Enterprise Chief of Staff; Linda Teagle, MD, Los Gatos Chief of Staff | | motion required 7:29 – 7:44 |
| 13. <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: - Los Gatos Campus Plan Update | Dan Woods, CEO | | discussion 7:44 – 8:14 |
| 14. <i>Health & Safety Code Section 32155</i> for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters: - CEO Report on Quality Update | Dan Woods, CEO | | discussion 8:14 – 8:29 |
| 15. Report involving <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters – Senior Management: - Executive Session | Lanhee Chen, Board Chair | | discussion 8:29 – 8:34 |
| 16. ADJOURN TO OPEN SESSION | Lanhee Chen, Board Chair | | motion required 8:34 – 8:35 |
| 17. RECONVENE OPEN SESSION/ REPORT OUT | Lanhee Chen, Board Chair | | information 8:35 – 8:36 |
| To report any required disclosures regarding permissible actions taken during Closed Session. | | | |
| 18. CONSENT CALENDAR ITEMS: <i>Any Board Member or member of the public may remove an item for discussion before a motion is made.</i> | Lanhee Chen, Board Chair | <i>public comment</i> | motion required 8:36 – 8:38 |
| Approval a. Minutes of the Open Session of the Hospital Board Meeting (11/6/2019) b. Minutes of the Open Session of the Executive Compensation Committee Meeting (9/19/2019) <i>Reviewed and Recommended for Approval by the Executive Compensation Committee</i> c. Letters of Rebuttable Presumption of Reasonableness <i>Reviewed and Recommended for Approval by the Finance Committee</i> d. FY20 Period 3 Financials e. Tele-psych Services Agreement <i>Reviewed and Recommended for Approval by the Medical Executive Committee</i> f. Medical Staff Report Information g. Update on Major Capital Projects h. Finance Committee Approvals | | | |

| AGENDA ITEM | PRESENTED BY | | ESTIMATED TIMES |
|--|--------------------------|-----------------------|--|
| i. Report on Educational Activity | | | |
| 19. CEO REPORT ATTACHMENT 19 | Dan Woods, CEO | | information 8:38 – 8:41 |
| 20. BOARD COMMENTS | Lanhee Chen, Board Chair | | information 8:41 – 8:44 |
| 21. ADJOURNMENT | Lanhee Chen, Board Chair | <i>public comment</i> | motion required 8:44 – 8:45pm |

Upcoming Meetings:

Regular Meetings: February 12, 2020; March 11, 2020; April 15, 2020; May 13, 2020; May 26, 2020*; June 10, 2020
*Joint Meeting with Finance Committee

Education Sessions: April 22, 2020

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

To: El Camino Hospital Board of Directors
From: Julie Kliger, MPA, BSN, Quality Committee Chair
Mark Adams, MD, CMO
Cheryl Reinking, RN, CNO
Date: December 11, 2019
Subject: Quality, Patient Care and Patient Experience Committee Report

Purpose:

To inform the Board of the work of the Quality Committee. The Committee last met on December 2, 2019 and meets next on February 3, 2020. The Committee is on track to meet its goals for FY20.

Summary:

1. The Committee will be discussing how Silicon Valley Medical Development, LLC will report to the Quality Committee at the Committee's February 3, 2020 meeting.
2. In place of an individual patient story, Ms. Reinking presented a series of "negative" patient comments from the HCHAPS surveys in the domains of Responsiveness and Discharge Information. Ms. Reinking reported that several issues emerged from these comments including communication inconsistent from shift to shift, responsiveness to call lights on the night shift, and communication regarding the discharge process. She also provided information about process changes implemented to address these issues systematically. The Committee requested that staff also consider bringing patient stories that present challenges that go "deeper" into the organization and are not necessarily nursing-related.
3. The Committee reviewed All Cause Unplanned Readmission Index Data for Q1FY20. This data is important, first, because we want to prevent unplanned readmissions for our patients and second, because hospitals incur a penalty of up to 3% of DRG payments for readmission rates that are above CMS calculated expected for 7 diagnoses and procedures. ECH's penalty for FY19 based on actual performance was \$354,500. For Q1 FY20 ECH's Observed /Expected ratio is greater than 1.0 for 3 of the readmission penalty diagnoses: Pneumonia (1.31), Stroke (1.29) and Total Hip and Knee Arthroplasties (sudden spike to 1.79). Another quarter at least of data needs to be collected for the Total Joint procedures to confirm if this is an anomaly or a trend. The index for Acute Myocardial Infarction (Heart Attack) has decreased to .23 following some work on anticoagulation therapy.
4. The Committee reviewed the Premier Quality Advisor Report Patient Safety Indicators. There was some concern about the rates in three categories "Death in surgical patients with treatable conditions," "OB Trauma Vaginal Delivery with instrument," and "OB Trauma Vaginal Delivery without instrument." Ms. Reinking described work being done to address the OB trauma issues and the Committee requested a deeper dive into whether the vaginal tearing was due to expected cause such as ethnicity and low protein diets. The Committee also requested a deeper dive into the 4 deaths in surgical patients with treatable conditions.
5. The Committee received a presentation from Dan Shin, MD, Medical Director of Quality Assurance, regarding the new Peer Review Process being implemented by the Medical Staff. The new process includes establishing a Multi-Specialty "Practice Excellence Committee" for Peer Review that will absorb smaller departments and result in less bias, better standardization of

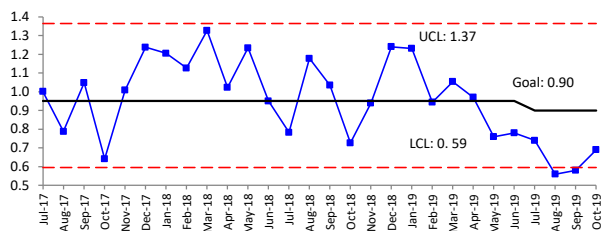
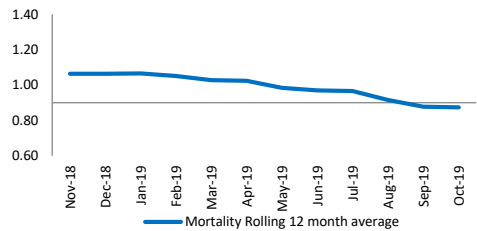
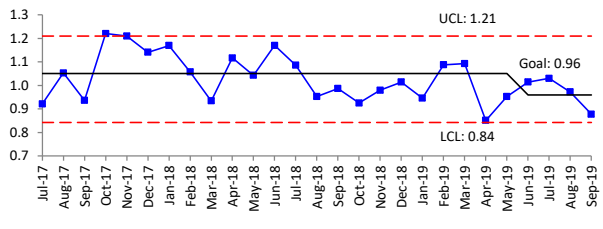
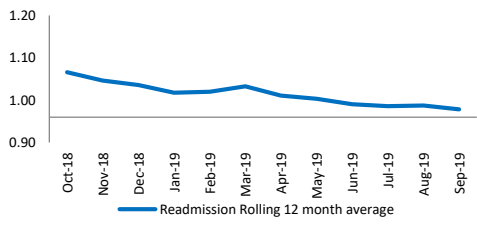
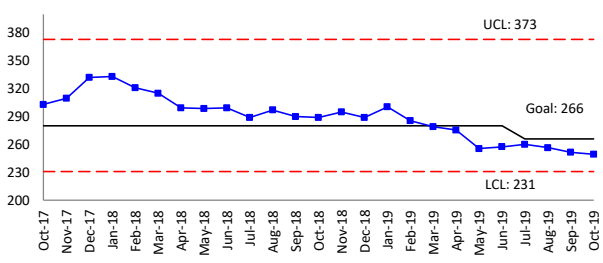
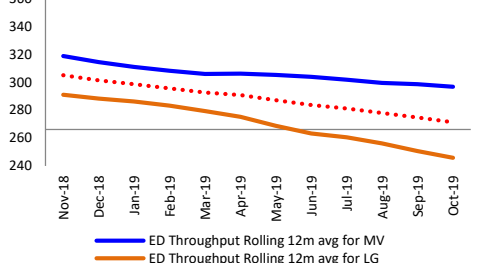
outcomes, and fewer conflicts of interest. Some physicians may be uncomfortable with this approach but it is a national trend to move in this direction.

6. Ms. Reinking reviewed the Annual Performance Improvement Reports for Core Measures, Oncology, Human Resources, and Maternal Child Health. Oncology is meeting benchmarks, lift transfer injuries have improved and RN turnover rate is below benchmark.

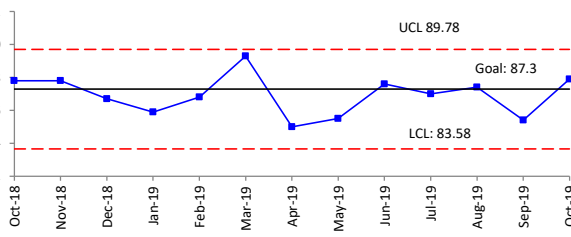
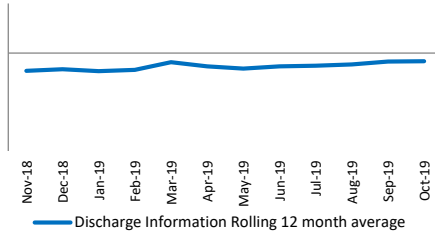
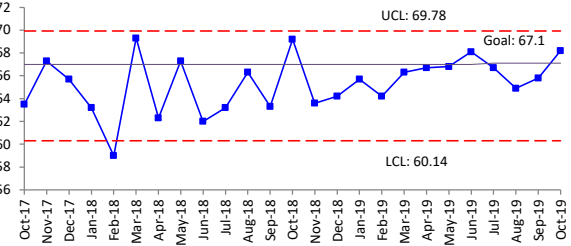
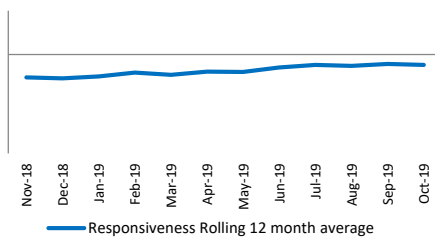
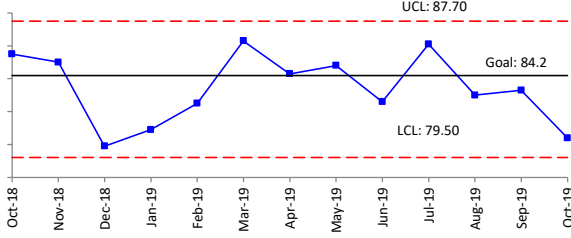
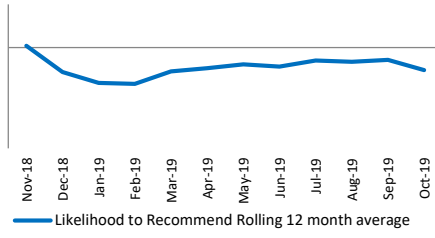
List of Attachments:

1. Quality and Experience Organizational Goals Dashboard

October 2019 (Unless otherwise specified)

| Quality | FY20 Performance | | Baseline FY19 Actual | FY 20 Target | Trend (showing at least the last 24 months of available data) | Rolling 12 Months Average |
|---|---|---|---|--|--|---|
| | Current month | FYTD | | | | |
| * Organizational Goal Mortality Index Observed/Expected <i>Premier Standard Risk Calculation Mode</i> <i>Date Period: October 2019</i> | 0.69 (1.18%/1.69%) | 0.63 (1.12%/1.77%) | 0.97 | 0.90 |  |  |
| * Organizational Goal Readmission Index (All Patient All Cause Readmit) Observed/Expected <i>Premier Standard Risk Calculation Mode</i> <i>Index month: September 2019</i> | 0.88 (6.81%/7.76%) | 0.96 (7.51%/7.82%) | 0.99 | 0.96 |  |  |
| Patient Throughput-Median Time from Arrival to Head In Bed <i>(excludes psychiatric patients, patients expired in the ED and Newborns)</i> <i>Date Period: October 2019</i> | MV: 277 min LG: 222 min Enterprise: 250 min | MV: 282 min LG: 228 min Enterprise: 255 min | MV: 304 min LG: 263 min Enterprise: 284 min | 266 min (5% improvement from last year's target, 280) |  |  |

October 2019 (Unless otherwise specified)

| | | | | | | | |
|---|--|------|------|------|------|--|---|
| 4 | <p>* Organizational Goal HCAHPS Discharge Information Top Box Rating of Always <i>Date Period: October 2019</i></p> | 87.9 | 87 | 86.7 | 87.3 |  |  |
| 5 | <p>* Organizational Goal HCAHPS Responsiveness of Staff Domain Top Box Rating of Always <i>Date Period: October 2019</i></p> | 68.2 | 66.4 | 65.7 | 67.1 |  |  |
| 6 | <p>HCAHPS Likelihood to Recommend Top Box Rating of Always <i>Date Period: October 2019</i></p> | 80.4 | 83.2 | 83.5 | 84.2 |  |  |



El Camino Health

Summary of Financial Operations

*Fiscal Year 2020 – Period 4
7/1/2019 to 10/31/2019*

Financial Overview

Financial Performance

- Net income for the year is \$15.6 M or 45% ahead of target
- Investment income makes up \$3.4 million and operations makes up the remaining \$12.2 M driven by volume growth

Hospital Volume

- Adjusted Discharges 9% higher than budget and 12% higher than prior year. The budget target is based has a 3% growth vs 2.1% CAGR over the last 5 years
 - Mountain View:
 - Higher than budget by 8% and prior year by 10.0%
 - Overall procedural volume favorable to budget by 573 cases (6%)
 - Infusion Volumes favorable to budget by 357 encounters (14%) - extended hours, new Oncologist and increased productivity
 - Pulmonology procedures favorable to budget by 44 (25%) – new ION Robot for Lung Nodule Program
 - Emergency Room favorable to budget by 305 visits (3%)
 - Los Gatos:
 - Higher than budget by 17% and prior year by 24%
 - Overall procedural volume favorable to budget by 267 cases (14%)
 - Surgeries favorable to budget by 193 cases (27%) – Orthopedics & Spine (high producing ortho/spine surgeons), Ophthalmology (program moved from Willow ASC)
 - Op Emergency Room favorable to budget by 373 visits (11%)

Payor Mix

- Payor mix is unfavorable year to date driven by Inpatient (IP) activity in September & October
 - For September, MV IP Orthopedic Medicare activity increased while Commercial charges remained flat. Commercial charges are higher in October.
 - For October, LG IP General Medicine Medicare charges were high due to new Pulmonary Medicine procedures and LG IP Orthopedics Medicare charges increased due to higher overall activity in the service line due to new provider

Productivity

- Year to date FTEs are in line with targets.

Dashboard - as of October 31, 2019

*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.

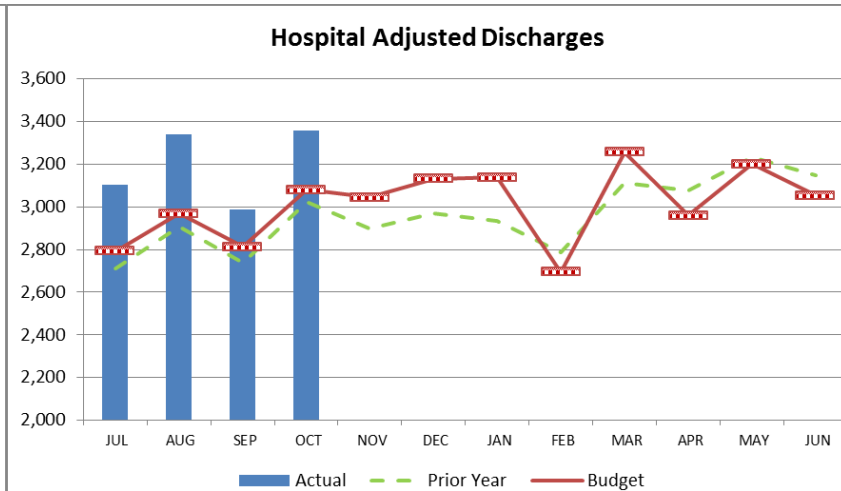
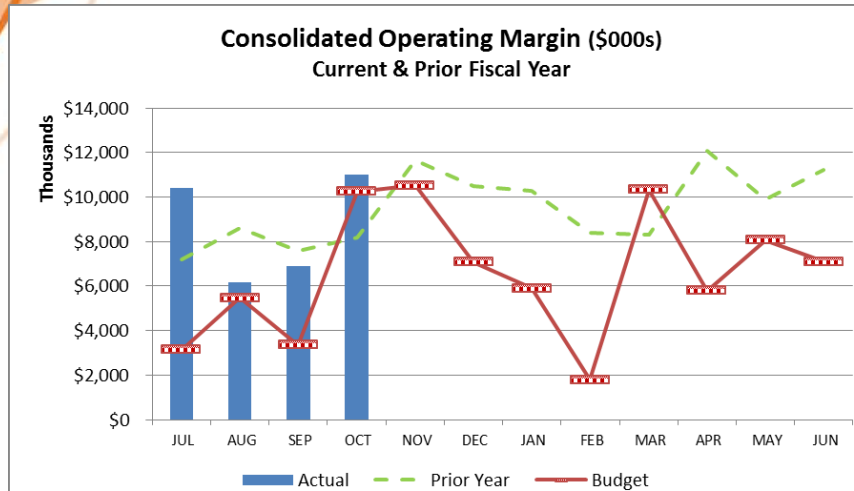
| | Month | | | | | YTD | | | |
|------------------------------|---------|---------|------------|-----------------------|--|---------|---------|------------|-----------------------|
| | PY | CY | Bud/Target | Variance CY vs Bud | | PY | CY | Bud/Target | Variance CY vs Bud |
| Consolidated Financial Perf. | | | | | | | | | |
| Total Operating Revenue | 80,883 | 93,233 | 92,089 | 1,144 | | 310,442 | 355,643 | 342,604 | 13,040 |
| Operating Margin \$ | 8,182 | 10,988 | 10,239 | 749 | | 31,556 | 34,416 | 22,197 | 12,219 |
| Operating Margin % | 10.1% | 11.8% | 11.1% | 0.7% | | 10.2% | 9.7% | 6.5% | 3.2% |
| EBIDA % | 17.0% | 17.2% | 16.9% | 0.3% | | 16.2% | 15.0% | 12.4% | 2.6% |
| Hospital Volume | | | | | | | | | |
| Licensed Beds | 443 | 443 | 443 | - | | 443 | 443 | 443 | - |
| ADC | 230 | 232 | 237 | (5) | | 225 | 227 | 229 | (3) |
| Utilization MV | 64% | 63% | 64% | (1.8%) | | 62% | 62% | 62% | 0.3% |
| Utilization LG | 26% | 31% | 30% | 0.5% | | 27% | 30% | 31% | (1.6%) |
| Utilization Combined | 52% | 52% | 53% | (1.0%) | | 51% | 51% | 52% | (0.4%) |
| Total Discharges (Excl NNB) | 1,613 | 1,714 | 1,662 | 52 | | 6,185 | 6,669 | 6,360 | 309 |
| Hospital Payor Mix | | | | | | | | | |
| Medicare | 47.1% | 50.1% | 48.6% | 1.5% | | 46.3% | 50.0% | 48.1% | 1.8% |
| Medi-Cal | 7.9% | 6.7% | 7.7% | (1.0%) | | 8.1% | 7.6% | 7.9% | (0.4%) |
| Total Commercial | 42.6% | 40.6% | 41.5% | (0.9%) | | 43.1% | 40.3% | 41.6% | (1.4%) |
| Other | 2.4% | 2.6% | 2.2% | 0.4% | | 2.6% | 2.2% | 2.3% | (0.1%) |
| Hospital Cost | | | | | | | | | |
| Total FTE | 2,639.8 | 2,811.4 | 2,799.9 | (11.5) | | 2,602.5 | 2,764.7 | 2,756.5 | (8.2) |
| Productive Hrs/APD | 31.0 | 31.3 | 31.8 | 0.5 | | 31.1 | 31.5 | 32.6 | 1.0 |
| Consolidated Balance Sheet | | | | | | | | | |
| Net Days in AR | 46.6 | 52.2 | 49.0 | (3.2) | | 46.6 | 52.2 | 49.0 | (3.2) |
| Days Cash | 503 | 485 | 435 | 50 | | 503 | 485 | 435 | 50 |

Consolidated Statement of Operations (\$000s)

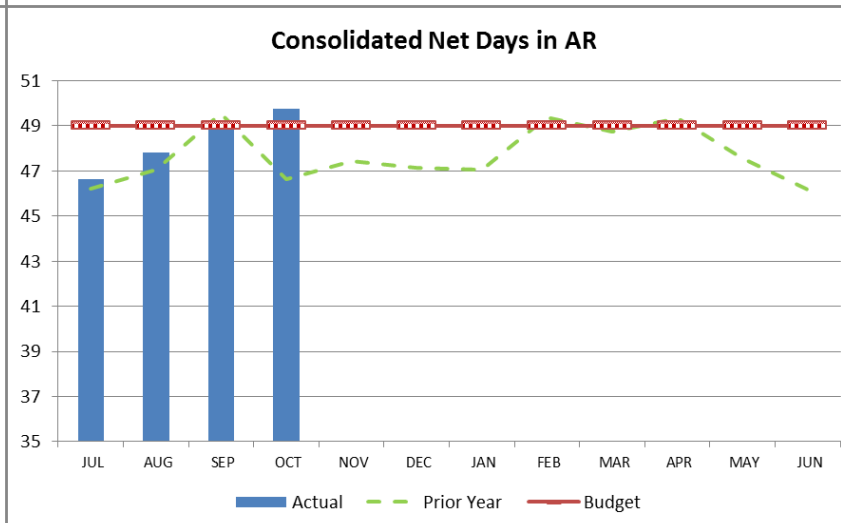
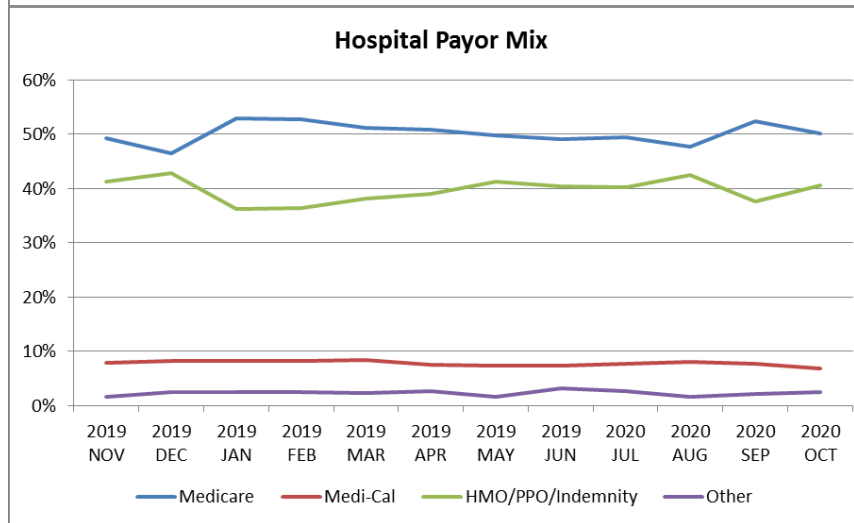
Period ending 10/31/2019

| Period 4 FY 2019 | Period 4 FY 2020 | Period 4 Budget 2020 | Variance Fav (Unfav) | Var% | | YTD FY 2019 | YTD FY 2020 | YTD Budget 2020 | Variance Fav (Unfav) | Var% |
|---------------------|---------------------|-------------------------|-------------------------|---------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| | | | | | \$000s | | | | | |
| | | | | | OPERATING REVENUE | | | | | |
| 297,691 | 337,610 | 329,034 | 8,576 | 2.6% | Gross Revenue | 1,123,785 | 1,280,865 | 1,247,645 | 33,220 | 2.7% |
| (220,035) | (247,968) | (241,395) | (6,572) | (2.7%) | Deductions | (825,794) | (942,375) | (921,463) | (20,912) | (2.3%) |
| 77,656 | 89,642 | 87,638 | 2,004 | 2.3% | Net Patient Revenue | 297,992 | 338,490 | 326,182 | 12,308 | 3.8% |
| 3,227 | 3,591 | 4,450 | (860) | (19.3%) | Other Operating Revenue | 12,450 | 17,154 | 16,422 | 732 | 4.5% |
| 80,883 | 93,233 | 92,089 | 1,144 | 1.2% | Total Operating Revenue | 310,442 | 355,643 | 342,604 | 13,040 | 3.8% |
| | | | | | OPERATING EXPENSE | | | | | |
| 42,092 | 47,294 | 46,547 | (747) | (1.6%) | Salaries & Wages | 165,351 | 183,373 | 183,617 | 244 | 0.1% |
| 11,237 | 12,515 | 12,629 | 114 | 0.9% | Supplies | 43,927 | 51,098 | 47,475 | (3,623) | (7.6%) |
| 10,775 | 13,389 | 13,402 | 13 | 0.1% | Fees & Purchased Services | 40,368 | 53,280 | 52,693 | (587) | (1.1%) |
| 3,035 | 4,004 | 3,932 | (72) | (1.8%) | Other Operating Expense | 10,379 | 14,378 | 16,251 | 1,873 | 11.5% |
| 1,237 | 711 | 495 | (216) | (43.6%) | Interest | 1,690 | 1,407 | 1,980 | 573 | 28.9% |
| 4,324 | 4,332 | 4,845 | 513 | 10.6% | Depreciation | 17,171 | 17,691 | 18,392 | 701 | 3.8% |
| 72,701 | 82,245 | 81,850 | (395) | (0.5%) | Total Operating Expense | 278,886 | 321,228 | 320,407 | (821) | (0.3%) |
| 8,182 | 10,988 | 10,239 | 749 | 7.3% | Net Operating Margin | 31,556 | 34,416 | 22,197 | 12,219 | 55.0% |
| (34,546) | 10,109 | 2,919 | 7,190 | 246.3% | Non Operating Income | (13,385) | 15,491 | 12,095 | 3,396 | 28.1% |
| (26,364) | 21,097 | 13,158 | 7,939 | 60.3% | Net Margin | 18,171 | 49,906 | 34,292 | 15,615 | 45.5% |
| 17.0% | 17.2% | 16.9% | 0.3% | | EBITDA | 16.2% | 15.0% | 12.4% | 2.6% | |
| 10.1% | 11.8% | 11.1% | 0.7% | | Operating Margin | 10.2% | 9.7% | 6.5% | 3.2% | |
| -32.6% | 22.6% | 14.3% | 8.3% | | Net Margin | 5.9% | 14.0% | 10.0% | 4.0% | |

Monthly Financial Trends



Operating margin ahead of target due to manly due to strong growth



INVESTMENT SCORECARD AS OF SEPTEMBER 30, 2019

| Key Performance Indicator | Status | El Camino | Benchmark | El Camino | Benchmark | El Camino | Benchmark | FY19 Year End Budget | Expectation Per Asset Allocation |
|---|--------|----------------|---------------------------|--|-----------|--|-----------|----------------------|----------------------------------|
| Investment Performance | | 3Q 2019 | | Fiscal Year-to-date | | 6y 11m Since Inception (annualized) | | | 2019 |
| Surplus cash balance* | | \$1,046.2 | -- | -- | -- | -- | -- | \$892.9 | -- |
| Surplus cash return | | 0.8% | 0.6% | 0.8% | 0.6% | 5.6% | 5.4% | 3.2% | 5.6% |
| Cash balance plan balance (millions) | | \$278.3 | -- | -- | -- | -- | -- | \$276.9 | -- |
| Cash balance plan return | | 0.2% | 0.5% | 0.2% | 0.5% | 7.5% | 6.9% | 6.0% | 6.0% |
| 403(b) plan balance (millions) | | \$516.7 | -- | -- | -- | -- | -- | -- | -- |
| Risk vs. Return | | 3-year | | 6y 11m Since Inception (annualized) | | | | | 2019 |
| Surplus cash Sharpe ratio | | 0.92 | 0.88 | -- | -- | 1.01 | 0.99 | -- | 0.34 |
| Net of fee return | | 6.4% | 6.0% | -- | -- | 5.6% | 5.4% | -- | 5.6% |
| Standard deviation | | 5.3% | 5.1% | -- | -- | 4.8% | 4.7% | -- | 8.7% |
| Cash balance Sharpe ratio | | 0.91 | 0.87 | -- | -- | 1.08 | 1.04 | -- | 0.32 |
| Net of fee return | | 7.6% | 6.9% | -- | -- | 7.5% | 6.9% | -- | 6.0% |
| Standard deviation | | 6.7% | 6.1% | -- | -- | 6.2% | 5.9% | -- | 10.3% |
| Asset Allocation | | 3Q 2019 | | | | | | | |
| Surplus cash absolute variances to target | | 10.2% | < 10% | -- | -- | -- | -- | -- | -- |
| Cash balance absolute variances to target | | 7.7% | < 10% | -- | -- | -- | -- | -- | -- |
| Manager Compliance | | 3Q 2019 | | | | | | | |
| Surplus cash manager flags | | 15 | < 24 Green < 30 Yellow | -- | -- | -- | -- | -- | -- |
| Cash balance plan manager flags | | 20 | < 27 Green < 34 Yellow | -- | -- | -- | -- | -- | -- |

*Excludes debt reserve funds (~\$64 mm), District assets (~\$32 mm), and balance sheet cash not in investable portfolio (~\$109 mm). Includes Foundation (~\$35 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

Consolidated Balance Sheet

(in thousands)

ASSETS

| | Unaudited | |
|--|------------------|------------------|
| | October 31, 2019 | June 30, 2019 |
| CURRENT ASSETS | | |
| Cash | 142,424 | 124,912 |
| Short Term Investments | 193,858 | 177,165 |
| Patient Accounts Receivable, net | 143,618 | 132,198 |
| Other Accounts and Notes Receivable | 5,415 | 5,058 |
| Intercompany Receivables | 4,983 | 8,549 |
| Inventories and Prepaids | 70,358 | 64,093 |
| Total Current Assets | 560,657 | 511,976 |
| BOARD DESIGNATED ASSETS | | |
| Foundation Board Designated | 17,253 | 16,895 |
| Plant & Equipment Fund | 164,049 | 171,304 |
| Women's Hospital Expansion | 22,430 | 15,472 |
| Operational Reserve Fund | 144,294 | 139,057 |
| Community Benefit Fund | 17,993 | 18,260 |
| Workers Compensation Reserve Fund | 21,487 | 20,732 |
| Postretirement Health/Life Reserve Fund | 30,506 | 29,480 |
| PTO Liability Fund | 26,301 | 26,149 |
| Malpractice Reserve Fund | 1,831 | 1,831 |
| Catastrophic Reserves Fund | 22,943 | 19,678 |
| Total Board Designated Assets | 469,087 | 458,857 |
| FUNDS HELD BY TRUSTEE | 55,285 | 83,073 |
| LONG TERM INVESTMENTS | 384,153 | 375,729 |
| CHARITABLE GIFT ANNUITY INVESTMENTS | 596 | 602 |
| INVESTMENTS IN AFFILIATES | 35,246 | 38,532 |
| PROPERTY AND EQUIPMENT | | |
| Fixed Assets at Cost | 1,760,054 | 1,692,693 |
| Less: Accumulated Depreciation | (636,230) | (622,877) |
| Property, Plant & Equipment - Net | 1,123,825 | 1,069,816 |
| DEFERRED OUTFLOWS | 33,676 | 33,876 |
| RESTRICTED ASSETS | 25,230 | 24,279 |
| OTHER ASSETS | 1,016 | 1,036 |
| TOTAL ASSETS | 2,688,770 | 2,597,775 |

