El Camino Health

MEETING AGENDA

FINANCE COMMITTEE OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Monday, August 25, 2025 – 5:30 pm

El Camino Health | 2500 Grant Road Mountain View, CA 94040 | Sobrato Board Room 1

THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION PORTION OF THE MEETING LIVE AT THE ADDRESS ABOVE OR VIA TELECONFERENCE AT: **1-669-900-9128, MEETING CODE: 967 9543 9851#. No participant code. Just press #**

To watch the meeting, please visit: Finance Committee Meeting Link

Please note that the livestream is for meeting viewing only and there is a slight delay; to provide public comment, please use the phone number listed above.

NOTE: In the event that there are technical problems or disruptions that prevent remote public participation, the Chair has the discretion to continue the meeting without remote public participation options, provided that no Board member is participating in the meeting via teleconference.

A copy of the agenda for the Regular Committee 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) 988-3218** 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	ACTION	ESTIMATED TIMES
1.	**CALL TO ORDER / ROLL CALL**	Don Watters, Chair	Information	**5:30 pm**
2.	**CONSIDER APPROVAL OF AB 2449 REQUEST**	Don Watters, Chair	**Possible Motion**	**5:30 pm**
3.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Don Watters, Chair	Information	**5:30 pm**
4.	**PUBLIC COMMUNICATION** a. Oral Comments *This opportunity is provided for persons to address the Committee on any matter within the subject matter jurisdiction of the Committee that is not on this agenda. Speakers are limited to three (3) minutes each.* b. Written Correspondence *Comments may be submitted by mail to the Finance Committee of the El Camino Hospital Board of Directors at 2500 Grant Road, Mountain View, CA 94040. Written comments will be distributed to the Committee as quickly as possible. Please note it may take up to 24 hours for documents to be posted on the agenda.*	Don Watters, Chair	Information	**5:30 pm**
5.	**CONSENT CALENDAR** ***Items removed from the consent calendar will be considered separately.*** a. Approve Minutes of the Open Session of the Finance Committee Meeting (05/27/2025) b. Approve Minutes of the Open Session of the Special Finance Committee Meeting (07/30/2025) c. Approve FY2025 Period 11 & 12 Financial Report (Pre-Audit Results) d. Receive Committee Governance Policy – Approved by ECHB on June 11, 2025	Don Watters, Chair	**Motion Required**	**5:30 - 5:41**

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
	e. Receive Community Member Class Assignments f. Receive FY2026 Pacing Plan g. Receive Progress Against FY2026 FC Committee Goals h. Receive Article(s) of Interest			
6.	**FY2026 PERIOD 1 FINANCIAL REPORT**	Carlos Bohorquez, CFO	**Motion Required**	**5:41 – 5:46**
7.	**RECESS TO CLOSED SESSION**	Don Watters, Chair	**Motion Required**	**5:51 – 5:52**
8.	**APPROVE MINUTES OF THE CLOSED SESSION OF THE FINANCE COMMITTEE** a. 05/27/2025 – Regular Finance Committee Meeting b. 07/30/2025 – Special Finance Committee Meeting *Report involving Gov't Code Section 54957.2 for closed session minutes*	Don Watters, Chair	**Motion Required**	**5:52 – 5:57**
9.	**PHYSICIAN CONTRACTS** a. Utilization Management – Enterprise Medical Director b. ENT Call Panel (MV) Rate Increase *Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.*	Mark Adams, MD, CMO	Discussion	**5:57 – 6:02**
10.	**LOS GATOS CAMPUS REDEVELOPMENT PROJECT GOVERNANCE / OVERSIGHT PROCESS UPDATE** *Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.*	Carlos Bohorquez, CFO Tracey Lewis Taylor, COO	Discussion	**6:02 – 6:22**
11.	**STRATEGIC FINANCAL UPDATE – FISCAL YEAR END 2025** *Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.*	Carlos Bohorquez, CFO	Discussion	**6:22 – 6:42**
12.	**RECONVENE TO OPEN SESSION**	Don Watters, Chair	**Motion Required**	**6:42 – 6:43**
13.	**CLOSED SESSION REPORT OUT** To report any required disclosures regarding permissible actions taken during Closed Session.	Gabe Fernandez, Governance Services Coordinator	Information	**6:43 – 6:44**
14.	**PHYSICIAN CONTRACTS** - Approve the Utilization Management – Enterprise Medical Director	Don Watters, Chair	**Motion Required**	**6:44 – 6:45**
15.	**PHYSICIAN CONTRACTS** - Approve the ENT Call Panel (MV) Rate Increase	Don Watters, Chair	**Motion Required**	**6:45 – 6:46**
16.	**CLOSING COMMENTS**	Don Watters, Chair	Information	**6:46 – 6:49**
17.	**ADJOURNMENT**	Don Watters, Chair	**Motion Required**	**6:50 pm**

Upcoming Meetings: November 17, 2025, February 2, 2026, Joint FC-IC March 9, 2026, March 23, 2026, May 26, 2026

Minutes of the Open Session of the
Special Finance Committee of the
El Camino Hospital Board of Directors
Tuesday, May 27, 2025
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

Members Present
Don Watters, Chair
Wayne Doiguchi
Peter Fung, MD, MBA
Bill Hooper
Cynthia Stewart

Members Absent
None

Staff Present
Carlos Bohorquez, Chief Financial Officer
Dan Woods, Chief Executive Officer
Omar Chughtai, *Chief Growth Officer* **
Theresa Fuentes, Chief Legal Officer
Ken King, Chief Administrative Services Officer
Tracy Lewis Taylor, Chief Operating Officer
Jon Cowan, Executive Director, Government Relations & Community Partnerships
Michael Walsh, Controller
Victor Cabrera, Sr. Dir. Decision Supp & Business Analytics
Anne Yang, Executive Director, Governance Services
Lindsay Zarcone-Medeiros, Administrative Coordinator **
Gabriel Fernandez, Coordinator, Governance Services

**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. AGENDA ITEM 1: CALL TO ORDER/ ROLL CALL	The open session Special Meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30 p.m. by Chair Don Watters. A verbal roll call was taken. All Committee members were present at roll call and attended in person, constituting a quorum.	***The meeting was called to order at 5:30 p.m.***
2. AGENDA ITEM 2: CONSIDER APPROVAL OF AB-2449 REQUEST	All members participated in person—no consideration of AB-2449 requests was needed.	
3. AGENDA ITEM 3: POTENTIAL CONFLICT OF INTEREST	Chair Watters asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
4. AGENDA ITEM 4: PUBLIC COMMUNICATION	No public members joined the session, and no written correspondence was received from the public.	
5. AGENDA ITEM 5: CONSENT CALENDAR	**Motion**: To approve the consent calendar. **For Approval**: (a) Minutes of the Open Session of the 03/31/2025 Finance Committee meeting, (b) Minutes of the Open Session of the 05/06/2025 Special Finance Committee meeting, (c) FY2026 Committee Planning Items: Goals, Pacing Plan, Meeting Dates, (d) FY2025 Period 9 Financial Report, and (e) Finance Committee Charter revision.	***Consent Calendar Approved***

	For Information: (f) Receive Progress Against FY2025 FC Committee Goals, and (g) Receive Article(s) of Interest. **Movant:** Hooper **Second:** Fung **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
6. AGENDA ITEM 6: APPROVE FY2025 PERIOD 10 FINANCIAL REPORT	Carlos Bohorquez, Chief Financial Officer presented the FY2025 Period 10 Financial Report and highlighted the following: **<u>Period 10 – April 2025 Results</u>** • **Average Daily Census**: 311 is (2) / (0.6%) unfavorable to budget and 10 / 3.1% higher than the same period last year • **Adjusted Discharges:** 3,979 are 318 / 8.7% favorable to budget and 279 / 7.5% higher than the same period last year. • **Emergency Room Visits:** 7,160 are 276 / 4.0% unfavorable to budget and 1,113 / 18.4% higher than the same period last fiscal year. • **Outpatient Visits / Procedures:** 7,160 are 276 / 4.0% unfavorable to budget and 1,113 / 18.4% higher than the same period last fiscal year. • **Total operating revenue** of $150.7M is favorable to budget by $13.7M / 10.0% and $18.1M / 13.7% higher than the same period last fiscal year. • **Operating EBIDA** of $24.3M is $5.2M / 27.1% favorable to budget and $5.4M / 28.7% higher than the same period last fiscal year. • **Net income** of $13.1 is ($3.1M) / (19.3%) unfavorable to budget and $14.4M / 1,179.5% higher than the same period last fiscal year. **Motion**: To approve the FY2025 Period 10 Financial Report. **Movant:** Doiguchi **Second:** Fung **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***FY2025 Period 10 Financial Report Approved***

7. AGENDA ITEM 7: FY2026 COMMUNITY BENEFIT GRANT PROGRAM	Jon Cowan, Executive Director, Government Relations & Community Partnerships, presented the FY2026 Community Benefit Grant Program. Mr. Cowan highlighted several new grant recipients and described how the program's priorities were informed by extensive community listening, regulatory requirements, and the triennial needs assessment. The presentation emphasized the focus on supporting underserved populations, such as low-income seniors, caregivers, and children in need of vision services, as well as the importance of investing in organizations serving the Los Gatos area. Mr. Cowan also addressed questions regarding the grant selection process, the alignment of funding with areas of greatest need, and the use of data and community input in determining priorities. The Committee discussed the potential impact of changes in federal funding on grantees and considered the possibility of setting aside emergency reserves, ultimately concluding that the current approach was appropriate. **Motion**: To recommend approval of the FY2026 El Camino Health (ECH) Implementation Strategy Report and Community Benefit Plan (Plan) and authorize Jon Cowan, Executive Director of Government Relations & Community Partnerships, to execute all grant agreements specified in the Plan. **Movant:** Fung **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None **Motion**: To recommend approval of the 2025 Community Health Needs Assessment (CHNA) **Movant:** Hooper **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	

8. AGENDA ITEM 8: PROPERTY PURCHASE: 1533 CALIFORNIA CIRCLE, MILPITAS, CA 95035 (APN 022-37-045)	Ken King, Chief Administrative Services Officer, presented a property purchase opportunity to the Committee which is a part of the strategic plan. **Motion**: To recommend Board approval for management to finalize negotiations and complete the purchase of property located in Milpitas for an amount not to exceed $13.7 million. **Movant:** Doiguchi **Second:** Stewart **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
9. AGENDA ITEM 9: RECESS TO CLOSED SESSION	**Motion**: To adjourn to closed session at 6:03 p.m. **Movant:** Doiguchi **Second:** Hooper **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Recessed to closed session at 6:03 p.m.***
10. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT	Mr. Fernandez reported that, during the closed session, the Finance Committee approved the closed session minutes from the March 31st Regular Meeting and the May 6th Special Meeting.	***Reconvened to Open Session at 7:27 pm***
11. AGENDA ITEM 17: MEDICAL STAFF DEVELOPMENT PLAN	**Motion**: To approve the multi-year Medical Staff Development Plan for a total maximum estimated support of $11.7 million. **Movant:** Hooper **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
12. AGENDA ITEM 18: ACQUISITION OF ADVANCED CARDIOVASCULAR SPECIALISTS, INC (ACS)	**Motion**: To recommend Resolution 2025-02 Regarding Acquisition of Advanced Cardiovascular Specialists, Inc. for Board approval **Movant:** Fung **Second:** Hooper **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None	

	Absent: None **Recused:** None	
13. AGENDA ITEM 19: FY2026 FINAL OPERATING AND CAPITAL BUDGET	**Motion**: To recommend Board approval of the FY2026 Final Operating and Capital Budget. **Movant:** Stewart **Second:** Hooper **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
14. AGENDA ITEM 20: CLOSING COMMENTS	Chair Watters commended the Committee and Staff on the robust discussion on the budget.	
15. AGENDA ITEM 21: ADJOURNMENT	**Motion:** To adjourn at 7:30 pm. **Movant:** Fung **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Meeting adjourned at 7:30 pm.***

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

_____

Don Watters
Chair, Finance Committee

Prepared by: Gabriel Fernandez, Coordinator, Governance Services
Reviewed by: Carlos A. Bohorquez, Chief Financial Officer

El Camino Health

Minutes of the Open Session of the
Special Finance Committee Meeting
Wednesday, July 30, 2025
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

Members Present
Don Watters, Chair
Wayne Doiguchi
Peter Fung, MD
Bill Hooper
Christina Lai
Cynthia Stewart

Members Absent
None

Guests Present
Christina Lai, Community Member *

Staff Present
Carlos Bohorquez, Chief Financial Officer
Dan Woods, Chief Executive Officer
Theresa Fuentes, Chief Legal Officer
Ken King, Chief Administrative Services Officer
Tracy Lewis Taylor, Chief Operating Officer
Victor Cabrera, Sr. Dir. Decision Supp & Business Analytics
Tracy Fowler, Director, Governance Services**
Gabriel Fernandez, Coordinator, Governance Services

**via teleconference
** Christina Lai was voted onto the Finance Committee as part of Agenda Item 5. She participated as a member for agenda items 6 – 17*

Agenda Item	Comments/Discussion	Approvals/ Action
1. AGENDA ITEM 1: CALL TO ORDER/ ROLL CALL	The open session Special Meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 4:01 p.m. by Chair Don Watters. A verbal roll call was taken. Committee members Watters, Doiguchi, Fung, Hooper, and Stewart were present at roll call and attended in person, constituting a quorum.	***The meeting was called to order at 4:01 p.m.***
2. AGENDA ITEM 2: CONSIDER APPROVAL OF AB-2449 REQUEST	All members participated in person—no consideration of AB-2449 requests was needed.	
3. AGENDA ITEM 3: POTENTIAL CONFLICT OF INTEREST	Chair Watters asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
4. AGENDA ITEM 4: PUBLIC COMMUNICATION	Chair Watters called for public comment on items not listed on the agenda. No public comments were made, and no written correspondence was received.	
5. AGENDA ITEM 5: APPROVE CHRISTINA LAI AS A COMMUNITY MEMBER OF THE FINANCE COMMITTEE	**Motion**: To approve Christina Lai as a community member of the Finance Committee. **Movant:** Doiguchi **Second:** Fung **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Christina Lai was appointed to the Finance Committee***

6. AGENDA ITEM 6: RECESS TO CLOSED SESSION	**Motion**: To adjourn to closed session at 4:08 p.m. **Movant:** Hooper **Second:** Stewart **Ayes:** Doiguchi, Fung, Hooper, Lai, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Adjourned to closed session at 4:08 p.m.***
7. AGENDA ITEM 12: RECONVENE OPEN SESSION/ REPORT OUT	Gabriel Fernandez, Coordinator, Governance Services reported that the Finance Committee did not take any reportable actions during the closed session.	***Reconvened to Open Session at 5:50 pm***
8. AGENDA ITEM 13: CAPTIAL REQUEST: MOUNTAIN VIEW CAMPUS COMPLETION – WING J PROJECT	**Motion**: To recommend Board approval for the funding not to exceed $80.5 million for Phase 3B (Wing J) of the Mountain View (MV) Campus Completion Project **Movant:** Doiguchi **Second:** Fung **Ayes:** Doiguchi, Fung, Hooper, Lai, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
9. AGENDA ITEM 14: PROPERTY ACQUISITION – MOUNTAIN VIEW APN# 193-04-040	**Motion**: To recommend approval by the Board of Directors, the purchase of the property located at 399 W. El Camino Real in Mountain View, at a cost not to exceed $22.2 million. **Movant:** Stewart **Second:** Fung **Ayes:** Doiguchi, Fung, Hooper, Lai, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
10. AGENDA ITEM 15: APPROVE PROPERTY ACQUISITION – LOS GATOS APN# 406-27-003	**Motion**: To approve the acquisition of property located at APN # 406-27-003 in Los Gatos at a cost not to exceed $3.25 million. **Movant:** Stewart **Second:** Hooper **Ayes:** Doiguchi, Fung, Hooper, Lai, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	

11. AGENDA ITEM 16: CLOSING COMMENTS	There were no additional comments from the Committee.	
12. AGENDA ITEM 17: ADJOURNMENT	**Motion:** To adjourn at 5:54 pm. **Movant:** Fung **Second:** Stewart **Ayes:** Doiguchi, Fung, Hooper, Lai, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Meeting adjourned at 5:54 pm.***

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

_____

Don Watters
Chair, Finance Committee

Prepared by: Gabriel Fernandez, Coordinator, Governance Services
Reviewed by: Carlos A. Bohorquez, Chief Financial Officer

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 25, 2025
Subject: Financials: FY2025 - Period 11 (May 2025) & YTD FY2025 (as of 5/31/2025)

Purpose:

To provide the Finance Committee an overview of financial results for Period 11 (May 2025) and YTD FY2025 and approve financials.

Executive Summary – Period 11 (May 2025):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 314 which is 1 / 0.2% unfavorable to budget and 7 / 2.1% higher than the same period last year.
- **Adjusted Discharges:** 3,928 which are 65 / 1.7% favorable to budget and 156 / 4.1% higher than the same period last year.
- **Emergency Room Visits:** 7,150 which are 184 / 2.7% favorable to budget, but 753 / 9.5% lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 13,811 which are 2,024 / 17.2% favorable to budget and 1,632 / 13.4% higher than the same period last fiscal year.

Financial performance for Period 11 was favorable to budget and consistent with the same period last fiscal year.

Total Operating Revenue ($):	$148.6M is favorable to budget by $5.7M / 4.0% and $9.1M / 6.5% higher than the same period last fiscal year.
Operating EBIDA ($):	$23.4M is favorable to budget by $3.3M / 16.2% and $2.9M / 14.0% higher than the same period last fiscal year.
Net Income ($):	$33.3M is favorable to budget by $15.7M / 88.6% and consistent with the same period last fiscal year.
Operating Margin (%):	10.1% (actual) vs. 8.5% (budget)
Operating EBIDA Margin (%):	15.8% (actual) vs. 14.1% (budget)
Net Days in A/R (days):	50.3 days are favorable to budget by 3.7 days / 6.9% and 0.1 days / 0.3% higher than the same period last year.

YTD FY2025 (as of 5/31/2025):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 313 which is 0.2 / 0.1% favorable to budget and 5 / 1.6% higher than the same period last year.
- **Adjusted Discharges:** 41,253 which are 192 / 0.5% favorable to budget and 992 / 2.5% higher than the same period last year.
- **Emergency Room Visits:** 75,251 which are 1,020 / 1.4% favorable to budget and 91 / 0.0% higher than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 142,327 which are 16,552 / 13.2% favorable to budget and 15,649 / 12.4% higher than the same period last fiscal year.

YTD FY2025 financial performance is favorable to budget and better versus the same period last fiscal year. Stable financial results are attributed to strong procedural volume, significant reductions in premium pay / contract labor, and revenue improvement initiatives.

Total Operating Revenue ($):	$1.57B is favorable to budget by $60M / 4.0% and $138M / 9.6% higher than the same period last fiscal year.
Operating EBIDA ($):	$251M is favorable to budget by $37M / 17.1% and $24M / 10.7% higher than the same period last fiscal year.
Net Income ($):	$254M is favorable to budget by $76M / 42.9%, but $15M / 5.5% lower than the same period last fiscal year. Favorable net income is attributed to unrealized gains on investment portfolio.
Operating Margin (%):	10.0% (actual) vs. 8.0% (budget)
Operating EBIDA Margin (%):	15.9% (actual) vs. 14.2% (budget)

Recommendation:

Recommend Finance Committee approve Period 11 & YTD FY2025 financials.

List of Attachments:

- Presentation: Period 11 & YTD FY2025 financials.

Suggested Finance Committee Discussion Questions:

- None

El Camino Health

Summary of Financial Operations

Fiscal Year 2025 – Period 11

7/1/2024 to 05/31/2025

Executive Summary - Overall Commentary for Period 11

Results for Period 11:

- Net Patient Revenue was favorable to budget by $4.4M / 3.2%.
- Operating EBIDA Margin was favorable to budget by $3.3M / 16.2%.
- Gross revenue favorable to budget by $23.6M / 3.9%.
  - Driven primarily by:
    - Inpatient Charges: $3.8M / 1.3% favorable to budget.
    - Outpatient Charges: $12.4M / 4.2% favorable to budget.
    - Professional Charges: $7.4M / 43.7% favorable to budget.
- Cost Management
  - When adjusted for volume, overall operating expense is 11.4% higher than budget.
- Gross charges were favorable to budget by $23.6M / 3.9% and $67.5M / 12.0% higher than the same period last year.
- Net patient revenue was favorable to budget by $4.4M / 3.2% and $12.3M / 9.5% higher than the same period last year.
- Operating margin was favorable to budget by $2.9M / 24.1% and $3.2M / 26.6% higher than the same period last year.
- Operating EBIDA was favorable to budget by $3.3M / 16.2% and $2.9M / 14.0% higher than the same period last year.
- Net income was favorable to budget by $15.7M / 88.6% and $459K / 1.4% lower than same period last year.

