

**AGENDA  
FINANCE COMMITTEE MEETING  
OF THE EL CAMINO HOSPITAL BOARD**

**Monday, August 15, 2022 – 5:30 pm**

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

PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1), EL CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION TO THE PUBLIC FOR THIS MEETING**. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

**Dial-In: 1-669-900-9128. Meeting Code: 993 5878 2021#. No participant code. Just press #.**

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

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<b>1. CALL TO ORDER / ROLL CALL</b>	Don Watters, Chair		<b>5:30 – 5:31pm</b>
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Don Watters, Chair		<b>information 5:31– 5:32</b>
<b>3. PUBLIC COMMUNICATION</b> a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Don Watters, Chair		<b>information 5:32 – 5:35</b>
<b>4. CONSENT CALENDAR</b> <i>Any Committee Member may remove an item for discussion before a motion is made.</i> <b>Approval</b> a. <a href="#">Minutes of the Open Session of the Finance Committee (05/26/2022)</a> b. <a href="#">Minutes of the Open Session of the Joint Hospital Board &amp; Finance Committee (05/26/2022)</a> c. <a href="#">FY 2022 Period 11 Financial Report</a> <b>Information</b> d. <a href="#">FY 2023 Pacing Plan</a> e. <a href="#">Article of Interest</a>	Don Watters, Chair		<b>motion required 5:35-5:40</b>
<b>5. <a href="#">REPORT ON BOARD ACTIONS</a></b>	Don Watters, Chair		<b>information 5:40 – 5:45</b>
<b>6. <a href="#">FY 2022 PERIOD 12 FINANCIAL REPORT</a></b>	Carlos Bohorquez, CFO	<i>public comment</i>	<b>motion required 5:45-6:00</b>
<b>7. <a href="#">REAL ESTATE ACQUISITION / APN: 264-09-57</a></b>	Ken King, CASO		<b>motion required 6:00 – 6:10</b>
<b>8. ADJOURN TO CLOSED SESSION</b>	Don Watters, Chair	<i>public comment</i>	<b>motion required 6:10 – 6:11</b>
<b>9. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Don Watters, Chair		<b>information 6:11-6:12</b>

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-8483 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
<p><b>10. CONSENT CALENDAR</b>  <i>Any Committee Member may remove an item for discussion before a motion is made.</i>  <b>Approval</b>  <i>Gov't Code Section 54957.2:</i>                      a. Minutes of the Closed Session of the Finance Committee (05/26/2022)                      b. Minutes of the Closed Session of the Joint Hospital Board and Finance Committee (05/26/2022)  <b>Information</b>  <i>Health and Safety Code Section 32106(b):</i>                      Physician Contracts                      c. MV NICU Medical Director Agreement                      d. LG General Surgery Panel                      e. Enterprise Vascular Surgery Panel                      f. Enterprise GI Call Panel                      g. Enterprise EKG Reading Panel</p>	Don Watters, Chair		<b>motion required</b> <b>6:12-6:13</b>
<p><b>11. Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets:</b>  <b>FY 2023 CAPITAL BUDGET</b></p>	Carlos Bohorquez, CFO		<b>motion required</b> <b>6:13-6:33</b>
<p><b>12. Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets:</b>  <b>STRATEGIC ALIGNMENT UPDATE &amp; FISCAL YEAR END FINANCIAL OVERVIEW</b></p>	Carlos Bohorquez, CFO		<b>discussion</b> <b>6:33-7:03</b>
<p><b>13. Gov't Code Sections 54957 for report and discussion on personnel matters – Senior Management:</b>                      - Executive Session</p>	Don Watters, Chair		<b>discussion</b> <b>7:03-7:08</b>
<p><b>14. ADJOURN TO OPEN SESSION</b></p>	Don Watters, Chair		<b>motion required</b> <b>7:08-7:09</b>
<p><b>15. RECONVENE OPEN SESSION / REPORT OUT</b></p>	Don Watters, Chair		<b>information</b> <b>7:09-7:10</b>
<p>To report any required disclosures regarding permissible actions taken during Closed Session.</p>			
<p><b>16. CONTRACTS &amp; AGREEMENTS</b>  <b>Recommended for Board Approval</b>                      a. MV NICU Medical Director Agreement                      b. LG General Surgery Panel                      c. Enterprise Vascular Surgery Panel                      d. Enterprise GI Call Panel                      e. Enterprise EKG Reading Panel</p>	Mark Adams, MD, CMO		<b>motion required</b> <b>7:10-7:15</b>
<p><b>17. CLOSING COMMENTS</b></p>	Don Watters, Chair		<b>information</b> <b>7:15 –7:20</b>
<p><b>18. ADJOURNMENT</b></p>	Don Watters, Chair	<i>public comment</i>	<b>motion required</b> <b>7:20-7:21pm</b>

**Upcoming Meetings:**

Regular Meetings: September 27, 2022, November 21, 2022, January 30, 2023 (Joint FC-IC), March 27, 2023, May 22, 2023



**Minutes of the Open Session of the  
Finance Committee of the  
El Camino Hospital Board of Directors  
Thursday, May 26, 2022**

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

**Members Present**  
John Zoglin, Chair  
Wayne Doiguchi  
Peter Fung, MD  
Bill Hooper  
Cynthia Stewart  
Don Watters

**Members Absent**  
Joseph Chow

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. <b>CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 6:56 pm by Chair John Zoglin. A verbal roll call was taken. All members were present at roll call, except for Joseph Chow was absent. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020, and N-29-20 dated March 18, 2020.	
2. <b>POTENTIAL CONFLICT OF INTEREST</b>	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. <b>PUBLIC COMMUNICATION</b>	There were no comments from the public.	
4. <b>CONSENT CALENDAR</b>	<p><b>Motion:</b> To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee meeting (04/22/2022) (b) Finance Committee Charter and for information: (c) Progress Against FY2022 Committee Goals (d) FY2022 Pacing Plan (e) Article of Interest.</p> <p><b>Movant:</b> Watters  <b>Second:</b> Doiguchi  <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chow  <b>Recused:</b> None</p>	<i>Consent Calendar was approved.</i>
5. <b>REPORT ON BOARD ACTIONS</b>	Chair Zoglin asked the Committee for any questions or feedback on the Report on Board Actions, as further detailed in the packet.	
6. <b>PERIOD 10 FINANCIAL REPORT</b>	<p>Carlos Bohorquez, Chief Financial Officer presented the FY2022 Period 10 financials as of April 30, 2022 and highlighted the following:</p> <ul style="list-style-type: none"> <li>• Mr. Bohorquez noted inpatient and outpatient volume across most service lines continue to be favorable to budget and better than the same month of last year.</li> <li>• The only services which have experienced a YOY volume decrease are Covid testing and vaccination.</li> <li>• Mr. Bohorquez noted that the Emergency Department (ED) continues to have very strong volumes related to a reduction in Covid restrictions. YTD ED volumes are 32.3% favorable to budget and 40.6% better than last year.</li> <li>• Mr. Bohorquez discussed operating results for Period 10 and YTD, the organization is managing the various Covid waves well and was pro-active in securing sufficient temporary staff which</li> </ul>	

	<p>has enabled the organization to maintain all key services throughout the pandemic.</p> <ul style="list-style-type: none"> <li>• All key operating metrics are favorable to budget, with the only exception being net days in A/R which are unfavorable to budget by 6.2% and higher than the same period last year 4.6%. Mr. Bohorquez noted that higher A/R is primarily related to the significant increase in revenue and payors having workforce shortages which has slowed claims processing.</li> <li>• Mr. Bohorquez noted that revenue for Period 10 and YTD has been particularly strong. For April total operating revenue was 10.0% favorable to budget and 10.6% better than the same period last year. YTD total operating revenue is 12.8% favorable to budget and 19.1% better than the same period last year.</li> <li>• Operating EBIDA continues to remain strong as indicated by favorable to budget by \$4.1 million for Period 10 and \$79.0 million YTD.</li> <li>• Mr. Bohorquez noted that net income remains a challenge mainly related to unfavorable non-operating revenue. For Period 10 net income was unfavorable to budget by \$61.0 million and YTD \$106.8 million.</li> </ul> <p><b>Motion:</b> to approve the FY2022 Period 10 Financials.</p> <p><b>Movant:</b> Fung  <b>Second:</b> Doiguchi  <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chow  <b>Recused:</b> None</p>	
<p><b>7. COMMUNITY BENEFIT</b> (a) FY2023 Community Benefit Program Update (b) 2022 El Camino Health Community Health Needs Assessment</p>	<p>Jon Cowan, Sr. Director, Government Relation and Community Partnerships presented the FY2023 ECH Implementation Strategy Report and Community Benefits Plan and the FY2022 Community Health Needs Assessment and is requesting the Finance Committee to approve the FY2023 El Camino Health (ECH) Implementation Strategy Report and Community Benefits Plan (Plan). The Plan reflects a total request of \$3,410,000 and includes funding recommendations for grants, sponsorships, and placeholders. Also, recommend approving the 2022 El Camino Health Community Health Needs Assessment</p> <p><b>Motion:</b> to approve the FY2023 Community Benefit Program Update and the 2022 El Camino Health Community Health Needs Assessment</p> <p><b>Movant:</b> Watters  <b>Second:</b> Fung  <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chow  <b>Recused:</b> None</p>	
<p><b>8. REVENUE CYCLE PROCESS UPDATE</b></p>	<p>Brian Fong, Sr. Director, Revenue Cycle presented an update to the Finance Committee on billing and revenue cycle. Mr. Fong stated the</p>	

	<p>presentation will review the continuous improvement in revenue cycle to improve patient satisfaction and ensure the organization is collecting revenue owed by government programs and private payors. The following topics were highlighted during the presentation as further detailed in the materials:</p> <ul style="list-style-type: none"> <li>• <b>RCM Core Principle: Invest in People, Process, and Technology:</b>                  By investing in these three areas, we will develop stronger employees and more efficient processes within the Revenue Cycle that will ultimately solidify the foundation for an improved financial experience for our patients:</li> <li>• <b>Staff Training Focus:</b>                  Recent staff/management training focused improved patient communication and customer services                 <ul style="list-style-type: none"> <li>○ Service recovery techniques for patient access and customer service staff who work directly with patients (effective communication, de-escalation, etc.)</li> <li>○ Leadership development for our management team</li> <li>○ Technical training for insurance billing/collections teams (best practices and resolution of complex claims)</li> </ul> </li> <li>• <b>Business Process Improvements:</b>                  Key initiatives to improvement the revenue cycle process:                 <ul style="list-style-type: none"> <li>○ Care coordination performance improvement project - Utilization review/denials management</li> <li>○ Experian contract renegotiation - Cost savings initiative</li> <li>○ Small insurance balance vendor implementation</li> </ul> </li> <li>• <b>Technology Enhancement:</b>                  Technology enhancements in process to decrease manual procedures and allow the redirection of staff on analytic efforts:                 <ul style="list-style-type: none"> <li>○ Robotic process automation (RPA) in prior authorizations process</li> <li>○ Epic payer platform – clinical data exchange</li> </ul> </li> <li>• <b>El Camino Health Medicare Network (ECHMN) – Revenue Cycle Update</b> <ul style="list-style-type: none"> <li>○ Year-over-year overview of specific key performance indicators related to the revenue cycle process and pre-service process metrics for ECHMN</li> </ul> </li> </ul>	
<p><b>9. FY2023 COMMITTEE PLANNING</b></p>	<p>The committee reviewed and discussed the FY2023 Finance Committee goals with the following recommendations:</p> <ul style="list-style-type: none"> <li>• Mr. Hooper recommended the addition of the review of the organization’s financial performance as a goal</li> <li>• Mr. Zoglin recommended narrowing down the service line reports, focusing only on the top 10 service lines. Cardiology can be removed from Jan. 2023 because it’s being presented in today’s meeting. Mr. Zoglin stated generally services line reports alternate every other year.</li> <li>• Dr. Fung recommended adding Acute Rehab. As a reporting service line since it will be growing with the new joint venture with Kindred.</li> </ul> <p><b>Motion:</b> to approve the FY2023 Committee planning (goals, dates, and pacing plan)</p> <p><b>Movant:</b> Doiguchi</p>	

	<b>Second:</b> Stewart <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters, Zoglin <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Chow <b>Recused:</b> None	
<b>10. ADJOURN TO CLOSED SESSION</b>	<b>Motion:</b> To adjourn to closed session at 8:21 pm.  <b>Movant:</b> Watters <b>Second:</b> Fung <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters, Zoglin <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Chow <b>Recused:</b> None	<i>Adjourned to closed session at 8:21 pm</i>
<b>11. AGENDA ITEM 17: RECONVENE OPEN SESSION/REPORT OUT</b>	During the Closed Session, the Finance Committee approved the following items: The Closed Session Minutes of April 25 <sup>th</sup> Finance Committee Meeting By a unanimous vote of all Committee Members present: Mr. Doiguchi, Dr. Fung, Mr. Hooper, Ms. Stewart, Mr. Watters, Mr. Zoglin, and Mr. Chow was absent.	
<b>12. AGENDA ITEM 18: PHYSICIAN CONTRACTS &amp; AGREEMENTS</b>	<b>Motion:</b> to approve physician contracts and recommend for board approval  <b>Movant:</b> Watters <b>Second:</b> Fung <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters, Zoglin <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Chow <b>Recused:</b> None	
<b>13. AGENDA ITEM 19: CLOSING COMMENTS</b>	None	
<b>14. AGENDA ITEM 20: ADJOURNMENT</b>	<b>Motion:</b> To adjourn at 9:32 pm  <b>Movant:</b> Stewart <b>Second:</b> Watters <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters, Zoglin <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Chow <b>Recused:</b> None	<i>Meeting adjourned at 9:32 pm</i>

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

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John Zoglin  
Chair, Finance Committee

Prepared by: Samreen Salehi, Executive Assistant II, Administrative Services



**Minutes of the Open Session of the  
Joint Finance Committee &  
El Camino Hospital Board of Directors  
Thursday, May 26, 2022**

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

**Members Present**

*Hospital Board Members:*  
**Bob Rebitzer**, Vice Chair  
**Peter C. Fung**, MD  
**Julia E. Miller**  
**Jack Po**, MD, PhD\*\*  
**George O. Ting**, MD  
**Don Watters**  
**John Zoglin**

*Finance Committee Members:*

**Joseph Chow\*\***  
**Wayne Doiguchi**  
**Bill Hooper**  
**Cynthia Stewart**

**Board Members Absent**

**Lanhee Chen**, Chair  
**Carol Somersille**, MD  
**Julie Kliger**, MPA, BSN

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
<b>1. CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Joint Meeting of the Finance Committee and the Board of Directors of El Camino Hospital was called to order at 5:33 pm by Vice-Chair Rebitzer and a verbal roll call was taken. All Board and Committee members were present and attended in person except for Chair Chen, Director Somersille and Director Kliger were absent and Director Po participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020, and N-29-20 dated March 18, 2020.	
<b>2. POTENTIAL CONFLICTS OF INTEREST DISCLOSURES</b>	Vice-Chair Rebitzer asked if any Board and/or Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
<b>3. PUBLIC COMMUNICATION</b>	Vice-Chair Rebitzer asked if there were any public communication, no public communication was reported.	
<b>4. FY2023 OPERATING &amp; CAPITAL BUDGET</b>	Dan Woods, Chief Executive Officer, and Carlos Bohorquez, Chief Financial Officer presented an overview of the FY2023 Operating and Capital Budget.  During the presentation, the following was discussed as further detailed in the materials: <ul style="list-style-type: none"> <li>• FY2023 budget hospital division: Key volume, revenue, expense and other operating assumptions</li> <li>• FY2023 budget income statements for the following:               <ul style="list-style-type: none"> <li>○ Hospitals, Concern and Foundation</li> <li>○ ECHMN</li> <li>○ Consolidated enterprise</li> </ul> </li> <li>• Sensitivity analysis on key volume, revenue and expense assumptions</li> <li>• FY2023 enterprise capital budget</li> </ul> Mr. Bohorquez continued the discussion and highlighted the following as	

	<p>further detailed in the materials:</p> <p>The FY2023 Budget plan includes the following to maintain the El Camino Health’s strong performance and make investments across the enterprise:</p> <ul style="list-style-type: none"> <li>• Approved additional FTEs / funding for important needs:             <ul style="list-style-type: none"> <li>○ Cybersecurity</li> <li>○ Expansion of clinical education</li> <li>○ Human resources support to manage workforce shortages</li> <li>○ High-reliability organization initiative</li> <li>○ Service line growth initiatives</li> <li>○ Performance improvement</li> </ul> </li> <li>• Includes funds for Phase I of the 2027 strategic plan</li> <li>• Maintains sufficient funding to support top quality and patient experience</li> <li>• Continues deployment of capital to support the following:             <ul style="list-style-type: none"> <li>○ Replacement of clinical / IT equipment</li> <li>○ Facility projects to ensure continuous operations and compliance with regulatory mandates</li> <li>○ Strategic growth and service line expansion</li> <li>○ Development of the ambulatory / physician network</li> </ul> </li> <li>• Maintains revenue cycle initiatives to ensure collections are consistent with expected reimbursement</li> <li>• Reflects management efforts to manage inflation through effective cost management and driving efficiency throughout the organization</li> <li>• Supports investment in supply chain initiatives to mitigate disruptions and supply shortages</li> </ul> <p>Vice-Chair Rebitzer and Mr. Woods deferred to Priya Shah, Assistant General Counsel on how this can be approached to make sure all legal requirements are followed. Ms. Shah stated a motion to postpone the motion is required.</p> <p><b>Motion:</b> to postpone the motion of the approval of the FY2023 Capital &amp; Operating Budget in the second open session</p> <p><b>Movant:</b> Po  <b>Second:</b> Zoglin  <b>Ayes:</b> Rebitzer, Fung, Miller, Po, Ting, Watters, Zoglin, Chow, Doiguchi, Hooper, Stewart  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chen, Kliger, Somersille  <b>Recused:</b> None</p>	
<p><b>5. ADJOURN TO CLOSED SESSION</b></p>	<p><b>Motion:</b> to adjourn to closed session at 6:05 pm.</p> <p><b>Movant:</b> Miller  <b>Second:</b> Watters  <b>Ayes:</b> Rebitzer, Fung, Miller, Po, Ting, Watters, Zoglin, Chow, Doiguchi, Hooper, Stewart  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chen, Kliger, Somersille  <b>Recused:</b> None</p>	
<p><b>6. AGENDA ITEM 9:</b></p>	<p><b>Motion:</b> To approve the FY2023 Operating &amp; Capital Budget</p>	

<p><b>RECONVENE                  OPEN                  SESSION/REPORT                  OUT</b></p>	<p><b>Movant:</b> Fung  <b>Second:</b> Watters  <b>Ayes:</b> Rebitzer, Fung, Miller, Po, Ting, Watters, Zoglin, Chow, Doiguchi, Hooper, Stewart  <b>Noes:</b> Zoglin, Chow, Doiguchi, Hooper, Stewart  <b>Abstentions:</b> None  <b>Absent:</b> Chen, Kliger, Somersille  <b>Recused:</b> None</p> <p><b>Motion:</b> To approve the FY2023 Operating Budget</p> <p><b>Movant:</b> Miller  <b>Second:</b> Watters  <b>Ayes:</b> Rebitzer, Fung, Miller, Po, Ting, Watters, Zoglin, Chow, Doiguchi, Hooper, Stewart  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chen, Kliger, Somersille  <b>Recused:</b> None</p> <p><b>Motion:</b> To postpone the approval of the FY2023 Capital Budget no later than the September Board Meeting.</p> <p><b>Movant:</b> Miller  <b>Second:</b> Watters  <b>Ayes:</b> Rebitzer, Fung, Miller, Po, Ting, Watters, Zoglin, Chow, Doiguchi, Hooper, Stewart  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chen, Kliger, Somersille  <b>Recused:</b> None</p>	
<p><b>7. AGENDA ITEM 10:                  CLOSING                  COMMENTS</b></p>	<p>No closing comments.</p>	
<p><b>8. AGENDA ITEM 11:                  ADJOURNMENT</b></p>	<p><b>Motion:</b> To adjourn at 6:52 pm</p> <p><b>Movant:</b> Fung  <b>Second:</b> Miller  <b>Ayes:</b> Rebitzer, Fung, Miller, Po, Ting, Watters, Zoglin, Chow, Doiguchi, Hooper, Stewart  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chen, Kliger, Somersille  <b>Recused:</b> None</p>	<p><i>Meeting                  adjourned at                  6:52 pm</i></p>

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

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Bob Rebitzer  
Vice Chair, ECH Board of Directors

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Julia E. Miller  
Secretary, ECH Board of Directors

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John Zoglin  
Chair, ECH Finance Committee

Prepared by: Samreen Salehi, Executive Assistant II Administrative Services

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# El Camino Health

## Summary of Financial Operations

*Fiscal Year 2022 – Period 11*

*7/1/2021 to 05/31/2022*

# Executive Summary - Overall Commentary for Period 11

## Key Drivers of Period 11 Financial Results

- Revenue was driven by strong inpatient and outpatient volumes across the organization. The following service lines continue to trend favorably compared to budget and the same period last year:
  - Outpatient: Radiation Oncology, Emergency Services, Radiation Oncology and Interventional Services
  - Inpatient: Surgical Services and Neonatal Intensive Care
- Effective management of variable expenses. When adjusted for volume, total cost per unit of service continue to trend favorably as compared to budget:
  - Cost per CMI adjusted discharge was 9.6% favorable to budget
- Total gross charges which are an indicator of patient activity were favorable to budget by \$47.4M / 11.9% and \$64.0M / 16.8% higher than the same period last year:
  - Outpatient charges were favorable by \$26.8M / 14.5%
  - Inpatient charges were favorable by \$19.8M / 9.6%
- Net patient revenue was favorable to budget by \$12.1M / 12.4% and \$14.5M / 15.1% higher than the same period last year
- Operating margin was favorable to budget by \$11.9M / 190.0% and \$6.2M / 52.1% higher than the same period last year
- Operating EBIDA was favorable to budget by \$12.5M / 94.9% and \$7.5M / 41.4% higher than the same period last year
- Net income was favorable to budget by \$5.4M / 37.8%, but \$8.8M / 30.6% lower than the same period last year. This is attributed the continued instability in the capital markets which has negatively impact investment income.

# Operational / Financial Results: Period 11 – May 2022 (as of 05/31/2022)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's	S&P	Performance to Rating Agency Medians
									'A1'	'AA'	
Activity / Volume	ADC	293	261	32	12.3%	254	39	15.5%	---	---	---
	Total Acute Discharges	1,850	1,746	104	5.9%	1,724	126	7.3%	---	---	---
	Adjusted Discharges	3,571	3,299	271	8.2%	3,268	302	9.3%	---	---	---
	Emergency Room Visits	5,931	4,444	1,487	33.4%	4,601	1,330	28.9%	---	---	---
	OP Procedural Cases	12,700	10,731	1,969	18.4%	13,412	(712)	(5.3%)	---	---	---
	Gross Charges (\$)	445,891	398,501	47,390	11.9%	381,888	64,003	16.8%	---	---	---
Operations	Total FTEs	3,236	3,142	95	3.0%	2,917	319	11.0%	---	---	---
	Productive Hrs. / APD	28.5	30.4	(1.9)	(6.3%)	30.8	(2.4)	(7.6%)	---	---	---
	Cost Per CMI AD	16,231	17,952	(1,721)	(9.6%)	15,165	1,066	7.0%	---	---	---
	Net Days in A/R	57.6	49.0	8.6	17.5%	51.7	5.8	11.3%	47.7	49.7	---
Financial Performance	Net Patient Revenue (\$)	110,010	97,887	12,122	12.4%	95,542	14,468	15.1%	138,547	82,105	---
	Total Operating Revenue (\$)	113,307	101,471	11,836	11.7%	100,927	12,380	12.3%	152,743	109,602	---
	<b>Operating Margin (\$)</b>	<b>18,138</b>	<b>6,255</b>	<b>11,883</b>	<b>190.0%</b>	<b>11,921</b>	<b>6,217</b>	<b>52.1%</b>	<b>1,915</b>	<b>3,836</b>	---
	<b>Operating EBIDA (\$)</b>	<b>25,632</b>	<b>13,153</b>	<b>12,479</b>	<b>94.9%</b>	<b>18,130</b>	<b>7,502</b>	<b>41.4%</b>	<b>11,188</b>	<b>10,741</b>	---
	Net Income (\$)	19,834	14,395	5,438	37.8%	28,588	(8,754)	(30.6%)	8,124	7,343	---
	<b>Operating Margin (%)</b>	<b>16.0%</b>	<b>6.2%</b>	<b>9.8%</b>	<b>159.7%</b>	<b>11.8%</b>	<b>4.2%</b>	<b>35.5%</b>	<b>1.9%</b>	<b>3.5%</b>	---
	<b>Operating EBIDA (%)</b>	<b>22.6%</b>	<b>13.0%</b>	<b>9.7%</b>	<b>74.5%</b>	<b>18.0%</b>	<b>4.7%</b>	<b>25.9%</b>	<b>8.3%</b>	<b>9.8%</b>	---
	DCOH (days)	291	325	(34)	(10.5%)	379	(88)	(23.2%)	306	355	---

**Moody's Medians:** Not-for-profit and public healthcare annual report; September 9, 2021. Dollar amounts have been adjusted to reflect monthly averages.

**S&P Medians:** U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021. Dollar amounts have been adjusted to reflect monthly averages.

DCOH total includes cash, short-term and long-term investments.

