

## AGENDA

### Finance Committee Meeting of the Board

Monday, March 28, 2016 - 5:30 p.m.

Conference Room A & B, Ground Floor

2500 Grant Road, Mountain View, California

John Zoglin will be attending via telepresence from 1005 Los Altos Avenue, Los Altos, California

*MISSION: The purpose of the Finance Committee ("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 El Camino Hospital Board of Directors ("Board"). 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		
<b>1. CALL TO ORDER/ROLL CALL</b>	Dennis Chiu, Chair		5:30 p.m.
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Dennis Chiu, Chair		5:31 – 5:32
<b>3. PUBLIC COMMUNICATION</b>	Dennis Chiu, Chair		5:32 – 5:33
<b>4. CONSENT CALENDAR (for possible action)</b> Any Committee Member may remove an item for discussion before a motion is made.	Dennis Chiu, Chair	<i>public comment</i>	<b>Motion for recommendation required</b> 5:33 – 5:35
<b>Approval:</b> a. <a href="#">January 25, 2016 Finance Committee Meeting Open Session Minutes</a> b. <a href="#">January 25, 2016 Joint Finance Committee and Investment Committee Meeting</a> <b>Information:</b> c. <a href="#">January Financials</a> d. <a href="#">Article of Interest</a>			
<b>5. REPORT ON BOARD ACTIONS</b>	Dennis Chiu, Chair		<b>Information</b> 5:35 – 5:38
<b>6. REPORT ON FEBRUARY FINANCIALS</b> <a href="#">ATTACHMENT 6</a>	Iftikhar Hussain, Chief Financial Officer		<b>Motion required</b> 5:38 – 5:48
<b>7. UPDATE ON CAPITAL PROJECTS IN PROGRESS THAT EXCEED \$2.5M</b> <a href="#">ATTACHMENT 7</a>	Ken King, Chief Administrative Services Officer		<b>Information</b> 5:48 – 5:58
<b>8. ADJOURN TO CLOSED SESSION</b>			5:58 – 5:59
<b>9. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Dennis Chiu, Finance Committee Chair		5:59 – 6:00

A copy of the agenda for the Regular Committee Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		
<b>10. CONSENT CALENDAR (for possible action)</b> Any committee member may remove an item for discussion before a motion is made.	Dennis Chiu, Finance Committee Chair		<b>Motion Required</b> 6:00– 6:02
<b>Approval:</b> <i>Gov't. Code Section 54957.2</i> January 25, 2016 Finance Committee Meeting Closed Session Minutes			
<b>11. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Summary of Physician Financial Arrangements	Diane Wigglesworth, Director, Corporate Compliance		<b>Information</b> 6:02 – 6:07
<b>12. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Review of Budget Status	Helen Tam, Director Decision Support and Business Analytics		<b>Information</b> 6:07 – 6:22
<b>13. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Payer update	Iftikhar Hussain, Chief Financial Officer Joan Kezic, VP Payer Relations		<b>Information</b> 6:22 – 6:33
<b>14. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Education on Outpatient Services Lines	Iftikhar Hussain, Chief Financial Officer		<b>Information</b> 6:33 – 6:48
<b>15. Gov't Code Section 54956.8</b> - conference with real estate negotiator Ken King regarding property APN 193-25-014 & APN 193-25-016 - Property Planning	Ken King, Chief Administrative Services Officer		<b>Information</b> 6:48 – 7:03
<b>16. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Mountain View Facilities Projects Funding Requests	Ken King, Chief Administrative Services Officer		<b>Discussion</b> 7:03 – 7:13
<b>17. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Los Gatos Facilities Upgrades Funding Requests	Ken King, Chief Administrative Services Officer		<b>Information</b> 7:13 – 7:23
<b>18. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Draft Organizational Goals and FY17 Priorities	Rich Katzman, Chief Strategy Officer		<b>Discussion</b> 7:23 – 7:38
<b>19. Health and Safety Code Section 32106(b)</b> for a report involving healthcare facility trade secret - Review of Physician Contracts	Mary Rotunno, General Counsel Rich Katzman, Chief Strategy Officer		<b>Information</b> 7:38 – 7:48
<b>20. RECONVENE OPEN SESSION/REPORT OUT</b>			<b>7:48 – 7:49</b>
To report any required disclosures regarding permissible actions taken during Closed Session.	Dennis Chiu, Chair		

AGENDA ITEM	PRESENTED BY		
<b>21. REVIEW OF PHYSICIAN CONTRACTS</b>	Dennis Chiu, Chair	<i>public comment</i>	<b>Motion for recommendation required</b> 7:49 – 7:58
<b>22. FUND REQUESTS</b>	Dennis Chiu, Chair	<i>public comment</i>	<b>Motions for recommendation required</b> 7:58 – 8:00
<b>23. COMMITTEE PLANNING</b>	Dennis Chiu, Chair	<i>public comment</i>	<b>Motions for recommendation required</b> 8:00– 8:15
<b>24. ADJOURNMENT</b>	Dennis Chiu, Chair		8:15 p.m.

**FY 2016 Finance Committee Meetings:**

May 31, 2016 (Joint Board/All Committee Meeting)

## **a. January 25, 2016 Finance Committee Meeting Open Session Minutes**





**Minutes of the Open Session  
Finance Committee  
Monday, January 25, 2015  
El Camino Hospital, 2500 Grant Road, Mountain View, California  
Conference Room A&B**

and

Richard Juelis participated via telephone from 495 Wiley Post Way, Salt Lake City, Utah

**Members Present**

Dennis Chiu  
John Zoglin  
Richard Juelis (by phone)  
Bill Hobbs

**Members Absent**

Kathy Cain

**Staff Present**

Iftikhar Hussain  
Jeff Gruel  
Michelle McGowan  
Julie Johnston (phone)  
Mary Rotunno  
Mick Zdeblick  
Rich Katzman  
Helen Tam

**Others Present**

Agenda Item	Comments/Discussion	Approvals/Action
<b>1. Call to order</b>	The Open Session of the Finance Committee (“FC”) of El Camino Hospital (the “Committee”) was called to order by Chair Dennis Chiu at 6:30pm. Though it was anticipated that Mr. Zoglin would call in to the meeting, he was able to join in person. Mr. Juelis joined by phone from Salt Lake City.	
<b>2. Agenda Item Potential Conflict of Interest Disclosure</b>	Chair Chiu asked if any Committee members had a conflict of interest with any of the agenda items. There were none.	
<b>3. Public Communication</b>	Chair Chiu asked if there was any public communication. There was none.	
<b>4. Consent calendar</b>	There were no requests for removal of Open Session Consent Calendar items. Chair Chiu requested a motion to approve the Consent Calendar. <b>Motion:</b> To approve the Open Session Consent Calendar <b>Movant:</b> Hobbs <b>Second:</b> Zoglin <b>Ayes:</b> Chiu, Hobbs, Zoglin, Juelis (by phone), <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Cain <b>Recused:</b> None	
<b>5. Report on Board Actions</b>	<ul style="list-style-type: none"> <li>▪ A highly strategic land acquisition of 16 acres, within one mile of Kaiser Santa Teresa in south San Jose, as just completed for around \$ 24M. Technically, we have not yet decided to build anything on this property. With an anticipated increase of 40% growth in this area, this is a highly valuable and potentially lucrative purchase.</li> <li>▪ The Board approved the recommended purchase of two robots.</li> <li>▪ The iCare implementation discussion with the Board went</li> </ul>	

