El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

AGENDA
FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Monday, March 25, 2019 – 5:30 pm
Conference Rooms A&B (Ground Floor)
El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

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

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1.	**CALL TO ORDER / ROLL CALL**	John Zoglin, Chair		**5:30 – 5:32 pm**
2.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	John Zoglin, Chair		**5:32 – 5:33**
3.	**PUBLIC COMMUNICATION** a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	John Zoglin, Chair		**5:33 – 5:36**
4.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.*	John Zoglin, Chair	*public comment*	**motion required 5:36 – 5:38**
	Approval a. Minutes of the Open Session of the Finance Committee Meeting (Jan 28, 2019) b. Minutes of the Open Session of the Joint Investment Finance Committee Meeting (Jan 28, 2019) c. FY19 Period 7 Financials ***Information*** d. Progress Against Goals e. FY19 Pacing Plan f. Articles of Interest g. Review Major Capital Projects in Progress			
5.	**REPORT ON BOARD ACTIONS** **ATTACHMENT 5**	John Zoglin, Chair		**information 5:38 – 5:43**
6.	**EDUCATION CONFERENCE REPORT** **ATTACHMENT 6**	Boyd Faust, Committee Member		**information 5:43 – 5:48**
7.	**FY 19 PERIOD 8 FINANCIAL** **ATTACHMENT 7**	Iftikhar Hussain, CFO	*public comment*	**motions required 5:48 – 5:58**

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	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
8.	**SVMD EPIC IMPLEMENTATION PROJECT FUNDING APPROVAL** **ATTACHMENT 8**	Deb Muro, CIO	*public comment*	**motion required 5:58 – 6:08**
9.	**ADJOURN TO CLOSED SESSION**	John Zoglin, Chair		**motion required 6:08 – 6:09**
10.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	John Zoglin, Chair		**6:08 – 6:10**
11.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2*: a. Minutes of the Closed Session of the Finance Committee Meeting (Jan 28, 2019) b. Minutes of the Closed Session of the Joint Investment Finance Committee Meeting (Jan 28, 2019) ***Information*** c. SVMD Acquisition Update d. Payor Update	John Zoglin, Chair		**motion required 6:10 – 6:11**
12.	*Health and Safety Code 32106(b) for a report involving heath care facility trade secrets:* - FY 20 BUDGET ASSUMPTIONS	Iftikhar Hussain, CFO		**discussion 6:11 – 6:21**
13.	*Health and Safety Code 32106(b) for a report involving heath care facility trade secrets:* - SUMMARY OF PHYSICIAN FINANCIAL ARRANGEMENTS	Diane Wigglesworth, Senior Director, Corporate Compliance		**discussion 6:21 – 6:36**
14.	*Health and Safety Code 32106(b) for a report involving heath care facility trade secrets:* - BEHAVIORIAL HEALTH SERVICE LINE REPORT	Jim Griffith, COO		**discussion 6:36 – 7:11**
15.	*Gov't Code Sections 54957 for report and discussion on personnel matters – Senior Management:* - EXECUTIVE SESSION	John Zoglin, Chair		**discussion 7:11 – 7:16**
16.	**ADJOURN TO OPEN SESSION**	John Zoglin, Chair		**motion required 7:16 – 7:17**
17.	**RECONVENE OPEN SESSION / REPORT OUT** To report any required disclosures regarding permissible actions taken during Closed Session.	John Zoglin, Chair		**7:17 – 7:18**
18.	**PREVIEW FY 20 BUDGET PART #1** **ATTACHMENT 18**	Iftikhar Hussain, CFO		**discussion 7:18 – 7:38**

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
19. FY20 COMMITTEE PLANNING a. FY20 Meeting Dates b. FY20 Pacing Plan c. FY20 Committee Goals	Iftikhar Hussain, CFO	*public comment*	**possible motion 7:38 – 7:48**
20. CLOSING COMMENTS	John Zoglin, Chair		**information 7:48 – 7:50**
21. ADJOURNMENT	John Zoglin, Chair		**motion required 7:50 – 7:51 pm**

Upcoming Finance Committee Meetings in FY19:
- April 22, 2019
- April 24, 2019 (*Board & Committee Educational Gathering)*
- May 28, 2019 (*Joint Meeting w/ECH Board then separate Finance meeting*)

Minutes of the Open Session of the Finance Committee
Monday, January 30 2019
El Camino Hospital | Med Staff Conference Room
2500 Grant Road, Mountain View, CA 94040

Members Present	Members Absent	Others Present
Joseph Chow	Richard Juelis	
Boyd Faust		
William Hobbs (By phone)		
Gary Kalbach		
John Zoglin, Chair		

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30pm by Chair John Zoglin. Mr. Hobbs joined by phone and Mr. Juelis was absent. All other Committee members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Zoglin asked if any Committee members have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	Chair Zoglin asked if any member of the Committee or the public wished to remove an item from the consent calendar. Chair Zoglin requested item "c" Progress Against Committee Goals and item "e" Review Capital Projects in Progress, to be pulled for discussion. Item c: Progress Against Committee Goals In response to Chair Zoglin's question, Mr. Hussain stated he will add an ongoing item for post implementation review 18 months after go live for major projects to the pacing plan. Item e: Review Capital Projects in Progress In response to Chair Zoglin's question, Mr. King commented we have not actual communicated a revised target date. We originally had a July completion move in time frame for Behavioral Health, but we need to have licensing approve the final construction on the building. **Motion:** To approve the consent calendar: Minutes of Open Session of Finance Committee Meeting (November 26, 2018); and FY 19 Period 5 Financials. **Movant:** Kalbach **Second:** Faust **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None	***Consent Calendar approved with requested articles pulled.***
5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the Report on Board Actions as further detailed in the packet.	
6. FY19 PERIOD 6 FINANCIALS	Iftikhar Hussain, CFO, reviewed the FY19 Period 6 Financials with the Committee members. Overall ECH operating margin wsd ahead of target for the month and the year. YTD adjusted discharges are favorable to budget 0.9% driven by favorable outpatient volume. YTD IP volume remain below budget by 3.0% due to lower MCH (deliveries) related to general decline in birth rates and General Medicine related to decline in flu. OP cases YTD favorable to	***FY 19 Period 6 Financials were approved***

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	budget (306 cases or 0.4%). For December, ED Visits are below budget by 6% due to lower level of flu activity than prior year. YTD favorability is driven by Oncology, HVI, Rehab and Imaging activity. Operating Expense is favorable to budget by 19.7% ($9.6M). Net Patient Revenue is favorable to budget by 2.0% ($8.6M) driven primarily from OP volumes. YTD operating expense are favorable to budget 0.9% ($3.5M. Payor Mix – YTD Commercial Payor mix is slightly unfavorable to budget, within 1%. Productivity is favorable to target for December by 4.1% and 1.7% YTD. The cash position remains strong and revenue cycle operation consistently ahead of targets and benchmark **Motion:** To recommend the Board approve the FY19 Period 6 Financials. **Movant:** Kalbach **Second:** Faust **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None	
7. CAPITAL FUNDING REQUESTS	Mr. King, Chief Administrative Services Officer reviewed each of the Capital Funding Request to the Committee listed: **a.** Woman's Hospital Expansion **b.** SVMD Clinic Site **c.** Interventional Equipment Replacement **d.** Imaging Equipment Replacement **e.** MV Emergency waste Water Storage Project **f.** Purchase of Davinci Surgical Robot **Motion:** To recommend the Board of Directors approve the "a" Woman's Hospital Expansion not to exceed $10M. *The Committee requested the assumptions to be listed for Capital Funding "a" Woman's Hospital Expansion.* **Movant:** Kalbach **Second:** Zoglin **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None **Motion:** To recommend the Board of Directors approve the "b" SVMD Clinic Site funding for improvements and replace equipment not to exceed $8M. **Movant:** Kalbach **Second:** Chow **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None **Motion:** To recommend the Board of Directors approve both "c" Interventional Equipment Replacement not to exceed $13M; "d" Imaging	***The Capital Funding requests "a" through "f" has been approved; however the Committee requested the assumptions to be listed for Capital Funding "a" Woman's Hospital Expansion and "d" Imaging Equipment Replacement create an ROI.***

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	Equipment Replacement not to exceed $16.9M. *The Committee requested the assumptions to be listed for payback on the years and projection if we lose ½ the business (show both sides) "d" Imaging Equipment Replacement create an ROI.* **Movant:** Chow **Second:** Kalbach **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None **Motion:** To recommend the Board of Directors approve "e" Waste Water Storage Project not to exceed $3.9M **Movant:** Kalbach **Second:** Chow **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None **Motion:** To recommend the Board of Directors approve "f" Purchase the Davinci Surgical Robot not to exceed $1.5B **Movant:** Kalbach **Second:** Chow **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None	
8. ADJOURN TO CLOSED SESSION	**Motion:** To adjourn to closed session at 7:07 pm pursuant to Gov't Code Section 54957.2 for approval of the Minutes of Closed Session of Finance Committee Meeting (November 26, 2018). **Movant:** **Second:** **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None	***Adjourned to closed session at 7:07 pm***
9. AGENDA ITEM 15: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened at 8:15 pm. Agenda items 10-13 were covered in closed session. During the closed session the committee approved the Minutes of the Closed Session of the Finance Committee (November 26, 2018); SVMD Administration Space Lease. By a unanimous vote in favor by all present Committee Members (Chow, Faust, Kalbach, and Zoglin) and Hobbs by phone. Mr. Juelis was absent.	

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10. AGENDA ITEM 16: APPROVAL OF CONTRACTS	**Motion**: To recommend that the Committee approve "b" Hospitalist Panel Agreement – LG not to exceed $620,500K. **Movant:** Kalbach **Second:** Faust **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None **Motion**: To recommend that the Committee approve "c" Unassigned Newborn Panel Agreement –MV not to exceed the approximately $63,875/year. **Movant:** Kalbach **Second:** Chow **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None	***Physician Contracts approved***
11. AGENDA ITEM 17: FY19 COMMITTEE PACING PLAN	Chair Zoglin reviewed the remaining meeting dates with the Committee for FY 2019.	
12. AGENDA ITEM 18: ADJOURNMENT	**Motion:** To adjourn at 8:29 pm **Movant:** Chow **Second:** Faust **Ayes:** Chow, Faust, Hobbs, Kalbach, and Zoglin **Noes:** None **Abstentions:** None **Absent:** Juelis **Recused:** None	***Meeting adjourned at 8:29 pm***

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

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John Zoglin
Chair, Finance Committee

Minutes of the Open Session of the Joint Investment & Finance Committee of the Board of Directors Monday, January, 28th 2019 El Camino Hospital, 2500 Grant Road, Mountain View, California Conference Room A

Members Present

Investment Committee:
Nicola Boone - (By phone)
Jeffrey Davis, MD, Chair
Gary Kalbach
Brooks Nelson

Finance Committee
Boyd Faust - (By phone)
William Hobbs - (By phone)
Richard Juelis - (By phone)
Gary Kalbach
John Zoglin, Chair

Members Absent
Joseph Chow
John Conover

Members Excused

A quorum was present at the El Camino Hospital Investment Committee on Monday, January 28th 2019 meeting.

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Joint Investment and Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30 pm by Chair Mr. Jeff Davis. Mr. Hobbs participated by phone, Mr. Faust joined by phone at 5:32 pm during agenda item 3, and Ms. Boone joined by phone during closed session. Mr. Conover and Mr. Chow were absent. All other Committee members were present.	*None*
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Davis asked if any Committee member or anyone in the audience believes that a Committee member may have a conflict of interest on any of the items on the agenda. No conflict of interest was reported.	*None*
3. PUBLIC COMMUNICATION	Chair Davis asked if there was any public communication to present. None were noted.	*None*
4. ADJOURN TO CLOSE SESSION	**Motion:** To adjourn to close session at 5:32pm. **Movant:** Kalbach **Second:** Nelson **Ayes:**, Davis, Kalbach, Nelson, Faust, Hobbs, Juelis, and Zoglin **Abstentions:** None **Absent:** Conover, Chow and Boone **Excused:** None **Recused:** None	***A motion to adjourn to the Joint Investment & Finance Committee meeting at*** 5:32 pm ***was approved.***
5. AGENDA ITEM 7 RECONVENE OPEN SESSION	*Agenda Item 5 was conducted in closed session.* Chair Davis reported that Mr. Hobbs & Mr. Faust participated by phone, Ms. Boone joined by phone at 5:36 pm during agenda item 5, and Mr. Conover and Mr. Chow were absent. All other Committee members were present.	
6. AGENDA ITEM 8 ADJOURMENT	**Motion:** To adjourn the Investment Committee meeting at 6:22 pm. **Movant:** Kalbach **Second:** Nelson **Ayes:**, Boone, Davis, Kalbach, Nelson, Faust, Hobbs, Juelis, and Zoglin **Abstentions:** None **Absent:** Conover and Chow **Excused:** None **Recused:** None	***A motion to adjourn to the Joint Investment and Finance Committee meeting at 6:22 pm was approved.***

Attest as to the approval of the Foregoing minutes by the Investment Committee of El Camino Hospital:

Jeffrey Davis, MD, Chairman
ECH Investment Committee of the Board of Directors

John Zoglin, Chairman
ECH Finance Committee of the Board of Directors

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2019 – Period 7

7/1/2018 to 01/31/2019

Financial Overview

Volume:

- Slow volume in January brings the YTD combined volume measured in adjusted discharges .9% below budget. Inpatient volume is lower in General/Pulmonary Medicine related to decline in flu activity and lower MCH (deliveries).
- YTD outpatient volume is below budget 0.2% (151 cases) mainly in ED due to lower flu activity. Imaging and Rehab services remain favorable to budget.

Financial Performance:

- Operating income is favorable to budget by 19.4% ($11.3M) YTD primarily due to favorable revenue cycle operations including higher than expected IGT and denials recovery. Net Patient Revenue is favorable to budget by 2.1% ($11.1M).
- YTD Operating Expense is favorable to budget 0.8% ($3.8M). YTD Salaries & Wages are favorable to budget by .8% ($2.2M). YTD Non Labor expenses are also favorable to budget by .8% ($1.5M).

Payor Mix:

- YTD, Medicare is 1.2 percentage points unfavorable to budget and the Commercial Payor mix is 1.1 percentage points unfavorable to budget. For January, the Medicare Mix increased due to flu related activity. Similar spike in Medicare cases experienced in Jan of 2018.

Cost:

- Prod FTEs were favorable to target for January by 2.0% and right at budget YTD.

Balance Sheet:

- Cash position remains strong and revenue cycle operation consistently ahead of targets and benchmarks.

Dashboard - ECH combined as of January 31, 2019

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	261	259	266	(7)	244	234	241	(7)
Utilization MV	70%	71%	72%	-1%	67%	64%	66%	-2%
Utilization LG	35%	32%	36%	-4%	30%	29%	29%	-1%
Utilization Combined	59%	59%	60%	-2%	55%	53%	54%	-2%
Adjusted Discharges	3,173	2,993	3,309	(316)	21,120	20,702	20,773	(71)
Total Discharges (Excl NNB)	1,840	1,712	1,928	(216)	12,092	11,427	11,941	(514)
Inpatient Cases								
MS Discharges	1,343	1,215	1,414	(199)	8,448	7,928	8,383	(455)
Deliveries	355	360	388	(28)	2,725	2,540	2,687	(147)
BHS	103	93	89	4	663	668	617	51
Rehab	39	44	37	7	256	291	255	36
Outpatient Cases	13,337	12,657	13,087	(430)	87,764	86,739	86,892	(153)
ED	4,937	4,101	4,357	(256)	29,118	27,597	28,145	(548)
Procedural Cases								
OP Surg	363	386	429	(43)	2,745	2,889	2,810	79
Endo	186	215	201	14	1,404	1,510	1,426	84
Interventional	203	158	194	(36)	1,217	1,263	1,263	(0)
All Other	7,648	7,797	7,906	(109)	53,280	53,480	53,248	232
Financial Perf.								
Net Patient Revenues	76,925	81,712	79,316	2,395	522,811	533,619	522,529	11,089
Total Operating Revenue	78,848	83,534	82,096	1,439	540,540	550,027	542,485	7,542
Operating Expenses	68,451	72,045	72,325	(280)	453,497	480,208	483,990	(3,783)
Operating Income $	10,397	11,489	9,771	1,718	87,043	69,820	58,495	11,325
Operating Margin	13.2%	13.8%	11.9%	1.9%	16.1%	12.7%	10.8%	1.9%
EBIDA $	14,883	16,096	14,698	1,399	118,361	102,177	91,951	10,226
EBIDA %	18.9%	19.3%	17.9%	1.4%	21.9%	18.6%	17.0%	1.6%
Payor Mix								
Medicare	50.7%	53.0%	47.4%	5.6%	46.8%	47.8%	46.6%	1.2%
Medi-Cal	8.7%	8.3%	8.3%	-0.1%	7.9%	8.1%	7.9%	0.2%
Commercial IP	20.4%	17.3%	22.0%	-4.7%	22.6%	20.8%	22.6%	-1.7%
Commercial OP	18.2%	18.9%	19.7%	-0.8%	20.4%	20.9%	20.3%	0.6%
Total Commercial	38.5%	36.2%	41.7%	-5.5%	43.0%	41.7%	42.9%	-1.1%
Other	2.0%	2.5%	2.6%	-0.1%	2.3%	2.4%	2.7%	-0.3%
Cost								
Total FTE	2,601.0	2,691.4	2,789.7	(98)	2,573.8	2,638.4	2,665.8	(27)
Productive Hrs/APD	28.7	29.3	30.5	(1)	29.9	30.7	31.7	(1)
Balance Sheet								
Net Days in AR	50.7	46.9	48.0	(1)	50.7	46.9	48.0	(1.1)
Days Cash	505	492	449	43	505	492	449	43
Affiliates - Net Income ($000s)								
Hosp	39,597	32,262	10,118	22,144	147,285	52,577	61,580	(9,003)
Concern	82	307	21	286	1,111	1,572	496	1,076
ECSC	(1)	(1)	0	(1)	(21)	(30)	0	(30)
Foundation	627	1,070	72	998	2,217	949	935	14
SVMD	(332)	(172)	46	(218)	134	1,176	(196)	1,372

Budget Variances

Fiscal Year 2019 YTD (7/1/2018-01/31/2019) Waterfall

(in thousands; $000s)	Year to Date (YTD) Net Op Income	Year to Date (YTD) % Net Revenue
Budgeted Hospital Operations FY2019	**58,495**	**10.8%**
Net Revenue	7,542	1.4%
Labor and Benefit Expense Change - Flexing staff and vacancies in support departments.	2,237	0.4%
Professional Fees & Purchased Services - JACHO readiness and purchased services (in place of FTE) are the biggest drivers	(1,262)	-0.2%
Supplies - Positive variance in Drugs due to slow growth in OP Pharmacy.	1,621	0.3%
Other Expenses	87	0.0%
Depreciation & Interest - primarily due to delayed capital spending	1,099	0.2%
Actual Hospital Operations FY2019	**69,820**	**12.7%**

El Camino Hospital ($000s)

Period ending 01/31/2019

Period 7 FY 2018	Period 7 FY 2019	Period 7 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
291,509	304,299	309,055	(4,756)	(1.5%)	**Gross Revenue**	1,942,283	2,008,375	2,023,909	(15,535)	(0.8%)
(214,583)	(222,588)	(229,739)	7,151	3.1%	**Deductions**	(1,419,472)	(1,474,756)	(1,501,380)	26,624	1.8%
76,925	**81,712**	**79,316**	**2,395**	**3.0%**	**Net Patient Revenue**	**522,811**	**533,619**	**522,529**	**11,089**	**2.1%**
1,923	1,823	2,779	(957)	(34.4%)	**Other Operating Revenue**	17,728	16,409	19,956	(3,547)	(17.8%)
78,848	**83,534**	**82,096**	**1,439**	**1.8%**	**Total Operating Revenue**	**540,540**	**550,027**	**542,485**	**7,542**	**1.4%**
					OPERATING EXPENSE					
41,150	44,046	44,656	610	1.4%	**Salaries & Wages**	275,114	291,087	293,325	2,237	0.8%
11,779	11,536	11,780	244	2.1%	**Supplies**	73,109	76,747	78,368	1,621	2.1%
8,904	9,478	8,746	(733)	(8.4%)	**Fees & Purchased Services**	57,739	63,100	61,838	(1,262)	(2.0%)
2,132	2,378	2,216	(162)	(7.3%)	**Other Operating Expense**	16,217	16,916	17,002	87	0.5%
256	269	490	221	45.2%	**Interest**	2,861	2,497	2,431	(67)	(2.7%)
4,231	4,338	4,436	98	2.2%	**Depreciation**	28,457	29,860	31,026	1,166	3.8%
68,451	**72,045**	**72,325**	**280**	**0.4%**	**Total Operating Expense**	**453,497**	**480,208**	**483,990**	**3,783**	**0.8%**
10,397	**11,489**	**9,771**	**1,718**	**17.6%**	**Net Operating Income/(Loss)**	**87,043**	**69,820**	**58,495**	**11,325**	**19.4%**
29,200	20,772	346	20,426	5896.2%	**Non Operating Income**	60,242	(17,243)	3,085	(20,328)	(659.0%)
39,597	**32,262**	**10,118**	**22,144**	**218.9%**	**Net Income(Loss)**	**147,285**	**52,577**	**61,580**	**(9,003)**	**(14.6%)**
18.9%	19.3%	17.9%	1.4%		**EBITDA**	21.9%	18.6%	17.0%	1.6%	
13.2%	13.8%	11.9%	1.9%		**Operating Margin**	16.1%	12.7%	10.8%	1.9%	
50.2%	38.6%	12.3%	26.3%		**Net Margin**	27.2%	9.6%	11.4%	(1.8%)	

Non Operating Items and Net Income by Affiliate

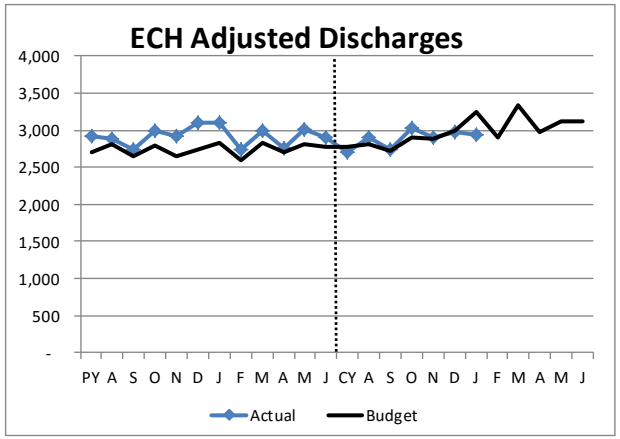
$ in thousands

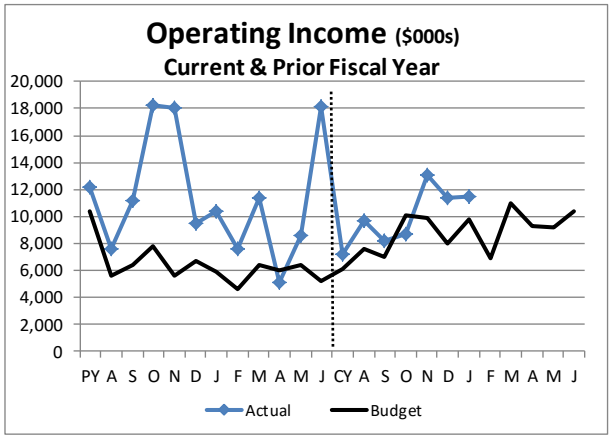
	Period 7 - Month			Period 7 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	9,314	6,871	2,443	62,221	46,588	15,632
Los Gatos	2,176	2,901	(725)	7,599	11,907	(4,308)
Sub Total - El Camino Hospital, excl. Afflilates	**11,489**	**9,771**	**1,718**	**69,820**	**58,495**	**11,325**
Operating Margin %	**13.8%**	**11.9%**		**12.7%**	**10.8%**	
El Camino Hospital Non Operating Income						
Investments[2]	22,631	2,368	20,263	(5,928)	17,234	(23,162)
Swap Adjustments	(80)	(100)	20	(696)	(700)	4
Community Benefit	(41)	(300)	259	(2,585)	(2,100)	(485)
Pathways	(898)	0	(898)	(1,990)	0	(1,990)
Satellite Dialysis	58	(25)	83	390	(175)	565
Community Connect	0	(53)	53	0	(371)	371
SVMD Funding[1]	(847)	(1,219)	372	(4,860)	(8,533)	3,674
Other	(50)	(324)	274	(1,695)	(2,269)	574
Sub Total - Non Operating Income	**20,772**	**346**	**20,426**	**(17,243)**	**3,085**	**(20,328)**
El Camino Hospital Net Income (Loss)	**32,262**	**10,118**	**22,144**	**52,577**	**61,580**	**(9,003)**
ECH Net Margin %	**38.6%**	**12.3%**		**9.6%**	**11.4%**	
Concern	307	21	286	1,572	496	1,076
ECSC	(1)	0	(1)	(30)	0	(30)
Foundation	1,070	72	998	949	935	14
Silicon Valley Medical Development	(172)	46	(218)	1,176	(196)	1,372
Net Income Hospital Affiliates	**1,204**	**139**	**1,065**	**3,667**	**1,235**	**2,432**
Total Net Income Hospital & Affiliates	**33,466**	**10,257**	**23,209**	**56,243**	**62,815**	**(6,572)**

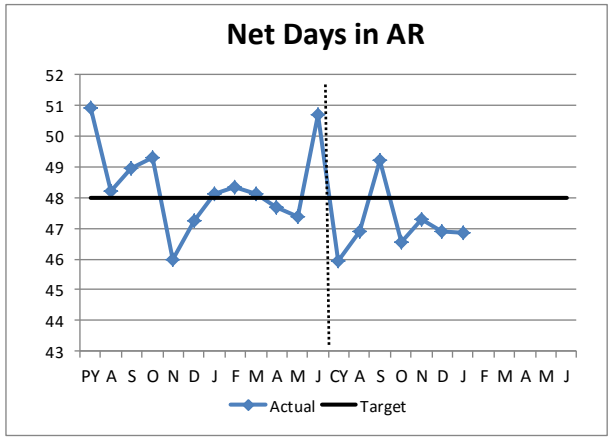
[1]Favorable variances for SVMD and Community Connect are due to delayed implementation

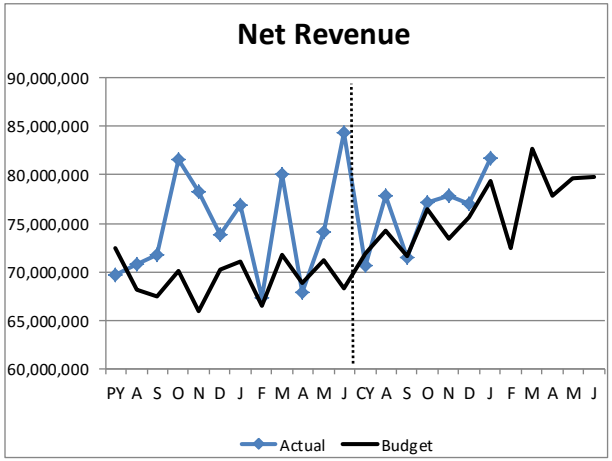
[2]Equity markets experienced a massive selloff during October, and volatility is continuing