LIABILITIES AND FUND BALANCE

| | Unaudited | |
|---|------------------|------------------|
| | October 31, 2019 | June 30, 2019 |
| CURRENT LIABILITIES | | |
| Accounts Payable | 16,364 | 38,390 |
| Salaries and Related Liabilities | 50,810 | 30,296 |
| Accrued PTO | 19,610 | 26,502 |
| Third Party Settlements | 12,481 | 11,331 |
| Intercompany Payables | 4,918 | 8,464 |
| Bonds Payable - Current | 8,630 | 8,630 |
| Bond Interest Payable | 8,366 | 12,775 |
| Other Liabilities | 12,050 | 14,577 |
| Total Current Liabilities | 133,228 | 150,966 |
| LONG TERM LIABILITIES | | |
| Post Retirement Benefits | 29,522 | 29,480 |
| Worker's Comp Reserve | 18,932 | 18,432 |
| Other L/T Obligation (Asbestos) | 7,391 | 3,975 |
| Bond Payable | 508,645 | 507,531 |
| Total Long Term Liabilities | 564,490 | 559,417 |
| DEFERRED REVENUE-UNRESTRICTED | 1,062 | 1,113 |
| DEFERRED INFLOW OF RESOURCES | 13,268 | 13,715 |
| FUND BALANCE/CAPITAL ACCOUNTS | | |
| Unrestricted | 1,582,601 | 1,389,510 |
| Board Designated | 390,428 | 458,839 |
| Restricted | 25,142 | 24,215 |
| Total Fund Bal & Capital Accts | 1,976,722 | 1,872,563 |
| TOTAL LIABILITIES AND FUND BALANCE | 2,688,770 | 2,597,775 |

- Classification and grouping have changed from the prior reports due to conversion to the new WorkDay system. All changes have been consistently applied to both periods so amounts are comparable

APPENDIX

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

Period ending 10/31/2019

| Period 4 FY 2019 | Period 4 FY 2020 | Period 4 Budget 2020 | Variance Fav (Unfav) | Var% | \$000s | YTD FY 2019 | YTD FY 2020 | YTD Budget 2020 | Variance Fav (Unfav) | Var% |
|---------------------|---------------------|-------------------------|-------------------------|---------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| 245,648 | 261,481 | 260,763 | 718 | 0.3% | OPERATING REVENUE | | | | | |
| (181,004) | (191,577) | (192,144) | 568 | 0.3% | Gross Revenue | 921,681 | 1,019,391 | 988,171 | 31,220 | 3.2% |
| 64,644 | 69,904 | 68,618 | 1,286 | 1.9% | Deductions | (676,109) | (747,325) | (733,727) | (13,598) | (1.9%) |
| 1,697 | 1,418 | 1,950 | (533) | (27.3%) | Net Patient Revenue | 245,572 | 272,066 | 254,444 | 17,621 | 6.9% |
| 66,341 | 71,322 | 70,569 | 753 | 1.1% | Other Operating Revenue | 6,646 | 6,587 | 7,048 | (461) | (6.5%) |
| | | | | | Total Operating Revenue | 252,218 | 278,653 | 261,492 | 17,160 | 6.6% |
| | | | | | OPERATING EXPENSE | | | | | |
| 34,764 | 37,100 | 36,659 | (441) | (1.2%) | Salaries & Wages | 135,663 | 144,830 | 144,627 | (204) | (0.1%) |
| 9,152 | 9,988 | 9,808 | (181) | (1.8%) | Supplies | 35,370 | 41,055 | 37,006 | (4,049) | (10.9%) |
| 6,841 | 6,765 | 5,933 | (832) | (14.0%) | Fees & Purchased Services | 25,401 | 25,696 | 23,692 | (2,004) | (8.5%) |
| 2,147 | 2,884 | 2,600 | (284) | (10.9%) | Other Operating Expense | 8,242 | 10,212 | 10,713 | 501 | 4.7% |
| 1,237 | 711 | 495 | (216) | (43.6%) | Interest | 1,690 | 1,407 | 1,980 | 573 | 28.9% |
| 3,521 | 3,481 | 3,805 | 323 | 8.5% | Depreciation | 14,024 | 14,248 | 14,337 | 89 | 0.6% |
| 57,663 | 60,929 | 59,299 | (1,630) | (2.7%) | Total Operating Expense | 220,391 | 237,449 | 232,354 | (5,094) | (2.2%) |
| 8,679 | 10,393 | 11,269 | (877) | (7.8%) | Net Operating Margin | 31,827 | 41,204 | 29,138 | 12,066 | 41.4% |
| (34,259) | 9,448 | 2,627 | 6,821 | 259.7% | Non Operating Income | (17,939) | 13,041 | 10,596 | 2,445 | 23.1% |
| (25,580) | 19,840 | 13,896 | 5,944 | 42.8% | Net Margin | 13,888 | 54,245 | 39,735 | 14,510 | 36.5% |
| 20.3% | 20.4% | 22.1% | (1.6%) | | EBITDA | 18.8% | 20.4% | 17.4% | 3.0% | |
| 13.1% | 14.6% | 16.0% | (1.4%) | | Operating Margin | 12.6% | 14.8% | 11.1% | 3.6% | |
| -38.6% | 27.8% | 19.7% | 8.1% | | Net Margin | 5.5% | 19.5% | 15.2% | 4.3% | |

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

Period ending 10/31/2019

| Period 4 FY 2019 | Period 4 FY 2020 | Period 4 Budget 2020 | Variance Fav (Unfav) | Var% | | YTD FY 2019 | YTD FY 2020 | YTD Budget 2020 | Variance Fav (Unfav) | Var% |
|---------------------|---------------------|-------------------------|-------------------------|---------------|---------------------------|----------------|----------------|--------------------|-------------------------|--------------|
| | | | | | \$000s | | | | | |
| | | | | | OPERATING REVENUE | | | | | |
| 51,106 | 66,941 | 58,081 | 8,860 | 15.3% | Gross Revenue | 199,485 | 234,887 | 223,131 | 11,756 | 5.3% |
| (38,548) | (49,949) | (43,041) | (6,908) | (16.1%) | Deductions | (147,999) | (176,282) | (165,575) | (10,707) | (6.5%) |
| 12,558 | 16,992 | 15,040 | 1,952 | 13.0% | Net Patient Revenue | 51,486 | 58,604 | 57,556 | 1,048 | 1.8% |
| 337 | 387 | 273 | 115 | 42.1% | Other Operating Revenue | 1,109 | 1,563 | 1,083 | 479 | 44.2% |
| 12,895 | 17,379 | 15,312 | 2,067 | 13.5% | Total Operating Revenue | 52,595 | 60,167 | 58,639 | 1,528 | 2.6% |
| | | | | | OPERATING EXPENSE | | | | | |
| 6,658 | 8,088 | 7,251 | (837) | (11.5%) | Salaries & Wages | 27,273 | 29,876 | 28,952 | (924) | (3.2%) |
| 2,019 | 2,204 | 2,388 | 184 | 7.7% | Supplies | 8,360 | 8,534 | 8,839 | 304 | 3.4% |
| 2,804 | 2,505 | 2,719 | 213 | 7.8% | Fees & Purchased Services | 10,551 | 10,570 | 10,928 | 358 | 3.3% |
| 677 | 413 | 353 | (61) | (17.2%) | Other Operating Expense | 1,470 | 1,366 | 1,680 | 314 | 18.7% |
| 0 | 0 | 0 | 0 | 0.0% | Interest | 0 | 0 | 0 | 0 | 0.0% |
| 754 | 797 | 846 | 49 | 5.8% | Depreciation | 2,976 | 3,227 | 3,311 | 85 | 2.6% |
| 12,912 | 14,007 | 13,556 | (451) | (3.3%) | Total Operating Expense | 50,629 | 53,572 | 53,708 | 136 | 0.3% |
| (17) | 3,372 | 1,757 | 1,616 | 92.0% | Net Operating Margin | 1,966 | 6,595 | 4,931 | 1,664 | 33.7% |
| 0 | 0 | 0 | 0 | 0.0% | Non Operating Income | 0 | 0 | 0 | 0 | 0.0% |
| (17) | 3,372 | 1,757 | 1,616 | 92.0% | Net Margin | 1,966 | 6,595 | 4,931 | 1,664 | 33.7% |
| | | | | | | | | | | |
| 5.7% | 24.0% | 17.0% | 7.0% | | EBITDA | 9.4% | 16.3% | 14.1% | 2.3% | |
| -0.1% | 19.4% | 11.5% | 7.9% | | Operating Margin | 3.7% | 11.0% | 8.4% | 2.6% | |
| -0.1% | 19.4% | 11.5% | 7.9% | | Net Margin | 3.7% | 11.0% | 8.4% | 2.6% | |

Non Operating Items and Net Margin by Affiliate

\$ in thousands

| | Period 4- Month | | | Period 4- FYTD | | |
|--|-----------------|----------------|--------------|-----------------|-----------------|---------------|
| | Actual | Budget | Variance | Actual | Budget | Variance |
| El Camino Hospital Operating Margin | | | | | | |
| Mountain View | 10,393 | 11,269 | (877) | 41,204 | 29,138 | 12,066 |
| Los Gatos | 3,372 | 1,757 | 1,616 | 6,595 | 4,931 | 1,664 |
| Sub Total - El Camino Hospital, excl. Affilates | 13,765 | 13,026 | 739 | 47,799 | 34,069 | 13,730 |
| Operating Margin % | 15.5% | 15.2% | | 14.1% | 10.6% | |
| El Camino Hospital Non Operating Income | | | | | | |
| Sub Total - Non Operating Income | 9,448 | 2,627 | 6,821 | 13,041 | 10,596 | 2,445 |
| El Camino Hospital Net Margin | 23,213 | 15,653 | 7,560 | 60,840 | 44,666 | 16,174 |
| ECH Net Margin % | 26.2% | 18.2% | | 18.0% | 14.0% | |
| Concern | (234) | (62) | (172) | 311 | 61 | 250 |
| ECSC | (0) | 0 | (1) | (28) | 1 | (29) |
| Foundation | 451 | 136 | 315 | 1,443 | 562 | 881 |
| Silicon Valley Medical Development | (2,334) | (2,570) | 236 | (12,660) | (10,998) | (1,662) |
| Net Margin Hospital Affiliates | (2,117) | (2,495) | 378 | (10,934) | (10,374) | (560) |
| Total Net Margin Hospital & Affiliates | 21,096 | 13,158 | 7,939 | 49,906 | 34,292 | 15,614 |

FY 20 Capital Cash Flow Projections

Reformatted to separate active and planned facility projects

| Capital Spending (in 000's) | Actual FY2017 | Actual FY2018 | Actual FY2019 | Budget Cash Flow 2020 |
|---|------------------|------------------|------------------|--------------------------|
| ERP | - | - | 5,830 | - |
| IT Hardware / Software Equipment/EPIC | 5,414 | 2,222 | 7,859 | 6,000 |
| Medical / Non Medical Equipment | 9,556 | 15,780 | 12,082 | 18,000 |
| Facilities Total | 82,953 | 139,434 | 158,010 | 244,665 |
| Active | | | | |
| Mountain View Campus Master Plan Projects | 62,493 | 114,093 | 140,000 | 112,700 |
| Mountain View Capital Projects | 5,535 | 7,948 | 9,620 | 66,992 |
| Los Gatos Capital Projects | 14,780 | 12,306 | 6,901 | 12,773 |
| Placeholder/Deferred | | | | |
| Other Strategic Capital Facility Projects | 145 | 5,088 | 1,489 | 19,200 |
| Other Major Projects | | | | 33,000 |
| GRAND TOTAL | 97,923 | 157,435 | 183,782 | 268,665 |

FY20 Detail Facility Cash Flow Projections (\$000s)

| | | FY 2020 | | | FY 2020 |
|--|--|----------------|--|--|---------------|
| | | Cash Flow | | | Cash Flow |
| Mountain View Campus Master Plan Projects | | | Los Gatos Capital Projects | | |
| BHS Replacement | | 8,143 | LG IR Upgrades | | 1,250 |
| Integrated Medical Office Building | | 57,557 | LG Modular MRI & Awning | | 3,205 |
| Women's Hosp Expansion | | 33,000 | LG Nurse Call System Upgrade | | 1,000 |
| Demo Old Main & Related Site Work | | 14,000 | LG Security System | | 340 |
| | | <u>112,700</u> | LG Cancer Center | | 2,598 |
| | | | LG MOB Upgrades FY 20 | | 500 |
| Mountain View Capital Projects | | | LG Facilities Planning Allowance FY 20 | | 500 |
| ED Remodel Triage / Psych Observation | | 6,106 | LG Equipment & Infrastructure Upgrades FY 20 | | 600 |
| Willow Pavilion FA Sys and Equip Upgrades | | 1,400 | LG Rehab Finish Upgrades | | 400 |
| Willow Surgery Center Improvements | | 2,000 | LG Campus Signage | | 500 |
| Site Signage & Other Improvements | | 1,700 | LG Wireless Infrastructure Upgrades | | 480 |
| Patient Family Residence | | 6,150 | LG Paving Upgrades | | 800 |
| Nurse Call System Upgrade | | 2,200 | LG Decontamination in OR | | 600 |
| Imaging Equipment Replacement (Imaging Dept. Only) | | 11,700 | | | <u>12,773</u> |
| IR / Cath Lab Equipment Replacement (5 or 6 Rooms) | | 9,500 | | | |
| Various Relocation Projects | | 700 | Other Strategic Capital Facility Projects | | |
| Flooring Replacement | | 1,180 | Primary Care Clinic | | 4,000 |
| Emergency Sanitary & Water Storage | | 2,216 | New MOB | | 12,200 |
| CT Equipment Replacement @ Radiation Oncology | | 440 | SVMD - Facilities Future Years | | 3,000 |
| Radiation Oncology Equipment Replacement | | 10,000 | | | <u>19,200</u> |
| MV MOB Upgrades FY 20 | | 500 | | | |
| MV Facilities Planning Allowance FY 20 | | 600 | Other Major Projects & Annual Forecasts | | |
| MV Equipment & Infrastructure Upgrades FY 20 | | 900 | LG Campus Redevelopment | | 12,000 |
| MV Cancer Center Expansion | | 1,200 | Property Acquisitions | | 21,000 |
| MV Wireless Infrastructure Upgrade | | 1,000 | | | <u>33,000</u> |
| Other Undefined | | 500 | | | |
| MV Undefined Annual Forecast | | 7,000 | | | |
| | | <u>66,992</u> | TOTAL | | 244,665 |

**EI CAMINO HOSPITAL BOARD OF DIRECTORS
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mary Rotunno, General Counsel and Vineeta Hiranandani, VP Marketing & Communications
Date: December 11, 2019
Subject: El Camino Health Enterprise Structure

Purpose:

To explain the legal structure of El Camino Hospital and its affiliated entities and explain the use of the fictitious business name “El Camino Health”.

Summary:

1. **Situation:** El Camino Hospital, a California nonprofit public benefit corporation is the sole corporate member of Silicon Valley Medical Development, LLC (“SVMD”), which operates twelve ambulatory clinics, CONCERN:EAP (“Concern”), an employee assistance plan, and El Camino Hospital Foundation (“the Foundation”), a philanthropic charitable foundation. In addition SVMD has three affiliated medical groups providing professional services at SVMD clinics: San Jose Medical Group (“SJMG”), El Camino Medical Associates (“ECMA”) and Direct Urgent Care (“DUC”).

“El Camino Health” was approved by the Board in August 2018 as the single unifying health system brand name. The legal entities El Camino Hospital, SVMD and the Foundation are branded as “El Camino Health” which is used as a corporate brand name to represent the full value proposition for the services, programs, and experiences delivered by these three legal entities externally and internally. Sites of care will have signage with the “El Camino Health” unifying health system brand name and, where needed, a qualifying name reflecting the type of services provided.

The use of multiple names across signage, inside sites of care, and other uses may be causing confusion in the community with our patients, consumers, staff, and other stakeholders.

2. **Authority:** The El Camino Hospital Board has governance oversight and reserved powers under SVMD’s Amended and Restated Operating Agreement and under the Bylaws of Concern and El Camino Hospital Foundation. “
3. **Background:** At its November 6, 2019 meeting, the El Camino Hospital Board requested clarification as to whether “El Camino Health” is a legal entity and further requested clarification of the various affiliate names and acronyms.
4. **Assessment:** “El Camino Health” is not a legal entity; it is a fictitious business name or “doing business as” name used for marketing to consumers and business partners. The legal entity for the hospital corporation, “El Camino Hospital” has not changed.
5. **Other Reviews:** None
6. **Outcomes:** Clarification of the legal structure and customer facing names under the fictitious business name “El Camino Health”.

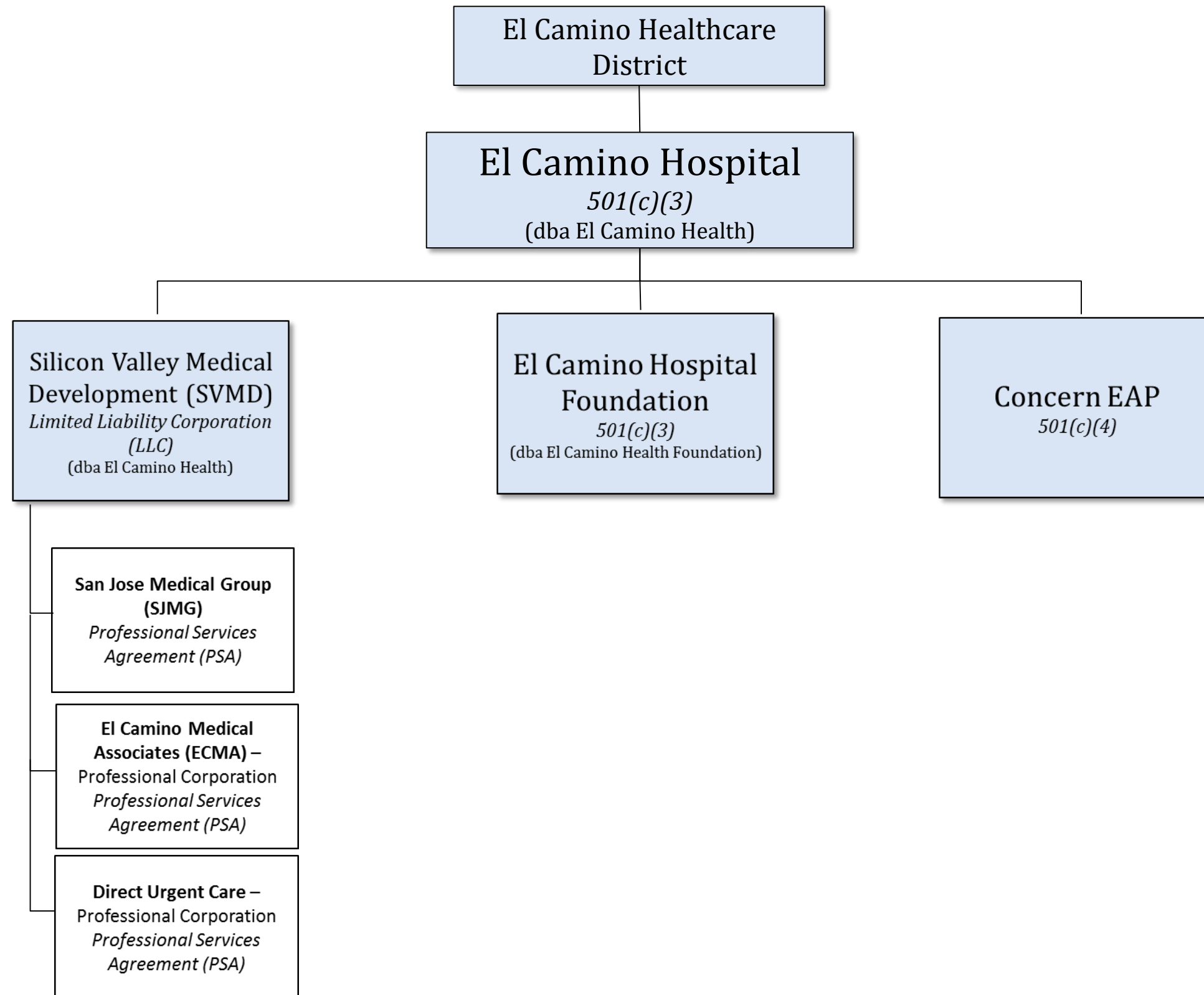
El Camino Health Enterprise Structure
December 11, 2019

List of Attachments:

1. El Camino Health Legal Structure
2. Customer Facing Names

Suggested Discussion Questions: What is El Camino Health?

El Camino Health Legal Structure



Consistent Use of Our Masterbrand, El Camino Health, Builds Brand Recognition

Masterbrand:  El Camino Health

| Hospitals | Clinics* | Urgent Care | Affiliates | Non-Branded Affiliates |
|--|--|--|--|---|
| <div> El Camino Health Mountain View Hospital 2500 Grant Road Mountain View, CA 94040</div> <div> El Camino Health Los Gatos Hospital 815 Pollard Road Los Gatos, CA 95032</div> | <div> El Camino Health Street City, State, Zip</div> | <div> El Camino Health Street City, State, Zip</div> | <div> El Camino Health Foundation</div> <div> Silicon Valley ** Medical Development <small>AN AFFILIATE OF EL CAMINO HEALTH</small></div> | <div>Concern <small>Real help, real experts, real fast.</small></div> |

* Clinics includes sites for primary and specialty care services.
** A new name is under development for Silicon Valley Medical Development

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

To: El Camino Hospital Board of Directors
From: Mary Rotunno, Esq., General Counsel
Date: December 11, 2019
Subject: Proposed Second Amended and Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC

Recommendation:

To approve the attached Second Amended and Restated Limited Liability Company Operating Agreement incorporating the previous recommendations by the Governance Committee and ECH Board.

Summary:

1. Situation: El Camino Hospital (“ECH”) is the sole member of Silicon Valley Medical Development, LLC (“SVMD”) which currently operates 12 clinics and a managed care organization. ECH has governance oversight and reserved powers under SVMD’s current Amended and Restated Limited Liability Company Operating Agreement. The Governance Committee appointed a System Governance Ad Hoc Committee to review the governance oversight of ECH affiliated entities including SVMD and to propose an enhanced SVMD governance structure and reporting.
2. Authority: It is within the Governance Committee’s Charter to make recommendations to the ECH Board with respect to the governance of ECH affiliated entities.
3. Background: At its October 15, 2019 meeting, the Governance Committee discussed recommendations from the System Governance Ad Hoc Committee for proposed revisions to the governance structure of SVMD including expansion of the SVMD Board of Managers, clarification of the reserved powers of ECH Board, creation of SVMD Advisory Committees and governance oversight of quality, compliance and finance by ECH Board Committees. At its November 6, 2019 meeting, the ECH Board discussed these recommendations and directed that certain revisions be incorporated into SVMD’s Amended and Restated Operating Agreement.
4. Assessment: Recommended revisions are:
 - Expansion of SVMD Board of Managers from 5 to 9 members
 - ECH Board reserved powers to include annual approval of SVMD Strategic Plan and Budget and approval of appointments to SVMD Board of Managers
 - Semi-Annual reporting on SVMD performance on strategic metrics to ECH Board
 - SVMD reporting to ECH Quality and Finance Committees quarterly and Compliance Committee annually
5. Other Reviews: SVMD’s Board of Managers approved the proposed Second Amended and Restated Limited Liability Operating Agreement by Unanimous Written Consent. The Governance Committee reviewed the Proposed Agreement at its November 26, 2019 meeting and recommended it for approval.
6. Outcomes: Efficient and effective governance oversight by ECH as sole corporate member of SVMD.

Proposed Second A&R LLC Operating Agreement of SVMD, LLC
December 11, 2019

List of Attachments:

1. Proposed Second Amended and Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC

Suggested Discussion Questions:

Does the proposed Second Amended and Restated Limited Liability Company Operating Agreement provide sufficient governance oversight by ECH as sole member of SVMD?

**SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
SILICON VALLEY MEDICAL DEVELOPMENT, LLC**

This Second Amended and Restated Limited Liability Company Operating Agreement (this “Agreement”) of Silicon Valley Medical Development, LLC amends and restates the Limited Liability Company Operating Agreement dated June 17, 2008, as amended by the Amended and Restated Limited Liability Company Operating Agreement dated January 10, 2018. This Agreement is entered into as of the ____ day of _____, 201_, by El Camino Hospital, a California nonprofit public benefit corporation, as the sole member (the “Member”).

The Member in order to form a limited liability company pursuant to and in accordance with the California Beverly-Killea Limited Liability Company Act, as amended from time to time (Cal. Corp. Code § 17000, *et seq.*) (the “Act”), hereby agrees with the Company as follows:

1. Name. The name of the limited liability company shall be Silicon Valley Medical Development, LLC (the “Company”).

2. Member. The name and the business and mailing addresses of the Member is as follows:

| <u>Name</u> | <u>Address</u> |
|--------------------|--|
| El Camino Hospital | 2500 Grant Road Mountain View, CA 94040 |

3. Office and Designated Agent. The Company’s office address is 973 University Ave. Los Gatos, CA 95032. The name and address of the current agent of the Company for service of process on the Company in the State of California, is Mary L. Rotunno, Esq. 2500 Grant Rd, Administration, Mountain View, CA 94040. Such designations may be changed by the Board of Managers.

4. Articles. The Member, acting through any of its authorized officers, is hereby designated as an authorized person within the meaning of the Act to execute, deliver and file the Articles of Organization of the Company (the “Articles”), and to execute, deliver and file any amendments or restatements of the Articles or any certificate of cancellation of the Articles.

5. Purpose and Powers. The purpose of the Limited Liability Company is to engage in any lawful act or activity for which a limited liability company may be organized under the Act. Such purpose shall include, without limitation, to establish initiatives between independent physicians and El Camino Hospital, to develop and maintain ambulatory ventures outside of the Member’s facilities, and to establish and provide management services to any medical groups in association with the Member. The Company shall have the power and authority to do any and all acts necessary or convenient to or in furtherance of the foregoing purposes, including all power

and authority, statutory or otherwise, possessed by, or which may be conferred upon, limited liability companies under the laws of the State of California. The Company shall not undertake any activity that would jeopardize the Member's status as a tax-exempt entity under the Internal Revenue Code.

6. Management.

6.1. Board of Managers. The business of the Company shall be managed by a Board of Managers, and the persons constituting the Board of Managers, not the Member, shall be the "managers" of the Company for all purposes under the Act.

The Board of Managers shall consist of ~~four~~eight (84) voting managers ~~(as determined by the Member)~~, in addition to the President of the Company who shall be an ex officio voting member of the Board of Managers. The Board of Managers shall initially consist of the Chief Executive Officer of the Member, ~~the Chief Financial Officer of the Member, the Chief Medical Officer~~ three executives appointed by the Chief Executive Officer of the Member, two community based individuals appointed by the Chief Executive Officer of the Member and two practicing physicians with a medical group affiliated with Company appointed by the Board of Managers~~an appointee from the Member's Board of Directors. The Member has the right to remove any or all managers at any time, with or without cause. If the Member removes the entire Board of Managers, the Member shall then appoint a replacement Board of Managers.~~ The Chief Executive Officer of the Member shall have the authority to fill any individual vacancies in the Board of Managers and may remove any manager on the Board of Managers, ~~except the appointee from the Member's Board of Directors.~~ The Board of Managers shall elect its Chairperson.

Decisions of the Board of Managers shall be embodied in a duly adopted vote taken by a majority of the voting members of the Board of Managers at a meeting for which at least five (5) days' written notice was duly given or waived, or in a resolution adopted by unanimous written consent of the Board of Managers. Such decisions shall be decisions of the "manager" for all purposes of the Act and shall be carried out by any member of the Board of Managers or by officers or agents of the Company designated by the Board of Managers in the vote or resolution in question or in one or more standing votes or resolutions or with the power and authority to do so. A decision of the Board of Managers may be amended, modified, or repealed in the same manner in which it was adopted, but no such amendment, modification or repeal shall affect any person who has been furnished a copy of the original vote or resolution, certified by a duly authorized agent of the Company, until such person has been notified in writing of such amendment, modification, or repeal. Members of the Board of Managers may attend meetings in person or by electronic connection that enables all members present simultaneously to hear one another.

An annual meeting of the Board of Managers shall be held each year at a time and place to be determined by the Board of Managers. In addition, the Board of Managers shall hold regular meetings not less frequently than quarterly. Special meetings of the Board of Managers may be called at any time by Company's President or by any two (2) or more managers on the Board of Managers.

6.2. Member Reserved Powers. Notwithstanding the foregoing, the Member retains the sole power to approve:

a. Any annual budget of the Company as an affiliate of the Member as part of the Member's consolidated budget;

b. Any unbudgeted expenditure of the Company that exceed \$1,000,000;

c. Appointments to Company's Board of Managers;

d. The role of the Company in the Member's strategic plan and the Company's annual strategic plan;

~~d~~e. The selection of an auditor to perform an audit that includes the Company;

~~e~~f. Any transfer, sale or disposition of the Company's assets;

~~f~~g. Any merger, consolidation, reorganization or dissolution of the Company;

~~g~~h. Any amendment or restatement to, or termination of, this Agreement;

~~h~~i. Any capital expenditures by the Company greater than \$5 million; or

~~i~~j. Any action of the Company that violates the Member's tax-exempt purposes.

Any action listed above that is taken by the Company and not approved by the Member is void.

6.3 Board of Managers Advisory Committees. The Board of Managers may by resolution establish advisory committees. No advisory committee shall have or exercise any of the authority of the Board of Managers but shall advise the Board of Managers on matters within the advisory committee's charter. The Board of Managers, by resolution, shall adopt an advisory committee charter which shall establish the committee, state whether the advisory committee is temporary (ad hoc) or standing, the total number of members of such committee, the number of managers from the Board of Managers to be appointed to such committee, and the subject matter to be considered by such advisory committee. The time and place of meetings of the advisory committee shall be determined by the committee chair. The charter shall designate the members of the advisory committee or designate the process by which members of the advisory committee are selected.

6.4 Reporting by Company to Member. Company's Board of Managers shall report to Member's Board of Directors semiannually on Company's performance to strategic metrics. In addition Company shall report to Member's Quality Committee and Finance Committee on a quarterly basis, and to Member's compliance Committee annually.

7. Officers and Agents. The Chief Executive of the Member shall have the power to appoint a President and the Board of Managers shall have the power to appoint other officers and agents to act for the Company. Subject to the Act, the Articles and this Agreement, the Board of

Managers may delegate by written instrument to the President and such other officers and agents authority to act on behalf of the Company. The Board of Managers, acting by written instrument, may ratify any act previously taken by the President and such other officers and agents acting on behalf of the Company. Except as provided in the Act, the Articles, this Agreement and any such delegation of authority, the Board of Managers shall have the sole power to bind the Company.