	<p>much better than anticipated. Post review was done, indicating that systems are working well and workflow is improving. IT brought on 60 new staff. The major focus is now on how to get the best out of the overall investment.</p> <ul style="list-style-type: none"> <li>▪ The status of Rotocare was discussed. Due to the changing nature of health care, along with a number of other issues, it has been increasingly difficult to sufficiently staff the Rotocare clinic. Rotocare has provided healthcare services to the community's uninsured and underinsured patients with limited access to physicians, for nearly 40 years. It has been determined that Mayview, a federally qualified healthcare center, can provide more wrap around services for current patients. ECH is transitioning Rotocare patients to Mayview with as much care and sensitivity as possible, with the assurance that Mayview will be a better option in the long run.</li> </ul>	
<b>6. December 2015 Financials</b>	<p>Iftikhar Hussain reported on December 2015 Financials. December financials were much improved over November, which was expected to be low due to iCare implementation. \$3M of the \$5M we were behind on in November has already been recovered. Iftikhar also covered:</p> <ul style="list-style-type: none"> <li>▪ Revenue Financial Trends and Commentary</li> <li>▪ ECH Operating Margin</li> <li>▪ Summary of Financial Results</li> <li>▪ ECH Volume Statistics</li> <li>▪ Financial Metrics Trend</li> <li>▪ Tracking Smart Growth</li> <li>▪ Worked Hours per Adjusted Patient Day</li> <li>▪ Capital spending FY 2011- FY 2015</li> </ul> <p>It was clear that strategic goals are not being met. Primary issues that define our current level of vulnerability are:</p> <ul style="list-style-type: none"> <li>▪ Two of our busiest surgeons were out for 2 months, so surgical volumes took a hit right at the beginning of the year.</li> <li>▪ Maternal Child Health is struggling due to loss of referrals from Los Gatos area because of PAMF's new facility that provides deliveries at Good Samaritan Hospital to our PAMF patients who reside in that area.</li> </ul> <p>On the upside:</p> <ul style="list-style-type: none"> <li>▪ ECH has recruited 3 new surgeons who are raising volume.</li> <li>▪ 2 new OBs have been signed, and 3 more are pending. It's anticipated that by the end of the year, we will be at the level we want to be.</li> <li>▪ The Electrophysiology Program (cardiac) has been expanded and 2 Stanford physicians are slowly beginning to move their case volume to ECH.</li> </ul>	

	<ul style="list-style-type: none"> <li>ECH is actively recruiting independent OBs with income guarantees to reseed and draw in younger physicians to replace OB physicians who are aging out.</li> </ul> <p>Further discussion followed regarding the status of current downtrends.</p> <ul style="list-style-type: none"> <li>The bottom line affecting ECH's market share is being directly affected by Stanford, Kaiser and Sutter/PAMF. As a single organization sitting among these larger systems, ECH is vulnerable.</li> <li>Chair Chiu stated for the record that the hospital's executive team and Board of Directors are aware of this and are focused on developing a strategy to address this through diversification of our patient resources, both inpatient and outpatient, noting that this issue will continue to come before the Board for further discussion.</li> </ul> <p>At this time, Chair Chiu requested a motion to approve the December 2015 Financials.  <b>Motion:</b> Approval of December 2015 Financial Report  <b>Movant:</b> Zoglin  <b>Second:</b> Hobbs  <b>Ayes:</b> Chiu, Hobbs, Zoglin, Juelis (by phone)  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Cain  <b>Recused:</b> None</p>	<i><b>Motion approved unanimously with one absent</b></i>
<b>7. Update on Progress of Capital Projects that Exceed \$2.5M</b>	This item will be continued to the next scheduled meeting.	
<b>8. Development of KPIs for Outpatient Services</b>	This item will be continued to the next scheduled meeting.	
<b>9. Adjourn to Closed Session</b>	<p>Chair Chiu requested a motion to adjourn to Closed Session:  <b>Motion:</b> To adjourn to Closed Session  <b>Movant:</b> Hobbs  <b>Second:</b> Cain  <b>Ayes:</b> Chiu, Hobbs, Zoglin, Juelis (by phone)  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Cain  <b>Recused:</b> None</p> <p>The meeting was adjourned to Closed Session at 5:29pm</p>	<i><b>Motion approved unanimously with one absent</b></i>
<b>10. Reconvene Open Session/Report Out</b>	Open Session was reconvened at 7:46pm. Chair Chiu reported that the Consent Calendar for the Closed Session was approved.	
<b>11. Recommendation for Approval of Urgent Care Clinics Fund Request</b>	Chair Chiu called for a motion to recommend approval of funds to open three Urgent Care Clinics.	

	<b>Motion:</b> Recommendation for approval of funding request to open 3 Urgent Care Clinics <b>Movant:</b> Hobbs <b>Second:</b> Zoglin <b>Ayes:</b> Chiu, Hobbs, Zoglin, Juelis (by phone) <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Cain <b>Recused:</b> None	<i><b>Motion to recommend approved unanimously with one absent</b></i>
<b>12. Committee Planning</b>	There was no discussion requested regarding the FY2016 Pacing Plan or Goals.	
<b>13. Meeting Adjournment</b>	Chair Chiu requested a motion to adjourn. <b>Motion:</b> To adjourn the March meeting of the Finance Committee Meeting <b>Movant:</b> Zoglin <b>Second:</b> Hobbs <b>Ayes:</b> Chiu, Hobbs, Zoglin, Juelis (by phone) <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> Cain <b>Recused:</b> None  Meeting was adjourned at 7:53pm.	<i><b>Motion approved unanimously with one absent</b></i>

**Attest to the approval of the foregoing minutes by the FC Committee:**

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Dennis Chiu  
Chair, ECH Finance Committee

**b. January 25, 2016 Joint Finance Committee and  
Investment Committee Meeting**



**Minutes of the Joint Meeting of the  
Investment and Finance Committees  
Monday, January 25, 2016**

**El Camino Hospital, 2500 Grant Road, Mountain View, California  
Conference Room A&B**

**Richard Juelis participated via telephone from 495 Wiley Post Way, Salt Lake City, Utah**

**Members Present**

*Investment Committee:*

John Zoglin, Chair  
Nicola Boone  
John Conover  
Jeffrey Davis  
Gary Kalbach

*Finance Committee:*

Dennis Chiu, Chair  
Bill Hobbs  
Richard Juelis (phone)  
John Zoglin

**Staff Present**

Iftikhar Hussain  
Michelle McGowan  
Mary Rotunno  
Julie Johnston (phone)  
Mick Zdeblick  
Richard Katzman