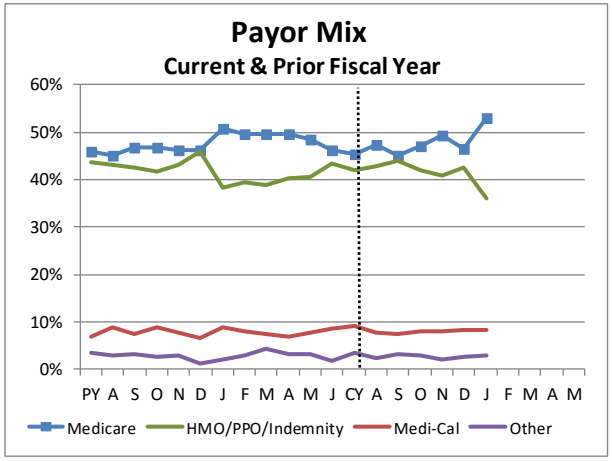
Monthly Financial Trends

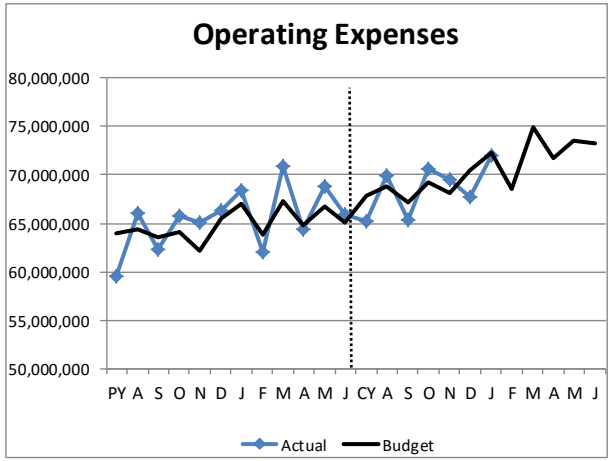






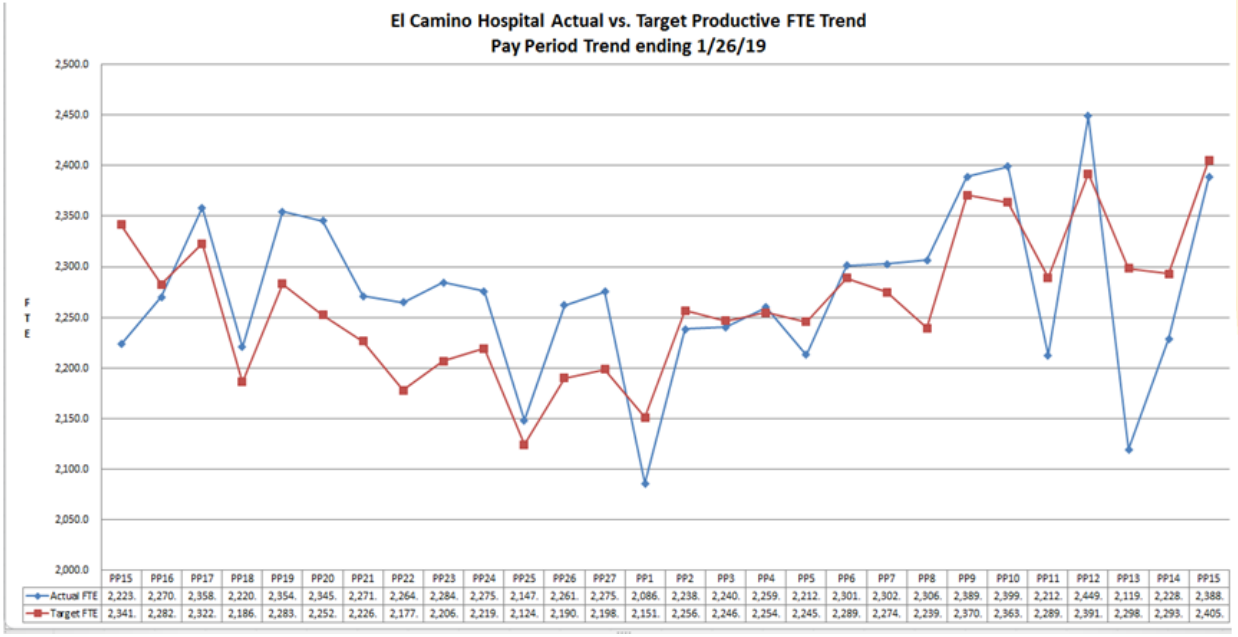




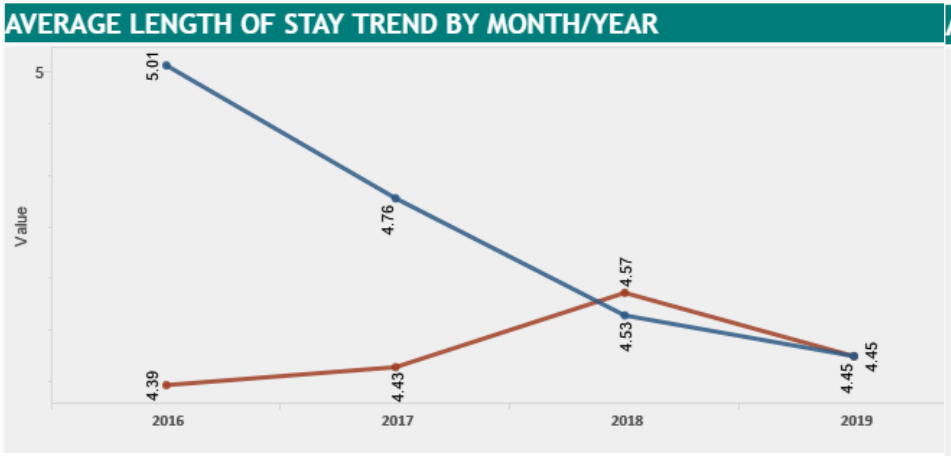


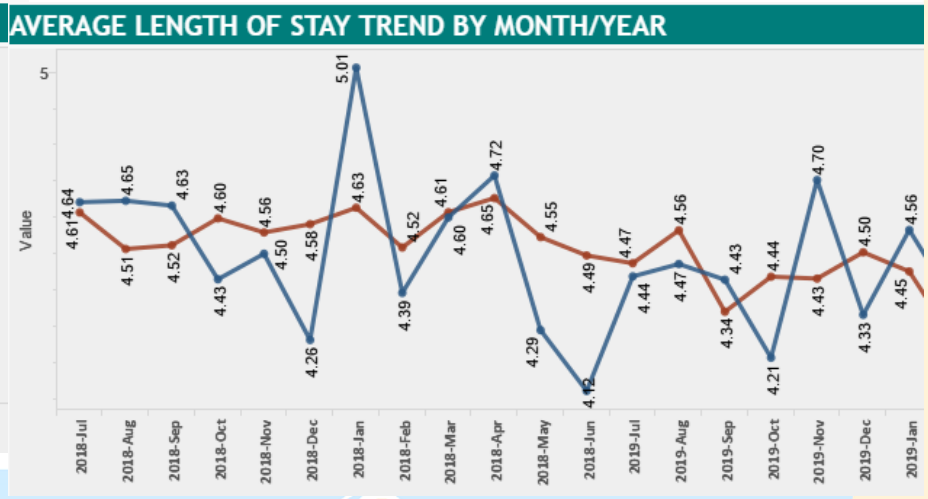
Productivity and Medicare Length of Stay

At or below FTE target. Uptick end of Sept due to mandatory training for all employees. YTD we are on budget (adjusted for volume)



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





El Camino Hospital Volume Annual Trends

VOLUME BY SERVICE LINE

MONTH: 07-Jan | PROCEDURAL?: (All) | FACILITY: (All) | LEVEL OF DETAIL: Service Line

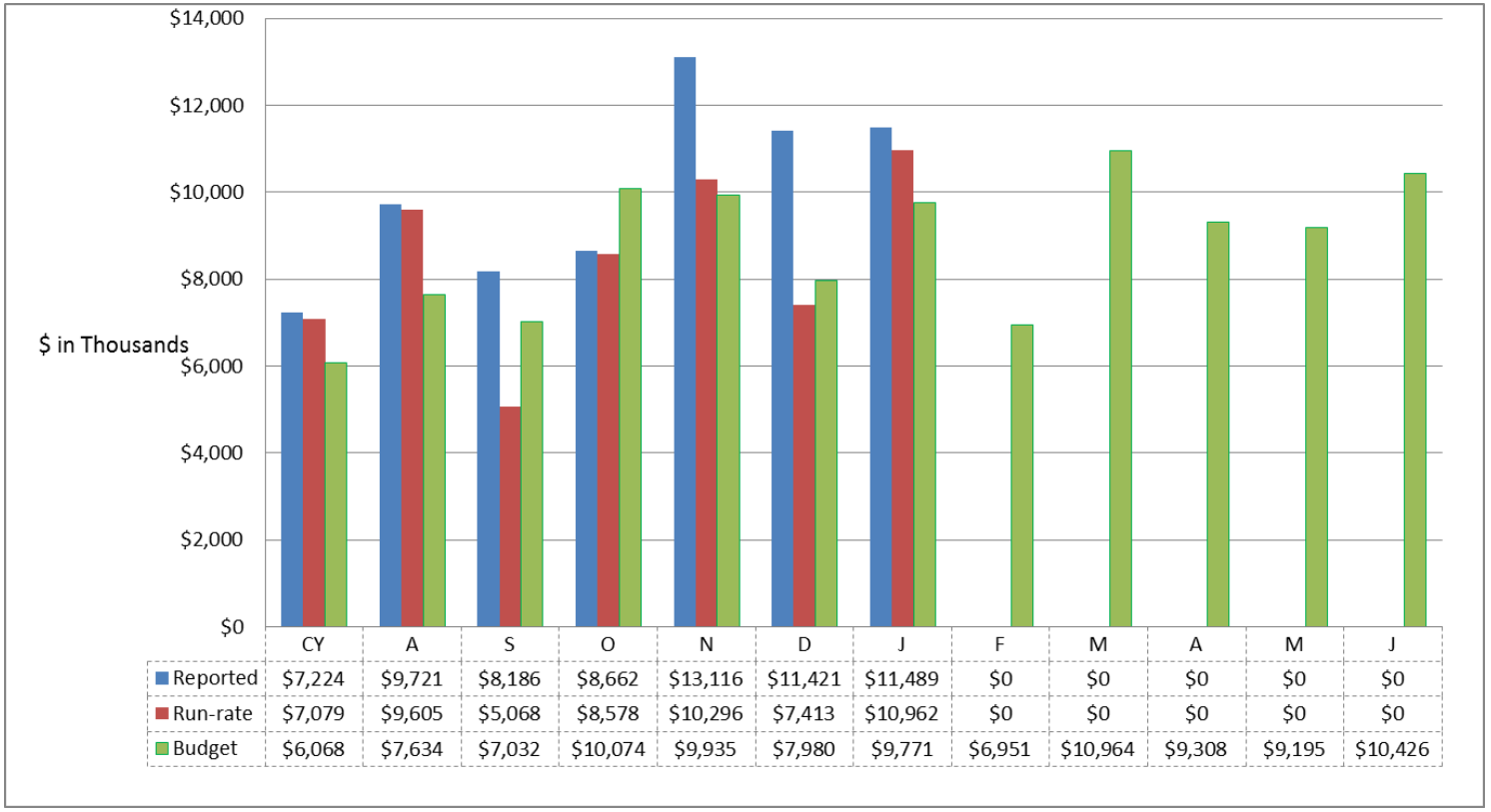
		ANNUAL TREND						FY19 Bud vs FY18		MONTH					YEAR				
		2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var
IP	Behavioral Health	1,012	1,052	928	924	1,098	1,062	-36	-3.2%	103	93	89	4	-10	663	668	617	51	5
	General Medicine & ..	4,165	4,592	4,459	4,961	5,286	5,325	39	0.7%	587	461	612	-151	-126	3,170	2,810	3,031	-221	-360
	General Surgery	1,243	1,150	1,311	1,318	1,305	1,344	39	3.0%	113	104	90	14	-9	755	809	755	54	54
	GYN	390	313	293	270	243	255	12	4.9%	20	22	24	-2	2	148	134	137	-3	-14
	Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,445	73	3.1%	208	202	188	14	-6	1,369	1,282	1,314	-32	-87
	MCH	6,695	6,371	5,953	5,822	5,718	5,764	46	0.8%	446	453	496	-43	7	3,405	3,189	3,359	-170	-216
	Neurosciences	667	672	677	688	870	907	37	4.3%	78	83	82	1	5	516	516	562	-46	0
	Oncology	606	564	652	594	632	726	94	14.9%	49	61	76	-15	12	384	410	416	-6	26
	Orthopedics	1,695	1,773	1,746	1,690	1,706	1,819	113	6.6%	155	135	162	-27	-20	1,043	969	1,075	-106	-74
	Rehab Services	547	555	500	461	441	436	-5	-1.1%	39	43	37	6	4	256	290	255	35	34
	Spine Surgery	377	429	417	474	375	465	90	24.0%	23	27	38	-11	4	243	184	268	-84	-59
	Urology	172	169	234	257	255	274	19	7.4%	19	28	33	-5	9	140	166	154	12	26
	Total	19,428	19,638	19,171	19,662	20,301	20,823	522	2.6%	1,840	1,712	1,928	-216	-128	12,092	11,427	11,941	-514	-665
OP	Behavioral Health	910	886	2,394	3,260	3,151	3,417	266	8.4%	257	224	302	-78	-33	1,884	1,595	1,860	-265	-289
	Dialysis	1,059	155	6			0					0					0		
	Emergency	46,006	49,091	48,590	48,625	49,415	49,122	-293	-0.6%	4,937	4,100	4,357	-257	-837	29,118	27,596	28,145	-549	-1,522
	General Medicine & ..	6,637	6,620	7,195	7,129	7,266	7,457	191	2.6%	574	696	663	33	122	4,225	4,561	4,294	267	336
	General Surgery	1,837	1,853	1,797	1,836	2,003	2,068	65	3.2%	169	159	173	-14	-10	1,141	1,144	1,164	-20	3
	GYN	1,220	1,308	1,018	1,081	1,099	1,171	72	6.6%	81	92	88	4	11	660	810	647	163	150
	Heart and Vascular	2,570	2,712	3,795	4,361	4,363	4,410	47	1.1%	365	356	371	-15	-9	2,477	2,655	2,535	120	178
	Imaging Services	19,546	20,072	17,807	17,249	18,503	18,744	241	1.3%	1,478	1,570	1,594	-24	92	10,809	11,302	10,748	554	493
	Laboratory Services	30,599	29,726	29,007	29,153	28,567	29,071	504	1.8%	2,572	2,373	2,465	-92	-199	16,951	16,136	16,799	-663	-815
	MCH	5,034	4,826	5,092	5,577	5,644	5,928	284	5.0%	465	432	521	-89	-33	3,310	3,159	3,348	-189	-151
	Neurosciences	110	61	127	125	114	155	41	36.0%	7	11	17	-6	4	74	49	100	-51	-25
	Oncology	4,015	4,179	14,329	18,540	19,277	22,037	2,760	14.3%	1,673	1,736	1,755	-19	63	11,308	11,696	11,641	55	388
	Orthopedics	866	776	584	615	641	714	73	11.4%	38	65	65	0	27	347	407	420	-13	60
	Outpatient Clinics	1,817	1,705	1,680	1,288	1,884	1,517	-367	-19.5%	108	156	130	26	48	1,195	1,030	888	142	-165
	Rehab Services	1,731	1,747	3,954	4,518	4,926	4,900	-26	-0.5%	389	457	370	87	68	2,796	3,073	2,763	310	277
	Sleep Center	160	223	498	368	242	300	58	24.0%	25	28	25	3	3	107	177	175	2	70
	Spine Surgery	325	399	309	324	311	326	15	4.8%	21	24	24	0	3	189	173	188	-15	-16
	Urology	1,755	1,771	1,739	1,898	2,052	2,058	6	0.3%	178	180	167	13	2	1,173	1,178	1,177	1	5
	Total	126,197	128,110	139,921	145,947	149,458	153,395	3,937	2.6%	13,337	12,659	13,087	-428	-678	87,764	86,741	86,892	-151	-1,023

Medicare data excludes Medicare HMOs

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

ECH Operating Margin

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



	CY	A	S	O	N	D	J	F	M	A	M	J
Reported	$7,224	$9,721	$8,186	$8,662	$13,116	$11,421	$11,489	$0	$0	$0	$0	$0
Run-rate	$7,079	$9,605	$5,068	$8,578	$10,296	$7,413	$10,962	$0	$0	$0	$0	$0
Budget	$6,068	$7,634	$7,032	$10,074	$9,935	$7,980	$9,771	$6,951	$10,964	$9,308	$9,195	$10,426

FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>								
Revenue Adjustments	J	A	S	O	N	D	J	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	137	443	516	1,516
IGT Supplemental	-	-	-	-	2,672	-	-	2,672
AB 915	-	-	2,875	-	-	-	-	2,875
RAC Release	-	-	161	-	-	(305)	-	(144)
Credit Balance Quarterly Review	-	-	(19)	-	-	3,858	-	3,839
Various Adjustments under $250k	4	5	6	8	11	12	12	58
Total	**145**	**116**	**3,118**	**84**	**2,820**	**4,008**	**528**	**10,819**

Updated Quarterly
Last update 12/31/18

El Camino Hospital Investment Committee Scorecard

December 31, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		4Q 2018		Fiscal Year-to-date		6y 2m Since Inception (annualized)			2018
Surplus cash balance*		$933.4	--	--	--	--	--	$886.6	--
Surplus cash return		-6.2%	-5.7%	-4.0%	-3.8%	4.5%	4.3%	3.2%	5.3%
Cash balance plan balance (millions)		$249.2	--	--	--	--	--	$276.9	--
Cash balance plan return		-7.9%	-7.0%	-5.3%	-4.7%	6.5%	5.8%	6.0%	5.7%
403(b) plan balance (millions)		$435.2	--	--	--	--	--	--	--
Risk vs. Return		3-year				6y 2m Since Inception (annualized)			2018
Surplus cash Sharpe ratio		0.73	0.70	--	--	0.88	0.86	--	0.43
Net of fee return		4.6%	4.3%	--	--	4.5%	4.3%	--	5.3%
Standard deviation		5.0%	4.7%	--	--	4.5%	4.4%	--	6.7%
Cash balance Sharpe ratio		0.70	0.70	--	--	1.00	0.94	--	0.40
Net of fee return		5.3%	5.0%	--	--	6.5%	5.8%	--	5.7%
Standard deviation		6.2%	5.7%	--	--	6.0%	5.6%	--	8.1%
Asset Allocation		4Q 2018							
Surplus cash absolute variances to target		9.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		5.4%	< 10%	--	--	--	--	--	--
Manager Compliance		4Q 2018							
Surplus cash manager flags		28	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		33	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~$129 mm), District assets (~$34 mm), and balance sheet cash not in investable portfolio (~$125 mm).
Includes Foundation (~$28 mm) and Concern (~$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

PAVILION

1

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Capital Spend Trend & FY 19 Budget

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

Facilities

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

El Camino Hospital

Capital Spending (in millions)

Category		Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY19 Budget	FY 19Proj Spend	Variance Projected vs Budget*	FY 19 YTD Spent
CIP	ERP Upgrade				9.6	2.2	9.6	9.6	0.0	2.2
IT Hardware, Software, Equipment & Imaging					10.1	3.2	10.1	10.1	0.0	3.2
Medical & Non Medical Equipment FY 18					5.6	9.5	0.0	0.0	0.0	3.5
Medical & Non Medical Equipment FY 19					11.2	4.0	11.2	11.2	0.0	4.0
Facility Projects										
	1245	Behavioral Health Bldg	FY16	96.1	96.1	62.1	45.0	41.7	-3.3	16.2
	1413	North Drive Parking Expansion	FY15	24.5	24.5	24.3	0.0	0.7	0.7	0.0
	1414	Integrated MOB	FY15	302.1	302.1	191.6	150.0	123.3	-26.7	71.1
	1422	CUP Upgrade	FY16	9.0	9.0	8.0	0.8	1.4	0.6	0.4
	1430	Women's Hospital Expansion	FY16	135.0	135.0	5.0	10.0	4.8	-5.2	1.8
		Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.6	-1.4	0.0
	1502	Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0	0.0	0.0
	1525	New Main Lab Upgrades		3.1	3.1	2.6	0.3	0.0	-0.3	0.4
	1515	ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.3	-4.3	0.0
	1503	Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0	-1.0	0.0
	1602	JW House (Patient Family Residence)		6.5	6.5	0.3	6.0	0.1	-5.9	0.0
		Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.3	-0.7	0.0
		Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.2	-2.2	0.0
	1707	Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.3	0.0	6.0	6.0	0.0	0.0
	1708	IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	1.0	-4.0	0.8
		Flooring Replacement		1.6	1.6	0.0	1.5	0.4	-1.1	0.0
	1219	LG Spine OR	FY13	0.0	0.0	4.0	0.0	0.0	0.0	0.2
	1313	LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0	0.0
	1248	LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.0	0.0	0.1
	1307	LG Upgrades	FY13	19.3	19.3	18.7	0.8	0.0	-0.8	0.9
	1507	LG IR Upgrades		1.3	0.0	0.0	1.3	1.3	0.1	0.0
	1603	LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0	-0.5	0.0
	1711	Emergency Sanitary & Water Storage		1.5	1.5	0.2	1.3	1.5	0.3	0.0
		LG Modular MRI & Awning		3.9	3.9	0.2	3.5	0.6	-2.9	0.1
		LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.4	-0.1	0.0
		LG Observation Unit (Conversion of ICU 2)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1712	LG Cancer Center		5.0	5.0	0.3	4.8	3.7	-1.1	0.1
		Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0	0.0	0.0
		Primary Care Clinic Development (2 @ $3 Million Ea		6.0	6.0	0.0	5.0	4.0	-1.0	0.0
		Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	9.0	-6.0	0.0
		Willow SC Upgrades (35,000 @ $50)		1.8	1.8	0.0	1.8	0.0	-1.8	0.0
		New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.2	-1.0	0.0
		80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0	0.0	0.0
		Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0	-0.3	0.0
		All Other Projects		7.2	6.6	81.0	7.8	3.9	-3.9	0.9
				755.9	728.4	419.6	279.5	205.5	-74.0	93.3
GRAND TOTAL					**759.3**	**438.5**	**300.8**	**236.4**	**-74.0**	**106.2**

Balance Sheet (in thousands)

	ASSETS		Audited
	CURRENT ASSETS	**January 31, 2019**	**June 30, 2018**
	Cash	106,244	118,992
	Short Term Investments	158,059	150,664
	Patient Accounts Receivable, net	120,490	124,427
	Other Accounts and Notes Receivable	2,679	3,402
	Intercompany Receivables	2,217	2,090
(1)	Inventories and Prepaids	80,479	75,594
	Total Current Assets	**470,167**	**475,171**
	BOARD DESIGNATED ASSETS		
	Plant & Equipment Fund	160,788	153,784
(2)	Women's Hospital Expansion	15,472	9,298
(3)	Operational Reserve Fund	139,057	127,908
	Community Benefit Fund	18,732	18,675
	Workers Compensation Reserve Fund	21,403	20,263
	Postretirement Health/Life Reserve Fund	29,562	29,212
	PTO Liability Fund	23,821	24,532
	Malpractice Reserve Fund	1,831	1,831
	Catastrophic Reserves Fund	18,411	18,322
	Total Board Designated Assets	**429,077**	**403,826**
(4)	**FUNDS HELD BY TRUSTEE**	**118,770**	**197,620**
	LONG TERM INVESTMENTS	**336,380**	**345,684**
	INVESTMENTS IN AFFILIATES	**32,460**	**32,412**
	PROPERTY AND EQUIPMENT		
	Fixed Assets at Cost	1,284,078	1,261,854
	Less: Accumulated Depreciation	(600,126)	(577,959)
	Construction in Progress	321,257	220,991
	Property, Plant & Equipment - Net	**1,005,208**	**904,886**
	DEFERRED OUTFLOWS	20,827	21,177
	RESTRICTED ASSETS - CASH	0	0
	TOTAL ASSETS	**2,412,889**	**2,380,776**

	LIABILITIES AND FUND BALANCE		Audited
	CURRENT LIABILITIES	**January 31, 2019**	**June 30, 2018**
(5)	Accounts Payable	42,100	49,925
(6)	Salaries and Related Liabilities	23,793	26,727
	Accrued PTO	23,821	24,532
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	10,647	10,068
	Intercompany Payables	204	125
	Malpractice Reserves	1,831	1,831
	Bonds Payable - Current	3,965	3,850
(7)	Bond Interest Payable	2,123	12,975
	Other Liabilities	7,682	8,909
	Total Current Liabilities	**118,467**	**141,242**
	LONG TERM LIABILITIES		
	Post Retirement Benefits	29,562	29,212
	Worker's Comp Reserve	19,103	17,963
	Other L/T Obligation (Asbestos)	3,926	3,859
	Other L/T Liabilities (IT/Medl Leases)	-	-
(8)	Bond Payable	514,218	517,781
	Total Long Term Liabilities	**566,809**	**568,815**
	DEFERRED REVENUE-UNRESTRICTED	230	528
	DEFERRED INFLOW OF RESOURCES	22,835	22,835
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,275,470	1,243,529
	Board Designated	429,077	403,825
	Restricted	0	0
(9)	**Total Fund Bal & Capital Accts**	**1,704,548**	**1,647,355**
	TOTAL LIABILITIES AND FUND BALANCE	**2,412,889**	**2,380,776**

January 2019 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

(1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.

(2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.

(3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.

(4) Decrease is due to draws from the 2015A/2017 Bond Project funds for the on-going IMOB and BHS construction and semi-annual 2015/2017 bond payment

(5) Decrease is due to the yearend accruals that were paid out in July and August.

(6) Decrease is due a lesser number of days of payroll expenses and payroll taxes for October opposed to a full 14 day pay period that was needed for June 30.

(7) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in August and January.

(8) Decrease is due to the establishment of FY2020 2015A Bond Principal Payable in January.

(9) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.

(1) Hospital entity only, excludes controlled affiliates

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

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

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

Operational Reserve Fund – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on the current projected budget) and only be used in the event of a major business interruption event and/or cash flow.

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving $1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn't granted tax exempt status), that generates an amount of $500,000 or more a year. $15 million within this fund is a board designated endowment fund formed in 2015 with a $10 million contribution, and added to at the end of the 2017 fiscal year end with another $5 million contribution, to generate investment income to be used for grants and sponsorships, in fiscal yar it generated over $1.1 million of investment income for the program.