8. Indemnification. The Company shall indemnify, defend, and hold harmless the Member and any director, officer, or employee of the Member, each member of the Board of Managers, and any person serving at the request of the Company as a director, officer, employee, partner, trustee, or independent contractor of another corporation, partnership, limited liability company, joint venture, trust, or other enterprise (all of the foregoing persons being referred to collectively as “Indemnified Parties” and individually as an “Indemnified Party”) from any liability, loss, or damage incurred by the Indemnified Party by reason of any act performed or omitted to be performed by the Indemnified Party in connection with the business of the Company and from liabilities or obligations of the Company imposed on such Indemnified Party by virtue of such Indemnified Party’s position with the Company, including reasonable attorneys’ fees and costs and any amounts expended in the settlement of any such claims of liability, loss, or damage; *provided, however*, that if the liability, loss, damage, or claim arises out of any action or inaction of an Indemnified Party, indemnification shall be available only if (a) either (i) the Indemnified Party, at the time of such action or inaction, determined in good faith that its, his, or her course of conduct was in, or not opposed to, the best interests of the Company or (ii) in the case of inaction by the Indemnified Party, the Indemnified Party did not intend its, his, or her inaction to be harmful or opposed to the best interests of the Company and (b) the action or inaction did not constitute fraud, gross negligence, or willful misconduct by the Indemnified Party; *provided, further, however*, that the indemnification provided herein shall be recoverable only from the assets of the Company and not from any assets of the Member. Unless the Board of Managers determines in good faith that the Indemnified Party is unlikely to be entitled to indemnification as provided herein, the Company shall pay or reimburse reasonable attorneys’ fees of an Indemnified Party as incurred, provided that such Indemnified Party executes an undertaking, with appropriate security if requested by the Board of Managers, to repay the amount so paid or reimbursed in the event that a final nonappealable determination by a court of competent jurisdiction that such Indemnified Party is not entitled to indemnification as provided herein. The Company may pay for insurance covering liability of the Indemnified Party for negligence in operation of the Company’s affairs.

No Indemnified Party shall be liable, in damages or otherwise, to the Company or to the Member for any loss that arises out of any act performed or omitted to be performed by it, him, or her pursuant to the authority granted by this Agreement if (a) either (i) the Indemnified Party, at the time of such action or inaction, determined in good faith that such Indemnified Party's course of conduct was in, or not opposed to, the best interests of the Company or (ii) in the case of inaction by the Indemnified Party, the Indemnified Party did not intend such Indemnified Party's inaction to be harmful or opposed to the best interests of the Company and (b) the conduct of the Indemnified Party did not constitute fraud, gross negligence, or willful misconduct by such Indemnified Party.

Any person who is within the definition of "Indemnified Party" at the time of any action or inaction in connection with the business of the Company shall be entitled to the benefits provided herein as an "Indemnified Party" with respect thereto, regardless whether such person continues to be within the definition of "Indemnified Party" at the time of such Indemnified Party's claim for indemnification or exculpation hereunder.

The Company may in its discretion indemnify any of its officers, authorized agents, employees, consultants, and counsel, each as if an "Indemnified Party." The Company may enter into an agreement with any Indemnified Party setting forth procedures consistent with applicable law for implementing the indemnities provided herein; however, the Company's failure to enter into any such agreement shall not limit the indemnities provided herein.

9. Reliance by Third Parties. Any person or entity dealing with the Company may rely upon a certificate signed by the Member or the Board of Managers as to: (a) the identity of the Member or the members of the Board of Managers; (b) the existence or non-existence of any fact or facts which constitute a condition precedent to acts by the Member or the Board of Managers or are in any other manner germane to the affairs of the Company; (c) the persons who or entities that are authorized to execute and deliver any instrument or document of or on behalf of the Company; and (d) any act or failure to act by the Company or as to any other matter whatsoever involving the Company, the Member, or the Board of Managers.

10. Capital Contributions. The Member has previously allocated up to one million three hundred thousand dollars (\$1,300,000) as its initial capital contribution to the Company. In its sole discretion, the Member may make, but shall not be required to make, additional capital contributions to the Company.

11. Taxation. The Company shall take steps to be treated as other than a corporation for federal tax purposes.

As set forth herein, the Company shall not undertake any activity that would jeopardize the Member's status as a tax-exempt organization under the Internal Revenue Code. If, in its sole discretion, the Member determines that any activity in which the Company is or proposed to be engaged may jeopardize the Company's status as a tax-exempt organization, the Member may require the Company immediately to modify or terminate such activity in order to preserve the Company's status as a tax-exempt organization.

12. Allocation of Profits and Losses. The Company's profits and losses shall be allocated to the Member.

13. Distributions. Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member.

14. Dissolution. The Company shall have perpetual existence unless it shall be dissolved and its affairs shall have been wound up upon (a) the vote of the Member or (b) the entry of a decree of judicial dissolution under Section 17351 of the Act. The Member shall have the right to vote to dissolve the Company at any time, in its sole discretion, and without approval of the Board of Managers. The existence of the Company as a separate legal entity shall continue until the cancellation of the Articles as provided in the Act.

15. Assignments. The Member may assign its limited liability company interest to any person, which assignee shall become a Member when the assignee becomes a party to the Agreement.

16. Amendments. This Agreement may be amended or restated from time to time by the Member.

17. Liability of Member. The Member shall not have any liability for any obligations or liabilities of the Company except to the extent provided in the Act.

18. Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of California all rights and remedies being governed by said laws.

* * *

IN WITNESS WHEREOF, the undersigned sole member of Silicon Valley Medical Development, LLC, intending to be legally bound hereby, has duly executed this Second Amended and Restated Limited Liability Company Operating Agreement as of the date and year first above written.

El Camino Hospital,
a California nonprofit public benefit corporation

By: _____
Name: Dan Woods
Title: Chief Executive Officer, El Camino Hospital

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

To: El Camino Hospital Board of Directors
From: Gary Kalbach, Investment Committee Chair
Date: December 11, 2019
Subject: Investment Committee Report

Purpose: To discuss directing staff to draft Revised Investment Policies (Surplus Cash and Cash Balance Pension) for the Investment Committee to consider that would require screening of investments in companies involved in the manufacture, distribution or retail sale of opioids.

Summary:

1. **Situation:** The Investment Committee would like feedback from the Board regarding its interest in screening of investments in companies involved in the manufacture, distribution or retail sale of opioids. The Investment Policies currently provides for screening of investment in companies (a) whose major product is tobacco (greater than 50% of company revenues) and (b) who engage in the manufacture of firearms that are illegal for sale to or possession by civilians in the State of California.
2. **Authority:** Ultimately, the Board has the authority to approve any changes to the organization's Investment Policies. However, it is within the Investment Committee's purview to recommend those changes to the Board for approval.
3. **Background:** At our August 12, 2019 meeting, the Committee received an educational presentation on Environmental and Social Governance Investing and requested additional information on screening of investments in companies involved in the manufacture, distribution, or retail sale of opioids. At our November 11, 2019 meeting, we learned that, specific to the El Camino Surplus Cash Total Equity Composite, companies involved in the manufacture, distribution or retail sale of opioids represent 1.5% of the \$422 million as of June 30, 2019 and the exposure is primarily in the Vanguard S&P 500 mutual fund which securities cannot be screened. We also learned that two securities, Johnson & Johnson and CVS Health Corp, are separate account holdings that could be screened and they account for 0.4% of the Surplus Cash Total Equity Composite. The international and emerging markets equity mutual funds have no exposure.

The Committee members discussed whether the Committee should recommend a revision to the Investment Policies that would require screening of these types of investments. We also discussed that it would be important not only to consider the percentage of ECH's portfolio invested in these types of companies, but also to consider the percentage of the company's revenue that is attributed to opioid, manufacture, distribution or retail sale.
4. **Assessment:** The screening would have minimal impact on the organization's portfolio since it represents such a small percentage of the total portfolio.
5. **Other Reviews:** The Investment Committee discussed, but did not have a recommendation for the Board.
6. **Outcomes:** N/A

List of Attachments: None.

Suggested Board Discussion Questions:

1. What is the purpose of this type of screening?
2. Would screening these types of investments from the organization's portfolio serve that purpose?



**Minutes of the Open Session of the
El Camino Hospital Board of Directors
Wednesday, November 6, 2019
2500 Grant Road, Mountain View, CA 94040
Conference Rooms F&G (ground floor)**

Board Members Present

Lanhee Chen, Chair
Gary Kalbach
Julie Kliger
Julia E. Miller, Secretary/Treasurer
Jack Po, MD, PhD
George O. Ting, MD
John Zoglin, Vice Chair

Board Members Absent

Peter C. Fung, MD
Bob Rebitzer
Don Watters

Members Excused

None

| Agenda Item | Comments/Discussion | Approvals/ Action |
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| 1. CALL TO ORDER/ ROLL CALL | The open session meeting of the Board of Directors of El Camino Hospital (the “Board”) was called to order at 5:30pm by Chair Chen. A silent roll call was taken. Director Ting arrived at 5:30pm during Agenda Item 4: Board Recognition. Director Po arrived at 5:34pm during Agenda Item 5: Quality Committee Report. Directors Fung, Rebitzer, and Watters were absent. All other Board members were present at roll call. | |
| 2. POTENTIAL CONFLICTS OF INTEREST DISCLOSURES | Chair Chen asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were reported. | |
| 3. PUBLIC COMMUNICATION | None. | |
| 4. BOARD RECOGNITION | <p>Motion: To approve Resolution 2019-11.</p> <p>Movant: Zoglin</p> <p>Second: Kalbach</p> <p>Ayes: Chen, Kalbach, Kliger, Miller, Ting, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Fung, Po, Rebitzer, Watters</p> <p>Recused: None</p> <p>Cheryl Reinking, RN, CNO, and Kathryn Fisk, CHRO, recognized Christine Hunstman, Jackie Keane, and Athena Lendvay who coordinated the hospital’s participation and attendance at the 2019 Nurses Night Out at Oracle Park, bringing nurses and staff together for a fun and entertaining teambuilding activity outside of the hospital.</p> | <i>Resolution 2019-11 approved</i> |
| 5. QUALITY COMMITTEE REPORT | <p>Director Kliger, Quality Committee Chair, reviewed the Committee’s feedback from its Joint Study Session with the Hospital Board, noting an appreciation for the prioritization of quality and the desire for a better understanding of what success looks like and how the annual organizational goals will target that overall goal.</p> <p>Director Kliger described the Committee’s request for revised formatting for the materials, including presentation of data in context and the inclusion of summaries of findings/opinions from other groups that review these metrics and topics, including the Quality Council, Medical Staff, and Service Line staff.</p> | |

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| | <p>Mark Adams, MD, CMO, reviewed:</p> <ul style="list-style-type: none"> - The definition of quality, STEEEP: Safe, Timely, Effective, Efficient, Equitable, and Patient-Centered care - Vision of quality/safety plan: to consistently deliver the highest quality care with zero preventable harm; Dr. Adams noted that this aspirational goal underlies the quality pillar of the organizational strategic plan. - Five strategic opportunities: 1) Governance, Leadership, and Management, 2) Quality Organization Integration, 3) Performance Improvement Metrics and Methods, 4) Journey to High Reliability, and 5) Culture of Quality and Safety. <p>Dr. Adams provided an overview of the quality governance structure, which includes an annual quality plan and an Enterprise Quality Council (the working council made up of the management team, administrators, nurses, and physicians), which reports to the Board's Quality Committee. He noted that the intent of the structure is to provide the Board with confidence that the work is being monitored and overseen in the right way, and ensure continuous improvement.</p> <p>In response to Director Miller's questions, Dr. Adams commented that the patient is central to the whole structure and the organization's mission and goals. He described structures in place to review discharges, including peer review, the grievance process, and review of readmissions and other factors.</p> <p>In response to Director Kliger's question, Dr. Adams explained that the reporting from SVMD to the Enterprise Quality Committee is not finalized, but is proposed biannually. He noted that the SVMD Board of managers receives quality updates at each of its meetings, about six times per year.</p> <p>Director Zoglin expressed concerns about "two cultures" across the two campuses. Dr. Adams explained that different cultures do not mean a difference in quality of care or how the organization does business, but rather meeting the particular needs of each facility.</p> <p>Director Kliger commented that a dashboard with the STEEEP Framework and measures is in development.</p> | |
| <p>6. GOVERNANCE COMMITTEE REPORT</p> | <p>a. System Governance</p> <p>Director Kalbach, Governance Committee Vice Chair, described the discussions of the Governance Ad Hoc Committee, which was appointed to 1) review governance oversight of ECH-affiliated entities and 2) make recommendations to the Governance Committee and the Board for an enhanced governance structure and reporting to move the organization from a hospital-focused to a robust health system structure. Their review focused on the following areas:</p> <ul style="list-style-type: none"> - Should SVMD be a limited liability company or move to a Foundation (1206(l) model)? Director Kalbach described the recommendation to remain a limited liability company. - Proposed makeup of SVMD's Board of Managers - Reserve powers of the ECH Board and reporting by SVMD to the Hospital Board and the Quality, Finance, and Compliance Committees <p>Director Ting requested clarification about "El Camino Health" versus "El Camino Hospital." Mary Rotunno, General Counsel, explained that El</p> | |

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| | <p>Camino Health is a brand and El Camino Hospital and Silicon Valley Medical Development, LLC are legal entities. Ms. Rotunno described the relationships between SVMD and San Jose Medical Group (SJMG) and El Camino Medical Associates (ECMA), two separate medical groups that each have a Professional Services Agreement with SVMD. The Board requested additional information on this topic.</p> <p>Director Ting suggested that ECH consider consolidating the medical group structure. Director Miller suggested that the organization define its branding first before addressing governance issues. Director Kliger and expressed concerns about two separate medical groups with distinct cultures that may function differently.</p> <p>Mark Adams, MD, CMO, noted that the current recommendation is there should not be a Quality Committee of the SVMD Board and explained that the Enterprise Quality Committee would be reviewing all of SVMD's work, including both SJMG and ECMA. Director Kalbach agreed that was the Ad Hoc Committee's discussion.</p> <p>Director Po suggested that members of the ECH Medical Staff should serve on the Quality Committee of the Hospital Board.</p> <p>Director Kalbach described the review of structures at other organizations and input from outside counsel.</p> <p>Chair Chen requested a presentation on the relationship of the different entities and under the El Camino Health brand identity.</p> <p style="text-align: center;">i. SVMD, LLC Operating Agreement</p> <p>Motion: To direct staff to prepare an Amended SVMD Operating Agreement in accordance with the Governance Committee recommendations as modified by Director Kalbach's suggestions tonight.</p> <p>Movant: Kalbach Second: Ting</p> <p>Director Kliger suggested that putting active medical staff on the Quality Committee requires further review and discussion.</p> <p>Director Miller expressed concerns about clarity of proposal and what stakeholders are supportive of the structure. Chair Chen noted that the proposed motion is providing direction to staff, not approving any agreement at this time.</p> <p>In response to Director Kliger's suggestion, Ms. Rotunno noted that the concerns raised at the meeting can be discussed with the Governance Committee and included in the proposed revised Operating Agreement to be drafted and brought for review.</p> <p>Ayes: Chen, Kalbach, Kliger, Miller, Po, Ting, Zoglin Noes: None Abstentions: None Absent: Fung, Rebitzer, Watters Recused: None</p> <p style="text-align: center;">ii. Draft Revised Committee Charters</p> <p>Director Miller expressed concerns about the process for interviewing and appointing community members of the Board's Advisory Committees. Ms. Rotunno explained that there is no delegation of authority in this area and that the appointments are all recommended by the recruiting Committee and approved by the Hospital Board. Cindy Murphy, Director</p> | <p><i>Staff to present on El Camino Health brand and the different legal entities</i></p> <p><i>Staff to prepare an Amended Operating Agreement for Governance Committee and Board review</i></p> |
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| | <p>of Governance Services, explained that there is no proposed change to this process, that it is provided for in one of the board approved policies, this process is what has been used by all Committees for the last several years and the intent is only to memorialize it in the Committee Charters. Chair Chen commented that the ultimate responsibility for approval of Committee appointments still lies with the Board.</p> <p>Motion: To approve the proposed revisions to the Compliance and Audit, Executive Compensation, Finance, Governance, Investment, as well as Quality, Patient Care and Patient Experience Committee Charters.</p> <p>Ms. Rotunno suggested deletion of the inclusion of an SVMD physician in Quality Committee Charter, as physician membership on the Quality Committee will be reviewed further.</p> <p>In response to Director Miller’s question, Ms. Rotunno explained that fiduciary duties remain the responsibility of the Board and that all Committee appointments are subject to Board approval; Ms. Rotunno noted that the staff recommendations are in the cover memo, not the charters.</p> <p>Motion: To approve the proposed revisions to the Compliance and Audit, Executive Compensation, Finance, Governance, Investment, as well as Quality, Patient Care and Patient Experience Committee Charters, striking the clause “and shall include a physician who is also a member of the Silicon Valley Medical Development, LLC (SVMD) Quality Committee.”</p> <p>Movant: Kalbach Second: Zoglin</p> <p>The Board discussed the Quality Committee composition, including physician membership, and requested that the Governance Committee review this question.</p> <p>Ayes: Chen, Kalbach, Kliger, Miller, Po, Ting, Zoglin Noes: None Abstentions: None Absent: Fung, Rebitzer, Watters Recused: None</p> <p>b. Board Action Plan</p> <p>The Board discussed meeting frequency, including cadence for other District hospitals and best practices, or lack thereof, and requested the removal of that item from the plan. The Board suggested working on the effectiveness of individual meetings instead.</p> <p>Motion: To approve the proposed 2019-2020 El Camino Hospital Board Action Plan striking from the section titled Meeting Effectiveness, “revisit meeting frequency to determine whether current schedule is optimal and adds value.”</p> <p>Movant: Miller Second: Kalbach Ayes: Chen, Kalbach, Kliger, Miller, Po, Ting, Zoglin Noes: None Abstentions: None Absent: Fung, Rebitzer, Watters Recused: None</p> <p>c. NDBM Election and Re-Election Process</p> <p>Director Miller expressed concerns about staff-suggested revisions. The</p> | <p><i>Revised Committee Charters approved</i></p> <p><i>Board Action Plan approved</i></p> |
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| | <p>Board and staff described the appointment of an ad hoc committee of the Governance Committee to review and recommend proposed revisions to the process and the Governance Committee's unanimous recommendation of the proposed edits.</p> <p>Motion: To recommend to that the District Board approve the proposed revised process for Election and Re-Election of Non-District Board Members to the El Camino Hospital Board.</p> <p>Movant: Kalbach Second: Kliger</p> <p>Chair Chen explained that this motion is for a recommendation to the District Board.</p> <p>Ayes: Chen, Kalbach, Kliger, Miller, Po, Ting, Zoglin Noes: None Abstentions: None Absent: Fung, Rebitzer, Watters Recused: None</p> | <p><i>Process recommended for approval</i></p> |
| <p>7. RESOLUTION 2019-12</p> | <p>Chad Kenan from Citigroup and Jennifer Brown from Ponder joined the meeting via teleconference.</p> <p>Iftikhar Hussain, CFO, reported that there was a Special Joint Meeting of the Finance and Investment Committees to review this proposal, a mechanism to lock in interest rates for future bond issuance. Mr. Hussain described the favorable market conditions, the plans for \$1.5 billion in capital projects over next eight years (including Women's Hospital upgrades and construction/expansion of the Los Gatos and/or Santa Teresa sites), and the opportunity to take advantage of historically low interest rates.</p> <p>Mr. Hussain explained:</p> <ul style="list-style-type: none"> - A hedge will lock interest rates for 1) refinancing 2015 bonds on the 2025 call date and 2) issuance of new debt in 2023 or 2024 for the South market - Accounting rules require that hedges be valued at market, but net cash flow is based on the locked rate - Forward premiums, which are paid to compensate for the risk being taken by the issuer, are also currently at historic lows - The projected cost of the forward swap and financing alternatives <p>The Board discussed the concerns raised at the October 21, 2019 Joint Meeting of the Finance and Investment Committees. The Committee members unanimously supported authorizing management to refinance the 2015 bonds, but there were concerns about conducting the swap on the new money if interest rates could potentially go down more.</p> <p>In response to Director Miller's question, Mr. Kenan described the recent changes in the market, noting that rates have held relatively flat (a change of about five to six basis points (0.05-0.06%)) since the Joint Meeting on October 21, 2019.</p> <p>Motion: To approve Resolution 2019-12.</p> <p>Movant: Kalbach Second: Ting</p> <p>Director Miller expressed her opposition for the motion.</p> <p>Ayes: Chen, Kalbach, Kliger, Po, Ting, Zoglin</p> | <p><i>Resolution 2019-12 approved</i></p> |

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| | <p>Noes: Miller Abstentions: None Absent: Fung, Rebitzer, Watters Recused: None</p> | |
| 8. ADJOURN TO CLOSED SESSION | <p>Motion: To adjourn to closed session at 7:00pm pursuant to <i>Gov't Code Section 54957.2</i> for approval of the Minutes of the Closed Session of the Hospital Board Meeting (10/10/2019); pursuant to <i>Health and Safety Code Section 32155</i> for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters: Medical Staff Report; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: FY20 Strategic Plan Metrics Update; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets and <i>Health and Safety Code Section 32155</i> for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters; <i>Gov't Code Section 54956.9(d)(2)</i> – conference with legal counsel – pending or threatened litigation: CEO Report on Legal Update, Quality Update, and New Services and Programs; and pursuant to <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters – Senior Management: Executive Session.</p> <p>Movant: Kalbach Second: Miller Ayes: Chen, Kalbach, Kliger, Miller, Po, Rebitzer, Ting, Zoglin Noes: None Abstentions: None Absent: Fung, Watters Recused: None</p> | <i>Adjourned to closed session at 7:00pm</i> |
| 9. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT | <p>Open session was reconvened at 8:39pm by Vice Chair Zoglin. Chair Chen left the meeting during the closed session. Agenda items 9-15 were addressed in closed session.</p> <p>During the closed session, the Board approved the Minutes of the Closed Session of the Hospital Board Meeting (10/10/2019) and the Medical Staff Report, including the credentials and privileges report, by a unanimous vote in favor of all members present (Directors Chen, Kalbach, Kliger, Miller, Po, Ting, and Zoglin). Directors Fung, Rebitzer, and Watters were absent.</p> | |
| 10. AGENDA ITEM 22: CONSENT CALENDAR | <p>Vice Chair Zoglin asked if any member of the Board or the public wished to remove an item from the consent calendar. Director Zoglin requested removal of Item 22c: Approval of Revised Pathways Home Health and Hospice Budget.</p> <p>Director Zoglin expressed concerns about the \$6.2 million in transition expenses in the budget, which includes 1) retention and severance costs and 2) a write-off and replacement of the IT systems.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Hospital Board Meeting (10/10/2019); Minutes of the Open Session Joint Meeting to Conduct a Study Session of the Hospital Board and the Quality Committee (10/23/2019); Approval of Revised Pathways Home Health and Hospice Budget; Annual Safety Report for the Environment of Care; Medical Staff Report; and for information: FY20 Period 3 Financials; Executive Compensation Committee Report.</p> <p>Movant: Miller Second: Kliger</p> | <i>Consent calendar approved</i> |

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| | Ayes: Chen, Kalbach, Kliger, Miller, Po, Ting, Zoglin Noes: None Abstentions: None Absent: Fung, Rebitzer, Watters Recused: None | |
| 11. AGENDA ITEM 18: CEO REPORT | Dan Woods, CEO, described the success of the Workday implementation, ECH presentations at the recent Magnet Conference, awards received by executive team members and ECH by community organizations, and the opening of the Taube Pavilion, home of the Scrivener Center for Mental Health and Addiction Services. He reported on new procedures performed at ECH, including robotic bronchoscopy cases. He thanked the Auxiliary for their continued service. | |
| 12. AGENDA ITEM 19: BOARD COMMENTS | Director Miller commended the Foundation for the Annual El Camino Heritage Golf Tournament, which benefitted the Peter C. Fung, MD Stroke Center. | |
| 13. AGENDA ITEM 20: ADJOURNMENT | Motion: To adjourn at 8:46pm. Movant: Kliger Second: Kalbach Ayes: Chen, Kalbach, Kliger, Miller, Po, Ting, Zoglin Noes: None Abstentions: None Absent: Fung, Rebitzer, Watters Recused: None | Meeting adjourned at 8:46pm |

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

Lanhee Chen
Chair, ECH Board of Directors

Julia E. Miller
Secretary, ECH Board of Directors

Prepared by: Cindy Murphy, Director of Governance Services
Sarah Rosenberg, Contracts & Board Services Coordinator



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, September 19, 2019
El Camino Hospital | Conference Room A (ground floor)
2500 Grant Road, Mountain View, CA 94040**

Members Present

Teri Eyre
Jaison Layney
Bob Miller, Chair
George Ting, MD
Pat Wadors**
John Zoglin

Members Absent

Julie Kliger, Vice Chair

**via teleconference

| Agenda Item | Comments/Discussion | Approvals/ Action |
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| 1. CALL TO ORDER/ ROLL CALL | The open session meeting of the Executive Compensation Committee of El Camino Hospital (the “Committee”) was called to order at 4:02pm by Chair Bob Miller. A verbal roll call was taken. Ms. Wadors participated via teleconference. George Ting, MD joined the meeting at 4:17pm during Agenda Item 8: FY19 Organizational Score. Ms. Kliger was absent. All other Committee members were present at roll call. | |
| 2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES | Chair Miller asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted. | |
| 3. PUBLIC COMMUNICATION | None. | |
| 4. INTRODUCTIONS | Chair Miller welcomed Dr. Ting to the Committee. | |
| 5. CONSENT CALENDAR | <p>Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (May 30, 2019); and for information: Progress Against FY20 ECC Goals.</p> <p>Movant: Zoglin Second: Layney Ayes: Eyre, Layney, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Kliger, Ting Recused: None</p> | Consent calendar approved |
| 6. REPORT ON BOARD ACTIONS | Chair Miller referred to the recent Board approvals as further detailed in the packet. | |
| 7. GENERATIVE GOVERNANCE | <p>As discussed at the April 24, 2019 Board and Committee Education Session, Chair Miller outlined fiduciary, strategic, and generative lenses to view Committee and Board work. He noted that the intent of generative governance is to ask creative, out-of-the box questions like (not just “what did we do?” but also “should we be doing what we had been doing?”). He encouraged the Committee to use this kind of thinking in their work.</p> <p>Dan Woods, CEO, noted that issue and question framing can be curious</p> | |

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| | and collaborative rather than adversarial. | |
| 8. FY19 ORGANIZATIONAL SCORE | <p>Dan Woods, CEO explained that the Mortality Index is measured by actual over expected. He noted that this is a multi-year goal, and the stretch for FY20 will be 0.85.</p> <p>In response to Mr. Layney's question, Lisa Stella from Mercer explained that the types of metrics are similar to other healthcare organizations. Mr. Woods and the Committee discussed goal setting including: 1) fiscal year measurement rather than only Q4 performance for HCAHPS; 2) selection of patient experience domains and target setting using Press Ganey's tool.</p> <p>The Committee discussed organizational goal performance over time, noting that high scores could indicate an opportunity to set more challenging goals or stellar performance in a particular year. Mr. Zoglin commented that over a 10-year span achievement should average 70%. In response to Mr. Woods' questions regarding goal setting, Ms. Eyre suggested including standard deviations to provide context for benchmark data.</p> <p>Chair Miller requested that benchmark data (including particular numbers, percentiles, etc.) for goals are included in the review to provide context for the Committee.</p> | <i>FY19 Organizational Goals recommended for approval</i> |
| 9. FY19 CEO PERFORMANCE REVIEW PROCESS AND FY20 RECOMMENDATIONS | <p>Lisa Stella from Mercer discussed the overall CEO performance review process with the Chairs of the Hospital Board, District Board, and Executive Compensation Committee. Overall, noting that feedback was generally positive. Areas for improvement identified include: 1) clearer ownership and alignment on the timeline and 2) providing survey questions to the Board in advance and incorporating any feedback on survey content.</p> <p>Chair Miller commented that 1) the FY19 process started late and 2) the questions were presented to the Board for review.</p> <p>There were no further recommended changes for the FY20 process or questions from the Committee.</p> | |
| 10. ADJOURN TO CLOSED SESSION | <p>Motion: To adjourn to closed session at 4:22pm.</p> <p>Movant: Eyre</p> <p>Second: Layney</p> <p>Ayes: Eyre, Layney, Miller, Wadors, Ting, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Kliger</p> <p>Recused: None</p> | <i>Adjourned to closed session at 4:22pm</i> |
| 11. AGENDA ITEM 19: RECONVENE OPEN SESSION/ REPORT OUT | <p>Open session was reconvened at 5:37pm. Agenda items 11-18 were addressed in closed session. Ms. Wadors and Mr. Zoglin left the meeting during the closed session.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting (May 30, 2019), the Proposed FY19 Individual Executive Incentive Goals Score, and the Proposed FY19 CHRO Incentive Goals Score by a unanimous vote in favor of all members present (Eyre, Layney, Miller, Wadors, Zoglin). Ms. Kliger was absent.</p> | |
| 12. AGENDA ITEM 20: PROPOSED FY19 INDIVIDUAL | <p>Motion: 1) To approve the proposed FY19 individual incentive plan payouts noted below subject to the Board's approval of the FY19 organizational score; 2) to recommend that the Board approve the revised</p> | <i>FY19 incentive plan payouts approved and</i> |

| INCENTIVE PLAN PAYOUTS | <p>scoring for the ED throughput organizational goal; and 3) to recommend that the Board approve an FY19 individual executive incentive payout for the CASO that includes a \$9,000 discretionary bonus.</p> <table><tr><th>Position</th><th>Payout</th></tr><tr><td>Chief Medical Officer</td><td>\$123,557</td></tr><tr><td>VP, Corporate & Community Health Services/ President, CONCERN:EAP</td><td>\$66,148</td></tr><tr><td>Chief Operating Officer</td><td>\$98,168</td></tr><tr><td>Chief Human Resources Officer</td><td>\$93,778</td></tr><tr><td>President, SVMMD</td><td>\$152,250</td></tr><tr><td>Chief Financial Officer</td><td>\$123,104</td></tr><tr><td>VP, Payor Relations</td><td>\$67,966</td></tr><tr><td>Chief Administrative Services Officer</td><td>\$50,924</td></tr><tr><td>Chief Information Officer</td><td>\$93,538</td></tr><tr><td>Chief Nursing Officer</td><td>\$92,225</td></tr><tr><td>General Counsel</td><td>\$97,783</td></tr></table> <p>Movant: Eyre Second: Layney Ayes: Eyre, Layney, Miller, Ting, Noes: None Abstentions: None Absent: Kliger, Wadors, Zoglin Recused: None</p> | Position | Payout | Chief Medical Officer | \$123,557 | VP, Corporate & Community Health Services/ President, CONCERN:EAP | \$66,148 | Chief Operating Officer | \$98,168 | Chief Human Resources Officer | \$93,778 | President, SVMMD | \$152,250 | Chief Financial Officer | \$123,104 | VP, Payor Relations | \$67,966 | Chief Administrative Services Officer | \$50,924 | Chief Information Officer | \$93,538 | Chief Nursing Officer | \$92,225 | General Counsel | \$97,783 | FY19 CASO discretionary bonus recommended for approval |
|--|---|--|--------|-----------------------|-----------|--|----------|-------------------------|----------|-------------------------------|----------|------------------|-----------|-------------------------|-----------|---------------------|----------|---------------------------------------|----------|---------------------------|----------|-----------------------|----------|-----------------|----------|---|
| Position | Payout | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Medical Officer | \$123,557 | | | | | | | | | | | | | | | | | | | | | | | | | |
| VP, Corporate & Community Health Services/ President, CONCERN:EAP | \$66,148 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Operating Officer | \$98,168 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Human Resources Officer | \$93,778 | | | | | | | | | | | | | | | | | | | | | | | | | |
| President, SVMMD | \$152,250 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Financial Officer | \$123,104 | | | | | | | | | | | | | | | | | | | | | | | | | |
| VP, Payor Relations | \$67,966 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Administrative Services Officer | \$50,924 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Information Officer | \$93,538 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Nursing Officer | \$92,225 | | | | | | | | | | | | | | | | | | | | | | | | | |
| General Counsel | \$97,783 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13. AGENDA ITEM 21: PROPOSED FY20 PRESIDENT, FOUNDATION BASE SALARY | <p>Motion: To approve the Proposed FY20 President, Foundation Base Salary of \$280,000.</p> <p>Movant: Layney Second: Eyre Ayes: Eyre, Layney, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Wadors, Zoglin Recused: None</p> | FY20 President, Foundation Base Salary approved | | | | | | | | | | | | | | | | | | | | | | | | |
| 14. AGENDA ITEM 22: FY20 PACING PLAN | <p>The Committee summarized the requests from the meeting and discussed items for the November meeting:</p> <ol style="list-style-type: none">1. Incentive Plan policy changes – structural changes (100% as target; 150% at max) and clarify the ability to make goal modifications.2. Review Compensation Philosophy and Executive Benefits policy (<i>i.e.</i>, approach to taxable benefit allowance as part of base, total cash and total remuneration).3. Optimal timing of executive salary changes; Chair Miller asked that ECH work with Mercer for a recommendation including transition, if applicable, to get on that ideal schedule. | Pacing Plan to be updated | | | | | | | | | | | | | | | | | | | | | | | | |
| 15. AGENDA ITEM 23: CLOSING COMMENTS | <p>The Committee discussed the effectiveness of the meeting.</p> <p>Chair Miller asked staff to consider how to address individual goal/measurement changes that are needed between Committee meetings to allow for more and better responsiveness. He suggested delegating ability to a sub-Committee or the Committee Chair to provide recommendations on goal revisions subject to later Board or Committee approval.</p> | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | |
|--|---|---|
| 16. AGENDA ITEM 24: ADJOURNMENT | Motion: To adjourn at 5:56pm. Movant: Ting Second: Layney Ayes: Eyre, Layney, Miller, Ting Noes: None Abstentions: None Absent: Kliger, Wadors, Zoglin Recused: None | <i>Meeting adjourned at 5:56pm</i> |
|--|---|---|

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

Bob Miller
Chair, Executive Compensation Committee

Julia E. Miller
Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Contracts Administrator/Governance Services EA



55 Second Street
Suite 1700
San Francisco, CA 94105
415.227.0900 Phone
415.227.0770 Fax
415.227.3603 Direct
molejko@buchalter.com

November 27, 2019

Lanhee J. Chen, J.D., Ph.D.
Chair
El Camino Hospital
P.O. Box 7025
2500 Grant Road
Mountain View, CA 94040

Re: Reasonableness of Executive Compensation

Dear Lanhee:

El Camino Hospital engaged Mercer (US) Inc. ("Mercer"), an independent healthcare consulting firm, to evaluate executive compensation levels as part of its overall executive compensation process with respect to certain executives. El Camino Hospital intends to obtain the benefit of the rebuttable presumption of reasonableness pursuant to regulations implementing Section 4958 of the Internal Revenue Code. In order to invoke the presumption, the amount of compensation must be approved in advance by an authorized body; the decision must be based on appropriate data as to comparability; and the decision must be adequately documented.