**Others Present**

Antonio DiCosola,  
Pavilion Advisory Group

**Members Absent**

Brooks Nelson  
Kathy Cain

<b>Agenda Item</b>	<b>Comments/Discussion</b>	<b>Approvals/Action</b>
<b>1. Call to order</b>	The joint meeting of the Finance Committee (“FC”) of El Camino Hospital and the Investment Committee (“IC”) of El Camino Hospital (the “Committees”) was called to order by Investment Committee Chair John Zoglin at 5:30pm.	
<b>2. Agenda Item Potential Conflict of Interest Disclosure</b>	Chair Zoglin asked if there were any conflicts of interest with agenda items. None were reported.	
<b>3. Public Communication</b>	Chair Zoglin asked if there was any public communication. There was none.	
<b>4. Capital Plan and Financing</b>	<p>Iftikhar Hussain, CFO, provided a review of the Capital Plan and Financing.</p> <ul style="list-style-type: none"><li>• Long range financial targets were reviewed</li><li>• Forecasted results indicate that operating revenue is stable, and will continue in this direction for the foreseeable future. Although margins do drop on occasion, they remain stable and ECH maintains the healthy 8 – 10% margin that has been enjoyed for the past three years.</li><li>• Capital Spending Plan (\$1.6B over the next 10 years) and Sensitivity Analysis were briefly reviewed.</li></ul>	

<p><b>5. Alignment of Investment Policy with Cash Flow Projections</b></p>	<p>Antonio DiCosola, a consultant from Pavilion Advisory Group, provided a report covering the alignment of the ECH investment policy with the Cash Forecast.</p> <ul style="list-style-type: none"> <li>• Surplus Cash Summary was reviewed.</li> <li>• Implementation of a task force to address Asset Allocation will be discussed at the May 2016 Investment Committee Meeting. Since new Asset Allocation policy went into effect, only favorable growth has occurred.</li> <li>• Summary shows a continued upward trajectory and favorable cash flow.</li> <li>• Cash surplus is currently at \$625M.</li> <li>• Asset Class Diversification was covered briefly. Portfolio shows good liquidity overall. 78% liquidity within 3 days if necessary, and entire portfolio can be maneuvered to liquidity within a 3 month span.</li> <li>• Brief discussions followed regarding debt capacity vs. investment liquidity, recent investment activity, backup options for lengthening our capital projects, next decision points, 2020 borrowing.</li> </ul> <p>Chair Zoglin reminded attendees that the purpose of this joint committee meeting was to give the Investment and Finance Committees some context to each committee's activities and perspectives. Mr. Zoglin reminded the Investment Committee to include a basic financial report in every meeting packet to provide context. Summary numbers from the quarterly Investment Committee should also be made available for inclusion in the Finance Committee meetings packets for context, as well.</p>	
<p><b>6. Adjournment</b></p>	<p>As there were no other topics of discussion, Chair Zoglin called for a motion to adjourn.</p> <p><b>Motion:</b> To adjourn the 2016 Joint Meeting of the Investment and Financial Committees  <b>Movant:</b> Davis  <b>Second:</b> Conover  <b>Ayes:</b> Boone, Conover, Chiu, Davis, Hobbs, Juelis, Kalbach, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Nelson, Cain  <b>Recused:</b> None</p> <p>The meeting was adjourned at 6:23 p.m.</p>	<p><i><b>Motion approved unanimously</b></i></p>

**Attest to the approval of the foregoing minutes by the IC and FC Committees:**

\_\_\_\_\_  
John Zoglin, Chair  
ECH Investment Committee

\_\_\_\_\_  
Dennis Chiu, Chair  
ECH Finance Committee

# January Financials





**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2016 – Period 7  
7/1/2015 to 1/31/2015

# EL CAMINO HOSPITAL

(Excludes Affiliates)

## EXECUTIVE FINANCIAL SUMMARY

Period Ending January 31, 2016

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)					BALANCE SHEET (\$000s)		
	Prior Year	Actual	Budget	Var F(U)		January 31, 2016	Jun 30, 2015
Gross Revenue	\$1,490,325	\$1,579,008	\$1,572,211	\$6,796	Cash and Investments	653,537	707,865
Deductions from Revenue	(1,073,775)	(1,137,202)	(1,139,480)	2,278	Non Cash Current Assets	169,327	143,766
Net Patient Revenue	416,550	441,806	432,731	9,074	Property, Plant & Equipment (Net)	696,848	686,537
Other Operating Revenue	11,484	14,000	11,905	2,095	Other Assets	90,076	94,707
<b>Total Operating Revenue</b>	<b>428,035</b>	<b>455,805</b>	<b>444,636</b>	<b>11,169</b>	<b>Total Assets</b>	<b>1,609,788</b>	<b>1,632,874</b>
Salaries & Wages	237,462	252,089	250,707	(1,383)	Current Liabilities	91,508	107,925
Supplies	63,550	66,691	64,787	(1,904)	Long-Term Liabilities	272,789	272,696
Fees & Purchased Services	43,396	50,308	48,318	(1,990)	Fund Balance/Capital Accounts	1,245,491	1,252,254
Other Operating Expense	21,791	30,469	23,126	(7,343)	<b>Total Liabilities &amp; Equity</b>	<b>1,609,788</b>	<b>1,632,874</b>
<b>Total Non Capital Operating Expense</b>	<b>366,198</b>	<b>399,558</b>	<b>386,938</b>	<b>(12,620)</b>	<b>KEY ECH STATISTICS - YTD</b>		
<b>OPERATING EBITDA</b>	<b>61,836</b>	<b>56,248</b>	<b>57,698</b>	<b>(1,451)</b>	<b>Balance Sheet</b>	<b>Actual</b>	<b>Target <sup>(1)</sup></b>
Interest, Depreciation & Amortization	30,427	30,565	29,111	(1,454)	Debt Service Coverage Ratio (MADS)	6.5	1.2
<b>NET OPERATING SURPLUS</b>	<b>31,410</b>	<b>25,682</b>	<b>28,587</b>	<b>(2,905)</b>	Debt to Capitalization	14.3%	29.0%
Non Operating Income	(25)	(32,997)	13,022	(46,019)	Days of Cash	349	262
<b>TOTAL NET SURPLUS</b>	<b>31,384</b>	<b>(7,315)</b>	<b>41,609</b>	<b>(48,924)</b>	Net AR Days	58.7	48.0
EBITDA Margin	14.4%	12.3%	13.0%	-0.6%	<b>Volume</b>	<b>Prior Year</b>	<b>Actual</b>
Operating Margin	7.3%	5.6%	6.4%	-0.8%	Acute Discharges	11,098	10,861
Total Margin	7.3%	-1.6%	9.4%	-11.0%	Acute Average Daily Census	241	237
					Licensed Beds	443	443
					Occupancy (%)	54%	53%
					Deliveries	3,044	2,777
					Emergency Department Visits	35,018	34,711
					Surgical Cases	6,381	6,262
					<b>Productivity</b>		
					Full Time Equivalent Employees	2,429	2,549
					Worked Hrs/Adjusted Patient Day	29.30	30.79

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# Financial Trends and Commentary

## Volume:

For the year, inpatient volume remains 1.8 lower than prior year primarily due to lower deliveries.