# Operational / Financial Results: YTD FY2022 (as of 05/31/2022)

(\$ thousands)

	Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians	
<b>Activity / Volume</b>	ADC	275	254	21	8.1%	242	33	13.4%	---	---	---
	Total Acute Discharges	19,529	18,462	1,067	5.8%	17,368	2,161	12.4%	---	---	---
	Adjusted Discharges	38,149	34,228	3,921	11.5%	32,794	5,354	16.3%	---	---	---
	Emergency Room Visits	61,358	48,042	13,316	27.7%	46,439	14,919	32.1%	---	---	---
	OP Procedural Cases	140,468	113,127	27,341	24.2%	148,005	(7,537)	(5.1%)	---	---	---
	Gross Charges (\$)	4,677,251	4,181,375	495,877	11.9%	3,901,178	776,073	19.9%	---	---	---
<b>Operations</b>	Total FTEs	3,091	3,081	11	0.3%	2,834	257	9.1%	---	---	---
	Productive Hrs. / APD	28.8	31.5	(2.7)	(8.6%)	31.2	(2.4)	(7.8%)	---	---	---
	Cost Per CMI AD	16,457	17,952	(1,495)	(8.3%)	16,876	(419)	(2.5%)	---	---	---
	Net Days in A/R	57.6	49.0	8.6	17.5%	51.7	5.8	11.3%	47.7	49.7	---
<b>Financial Performance</b>	Net Patient Revenue (\$)	1,191,241	1,051,614	139,627	13.3%	995,673	195,568	19.6%	1,524,020	903,150	---
	Total Operating Revenue (\$)	1,231,179	1,092,147	139,031	12.7%	1,039,398	191,781	18.5%	1,671,003	1,205,623	---
	<b>Operating Margin (\$)</b>	<b>158,670</b>	<b>73,018</b>	<b>85,652</b>	<b>117.3%</b>	<b>66,580</b>	<b>92,090</b>	<b>138.3%</b>	<b>21,063</b>	<b>42,197</b>	---
	<b>Operating EBIDA (\$)</b>	<b>241,491</b>	<b>150,031</b>	<b>91,460</b>	<b>61.0%</b>	<b>142,919</b>	<b>98,572</b>	<b>69.0%</b>	<b>123,072</b>	<b>118,151</b>	---
	Net Income (\$)	56,207	157,589	(101,382)	(64.3%)	287,378	(231,171)	(80.4%)	89,369	80,777	---
	<b>Operating Margin (%)</b>	<b>12.9%</b>	<b>6.7%</b>	<b>6.2%</b>	<b>92.8%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>101.2%</b>	<b>1.9%</b>	<b>3.5%</b>	---
	<b>Operating EBIDA (%)</b>	<b>19.6%</b>	<b>13.7%</b>	<b>5.9%</b>	<b>42.8%</b>	<b>13.8%</b>	<b>5.9%</b>	<b>42.7%</b>	<b>8.3%</b>	<b>9.8%</b>	---
	DCOH (days)	291	325	(34)	(10.5%)	379	(88)	(23.2%)	306	355	---

**Moody's Medians:** Not-for-profit and public healthcare annual report; September 9, 2021.

**S&P Medians:** U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021

DCOH total includes cash, short-term and long-term investments.

# Key Statistics: Period 11 and YTD (as of 05/31/2022)

Key Metrics	Month to Date			Variance (%)		Year to Date			Variance (%)	
	PY	CY	Budget	CY vs PY	CY vs Budget	PY	CY	Budget	CY vs PY	CY vs Budget
ADC	254	293	261	15.5%	12.3%	242	275	254	13.4%	8.1%
Utilization MV	66%	77%	69%	17.5%	12.5%	63%	73%	67%	14.7%	8.0%
Utilization LG	34%	37%	33%	7.3%	11.6%	32%	34%	31%	8.5%	8.7%
Utilization Combined	56%	65%	58%	15.5%	12.3%	53%	61%	56%	13.5%	8.1%
Adjusted Discharges	3,268	3,571	3,299	9.3%	8.2%	32,794	38,149	34,228	16.3%	11.5%
Total Discharges (Exc NB)	1,724	1,850	1,746	7.3%	5.9%	17,368	19,529	18,462	12.4%	5.8%
Total Discharges	2,092	2,272	2,145	8.6%	5.9%	20,968	23,895	22,606	14.0%	5.7%
<b>Inpatient Case Activity</b>										
MS Discharges	1,193	1,233	1,143	3.4%	7.9%	11,901	13,155	12,315	10.5%	6.8%
Deliveries	392	445	413	13.5%	7.7%	3,849	4,707	4,356	22.3%	8.1%
BHS	102	134	138	31.4%	(2.8%)	1,176	1,246	1,299	6.0%	(4.1%)
Rehab	37	39	52	5.4%	(25.0%)	444	409	492	(7.9%)	(16.9%)
<b>Outpatient Case Activity</b>										
Total Outpatient Cases	17,028	17,695	14,005	3.9%	26.4%	182,145	188,359	148,820	3.4%	26.6%
ED	3,616	4,995	3,274	38.1%	52.6%	34,140	47,891	35,693	40.3%	34.2%
OP Surg	580	567	464	(2.2%)	22.3%	5,836	6,494	4,965	11.3%	30.8%
Endo	242	268	232	10.7%	15.5%	2,358	2,616	2,358	10.9%	10.9%
Interventional	180	191	186	6.1%	2.7%	1,949	2,131	1,933	9.3%	10.2%
All Other	12,410	11,674	9,849	(5.9%)	18.5%	137,862	129,227	103,871	(6.3%)	24.4%
<b>Hospital Payor Mix</b>										
Medicare	49.0%	48.6%	48.2%	(0.7%)	0.9%	48.6%	48.2%	47.9%	(1.0%)	0.6%
Medi-Cal	8.8%	7.3%	7.8%	(16.8%)	(6.4%)	8.2%	8.0%	8.0%	(2.3%)	0.9%
Commercial	39.9%	41.9%	42.1%	5.2%	(0.4%)	40.8%	41.7%	42.1%	2.1%	(0.9%)
Other	2.4%	2.1%	2.0%	(10.5%)	7.9%	2.3%	2.1%	2.1%	(8.1%)	1.2%

# Enterprise Income Statement: Rolling 16 Monthly Trend (\$000s)

	FY2021					FY2022											YTD FY2022	Rolling 16 Monthly Average	
	Period 8	Period 9	Period 10	Period 11	Period 12	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11			
	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22			
<b>Operating Revenues:</b>																			
Net Patient Revenue	85,273	97,171	94,903	95,542	112,238	101,774	104,482	104,776	106,632	107,257	113,033	109,378	105,960	123,165	104,774	110,010	1,191,241	104,773	
Other Operating Revenue	3,352	3,537	3,692	5,385	4,706	3,116	3,746	3,479	4,506	3,600	3,648	3,362	3,313	3,577	4,293	3,297	39,938	3,788	
<b>Total Operating Revenue</b>	<b>88,625</b>	<b>100,708</b>	<b>98,595</b>	<b>100,927</b>	<b>116,945</b>	<b>104,889</b>	<b>108,228</b>	<b>108,256</b>	<b>111,138</b>	<b>110,857</b>	<b>116,681</b>	<b>112,741</b>	<b>109,273</b>	<b>126,741</b>	<b>109,067</b>	<b>113,307</b>	<b>1,231,179</b>	<b>108,561</b>	
<b>Operating Expenses:</b>																			
Salaries, Wages and Benefits	48,592	52,025	50,616	48,138	48,101	53,000	53,940	53,629	56,001	53,709	55,947	59,347	55,256	60,098	57,347	53,852	612,126	53,725	
Supplies	13,587	15,421	14,256	15,241	15,156	15,109	14,569	14,862	14,502	14,941	16,060	16,051	15,296	17,661	15,225	16,471	170,746	15,275	
Fees & Purchased Services	14,770	15,139	15,761	15,923	19,915	14,390	14,182	14,800	14,760	15,210	14,955	14,291	16,550	17,352	15,127	13,626	165,243	15,422	
Other Operating Expenses	1,097	3,536	3,662	3,496	6,002	3,598	3,577	3,676	3,586	3,842	4,112	3,829	4,290	3,821	3,517	3,726	41,573	3,710	
Interest	1,392	1,399	1,400	1,400	1,367	1,419	1,418	1,418	1,418	1,420	1,419	1,421	1,380	1,384	1,394	1,393	15,483	1,403	
Depreciation	5,903	4,931	5,606	4,808	5,740	4,727	7,157	5,902	5,798	6,440	6,173	6,046	6,311	6,246	6,438	6,101	67,337	5,895	
<b>Total Operating Expenses</b>	<b>85,341</b>	<b>92,450</b>	<b>91,301</b>	<b>89,006</b>	<b>96,281</b>	<b>92,242</b>	<b>94,844</b>	<b>94,286</b>	<b>96,065</b>	<b>95,561</b>	<b>98,665</b>	<b>100,984</b>	<b>99,084</b>	<b>106,561</b>	<b>99,048</b>	<b>95,169</b>	<b>1,072,508</b>	<b>95,430</b>	
<b>Operating Margin</b>	<b>3,285</b>	<b>8,258</b>	<b>7,294</b>	<b>11,921</b>	<b>20,664</b>	<b>12,648</b>	<b>13,384</b>	<b>13,970</b>	<b>15,073</b>	<b>15,297</b>	<b>18,016</b>	<b>11,756</b>	<b>10,189</b>	<b>20,180</b>	<b>10,020</b>	<b>18,138</b>	<b>158,670</b>	<b>13,131</b>	
Non-Operating Income	14,349	18,965	29,151	16,666	20,041	(4,099)	14,319	(18,378)	24,361	(21,232)	17,581	(31,539)	(32,720)	3,935	(56,388)	1,696	(102,463)	(206)	
<b>Net Margin</b>	<b>17,633</b>	<b>27,223</b>	<b>36,445</b>	<b>28,588</b>	<b>40,705</b>	<b>8,549</b>	<b>27,703</b>	<b>(4,408)</b>	<b>39,435</b>	<b>(5,935)</b>	<b>35,596</b>	<b>(19,783)</b>	<b>(22,531)</b>	<b>24,115</b>	<b>(46,369)</b>	<b>19,834</b>	<b>56,207</b>	<b>12,925</b>	
<b>Operating EBIDA</b>	<b>10,580</b>	<b>14,588</b>	<b>14,301</b>	<b>18,130</b>	<b>27,771</b>	<b>18,793</b>	<b>21,959</b>	<b>21,289</b>	<b>22,290</b>	<b>23,156</b>	<b>25,608</b>	<b>19,223</b>	<b>17,881</b>	<b>27,810</b>	<b>17,851</b>	<b>25,632</b>	<b>241,491</b>	<b>20,429</b>	
Operating Margin (%)	3.7%	8.2%	7.4%	11.8%	17.7%	12.1%	12.4%	12.9%	13.6%	13.8%	15.4%	10.4%	9.3%	15.9%	9.2%	16.0%	12.9%	12.1%	
<b>Operating EBIDA Margin (%)</b>	<b>11.9%</b>	<b>14.5%</b>	<b>14.5%</b>	<b>18.0%</b>	<b>23.7%</b>	<b>17.9%</b>	<b>20.3%</b>	<b>19.7%</b>	<b>20.1%</b>	<b>20.9%</b>	<b>21.9%</b>	<b>17.1%</b>	<b>16.4%</b>	<b>21.9%</b>	<b>16.4%</b>	<b>22.6%</b>	<b>19.6%</b>	<b>18.8%</b>	

# Financial Overview: Period 11 – May 2022

Period ending 5/31/2022

## Financial Performance

- Operating margin was \$18.1M compared to a budget of \$6.3M, resulting in a favorable variance of \$11.9M
- Volumes and revenues continued to be ahead of budgeted levels:
  - Favorable variance of gross charges of \$47.4M was driven primarily by outpatient activity:
    - Inpatient gross charges: Favorable to budget by \$19.8M / 9.6% variance primarily driven by surgical inpatient services, neonatal intensive care, nursing units, and corresponding ancillary services
    - Outpatient gross charges: Favorable to budget by \$26.8M / 14.5% variance primarily driven by emergency services, radiation oncology, interventional services, and corresponding ancillary services
  - Operating Expenses were consistent with budget
    - SWB were unfavorable by \$2.8M / 6.5%
    - Supplies were unfavorable by \$1.1M / 7.0%
      - Supply expenses attributed to Covid-19 were \$600K in May and \$8.8M YTD
    - All other discretionary non-volume driven expenses were unfavorable to budget by \$1.7M

# Financial Overview: Period 11 – May 2022 (cont.)

Period ending 5/31/2022

## Financial Performance

### Hospital Operations:

- Adjusted Discharges (AD): Favorable to budget by 272 ADs / 8.2% and above prior year by 303 ADs / 9.3%:
  - Mountain View: Favorable to budget by 246 ADs / 8.7% and above prior year by 328 ADs / 12.7%
  - Los Gatos: Favorable to budget by 26 ADs / 3.3% and below prior year by 25 ADs / 3.1%
- Operating Expense Per CMI Adjusted Discharge: \$16,231 which is 9.6% favorable to budget  
**Note: Excludes depreciation and interest**

### El Camino Health Medical Network (ECHMN) Operations:

- May's total visits of 17,104 reflect an increase of 6.4% over the prior month's 16,069. May's visits per day of 787 also reflect an increase of 5.6% over the prior month's 745.
- Increases occurred at the Cupertino, Mountain View and 1<sup>st</sup> St. Urgent Care sites, McKee, Morgan Hill, Winchester and Mountain View Clinics.
- May's total visits were favorable to budget by 3.3%. However, May's YTD total visits are unfavorable to budget by 2.1%. The YTD budget variance is related to the loss of several OB/GYN providers and the closure of Gilroy and Campbell locations.
- Net Income for the month of May was unfavorable to budget by \$920K or 34% bringing the YTD variance to an unfavorable \$884K or 2.9%. Included in the net loss are losses on disposal of assets, \$166K, from the closure of Gilroy and relocation of the Samaritan Clinic and the repayment of \$359K of HHS stimulus funds that were received in FY2020. Compared to last year, May's net income was unfavorable by \$1.1M or 46%. However, for the eleven months ended May 2022 the organization remains favorable to the prior year by \$1.7M or 5.1%.

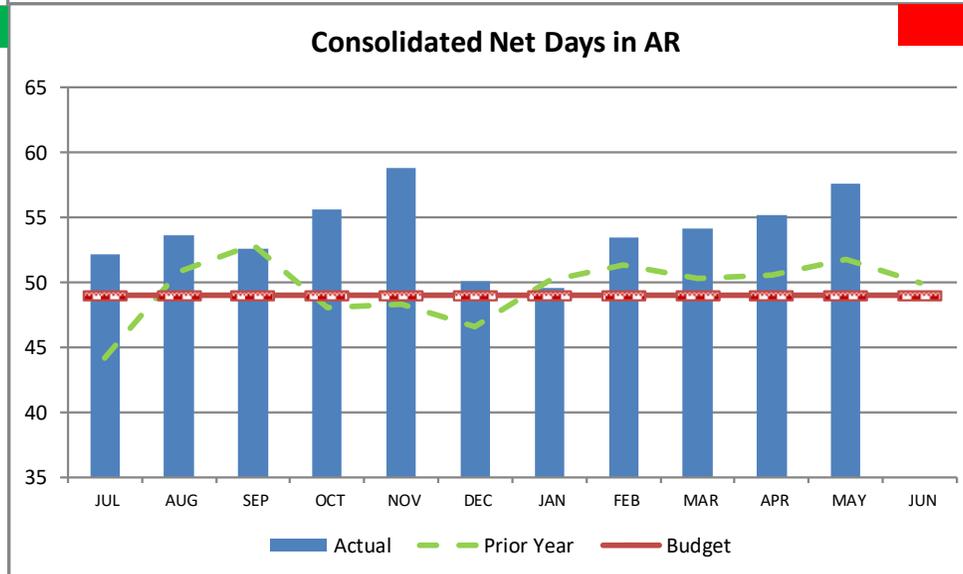
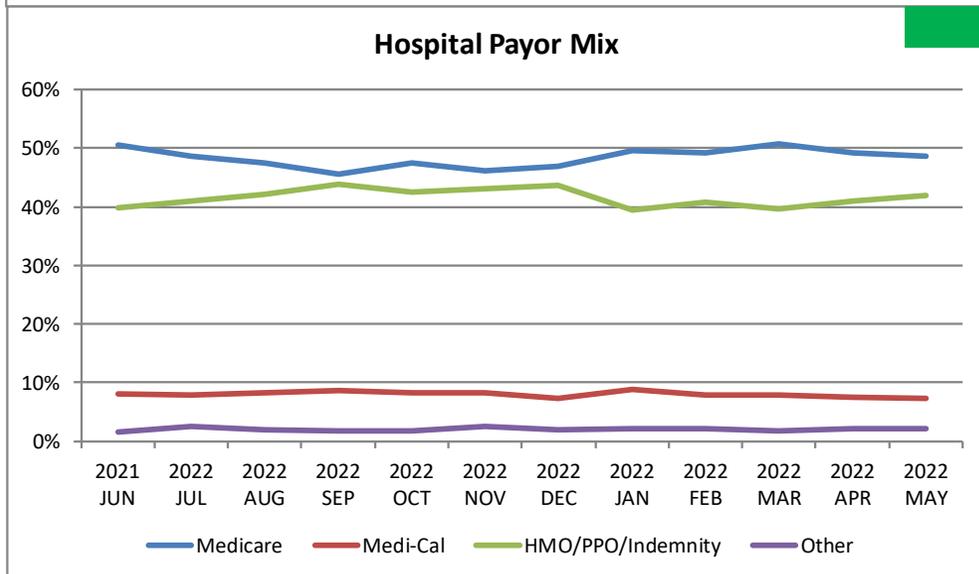
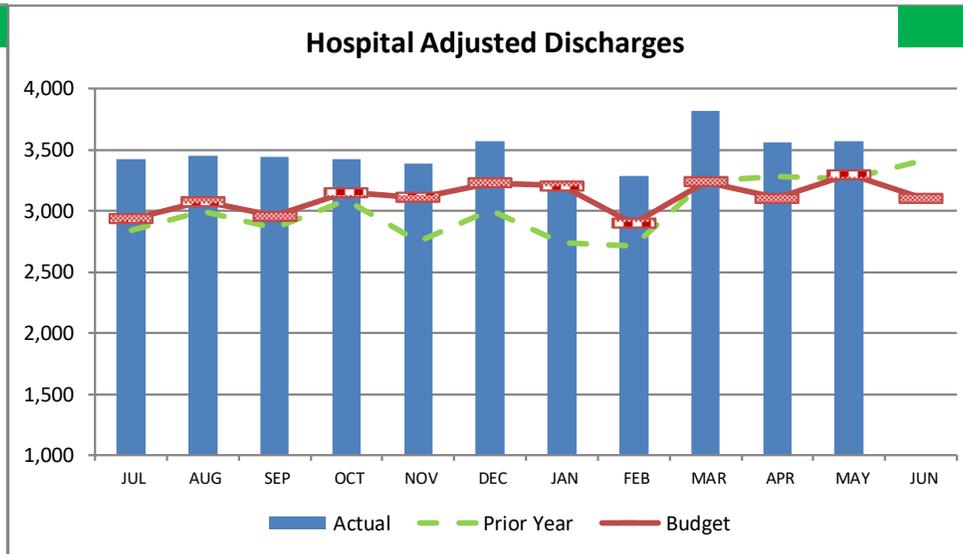
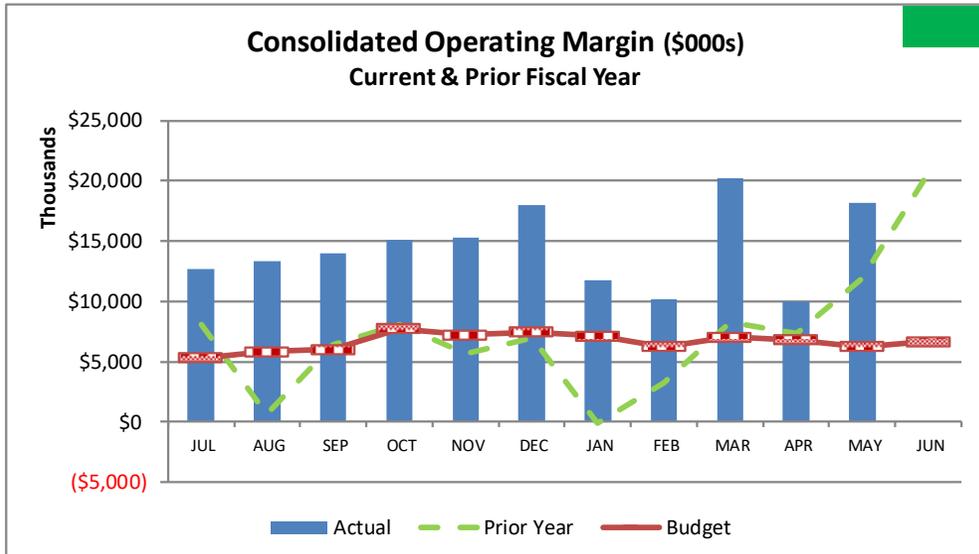
# Financial Overview: YTD FY2022 (as of 5/31/2022)

## Consolidated Financial Performance

- YTD FY2022 operating margin is \$158.7M compared to the budget of \$73.0M
  - Operating expense is \$1,073M / 5.2% unfavorable to budget
    - When adjusted for volume, operating expenses per CMI adjusted discharge is \$16,457 which is 8.3% favorable to budget. This continues to demonstrate effective management of variable expenses and the impact of initiatives implemented by management.
- Note: Excludes depreciation and interest expense**
- Year-over-year operating margin is \$92.1M higher than the same period last year, which is primarily due to the strength in volumes as exhibited by year-over-year growth in the following service lines:
    - Outpatient Services: +11.3% primarily driven by Heart/Vascular, Orthopedic & Spine activity and the associated ancillary services
    - Emergency Room Visits: +40.3%
    - Deliveries - Maternal Child services: +22.3%
  - Year-over-year net margin is \$231.2M lower than the same period last year, which is attributed to lower investment income.

# APPENDIX

# YTD FY2022 Financial KPIs – Monthly Trends



# Investment Scorecard (as of 03/31/2022)

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY22 Budget	Expectation Per Asset Allocation
<b>Investment Performance</b>		CY 1Q 2022 / FY 3Q 2022		Fiscal Year-to-Date 2022		9y 5m Since Inception (annualized)		FY 2022	2019
Surplus cash balance*		\$1,407.1	--	--	--	--	--	--	--
Surplus cash return	Green	-5.2%	-4.5%	-3.4%	-2.0%	6.0%	6.0%	4.0%	5.6%
Cash balance plan balance (millions)		\$336.3	--	--	--	--	--	--	--
Cash balance plan return	Green	-6.8%	-4.6%	-4.4%	-1.2%	7.9%	7.5%	6.0%	6.0%
403(b) plan balance (millions)		\$740.2	--	--	--	--	--	--	--
<b>Risk vs. Return</b>		3-year			9y 5m Since Inception (annualized)			2019	
Surplus cash Sharpe ratio	Green	0.75	0.83	--	--	0.86	0.89	--	0.34
Net of fee return	Green	7.2%	7.6%	--	--	6.0%	6.0%	--	5.6%
Standard deviation	Green	8.6%	8.2%	--	--	6.2%	6.0%	--	8.7%
Cash balance Sharpe ratio	Green	0.74	0.84	--	--	0.91	0.94	--	0.32
Net of fee return	Green	8.7%	9.0%	--	--	7.9%	7.5%	--	6.0%
Standard deviation	Green	10.9%	9.7%	--	--	8.0%	7.3%	--	10.3%
<b>Asset Allocation</b>		CY 1Q 2022 / FY 3Q 2022							
Surplus cash absolute variances to target	Green	3.9%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target	Green	6.2%	< 10% Green < 20% Yellow	--	--	--	--	--	--
<b>Manager Compliance</b>		CY 1Q 2022 / FY 3Q 2022							
Surplus cash manager flags	Green	20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	Green	20	< 27 Green < 34 Yellow	--	--	--	--	--	--

\*Excludes debt reserve funds, District assets (~\$41 mm), and balance sheet cash not in investable portfolio (~\$185 mm). Includes Foundation (~\$42 mm) and Concern (~\$14 mm) assets.