El Camino Hospital's decisions to compensate executives are approved in advance by its Board of Directors ("Board") or the Executive Compensation Committee (acting as a "body authorized by state law following procedures specified by the governing body") (the "Committee"). The Board approves the Chief Executive Officer's compensation and may approve other Executive's compensation. The compensation of the remaining Executives is approved by the Committee. The Board and the Committee are to each act without the participation of any individual who has a conflict of interest with respect to the matter under consideration. In addition, the Board has also delegated to the Committee the authority to take other actions or to provide advice to the Board with respect to executive compensation as provided in the Committee's charter. The Board and the Committee (so long as it is following the specified procedures described above) are each an authorized body as defined by Section 4958. Further, the Board and the Committee has each relied upon comparability data when acting as an authorized body: specifically, for example, data provided by Mercer analyzing the

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Scottsdale
Seattle

Lanhee J. Chen, J.D., Ph.D.

November 27, 2019

Page 2

amount of compensation organizations in El Camino Hospital's peer group pay executives in similar positions.

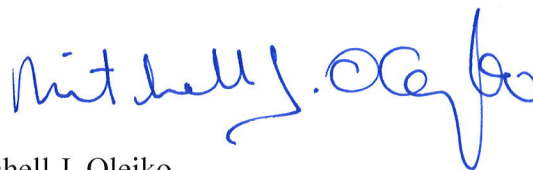
In the letter attached (the "Letter"), Mercer concludes that the total remuneration El Camino Hospital will pay its executives (who are specified in the Letter) during fiscal year 2020 "falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances." The Letter constitutes Mercer's report of its conclusions, and includes a summary of its interactions with the Committee and the Board and a summary of the information considered by the Board or the Committee prior to the actions of the Board or the Committee with respect to executive compensation.

Finally, in order to invoke the rebuttable presumption, El Camino Hospital must adequately document the basis for its decision. El Camino Hospital maintains documentation in the form of meeting minutes, which set forth the terms of the arrangements, the date(s) of approval, and the members who were present to vote on and discuss the arrangement. El Camino Hospital also maintains documentation – including the Letter – in the form of comparability data that it obtained and relied upon to reach the compensation levels. El Camino Hospital should keep this letter and the attached Letter as further documentation of the basis of its decision and its intent to obtain (and the steps taken to obtain) the benefits of the rebuttable presumption of reasonableness.

Very truly yours,

BUCHALTER
A Professional Corporation

By



Mitchell J. Olejko

MJO:ej

Attachments

Private & Confidential

Mr. Robert Miller
Chair, Executive Compensation Committee
El Camino Hospital
2500 Grant Road
Mountain View, CA 94040

November 1, 2019

Subject: Reasonableness Opinion for El Camino Hospital Disqualified Persons

Dear Mr. Miller:

As requested by the Executive Compensation Committee (“Committee”) of the Board of Directors (“Board”) of El Camino Hospital (“El Camino” or “ECH”), Mercer has conducted an evaluation of the total remuneration program provided to the El Camino executives named in Table 1 for the fiscal year ending June 30, 2019 (FY 2019). The results of this assessment were presented in Mercer’s report at the May 2019 Executive Compensation Committee meeting and were used to inform the Committee’s approval of FY 2020 compensation and benefits for all executives (except the CEO). The CEO assessment data were presented to the Board and used to inform the Board’s approval of the CEO’s FY 2020 compensation and benefits. This letter outlines the study’s objectives, Mercer’s evaluation process, findings, and our opinion that the approved FY 2020 total remuneration program for the named executives falls within a reasonable range of the competitive practice.

I. PURPOSE

The purpose of this letter is to document comparability data and provide Mercer’s opinion on the reasonableness of the executive total remuneration program in support of the organization’s pursuit of the rebuttable presumption of reasonableness under IRC §4958. To do so, we have:

- Presented relevant summary market comparability data at the May 2019 Committee and June 2019 Board meetings to ensure that the Committee and the Board are well-informed of current executive compensation and benefits practices when making decisions on El Camino’s executive remuneration;
- Advised the Committee regarding interpretation of the market data;
- Assisted the Committee in its governance responsibility with respect to the compensation program for all executives by providing Mercer’s opinion that all executives’ total remuneration, approved for the 2020 fiscal year, falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances in accordance with the Intermediate Sanctions legislation and applicable regulations; and
- Documented the recent changes to compensation approved by the Board of Directors based on the comparability data Mercer provided to the Committee in May 2019.

Page 2
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

II. BACKGROUND

Mercer serves as an independent advisor to the Committee. In this capacity, we provide advice and competitive compensation and benefits market data to management that is used in its decision-making process relative to the compensation program for El Camino's executives.

The executive compensation program is governed by the Board of Directors and the Executive Compensation Committee, which advises the Board to meet all applicable legal and regulatory requirements as they relate to executive compensation and effectiveness in attracting, retaining, and motivating executives.

Organization Context

El Camino Hospital's mission is to heal, relieve suffering, and advance wellness as a publicly accountable partner. El Camino opened its doors to its first patients on September 1, 1961 with 21 medical staff. An expanding population in Silicon Valley drove El Camino to develop further, and today El Camino Hospital consists of two fully accredited hospital campuses: Los Gatos and Mountain View. Net operating revenue for FY 2019 was \$996 million.¹

El Camino Executives

Table 1 details the list of incumbents included in Mercer's review of FY 2020 total remuneration.

Table 1: Executives Reviewed

| Incumbent | Title |
|-------------------|---------------------------------------|
| Woods, Daniel | Chief Executive Officer |
| Adams, Mark | Chief Medical Officer |
| Griffith, James | Chief Operating Officer |
| Harrison, Bruce | President, SVMD |
| Hussain, Iftikhar | Chief Financial Officer |
| Rotunno, Mary | General Counsel |
| Muro, Deborah A | Chief Information Officer |
| Reinking, Cheryl | Chief Nursing Officer |
| Fisk, Kathryn | Chief Human Resource Officer |
| King, Ken | Chief Administrative Services Officer |
| Cope, Andrew | President of ECH Foundation |
| Currier, Cecile | VP, Corp./ Comm. Health Svcs |
| Open Position | Chief Strategy Officer |

¹ Source: El Camino FY19 Financial Audit.

Page 3
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Executive Compensation Philosophy²

El Camino's Executive Compensation Philosophy utilizes the following guiding principles and objectives to drive executive compensation decisions:

1. Support the Hospital's ability to attract, retain, and motivate a highly-talented executive team with the ability and dedication to manage the Hospital accordingly.
2. Support the Hospital's mission and vision and achievement of strategic goals.
3. Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.
4. Considers the Hospital's financial performance and ability to pay which shall be balanced with the Hospital's ability to attract, retain and motivate executives.
5. Govern the executive compensation programs to comply with state and federal laws.

The executive compensation program encompasses both cash compensation (base salary, incentive compensation, and other cash compensation) and non-cash compensation (benefit plans and perquisites) which, in whole, represent total remuneration.

The three key components of the program are base salary, incentives, and benefits. In evaluating executive compensation, the Executive Compensation Committee uses the following market definition and desired positioning guidelines.

Table 2 – El Camino Hospital Market Definition and Desired Positioning

| Component | Market Definition and Desired Positioning |
|--------------------------|---|
| Market Definition | <ul style="list-style-type: none"> National, not-for-profit, independent hospitals/health systems of comparable revenue size and complexity to ECH. Data increased by a 25% geographic salary differential to account for the salary differences in the Bay Area (reviewed annually to verify appropriateness). |
| Base Salary | <ul style="list-style-type: none"> Salary range midpoints are based on the market 50th percentile, with ranges set at +/- 20% of 50th percentile. Actual salary is determined based on a combination of the following factors: paying competitively, rewarding performance, and recognizing competence, credentials, and experience. Pay at 80% to 90% of market 50th percentile may be appropriate for individuals with limited experience in a comparable position. Pay at 90% to 110% of market 50th percentile for fully experienced individuals with demonstrated records of successful performance. |

² This is extracted from El Camino's official stated philosophy, as approved at the February 13, 2019 Board meeting.

| | |
|-------------------|--|
| | <ul style="list-style-type: none"> Pay at 110% to 120% of market 50th percentile may be appropriate for highly experienced individuals with demonstrated records of consistently exceeding performance expectations or in roles which are particularly critical for the achievement of strategic objectives or roles with a particularly competitive labor market. Board of Directors may approve salaries above the normal salary range for hard-to-recruit positions or positions deemed critical to the organization's success. |
| Incentives | <ul style="list-style-type: none"> Target incentive opportunities are set at competitive levels. Actual total cash compensation targets the 50th percentile on average and up to the 75th percentile, dependent on individual and organizational performance. |
| Benefits | <ul style="list-style-type: none"> Actual total remuneration (total cash and benefits) targets between the 50th and 75th percentile and reflects individual and organizational performance. Executive benefits and severance target competitiveness, compliance, and cost-effectiveness. Perquisites should only be provided when supported by specific business reasons. ECH's practice is to minimize the use of perquisites. |

El Camino's Total Remuneration Program

Mercer assessed the value of the total remuneration provided to each executive, which consists of the following elements:

Table 3: Compensation Elements

| Element | Overview |
|--------------------|---|
| Base Salary | <ul style="list-style-type: none"> Annual cash salary based on position, market data, and incumbent skills and experience. For FY 2020, approved base salary increases, where provided, ranged from 3 – 10.5%, and were determined based on market, merit, and executive experience. |
| Incentives | <ul style="list-style-type: none"> Annual cash incentive awards were provided based on 1) annual performance against system-wide financial, patient safety, patient satisfaction, and operational efficiency metrics and 2) performance against individual quality and safety, service, people, finance, and growth metrics. For FY 2020, target opportunity has not changed, and remains at 20% of base salary for all executives, except for the Chief Executive Officer at 30%. Maximum incentive opportunity is at 30% of base salary for all executives, with the Chief Executive Officer at 45%. |
| Retirement | <ul style="list-style-type: none"> Executives are eligible for the following employer paid retirement plans: a Qualified Defined Contribution (DC) Plan; a Qualified Defined Benefit (DB) Plan; and a Nonqualified DC SERP. <ul style="list-style-type: none"> Defined Contribution (DC) – 403(b) Executive Retirement Plan: 4-6% depending on pension years Defined Benefit (DB) – Cash Balance Plan: 5% of salary Nonqualified DC SERP – Executives receive an employer contribution of 5% of salary, while the CEO receives 13% of salary, offset by contributions to qualified plans |

Page 5
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

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|-----------------------------|---|
| | <ul style="list-style-type: none"> • Executives may also participate in 403(b) Executive Retirement Plan and 457(b) Supplemental Executive Retirement Plan (SERP) for voluntary deferrals. • See Appendix C for a detailed market analysis of benefits. |
| Health & Welfare | <ul style="list-style-type: none"> • Executives are eligible to receive the same health benefits as all other El Camino employees. • Executives receive group life insurance coverage of up to 3x base salary (capped at \$2 million); no medical underwriting required. • Executives are eligible to receive salary continuation if disabled: 100% of base salary for six months (offset for state disability insurance, worker's compensation, paid time off, extended sick leave) • Executives are eligible for long-term disability equal to 60% of base salary up to a monthly maximum of \$15,000. • See Appendix C for a detailed market analysis of benefits. |
| Perquisites | <ul style="list-style-type: none"> • Executives receive an employer contribution of 7% of base salary to an Executive Taxable Benefit Plan to purchase voluntary long-term disability, long-term care, and life insurance; unused allowance can be deferred to the 457(b) SERP or paid in cash. • Executive severance policy provides up to six months of base salary and health continuation benefit for all executives, except for the Chief Executive Officer who is provided with up to 12 months of base salary and health benefits. • The Chief Executive Officer was provided a \$400,000 interest-free loan to support housing costs. • See Appendix C for a detailed market analysis of perquisites. |

Table 4 summarizes the approved target and maximum FY 2020 total remuneration program for El Camino's executives. Target values below reflect the structure of El Camino's program; actual payouts will vary and are based on performance. Maximum values assume annual incentive is paid at the maximum value (30% of base salary for Executives, 45% for CEO) and is paid for attainment of stretch performance under the annual incentive plan.

Page 6
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 4: El Camino's FY 2020 Target and Maximum Total Remuneration Opportunity (Compensation Data in \$000s)

| Incumbent | Title | FY2020 Base Salary | Total Cash Compensation | | | | Total Remuneration | | |
|-------------------|---------------------------------------|--------------------------|-------------------------|------------------------------|--------------|---------------------------|--------------------|-----------------------------|--------------------------|
| | | | Target Bonus | Target TCC ⁽¹⁾ | Max Bonus | Max TCC ⁽¹⁾ | Benefits | Target TR ⁽²⁾ | Max TR ⁽²⁾ |
| Woods, Daniel | Chief Executive Officer | \$995 | 30% | \$1,294 | 45% | \$1,443 | \$212 | \$1,505 | \$1,654 |
| Adams, Mark | Chief Medical Officer | \$592 | 20% | \$711 | 30% | \$770 | \$123 | \$833 | \$893 |
| Griffith, James | Chief Operating Officer | \$567 | 20% | \$680 | 30% | \$736 | \$125 | \$805 | \$862 |
| Harrison, Bruce | President, SVMD | \$527 | 20% | \$633 | 30% | \$685 | \$126 | \$759 | \$812 |
| Hussain, Iftikhar | Chief Financial Officer | \$509 | 20% | \$611 | 30% | \$661 | \$118 | \$729 | \$780 |
| Rotunno, Mary | General Counsel | \$427 | 20% | \$513 | 30% | \$555 | \$108 | \$621 | \$664 |
| Muro, Deborah A | Chief Information Officer | \$393 | 20% | \$472 | 30% | \$512 | \$98 | \$571 | \$610 |
| Reinking, Cheryl | Chief Nursing Officer | \$379 | 20% | \$455 | 30% | \$492 | \$108 | \$563 | \$601 |
| Fisk, Kathryn | Chief Human Resource Officer | \$369 | 20% | \$442 | 30% | \$479 | \$95 | \$538 | \$575 |
| King, Ken | Chief Administrative Services Officer | \$312 | 20% | \$375 | 30% | \$406 | \$95 | \$469 | \$501 |
| Cope, Andrew | President of ECH Foundation | \$280 | 20% | \$336 | 30% | \$364 | \$90 | \$426 | \$454 |
| Currier, Cecile | VP, Corp./ Comm. Health Svcs | \$275 | 20% | \$330 | 30% | \$358 | \$89 | \$419 | \$446 |
| Open Position | Chief Strategy Officer | --- | --- | --- | --- | --- | --- | --- | --- |

(1) Total Cash Compensation (TCC) calculated as Base Salary + Target Bonus.

(2) Total Remuneration calculated as Total Cash Compensation + Benefits (employer cost of all benefits).

III. METHODOLOGY

Mercer's evaluation was conducted in accordance with our firm's standards for reviewing compensation arrangements in tax-exempt organizations.

Cash Compensation Assessment Methodology

- Market Composite - Healthcare Surveys:
 - Mercer (2018): *Integrated Health Networks (IHN) Compensation Survey* (Scope: Net Revenue \$500 million to \$2 billion);
 - Integrated Healthcare Strategies (2018): *National Healthcare Leadership Compensation Survey* (Scope: Net Revenue \$500 million to \$1.5 billion); and
 - Sullivan, Cotter and Associates, Inc. (2018): *Manager and Executive Compensation in Hospitals and Health Systems Survey* (Scope: Net Revenue \$700 million to \$2 billion).
- Survey Data Methodology:
 - From each survey, we collected market data for base salary and total cash compensation at the 25th, 50th, and 75th percentiles.
 - Survey data are scoped to approximate ECH's forecast net revenue of \$1.06B (FY 2019 forecast, inclusive of ECH's recent physician group acquisition).
 - Data sources were trended to January 1, 2020 using a 3.0% update factor, the expected annual increase budgeted for executives at healthcare organizations
 - All data sources were adjusted by 25% to account for the geographic salary differences in the Bay Area. See Appendix D for detail.
 - Mercer developed a position matching strategy for each role through a detailed review of job descriptions, discussions with El Camino, and interviews with executives.

We show a market ratio to 50th and 75th percentiles (Market Ratio P50 and Market Ratio P75) which shows each El Camino executive's compensation element as a percentage of the market 50th or 75th percentile. For example, a Market Ratio P50 of 100% means that executive's compensation element is at the 50th percentile.

Benefits Assessment

El Camino's benefits and perquisites were compared to practices among not-for-profit organizations using Mercer's (2016/2017) *Health Care Executive Benefits and Perquisites Survey* (revenue ranging from \$400 million to \$1.6 billion). To develop the survey total remuneration market perspective, Mercer added the market annualized value of retirement, health and welfare benefits and perquisites to market total cash compensation levels.

IV. FINDINGS AND OBSERVATIONS

Target and Maximum Total Remuneration

Tables 5-7 display the comparison of El Camino's approved FY 2020 target and maximum total remuneration program to market composite levels. See Appendix B for FY 2019 actual total remuneration compared to market.

Overall, base salaries generally fall below the 50th percentile of the not-for-profit healthcare market when the geographic salary differential is applied. El Camino executives' target bonus levels bring target total cash compensation (base salary + target bonus) to a more competitive position at just above the 50th percentile in aggregate. Target total remuneration (base salary + target bonus + benefits) is generally within 15% of market 50th percentile, with some exceptions over the 75th percentile.

In aggregate, target total remuneration of the executives is within range of the market 50th percentile, which aligns with the desired positioning stated in El Camino's compensation philosophy. Maximum total cash compensation and maximum total remuneration for most executives is positioned below the 75th percentile of market data.

Page 8
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Base Salary

As shown in Table 5, in aggregate, FY 2020 base salary levels fall at or below the 50th percentile of the not-for-profit healthcare market for all executives.

Table 5: FY 2020 Approved Base Salary versus Market (Compensation Data in \$000s)

| Incumbent | Title | ECH FY2020 | Market Base Salary | | | Market Ratio P50 |
|------------------|---------------------------------------|---------------|--------------------|---------|---------|---------------------|
| | | | P25 | P50 | P75 | |
| Woods | Chief Executive Officer | \$995 | \$939 | \$1,149 | \$1,361 | 87% |
| Adams | Chief Medical Officer | \$592 | \$522 | \$590 | \$673 | 100% |
| Griffith | Chief Operating Officer | \$567 | \$590 | \$692 | \$816 | 82% |
| Harrison | President, SVMD | \$527 | \$374 | \$458 | \$586 | 115% |
| Hussain | Chief Financial Officer | \$509 | \$534 | \$623 | \$707 | 82% |
| Rotunno | General Counsel | \$427 | \$422 | \$483 | \$550 | 88% |
| Muro | Chief Information Officer | \$393 | \$400 | \$455 | \$507 | 86% |
| Reinking | Chief Nursing Officer | \$379 | \$345 | \$393 | \$442 | 96% |
| Fisk | Chief Human Resource Officer | \$369 | \$352 | \$403 | \$453 | 91% |
| King | Chief Administrative Services Officer | \$312 | \$266 | \$304 | \$352 | 103% |
| Currier | VP, Corp./Comm. Health Svcs | \$275 | \$243 | \$268 | \$295 | 103% |
| Cope | President of ECH Foundation | \$280 | \$240 | \$291 | \$344 | 96% |
| Open Position | Chief Strategy Officer | -- | \$358 | \$442 | \$553 | -- |
| Aggregate | | | | | | 94% |

Note: All market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, CONCERN.

Annual Incentives and Total Cash Compensation

Table 6 provides a comparison of El Camino's total cash compensation (base salary + target bonus) to market composite total cash compensation. In aggregate, El Camino's FY 2020 target total cash compensation is positioned just above the 50th percentile. Most executives are positioned within 15% of the 50th percentile for target total cash compensation, with the exception of the President, SVMD, Chief Administrative Services Officer, which is farther above the 50th percentile.

Page 9
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 6: FY 2020 Approved Target and Maximum Total Cash Compensation versus Market (Compensation Data in \$000s)

| Incumbent | Title | ECH TCC FY2020 | | Market Actual Total Cash Compensation | | | Market Ratio | |
|------------------|---------------------------------------|----------------|---------|---------------------------------------|---------|---------|--------------|------------|
| | | Target | Max | P25 | P50 | P75 | Target/ P50 | Max/ P75 |
| Woods | Chief Executive Officer | \$1,294 | \$1,443 | \$1,038 | \$1,358 | \$1,673 | 95% | 86% |
| Adams | Chief Medical Officer | \$711 | \$770 | \$563 | \$653 | \$797 | 109% | 97% |
| Griffith | Chief Operating Officer | \$680 | \$736 | \$600 | \$786 | \$963 | 86% | 77% |
| Harrison | President, SVMd | \$633 | \$685 | \$408 | \$545 | \$706 | 116% | 97% |
| Hussain | Chief Financial Officer | \$611 | \$661 | \$586 | \$699 | \$836 | 87% | 79% |
| Rotunno | General Counsel | \$513 | \$555 | \$462 | \$541 | \$649 | 95% | 86% |
| Muro | Chief Information Officer | \$472 | \$512 | \$434 | \$496 | \$570 | 95% | 90% |
| Reinking | Chief Nursing Officer | \$455 | \$492 | \$372 | \$424 | \$508 | 107% | 97% |
| Fisk | Chief Human Resource Officer | \$442 | \$479 | \$381 | \$451 | \$526 | 98% | 91% |
| King | Chief Administrative Services Officer | \$375 | \$406 | \$276 | \$332 | \$373 | 113% | 109% |
| Currier | VP, Corp./ Comm. Health Svcs | \$330 | \$358 | \$253 | \$305 | \$352 | 108% | 102% |
| Cope | President of ECH Foundation | \$336 | \$364 | \$247 | \$320 | \$394 | 105% | 92% |
| Open Position | Chief Strategy Officer | -- | -- | \$402 | \$503 | \$646 | -- | -- |
| Aggregate | | | | | | | 101% | 91% |

Note: All market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, CONCERN.

Benefits

Overall, El Camino's executive benefit offerings are generally consistent with market practice. The total value of El Camino's benefits is generally aligned with the market 50th percentile of the not-for-profit health care industry. See Appendix C for more detailed information.

Target Total Remuneration

In aggregate, El Camino's target total remuneration is between the market 50th and 75th percentiles, with variation by individual (Table 7).

Maximum Total Remuneration Opportunity

In addition to examining the approved target total remuneration program for El Camino's executives, Mercer also reviewed the maximum total remuneration opportunity for executives (maximum total cash compensation + benefits). Maximum total remuneration assumes the annual incentive plan pays out at maximum (i.e., 150% of target opportunity) and payout requires attainment of stretch goals under the annual incentive plan. In aggregate, executive maximum total remuneration (Table 7) is positioned between the 50th and 75th percentile, in alignment with philosophy.

Page 10
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 7: FY 2020 Approved Target and Maximum Total Remuneration versus Market (Data in \$000s)

| Incumbent | Title | ECH TR FY2020 | | Market Total Remuneration | | | Market Ratio | |
|------------------|---------------------------------------|---------------|---------|---------------------------|---------|---------|--------------|------------|
| | | Target | Max | P25 | P50 | P75 | Target/ P50 | Max/ P75 |
| Woods | Chief Executive Officer | \$1,505 | \$1,654 | \$1,190 | \$1,541 | \$1,889 | 98% | 88% |
| Adams | Chief Medical Officer | \$833 | \$893 | \$660 | \$760 | \$917 | 110% | 97% |
| Griffith | Chief Operating Officer | \$805 | \$862 | \$707 | \$909 | \$1,104 | 89% | 78% |
| Harrison | President, SVMD | \$759 | \$812 | \$483 | \$632 | \$813 | 120% | 100% |
| Hussain | Chief Financial Officer | \$729 | \$780 | \$685 | \$812 | \$961 | 90% | 81% |
| Rotunno | General Counsel | \$621 | \$664 | \$544 | \$632 | \$750 | 98% | 89% |
| Muro | Chief Information Officer | \$571 | \$610 | \$512 | \$582 | \$665 | 98% | 92% |
| Reinking | Chief Nursing Officer | \$563 | \$601 | \$442 | \$502 | \$593 | 112% | 101% |
| Fisk | Chief Human Resource Officer | \$538 | \$575 | \$452 | \$530 | \$612 | 102% | 94% |
| King | Chief Administrative Services Officer | \$469 | \$501 | \$334 | \$395 | \$445 | 119% | 113% |
| Cope | President of ECH Foundation | \$426 | \$454 | \$301 | \$382 | \$464 | 112% | 98% |
| Currier | VP, Corp./ Comm. Health Svcs | \$419 | \$446 | \$308 | \$363 | \$414 | 115% | 108% |
| Open Position | Chief Strategy Officer | -- | -- | \$473 | \$587 | \$747 | -- | -- |
| Aggregate | | | | | | | 104% | 94% |

Note: All market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, EAP.

V. BASIS FOR OPINION

Many factors are considered in an evaluation of the reasonableness of pay, including the organization's performance, its total rewards philosophy, and the qualifications and roles of the incumbents. Market data and external factors play a role in determining a reasonable range of compensation practices. Differences in pay levels between an organization and the market data (i.e., variation from the 75th) do not mean that an organization is necessarily over- or under-competitive. El Camino can compensate an executive above the 75th percentiles of the market and still be within a range of reasonable compensation, depending on the facts and circumstances of the particular situation.

- Industry Pressure: With the significant changes in the health care industry, El Camino Hospital faces a strategic crossroads as an independent community hospital system. The ability to attract and retain key talent remains critical to the future success of the organization during this turbulent time and providing compensation at market (50th percentile) or above levels is part of El Camino's strategy to ensure its ability to attract and retain executive talent.
- Executive Compensation Philosophy: El Camino's desired market positioning as described in the executive compensation philosophy is the market 50th percentile. In aggregate, El Camino executives are positioned within 10% of the 50th percentile for target compensation across compensation elements and in alignment with the compensation philosophy. Some individuals exceed target positioning, but this reflects specific

Page 11
November 1, 2019
Mr. Robert Miller
El Camino Hospital

circumstances for those individuals and the decision of El Camino to allocate its compensation spend strategically across the executive team. The Committee has discussed the rationale for the positioning of these executives.

VI. OPINION OF REASONABLENESS

Mercer (US) Inc. certifies that it (1) is a compensation consulting firm, (2) performs compensation valuation studies of this type on a regular basis, and (3) is qualified to perform the valuations of the type of property or services involved. In our opinion, the total remuneration we have reviewed falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances.

Disclaimers

Mercer has relied on the information and data provided to us without any independent review or verification and we assume all data provided to us is accurate, factual and complete. This does not constitute an opinion regarding the underlying business decisions.

This opinion has been prepared exclusively for El Camino Hospital to assist in understanding market total remuneration positioning for its senior executives. This letter provides the Committee with market comparability data as required by Intermediate Sanctions regulations and we urge the Committee to ensure that the additional requirements for establishing the rebuttable presumption/determining reasonable compensation have been met and to seek the advice of counsel as needed in this regard. This letter may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any such unauthorized use.

We are unaware of any family members of the Executives listed in Table 1 that also work for El Camino Hospital who might also be considered disqualified persons

As always, it is our pleasure to be of service. If you have any questions about this letter, please do not hesitate to contact me at (213) 346-2280.