## Operating Margin:

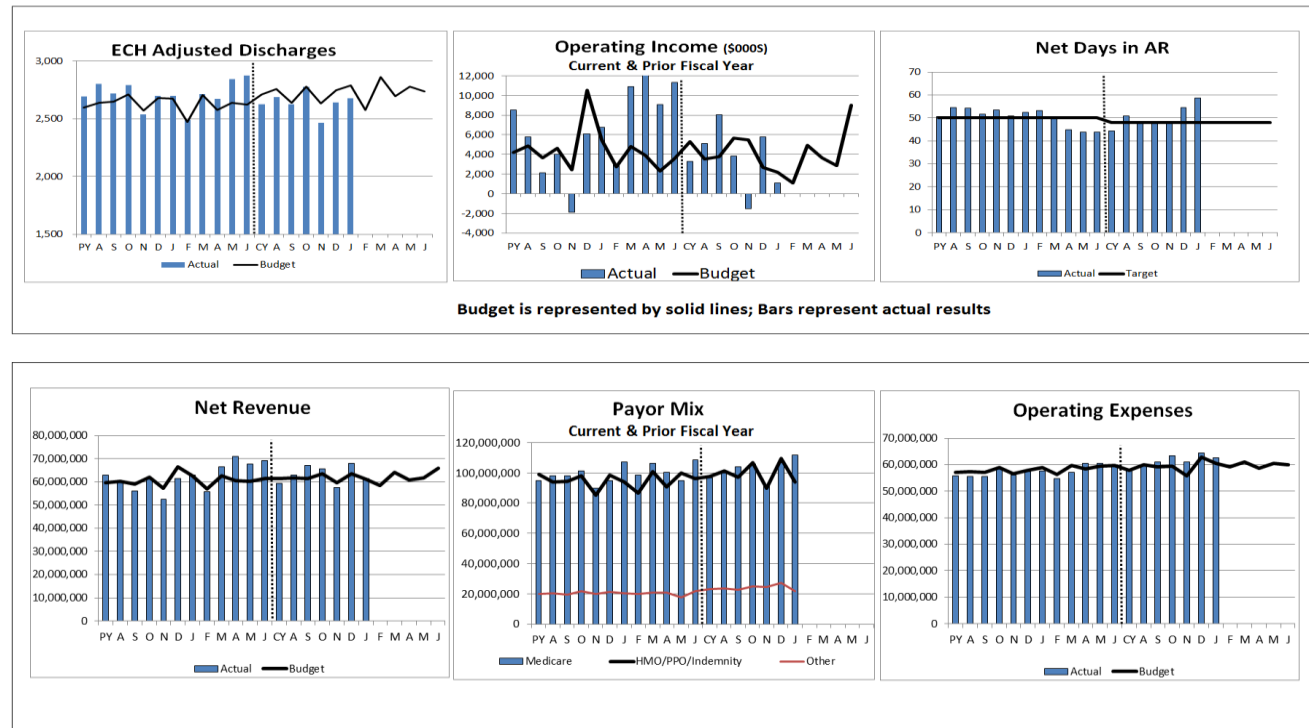
Operating margin is \$1.1 million unfavorable for the month due to lower commercial volume. Margin for the year is \$2.9 million unfavorable primarily due to EPIC related expenses in labor and training and pharmacy and surgical medical supply expenses.

## Non-Operating Margin:

Non operating income is \$46.0 million behind target primarily due to \$26.7 million in investment loss. Our cash position remains strong allowing a long term investment strategy.

## Net Days in AR:

Net days in A/R increased to 58.9 due EPIC conversion. Candidate for billing has improved beginning in January which will lead to reduction in AR around March.

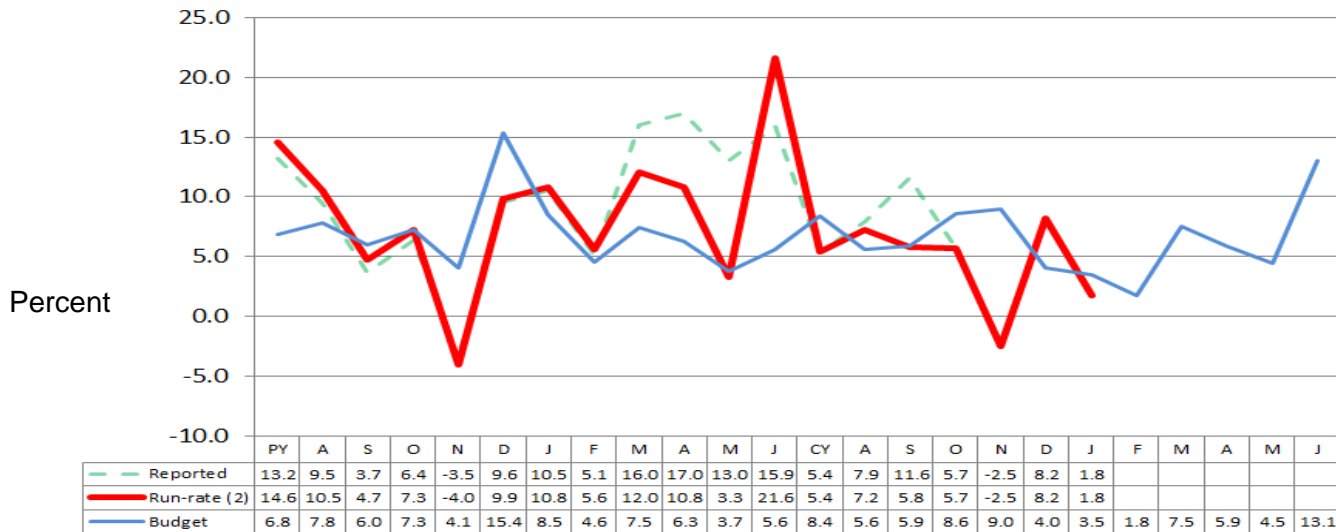


## Non-Labor Expenses:

EPIC training makes up -\$3.1 million year to date variance for other general and administrative expenses. In addition, the budget has a cost reduction target placeholder that was not achieved due go live. Depreciation is higher due to completion of the data center project and accelerated depreciation on the old hospital that will be demolished to build the iMOB.

# ECH Operating Margin

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



FY 2016 Actual Run Rate Adjustments (in thousands)													
		J	A	S	O	N	D	J	F	M	A	M	J
Revenue Adjustments	RAC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Cost Reports Settlements	-\$49	-\$569	-\$616	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	IGT-Inter Government Transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Insurance Overpayment Released	\$0	\$0	-\$4,913	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<b>Total</b>	<b>-\$49</b>	<b>-\$569</b>	<b>-\$5,530</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Expense Adjustments	Pay-For-Performance Bonus	\$76	\$69	\$1,183	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<b>Total</b>	<b>\$76</b>	<b>\$69</b>	<b>\$1,183</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

- No revenue/expense adjustments for January.