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# Period 11 and YTD Operating Income, Non-Operating Income and Net Income by Affiliate (as of 05/31/2022)

(\$000s)

	Period 11- Month			Period 11- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Operating Margin</b>						
Mountain View	20,099	6,504	13,595	151,836	73,710	78,125
Los Gatos	1,662	2,806	(1,143)	38,643	32,270	6,373
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>21,761</b>	<b>9,310</b>	<b>12,451</b>	<b>190,479</b>	<b>105,980</b>	<b>84,498</b>
<b>Operating Margin %</b>	<b>19.9%</b>	<b>9.6%</b>		<b>16.1%</b>	<b>10.2%</b>	
<b>El Camino Hospital Non Operating Income</b>						
<b>Sub Total - Non Operating Income</b>	<b>694</b>	<b>7,846</b>	<b>(7,153)</b>	<b>(102,321)</b>	<b>81,353</b>	<b>(183,674)</b>
<b>El Camino Hospital Net Margin</b>	<b>22,455</b>	<b>17,156</b>	<b>5,299</b>	<b>88,158</b>	<b>187,333</b>	<b>(99,175)</b>
<b>ECH Net Margin %</b>	<b>20.5%</b>	<b>17.7%</b>		<b>7.5%</b>	<b>18.0%</b>	
Concern	106	62	44	(236)	761	(997)
Foundation	901	(115)	1,016	(595)	(270)	(325)
El Camino Health Medical Network	(3,628)	(2,708)	(920)	(31,119)	(30,236)	(884)
<b>Net Margin Hospital Affiliates</b>	<b>(2,621)</b>	<b>(2,761)</b>	<b>140</b>	<b>(31,951)</b>	<b>(29,744)</b>	<b>(2,206)</b>
<b>Total Net Margin Hospital &amp; Affiliates</b>	<b>19,834</b>	<b>14,395</b>	<b>5,438</b>	<b>56,207</b>	<b>157,589</b>	<b>(101,382)</b>

# Consolidated Statement of Operations (\$000s)

Period 11 ending 05/31/2022

Period 11 FY 2021	Period 11 FY 2022	Period 11 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
381,888	445,891	398,501	47,390	11.9%	<b>Gross Revenue</b>	3,901,178	4,677,251	4,181,375	495,877	11.9%
(286,346)	(335,881)	(300,614)	(35,267)	(11.7%)	<b>Deductions</b>	(2,905,506)	(3,486,010)	(3,129,761)	(356,249)	(11.4%)
<b>95,542</b>	<b>110,010</b>	<b>97,887</b>	<b>12,122</b>	<b>12.4%</b>	<b>Net Patient Revenue</b>	<b>995,673</b>	<b>1,191,241</b>	<b>1,051,614</b>	<b>139,627</b>	<b>13.3%</b>
5,385	3,297	3,584	(286)	(8.0%)	<b>Other Operating Revenue</b>	43,725	39,938	40,534	(596)	(1.5%)
<b>100,927</b>	<b>113,307</b>	<b>101,471</b>	<b>11,836</b>	<b>11.7%</b>	<b>Total Operating Revenues</b>	<b>1,039,398</b>	<b>1,231,179</b>	<b>1,092,147</b>	<b>139,031</b>	<b>12.7%</b>
<b>OPERATING EXPENSE</b>										
48,138	53,852	54,371	518	1.0%	<b>Salaries &amp; Wages</b>	540,369	612,126	576,200	(35,926)	(6.2%)
15,241	16,471	15,399	(1,071)	(7.0%)	<b>Supplies</b>	156,558	170,746	160,887	(9,858)	(6.1%)
15,923	13,626	14,400	774	5.4%	<b>Fees &amp; Purchased Services</b>	160,931	165,243	158,423	(6,820)	(4.3%)
3,496	3,726	4,148	422	10.2%	<b>Other Operating Expense</b>	38,620	41,573	46,606	5,033	10.8%
1,400	1,393	1,410	17	1.2%	<b>Interest</b>	15,592	15,483	15,442	(41)	(0.3%)
4,808	6,101	5,487	(614)	(11.2%)	<b>Depreciation</b>	60,746	67,337	61,571	(5,767)	(9.4%)
<b>89,006</b>	<b>95,169</b>	<b>95,216</b>	<b>46</b>	<b>0.0%</b>	<b>Total Operating Expenses</b>	<b>972,817</b>	<b>1,072,508</b>	<b>1,019,129</b>	<b>(53,379)</b>	<b>(5.2%)</b>
<b>11,921</b>	<b>18,138</b>	<b>6,255</b>	<b>11,883</b>	<b>190.0%</b>	<b>Net Operating Margin</b>	<b>66,580</b>	<b>158,670</b>	<b>73,018</b>	<b>85,652</b>	<b>117.3%</b>
16,666	1,696	8,140	(6,444)	(79.2%)	<b>Non Operating Income</b>	220,798	(102,463)	84,570	(187,034)	(221.2%)
<b>28,588</b>	<b>19,834</b>	<b>14,395</b>	<b>5,438</b>	<b>37.8%</b>	<b>Net Margin</b>	<b>287,378</b>	<b>56,207</b>	<b>157,589</b>	<b>(101,382)</b>	<b>(64.3%)</b>
<b>18,130</b>	<b>25,632</b>	<b>13,153</b>	<b>12,479</b>	<b>94.9%</b>	<b>Operating EBIDA</b>	<b>142,919</b>	<b>241,491</b>	<b>150,031</b>	<b>91,460</b>	<b>61.0%</b>
18.0%	22.6%	13.0%	9.7%		<b>Operating EBIDA Margin</b>	13.8%	19.6%	13.7%	5.9%	
11.8%	16.0%	6.2%	9.8%		<b>Operating Margin</b>	6.4%	12.9%	6.7%	6.2%	
28.3%	17.5%	14.2%	3.3%		<b>Net Margin</b>	27.6%	4.6%	14.4%	(9.9%)	

# El Camino Hospital – Mountain View

## Statement of Operations (\$000s)

Period 11 ending 05/31/2022

Period 11 FY 2021	Period 11 FY 2022	Period 11 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUES</b>										
285,630	338,235	310,769	27,467	8.8%	<b>Gross Revenue</b>	2,971,653	3,532,989	3,261,248	271,741	8.3%
(211,919)	(252,648)	(235,278)	(17,370)	(7.4%)	<b>Deductions</b>	(2,209,248)	(2,616,010)	(2,451,889)	(164,121)	(6.7%)
<b>73,710</b>	<b>85,587</b>	<b>75,491</b>	<b>10,096</b>	<b>13.4%</b>	<b>Net Patient Revenue</b>	<b>762,406</b>	<b>916,979</b>	<b>809,359</b>	<b>107,619</b>	<b>13.3%</b>
3,335	1,816	1,642	174	10.6%	<b>Other Operating Revenue</b>	18,200	17,886	18,790	(904)	(4.8%)
<b>77,045</b>	<b>87,403</b>	<b>77,132</b>	<b>10,270</b>	<b>13.3%</b>	<b>Total Operating Revenues</b>	<b>780,606</b>	<b>934,864</b>	<b>828,149</b>	<b>106,715</b>	<b>12.9%</b>
<b>OPERATING EXPENSES</b>										
37,319	40,339	43,140	2,800	6.5%	<b>Salaries &amp; Wages</b>	425,133	479,437	457,048	(22,389)	(4.9%)
10,786	11,954	11,937	(17)	(0.1%)	<b>Supplies</b>	116,815	124,421	123,657	(763)	(0.6%)
8,421	6,346	7,101	755	10.6%	<b>Fees &amp; Purchased Services</b>	79,309	82,266	78,448	(3,818)	(4.9%)
2,228	2,533	2,715	182	6.7%	<b>Other Operating Expense</b>	24,622	29,139	31,271	2,132	6.8%
1,400	1,393	1,410	17	1.2%	<b>Interest</b>	15,592	15,483	15,442	(41)	(0.3%)
3,607	4,739	4,326	(412)	(9.5%)	<b>Depreciation</b>	47,837	52,283	48,573	(3,709)	(7.6%)
<b>63,762</b>	<b>67,304</b>	<b>70,628</b>	<b>3,325</b>	<b>4.7%</b>	<b>Total Operating Expenses</b>	<b>709,308</b>	<b>783,028</b>	<b>754,438</b>	<b>(28,590)</b>	<b>(3.8%)</b>
<b>13,283</b>	<b>20,099</b>	<b>6,504</b>	<b>13,595</b>	<b>209.0%</b>	<b>Net Operating Margin</b>	<b>71,298</b>	<b>151,836</b>	<b>73,710</b>	<b>78,125</b>	<b>106.0%</b>
15,649	694	7,846	(7,153)	(91.2%)	<b>Non Operating Income</b>	212,390	(102,344)	81,353	(183,697)	(225.8%)
<b>28,933</b>	<b>20,793</b>	<b>14,350</b>	<b>6,442</b>	<b>44.9%</b>	<b>Net Margin</b>	<b>283,687</b>	<b>49,492</b>	<b>155,063</b>	<b>(105,571)</b>	<b>(68.1%)</b>
<b>18,290</b>	<b>26,231</b>	<b>12,241</b>	<b>13,990</b>	<b>114.3%</b>	<b>Operating EBIDA</b>	<b>134,727</b>	<b>219,602</b>	<b>137,726</b>	<b>81,876</b>	<b>59.4%</b>
23.7%	30.0%	15.9%	14.1%		<b>Operating EBIDA Margin</b>	17.3%	23.5%	16.6%	6.9%	
17.2%	23.0%	8.4%	14.6%		<b>Operating Margin</b>	9.1%	16.2%	8.9%	7.3%	
37.6%	23.8%	18.6%	5.2%		<b>Net Margin</b>	36.3%	5.3%	18.7%	(13.4%)	

# El Camino Hospital – Los Gatos

## Statement of Operations (\$000s)

Period 11 ending 05/31/2022

Period 11 FY 2021	Period 11 FY 2022	Period 11 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
86,414	99,549	80,430	19,119	23.8%	<b>Gross Revenue</b>	830,154	1,047,483	834,093	213,390	25.6%
(68,064)	(77,792)	(60,764)	(17,028)	(28.0%)	<b>Deductions</b>	(629,967)	(805,159)	(623,810)	(181,349)	(29.1%)
<b>18,350</b>	<b>21,757</b>	<b>19,666</b>	<b>2,091</b>	<b>10.6%</b>	<b>Net Patient Revenue</b>	<b>200,187</b>	<b>242,324</b>	<b>210,283</b>	<b>32,041</b>	<b>15.2%</b>
276	293	272	21	7.7%	<b>Other Operating Revenue</b>	3,589	3,143	2,981	162	5.4%
<b>18,626</b>	<b>22,050</b>	<b>19,939</b>	<b>2,112</b>	<b>10.6%</b>	<b>Total Operating Revenue</b>	<b>203,776</b>	<b>245,467</b>	<b>213,264</b>	<b>32,203</b>	<b>15.1%</b>
					<b>OPERATING EXPENSE</b>					
8,624	11,376	9,147	(2,229)	(24.4%)	<b>Salaries &amp; Wages</b>	92,030	110,383	96,053	(14,330)	(14.9%)
4,154	4,114	3,239	(875)	(27.0%)	<b>Supplies</b>	35,019	42,373	34,342	(8,030)	(23.4%)
3,123	3,345	3,288	(57)	(1.7%)	<b>Fees &amp; Purchased Services</b>	32,592	38,171	35,384	(2,788)	(7.9%)
365	478	545	67	12.2%	<b>Other Operating Expense</b>	4,150	4,045	4,996	952	19.0%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
949	1,074	914	(160)	(17.5%)	<b>Depreciation</b>	10,035	11,853	10,218	(1,634)	(16.0%)
<b>17,216</b>	<b>20,388</b>	<b>17,133</b>	<b>(3,255)</b>	<b>(19.0%)</b>	<b>Total Operating Expense</b>	<b>173,826</b>	<b>206,824</b>	<b>180,994</b>	<b>(25,831)</b>	<b>(14.3%)</b>
<b>1,410</b>	<b>1,662</b>	<b>2,806</b>	<b>(1,143)</b>	<b>(40.8%)</b>	<b>Net Operating Margin</b>	<b>29,950</b>	<b>38,643</b>	<b>32,270</b>	<b>6,373</b>	<b>19.7%</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	0	23	0	23	0.0%
<b>1,410</b>	<b>1,662</b>	<b>2,806</b>	<b>(1,143)</b>	<b>(40.8%)</b>	<b>Net Margin</b>	<b>29,950</b>	<b>38,666</b>	<b>32,270</b>	<b>6,396</b>	<b>19.8%</b>
<b>2,360</b>	<b>2,737</b>	<b>3,720</b>	<b>(983)</b>	<b>(26.4%)</b>	<b>Operating EBIDA</b>	<b>39,985</b>	<b>50,496</b>	<b>42,488</b>	<b>8,007</b>	<b>18.8%</b>
12.7%	12.4%	18.7%	(6.2%)		<b>Operating EBIDA Margin</b>	19.6%	20.6%	19.9%	0.6%	
7.6%	7.5%	14.1%	(6.5%)		<b>Operating Margin</b>	14.7%	15.7%	15.1%	0.6%	
7.6%	7.5%	14.1%	(6.5%)		<b>Net Margin</b>	14.7%	15.8%	15.1%	0.6%	

# El Camino Health Medical Network

## Statement of Operations (\$000s)

Period 11 ending 05/31/2022

Period 11 FY 2021	Period 11 FY 2022	Period 11 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUES</b>					
9,844	8,107	7,302	804	11.0%	<b>Gross Revenue</b>	99,371	96,779	86,033	10,746	12.5%
(6,363)	(5,441)	(4,572)	(869)	(19.0%)	<b>Deductions</b>	(66,291)	(64,841)	(54,061)	(10,780)	(19.9%)
<b>3,482</b>	<b>2,666</b>	<b>2,730</b>	<b>(64)</b>	<b>(2.4%)</b>	<b>Net Patient Revenue</b>	<b>33,081</b>	<b>31,938</b>	<b>31,972</b>	<b>(33)</b>	<b>(0.1%)</b>
910	517	869	(352)	(40.5%)	<b>Other Operating Revenue</b>	12,858	9,847	9,964	(117)	(1.2%)
<b>4,391</b>	<b>3,183</b>	<b>3,600</b>	<b>(417)</b>	<b>(11.6%)</b>	<b>Total Operating Revenues</b>	<b>45,938</b>	<b>41,786</b>	<b>41,936</b>	<b>(150)</b>	<b>(0.4%)</b>
					<b>OPERATING EXPENSES</b>					
1,754	1,657	1,586	(71)	(4.5%)	<b>Salaries &amp; Wages</b>	18,469	17,469	17,767	298	1.7%
298	399	214	(185)	(86.7%)	<b>Supplies</b>	4,621	3,877	2,776	(1,101)	(39.7%)
3,750	3,612	3,437	(175)	(5.1%)	<b>Fees &amp; Purchased Services</b>	43,901	40,254	39,222	(1,033)	(2.6%)
835	638	839	202	24.0%	<b>Other Operating Expense</b>	9,251	7,706	9,795	2,088	21.3%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
239	276	232	(44)	(19.0%)	<b>Depreciation</b>	2,733	3,072	2,612	(460)	(17.6%)
<b>6,876</b>	<b>6,582</b>	<b>6,308</b>	<b>(274)</b>	<b>(4.3%)</b>	<b>Total Operating Expenses</b>	<b>78,975</b>	<b>72,378</b>	<b>72,171</b>	<b>(207)</b>	<b>(0.3%)</b>
<b>(2,484)</b>	<b>(3,399)</b>	<b>(2,708)</b>	<b>(691)</b>	<b>(25.5%)</b>	<b>Net Operating Margin</b>	<b>(33,037)</b>	<b>(30,593)</b>	<b>(30,236)</b>	<b>(357)</b>	<b>(1.2%)</b>
0	(229)	0	(229)	0.0%	<b>Non Operating Income</b>	229	(527)	0	(527)	0.0%
<b>(2,484)</b>	<b>(3,628)</b>	<b>(2,708)</b>	<b>(920)</b>	<b>(34.0%)</b>	<b>Net Margin</b>	<b>(32,808)</b>	<b>(31,119)</b>	<b>(30,236)</b>	<b>(884)</b>	<b>(2.9%)</b>
<b>(2,245)</b>	<b>(3,123)</b>	<b>(2,476)</b>	<b>(647)</b>	<b>(26.1%)</b>	<b>Operating EBIDA</b>	<b>(30,304)</b>	<b>(27,521)</b>	<b>(27,624)</b>	<b>103</b>	<b>0.4%</b>
-51.1%	-98.1%	-68.8%	(29.3%)		<b>Operating EBIDA Margin</b>	-66.0%	-65.9%	-65.9%	0.0%	
-56.6%	-106.8%	-75.2%	(31.6%)		<b>Operating Margin</b>	-71.9%	-73.2%	-72.1%	(1.1%)	
-56.6%	-114.0%	-75.2%	(38.8%)		<b>Net Margin</b>	-71.4%	-74.5%	-72.1%	(2.4%)	

# Consolidated Balance Sheet (as of 05/31/2022)

(\$000s)

## ASSETS

	Audited	
	May 31, 2022	June 30, 2021
<b>CURRENT ASSETS</b>		
Cash	175,661	151,641
Short Term Investments	160,720	284,262
Patient Accounts Receivable, net	211,555	166,283
Other Accounts and Notes Receivable	6,713	9,540
Intercompany Receivables	13,445	15,116
Inventories and Prepaids	29,523	23,079
<b>Total Current Assets</b>	<b>597,617</b>	<b>649,921</b>
<b>BOARD DESIGNATED ASSETS</b>		
Foundation Board Designated	20,566	20,932
Plant & Equipment Fund	311,790	258,191
Women's Hospital Expansion	30,261	30,401
Operational Reserve Fund	182,907	123,838
Community Benefit Fund	17,999	18,412
Workers Compensation Reserve Fund	17,002	16,482
Postretirement Health/Life Reserve Fund	31,473	30,658
PTO Liability Fund	34,159	32,498
Malpractice Reserve Fund	1,932	1,977
Catastrophic Reserves Fund	27,109	24,874
<b>Total Board Designated Assets</b>	<b>675,198</b>	<b>558,264</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>0</b>	<b>5,694</b>
<b>LONG TERM INVESTMENTS</b>	<b>507,695</b>	<b>603,211</b>
<b>CHARITABLE GIFT ANNUITY INVESTMENTS</b>	<b>891</b>	<b>728</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>30,259</b>	<b>34,170</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,869,670	1,799,463
Less: Accumulated Depreciation	(781,542)	(742,921)
Construction in Progress	95,056	94,236
<b>Property, Plant &amp; Equipment - Net</b>	<b>1,183,183</b>	<b>1,150,778</b>
<b>DEFERRED OUTFLOWS</b>	<b>23,738</b>	<b>21,444</b>
<b>RESTRICTED ASSETS</b>	<b>31,308</b>	<b>29,332</b>
<b>OTHER ASSETS</b>	<b>116,580</b>	<b>86,764</b>
<b>TOTAL ASSETS</b>	<b>3,166,469</b>	<b>3,140,306</b>

## LIABILITIES AND FUND BALANCE

	Audited	
	May 31, 2022	June 30, 2021
<b>CURRENT LIABILITIES</b>		
Accounts Payable	38,666	39,762
Salaries and Related Liabilities	46,448	50,039
Accrued PTO	34,923	33,197
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	13,514	12,990
Intercompany Payables	10,832	14,704
Malpractice Reserves	1,665	1,670
Bonds Payable - Current	9,905	9,430
Bond Interest Payable	6,477	8,293
Other Liabilities	13,022	16,953
<b>Total Current Liabilities</b>	<b>177,754</b>	<b>189,338</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	31,473	30,658
Worker's Comp Reserve	17,002	17,002
Other L/T Obligation (Asbestos)	6,525	6,227
Bond Payable	469,601	479,621
<b>Total Long Term Liabilities</b>	<b>524,601</b>	<b>533,509</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	<b>19,423</b>	<b>67,576</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>45,862</b>	<b>28,009</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	2,161,797	2,097,010
Board Designated	200,675	193,782
Restricted	36,358	31,082
<b>Total Fund Bal &amp; Capital Accts</b>	<b>2,398,830</b>	<b>2,321,874</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>3,166,469</b>	<b>3,140,306</b>



Recommendation to Board												
Community Benefit Grant Program Update									✓			
Summary Physician Financial Arrangements									✓			
Committee Planning (goals, dates, plan)									✓			
Post Implementation Review (as needed)												
Other Updates <sup>1</sup> (as needed)												

1: Includes updates on special projects/joint ventures/real estate, ad-hoc updates

**KaufmanHall**

JULY 2022

# National Hospital Flash Report

**Real Data. Real Insight. Real Time.**

*Based on June Data from More Than 900 Hospitals*

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# Key Observations

# Summary

## Summary

U.S. hospitals and health systems are now halfway through an extremely challenging year. While margins were up in June compared to May, expenses remain at historic highs, leaving hospitals with cumulatively negative margins. In June, operating margins rose from the previous month, but remained significantly lower than pre-pandemic levels and May 2021. Outpatient volumes were up from the previous month, and expenses were generally down from May, but remain extremely elevated from pre-pandemic levels.

## Margins

The median Kaufman Hall Year-To-Date (YTD) Operating Margin Index reflecting actual margins was -0.09% through June. The median change in Operating Margin was up 30.8% from last month but down 49.3% from June 2021. The median change in Operating EBITDA Margin was up 23.5% month-over-month, but down 35.0% from June 2021.

## Volumes

Outpatient volumes rose in June, with Operating Room Minutes up 2.4% from last month but down 4.8% year-over-year (YOY). Length of Stay (LOS) dropped 2.1% from May but is up 2.8% compared to June 2021. Patient Days

dropped 2.6% from May to June but were up 0.5% from June 2021 levels. Adjusted Discharges grew 1.8% month-over-month and were up 0.1% compared to June 2021. Emergency Department (ED) Visits dropped 2.6% from May to June but were still up by 2.6% YOY.

## Revenues

Volume increases led to slightly improved revenue performance in June. Gross Operating Revenue was up 1.2% from May and 4.1% YOY and is up 6.2% YTD. Similarly, Outpatient (OP) Revenue ticked up 2.6% from May levels, 4.7% YOY and is up 7.8% YTD. Inpatient (IP) Revenue dropped 0.9% from the previous month but is up 2.2% from June 2021 and is up 4.6% YTD.

## Expenses

Total Expenses dropped slightly in June, down 1.3% from May but still up 7.5% from June 2021. Inflation and labor shortages contributed to total costs climbing 9.5% YTD.

Labor Expense per Adjusted Discharge dropped by 6.7% from May but is up 13.4% YTD, while Full-Time Employees Per Adjusted Occupied Bed (FTEs per AOB) is down 4.8% from May, indicating increased efficiency in the past month. Total Expense per Adjusted Discharge dipped 3.6% from May, and Labor Expense per Adjusted Discharge dropped 6.7% from last month.

*Summary (continued)*

**Non-Operating**

The Federal Reserve, in attempting to catch up to inflation, has raised its benchmark rate by 1.5% this year and expects to maintain a more “restrictive” rate to moderate inflation. Federal policymakers have signaled support for an additional 75 basis point hike during the July 26-27 meeting on top of June’s 75 basis point increase, the most aggressive since 1994. Inflation registered 9.1% year-over-year in June as rising energy and food prices contributed to the fastest annual pace of U.S. consumer price increases since November 1981. Nonfarm payrolls increased by 372,000 in

June, topping the estimate of 250,000; education and health services led job creation with 96,000 hires. The unemployment rate remained steady at 3.6% for the fourth straight month as 353,000 people left the labor force; labor force participation rate, which tracks how many people are employed or searching for work, slipped from 62.7% in May to 62.0%. The S&P 500 was down 8.4% in June, bringing its YTD return to -20.6%; the start of corporate earnings season comes as investors eye the impacts of how inflation and surging prices are hitting profits.

# Takeaways at a Glance

## 1. Margins are rising, but have a long way to go.

Decreases in acuity, escalations in outpatient volume and easing costs in June show that hospitals are faring better month-over-month but are nowhere near pre-pandemic levels.

## 2. Halfway through 2022, hospital margins are still in the red.

Although hospitals are seeing improved volumes and reduced expenses month-over-month, they will likely end up with historically low margins for the remainder of the year.

## 3. Expenses cooled from May's levels, but inflation has kept them generally high.

Patients were less sick than last month, requiring fewer expensive drugs — but some supply and drug costs are up.

## 4. Contract labor costs are down from May as demand wanes.

Labor efficiency is improving, although rising employee pay and additional labor pressures are keeping overall expenses high.

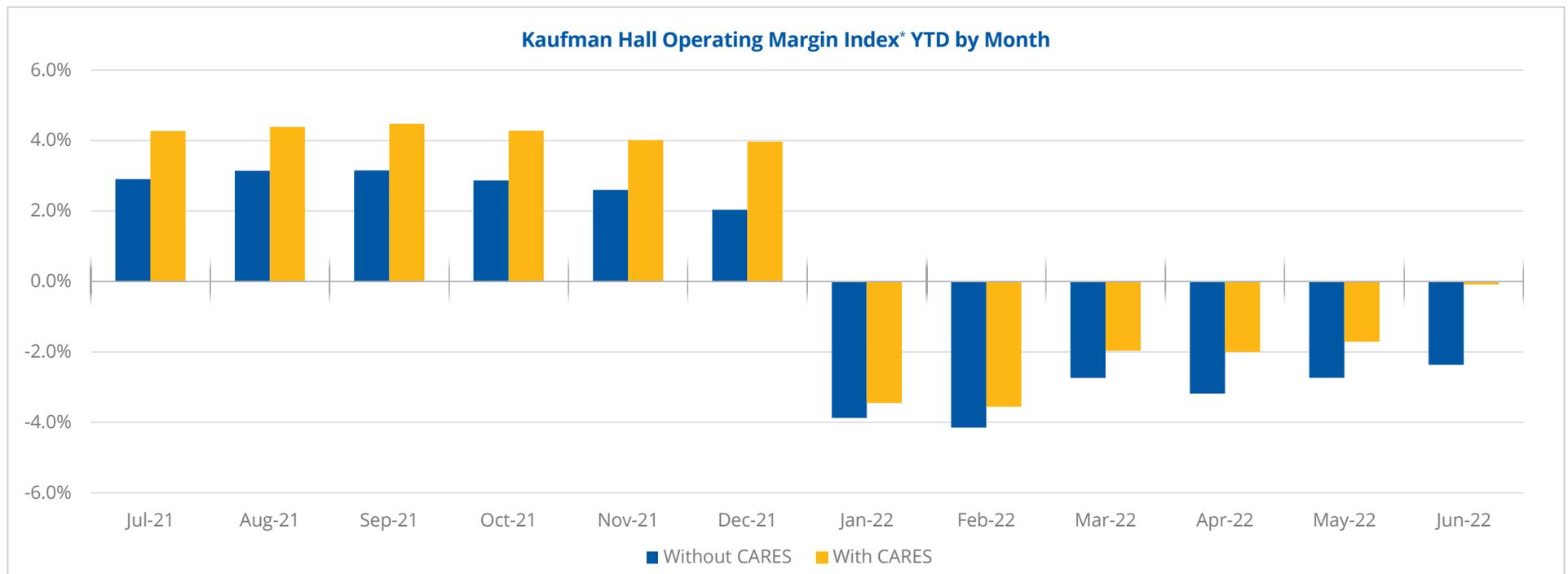
# Margins

## National Margin Results

MARGIN % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	-22.4%	18.8%	-29.9%	-31.5%
Operating Margin Less CARES	-37.8%	26.2%	-45.9%	-38.5%

Unless noted, figures are actuals and medians are expressed as percentage change

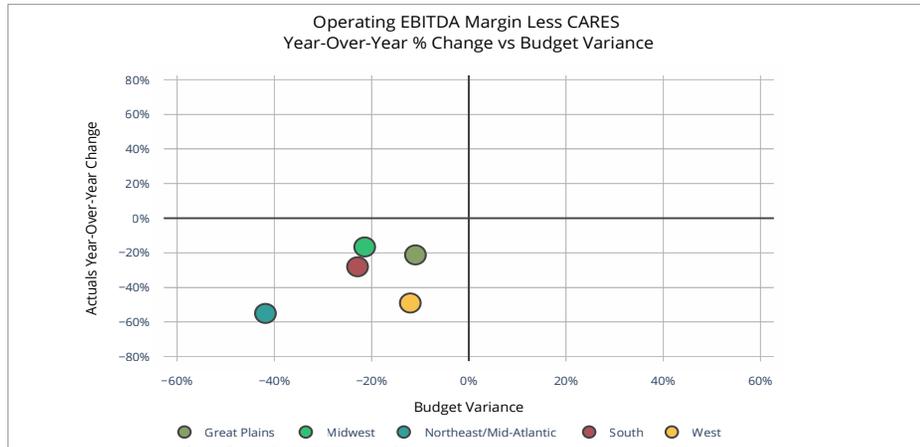
MARGIN ABSOLUTE CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Operating EBITDA Margin Less CARES	301.1	172.73	467.08	447.10 bps
Operating Margin Less CARES	250.46	190.13	473.52	430.36 bps



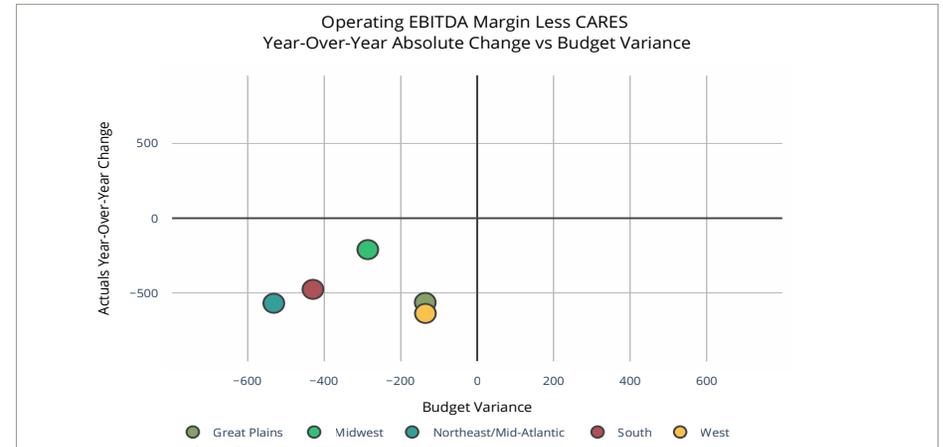
Source: National Hospital Flash Report (July 2022)

\* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

## EBITDA Margin by Region



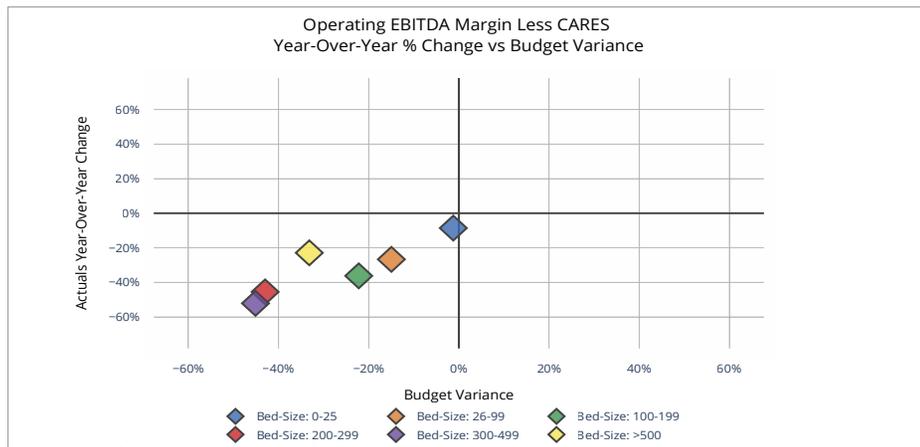
Source: Kaufman Hall National Hospital Flash Report, July 2022



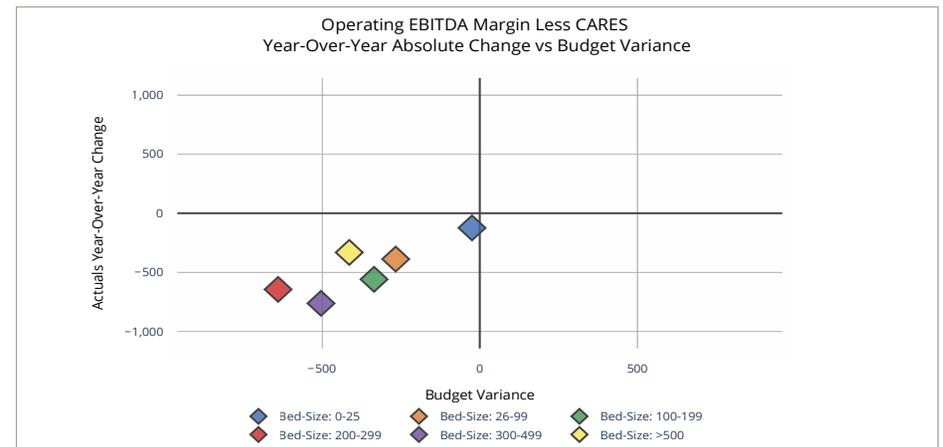
Source: Kaufman Hall National Hospital Flash Report, July 2022

The median change in Operating EBITDA Margin (without CARES) dropped year-over-year (YOY) for hospitals across all regions in June. Hospitals in the Northeast/Mid-Atlantic had the biggest decrease at -55% YOY, while hospitals in the Midwest decreased the least at -17% YOY.