Sincerely,



Lisa Stella, Principal

Page 12
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

APPENDIX A: MARKET EVALUATION DETAILS (COMPENSATION DATA IN 000S)

Table 8: Chief Executive Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|--|-----|--|-----|----------|-----------|-------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 050 - Independent Chief Executive Officer - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 871.3; Med: 867.1 | | 62 | | \$758 | \$889 | \$1,012 | \$820 | \$1,054 | \$1,300 | \$820 | \$1,065 | \$1,309 |
| MER-HPEM-A-MVS18 - 4100A - President/Chief Executive Officer (CEO) - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.2B | | 47 | 47 | \$792 | \$951 | \$1,152 | \$850 | \$1,088 | \$1,370 | \$850 | \$1,088 | \$1,434 |
| SUL-EXE18 - 7000 - President and Chief Executive Officer - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,250.9 | | 163 | | \$703 | \$918 | \$1,102 | \$822 | \$1,116 | \$1,345 | \$901 | \$1,121 | \$1,416 |
| Survey Composite | | | | | | \$751 | \$919 | \$1,089 | \$831 | \$1,086 | \$1,338 | \$857 | \$1,091 | \$1,387 |
| Survey Composite with 25% Geographic Differential | | | | | | \$939 | \$1,149 | \$1,361 | \$1,038 | \$1,358 | \$1,673 | \$1,071 | \$1,364 | \$1,733 |

Page 13
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 9: Chief Medical Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|---|-----|--|---------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 650 - Independent Chief Medical Officer (MD/DO) - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 846.8; Med: 824.6 | | 52 | | \$417 | \$446 | \$506 | \$445 | \$494 | \$605 | \$445 | \$494 | \$612 |
| MER-HPEM-A-MVS18 - 4320A - Chief Medical Officer (CMO) - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.4B | -10% for size | 25 | 25 | \$392 | \$462 | \$536 | \$406 | \$508 | \$635 | \$425 | \$551 | \$669 |
| SUL-EXE18 - 7010 - Chief Medical Officer - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,269.4 | | 103 | | \$445 | \$509 | \$574 | \$500 | \$564 | \$674 | \$500 | \$564 | \$682 |
| Survey Composite | | | | | | \$418 | \$472 | \$538 | \$450 | \$522 | \$638 | \$457 | \$536 | \$654 |
| Survey Composite with 25% Geographic Differential | | | | | | \$522 | \$590 | \$673 | \$563 | \$653 | \$797 | \$571 | \$671 | \$818 |

Page 14
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 10: Chief Operating Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|--|-----|--|-----|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 100 - Independent Chief Operating Officer (with Nursing) - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 874.6; Med: 863.0 | | 37 | | \$436 | \$479 | \$609 | \$450 | \$538 | \$696 | \$450 | \$547 | \$702 |
| MER-HPEM-A-MVS18 - 4102A - Chief Operating Officer (COO) - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.2B | | 22 | 22 | \$528 | \$630 | \$683 | \$528 | \$692 | \$827 | \$528 | \$692 | \$827 |
| SUL-EXE18 - 7005 - Chief Operating Officer - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,205.4 | | 96 | | \$451 | \$552 | \$668 | \$462 | \$656 | \$788 | \$462 | \$661 | \$825 |
| Survey Composite | | | | | | \$472 | \$554 | \$653 | \$480 | \$629 | \$770 | \$480 | \$633 | \$784 |
| Survey Composite with 25% Geographic Differential | | | | | | \$590 | \$692 | \$816 | \$600 | \$786 | \$963 | \$600 | \$792 | \$981 |

Table 11: President, SVMD Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|---|-----|------------------------------------|-----|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| MER-HPEM-A-MVS18 - 4125A - CEO of Physician Practices / Medical Group - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.2B | | 9 | 9 | \$399 | \$438 | \$555 | \$428 | \$522 | \$672 | \$428 | \$522 | \$672 |
| SUL-EXE18 - 7145 - Top Physician Practices Management Executive - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,135.7 | | 21 | | \$245 | \$318 | \$446 | \$264 | \$377 | \$500 | \$264 | \$377 | \$500 |
| SUL-MG-EXE18 - 7221 - Medical Group Chief Executive Officer/Executive Director (Non-MD) - All Medical Groups | 1 | Physician FTEs Med: 257.5 | | 62 | | \$253 | \$344 | \$404 | \$288 | \$409 | \$523 | \$288 | \$409 | \$533 |
| Survey Composite | | | | | | \$299 | \$367 | \$469 | \$327 | \$436 | \$565 | \$327 | \$436 | \$568 |
| Survey Composite with 25% Geographic Differential | | | | | | \$374 | \$458 | \$586 | \$408 | \$545 | \$706 | \$408 | \$545 | \$710 |

Page 15
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 12: Chief Financial Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|--|-----|--|---------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 425 - Independent Chief Financial Officer - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 850.8; Med: 820.1 | | 61 | | \$442 | \$476 | \$538 | \$460 | \$532 | \$629 | \$460 | \$532 | \$635 |
| MER-HPEM-A-MVS18 - 4230A - Chief Financial Officer (CFO) - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.4B | -10% for size | 34 | 34 | \$402 | \$489 | \$557 | \$471 | \$537 | \$657 | \$482 | \$553 | \$677 |
| SUL-EXE18 - 7015 - Chief Financial Officer - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,219.4 | | 136 | | \$437 | \$530 | \$603 | \$476 | \$609 | \$721 | \$476 | \$613 | \$723 |
| Survey Composite | | | | | | \$427 | \$499 | \$566 | \$469 | \$560 | \$669 | \$473 | \$566 | \$678 |
| Survey Composite with 25% Geographic Differential | | | | | | \$534 | \$623 | \$707 | \$586 | \$699 | \$836 | \$591 | \$708 | \$848 |

Table 13: General Counsel Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|---|-----|--|---------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 590 - Top Executive, Legal Services (General Counsel) - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 905.6; Med: 872.6 | | 51 | | \$321 | \$375 | \$433 | \$360 | \$420 | \$492 | \$360 | \$422 | \$494 |
| MER-HPEM-A-MVS18 - 4280A - Chief Legal Counsel/Top Legal Services Executive - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.4B | -10% for size | 24 | 24 | \$325 | \$366 | \$419 | \$342 | \$398 | \$506 | \$342 | \$398 | \$509 |
| SUL-EXE18 - 7075 - Top Legal Services Executive (General Counsel) - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,268.8 | | 92 | | \$369 | \$419 | \$469 | \$408 | \$480 | \$559 | \$408 | \$480 | \$562 |
| Survey Composite | | | | | | \$338 | \$387 | \$440 | \$370 | \$433 | \$519 | \$370 | \$433 | \$521 |
| Survey Composite with 25% Geographic Differential | | | | | | \$422 | \$483 | \$550 | \$462 | \$541 | \$649 | \$462 | \$541 | \$652 |

Page 16
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 14: Chief Information Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|--|-----|--|---------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 550 - Chief Information Officer - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 892.7; Med: 871.7 | | 76 | | \$312 | \$339 | \$388 | \$323 | \$360 | \$422 | \$323 | \$360 | \$422 |
| MER-HPEM-A-MVS18 - 4165A - Chief Information Officer (CIO) - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.4B | -10% for size | 42 | 42 | \$307 | \$365 | \$387 | \$338 | \$382 | \$429 | \$338 | \$382 | \$429 |
| SUL-EXE18 - 7030 - Chief Information Officer - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,228.0 | | 107 | | \$342 | \$390 | \$442 | \$381 | \$448 | \$518 | \$381 | \$448 | \$518 |
| Survey Composite | | | | | | \$320 | \$364 | \$406 | \$347 | \$396 | \$456 | \$347 | \$396 | \$456 |
| Survey Composite with 25% Geographic Differential | | | | | | \$400 | \$455 | \$507 | \$434 | \$496 | \$570 | \$434 | \$496 | \$570 |

Page 17
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 15: Chief Nursing Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|---|-----|--|---------------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 121 - Chief Nursing Officer/Top Executive, Nursing (Operations) - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 855.0; Med: 821.5 | | 66 | | \$273 | \$311 | \$340 | \$289 | \$334 | \$389 | \$289 | \$334 | \$389 |
| MER-HPEM-A-MVS18 - 4380A - Top Nursing Executive - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.4B | '-10% for size | 20 | 20 | \$259 | \$300 | \$349 | \$286 | \$320 | \$386 | \$289 | \$363 | \$453 |
| SUL-EXE18 - 7046 - Chief Nursing Officer/Top Patient Care Executive - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,298.3 | | 106 | | \$297 | \$333 | \$370 | \$317 | \$365 | \$445 | \$317 | \$365 | \$445 |
| MER-HPEM-A-MVS18 - 4381A - Top Patient Care Executive - All Data | 0 | | For reference only. | 14 | 14 | \$265 | \$305 | \$387 | \$318 | \$362 | \$452 | \$318 | \$365 | \$452 |
| IHS-LEAD-MVS18 - 120 - Top Executive, Patient Care - Systems; Net Revenue \$500M - \$1.5B | 0 | Net Revenue (\$MM) Avg: 926.8; Med: 937.8 | For reference only. | 20 | | \$153 | \$210 | \$341 | \$153 | \$233 | \$375 | \$153 | \$233 | \$375 |
| Survey Composite | | | | | | \$276 | \$314 | \$353 | \$297 | \$339 | \$407 | \$298 | \$354 | \$429 |
| Survey Composite with 25% Geographic Differential | | | | | | \$345 | \$393 | \$442 | \$372 | \$424 | \$508 | \$373 | \$442 | \$536 |

Page 18
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 16: Chief Human Resources Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|--|-----|--|---------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 500 - Top Executive, Human Resources - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 869.4; Med: 829.0 | | 73 | | \$270 | \$299 | \$339 | \$278 | \$330 | \$397 | \$279 | \$331 | \$397 |
| MER-HPEM-A-MVS18 - 4260A - Top Human Resources Executive - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.4B | -10% for size | 34 | 34 | \$278 | \$323 | \$352 | \$309 | \$358 | \$411 | \$309 | \$358 | \$414 |
| SUL-EXE18 - 7055 - Top Human Resources Executive - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,248.0 | | 116 | | \$297 | \$347 | \$397 | \$327 | \$395 | \$453 | \$327 | \$395 | \$457 |
| Survey Composite | | | | | | \$282 | \$323 | \$362 | \$305 | \$361 | \$421 | \$305 | \$361 | \$422 |
| Survey Composite with 25% Geographic Differential | | | | | | \$352 | \$403 | \$453 | \$381 | \$451 | \$526 | \$381 | \$451 | \$528 |

Page 19
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 17: Chief Administrative Services Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|--|-----|--|---------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 302 - Top Executive, Facilities - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 1,013.2; Med: 1,111.3 | | 22 | | \$253 | \$264 | \$293 | \$256 | \$279 | \$311 | \$256 | \$279 | \$311 |
| MER-HPEM-C-MVS18 - 4220C - Top Facilities Management Executive - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.3B | | 45 | 45 | \$161 | \$220 | \$267 | \$179 | \$233 | \$278 | \$179 | \$233 | \$278 |
| SUL-EXE18 - 7070 - Top Facilities Executive - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,482.4 | -10% for size | 39 | | \$224 | \$245 | \$285 | \$226 | \$284 | \$307 | \$226 | \$284 | \$307 |
| Survey Composite | | | | | | \$212 | \$243 | \$282 | \$221 | \$265 | \$299 | \$221 | \$265 | \$299 |
| Survey Composite with 25% Geographic Differential | | | | | | \$266 | \$304 | \$352 | \$276 | \$332 | \$373 | \$276 | \$332 | \$373 |

Table 18: President of El Camino Health Foundation Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|--|-----|--|---------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 735 - Head of Foundation/Fund Development - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 933.6; Med: 917.9 | | 46 | | \$147 | \$188 | \$216 | \$148 | \$192 | \$245 | \$148 | \$192 | \$245 |
| MER-HPEM-A-MVS18 - 4240A - Head of Foundation - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.4B | -10% for size | 11 | 11 | \$190 | \$225 | \$285 | \$190 | \$276 | \$329 | \$190 | \$276 | \$329 |
| SUL-EXE18 - 7090 - Top Foundation/Fund Development Executive - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,199.9 | | 71 | | \$239 | \$286 | \$323 | \$254 | \$301 | \$371 | \$254 | \$301 | \$371 |
| Survey Composite | | | | | | \$192 | \$233 | \$275 | \$197 | \$256 | \$315 | \$197 | \$256 | \$315 |
| Survey Composite with 25% Geographic Differential | | | | | | \$240 | \$291 | \$344 | \$247 | \$320 | \$394 | \$247 | \$320 | \$394 |

Page 20
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 19: Vice President of Corporate and Community Health Services; President, Employee Assistance Program Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|---|-----|--|---|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 325 - Head of Service Line (with Nursing) - All Systems | 1 | Net Revenue (\$MM) Avg: 2,668.3; Med: 2,207.5 | +20% for responsibility, -20% for size | 12 | | \$187 | \$195 | \$202 | \$202 | \$215 | \$236 | \$202 | \$215 | \$236 |
| MER-HPEM-A-MVS18 - 4600A - Head of Product/Service Line - Total Net Revenue: 500M to less than 2B USD | 1 | Financial Scope Median: 1.7B | +20% for responsibility, -10% for size | 10 | 23 | \$175 | \$202 | \$250 | \$183 | \$211 | \$294 | \$183 | \$211 | \$294 |
| SUL-EXE18 - 7260 - Top Service Line/Institute Executive - Other - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,572.0 | +20% for responsibility, -10% for size | 9 | | \$222 | \$247 | \$258 | \$222 | \$305 | \$315 | \$222 | \$305 | \$315 |
| Survey Composite | | | | | | \$195 | \$215 | \$236 | \$202 | \$244 | \$282 | \$202 | \$244 | \$282 |
| Survey Composite with 25% Geographic Differential | | | | | | \$243 | \$268 | \$295 | \$253 | \$305 | \$352 | \$253 | \$305 | \$352 |

Table 20: Chief Strategy Officer Market Data

| Benchmark Match Information | Wgt | Median Scope | Adj | # of Cos | # of Incs | Base | | | TCC | | | TDC | | |
|---|-----|--|---------------------|----------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | 25th | 50th | 75th | 25th | 50th | 75th | 25th | 50th | 75th |
| IHS-LEAD-MVS18 - 790 - Top Executive, Strategic Planning - Systems; Net Revenue \$500M - \$1.5B | 1 | Net Revenue (\$MM) Avg: 952.7; Med: 913.4 | | 25 | | \$258 | \$317 | \$410 | \$276 | \$360 | \$466 | \$276 | \$360 | \$466 |
| MER-HPEM-A-MVS18 - 4391A - Top Planning Executive - Total Net Revenue: 500M to less than 2B USD | 0 | Financial Scope Median: 1.2B | For reference only. | 7 | 7 | \$194 | \$200 | \$275 | \$205 | \$238 | \$294 | \$205 | \$238 | \$294 |
| SUL-EXE18 - 7027 - Chief Strategy Officer - Health Systems - \$700 Million to \$2.0 Billion | 1 | Net Revenue (\$MM) Med: 1,210.9 | | 49 | | \$315 | \$389 | \$474 | \$367 | \$445 | \$569 | \$387 | \$463 | \$582 |
| Survey Composite | | | | | | \$286 | \$353 | \$442 | \$321 | \$403 | \$517 | \$331 | \$411 | \$524 |
| Survey Composite with 25% Geographic Differential | | | | | | \$358 | \$442 | \$553 | \$402 | \$503 | \$646 | \$414 | \$514 | \$655 |

Page 21
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

APPENDIX B: ACTUAL FY 2019 TOTAL REMUNERATION (COMPENSATION DATA IN 000'S)

Table 21: FY 2019 Actual Incentive Payout

| Incumbent | Title | FY19 Base Salary | FY2019 Incentive Plan Payout | | | |
|-------------------|---------------------------------------|---------------------|------------------------------|---------|-------------|----------------|
| | | | Target | Maximum | Actual (\$) | Actual (% Tgt) |
| Woods, Daniel | Chief Executive Officer | \$995 | \$299 | \$448 | \$324 | 109% |
| Adams, Mark | Chief Medical Officer | \$592 | \$118 | \$178 | \$124 | 104% |
| Griffith, James | Chief Operating Officer | \$567 | \$113 | \$170 | \$98 | 87% |
| Harrison, Bruce | President, SVMD | \$527 | \$105 | \$158 | \$152 | 144% |
| Hussain, Iftikhar | Chief Financial Officer | \$509 | \$102 | \$153 | \$123 | 121% |
| Rotunno, Mary | General Counsel | \$427 | \$85 | \$128 | \$98 | 114% |
| Muro, Deborah A | Chief Information Officer | \$393 | \$79 | \$118 | \$94 | 119% |
| Reinking, Cheryl | Chief Nursing Officer | \$379 | \$76 | \$114 | \$92 | 122% |
| Fisk, Kathryn | Chief Human Resource Officer | \$369 | \$74 | \$111 | \$94 | 127% |
| King, Ken | Chief Administrative Services Officer | \$312 | \$62 | \$94 | \$60 | 96% |
| Currier, Cecile | VP, Corp./ Comm. Health Svcs | \$275 | \$55 | \$83 | \$66 | 120% |

Note: This table shows incumbents who participated in the FY19 annual incentive plan; Andrew Cope (President, ECH Foundation) has thus been excluded, as he started in FY 2020.

Page 22
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Table 22: FY 2019 Actual Total Remuneration versus Market (Data in \$000s)

| Incumbent | Title | ECH TR FY2019 Actual | Market Total Remuneration | | | Market Ratio Target/ P50 | Market Ratio Max/ P75 |
|------------------|---------------------------------------|-------------------------|------------------------------|---------|---------|-----------------------------|--------------------------|
| | | | P25 | P50 | P75 | | |
| Woods | Chief Executive Officer | \$1,531 | \$1,190 | \$1,541 | \$1,889 | 99% | 81% |
| Adams | Chief Medical Officer | \$838 | \$660 | \$760 | \$917 | 110% | 91% |
| Griffith | Chief Operating Officer | \$790 | \$707 | \$909 | \$1,104 | 87% | 72% |
| Harrison | President, SVMD | \$806 | \$483 | \$632 | \$813 | 127% | 99% |
| Hussain | Chief Financial Officer | \$750 | \$685 | \$812 | \$961 | 92% | 78% |
| Rotunno | General Counsel | \$634 | \$544 | \$632 | \$750 | 100% | 84% |
| Muro | Chief Information Officer | \$585 | \$512 | \$582 | \$665 | 101% | 88% |
| Reinking | Chief Nursing Officer | \$579 | \$442 | \$502 | \$593 | 115% | 98% |
| Fisk | Chief Human Resource Officer | \$558 | \$452 | \$530 | \$612 | 105% | 91% |
| King | Chief Administrative Services Officer | \$467 | \$334 | \$395 | \$445 | 118% | 105% |
| Currier | VP, Corp./ Comm. Health Svcs | \$430 | \$308 | \$363 | \$414 | 118% | 104% |
| Cope | President of ECH Foundation | -- | \$301 | \$382 | \$464 | -- | -- |
| Open Position | Chief Strategy Officer | -- | \$473 | \$587 | \$747 | -- | -- |
| Aggregate | | | | | | 106% | 90% |

Note: All market data include a 25% geographic differential and any appropriate premiums/discounts for the VP Corp./Comm. Health Services & Pres, CONCERN.

Page 23
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

APPENDIX C: EXECUTIVE BENEFITS AND PERQUISITES REVIEW

Retirement Plans Summary

| | El Camino | Market Practice | Comments |
|----------------------|---|---|--|
| Employer-paid | <p>Qualified Plans <u>Defined Contribution (DC) – 403(b) Plan</u></p> <ul style="list-style-type: none"> Employer match of salary, based on pension years: <ul style="list-style-type: none"> 1-14 years: 4% 15-19 years: 5% 20+ years: 6% <p><u>Defined Benefit (DB) – Cash Balance Plan</u></p> <ul style="list-style-type: none"> 5% of salary <p>Contributions on payup to IRS limit (\$280K in 2019)</p> <p>Nonqualified DC SERP <u>457(f) Plan</u></p> <ul style="list-style-type: none"> CEO: 13% of salary, offset by contributions to qualified plans Other executives: 5% of salary <p>Note: Total retirement contribution ranges from 10%-16% of salary, depending on pay and service</p> <p>Note: Executives > age 65 receive cash-in-lieu of SERP; 5 year vesting</p> | <ul style="list-style-type: none"> Nearly all provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> Less than 15% provide a qualified DB plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> 60% provide a supplemental plan to the CEO and top executives <ul style="list-style-type: none"> The vast majority are DC SERPs Median total contribution from all employer-provided sources ranges from 12%-13% of salary <p>For-Profit</p> <ul style="list-style-type: none"> 50% provide a supplemental plan Median total contribution from all employer-provided sources is 6% of salary | <ul style="list-style-type: none"> Overall structure is consistent with market practice although prevalence of DB plans continues to decline Contribution level is generally aligned with not-for-profit market median |

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report.

Page 24
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Retirement Plans Summary, continued

| | El Camino | Market Practice | Comments |
|----------------------------|---|--|--|
| Voluntary Deferrals | <u>403(b) Plan</u> <ul style="list-style-type: none"> Allows for deferral of pay (up to \$19,000 in 2019; \$25,000 if age 50+) <u>457(b) Plan</u> <ul style="list-style-type: none"> Allows for additional deferral up to \$19,000 in 2019 Most executives have elected to defer some or all of their Taxable Benefit Allowance | <ul style="list-style-type: none"> Nearly all allow for deferrals to a 403(b)/401(k) plan Not-for-Profit <ul style="list-style-type: none"> 85% allow additional deferrals into a 457(b) plan For-Profit <ul style="list-style-type: none"> 60% allow additional deferrals into a nonqualified plan | <ul style="list-style-type: none"> Consistent with market practice to provide a 457(b) plan |

Sources: Mercer's 2016/2017 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report.

Page 25
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Health & Welfare Plans Summary

| | El Camino | Market Practice | Comments |
|-----------------------------|---|--|---|
| Medical | <ul style="list-style-type: none"> Executives receive the same health benefits as all employees | <ul style="list-style-type: none"> It is common to provide the same health benefits and employer/employee cost sharing to all employees | <ul style="list-style-type: none"> Consistent with market practice |
| Life Insurance | <ul style="list-style-type: none"> 3x annual salary, up to a maximum of \$2 million; no medical underwriting required (effective 1/1/2019) (FT only) Option to buy additional coverage with Taxable Allowance | <ul style="list-style-type: none"> Almost all provide employer-paid group coverage 30%-45% provide supplemental coverage to top executives Median coverage is 100%-150% of salary (200%-300% at the 75th percentile) | <ul style="list-style-type: none"> Adjustments made to the plan ensure that life insurance remains very competitive and provides equitable benefits for higher-paid executives Elimination of medical underwriting requirement (guaranteed issue) reduces administrative burden on covered employees and organization |
| Long-term Care (LTC) | <ul style="list-style-type: none"> Option to buy coverage with Taxable Allowance | <ul style="list-style-type: none"> Approximately 5% provide executive coverage to the CEO | <ul style="list-style-type: none"> Providing LTC is not prevalent in the market |

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Page 26
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Health & Welfare Plans Summary, continued

| | El Camino | Market Practice | Comments |
|-----------------------------------|---|--|---|
| Salary Continuance | <ul style="list-style-type: none"> Employer-paid executive coverage equal to 100% of salary for up to 6 months, offset by long-term disability benefits, accrued PTO, etc. | <ul style="list-style-type: none"> 75% provide group coverage <ul style="list-style-type: none"> 60% of salary is the most common benefit 40% provide supplemental coverage to top executives <ul style="list-style-type: none"> 100% of salary is the most common benefit | <ul style="list-style-type: none"> Consistent with market practice |
| Long-term Disability (LTD) | <ul style="list-style-type: none"> Non-contractual employer-paid group coverage equal to 60% of salary up to a monthly maximum of \$15,000 Option to buy additional coverage with Taxable Benefit Allowance Full time executives benefit less limiting if > 24 months | <ul style="list-style-type: none"> Nearly all provide group coverage 30%-50% provide supplemental coverage to executives Median coverage is 60% of salary up to \$20,000 per month for CEO and \$15,000 for other top executives | <ul style="list-style-type: none"> Coverage level is consistent with market practice |
| Taxable Benefit Allowance | <ul style="list-style-type: none"> 7% of salary Can be used to purchase LTC, additional LTD, and life insurance, defer into 457(b) plan, or distributed in cash | <ul style="list-style-type: none"> Prevalence of flexible plans has declined over time (less than 20% provide), due to complexity and compliance risk | <ul style="list-style-type: none"> Note that El Camino's plan was updated in 2009, which simplified the plan and minimized compliance risk |

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Page 27
 November 1, 2019
 Mr. Robert Miller
 El Camino Hospital

Severance and Perquisites Summary

| | El Camino | Market Practice | Comments |
|--------------------|---|--|---|
| Severance | <ul style="list-style-type: none"> Salary and health benefits continue for up to 12 months for CEO, 6 months for other top executives | <ul style="list-style-type: none"> 65% provide additional severance for executives Median severance period is 12 months for executives <ul style="list-style-type: none"> 75% continue benefits during the severance period | <ul style="list-style-type: none"> Length of severance period is below market median |
| Perquisites | <ul style="list-style-type: none"> CEO: Interest-free loan up to \$400,000 (compensatory value of interest included in total remuneration of \$18,320) | <ul style="list-style-type: none"> Car/car allowance is the only perquisite that remains somewhat prevalent <ul style="list-style-type: none"> 35% for the CEO and 20% for other top executives Perquisites are slightly more prevalent among for-profit companies, with ~75% providing at least one perquisite to the CEO and 70% to other top executives Relocation allowances are common for executives Interest-free loans are less common | <ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent The CEO's interest-free loan was intended to assist with relocation expenses associated his recruitment at the time of hire and has little impact on market positioning |

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Page 28
November 1, 2019
Mr. Robert Miller
El Camino Hospital

APPENDIX D: GEOGRAPHIC SALARY DIFFERENTIAL

- A geographic salary differential is a numerical value that expresses how a position's pay in a particular location compares to the national average pay for the same position.
 - For example, a differential of 28% for Mountain View means that the average executive salary in Mountain View is 28% higher than the average salary of executives in like positions across the US.
- The purpose of applying a geographic salary differential to market data is to account for the market differences in that employee's location.
 - Geographic salary differentials used in this study are calculated using data from the Economic Research Institute (ERI), which determines differentials using salary survey data from across the country. The differential in the Bay Area has been increasing over the past decade, with that increase accelerating over the past three to five years.

| | Bay Area ¹ | Silicon Valley ² | Mountain View |
|-----------------------------|-----------------------|-----------------------------|---------------|
| Average Differential | 24% | 28% | 28% |

¹ Bay Area includes Silicon Valley (see below), San Francisco, Oakland, Berkeley, Piedmont, Lafayette, Walnut Creek, Alameda, and Marin County (Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon).

² Silicon Valley includes Mountain View, Palo Alto, Cupertino, Sunnyvale, Los Altos, and Los Gatos.

- A geographic salary differential of 25% has been applied to survey data for base salary and total cash compensation in this study.



El Camino Health

Summary of Financial Operations

*Fiscal Year 2020 – Period 3
7/1/2019 to 09/30/2019*

Financial Overview

Financial Performance

- Strong revenues is fueled by volume growth drove \$11.5M operating margin favorable variance. Despite the higher volumes, expenses continue to remained close to budgeted levels.
 - Operating Revenue favorable to budget by \$11.9M (4.7%)
 - Other operating revenue is favorable for the month due to Medi-Cal PRIME award and SVMD managed care payment catch-up.
 - Operating expense is at budget level
 - Supplies are higher than budget due to high procedural volume growth
 - Other Operating Expense favorable due to delay in activation costs for Sobrato & Taube Pavilions
- Revenue cycle operations remain strong with low days in AR and high payments.
- Non Operating Income unfavorable variance due to timing of community benefit grants and will normalize over the year

Hospital Volume

- Adjusted Discharges (AD) continues to be favorable to budget 848 ADs (10%) and favorable to prior year by 13%
 - Mountain View: Favorable to budget by 540 ADs (7.7%) and favorable to prior year by 10.0%
 - Infusion Volumes (up 27%), extended hours, new Oncologist and increased productivity
 - Overall procedural volume favorable to budget by 317 cases (5%)
 - OP Emergency Room favorable to budget by 232 visits (3%)
 - Los Gatos: Favorable to budget by 308 ADs 20% and favorable to prior year by 26%
 - Surgeries (up 25%) – Orthopedics (program growth due to purchase of technology), Ophthalmology (program moved from Willow ASC while it is closed for licensing)
 - Overall procedural volume favorable to budget by 183 cases (13%)
 - Op Emergency Room favorable to budget by 290 visits (11%)

Payor Mix

- Medicare mix increased in September due to high volume of general medicine cases from the ED

Productivity

- Year to date FTEs are in line with targets.