# Summary of Financial Results

## \$ in Thousands

	Period 7 - Month			Period 7 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Income (Loss) from Operations</b>						
Mountain View	8,280	1,906	6,374	20,557	23,938	(3,381)
Los Gatos	(7,164)	298	(7,462)	5,125	4,650	475
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>1,116</b>	<b>2,204</b>	<b>(1,089)</b>	<b>25,682</b>	<b>28,587</b>	<b>(2,905)</b>
<b>Operating Margin %</b>	<b>1.8%</b>	<b>3.5%</b>		<b>5.6%</b>	<b>6.4%</b>	
<b>El Camino Hospital Non Operating Income</b>						
Investments	(14,449)	2,298	(16,747)	(26,681)	16,083	(42,765)
Swap Adjustments	(1,293)	0	(1,293)	(2,046)	0	(2,046)
Community Benefit	(58)	(233)	175	(1,567)	(1,633)	65
Other	(35)	(204)	169	(2,702)	(1,429)	(1,273)
<b>Sub Total - Non Operating Income</b>	<b>(15,835)</b>	<b>1,860</b>	<b>(17,695)</b>	<b>(32,997)</b>	<b>13,022</b>	<b>(46,019)</b>
<b>El Camino Hospital Net Income (Loss)</b>	<b>(14,719)</b>	<b>4,065</b>	<b>(18,784)</b>	<b>(7,315)</b>	<b>41,609</b>	<b>(48,924)</b>
<b>ECH Net Margin %</b>	<b>-23.1%</b>	<b>6.5%</b>		<b>-1.6%</b>	<b>9.4%</b>	
Concern	258	196	62	1,372	184	1,188
ECSC	1	0	1	17	0	17
Foundation	(268)	39	(307)	(334)	763	(1,097)
Silicon Valley Medical Development	(2)	0	(2)	(12)	0	(12)
<b>Net Income Hospital Affiliates</b>	<b>(11)</b>	<b>236</b>	<b>(246)</b>	<b>1,044</b>	<b>948</b>	<b>96</b>
<b>Total Net Income Hospital &amp; Affiliates</b>	<b>(14,730)</b>	<b>4,300</b>	<b>(19,030)</b>	<b>(6,271)</b>	<b>42,557</b>	<b>(48,828)</b>

Actual to Budget Variance for hospital affiliates primarily due to drug, medical supplies, and EPIC labor/training expenses offset by unrealized gain.

# ECH Volume Statistics <sup>(1)</sup>

## ECH COMBINED

	Month of Jan, 2016			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges <sup>(2)</sup>	1,617	1,667	-3.0%	10,861	11,219	-3.2%	11,098	-2.1%
Deliveries	400	445	-10.2%	2,777	3,047	-8.9%	3,044	-8.8%
ED Visits	5,248	5,489	-4.4%	34,711	35,314	-1.7%	35,018	-0.9%
Surgical Cases	803	884	-9.1%	6,262	6,491	-3.5%	6,381	-1.9%
Licensed Beds	443	443	0.0%	443	443	0.0%	443	0.0%
ADC <sup>(2)</sup>	253	261	-3.1%	237	241	-1.9%	241	-1.8%
Occupancy %	57.2%	59.0%	-3.1%	53.5%	54.5%	-1.9%	54.5%	-1.8%

## MOUNTAIN VIEW

	Month of Jan, 2016			Year to Date			Prior Year	
	Act	Bud	Var%	Act	Bud	Var%	Act	Var%
Discharges <sup>(2)</sup>	1,350	1,362	-0.9%	8,917	9,179	-2.9%	9,080	-1.8%
Deliveries	359	385	-6.7%	2,400	2,634	-8.9%	2,631	-8.8%
ED Visits	4,118	4,386	-6.1%	27,538	28,215	-2.4%	27,980	-1.6%
Surgical Cases	494	549	-10.0%	3,843	4,031	-4.7%	3,890	-1.2%
Licensed Beds	300	300	0.0%	300	300	0.0%	300	0.0%
ADC <sup>(2)</sup>	206	214	-3.7%	194	197	-1.4%	196	-1.1%
Occupancy %	68.8%	71.5%	-3.7%	64.7%	65.6%	-1.4%	65.4%	-1.1%

## LOS GATOS

	Month of Jan, 2016			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges <sup>(2)</sup>	267	305	-12.5%	1,944	2,040	-4.7%	2,018	-3.7%
Deliveries	41	60	-32.2%	377	414	-8.8%	413	-8.7%
ED Visits	1,130	1,103	2.4%	7,173	7,099	1.0%	7,038	1.9%
Surgical Cases	309	335	-7.7%	2,419	2,460	-1.7%	2,491	-2.9%
Licensed Beds	143	143	0.0%	143	143	0.0%	143	0.0%
ADC <sup>(2)</sup>	47	47	-0.3%	43	45	-4.1%	45	-5.1%
Occupancy %	32.8%	32.9%	-0.3%	29.9%	31.2%	-4.1%	31.5%	-5.1%

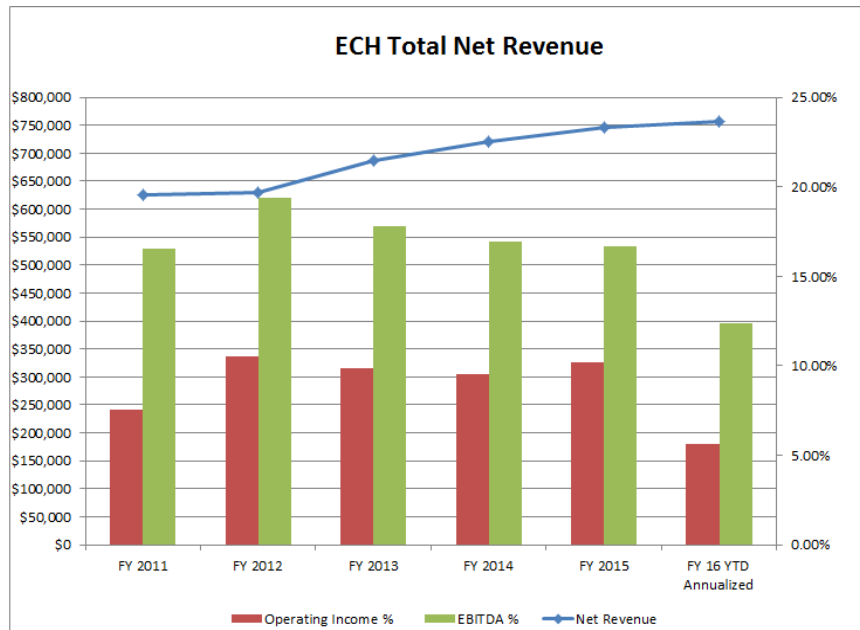
(1) Hospital entity only, excludes controlled affiliates