Operational / Financial Results: Period 11 – May 2025 (as of 05/31/2025)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	314	315	(1)	(0.2%)	307	7	2.1%	---	---	---	---
	Adjusted Discharges	3,928	3,863	65	1.7%	3,773	156	4.1%	---	---	---	---
	OP Visits / OP Procedural Cases	13,811	11,787	2,024	17.2%	12,179	1,632	13.4%	---	---	---	---
	Percent Government (%)	59.9%	59.2%	0.7%	1.2%	58.4%	1.5%	2.5%	---	---	---	---
	Gross Charges ($)	628,681	605,093	23,588	3.9%	556,558	72,123	13.0%	---	---	---	---
Operations	Cost Per CMI AD	22,308	20,032	2,275	11.4%	19,328	2,980	15.4%	---	---	---	---
	Net Days in A/R	50.3	54.0	(3.7)	(6.9%)	50.2	0.1	0.2%	48.1	49.7	47.5	
Financial Performance	Net Patient Revenue ($)	141,903	137,531	4,372	3.2%	129,632	12,271	9.5%	297,558	564,735	---	
	Total Operating Revenue ($)	148,568	142,843	5,725	4.0%	139,437	9,131	6.5%	389,498	610,593	268,739	
	Operating Margin ($)	**15,061**	**12,138**	**2,923**	24.1%	**11,894**	**3,167**	26.6%	**7,400**	**11,601**	**8,331**	
	Operating EBIDA ($)	**23,435**	**20,168**	**3,267**	16.2%	**20,564**	**2,871**	14.0%	**26,400**	**39,689**	**22,574**	
	Net Income ($)	33,312	17,662	15,650	88.6%	33,771	(459)	(1.4%)	19,085	20,150	15,049	
	Operating Margin (%)	**10.1%**	**8.5%**	**1.6%**	19.3%	**8.5%**	**1.6%**	18.8%	**1.9%**	**1.9%**	**3.1%**	
	Operating EBIDA (%)	**15.8%**	**14.1%**	**1.7%**	11.7%	**14.7%**	**1.0%**	7.0%	**6.8%**	**6.5%**	**8.4%**	
	DCOH (days)	287	275	12	4.2%	266	20	7.7%	258	304	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2024. 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 2024. Dollar amounts have been adjusted to reflect monthly averages.
Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 2024. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

El Camino Health

Unfavorable Variance < 3.49%
Unfavorable Variance 3.50% - 6.49%
Unfavorable Variance > 6.50%

Operational / Financial Results: YTD FY2025 (as of 05/31/2025)

($ thousands)

		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	313	312	0	0.1%	308	5	1.6%	---	---	---	---
	Adjusted Discharges	41,253	41,061	192	0.5%	40,261	992	2.5%	---	---	---	---
	OP Visits / OP Procedural Cases	142,327	125,775	16,552	13.2%	126,678	15,649	12.4%	---	---	---	---
	Percent Government (%)	59.5%	58.7%	0.8%	1.3%	59.2%	0.3%	0.5%	---	---	---	---
	Gross Charges ($)	6,700,320	6,353,067	347,254	5.5%	5,818,841	881,479	15.1%	---	---	---	---
Operations	Cost Per CMI AD	20,403	20,032	371	1.9%	18,834	1,569	8.3%	---	---	---	---
	Net Days in A/R	50.3	54.0	(3.7)	(6.9%)	50.2	0.1	0.2%	48.1	48.1	47.5	
Financial Performance	Net Patient Revenue ($)	1,500,850	1,450,005	50,846	3.5%	1,359,667	141,184	10.4%	3,273,141	6,212,080	---	
	Total Operating Revenue ($)	1,572,185	1,512,125	60,059	4.0%	1,434,165	138,019	9.6%	4,284,479	6,716,521	3,224,864	
	Operating Margin ($)	**157,180**	**121,715**	**35,465**	29.1%	**134,173**	**23,007**	17.1%	**81,405**	**127,614**	**99,971**	
	Operating EBIDA ($)	**250,753**	**214,153**	**36,600**	17.1%	**226,582**	**24,171**	10.7%	**290,404**	**436,574**	**270,889**	
	Net Income ($)	254,231	177,966	76,264	42.9%	268,998	(14,768)	(5.5%)	209,939	382,842	180,592	
	Operating Margin (%)	**10.0%**	**8.0%**	**1.9%**	24.2%	**9.4%**	**0.6%**	6.9%	**1.9%**	**1.9%**	**3.1%**	
	Operating EBIDA (%)	**15.9%**	**14.2%**	**1.8%**	12.6%	**15.8%**	**0.2%**	1.0%	**6.8%**	**6.5%**	**8.4%**	
	DCOH (days)	287	275	12	4.2%	266	20	7.7%	258	304	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2024. 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 2024. Dollar amounts have been adjusted to reflect monthly averages.
Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 2024. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

El Camino Health

Unfavorable Variance < 3.49%
Unfavorable Variance 3.50% - 6.49%
Unfavorable Variance > 6.50%

Consolidated Balance Sheet (as of 05/31/2025)

($000s)

ASSETS		Audited
CURRENT ASSETS	**May 31, 2025**	**June 30, 2024**
Cash	294,722	202,980
Short Term Investments	94,242	100,316
Patient Accounts Receivable, net	229,428	211,960
Other Accounts and Notes Receivable	23,546	25,065
Intercompany Receivables	25,385	17,770
Inventories and Prepaids	46,537	55,556
Total Current Assets	**713,860**	**613,647**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	17,385	23,309
Plant & Equipment Fund	540,429	503,081
Women's Hospital Expansion	45,669	31,740
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	17,470	17,561
Workers Compensation Reserve Fund	13,086	12,811
Postretirement Health/Life Reserve Fund	23,009	22,737
PTO Liability Fund	41,477	37,646
Malpractice Reserve Fund	1,713	1,713
Catastrophic Reserves Fund	38,354	33,030
Total Board Designated Assets	**949,285**	**894,322**
FUNDS HELD BY TRUSTEE	**18**	**18**
LONG TERM INVESTMENTS	**707,920**	**665,759**
CHARITABLE GIFT ANNUITY INVESTMENTS	**1,276**	**965**
INVESTMENTS IN AFFILIATES	**49,100**	**36,663**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,063,738	2,016,992
Less: Accumulated Depreciation	(952,820)	(874,767)
Construction in Progress	219,374	173,449
Property, Plant & Equipment - Net	**1,330,292**	**1,315,675**
DEFERRED OUTFLOWS	42,431	41,550
RESTRICTED ASSETS	51,106	32,166
OTHER ASSETS	205,717	195,447
TOTAL ASSETS	**4,051,005**	**3,796,213**

LIABILITIES AND FUND BALANCE		Audited
CURRENT LIABILITIES	**May 31, 2025**	**June 30, 2024**
Accounts Payable	49,859	71,017
Salaries and Related Liabilities	35,325	35,693
Accrued PTO	42,745	38,634
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	6,991	13,419
Intercompany Payables	17,638	13,907
Malpractice Reserves	1,830	1,830
Bonds Payable - Current	11,360	10,820
Bond Interest Payable	5,958	7,673
Other Liabilities	19,385	12,261
Total Current Liabilities	**193,391**	**207,554**
LONG TERM LIABILITIES		
Post Retirement Benefits	22,403	22,737
Worker's Comp Reserve	13,086	12,811
Other L/T Obligation (Asbestos)	27,709	27,707
Bond Payable	427,662	441,105
Total Long Term Liabilities	**490,860**	**504,360**
DEFERRED REVENUE-UNRESTRICTED	**1,632**	**1,038**
DEFERRED INFLOW OF RESOURCES	**89,101**	**92,261**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,986,575	2,731,120
Minority Interest	-	(1,114)
Board Designated	225,529	216,378
Restricted	63,917	44,616
Total Fund Bal & Capital Accts	**3,276,021**	**2,991,001**
TOTAL LIABILITIES AND FUND BALANCE	**4,051,005**	**3,796,213**

El Camino Health

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 25, 2025
Subject: Financials: FY2025 - Period 12 (June 2025) & Pre-Audit FYE 2025 (as of 6/30/2025)

Purpose:

To provide the Finance Committee an overview of financial results for Period 12 (June 2025) and Pre-Audit FYE 2025 and approve financials.

Executive Summary – Period 12 (June 2025):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 296 which is 33 / 10.0% unfavorable to budget and 14 / 4.5% lower than the same period last year.
- **Adjusted Discharges:** 3,681 which are 206 / 5.3% unfavorable to budget, but 176 / 5.0% higher than the same period last year.
- **Emergency Room Visits:** 6,887 which are 13 / 0.2% favorable to budget, but 293 / 4.1% lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 13,645 which are 1,865 / 15.8% favorable to budget and 2,332 / 20.6% higher than the same period last fiscal year.

Financial performance for Period 12 was unfavorable to budget and lower than period last fiscal year. This is attributed to recording of a one-time expense, without this one-time item financial performance would have been favorable to budget.

Total Operating Revenue ($):	$147.3M is favorable to budget by $7.7M / 5.5% and $27.3M / 22.8% higher than the same period last fiscal year.
Operating EBIDA ($):	$11.0M is unfavorable to budget by $7.7M / 41.2% and $14.8M / 57.4% lower than the same period last fiscal year.
Net Income ($):	$65.4M is favorable to budget by $49.2M / 303.8% and $21.0M / 47.2% lower than the same period last fiscal year.
Operating Margin (%):	1.3% (actual) vs. 7.7% (budget)
Operating EBIDA Margin (%):	7.5% (actual) vs. 13.4% (budget)
Net Days in A/R (days):	52.2 days are favorable to budget by 1.8 days / 3.4% and 0.2 days / 0.4% higher than the same period last year.

Executive Summary – YTD FY2024 (as of 5/31/2025):

Pre-Audit FYE 2025 (as of 6/30/2025):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 311 which is 2 / 0.7% unfavorable to budget and 3 / 1.1% higher than the same period last year.
- **Adjusted Discharges:** 44,934 which are 14 / 0.0% unfavorable to budget and 1,169 / 2.7% higher than the same period last year.
- **Emergency Room Visits:** 82,138 which are 1,032 / 1.3% favorable to budget and 202 / 0.0% lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 155,972 which are 18,417 / 13.4% favorable to budget and 17,981 / 13.0% higher than the same period last fiscal year.

Pre-Audit FYE 2025 financial performance is favorable to budget and consistent with last fiscal year. Strong financial results are attributed to consistent volume across the health system, significant reductions in premium pay / contract labor and revenue improvement initiatives.

Total Operating Revenue ($):	$1.72B is favorable to budget by $68M / 4.1% and $165M / 10.6% higher than the same period last fiscal year.
Operating EBIDA ($):	$262M is favorable to budget by $29M / 12.4% and $9M / 3.6% higher than the same period last fiscal year.
Net Income ($):	$320M is favorable to budget by $126M / 64.6% and $6M / 1.9% higher than the same period last fiscal year. Favorable net income is attributed unrealized gains on investment portfolio.
Operating Margin (%):	9.3% (actual) vs. 8.0% (budget)
Operating EBIDA Margin (%):	15.2% (actual) vs. 14.1% (budget)

Recommendation:

- Recommend Finance Committee approve Period 12 & Pre-Audit FYE 2025 financials.

List of Attachments:

- Presentation: Period 12 & Pre-Audit FYE 2025 financials.

Suggested Finance Committee Discussion Questions:

- None

El Camino Health

Summary of Financial Operations

Fiscal Year 2025 – Period 12

7/1/2024 to 06/30/2025

Executive Summary - Overall Commentary for Period 12

Results for Period 12:

- Net Patient Revenue was favorable to budget by $6.2M / 4.6%.
- Operating EBIDA Margin was unfavorable to budget by $7.7M / 41.2%.
- Gross revenue unfavorable to budget by $5.5M / 0.9%.
  - Driven primarily by:
    - Inpatient Charges: $20.2M / 6.8% unfavorable to budget.
    - Outpatient Charges: $3.3M / 1.1% favorable to budget.
    - Professional Charges: $11.5M / 68.3% favorable to budget.
- Cost Management
  - When adjusted for volume, overall operating expense is 27.2% higher than budget.
- Gross charges were unfavorable to budget by $5.5M / 0.9% and $69.5M / 13.0% higher than the same period last year.
- Net patient revenue was favorable to budget by $6.2M / 4.6% and $22.6M / 19.2% higher than the same period last year.
- Operating margin was unfavorable to budget by $8.7M / 81.6% and $15.5M / 88.7% lower than the same period last year.
- Operating EBIDA was unfavorable to budget by $7.7M / 41.2% and $14.8M / 57.4% lower than the same period last year.
- Net income was favorable to budget by $49.2M / 303.8% and $21.0M / 47.2% higher than same period last year.

Operational / Financial Results: Period 12 – June 2025 (as of 06/30/2025)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	296	328	(33)	(10.0%)	310	(14)	(4.5%)	---	---	---	---
	Adjusted Discharges	3,681	3,886	(206)	(5.3%)	3,504	176	5.0%	---	---	---	---
	OP Visits / OP Procedural Cases	13,645	11,780	1,865	15.8%	11,313	2,332	20.6%	---	---	---	---
	Percent Government (%)	58.7%	58.5%	0.2%	0.3%	61.5%	(2.8%)	(4.6%)	---	---	---	---
	Gross Charges ($)	604,598	610,098	(5,500)	(0.9%)	534,992	69,606	13.0%	---	---	---	---
Operations	Cost Per CMI AD	25,475	20,032	5,443	27.2%	16,173	9,302	57.5%	---	---	---	---
	Net Days in A/R	52.2	54.0	(1.8)	(3.4%)	52.0	0.2	0.4%	48.1	49.7	47.5	
Financial Performance	Net Patient Revenue ($)	140,486	134,328	6,157	4.6%	117,882	22,603	19.2%	297,558	564,735	---	
	Total Operating Revenue ($)	147,301	139,646	7,655	5.5%	119,984	27,317	22.8%	389,498	610,593	268,739	
	Operating Margin ($)	**1,965**	**10,684**	**(8,719)**	(81.6%)	**17,321**	**(15,356)**	(88.7%)	**7,400**	**11,601**	**8,331**	
	Operating EBIDA ($)	**10,995**	**18,692**	**(7,697)**	(41.2%)	**25,831**	**(14,836)**	(57.4%)	**26,400**	**39,689**	**22,574**	
	Net Income ($)	65,448	16,208	49,240	303.8%	44,473	20,975	47.2%	19,085	20,150	15,049	
	Operating Margin (%)	**1.3%**	**7.7%**	**(6.3%)**	(82.6%)	**14.4%**	**(13.1%)**	(90.8%)	**1.9%**	**1.9%**	**3.1%**	
	Operating EBIDA (%)	**7.5%**	**13.4%**	**(5.9%)**	(44.2%)	**21.5%**	**(14.1%)**	(65.3%)	**6.8%**	**6.5%**	**8.4%**	
	DCOH (days)	323	275	48	17.6%	276	48	17.2%	258	304	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2024. 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 2024. Dollar amounts have been adjusted to reflect monthly averages.
Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 2024. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

El Camino Health

Unfavorable Variance < 3.49%
Unfavorable Variance 3.50% - 6.49%
Unfavorable Variance > 6.50%

Operational / Financial Results: YTD FY2025 (as of 06/30/2025)

($ thousands)

		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	311	314	(2)	(0.7%)	308	3	1.1%	---	---	---	---
	Adjusted Discharges	44,934	44,948	(14)	(0.0%)	43,765	1,169	2.7%	---	---	---	---
	OP Visits / OP Procedural Cases	155,972	137,555	18,417	13.4%	137,991	17,981	13.0%	---	---	---	---
	Percent Government (%)	59.4%	58.7%	0.7%	1.2%	59.4%	0.1%	0.1%	---	---	---	---
	Gross Charges ($)	7,304,918	6,963,164	341,754	4.9%	6,353,967	950,951	15.0%	---	---	---	---
Operations	Cost Per CMI AD	20,790	20,032	757	3.8%	18,614	2,176	11.7%	---	---	---	---
	Net Days in A/R	52.2	54.0	(1.8)	(3.4%)	52.0	0.2	0.4%	48.1	48.1	47.5	
Financial Performance	Net Patient Revenue ($)	1,641,336	1,584,333	57,003	3.6%	1,477,848	163,488	11.1%	3,570,699	6,776,815	---	
	Total Operating Revenue ($)	1,719,485	1,651,771	67,714	4.1%	1,554,449	165,037	10.6%	4,673,977	7,327,114	3,224,864	
	Operating Margin ($)	**159,145**	**132,400**	**26,746**	20.2%	**151,620**	**7,525**	5.0%	**88,806**	**139,215**	**99,971**	
	Operating EBIDA ($)	**261,748**	**232,844**	**28,904**	12.4%	**252,538**	**9,210**	3.6%	**316,804**	**476,262**	**270,889**	
	Net Income ($)	319,678	194,175	125,504	64.6%	313,597	6,081	1.9%	229,025	417,645	180,592	
	Operating Margin (%)	**9.3%**	**8.0%**	**1.2%**	15.5%	**9.8%**	**(0.5%)**	(5.1%)	**1.9%**	**1.9%**	**3.1%**	
	Operating EBIDA (%)	**15.2%**	**14.1%**	**1.1%**	8.0%	**16.2%**	**(1.0%)**	(6.3%)	**6.8%**	**6.5%**	**8.4%**	
	DCOH (days)	323	275	48	17.6%	276	48	17.2%	258	304	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2024. 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 2024. Dollar amounts have been adjusted to reflect monthly averages.
Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 2024. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

El Camino Health

Unfavorable Variance < 3.49%
Unfavorable Variance 3.50% - 6.49%
Unfavorable Variance > 6.50%

Consolidated Balance Sheet (as of 06/31/2025)

($000s)

ASSETS		
		Audited
CURRENT ASSETS	**May 31, 2025**	**June 30, 2024**
Cash	294,722	202,980
Short Term Investments	94,242	100,316
Patient Accounts Receivable, net	229,428	211,960
Other Accounts and Notes Receivable	23,546	25,065
Intercompany Receivables	25,385	17,770
Inventories and Prepaids	46,537	55,556
Total Current Assets	**713,860**	**613,647**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	17,385	23,309
Plant & Equipment Fund	540,429	503,081
Women's Hospital Expansion	45,669	31,740
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	17,470	17,561
Workers Compensation Reserve Fund	13,086	12,811
Postretirement Health/Life Reserve Fund	23,009	22,737
PTO Liability Fund	41,477	37,646
Malpractice Reserve Fund	1,713	1,713
Catastrophic Reserves Fund	38,354	33,030
Total Board Designated Assets	**949,285**	**894,322**
FUNDS HELD BY TRUSTEE	**18**	**18**
LONG TERM INVESTMENTS	**707,920**	**665,759**
CHARITABLE GIFT ANNUITY INVESTMENTS	**1,276**	**965**
INVESTMENTS IN AFFILIATES	**49,100**	**36,663**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,063,738	2,016,992
Less: Accumulated Depreciation	(952,820)	(874,767)
Construction in Progress	219,374	173,449
Property, Plant & Equipment - Net	**1,330,292**	**1,315,675**
DEFERRED OUTFLOWS	42,431	41,550
RESTRICTED ASSETS	51,106	32,166
OTHER ASSETS	205,717	195,447
TOTAL ASSETS	**4,051,005**	**3,796,213**

LIABILITIES AND FUND BALANCE		
		Audited
CURRENT LIABILITIES	**May 31, 2025**	**June 30, 2024**
Accounts Payable	49,859	71,017
Salaries and Related Liabilities	35,325	35,693
Accrued PTO	42,745	38,634
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	6,991	13,419
Intercompany Payables	17,638	13,907
Malpractice Reserves	1,830	1,830
Bonds Payable - Current	11,360	10,820
Bond Interest Payable	5,958	7,673
Other Liabilities	19,385	12,261
Total Current Liabilities	**193,391**	**207,554**
LONG TERM LIABILITIES		
Post Retirement Benefits	22,403	22,737
Worker's Comp Reserve	13,086	12,811
Other L/T Obligation (Asbestos)	27,709	27,707
Bond Payable	427,662	441,105
Total Long Term Liabilities	**490,860**	**504,360**
DEFERRED REVENUE-UNRESTRICTED	**1,632**	**1,038**
DEFERRED INFLOW OF RESOURCES	**89,101**	**92,261**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,986,575	2,731,120
Minority Interest	-	(1,114)
Board Designated	225,529	216,378
Restricted	63,917	44,616
Total Fund Bal & Capital Accts	**3,276,021**	**2,991,001**
TOTAL LIABILITIES AND FUND BALANCE	**4,051,005**	**3,796,213**

El Camino Health

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Anne Yang, Executive Director, Governance Services
Date: August 25, 2025
Subject: Committee Governance Policy

Recommendation: To receive the revised El Camino Hospital Committee Governance Policy ("Committee Governance Policy").

Authority: The Board of Directors approved the revised Committee Governance Policy on June 11, 2025. The marked and clean versions are included in this packet to be received by the Finance Committee.

Summary: The updates below were made to the Committee Governance Policy and approved by the Board in June 2025.

1. Updated the Director Member Advisory Committee term to 1 year from 3 years. This allows for greater flexibility for Director Members to move to different assignments for a given year.
2. Community Member terms will remain 3 years. Both Director Member and Community Member terms are renewable.

We also consolidated the Committee Governance Policy with the Nomination & Selection Policy and the Nomination & Selection Procedures, and these policies were sunset by the Board on June 11, 2025. The revised Committee Governance Policy now captures all relevant points from the nomination and selection process. The remaining items in the Nomination and Selection procedures were not currently used in practice or no longer relevant/needed.

- Each Advisory Committee determines minimum qualifications and competencies for members
- Nominations may be received from any source
- A candidate shall submit an application stating reasons, qualifications, and disclosures
- Ad Hoc Committee will interview candidates and either select the final candidates for Committee interviews or recommend for Board appointment in accordance with the Bylaws
- Community Members may also be reassigned to another Committee at the recommendation of the CEO, Board Chair and the receiving Committee Chair. The appointment would be subject to Committee and Board approval in accordance with the Bylaws.

List of Attachments:

- El Camino Hospital Board Committee Governance Policy as Approved by the El Camino Health Board on June 11, 2025 (Redline and Clean)

El Camino Health

TITLE:	**El Camino Hospital Board Committee Governance Policy**
CATEGORY:	Administrative
FIRST APPROVAL:	ECHB August 14, 2024

Coverage:
All Members of the El Camino Hospital Board of Directors ("Board") and Board Advisory Committees ("Committees"). The Governance Committee shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Authority:
The Board has established the following standing Advisory Committees pursuant to ~~Article 7.6 of~~ the El Camino Hospital Bylaws: Compliance and Audit Committee; Executive Compensation Committee; Finance Committee, Governance Committee, Investment Committee; and Quality, Patient Care, and Patient Experience Committee. The Committees have the authority granted to them per the Hospital Bylaws, the Committee Charter, and majority action of the Board. Committees may study, advise and make recommendations to the Board on matters within the committee's area of responsibility as stated in the Committee Charter. The authority of committees is limited to advisory recommendations except in responsibilities directly delegated by the Board. Committees may provide recommendations for the Board to consider, which recommendations may be considered, adopted, amended or rejected by the Board in the Board's sole discretion. Committees shall have no authority to take action or otherwise render decisions that are binding upon the Board or staff except as otherwise stated in the Bylaws, the Committee's Charter, or majority action of the Board. To the extent of any conflict with the Committee Charter, this policy controls.

Membership:
Each committee shall have the membership as stated in the Committee Charter but must be composed of at least two members of the Board ("Director Members"), as well as people who are not members of the Board ("Community Members"). Director membership on any single Committee shall not constitute a quorum of either Board or Healthcare District Board membership. The Chair of a committee is its presiding officer. In the absence of the Chair, the Vice-Chair (or if no Vice-Chair, any member of the Committee as determined by the Chair or the Board) shall perform the duties of the Chair.

Nomination and Selection of Community Members:
Each Advisory Committee shall determine minimum qualifications and competencies for its Members. Committees may fill Community Member vacancies through an open recruitment process coordinated by Governance Services. Candidates may be nominated by any source and must submit an application with reasons to serve, relevant qualifications, and disclosures. An Ad Hoc Committee appointed by the Committee Chair, in consultation with the Executive Sponsor and Governance Services, shall review applications, interview initial candidates, and may recommend finalists. The full Committee may choose to interview finalists or proceed based on the Ad Hoc Committee's report. Final appointments are made by the Committee and submitted to the Board for approval in accordance with the Bylaws.

Reassignment of Existing Community Members:
In some cases, an existing Community Member may be reassigned from one Committee to another at the recommendation of the CEO, Board Chair, and the receiving Committee Chair. This reassignment shall be made in consultation with the Committee's Executive Sponsor, with notice to Governance

El Camino Health

TITLE:	**El Camino Hospital Board Committee Governance Policy**
CATEGORY:	Administrative
FIRST APPROVAL:	ECHB August 14, 2024

Services. The reassigned Community Member must be formally appointed to the new Committee by a majority vote of that Committee, and submitted for Board approval in accordance with the Bylaws.

Appointment and Removal:
The Board Chair (or Board Chair-elect in Board officer election years) shall appoint the Director Members and Committee Chairs, subject to approval of the Board. Community Members shall be appointed by the Committee, subject to approval of the Board. All Board Chair appointments shall be reviewed by the Governance Committee before submission to the Board.

Committee Chairs may appoint and remove a Vice-Chair at the Committee Chair's discretion. However, if the Committee Chair is not a Director Member, a Vice Chair must be appointed who is a Director, in which case the Director Vice-Chair shall be appointed the same as any other Director Member.

The Board has the authority to remove Director Members and Community Members at any time either with or without the Committee's recommendation, in the Board's sole discretion.

Term:
~~Director Members and~~ Community Members serve a term of *three* full or partial fiscal years depending on date of appointment and eligibility to serve. ~~Director and~~ Community Members shall be divided into three appointment categories, as nearly equal in number as possible, as follows: (a) Class 1, the initial term of which shall expire June 30, 2025, and subsequent terms shall be three years each; (b) Class 2, the initial term of which shall expire June 30, 2026, and subsequent terms shall be three years each; (c) Class 3, the initial term of which shall expire June 30, 2027, and subsequent terms shall be three years each. Each class shall hold committee membership until successors are appointed.

Director Members serve a term of one year or partial fiscal years depending on date of appointment and eligibility to serve. Director Member appointments shall be reviewed annually by the Board Chair (or Chair Elect).

Committee Chair and Vice Chair appointments shall be reviewed annually by the Board Chair (or Chair-Elect). Chair and Vice Chair appointments may be changed at any time without effecting the term of that person's membership on the Committee.

Director Members, Community Members, Chairs, and Vice Chairs may serve consecutive terms.

If a community member wishes to vacate a position, the committee member shall submit a written resignation letter addressed to the Chair of the Committee and the Chair of the Board, with a copy to the CEO and Governance Services.

Attendance:

El Camino Health

TITLE:	**El Camino Hospital Board Committee Governance Policy**
CATEGORY:	Administrative
FIRST APPROVAL:	ECHB August 14, 2024

Committee members are expected to attend in person and meaningfully participate in all committee meetings absent extenuating circumstances. Remote virtual participation is generally only allowed for just cause or emergency situations such as physical or family medical emergency, childcare, illness, disability, or Board or Committee related travel. Remote virtual participation must comply with the requirements of the Ralph M. Brown Act. Committee members may be removed from the Committee for repeated failure to satisfy attendance requirements.