Dashboard - as of September 30, 2019

| | Month | | | | | YTD | | | |
|------------------------------|---------|---------|------------|-----------------------|--|---------|---------|------------|-----------------------|
| | PY | CY | Bud/Target | Variance CY vs Bud | | PY | CY | Bud/Target | Variance CY vs Bud |
| Consolidated Financial Perf. | | | | | | | | | |
| Total Operating Revenue | 74,923 | 85,471 | 81,652 | 3,819 | | 229,559 | 262,411 | 250,515 | 11,895 |
| Operating Margin \$ | 7,585 | 6,877 | 3,349 | 3,528 | | 23,374 | 23,426 | 11,958 | 11,468 |
| Operating Margin % | 10.1% | 8.0% | 4.1% | 3.9% | | 10.2% | 8.9% | 4.8% | 4.2% |
| EBIDA % | 16.1% | 13.4% | 10.4% | 3.0% | | 16.0% | 14.3% | 10.8% | 3.5% |
| Hospital Volume | | | | | | | | | |
| Licensed Beds | 443 | 443 | 443 | - | | 443 | 443 | 443 | - |
| ADC | 228 | 227 | 228 | (1) | | 223 | 227 | 227 | (1) |
| Utilization MV | 63% | 63% | 60% | 2.6% | | 61% | 62% | 61% | 0.9% |
| Utilization LG | 28% | 27% | 33% | (6.1%) | | 28% | 29% | 31% | (2.4%) |
| Utilization Combined | 52% | 51% | 51% | (0.3%) | | 50% | 51% | 51% | (0.1%) |
| Total Discharges (Excl NNB) | 1,504 | 1,577 | 1,547 | 30 | | 4,572 | 4,957 | 4,698 | 259 |
| Hospital Payor Mix | | | | | | | | | |
| Medicare | 45.2% | 52.5% | 48.2% | 4.3% | | 46.0% | 49.9% | 47.9% | 2.0% |
| Medi-Cal | 7.5% | 7.7% | 7.9% | (0.2%) | | 8.1% | 7.8% | 8.0% | (0.2%) |
| Total Commercial | 44.3% | 37.6% | 41.5% | (3.9%) | | 43.3% | 40.1% | 41.6% | (1.5%) |
| Other | 3.0% | 2.2% | 2.4% | (0.2%) | | 2.7% | 2.1% | 2.4% | (0.3%) |
| Hospital Cost | | | | | | | | | |
| Total FTE | 2,609.3 | 2,756.1 | 2,721.9 | (34.2) | | 2,590.0 | 2,745.5 | 2,737.6 | (7.9) |
| Productive Hrs/APD | 31.2 | 32.1 | 33.2 | 1.1 | | 31.2 | 31.6 | 32.9 | 1.3 |
| Consolidated Balance Sheet | | | | | | | | | |
| Net Days in AR | 49.6 | 48.8 | 49.0 | 0.2 | | 47.6 | 47.8 | 49.0 | 1.2 |
| Days Cash | 519 | 471 | 435 | 36 | | 519 | 471 | 435 | 36 |

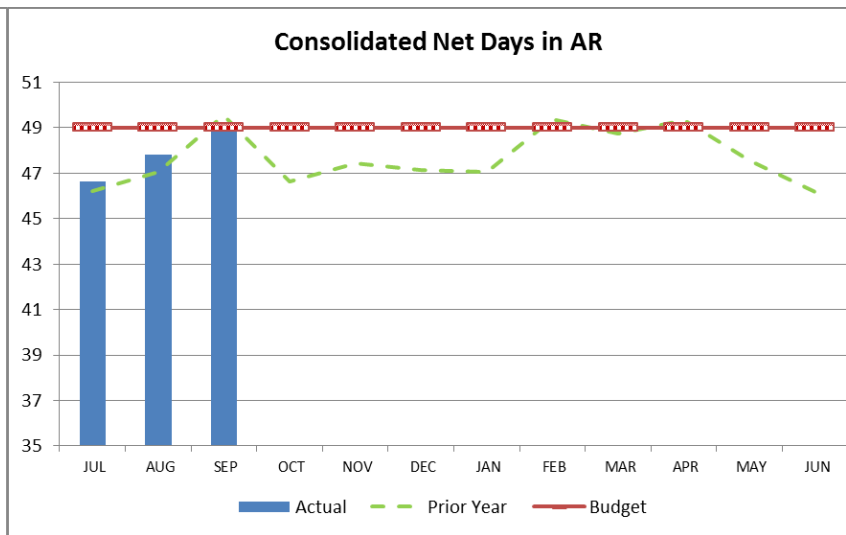
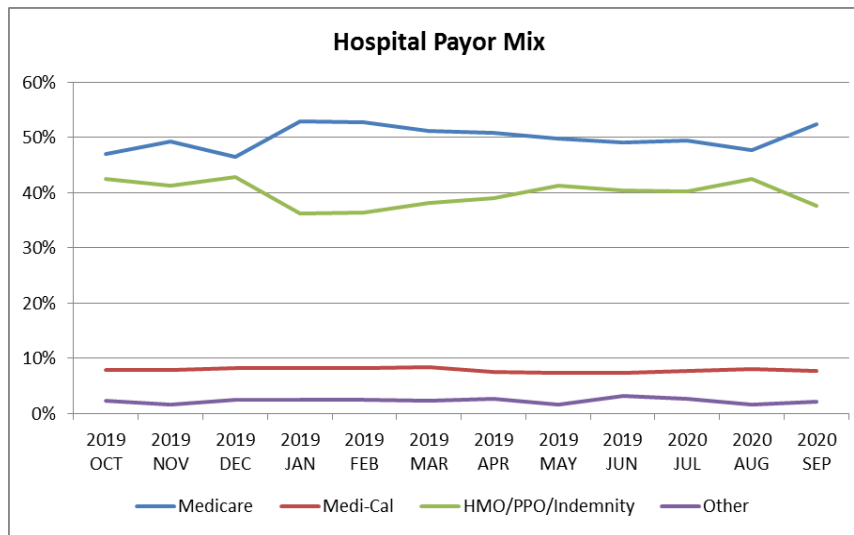
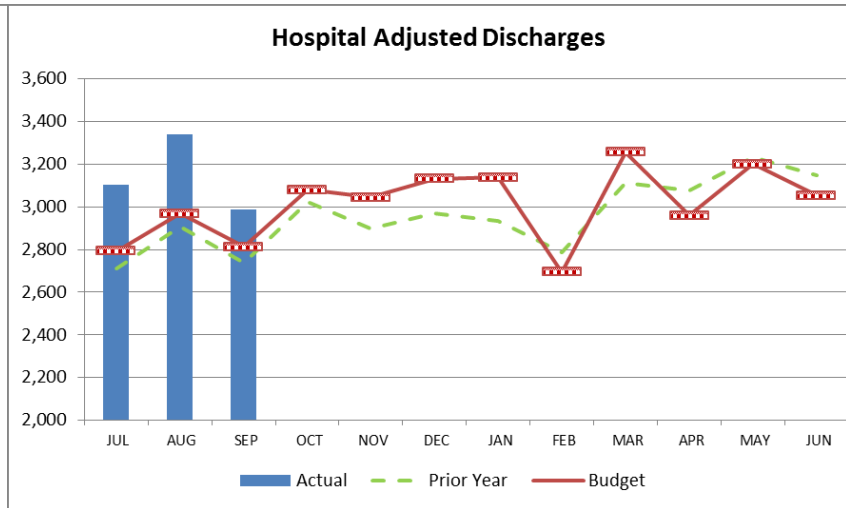
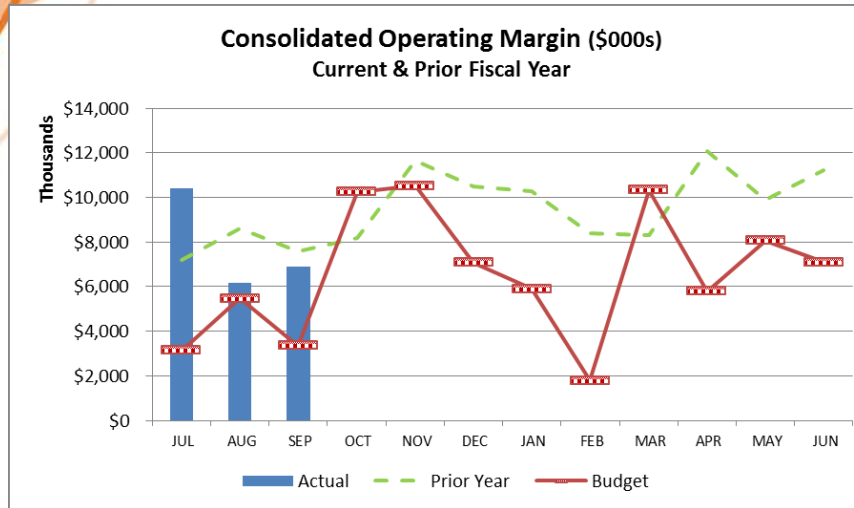
*Beginning with the June FY 19 report, the Dashboard and the financial report has been updated to show the ECH consolidated results instead of just the Hospitals. The descriptions of the metrics indicate whether the data is hospital only.

Consolidated Statement of Operations (\$000s)

Period ending 09/30/2019

| Period 3 FY 2019 | Period 3 FY 2020 | Period 3 Budget 2020 | Variance Fav (Unfav) | Var% | \$000s | YTD FY 2019 | YTD FY 2020 | YTD Budget 2020 | Variance Fav (Unfav) |
|---------------------|---------------------|-------------------------|-------------------------|---------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|
| | | | | | OPERATING REVENUE | | | | |
| 269,177 | 312,105 | 299,217 | 12,888 | 4.3% | Gross Revenue | 826,094 | 943,255 | 918,611 | 24,644 |
| (197,390) | (232,266) | (221,523) | (10,743) | (4.8%) | Deductions | (605,759) | (694,407) | (680,068) | (14,339) |
| 71,787 | 79,839 | 77,694 | 2,145 | 2.8% | Net Patient Revenue | 220,336 | 248,847 | 238,543 | 10,304 |
| 3,136 | 5,632 | 3,958 | 1,674 | 42.3% | Other Operating Revenue | 9,224 | 13,563 | 11,972 | 1,591 |
| 74,923 | 85,471 | 81,652 | 3,819 | 4.7% | Total Operating Revenue | 229,559 | 262,411 | 250,515 | 11,895 |
| | | | | | OPERATING EXPENSE | | | | |
| 40,979 | 44,982 | 44,919 | (63) | (0.1%) | Salaries & Wages | 123,259 | 136,086 | 137,070 | 984 |
| 10,271 | 12,369 | 11,380 | (989) | (8.7%) | Supplies | 32,690 | 38,598 | 34,846 | (3,752) |
| 9,337 | 13,161 | 12,949 | (212) | (1.6%) | Fees & Purchased Services | 29,594 | 39,875 | 39,291 | (584) |
| 2,287 | 3,485 | 3,928 | 443 | 11.3% | Other Operating Expense | 7,344 | 10,370 | 12,319 | 1,949 |
| 174 | 227 | 495 | 268 | 54.2% | Interest | 452 | 696 | 1,485 | 789 |
| 4,290 | 4,368 | 4,631 | 263 | 5.7% | Depreciation | 12,847 | 13,359 | 13,546 | 188 |
| 67,338 | 78,593 | 78,303 | (291) | (0.4%) | Total Operating Expense | 206,185 | 238,985 | 238,557 | (428) |
| 7,585 | 6,877 | 3,349 | 3,528 | 105.3% | Net Operating Margin | 23,374 | 23,426 | 11,958 | 11,468 |
| 1,066 | 2,404 | 3,094 | (690) | (22.3%) | Non Operating Income | 21,160 | 7,338 | 9,176 | (1,838) |
| 8,651 | 9,281 | 6,443 | 2,838 | 44.0% | Net Margin | 44,535 | 30,764 | 21,134 | 9,630 |
| 16.1% | 13.4% | 10.4% | 3.0% | | EBITDA | 16.0% | 14.3% | 10.8% | 3.5% |
| 10.1% | 8.0% | 4.1% | 3.9% | | Operating Margin | 10.2% | 8.9% | 4.8% | 4.2% |
| 11.5% | 10.9% | 7.9% | 3.0% | | Net Margin | 19.4% | 11.7% | 8.4% | 3.3% |

Monthly Financial Trends



- Operating margin ahead of budget due to strong volume
- YTD volume is still favorable but the gap to budget is narrowing
- Medicare mix increased in September due general medicine cases from the ED.
- Days in AR is at target but climbed from prior month use to insurance payment slowdown due to 5 weekends and the labor day holiday

INVESTMENT SCORECARD AS OF SEPTEMBER 30, 2019

| Key Performance Indicator | Status | El Camino | Benchmark | El Camino | Benchmark | El Camino | Benchmark | FY19 Year End Budget | Expectation Per Asset Allocation |
|---|--------|----------------|---------------------------|--|-----------|--|-----------|----------------------|----------------------------------|
| Investment Performance | | 3Q 2019 | | Fiscal Year-to-date | | 6y 11m Since Inception (annualized) | | | 2019 |
| Surplus cash balance* | | \$1,046.2 | -- | -- | -- | -- | -- | \$892.9 | -- |
| Surplus cash return | | 0.8% | 0.6% | 0.8% | 0.6% | 5.6% | 5.4% | 3.2% | 5.6% |
| Cash balance plan balance (millions) | | \$278.3 | -- | -- | -- | -- | -- | \$276.9 | -- |
| Cash balance plan return | | 0.2% | 0.5% | 0.2% | 0.5% | 7.5% | 6.9% | 6.0% | 6.0% |
| 403(b) plan balance (millions) | | \$516.7 | -- | -- | -- | -- | -- | -- | -- |
| Risk vs. Return | | 3-year | | 6y 11m Since Inception (annualized) | | | | | 2019 |
| Surplus cash Sharpe ratio | | 0.92 | 0.88 | -- | -- | 1.01 | 0.99 | -- | 0.34 |
| Net of fee return | | 6.4% | 6.0% | -- | -- | 5.6% | 5.4% | -- | 5.6% |
| Standard deviation | | 5.3% | 5.1% | -- | -- | 4.8% | 4.7% | -- | 8.7% |
| Cash balance Sharpe ratio | | 0.91 | 0.87 | -- | -- | 1.08 | 1.04 | -- | 0.32 |
| Net of fee return | | 7.6% | 6.9% | -- | -- | 7.5% | 6.9% | -- | 6.0% |
| Standard deviation | | 6.7% | 6.1% | -- | -- | 6.2% | 5.9% | -- | 10.3% |
| Asset Allocation | | 3Q 2019 | | | | | | | |
| Surplus cash absolute variances to target | | 10.2% | < 10% | -- | -- | -- | -- | -- | -- |
| Cash balance absolute variances to target | | 7.7% | < 10% | -- | -- | -- | -- | -- | -- |
| Manager Compliance | | 3Q 2019 | | | | | | | |
| Surplus cash manager flags | | 15 | < 24 Green < 30 Yellow | -- | -- | -- | -- | -- | -- |
| Cash balance plan manager flags | | 20 | < 27 Green < 34 Yellow | -- | -- | -- | -- | -- | -- |

*Excludes debt reserve funds (~\$64 mm), District assets (~\$32 mm), and balance sheet cash not in investable portfolio (~\$109 mm). Includes Foundation (~\$35 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

FY 20 Capital Cash Flow Projections

Reformatted to separate active and planned facility projects

| Capital Spending (in 000's) | Actual FY2017 | Actual FY2018 | Actual FY2019 | Budget Cash Flow 2020 |
|---|------------------|------------------|------------------|--------------------------|
| ERP | - | - | 5,830 | - |
| IT Hardware / Software Equipment/EPIC | 5,414 | 2,222 | 7,859 | 6,000 |
| Medical / Non Medical Equipment | 9,556 | 15,780 | 12,082 | 18,000 |
| Facilities Total | 82,953 | 139,434 | 158,010 | 244,665 |
| Active | | | | |
| Mountain View Campus Master Plan Projects | 62,493 | 114,093 | 140,000 | 112,700 |
| Mountain View Capital Projects | 5,535 | 7,948 | 9,620 | 66,992 |
| Los Gatos Capital Projects | 14,780 | 12,306 | 6,901 | 12,773 |
| Placeholder/Deferred | | | | |
| Other Strategic Capital Facility Projects | 145 | 5,088 | 1,489 | 19,200 |
| Other Major Projects | | | | 33,000 |
| GRAND TOTAL | 97,923 | 157,435 | 183,782 | 268,665 |

FY20 Detail Facility Cash Flow Projections (\$000s)

| | | FY 2020 Cash Flow | | | FY 2020 Cash Flow |
|--|--|----------------------|--|--|----------------------|
| Mountain View Campus Master Plan Projects | | | Los Gatos Capital Projects | | |
| BHS Replacement | | 8,143 | LG IR Upgrades | | 1,250 |
| Integrated Medical Office Building | | 57,557 | LG Modular MRI & Awning | | 3,205 |
| Women's Hosp Expansion | | 33,000 | LG Nurse Call System Upgrade | | 1,000 |
| Demo Old Main & Related Site Work | | 14,000 | LG Security System | | 340 |
| | | <hr/> 112,700 | LG Cancer Center | | 2,598 |
| Mountain View Capital Projects | | | LG MOB Upgrades FY 20 | | 500 |
| ED Remodel Triage / Psych Observation | | 6,106 | LG Facilities Planning Allowance FY 20 | | 500 |
| Willow Pavilion FA Sys and Equip Upgrades | | 1,400 | LG Equipment & Infrastructure Upgrades FY 20 | | 600 |
| Willow Surgery Center Improvements | | 2,000 | LG Rehab Finish Upgrades | | 400 |
| Site Signage & Other Improvements | | 1,700 | LG Campus Signage | | 500 |
| Patient Family Residence | | 6,150 | LG Wireless Infrastructure Upgrades | | 480 |
| Nurse Call System Upgrade | | 2,200 | LG Paving Upgrades | | 800 |
| Imaging Equipment Replacement (Imaging Dept. Only) | | 11,700 | LG Decontamination in OR | | 600 |
| IR / Cath Lab Equipment Replacement (5 or 6 Rooms) | | 9,500 | | | <hr/> 12,773 |
| Various Relocation Projects | | 700 | Other Strategic Capital Facility Projects | | |
| Flooring Replacement | | 1,180 | Primary Care Clinic | | 4,000 |
| Emergency Sanitary & Water Storage | | 2,216 | New MOB | | 12,200 |
| CT Equipment Replacement @ Radiation Oncology | | 440 | SVMD - Facilities Future Years | | 3,000 |
| Radiation Oncology Equipment Replacement | | 10,000 | | | <hr/> 19,200 |
| MV MOB Upgrades FY 20 | | 500 | Other Major Projects & Annual Forecasts | | |
| MV Facilities Planning Allowance FY 20 | | 600 | LG Campus Redevelopment | | 12,000 |
| MV Equipment & Infrastructure Upgrades FY 20 | | 900 | Property Acquisitions | | 21,000 |
| MV Cancer Center Expansion | | 1,200 | | | <hr/> 33,000 |
| MV Wireless Infrastructure Upgrade | | 1,000 | | | |
| Other Undefined | | 500 | | | |
| MV Undefined Annual Forecast | | 7,000 | | | |
| | | <hr/> 66,992 | TOTAL | | 244,665 |

Consolidated Balance Sheet

(in thousands)

ASSETS

| | September 30, 2019 | Unaudited June 30, 2019 |
|--|--------------------|----------------------------|
| CURRENT ASSETS | | |
| (1) Cash | 107,779 | 124,912 |
| (2) Short Term Investments | 193,539 | 177,165 |
| Patient Accounts Receivable, net | 132,099 | 132,198 |
| Other Accounts and Notes Receivable | 6,004 | 5,058 |
| Intercompany Receivables | 4,978 | 8,549 |
| Inventories and Prepaids | 65,671 | 64,093 |
| Total Current Assets | 510,070 | 511,976 |
| BOARD DESIGNATED ASSETS | | |
| Foundation Board Designated | 17,253 | 16,895 |
| Plant & Equipment Fund | 174,105 | 171,304 |
| Women's Hospital Expansion | 22,430 | 15,472 |
| (3) Operational Reserve Fund | 144,294 | 139,057 |
| Community Benefit Fund | 18,021 | 18,260 |
| Workers Compensation Reserve Fund | 21,232 | 20,732 |
| Postretirement Health/Life Reserve Fund | 29,522 | 29,480 |
| PTO Liability Fund | 26,397 | 26,149 |
| Malpractice Reserve Fund | 1,831 | 1,831 |
| Catastrophic Reserves Fund | 20,318 | 19,678 |
| Total Board Designated Assets | 475,404 | 458,857 |
| (4) FUNDS HELD BY TRUSTEE | 63,682 | 83,073 |
| LONG TERM INVESTMENTS | 359,022 | 375,729 |
| CHARITABLE GIFT ANNUITY INVESTMENTS | 589 | 602 |
| INVESTMENTS IN AFFILIATES | 35,032 | 38,532 |
| PROPERTY AND EQUIPMENT | | |
| Fixed Assets at Cost | 1,325,579 | 1,317,599 |
| Less: Accumulated Depreciation | (636,233) | (622,877) |
| Construction in Progress | 433,927 | 375,094 |
| Property, Plant & Equipment - Net | 1,123,273 | 1,069,816 |
| DEFERRED OUTFLOWS | 33,726 | 33,876 |
| RESTRICTED ASSETS | 24,986 | 24,279 |
| OTHER ASSETS | 1,021 | 1,036 |
| TOTAL ASSETS | 2,626,806 | 2,597,775 |

LIABILITIES AND FUND BALANCE

| | September 30, 2019 | Unaudited June 30, 2019 |
|---|--------------------|----------------------------|
| CURRENT LIABILITIES | | |
| (5) Accounts Payable | 43,961 | 38,390 |
| Salaries and Related Liabilities | 29,762 | 30,296 |
| Accrued PTO | 26,802 | 26,502 |
| Worker's Comp Reserve | 2,300 | 2,300 |
| Third Party Settlements | 12,454 | 11,331 |
| Intercompany Payables | 4,907 | 8,464 |
| Malpractice Reserves | 1,800 | 1,800 |
| Bonds Payable - Current | 8,630 | 8,630 |
| Bond Interest Payable | 6,657 | 12,775 |
| Other Liabilities | 10,156 | 10,477 |
| Total Current Liabilities | 147,429 | 150,966 |
| LONG TERM LIABILITIES | | |
| Post Retirement Benefits | 29,522 | 29,480 |
| Worker's Comp Reserve | 18,932 | 18,432 |
| Other L/T Obligation (Asbestos) | 4,004 | 3,975 |
| Other L/T Liabilities (IT/Medl Leases) | - | - |
| Bond Payable | 508,645 | 507,531 |
| Total Long Term Liabilities | 561,104 | 559,417 |
| DEFERRED REVENUE-UNRESTRICTED | 1,062 | 1,113 |
| DEFERRED INFLOW OF RESOURCES | 13,715 | 13,715 |
| FUND BALANCE/CAPITAL ACCOUNTS | | |
| Unrestricted | 1,386,535 | 1,372,823 |
| Board Designated | 475,386 | 458,839 |
| Restricted | 24,984 | 24,215 |
| Capital | 100 | 100 |
| Retained Earnings | 16,490 | 16,587 |
| Total Fund Bal & Capital Accts | 1,903,496 | 1,872,563 |
| TOTAL LIABILITIES AND FUND BALANCE | 2,626,806 | 2,597,775 |

September 2019 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease is due to funding of our construction projects and a quarterly pension payment.
- (2) The increase is due to the shift from long term investment to short term investments. S-Term has increased by \$15M and L-Term has declined by \$19M
- (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) The increase is due to the accrual of several large construction invoices.

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 2019 another \$7.2 million was added to this fund bringing it to \$22.5 million.
- **Operational Reserve Fund** – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on the current projected budget) and only be used in the event of a major business interruption event and/or cash flow.
- **Community Benefit Fund** – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn't granted tax exempt status), that generates an amount of \$500,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, in fiscal year 2019 it generated over \$872 thousand of investment income for the program.

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

- **Workers Compensation Reserve Fund** – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.
- **Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.
- **PTO (Paid Time Off) Liability Fund** – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.
- **Malpractice Reserve Fund** – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.
- **Catastrophic Loss Fund** – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

Non Operating Items and Net Margin by Affiliate

\$ in thousands

| | Period 3- Month | | | Period 3- FYTD | | |
|--|-----------------|----------------|--------------|----------------|----------------|----------------|
| | Actual | Budget | Variance | Actual | Budget | Variance |
| El Camino Hospital Operating Margin | | | | | | |
| Mountain View | 10,646 | 5,304 | 5,342 | 30,798 | 17,869 | 12,929 |
| Los Gatos | (13) | 938 | (952) | 3,222 | 3,174 | 48 |
| Sub Total - El Camino Hospital, excl. Affilates | 10,633 | 6,243 | 4,390 | 34,020 | 21,043 | 12,977 |
| Operating Margin % | 13.2% | 8.2% | | 13.6% | 9.0% | |
| El Camino Hospital Non Operating Income | | | | | | |
| Investments | 5,097 | 3,335 | 1,762 | 8,910 | 9,690 | (781) |
| Swap Adjustments | 2,104 | 0 | 2,104 | 2,490 | 0 | 2,490 |
| Community Benefit ¹ | (57) | (309) | 252 | (2,516) | (927) | (1,589) |
| Satellite Dialysis | 122 | 42 | 81 | 122 | 83 | 39 |
| Other | (5,257) | (306) | (4,951) | (3,457) | (877) | (2,581) |
| Sub Total - Non Operating Income | 2,009 | 2,761 | (753) | 5,549 | 7,970 | (2,420) |
| El Camino Hospital Net Margin | 12,641 | 9,004 | 3,637 | 39,569 | 29,013 | 10,556 |
| ECH Net Margin % | 15.6% | 11.8% | | 15.8% | 12.4% | |
| Concern | 148 | (38) | 186 | 544 | 123 | 421 |
| ECSC | (1) | 0 | (1) | (27) | 1 | (28) |
| Foundation | 258 | 113 | 145 | 992 | 426 | 566 |
| Silicon Valley Medical Development | (3,765) | (2,636) | (1,129) | (10,314) | (8,428) | (1,886) |
| Net Margin Hospital Affiliates | (3,360) | (2,561) | (799) | (8,805) | (7,879) | (926) |
| Total Net Margin Hospital & Affiliates | 9,281 | 6,443 | 2,838 | 30,764 | 21,134 | 9,630 |

¹Donations to outside organizations for FY20

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

Period ending 09/30/2019

| Period 3 FY 2019 | Period 3 FY 2020 | Period 3 Budget 2020 | Variance Fav (Unfav) | Var% | \$000s | YTD FY 2019 | YTD FY 2020 | YTD Budget 2020 | Variance Fav (Unfav) | Var% |
|--------------------------|---------------------|-------------------------|-------------------------|---------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| OPERATING REVENUE | | | | | | | | | | |
| 219,350 | 255,454 | 236,938 | 18,515 | 7.8% | Gross Revenue | 676,032 | 757,910 | 727,409 | 30,501 | 4.2% |
| (161,337) | (189,393) | (176,420) | (12,973) | (7.4%) | Deductions | (495,105) | (555,749) | (541,583) | (14,166) | (2.6%) |
| 58,012 | 66,061 | 60,518 | 5,543 | 9.2% | Net Patient Revenue | 180,927 | 202,161 | 185,826 | 16,336 | 8.8% |
| 1,816 | 2,274 | 1,678 | 596 | 35.5% | Other Operating Revenue | 4,949 | 5,169 | 5,098 | 72 | 1.4% |
| 59,829 | 68,335 | 62,196 | 6,139 | 9.9% | Total Operating Revenue | 185,877 | 207,331 | 190,923 | 16,407 | 8.6% |
| OPERATING EXPENSE | | | | | | | | | | |
| 33,579 | 35,747 | 35,343 | (403) | (1.1%) | Salaries & Wages | 100,899 | 107,732 | 107,967 | 235 | 0.2% |
| 8,298 | 10,170 | 8,977 | (1,193) | (13.3%) | Supplies | 26,218 | 31,081 | 27,198 | (3,883) | (14.3%) |
| 5,601 | 5,678 | 5,885 | 207 | 3.5% | Fees & Purchased Services | 18,560 | 18,931 | 17,759 | (1,172) | (6.6%) |
| 1,910 | 2,362 | 2,602 | 241 | 9.2% | Other Operating Expense | 6,095 | 7,326 | 8,113 | 787 | 9.7% |
| 174 | 227 | 495 | 268 | 54.2% | Interest | 452 | 696 | 1,485 | 789 | 53.1% |
| 3,509 | 3,506 | 3,589 | 83 | 2.3% | Depreciation | 10,503 | 10,767 | 10,532 | (234) | (2.2%) |
| 53,071 | 57,689 | 56,892 | (797) | (1.4%) | Total Operating Expense | 162,728 | 176,533 | 173,055 | (3,478) | (2.0%) |
| 6,757 | 10,646 | 5,304 | 5,342 | 100.7% | Net Operating Margin | 23,149 | 30,798 | 17,869 | 12,929 | 72.4% |
| (90) | 2,009 | 2,761 | (753) | (27.3%) | Non Operating Income | 16,320 | 5,549 | 7,970 | (2,420) | (30.4%) |
| 6,667 | 12,655 | 8,066 | 4,589 | 56.9% | Net Margin | 39,468 | 36,347 | 25,839 | 10,508 | 40.7% |
| EBITDA | | | | | | | | | | |
| 17.5% | 21.0% | 15.1% | 5.9% | | Operating Margin | 12.5% | 14.9% | 9.4% | 5.5% | |
| 11.3% | 15.6% | 8.5% | 7.1% | | Net Margin | 21.2% | 17.5% | 13.5% | 4.0% | |
| 11.1% | 18.5% | 13.0% | 5.5% | | | | | | | |

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

Period ending 08/31/2019

| Period 3 FY 2019 | Period 3 FY 2020 | Period 3 Budget 2020 | Variance Fav (Unfav) | Var% | | YTD FY 2019 | YTD FY 2020 | YTD Budget 2020 | Variance Fav (Unfav) | Var% |
|---------------------|---------------------|-------------------------|-------------------------|-----------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| | | | | | \$000s | | | | | |
| | | | | | OPERATING REVENUE | | | | | |
| 48,537 | 50,374 | 53,644 | (3,270) | (6.1%) | Gross Revenue | 148,379 | 167,946 | 165,050 | 2,896 | 1.8% |
| (35,096) | (38,291) | (39,842) | 1,551 | 3.9% | Deductions | (109,451) | (126,333) | (122,534) | (3,799) | (3.1%) |
| 13,441 | 12,083 | 13,801 | (1,718) | (12.5%) | Net Patient Revenue | 38,928 | 41,612 | 42,516 | (904) | (2.1%) |
| 254 | 410 | 271 | 140 | 51.6% | Other Operating Revenue | 773 | 1,175 | 811 | 364 | 44.9% |
| 13,695 | 12,493 | 14,072 | (1,579) | (11.2%) | Total Operating Revenue | 39,701 | 42,788 | 43,327 | (539) | (1.2%) |
| | | | | | OPERATING EXPENSE | | | | | |
| 6,780 | 7,001 | 7,191 | 190 | 2.6% | Salaries & Wages | 20,615 | 21,788 | 21,700 | (87) | (0.4%) |
| 1,953 | 1,785 | 2,018 | 233 | 11.6% | Supplies | 6,341 | 6,331 | 6,451 | 120 | 1.9% |
| 2,575 | 2,526 | 2,731 | 204 | 7.5% | Fees & Purchased Services | 7,747 | 8,064 | 8,209 | 145 | 1.8% |
| 217 | 386 | 346 | (40) | (11.5%) | Other Operating Expense | 793 | 953 | 1,327 | 374 | 28.2% |
| 0 | 0 | 0 | 0 | 0.0% | Interest | 0 | 0 | 0 | 0 | 0.0% |
| 741 | 808 | 847 | 39 | 4.6% | Depreciation | 2,222 | 2,430 | 2,466 | 36 | 1.5% |
| 12,265 | 12,507 | 13,134 | 627 | 4.8% | Total Operating Expense | 37,718 | 39,565 | 40,153 | 587 | 1.5% |
| 1,429 | (13) | 938 | (952) | (101.4%) | Net Operating Margin | 1,983 | 3,222 | 3,174 | 48 | 1.5% |
| 0 | 0 | 0 | 0 | 0.0% | Non Operating Income | 0 | 0 | 0 | 0 | 0.0% |
| 1,429 | (13) | 938 | (952) | (101.4%) | Net Margin | 1,983 | 3,222 | 3,174 | 48 | 1.5% |
| 15.8% | 6.4% | 12.7% | (6.3%) | | EBITDA | 10.6% | 13.2% | 13.0% | 0.2% | |
| 10.4% | -0.1% | 6.7% | (6.8%) | | Operating Margin | 5.0% | 7.5% | 7.3% | 0.2% | |
| 10.4% | -0.1% | 6.7% | (6.8%) | | Net Margin | 5.0% | 7.5% | 7.3% | 0.2% | |

El Camino Hospital Capital Spending (in thousands) FY 2014 – FY 2019

| Category | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|---------------|---------------|---------------|--------------|---------------|---------------|
| EPIC/ERP (as of FY19) | 6,838 | 29,849 | 20,798 | 2,755 | 1,114 | 5,830 |
| IT Hardware/Software Equipment | 2,788 | 4,660 | 6,483 | 2,659 | 1,108 | 7,859 |
| Medical/Non Medical Equipment | 12,891 | 13,340 | 17,133 | 9,556 | 15,780 | 12,082 |
| 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 | 30,003 |
| 1413 - North Drive Parking Structure Exp | - | 167 | 1,266 | 18,120 | 4,670 | 222 |
| 1414 - Integrated MOB | - | 2,009 | 8,875 | 32,805 | 75,319 | 108,951 |
| 1422 - CUP Upgrade | - | - | 896 | 1,245 | 5,428 | 824 |
| Sub-Total Mountain View Campus Master Plan | 1,257 | 5,950 | 12,426 | 62,493 | 114,093 | 140,000 |

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 | 150 |
| 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 | - |
| 1415 - Signage & Wayfinding | - | - | 106 | 58 | 136 | 27 |
| 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 | 3,447 |
| 1432 - 205 South Dr BHS TI | - | 8 | 15 | - | 52 | - |
| 1501 - Women's Hospital NPC Comp | - | 4 | - | 223 | 320 | 49 |
| 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 | 495 |
| 1526 - CONCERN TI | - | - | 37 | 99 | 10 | - |

| Category | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|---------------|---------------|---------------|---------------|----------------|----------------|
| Facilities Projects CIP cont. | | | | | | |
| 1602 - JW House (Patient Family Residence) | - | - | - | - | - | 132 |
| 1707 - Imaging Equipment Replacement | - | - | - | - | - | 185 |
| 1708 - IR / Cath Lab Equipment Replacement | - | - | - | - | - | 1,058 |
| 1709 - ED Remodel / CT Triage - Other | - | - | - | - | - | 213 |
| 1711 - MV Emergency Sanitary & Water | - | - | - | - | - | 264 |
| 1713 - MV Flooring Replacement | - | - | - | - | - | 478 |
| 1715 - 125 South Dr CT Replacement | - | - | - | - | - | 80 |
| 1716 - Melchor Suite 102 SVMd | - | - | - | - | - | 142 |
| 1800 - MV Pneumatic Tube Upgrades | - | - | - | - | - | 109 |
| 1801 - Demo Old Main & Related Site Work | - | - | - | - | - | 120 |
| 1803 - SVMd Melchor Suite 212 | - | - | - | - | - | 68 |
| 1805 - MV SPD Ultrasonic Cleaner | - | - | - | - | - | 144 |
| 1900 - MV Infrastructure Upgrades | - | - | - | - | - | 98 |
| 1902 - Site Signage and Other Improvements | - | - | - | - | - | 187 |
| 1904 - HM FY19 Furniture Inventory | - | - | - | - | - | 21 |
| 1906 - SVMd 2024 Grant Suite 202 OB/GYN Clinic | - | - | - | - | - | 74 |
| 1917 - Willow SC Upgrades | - | - | - | - | - | 60 |
| Sub-Total Mountain View Projects | 7,219 | 26,744 | 5,588 | 5,535 | 7,948 | 9,620 |
| Los Gatos Capital Projects | | | | | | |
| 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 | 1,426 |
| 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 | 191 |
| 1221 - LG Kitchen Refrig | 85 | - | - | - | - | - |
| 1248 - LG - CT Upgrades | 26 | 345 | 197 | 6,669 | 1,673 | 106 |
| 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 | 37 |
| 1702 - LG Modular MRI & Awning | - | - | - | - | - | 426 |
| 1712 - LG Cancer Center | - | - | - | - | - | 3,594 |
| 1714 - 825 Pollard Men's Health Clinic | - | - | - | - | - | 499 |
| 1717 - LG Mammography Replacement | - | - | - | - | - | 228 |
| 1802 - MOB Upgrades (LG Campus) | - | - | - | - | - | 233 |
| 1901 - LG Infrastructure Upgrades | - | - | - | - | - | 73 |
| 1909 - LG Campus Planning | - | - | - | - | - | 88 |
| Sub-Total Los Gatos Projects | 5,276 | 6,246 | 6,116 | 14,780 | 12,306 | 6,901 |
| 1550 - Land Acquisition | - | - | 24,007 | - | - | - |
| 1701 - 828 S Winchester Clinic TI | - | - | - | 145 | 3,018 | 214 |
| 1804 - SVMd Clinic @ North First Street | - | - | - | - | - | 824 |
| 1903 - SVMd Administrative Offices | - | - | - | - | - | 291 |
| 1910 - SVMd SJMG at McKee | - | - | - | - | - | 135 |
| 1920 - SVMd Infrastructure Support & Equipment | - | - | - | - | - | 25 |
| Sub-Total Other Strategic Projects | - | - | 24,007 | 145 | 3,018 | 1,489 |
| Subtotal Facilities Projects CIP | 13,753 | 38,940 | 48,137 | 82,953 | 137,364 | 158,010 |
| Grand Total | 58,561 | 86,789 | 96,740 | 97,923 | 157,435 | 183,782 |

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

To: El Camino Hospital Board of Directors
From: Jim Griffith, COO
Michael Fitzgerald, Executive Director, Mental Health & Addiction Services
Date: December 11, 2019
Subject: Telepsychiatric Service Contractual Adjustment

Recommendation(s):

To approve the change in compensation, expectation, and coverage incentives for the vendor for telepsychiatric services to the Emergency Department.