## EBITDA Margin by Bed Size



Source: Kaufman Hall National Hospital Flash Report, July 2022



Source: Kaufman Hall National Hospital Flash Report, July 2022

The median change in Operating EBITDA Margin (without CARES) was down YOY in June for hospitals of all sizes. Hospitals in the 300-499 bed-size cohort had the biggest decline at -52% YOY. The smallest hospitals with up to 25 beds declined the least at -9% YOY.

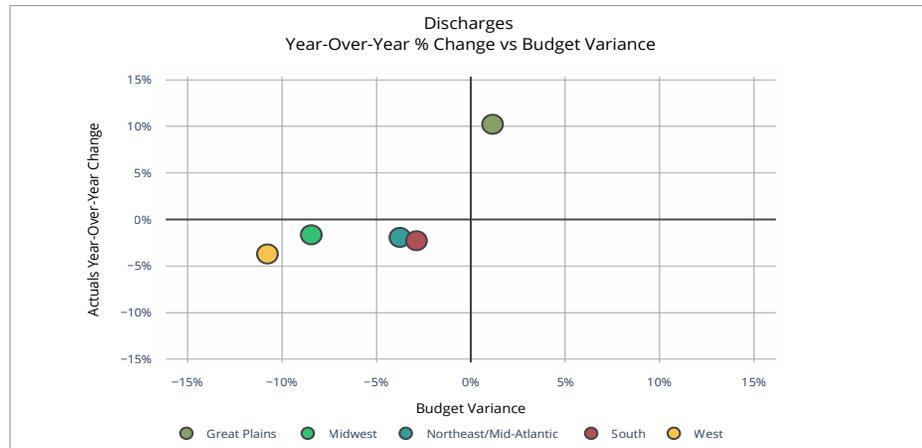
# Volumes

## National Volume Results

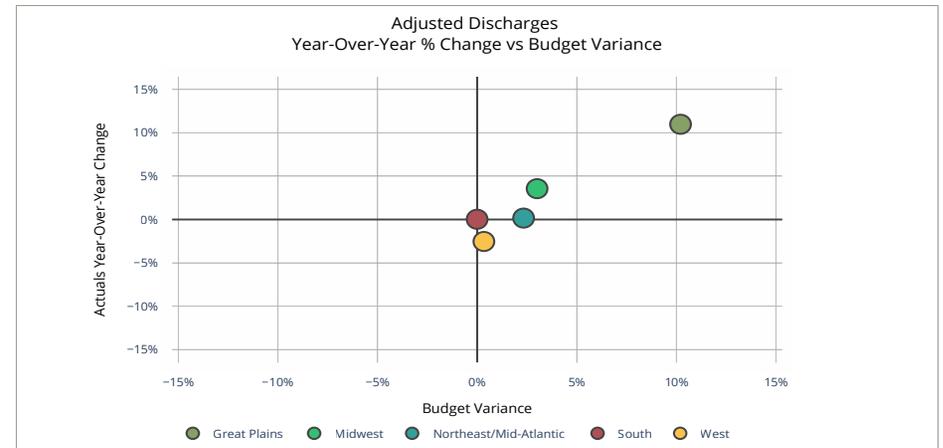
VOLUMES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Discharges	-4.4%	0.6%	-1.6%	1.9%
Adjusted Discharges	-2.8%	1.8%	0.1%	11.3%
Patient Days	-3.8%	-2.6%	0.5%	7.3%
Observation Patient Days as a Percent of Patient Day	10.6%	0.5%	-0.5%	15.9%
Adjusted Patient Days	4.5%	-0.6%	2.3%	16.7%
Average Length of Stay	1.4%	-2.1%	2.8%	4.7%
ED Visits	8.6%	-2.6%	2.6%	22.5%
Operating Room Minutes	-2.5%	2.4%	-4.8%	1.9%

Unless noted, figures are actuals and medians are expressed as percentage change

## Volume by Region



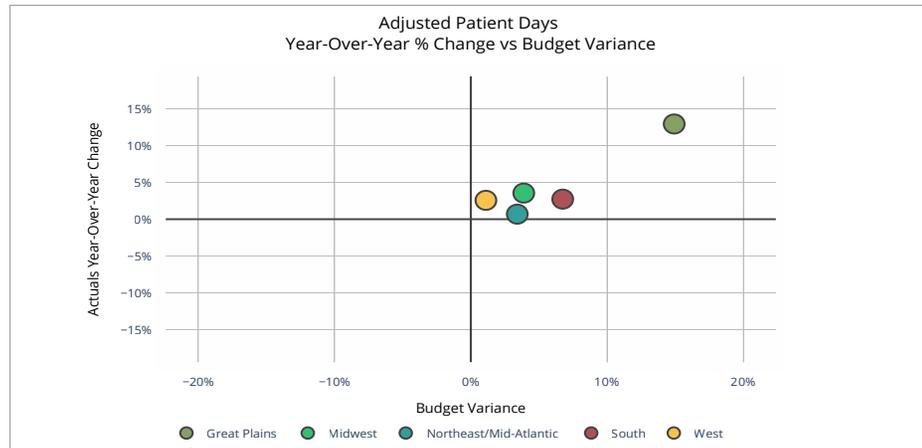
Source: Kaufman Hall National Hospital Flash Report, July 2022



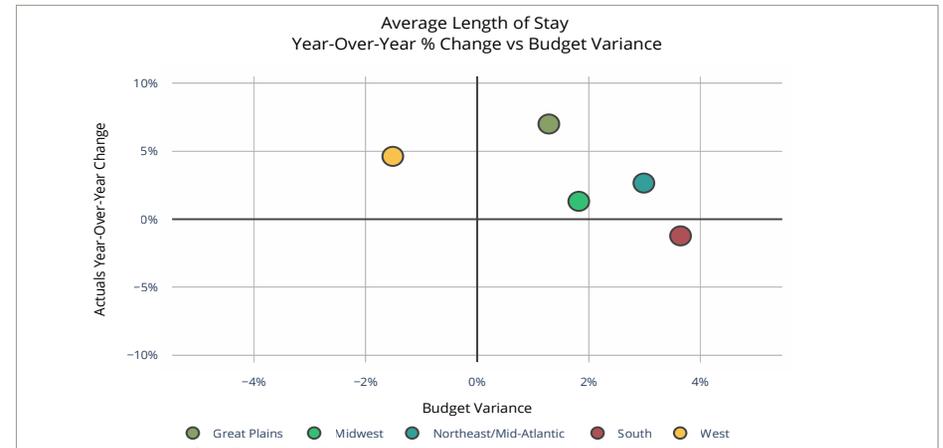
Source: Kaufman Hall National Hospital Flash Report, July 2022

Discharges declined YOY across all regions, except the Great Plains, which increased 10.23%. The West had the greatest decrease in Discharge at -3.7% YOY, as well as the only drop in Adjusted Discharges, at -2.54%. The South and Northeast/Mid-Atlantic's Adjusted Discharges held relatively flat at 0.03% and 0.16%, respectively. All other regions saw an increase in Adjusted Discharges YOY. The Great Plains had the largest increase at 10.98%.

Volume by Region (continued)

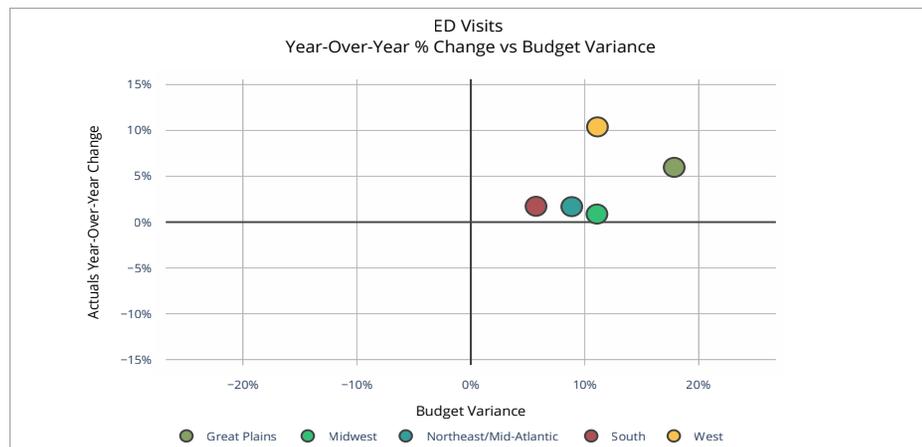


Source: Kaufman Hall National Hospital Flash Report, July 2022

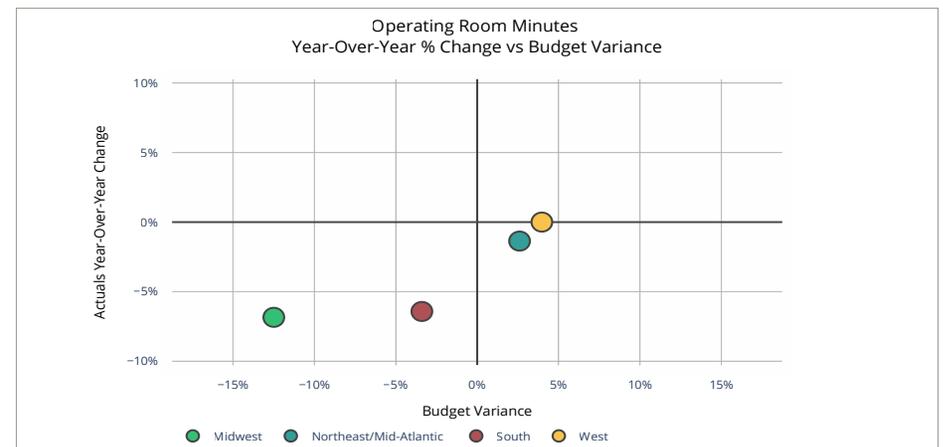


Source: Kaufman Hall National Hospital Flash Report, July 2022

Adjusted Patient Days increased across all regions, although the Northeast/Mid-Atlantic region increased just 0.69%. The Great Plains region had the largest increase of Adjusted Patient Days at 12.93%, as well as the largest increase in Average Length of Stay (LOS) of 7.01%. All regions rose YOY for Average LOS, except for the South, which declined -1.23%.



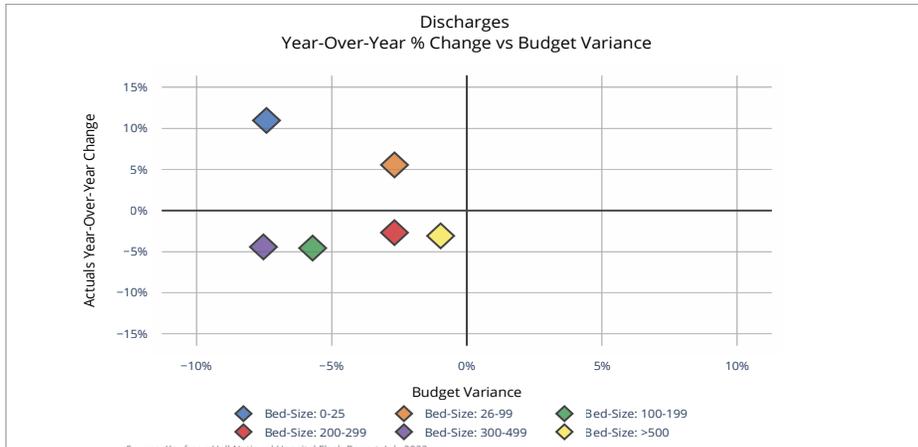
Source: Kaufman Hall National Hospital Flash Report, July 2022



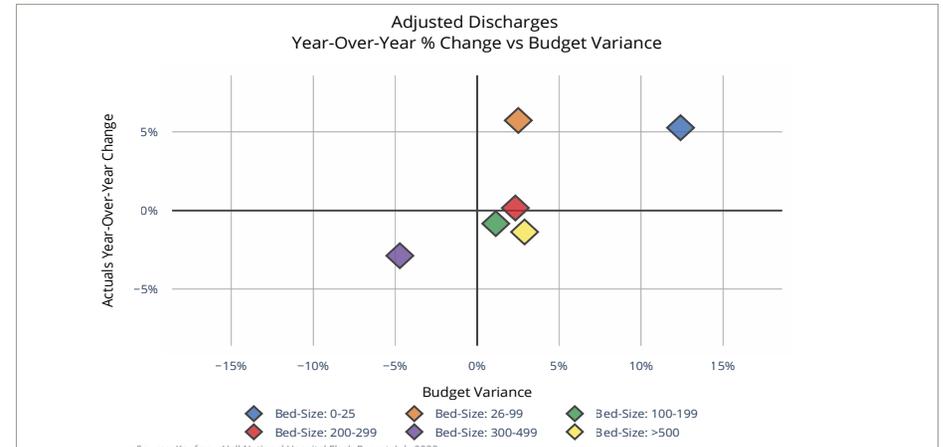
Source: Kaufman Hall National Hospital Flash Report, July 2022

Emergency Department (ED) Visits rose across all regions, and the West saw the highest increase at 10.38% YOY. The South, Northeast/Mid-Atlantic, and Midwest hovered below 2%. Operating Room Minutes decreased YOY for all regions, except the West and Great Plains regions which stayed at 0.0%. The Midwest saw the greatest drop at -6.85%.

## Volume by Bed Size

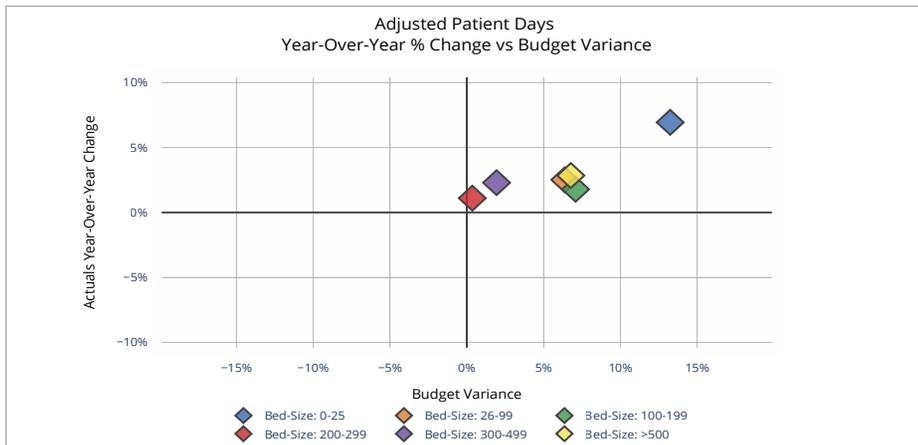


Source: Kaufman Hall National Hospital Flash Report, July 2022

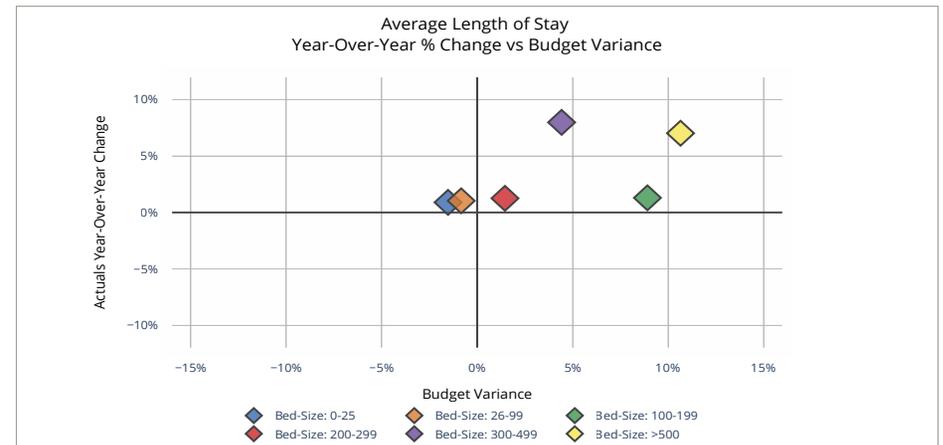


Source: Kaufman Hall National Hospital Flash Report, July 2022

Discharges declined YOY for hospitals with bed-size cohorts greater than 99, with 300-499 and 100-199 cohorts seeing the largest decline of -4.42% and -4.57%, respectively. Discharges in bed-size cohorts 0-25 increased 10.97% and bed size 26-99 increased 5.56% YOY. Adjusted Discharges declined YOY the most in the 300-499 cohort at -2.87%. Hospitals with 0-25 and 26-99 beds saw the greatest increases in Adjusted Discharges at 5.27% and 5.73% respectively. The three other cohorts hovered between 0.16% and -1.63% Adjusted Discharges YOY.



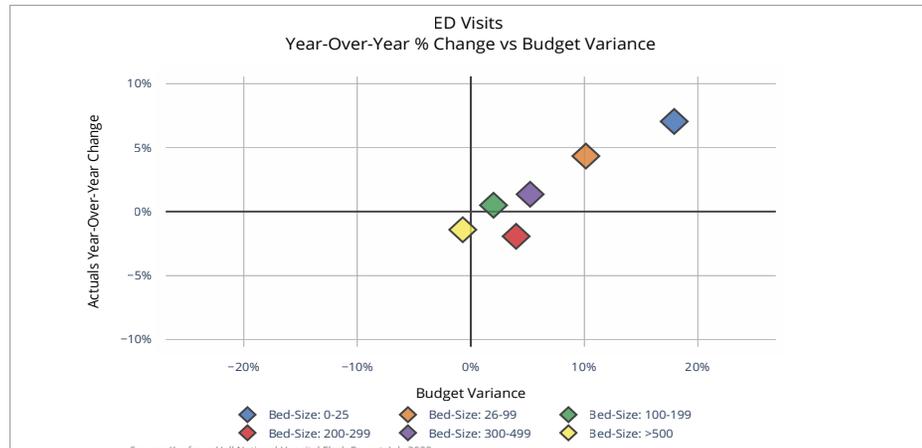
Source: Kaufman Hall National Hospital Flash Report, July 2022



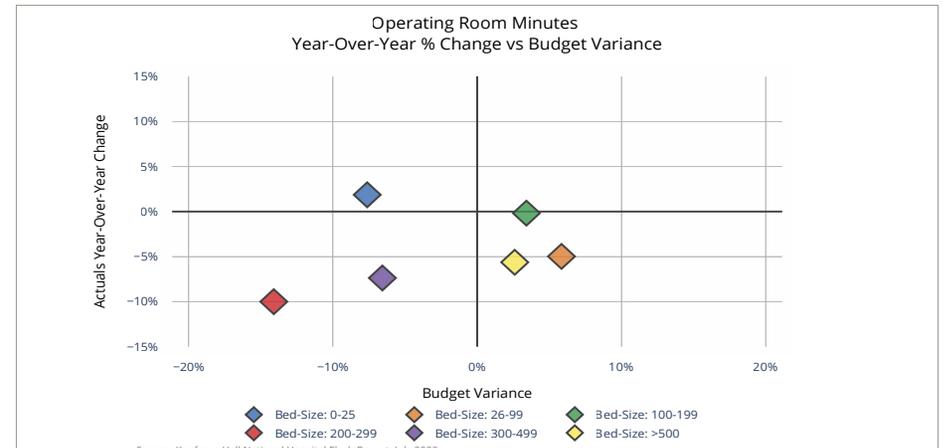
Source: Kaufman Hall National Hospital Flash Report, July 2022

Adjusted Patient Days increased YOY for all cohorts; hospitals with up to 25 beds saw the biggest increase at 6.94%. Average LOS also rose YOY for all cohorts. Hospitals with 300-499 beds had the largest YOY increase at 7.98%, while all hospitals with under 300 beds had the lowest increase, at less than 2%.

Volume by Bed Size (continued)



Source: Kaufman Hall National Hospital Flash Report, July 2022



Source: Kaufman Hall National Hospital Flash Report, July 2022

ED visits dropped YOY for hospitals with 500 beds or more, down by 1.42%, and for bed-size cohorts 200-299 at -1.93%. All others saw increased ED Visits, with the largest increase in cohort bed size 0-25 at 7.04%. Operating Room Minutes decreased for most bed-size cohorts, except for hospitals with 0-25 which increased by 1.86%, and 100-199 which stayed near 0%. Operating Room Minutes decreased the most for hospitals with 200-299 beds, at -10.01%.

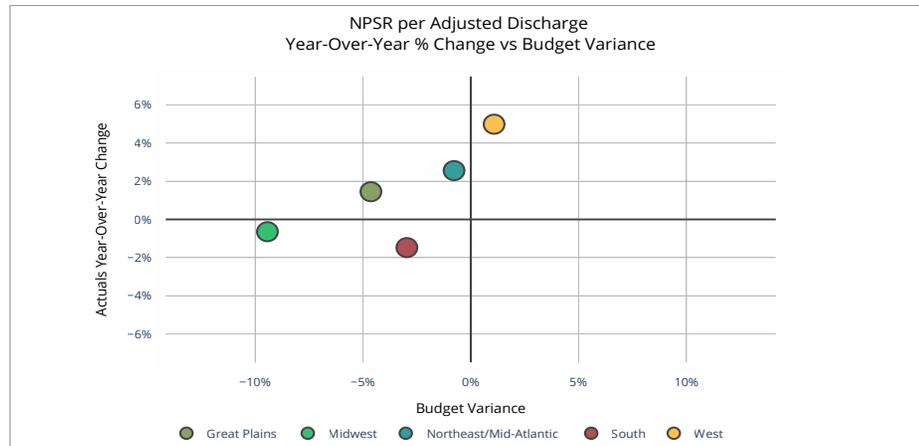
# Revenues

## National Revenue Results

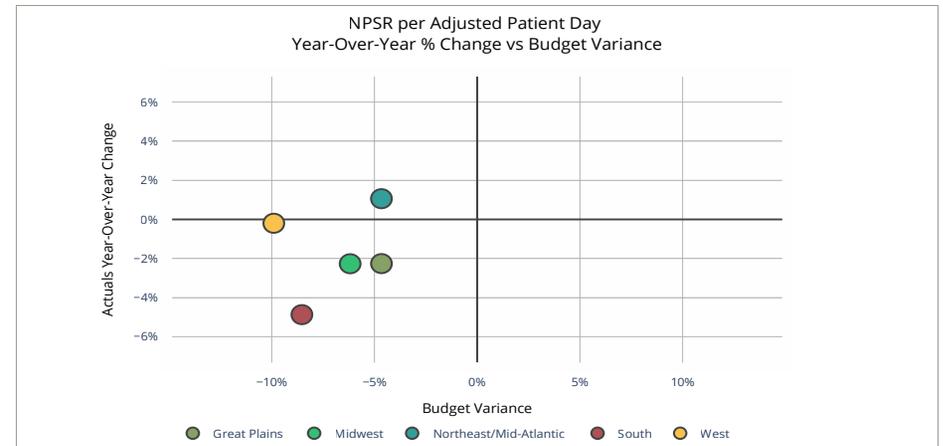
REVENUE % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Gross Operating Revenue Less CARES	2.1%	1.2%	4.1%	18.1%
IP Revenue	-5.4%	-0.9%	2.2%	8.7%
OP Revenue	5.4%	2.6%	4.7%	25.3%
Bad Debt and Charity	-10.5%	2.6%	-5.8%	-3.1%
NPSR per Adjusted Discharge	-3.0%	-1.8%	1.8%	0.7%
NPSR per Adjusted Patient Day	-7.3%	0.8%	-2.5%	-2.3%
IP/OP Adjustment Factor	5.4%	-2.3%	0.7%	7.4%
Bad Debt and Charity as a % of Gross	-11.3%	-2.3%	-7.7%	-18.4%

Unless noted, figures are actuals and medians are expressed as percentage change

## Revenue by Region



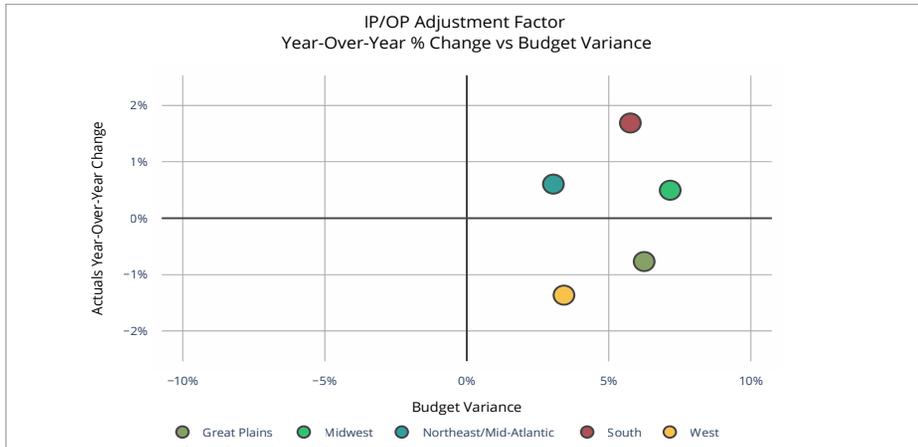
Source: Kaufman Hall National Hospital Flash Report, July 2022



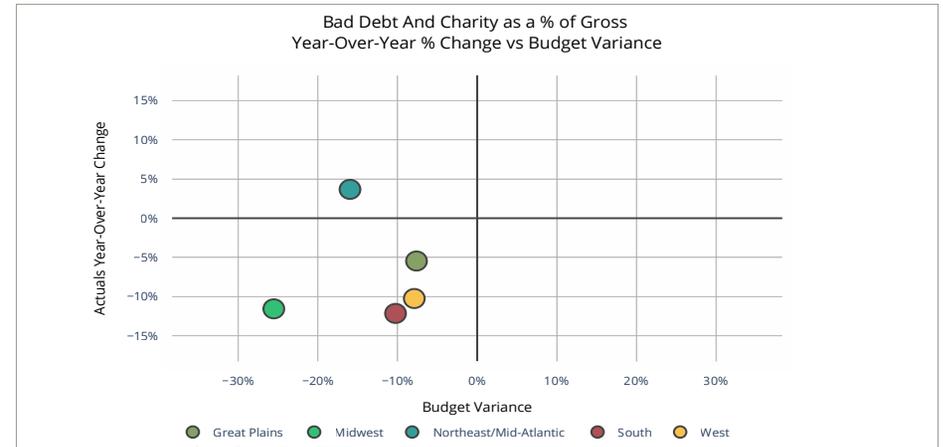
Source: Kaufman Hall National Hospital Flash Report, July 2022

Net Patient Service Revenue (NPSR) per Adjusted Discharge increased YOY in the West, Great Plains and Northeast/Mid-Atlantic with the West the most at 4.99%. The Midwest decreased YOY by -0.64% and in the South by -1.48%. NPSR per Adjusted Patient Day was down YOY in all regions, except Northeast/Mid-Atlantic which increased 1.06%. The South regions saw the largest decrease of -4.87%, and the West region had the least decrease at -0.20%.