If a member is physically not present for more than two meetings in a calendar year, the Committee Chair shall contact that member and remind the member of this policy. If the member continues to be physically absent despite the warning, the Committee shall consider a recommendation to the Board for removal.

Meetings:

All Committees shall have a Committee Charter approved by the Board.

Committee meetings shall be open to the public except for items permitted to be discussed in closed session and held in accordance with the provisions of the Ralph M. Brown Act. At least 72 hours before a committee meeting, Governance Services shall post an agenda containing a brief, general description of each item of business to be discussed at the committee meeting. The posting shall be accessible to the public.

The minutes of each committee meeting, including any recommendation of a committee, shall include a summary of the information presented and the recommended actions. ECHB staff will prepare minutes for each meeting. Draft minutes will be provided to the committee at the next available committee meeting for committee member review and approval. Once approved, minutes will be made a part of the Board's permanent records.

A majority of the members of each committee shall constitute a quorum for the transaction of business.

Only members of the committee are entitled to make, second or vote on any motion or other action of the committee. Each committee member shall be entitled to one vote on all matters considered by the committee. A simple majority vote of the members of the Committee shall designate approval of a motion.

All committee communications must go through the designated committee Chair.

The specific committees and their respective responsibilities are as stated in the Charter for each Committee.

El Camino Health

TITLE:	**El Camino Hospital Board Committee Governance Policy**
CATEGORY:	Administrative
FIRST APPROVAL:	ECHB August 14, 2024
CURRENT APPROVAL:	ECHB June 11, 2025

Coverage:
All Members of the El Camino Hospital Board of Directors ("Board") and Board Advisory Committees ("Committees"). The Governance Committee shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Authority:
The Board has established the following standing Advisory Committees pursuant to the El Camino Hospital Bylaws: Compliance and Audit Committee; Executive Compensation Committee; Finance Committee, Governance Committee, Investment Committee; and Quality, Patient Care, and Patient Experience Committee. The Committees have the authority granted to them per the Hospital Bylaws, the Committee Charter, and majority action of the Board. Committees may study, advise and make recommendations to the Board on matters within the committee's area of responsibility as stated in the Committee Charter. The authority of committees is limited to advisory recommendations except in responsibilities directly delegated by the Board. Committees may provide recommendations for the Board to consider, which recommendations may be considered, adopted, amended or rejected by the Board in the Board's sole discretion. Committees shall have no authority to take action or otherwise render decisions that are binding upon the Board or staff except as otherwise stated in the Bylaws, the Committee's Charter, or majority action of the Board. To the extent of any conflict with the Committee Charter, this policy controls.

Membership:
Each committee shall have the membership as stated in the Committee Charter but must be composed of at least two members of the Board ("Director Members"), as well as people who are not members of the Board ("Community Members"). Director membership on any single Committee shall not constitute a quorum of either Board or Healthcare District Board membership. The Chair of a committee is its presiding officer. In the absence of the Chair, the Vice-Chair (or if no Vice-Chair, any member of the Committee as determined by the Chair or the Board) shall perform the duties of the Chair.

Nomination and Selection of Community Members:
Each Advisory Committee shall determine minimum qualifications and competencies for its Members. Committees may fill Community Member vacancies through an open recruitment process coordinated by Governance Services. Candidates may be nominated by any source and must submit an application with reasons to serve, relevant qualifications, and disclosures. An Ad Hoc Committee appointed by the Committee Chair, in consultation with the Executive Sponsor and Governance Services, shall review applications, interview initial candidates, and may recommend finalists. The full Committee may choose to interview finalists or proceed based on the Ad Hoc Committee's report. Final appointments are made by the Committee and submitted to the Board for approval in accordance with the Bylaws.

Reassignment of Existing Community Members:
In some cases, an existing Community Member may be reassigned from one Committee to another at the recommendation of the CEO, Board Chair, and the receiving Committee Chair. This reassignment shall be made in consultation with the Committee's Executive Sponsor, with notice to Governance

El Camino Health

TITLE:	**El Camino Hospital Board Committee Governance Policy**
CATEGORY:	Administrative
FIRST APPROVAL:	ECHB August 14, 2024
CURRENT APPROVAL:	ECHB June 11, 2025

Services. The reassigned Community Member must be formally appointed to the new Committee by a majority vote of that Committee, and submitted for Board approval in accordance with the Bylaws.

Appointment and Removal:
The Board Chair (or Board Chair-elect in Board officer election years) shall appoint the Director Members and Committee Chairs, subject to approval of the Board. Community Members shall be appointed by the Committee, subject to approval of the Board. All Board Chair appointments shall be reviewed by the Governance Committee before submission to the Board.

Committee Chairs may appoint and remove a Vice-Chair at the Committee Chair's discretion. However, if the Committee Chair is not a Director Member, a Vice Chair must be appointed who is a Director, in which case the Director Vice-Chair shall be appointed the same as any other Director Member.

The Board has the authority to remove Director Members and Community Members at any time either with or without the Committee's recommendation, in the Board's sole discretion.

Term:
Community Members serve a term of *three* full or partial fiscal years depending on date of appointment and eligibility to serve. Community Members shall be divided into three appointment categories, as nearly equal in number as possible, as follows: (a) Class 1, the initial term of which shall expire June 30, 2025, and subsequent terms shall be three years each; (b) Class 2, the initial term of which shall expire June 30, 2026, and subsequent terms shall be three years each; (c) Class 3, the initial term of which shall expire June 30, 2027, and subsequent terms shall be three years each. Each class shall hold committee membership until successors are appointed.

Director Members serve a term of one year or partial fiscal years depending on date of appointment and eligibility to serve. Director Member appointments shall be reviewed annually by the Board Chair (or Chair Elect).

Committee Chair and Vice Chair appointments shall be reviewed annually by the Board Chair (or Chair-Elect). Chair and Vice Chair appointments may be changed at any time without effecting the term of that person's membership on the Committee.

Director Members, Community Members, Chairs, and Vice Chairs may serve consecutive terms.

If a community member wishes to vacate a position, the committee member shall submit a written resignation letter addressed to the Chair of the Committee and the Chair of the Board, with a copy to the CEO and Governance Services.

El Camino Health

TITLE:	**El Camino Hospital Board Committee Governance Policy**
CATEGORY:	Administrative
FIRST APPROVAL:	ECHB August 14, 2024
CURRENT APPROVAL:	ECHB June 11, 2025

Attendance:

Committee members are expected to attend in person and meaningfully participate in all committee meetings absent extenuating circumstances. Remote virtual participation is generally only allowed for just cause or emergency situations such as physical or family medical emergency, childcare, illness, disability, or Board or Committee related travel. Remote virtual participation must comply with the requirements of the Ralph M. Brown Act. Committee members may be removed from the Committee for repeated failure to satisfy attendance requirements.

If a member is physically not present for more than two meetings in a calendar year, the Committee Chair shall contact that member and remind the member of this policy. If the member continues to be physically absent despite the warning, the Committee shall consider a recommendation to the Board for removal.

Meetings:

All Committees shall have a Committee Charter approved by the Board.

Committee meetings shall be open to the public except for items permitted to be discussed in closed session and held in accordance with the provisions of the Ralph M. Brown Act. At least 72 hours before a committee meeting, Governance Services shall post an agenda containing a brief, general description of each item of business to be discussed at the committee meeting. The posting shall be accessible to the public.

The minutes of each committee meeting, including any recommendation of a committee, shall include a summary of the information presented and the recommended actions. ECHB staff will prepare minutes for each meeting. Draft minutes will be provided to the committee at the next available committee meeting for committee member review and approval. Once approved, minutes will be made a part of the Board's permanent records.

A majority of the members of each committee shall constitute a quorum for the transaction of business.

Only members of the committee are entitled to make, second or vote on any motion or other action of the committee. Each committee member shall be entitled to one vote on all matters considered by the committee. A simple majority vote of the members of the Committee shall designate approval of a motion.

All committee communications must go through the designated committee Chair.

The specific committees and their respective responsibilities are as stated in the Charter for each Committee.

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Anne Yang, Executive Director, Governance Services
Date: August 25, 2025
Subject: Receive Class Assignments for Community Members of Finance Committee

Recommendation: Receive Class Assignments for Community Members of Finance Committee.

Authority: In alignment with the Committee Governance Policy, we are implementing Class Assignments for Community Members of each Advisory Committee. These are reviewed and approved by each Committee Chair and received by each respective Committee at the subsequent meeting.

Summary: In June 2024, the Governance Committee initiated standardization across all Advisory Committees to streamline membership appointments, terms, attendance, and meeting standards, resulting in the Committee Governance Policy. The policy states that Community Members serve for 3-year renewable terms. The Governance Committee also recommended staggered terms for Community Members. The reason behind the staggered terms was to implement best governance practices, and to alleviate the potential need to recruit multiple new members in a given year. The policy was approved by the Board in FY25 and is now being implemented for the first time for FY26.

The Class assignment tenure dates are as follows:

1. Class 1: Current term expires June 30, 2025; new term is July 1, 2025 through June 30, 2028
2. Class 2: Current term expires June 30, 2026; new term is July 1, 2026 through June 30, 2029
3. Class 3: Current term expires June 30, 2027; new term is July 1, 2027 through June 30, 2030

In general, the methodology for assigning a Class year was based on the following prioritization:

1. Member's tenure
2. Alphabetical order with the purpose of staggering the terms
3. Class 1 was assigned to new members of a Committee for FY26 (Quality and Finance)
4. Class 2 was assigned for a potential new recruits, to allow time for the Committee's search efforts

List of Attachments:

- Class Assignments for Community Members

Community Member Class Assignments

Name	Member	Chair/Vice Chair	Officer Start Date	Committee	Date Appointed	Class Assignment*	3Y Committee Term Expires	Committee Reappointment Term Expires
Christina Lai	Community Member			Finance	1-Jul-25	Class 1	n/a	30-Jun-28
Bill Hooper	Community Member	Vice Chair	FY25	Finance	22-Sep-21	Class 2	30-Jun-26	30-Jun-29
Cynthia Stewart	Community Member			Finance	22-Sep-21	Class 3	30-Jun-27	30-Jun-30

*Note that Class Assignments are to be approved by the Committee Chair and received by each Committee.
The purpose is to stagger all committee member terms (Class 1 expires June 30, 2025, Class 2 expires June 30, 2026, Class 3 expires June 30, 2027).

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 25, 2025
Subject: FY2026 Pacing Plan

Purpose:

To provide the Finance Committee (FC) with an update on YTD progress vs. the FY2026 pacing plan.

Executive Summary – Progress on FY2026 Pacing Plan:

The agenda for this FC meeting is consistent with the FY2026 pacing plan approved by FC / Board:

- Standing Consent Agenda Items
- Open / Closed Session Minutes
- Physician Contracts
- Pre-Audit FY2025 Financial Results / JV Financial Performance

Recommendation:

- None

List of Attachments:

- FY2026 Pacing Plan

Suggested Finance Committee Discussion Questions:

- None

El Camino Health

FY2026 Finance Committee Pacing Plan

AGENDA ITEM	Q1			Q2			Q3				Q4		
	JUL	8/25	SEPT	OCT	11/17	DEC	JAN	2/2	3/9	3/23	APR	5/26	JUN
STANDING AGENDA ITEMS													
Standing Consent Agenda Items		✓			✓			✓		✓		✓	
Minutes		✓			✓			✓		✓		✓	
Period Financials Report (Approval)		✓			✓			✓		✓		✓	
Board Actions		✓			✓			✓		✓		✓	
APPROVAL ITEMS													
Candidate Interviews & Recommendation to Appoint (If required to add/replace committee member)													
Financial Report Year-End Results		✓											
Next FY Committee Goals, Dates, Plan										✓		✓	
Next FY Org. Goals												✓	
Next FY Community Benefit Grant Program												✓	
Physician Contracts		✓			✓			✓		✓		✓	
DISCUSSION ITEMS													
Financial Report (Pre-Audit Year-End Results)		✓											
Financial Performance JVs/ Business Affiliates		✓											

El Camino Health

FY2026 Finance Committee Pacing Plan

AGENDA ITEM	Q1			Q2			Q3				Q4		
	JUL	8/25	SEPT	OCT	11/17	DEC	JAN	2/2	3/9	3/23	APR	5/26	JUN
Progress on Opportunities/ Risks					✓								
Medical Staff Development Plan (every 2 years) *Completed May 2025*													
Impact of Strategic Initiatives/Market Share Update								✓					
Progress Against Committee Goals & Pacing Plan (Quarterly)		✓			✓			✓		✓		✓	
Foundation Strategic Update								✓					
ECHMN Update								✓		✓			
Community Benefit Grant Application Process								✓		✓			
Progress Against 2027 Strategic Plan								✓				✓	
Managed Care Update								✓					
Long-Range Financial Forecast (Joint FC / IC Meeting)									✓				
Next FY Budget and Preliminary Assumptions Review										✓			
Review FY Operational / Capital Budget for Recommendation to Board										✓		✓	
Summary Physician Financial Arrangements										✓			
Post Implementation (as needed)													
Other Updates[1] (as needed)													

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

El Camino Health

FY2026 FINANCE COMMITTEE GOALS

PURPOSE:

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

STAFF: **Carlos Bohorquez**, Chief Financial Officer (Executive Sponsor)

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

GOALS	TIMELINE	METRICS	STATUS
1. Summary of Physician Financial Agreements	Q3	March 2026	**In progress**
2. Review Progress on Opportunities / Risks identified by Management for FY2025 and Managed Care Update	Q2, Q3	Progress on Opportunities / Risks (November 2025), Managed Care update (February 2026)	**In progress**
3. Review Strategy, Goals and Performance of ECHMN, Joint Ventures / Business Affiliates, Impact of Strategic Initiatives on Market Share and progress on Implementation of 2027 Strategic Plan	Q1	Overview & Financial Performance JVs / Business Affiliates (August 2025)	**In progress**
	Q3	Progress on 2027 Strategic Plan (February 2026), Foundation – Strategic Update (February 2026)	**In progress**
	Q3	Impact of Strategic Initiatives – Market Share Update (February 2026), ECHMN (February 2026), Hospital Community Benefits Program (February 2026),	**In progress**
	Q4	Progress on 2027 Strategic Plan (May 2026)	**In progress**
4. Fiscal Year End Performance Review	Q1	FYE 2024 Review of Operating, Financial and Balance Sheet Performance and KPIs (August 2025)	**In progress**

SUBMITTED BY: **Chair**: Don Watters | **Executive Sponsor**: Carlos Bohorquez, Chief Financial Officer

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 25, 2025
Subject: Articles of Interest

Purpose:

To share with the Finance Committee relevant article(s) of interest related to current healthcare trends or issues which may impact El Camino Health.

Articles of Interest:

1. *'How will the One Big Beautiful Bill Act impact hospitals?'*, Advisory Board; July 1, 2025
2. *'2025 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems';* Fitch Ratings; August 5, 2025
3. *'U.S. Not-for-Profit Health Care System Median Financial Ratios - 2024',* S&P Global Ratings; August 7, 2025
4. *'How does medical inflation compare to inflation in the rest of the economy?',* Kaiser Health Foundation; August 2, 2024

Recommendation:

- None

List of Attachments:

- Advisory Board: *'How will the One Big Beautiful Bill Act impact hospitals?', July 1, 2025*
- Fitch Ratings: *'2025 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems',* August 5, 2025
- S&P Global Ratings: *'U.S. Not-for-Profit Health Care System Median Financial Ratios – 2024',* August 7, 2025
- Kaiser Health Foundation: *'How does medical inflation compare to inflation in the rest of the economy?',* August 2, 2024

Suggested Finance Committee Discussion Questions:

- None

How will the One Big Beautiful Bill Act impact hospitals?

July 1, 2025

The One Big Beautiful Bill Act, a budget bill passed by the House in May, would significantly impact hospital finances, rapidly pushing hundreds of rural hospitals toward a fiscal cliff, according to two reports released last week.

The House just passed 'One Big Beautiful Bill.' Here are the healthcare issues in it.

How the budget bill will impact hospital finances

The first report, released by the **Urban Institute** and the **Robert Wood Johnson Foundation**, found that Medicaid provisions in the budget bill would reduce Medicaid payments to hospitals by $321 billion over 10 years. As a result, hospitals would see a $63 billion increase in uncompensated care.

The report also said healthcare providers may increase costs for insured patients to make up for losses in uncompensated care. However, according to TJ Burdine, a senior director at **Optum Advisory***, "this cost shift strategy is not a feasible short-term tactic. The ability of most small hospitals, or even large health systems, to rapidly respond in this manner is handcuffed due to multiyear payer agreements with defined fee schedules that cannot be unilaterally changed and instead take time to renegotiate."

The first report also found that doctors would see an $81 billion cut in Medicaid funding and a $24 billion increase in uncompensated care. Meanwhile, spending on prescription drugs would decrease by $191 billion and there would be a $205 billion spending reduction coming from the rest of healthcare services. The **Congressional Budget Office** (CBO) has estimated that the bill would lead to nearly 11 million Americans losing their health insurance.

Federal healthcare spending would drop the most in California, by $100 billion, while Texas would experience a $67.5 billion cut in federal spending, New York a $61.6 billion cut, and Florida a $55.8 billion cut.

The report also detailed the impact of expiring enhanced premium subsidies for insurance purchased on the Affordable Care Act (ACA) marketplaces. Those tax credits are slated to expire at the end of the year and Congressional Republicans likely won't extend them in the tax bill.

If those subsidies aren't extended, CBO has estimated that around 5 million more people would lose their insurance. The report said those estimates would translate to an additional $103 billion loss to hospitals, a $39 billion cut to doctors, and a $50 billion reduction in prescription drug spending. Funding for all other healthcare services would be reduced by $70 billion.

A version of the budget bill released by the Senate Finance Committee makes even further cuts that could impact hospitals.

In the House bill, provider taxes, which are used by 49 states, would be frozen at current levels and new approvals would be barred. However, in the Senate version, provider taxes would only be frozen in states that have not expanded Medicaid. Expansion states would see their threshold amounts drop by 0.5% each year until they hit 3.5% in 2031. The Senate's version of the bill would also eliminate a type of provider tax that some states impose on private insurers who administer Medicaid benefits.

Advisory Board's Sebastian Beckmann noted that Advisory Board modeling has also found a "significant policy impact on health system finances" resulting from the budget bill.

"We've modeled the margin impact based on increased expenses from a range of policies including increased uncompensated care and tariffs as well as reduced revenue from Medicaid cuts, Medicaid sequestration, and sunsetting ACA subsidies," he said. "Based on our current modeling, we expect a 16-percentage point impact on operating margins for health systems with between $1 billion and $2 billion in revenue. Since the median operating margin in that cohort today is just 1%, without changes, this set of policies could place a majority of health systems in the red."

Beckmann said that health systems need to "prioritize their response based on the magnitude and timing of individual policies. For example, health systems with greater Medicaid exposure should prioritize enrollment efforts to reduce uninsurance in their markets."

Regarding timing, Beckmann said that federal cuts to Medicaid "will have the largest impact on health system finances but grant funding and ACA enrollment changes are happening sooner."

"There are smart hospital operational and finance leaders all over the country, but the financial impacts of these proposed changes are not solvable through operational ingenuity. Larger strategic solutions would be required to address this wave of uncompensated care — better jobs and shifting individuals to employer-subsidized insurance plans, improved care

delivery mechanisms to support patients in lower-cost sites of care, and reducing overall prices of basic services — but these are not necessarily short-term fixes," Burdine added.

"The right mix of priorities will depend on each health system's individual modeling," Beckmann added. "Advisory Board members can contact their account managers for a head start with access to our model."

How the bill would impact rural hospitals and access to care

Meanwhile, a second report from the **Cecil G. Sheps Center for Health Services Research** found that the budget bill would cause hundreds of rural hospitals to risk closure, service reductions, or ending inpatient care. Many of these hospitals are located in Kentucky, Louisiana, California, and Oklahoma.

"It's very clear that Medicaid cuts will result in rural hospital closures," said Alan Morgan, CEO of the **National Rural Health Association.**

Many rural hospitals operate on very thin, if not negative, margins, and proposed cuts to Medicaid in the bill would further erode hospitals' ability to maintain services and stay open. According to a report from **Chartis,** a health analytics and consulting firm, Medicaid brings in $12.2 billion or nearly 10% of rural hospital net revenue.

A 15% cut to Medicaid would lead rural hospitals to collectively lose more than $1.8 billion, which is roughly equivalent to 21,000 full-time hospital employees' salaries.

Hospitals that can stay afloat amid cuts would likely do so by cutting services especially dependent on Medicaid reimbursements like labor and delivery units, mental healthcare, and EDs.

Adam Gaffney, a critical care physician and assistant professor at **Harvard Medical School**, said that under the Senate's proposed version of the bill, rural hospitals would likely be forced to reduce their services, cut staff, or close entirely. In addition, many patients would likely die as they will no longer have a hospital nearby.

A report from the **Pew Research Center** found that rural Americans live an average of 10.5 miles or 17 minutes from the nearest hospital, which is around twice as far and five to seven minutes longer than people in suburban and urban areas.

"There's no way around it. It's just basic math," Gaffney said. "It means more harm, and more people will die from lack of care."

Kevin Stansbury, CEO of the **Lincoln Community Hospital**, a 25-bed rural hospital in Hugo, Colorado, said his hospital is unlikely to survive under the proposed bill. Stansbury said his

hospital serves an area roughly the size of Connecticut but only has around two providers per square mile. Around 25% of his patients are on Medicaid.

Stansbury added that his hospital receives around $300,000 a month in provider tax reimbursements, which he said are "essential for us to keep our doors open" and still just enough to break even. Without the 6% provider tax rate, Stansbury said he'll likely have to start cutting services for patients, including long-term care.

Rural hospitals' margins have been declining for 10 to 15 years, according to Michael Topchik, executive director for the **Chartis Center for Rural Health.** A decade ago, around a third of rural hospitals were operating in the red. That number is closer to 50% now, Topchik said, and it's even higher in the 10 states that didn't expand Medicaid eligibility under the ACA, with 53% of rural hospitals in those states operating in the red and more than 200 vulnerable to closure.

Some rural hospitals have responded to financial pressures by joining larger networks like **Intermountain Health** or **Sanford Health,** which are connected to facilities throughout the Midwest and Mountain West. However, around half of rural hospitals are still independent, Topchik said, and they struggle with the collision of low patient volume and high fixed costs.

"We can't Henry Ford our way out of this by increasing volumes to dilute costs and reduce prices," Topchik said. "It's expensive, and that's the reason the federal government, for a long time, has reimbursed rural hospitals in a variety of manners to help keep them whole."

Advisory Board is a subsidiary of **Optum. All Advisory Board research, expert perspectives, and recommendations remain independent.*

(Wilkerson, *STAT+* [subscription required], 6/14; Rodriguez, *KFF Health News*, 6/12; Kirzinger et al., KFF Health Tracking Poll: Views of the One Big Beautiful Bill, 6/17; Mills-Gregg et al., *Inside Health Policy* [subscription required], 6/16; Kliff/Sanger-Katz, "The Upshot," *New York Times*, 6/17; Lovelace Jr., NBC News, 6/17)

2025 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems

"Fitch views the improvement in healthcare sector medians for 2025 as a continuation of what it expected to be a slow, but steady and sustained recovery for the sector.

Industry pressures remain and include elevated labor expense, as well as a fundamental disconnect between revenue generation (inelastic) and expense requirements (elastic) that will need to be contended with over the longer term.

More recently, with the passage of H.R. 1, colloquially known as the "One Big Beautiful Bill Act" or OBBBA, concerns for the sector now include a degradation of the payor mix, specifically a reduction of Medicaid enrollees through stricter eligibility recertifications, work requirements and caps on provider taxes and state directed payments. Similarly, upon the expiration of Affordable Care Act premium tax credits at the end of 2025, there is a reasonable expectation of premium spikes and loss of coverage.

While providers' expense bases, primarily labor costs, will undoubtedly remain elevated over the near term, significant structural changes to federal healthcare spending, particularly Medicaid, under OBBBA, represent the greatest threat to not-for-profit hospital operations and cash flow.