Summary:

1. Situation: El Camino Hospital Emergency Departments at both campuses have been receiving less than adequate coverage for the telepsychiatric services. There have been missed shifts due to a lack of vendor psychiatrists willing to assign themselves to the ECH facilities due to what the vendor claims as a low revenue contract. Vendor has informed us that they are losing money on this agreement as is, and will not further support this service absent an increase in rates. When a shift is uncovered by the vendor, we are utilizing other psychiatrists who are department medical directors and who we have agreed via their contracts to be paid a rate equal to the rate eventually negotiated with the telepsychiatry vendor.
2. Authority: According to Administrative Policies and Procedures: Corporate Compliance: Physician Financial Arrangements, this amendment would need: 1) Finance Committee approval due to a greater than 10% increase in annual and per encounter compensation, and 2) Finance Committee recommendation and Board approval due to compensation over the 75th percentile based on 2019 MD Ranger Benchmarks for Psychiatry Telemedicine as noted below.

Proposed Monthly Payment: \$13,750 over 75th (75th is \$9,800 and 90th is \$15,170)
Proposed Per Encounter for ED Visit: \$250 over 75th (75th is \$210 and 90th is \$300)
3. Background: Since September 2018, El Camino Hospital has utilized this vendor to the Emergency Department for telepsychiatric services. The contract that was negotiated was based on the ability of the vendor to provide a psychiatrist to cover the Emergency Departments at both campuses via a video system, allowing the psychiatrist to serve multiple hospitals. Approximately 50% of payment to vendor is returned to ECH via assigned revenue, making this service greater than 50% savings over the previous vendor, while providing additional benefits as noted.
4. Assessment: The current rate of telepsychiatric services provided by the vendor is \$160 per assessment, and 50% is returned. However, an additional cost is that ECH must pay another psychiatrist \$250 per assessment when the shifts are not covered by the vendor. These medical directors are also scheduled to work the following day for the programs provided by ECH, as well as their own practices, and the volumes of calls and the impact on their sleep have made this an unattractive option.
5. Other Reviews: Compensation above the 75th percentile of published benchmarks is supported by Michael Fitzgerald, Executive Director and Daniel Becker, MD, Chief Medical Director of the

Telepsychiatry Services Agreement
December 11, 2019

mental health and addictions program, as necessary to improve the coverage in the Emergency Department for telepsychiatric services and to provide a disincentive for uncovered shifts. The agreement will be subject to review by Legal and Compliance. The Finance Committee reviewed this proposal at its November 25, 2019 meeting and recommended it for approval.

6. Outcomes: As soon as possible, El Camino Hospital will sign this agreement with the vendor and increase the quality and availability of services. This is recommended as a 1-year services agreement and will include an ongoing quality review. El Camino Hospital may explore other telepsychiatry providers via an RFP process within the next year.

List of Attachments: None.

Suggested Board Discussion Questions: None, this is a consent item.

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

To: El Camino Hospital Board of Directors
From: Imtiaz Qureshi, MD, Enterprise Chief of Staff
Linda Teagle, MD Chief of Staff Los Gatos
Date: December 11, 2019
Subject: Medical Staff Report – Open Session

Recommendation:

To approve the Medical Staff Report, including Policies and Scopes of Service identified in the attached list.

Summary:

1. Situation: The Medical Executive Committee met on November 21, 2019.
2. Background: MEC received the following informational reports.
 - a) Quality Council – The Quality Council met on November 6, 2019. Reports and performance dashboards were reviewed and approved from the following ECH Departments/Service Lines:
 - i. Oncology Service Line
 - ii. Maternal Child Health Service Line
 - iii. Patient Blood Management
 - iv. HIM Audit: Medical Staff Closed Record Review
 - b) Leadership Council- Leadership Council met on November 12, 2019:
 - i. The Physician Health and Well Being Committee was discussed including membership and establishing a plan for ensuring its continued viability
 - ii. H&P's submitted by non-credentialed physicians was discussed and determined that an update in the patient's record was necessary in order to meet compliance
 - iii. A draft policy for mandatory education was presented, reviewed and discussed by the Leadership Council. The Bylaws would need to be amended first to allow the MEC to require the Medical Staff to participate in education subject areas such as patient safety. Three salient points were mentioned and discussed:
 1. Allows for giving authority to the MEC to assign mandatory education as needed
 2. Subject matter would need to be determined and discussed
 3. Methodology of delivering the education
 - iv. Issues surrounding the Neurology call contract were discussed with a recommendation that the MEC be included in the review and recommendation of any contract that is being considered
 - v. The Medical Staff Services Department was discussed; no minutes were taken

- c) CEO Report – The CEO Report was provided and included the following updates:
 - i. Ribbon cutting for the Sobrato Pavilion took place November 17 and will include increased parking space leaving old parking structures as options to allocate dedicated physician parking.
 - ii. The Los Gatos Cancer Center received its certificate of occupancy and is looking towards a grand opening winter/spring time.
- d) CMO Report –
 - i. John Haughom, MD was introduced as the interim Chief Quality Officer. Dr. Haughom is excited to be at ECH and is looking forward to working with everyone.
 - ii. The FY 20 Quality Dashboard performance through September was reviewed and provided in the meeting packet for MEC members. Mortality Index and Sepsis continue to trend down as does HAIs. HCAPS were discussed and noted that they were trending up. CDPH reportable events were reviewed and discussed including the complaints which result in an investigation.

3. Other Review: The MEC approved the Scopes of Service identified in the attached file.

List of Attachments:

- 1. Scopes of Service Listing

Suggested Board Discussion Questions: None; this is a consent item

SUMMARY OF POLICIES/SCOPES FOR APPROVAL - BOARD

Dec. 2019

DOCUMENTS WITH MINOR REVISIONS

| Document Name | Department | Type of Document | Summary of Policy Changes |
|--|------------|------------------|---------------------------|
| Scope of Service – Intensive Care and Critical Care Unit | ICU/CCU | Scope | Removed NUCs and eICU |
| Scope of Service – Neonatal Intensive Care Unit (NICU) | NICU | Scope | Grammar changes only |

DOCUMENTS WITH NO REVISIONS

| Document Name | Department | Type of Document | |
|---|------------|------------------|------------|
| Scope of Service – Mental Health & Addiction Services | MHAS | Scope | No Changes |

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

To: El Camino Hospital Board of Directors
From: Ken King, CASO
Date: December 11, 2019
Subject: Major Projects Update

Purpose:

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

Summary:

1. Situation:

Taube Pavilion (aka BHS) construction is substantially complete with only a few items that remain to be finalized before OSHPD is expected to grant final occupancy by the end of November. Once this occurs, we will complete our preparations for the CDPH Licensing inspection and survey. The target for the CDPH visit is early January and moving into the new facility will occur shortly after the approvals are received. During this period of time we continue to train and educate staff and we will have our second operational Dress Rehearsal on December 10th.

We have begun the process of closing out the contract with the General Contractor and at this time the project is forecasted to be completed within the approved budget. (See Attachment #1 – Cost Reports)

Sobrato Pavilion (aka IMOB) construction that is permitted by the City of Mountain View is nearing substantial completion and the construction that is permitted by OSHPD will enter its final phase once the City permitted work is signed off. The building opening event occurred on the 17th of November and the receipt of the Final Permit sign off from the City of Mountain View is expected in early December. The training and education of staff will take place over the next several weeks with the initial operational Dress Rehearsal on December 10th. The move-in of various hospital department functions and tenants will begin in early January and will be completed over several weeks. The hospital's patient care functions require CDPH Licensing approval, which is targeted for late January with the move-in occurring in early February.

The Grant Road right turn lane has been delayed due to additional requirements by the Public Works department. The timeline to complete this work will be established when all information is determined.

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. The initial plan review package has been returned and the project and design team are reviewing the comments and preparing appropriate responses to the issues raised.

The process of identifying qualified sub-contractors to bid on the project is continuing to be very difficult. The still-hot construction market in the Bay Area along with the complexity of an

OSHPD-permitted project in an occupied building is not very appealing to the sub-contractors who prefer projects with less risk. We are working with the CM/GC on strategies for obtaining bids from qualified contractors.

M.V. Campus Completion Project (Phases 1 and 2) received approval from both the Hospital Board and the District Board. Phase 1 plans have been submitted to OSHPD and Phase 2 Construction Documents are being developed.

The target date for obtaining the Phase 1 permit and beginning the initial demolition is late March 2020.

2. 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.

3. Background:

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

| <u>Step I:</u> | <u>Status</u> |
|---------------------------------------|--------------------------------|
| North Parking Garage Expansion - | Complete |
| Behavioral Health Services Building - | Substantially Complete |
| Integrated Medical Office Building - | Nearing Substantial Completion |
| Central Plant Upgrades - | Complete |

Step II:

| | |
|-----------------------------------|----------------------------|
| Women's Hospital Expansion - | Plan Review/Permit |
| Demolition of Old Main Hospital - | Plan Review/Permit Phase 1 |

4. 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.
5. Other Reviews: Finance Committee at its November 25, 2019 meeting
6. Outcomes: The primary objective continues to be completing the projects within the approved budgets and to safely transition into the new building environments.

List of Attachments:

1. Cost Reports

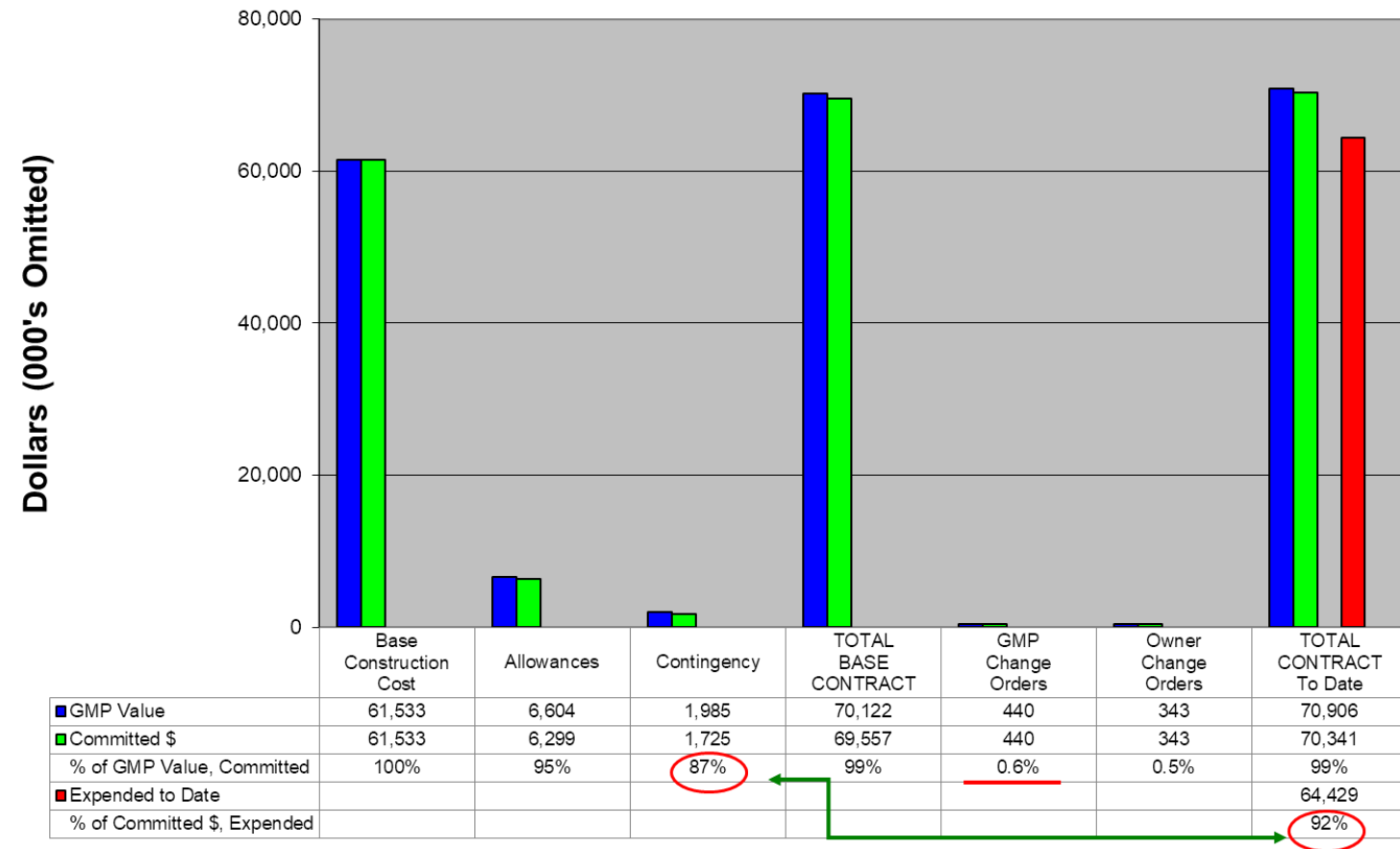
Suggested Board Discussion Questions: None



Finance Committee – Major Projects Update
November 25, 2019

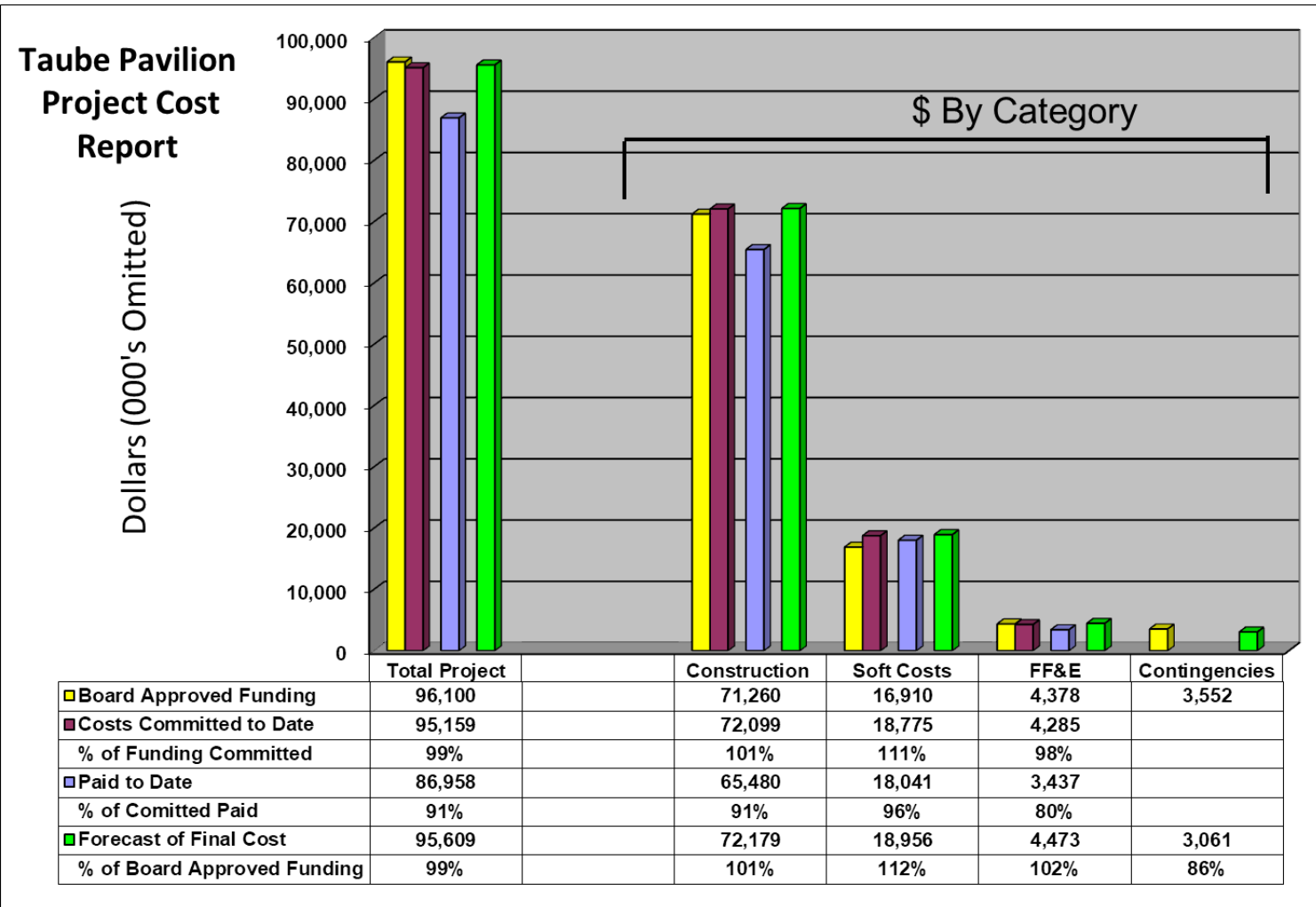
Ken King, CASO

Taube Pavilion Construction Contract Cost Report

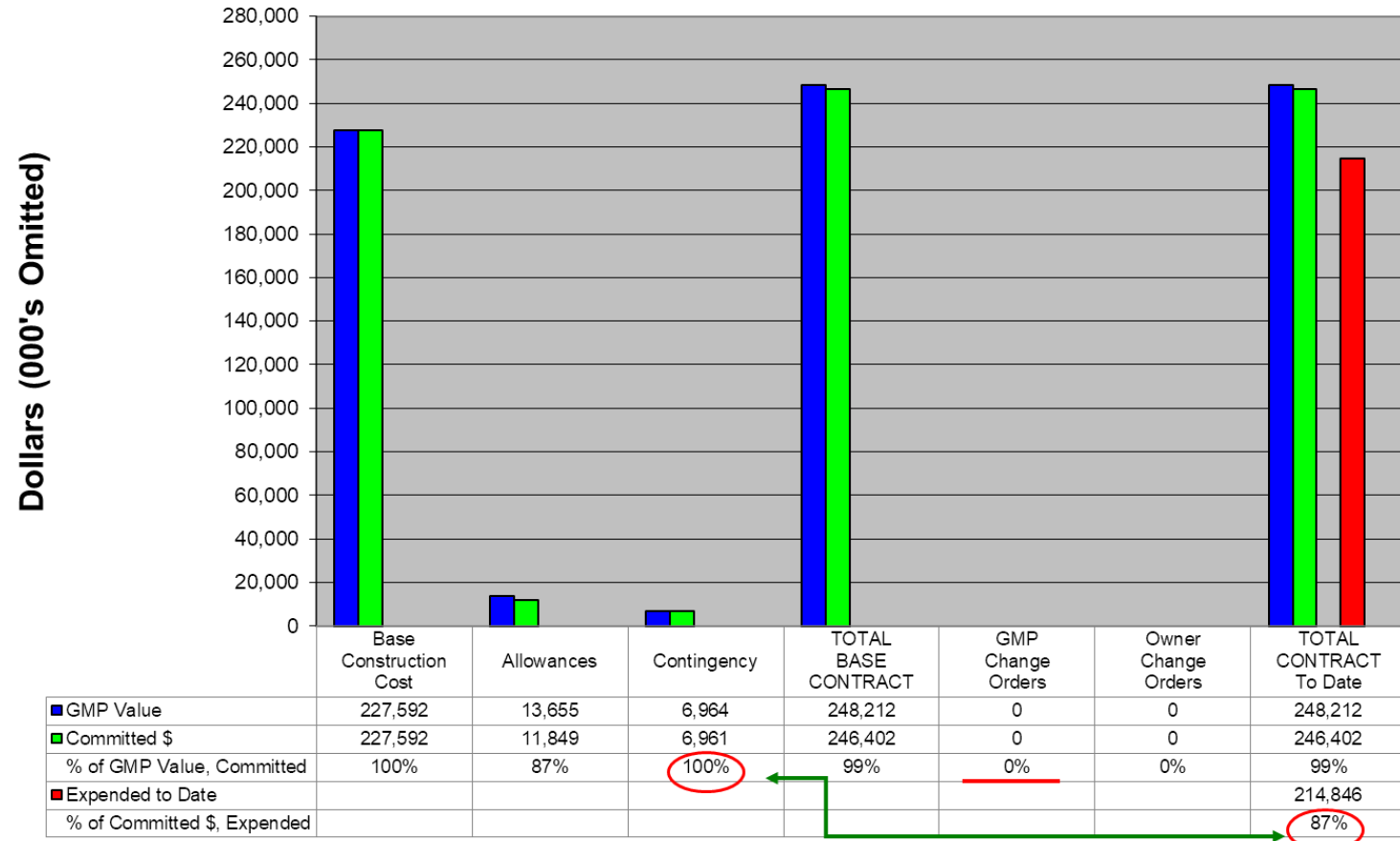


Taube Pavilion - Construction Contract Cost Categories

Taube Pavilion Project Cost Report

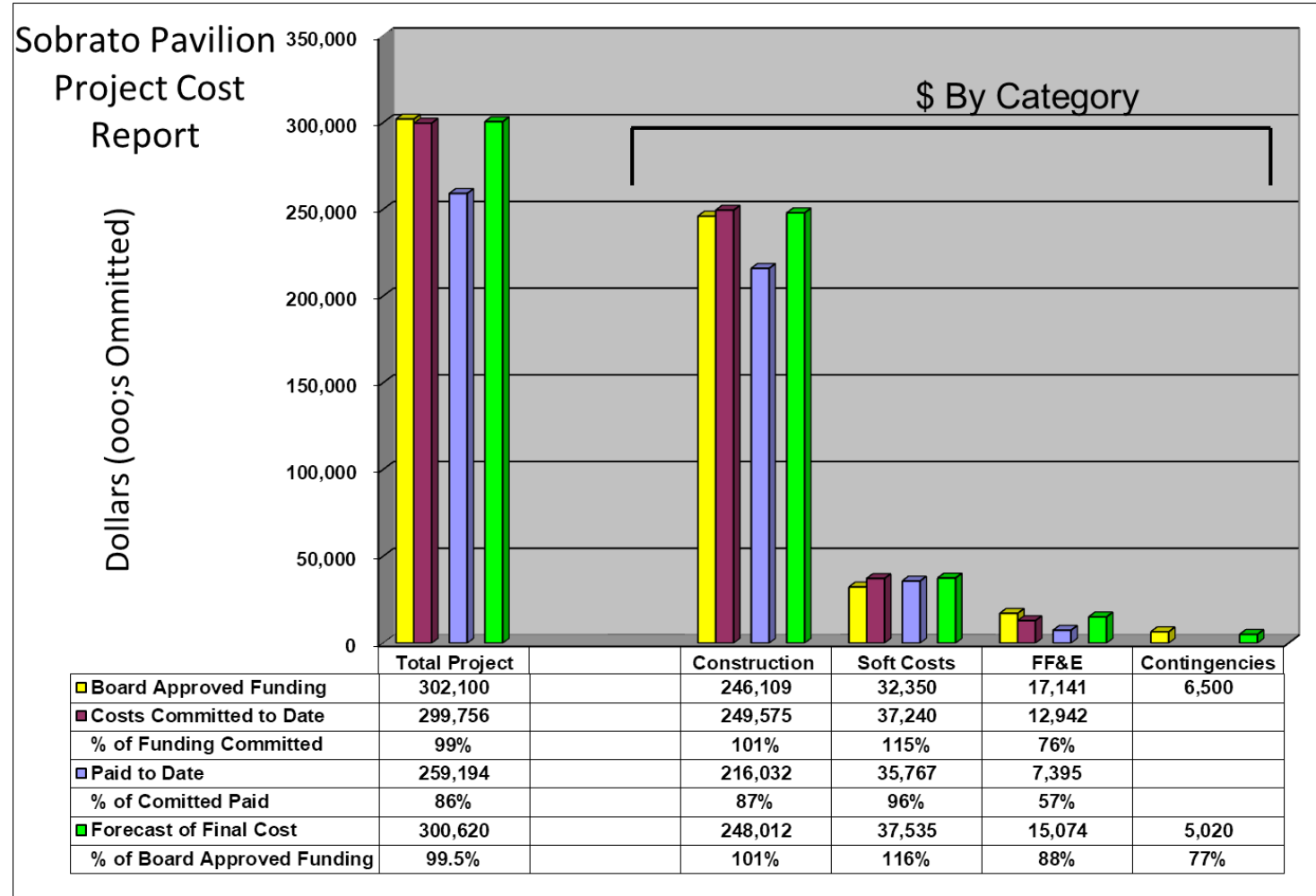


Sobrato Pavilion Construction Contract Cost Report



Sobrato Pavilion - Construction Contract Cost Categories

Sobrato Pavilion Project Cost Report



Finance Committee Approvals Report to the Board – December 11, 2019

In accordance with the Corporate Compliance: Physician Financial Arrangements Policy, the following agreements were approved by the Finance Committee at its November 25, 2019 meeting.

| Clinical Area | Campus | Agreement Type | Hourly or Per Diem Rate | Hours/Month | Not-to-Exceed | FMV Assessment | Statement of Need |
|------------------------------|---------------|-----------------------|-------------------------|---|--|--|--|
| Maternal Child Health (NICU) | Mountain View | Professional Services | \$130.00/hr. (increase) | 32 hours/mo. (no change) | \$216,320.00 annually (increase) | Third-party opinion obtained; commercially reasonable and within FMV | Lucile Salter Packard Children's Hospital at Stanford (LPCH) Neonatal Intensive Care Unit (NICU) Physical Therapy and Occupational Therapy (PT/OT) Professional Services Agreement. The agreement provides for two half-time therapists to provide rehabilitation services in the NICU and Mother Baby Unit at the Mountain View campus, including oral motor evaluation and treatment, swallowing function evaluation, therapeutic exercise, and self-care/home management. |
| Maternal Child Health (NICU) | Mountain View | Professional Services | N/A | Weekend 24/7 in house and 24/7 on-call coverage | Not to exceed \$405,000.00 annually (increase from \$0.00 to cover LPCH costs of providing services) | 75 th percentile per 2019 MD Ranger All Facilities Neonatology Benchmarks | The agreement provides LPCH Neonatologist 7.8 FTE coverage for MV NICU. |

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

To: El Camino Hospital Board of Directors
From: John Zoglin, Board Vice Chair
Date: December 11, 2019
Subject: Report on Educational Activity

Purpose: For information.

Conference Title: HLTH, October 26-29, 2019

Sponsoring Organization: HLTH

1. **Key Educational Points, Lessons Learned:** (Please use as much space as necessary)
 - Importance and challenge of patient / provider engagement
 - New CPT codes compensating for remote healthcare
 - Difference in demographic consumption of healthcare. Younger patients more digital and less loyal
 - Consistent usage by cutting edge organizations, large and small, of Net Promoter Score
2. Has the conference improved your ability to fulfill your obligations as a member of the ECH Board? If so, how?
3. Were there speakers that ECH should consider inviting? ☒ Yes ☐ No
Many of the local companies could be valuable to bring in to address us.
4. Do you recommend this conference to other members of the Board? ☒ Yes ☐ No

See notes below

Session: Getting a Jump on Chronic Conditions

EMR integration issues — not carve outs/islands of data. Patient adherence? Which patients need to focus on first, and then find them, and then engage them. Payer pick partners, but then don't help get to patient. 30% Davita folks data wrong, need to overlay with other data.

Hank Schlissberg, President (Vively Health - Subsidiary of Davita)

Provides primary care in home, medical group, remote, highest risk/chronic 3-7% of patients
Day 1: Build team in city, establish base line analytics. Go into home to do assessment. Not PCP of record, try not to disrupt existing relationships. Fax notes to PCP. Fully at risk for total cost of care even though not PCP. Believe natural owner of risk e.g. nephrologists for renal, not really PCP. Unique care model.
Hardest issue has been patient engagement. More than 1/2 turn down offer of free healthcare.