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

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

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

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

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

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

APPENDIX

El Camino Hospital – Mountain View ($000s)

Period ending 01/31/2019

Period 7 FY 2018	Period 7 FY 2019	Period 7 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
238,824	251,909	245,745	6,164	2.5%	**Gross Revenue**	1,586,778	1,650,846	1,652,659	(1,812)	(0.1%)
(176,741)	(184,993)	(183,122)	(1,870)	(1.0%)	**Deductions**	(1,159,093)	(1,211,795)	(1,228,555)	16,760	1.4%
62,083	**66,916**	**62,623**	**4,293**	**6.9%**	**Net Patient Revenue**	**427,685**	**439,052**	**424,104**	**14,948**	**3.5%**
1,762	1,474	2,533	(1,060)	(41.8%)	**Other Operating Revenue**	16,552	14,382	18,277	(3,895)	(21.3%)
63,845	**68,390**	**65,156**	**3,234**	**5.0%**	**Total Operating Revenue**	**444,237**	**453,433**	**442,381**	**11,052**	**2.5%**
					OPERATING EXPENSE					
34,171	36,833	36,692	(142)	(0.4%)	**Salaries & Wages**	228,833	242,520	245,231	2,711	1.1%
9,255	9,590	9,349	(240)	(2.6%)	**Supplies**	58,680	62,457	63,726	1,268	2.0%
7,285	7,987	7,373	(614)	(8.3%)	**Fees & Purchased Services**	48,254	53,183	52,408	(775)	(1.5%)
677	863	698	(165)	(23.6%)	**Other Operating Expense**	5,125	5,987	6,174	188	3.0%
256	269	490	221	45.2%	**Interest**	2,861	2,497	2,431	(67)	(2.7%)
3,536	3,533	3,683	150	4.1%	**Depreciation**	24,429	24,568	25,823	1,255	4.9%
55,180	**59,076**	**58,285**	**(791)**	**(1.4%)**	**Total Operating Expense**	**368,181**	**391,213**	**395,793**	**4,580**	**1.2%**
8,665	**9,314**	**6,871**	**2,443**	**35.6%**	**Net Operating Income/(Loss)**	**76,056**	**62,221**	**46,588**	**15,632**	**33.6%**
29,200	20,772	346	20,426	5896.2%	**Non Operating Income**	60,287	(17,243)	3,085	(20,328)	(659.0%)
37,865	**30,086**	**7,217**	**22,869**	**316.9%**	**Net Income(Loss)**	**136,343**	**44,977**	**49,673**	**(4,696)**	**(9.5%)**
19.5%	19.2%	16.9%	2.2%		**EBITDA**	23.3%	19.7%	16.9%	2.8%	
13.6%	13.6%	10.5%	3.1%		**Operating Margin**	17.1%	13.7%	10.5%	3.2%	
59.3%	44.0%	11.1%	32.9%		**Net Margin**	30.7%	9.9%	11.2%	(1.3%)	

El Camino Hospital – Los Gatos($000s)

Period ending 01/31/2019

Period 7 FY 2018	Period 7 FY 2019	Period 7 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
52,685	52,391	63,310	(10,920)	(17.2%)	**Gross Revenue**	355,505	357,528	371,250	(13,722)	(3.7%)
(37,842)	(37,595)	(46,616)	9,021	19.4%	**Deductions**	(260,378)	(262,961)	(272,825)	9,864	3.6%
14,843	**14,796**	**16,694**	**(1,898)**	**(11.4%)**	**Net Patient Revenue**	**95,126**	**94,567**	**98,426**	**(3,859)**	**(3.9%)**
160	349	246	103	41.9%	**Other Operating Revenue**	1,176	2,027	1,678	349	20.8%
15,003	**15,145**	**16,940**	**(1,795)**	**(10.6%)**	**Total Operating Revenue**	**96,302**	**96,594**	**100,104**	**(3,510)**	**(3.5%)**
					OPERATING EXPENSE					
6,979	7,213	7,964	751	9.4%	**Salaries & Wages**	46,281	48,567	48,093	(474)	(1.0%)
2,524	1,946	2,431	485	19.9%	**Supplies**	14,430	14,290	14,643	353	2.4%
1,619	1,491	1,373	(118)	(8.6%)	**Fees & Purchased Services**	9,485	9,916	9,430	(487)	(5.2%)
1,455	1,514	1,518	3	0.2%	**Other Operating Expense**	11,092	10,929	10,828	(101)	(0.9%)
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
694	805	753	(51)	(6.8%)	**Depreciation**	4,028	5,293	5,203	(89)	(1.7%)
13,271	**12,969**	**14,039**	**1,070**	**7.6%**	**Total Operating Expense**	**85,316**	**88,995**	**88,197**	**(798)**	**(0.9%)**
1,732	**2,176**	**2,901**	**(725)**	**(25.0%)**	**Net Operating Income/(Loss)**	**10,986**	**7,599**	**11,907**	**(4,308)**	**(36.2%)**
0	0	0	0	0.0%	**Non Operating Income**	(45)	0	0	0	0.0%
1,732	**2,176**	**2,901**	**(725)**	**(25.0%)**	**Net Income(Loss)**	**10,942**	**7,599**	**11,907**	**(4,308)**	**(36.2%)**
16.2%	19.7%	21.6%	(1.9%)		**EBITDA**	15.6%	13.3%	17.1%	(3.7%)	
11.5%	14.4%	17.1%	(2.8%)		**Operating Margin**	11.4%	7.9%	11.9%	(4.0%)	
11.5%	14.4%	17.1%	(2.8%)		**Net Margin**	11.4%	7.9%	11.9%	(4.0%)	

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

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

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

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

FY19 COMMITTEE GOALS

Finance Committee

PURPOSE

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

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

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

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

SUBMITTED BY:

Chair: John Zoglin
Executive Sponsor: Iftikhar Hussain

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

Finance Committee

Updated March 14, 2019

FY19 FC Pacing Plan – Q1		
July 30, 2018	August 2018	**September 24, 2018**
- Meeting Minutes (May 2018), any policies - Financial Report (FY18 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Physician Transaction Compliance Education - Year-End Financial Report - Financial Institutions - Delegation of Authority to the Committee - El Camino Ambulatory Surgery Center JV Purchase - Education Topic: Medicare Loss and IP/OP margins	No scheduled meeting	- Meeting Minutes (July 2018), any policies - Financial Report (FY19 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – HVI
FY19 FC Pacing Plan – Q2		
October 2018	**November 26, 2018**	December 2018
- **October 24, 2018 – Board and Committee Educational Session**	- Meeting Minutes (September 2018), any policies - Financial Report (FY19 Period 3,4) - Physician Contracts - Capital Funding Requests – Woman's Hospital - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – Oncology - Post implementation Review - Payor Update - HVI (Continue) - Consider Proposed Revisions to Signature Authority Policy - Consider Proposed Revisions to Physician Financial Arrangements Policy - Consider Proposed Revisions to Finance Committee Charter - Executive Session - Long Term Financial Forcast	No scheduled meeting

Finance Committee

Updated March 14, 2019

FY19 FC Pacing Plan – Q3		
January 28, 2019	February 2019	**March 25, 2019**
****Joint Meeting with the Investment Committee** - **Long Term Forecast** - Meeting Minutes (November 2018), any policies - Financial Report (FY19 Period 5,6) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Executive Session - SVMD Clinic Site Tenant Improvements - Women's Hospital Funding	No scheduled meeting	- Meeting Minutes (January 2019), any policies - Financial Report (FY19 Period 7,8) - ~~Physician Contracts~~ - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Preview FY20 Budget Part # 1 - Discuss and recommend FY19 Committee Goals - Discuss FY20 Committee Dates - Payor Update - Update SVMD "Strategies and Execution" - ~~Medical Staff Development Plan~~ - Executive Session - BHS Service Line - Summary of Physician Financial Arrangements (Year-End)
FY19 FC Pacing Plan – Q4		
April 22, 2019	**May 28, 2019**	June 2019
- FY20 Budget Review – Part 2 - HVI Service Line Report - Oncology Capital Request - - **April 24, 2019 – Board and Committee Educational Session**	****Joint Meeting with the Hospital Board on the Operating & Capital Budget** - **Medical Staff Development Plan** - Meeting Minutes (March 2019), any policies - Financial Report (FY19 Period 9,10) - Long Term Financial Forecast - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Review and recommend FY20 Budget - Review and recommend FY20 Organizational Goals - Executive Session	No scheduled meeting

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

The Advisory Board Company

Health Care Industry Trends 2019

Purchaser Behavior

- Health Plan Exchanges
- Medicaid
- Medicare
- Employers
- Vertical Integration

Enrollment stable, despite individual mandate repeal

HHS halts CSR[1] payments…

> Based on guidance from the Department of Justice, the Department of Health and Human Services has concluded that there is no appropriation for cost-sharing reduction payments to insurance companies under Obamacare. In light of this analysis, **the Government cannot lawfully make the cost-sharing reduction payments.**"

White House Press Office
Oct. 12th 2017

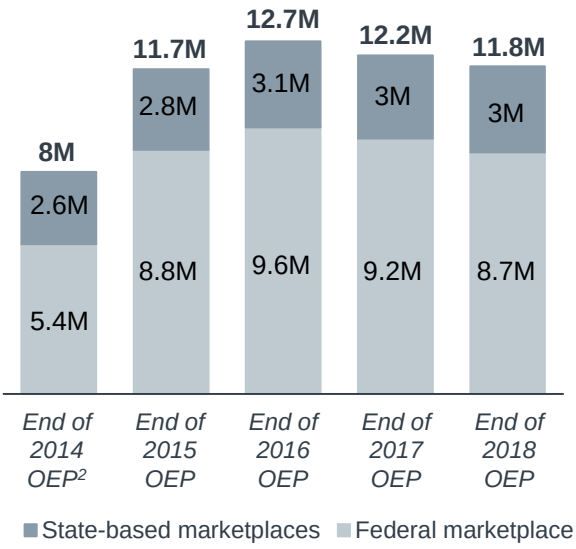
…And Congress guts individual mandate

≈8.6M

Estimated increase in number of uninsured due to elimination of individual mandate penalty, 2018-2027

Despite changes, uncertainty 2018 exchange enrollment relatively stable

Plan selections in the marketplaces, 2014-2018



1) Cost-sharing reduction.
2) Open enrollment period.

Source: Jost T, "Administration's Ending Of Cost-Sharing Reduction Payments Likely to Roil Individual Markets," *Health Affairs Blog*, Oct. 2017; CBO, "Federal Subsidies for Health Insurance Coverage for People Under Age 65: 2018-2028," May 2018; The Daily Briefing, "Side-by-Side: How the GOP Tax Bills Would Affect Health Care," December 18, 2017; CMS, "Health Insurance Marketplaces 2017 Open Enrollment Period Final Enrollment Report: November 1, 2016-January 31, 2017," March 15, 2017; Health Care Advisory Board interviews and analysis.

Additional state flexibility arrives in 2019

CMS devolving more decisions to the states

Administration's 2018 actions:

Halve open enrollment period

Reduce navigator funding

Scale back advertising

Close website on Sundays for maintenance

New flexibilities for 2019:

Key elements of CMS' changes for 2019 enrollment period

- Allow states to set Essential Health Benefits benchmarks annually
- Return network adequacy oversight to states
- Allow states to request "reasonable adjustments" to medical-loss-ratio

Expanded off-exchange coverage options

Short-Term Health Plans (STHPs)

Lengthens duration of plans with more coverage flexibility and eligibility barriers

Association Health Plans (AHPs)

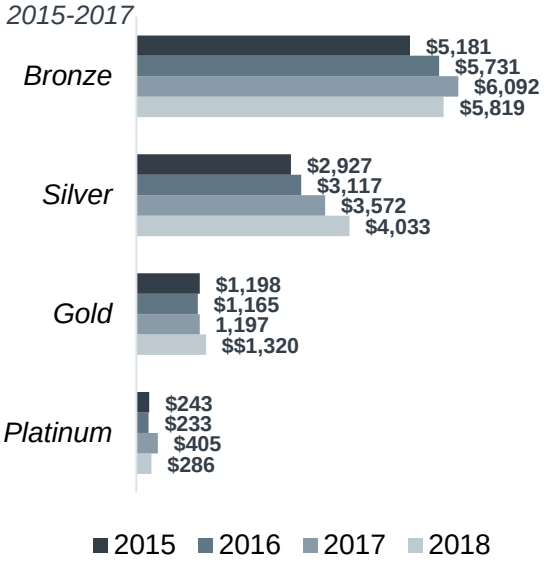
Easier access to plans with more premium rating and coverage flexibility

Source: "Industry stakeholders weigh in on CMS' proposed rule for 2019 federal exchange plans" *Advisory Board*, November 29, 2017; Dolan, M., "Judge refuses to block Trump's order to end Obamacare subsidies," *LA Times*, October 25, 2017; Jost, T., "Administration's Ending Of Cost-Sharing Reduction Payments Likely to Roil Individual Markets," *Health Affairs Blog*, Oct. 2017 Health Care Advisory Board interviews and analysis.

Consumers trade low premiums for high deductibles

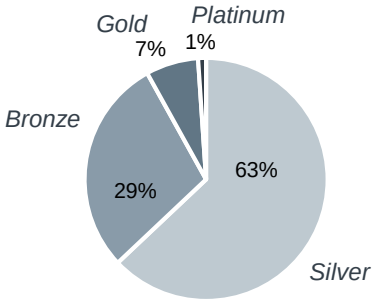
Average Deductible for Exchange-Sold Health Plans

2015-2017



Public Exchange Enrollment, by Metal Tier

2018



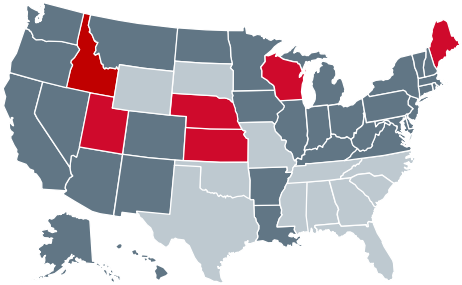
92% of exchange enrollees are in bronze or silver plans

Source: Health Pocket, 2016-2018; CMS, "Health Insurance Exchange 2018 Open Enrollment Period Final Report," April 2018; Market Innovation Center interviews and analysis.

Federal Medicaid funding set to phase down

32 States and DC Have Approved Expansion

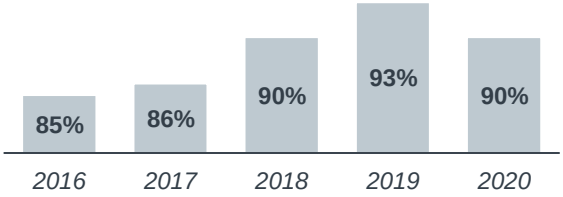
As of November 2018



- Participating
- Ballot measure passed, or governor-elect supports expansion
- Not currently participating

Impending Federal Cuts to Safety Net Spending Threaten Stability

Federal Matching Rate for Expansion Population



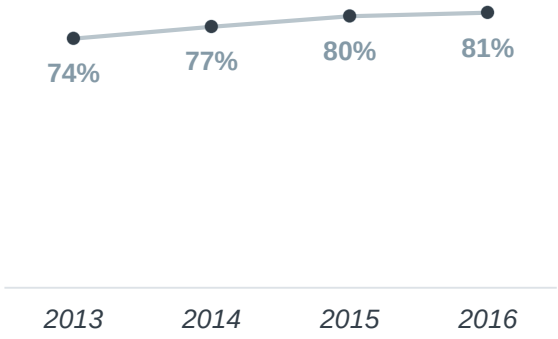
$43B Cut to federal Medicaid DSH payments, 2018-2026

25 States face revenue shortfalls, Jan. 2018

Managed care drives Medicaid spend

Majority of Enrollees in Managed Care

Percentage of Medicaid Beneficiaries in Managed Care

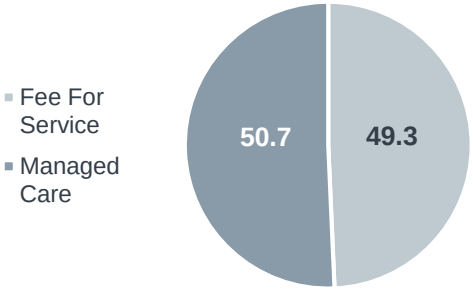


Significant variation across states, ranging from 0%-100%

Significant enrollment turnover occurs within a given year

Majority of Spend in FFS

Total Medicaid Benefit Spending by State and Category, FY 2017 (millions)

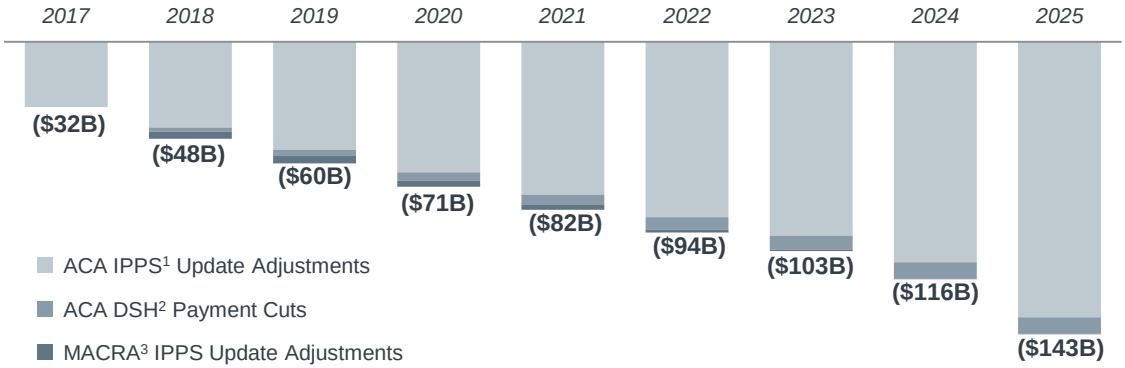


Spending on managed care comprises less than half total Medicaid spending

Source: Kaiser Family Foundation; Medicaid and CHIP Payment and Access Commission, "Total Medicaid Benefit Spending by State and Category," available at www.macpac.gov; Market Innovation Center interviews and analysis.

Cuts to FFS models encourage migration to risk

"Productivity" Adjustments and Other Cuts



$14.6B

Cuts to teaching hospitals and GME payments

$30.8B

Reduction in Medicare bad debt payments

1) Inpatient Prospective Payment System
2) Disproportionate Share Hospital
3) Medicare Access and CHIP Reauthorization Act

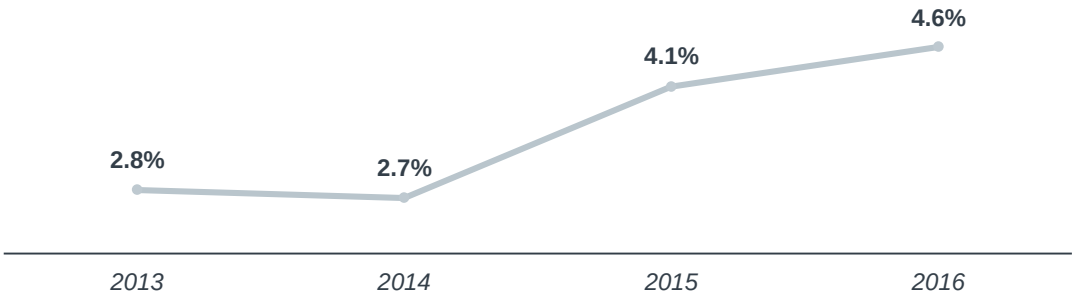
Source: CBO, "Letter to the Honorable John Boehner Providing an Estimate for H.R. 6079, The Repeal of Obamacare Act," July 24, 2012; CBO, "Cost Estimate and Supplemental Analyses for H.R. 2, the Medicare Access and CHIP Reauthorization Act of 2015; The Daily Briefing, "How to Understand Last Week's Big Budget Deal," November 2, 2015; Budget of the United States Government (Proposed) FY 2016; Pham H, et al., "Medicare's Vision for Delivery-System Reform – The Role of ACOs," New England Journal of Medicine, September 10, 2015; Health Care Advisory Board interviews and analysis.

Employer health spending continues to grow

Bracing for accelerations in spending in 2018

Employer health care spending continues to rise

Percent change in annual spending per person, relative to previous year

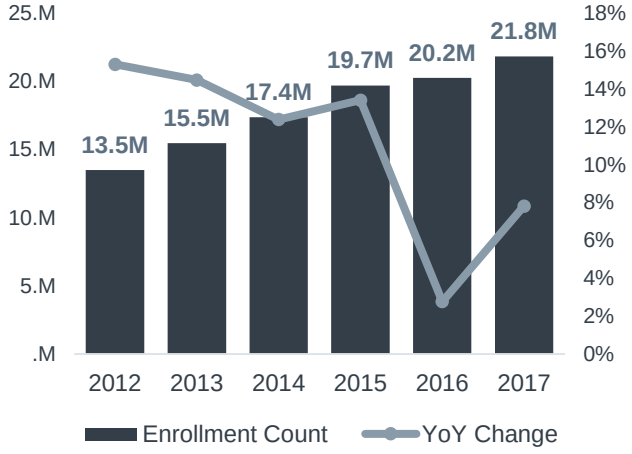


Source: HCCI, "2016 Health Care Cost and Utilization Report," January 2018; Health Care Advisory Board interviews and analysis.

Employers reaching the limits of cost sharing

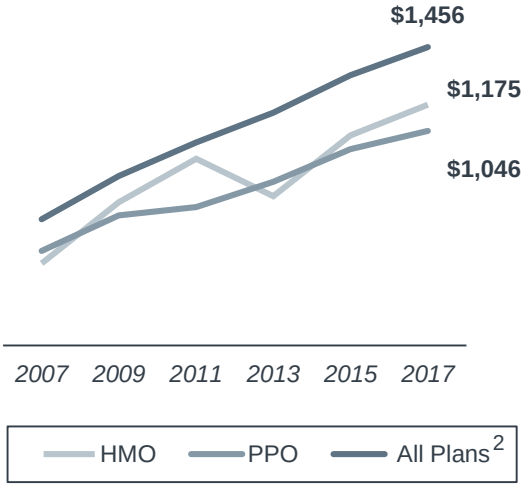
HSA-Qualified High Deductible Health Plan Enrollment

Enrollment Growth of HSA-Qualified HDHPs



ESI Average Deductible for Single Coverage[1]

By Plan Type, 2007-2017

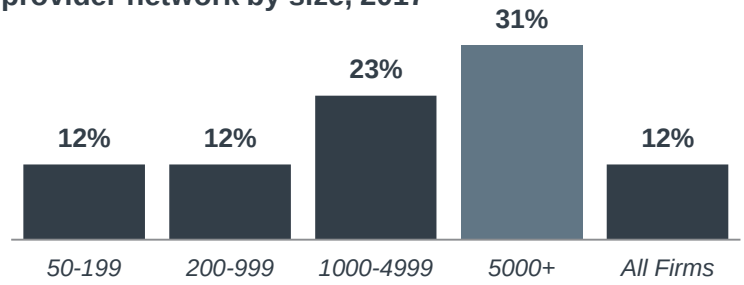


1) Among covered workers with a general annual health plan deductible.
2) Includes health plans with savings options.

Source: Kaiser Family Foundation and Health Research & Educational Trust, "Employer Health Benefits 2017 Annual Survey," 2017; Market Innovation Center interviews and analysis.

Few employers narrowing networks

Percentage of firms with a high-performance or tiered provider network by size, 2017



Percentage of firms with a high-performance or tiered provider network, by firm size, 2010 –2017

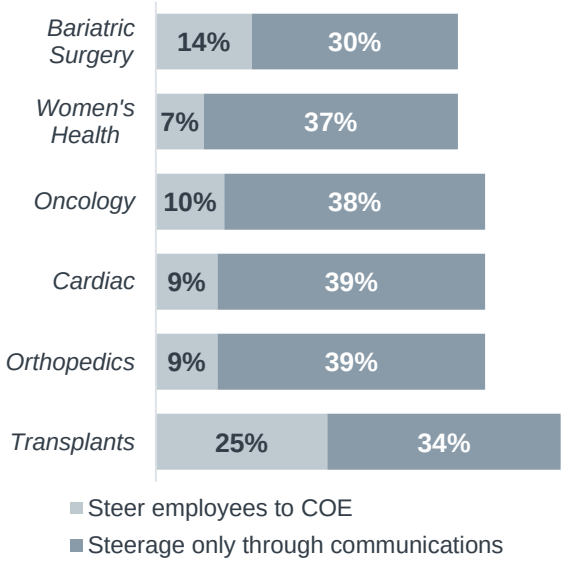
	2010	2017
Small firms (50–199)	16%	12%
Large firms (200+)	17%	15%

Source: Kaiser Family Foundation, "2017 Employer Health Benefits Survey," Sept. 2017; Market Innovation Center interviews and analysis.

Employers offering new benefits to control costs

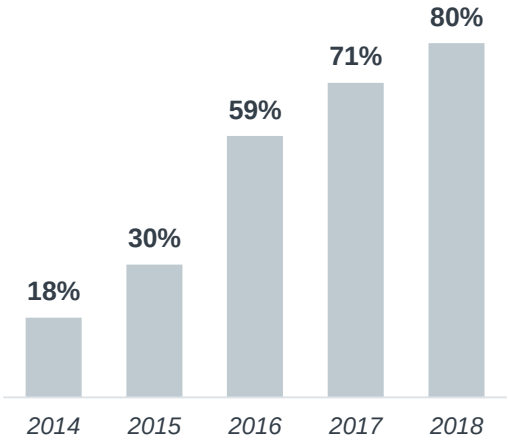
Employers Offering Centers of Excellence

Percentage of employers with 500+ employees



Employers Offering Telehealth Services

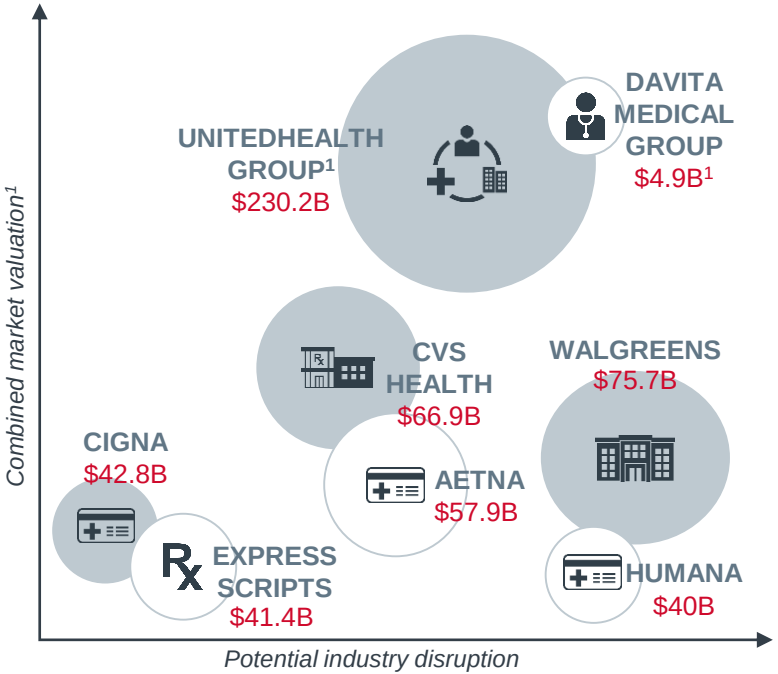
Percentage of employers with 500+ employees



Source: Mercer, "Mercer National Survey of Employer-Sponsored Health Plans," available at https://www.mercer.us/what-we-do/health-and-benefits/strategy-and-transformation/mercer-national-survey-benefit-trends.html; Market Innovation Center interviews and analysis.

Vertical integration reshaping industry landscape

Unprecedented mega-mergers claiming the spotlight



Drivers of deal activity

Tax reform brings for-profit companies an influx of cash

Shifting administrative priorities changes sources of projected growth

Margin pressure intensifies capital needs in certain sectors

1) Advisory Board is a subsidiary of UnitedHealth Group, the parent company of UnitedHealthcare. All Advisory Board research, expert perspectives, and recommendations remain independent.
2) UnitedHealth Group's purchase price.

Source: Google Finance; Health Care Advisory Board interviews and analysis.

The big three in the news

	CVS-Aetna	Walmart-Humana	Optum-DaVita[1]
Sectors	• Health plan • PBM • Retailer • Ambulatory Provider	• Health plan • PBM • Retailer • Ambulatory Provider	• Service provider with ≈80 health plan clients • PBM • Ambulatory Provider
Size	CVS to acquire Aetna for $69B in cash and stock	Walmart (mkt. cap: $258.8B) potential buyer of Humana (mkt. cap: $39.7B)	UHG to acquire DaVita Medical Group for $4.9B in cash
Status	• Deal announced December 3, 2017 • Justice department conditionally approved deal October 10, 2018	• First rumors of deal reported on March 29, 2018	• Deal announced December 6, 2017 • FTC requested second round of additional information on March 12, 2018
Clinical capabilities	• 1100+ CVS MinuteClinics; offer 40% of PCP services, with plan to expand to 90% • CVS owns home hemodialysis technology	• 19 Walmart Care Clinics • 195 Humana-operated primary care clinics • Humana at Home; adding Kindred at Home	• Primary care • Pediatric care • Specialty and surgical care • Urgent care • Senior and advanced care
Covered lives	• CVS: 62M ExtraCare members • Aetna: 22.2M medical members	• Walmart: 270M customers/week • Humana: 14M medical members	• 80 health plan clients covering more than 15M members

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

Source: Google Finance; Cigna, "Cigna to Acquire Express Scripts for $67 Billion," March 8, 2018; CVSHealth, "CVS Health to Acquire Aetna; Combination to Provide Consumers with a Better Experience, Reduced Costs and Improved Access to Health Care Experts in Homes and Communities Across the Country," December 3, 2017; Mattioli D, Nassauer S, and Mathews A, "Walmart in Early-Stage Acquisition Talks With Humana," *The Wall Street Journal,* March 29, 2018; DaVita, "DaVite Medical Group to Join Optum," December 6, 2017; Health Care Advisory Board interviews and analysis.

Three key types of vertical integrations

National Retail Clinic/Pharmacy and Insurer

A retail clinic and pharmacy chain with a national presence, partnered with a commercial health insurer

Proposed Examples of Vertical Integration:

- CVS and Aetna
- Walmart and Humana

Insurer and Provider

A commercial health insurer partnered with an organization that provides outpatient, inpatient, and/or post-acute care

Examples of Vertical Integration:

- Highmark Health's acquisition of Alleghany Health Network
- Humana's acquisitions of Kindred Healthcare, Concentra
- Anthem's acquisitions of CareMore, HealthSun
- Centene's acquisition of Community Medical Group

Non-provider Entity and Physician Group

An organization that is not involved in care delivery partnered with an independent physician group

Proposed Examples of Vertical Integration:

- Optum acquisition of MedExpress, DaVita Medical Group, etc.
- Apple's rumored interest in acquiring primary care providers
- GuideWell and Diagnostic Clinic Medical Group, Sanitas Medical Center, and GuideWell Emergency Medicine Doctors

Source: Market Innovation Center interviews and analysis.

Integrators' opportunities

	Integrators' Opportunities:	Retail + Insurer	Insurer + Provider	Non-provider Entity + Physician Group(s)
Improve Cost Efficiency	Reduce cost of services		• Assemble a low-cost network	• Improve efficiency of care delivery
	Improve patients' long-term health outcomes	• Target beneficiary interventions	• Emphasize primary care • Control risk escalation	• Leverage new data for population health
Influence Customer Options and Choice	Directly incentivize patients' choice	• Capture low-acuity care volumes • Capture prescription volumes • Capture lab volumes • Capture imaging volumes • Capture infusion volumes	• Direct volumes to network sites	
	Capture shopping patients			• Leverage brand recognition • Apply marketing expertise
	Create an employer product	• Launch employer wellness services • Offer occupational health services		

Source: Market Innovation Center interviews and analysis.

CVS-Aetna piloting new health, wellness ecosystem

CVS HealthHUB concept stores pilot in Houston market

- Stores are open to all patients (not just Aetna members)
- Subset of Aetna patients targeted to receive special consultations every time they pick up a prescription; goal is to review patient's overall health and prescriptions and connect with HealthHUB services as needed

CVS HealthHUBs

- Care concierge and consultation
- On-site dieticians and nutrition support
- Phlebotomy services
- Yoga & wellness seminars
- Chronic disease management
- CVS MinuteClinics
- Asthma & respiratory care

Source: Ramsey, L, "Take a Look Inside CVS's New Health Hubs That Are a Key Part of Its Plan to Change How Americans Get Healthcare," *Business Insider*, February 13, 2019; Paavola, A, "CVS Unveils HealthHub Store Design," *Becker's Hospital Review*, February 13, 2019; LaVito, A and Coombs, B, "CVS Health Shows off New HealthHUB Store Design," *CNBC*, February 13, 2019; Market Innovation Center interviews and analysis.