Liquidity and leverage metrics remain largely unchanged and are still at the high end of the range for the past 10+ years. Combined with OBBBA provisions that will not be implemented until 2027, this should provide a brief window of time to prepare for the cuts to operating income that are inevitably coming."

Related Research

"OBBBA" Poses Long-Term Challenges for U.S. Not-for-Profit Hospitals (July 2025)
U.S. NFP Hospitals See Margin Improvement, but Challenges Mount (March 2025)
Recent Cyberattacks Highlight Credit Risk to Vulnerable NFP Hospitals (March 2025)
Potential Medicaid Cuts Could Threaten Not-for-Profit Hospital Margins (March 2025)

Analysts

Kevin Holloran
+ 1 512 813-5700
kevin.holloran@fitchratings.com

Mark Pascaris
+1 312 368-3135
mark.pascaris@fitchratings.com

Median Ratios: Improvement Over Prior Year; Further Progress Expected

Fitch Ratings' 2025 medians (based on audited 2024 data) generally show the anticipated continued recovery of operating margins, along with significant stability in key liquidity and leverage metrics, validating our expectations for a more positive trend year-over-year. *(See Summary Table on page 7.)*

The improvement seen thus far still begins and ends with acute labor challenges that, for many, have been at least temporarily resolved. Doing so involved driving up base salary and wage expense, but also saw significant reductions in more expensive external contract labor and premium pay practices. Even taking this tradeoff into account, operating gains were realized, with the median operating margin rising to 1.1% in fiscal 2024 from just 0.4% in fiscal 2023.

Some 64% of our rated portfolio recorded a positive operating margin in fiscal 2024, compared to 54.8% the prior fiscal year. Operating margins ranged widely, from a high of 29.2% in fiscal 2024 (compared to 28.8% the prior year) to a low of negative 20.9% (compared to 14.2% the prior year). This expansive spread points to continued trifurcation of credit quality in the healthcare sector.

Significant positive advances have been made in the sector in the past year. Specifically, most healthcare providers continue to report less use of external contract labor, lower pricing per hour compared to post-pandemic highs and more new hires than leavers (individuals who voluntarily left an organization). This has resulted not only in more predictable monthly expenses and improved cash flow but, importantly, enhanced patient safety, improved employee morale and organizational culture and higher staff productivity.

Additionally, year-over-year volumes have continued to increase, with most providers in our rated portfolio at or well beyond pre-pandemic levels. Providing basic access to services has reemerged as a common administrative challenge, and providers continue to shift services to outpatient settings.

At the lower end of the rating scale, below-investment-grade (BIG) hospital systems reported a still modest 3.3% operating EBITDA margin, though an improvement from 2.5% in fiscal 2023. The mid-investment-grade (IG) category (A category) reported a 5.9% operating EBITDA margin versus 5.2% the prior year, a modest improvement year over year (yoy) and commensurate with the overall median of 6.2%.

Meanwhile, at the high end of the IG rating spectrum ('AA' category), the operating EBITDA margin increased to 7.2% from 6.6% the prior year. A similar pattern was seen at the lower end of the IG rating spectrum ('BBB' category), with the median operating EBITDA margin noticeably improving, to 4.7% from 3.1% the prior year.

Cash on hand in Fitch's 2025 medians remained very stable, at 215.1 days (compared to 211.3 days last year), which compares favorably with pre-pandemic levels. Days' cash on hand averaged approximately 206 days for the 2013 through 2019 medians.

Despite improvements in absolute levels of unrestricted liquidity, days' cash on hand remained about the same yoy, reflecting a prominent and likely permanent increase in the full- time equivalent (FTE) labor expense base combined with inflationary pressures in 2024.

Cash to debt, a key measurement for Fitch, improved to 169.2% in our 2025 medians (compared to 163.7% in 2024), reflecting both improved absolute levels of unrestricted liquidity despite an above-average amount of new debt issuance and capital spending in calendar 2024. The same can be said of the classic leverage metric, debt to capitalization, which improved to 30.7% from 31.6% the prior year.

Key Takeaways

Key takeaways from the 2025 medians include the following:

- Consistent improvement in operating margins, with some categories improving noticeably and the overall median strengthening significantly, to 1.1% from 0.4% the prior year.
- Personnel costs as a percentage of total operating revenue improved incrementally to 53.5% from 53.9% the prior year.
- The median rating remained 'A+', while the most common rating remained 'AA–', with these two data points highly consistent over the past several years.
- Generally stable to improved key balance sheet metrics across IG rating categories, specifically strong operational liquidity with median days' cash on hand at 215.1 days, comparing favorably with pre-pandemic levels.
- Cash to debt improved to 169.2% from 163.7% last year, a nod to increases in unrestricted liquidity even including higher capital spending.
- Operational and balance sheet weakness is still manifesting predominantly in the lower IG and BIG categories, with slight declines in days' cash on hand in the 'BBB' category and declines in days' cash on hand and still negative median operating margins in the BIG category.
- The capital spending ratio jumped yoy to 123.4% from 109.1% a year earlier, as health system capex continues to exceed annual depreciation expense.

Back by Popular Demand (Maximum/Minimum and Quartiles)

Fitch is again providing minimum, maximum and quartile information on all key metrics by rating category *(see tables on page 11)*. In addition to our medians for each rating category, upper and lower quartiles can now be compared.

The minimum and maximum levels are by definition effectively outliers, which may be of particular analytic interest, especially for those interested in knowing what the upper and lower limits are for any given ratio in a particular broad rating category.

The 25th, 50th and 75th quartile medians illustrate metrics along the continuum in fairly tight ranges, and we hope this provides additional insight for end users. As an example, the minimum and maximum medians for cash to debt for 'AA' category credits spans well over 1,000 percentage points, but the differential between the 25th and 75th quartiles is just 162 percentage points.

Some caution is warranted in evaluating these data, particularly the minimum/maximum levels, as each credit has a story and one particularly strong or weak metric does not tell the full narrative as to where a rating may ultimately land.

What the Next Year(s) Holds

After another incremental step forward in fiscal 2024, the question remains whether the sector has found its proverbial footing and operating margins will continue to improve, or if the improvement will soon be interrupted and a new normal will be defined by longer-term, lower-than-historical operating margins.

Given the strength of balance sheet cushion and the delay in the implementation of many of the OBBBA's key Medicaid provisions, it is Fitch's opinion that fiscal 2025 will see continued incremental operational improvement as management teams prepare for upcoming spending cuts. Beyond that, into the outer years, we believe that without some new positive interventions, fiscal 2026 to fiscal 2027 will likely mark the end of progress toward higher operating margins. Longer-term operating performance will likely be compromised by a litany of new legislative concerns, the most prominent of which are legislated declines in Medicaid and Exchange enrollment levels, on top of potentially higher tariffs.

Uncertainty in the healthcare sector is high, and Fitch believes that with the recent adoption of the OBBBA, the sector is potentially years away from some level of more predictable normalcy.

Other factors informing this opinion include:

- Fiscal 2025 operating income levels may, but only briefly, be more positive than fiscal 2024 results, partly due to the early intervention of providers in anticipation of more challenged operating margins, further confounding what the new normal run rate is for the sector.
- Fitch believes there is a fundamental mismatch between an organization's ability to control revenues and expenses — we have referred to this as the 75/75 conundrum — because roughly 75% of expenses are variable but 75% of revenues are fixed over the intermediate period. This situation continues to dominate the story of the sector. Fitch remains of the opinion that only transformative strategies and not incremental change will be required to advance healthcare to sustainable levels of cash flow.
- For a significant number of our rated providers, volumes are at or above pre-pandemic levels. Capacity constraints are beginning to reemerge, and access has become a recurring issue, indicating pent-up demand for capital expansion, which is being met by a rebound in debt issuance and capital spending.

- Similarly, given macro-level population demographics, Fitch believes the sector will, in the absence of expansion strategies, see a gradually eroding payor mix overall, with Medicare volume accounting for an increasing percentage of inpatients, particularly after 2030 when the last of the Baby Boomer Generation turns 65.
- Risk-based contracting still appears to be on the backburner due to the unpredictability of the expense base, with a continued focus on basic costs versus population management. In addition, providers have shown a newfound determination to exit underperforming contracts, in particular, Medicare Advantage contracts.
- Fitch expects that ongoing sector challenges — OBBBA, ongoing labor concerns, uncertainty around tariffs, etc. — will lead see many providers pooling their resources and developing joint strategies, up to and including an elevated pace of M&A activity.

Longer-Term Macro Trends Will Continue to Define and Shape the Sector

The post-pandemic macro "labor-demic" highlighted the heathcare industry's need for significant additional labor, particularly nursing staff, which emerged as a critical weakness in the sector. Staff shortages, both clinical and non-clinical, while at least temporarily alleviated for many, will continue, with successful recruiters and retainers of talent (often in high population growth markets) emerging from the pack as more highly rated organizations.

Despite the meaningful inroads in staffing that have taken place recently, macro trends such as the aging of the population (approximately 10,000+ members of the Baby Boomer Generation turn 65 each day) combined with historically low birth rates will shape the needs, and the sector's response to healthcare delivery, of the future.

Of particular concern is the year 2030, when the last of the Baby Boomers turn 65 (and most of whom will transition from the workforce to retirement) and the oldest Baby Boomers turn 85, creating a wave of retirees needing more advanced care when there are fewer people in the workforce to provide it. These trends are compounded by the federal government continuing to run high deficits and net debt marches toward 100% of GDP.

This has profound implications for economic growth, tax revenues and demands on governmental services, as well as on the available pool of and need for skilled labor in the healthcare sector. Without significant increases in the availability of quality labor and/or labor efficiency and productivity, recent labor struggles may be destined to repeat in just five years. Consequently, Fitch expects industry leaders to experiment with new labor strategies, including the use of AI and other technologies, to improve productivity.

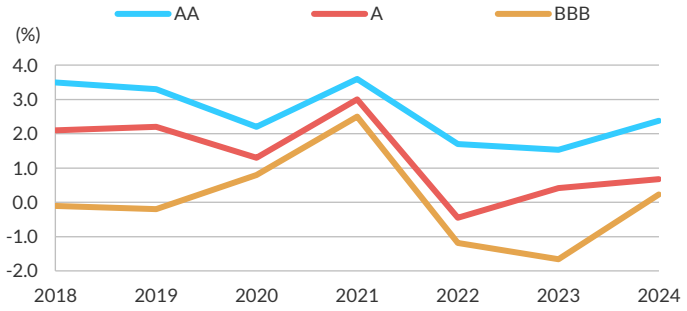
Overall 'A+' Median Rating; 'AA–' Most Common

The median rating in Fitch's portfolio remains 'A+', while the most common rating in the portfolio remains 'AA–'. About 23.8% of the rated hospitals and health systems mentioned in this report have a 'AA–' rating, with 36.8% in the overall 'AA' rating category. Another 39.8% of Fitch's ratings are in the broad 'A' rating category, 17.3% are in the 'BBB' category and only 6.1% are in the BIG category. *(See the Rating Distribution chart on page 8.)*

Operating Performance: Overall Operating Margin Median Improved

The median operating margin jumped notably, to 1.1% in fiscal 2024 from 0.4% in fiscal 2023. Improvement was generally realized in all categories, with very similar results across the rating spectrum. The improvement is attributable to lower labor costs, easing inflation (ignoring recent tariff discussions) and generally strong volumes.

Operating Margin



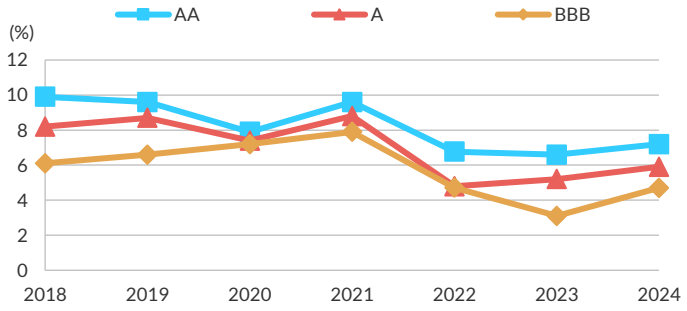
Source: Fitch Ratings

Median excess margins and EBITDA margins effectively followed the same pattern of increases, at 3.7% and 8.6%, respectively. While there were realized non-operating gains as a result of a more robust equities market, non-operating gains were more muted on a median basis.

Trends Vary by Rating Category

The 'AA' category operating margin median rose to 2.4% from 1.5% the prior year. The operating EBITDA margin followed suit, increasing to 7.2% from 6.6% yoy. 'A' rating category medians showed a similar pattern, with the operating margin improving to 0.7% from 0.4% the prior year, and an operating EBITDA margin of 5.9% compared to 5.2% last year.

Operating EBITDA



Source: Fitch Ratings

Notably, 'BBB' category operating margin medians trended to the positive, rising to 0.2% from -1.7% the prior year (operating EBITDA margin improved to 4.7% from 3.1%). The BIG category saw the largest improvement (though Fitch would still categorize this as weak and it applies to only a small percentage of our rated universe), shifting to -1.6% from -4.2% the prior year, and the

operating EBITDA margin improving to 3.3% from 2.5% the prior year. Fitch notes the relatively small sample size of BIG credits. *(See tables on pages 9 and 11.)*

Liquidity Metrics Generally Hold Steady

Key median liquidity metrics (days' cash on hand and cash to debt) were generally stable to improving compared to the prior year, particularly for credits at the higher end of the rating spectrum ('AA' and 'A' category credits). 'BBB' and BIG credits showed more muted results from a liquidity perspective, as these providers generally have a relatively thin liquidity position and therefore do not benefit to the same degree from run-ups in the equity markets.

Overall, days' cash improved by fewer than five days, to 215.1 from 211.3 days, while cash to debt saw a noticeable improvement, to 169.2% from 163.7% yoy. Sector liquidity metrics remain very strong. While they are no longer at the all-time highs seen in calendar 2021, generally all liquidity and leverage metrics still compare favorably to pre-pandemic and earlier levels. Sector liquidity and leverage metrics continue to provide a cushion against equity market volatility, inflationary pressures and added expenses due to labor challenges. Perhaps most importantly, balance sheet strength will continue to provide financial flexibility as we enter and experience the actual impact of the OBBBA. *(See tables on pages 9 and 10.)*

Continued Improvement to Key Leverage Metrics

Median 2025 leverage ratios improved again by a notable amount. Median debt to capitalization declined to 30.7% from 31.6% the prior year, compared to the high of 34.2% recorded for 2022.

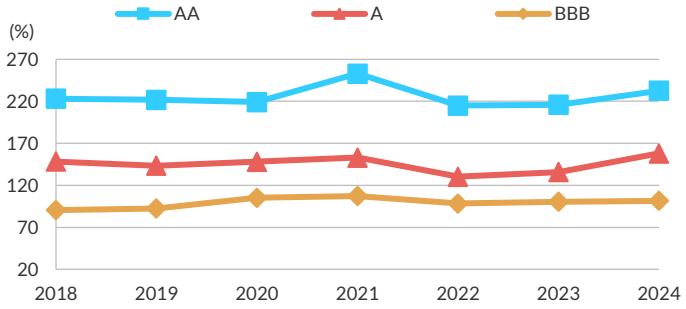
Fitch utilizes cash to adjusted debt as one measure that is consistent across the sector and rating spectrum, regardless of size and scale. Adjusted debt largely comprises the portion of defined benefit pension liabilities below an 80% funded level (for traditional Employee Retirement Income Security Act [ERISA] and church plans) as a long-term debt equivalent.

Overall cash to adjusted debt improved to 164.5% from 159.5% yoy. Cash to adjusted debt is the most highly correlated metric among Fitch medians across the various rating categories and is highest in the 'AA' category and lowest in the BIG category. *(See tables on pages 7 and 9.)*

Balance Sheet Ratios

The overall median for cash to debt improved to 169.2% from 163.7% yoy. This metric rose sharply in Fitch's 'AA' rating category, to 232.6% from 215.8%. The 'A' rating category saw a similar improvement, to 158.1% from 135.9% yoy. Market gains in 2024, along with generally improved operations, accounted for these better results.

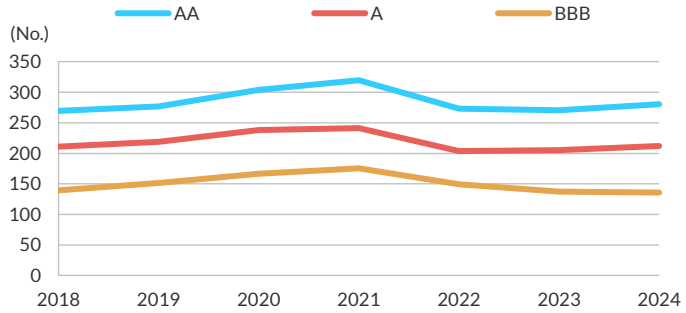
Cash to Debt



Source: Fitch Ratings

At the higher end of the rating scale, cash remained generally improved, at 280.3 days and 212.1 days for the 'AA' and 'A' categories, respectively, versus 270.4 and 205.4 days the prior year. The 'BBB' and 'BIG' rating categories saw small declines, to 135.8 days and 63.9 days, respectively, from 137.5 and 65.3 days the prior year.

Days Cash on Hand



Source: Fitch Ratings

Capital Spending

Average age of plant changed little, with the fiscal 2024 level at 12.7 years compared with 12.2 years for fiscal 2023. Maintenance of the average age of plant was driven by a somewhat surprising level of overall capital spending, with a significant jump specifically in the 'A' and 'AA' categories. Overall capital spending jumped noticeably, to 123.4% of depreciation expense from 109.1% the prior year, and in the 'A' and 'AA' categories to 132.7% and 128.1% from 119.8% and 111.4%, respectively, the prior year.

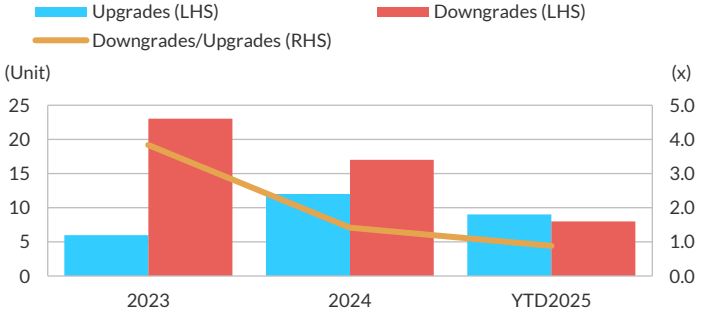
In Fitch's rated portfolio, a narrow band (11.9 years to 16.1 years) remains around the median average age of plant, and the accounting treatment when an asset is acquired (or whether or not the depreciation schedule aligns with the life of the asset) can cause swings in this calculation. Consequently, Fitch places more emphasis on the multiyear trend of capital spending than the annual depreciation expense (capital spending ratio), and uses than rather than average age of plant, in its analysis.

Rating Actions: The "Negative Tilt" Has Briefly Turned Positive; but Future Uncertainty Is Abundant

Consistent with most years, rating actions in 2024 generally displayed credit stability. Fitch affirmed the majority of its healthcare ratings, while downgrading 17 and upgrading 12. Most of 2024's downgrades can be characterized as one-off events or related to providers that had reached the end of their financial flexibility runway.

Similar metrics for the first half of 2025 indicate reduced rating and outlook activity, while the negative tilt is definitely moderating. In the year to date, Fitch has affirmed the vast majority of its healthcare ratings, while downgrading eight credits and upgrading nine.

Hospitals - Rating Changes

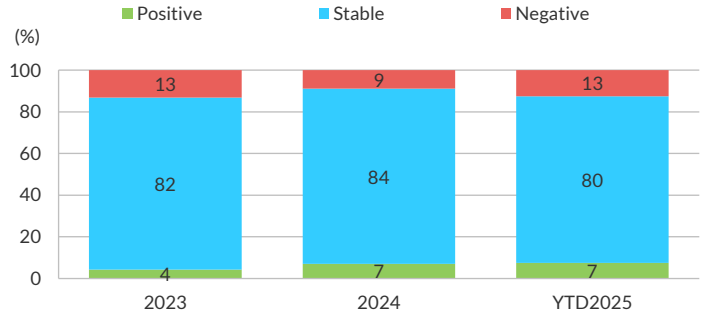


Source: Fitch Ratings

Stable Rating Outlooks still dominate the sector, with 84% Stable in 2024. Negative Outlooks outpaced Positive Outlooks, at 8.9% and 7.0%, respectively, in 2024.

Stable Rating Outlooks have decreased thus far in 2025, to 80%. Negative Rating Outlooks have ticked up and outpace Positive Outlooks, at 12.5% and 7.4%, respectively, indicating that further resolution of Negative Outlooks may occur in 2025 and 2026.

Hospitals - Rating Outlooks



Source: Fitch Ratings

Slow, Steady, Operational Improvement Had Been Expected to Continue; but There Is Great Uncertainty in Front of the Sector

As demonstrated after a brief sector peak in fiscal 2021, operational stress continued in fiscal 2022, with recovery beginning in fiscal 2023 and continuing into fiscal 2024. While negative pressures linger due to continued labor struggles and inflationary expenses (albeit easing, but excluding the current tariff discussions), rising patient volumes, strong balance sheet metrics and easing labor issues indicated stability for 2025 and informed our revision from "Deteriorating" in 2024 to "Neutral" in 2025 (published December 2024).

A change in administration always introduces some level of uncertainty, particularly for a fragile sector such as healthcare and given the subsequent passing of the OBBBA. That said, given current significant tariff uncertainty and the potential to see upward of 10 million people lose Medicaid coverage over the medium term (on top of immigration policies, the threat of site neutral payments, research funding cuts and further changes in 340b programs), the tone, but not the outlook, for the remainder of 2025 and beyond has turned decidedly negative.

Providers will continue to create additional access points and capacity (physical and virtual) in an effort to both deliver high-quality services and pursue population growth areas with a better payor mix. These strategies fall under a "what's old is new again" approach to healthcare, something with which management teams are familiar and which goes hand in hand with macro-level trends that are expected to exert considerable influence on the future of healthcare delivery, such as an aging population and decreased population growth.

The trifurcation of credit quality will continue, with a strong credit split at the upper and lower ends of the rating scale, but with the vast majority of credits trending stable, at least for now.

Methodology

Fitch included its rated standalone hospitals and health systems in this report; children's hospitals are not included (children's hospital medians are reported separately). In addition, some credits are excluded for analytical purposes or due to a lack of data. Fitch notes that the small sample size for some of the individual rating categories can create greater volatility in the data and that sample size should be considered when reviewing yoy changes.

For all data points mentioned in this report, Medicare Accelerated and Advance Payment Program funds were excluded from Fitch's cash and cash-equivalent ratios, as we view these funds as temporary loans rather than as permanent cash on the balance sheet.