David Van Sickle (Propeller)

Connect asthma patients to networks, need better applications of what they have already built. Digital solutions for full range of asthma patients.

Monitor medications using when having symptoms. KPI reduction in symptoms and acute care visits that are avoidable in chronic respiratory. Teach people impact of environment.

Regimen — maybe this needs to be more creatively evolved. Develop across broad populations vs individual needs. How get new protocols recognized/adopted?

Still some stove pipes on separate individual health issues.

Julia Hu, Cofounder (Lark Health)

Employers hire the company to manage or stop from getting chronic issues – provide Conversational AI, 7x24.

1.6M people for health plans. Recruit digitally; download service, 7x24 care access. Send weight scale or other device to measure biometrics. Provide cognitive behavior therapy with bot, share food, can recommend diet. Distributed by health plan or employer. Measure KPI outcomes e.g. measure A1C reduction tied to 21% reductions in health.

Reimbursement has taken years for conversational AI which is required since don't have enough doctors and nurses. 2015 1m patients to train system. 2 years. Became medical claims provider under CPT code equivalent of people provider.

Patients often leave mid-acuity to fend for themselves. Treat whoever wants to be treated even if not a sick.

Natalie (Samsung Health)

Help individuals manage health devices. KPI Cardiac rehab program, smart watch, built with Kaiser.

Paid per patient for continuous monitoring, provide data to case manager. Drive down readmissions rate, drive up engagement rate. They provide call center, but case managers/clinical support all Kaiser. User gets real time feedback on watch and app. Clinicians get data on when to intervene.

Come a long way on unbundling codes. Do have some ability to get compensated for remote service.

Still a lot of uncertainty on what/how gets reimbursed e.g. around rehabilitation.

Design short term feedback, behavior economics. Financials some big drivers of some behaviors e.g. testing.

Session: Putting Patient Experience on Top.

Alan Dubovsky, Chief Experience Officer (Cedars Sinai)

- Need to get cultural buy in from institution regarding how to think about changing expectations of patients.
- Stories help communicate cultural expectations: Rounds and talks to patients. Patients center of what they do — shares verbally, abstract. Created video. Describe themselves “temporarily well taken care of temporarily unwell.”
- Don't need same survey for every patient discharged from all types of services. E.g. daily cancer care patient doesn't need same survey as mother baby. Journey map whole experience. What does patient want us to know and when did they want us to know it. Predictive analytics — use what we know about patients before they walk in the door to help customize the experience.

Adrienne Boissy, Chief Experience Officer (Cleveland Clinic)

Areas they are focusing on:

- Billing, more real-time
- One digital door instead of 30 apps
- Burn out big issue — technology or recognition, but people exhausted
- Looked at NPS, what features correlate highest with better scores. Teamwork highest correlated; empathy, communication from physician and nurse to patient — finally ease of use of services. If ask in real-time, need to give feedback in real-time particularly if bad experience.
- Need to personalize management of chronic illnesses, not just diabetes, but diabetes plus COPD plus ...
- Do homework with human centered design ... transformational work when you study and listen who you serve.
- Need strategy around what want to accomplish re digital, customer experience that guides IT not vice versa.

Sveng North, Chief Patient Experience Officer (Well Health- Largest in the State of New York with 23 Hospitals)

- 2018 First year >50% visits were ambulatory which has been growing.
- Like to refer to “customer” not “patient”
- How do we make big feel small
- Story: starts senior leadership meeting with patient stories
- Brought in frog to help design customer experience. Went to patients home to interview, what working well, not... 5 themes what it means to be patient centric - go way beyond HCAHPS, also tend to track things in silo's not E2E experience.
- Technology needs to amplify human experience, not replace it. Culture shift needed, e.g. providers notify if late for scheduled appointment.
- Most excited going forward: personalized experience/precision medicine

Session: Alleviating Healthcare's Administrative Burden

Clover Health

Evolved to become a health insurer. Goal was to improve clinical decisions making. Created large network of primary care physicians in New Jersey. Use their software at point of care — pay easily. All information personalized for patient at point of care. New guidelines on best practices for their patients every 3-6 months. Only 15 percent of healthcare dollars go to therapeutic. Dollar therapeutic save 2-3 downstream savings.

Collective Health (Third Party Administrator for Self-funded Employers)

Reiterated what others at conference have said -- we use care and drugs same as other developed countries. Difference is we pay 2.5-3x per instance. Invest a lot in user experience. Start to manage claims, reason/excuse to engage with individuals. Added other data. Much more of a google mentality, open eco-system. Not AOL.

Notable Health

Get rid of 90% of administration effort. Voice based, most female physicians don't carry phones -- so don't do text.

Session: Empowering, Educating and Alerting Health Consumers Through Tech

K Health

#1 medical app. Allows patients to query: What do I have, what else could I have, how do I treat it? They provide big data based analysis. Also links to physicians.
Population health Higi connected care. They provide Smart health station that is FDA approved where 1m people / week identify needs. Then recommend ongoing health services.
Already have trusted relationship -- grocery store like Publix.

Session: Health's 5 Star Service

Lynne Stockstad, Chief Marketing Officer (Optum)

Patients want partners to "Know Me" holistically across all modalities. All customer touch points across all journeys. Often younger patients are not looking for long term relationships.

They have 45,000 docs nationally 45M patients. They have developed "Rally" digital product accessed by their patients to help identify the next best action that is right for them. **98.6** on-demand primary care delivered on the phone thru retailers, employers

- Patients say "Give me what I want, when I want it, the way I want it and at a reasonable price."
- Quality -- look at physicians; reviews -- medicinally review text of all interactions.
- Millennials not different just tip of spear in their expectations. Many people don't have any primary care -- wait until issues arise far down the road because care is not being delivered on terms of expect.
- They segment the market on how patients want to engage. For example, one set of customers only engage via phone 7x24 even for comprehensive longitudinal care. Gets them engaged, take tests.
- Tele medicine - 80% people have access 1% use. Use mostly for sickness, like going to urgent care to fix something quick.
- This company provides virtual primary care. Tougher to build relationships over digital vehicle. Use machine learning and other insights to be able to personalize relationship around wellness and illness.
- 80 percent health care journeys begin on google -- not just millennials -- all ages.

Castlight Health

Uses technology to get people to right providers, easy for the user. Use Net Promoter Score daily. Last 10 years emerging understanding among patients of the variability of provider quality

Decision parameters often vary by geography: convenience based customers vs price based vs quality (define). Some folks underutilize healthcare as they are afraid cost will snowball beyond what they can afford.

Try to provide rough costs e.g. on labs. Have more data on quality.

Personalizations, figure out how to apply high touch to right group. Can grind out — identify appropriate approach to preventative care for each individual.

Session: Creating a Connected Digital Health Experience

Oscar

Goal is to provide 7x24 doctor available. Empower consumer with own info and navigate system own way. Target: Small employer, ACA, advantage

Industry 8% have digital accounts, they have 83%

3% have used telemedicine; they say 22% of their customers

Average industry 7% mobile user they have 47%

Metrics — % of time when they can track a new claim tied to recommendation they made. 40% currently.

Telemedicine saves \$130/session. Invest lot of back end systems to tie together stack of all touches.

Quality from experiential point — different than other payers. E.g. wait time, phone answer time, staff nice.

Don't expect to treat Medicare advantage different than millennial — they experience same engagement 55-65 as 25-34 year olds

Edmonodo Robinson, Chief Transformation Officer (Christiana Care — changed their name from Health to Care)

Values are love and excellence. Aim to tie seamless experience for consumer by:

- Find a physician, self-scheduling, consumer generating data
- Telemedicine, patient education, open notes, messaging
- Automated waitlist, bill pay, appointment navigator, common login,

Melisa Waters (Hers and Himself)

Hims brand - high quality care, trusted doctor, to treat men only physicians, hadn't been heard before: Sexual wellness, hair.

200 licensed physicians

Hers sexual health, hair products

50 products address dozen conditions

Destigmatize conditions.

Biggest comments from patients is how their relationship with doctor was — how helpful

Publish lot of content around conditions

Collect same info as if at doctor office

Real world wait 24 days for an appointment -- here 1 hour

They do texted communication: asynchronous works better than have to do real-time video, real-time

Very transparent with pricing. Trust is most important issue.

Session: A Bold New Approach to Transforming the Consumer Health Care Experience

Larry Merlo, President and CEO, (CVS Health)

The industry must do a better job help with maintaining patients' engagement with medicine; including adherence to medication. Primarily around the management of chronic care. They will be building out several cities with their clinics – first is Houston.

Nurse practitioner staffed

Merge medical and pharmacy data.

Healing better — elective surgery e.g. knee replacement. List of items are required for PT: mediations, walker, cane. What if CVS provided the checklist of items to start – all delivered to patient's home?

Help reduce readmissions. Chronic kidney care accounts for 20% of Medicare budget. Early detection through analytics, slow down need for dialysis. Few innovations in dialysis for a generation – working on home dialysis machines.

Session: Marcus Osborne (Walmart) - Bridging the Care Gap for Consumers – A Bold New Approach to Transforming the Consumer Health Care Experience

- Best VALUE doctors in the community for Walmart associates and customers.
- Biggest stress for Walmart customers — healthcare. Angst from high cost and lack of transparency.
- 1/2 of customers defer care because of cost.
- Convenience issues: takes the average consumer 3 weeks to get a primary care appointment
- Care provided is not simple, supportive or provide service: 40% patients say received care was not good.
- Walmart plan is to: Deliver basic services people need, in a way they can afford, fully integrated.
- Walmart first version— Dallas, GA. Primary care for children, adults, grandparents, lab images, ultrasound behavioral health, vision, hearing, and dental. For example, with latest technology they can print crown in 15 minutes rather than having to return for another doctor visit. They also have a community wellness room: life with baby, health care financing, and training.
- \$50 teeth clearing, similar other pricing. \$1/minute for therapy. 7 days a week 80 hours.
- Scheduling 1 Site
- Men's kiosk no judging

Session: Don't let Health Get in the Way of Life

Firdaus Bhathena, Chief Digital Officer (Aetna, a CVS Health Company)

Goal: providing the luxury of not having to leave home. 40% visitors don't have a primary care physician.

Track: 5-6x more ED visits if patient has 0 PPC visits in previous 18 months. They have 111million people who have given them the option to reach out via text.

Kimber Lockhart, Chief Technology Officer (One Medical)

Built from scratch a software stack and processes from both sides: physician and patient. Proactive approach to providing care.

Josh Golomb (Hazel Health)

A healthcare company reshaping the pediatric landscape by offering all children access to free healthcare through in-school virtual medical clinics. Might be candidate for CBAC.

Session: Meeting Millennials' High Bar for Health

Convenience trumps all. Use Net Promoter Score (NPS) to track customer response.

Lemonaid.com

San Francisco based company recognized as leading a second wave of telehealth in the US. The company has helped over 300,000 patients get access to cheaper (\$25 a visit), more convenient healthcare.

Solv

Transform healthcare for consumers by providing mobile access to same-day, quality convenient care without hidden costs.

Session: Eric Hargan, Deputy Secretary (U.S. Department of Health & Human Services)

Working on Stark Law update to allow partnerships to better to create value based service e.g. targeted patient population.

Session: HEP Strategic Investing Summit

Discussed healthcare systems investing to help drive innovation. Some large systems like Kaiser (have invested \$500M in 70 companies), Providence and Ascension have their own, dedicated investment teams, others may invest through strategic health-care VC funds – still others may have their own innovation centers (UCSF). Survey said 1/3 of hospitals plan to invest in dedicated VC-health funds by 2022. Goals of such an investment:

- Financial returns
- Operation improvement
- Brand enhancement expand market reach
- Window into emerging innovations

Lyunn Hanessian, Chief Strategist (Edelman Center for Healthcare Innovation)

2019 Edelman Trust Barometer

- Women uprising
- Global hospital clinic highest trust level in healthcare BUT Gender gap 69% men 53% women trust
- 2019: Trust down 7 points us hospitals clinics all other healthcare trust up this year – in part due to cost of healthcare and lack of transparency.
- Healthcare employees don't trust industry more. Most other industries employees higher trust level. Need to Partner with employees to help tell the story and provide consistent access to consistent story across channels.

AMA Health2047

Importance of including physicians not only in developing new solutions but also adoption e.g. EHR. Physicians will adopt digital health solution based on answer to these questions:

- Does it work

Report on Educational Activity
December 11, 2019

- Will I get paid
- Will I get sued
- Does it work in MY practice- how seamlessly does it integrate into my practice including my staff; what is time/cost trade-off of change

1 hour face to face/2 hours admin for physicians based on AMA study

Jack Stockert, Head of Health2047

Hypertension very simple — accurate measurement, continuous translated to care provider guided actions

Meg Barron VP, (Digital Health Innovation)

Match maker physicians and companies — platform
Must have physicians as cheer leader for any new process tool
Leverage patient groups composed of savvy patients

Karl Ronn

Rescue moment — e.g. fix flat, now into price of new car tires included that run flat. Need to move from incremental improvement, which has big costs - find big rescue moment
You are what you claim. Need data to back up claims.
Alpha risk — improvement opportunity vs beta risk potential to cause harm
½ percent response rate to insurance company note sent out vs 50-50 100x if sent by physician – demonstrates power of relationship with physician.

Digital payment SVP health solutions AMA

Digital Coding

CPT -current procedural terminology: Describes work of physician/healthcare providers. 10k codes

Composed of 17 panelists, experts in separate fields, insurance

CPT editorial panel

Outside people can review and submit

DMPAG digital medicine payment advisory group 15 nationally recognized advisors 2016

Remote monitoring and internet consultation codes

Broader coverage of remote monitoring with payers like CMS

Consolidate data across studies

Factors that impact fair and accurate valuations of remote healthcare

New codes developed for monitoring related to heart, internet consultation across experts

More focus on physician interaction with patients particularly with chronic diseases

Home blood pressure track / hypertension

Patient initiated remote scanning

Working to build full digital taxonomy for digital medicine, also payment for AI

Pathway: first to evidence and then payments/reimbursement

Interoperability and data liquidity to improve remote monitoring

Working on API data exchange

Understand Meta data/context data moving

50% traffic still from fax

How about data from patients — e.g. how validate and consolidate

How about privacy and informed consent? People don't know what is happening with their health data

In most states can be discriminated against for long term care based on genomics information

Sometime share data with one third party, can be shared with others
FDA approval medicinal device, does cover security. Most apps not approved by FDA
Akiri health2047 – Real time data networks connect devices /systems. Access controls around data.
Permissions based.
Data portability standards through big I groups, HL7 one of best. Fire footprint and tool.
Regulatory aspects of AI. AMA assisted AI only. Government both assisted and standalone. FDA will need to review tools for acceptability. Diagnose retinal diabetes current pathways.

Digital Therapeutics

Akili Interactive

Clinically validated therapeutic to activate neural networks e.g. ADHD

Happify

Targets: depression, anxiety and stress translated addictive games e.g. candidly
Headspace Health - headsets to business and consumer, help with chronic condition
Welldoc engage with customers
Prevent manage or treat — digital therapeutic. Like device or drug: evidence,
2/3 with mental illness never get care

Headspace

CMS approve 3 remote codes for tracking if physician prescribes each month. Must integrate into physician work flow. Integrated with epic?
Different branch of FDA reviewing vs drugs. Evolving standards
Have to figure out placebo equivalent in testing like drugs
Not sure if device or drug

New Organizations

Zing Health - Consumers

Living health, insurer with provider network. New devices will be how patients interact with healthcare system
How to take clinical, payment and unstructured data from devices/elsewhere and tease out meaning and turn into simple actionable guidance
Contessa — hospital room at home
Medicare advantage, programs to consider other options e.g. telemedicine

Aliviecor (Mountain View, Kardia, heart measuring device

Medical grade info

Illumina

Genomics. About to make crossover to mainstream health. UK about to have access to sequencing.
Geisinger, NHS
Gene and cell therapy emerging
Liquid biopsy, blood test instead of biopsy

Report on Educational Activity
December 11, 2019

Pace of innovation I outpaces pace of education I public, but even within industry, also gap in educating doctors, even recently
Genome sequence VERITAS \$600/person

Microsoft

Building partnerships, AI - derivative structure from unstructured data. Natural language processing/machine reading hottest area.
Clinical knowledge base
Massive global data from healthcare, research and clinical
Still need multi-disciplinary experts
Best if focus on very narrow domain

Chairman Councils Economic Advisors

Says prescription prices down last 9 months first time. Partial de-regulations, push generic firms.
High prices driven by -- Government subsidizes higher prices for example, pay more to docs if higher drug prices, also cadillac health. Tough if FDA requires \$2b to get a new drug/barriers to entry
Subsidized opioid, cheaper vs other addictions alcohol, cigarettes. How make medical cheaper but non-medical more expensive
Site neutral payments — pay more if I some procedure done at hospital vs clinic.
Says we don't consume more than other developed countries, but doctors and hospitals have higher prices

Weight Watchers (WW) and Blue Shield Ca

Wellness is a phrase over used. Need more measurable aspect of health. Need to focus on Engagement.
Blue shield is seeing it can reduce chronic illness with change in behavior, but making change in human behavior at scale very hard. Wellness like personalized medicine — needs specifics. Build site with 70 tools, personalize what they want... 20k Haiti site, 1/2 major chronic illnesses, 1/2 those with high blood pressure down, reducing medicines. Though are 20k people out of their 4M.
Verta 1/2 stayed for 2 years.
Tricks of trade to help engagement: vary by individual e.g. prompt when behavior changes, prompt, importance of community 4.6M members
Gamification I - reward/recognition important WW say not sure about financial incentives.

OPEN SESSION CEO Report
December 11, 2019
Dan Woods, CEO

Workforce

Implementation of Workday, our new Enterprise Resource Planning system, is complete and we are now in optimization.

Finance

Finance is completing the due diligence process for the SWAP transaction, monitoring interest rates and will be ready to execute following Board approval of Revised Resolution 2019-12. The Finance team is also planning for the new pricing transparency rules, which will require public disclosure of contracted rates, set to take effect January 1, 2021.

El Camino applied for and has been accepted into the Bundled Payment for Care Improvement Advanced Program (BPCI) effective January 1, 2020. We have partnered with Remedy who will be providing the software, analytics, and administrative services that enable hospital providers to participate in Medicare bundled payments contracts through shared-risk partnerships. Remedy is a leading company in this space and will be sharing risk with ECH.

Corporate and Community Health Services

CONCERN launched a new partnership with Talkspace to provide text therapy and added coaching added as a new option.

The FY 2019 Community Benefit Annual Report was distributed widely:

- The email campaign reached more than 1,100 people, a 72% increase
- We mailed hard copies to nearly 300 external stakeholders including elected officials and Community Benefit Grant Partners
- More than 100 copies reached patients and families in waiting rooms around the ECH campus
- Recent Sponsorships
 - Pancreatic Cancer Action Network – Purple Stride Walk
 - Abilities United – Authors Luncheon
 - Habitat for Humanity – Cycle of Hope
 - Valley Verde – The Dolores Affect
 - PACT – Leadership Luncheon
 - Silicon Valley Leadership Group – Turkey Trot

The South Asian Heart Center (SAHC) received a major gift of \$25,000 from a new donor, on boarded 10 patients for the El Camino Diabetes Prevention Program, completed Livermore Temple's Health Fair with biometrics and AIM program signups and launched outreach at the Fremont Farmer's Market.

The Chinese Health Initiative (CHI) launched the diabetes prevention program, delivered in Chinese in collaboration with SAHC. The program is culturally and linguistically tailored to the needs of the Chinese community. CHI also partnered with the ECH Cancer Center and New Hope Chinese Cancer Care Foundation to organize a Mandarin Speaker's Bureau workshop "Cancer Treatment Options: Chemotherapy, Targeted Therapy, and Immunotherapy."

The Health Library & Resource Center continues with weekly information tables at the Mountain View Senior Center and the Indian Community Center and also hosted an information table at the Saratoga Senior Center and ECH LG Prostate Support Group.

Marketing and Communications

Marketing partnered with other departments for the Sobrato Pavilion and the new SVMMD @First St. clinic site ribbon cutting events.

To reach consumers in an efficient, location agnostic manner the marketing team has been hosting webinars on key topics of interest for over a year. The recent Lifestyle Medicine webinar with Nurse Barb and Dr. Cate Collings experienced record-setting registration (390 individuals) and participation (35% of those registered). The webinar combined with follow up communications have generated physical class registration and appointments with Dr. Collings and the lifestyle medicine team.

We launched radio spots for our El Camino Health Corporate Brand Awareness Advertising Campaign the week of November 4th on local broadcast stations. A targeted direct mail and email campaign launched the week of November 18th to promote choosing an El Camino Health physician. The effort generated about 200,000 touchpoints across 74,218 with members aging-in to Medicare, those with Medicare and those among the general population. A targeted direct mail campaign promoting our urgent care centers hit 15,000 of homes the week of November 11th.

We finished production of new video content including Taube Pavilion tours, a breastfeeding support video for our new moms, seven heart-healthy videos featuring Chef Jacques and our heart and vascular physicians, and a new Wound Care Center video. Online content to support search and engagement included Brad's Story: Robotic Surgery Resolved Chronic Knee Pain Quickly highlighting MAKO and new Healthperks content for Stay Healthy.

Information Services

Once again, El Camino Hospital received the College of Healthcare Management Executives (CHIME) "Most Wired" certification for making great strides using technology to improve health and care in our community.

Facilities

El Camino Health is required to provide the Office of Statewide Health Planning and Development (OSHPD) an attestation that the Governing Board is aware of each hospital facility that is not in full compliance with the January 1, 2030 Seismic Safety Act deadline. Note that "hospital facility" is defined as each separately permitted and constructed building or building addition. I will date, sign, and send the attached attestation following the Board meeting.

By definition El Camino Health has 28 "hospital facilities" and the compliance breakdown is as follows:

- Eighteen (18) hospital facilities at the Mountain View and Los Gatos campus are fully compliant with SPC ratings of SPC-3 or greater.
- Eight (8) hospital facilities on the Los Gatos campus are rated SPC-2 and are required to be updated or removed from service by January 1, 2030.
- Two (2) hospital facilities on the Mountain View Campus are have ratings of NPC-1 and are required to be updated or removed from service by January 1, 2030.

Note that the Los Gatos Master Planning process will address the eight (8) hospital facilities in Los Gatos and the upgrades for the two (2) Mountain View buildings that require NPC upgrades are nearly complete and compliance is expected within three to four months.

Silicon Valley Medical Development (SVMD), LLC

We are beginning to enroll San Jose Medical Group (SJMG) patients in MyChart; more than 30% of patients across all SVMD sites of care are now enrolled. El Camino Health's SVMD@First Clinic opened on November 1st. Two midwives from Bay Area Midwifery have joined us in Los Gatos, SVMD has signed employment agreements with two others who will be joining them in the next two months and SVMD added two primary care physicians in Mountain View through ECMA. SVMD is now conducting patient experience surveys across all of SVMD including SJMG sites.

Philanthropy

During period 4 of fiscal year 2020, El Camino Health Foundation secured \$775,152 in donations. The Foundation has raised a total of \$2,133,849 this fiscal year through Period 4.

Auxiliary

Our dedicated Auxiliary contributed 6,072 volunteer hours in October 2019 and 5,287 volunteer hours in November 2019.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: John Conover, Chair, El Camino Health Foundation Board of Directors
Andrew Cope, President, El Camino Health Foundation
Date: December 3, 2019
Subject: Report on El Camino Health Foundation Activities FY20 Period 4
Purpose: For information.

Summary:

1. **Situation:** During period 4 of fiscal year 2020, El Camino Health Foundation secured \$775,152 in donations. The Foundation has raised a total of \$2,133,849 this fiscal year through Period 4.
2. **Authority:** N/A
3. **Background:**

Major & Planned Gifts

In October, the Foundation received \$207,247 in major and planned gifts. These include a \$25,000 donation to the South Asian Heart Center, two gifts totaling \$50,000 for the Cancer Center, \$100,000 to establish the Silicon Valley Medical Development Clinical Research Fund from San Jose Medical Research Foundation, and a \$30,000 unrestricted gift to the El Camino Fund.

Fundraising Events

➤ **Golf Tournament**

In October, the Foundation received \$37,325 in sponsorships, donations, and celebration dinner reservations for the El Camino Heritage Golf Tournament, which took place on October 28. Donations made at the tournament for the raffle, silent auction, live auction, and fund-in-need appeal were processed in November and will be reflected in the period 5 fundraising report and foundation staff is actively following up for outstanding payments. Proceeds are benefiting the Peter C. Fung, MD Stroke Center. We expect the tournament to exceed goal.

➤ **Spring Gala**

This event will take place in the second half of the fiscal year, date and location to be determined. Per discussions with El Camino Health executive leadership, the beneficiary will be the Women's Hospital. The donations reflected in the fundraising report are belated fulfillment of commitments to FY19 events.

➤ **Norma's Literary Luncheon**

In October, the Foundation received \$50,950 in sponsorships and ticket sales for Norma's Literary Luncheon. The event will take place on February 6, 2020 at Sharon Heights Golf & Country Club. Lisa See, author of the bestseller *The Tea Girl of Hummingbird Lane*, will be the featured speaker. Invitations will be mailed in January.

Annual Giving

In October, the Foundation raised \$33,830 in annual gifts from Hope to Health membership renewals, Circle of Caring grateful patient gifts, e-newsletters, and online donations. The Foundation's fall annual giving activities, including the Employee Giving Campaign, and direct mail appeals, launched at the end of October and results will be reflected in future fundraising reports.

Stewardship

- Taube Pavilion Opening – The Foundation is hosted grand opening festivities for all Fulfilling the Promise donors on Thursday, October 24.
- Foundation Major Donor Reception – The Foundation hosted a reception to honor major and legacy donors on November 19.
- Sobrato Pavilion Opening – The Foundation hosted a private luncheon for John and Sue Sobrato and their guests, as well as donors who named spaces in the Sobrato Pavilion, on November 17 before the El Camino Health's ribbon cutting and open house.



FOUNDATION PERFORMANCE

| FY20 Fundraising Report through 10/31/19 - Period 4 | | | | | | |
|---|--------------------------------|---------------------------------|---------------|-------------------|----------------------------|---------------------------------|
| ACTIVITY | | FY20 YTD (7/1/19 - 10/31/19) | FY20 Goals | FY20 % of Goal | Difference Period 3 & 4 | FY19 YTD (7/1/18 - 10/31/18) |
| Major & Planned Gifts | | \$790,697 | \$5,500,000 | 14% | \$207,247 | \$196,153 |
| Special Events | Spring Event | \$22,500 | \$350,000 | 6% | \$0 | \$500 |
| | Golf | \$166,327 | \$325,000 | 51% | \$37,325 | \$211,050 |
| | South Asian Heart Center Event | \$12,045 | \$200,000 | 6% | \$0 | \$9,000 |
| | Norma's Literary Luncheon | \$120,950 | \$200,000 | 60% | \$50,950 | \$2,500 |
| Annual Gifts | | \$121,817 | \$600,000 | 20% | \$33,830 | \$96,637 |
| Investment Income | | \$899,513 | \$500,000 | 180% | \$445,800 | \$610,154 |
| TOTALS | | \$2,133,849 | \$7,675,000 | 28% | \$775,152 | \$1,125,994 |
| Highlighted Assets through 10/31/19 - Period 4 | | | | | | |
| Board Designated Allocations | | | | \$754,828 | | |
| Donor Endowments | | | | \$6,849,314 | | |
| Operational Endowments | | | | \$14,243,703 | | |
| Pledge Receivables | | | | \$4,607,579 | | |
| Restricted Donations | | | | \$12,981,602 | | |
| Unrestricted Donations | | | | \$1,405,149 | | |

El Camino Hospital Auxiliary
Membership Report to the Hospital Board
Meeting of November 13, 2019

Combined Data as of October 31, 2019 for Mountain View and Los Gatos Campuses

Membership Data:

Senior Members

| | | |
|--------------------|------------|--|
| Active Members | 308 | +3 Net change compared to previous month |
| Dues Paid Inactive | 5 | (Includes Associates & Patrons) |
| Leave of Absence | 4 | |
| Subtotal | 317 | |

Resigned in Month 3
Deceased in Month 0

Junior Members

| | | |
|--------------------|------------|--|
| Active Members | 253 | -3 Net Change compared to previous month |
| Dues Paid Inactive | 0 | |
| Leave of Absence | 1 | |
| Subtotal | 254 | |

Total Active Members 561

Total Membership 571

Combined Auxiliary Hours from Inception (to October 31, 2019): 6,010,471
Combined Auxiliary Hours for FY2019 (to October 31, 2019): 25,277
Combined Auxiliary Hours for October 31, 2019: 6,072

El Camino Hospital Auxiliary
Membership Report to the Hospital Board
Meeting of December 11, 2019

Combined Data as of November 30, 2019 for Mountain View and Los Gatos Campuses

Membership Data:

Senior Members

| | | |
|--------------------|------------|---|
| Active Members | 292 | -16 Net change compared to previous month |
| Dues Paid Inactive | 5 | (Includes Associates & Patrons) |
| Leave of Absence | 4 | |
| Subtotal | 301 | |

| | |
|-------------------|---|
| Resigned in Month | 0 |
| Deceased in Month | 0 |

Junior Members

| | | |
|--------------------|------------|--|
| Active Members | 253 | No Net Change compared to previous month |
| Dues Paid Inactive | 0 | |
| Leave of Absence | 0 | |
| Subtotal | 253 | |

Total Active Members 545

Total Membership 554

Combined Auxiliary Hours from Inception (to November 30, 2019): 6,016,309
Combined Auxiliary Hours for FY2019 (to November 30, 2019): 31,114
Combined Auxiliary Hours for November 30, 2019: 5,287



Hospital Campuses

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

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

elcaminohealth.org

December __, 2019

Carl Scheuerman
Compliance Officer
Facilities Development Division
2020 West El Camino Avenue, Ste 800
Sacramento, CA 95833

Dear Mr. Scheuerman,

Per your letter dated December 2, 2019, I am writing to attest that the Board of Directors of El Camino Hospital, d/b/a El Camino Health, are aware that the hospital buildings listed below are required to substantially comply with the seismic safety regulations or standards described in Health & Safety Code Section 130066 by January 1, 2030.

| County | Facility Name | Address | Building Number | Building Name |
|-------------|---------------------------------|--------------------------------------|-----------------|---------------------------------|
| Santa Clara | El Camino Health | 2500 Grant Road Mountain View, CA | BLD-03535 | 10 – Central Plant – Switchgear |
| Santa Clara | El Camino Health | 2500 Grant Road Mountain View, CA | BLD-03536 | 10 – Central Plant – Substation |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-02243 | Original Building / Outpatient |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-02244 | Generator Building |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-02245 | Unit 2 Addition / CCU Building |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-02246 | Surgery / Medical Center |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-02247 | Administration Building |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-02248 | ICU Building |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-02252 | O.B. Gyn / Cancer Center |
| Santa Clara | El Camino Hospital Los Gatos | 815 Pollard Road Los Gatos, CA | BLD-03693 | Emergency Generator Building |

Sincerely,

Dan Woods
Chief Executive Officer
2500 Grant Road
Mountain View, CA 94040