(2) Excludes normal newborns, includes discharges from L&D

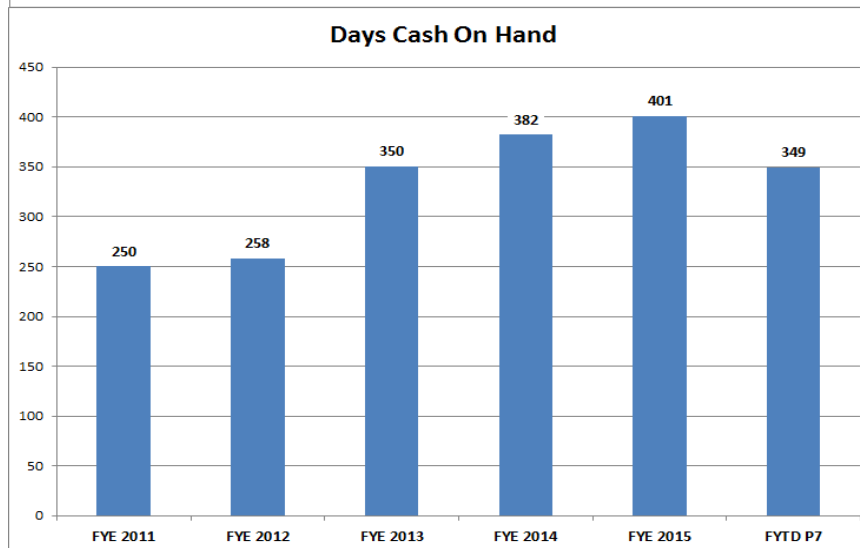
# El Camino Hospital Financial Metrics Trend <sup>(1)</sup>

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Revenue growth is slowing down and margin has declined due to EPIC go live



Cash position remains strong despite \$26.7 million investment loss

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

## Key Hospital Indicators<sup>(1)</sup>

Statistic	FYE 2013	FYE 2014	FYE 2015	FYTD 2016	Annual Target (2)	+/-
Operating Margin	9.9%	9.5%	10.2%	5.6%	6.5%	
EBITDA Margin	17.8%	16.9%	16.7%	12.3%	13.3%	
Days of Cash	350	382	401	349	262	
Debt Service Coverage Ratio (MADS)	7.9	9.5	8.9	6.5	4.8	
Debt to Capitalization	14.0%	12.6%	13.6%	14.3%	29.4%	
Net AR Days	48.3	50.9	43.6	58.7	48.0	
In Patient Operating Margin	-1.1%	-3.2%	-4.5%	-7.8%	-1.0%	
Out Patient Operating Margin	25.9%	25.2%	28.1%	27.1%	25.0%	

<sup>(1)</sup> Hospital Only - Excludes Affiliates

<sup>(2)</sup> Due to timing of month end costing, In Patient and Out Patient Operating Margin % for FYTD 2016 are one month in arrears

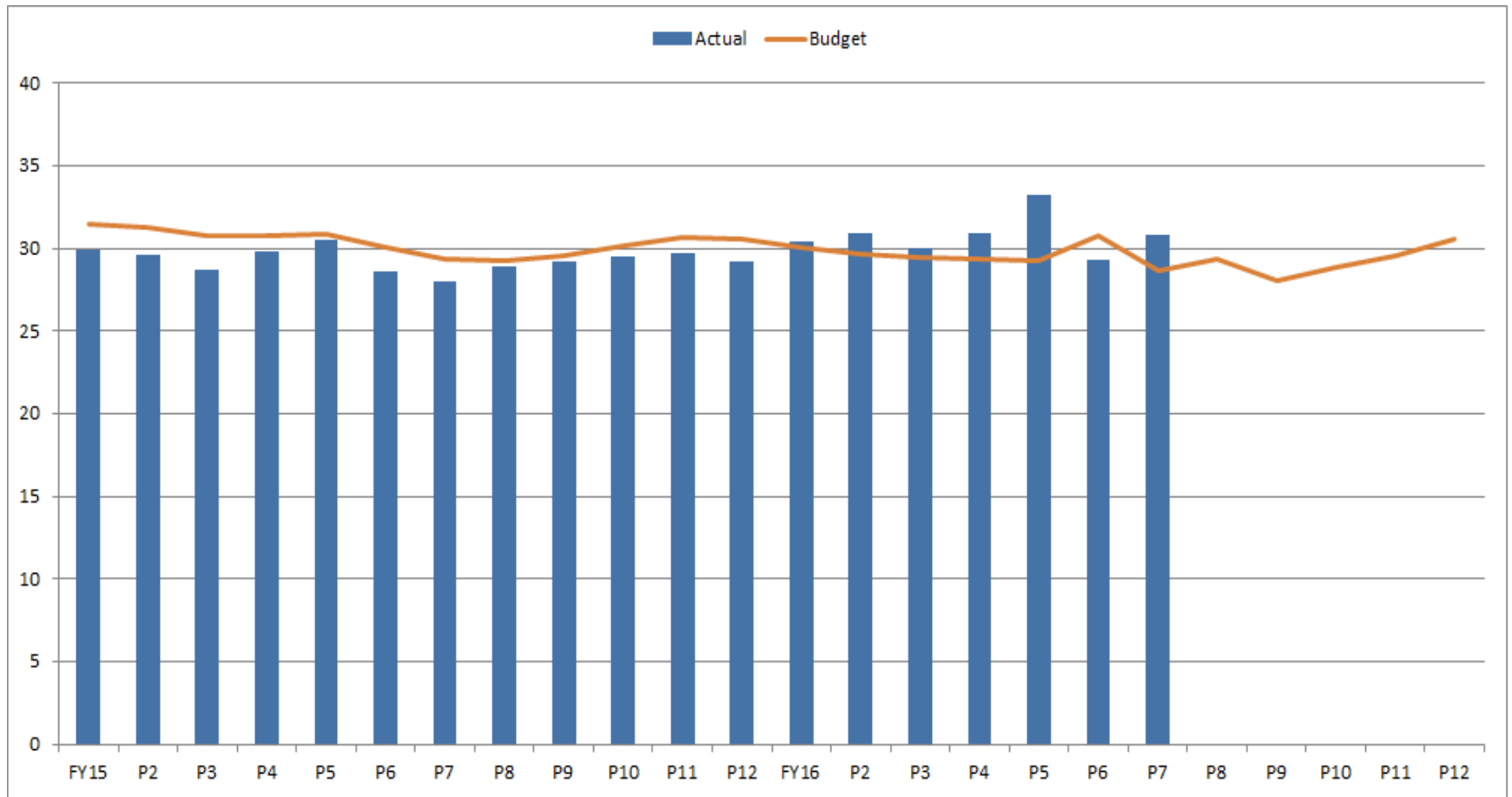
<sup>(3)</sup> Target source: Annual Budget for Operating Margin and EBITDA Margin