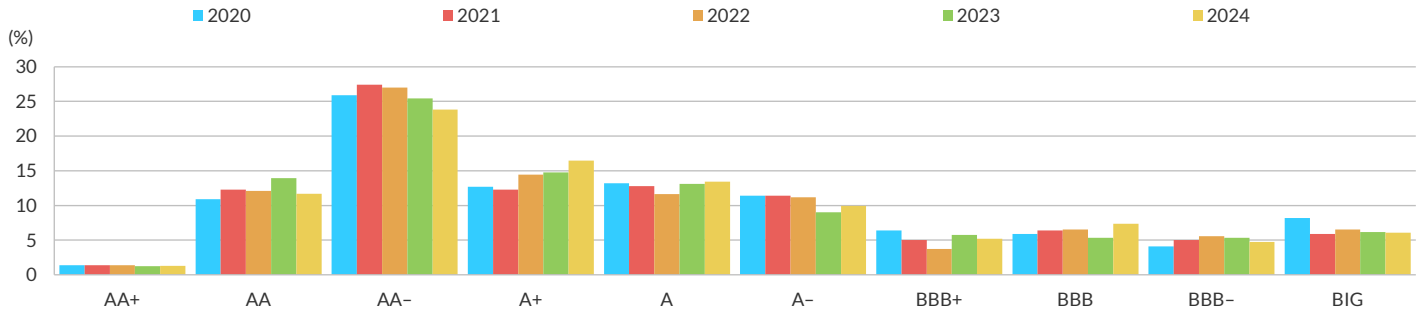
Data Appendix

Nonprofit Hospital and Healthcare System Overall Medians — 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Median	Median	Median	Median	Median	Median	Median	Median	Median	Median	Median	Median
Sample Size	228	217	215	219	213	220	220	232	249	246	235	243
Days Cash on Hand	215.1	211.3	216.1	260.3	241.4	219.8	214.9	213.9	195.5	203.8	203.4	193.9
Days in Accounts Receivable	48.4	46.9	47.3	47.2	44.6	46.8	45.9	47.0	47.3	47.9	48.2	49.3
Cushion Ratio (x)	27.7	26.1	25.6	29.7	25.3	22.8	22.5	20.9	18.7	18.2	17.6	16.4
Days in Current Liabilities	67.9	67.0	69.6	89.4	91.4	64.3	62.8	61.7	63.8	65.7	66.4	64.8
Cash to Debt (%)	169.2	163.7	147.1	185.5	162.8	159.3	155.4	159.0	142.8	138.5	141.8	127.7
Cash to Adjusted Debt (%)	164.5	159.5	143.4	180.1	150.6	138.9	130.6	130.4	—	—	—	—
Operating Margin (%)	1.1	0.4	0.2	3.0	1.5	2.3	2.1	1.9	2.8	3.5	3.0	2.2
Op EBITDA Margin (%)	6.2	5.4	5.8	8.9	7.3	8.7	8.6	8.5	9.5	10.3	9.7	9.2
Excess Margin (%)	3.7	1.8	1.9	6.6	3.3	4.5	4.0	4.2	3.8	5.2	4.8	3.7
EBITDA Margin (%)	8.6	7.3	7.3	12.4	9.3	10.6	10.4	10.3	10.5	12.2	11.7	10.9
Net Adjusted Debt to Adjusted EBITDA	-2.2	-2.3	-2.0	-2.1	-2.1	-1.3	-1.1	-1.1				
Personnel Costs as % of Total Operating Revenue	53.5	53.9	54.3	52.8	55.0	53.3	54.0	54.9	54.8	53.6	54.4	55.0
EBITDA Debt Service Coverage (x)	4.4	3.6	3.2	5.7	4.0	4.1	4.0	3.8	3.6	4.3	4.0	3.5
OP EBITDA Debt Service Coverage (x)	2.9	2.4	2.4	3.8	3.1	3.3	3.4	3.2	3.2	3.7	3.5	3.0
Maximum Annual Debt Service as % of Revenues	2.0	2.1	2.2	2.2	2.3	2.4	2.5	2.6	2.6	2.8	2.9	3.1
Debt to EBITDA (x)	3.5	4.6	4.2	2.7	3.8	3.3	3.4	3.3	3.5	3.1	3.1	3.6
Debt to Capitalization (%)	30.7	31.6	34.2	31.7	33.6	33.1	33.7	34.3	37.0	38.4	36.6	37.8
Average Age of Plant (Years)	12.7	12.2	12.1	11.9	11.7	11.6	11.2	11.2	11.0	10.8	10.6	10.6
Capital Expenditures as % of Depreciation Expense	123.4	109.1	109.5	100.4	109.5	117.7	117.0	121.4	115.8	111.9	106.6	115.7

EBITDA – Earnings before interest, taxes, depreciation, and amortization
Source: Fitch Ratings

Rating Distribution



Source: Fitch Ratings

Data Appendix — Medians by Rating Category

Nonprofit Hospital and Healthcare System Category Medians — 2024

	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Median	Median	AA	AA	A	A	BBB	BBB	BIG	BIG
Sample Size	228	217	85	84	92	83	38	37	13	13
Total Operating Revenue ($ Mil.)	1,447,913	1,363,471	2,578,109	2,538,713	1,359,382	1,290,447	821,883	822,836	665,031	677,166
Days Cash on Hand	215.1	211.3	280.3	270.4	212.1	205.4	135.8	137.5	63.9	65.3
Days in Accounts Receivable	48.4	46.9	47.2	46.7	46.2	45.4	53.5	48.5	50.9	49.0
Cushion Ratio (x)	27.7	26.1	42.8	38.2	24.6	23.1	17.3	14.0	7.4	7.0
Days in Current Liabilities	67.9	67.0	71.4	70.5	63.6	64.1	66.2	67.0	82.0	80.5
Cash to Debt (%)	169.2	163.7	232.6	215.8	158.1	135.9	101.7	100.5	52.7	43.8
Cash to Adjusted Debt (%)	164.5	159.5	231.4	211.6	156.1	129.6	86.7	93.8	48.0	40.6
Operating Margin (%)	1.1	0.4	2.4	1.5	0.7	0.4	0.2	-1.7	-1.6	-4.2
Op EBITDA Margin (%)	6.2	5.4	7.2	6.6	5.9	5.2	4.7	3.1	3.3	2.5
Excess Margin (%)	3.7	1.8	5.4	3.5	3.4	1.6	2.1	-0.1	0.0	-2.8
EBITDA Margin (%)	8.6	7.3	10.3	8.8	8.2	7.0	6.7	4.5	4.2	5.5
Net Adjusted Debt to Adjusted EBITDA	-2.2	-2.3	-4.1	-4.3	-1.8	-1.9	0.9	0.5	-0.5	2.9
Personnel Costs as % of Total Operating Revenue	53.5	53.9	52.5	53.6	54.5	55.2	53.6	51.8	55.4	59.7
EBITDA Debt Service Coverage (x)	4.4	3.6	6.1	4.5	3.8	3.1	2.6	1.9	1.8	1.7
OP EBITDA Debt Service Coverage (x)	2.9	2.4	4.1	3.4	2.4	2.3	2.0	1.2	1.2	1.0
Maximum Annual Debt Service as % of Revenues	2.0	2.1	1.7	1.9	2.2	2.3	2.3	2.6	2.4	2.5
Debt to EBITDA (x)	3.5	4.6	2.8	3.4	3.7	4.9	5.6	7.3	5.1	5.7
Debt to Capitalization (%)	30.7	31.6	24.1	25.9	34.3	36.7	40.2	40.9	63.3	63.0
Average Age of Plant (Years)	12.7	12.2	11.9	11.4	12.9	12.6	14.1	13.4	16.1	16.1
Capital Expenditures as % of Depreciation Expense	123.4	109.1	128.1	111.4	132.7	119.8	118.8	102.2	57.8	70.1

EBITDA – Earnings before interest, taxes, depreciation, and amortization
Source: Fitch Ratings

Data Appendix — Medians by Individual Rating

Nonprofit Hospital and Healthcare System Medians for Investment Grade Ratings — 2024

	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	AA	AA	AA-	AA-	A+	A+	A	A	A-	A-	BBB+	BBB+	BBB	BBB	BBB-	BBB-
Sample Size	30	28	55	53	38	33	31	29	23	21	12	14	16	11	10	12
Total Operating Revenue ($ Mil.)	$4,420.9	$3,224.9	$2,377.1	$2,203.1	$1,804.3	$1,769.7	$1,119.7	$1,024.2	$9023	$966.5	$821.9	$1,041.8	$941.3	$825.2	$478.8	$577.3
Days Cash on Hand	352.0	310.8	245.7	239.5	213.5	203.0	214.7	218.0	194.6	203.6	161.4	149.4	117.2	126.5	145.3	141.1
Days in Accounts Receivable	47.8	47.5	45.6	47.1	45.0	44.2	47.5	45.4	48.6	48.9	54.1	49.1	54.3	48.9	49.1	47.6
Cushion Ratio (x)	57.5	51.5	35.7	32.8	26.7	26.3	24.8	23.1	20.8	19.9	18.3	14.1	16.4	17.1	12.0	12.3
Days in Current Liabilities	73.5	75.5	68.9	66.3	62.0	64.8	62.3	57.3	71.3	70.0	64.6	64.5	67.7	66.6	59.1	70.5
Cash to Debt (%)	330.8	283.6	206.3	195.3	156.1	140.3	159.1	132.0	157.2	126.9	109.3	125.4	85.6	69.6	107.3	105.6
Cash to Adjusted Debt (%)	306.4	272.6	206.3	190.8	156.1	131.1	159.1	128.0	151.1	126.9	109.3	118.3	70.7	69.6	83.9	84.5
Operating Margin (%)	3.4	3.1	1.8	0.8	0.7	0.0	1.3	0.4	-0.1	0.5	-0.1	-0.5	-0.1	-1.7	1.3	-2.7
Op EBITDA Margin (%)	8.5	8.4	6.6	5.6	5.9	4.7	6.4	6.1	5.4	5.2	4.6	4.1	4.6	3.0	6.4	2.5
Excess Margin (%)	6.8	5.6	4.5	3.2	3.6	1.2	3.5	1.7	1.9	2.5	2.3	0.4	0.8	-0.5	3.8	-0.5
EBITDA Margin (%)	11.4	10.0	9.0	8.1	8.3	6.1	9.0	7.9	8.0	8.2	6.7	4.8	4.5	4.7	8.6	3.5
Net Adjusted Debt to Adjusted EBITDA	-4.6	-4.9	-3.4	-3.7	-1.9	-2.6	-1.7	-1.6	-2.2	-0.9	-0.4	-0.6	2.4	2.4	0.7	0.7
Personnel Costs as % of Total Operating Revenue	52.2	52.2	52.8	54.3	52.7	54.1	54.6	56.0	56.9	58.0	54.6	57.4	49.3	48.1	56.2	50.0
EBITDA Debt Service Coverage (x)	7.7	5.5	5.6	4.0	4.0	2.8	4.0	3.7	2.9	3.8	2.6	2.8	2.8	1.8	2.8	1.4
OP EBITDA Debt Service Coverage (x)	5.1	4.7	3.7	3.0	2.8	2.0	2.4	2.8	1.9	2.3	1.9	2.2	2.1	0.9	2.0	0.7
Maximum Annual Debt Service as % of Revenues	1.7	1.7	1.7	1.9	2.1	2.3	2.3	2.2	2.3	2.6	2.4	2.2	2.1	2.6	2.5	2.9
Debt to EBITDA (x)	2.1	21.9	3.1	27.6	3.7	34.7	3.3	37.7	4.3	41.5	6.8	37.1	6.8	52.0	4.4	42.9
Debt to Capitalization (%)	19.7	21.9	26.3	27.6	33.6	34.7	34.8	37.7	34.7	41.5	35.9	37.1	43.7	52.0	47.9	42.9
Average Age of Plant (Years)	10.8	10.9	12.3	12.0	12.9	13.5	13.7	12.3	11.2	11.5	14.3	13.4	11.7	11.9	16.2	14.8
Capital Expenditures as % of Depreciation Expense	139.9	129.3	121.1	104.8	152.6	142.8	131.5	103.2	87.1	115.5	160.8	99.8	113.0	146.7	105.2	108.3

Source: Fitch Ratings

Max/Min — Quartile by Rating Category

AA Category	Total Revenue	Days Cash on Hand	Cash to Debt	Operating Margin	Operating EBITDA Margin	EBITDA Margin	Personnel Costs as % of Total Operating Revenue	Debt to Capitalization (%)	Average Age of Plant (Years)	Capital Expenditures as % of Depreciation Expense
Minimum	$296,576	97.2	48.1	-7.0	-1.4	2.2	22.5	6.0	6.9	47.9
25th %	$1,324,508	217.7	177.6	0.6	4.9	7.9	48.5	18.7	9.8	104.2
50th %	$2,578,109	280.3	232.6	2.4	7.2	10.3	52.5	24.1	11.9	128.1
75th %	$6,992,414	365.5	339.9	4.8	10.3	14.9	57.1	29.3	13.6	170.5
Maximum	$115,750,000	575.9	1,361.0	13.4	17.5	29.7	68.9	49.7	21.3	339.3

A Category	Total Revenue	Days Cash on Hand	Cash to Debt	Operating Margin	Operating EBITDA Margin	EBITDA Margin	Personnel Costs as % of Total Operating Revenue	Debt to Capitalization (%)	Average Age of Plant (Years)	Capital Expenditures as % of Depreciation Expense
Minimum	$31,438	37.0	34.8	-13.9	-8.2	-5.5	33.4	5.5	1.2	26.4
25th %	$567,845	157.1	116.1	-2.0	3.8	6.0	49.1	23.5	10.5	78.8
50th %	$1,359,382	212.1	158.1	0.7	5.9	8.2	54.5	34.3	12.9	132.7
75th %	$3,435,471	273.8	244.5	3.7	8.7	11.9	60.2	40.9	15.2	195.3
Maximum	$37,517,000	800.7	1,056.5	29.2	34.5	40.6	72.0	71.0	21.0	1,116.9

BBB Category	Total Revenue	Days Cash on Hand	Cash to Debt	Operating Margin	Operating EBITDA Margin	EBITDA Margin	Personnel Costs as % of Total Operating Revenue	Debt to Capitalization (%)	Average Age of Plant (Years)	Capital Expenditures as % of Depreciation Expense
Minimum	$59,094	39.0	30.0	-13.6	-7.6	-4.1	41.5	-10,033.9	4.8	28.7
25th %	$274,221	93.9	63.3	-2.6	2.1	3.6	45.8	31.8	11.3	72.1
50th %	$821,883	135.8	101.7	0.2	4.7	6.7	53.6	40.2	14.1	118.8
75th %	$1,500,995	172.9	141.9	1.6	7.0	11.0	59.8	56.3	16.3	216.8
Maximum	$11,854,278	661.4	552.3	13.4	17.8	19.3	74.6	92.3	25.2	1,156.8

BIG	Total Revenue	Days Cash on Hand	Cash to Debt	Operating Margin	Operating EBITDA Margin	EBITDA Margin	Personnel Costs as % of Total Operating Revenue	Debt to Capitalization (%)	Average Age of Plant (Years)	Capital Expenditures as % of Depreciation Expense
Minimum	$82,978	11.9	8.7	-20.9	-7.2	-7.5	32.2	26.9	7.9	22.2
25th %	$351,291	33.1	21.5	-9.0	-2.6	-1.3	48.9	43.1	9.9	44.2
50th %	$665,031	63.9	52.7	-1.6	3.3	4.2	55.4	63.3	16.1	57.8
75th %	$1,701,438	109.4	96.7	0.6	7.6	8.7	62.2	93.2	23.0	155.0
Maximum	$3,224,477	416.1	187.1	2.2	11.3	16.0	73.7	150.3	28.0	373.1

Source: Fitch Ratings

Data Appendix — Medians (Standalone)

Standalone	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Sample Size	113	102	103	104	99	97	99	93	90	85
Days Cash on Hand	215.1	214.7	209.7	237.5	232.1	213.3	214.5	211.1	203.1	202.3
Days in Accounts Receivable	48.4	45.8	46.8	46.2	44.4	46.2	45.5	46.4	46.3	48.0
Cushion Ratio (x)	24.8	25.8	24.3	24.7	23.3	21.7	20.4	19.7	18.0	16.4
Days in Current Liabilities	66.2	65.6	68.2	89.4	88.1	61.2	59.7	62.0	60.4	65.2
Cash to Debt (%)	177.1	162.8	145.4	179.7	150.5	157.6	147.4	156.0	143.0	138.0
Cash to Adjusted Debt (%)	161.3	151.7	138.6	175.7	135.8	131.7	118.3	122.1	111.7	110.9
Operating Margin (%)	0.9	0.6	0.2	3.8	1.7	2.0	1.6	2.3	3.2	3.8
Op EBITDA Margin (%)	6.5	6.0	5.8	9.7	8.4	8.7	8.4	8.8	9.7	10.8
Excess Margin (%)	4.2	2.6	2.0	7.0	3.7	3.8	3.7	4.2	4.6	5.7
EBITDA Margin (%)	9.5	8.1	7.5	13.0	10.4	10.6	10.5	10.4	10.4	12.0
Net Adjusted Debt to Adjusted EBITDA (%)	-2.2	-2.2	-1.6	-1.6	-1.6	-1.0	-0.8	-0.9	-0.4	-0.4
Personnel Costs as % of Total Operating Revenue	53.7	54.1	54.7	53.1	55.1	54.4	54.6	55.4	54.2	54.1
EBITDA Debt Service Coverage (x)	4.3	3.9	3.1	5.2	4.1	3.8	3.3	3.5	3.6	4.0
OP EBITDA Debt Service Coverage (x)	2.8	2.6	2.2	3.8	3.1	3.0	2.6	3.0	3.2	3.4
Maximum Annual Debt Service as % of Revenues	2.2	2.2	2.3	2.5	2.7	2.6	2.7	2.9	3.0	3.2
Debt to EBITDA (x)	3.2	4.0	3.8	2.5	3.4	3.2	3.5	3.3	3.2	2.9
Debt to Capitalization (%)	28.6	30.5	33.6	29.7	32.6	32.8	35.0	34.3	37.2	37.0
Average Age of Plant (Years)	12.8	12.2	12.7	12.3	12.0	11.7	11.2	11.1	10.7	10.6
Capital Expenditures as % of Depreciation Expense	133.7	108.7	103.7	101.2	108.4	107.0	114.6	131.4	120.3	111.9

Source: Fitch Ratings

Data Appendix — Medians (Systems)

Systems	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Sample Size	115	115	112	115	114	106	103	98	96	82
Days Cash on Hand	215.1	207.1	219.0	270.4	255.0	230.2	224.6	241.4	215.2	230.5
Days in Accounts Receivable	48.4	47.7	47.8	47.7	44.6	46.8	46.2	47.7	47.9	48.0
Cushion Ratio (x)	24.8	26.1	26.0	31.7	29.0	26.5	24.2	23.0	20.8	22.2
Days in Current Liabilities	66.2	67.5	72.5	89.8	95.0	66.8	65.1	63.9	66.2	67.4
Cash to Debt (%)	177.1	171.3	152.4	189.4	169.9	165.7	167.5	170.9	165.2	169.5
Cash to Adjusted Debt (%)	161.3	171.3	147.0	185.0	161.1	149.9	147.3	145.3	132.4	137.9
Operating Margin (%)	0.9	0.1	0.2	2.7	1.3	2.5	2.4	1.9	3.1	3.8
Op EBITDA Margin (%)	6.5	5.1	5.7	8.1	6.7	8.9	8.7	8.7	9.3	10.3
Excess Margin (%)	4.2	1.6	1.7	6.1	3.1	4.9	4.7	4.3	4.3	5.6
EBITDA Margin (%)	9.5	6.5	7.1	12.1	8.5	10.6	10.5	10.4	10.4	12.0
Net Adjusted Debt to Adjusted EBITDA (%)	-2.2	-2.6	-2.4	-2.5	-2.6	-1.5	-1.3	-1.5	-1.2	-1.1
Personnel Costs as % of Total Operating Revenue	53.7	53.9	52.2	52.3	55.0	53.0	53.9	54.9	54.8	53.2
EBITDA Debt Service Coverage (x)	4.3	3.1	3.4	5.8	3.9	4.5	4.1	4.1	3.7	4.4
OP EBITDA Debt Service Coverage (x)	2.8	2.3	2.7	3.8	3.2	3.7	3.5	3.2	3.4	3.7
Maximum Annual Debt Service as % of Revenues	2.2	2.0	2.0	2.1	2.2	2.2	2.5	2.7	2.7	2.7
Debt to EBITDA (x)	3.2	5.1	4.3	2.8	4.4	3.4	3.4	3.3	3.4	2.9
Debt to Capitalization (%)	28.6	33.1	34.9	31.9	35.2	32.9	32.4	33.1	33.8	33.0
Average Age of Plant (Years)	12.8	12.2	11.9	11.8	11.4	11.5	11.3	10.9	10.6	10.5
Capital Expenditures as % of Depreciation Expense	133.7	109.9	110.7	99.1	110.1	125.0	128.3	126.1	122.1	121.8

Source: Fitch Ratings

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

U.S. Not-For-Profit Health Care System Median Financial Ratios--2024

August 7, 2025

This report does not constitute a rating action.

Rating And Outlook Overview

New ratings and provider growth add to health care system rating count. The number of systems rated by S&P Global Ratings continued to steadily climb, up slightly to 175 as of June 30, 2025 (of which 94% are included in the 2024 medians) from 173 as of June 30, 2024. This reflects newly assigned system ratings as well as the effect of growth and consolidation within the health care sector as stand-alone hospitals transition to systems per our criteria, given revenue growth and added acute care facility sites. Median operating revenue for rated systems was just below $4 billion in 2024.

Despite the inherent strengths of systems, ratings continue to shift from the 'AA' category. Because of systems' typically broad enterprise profiles, as well as material scale and diversity, most ratings on systems are concentrated in the 'AA' and 'A' categories. However, high investment-grade systems have not been immune to sector financial pressures, as demonstrated by a multiyear decline in the percentage of 'AA' category rated systems. Concurrently, we have observed a rise in 'A' category rated systems, with this cohort encompassing just below half of rated systems. Lastly, the number of speculative-grade systems continues to incrementally rise, though they remain rare, encompassing only six organizations and are therefore excluded from tables 2, 3A, 3B, and 3C.

System rating distribution still skews higher than that of stand-alone hospitals. Despite the above-mentioned rating movement, 87% of systems remain in the 'AA' and 'A' categories, compared with just 58% for stand-alone hospitals. The median system rating remains 'A+' compared with 'A-' for stand-alone hospitals, though the median system rating has trended closer to 'A' in recent years. Systems rated in the 'BBB' category remained relatively consistent at 10%, while speculative-grade rated systems increased to 3%; however, the speculative-grade percentage remains materially lower than that of rated stand-alone hospitals (16%).

The vast majority of outlooks remain stable though the number of negative outlooks is stubbornly elevated. Stable outlooks have held close to 78% for systems in recent years, demonstrating rating stability for a large portion of rated entities, albeit notably lower than 92% observed pre-pandemic. Negative outlooks only marginally decreased to 18% and, despite the comparative credit strengths of systems, are nearly comparable with the percentage of stand-

Primary contacts

Blake C Fundingsland
Englewood
1-303-721-4703
blake.fundingsland
@spglobal.com

Patrick Zagar
Dallas
1-214-765-5883
patrick.zagar
@spglobal.com

Secondary contacts

Suzie R Desai
Chicago
1-312-233-7046
suzie.desai
@spglobal.com

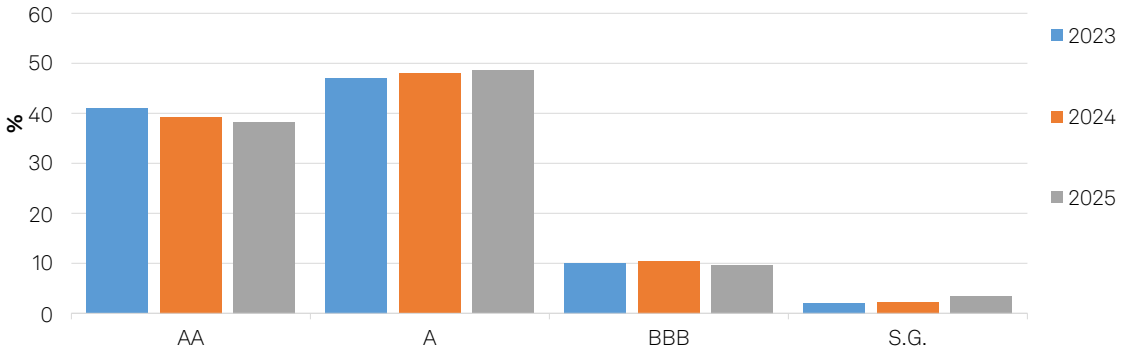
Stephen Infranco
New York
1-212-438-2025
stephen.infranco
@spglobal.com

See complete contact list at end of article.

alone hospitals carrying a negative outlook (19%). Partially contributing to the slower rate of decline is that for some systems, we assigned a negative outlook even after a downgrade. Conversely, given their added size, scale, management sophistication, and broad enterprise profiles, some systems might have additional flexibility to address credit pressure at the current rating with a negative outlook before we would take a rating action.