Walgreens exploring new opportunities in care

Walgreens tests new integrated care services and supply chain initiatives

Evolving Delivery Model Through Partnerships

- Telehealth consults in select markets through partnership with NewYork-Presbyterian
- Co-located Walgreens retail health clinics with MedExpress urgent care centers in six states in partnerships with UnitedHealth Group
- Senior-focused clinics launched in Kansas City in partnership with Humana

Expanding Services in Select Stores

- Optical care and optometry services
- Hearing screenings through Starkey partnership
- Digital marketplace that allows users to search for providers and schedule appointments in select markets
- Lab services through LabCorp partnership at select sites
- Walgreens health guides for care navigation

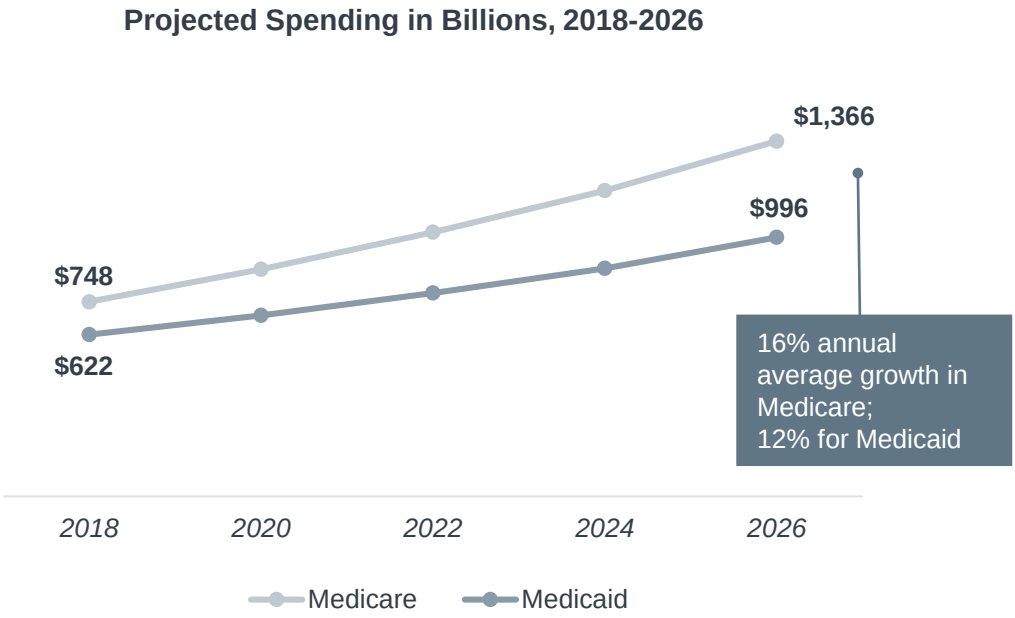
Source: LaVito, A, "Walgreens and CVS are Redesigning their Drugstores to Focus More on Health. Here's How They Compare," *CNBC*, February 18, 2019; Johnsen, M, "Walgreens Launches Pilot Program in Gainesville, Fla. Stores," *DSN*, April 21, 2018; Market Innovation Center interviews and analysis.

Payment Reform

- CMS
- Cost and Quality Transparency
- ACOs
- Shift to Value-Based Care
- Bundled Payments
- MACRA
- Policy Reform

Government spending continues to rise

Medicaid expansion and an aging population drive spending growth

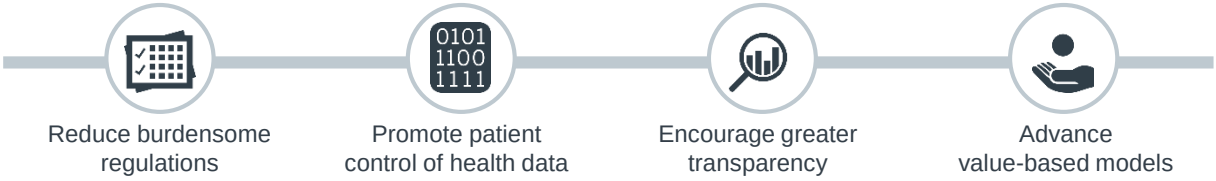


Source: CMS, "National health Expenditures Projections 2017-2026," 2017; Market Innovation Center interviews and analysis.

A new era for Medicare and Medicaid

Current administration continuing to push for delivery system reforms

Alex Azar and Seema Verma lay out four-pronged regulatory agenda



Source: Azar A, "Remarks on Value-Based Transformation to the Federation of American Hospitals," HHS, March 5, 2018; Health Care Advisory Board interviews and analysis.

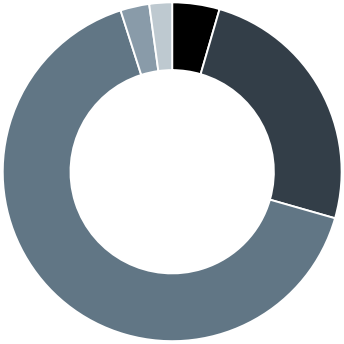
CMS trying to shed light on quality transparency

Star Rating methodology change ignited backlash, concerns

Overall Star Ratings Distributions

Old Methodology

n=2,902

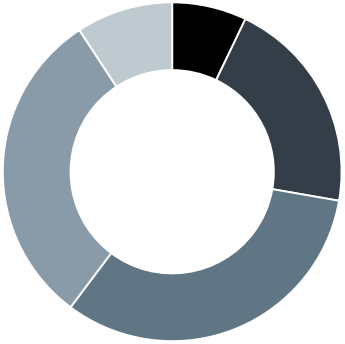


49%

Hospitals saw their star ratings shift after the change

Revised Methodology

n=3,692



1 star | 2 star | 3 star | 4 star | 5 star

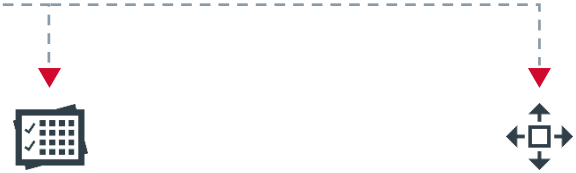
Source: CMS, December 2017; Market Innovation Center interviews and analysis.

CMS aims to facilitate steerage

Using government influence to advance efforts in the private sector

With 2019 IPPS rule, CMS looking to advance two key transparency goals

2019 Hospital Inpatient Prospective Payment System Final Rule



	1 Standardize current approach	2 Expand beyond current efforts
Transparency Goal		
Specific Proposals	Requires hospitals to: • Post "standard charges" (e.g., charge master) online • Update charge information annually	Seeking comment on: • Other types of price information hospitals should make public • Mechanisms for enforcing hospital compliance
Efforts designed to advance private sector transparency	• Ensure charges are posted in machine-readable format	• How CMS can work with third parties to improve usability

Source: CMS, FY 2019 IPPS Final Rule, August 2, 2018; Health Care Advisory Board interviews and analysis.

ACOs poised for major overhaul

CMS zeroes in on upside-only models

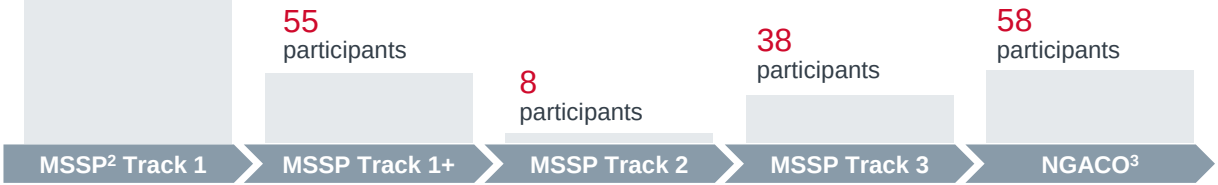
2018 ACO participation, by model

460 participants[1]

298%
Increase in participation in downside models since MACRA implementation

82
Track 1 ACOs who must transition to downside risk or drop out in 2019

71%
Surveyed Track 1 ACOs who would drop out rather than transition to downside risk



1) As of January 2018.
2) Medicare Shared Savings Program.
3) Next Generation ACO.

Source: "Next Generation Accountable Care Organization Model (NGACO Model)," January 18, 2018; CMS, "2018 Medicare Shared Savings Program Organizations," January 2018; Health Care Advisory Board interviews and analysis.

CMS ACO performance inconsistent

One-third achieve bonus savings targets

CMS ACOs – 2017 Performance
60% generated savings; 34% achieved the bonus level, saving on average 5%

	# ACOs	% of ACOs	% Average Savings
Savings > 15%	4	1%	20%
Savings 10-14%	18	4%	11%
Savings 5-9%	76	16%	7%
Savings 0-4%	64	14%	3%
All ACOs earning bonus	**162**	**34%**	**5%**
Savings, but below bonus level	122	26%	1%
Negative savings	188	40%	-2%
All CMS ACOs	**472**		**1%**

CMS ACOs Performance by Type – 2016 Performance
Physician-only ACOs perform best

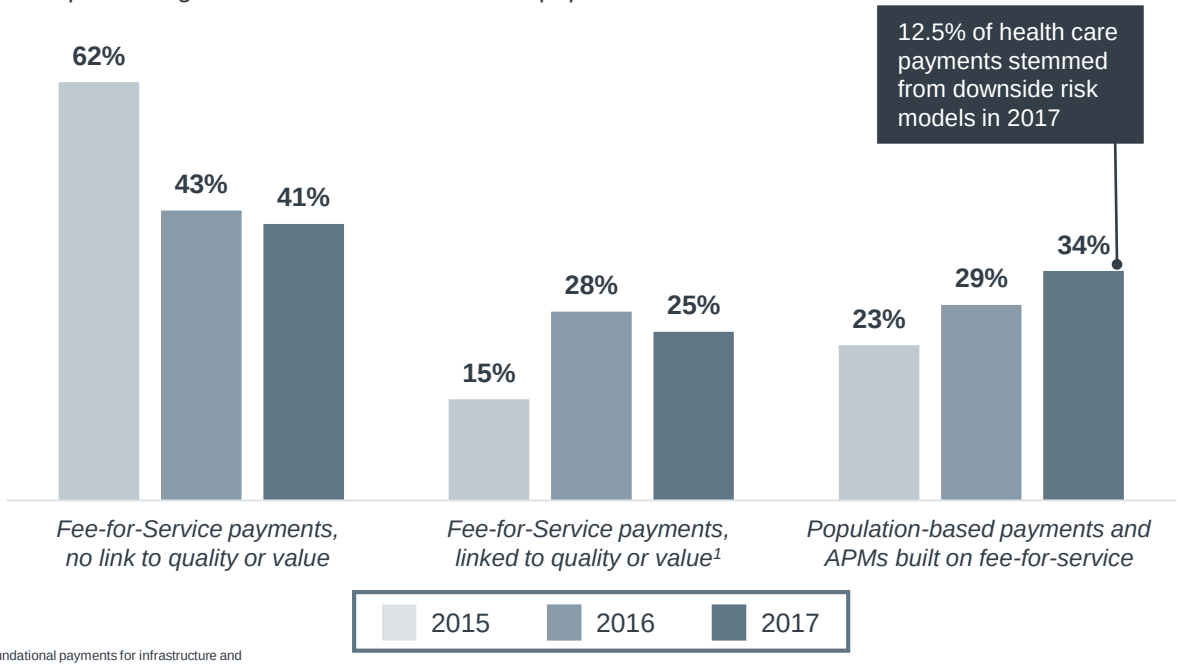
Type of ACO	Number of ACOs	% of ACOs that earned a bonus
Physician-Only	134	45%
Hospital	226	23%
FQHC	58	31%
PAC Facility	8	38%
All	432	31%

Source: CMS, "Publicly Available ACO Data and ACO Performance Data sources Maintained by CMS; Market Innovation Center interviews and analysis.

Sustained movement towards value-based payments

Alternative Payment Model (APM) Migration

Payments from Commercial, Medicaid, MA, and Fee-for-Service Medicare Plans, representing 67% to 77% of U.S. covered population



1) i.e. Foundational payments for infrastructure and operations, pay-for-reporting, and pay-for-performance

Source: Health Care Payment Learning and Action Network, "Measuring Progress: Adoption of Alternative Payment Models in Commercial, Medicaid, Medicare Advantage, and Fee-for-Service Medicare Programs," October 2018; Market Innovation Center interviews and analysis.

Bundles no longer mandatory, but BPCI expanding

After cancelling EPMs[1] and scaling back CJR[2], bundles are back

New voluntary bundle introduces outpatient episodes for the first time

Overview of BPCI Advanced

Episodes included	29 inpatient episodes and three outpatient episodes; spans 90 days post-discharge or procedure
Eligible clinicians	Hospitals and physician groups may initiate episodes; post-acute providers may participate
Payment mechanics	Uses retrospective reconciliation to adjust payments; participants take on total financial risk from the outset

1,299 participants

832 hospital participants

Azar leaves door open on mandatory bundles

> "If, to test a hypothesis around changing our health care system, it needs to be **mandatory** as opposed to **voluntary** to get adequate data, then so be it."
>
> *Alex Azar, Secretary of HHS, January 9, 2018*

1) Episode Payment Models.
2) Comprehensive Care for Joint Replacement Model.

Source: The Daily Briefing, "HHS Sec nominee signals potential shift on mandatory payment models," January 9, 2018; Health Care Advisory Board interviews and analysis.

Congress slows MACRA[1] roll-out in 2018

MIPS[2] poised to become the new SGR?

Congress grants CMS two new flexibilities to control pace of MIPS roll-out

Under 2018 MACRA rule		Under Bipartisan Budget Act
CMS must weigh cost category at 30% in 2019	1 →	CMS can weigh cost category between 10-30% through 2021
CMS must set 2019 performance threshold at 2018 mean/median	2 →	CMS can gradually increase performance threshold through 2021

Implications for providers

- Likely slows ramp-up of MIPS; **provides more transition time** for those who need it
- Lower threshold may result in **fewer dollars for top MIPS performers**, those who have invested heavily in preparation
- **Does not change long-term incentives** to consider advanced APM participation

1) Medicare Access and CHIP Reauthorization Act.
2) Merit-based Incentive Payment System.

Source: CMS, Medicare Access and CHIP Reauthorization Act"; Dickson V, "CMS Will Give Providers Flexibility on MACRA Requirements," *Modern Healthcare,* September 2016; CMS, Medicare Program; CY 2018 Updates to the Quality Payment Program; and Quality Payment Program: Extreme and Uncontrollable Circumstance Policy for the Transition Year, November 2017; Health Care Advisory Board interviews and analysis.

Elections put health care back in political spotlight

Divided Congress limits prospect of major near-term legislative reforms

Democrats regain House, Republicans retain Senate

House results:

235	199
Democrats *(+40 seats)*	Republicans *(-40 seats)*

Senate results:

47	53
Democrats *(-2 seats)*	Republicans *(+2 seats)*

- Eliminates Republicans' ability to repeal and replace the ACA in the immediate future
- Increases Democrats' ability to scrutinize Trump Administration through newfound oversight and investigation powers, and to preserve ACA consumer protections and bolster insurance marketplaces
- Introduces potential for House to pass symbolic "Medicare-for-All" single payer bill as Democrats build 2020 platform

Bipartisan Congressional priorities likely to continue

- Confronting opioid epidemic
- Scrutinizing industry consolidation
- Advancing price transparency
- Bolstering rural health facilities
- Addressing prescription drug pricing

Source: Health Care Advisory Board interviews and analysis.

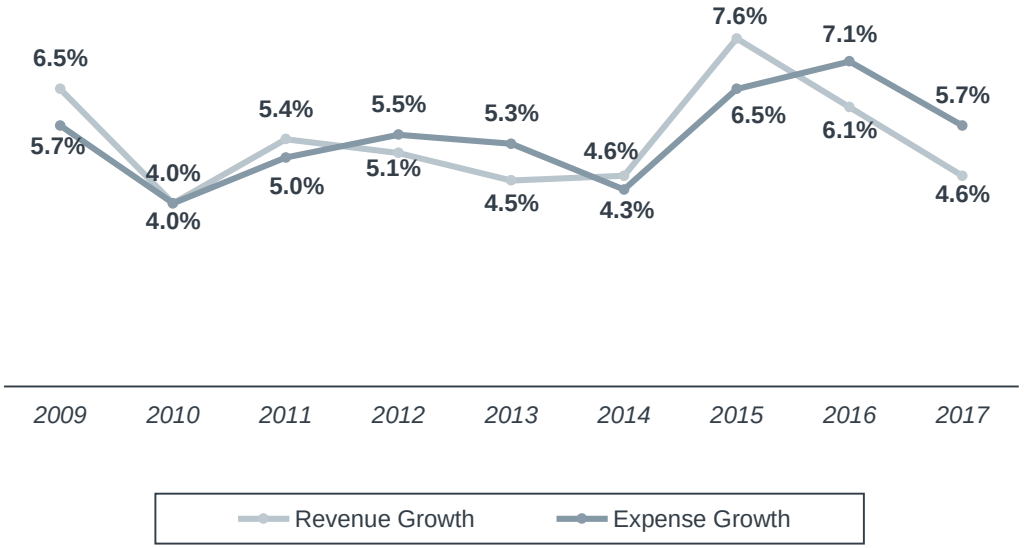
Provider Market

- Hospital Finances
- Volume Performance
- Outpatient Shift
- Mergers and Acquisitions
- Ambulatory Networks

Hospital revenue growth dwarfed by rising costs

Revenue and Expense Growth Rates for Non-Profit Hospitals

2009-2017 Medians

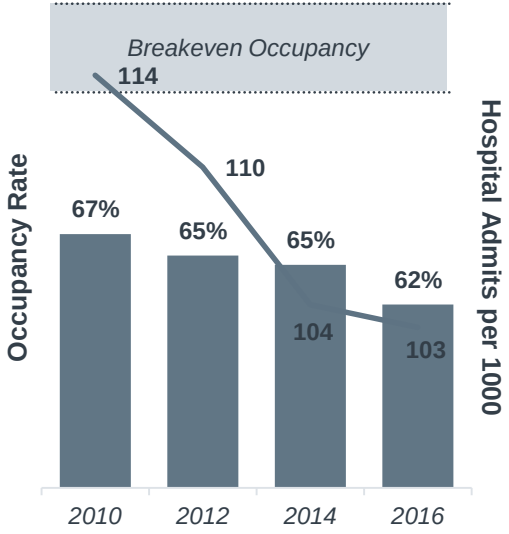


Source: Moody's Investors Service, "Revenue Growth and Cash Flow Margins Hit All-Time Lows in 2013 US Not-for-Profit Hospital Medians," August 2014; Moody's Investors Service, "Preliminary Medians Underscore Negative Sector Outlook," *Moody's Sector In-Depth,* April 2018; Advisory Board interviews and analysis.

Zeroing in on price

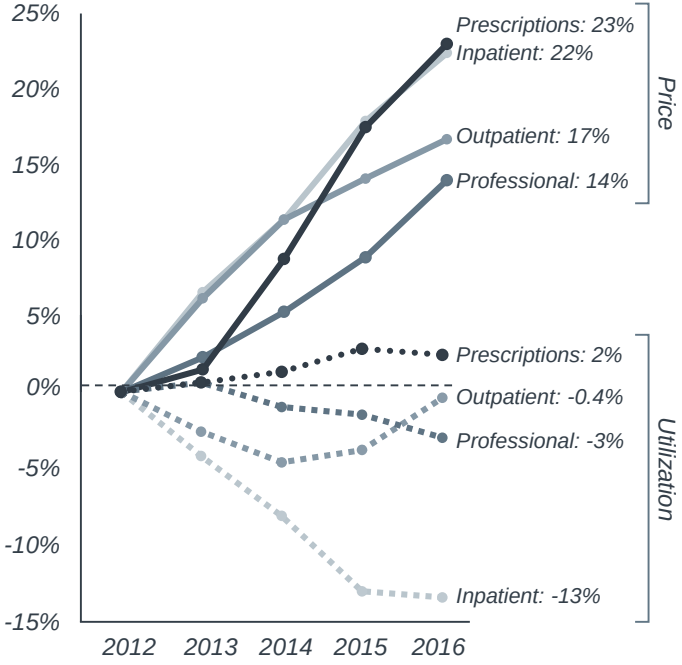
Hospital Occupancy Rates and Admits

2010 - 2016



Commercial spending growth driven by price

Cumulative percent change in price, utilization 2012-2016



Source: HCCI, "2016 Health Care Cost and Utilization Report," January 2018; PwC, "Medical cost trend: Behind the numbers 2018," June 2017; MedPac, "Medicare Payment Policy," March 2018; Modern Healthcare," Not-for-profit hospitals' cost-cutting isn't keeping up with revenue decline," August 2018; Health Care Advisory Board interviews and analysis.

Nine price and cost pressures squeezing margins

Downward Pricing Pressure

1

Direct reimbursement pressure

2

Federalism and state-based coverage reform

3

Dilution of commercial coverage

4

Deregulation and the new era of competition

5

Shifting demographics and payer mix evolution

Provider Margins

Upward Cost Pressure

Rising pharmaceutical costs

6

Uncontrolled labor spending growth

7

Increasing reliance on IT enablement

8

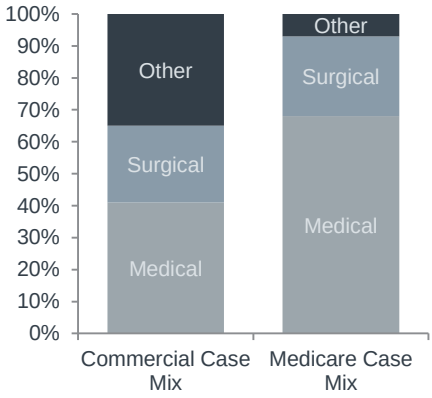
Growth in purchased services

9

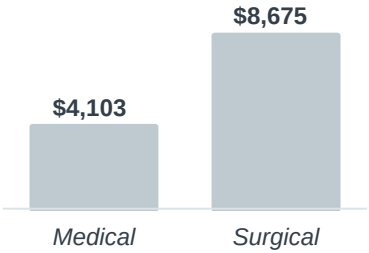
Source: Health Care Advisory Board interviews and analysis.

Chronic conditions pressure margins for acute care

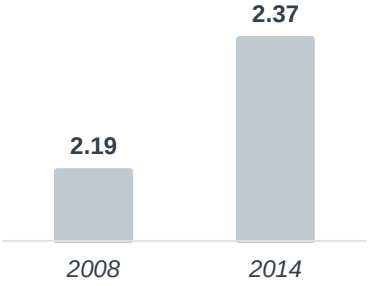
Shift to Greater Lower-Margin Medical Utilization



Inpatient Per-Case Medicare FFS Contribution Margin, 2017



Ratio of Medical to Surgical Inpatient Admissions



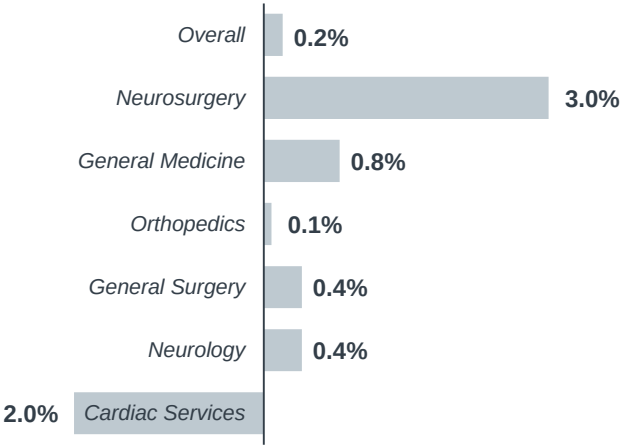
Source: HFMA, Leavitt Partners, and McManis Consulting, "What is Driving Total Cost of Care?" 2018; AHRQ, "Medical Expenditure Panel Survey (MEPS), 2014; Advisory Board interviews and analysis.

Volume performance projections remain modest

Inpatient and hospital-based outpatient volume projections

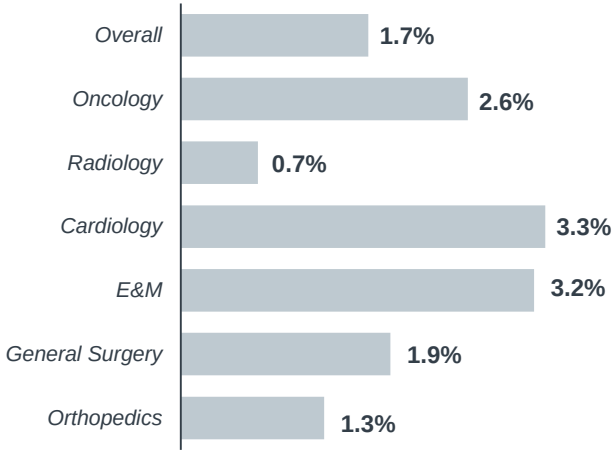
Inpatient Volume, CAGR[1]

2016-2021



Hospital-Based Outpatient Volume, CAGR

2016-2021



1) Compound Annual Growth Rate

Source: Advisory Board Market Scenario Planner; Advisory Board research and analysis.

Case mix shift poised to exacerbate payer mix shift

An “old-old” boomer generation will strain future provider economics

“Young-old” (65-74)

113.95 Hospitalizations per 1,000 enrollees

34.1% Surgical portion of MS-DRG volumes[1]

	Highest volume inpatient conditions, 2017
1	Major hip and knee joint replacement
2	Septicemia
3	Heart failure
4	COPD
5	Pulmonary edema & respiratory failure

“Old” (75-84)

189.84 Hospitalizations per 1,000 enrollees

25.9% Surgical portion of MS-DRG volumes[1]

	Highest volume inpatient conditions, 2017
1	Septicemia
2	Major hip and knee joint replacement
3	Heart failure
4	COPD
5	Pulmonary edema & respiratory failure

“Old-old” (85+)

285.97 Hospitalizations per 1,000 enrollees

15.8% Surgical portion of MS-DRG volumes[1]

	Highest volume inpatient conditions, 2017
1	Septicemia
2	Heart failure
3	Kidney & urinary tract infection
4	Major hip and knee joint replacement
5	Simple pneumonia

1) Excludes MS-DRGs with fewer than 11 cases.

Source: CMS Standard Analytical Files (SAF), January 1 – December 31, 2017; Advisory Board interviews and analysis

Outpatient shift a pressing concern

Eroding IP volumes, leaving excess bed capacity and complex cases

Share of Surgeries

Percentage Inpatient vs. Outpatient

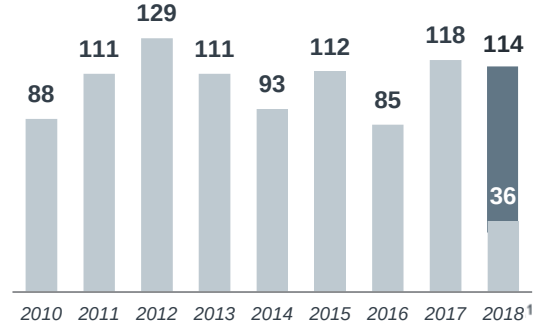
Source: AHA, "AHA Trendwatch Chartbook 2018," available at https://www.aha.org/system/files/2018-07/2018-aha-chartbook.pdf; Market Innovation Center interviews and analysis.

M&A activity continues at a steady clip

…But consolidation drives price advantage, not cost advantage

Hospital M&A Activity

Total Deal Volume



Hospitals Part of a Health System

2,176 → 3,231

In **2005** In **2016**

Hospital, Physician Integration Correlated with Increased Price

Hospital Prices Increase with Reduced Competition

$2,000

Per-admission price differential between markets with one hospital and markets with four or more hospitals

Physicians Practice Prices Increase After Health System Acquisition

12% Average price increase by primary care physicians

34% Average price increase by specialists (e.g. cardiologists)

1) Observed Activty in 2018 only includes data from Q1

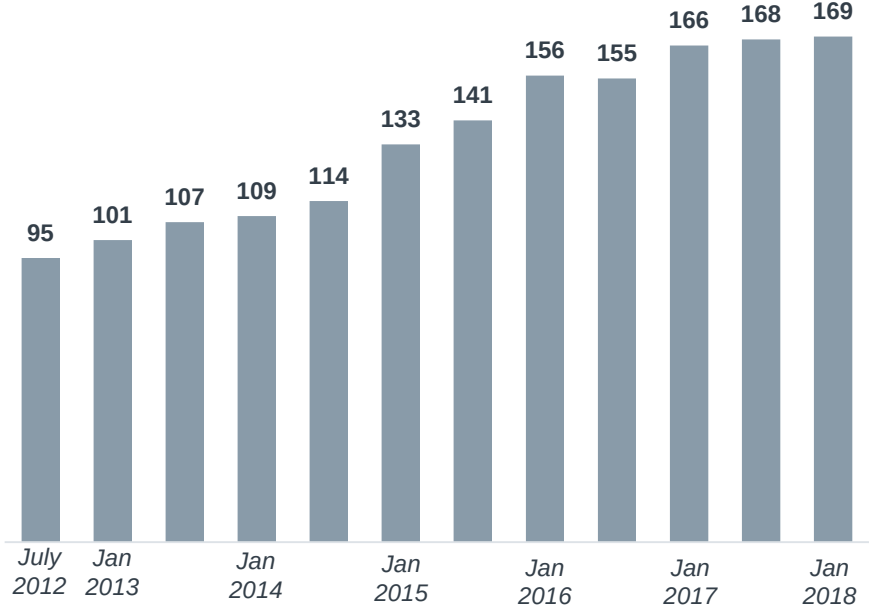
Source: Ponder & Co, "Announced Hospital M&A Activity Report," April 2018; Kaufmann Hall, "2017 in Review: The Year M&A Shook the Healthcare Landscape," January 2018; Evans, M., "Data suggest hospital consolidation drives higher prices for privately insured," *Modern Healthcare*, Dec. 15, 2015; AHIP, "Data Brief: Impact of Hospital Consolidation on Health Insurance Premiums," June 2015; Neprash, H. et al., "Association of Financial Integration Between Physicians and Hospitals With Commercial Health Care Prices," *JAMA Internal Medicine*, Dec. 2015; Kaufmann Hall, *Hospital Merger and Acquisition Activity Continues Upward Momentum, According to Kaufman Hall Analysis*; American Hospital Association, "2018 Edition, AHA Hospital Statistics;" Health Care Advisory Board interviews and analysis.