Target source: S&P 2014 A Rated Stand-Alone Hospital Median Ratios (last published 9/9/2015)

\*Prior Year numbers represent full year



## Worked Hours per Adjusted Patient Day



**Worked Hours per Adjusted Patient Day:** Worked hours are unfavorable to budget for the new fiscal year.

# Tracking Smart Growth

COMBINED CAMPUS					Result Away from Goal
	FY15 Year to Date	FY16 Year to Date	Change	Annual Goal	
Inpatient Discharges	11,098	10,861	(237)	300	(537)
Surgical Outpatient Cases (incl Litho)	3,783	3,624	(159)	290	(449)
Endo Outpatient procedures	1,710	1,439	(271)	0	(271)
Outpatient Interventional Cases	1,069	1,117	48	10	38
Total Case Volume	17,660	17,041	(619)	600	(1,219)
NEW Physician Total		186	186		
Pre-existing Physician Total	17,660	16,855	(805)		
# New Physicians*		3		15	

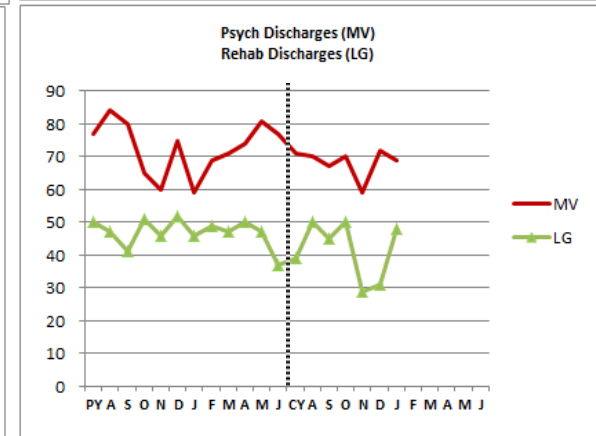
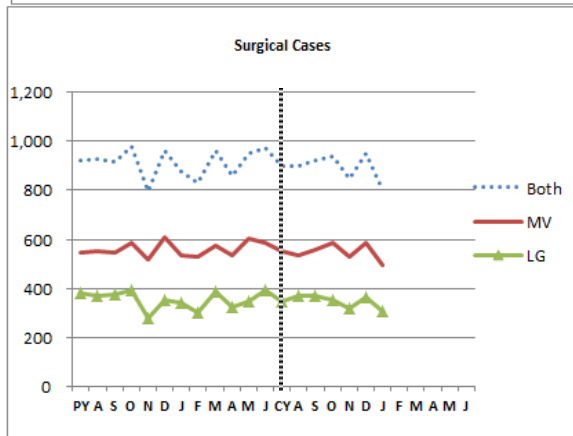
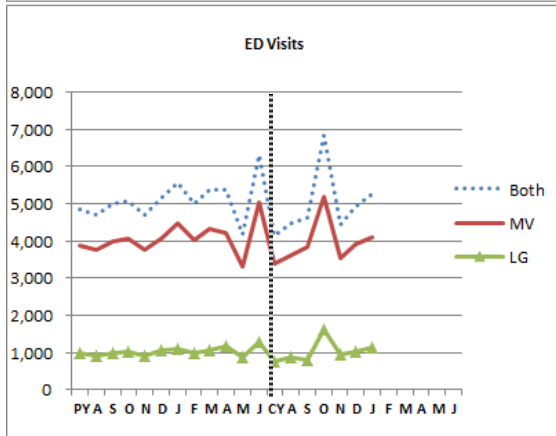
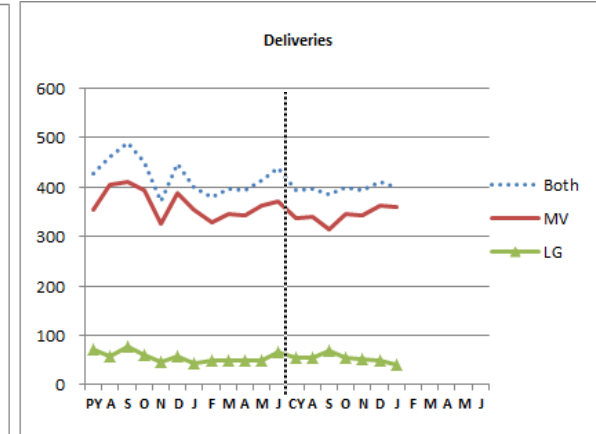
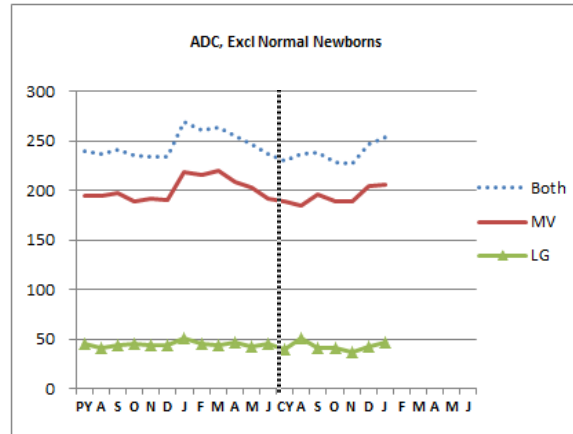
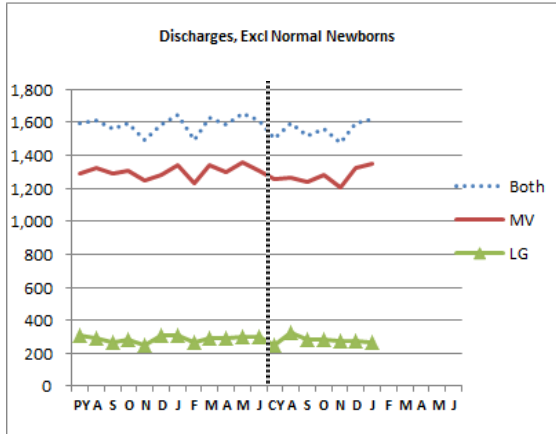
\* New Physicians: MDs with 20% or more inpatient or procedural (above definition) cases (at least 10) and/or New PCP (OB, Internal Med, Fam Prac)

Mountain View Campus			
	FY15 Year to Date	FY16 Year to Date	Change
Inpatient Discharges	9,080	8,917	(163)
Surgical Outpatient Cases (incl Litho)	1,967	1,925	(42)
Endo Outpatient procedures	1,583	1,359	(224)
Outpatient Interventional Cases	1,059	1,109	50
Total Case Volume	13,689	13,310	(379)

Los Gatos Campus			
	FY15 Year to Date	FY16 Year to Date	Change
Inpatient Discharges	2,018	1,944	(74)
Surgical Outpatient Cases (incl Litho)	1,816	1,699	(117)
Endo Outpatient procedures	127	80	(47)
Outpatient Interventional Cases	10	8	(2)
Total Case Volume	3,971	3,731	(240)