Chart 1

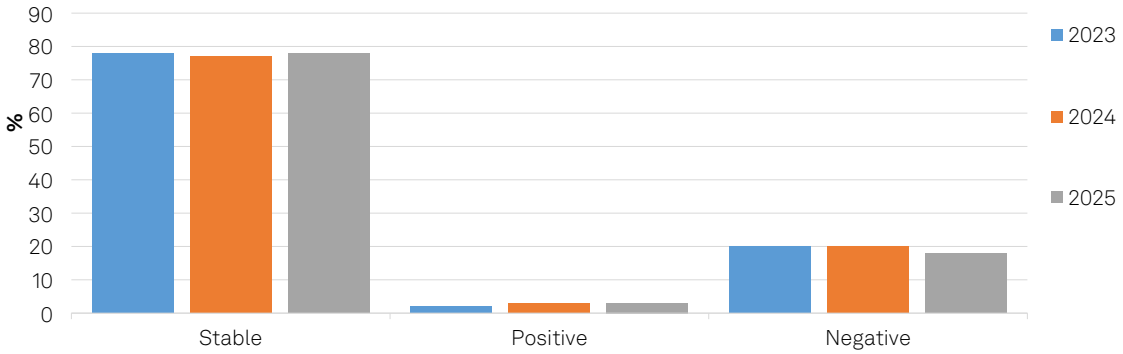
U.S. not-for-profit health care system rating category distribution



As of June 30 for each year for all outstanding ratings. S.G.--Speculative-grade.

Chart 2

U.S. not-for-profit health care system outlook distribution



As of June 30 for each year for all outstanding ratings. Outlook distribution excludes organizations on CreditWatch or with developing outlooks.

Key Median Takeaways

Sound operational improvement but below pre-pandemic levels. Audited fiscal 2024 operations improved beyond the breakeven margin of 2023, producing positive results without reliance on

one-time items such as CARES Act grants, Federal Emergency Management Agency (FEMA) funds, or 340B settlements, as had been the case the past two years. Although this is encouraging, the median system operating margin remains below the consistent 2% baseline observed before the pandemic given labor and inflationary pressures, coupled with ongoing reimbursement challenges including complex payor relations and a difficult Medicare Advantage environment. Nevertheless, in 2024, operating metrics strengthened across all rating categories as well as all individual rating levels except 'A-'. Median adjusted operating margin, which better reflects core operations absent one-time items, was positive in 2024 for all rating levels 'A' and above, but remained negative for all rating levels 'A-' and below. Providers in the 'BBB/BBB-' group appear to remain more reliant on one-time items than those in higher rating categories, with such funds providing nearly 2% of operating margin support in 2024, indicative of this group's smaller size and a slower ramp-up of performance improvement initiatives and operating efficiencies. Lastly, strong realized non-operating income supported maximum annual debt service coverage above 4.0x for the first time since 2021 for rated systems.

Medians reveal the positive effect of management's performance improvement agendas. In addition to better operating results, both as presented and adjusted, 2024 medians reflect progress toward a structurally sound operating baseline for many. Median operating revenue growth outpaced operating expenses in 2024, the first time this has occurred since we began tracking median operating expenses in 2021. The 6.5% increase in median system operating revenue is the highest annual change since 2021, which itself was inflated given the pandemic's effect on 2020 volumes and revenue. In addition, salaries and benefits as a percentage of net patient revenue fell across all rating categories and levels and is now in line with historical thresholds following the acute workforce disruption of recent years.

Unrestricted reserve growth improves coverage over debt, halts days' cash on hand decline. Unrestricted reserve metrics broadly strengthened in 2024 although they were still below highs of 2021. Median unrestricted reserves to long-term debt was almost 200%, the highest level for systems in the past decade except for 2021, aided by favorable investment returns, continued debt principal payments, and more muted new money borrowing through 2024. In addition, after a multiyear drop following 2021, days' cash on hand increased modestly in 2024 reflecting stronger operating and investment results, coupled with a slower pace of operating expense growth. Above-average unrestricted reserves remain a differentiator for the 'AA+' and 'AA' rating levels, as median days' cash on hand growth was most pronounced in the 'AA' category, while it fell in the 'BBB' category in part due to weaker cash flow. Rates of median capital reinvestment for systems, as measured by capital expenditures to depreciation expense, recovered to pre-pandemic levels in 2024 after troughing at 1.1x in 2021, as systems addressed key strategic initiatives.

System debt and liabilities are in the strongest position of the past decade. Both leverage, as measured by long-term debt to capitalization, and debt burden decreased further in 2024, aided by limited borrowing activity, rising total revenue, and strengthened unrestricted net assets, and further supported by sound defined-benefit pension funding. Although elevated interest rates affect numerous aspects of the financial profile, higher pension discount rates have driven the median plan funded status to above 96%, continuing a long-term trend of steady improvement from 74% in 2016 and allowing for further de-risking initiatives by management such as plan termination. Given the higher borrowing in 2025, we believe systems are using some debt capacity created in recent years; therefore, some regression in these measures is possible in the coming year.

Table 1

U.S. not-for-profit health care system medians

Fiscal year	2024	2023	2022	2021	2020	2019	2018	2017	2016
Sample size	165	161	156	156	153	146	142	144	146
Financial performance									
Net patient revenue ($000s)	3,383,494	3,125,753	3,054,579	2,909,293	2,587,620	2,519,213	2,397,747	2,203,429	2,022,277
Total operating revenue ($000s)	3,827,475	3,592,273	3,576,230	3,379,365	3,089,200	2,877,252	MNR	MNR	MNR
Total operating expenses ($000s)	3,790,987	3,661,923	3,619,521	3,256,661	MNR	MNR	MNR	MNR	MNR
Operating income ($000s)	39,974	519	(12,022)	92,146	MNR	MNR	MNR	MNR	MNR
Operating margin (%)	1.1	0.0	(0.4)	2.5	1.2	2.7	2.3	2.2	2.4
Net nonoperating income ($000s)	86,900	55,782	54,404	106,017	MNR	MNR	MNR	MNR	MNR
Excess income ($000s)	122,505	41,195	25,184	215,663	MNR	MNR	MNR	MNR	MNR
Excess margin (%)	3.1	1.4	1.2	5.5	3.2	4.3	3.9	4.5	3.7
Operating EBIDA margin (%)	5.8	5.0	4.9	7.6	6.8	8.4	8.3	8.3	9.0
EBIDA margin (%)	7.9	6.2	6.1	10.6	8.6	9.8	10.0	10.3	9.9
Net available for debt service ($000s)	310,872	217,302	216,821	399,272	279,127	303,095	282,188	265,041	223,165
Maximum annual debt service ($000s)	80,948	79,641	74,446	76,372	MNR	MNR	MNR	MNR	MNR
Maximum annual debt service coverage (x)	4.1	3.0	3.2	5.5	4.1	4.4	4.4	4.5	4.3
Operating lease-adjusted coverage (x)	3.2	2.3	2.4	4.0	3.1	3.4	3.2	3.5	3.1
Liquidity and financial flexibility									
Unrestricted reserves ($000s)	1,976,205	1,858,072	1,845,341	2,220,248	1,961,547	1,604,728	1,484,081	1,402,672	1,213,897
Unrestricted days' cash on hand	194.8	192.7	206.9	259.3	236.7	218.3	213.3	205.5	197.6
Unrestricted reserves/total long-term debt (%)	198.8	175.7	169.5	213.2	189.3	175.6	175.1	173.3	169.5
Unrestricted reserves/contingent liabilities (%)*	873.7	716.7	845.0	884.3	794.1	645.8	594.1	546.3	507.6
Average age of plant (years)	12.3	12.1	11.9	11.6	11.1	11.0	10.6	10.8	10.6
Capital expenditures/depreciation and amortization (%)	128.0	125.7	121.9	109.4	120.0	134.4	133.3	132.3	125.1
Debt and liabilities									
Total long-term debt ($000s)	1,156,636	1,152,633	1,177,660	1,126,357	MNR	MNR	MNR	MNR	MNR
Long-term debt/capitalization (%)	28.7	31.1	31.5	28.7	31.9	31.6	31.7	32.3	34.0
Contingent liabilities ($000s)*	292,595	295,005	314,099	294,258	MNR	MNR	MNR	MNR	MNR

U.S. not-for-profit health care system medians

Fiscal year	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contingent liabilities/total long-term debt (%)*	25.3	26.6	25.0	27.1	27.0	28.7	31.8	33.2	31.9
Debt burden (%)	1.8	2.0	2.0	2.0	2.1	2.2	2.2	2.2	2.3
Defined-benefit plan funded status (%)*	96.1	92.2	93.1	91.0	79.9	81.8	84.8	81.0	74.0
Miscellaneous									
Salaries & benefits/NPR (%)	57.8	59.2	60.4	58.9	62.0	58.3	57.9	57.9	57.2
Nonoperating revenue/total revenue (%)	2.2	1.4	1.5	3.1	1.9	1.9	1.7	2.1	1.1
Cushion ratio (x)	26.2	25.0	25.6	29.9	27.9	25.1	24.0	22.9	21.4
Days in accounts receivable	47.6	47.8	47.4	47.4	44.6	46.5	45.8	47.8	48.2
Cash flow/total liabilities (%)	12.7	9.3	8.8	14.9	10.1	14.9	14.3	15.3	13.9
Pension-adjusted long-term debt/capitalization (%)*	28.7	31.1	31.9	30.3	34.6	34.5	33.9	34.9	37.3
Adjusted operating margin (%)§	0.8	(0.5)	(1.7)	0.6	MNR	MNR	MNR	MNR	MNR

MNR--Median not reported. *These ratios are only for organizations that have defined-benefit pension plans or contingent liabilities. §Adjusted operating margin excludes nonrecurring operating revenues that are largely attributable to stimulus funding, FEMA reimbursement, and 340B settlement funding, but could comprise other nonrecurring items.

Table 2

U.S. not-for-profit health care system medians by rating category -- 2024 vs. 2023 vs. 2022

	AA			A			BBB		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Sample size	60	60	62	83	79	75	16	18	14
Financial performance									
Net patient revenue ($000s)	5,813,574	4,899,775	4,658,064	3,170,555	2,795,088	2,895,797	2,795,650	2,304,181	2,392,666
Total operating revenue ($000s)	6,456,632	5,740,319	5,486,145	3,530,377	3,207,936	3,160,358	2,867,571	2,618,338	2,557,140
Total operating expenses ($000s)	6,384,029	5,772,067	5,431,141	3,499,189	3,163,698	3,111,593	2,939,129	2,789,968	2,654,551
Operating income ($000s)	155,191	73,957	12,779	23,450	(5,051)	(1,848)	(3,874)	(64,065)	(92,820)
Operating margin (%)	2.8	1.4	0.4	0.9	(0.2)	(0.1)	(0.1)	(2.6)	(3.7)
Net nonoperating income ($000s)	222,777	111,208	101,641	73,007	46,445	52,779	42,362	25,531	13,304
Excess income ($000s)	350,250	141,965	148,921	81,329	31,554	22,001	28,856	(49,049)	(112,101)
Excess margin (%)	5.6	3.3	3.2	2.6	1.0	0.9	1.3	(2.0)	(3.1)
Operating EBIDA margin (%)	7.7	5.8	5.6	5.7	4.8	4.9	3.5	1.9	1.0
EBIDA margin (%)	10.4	7.9	8.2	7.4	6.2	6.0	5.1	2.7	1.4
Net available for debt service ($000s)	584,228	408,149	384,887	271,151	201,766	197,317	121,815	80,716	38,697

U.S. not-for-profit health care system medians by rating category -- 2024 vs. 2023 vs. 2022

	AA			A			BBB		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Maximum annual debt service ($000s)	106,678	108,741	107,364	78,944	73,554	72,198	54,786	61,104	48,879
Maximum annual debt service coverage (x)	6.3	4.5	4.3	3.3	2.7	3.2	2.4	1.3	0.9
Operating lease-adjusted coverage (x)	4.7	3.6	3.2	2.7	2.1	2.3	2.2	1.2	1.0
Liquidity and financial flexibility									
Unrestricted reserves ($000s)	4,469,052	3,825,161	3,803,049	1,578,026	1,396,730	1,502,579	795,416	721,688	651,105
Unrestricted days' cash on hand	268.3	249.8	263.4	174.0	172.4	179.2	92.6	94.1	104.0
Unrestricted reserves/total long-term debt (%)	292.4	263.7	261.6	158.9	145.2	143.9	103.3	83.9	114.4
Unrestricted reserves/contingent liabilities (%)*	1,167.3	952.8	996.5	603.0	553.8	590.5	886.2	561.6	780.3
Average age of plant (years)	10.9	11.4	11.3	13.2	12.2	12.5	13.5	13.9	13.1
Capital expenditures/depreciation and amortization (%)	136.8	130.2	129.3	121.1	130.2	119.0	125.5	99.8	94.9
Debt and liabilities									
Total long-term debt ($000s)	1,626,223	1,634,729	1,673,227	1,139,687	1,011,723	1,058,719	701,932	771,654	736,175
Long-term debt/capitalization (%)	20.3	22.4	23.6	33.9	35.5	37.3	39.4	43.4	41.3
Contingent liabilities ($000s)*	441,185	494,425	442,655	308,640	281,976	292,325	134,530	138,229	114,827
Contingent liabilities/total long-term debt (%)*	26.8	29.0	27.6	26.0	25.0	22.9	15.5	18.2	16.7
Debt burden (%)	1.6	1.8	1.8	2.1	2.1	2.0	1.5	2.1	1.8
Defined-benefit plan funded status (%)*	97.8	96.0	93.5	95.8	92.2	94.7	90.9	88.5	80.9
Miscellaneous									
Salaries & benefits/NPR (%)	57.1	58.4	60.2	57.9	59.2	59.7	57.7	62.7	63.7
Nonoperating revenue/total revenue (%)	2.9	1.8	1.9	2.0	1.2	1.3	1.4	0.7	0.5
Cushion ratio (x)	40.8	36.1	36.9	21.7	21.0	21.4	15.6	11.3	14.9
Days in accounts receivable	46.8	47.0	48.3	48.9	47.8	46.6	44.4	50.1	41.6
Cash flow/total liabilities (%)	18.2	13.4	13.3	11.3	8.4	8.0	6.9	1.7	0.7
Pension-adjusted long-term debt/capitalization (%)*	20.9	23.2	24.2	34.3	36.6	37.4	39.7	45.0	44.2
Adjusted operating margin (%)§	2.4	0.9	(1.0)	0.7	(1.0)	(1.4)	(0.8)	(3.1)	(4.8)

U.S. not-for-profit health care system medians by rating category -- 2024 vs. 2023 vs. 2022

	AA			A			BBB		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**

*These ratios are only for organizations that have defined-benefit pension plans or contingent liabilities. §Adjusted operating margin excludes nonrecurring operating revenues that are largely attributable to stimulus funding, FEMA reimbursement, and 340B settlement funding, but could comprise other nonrecurring items.

Table 3A

U.S. not-for-profit health care system medians by rating level -- 2024 vs. 2023 vs. 2022

	AA+			AA			AA-		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Sample size	6	6	7	21	18	22	33	36	33
Financial performance									
Net patient revenue ($000s)	6,111,508	6,807,592	5,181,372	8,033,218	6,776,815	5,171,948	4,894,170	3,466,604	3,951,733
Total operating revenue ($000s)	6,456,632	7,212,048	5,411,848	8,370,980	7,327,114	5,991,229	5,934,089	4,569,500	4,883,440
Total operating expenses ($000s)	6,106,691	7,021,309	5,123,893	7,733,900	6,948,416	5,859,156	5,933,723	4,506,093	5,093,631
Operating income ($000s)	288,779	146,816	116,489	204,345	151,700	44,073	92,296	4,059	(45,606)
Operating margin (%)	4.7	1.7	1.2	3.5	1.9	1.1	2.3	0.1	(0.9)
Net nonoperating income ($000s)	305,092	265,807	347,511	418,034	157,280	115,692	148,742	87,210	57,896
Excess income ($000s)	589,952	424,419	464,000	463,002	408,420	199,885	184,007	72,385	85,907
Excess margin (%)	9.4	4.6	4.6	7.8	5.7	3.8	5.3	1.4	1.2
Operating EBIDA margin (%)	9.4	6.8	8.6	8.1	6.5	6.2	7.5	5.2	5.0
EBIDA margin (%)	14.9	9.5	10.7	12.0	9.8	8.9	9.9	6.1	6.7
Net available for debt service ($000s)	1,004,521	787,454	988,665	834,286	819,539	477,778	543,557	277,884	269,413
Maximum annual debt service ($000s)	120,583	121,384	118,159	147,371	115,688	104,752	72,174	79,234	71,650
Maximum annual debt service coverage (x)	8.9	6.5	6.9	7.2	6.8	4.9	5.6	3.2	3.4
Operating lease-adjusted coverage (x)	6.7	4.7	6.1	5.7	5.0	3.7	4.1	2.7	2.8
Liquidity and financial flexibility									
Unrestricted reserves ($000s)	8,560,615	8,880,922	7,346,841	7,354,302	6,923,716	5,176,366	3,836,300	2,989,289	2,980,232
Unrestricted days' cash on hand	459.4	389.2	433.3	314.9	303.8	294.1	246.7	238.1	232.8
Unrestricted reserves/total long-term debt (%)	506.9	403.8	364.6	351.1	321.7	294.7	242.7	229.0	214.2
Unrestricted reserves/contingent liabilities (%)*	1,939.6	1,726.5	1,479.7	1,178.3	1,009.7	968.1	1,014.3	910.7	927.1
Average age of plant (years)	9.4	9.5	8.8	10.5	11.4	11.3	12.3	11.9	11.4

U.S. not-for-profit health care system medians by rating level -- 2024 vs. 2023 vs. 2022

	AA+			AA			AA-		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Capital expenditures/depreciation and amortization (%)	163.3	141.8	126.6	146.8	150.8	152.7	133.7	118.7	122.3
Debt and liabilities									
Total long-term debt ($000s)	1,802,999	1,957,927	2,013,223	2,096,105	2,124,514	1,662,468	1,415,712	1,252,083	1,530,000
Long-term debt/capitalization (%)	14.4	18.3	20.3	18.3	19.8	22.4	23.3	25.8	28.1
Contingent liabilities ($000s)*	468,593	606,675	775,553	684,404	641,992	650,624	287,212	341,660	283,360
Contingent liabilities/total long-term debt (%)*	25.9	26.4	26.4	29.1	33.1	33.3	25.4	27.0	20.9
Debt burden (%)	1.3	1.5	1.7	1.6	1.5	1.6	1.7	1.9	2.1
Defined-benefit plan funded status (%)*	98.1	95.9	94.6	97.8	96.0	91.6	98.5	96.0	93.5
Miscellaneous									
Salaries & benefits/NPR (%)	56.3	57.6	57.3	58.3	60.0	60.0	56.3	58.0	60.7
Nonoperating revenue/total revenue (%)	4.6	3.0	5.8	3.5	2.5	2.6	2.7	1.6	1.5
Cushion ratio (x)	79.8	64.1	60.5	51.7	45.6	44.6	37.5	32.7	31.0
Days in accounts receivable	49.1	45.0	39.4	47.4	50.6	48.9	44.7	46.3	46.4
Cash flow/total liabilities (%)	27.7	16.2	21.0	21.5	19.4	14.1	16.8	10.2	9.0
Pension-adjusted long-term debt/capitalization (%)*	15.3	18.6	20.6	17.7	19.6	22.2	23.3	26.1	28.2
Adjusted operating margin (%)§	4.3	0.3	1.1	3.2	1.9	0.2	2.2	(0.1)	(1.7)

*These ratios are only for organizations that have defined-benefit pension plans or contingent liabilities. §Adjusted operating margin excludes nonrecurring operating revenues that are largely attributable to stimulus funding, FEMA reimbursement, and 340B settlement funding, but could comprise other nonrecurring items.

Table 3B

U.S. not-for-profit health care system medians by rating level -- 2024 vs. 2023 vs. 2022

	A+			A			A-		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Sample size	27	28	29	42	37	33	14	14	13
Financial performance									
Net patient revenue ($000s)	3,170,555	3,040,851	2,719,320	3,451,279	3,101,674	3,103,344	2,599,145	2,237,754	2,485,744
Total operating revenue ($000s)	3,530,377	3,374,102	3,124,358	3,979,228	3,424,212	3,561,273	2,873,377	2,504,532	2,615,198
Total operating expenses ($000s)	3,318,488	3,498,543	3,072,828	3,867,247	3,504,106	3,589,731	2,895,690	2,455,922	2,538,202
Operating income ($000s)	39,424	1,476	12,765	15,920	(21,148)	(31,079)	(14,427)	11,070	13,198

U.S. not-for-profit health care system medians by rating level -- 2024 vs. 2023 vs. 2022

	A+			A			A-		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Operating margin (%)	1.6	0.1	0.4	0.8	(1.0)	(1.2)	(1.2)	0.4	0.5
Net nonoperating income ($000s)	83,303	53,035	54,377	64,598	50,658	56,237	52,012	20,153	42,512
Excess income ($000s)	137,514	35,964	43,520	62,130	14,015	10,125	19,244	46,608	36,130
Excess margin (%)	3.9	1.5	1.8	2.2	0.5	0.3	1.3	1.7	0.9
Operating EBIDA margin (%)	6.2	5.7	5.5	5.5	4.0	4.0	4.0	5.0	5.7
EBIDA margin (%)	8.6	7.2	6.8	7.0	5.8	5.4	5.9	6.4	6.0
Net available for debt service ($000s)	310,872	196,701	229,407	278,190	205,558	163,305	218,112	186,409	151,926
Maximum annual debt service ($000s)	66,864	72,291	67,489	86,671	74,446	73,508	70,316	63,723	74,446
Maximum annual debt service coverage (x)	4.1	3.2	4.0	3.2	2.3	2.3	2.6	2.8	3.3
Operating lease-adjusted coverage (x)	3.6	2.5	2.6	2.5	2.0	2.0	2.1	2.1	2.1
Liquidity and financial flexibility									
Unrestricted reserves ($000s)	1,698,116	1,465,289	1,546,612	1,792,178	1,503,006	1,621,747	1,336,080	1,181,834	1,295,432
Unrestricted days' cash on hand	206.9	193.7	196.6	143.4	136.6	153.6	156.8	168.0	177.0
Unrestricted reserves/total long-term debt (%)	195.0	178.2	164.5	145.0	131.4	131.3	124.9	114.1	115.1
Unrestricted reserves/contingent liabilities (%)*	718.6	613.1	712.5	555.6	523.3	542.8	400.2	469.9	586.6
Average age of plant (years)	13.2	12.3	12.4	12.8	12.2	12.2	13.6	12.6	14.1
Capital expenditures/depreciation and amortization (%)	128.0	141.0	121.7	109.9	119.1	119.1	128.8	157.3	110.0
Debt and liabilities									
Total long-term debt ($000s)	837,127	947,724	958,611	1,287,750	1,145,483	1,177,660	1,073,045	870,681	1,218,340
Long-term debt/capitalization (%)	26.8	29.2	30.2	35.4	37.7	38.9	40.9	40.2	41.6
Contingent liabilities ($000s)*	302,158	245,563	180,050	306,773	292,325	292,325	361,884	263,508	415,810
Contingent liabilities/total long-term debt (%)*	23.0	24.9	22.9	26.9	25.3	24.2	23.9	23.6	22.8
Debt burden (%)	1.9	2.1	2.0	2.1	2.0	2.0	2.6	2.7	2.0
Defined-benefit plan funded status (%)*	97.6	95.0	96.9	95.6	90.8	88.4	95.1	96.0	96.5
Miscellaneous									
Salaries & benefits/NPR (%)	57.1	58.8	58.2	59.6	63.4	64.6	56.2	57.1	57.4
Nonoperating revenue/total revenue (%)	2.5	1.5	1.1	1.7	1.2	1.6	1.9	0.9	0.7

U.S. not-for-profit health care system medians by rating level -- 2024 vs. 2023 vs. 2022

	A+			A			A-		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Cushion ratio (x)	25.5	23.5	23.5	19.4	19.4	20.5	19.0	16.7	18.8
Days in accounts receivable	49.5	47.3	46.1	47.6	48.7	47.1	51.3	43.7	47.6
Cash flow/total liabilities (%)	15.4	11.7	12.0	10.9	6.6	7.5	7.1	7.4	5.8
Pension-adjusted long-term debt/capitalization (%)*	27.0	29.5	30.4	35.5	39.0	39.8	41.1	40.4	42.2
Adjusted operating margin (%)§	1.2	(0.4)	(0.7)	0.4	(1.7)	(3.3)	(1.2)	(1.1)	(0.5)

*These ratios are only for organizations that have defined-benefit (DB) pension plans or contingent liabilities. §Adjusted operating margin excludes nonrecurring operating revenues that are largely attributable to stimulus funding, FEMA reimbursement, and 340B settlement funding, but could comprise other nonrecurring items.