Physician employment by systems continues

28,000 physicians transitioned to hospital employment since July 2015

Employment of Physicians

Number of Hospital-Employed Physicians, in Thousands



Between July 2016 and January 2018…

8,000
Independent physician practices acquired by hospitals

6%
Increase in percentage of hospital-employed physicians

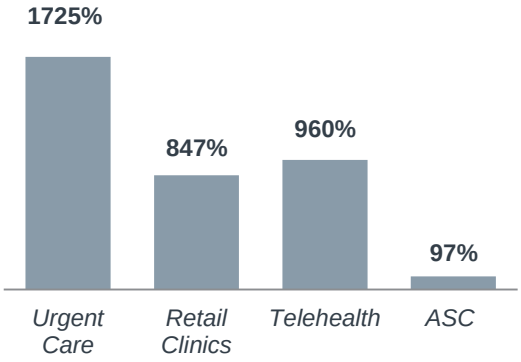
Source: Avelere Health and Physicians Advocacy Institute, "Updated Physician Practice Acquisition Study," February 2019; Market Innovation Center interviews and analysis.

Ambulatory sites experiencing swelling volumes

Providers competing to draw patients upstream

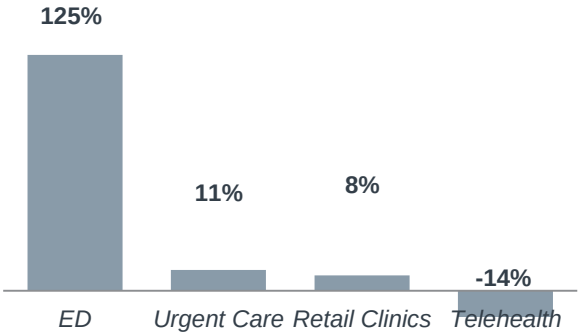
Increased Utilization of Ambulatory Care

% Change in Claims Lines (2007-2016)



Lower costs of Ambulatory Care

% Change in average out-of-pocket costs per low-acuity visit

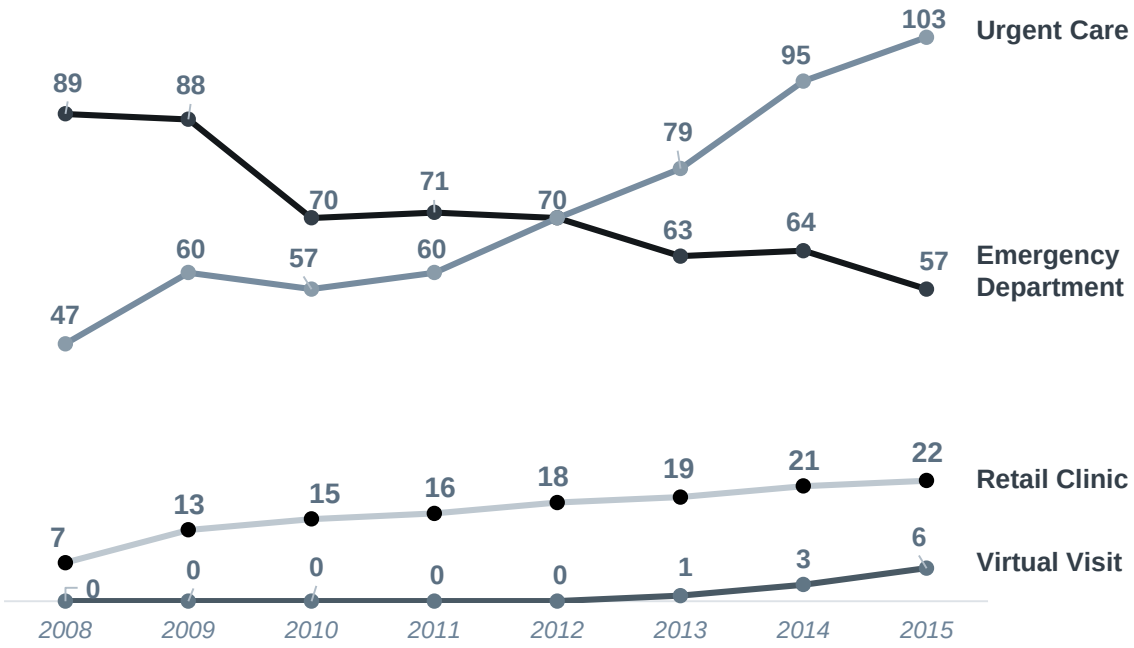


Source: FAIR Health, "Urgent Care Center Growth in Claim Lines More Than Seven Times That of Emergency Rooms from 2007 to 2016," March 2018; Market Innovation Center interviews and analysis.

ED volumes displaced to alternative care sites

Visits to acute care venues for low-acuity conditions

Visits per 1,000 members



Source: JAMA Internal Medicine, 2018; Advisory Board analysis.

Retail clinics expected to continue growing

Clinics drive utilization, but minimally offset ED utilization

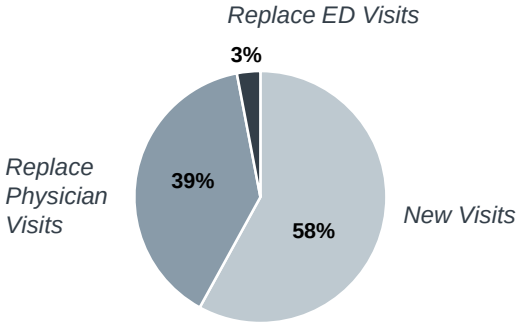
2800

Estimated total number of retail clinics in the US.

2X

There are approximately double the number of retail clinics as there were in 2014.

Increased Utilization in Health Care Clinics Offsets Savings



Retailer	minute clinic	Walgreens healthcare clinic	The Little Clinic	RediClinic	Walmart Save money. Live better.
Operational Retail Clinics	1,100+	400+	215+	65	88

1) Includes partner clinics operated in Walgreens' stores.

Source: Accenture, "Number of US Retail Clinics Will Surpass 2800 by 2017," 2015; RAND Corporation, "The Evolving Role of Retail Clinics," 2016; Scott Ashwood et al., "Retail Clinic Visits for Low-Acuity Conditions Increase Utilization and Spending," 2016, Health Affairs; CVS, "MinuteClinic History;" The Little Clinic, "About Us;" RediClinic, "Clinics;" SolvHealth, "The Clinic at Walmart;" Walgreens, "Clinic Locations;" Market Innovation Center interviews and analysis.

Urgent care ripe for consolidation and diversification

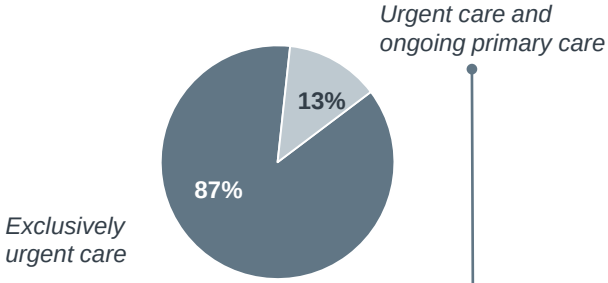
7,777

Estimated number of urgent care clinics in operation in the US in 2018

<5%

Maximum percentage of total industry revenue generated by any of the largest players

Urgent Care Beginning to Offer Ongoing Primary Care Services[1]



Continued growth likely in urgent care centers offering ongoing primary care to bolster referrals, relieve primary care offices, and manage population health

Operator	Concentra	MedExpress Urgent Care	Dignity Health / U.S. HealthWorks Medical Group	Doctors Express Urgent Care	NextCare Urgent Care
Operational Urgent Care Centers[2]	400+	180	211	190	141[3]

1) As of January 2016.
2) As of December 2018.
3) Includes other brands under the same ownership.

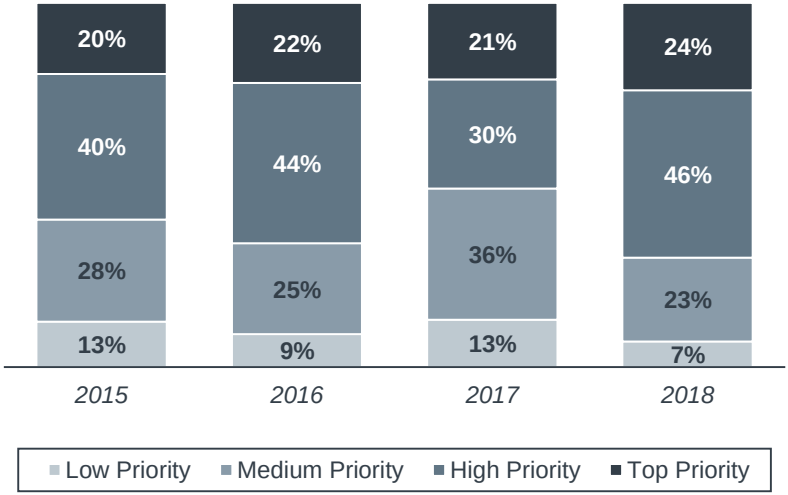
Source: IBISWorld, "Urgent Care Centers Industry in the US," July 2018; Merchant Medicine, "The ConvUrgentCare Report," Vol. 8, No. 7, July 2015; Concentra, "Locations;" US Health Works, "Find a Medical Center;" AFC Urgent Care, "Locations;" NextCare Urgent Care Centers, "NextCare Urgent Care Locations;" Market Innovation Center interviews and analysis.

Interest and investment show no signs of slowing

Telehealth continues to be a top priority for health care professionals

Telemedicine as a Strategic Priority

REACH Health, U.S. Telemedicine Industry Benchmark Surveys, 2015-2018



83%

Health care executives responding that they were likely to invest in telehealth in 2017[1]

1) ATA, "Executive Leadership Survey"; n=168.

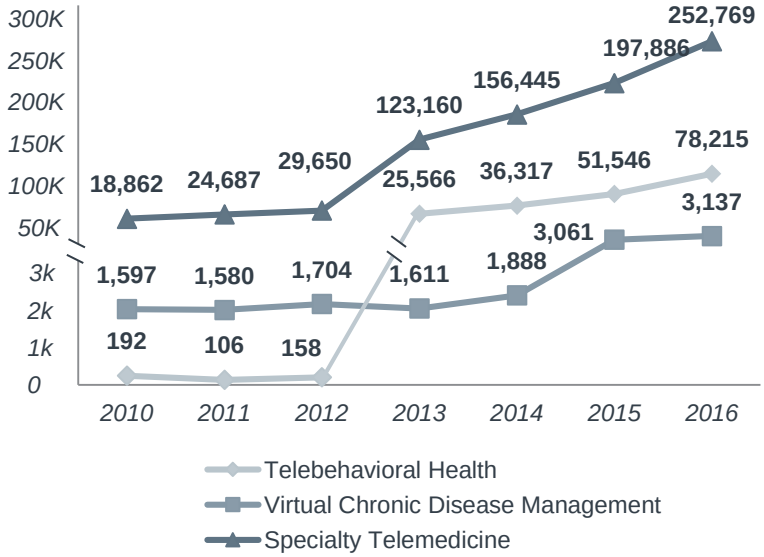
Source: "2018 U.S. Telemedicine Industry Benchmark Survey," REACH Health, March 2018, available at: https://reachhealth.com/resources/telemedicine-industry-survey/; ATA, "Executive Leadership Survey," March 2017, http://thesource.americantelemed.org/resources/telemedicine-executive-leadership-survey; Service Line Strategy Advisor research and analysis.

Telehealth shows rapid growth, but low volumes

Telehealth adoption contingent on coverage expansion

Medicare Fee-for-Service Telehealth Volumes[1]

2010-2016



28%

Growth in Medicare FFS volumes from 2015-2016

$28.7M

2016 Medicare Part B telehealth reimbursements

$72.9B

Total 2016 Medicare physician fee schedule reimbursements

1) Data from Medicare Provider/Supplier Purchase Summary Files, 2010-2016.

Source: Telehealth Reimbursement Primer (2018), Service Line Strategy Advisor research and analysis.

Provider Selection

- Physician Referrals
- Consumerism
- New Consumer Preference Data
- Patient Loyalty

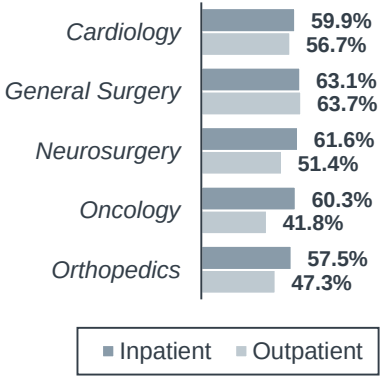
Large opportunity in enhancing physician loyalty

PCP Referral Integrity

Advisory Board CMA Members (n=284)

Employed PCP Overall Loyalty

Employed PCP Loyalty by Specialty



Optimized Loyalty Scenario

Scenario: Raise in-network PCP referral integrity from 53% to 80%

Practical Maximum Referral Loyalty	80%
Downstream Care Delivery Revenue	$80.7M
Total Increase in System Revenue	7.1%

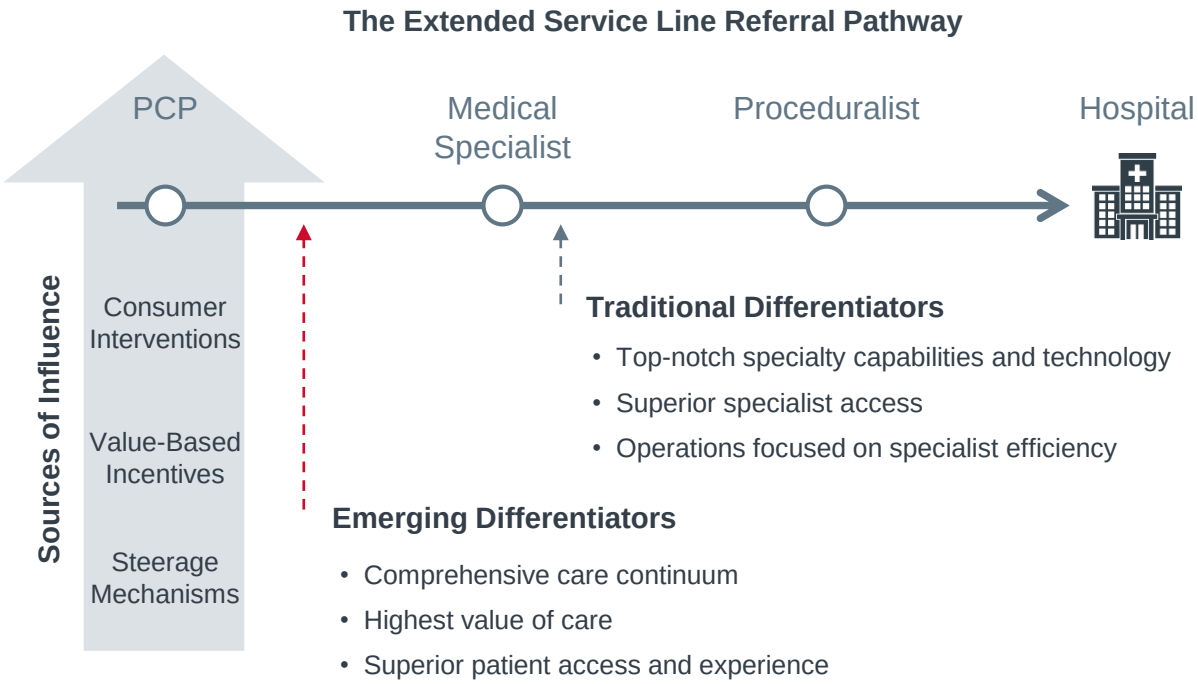
Major Assumptions of Scenario:

- Sample health system has baseline revenue of $1.1B; 54% of PCP referrals are in-network
- 34% of specialist visits are from self-referrals
- Hospital occupancy can fill by 20%
- Convenient care referral integrity does not increase

Source: Health Care Advisory Board interviews and analysis.

Referral choice criteria different for PCPs, specialists

Emerging and traditional differentiators for physicians



Source: Service Line Strategy Advisor interviews and analysis.

Drivers of point-of-care consumerism

Market Shift	Why Is This Changing?	Effect on Market
 **Weakening of physician recommendations**	• Growth of new primary care options, transparency could undermine traditional PCP relationships	• Increase in self-referrals • More steerage of provider referrals
 **Emergence of meaningful alternatives**	• New market entrants providing attractive alternatives	• Competition • More (and better) choices for consumers
 **Consumers adopt greater financial responsibility**	• Prevalence of HDHPS increasing • Magnitude of OOP responsibility continues to grow	• Price sensitivity • Shopping behavior
 **Greater transparency**	• Proliferation of third party transparency vendors continues • Providers' improved communications on value	• More information to make educated decisions about care and providers

Source: Advisory Board interviews and analysis.

Price-exposed workers sway the demand economy

The Near-Term and Long-Term Impact of Increased Employer Cost-Shifting

Near-Term Volume Impact

1

Decreased Demand

Large out-of-pocket obligation leading to deferral of care across all services

2

Extreme Seasonality

Delaying high-acuity elective care until out-of-maximum achieved, accentuating volume shifts to the end of the year

Near-Term Pricing Impact

3

Reduced Collections

Inability to pay out-of-pocket obligation leading to decline in patient collections

Long-Term Market Share Impact

4

Increased Shopping

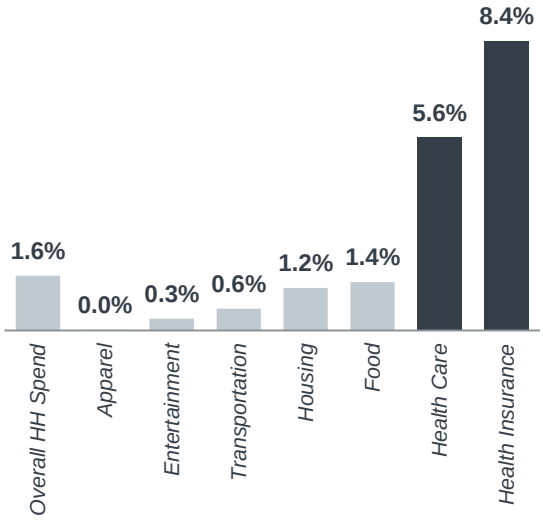
Growth of transparency apps facilitating price comparisons, shifting preference to lower-priced providers

Source: Health Care Advisory Board interviews and analysis.

More of consumers' wallets going to health

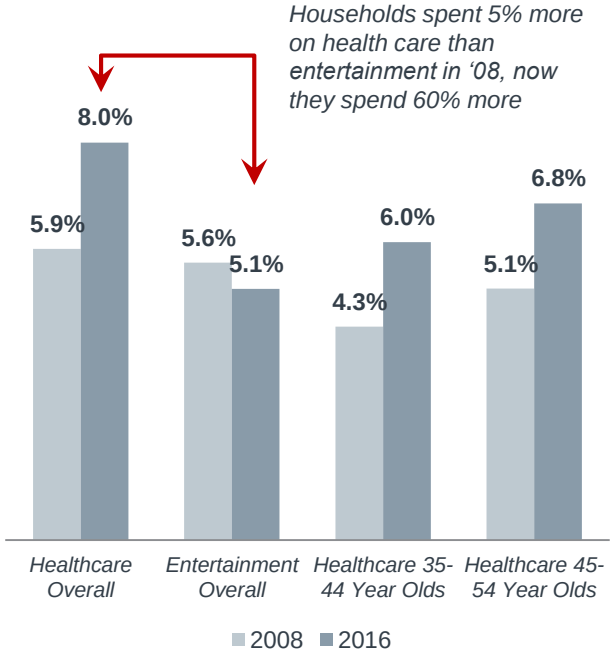
Growth in Household Spend by Category

CAGR 2008 - 2016



Health Care Spend as % of Total Household Spending

2008 vs. 2016



Source: Bureau of Labor Statistics, "Consumer Expenditure Survey," 2017; Market Innovation Center interviews and analysis.

Gynecology shoppers' hidden agenda: obstetrics

Of childless respondents say they intend to use their gynecologist for future deliveries

Women, even those far from starting a family, are planning ahead when shopping for routine care.

Delivery-related attributes score in the top 10

(n=1,035)

Rank	Factor
2	The provider delivers babies in a facility with good quality scores (ex. low birth trauma, episiotomy, and C-section rates
4	The provider delivers babies in a facility that offers specialized services for babies (ex. neonatal intensive care unit, lactation support)
5	The provider delivers babies in a facility that offers birth options of my choosing (ex. alternative pain relief options, cord blood options, vaginal birth after cesarean)
6	The provider delivers babies in my preferred facility (ex. specific hospital, freestanding birthing center, private home)
8	The provider guarantees s/he or another provider from their practice will attend their patients' deliveries

Source: Market Innovation Center, "Women's Services Consumer Choice Survey," 2018, Advisory Board Company.

After insurance, consumers prioritize quality

Top ten attributes for knee replacement surgery

(n=983)

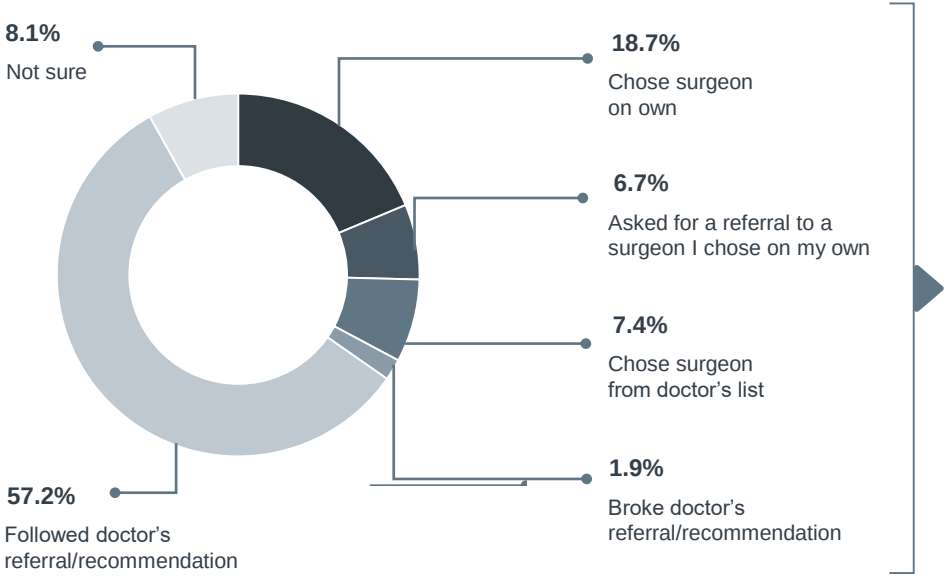
Rank	Category	Attribute
1	Price	The surgical facility accepts my insurance
2	**Quality**	The surgeon specializes in knee replacement surgery
3	Experience	The surgeon takes time to review my condition and answers my questions
4	**Quality**	The surgeon has top scores (e.g. low surgery site complications rate, low readmissions rate, short recovery time)
5	Reputation	The surgical facility is known for being one of the best in the area
6	**Quality**	The surgical facility has top scores (e.g. low surgery site complications rate, low readmissions rate)
7	Reputation	The surgeon is on a top surgeon's list
8	**Quality**	The surgical facility uses cutting-edge technology (e.g. robotic-assisted surgery technology) that may reduce my recovery time
9	**Quality**	The surgeon performs many knee replacement surgeries every year
10	**Quality**	The surgical facility performs hundreds of knee replacements every year

Source: Advisory Board, Orthopedic Surgery Consumer Choice Survey," Market Innovation Center, 2018.

One third of consumers shop for orthopedic care

How did you chose an orthopedic surgeon?

(n=855)



35%

Of our 855 survey respondents who had a prior orthopedic surgery played an active role in choosing their surgeon

Source: Market Innovation Center, "Orthopedic Care Consumer Choice Survey," 2018, Advisory Board Company.

Digital health adoption, by segment

Digital Health Adoption, by Segment

2017

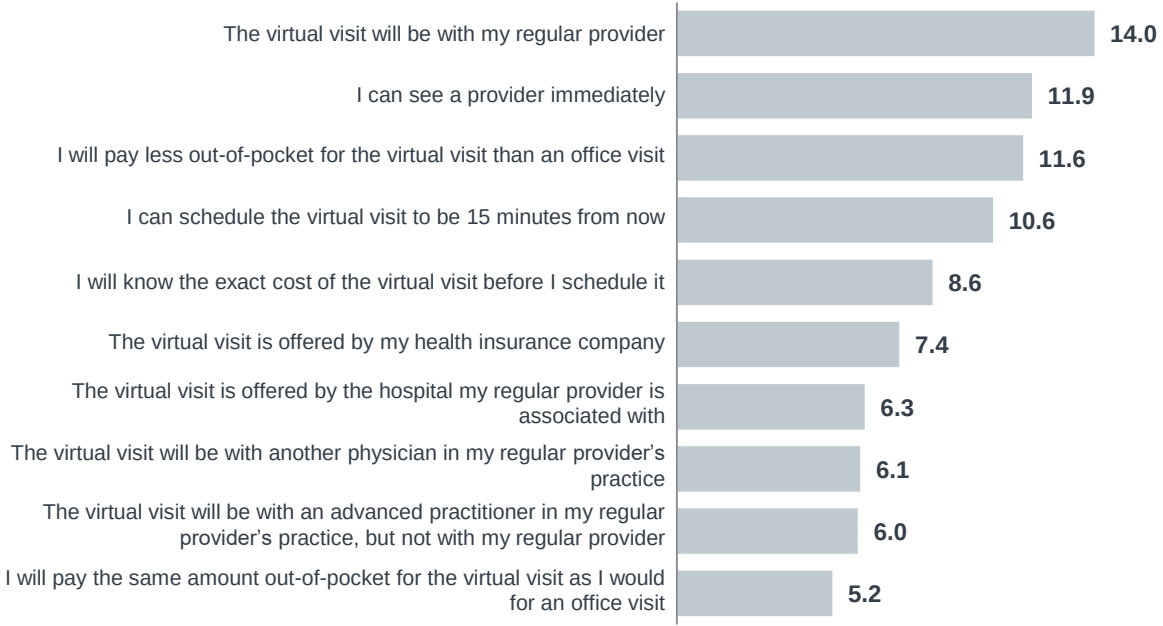
	Overall sample	Chronically ill seniors *Aged 65+ with 1+ chronic diseases*	Vulnerable *Income <$25,000 or Medicaid*	Worried well *Aged 18-35 and income >$75,000*	Aging adults *Aged 35-55 and income >$50,000*
Searched for online health information	79%	73%	75%	88%	84%
Searched for provider reviews	58%	39%	55%	77%	66%
Telemedicine (live video)	19%	3%	18%	42%	24%
Digital health goal tracking	24%	10%	17%	65%	39%
Wearable use	24%	12%	14%	63%	41%

Source: Healthcare Informatics, "Survey: 87 Percent of Consumers Have Adopted One Digital Health Tool," September 2018; Market Innovation Center interviews and analysis.

Consumers prioritize continuity, price for virtual visits

Average Utilities for Top Ten Preferred Urgent Care Virtual Visit Attributes

n=2,429



Source: Market Innovation Center, "Virtual Visit Consumer Choice Survey," 2017, Advisory Board Company.

Most patients are not loyal to a PCP

Percentage of Consumers Highly Loyal in Each of Three Loyalty Measures

If your primary care moved to another clinic or practice, how likely are you to **follow** him/her to another clinic or practice?