Revenue by Region (continued)



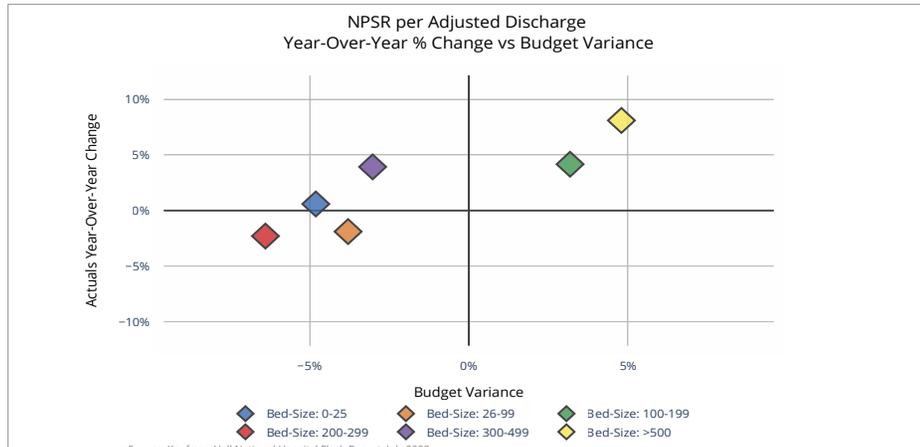
Source: Kaufman Hall National Hospital Flash Report, July 2022



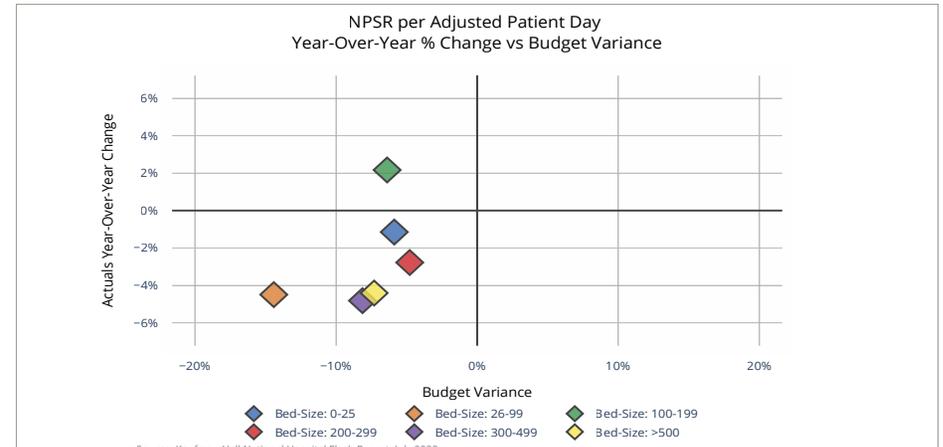
Source: Kaufman Hall National Hospital Flash Report, July 2022

The Inpatient/Outpatient (IP/OP) Adjustment Factor increased YOY for three of five regions, with the most increase in the South at 1.69%. The West saw the biggest decrease at -1.36% YOY. Bad Debt and Charity as a Percent of Gross was down YOY for most regions, with the Midwest and South regions seeing the biggest drop at -11.56% and -12.15% respectively. The Northeast/Mid-Atlantic was the only region with an increase, at 3.68% YOY.

## Revenue by Bed Size

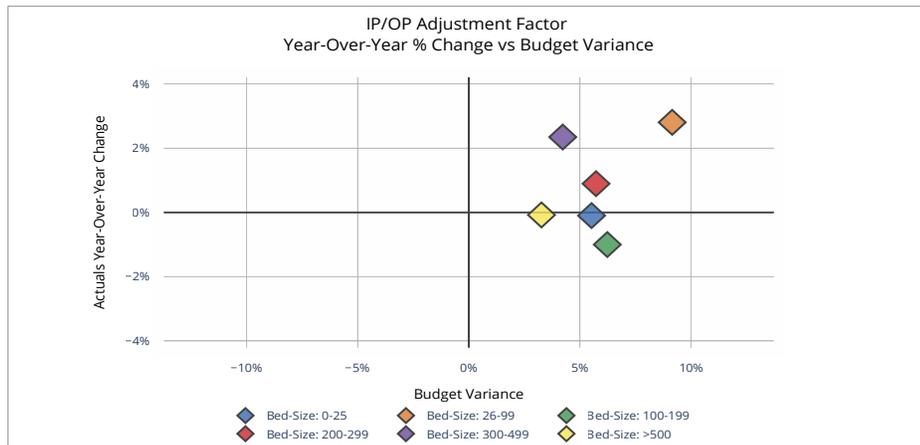


Source: Kaufman Hall National Hospital Flash Report, July 2022

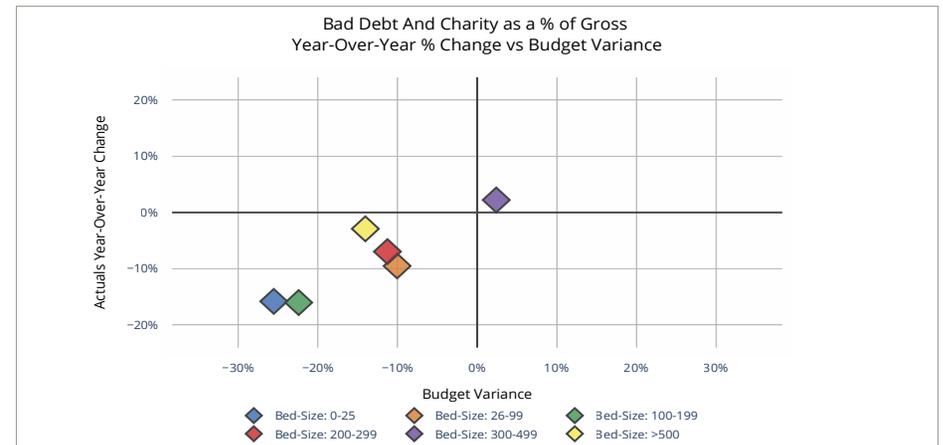


Source: Kaufman Hall National Hospital Flash Report, July 2022

NPSR per Adjusted Discharge rose YOY the most for hospitals with 500 beds or more, at 8.1%. This metric decreased among hospitals with 26-99 beds, by -1.89%, and it dropped the most for hospitals with 200-299 beds, by 2.29%. NPSR per Adjusted Patient Day was down YOY for five out of six cohorts, increasing among hospitals with 100-199 beds by 2.17%. Hospitals with 300-499 beds saw the biggest drop in this category at -4.82%.



Source: Kaufman Hall National Hospital Flash Report, July 2022



Source: Kaufman Hall National Hospital Flash Report, July 2022

The IP/OP Adjustment Factor was up YOY the most for hospitals with 26-99 beds at 2.8%. The metric was approximately flat YOY for hospitals with fewer than 500 beds and up to 25 beds. The largest decrease was in hospitals with between 100-199 beds, at -1%. Bad Debt and Charity as a Percent of Gross was down significantly YOY for most bed-size cohorts, but up 2.22% YOY for 300-499-bed hospitals, and down the most for hospitals with 100-199 beds at -16.03%.

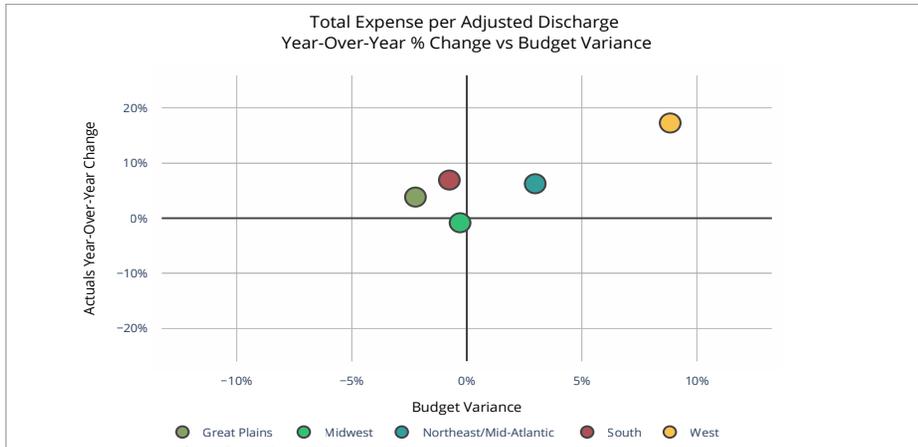
# Expenses

## National Expense Results

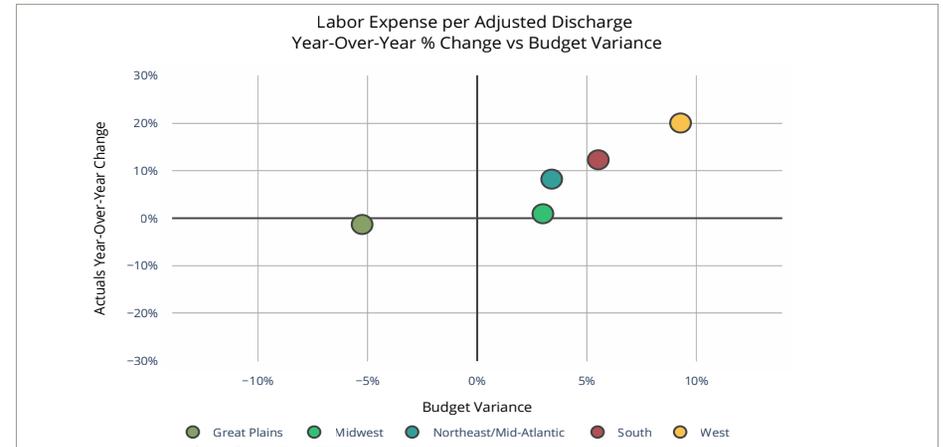
EXPENSES % CHANGE	Budget Variance	Month-Over-Month	Year-Over-Year	Year-Over-Year 2020
Total Expense	3.6%	-1.3%	7.5%	16.1%
Total Labor Expense	4.8%	-2.4%	12.1%	21.4%
Total Non-Labor Expense	2.7%	0.8%	3.0%	12.7%
Supply Expense	4.7%	4.6%	3.3%	18.2%
Drugs Expense	-3.9%	6.6%	1.0%	19.4%
Purchased Service Expense	5.6%	0.4%	6.4%	18.8%
Total Expense per Adjusted Discharge	2.6%	-3.6%	6.1%	5.2%
Labor Expense per Adjusted Discharge	3.4%	-6.7%	9.1%	7.4%
FTEs per AOB	-6.5%	-4.8%	-0.9%	-9.7%
Non-Labor Expense per Adjusted Discharge	-1.2%	-1.6%	3.2%	1.8%
Supply Expense per Adjusted Discharge	1.2%	0.3%	1.6%	5.7%
Drug Expense per Adjusted Discharge	-9.2%	4.1%	-4.1%	4.9%
Purchased Service Expense per Adjusted Discharge	0.5%	-3.8%	-1.0%	8.4%

Unless noted, figures are actuals and medians are expressed as percentage change

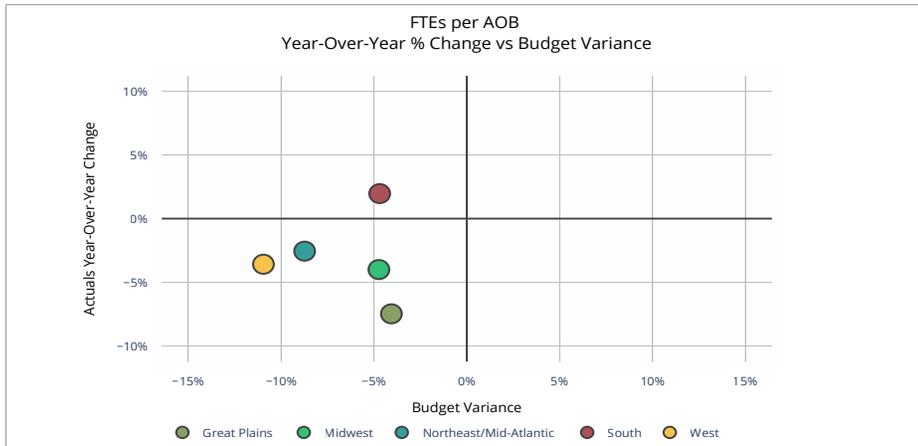
## Expense by Region



Source: Kaufman Hall National Hospital Flash Report, July 2022



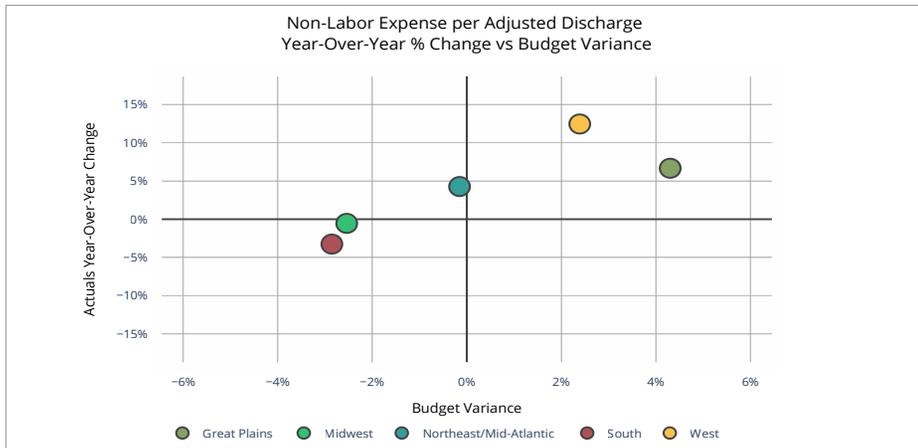
Source: Kaufman Hall National Hospital Flash Report, July 2022



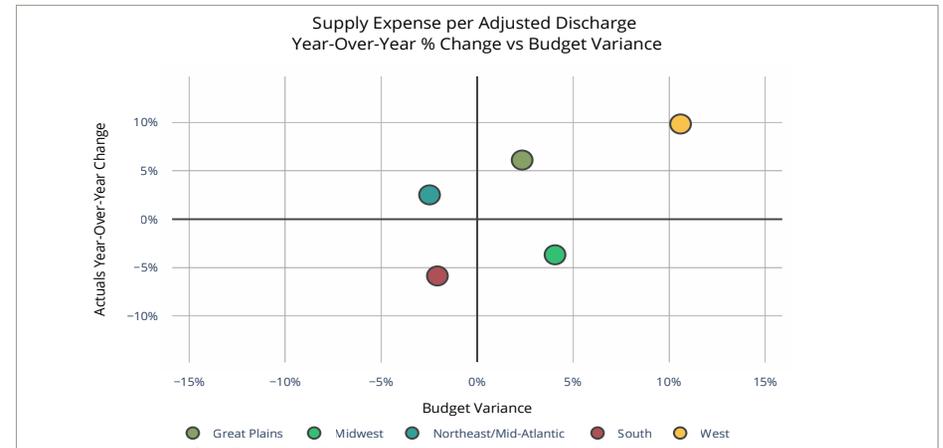
Source: Kaufman Hall National Hospital Flash Report, July 2022

Total Expense and Labor Expense per Adjusted Discharge rose YOY for all regions, except the Midwest, where it decreased at -0.82%. The West had the biggest increase at 17.25% YOY, as well as the biggest increase in Labor Expense per Adjusted Discharge at 20.06%. Full-Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) declined for most regions YOY, with the Great Plains seeing the biggest drop at -7.47%. The only increase for FTEs per AOB was in the South at 1.96%.

Expense by Region (continued)

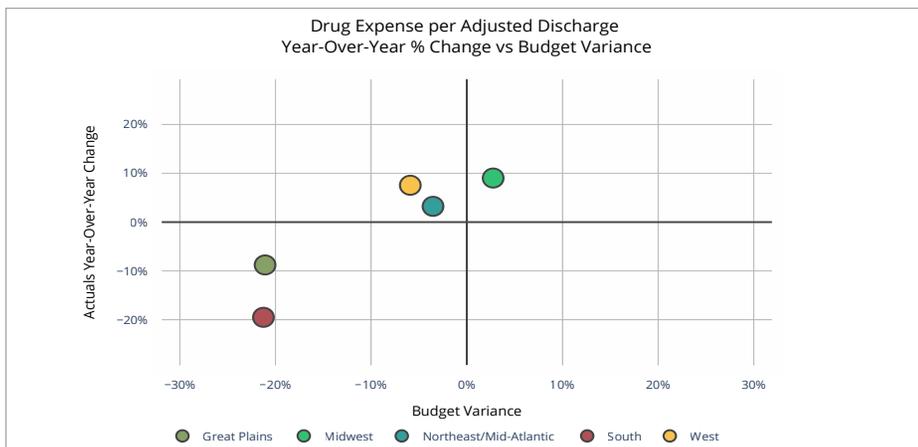


Source: Kaufman Hall National Hospital Flash Report, July 2022

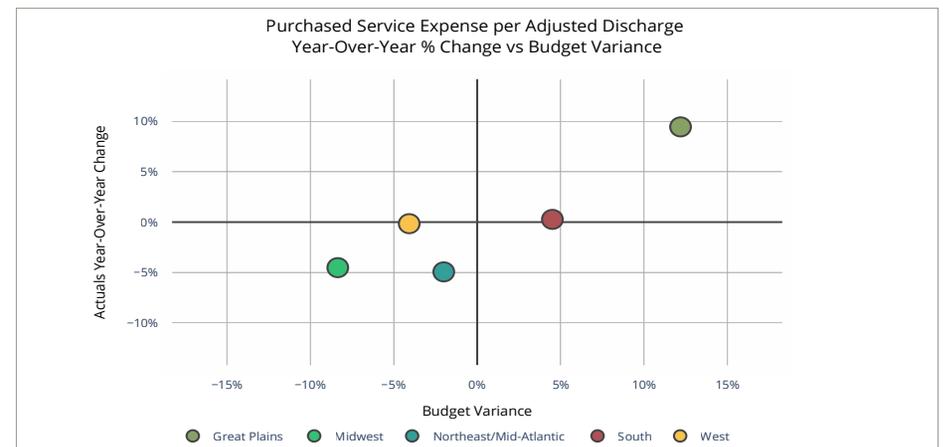


Source: Kaufman Hall National Hospital Flash Report, July 2022

Non-Labor Expense per Adjusted Discharge rose for three of the five regions. The West had the biggest increase at 12.44% YOY. The Midwest region had the smallest decrease at -0.54%, and the South had a decrease of -3.25%. Supply Expense per Adjusted Discharge increased YOY for three regions but not in the South nor Midwest. The West saw the largest increase at 9.85%, while the South decreased the most at -5.87% YOY.



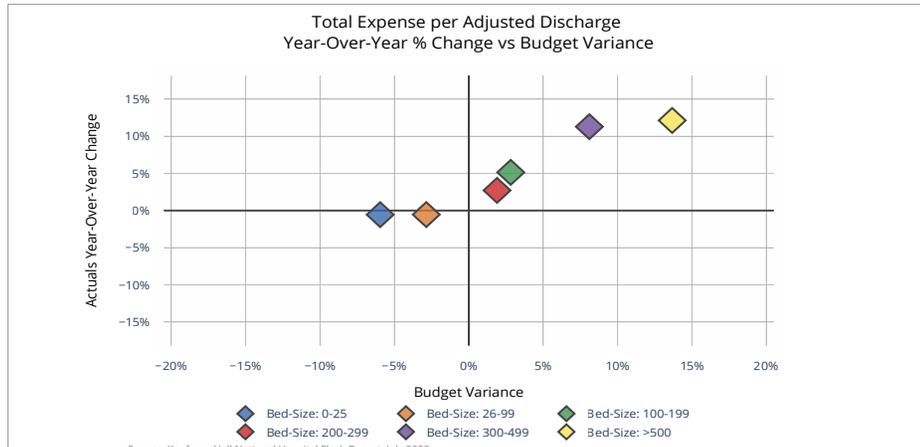
Source: Kaufman Hall National Hospital Flash Report, July 2022



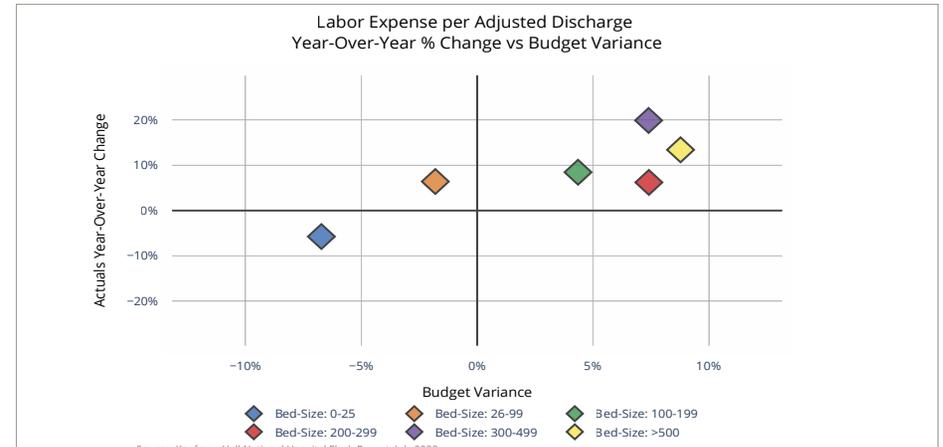
Source: Kaufman Hall National Hospital Flash Report, July 2022

Drug Expense per Adjusted Discharge fluctuated across regions. The largest decrease of -19.5% YOY was in the South, and the largest increase was in the Midwest at 9.02% YOY. Purchased Service Expense per Adjusted Discharge increased YOY for the Great Plains region at 9.47% and slightly for the South at 0.27%. The West decreased the least at -0.16%. The Northeast/Mid-Atlantic had the largest decrease at -4.95%, followed by the Midwest at -4.53%.

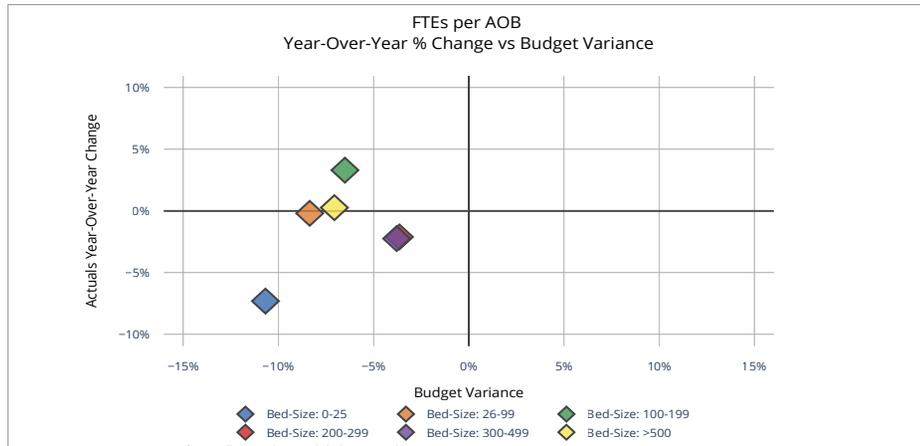
## Expense by Bed Size



Source: Kaufman Hall National Hospital Flash Report, July 2022



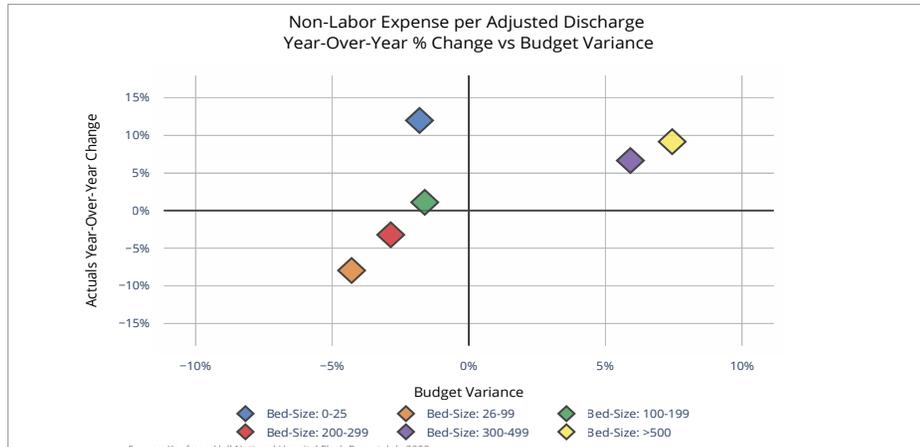
Source: Kaufman Hall National Hospital Flash Report, July 2022



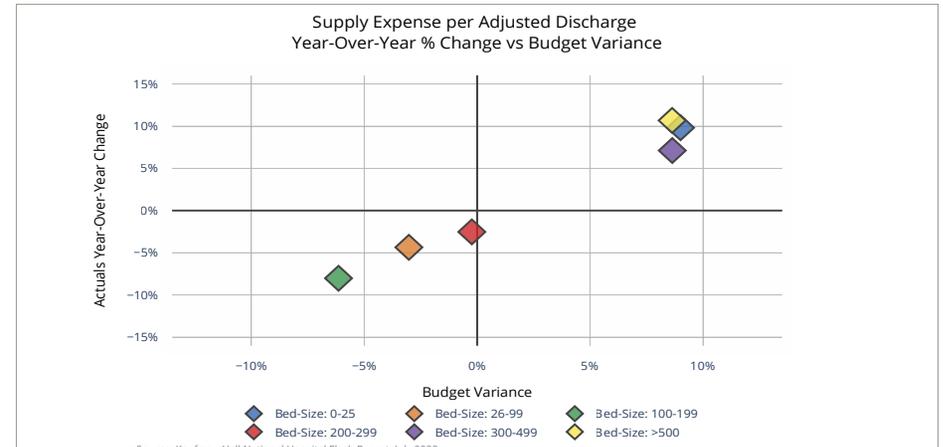
Source: Kaufman Hall National Hospital Flash Report, July 2022

Total Expense per Adjusted Discharge rose YOY for hospitals of all sizes except for hospitals with 0-25 and 26-99 beds, which remained approximately flat. The largest increase was in hospitals with more than 500 beds, at 12.13%. Labor Expense per Adjusted Discharge was also up for all cohorts except hospitals with 0-25 beds, at -5.74%. Hospitals with 300-499 beds had the biggest increase at 19.89% YOY. FTEs per AOB were down YOY for most bed-size cohorts except the hospitals with greater than 500 beds, which were flat and hospitals with 100-199 beds with an increase of 3.31%. Hospitals with fewer than 26 beds saw the biggest decrease at -7.3%.