Table 3C

U.S. not-for-profit health care system medians by rating level -- 2024 vs. 2023 vs. 2022

	BBB+			BBB/BBB-		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Sample size	11	9	10	5	9	4
Financial performance						
Net patient revenue ($000s)	2,899,559	3,189,418	2,418,067	2,096,135	1,956,119	2,104,044
Total operating revenue ($000s)	3,472,212	3,518,947	2,683,873	2,639,342	2,562,006	2,274,531
Total operating expenses ($000s)	3,446,464	3,592,736	2,775,239	2,858,025	2,631,692	2,308,153
Operating income ($000s)	(9,260)	(9,647)	(92,820)	1,512	(69,686)	(63,403)
Operating margin (%)	(0.2)	(0.6)	(4.2)	0.1	(2.7)	(0.9)
Net nonoperating income ($000s)	53,636	40,000	25,951	26,830	3,895	(5,095)
Excess income ($000s)	36,141	1,329	(115,954)	22,852	(50,537)	(68,497)
Excess margin (%)	1.0	0.0	(3.3)	1.6	(2.3)	(2.1)
Operating EBIDA margin (%)	3.2	2.1	0.3	4.1	1.6	4.1
EBIDA margin (%)	4.9	3.2	1.2	5.6	1.9	4.2
Net available for debt service ($000s)	195,292	108,257	30,429	98,448	35,614	112,436
Maximum annual debt service ($000s)	61,865	65,816	53,002	44,915	55,484	45,156
Maximum annual debt service coverage (x)	2.3	1.6	0.8	2.6	1.0	1.3
Operating lease-adjusted coverage (x)	2.1	1.4	0.9	2.3	1.0	1.2
Liquidity and financial flexibility						
Unrestricted reserves ($000s)	851,920	821,229	651,105	406,509	466,127	744,782
Unrestricted days' cash on hand	92.8	101.5	104.5	76.0	84.9	99.0
Unrestricted reserves/total long-term debt (%)	121.7	130.9	130.8	57.6	66.8	74.1
Unrestricted reserves/contingent liabilities (%)*	992.3	640.7	573.5	382.5	421.9	1,305.8
Average age of plant (years)	13.3	12.6	12.6	14.3	14.0	13.6

U.S. not-for-profit health care system medians by rating level -- 2024 vs. 2023 vs. 2022

	BBB+			BBB/BBB-		
Fiscal year	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Capital expenditures/depreciation and amortization (%)	108.2	91.5	87.9	138.7	108.0	117.2
Debt and liabilities						
Total long-term debt ($000s)	703,075	737,901	784,442	675,907	814,795	622,416
Long-term debt/capitalization (%)	39.2	34.6	39.7	54.2	56.4	52.6
Contingent liabilities ($000s)*	95,970	200,000	95,123	141,285	123,465	134,530
Contingent liabilities/total long-term debt (%)*	9.5	26.5	24.9	18.3	5.6	5.8
Debt burden (%)	1.3	1.6	1.7	1.8	2.2	2.2
Defined-benefit plan funded status (%)*	92.3	89.3	80.9	87.2	86.4	84.2
Miscellaneous						
Salaries & benefits/NPR (%)	54.6	62.7	65.8	59.6	62.8	60.4
Nonoperating revenue/total revenue (%)	1.5	1.3	0.8	0.9	0.3	(0.4)
Cushion ratio (x)	17.9	15.9	15.5	11.1	10.2	9.9
Days in accounts receivable	41.6	41.1	41.6	47.1	51.2	44.6
Cash flow/total liabilities (%)	8.7	7.1	0.5	6.5	1.5	2.6
Pension-adjusted long-term debt/capitalization (%)*	39.2	35.3	41.2	54.2	56.4	55.0
Adjusted operating margin (%)§	(0.7)	(3.1)	(5.6)	(1.8)	(3.1)	(2.0)

*These ratios are only for organizations that have defined-benefit pension plans or contingent liabilities. §Adjusted operating margin excludes nonrecurring operating revenues that are largely attributable to stimulus funding, FEMA reimbursement, and 340B settlement funding, but could comprise other nonrecurring items.

Table 4

U.S. not-for-profit health care system median analysis -- 2024 vs. 2023 vs. 2022 vs. 2019

	2024			2023			2022			2019		
	Medians - lower half	**Medians - overall**	**Medians - upper half**	**Medians - lower half**	**Medians - overall**	**Medians - upper half**	**Medians - lower half**	**Medians - overall**	**Medians - upper half**	**Medians - lower half**	**Medians - overall**	**Medians - upper half**
Operating margin (%)	(0.8)	1.1	3.2	(2.6)	0.0	1.8	(2.7)	(0.4)	1.7	0.7	2.7	4.2
EBIDA margin (%)	6.0	7.9	10.7	3.5	6.2	8.9	3.0	6.1	9.2	7.6	9.8	12.6
Maximum annual debt service coverage (x)	2.6	4.1	6.5	1.8	3.0	4.8	1.5	3.2	4.5	3.4	4.4	6.1
Unrestricted days' cash on hand	135.1	194.8	263.7	131.7	192.7	248.0	145.9	206.9	260.0	155.5	218.3	290.6
Unrestricted reserves/total long-term debt (%)	123.9	198.8	275.0	122.7	175.7	248.2	126.4	169.5	247.0	132.8	175.6	242.9

Ratio Analysis

We view ratio analysis as an important tool in our assessment of the credit quality of not-for-profit health care organizations, in addition to other key considerations including our analysis of

enterprise profile factors and forward-looking views relative to both the business and financial positions. The median ratios offer a snapshot of the financial profile and help in the comparison of issuers across rating categories. Tracking median ratios over time also presents a clearer understanding of industrywide trends and provides a tool to better assess the sector's future credit quality.

The financial statements used for medians and in our analysis include both obligated and nonobligated group members. For the medians, unrestricted reserves exclude Medicare advance payments, and all recognized stimulus funding, FEMA reimbursement, and 340B settlement funding are included in total operating revenue.

Related Research

- U.S. Not-For-Profit Acute Health Care 2024 Medians: Positive Operating Performance Resumes After Two-Years; Sound Balance Sheets Sustained., Aug. 7, 2025
- U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios--2024, Aug. 7, 2025
- U.S. Not-For-Profit Health Care Children's Hospital Median Financial Ratios--2024, Aug. 7, 2025
- U.S. Not-For-Profit Acute Health Care Speculative Grade Median Financial Ratios--2024, Aug. 7, 2025
- U.S. Not-For-Profit Health Care Small Stand-Alone Hospital Median Financial Ratios—2024, Aug. 7, 2025
- U.S. Not-For-Profit Health Care Outstanding Ratings And Outlooks As Of June 30, July 18, 2025
- The Tax Bill Comes Due: Near-Term Risks Are Low, Long-Term Pressures Rising For U.S. Public Finance Entities, July 7, 2025
- U.S. Not-For-Profit Acute Health Care Rating Actions, 2024 Year-End Review, Feb. 4, 2025
- U.S. Not-For-Profit Acute Health Care 2025 Outlook: Stable But Shaky For Many Amid Uneven Recovery And Regulatory Challenges, Dec. 4, 2024

Glossary

- Glossary: Not-For-Profit Health Care Organization Ratios, March 19, 2018

Quarterly rating actions

- U.S. Not-For-Profit Health Care Rating Actions, June And Second Quarter 2025, July 23, 2025
- U.S. Not-For-Profit Health Care Rating Actions, March And First-Quarter 2025, April 11, 2025

Contact List

Primary contact

Blake C Fundingsland
Englewood
1-303-721-4703
blake.fundingsland
@spglobal.com

Primary contact

Patrick Zagar
Dallas
1-214-765-5883
patrick.zagar
@spglobal.com

Secondary contact

Suzie R Desai
Chicago
1-312-233-7046
suzie.desai
@spglobal.com

Secondary contact

Stephen Infranco
New York
1-212-438-2025
stephen.infranco
@spglobal.com

Additional contact

Marc Arcas
New York
1-312-233-7069
marc.arcas
@spglobal.com

Additional contact

Chloe A Pickett
Englewood
1-303-721-4122
Chloe.Pickett
@spglobal.com

Research contributor

Shrutika Joshi
CRISIL Global Analytical Center,
an S&P Global Ratings affiliate
Mumbai

Research contributor

Akul Patel
CRISIL Global Analytical Center,
an S&P Global Ratings affiliate
Pune

Research contributor

Mansi Joshi
CRISIL Global Analytical Center,
an S&P Global Ratings affiliate
Pune

Health Spending

How does medical inflation compare to inflation in the rest of the economy?

By Shameek Rakshit, Emma Wager, Paul Hughes-Cromwick, Cynthia Cox, and Krutika Amin *KFF*

August 2, 2024

Note: This analysis was updated on August 2, 2024 to include new data.

Medical care prices and overall health spending typically outpace growth in the rest of the economy. Health costs represent a growing share of gross domestic product and many American families have seen the **costs** of health services and premiums grow faster than their wages.

This brief analyzes prices for medical care compared to other goods and services using consumer price index (CPI) and producer price index (PPI) data from the Bureau of Labor Statistics (BLS) and personal consumption expenditures (PCE) price index data from the Bureau of Economic Analysis (BEA).

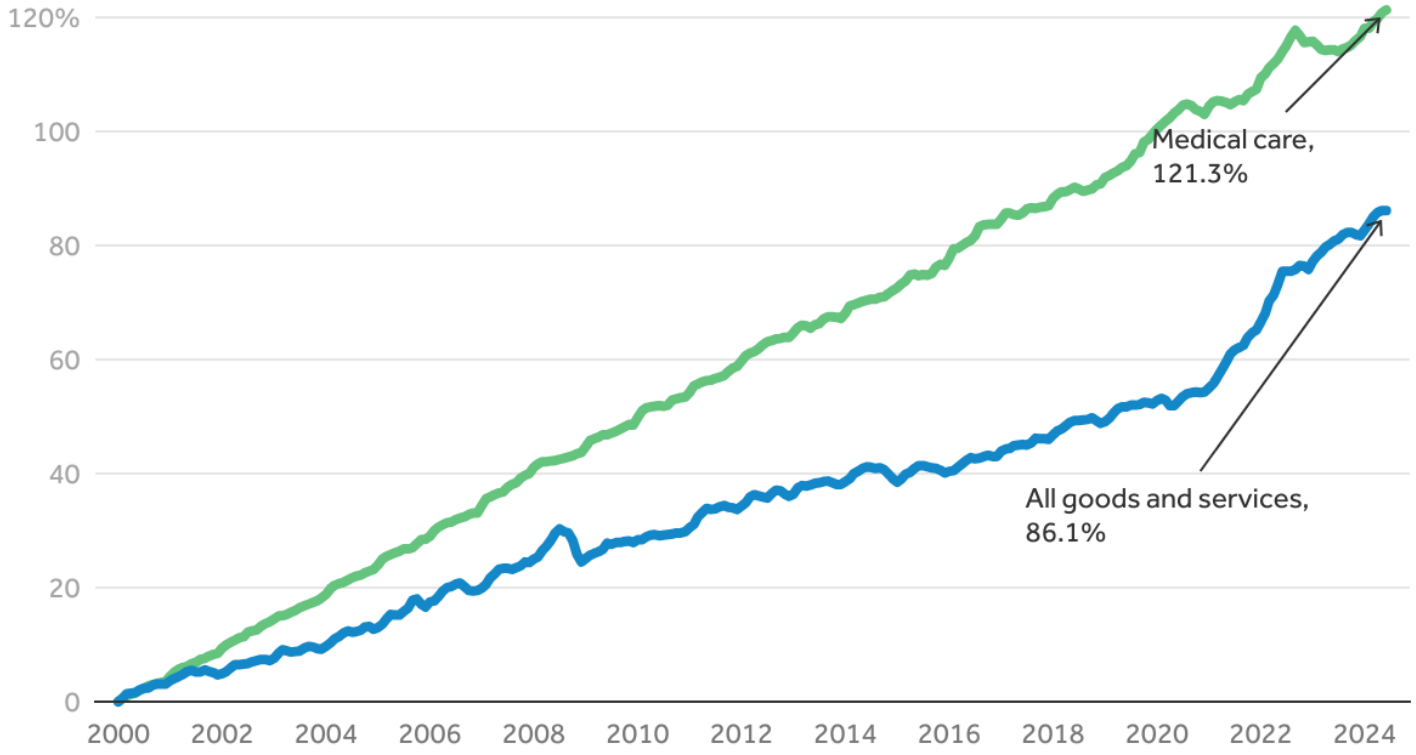
Using the CPI, overall prices grew by 3.0% in June 2024 from the previous year, while prices for medical care increased by 3.3%. Overall prices excluding medical care grew by 2.9%. This marks the first month since early 2021 that prices for medical care had grown faster than overall inflation.

In June 2024, medical prices grew by 3.3% from the previous year, higher than the 3.0% overall annual inflation rate.

SHARE ON X

Medical care prices have generally grown faster than overall consumer prices

Cumulative percent change in Consumer Price Index for All Urban Consumers (CPI-U) for medical care and for all goods and services, January 2000 - June 2024



Note: Data are not seasonally adjusted. Medical care includes medical services as well as commodities such as equipment and drugs.

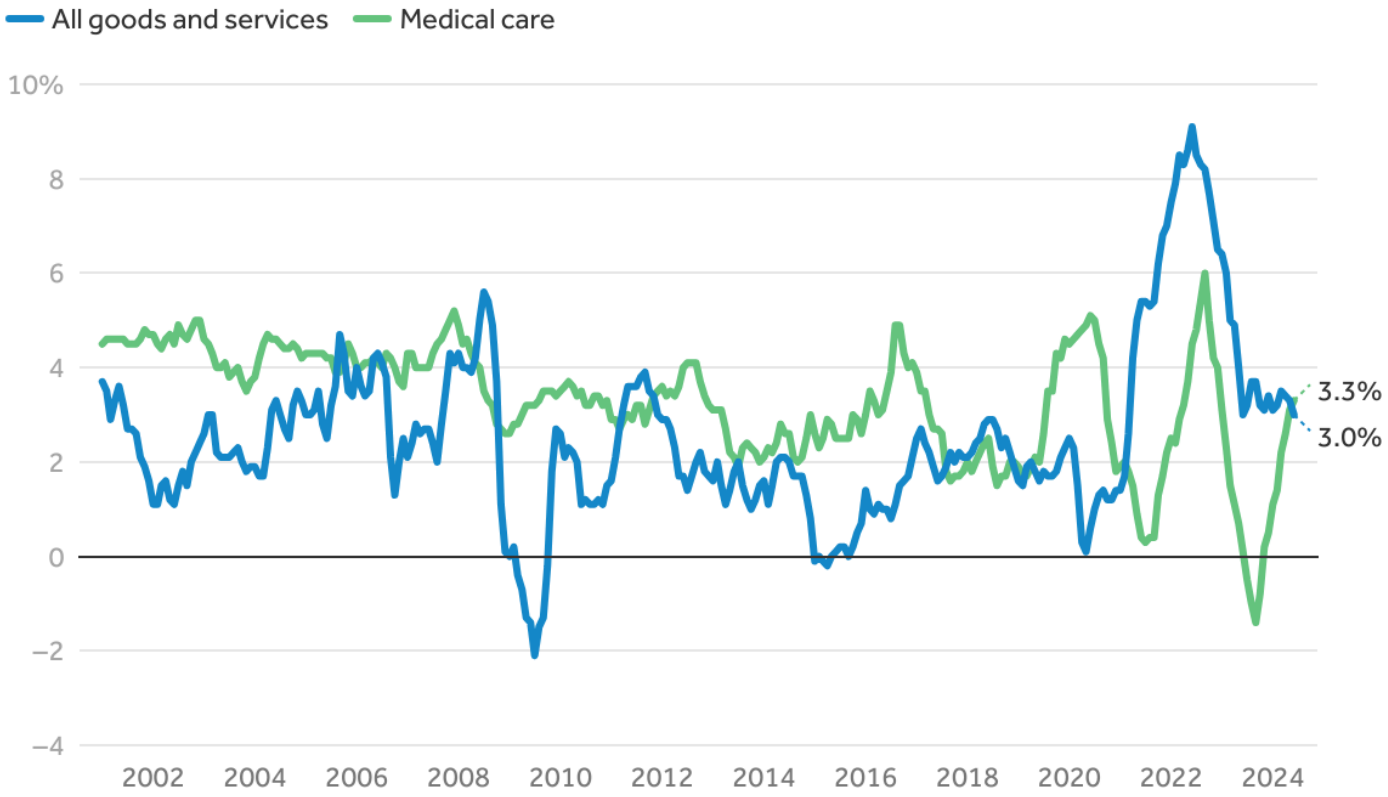
Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

Peterson-KFF Health System Tracker

Since 2000, the price of medical care, **including** services provided as well as insurance, drugs, and medical equipment, has increased by 121.3%. In contrast, prices for all consumer goods and services rose by 86.1% in the same period.

In June 2024, prices rose 3.0% across the economy from the previous year, compared to 3.3% for medical care

Annual percent change in Consumer Price Index for All Urban Consumers (CPI-U), January 2001 - June 2024



Note: Data are not seasonally adjusted. Medical care includes medical services as well as commodities such as equipment and drugs.

Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

Peterson-KFF Health System Tracker

Medical care prices typically outpace growth of prices in the rest of the economy. However, starting in 2021, prices for many non-medical goods and services began increasing rapidly, outpacing the growth in medical prices. As general economic inflation has begun to cool more recently, though, medical prices are once again outpacing growth in other prices. Using the CPI, overall prices grew by 3.0% in June 2024 from the previous year, while prices for medical care increased by 3.3%. Overall prices excluding medical care grew by 2.9%.

As general economic inflation pushes wages upward, health worker **wage increases** also put upward pressure on medical prices, unless hospitals and other providers can find ways to operate with fewer staff or cut other expenses. However, many health prices are set in advance, administratively or via private insurance contracting, so there is a delay in observable price increases. Public payer prices are set by the federal and state governments annually. Medicare uses indexing measures to update payment rates

annually, reflecting increases in operating costs and wage growth, among other factors. Some commercial rates are negotiated throughout the year, but most are tied to the plan or calendar year.

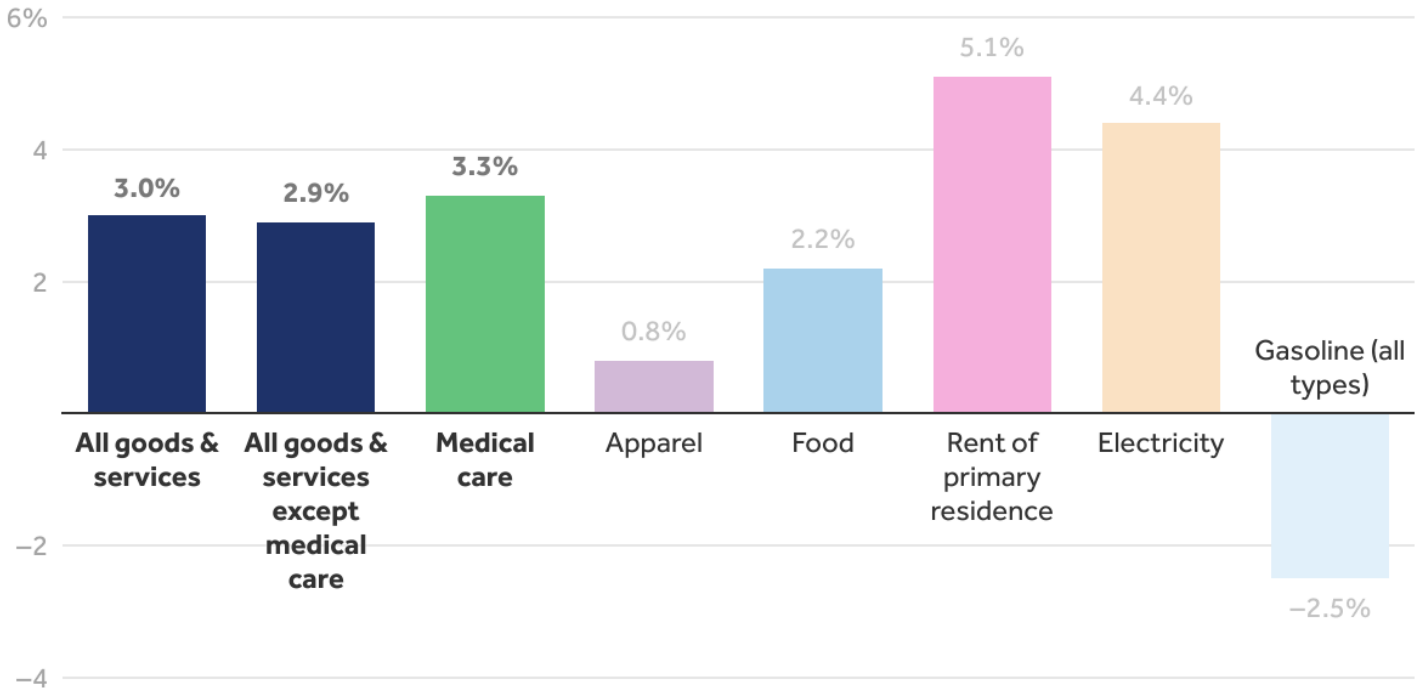
The Consumer Price Index (CPI)

*The consumer price index for all urban consumers (CPI-U) measures the U.S city average change in prices consumers pay for goods and services. For medical care, CPI measures total price changes, including both the costs consumers pay out-of-pocket and those insurers (public and private payers) pay to providers and pharmacies. While CPI measures total price changes, the index weights spending to match consumers' out-of-pocket costs, including consumers' spending at the point of care and on health insurance premiums. For example, physician and hospital services are **47%** of the medical care index.*

*BLS used **new expenditure weights** to calculate the CPI starting from January 2023 and will continue to update the weights annually. Previously, BLS updated CPI weights once every two years using two consecutive years of consumer spending data. CPI weights will now be calculated each year using one year of spending data for greater accuracy.*

Medical care prices increased somewhat faster than prices for other consumer goods and services in the past year

Annual percent change in Consumer Price Index for All Urban Consumers (CPI-U), June 2023 - June 2024



Note: Data are not seasonally adjusted. Medical care includes medical services as well as commodities such as equipment and drugs.