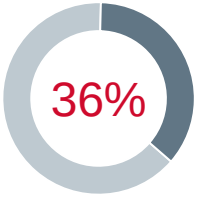
(On a scale of 0 to 10, with 0 being "definitely would not follow" and 10 being "definitely follow")

How likely are you to **stay** with your primary care physician over the next 12 months?

(On a scale of 0 to 10, with 0 being "definitely not staying" and 10 being "definitely staying")

How likely are you to **recommend** your primary care physician to friends or family members?

(On a scale of 0 to 10, with 0 being "not at all likely" and 10 being "extremely likely")



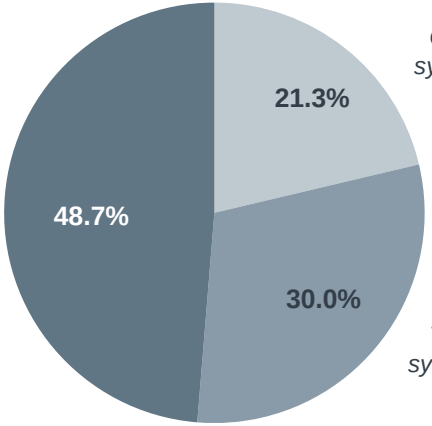
Source: Market Innovation Center, "Primary Care Physician Consumer Loyalty Survey," 2015, Advisory Board Company.

Nearly 80% of consumers using multiple systems

Average Medicare patient visits more than two systems in five years

Percentage of Consumers Using:

Across Five Years



2.8

Average number of systems used by the most loyalty-predisposed population

Source: Market Innovation Center interviews and analysis.

EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee
From: Ken King, CASO
Date: March 25, 2019
Subject: Report on Major Capital Projects in Process

Purpose:

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

Summary:

1. Situation/Status

   The construction of the Taube Pavilion, which will be home to the Scrivner Center for Mental Health and Addiction Services (aka BHS) building is progressing well and is 82% complete and is projected to be completed within budget. The original target date for patient occupancy has been moved from July to September. This will allow for the completion of construction activities of both the building and the waste water storage tank installation which are required elements for obtaining the final occupancy approvals. Activation and operations planning is well underway and opening events are being planned and scheduled.

   The construction of the Sabrato Pavilion (aka IMOB) is also progressing well and is 73% complete and projected to be completed within budget. Final tenant improvement plans for the leased areas are being reviewed by the City of Mountain View and the offsite improvements are underway. The target date for occupying this building has been moved from September to November. The transition into this building will follow the occupancy of the Taube Pavilion and will be completed in multiple planned move dates.

   The recommended plan and additional funding request for the Women's Hospital Expansion Project was approved by the Board of Directors in February and Construction Documents are being prepared for OSHPD plan review and permit.

   The planning for the demolition of the old main hospital and associated elements is in process with preliminary design concepts being evaluated. Preliminary costs estimates are being prepared and a presentation of the proposed plan will be presented at the May meeting of the Finance Committee.

2. Authority

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

3. Background

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

Step I:	Status
North Parking Garage Expansion -	Complete
Behavioral Health Services Building -	Construction
Integrated Medical Office Building -	Construction
Central Plant Upgrades -	Complete
Step II:	
Women's Hospital Expansion -	Design
Demolition of Old Main Hospital -	Programming

4. Assessment

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

5. Other Reviews

None

6. Outcomes

As stated in the status update the target dates for completing construction, furniture and equipment installation, activation planning and training along with the required licensing inspection have been moved out two months beyond the original target dates. By adjusting the target dates at this time we can more assuredly be successful with occupancy approvals and safe transition of patient care services. The primary objective continues to be completing the projects within the approved budgets and to safely transition into the new building environments.

List of Attachments:

None

Suggested Committee Discussion Questions:

None

EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: March 25, 2019
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. Situation: It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.

2. Authority: This is being brought to the Committees at the request of the Board and the Committees.

3. Background: Since the last Finance Committee Meeting the Hospital Board has met twice and the District Board will meet on March 19th, too late to include an update on. In addition, the Board has delegated certain authority to the Finance Committee and the Executive Compensation Committee. Going forward, those approvals will also be noted in this report.

A. ECH Board Actions

February 13, 2019

- Approved Revised Women's Hospital Expansion Project Plan and additional $10 million in funding
- Approved a process for the annual review of CEO performance.
- Approved funding for SVMD Clinic Site Tenant Improvements (not to exceed $8 million).
- Approved funding for replacement Interventional Services equipment (not to exceed $13 million)
- Approved funding for replacement imaging equipment (not to exceed $16.9 million).
- Approved Resolution 2019-03 approving effectuation of the Transaction and funding for SVMD's acquisition and establishment of five multi-specialty clinics.

March 13, 2019

- Approved in concept increasing ECH Board to a maximum of 10 members and reserving a seat for the CEO. A bylaws revision will be brought forward to the Board from the Governance Committee for the 4/10/19 ECH Board meeting. This will ultimately require approval of the El Camino Healthcare District Board also.
- Approved structure and guidance for enterprise risk management as recommended by the Compliance and Audit Committee.
- Approved Compensation for Nurse Practitioner for ASPIRE Program.

- Approved Revised ECH Director Compensation and Reimbursement Policy and Procedure
- Approved Revised Hospital Board Officers Nomination and Selection Procedures Updating Dates for Submission of Statements of Interest.
- Approved Revised Surplus Cash Investment policy
- Approved Sponsorship of SVMD as Risk Bearing Organization with Department of Managed Healthcare

B. ECHD Board Actions

Meets March 19, 2019

C. Finance Committee Actions
January 30, 2019

- Approved funding for Waste Water Storage Project (not to exceed $3.9 million)
- Approved funding for additional surgical robot (not to exceed $1,550,000 after trade in)
- Approved PAMF Hospitalist Coverage Agreement for unassigned patients.
- Approved unassigned newborn coverage agreement.

D. Executive Compensation Committee Actions

January 23, 2019

- Approved FY19 COO Individual Incentive Goals

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None

EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Boyd Faust, Committee Member
Date: March 25, 2019
Subject: Report on Educational Activity

Purpose:

To share information with the Finance Committee that was gathered from attending an educational conference

Summary:

Conference Title: Fourteenth National Value-Based Payment and Pay for Performance Summit

Sponsoring Organization: Global Health Care, LLC

Key Educational Points, Lessons Learned:

1. Health care policy and state of VBC
    a. Value vs economic leadership. How can we align these?
        i. Modern healthcare article just out calling for Rate Controls…this is the BAD alternative to VBC
        ii. No country can afford to spend 20% of its GDP on Healthcare
            1. What is the role of government in our lives?
        iii. Current state…only 15 to 18% of insured lives are treated by providers who take downside risk
        iv. Since Medicare and Medicaid have such buying leverage, the govt will still lead the payment methodology trend/race.
        v. MA is 1/3 of all Medicare spending
    b. 2 future insurance models in the U.S.
        i. Run like regulated utility OR
        ii. Owned by provider and payor assets jointly…like Aetna and CVS merged entity
    c. CMS revamped MSSP this year…Pathways to Success
        i. Also lays out pathway for small provider groups to jump into downside risk
        ii. Pushes harder toward non-FFS models
        iii. Effective 7/1/19
        iv. Some hospital ACOs dropped out since not doing well in MSSP
            1. 26% of MSSP ACOs quit/dropped out in 2018…a total of 73
    d. Should we review/change the regulations now on "affiliated entities" definition now that the business has changed to needing coordination
            1. Stark…banned doctors from referring to designated health services that the doctor also had a financial interest in…now if we are to start paying for outcomes/value then stark law may be against VBC
            2. Anti-kickback…
                a. Can we give out heart monitors/tablets to patients to help them self-care at lower cost
                b. Transportation for patients
                c. The above need to be legal since now they violate stark.

3. CMMI models appear successful
    a. APMs, demonstration projects, ACOs…

2. Strategically thinking about VBC models
    a. 30% of hospital in Advance Payment Models now but they have only 10% of their revenues in it.
        i. And only 1/3 of those qualified for a bonus
    b. Two types of overall models of reimbursement in the US
        i. FFS…" capacity model". You find what services make money and you build capacity to do lots of these services
        ii. VB Program…" needs based model" approach. Build resources to managed patients at the lowest price
    c. Anthem
        i. Lessons in payor collaboration
            1. Must engage with patients…
                a. Network design
                b. VB payment contracts
            2. Can't just rely on VBC and PCPs
            3. Not all providers are the same
                a. Anthem offers better partnership (sharing data, pathways and call centers cooperation etc.) and case studies best practices and other opportunities to the highest provider performers (AND WILL DROP OTHER PROVIDERS)

3. Making Downside Risk work
    a. Don't take risk if can't measure…payors can but providers often can't
    b. However, if you can identify the riskier patients from the rest, then you really can reduce your risk and make good profits
    c. CMS and HIMMS just announced new proposed joint rules on interoperability so that will help a lot so there is access to info by all providers who see a patient no matter what group they're with or EMR that they are on

4. Debating most efficient delivery and payment models
    a. Focus on price… Medicare for all vs. single payor alternative model in future
        i. Latest trend of hospitals buying up physician practices again…already had hospitals buy hospitals and insurance companies by insurance companies
        ii. Physician employed by hospitals rose from 20% to 47% in past 5 years
    b. Provider and payors should only work with partners who
        i. Share data
        ii. Coordinate care
    c. Avg Medicare person has 7 doctors in 4 practices
    d. Over 20% of Medicare discharges are readmitted
    e. 12 states currently regulate prices with cap and CA is looking at it now.

5. Role of pop health in VBC
    a. Run analytics
        i. All date in one place
        ii. Democratize date so it's easy to use…. prioritize your metrics since we are flooded with dashboards
        iii. Create actionable analytics
    b. Must have ways to communicate with millennials to close gaps in care
        i. Texts
        ii. Chat bots
        iii. Be high touch on all
        iv. Be creative…send test kits to someone home…like amazon does

v. Be clear and must engage wand have a call to action with members.
c. Preventable admissions
d. Improve quality scores and lower cost by having observation protocols before just admitting them
    i. COPD
    ii. Asthma exacerbation
    iii. Pneumonia
e. 3 top tailwinds for value-based care
    i. Pop health
    ii. Social determinants focus
    iii. Patient engagement
f. $1 trillion moving into VBC in 4 years by CMS so time is now to get your data right
g. 3 questions that providers want to know …
    i. Who(patient) is here today and what do I need to know about them?
    ii. Who is not here today?
    iii. How am I doing with what I'm trying to achieve with my patients
    iv. Overall, providers want to spend more time with patients and less paperwork

6. Programs of United Healthcare (UHC)
    i. Want to make it easy for providers to work with UHC
    ii. Give provider 360 view of what it was like being the providers patient
        1. Quality and cost data
            a. How does care they order compare with their peers…use of non-par SNF or PT post discharge as an example
        2. Benchmarking data compared to peers
    iii. 70 to 80% of UHC lives are in self-funded plans…most employers want broad network for choice
        1. Must give their members transparency data on quality and cost to help them make decisions then on
            a. Board network
            b. Narrow network
7. Advanced strategies in creating and managing narrow, tiered and high perf. networks
    a. You must be attractive
        i. Manage a population and deliver quality
        ii. Design network w an understanding of what we are delivering and to who…needs transparency
        iii. Have a long-term relationship?
            1. Lots of litigation on steering in CA…OK to negotiate yourself into a tier but problem occur when you drop or move out other providers…needs to be stable
    b. To do the above, you need data on members travel patterns in your community…where they live and work…then look at providers in those areas for your network at be careful in choosing best providers
8. Stanford Health care ACO…Tom Williams spoke
    a. Stanford healthcare alliance plan
        i. Started it w their own employees plan
        ii. Then sold product to Google and others
        iii. Structure…FFS EPO/POS product steers to Stanford
            1. Also has DTE ACO for self-funded plans
            2. Stanford bought the Affinity MSO
            3. Stanford creates the bid by asking companies to give them 3 years of healthcare spend experience

   b. Current clients
      i. Cisco…on site clinic Stanford managed plus the ACO plan
      ii. Intel
      iii. Google…50% of all new employees choose their Stanford ACO plan
      iv. Overall, Stanford steers 85% to in network providers of Stanford health care
      v. The above big companies
         1. Demand certain performance metrics
            a. Access standards…wait times Cisco demanded
            b. Have PT, acupuncture and chiropractic on site clinic
         2. Top issues the employees of companies have
            a. Musculoskeletal
            b. Maternity/infertility
            c. Stress
            d. Anxiety
9. Overall stats in healthcare and VBC
   a. Avg US HC spend
      i. $10.5k
      ii. Europe…$5k
      iii. Puerto rico…$3300
         1. 75% MA
         2. Their Medicaid is 100% managed Medicaid
   b. Realize value movement moved ahead mostly due to high cost of healthcare…Feds, state and employers and individuals can't afford it.
      i. Still care about quality but cost is top issue
   c. Future…commercial payors will
      i. Become FIs
      ii. Help with care coordination and monitoring
   d. Need to reduce dependence on IP care…thus, must coordinate care more
   e. Must have interoperability and have info on costs in EMR so providers can make smarter decisions
   f. AMA (American medical association) built and runs innovation center in Silicon Valley
10. Transforming the Org in anticipation of VB payment reform (Optum presented)
   a. VBC means less care is delivered since higher cost care is eliminated and/or reduced
   b. Framework of VBC by Optum
      i. Must be able to think differently …instead of heads in beds they want NO heads in beds
      ii. Invest less in hospitals and more in ambulatory assets so you can bring care closer to customers (employers like this too
      iii. Use the front office staff more
         1. They can screen patients for vaccination and more to help w VBC
11. Role of analytics in big data…use virtual primary care more
   a. Chat bots are 92% accurate on urgent care vs. live doctors
   b. Also note that 100k people used the text system for virtual primary care and can send patients for lab and imaging
   c. All the virtual providers and licensed in 50 states…cost is $1/employee/month and is charged to their employer…PEPM
   d. Choice care mgmt.
      i. Pays patients $2 for every day patient shows their drugs in their had on their smartphone picture…this incents compliance

Do you recommend this conference to other members of the Board? ☐ Yes ☒ No

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2019 – Period 8

7/1/2018 to 02/28/2019

Financial Overview

Volume:

- Volumes in January brings the YTD combined volume measured in adjusted discharges 1.2% below budget. Inpatient volume is lower in General/Pulmonary Medicine, MCH (deliveries), and Ortho/Spine service lines.
- YTD outpatient volume is below budget -0.7% (708 cases) mainly in ED due to lower level of flu activity. Imaging and Rehab services remain favorable to budget. 322 Cases for LG Infusion were expected in the Oncology Outpatient service line. These volumes will not materialize until FY20.

Financial Performance:

- Operating income is favorable to budget by 20.8% ($13.6M) YTD primarily due to favorable revenue cycle operations. Net Patient Revenue is favorable to budget by 2.1% ($12.3M).
- YTD Operating Expense is favorable to budget 1.1% ($6.0M). YTD Salaries & Wages are favorable to budget by 1.0% ($3.3M). YTD Non Labor expenses are also favorable to budget by 1.3% ($2.78M).

Payor Mix:

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

Cost:

- Prod FTEs were favorable to target for February by 1.3% and on budget YTD.

Balance Sheet:

- Cash position remains strong and revenue cycle operation consistently ahead of targets and benchmarks.

Dashboard - ECH combined as of February 28, 2019

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	243	258	257	1	244	237	243	(6)
Utilization MV	68%	71%	69%	1%	67%	65%	67%	-2%
Utilization LG	28%	32%	34%	-2%	30%	29%	30%	-1%
Utilization Combined	55%	58%	58%	0%	55%	54%	55%	-1%
Adjusted Discharges	2,786	2,851	2,954	(103)	23,907	23,551	23,726	(175)
Total Discharges (Excl NNB)	1,563	1,617	1,673	(56)	13,655	13,044	13,614	(570)
Inpatient Cases								
MS Discharges	1,114	1,200	1,186	14	9,562	9,129	9,569	(440)
Deliveries	328	288	365	(77)	3,053	2,828	3,051	(223)
BHS	86	87	88	(1)	749	755	704	51
Rehab	35	42	34	8	291	332	289	43
Outpatient Cases	11,730	11,648	12,201	(553)	99,493	98,384	99,093	(709)
ED	4,091	3,792	3,950	(158)	33,209	31,389	32,095	(706)
Procedural Cases								
OP Surg	369	397	392	5	3,114	3,286	3,202	84
Endo	187	206	211	(5)	1,591	1,716	1,636	80
Interventional	174	174	160	14	1,391	1,438	1,424	14
All Other	6,909	7,079	7,489	(410)	60,188	60,555	60,736	(181)
Financial Perf.								
Net Patient Revenues	67,364	73,615	72,419	1,196	590,175	607,234	594,949	12,285
Total Operating Revenue	69,564	75,544	75,532	13	610,103	625,572	618,017	7,555
Operating Expenses	61,963	66,321	68,581	(2,260)	515,460	546,528	552,571	(6,043)
Operating Income $	7,600	9,224	6,951	2,273	94,643	79,044	65,446	13,597
Operating Margin	10.9%	12.2%	9.2%	3.0%	15.5%	12.6%	10.6%	2.0%
EBIDA $	12,554	14,007	11,844	2,162	130,915	116,184	103,796	12,388
EBIDA %	18.0%	18.5%	15.7%	2.9%	21.5%	18.6%	16.8%	1.8%
Payor Mix								
Medicare	49.6%	52.9%	46.9%	5.9%	47.2%	48.4%	46.6%	1.8%
Medi-Cal	7.9%	8.2%	8.0%	0.2%	7.9%	8.1%	7.9%	0.2%
Commercial IP	20.4%	16.5%	21.9%	-5.4%	22.3%	20.3%	22.5%	-2.2%
Commercial OP	19.2%	20.0%	20.6%	-0.7%	20.2%	20.8%	20.3%	0.5%
Total Commercial	39.6%	36.5%	42.5%	-6.1%	42.6%	41.1%	42.8%	-1.7%
Other	2.9%	2.5%	2.5%	-0.1%	2.4%	2.4%	2.7%	-0.2%
Cost								
Total FTE	2,591.7	2,713.2	2,786.1	(73)	2,575.8	2,647.1	2,679.7	(33)
Productive Hrs/APD	30.2	30.2	30.7	(1)	29.9	30.6	31.6	(1)
Balance Sheet								
Net Days in AR	50.7	49.1	48.0	1	50.7	49.1	48.0	1.1
Days Cash	505	504	449	55	505	504	449	55
Affiliates - Net Income ($000s)								
Hosp	(7,298)	24,790	7,298	17,493	139,987	77,367	68,878	8,489
Concern	(245)	327	101	226	865	1,898	597	1,302
ECSC	(1)	(17)	0	(17)	(22)	(47)	0	(47)
Foundation	(701)	496	148	348	1,516	1,445	1,083	362
SVMD	(416)	41	29	12	(282)	1,217	(167)	1,384

Budget Variances

Fiscal Year 2019 YTD (7/1/2018-2/28/2019) Waterfall

(in thousands; $000s)	Year to Date (YTD) Net Op Income	Year to Date (YTD) % Net Revenue
Budgeted Hospital Operations FY2019	**65,446**	**10.6%**
Net Revenue	7,555	1.2%
Labor and Benefit Expense Change - Flexing staff and vacancies in support departments.	3,287	0.5%
Professional Fees & Purchased Services - JACHO readiness and purchased services (in place of FTE) are the biggest drivers	(580)	-0.1%
Supplies - Positive variance in Drugs due to slow growth in OP Pharmacy.	2,268	0.4%
Other Expenses	(142)	0.0%
Depreciation & Interest - primarily due to delayed capital spending	1,209	0.2%
Actual Hospital Operations FY2019	**79,044**	**12.6%**

El Camino Hospital ($000s)

Period ending 02/28/2019

Period 8 FY 2018	Period 8 FY 2019	Period 8 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
259,224	284,875	282,064	2,812	1.0%	**Gross Revenue**	2,201,507	2,293,250	2,305,973	(12,723)	(0.6%)
(191,860)	(211,260)	(209,644)	(1,616)	(0.8%)	**Deductions**	(1,611,332)	(1,686,016)	(1,711,024)	25,008	1.5%
67,364	**73,615**	**72,419**	**1,196**	**1.7%**	**Net Patient Revenue**	**590,175**	**607,234**	**594,949**	**12,285**	**2.1%**
2,200	1,929	3,113	(1,184)	(38.0%)	**Other Operating Revenue**	19,928	18,338	23,068	(4,730)	(20.5%)
69,564	**75,544**	**75,532**	**13**	**0.0%**	**Total Operating Revenue**	**610,103**	**625,572**	**618,017**	**7,555**	**1.2%**
					OPERATING EXPENSE					
37,254	40,128	41,177	1,050	2.5%	**Salaries & Wages**	312,367	331,215	334,502	3,287	1.0%
9,625	10,695	11,342	647	5.7%	**Supplies**	82,735	87,442	89,710	2,268	2.5%
7,906	8,197	8,879	682	7.7%	**Fees & Purchased Services**	65,645	71,296	70,717	(580)	(0.8%)
2,224	2,519	2,290	(229)	(10.0%)	**Other Operating Expense**	18,441	19,435	19,292	(142)	(0.7%)
741	468	490	22	4.5%	**Interest**	3,602	2,965	2,921	(44)	(1.5%)
4,213	4,315	4,403	88	2.0%	**Depreciation**	32,670	34,175	35,429	1,254	3.5%
61,963	**66,321**	**68,581**	**2,260**	**3.3%**	**Total Operating Expense**	**515,460**	**546,528**	**552,571**	**6,043**	**1.1%**
7,600	**9,224**	**6,951**	**2,273**	**32.7%**	**Net Operating Income/(Loss)**	**94,643**	**79,044**	**65,446**	**13,597**	**20.8%**
(14,898)	15,567	346	15,220	4393.6%	**Non Operating Income**	45,344	(1,677)	3,431	(5,108)	(148.9%)
(7,298)	**24,790**	**7,298**	**17,493**	**239.7%**	**Net Income(Loss)**	**139,987**	**77,367**	**68,878**	**8,489**	**12.3%**
18.0%	18.5%	15.7%	2.9%		**EBITDA**	21.5%	18.6%	16.8%	1.8%	
10.9%	12.2%	9.2%	3.0%		**Operating Margin**	15.5%	12.6%	10.6%	2.0%	
-10.5%	32.8%	9.7%	23.2%		**Net Margin**	22.9%	12.4%	11.1%	1.2%	

Non Operating Items and Net Income by Affiliate

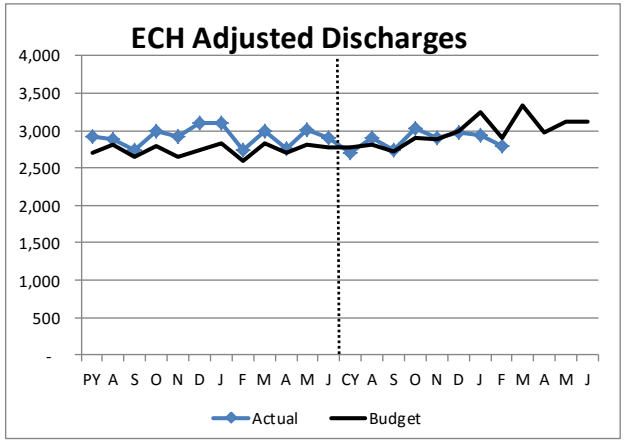
$ in thousands

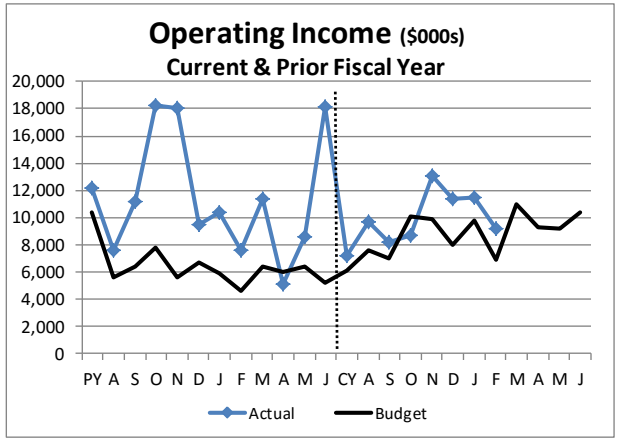
	Period 8 - Month			Period 8 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	9,233	4,819	4,413	71,453	51,408	20,046
Los Gatos	(9)	2,132	(2,141)	7,591	14,039	(6,448)
Sub Total - El Camino Hospital, excl. Afflilates	**9,224**	**6,951**	**2,273**	**79,044**	**65,446**	**13,597**
Operating Margin %	**12.2%**	**9.2%**		**12.6%**	**10.6%**	
El Camino Hospital Non Operating Income						
Investments[2]	16,908	2,368	14,540	10,980	19,602	(8,622)
Swap Adjustments	110	(100)	210	(586)	(800)	214
Community Benefit	(940)	(300)	(640)	(3,525)	(2,400)	(1,125)
Pathways	747	0	747	(1,243)	0	(1,243)
Satellite Dialysis	59	(25)	84	449	(200)	649
Community Connect	0	(53)	53	0	(424)	424
SVMD Funding[1]	(1,172)	(1,219)	47	(6,032)	(9,752)	3,720
Other	(145)	(324)	179	(1,840)	(2,594)	754
Sub Total - Non Operating Income	**15,567**	**346**	**15,220**	**(1,677)**	**3,431**	**(5,108)**
El Camino Hospital Net Income (Loss)	**24,790**	**7,298**	**17,493**	**77,367**	**68,878**	**8,489**
ECH Net Margin %	**32.8%**	**9.7%**		**12.4%**	**11.1%**	
Concern	327	101	226	1,898	597	1,302
ECSC	(17)	0	(17)	(47)	0	(47)
Foundation	496	148	348	1,445	1,083	362
Silicon Valley Medical Development	41	29	12	1,217	(167)	1,384
Net Income Hospital Affiliates	**847**	**278**	**568**	**4,513**	**1,513**	**3,000**
Total Net Income Hospital & Affiliates	**25,637**	**7,576**	**18,061**	**81,880**	**70,391**	**11,489**

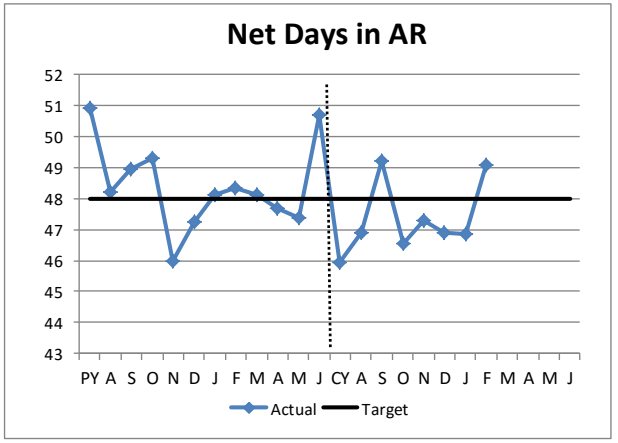
[1]Favorable variances for SVMD and Community Connect are due to delayed implementation

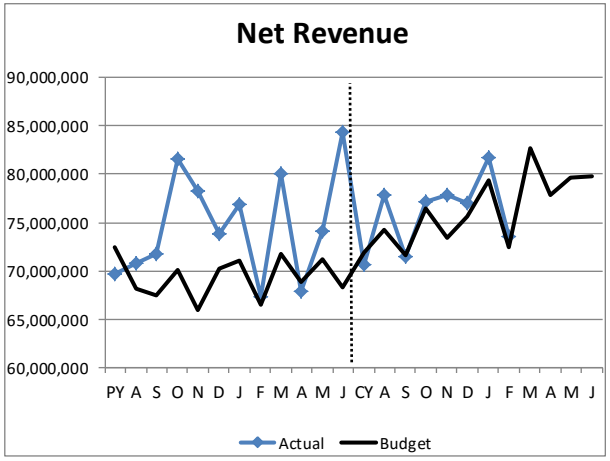
[2]Equity markets experienced a massive selloff during October, and volatility is continuing