Expense by Bed Size (continued)

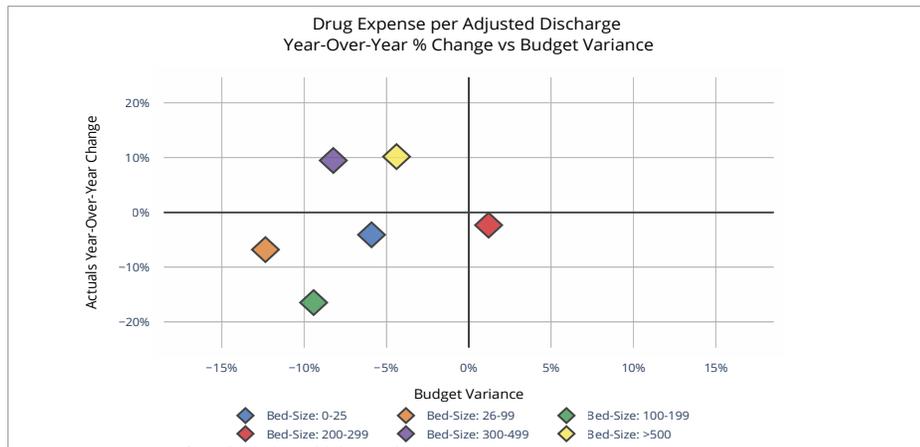


Source: Kaufman Hall National Hospital Flash Report, July 2022

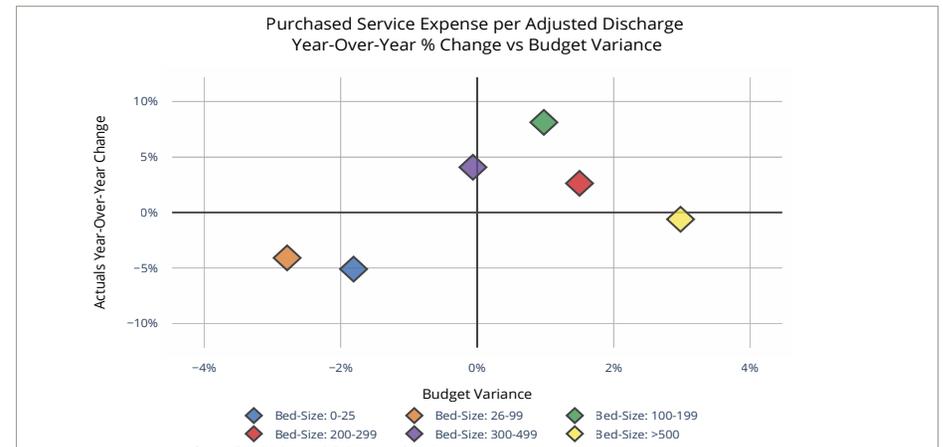


Source: Kaufman Hall National Hospital Flash Report, July 2022

Non-Labor Expense per Adjusted Discharge increased YOY for four of the six cohorts. Hospitals with 25 beds or fewer had the biggest increase at 11.98% YOY, and hospitals with 26-99 beds had the largest decrease at -7.96%. Supply Expense per Adjusted Discharge was up YOY for three of the six bed-size cohorts — those with greater than 300 and less than 25 beds. Hospitals with more than 500 beds had the greatest increase at 10.68%. Hospitals in the 26-99 bed-size cohort saw the biggest decrease at -8.02% YOY.



Source: Kaufman Hall National Hospital Flash Report, July 2022



Source: Kaufman Hall National Hospital Flash Report, July 2022

Drug Expense per Adjusted Discharge was down for four cohorts, and increased YOY for hospitals with 300 or more beds. Hospitals with 100-199 beds saw the biggest drop, at -16.45%. Purchased Service Expense per Adjusted Discharge increased YOY the most for bed-size cohorts 100-199 at 8.11%. Hospitals with 25 beds or fewer saw the biggest decrease, at -5.1%.

# Non-Operating

## National Non-Operating Results

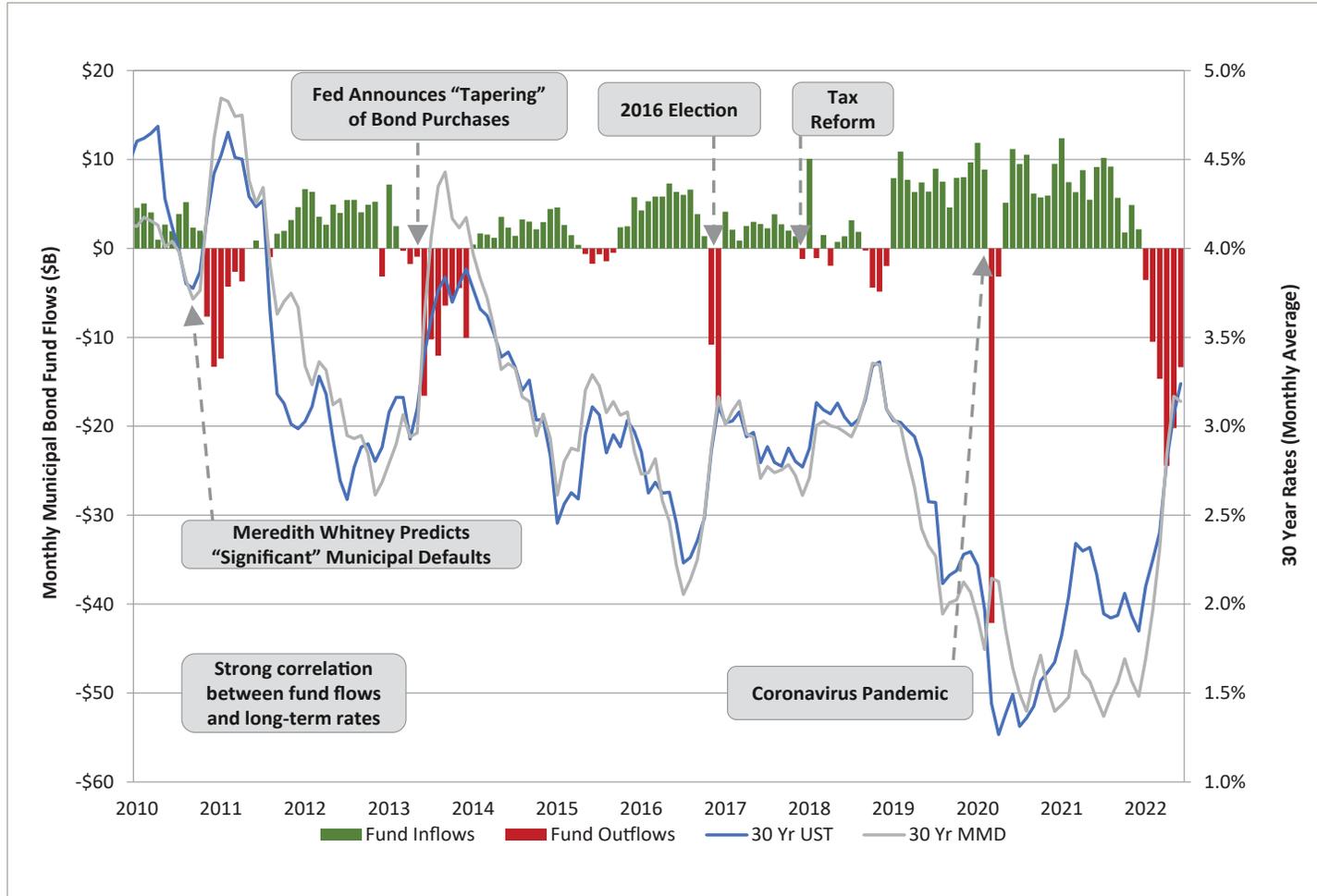
	June 2022	M-o-M Change	Y-o-Y Change
<b>General</b>			
GDP Growth*	-1.6%	n/a	n/a
Unemployment Rate	3.6%	n/c	-2.3%
Personal Consumption Expenditures (YoY)	4.7%	-0.2%	+1.1%
<b>Liabilities</b>			
1m LIBOR	1.79%	+67 bps	+169 bps
SIFMA	0.91%	+12 bps	+88 bps
30yr MMD	3.18%	+37 bps	+168 bps
30yr Treasury	3.12%	+7 bps	+103 bps
<b>Assets</b>			
60/40 Asset Allocation†	n/a	-5.6%	-13.4%

\* U.S. Bureau of Economic Analysis, Q1 2022 "Third Estimate"

† 60/40 Asset Allocation assumes 30% S&P 500 Index, 20% MSCI World Index, 10% MSCI Emerging Markets Index, 40% Barclays US Aggregate Bond Index

# Non-Operating Liabilities

## Long Term – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



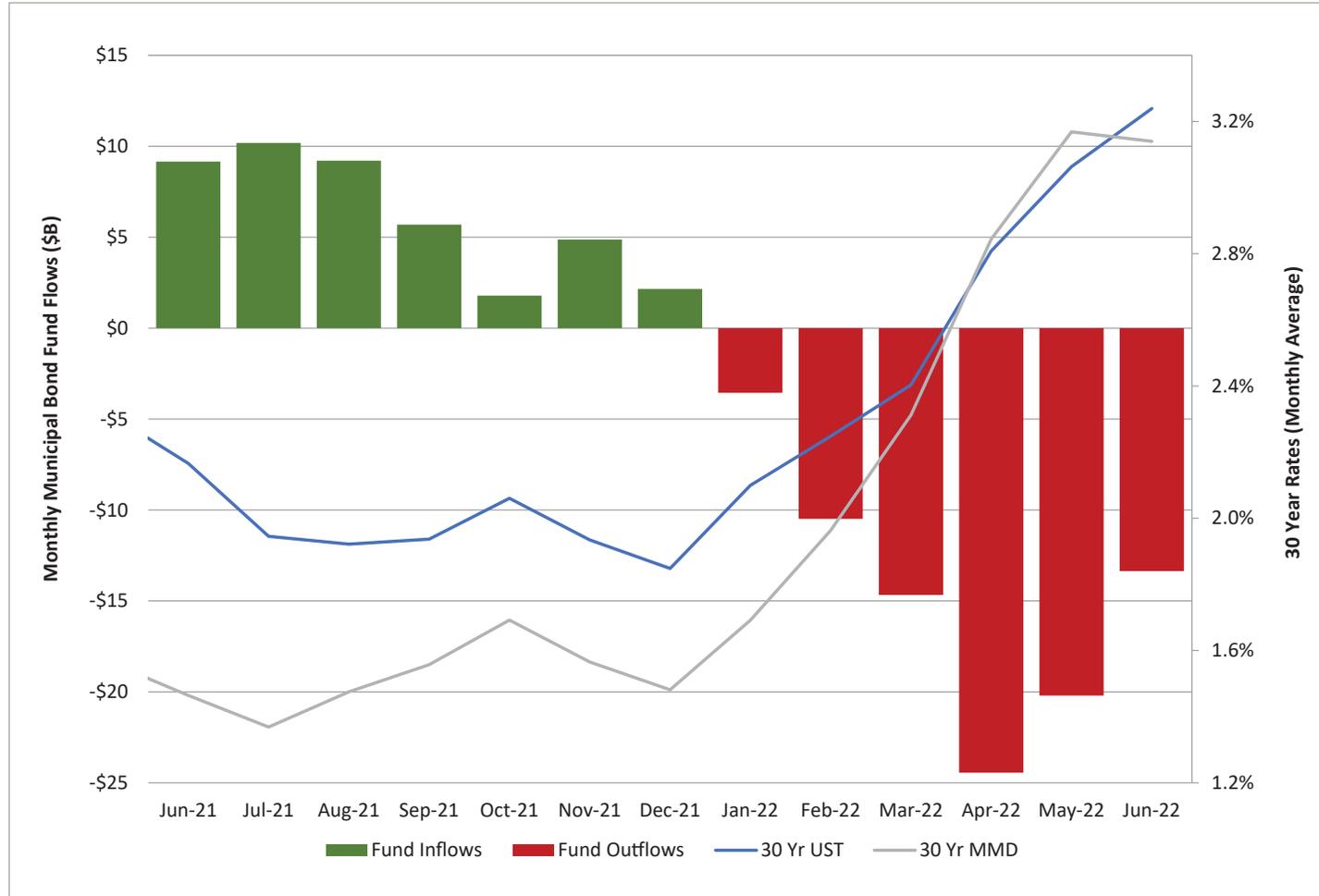
Source: Kaufman Hall National Hospital Flash Report, July 2022

Yields on the 30-year Treasury bond increased 7 basis points in June to 3.12%. Comparatively, yields on the tax-exempt benchmark 30-year MMD rate rose 37 basis points over the last month, up to 3.18% as muni supply firmed up in June but remained negative for the month. Demand continues to wane as municipal bond funds saw \$13.4 billion of outflows in June, the sixth straight month of outflows to start the year.

Taxable and tax-exempt debt capital markets, as approximated here by the '30-yr U.S. Treasury' and '30-yr MMD Index', are dependent upon macroeconomic conditions, including inflation expectations, GDP growth and investment opportunities elsewhere in the market. A key measure to track is bond fund flows, particularly in the more supply and demand sensitive tax-exempt market. Fund flows are monies moving into bond funds from new investment and principal and interest payments on existing and maturing holdings. Strong fund flows generally signal that investors have more cash to put to work, a boon to the demand. Fund inflows generally are moderate and consistent over time while fund outflows are typically large and sudden, as external events affect investor sentiment, resulting in quick position liquidation which can drive yields up considerably in a short amount of time.

Non-Operating Liabilities (continued)

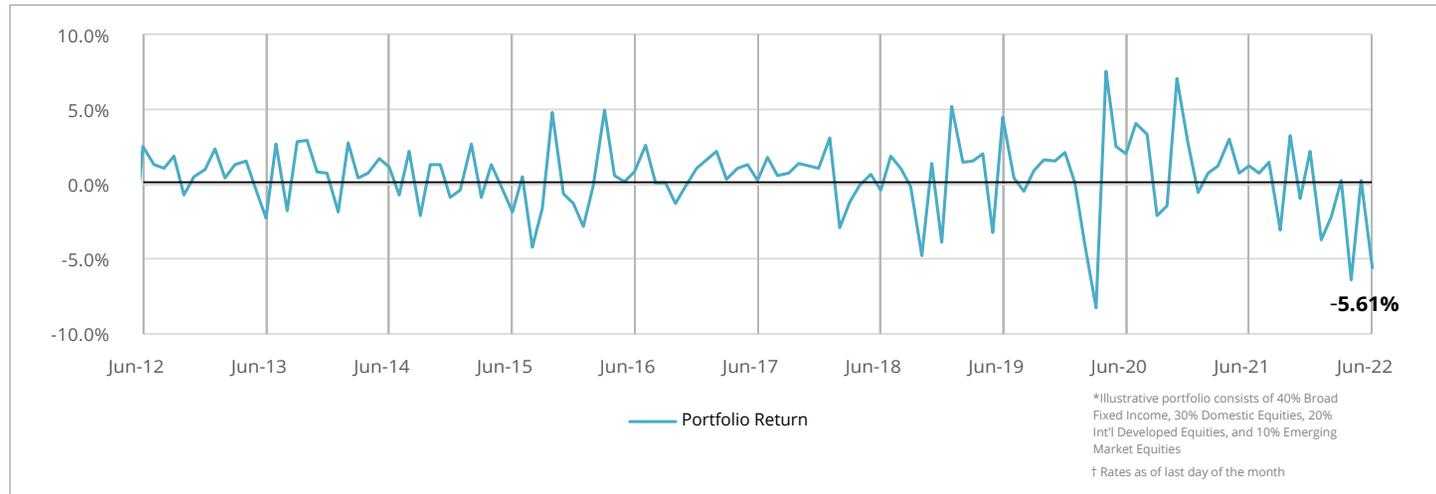
Last Twelve Months – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



Source: Kaufman Hall National Hospital Flash Report, July 2022

## Non-Operating Assets

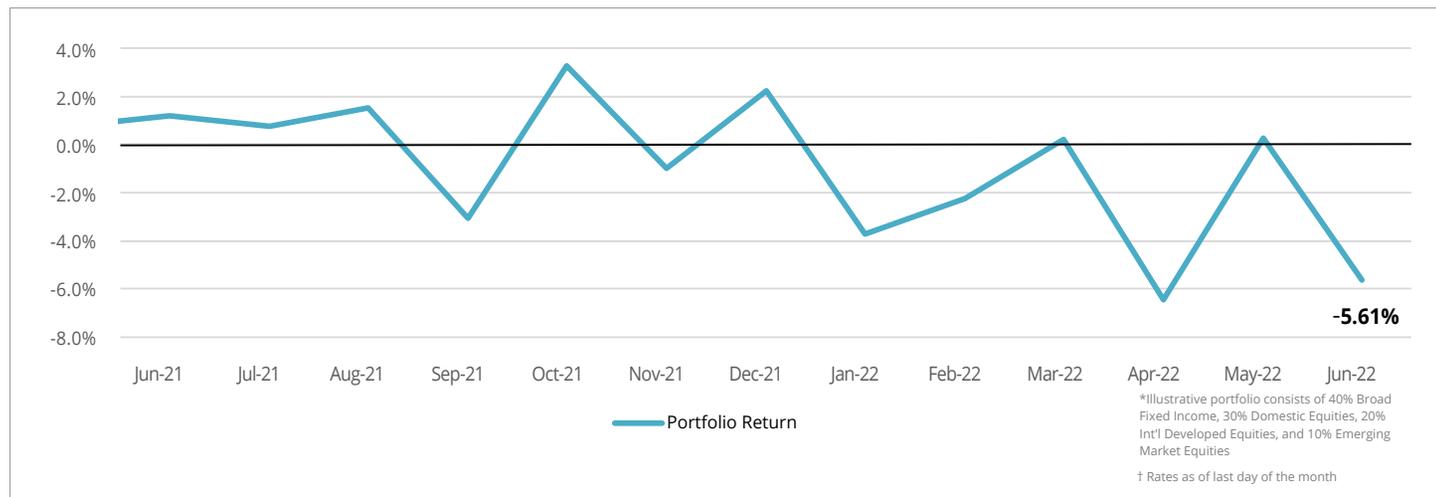
### Long Term – Illustrative Investment Portfolio Returns, Month-over-Month Change



Source: Kaufman Hall National Hospital Flash Report, July 2022

The 60/40 blended asset portfolio ended June down 5.6%. The S&P 500 finished 8.4% lower for the month, after equity and fixed income markets were flat in May. The MSCI World Index finished down 8.8% while the MSCI Emerging Markets index and Barclays Aggregate Index both finished the month down 7.1% and 1.6% respectively. The 60/40 portfolio is now down 13.4% year-over-year.

### Last Twelve Months – Illustrative Investment Portfolio Returns, Month-over-Month Change



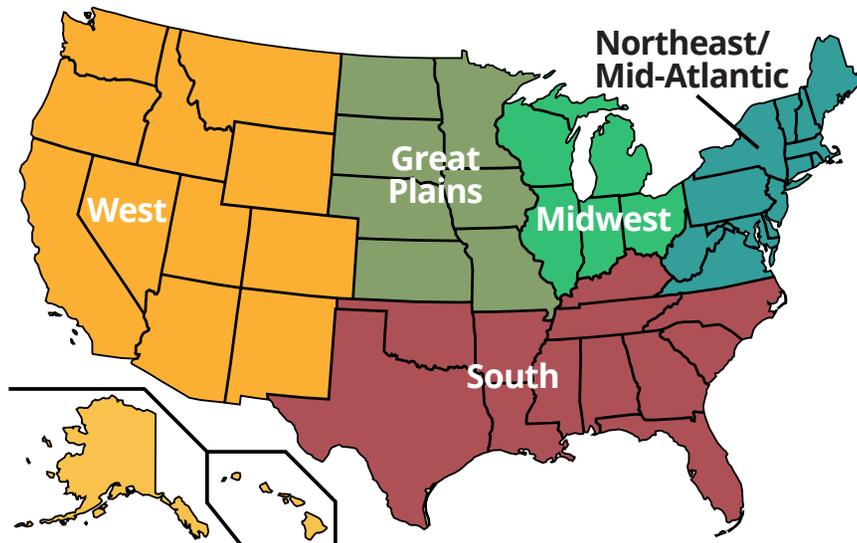
Source: Kaufman Hall National Hospital Flash Report, July 2022

# About the Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from more than 900 hospitals on a recurring monthly basis from Syntellis Performance Solutions. The sample of hospitals for this report is representative of all hospitals in the United States both geographically and by bed size. Additionally, hospitals of all types are represented, from large academic to small critical access. Advanced statistical techniques are used to standardize data,

identify and handle outliers, and ensure statistical soundness prior to inclusion in the report. While this report presents data in the aggregate, Syntellis Performance Solutions also has real-time data down to individual department, jobcode, paytype, and account levels, which can be customized into peer groups for unparalleled comparisons to drive operational decisions and performance improvement initiatives.

## Map of Regions



## General Statistical Terms

- **Range:** The difference in value between the maximum and minimum values of a dataset
- **Average (Mean):** The average value of an entire dataset
- **Median:** The value that divides the dataset in half, the middle value
- **1st Quartile:** The value halfway between the smallest number and the median
- **3rd Quartile:** The value halfway between the median and the largest number

## For more information contact

Erik Swanson

Senior Vice President

Kaufman Hall

[eswanson@kaufmanhall.com](mailto:eswanson@kaufmanhall.com)

## For media requests

Contact Haydn Bush at [hbush@kaufmanhall.com](mailto:hbush@kaufmanhall.com)

## Talk to us

Have a comment on the Kaufman Hall *National Hospital Flash Report*?

We want to hear from you. Please direct all questions or comments to

[flashreports@kaufmanhall.com](mailto:flashreports@kaufmanhall.com)

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BECKER'S

# Hospital CFO Report

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## 7 healthcare takeaways from Senate Democrats' newly passed \$739B landmark bill

Molly Gamble | August 8, 2022

With a 51-50 vote, Senate Democrats passed a sweeping \$739 billion bill Aug. 7 that furthers some of the largest changes to healthcare in years.

Titled the Inflation Reduction Act, the bill touches energy, tax reform and healthcare. The House is expected to take it up Aug. 12, with Democrats aiming to approve it and send it to President Joe Biden's desk.

Here are seven healthcare takeaways from the [755-page bill](#):

### Drug pricing

1. For the first time, Medicare would be allowed to negotiate the price of prescription medicines with manufacturers. Negotiation powers will apply to the price of a limited number of drugs that incrementally increases over the next seven years. Ten drugs will be eligible for negotiations beginning in 2026; eligibility expands to 15 drugs in 2027 and 20 by 2029.
2. The HHS secretary will provide manufacturers of selected drugs with a written initial offer that contains HHS' proposal for the maximum fair price of the drug and reasoning used to calculate that offer. Manufacturers will have 30 days to either accept HHS' offer or propose a counteroffer.
3. Members of Medicare Part D prescription drug plan would see their out-of-pocket costs for prescription drugs capped at \$2,000 per year, with the option to break that amount into monthly payments, beginning in 2025.
4. Democrats [lost on a provision](#) to place a \$35 cap on insulin for Americans covered by private health plans. The provision to cap insulin at \$35 dollars for Medicare enrollees passed by a vote of 57-43.
5. Drug companies will be required to rebate back price differences to Medicare if they raise prices higher than the rate of inflation, coined an "inflation rebate."
6. The legislation makes all vaccines covered under Medicare Part D free to beneficiaries with no deductibles, co-insurance or cost-sharing, starting in 2023.

### Tax subsidies

7. The legislation extends the Affordable Care Act's federal health insurance subsidies, now set to expire at the end of the year, through 2025. Democrats say the extension will prevent an estimated 3.4 million Americans from losing health coverage.