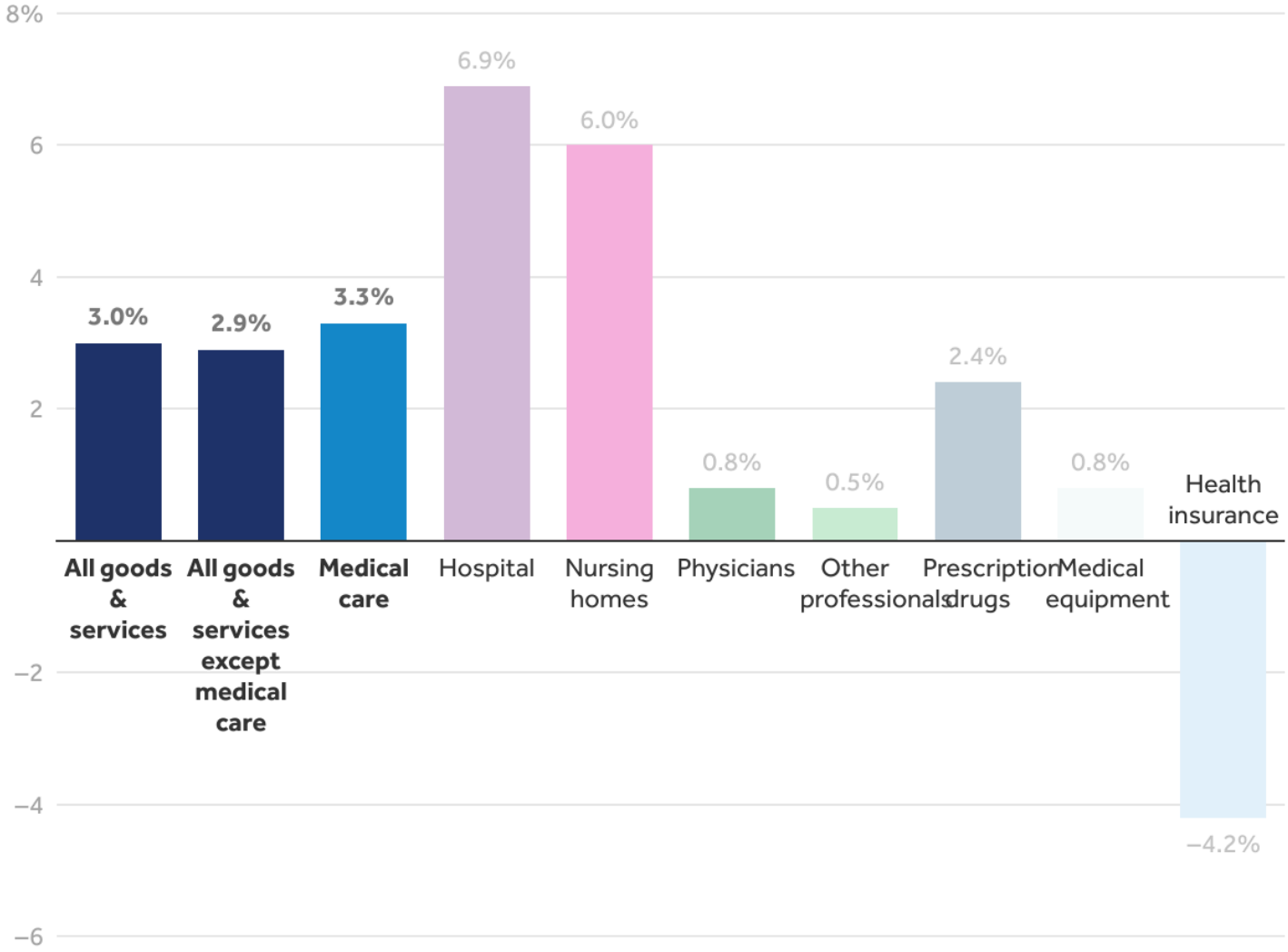
Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

Peterson-KFF Health System Tracker

While the annual growth in medical prices is once again outpacing the growth in non-medical prices (3.3% vs. 2.9% in June) on average, some non-medical goods and services saw larger increases. Residential rents grew by 5.1% and electricity costs grew by 4.4%. Other household budget items, such as food and apparel, have seen smaller price increases in the past year than medical care. Gasoline was the fastest-growing essential household expense in 2022, reaching a peak inflation rate of 59.9% in June 2022. More recently, as of June 2023, gasoline prices have declined by -2.5% from the same month last year.

Some health prices increased faster than others in the past year

Annual percent change in Consumer Price Index for All Urban Consumers (CPI-U) for medical care, by category, June 2023 - June 2024



Note: Data are not seasonally adjusted. "All medical care" includes medical services as well as commodities such as equipment and drugs. CPI for medical care is generally lagged farther than other categories. Health insurance CPI represents health administration costs and profits; this measure is at least one-year lagged.

Source: KFF analysis of Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) data

Peterson-KFF Health System Tracker

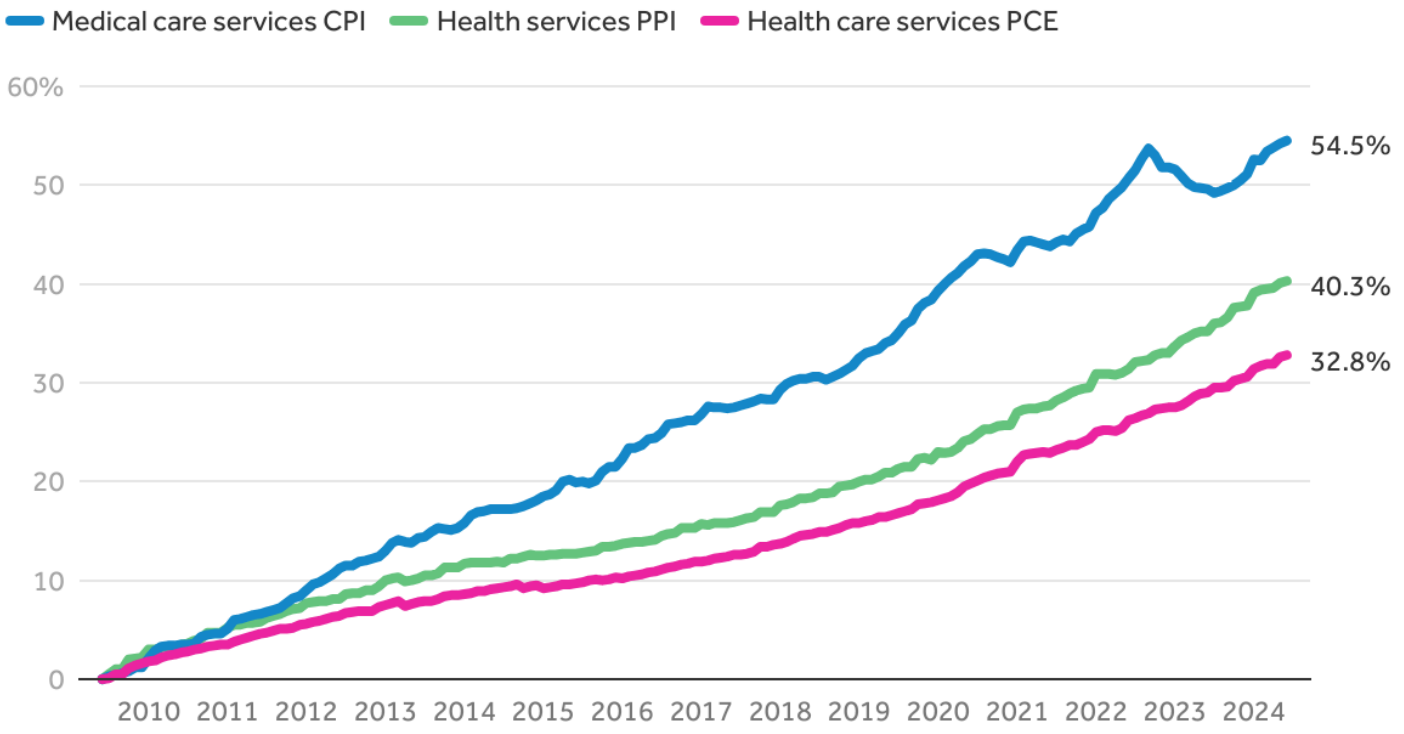
Prices for hospital services (6.9%) as well as for nursing homes (6.0%) rose faster than for prescription drugs and physicians' services (2.4% and 0.8%, respectively). The medical CPI is generally based on lagged data even more so than other CPI categories. For example, the prescription drug CPI does not immediately reflect the introduction of new, high-priced drugs.

The medical care CPI also includes a price index for health insurance. This index measures **retained earnings** of health insurers – it is not a reflection of the premiums they set. The health insurance CPI fell from an annual increase of 28.2% in September 2022 (the all-time high) to a decrease of -4.2% in June 2024. However, the health insurance CPI presents data that is almost one-year lagged, so it is not representative of current price changes. In fact, the health insurance CPI through September 2022 reflects **insurers' margins** in 2020, as they paid lower medical claims than in a typical year. Nevertheless, insurers likely saw lower **margins**, on average, in 2021 and 2022 than they had been in the first year of the pandemic due to returning utilization.

Regardless, with a 9% weight of the total medical consumer price index, health insurance brought the overall medical CPI up during most of 2022 and is now exerting downward pressure.

Different measures of medical inflation produce different estimates of price growth

Cumulative percent change in selected health care price indices, June 2009 - June 2024



Note: CPI and PPI data are not seasonally adjusted. Producer Price Index (PPI) data measures health care services as a commodity for all payers. Consumer Price Index for All Urban Consumers (CPI-U) data measures medical care services only, including hospital and other health facility services (excluding drugs and equipment). Personal consumption expenditures (PCE) data measure total personal health care expenses.

Source: KFF analysis of Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA) data

Peterson-KFF Health System Tracker

While the CPI covers inflation in prices paid directly by consumers, another measure of inflation, the personal consumption expenditures (PCE) price index, also tracks changes in prices paid on behalf of consumers. For example, the health care services PCE price index covers payments by employers, private insurers, and government programs to providers in addition to premiums and out-of-pocket expenses paid by consumers. The PCE price index also accounts for shifts in consumer spending patterns in response to price changes. CPI, by contrast, assumes consumers buy a similar bundle of goods and services and does not account for trade-offs consumers may be making in response to price changes.

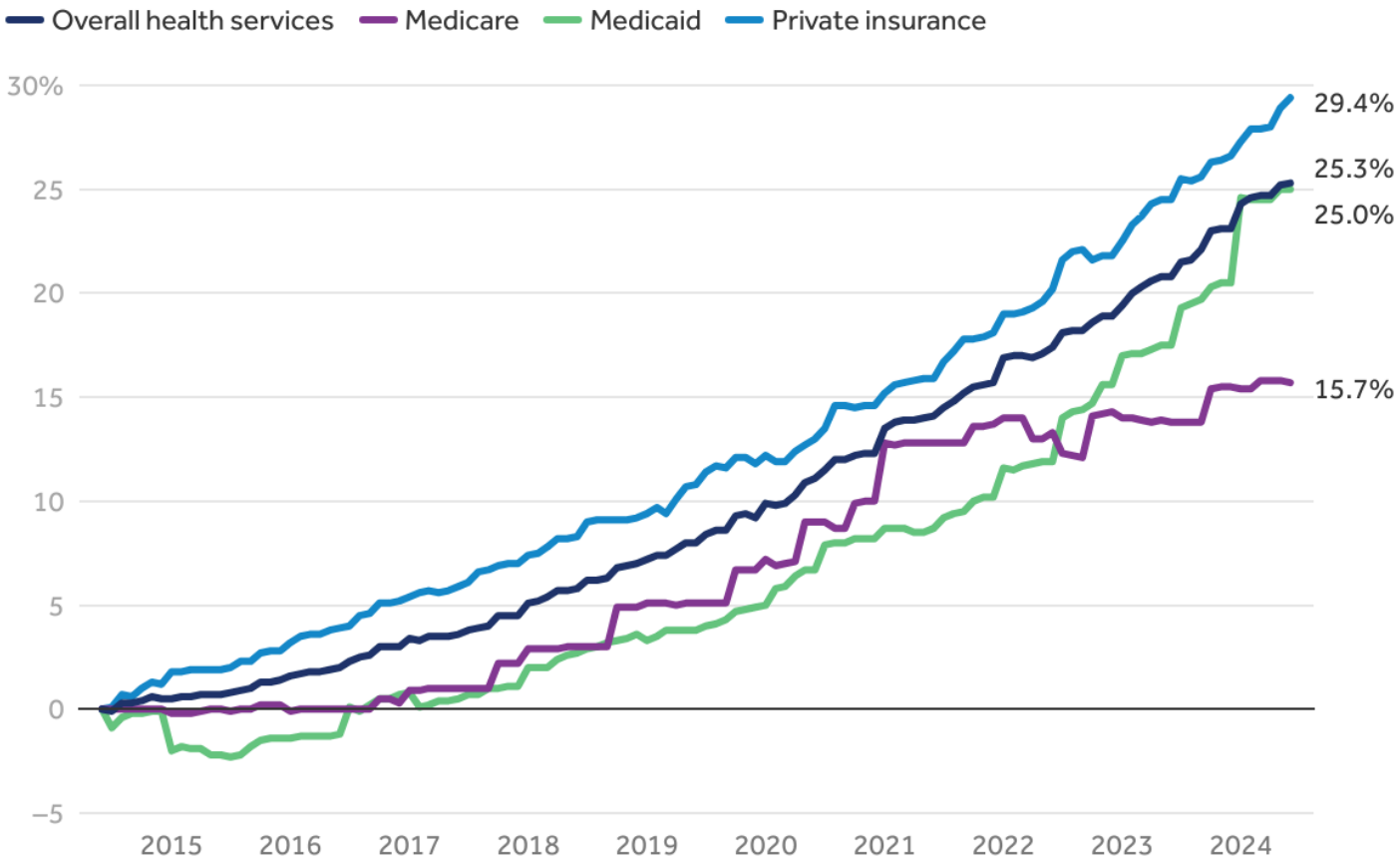
A third measure of inflation, the producer price index (PPI), represents inflation from the producers' perspective in both the public and private sector. The PPI for health services includes medical services (provided by physicians or other care providers) paid for by third parties, such as employers or the federal

government. Unlike the CPI, the PPI considers changes in industry output costs with a focus on the actual transaction prices.

Since June 2009, the CPI-U for medical care services has risen by 54.5%, while the PPI for health care services has increased by 40.3% and the PCE price index for health care services has increased by 32.8%. Services included in this chart include hospital, physician, and other professional and facility care prices. While drugs and medical equipment are included in previous CPI-U charts in this analysis, this chart measures CPI-U of medical care services specifically and excludes drugs and medical equipment in both PPI and CPI-U measures.

Prices paid by private insurance generally outpace those paid by public programs

Cumulative percent change in Producer Price Index (PPI) for health care services, June 2014 - June 2024



Note: Data are not seasonally adjusted.

Source: KFF analysis of Bureau of Labor Statistics (BLS) Producer Price Index (PPI) data

Peterson-KFF Health System Tracker

Generally, prices paid by private insurance are higher and rise more quickly than prices paid by public payers. Prices for private insurers are the result of negotiations between health systems and the insurance companies, while public payer prices are set administratively. In 2024, healthcare prices paid for by private insurance and Medicaid are rising faster than those paid for by Medicare. The private insurance health services PPI has risen by 29.4% since June of 2014, compared to 15.7% for Medicare and 25.0% for Medicaid in the same period. The overall health services PPI increased by 25.3% since June 2014.

During the public health emergency, Medicare provider reimbursement for COVID-19 treatment was boosted by 20.0%, which explains part of the reason for the increase in the Medicare PPI in 2020.

About this site

The Peterson Center on Healthcare and KFF are partnering to monitor how well the U.S. healthcare system is performing in terms of quality and cost.

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 25, 2025
Subject: Financials: FY2026 - Period 1 (as of 07/31/2025)

Purpose:

To provide the Finance Committee an overview of financial results for FY2026 - Period 1 (July 2025) and approve financials.

Executive Summary – Period 1 (July 2025):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 304 which is 12 / 4.0% favorable to budget and 16 / 5.6% higher than the same period last year.
- **Adjusted Discharges:** 4,019 which are 324 / 8.8% favorable to budget and 475 / 13.4% higher than the same period last year.
- **Emergency Room Visits:** 6,718 which are 40 / 0.6% unfavorable to budget and 328 / 5.1% lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 14,541 which are 1,688 / 13.1% favorable to budget and 2,260 / 18.4% higher than the same period last fiscal year.

Financial performance for Period 1 was unfavorable to budget, but higher than the period last fiscal year. This is mainly attributable to higher than budgeted government payor mix of 61.0% vs. 58.5% budget.

Total Operating Revenue ($):	$148M is favorable to budget by $0M / 0.1% and $14M / 10.2% higher than the same period last fiscal year.
Operating EBIDA ($):	$19M is unfavorable to budget by $2M / 7.4%, but $0M / 1.2% higher than the same period last fiscal year.
Net Income ($):	$26M is favorable to budget by $11M / 69.4%, but $5M / 15.9% lower than the same period last fiscal year.
Operating Margin (%):	7.5% (actual) vs. 7.9% (budget)
Operating EBIDA Margin (%):	12.9% (actual) vs. 13.9% (budget)
Net Days in A/R (days):	51.0 days are favorable to budget by 3.0 days / 5.6% and 0.8 days / 1.6% better than the same period last year.

Recommendation:

Recommend Finance Committee approve Period 1 - FY2026 financials.

List of Attachments:

- Presentation: Period 1 - FY2026 financials.

Suggested Finance Committee Discussion Questions:

- None

El Camino Health

Summary of Financial Operations

Fiscal Year 2026 – Period 1

7/1/2025 to 07/31/2025

Executive Summary - Overall Commentary for Period 1

Results for Period 1:

- Net Patient Revenue was unfavorable to budget by $770K / 0.5%.
- Operating EBIDA Margin was unfavorable to budget by $1.5M / 7.4%.
- Gross revenue was favorable to budget by $52.0M / 8.4%.
  - Driven primarily by:
    - Inpatient Charges: $17.3M / 5.9% favorable to budget.
    - Outpatient Charges: $35.8M / 11.9% favorable to budget.
    - Professional Charges: $1.1M / 4.5% unfavorable to budget.
- Cost Management
  - When adjusted for volume, overall operating expense is 6.5% higher than budget.
- Gross charges were favorable to budget by $52.0M / 8.4% and $108.5M / 19.3% higher than the same period last year.
- Net patient revenue was unfavorable to budget by $770K / 0.5% and $12.7M / 9.9% higher than the same period last year.
- Operating margin was unfavorable to budget by $642K / 5.5% and $680K / 6.6% higher than the same period last year.
- Operating EBIDA was unfavorable to budget by $1.5M / 7.4% and $219K / 1.2% higher than the same period last year.
- Net income was favorable to budget by $10.6M / 69.4% and $4.9M / 15.9% lower than same period last year.

Operational / Financial Results: YTD FY2026 (as of 07/31/2025)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	304	292	12	4.0%	288	16	5.6%	---	---	---	---
	Adjusted Discharges	4,019	3,695	324	8.8%	3,543	475	13.4%	---	---	---	---
	OP Visits / OP Procedural Cases	14,541	12,853	1,688	13.1%	12,281	2,260	18.4%	---	---	---	---
	Percent Government (%)	61.0%	58.5%	2.5%	4.3%	57.5%	3.5%	6.0%	---	---	---	---
	Gross Charges ($)	670,367	618,357	52,010	8.4%	561,898	108,469	19.3%	---	---	---	---
Operations	Cost Per CMI AD	23,145	21,724	1,422	6.5%	20,478	2,667	13.0%	---	---	---	---
	Net Days in A/R	51.0	54.0	(3.0)	(5.6%)	51.8	(0.8)	(1.6%)	47.5	49.7	47.8	
Financial Performance	Net Patient Revenue ($)	141,147	141,917	(770)	(0.5%)	128,476	12,671	9.9%	363,045	669,435	---	
	Total Operating Revenue ($)	147,728	147,605	122	0.1%	134,012	13,716	10.2%	428,467	697,582	368,408	
	Operating Margin ($)	**11,037**	**11,679**	**(642)**	(5.5%)	**10,357**	**680**	6.6%	**8,569**	**24,415**	**12,526**	
	Operating EBIDA ($)	**19,023**	**20,532**	**(1,509)**	(7.4%)	**18,804**	**219**	1.2%	**24,851**	**56,504**	**31,315**	
	Net Income ($)	25,854	15,262	10,591	69.4%	30,755	(4,901)	(15.9%)	23,566	54,411	20,631	
	Operating Margin (%)	**7.5%**	**7.9%**	**(0.4%)**	(5.6%)	**7.7%**	**(0.3%)**	(3.3%)	**2.0%**	**3.5%**	**3.4%**	
	Operating EBIDA (%)	**12.9%**	**13.9%**	**(1.0%)**	(7.4%)	**14.0%**	**(1.2%)**	(8.2%)	**5.8%**	**8.1%**	**8.5%**	
	DCOH (days)	315	275	40	14.6%	271	44	16.4%	258	315	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2025. 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 2025. Dollar amounts have been adjusted to reflect monthly averages.
Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 2025. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

El Camino Health

Unfavorable Variance < 3.49%
Unfavorable Variance 3.50% - 6.49%
Unfavorable Variance > 6.50%

Consolidated Balance Sheet (as of 07/31/2025)

($000s)

ASSETS		Unaudited
CURRENT ASSETS	**July 31, 2025**	**June 30, 2025**
Cash	406,989	407,140
Short Term Investments	100,072	98,926
Patient Accounts Receivable, net	234,564	240,895
Other Accounts and Notes Receivable	24,180	23,615
Intercompany Receivables	25,864	23,136
Inventories and Prepaids	49,890	54,047
Total Current Assets	**841,559**	**847,759**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	18,434	18,467
Plant & Equipment Fund	541,594	541,377
Women's Hospital Expansion	59,208	45,895
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	17,332	17,476
Workers Compensation Reserve Fund	12,374	13,086
Postretirement Health/Life Reserve Fund	22,028	23,009
PTO Liability Fund	42,854	41,558
Malpractice Reserve Fund	1,713	1,713
Catastrophic Reserves Fund	41,530	41,019
Total Board Designated Assets	**967,760**	**954,294**
FUNDS HELD BY TRUSTEE	-	-
LONG TERM INVESTMENTS	**767,325**	**753,548**
CHARITABLE GIFT ANNUITY INVESTMENTS	**1,292**	**1,279**
INVESTMENTS IN AFFILIATES	**51,293**	**51,293**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,068,874	2,067,886
Less: Accumulated Depreciation	(966,626)	(959,828)
Construction in Progress	229,488	228,708
Property, Plant & Equipment - Net	**1,331,737**	**1,336,766**
DEFERRED OUTFLOWS	41,197	41,289
RESTRICTED ASSETS	48,991	50,154
OTHER ASSETS	210,815	204,109
TOTAL ASSETS	**4,261,969**	**4,240,492**

LIABILITIES AND FUND BALANCE		Unaudited
CURRENT LIABILITIES	**July 31, 2025**	**June 30, 2025**
Accounts Payable	52,817	77,103
Salaries and Related Liabilities	49,643	39,837
Accrued PTO	72,946	71,612
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	8,838	8,509
Intercompany Payables	17,209	18,745
Malpractice Reserves	1,713	1,713
Bonds Payable - Current	15,615	15,615
Bond Interest Payable	1,108	5,651
Other Liabilities	20,730	17,992
Total Current Liabilities	**242,920**	**259,076**
LONG TERM LIABILITIES		
Post Retirement Benefits	22,028	22,028
Worker's Comp Reserve	12,374	12,374
Other L/T Obligation (Asbestos)	25,838	25,939
Bond Payable	523,242	524,470
Total Long Term Liabilities	**583,482**	**584,811**
DEFERRED REVENUE-UNRESTRICTED	**1,601**	**1,538**
DEFERRED INFLOW OF RESOURCES	**84,379**	**84,379**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	3,049,013	3,020,914
Minority Interest	-	-
Board Designated	236,282	225,482
Restricted	64,293	64,292
Total Fund Bal & Capital Accts	**3,349,588**	**3,310,689**
TOTAL LIABILITIES AND FUND BALANCE	**4,261,969**	**4,240,492**

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Mark Adams, M.D., Chief Medical Officer
Date: August 25, 2025
Subject: Utilization Management – Enterprise Medical Director Continuation

Recommendation:

To approve the continuation of the Utilization Management – Enterprise Medical Director (the "Agreement"), which expires on August 31, 2025, for a new term of up to two years.

A physician specializing in internal medicine has provided utilization management medical director services at ECH since 2023 (as UM Director). The UM Director is currently employed through PAMF and has been instrumental in reducing length of stay, developing clinical variation reduction guidelines, and developing and implementing the ECH Utilization Review Plan. There is a strong business need to continue these activities and operations.

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
FINANCE COMMITTEE MEETING MEMO

To: El Camino Hospital, Finance Committee
From: Mark Adams, M.D., Chief Medical Officer
Date: August 25, 2025
Subject: ENT Call Panel (MV) Renewal

Recommendation:

To approve the ENT call coverage agreements for Mountain View campus.

One (1) of the existing MV ENT call coverage agreements is up for renewal (expiring 08/31/25), having been temporarily extended during ongoing negotiations with the physician. Three (3) new MV ENT call coverage agreements are ready to start, effective upon Finance Committee approval. Two (2) other existing MV ENT call coverage agreements are in the middle of their first year under terms through 3/31/27, and the new rate will apply to these contracts upon completion of one (1) year through the term or upon renewal. There are six (6) total ENT call coverage agreements in play.