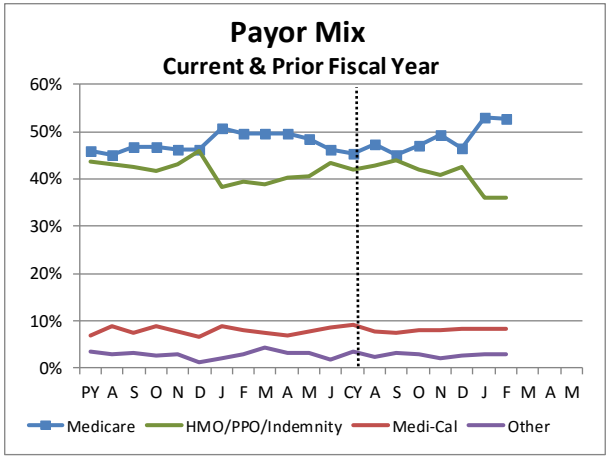
Monthly Financial Trends

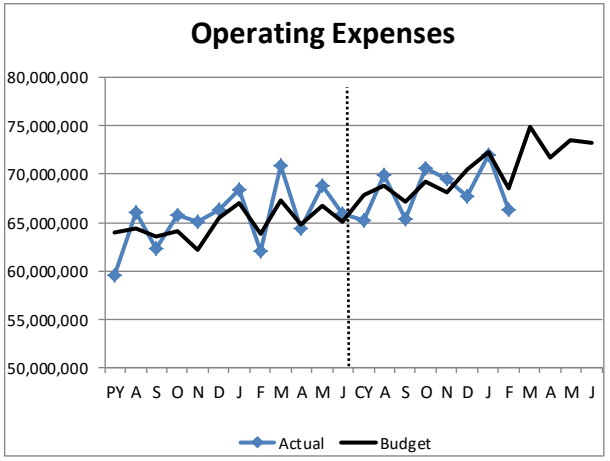






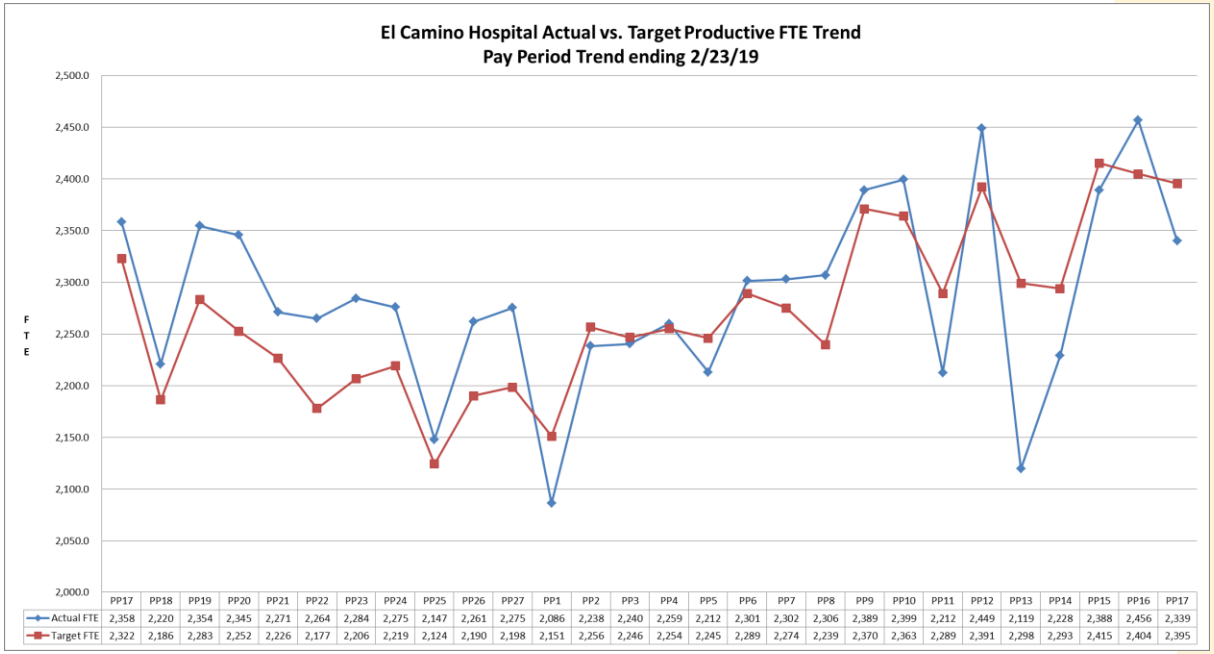






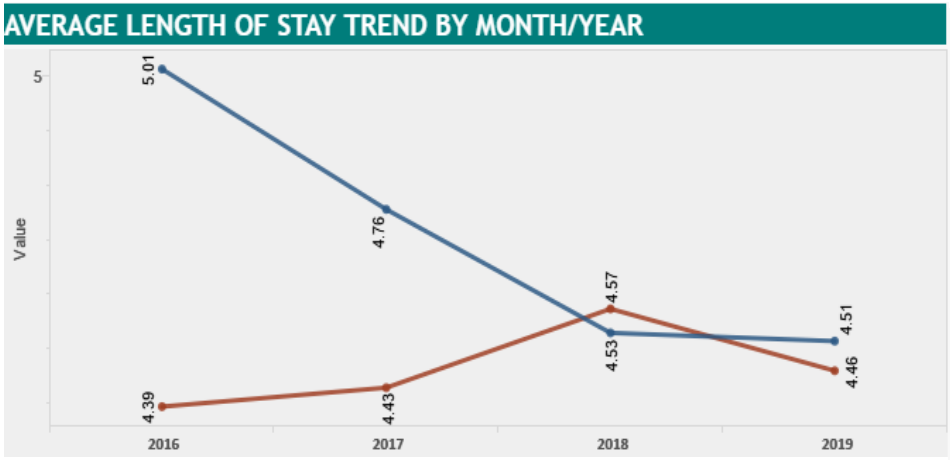
Productivity and Medicare Length of Stay

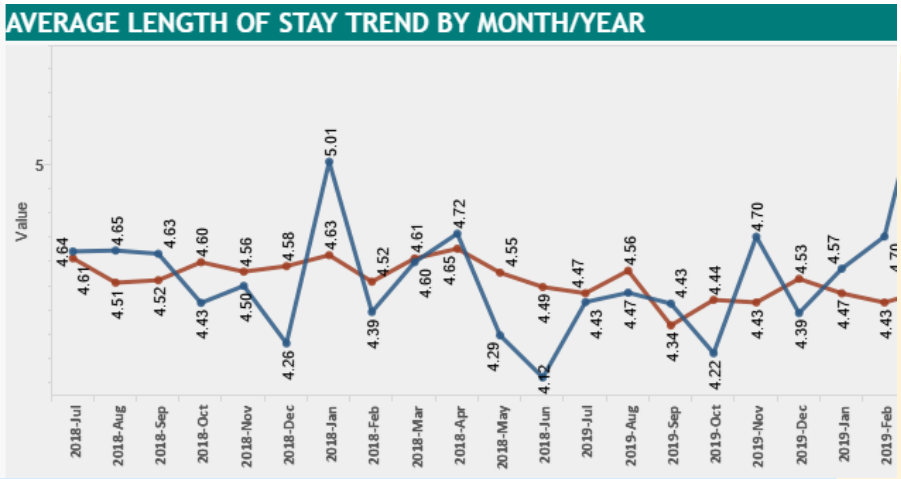
At or below FTE target. YTD we are on budget (adjusted for volume)



	PP17	PP18	PP19	PP20	PP21	PP22	PP23	PP24	PP25	PP26	PP27	PP1	PP2	PP3	PP4	PP5	PP6	PP7	PP8	PP9	PP10	PP11	PP12	PP13	PP14	PP15	PP16	PP17
Actual FTE	2,358	2,220	2,354	2,345	2,271	2,264	2,284	2,275	2,147	2,261	2,275	2,086	2,238	2,240	2,259	2,212	2,301	2,302	2,306	2,389	2,399	2,212	2,449	2,119	2,228	2,388	2,456	2,339
Target FTE	2,322	2,186	2,283	2,252	2,226	2,177	2,206	2,219	2,124	2,190	2,198	2,151	2,256	2,246	2,254	2,245	2,289	2,274	2,239	2,370	2,363	2,289	2,391	2,298	2,293	2,415	2,404	2,395

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





El Camino Hospital Volume Annual Trends

VOLUME BY SERVICE LINE

MONTH: 08-Feb | PROCEDURAL?: (All) | FACILITY: (All) | LEVEL OF DETAIL: Service Line

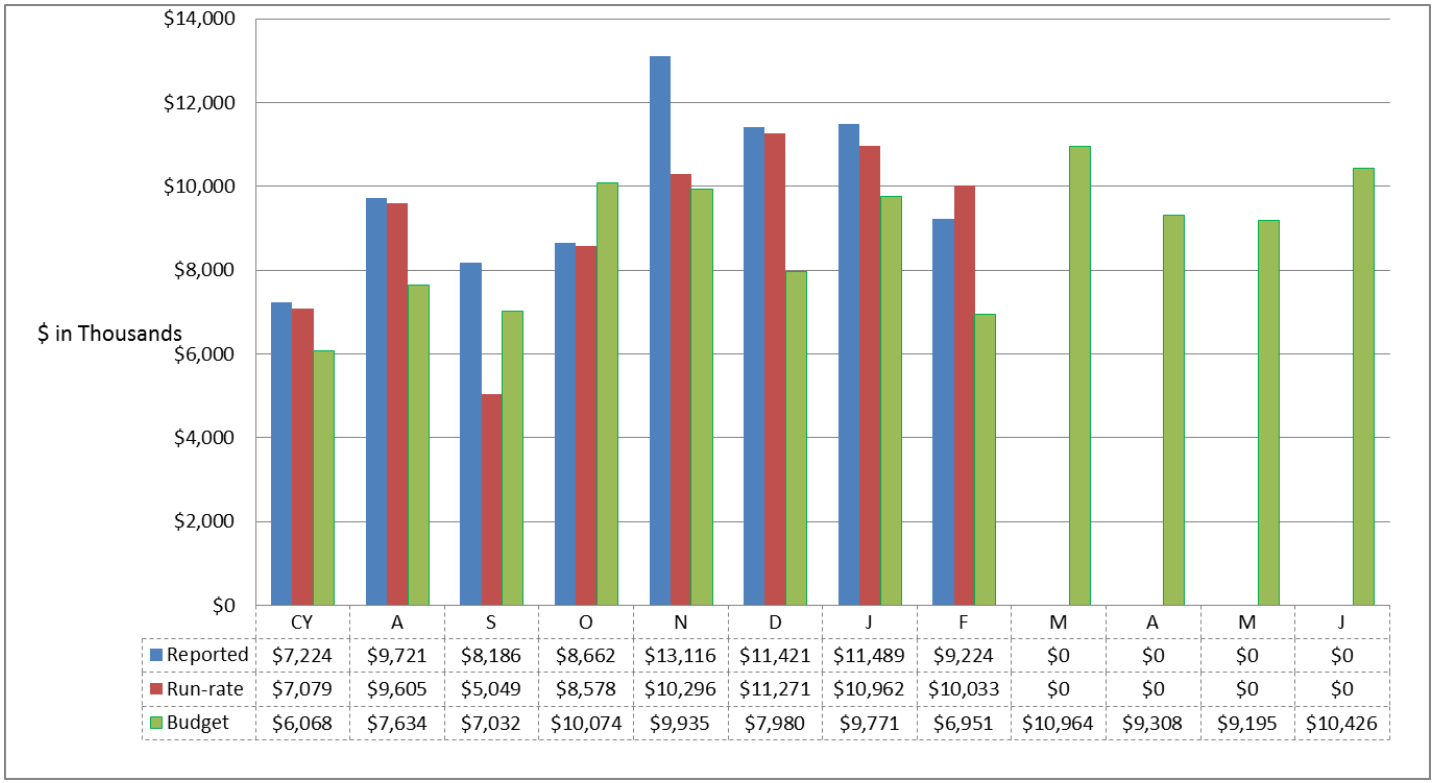
		ANNUAL TREND						FY19 Bud vs FY18		MONTH					YEAR				
		2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var
IP	Behavioral Health	1,012	1,052	928	924	1,098	1,062	-36	-3.2%	86	87	88	-1	1	749	755	704	51	6
	General Medicine & ..	4,165	4,592	4,459	4,961	5,285	5,325	40	0.8%	415	474	451	23	59	3,585	3,283	3,481	-198	-302
	General Surgery	1,243	1,150	1,311	1,318	1,305	1,344	39	3.0%	104	102	104	-2	-2	859	911	859	52	52
	GYN	390	313	293	270	243	255	12	4.9%	18	12	26	-14	-6	166	146	163	-17	-20
	Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,445	73	3.1%	204	196	209	-13	-8	1,573	1,477	1,523	-46	-96
	MCH	6,695	6,371	5,953	5,822	5,718	5,764	46	0.8%	411	380	455	-75	-31	3,816	3,570	3,814	-244	-246
	Neurosciences	667	672	677	688	870	907	37	4.3%	66	66	56	10	0	582	582	618	-36	0
	Oncology	606	564	652	594	632	726	94	14.9%	45	58	42	16	13	429	470	459	12	41
	Orthopedics	1,695	1,773	1,746	1,690	1,706	1,819	113	6.6%	136	142	156	-14	6	1,179	1,111	1,231	-120	-68
	Rehab Services	547	555	500	461	441	436	-5	-1.1%	35	42	34	8	7	291	332	289	43	41
	Spine Surgery	377	429	417	474	375	465	90	24.0%	21	33	30	3	12	264	217	298	-81	-47
	Urology	172	169	234	257	255	274	19	7.4%	22	25	21	4	3	162	190	175	15	28
	Total	19,428	19,638	19,171	19,662	20,300	20,823	523	2.6%	1,563	1,617	1,673	-56	54	13,655	13,044	13,614	-570	-611
OP	Behavioral Health	910	886	2,394	3,260	3,151	3,417	266	8.4%	245	215	310	-95	-30	2,129	1,810	2,171	-361	-319
	Dialysis	1,059	155	6			0					0					0		
	Emergency	46,006	49,091	48,590	48,625	49,413	49,122	-291	-0.6%	4,091	3,792	3,950	-158	-299	33,209	31,389	32,095	-706	-1,820
	General Medicine & ..	6,637	6,620	7,195	7,129	7,265	7,457	192	2.6%	561	644	600	44	83	4,785	5,204	4,893	311	419
	General Surgery	1,837	1,853	1,797	1,836	2,004	2,068	64	3.2%	181	158	169	-11	-23	1,322	1,299	1,333	-34	-23
	GYN	1,220	1,308	1,018	1,081	1,099	1,171	72	6.6%	84	113	87	26	29	744	924	734	190	180
	Heart and Vascular	2,570	2,712	3,795	4,361	4,363	4,410	47	1.1%	346	373	356	17	27	2,823	3,029	2,890	139	206
	Imaging Services	19,546	20,072	17,807	17,249	18,503	18,744	241	1.3%	1,337	1,437	1,416	21	100	12,146	12,734	12,163	571	588
	Laboratory Services	30,599	29,726	29,007	29,153	28,566	29,071	505	1.8%	2,198	2,057	2,267	-210	-141	19,149	18,192	19,066	-874	-957
	MCH	5,034	4,826	5,092	5,577	5,644	5,928	284	5.0%	443	419	502	-83	-24	3,753	3,577	3,850	-273	-176
	Neurosciences	110	61	127	125	114	155	41	36.0%	5	8	16	-8	3	79	57	116	-59	-22
	Oncology	4,015	4,179	14,329	18,540	19,276	22,037	2,761	14.3%	1,485	1,591	1,756	-165	106	12,793	13,286	13,397	-111	493
	Orthopedics	866	776	584	615	641	714	73	11.4%	49	71	49	22	22	396	479	469	10	83
	Outpatient Clinics	1,817	1,705	1,680	1,288	1,884	1,517	-367	-19.5%	122	114	117	-3	-8	1,317	1,145	1,006	139	-172
	Rehab Services	1,731	1,747	3,954	4,518	4,926	4,900	-26	-0.5%	391	452	385	67	61	3,187	3,525	3,148	377	338
	Sleep Center	160	223	498	368	242	300	58	24.0%	15	26	23	3	11	122	204	198	6	82
	Spine Surgery	325	399	309	324	311	326	15	4.8%	18	14	21	-7	-4	207	188	209	-21	-19
	Urology	1,755	1,771	1,739	1,898	2,052	2,058	6	0.3%	159	164	178	-14	5	1,332	1,342	1,355	-13	10
	Total	126,197	128,110	139,921	145,947	149,454	153,395	3,941	2.6%	11,730	11,648	12,201	-553	-82	99,493	98,384	99,093	-709	-1,109

Medicare data excludes Medicare HMOs

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

ECH Operating Margin

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



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

FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>										
Revenue Adjustments	J	A	S	O	N	D	J	F	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	137	443	516	129	1,645
IGT Supplemental	-	-	-	-	2,672	-	-	-	2,672
AB 915	-	-	2,875	-	-	-	-	-	2,875
RAC Release	-	-	161	-	-	(305)	-	(1,005)	(1,149)
Various Adjustments under $250k	4	5	6	8	11	12	12	66	124
Total	**145**	**116**	**3,137**	**84**	**2,820**	**150**	**528**	**(809)**	**6,170**

Updated Quarterly
Last update 12/31/18

El Camino Hospital Investment Committee Scorecard

December 31, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		4Q 2018		Fiscal Year-to-date		6y 2m Since Inception (annualized)			2018
Surplus cash balance*		$933.4	--	--	--	--	--	$886.6	--
Surplus cash return		-6.2%	-5.7%	-4.0%	-3.8%	4.5%	4.3%	3.2%	5.3%
Cash balance plan balance (millions)		$249.2	--	--	--	--	--	$276.9	--
Cash balance plan return		-7.9%	-7.0%	-5.3%	-4.7%	6.5%	5.8%	6.0%	5.7%
403(b) plan balance (millions)		$435.2	--	--	--	--	--	--	--
Risk vs. Return		3-year				6y 2m Since Inception (annualized)			2018
Surplus cash Sharpe ratio		0.73	0.70	--	--	0.88	0.86	--	0.43
Net of fee return		4.6%	4.3%	--	--	4.5%	4.3%	--	5.3%
Standard deviation		5.0%	4.7%	--	--	4.5%	4.4%	--	6.7%
Cash balance Sharpe ratio		0.70	0.70	--	--	1.00	0.94	--	0.40
Net of fee return		5.3%	5.0%	--	--	6.5%	5.8%	--	5.7%
Standard deviation		6.2%	5.7%	--	--	6.0%	5.6%	--	8.1%
Asset Allocation		4Q 2018							
Surplus cash absolute variances to target		9.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		5.4%	< 10%	--	--	--	--	--	--
Manager Compliance		4Q 2018							
Surplus cash manager flags		28	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		33	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~$129 mm), District assets (~$34 mm), and balance sheet cash not in investable portfolio (~$125 mm).
Includes Foundation (~$28 mm) and Concern (~$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

PAVILION

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El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Capital Spend Trend & FY 19 Budget

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

Facilities

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

El Camino Hospital

Capital Spending (in millions)

Category		Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY19 Budget	FY 19Proj Spend	Variance Projected vs Budget*	FY 19 YTD Spent
CIP	ERP Upgrade				9.6	3.2	9.6	9.6	0.0	3.2
IT Hardware, Software, Equipment & Imaging					10.1	3.3	10.1	10.1	0.0	3.3
Medical & Non Medical Equipment FY 18					5.6	9.6	0.0	0.0	0.0	3.5
Medical & Non Medical Equipment FY 19					11.2	6.5	11.2	11.2	0.0	6.5
Facility Projects										
	1245	Behavioral Health Bldg	FY16	96.1	96.1	64.4	45.0	41.7	-3.3	18.5
	1413	North Drive Parking Expansion	FY15	24.5	24.5	24.3	0.0	0.7	0.7	0.0
	1414	Integrated MOB	FY15	302.1	302.1	200.8	150.0	123.3	-26.7	80.3
	1422	CUP Upgrade	FY16	9.0	9.0	8.2	0.8	1.4	0.6	0.6
	1430	Women's Hospital Expansion	FY16	135.0	135.0	5.2	10.0	4.8	-5.2	1.9
		Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.6	-1.4	0.0
	1502	Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0	0.0	0.0
	1525	New Main Lab Upgrades		3.1	3.1	2.7	0.3	0.0	-0.3	0.5
	1515	ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.3	-4.3	0.0
	1503	Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0	-1.0	0.0
	1602	JW House (Patient Family Residence)		6.5	6.5	0.3	6.0	0.1	-5.9	0.0
		Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.3	-0.7	0.0
		Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.2	-2.2	0.0
	1707	Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.3	0.0	6.0	6.0	0.0	0.0
	1708	IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	1.0	-4.0	0.8
		Flooring Replacement		1.6	1.6	0.0	1.5	0.4	-1.1	0.3
	1219	LG Spine OR	FY13	0.0	0.0	4.0	0.0	0.0	0.0	0.2
	1313	LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0	0.0
	1248	LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.0	0.0	0.1
	1307	LG Upgrades	FY13	19.3	19.3	18.8	0.8	0.0	-0.8	1.0
	1507	LG IR Upgrades		1.3	0.0	0.0	1.3	1.3	0.1	0.0
	1603	LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0	-0.5	0.0
	1711	Emergency Sanitary & Water Storage		1.5	1.5	0.2	1.3	1.5	0.3	0.0
		LG Modular MRI & Awning		3.9	3.9	0.2	3.5	0.6	-2.9	0.2
		LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.4	-0.1	0.0
		LG Observation Unit (Conversion of ICU 2)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1712	LG Cancer Center		5.0	5.0	0.3	4.8	3.7	-1.1	0.1
		Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0	0.0	0.0
		Primary Care Clinic Development (2 @ $3 Million Ea		6.0	6.0	0.0	5.0	4.0	-1.0	0.0
		Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	9.0	-6.0	0.0
		Willow SC Upgrades (35,000 @ $50)		1.8	1.8	0.0	1.8	0.0	-1.8	0.0
		New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.2	-1.0	0.0
		80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0	0.0	0.0
		Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0	-0.3	0.0
		All Other Projects		7.2	6.6	93.3	7.8	3.9	-3.9	1.1
				755.9	728.4	443.9	279.5	205.5	-74.0	105.7
GRAND TOTAL					**759.3**	**466.5**	**300.8**	**236.4**	**-74.0**	**122.3**

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Balance Sheet (in thousands)

	ASSETS		Audited
	CURRENT ASSETS	**February 28, 2019**	**June 30, 2018**
	Cash	122,714	118,992
	Short Term Investments	169,709	150,664
	Patient Accounts Receivable, net	126,697	124,427
	Other Accounts and Notes Receivable	2,711	3,402
	Intercompany Receivables	2,136	2,090
(1)	Inventories and Prepaids	80,798	75,594
	Total Current Assets	**504,764**	**475,171**
	BOARD DESIGNATED ASSETS		
	Plant & Equipment Fund	161,376	153,784
(2)	Women's Hospital Expansion	15,472	9,298
(3)	Operational Reserve Fund	139,057	127,908
	Community Benefit Fund	17,819	18,675
	Workers Compensation Reserve Fund	21,403	20,263
	Postretirement Health/Life Reserve Fund	29,612	29,212
	PTO Liability Fund	24,437	24,532
	Malpractice Reserve Fund	1,831	1,831
	Catastrophic Reserves Fund	18,882	18,322
	Total Board Designated Assets	**429,890**	**403,826**
(4)	**FUNDS HELD BY TRUSTEE**	**111,697**	**197,620**
	LONG TERM INVESTMENTS	**340,870**	**345,684**
	INVESTMENTS IN AFFILIATES	**32,934**	**32,412**
	PROPERTY AND EQUIPMENT		
	Fixed Assets at Cost	1,294,153	1,261,854
	Less: Accumulated Depreciation	(603,349)	(577,959)
	Construction in Progress	327,138	220,991
	Property, Plant & Equipment - Net	**1,017,942**	**904,886**
	DEFERRED OUTFLOWS	20,777	21,177
	RESTRICTED ASSETS - CASH	0	0
	TOTAL ASSETS	**2,458,873**	**2,380,776**

	LIABILITIES AND FUND BALANCE		Audited
	CURRENT LIABILITIES	**February 28, 2019**	**June 30, 2018**
(5)	Accounts Payable	59,030	49,925
	Salaries and Related Liabilities	25,098	26,727
	Accrued PTO	24,437	24,532
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	11,733	10,068
	Intercompany Payables	79	125
	Malpractice Reserves	1,831	1,831
	Bonds Payable - Current	3,965	3,850
(6)	Bond Interest Payable	3,539	12,975
	Other Liabilities	7,769	8,909
	Total Current Liabilities	**139,782**	**141,242**
	LONG TERM LIABILITIES		
	Post Retirement Benefits	29,612	29,212
	Worker's Comp Reserve	19,103	17,963
	Other L/T Obligation (Asbestos)	3,936	3,859
	Other L/T Liabilities (IT/Medl Leases)	-	-
(7)	Bond Payable	513,960	517,781
	Total Long Term Liabilities	**566,611**	**568,815**
	DEFERRED REVENUE-UNRESTRICTED	307	528
	DEFERRED INFLOW OF RESOURCES	22,835	22,835
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,299,448	1,243,529
	Board Designated	429,890	403,825
	Restricted	0	0
(8)	**Total Fund Bal & Capital Accts**	**1,729,338**	**1,647,355**
	TOTAL LIABILITIES AND FUND BALANCE	**2,458,873**	**2,380,776**

February 2019 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

(1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.

(2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.

(3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.

(4) Decrease is due to draws from the 2015A/2017 Bond Project funds for the on-going IMOB and BHS construction and semi-annual 2015/2017 bond payment

(5) Decrease is due to the yearend accruals that were paid out in July and August.

(6) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in August and January.

(7) Decrease is due to the establishment of FY2020 2015A Bond Principal Payable in January.

(8) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.

(1) Hospital entity only, excludes controlled affiliates

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

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

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

Operational Reserve Fund – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on the current projected budget) and only be used in the event of a major business interruption event and/or cash flow.

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving $1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn't granted tax exempt status), that generates an amount of $500,000 or more a year. $15 million within this fund is a board designated endowment fund formed in 2015 with a $10 million contribution, and added to at the end of the 2017 fiscal year end with another $5 million contribution, to generate investment income to be used for grants and sponsorships, in fiscal yar it generated over $1.1 million of investment income for the program.

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

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

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

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

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

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

APPENDIX

El Camino Hospital – Mountain View ($000s)

Period ending 02/28/2019

Period 8 FY 2018	Period 8 FY 2019	Period 8 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
217,551	233,158	224,782	8,376	3.7%	**Gross Revenue**	1,804,329	1,884,004	1,877,441	6,563	0.3%
(159,423)	(171,466)	(167,505)	(3,961)	(2.4%)	**Deductions**	(1,318,516)	(1,383,260)	(1,396,060)	12,799	0.9%
58,128	**61,692**	**57,277**	**4,415**	**7.7%**	**Net Patient Revenue**	**485,813**	**500,744**	**481,381**	**19,363**	**4.0%**
2,000	1,614	2,873	(1,260)	(43.8%)	**Other Operating Revenue**	18,552	15,996	21,151	(5,155)	(24.4%)
60,128	**63,306**	**60,150**	**3,155**	**5.2%**	**Total Operating Revenue**	**504,365**	**516,739**	**502,532**	**14,208**	**2.8%**
					OPERATING EXPENSE					
31,178	33,533	33,907	375	1.1%	**Salaries & Wages**	260,011	276,053	279,139	3,086	1.1%
8,111	8,761	8,908	147	1.7%	**Supplies**	66,791	71,218	72,634	1,415	1.9%
6,657	6,832	7,578	746	9.8%	**Fees & Purchased Services**	54,910	60,015	59,986	(29)	(0.0%)
768	954	783	(171)	(21.9%)	**Other Operating Expense**	5,892	6,941	6,957	16	0.2%
741	468	490	22	4.5%	**Interest**	3,602	2,965	2,921	(44)	(1.5%)
3,523	3,526	3,665	139	3.8%	**Depreciation**	27,952	28,094	29,487	1,394	4.7%
50,977	**54,073**	**55,331**	**1,258**	**2.3%**	**Total Operating Expense**	**419,158**	**445,286**	**451,124**	**5,838**	**1.3%**
9,151	**9,233**	**4,819**	**4,413**	**91.6%**	**Net Operating Income/(Loss)**	**85,207**	**71,453**	**51,408**	**20,046**	**39.0%**
(14,898)	15,567	346	15,220	4393.6%	**Non Operating Income**	45,389	(1,677)	3,431	(5,108)	(148.9%)
(5,748)	**24,799**	**5,166**	**19,633**	**380.1%**	**Net Income(Loss)**	**130,596**	**69,776**	**54,839**	**14,937**	**27.2%**
22.3%	20.9%	14.9%	6.0%		**EBITDA**	23.2%	19.8%	16.7%	3.2%	
15.2%	14.6%	8.0%	6.6%		**Operating Margin**	16.9%	13.8%	10.2%	3.6%	
-9.6%	39.2%	8.6%	30.6%		**Net Margin**	25.9%	13.5%	10.9%	2.6%	

El Camino Hospital – Los Gatos($000s)

Period ending 02/28/2019

Period 8 FY 2018	Period 8 FY 2019	Period 8 Budget 2019	Variance Fav (Unfav)	Var%	$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
41,674	51,718	57,281	(5,564)	(9.7%)	**Gross Revenue**	397,178	409,246	428,532	(19,286)	(4.5%)
(32,437)	(39,794)	(42,139)	2,345	5.6%	**Deductions**	(292,816)	(302,756)	(314,964)	12,209	3.9%
9,236	**11,923**	**15,142**	**(3,219)**	**(21.3%)**	**Net Patient Revenue**	**104,363**	**106,490**	**113,568**	**(7,077)**	**(6.2%)**
200	315	239	76	31.8%	**Other Operating Revenue**	1,376	2,343	1,918	425	22.1%
9,436	**12,239**	**15,381**	**(3,143)**	**(20.4%)**	**Total Operating Revenue**	**105,738**	**108,833**	**115,485**	**(6,653)**	**(5.8%)**
					OPERATING EXPENSE					
6,076	6,595	7,270	675	9.3%	**Salaries & Wages**	52,356	55,162	55,363	201	0.4%
1,514	1,934	2,434	500	20.5%	**Supplies**	15,944	16,223	17,076	853	5.0%
1,249	1,365	1,301	(64)	(4.9%)	**Fees & Purchased Services**	10,734	11,281	10,731	(551)	(5.1%)
1,457	1,565	1,507	(58)	(3.9%)	**Other Operating Expense**	12,549	12,494	12,335	(159)	(1.3%)
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
691	789	738	(51)	(6.9%)	**Depreciation**	4,719	6,081	5,941	(140)	(2.4%)
10,986	**12,247**	**13,250**	**1,002**	**7.6%**	**Total Operating Expense**	**96,303**	**101,242**	**101,447**	**205**	**0.2%**
(1,550)	**(9)**	**2,132**	**(2,141)**	**(100.4%)**	**Net Operating Income/(Loss)**	**9,436**	**7,591**	**14,039**	**(6,448)**	**(45.9%)**
0	0	0	0	0.0%	**Non Operating Income**	(45)	0	0	0	0.0%
(1,550)	**(9)**	**2,132**	**(2,141)**	**(100.4%)**	**Net Income(Loss)**	**9,391**	**7,591**	**14,039**	**(6,448)**	**(45.9%)**
-9.1%	6.4%	18.7%	(12.3%)		**EBITDA**	13.4%	12.6%	17.3%	(4.7%)	
-16.4%	-0.1%	13.9%	(13.9%)		**Operating Margin**	8.9%	7.0%	12.2%	(5.2%)	
-16.4%	-0.1%	13.9%	(13.9%)		**Net Margin**	8.9%	7.0%	12.2%	(5.2%)	

- Lower Gross Revenue:
  - -$2,5M Due to delay start of the Infusion center
  - -$1,2M OR and OR Related Supplies (Spine/Orthopedic cases)
  - -$700K Delivery related volume shortfall
- Patient Days are lower than expected by 5%
- Contract labor showing up in the Fees and Purchased services are offset by open positions in employee Salaries and Wages.