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

**To:** Finance Committee  
**From:** Stephanie Iljin, Manager of Administration  
**Date:** August 15, 2022  
**Subject:** Report on Board Actions

**Purpose:** To keep the Committee informed regarding actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

**Summary:**

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

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
<b>ECH Board</b>	June 8, 2022	<ul style="list-style-type: none"><li>- MV General Surgery Call Panel Renewal</li><li>- Enterprise Pathology Medical Director Renewal</li><li>- Enterprise Cancer Program Medical Director Renewal</li><li>- MV Cath Lab Medical Director Renewal</li><li>- MV Respiratory Care Services Medical Director Renewal</li><li>- MV Cardiac Rehab Medical Director Renewal</li><li>- 2022 ECH CHNA and FY23 ECH Implementation Strategy Report and Community Benefit Plan</li><li>- FY23 Master Calendar</li><li>- Progress against FY22 Committee Goals</li><li>- FY23 Committee Goals</li><li>- FY23 Committee Pacing Plans</li><li>- FY23 Committee and Liaisons Appointments</li><li>- Committee Charter Updates</li><li>- FY23 Organizational Goals</li></ul>

Report on Board Actions  
August 15, 2022

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
<b>ECHD Board</b>	June 14, 2022	<ul style="list-style-type: none"> <li>- FY23 Regular Meeting Dates: Resolution 2022-07</li> <li>- FY23 Operating Budget – ECHD and ECH &amp; Affiliates</li> <li>- Appointment of Liaison to the Community Benefit Advisory Council</li> <li>- Appointment of FY23 Hospital Board Member</li> <li>- Reappointment AD Hoc Committee: <i>Resolution 2022-08</i></li> <li>- El Camino Health District Mission Statement Review AD Hoc Committee Recommendation</li> <li>- Requesting for and Consenting to Consolidating for Election: <i>Resolution 2022-09</i></li> <li>- FY22 YTD District Financial Report</li> <li>- Establishing Tax Appropriation Limit for FY23 (Gann Limit): <i>Resolution 2022-10</i></li> <li>- District Capital Outlay Funds</li> <li>- FY22 Community Benefit Plan</li> </ul>
<b>Executive Compensation Committee</b>	June 24, 2022	<ul style="list-style-type: none"> <li>- Proposed Salary Range Change and Base Salary Change for Chief Operating Officer</li> <li>- Proposed Salary Range Change and Base Salary Change for Chief Growth Officer</li> </ul>
<b>Compliance and Audit Committee</b>	- N/A	
<b>Finance Committee</b>	- N/A	

**List of Attachments:** None.

**Suggested Committee Discussion Questions:** None.



# El Camino Health

## Summary of Financial Operations

*Fiscal Year 2022 – Period 12*

*7/1/2021 to 06/30/2022*

# Executive Summary - Overall Commentary for Period 12

## Key Drivers of Period 12 Financial Results

- Revenue was primarily driven by very strong outpatient volumes:
  - Outpatient services with continued strong activity: emergency services, surgical services, radiation oncology and interventional services
- Effective cost controls and continued management of variable expenses. When adjusted for volume, overall costs were below target levels:
  - Cost per CMI adjusted discharge was 26.5% favorable to budget
  - One-time favorable adjustment to pension liability drove expenses favorability
- Gross charges were favorable to budget by \$57.2M / 15.1% and \$38.2M / 9.6% higher than the same period last year
  - Outpatient charges were favorable by \$47.8M / 27.6% while Inpatient charges were favorable by \$9.3M / 4.5%.
- Net patient revenue was favorable to budget by \$21.8M / 22.7% and \$5.7M / 5.1% higher than the same period last year
- Operating margin was favorable to budget by \$29.7M / 445.7% and \$15.7M / 76.2% higher than the same period last year
- Operating EBIDA was favorable to budget by \$31.0M / 228.9% and \$16.8M / 60.4% higher than the same period last year
- Non-operating revenue for period 12 was (\$48.9M) which was \$54.3M unfavorable to budget. This adversely impacted net income which was (\$12.4M), unfavorable to budget by \$27.3M / 184.0% and \$53.2M / 130.6% lower than the same period last year. This is attributed the continued instability in the capital markets.
- Negative performance in non-operating revenue has resulted in lower than expected liquidity of 290 days cash on hand versus budget of 325 days

# Operational / Financial Results: Period 12 – June 2022 (as of 06/30/2022)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's	S&P	Performance to Rating Agency Medians
									'A1'	'AA'	
Activity / Volume	ADC	283	262	21	8.0%	269	13	4.9%	---	---	---
	Total Acute Discharges	1,842	1,685	157	9.3%	1,789	53	3.0%	---	---	---
	Adjusted Discharges	3,735	3,104	631	20.3%	3,413	322	9.4%	---	---	---
	Emergency Room Visits	7,420	4,353	3,067	70.5%	5,620	1,800	32.0%	---	---	---
	OP Procedural Cases	12,707	10,120	2,587	25.6%	12,727	(20)	(0.2%)	---	---	---
	Gross Charges (\$)	445,643	386,092	59,551	15.4%	408,078	37,565	9.2%	---	---	---
Operations	Total FTEs	3,208	3,151	57	1.8%	2,924	284	9.7%	---	---	---
	Productive Hrs. / APD	26.9	31.2	(4.3)	(13.8%)	28.4	(1.5)	(5.3%)	---	---	---
	Cost Per CMI AD	13,195	17,952	(4,757)	(26.5%)	16,225	(3,030)	(18.7%)	---	---	---
	Net Days in A/R	57.3	49.0	8.3	17.0%	50.0	7.4	14.7%	47.7	49.7	---
Financial Performance	Net Patient Revenue (\$)	117,911	96,066	21,845	22.7%	112,238	5,672	5.1%	138,547	82,105	---
	Total Operating Revenue (\$)	122,341	99,647	22,694	22.8%	116,945	5,396	4.6%	152,743	109,602	---
	Operating Margin (\$)	36,416	6,674	29,742	445.7%	20,664	15,752	76.2%	1,915	3,836	---
	Operating EBIDA (\$)	44,553	13,544	31,009	228.9%	27,771	16,782	60.4%	11,188	10,741	---
	Net Income (\$)	(12,442)	14,814	(27,256)	(184.0%)	40,705	(53,147)	(130.6%)	8,124	7,343	---
	Operating Margin (%)	29.8%	6.7%	23.1%	344.4%	17.7%	12.1%	68.5%	1.9%	3.5%	---
	Operating EBIDA (%)	36.4%	13.6%	22.8%	167.9%	23.7%	12.7%	53.4%	8.3%	9.8%	---
	DCOH (days)	290	325	(35)	(10.6%)	388	(97)	(25.1%)	306	355	---

**Moody's Medians:** Not-for-profit and public healthcare annual report; September 9, 2021. Dollar amounts have been adjusted to reflect monthly averages.

**S&P Medians:** U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021. Dollar amounts have been adjusted to reflect monthly averages.

DCOH total includes cash, short-term and long-term investments.

# Operational / Financial Results: YTD FY2022 (as of 06/30/2022)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's	S&P	Performance to Rating Agency Medians
									'A1'	'AA'	
Activity / Volume	ADC	276	255	21	8.1%	245	31	12.7%	---	---	---
	Total Acute Discharges	21,371	20,147	1,224	6.1%	19,157	2,214	11.6%	---	---	---
	Adjusted Discharges	41,884	37,332	4,552	12.2%	36,207	5,676	15.7%	---	---	---
	Emergency Room Visits	68,778	52,395	16,383	31.3%	52,059	16,719	32.1%	---	---	---
	OP Procedural Cases	153,132	123,247	29,885	24.2%	160,732	(7,600)	(4.7%)	---	---	---
	Gross Charges (\$)	5,122,895	4,567,467	555,428	12.2%	4,309,257	813,638	18.9%	---	---	---
Operations	Total FTEs	3,101	3,086	15	0.5%	2,841	260	9.1%	---	---	---
	Productive Hrs. / APD	28.6	31.5	(2.8)	(9.0%)	31.0	(2.3)	(7.6%)	---	---	---
	Cost Per CMI AD	16,167	17,952	(1,785)	(9.9%)	16,815	(649)	(3.9%)	---	---	---
	Net Days in A/R	57.3	49.0	8.3	17.0%	50.0	7.4	14.7%	47.7	49.7	---
Financial Performance	Net Patient Revenue (\$)	1,309,152	1,147,680	161,472	14.1%	1,107,911	201,241	18.2%	1,662,567	985,255	---
	Total Operating Revenue (\$)	1,353,519	1,191,794	161,725	13.6%	1,156,342	197,177	17.1%	1,822,912	1,315,225	---
	<b>Operating Margin (\$)</b>	<b>195,086</b>	<b>79,692</b>	<b>115,394</b>	<b>144.8%</b>	<b>87,244</b>	<b>107,842</b>	<b>123.6%</b>	<b>22,978</b>	<b>46,033</b>	---
	<b>Operating EBIDA (\$)</b>	<b>286,044</b>	<b>163,575</b>	<b>122,469</b>	<b>74.9%</b>	<b>170,690</b>	<b>115,354</b>	<b>67.6%</b>	<b>134,260</b>	<b>128,892</b>	---
	Net Income (\$)	43,765	172,403	(128,638)	(74.6%)	328,083	(284,318)	(86.7%)	97,493	88,120	---
	<b>Operating Margin (%)</b>	<b>14.4%</b>	<b>6.7%</b>	<b>7.7%</b>	<b>115.6%</b>	<b>7.5%</b>	<b>6.9%</b>	<b>91.0%</b>	<b>1.9%</b>	<b>3.5%</b>	---
	<b>Operating EBIDA (%)</b>	<b>21.1%</b>	<b>13.7%</b>	<b>7.4%</b>	<b>54.0%</b>	<b>14.8%</b>	<b>6.4%</b>	<b>43.2%</b>	<b>8.3%</b>	<b>9.8%</b>	---
	DCOH (days)	290	325	(35)	(10.6%)	388	(97)	(25.1%)	306	355	---

**Moody's Medians:** Not-for-profit and public healthcare annual report; September 9, 2021.

**S&P Medians:** U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021

DCOH total includes cash, short-term and long-term investments.

# Key Statistics: Period 12 and YTD (as of 06/30/2022)

Key Metrics	Month to Date			Variance (%)		Year to Date			Variance (%)	
	PY	CY	Budget	CY vs PY	CY vs Budget	PY	CY	Budget	CY vs PY	CY vs Budget
ADC	269	283	262	4.9%	8.0%	245	276	255	12.7%	8.1%
Utilization MV	72%	76%	69%	4.6%	9.8%	64%	73%	67%	13.8%	8.2%
Utilization LG	31%	33%	33%	6.4%	0.2%	31%	34%	32%	8.3%	8.0%
Utilization Combined	59%	62%	58%	4.9%	8.0%	54%	61%	56%	12.7%	8.1%
Adjusted Discharges	3,413	3,735	3,104	9.4%	20.3%	36,207	41,884	37,332	15.7%	12.2%
Total Discharges (Exc NB)	1,789	1,842	1,685	3.0%	9.3%	19,157	21,371	20,147	11.6%	6.1%
Total Discharges	2,143	2,205	2,049	2.9%	7.6%	23,111	26,098	24,655	12.9%	5.9%
<b>Inpatient Case Activity</b>										
MS Discharges	1,254	1,289	1,125	2.8%	14.5%	13,155	14,444	13,440	9.8%	7.5%
Deliveries	386	385	391	(0.3%)	(1.5%)	4,235	5,092	4,747	20.2%	7.3%
BHS	110	133	119	20.9%	11.8%	1,286	1,378	1,418	7.2%	(2.8%)
Rehab	36	42	50	16.7%	(16.0%)	480	450	542	(6.3%)	(17.0%)
<b>Outpatient Case Activity</b>										
Total Outpatient Cases	16,480	17,557	13,337	6.5%	31.6%	198,625	205,859	162,157	3.6%	27.0%
ED	3,753	4,850	3,217	29.2%	50.8%	37,893	52,727	38,910	39.1%	35.5%
OP Surg	605	624	448	3.1%	39.3%	6,441	7,118	5,413	10.5%	31.5%
Endo	289	264	234	(8.7%)	12.8%	2,647	2,880	2,592	8.8%	11.1%
Interventional	207	223	163	7.7%	36.8%	2,156	2,354	2,096	9.2%	12.3%
All Other	11,626	11,596	9,275	(0.3%)	25.0%	149,488	140,780	113,146	(5.8%)	24.4%
<b>Hospital Payor Mix</b>										
Medicare	50.5%	48.8%	47.8%	(3.3%)	2.0%	48.8%	48.2%	47.9%	(1.2%)	0.7%
Medi-Cal	8.1%	8.8%	8.1%	9.3%	8.7%	8.2%	8.1%	8.0%	(1.3%)	1.7%
Commercial	39.8%	39.5%	42.0%	(0.7%)	(6.3%)	40.7%	41.5%	42.1%	1.9%	(1.4%)
Other	1.6%	2.8%	2.1%	76.8%	26.8%	2.2%	2.2%	2.1%	(2.6%)	4.1%

# Enterprise Income Statement: Rolling 16 Monthly Trend (\$000s)

	FY2021				FY2022												YTD FY2022	Rolling 16 Monthly Average
	Period 9 Mar-21	Period 10 Apr-21	Period 11 May-21	Period 12 Jun-21	Period 1 Jul-21	Period 2 Aug-21	Period 3 Sep-21	Period 4 Oct-21	Period 5 Nov-21	Period 6 Dec-21	Period 7 Jan-22	Period 8 Feb-22	Period 9 Mar-22	Period 10 Apr-22	Period 11 May-22	Period 12 Jun-22		
<b>Operating Revenues:</b>																		
Net Patient Revenue	97,171	94,903	95,542	112,238	101,774	104,482	104,776	106,632	107,257	113,033	109,378	105,960	123,165	104,774	110,010	117,911	1,309,152	106,813
Other Operating Revenue	3,537	3,692	5,385	4,706	3,116	3,746	3,479	4,506	3,600	3,648	3,362	3,313	3,577	4,293	3,297	4,430	44,367	3,856
<b>Total Operating Revenue</b>	<b>100,708</b>	<b>98,595</b>	<b>100,927</b>	<b>116,945</b>	<b>104,889</b>	<b>108,228</b>	<b>108,256</b>	<b>111,138</b>	<b>110,857</b>	<b>116,681</b>	<b>112,741</b>	<b>109,273</b>	<b>126,741</b>	<b>109,067</b>	<b>113,307</b>	<b>122,341</b>	<b>1,353,519</b>	<b>110,668</b>
<b>Operating Expenses:</b>																		
Salaries, Wages and Benefits	52,025	50,616	48,138	48,101	53,000	53,940	53,629	56,001	53,709	55,947	59,347	55,256	60,098	57,347	53,852	43,799	655,925	53,425
Supplies	15,421	14,256	15,241	15,156	15,109	14,569	14,862	14,502	14,941	16,060	16,051	15,296	17,661	15,225	16,471	12,943	183,689	15,235
Fees & Purchased Services	15,139	15,761	15,923	19,915	14,390	14,182	14,800	14,760	15,210	14,955	14,291	16,550	17,352	15,127	13,626	16,397	181,640	15,524
Other Operating Expenses	3,536	3,662	3,496	6,002	3,598	3,577	3,676	3,586	3,842	4,112	3,829	4,290	3,821	3,517	3,726	4,649	46,221	3,932
Interest	1,399	1,400	1,400	1,367	1,419	1,418	1,418	1,418	1,420	1,419	1,421	1,380	1,384	1,394	1,393	1,404	16,887	1,403
Depreciation	4,931	5,606	4,808	5,740	4,727	7,157	5,902	5,798	6,440	6,173	6,046	6,311	6,246	6,438	6,101	6,733	74,070	5,947
<b>Total Operating Expenses</b>	<b>92,450</b>	<b>91,301</b>	<b>89,006</b>	<b>96,281</b>	<b>92,242</b>	<b>94,844</b>	<b>94,286</b>	<b>96,065</b>	<b>95,561</b>	<b>98,665</b>	<b>100,984</b>	<b>99,084</b>	<b>106,561</b>	<b>99,048</b>	<b>95,169</b>	<b>85,924</b>	<b>1,158,433</b>	<b>95,467</b>
<b>Operating Margin</b>	<b>8,258</b>	<b>7,294</b>	<b>11,921</b>	<b>20,664</b>	<b>12,648</b>	<b>13,384</b>	<b>13,970</b>	<b>15,073</b>	<b>15,297</b>	<b>18,016</b>	<b>11,756</b>	<b>10,189</b>	<b>20,180</b>	<b>10,020</b>	<b>18,138</b>	<b>36,416</b>	<b>195,086</b>	<b>15,201</b>
Non-Operating Income	18,965	29,151	16,666	20,041	(4,099)	14,319	(18,378)	24,361	(21,232)	17,581	(31,539)	(32,720)	3,935	(56,388)	1,696	(48,858)	(151,321)	(4,156)
<b>Net Margin</b>	<b>27,223</b>	<b>36,445</b>	<b>28,588</b>	<b>40,705</b>	<b>8,549</b>	<b>27,703</b>	<b>(4,408)</b>	<b>39,435</b>	<b>(5,935)</b>	<b>35,596</b>	<b>(19,783)</b>	<b>(22,531)</b>	<b>24,115</b>	<b>(46,369)</b>	<b>19,834</b>	<b>(12,442)</b>	<b>43,765</b>	<b>11,045</b>
<b>Operating EBIDA</b>	<b>14,588</b>	<b>14,301</b>	<b>18,130</b>	<b>27,771</b>	<b>18,793</b>	<b>21,959</b>	<b>21,289</b>	<b>22,290</b>	<b>23,156</b>	<b>25,608</b>	<b>19,223</b>	<b>17,881</b>	<b>27,810</b>	<b>17,851</b>	<b>25,632</b>	<b>44,553</b>	<b>286,044</b>	<b>22,552</b>
Operating Margin (%)	8.2%	7.4%	11.8%	17.7%	12.1%	12.4%	12.9%	13.6%	13.8%	15.4%	10.4%	9.3%	15.9%	9.2%	16.0%	29.8%	14.4%	13.7%
<b>Operating EBIDA Margin (%)</b>	<b>14.5%</b>	<b>14.5%</b>	<b>18.0%</b>	<b>23.7%</b>	<b>17.9%</b>	<b>20.3%</b>	<b>19.7%</b>	<b>20.1%</b>	<b>20.9%</b>	<b>21.9%</b>	<b>17.1%</b>	<b>16.4%</b>	<b>21.9%</b>	<b>16.4%</b>	<b>22.6%</b>	<b>36.4%</b>	<b>21.1%</b>	<b>20.4%</b>

# Financial Overview: Period 12 – June 2022

Period ending 6/30/2022

## June Financial Performance

- Operating margin was \$36.4M compared to a budget of \$6.7M, resulting in a favorable variance of \$29.7M
- Revenue continued to trend favorably to budget:
  - Favorable variance of gross charges of \$59.6M was driven primarily by outpatient activity:
    - Inpatient gross charges: Favorable to budget by \$9.3M / 4.5% variance primarily driven by neonatal intensive care, imaging and nursing units
    - Outpatient gross charges: Favorable to budget by \$47.8M / 27.6% variance primarily driven by emergency services, surgery, radiation oncology, interventional services and corresponding ancillary services
  - Operating Expenses were favorable to budget for June \$7.0M / 7.6%
    - SWB were favorable by \$8.9M / 17.0%, this is attributed to a one-time adjustment to pension liability
    - Supplies were favorable by \$2.2M / 14.4%
      - Supply expenses attributed to Covid-19 were \$5.1M and \$13.9M YTD
    - All other discretionary non-volume driven expenses were unfavorable to budget by \$4.1M
- Unfavorable market performance continues to drive unrealized losses for the investment portfolio, which resulted in negative net income
- Negative performance in non-operating revenue has resulted in lower than expected liquidity of 290 days cash on hand versus budget of 325 days

# Financial Overview: Period 12 – June 2022 (cont.)

Period ending 6/30/2022

## June Financial Performance

### Hospital Operations:

- Adjusted Discharges (AD): Favorable to budget by 631 ADs / 20.3% and above prior year by 322 ADs / 9.4%:
  - Mountain View: Favorable to budget by 457 ADs / 19.0% and above prior year by 177 ADs / 7.3%
  - Los Gatos: Favorable to budget by 174 ADs / 25.1% and below prior year by 145 ADs / 20.2%
- Operating Expense Per CMI Adjusted Discharge: \$13,195 which is 26.5% favorable to budget

Note: Excludes depreciation and interest

### El Camino Health Medical Network (ECHMN) Operations:

- Total visits of 18,001 reflect an increase of 5.2% over the prior month's 17,104. June's visits per day of 796 also reflect an increase of 1.1% over the prior month's 787 visits per day. Increases occurred at the Cupertino Urgent Care, the McKee, Willow Glen and Mountain View Primary Care Clinics.
- Total visits were favorable to budget by 3.9%. However, YTD total visits for the fiscal year finished unfavorable to budget by 1.7%. The YTD budget variance is related to the retirement of several OB/GYN providers and the closure of Gilroy and Campbell locations. In addition, lower than budgeted volumes occurred at Winchester, Ortho Spine, Cancer, Bay Area maternity, Samaritan and McKee clinics.

# Financial Overview: Period 12 – June 2022 (cont.)

Period ending 6/30/2022

## Financial Performance

### El Camino Health Medical Network (ECHMN) Operations:

- Net Income for June was unfavorable to budget by \$214K or 7.8% bringing the YTD variance to an unfavorable variance of \$1.1M or 3.3%. Included in the fiscal year end net loss are \$166K in losses on disposal of assets from the closure of Gilroy and relocation of the Samaritan Clinic, the repayment of \$359K of HHS stimulus funds that were received in FY2020 and the reserve of \$600K for potential settlement of a dispute with the medical groups.
- Compared to last year, June's net income is unfavorable by \$169K or 6.1%. For the twelve months ended June 2022 the organization finished the fiscal year favorable to the prior year by \$1.5M or 4.3%. Removing non-recurring items would have resulted in an improvement of \$2.6M over the prior year.

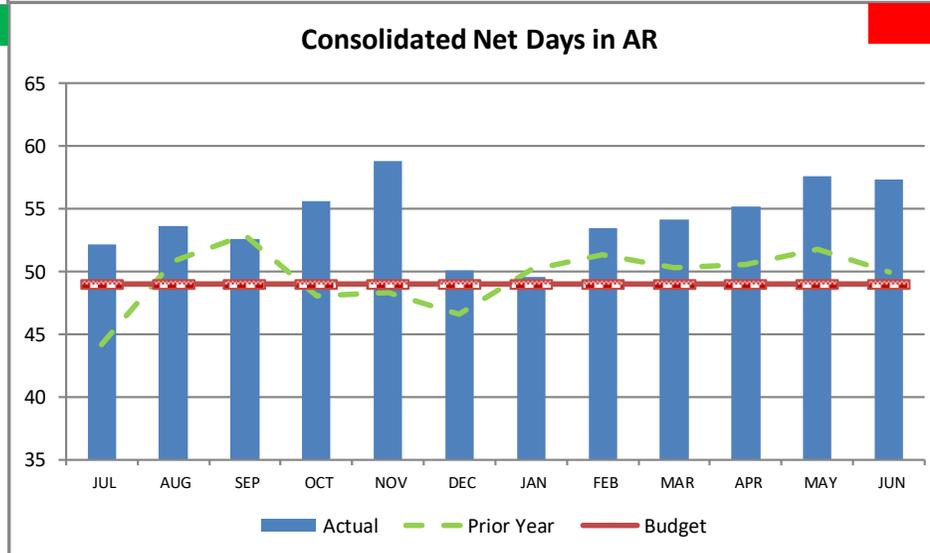
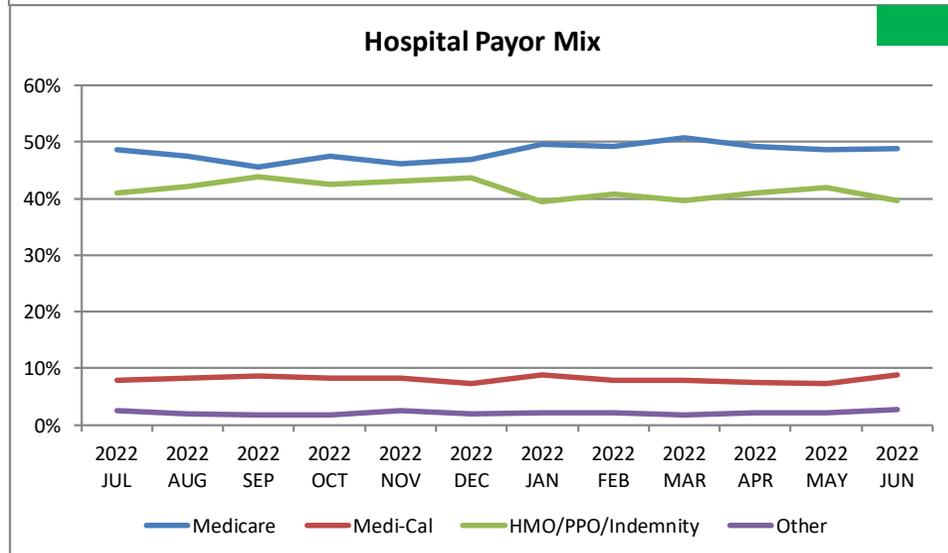
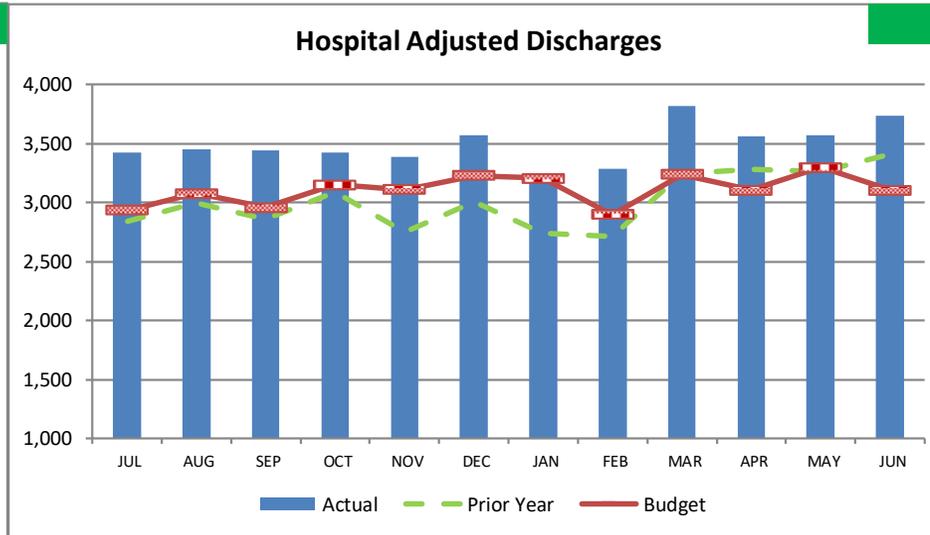
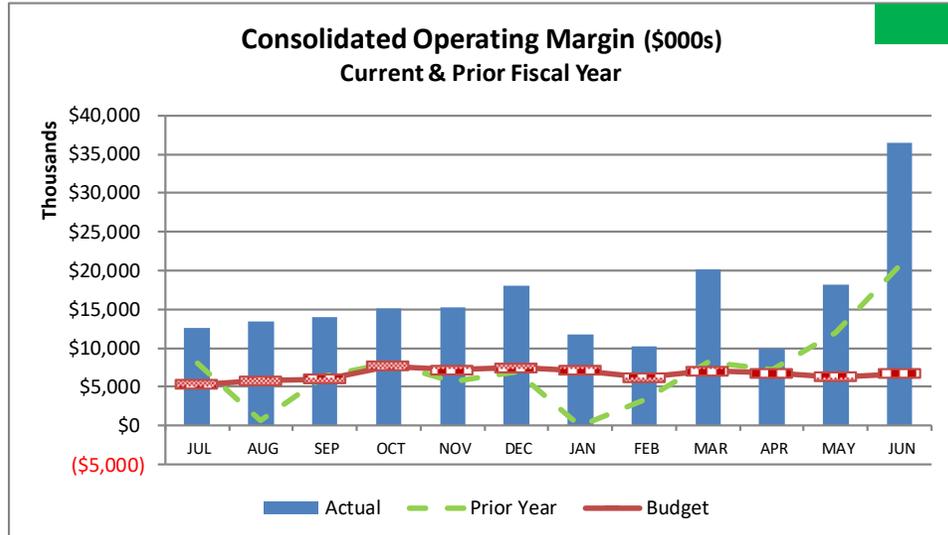
# Financial Overview: YTD FY2022 (as of 6/30/2022)

## Consolidated Financial Performance

- YTD FY2022 operating margin is \$195.1M compared to the budget of \$79.7M
  - Operating expenses of \$1,158M / 4.2% unfavorable to budget mainly driven by higher than expected volumes, Covid related expenses and workforce shortages:
    - When adjusted for volume levels, operating expenses per CMI adjusted discharge is \$16,167 which is 9.9% favorable to budget. This continues to demonstrate effective management of variable expenses and the impact of initiatives implemented by management to mitigate the impact of inflation and workforce shortages.
- Note: Excludes depreciation and interest expense**
- Year-over-year operating margin is \$107.8M higher than the same period last year, which is primarily due to the strength of revenue as exhibited by year-over-year growth in the following services lines:
    - Outpatient Surgeries: +10.5% primarily driven by heart/vascular and orthopedic & spine activity and their associated ancillary services
    - Emergency Room Visits: +39.1%
    - Deliveries - Maternal Child services: +20.2%
  - Year-over-year net margin is \$284.3M lower than the same period last year, which is primarily driven by lower investment income

# APPENDIX

# YTD FY2022 Financial KPIs – Monthly Trends



# Investment Scorecard (as of 06/30/2022)

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY22 Budget	Expectation Per Asset Allocation
<b>Investment Performance</b>		<b>CY 2Q / FY 4Q 2022</b>		<b>Fiscal Year-to-Date 2022</b>		<b>Since NEPC Inception (3/31/22)</b>		<b>FY 2022</b>	<b>2019</b>
Surplus cash balance* (millions)		\$1,290.8	--	--	--	--	--	--	--
Surplus Cash Return	Green	-8.3%	-8.2%	-11.4%	-9.8%	-8.3%	-8.2%	4.0%	5.6%
Cash balance plan balance (millions)		\$299.7	--	--	--	--	--	--	--
Cash balance plan return	Green	-10.0%	-9.4%	-14.0%	-10.2%	-10.0%	-9.4%	6.0%	6.0%
403(b) plan balance (millions)		n/a	--	--	--	--	--	--	--
<b>Risk vs. Return</b>		<b>3-year</b>			<b>Since NEPC Inception (3/31/22)</b>			<b>2019</b>	
Surplus cash Sharpe ratio	Green	0.30	0.40	--	--	n/a	n/a	--	0.34
Net of fee return	Green	3.2%	3.7%	--	--	-8.3%	-8.2%	--	5.6%
Standard deviation	Green	8.7%	8.8%	--	--	n/a	n/a	--	8.7%
Cash balance Sharpe ratio	Green	0.30	0.40	--	--	n/a	n/a	--	0.32
Net of fee return	Green	3.9%	4.6%	--	--	-10.0%	-9.4%	--	6.0%
Standard deviation	Green	11.5%	10.3%	--	--	n/a	n/a	--	10.3%
<b>Asset Allocation</b>		<b>CY 2Q / FY 4Q 2022</b>							
Surplus cash absolute variances to target	Green	4.7%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target	Green	7.4%	< 10% Green < 20% Yellow	--	--	--	--	--	--
<b>Manager Compliance</b>		<b>CY 2Q / FY 4Q 2022</b>							
Surplus cash manager flags		n/a	< 24% Green < 30% Yellow	--	--	--	--	--	--
Cash balance manager flags		n/a	< 27% Green < 34% Yellow	--	--	--	--	--	--

\* Represents Total Surplus Cash ex District/Debt Reserves.