- Lower Gross Revenue:
  - -$10.2M OR and OR Related Supplies (Spine/Orthopedic cases)
  - -$1.2M Delivery related volume shortfall
  - -$2,5M Due to delay start of the Infusion center
  - -$1.0M OP Emergency Room
- High purchased services due to higher rehab volume (paid per case) ($475K)
- TJC facility repair and maintenance costs in the early part of the fiscal year continues to be reflected in the YTD numbers.

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

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

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

EL CAMINO HOSPITAL
FINANCE COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Deb Muro, Chief Information Officer
Date: March 25, 2019
Subject: IT Implementation Budget for New SVMD Multi-Specialty Clinics

Recommendation(s):

To recommend the Board of Directors approve project funding in the amount of $4.6 million to implement the El Camino IT infrastructure at the five Verity locations newly acquired by SVMD.

Summary:

1. Situation: The clinics operated by Verity Medical Foundation currently use a variety of outdated and unsupported IT systems due to limited investment over several years. To meet information security standards, licensing requirements of the vendors, and the quality of information technology expected by clinicians and patients, the clinics must convert to the El Camino Hospital network and applications.

The cost of the project includes the following components:

- Hardware infrastructure $1,200,000
- Software Implementation $2,000,000
- Network Connectivity $ 200,000
- Software licensing $1,200,000
- Total: $4,600,000

2. Authority: Policy requires that expenditures exceeding $1 million require the Boards approval.

3. Background: At the February 2019 meeting, the Board of Directors unanimously approved SVMD's bid to acquire the assets of and operate what was formerly known as the San Jose Medical Group (SJMG). The Medical Group was included in the bankruptcy filing by its parent organization, Verity Medical Foundation. The five locations contain a total of 18 specialties, several radiology modalities, lab, and an anticipated 60 physicians. Verity will continue to operate the clinics until the date of closing, March 31, at which time SVMD will assume ownership and operate the clinics. To minimize the impact on patient care, Verity Medical Foundation will provide transition services to assist El Camino in supporting the legacy systems until the Verity Medical Foundation shuts down on June 30. At that time, all clinics must have converted to El Camino infrastructure, network and standard applications supported by El Camino as highlighted in the following timeline:

- February 13, 2019: Board approval of SVMD Bid
- March 19, 2019: Court Approval of Asset Purchase
- March 31, 2019: End of Verity Operation of Clinics
- April 1, 2019: Start of SVMD Operation of Clinics
- June 30, 2019: Verity Medical Foundation shuts down. Epic live on El Camino network.

4. Assessment: The Verity hardware and network must be replaced with applications either upgraded or replaced. The costs associated with upgrading the Verity applications creates additional expense for duplicative software and applications not currently supported by El Camino Hospital and not integrated with El Camino hospitals and SVMD clinics. In addition, the applications support a business model that will no longer exist on April 1.

To successfully convert the new clinics from the Verity Enterprise and support them long term, the following Verity IT applications and related hardware will be replaced.

Process	Verity Application	El Camino Application
Patient Registration	GE Centricity/IDX	Epic
Patient Scheduling	GE Centricity/IDX	Epic
Patient Billing	GE Centricity/IDX	Epic
Denial Management	EOB One/Cardinal Health	Epic
Managed Care Payment Posting	GE Centricity/IDX	Epic
Financial Analytics	IDX>SQL Data Warehouse	Epic
Electronic Health Record	Allscripts Touchworks	Epic
Electronic Health Record (OBGYN)	Allscripts- Prenatal	Epic
Patient Portal	Allscripts Follow My Health	Epic
Radiology	Merge/IBM - iConnect	Epic and ECH PACS
Lab	Allscripts and County Hospital	Epic and ECH Lab
Disease Registry	Zirmed	Epic
Quality Reporting Program	Allscripts Analytics	Epic
Clinical Analytics	Allscripts Analytics	Epic
Telecom	Avaya	Cisco

5. Other Reviews: This recommendation has been reviewed and approved by senior SVMD operational and clinical leadership.

6. Outcomes: Once approval of the plan is obtained, ECH will proceed with the purchase of hardware and the onboarding of the requisite number of contractors to complete the project.

List of Attachments:

A. None

Suggested Committee Discussion Questions:

A. Can the existing Verity hardware, network, and applications be left as is?
B. Why are there additional Epic related costs if it is already live at ECMA and the hospital?
C. Why are external resources such as contractors needed to complete the project?

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

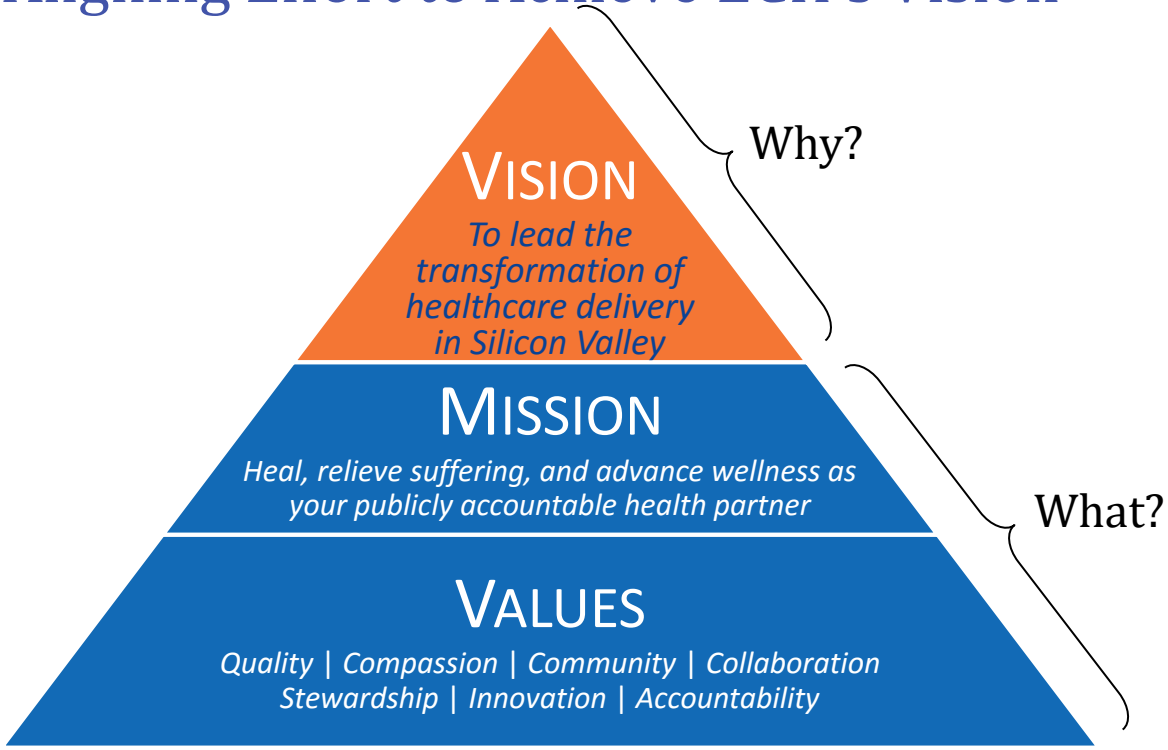
FY 20 Operating and Capital Budget Preview #1
Open Session
Finance Committee
March 25, 2019

Contents

- Strategy – True North and Strategic Themes
- Market Position
- Historical Revenue and Expense Growth
- Capital Spending

Strategy – True North and Strategic Themes

Aligning Effort to Achieve ECH's Vision



STRATEGIC THEMES

1
High Performance Operating Model

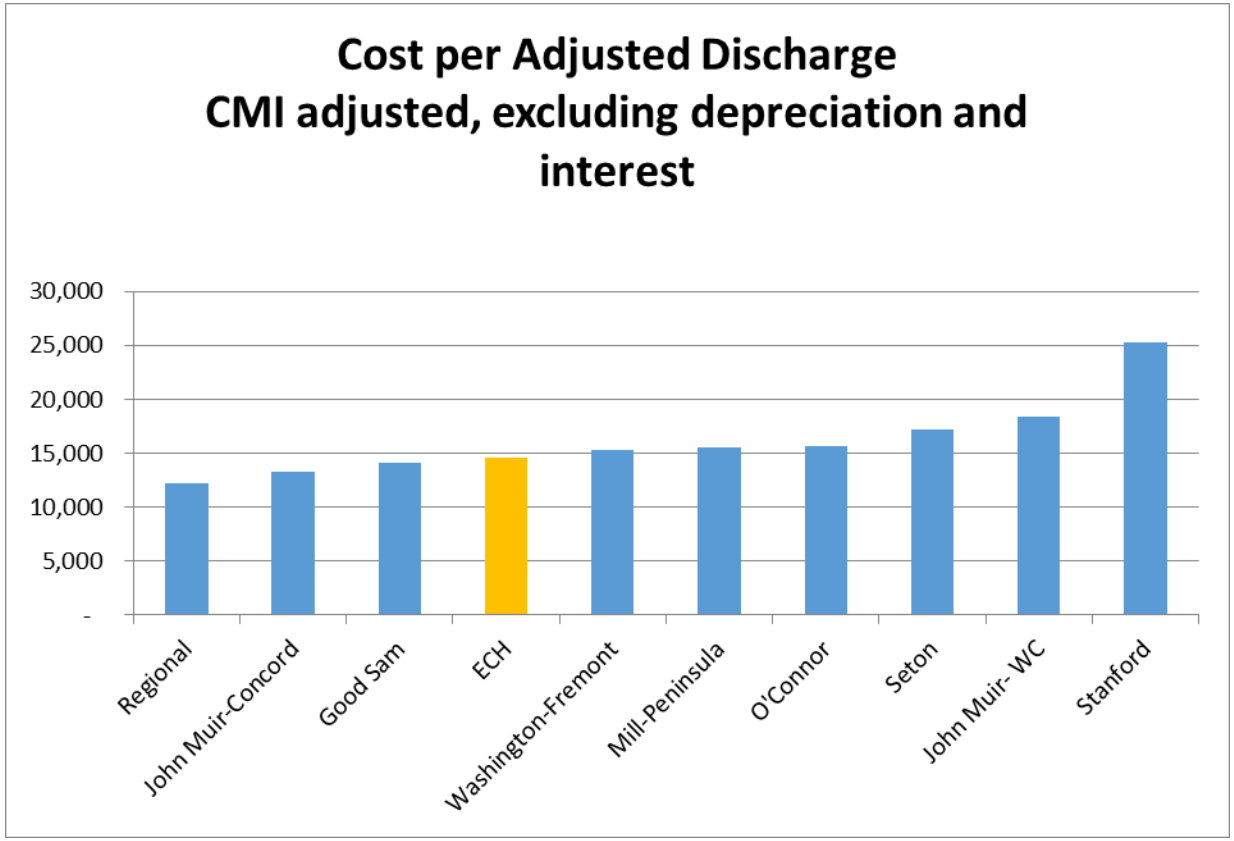
2
Consumer, Payer, Employer Alignment

3
Physician Integration

How?

Market Position - Cost

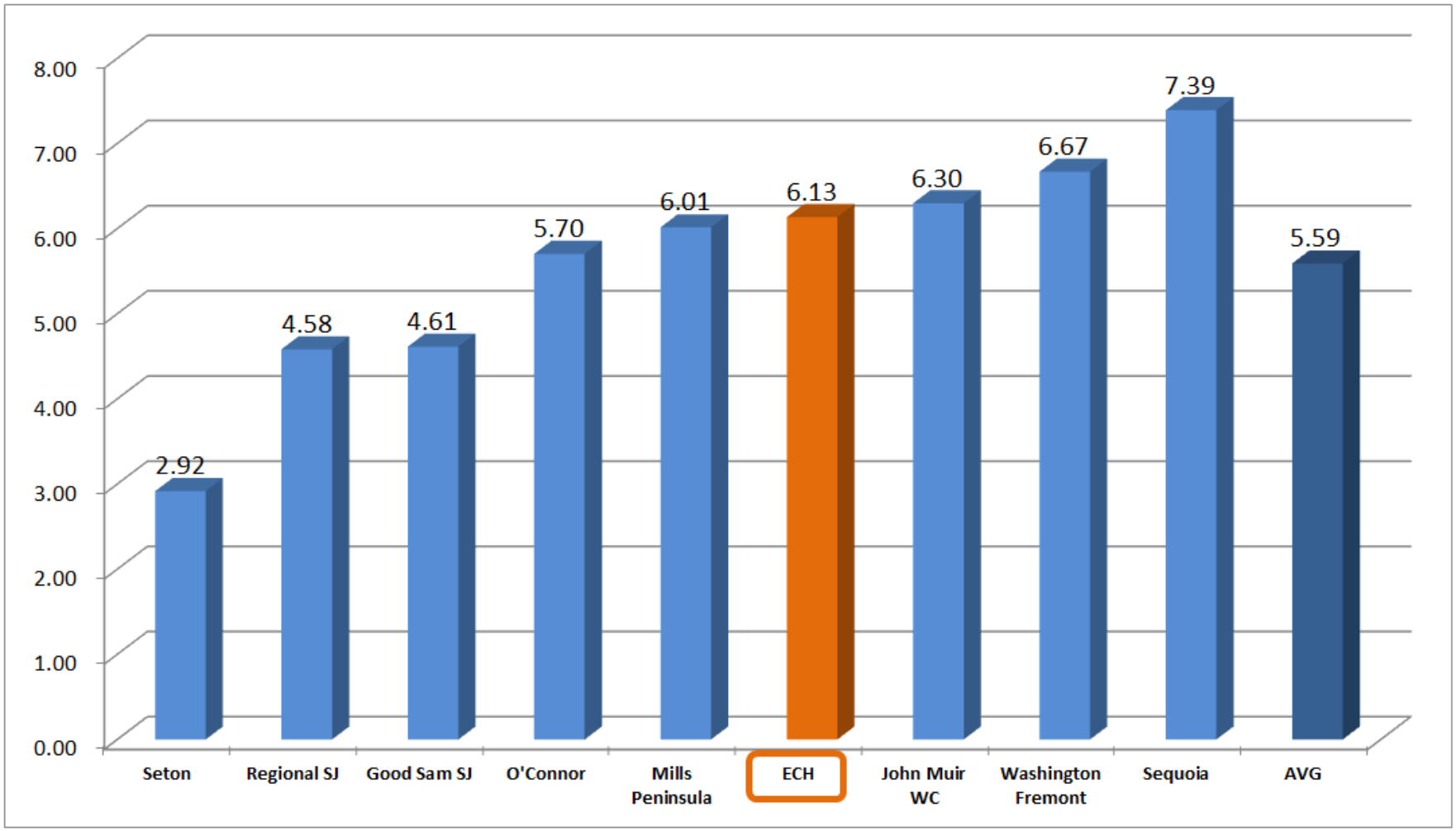
2017 data from OSHPD



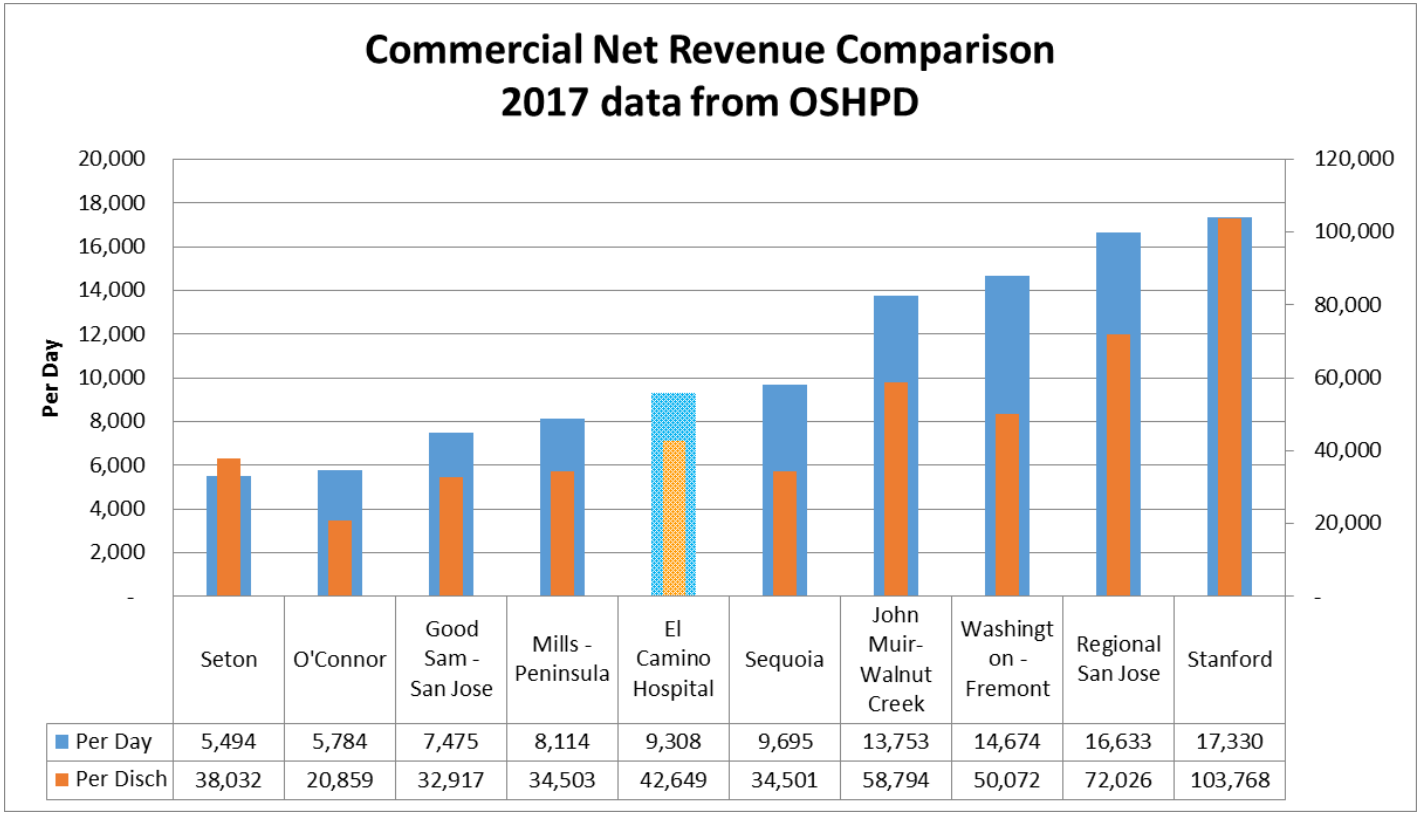
- ECH cost is competitive in the local market
- Strategic plan has target to maintain CMI adjusted cost per discharge (excluding depreciation and interest) within 5% of lowest competitor

Market Position – Productivity
Labor is biggest driver of expenses

2017 data from OSHPD



Market Position – Negotiated Commercial Rates

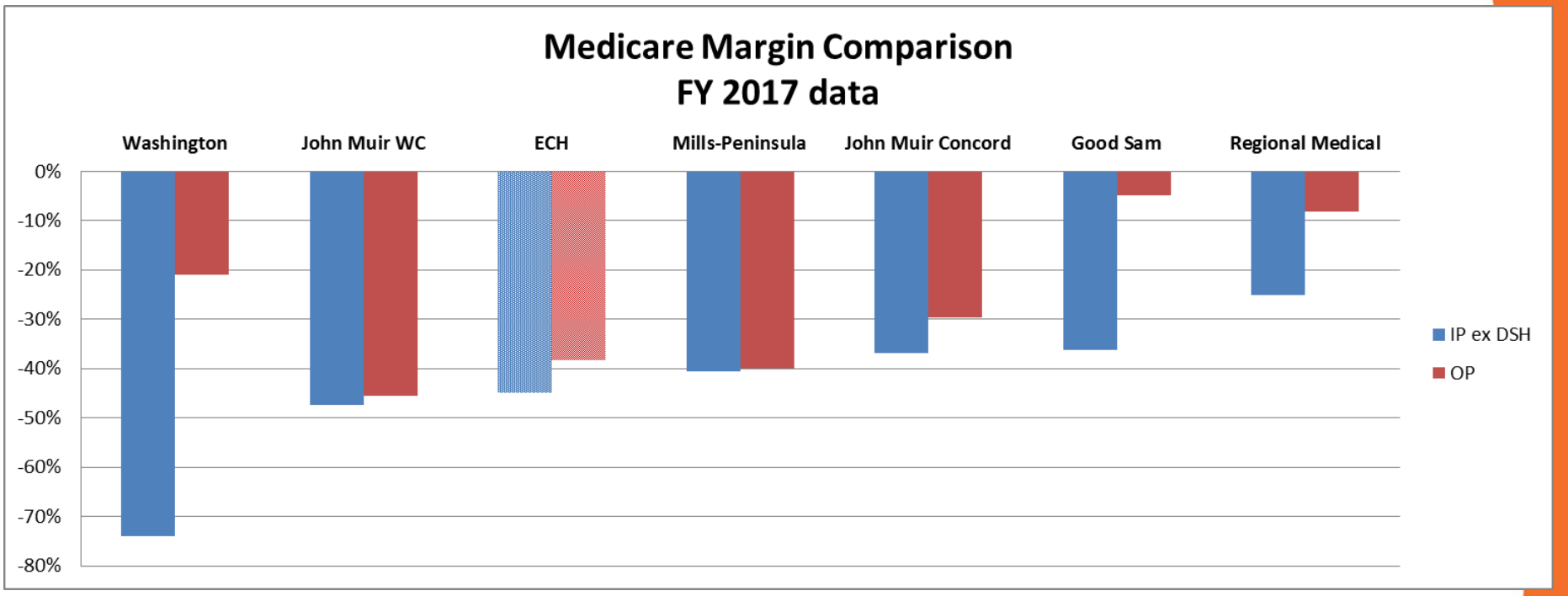


	Seton	O'Connor	Good Sam - San Jose	Mills - Peninsula	El Camino Hospital	Sequoia	John Muir-Walnut Creek	Washington - Fremont	Regional San Jose	Stanford
Per Day	5,494	5,784	7,475	8,114	9,308	9,695	13,753	14,674	16,633	17,330
Per Disch	38,032	20,859	32,917	34,503	42,649	34,501	58,794	50,072	72,026	103,768

- ECH commercial contract rates are competitive in the local market
- To maintain competitive position, target increase in FY 20 is 3%

Market position - Medicare Margin %

Data from 2017 cost reports



- Medicare is the largest business and growing due to aging population
- ECH Medicare margin has improved from the prior year
- Reduction of Medicare Loss by
  - Reducing ALOS – maintain at Milliman well-managed benchmark
  - Improving Clinical documentation (CDI)– FY 18 budget and forecast include $3.5 million additional revenue due to CDI
  - FY 20 focus is clinical variations since ALOS and CDI have hit a plateau

Historical Revenue and Expense Growth

				Change from PY				
		CAGR 7yr	CAGR 2yr	2015	2016	2017	2018	2019F
Actual								
	Charges per AD	3.8%	4.4%	1.2%	10.9%	4.0%	3.2%	5.6%
	Rev per AD	3.8%	2.5%	2.1%	7.4%	2.4%	2.5%	2.5%
	Exp per AD	3.5%	2.7%	1.4%	11.6%	-4.7%	-0.5%	6.0%
	Exp ex Depr and int per AD	4.0%	2.7%	2.5%	11.3%	-3.8%	-0.8%	6.3%
	Adj Discharges	1.7%	2.3%	1.6%	-3.5%	5.3%	5.8%	-1.1%

- To maintain margin, growth in revenue must be equal or higher than growth in expenses
- Revenue and expense growth has slowed in the last 2 years
- Volume growth allows lower expense growth as seen in FY 17 and FY 18.
- High charge and net revenue growth in FY 16 due to improved processes using EPIC

Capital Spending with Historical Trend

Capital Spending (in 000's)	FY2014	FY2015	FY2016	FY2017	FY2018	FY 2019F	Bud FY2020
EPIC	6,838	29,849	20,798	2,755	1,114	-	-
IT Hardware / Software Equipment	2,788	4,660	6,483	2,659	1,108	19,732	6,000
Medical / Non Medical Equipment*	12,891	13,340	17,133	9,556	15,780	11,206	12,000
Facilities	36,044	38,940	52,326	82,953	139,434	205,451	241,595
GRAND TOTAL	58,561	86,789	96,740	97,923	157,436	236,389	259,595

K:\Finance\FMS_Dept\Common\BUDGET\BUD20\Capital\[CIP Capital Spend Summary.xlsx]FY18 CAPITAL TREND VC

- FY 20 IT and Medical equipment consistent with historical spend
- High facility spend due to Campus Projects
- High FY 19 IT spend due to ERP project and catch up on routine projects after EPIC implementation

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

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Finance Committee Meetings
Proposed FY20 Dates

RECOMMENDED FC DATE	CORRESPONDING HOSPITAL BOARD DATE
Monday, July 29, 2019	Wednesday, August 14, 2019
Monday, September 23, 2019	Wednesday, October 9, 2019
Monday, November 25, 2019	Wednesday, January 8, 2020
Joint Meeting with the Investment Committee **Monday, January 27, 2020**	N/A
Monday, January 27, 2020	Wednesday, February 12, 2020
Monday, March 23, 2020	Wednesday, April 15, 2020
Monday, April 27, 2020	Wednesday, May 13, 2020
Joint Meeting with the Hospital Board **Tuesday, May 26, 2020** (Tuesday after Memorial Day)	N/A
Tuesday, May 26, 2020	Wednesday, June 10, 2020

Finance Committee

Draft For Consideration 3/25/19

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

Finance Committee

Draft For Consideration 3/25/19

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

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

FY20 COMMITTEE DRAFT GOALS

Finance Committee

PURPOSE

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

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

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

GOALS	TIMELINE	METRICS
1. Review major capital projects	Each regular meeting	Update on major capital projects in progress
2. Review two education topics: 1) Medicare Loss and 2) Inpatient and Outpatient Margins	Q1	Presentation at the July meeting
3. Post-Implementation review	Q2	Review results of major investments after their first year of implementation
4. Review the top three (3) service lines: 1) Heart & Vascular Institute (HVI), 2) Oncology, and 3) Behavioral Health Services (BHS)	- HVI (Q1) - Oncology (Q2) - BHS (Q3)	Presentations in September, November, and March.

SUBMITTED BY:

Chair: John Zoglin
Executive Sponsor: Iftikhar Hussain