# Period 12 and YTD Operating Income, Non-Operating Income and Net Income by Affiliate (as of 06/30/2022)

(\$000s)

	Period 12- Month			Period 12- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Operating Margin</b>						
Mountain View	28,202	6,697	21,504	180,038	80,408	99,630
Los Gatos	11,612	2,932	8,680	50,255	35,202	15,053
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>39,813</b>	<b>9,630</b>	<b>30,184</b>	<b>230,292</b>	<b>115,610</b>	<b>114,682</b>
<b>Operating Margin %</b>	<b>33.9%</b>	<b>10.1%</b>		<b>17.7%</b>	<b>10.2%</b>	
<b>El Camino Hospital Non Operating Income</b>						
<b>Sub Total - Non Operating Income</b>	<b>(46,473)</b>	<b>7,846</b>	<b>(54,319)</b>	<b>(148,794)</b>	<b>89,199</b>	<b>(237,993)</b>
<b>El Camino Hospital Net Margin</b>	<b>(6,659)</b>	<b>17,476</b>	<b>(24,135)</b>	<b>81,499</b>	<b>204,809</b>	<b>(123,310)</b>
<b>ECH Net Margin %</b>	<b>-5.7%</b>	<b>18.3%</b>		<b>6.3%</b>	<b>18.0%</b>	
Concern	(362)	72	(434)	(598)	833	(1,430)
Foundation	(2,453)	20	(2,473)	(3,048)	(250)	(2,798)
El Camino Health Medical Network	(2,968)	(2,753)	(214)	(34,087)	(32,989)	(1,098)
<b>Net Margin Hospital Affiliates</b>	<b>(5,782)</b>	<b>(2,662)</b>	<b>(3,121)</b>	<b>(37,733)</b>	<b>(32,406)</b>	<b>(5,327)</b>
<b>Total Net Margin Hospital &amp; Affiliates</b>	<b>(12,442)</b>	<b>14,814</b>	<b>(27,256)</b>	<b>43,765</b>	<b>172,403</b>	<b>(128,638)</b>

# Consolidated Statement of Operations (\$000s)

Period 12 ending 06/30/2022

Period 12 FY 2021	Period 12 FY 2022	Period 12 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
408,078	445,643	386,092	59,551	15.4%	<b>Gross Revenue</b>	4,309,257	5,122,895	4,567,467	555,428	12.2%
(295,840)	(327,733)	(290,026)	(37,706)	(13.0%)	<b>Deductions</b>	(3,201,346)	(3,813,743)	(3,419,787)	(393,956)	(11.5%)
<b>112,238</b>	<b>117,911</b>	<b>96,066</b>	<b>21,845</b>	<b>22.7%</b>	<b>Net Patient Revenue</b>	<b>1,107,911</b>	<b>1,309,152</b>	<b>1,147,680</b>	<b>161,472</b>	<b>14.1%</b>
4,706	4,430	3,581	849	23.7%	<b>Other Operating Revenue</b>	48,431	44,367	44,114	253	0.6%
<b>116,945</b>	<b>122,341</b>	<b>99,647</b>	<b>22,694</b>	<b>22.8%</b>	<b>Total Operating Revenues</b>	<b>1,156,342</b>	<b>1,353,519</b>	<b>1,191,794</b>	<b>161,725</b>	<b>13.6%</b>
<b>OPERATING EXPENSE</b>										
48,101	43,799	52,766	8,967	17.0%	<b>Salaries &amp; Wages</b>	588,470	655,925	628,966	(26,958)	(4.3%)
15,156	12,943	15,128	2,185	14.4%	<b>Supplies</b>	171,714	183,689	176,015	(7,674)	(4.4%)
19,915	16,397	14,220	(2,177)	(15.3%)	<b>Fees &amp; Purchased Services</b>	180,846	181,640	172,643	(8,997)	(5.2%)
6,002	4,649	3,988	(660)	(16.6%)	<b>Other Operating Expense</b>	44,622	46,221	50,594	4,373	8.6%
1,367	1,404	1,410	6	0.4%	<b>Interest</b>	16,960	16,887	16,852	(35)	(0.2%)
5,740	6,733	5,460	(1,273)	(23.3%)	<b>Depreciation</b>	66,486	74,070	67,031	(7,039)	(10.5%)
<b>96,281</b>	<b>85,924</b>	<b>92,973</b>	<b>7,049</b>	<b>7.6%</b>	<b>Total Operating Expenses</b>	<b>1,069,098</b>	<b>1,158,433</b>	<b>1,112,102</b>	<b>(46,331)</b>	<b>(4.2%)</b>
<b>20,664</b>	<b>36,416</b>	<b>6,674</b>	<b>29,742</b>	<b>445.7%</b>	<b>Net Operating Margin</b>	<b>87,244</b>	<b>195,086</b>	<b>79,692</b>	<b>115,394</b>	<b>144.8%</b>
20,041	(48,858)	8,140	(56,998)	(700.2%)	<b>Non Operating Income</b>	240,839	(151,321)	92,711	(244,032)	(263.2%)
<b>40,705</b>	<b>(12,442)</b>	<b>14,814</b>	<b>(27,256)</b>	<b>(184.0%)</b>	<b>Net Margin</b>	<b>328,083</b>	<b>43,765</b>	<b>172,403</b>	<b>(128,638)</b>	<b>(74.6%)</b>
<b>27,771</b>	<b>44,553</b>	<b>13,544</b>	<b>31,009</b>	<b>228.9%</b>	<b>Operating EBIDA</b>	<b>170,690</b>	<b>286,044</b>	<b>163,575</b>	<b>122,469</b>	<b>74.9%</b>
23.7%	36.4%	13.6%	22.8%		<b>Operating EBIDA Margin</b>	14.8%	21.1%	13.7%	7.4%	
17.7%	29.8%	6.7%	23.1%		<b>Operating Margin</b>	7.5%	14.4%	6.7%	7.7%	
34.8%	-10.2%	14.9%	(25.0%)		<b>Net Margin</b>	28.4%	3.2%	14.5%	(11.2%)	

# El Camino Hospital – Mountain View

## Statement of Operations (\$000s)

Period 12 ending 06/30/2022

Period 12 FY 2021	Period 12 FY 2022	Period 12 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUES</b>					
310,647	340,729	301,862	38,867	12.9%	<b>Gross Revenue</b>	3,282,301	3,873,718	3,563,110	310,607	8.7%
(223,732)	(256,799)	(227,738)	(29,062)	(12.8%)	<b>Deductions</b>	(2,432,979)	(2,872,810)	(2,679,627)	(193,183)	(7.2%)
<b>86,916</b>	<b>83,929</b>	<b>74,124</b>	<b>9,805</b>	<b>13.2%</b>	<b>Net Patient Revenue</b>	<b>849,321</b>	<b>1,000,908</b>	<b>883,484</b>	<b>117,424</b>	<b>13.3%</b>
2,063	2,486	1,637	849	51.8%	<b>Other Operating Revenue</b>	20,264	20,372	20,427	(55)	(0.3%)
<b>88,979</b>	<b>86,416</b>	<b>75,762</b>	<b>10,654</b>	<b>14.1%</b>	<b>Total Operating Revenues</b>	<b>869,585</b>	<b>1,021,280</b>	<b>903,911</b>	<b>117,369</b>	<b>13.0%</b>
					<b>OPERATING EXPENSES</b>					
37,566	31,217	41,860	10,643	25.4%	<b>Salaries &amp; Wages</b>	462,699	510,654	498,908	(11,747)	(2.4%)
10,996	9,819	11,711	1,892	16.2%	<b>Supplies</b>	127,811	134,239	135,368	1,129	0.8%
11,065	7,127	7,080	(47)	(0.7%)	<b>Fees &amp; Purchased Services</b>	90,375	89,393	85,528	(3,865)	(4.5%)
4,533	3,347	2,698	(649)	(24.1%)	<b>Other Operating Expense</b>	29,155	32,486	33,968	1,483	4.4%
1,367	1,404	1,410	6	0.4%	<b>Interest</b>	16,960	16,887	16,852	(35)	(0.2%)
3,715	5,300	4,306	(994)	(23.1%)	<b>Depreciation</b>	51,553	57,582	52,879	(4,703)	(8.9%)
<b>69,243</b>	<b>58,214</b>	<b>69,064</b>	<b>10,851</b>	<b>15.7%</b>	<b>Total Operating Expenses</b>	<b>778,552</b>	<b>841,242</b>	<b>823,503</b>	<b>(17,739)</b>	<b>(2.2%)</b>
<b>19,736</b>	<b>28,202</b>	<b>6,697</b>	<b>21,504</b>	<b>321.1%</b>	<b>Net Operating Margin</b>	<b>91,033</b>	<b>180,038</b>	<b>80,408</b>	<b>99,630</b>	<b>123.9%</b>
18,886	(46,473)	7,846	(54,319)	(692.3%)	<b>Non Operating Income</b>	231,276	(148,817)	89,199	(238,016)	(266.8%)
<b>38,622</b>	<b>(18,271)</b>	<b>14,544</b>	<b>(32,815)</b>	<b>(225.6%)</b>	<b>Net Margin</b>	<b>322,309</b>	<b>31,221</b>	<b>169,607</b>	<b>(138,386)</b>	<b>(81.6%)</b>
<b>24,818</b>	<b>34,906</b>	<b>12,413</b>	<b>22,492</b>	<b>181.2%</b>	<b>Operating EBIDA</b>	<b>159,546</b>	<b>254,507</b>	<b>150,139</b>	<b>104,368</b>	<b>69.5%</b>
27.9%	40.4%	16.4%	24.0%		<b>Operating EBIDA Margin</b>	18.3%	24.9%	16.6%	8.3%	
22.2%	32.6%	8.8%	23.8%		<b>Operating Margin</b>	10.5%	17.6%	8.9%	8.7%	
43.4%	-21.1%	19.2%	(40.3%)		<b>Net Margin</b>	37.1%	3.1%	18.8%	(15.7%)	

# El Camino Hospital – Los Gatos

## Statement of Operations (\$000s)

Period 12 ending 06/30/2022

Period 12 FY 2021	Period 12 FY 2022	Period 12 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
					<b>OPERATING REVENUE</b>					
87,488	95,587	77,163	18,424	23.9%	<b>Gross Revenue</b>	917,642	1,143,070	911,257	231,814	25.4%
(65,819)	(64,694)	(57,864)	(6,830)	(11.8%)	<b>Deductions</b>	(695,787)	(869,853)	(681,674)	(188,178)	(27.6%)
<b>21,669</b>	<b>30,893</b>	<b>19,299</b>	<b>11,594</b>	<b>60.1%</b>	<b>Net Patient Revenue</b>	<b>221,855</b>	<b>273,218</b>	<b>229,582</b>	<b>43,635</b>	<b>19.0%</b>
259	277	272	6	2.0%	<b>Other Operating Revenue</b>	3,848	3,420	3,253	168	5.2%
<b>21,927</b>	<b>31,171</b>	<b>19,571</b>	<b>11,600</b>	<b>59.3%</b>	<b>Total Operating Revenue</b>	<b>225,703</b>	<b>276,638</b>	<b>232,835</b>	<b>43,803</b>	<b>18.8%</b>
					<b>OPERATING EXPENSE</b>					
8,445	10,414	8,878	(1,536)	(17.3%)	<b>Salaries &amp; Wages</b>	100,475	120,797	104,930	(15,866)	(15.1%)
3,621	3,278	3,193	(85)	(2.7%)	<b>Supplies</b>	38,640	45,650	37,535	(8,115)	(21.6%)
3,674	4,240	3,259	(981)	(30.1%)	<b>Fees &amp; Purchased Services</b>	36,265	42,411	38,643	(3,768)	(9.8%)
469	482	402	(80)	(20.0%)	<b>Other Operating Expense</b>	4,619	4,527	5,398	871	16.1%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
1,756	1,145	907	(238)	(26.2%)	<b>Depreciation</b>	11,791	12,998	11,126	(1,872)	(16.8%)
<b>17,965</b>	<b>19,559</b>	<b>16,639</b>	<b>(2,920)</b>	<b>(17.5%)</b>	<b>Total Operating Expense</b>	<b>191,791</b>	<b>226,383</b>	<b>197,633</b>	<b>(28,750)</b>	<b>(14.5%)</b>
<b>3,963</b>	<b>11,612</b>	<b>2,932</b>	<b>8,680</b>	<b>296.0%</b>	<b>Net Operating Margin</b>	<b>33,913</b>	<b>50,255</b>	<b>35,202</b>	<b>15,053</b>	<b>42.8%</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	0	23	0	23	0.0%
<b>3,963</b>	<b>11,612</b>	<b>2,932</b>	<b>8,680</b>	<b>296.0%</b>	<b>Net Margin</b>	<b>33,913</b>	<b>50,278</b>	<b>35,202</b>	<b>15,076</b>	<b>42.8%</b>
<b>5,719</b>	<b>12,757</b>	<b>3,839</b>	<b>8,917</b>	<b>232.3%</b>	<b>Operating EBIDA</b>	<b>45,704</b>	<b>63,252</b>	<b>46,328</b>	<b>16,925</b>	<b>36.5%</b>
26.1%	40.9%	19.6%	21.3%		<b>Operating EBIDA Margin</b>	20.2%	22.9%	19.9%	3.0%	
18.1%	37.3%	15.0%	22.3%		<b>Operating Margin</b>	15.0%	18.2%	15.1%	3.0%	
18.1%	37.3%	15.0%	22.3%		<b>Net Margin</b>	15.0%	18.2%	15.1%	3.1%	

# El Camino Health Medical Network

## Statement of Operations (\$000s)

Period 12 ending 06/30/2022

Period 12 FY 2021	Period 12 FY 2022	Period 12 Budget 2022	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2021	YTD FY 2022	YTD Budget 2022	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUES</b>										
9,943	9,328	7,067	2,261	32.0%	<b>Gross Revenue</b>	109,314	106,107	93,100	13,007	14.0%
(6,289)	(6,240)	(4,425)	(1,815)	(41.0%)	<b>Deductions</b>	(72,580)	(71,081)	(58,486)	(12,595)	(21.5%)
<b>3,654</b>	<b>3,088</b>	<b>2,642</b>	<b>446</b>	<b>16.9%</b>	<b>Net Patient Revenue</b>	<b>36,735</b>	<b>35,026</b>	<b>34,614</b>	<b>412</b>	<b>1.2%</b>
1,284	948	871	77	8.8%	<b>Other Operating Revenue</b>	14,141	10,795	10,835	(40)	(0.4%)
<b>4,938</b>	<b>4,036</b>	<b>3,514</b>	<b>522</b>	<b>14.9%</b>	<b>Total Operating Revenues</b>	<b>50,876</b>	<b>45,822</b>	<b>45,449</b>	<b>372</b>	<b>0.8%</b>
<b>OPERATING EXPENSES</b>										
1,648	1,692	1,545	(147)	(9.5%)	<b>Salaries &amp; Wages</b>	20,117	19,161	19,312	151	0.8%
488	(164)	214	378	176.8%	<b>Supplies</b>	5,110	3,713	2,989	(724)	(24.2%)
4,419	4,422	3,437	(985)	(28.7%)	<b>Fees &amp; Purchased Services</b>	48,320	44,676	42,659	(2,017)	(4.7%)
925	778	839	62	7.4%	<b>Other Operating Expense</b>	10,176	8,484	10,634	2,150	20.2%
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
255	276	232	(44)	(19.0%)	<b>Depreciation</b>	2,988	3,348	2,844	(504)	(17.7%)
<b>7,736</b>	<b>7,003</b>	<b>6,267</b>	<b>(737)</b>	<b>(11.8%)</b>	<b>Total Operating Expenses</b>	<b>86,711</b>	<b>79,382</b>	<b>78,438</b>	<b>(944)</b>	<b>(1.2%)</b>
<b>(2,798)</b>	<b>(2,968)</b>	<b>(2,753)</b>	<b>(214)</b>	<b>(7.8%)</b>	<b>Net Operating Margin</b>	<b>(35,835)</b>	<b>(33,560)</b>	<b>(32,989)</b>	<b>(571)</b>	<b>(1.7%)</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	229	(527)	0	(527)	0.0%
<b>(2,798)</b>	<b>(2,968)</b>	<b>(2,753)</b>	<b>(214)</b>	<b>(7.8%)</b>	<b>Net Margin</b>	<b>(35,607)</b>	<b>(34,087)</b>	<b>(32,989)</b>	<b>(1,098)</b>	<b>(3.3%)</b>
<b>(2,543)</b>	<b>(2,692)</b>	<b>(2,521)</b>	<b>(170)</b>	<b>(6.8%)</b>	<b>Operating EBIDA</b>	<b>(32,847)</b>	<b>(30,213)</b>	<b>(30,145)</b>	<b>(68)</b>	<b>(0.2%)</b>
-51.5%	-66.7%	-71.8%	5.1%		<b>Operating EBIDA Margin</b>	-64.6%	-65.9%	-66.3%	0.4%	
-56.7%	-73.5%	-78.4%	4.8%		<b>Operating Margin</b>	-70.4%	-73.2%	-72.6%	(0.7%)	
-56.7%	-73.5%	-78.4%	4.8%		<b>Net Margin</b>	-70.0%	-74.4%	-72.6%	(1.8%)	

# Consolidated Balance Sheet (as of 06/30/2022)

(\$000s)

## ASSETS

	Audited	
	June 30, 2022	June 30, 2021
<b>CURRENT ASSETS</b>		
Cash	196,067	151,641
Short Term Investments	138,654	284,262
Patient Accounts Receivable, net	209,668	166,283
Other Accounts and Notes Receivable	9,880	9,540
Intercompany Receivables	13,996	15,116
Inventories and Prepaids	36,476	23,079
<b>Total Current Assets</b>	<b>604,740</b>	<b>649,921</b>
<b>BOARD DESIGNATED ASSETS</b>		
Foundation Board Designated	18,721	20,932
Plant & Equipment Fund	310,367	258,191
Women's Hospital Expansion	30,261	30,401
Operational Reserve Fund	182,907	123,838
Community Benefit Fund	18,299	18,412
Workers Compensation Reserve Fund	14,029	16,482
Postretirement Health/Life Reserve Fund	29,783	30,658
PTO Liability Fund	33,709	32,498
Malpractice Reserve Fund	1,906	1,977
Catastrophic Reserves Fund	24,668	24,874
<b>Total Board Designated Assets</b>	<b>664,651</b>	<b>558,264</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>0</b>	<b>5,694</b>
<b>LONG TERM INVESTMENTS</b>	<b>499,483</b>	<b>603,211</b>
<b>CHARITABLE GIFT ANNUITY INVESTMENTS</b>	<b>940</b>	<b>728</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>30,376</b>	<b>34,170</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,872,501	1,799,463
Less: Accumulated Depreciation	(778,427)	(742,921)
Construction in Progress	96,603	94,236
<b>Property, Plant &amp; Equipment - Net</b>	<b>1,190,676</b>	<b>1,150,778</b>
<b>DEFERRED OUTFLOWS</b>	<b>19,474</b>	<b>21,444</b>
<b>RESTRICTED ASSETS</b>	<b>31,200</b>	<b>29,332</b>
<b>OTHER ASSETS</b>	<b>138,632</b>	<b>86,764</b>
<b>TOTAL ASSETS</b>	<b>3,180,173</b>	<b>3,140,306</b>

## LIABILITIES AND FUND BALANCE

	Audited	
	June 30, 2022	June 30, 2021
<b>CURRENT LIABILITIES</b>		
Accounts Payable	51,286	39,762
Salaries and Related Liabilities	46,502	50,039
Accrued PTO	34,449	33,197
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	14,942	12,990
Intercompany Payables	13,440	14,704
Malpractice Reserves	2,096	1,670
Bonds Payable - Current	9,905	9,430
Bond Interest Payable	8,096	8,293
Other Liabilities	15,739	16,953
<b>Total Current Liabilities</b>	<b>198,755</b>	<b>189,338</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	29,783	30,658
Worker's Comp Reserve	14,029	17,002
Other L/T Obligation (Asbestos)	5,073	6,227
Bond Payable	466,838	479,621
<b>Total Long Term Liabilities</b>	<b>515,723</b>	<b>533,509</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	<b>12,864</b>	<b>67,576</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>51,133</b>	<b>28,009</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	2,154,900	2,097,010
Board Designated	210,197	193,782
Restricted	36,601	31,082
<b>Total Fund Bal &amp; Capital Accts</b>	<b>2,401,698</b>	<b>2,321,874</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>3,180,173</b>	<b>3,140,306</b>

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

**To:** Finance Committee  
**From:** Ken King, CAO  
**Date:** August 15, 2022  
**Subject:** Real Estate Opportunity APN: 264-09-57

**Recommendation:**

The Finance Committee recommends Board Approval for Executive Management to enter into a Purchase and Sale Agreement (PSA) for the medical office property located at 625 Lincoln Avenue, in San Jose at a cost not to exceed \$19.5 million.

**Summary:**

1. **Situation:** The El Camino Health Medical Network (ECHMN) currently leases the property located at 625 Lincoln Avenue, in San Jose, (referred to as the Willow Glen Clinic) which consists of 2-story medical office building that is approximately 35,472 square foot, on 2.6 acres. The lease includes a Right of First Offer in the event the property owner chooses to sell the property. ECH received notice on May 31<sup>st</sup> that we had 60 days to accept or reject the offer to purchase the property. We notified the seller that we accepted the offer subject to the approval by the Board of Directors.
2. **Authority:** In accordance with our policies, real estate transactions and expenditures exceeding \$5 million requires approval by the Board of Directors.
3. **Background:** The existing medical office-building lease was assigned to the ECHMN in 2019 with the acquisition of the San Jose Medical group. The building was originally “built to suit” for the medical group in 1996 and has been occupied since that time. The existing lease is NNN and the tenant has been responsible for the maintenance and upkeep of the premises. As a result, the condition of the building is well known to us. The offer price of \$19.5 million equates to \$550 per square foot of building area.
4. **Assessment:** The existing lease expires in September 2027 and there are no options to extend the lease. If the property were to be sold to another party, we have no guarantee that we would be able to obtain a new lease in five years. In today’s dollars, it would cost at least \$650 per square foot to construct a comparable building and that does not include the cost of land. The location is desirable and it houses the largest ECHMN clinic. Other property listings for similar sized general office buildings range from \$506 to \$767 per square foot. It is extremely rare for an MOB of this size to be available to purchase.  
  
Note that if we choose not to purchase this property and instead seek a new lease in 2027, at fair market value for the following 15 years, the total cost of rent would be approximately \$34 million over the next 20 years.
5. **Other Reviews:** The recommendation to purchase this property is supported by the Executive Management Team.
6. **Outcomes:** Upon approval by the Board of Directors, management would enter into a PSA for the property, complete the due diligence and close escrow within 15 days from the date of contract execution.
7. Parcel Map – Lot 57 **Highlighted**, Entrance Photo

Real Estate Opportunity APN: 264-09-57  
 August 15, 2022