(1) Hospital entity only, excludes controlled affiliates

## El Camino Hospital Volume Trends Prior and Current Fiscal Years



# El Camino Hospital

## Capital Spending (in millions)

Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY 16 Proj Spend	FY 16 YTD Spent	FY 16 Remaining
<b>CIP</b>	EPIC Installation			73.8	52.9	35.9	16.7	19.2
	<b>IT Hardware, Software, Equipment*</b>			6.9		6.9	5.9	1.0
	<b>Medical &amp; Non Medical Equipment</b>			12.6		12.6	7.4	5.2
<b>Facility Projects</b>								
	0908 NPCR3 Seismic Upgrades	FY12	6.7	6.7	5.0	0.2	0.2	0.0
	0907 LG Imaging Masterplan	FY12	0.0	3.1	2.8	0.0	0.0	0.0
	0906 Slot Build-Out	FY13	0.0	19.0	18.7	1.2	1.2	0.0
	1307 LG Upgrades	FY13	15.5	13.0	9.2	9.5	2.3	7.2
	1219 LG Spine OR	FY13	4.1	4.1	0.7	4.1	0.2	3.9
	1400 Oak Pavilion Cancer Ctr TI	FY14	0.0	5.9	5.8	0.4	0.4	0.0
	1414 Integrated MOB	FY15	232.0	28.0	8.0	13.7	5.3	8.4
	1413 North Drive Parking Expansion	FY15	15.0	3.0	1.3	2.2	1.0	1.2
	1245 Behavioral Health Bldg	FY16	62.5	9.0	6.1	4.5	0.7	3.8
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	6.8	0.0	0.0	1.6	0.0	1.6
	1313/1224 LG Rehab HVAC System & Structural	FY16	3.7	3.7	0.3	3.4	0.3	3.1
	1502 Cabling & Wireless Upgrades	FY16	2.5	2.8	1.1	2.2	1.1	1.1
	1425 IMOB Preparation Project - Old Main	FY16	2.3	0.5	0.0	1.0	0.0	1.0
	1430 Women's Hospital Expansion	FY16	91.0	0.0	0.0	1.5	0.0	1.5
	1422 CUP Upgrade	FY16	4.0	1.5	0.7	2.9	0.6	2.3
	1503 Willow Pavilion Tomosynthesis	FY16	0.3	1.3	0.0	0.3	0.0	0.3
	1519/1314 LG Electrical Systems Upgrade	FY16	1.2	0.0	0.0	0.0	0.0	0.0
	1347 LG Central Sterile Upgrades	FY15	3.7	0.2	0.2	1.2	0.0	1.2
	1508 LG NICU 4 Bed Expansion	FY16	7.0	0.0	0.0	0.5	0.0	0.5
	1520 Facilities Planning Allowance	FY16	1.0	0.0	0.0	1.0	0.0	1.0
	Land Acquisition Approved in 12/15	FY16	24.1	24.1	0.0	24.1	0.0	24.1
	All Other Projects under \$1M		9.5	5.8	2.7	7.5	0.9	6.6
			492.9	131.7	62.5	83.1	14.3	68.8

### GRAND TOTAL

225.0

138.5

44.3

94.2

Forecast at start of fiscal year

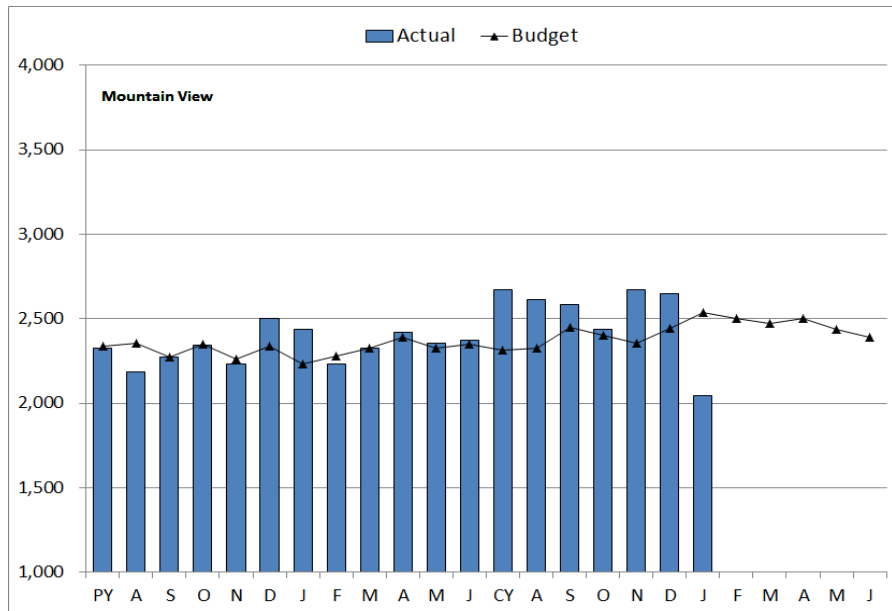
125.8

# APPENDIX

# Supply Cost per CMI Adjusted Discharges<sup>(1)</sup>

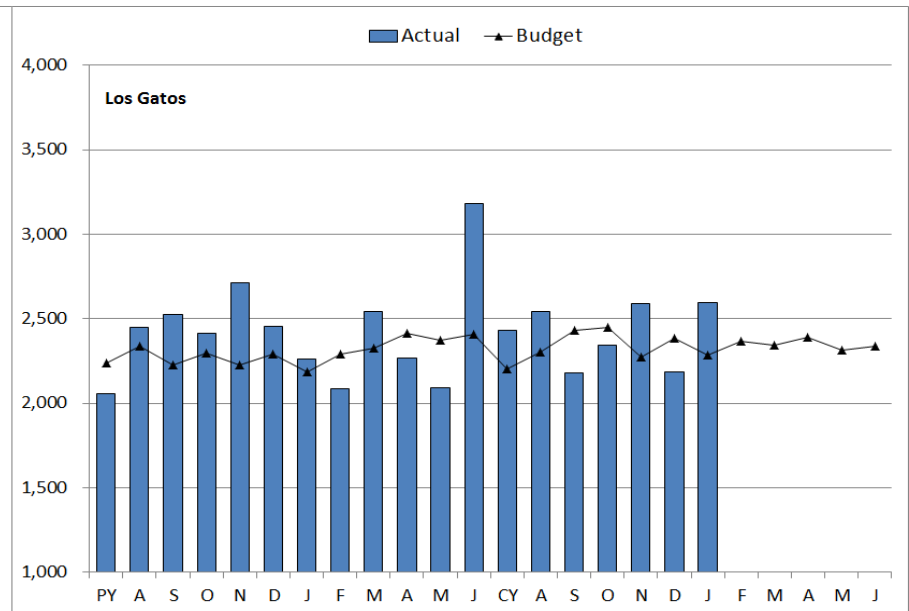
**YTD: 5.0% over budget**

## Mountain View



**YTD: 3.3% over budget**

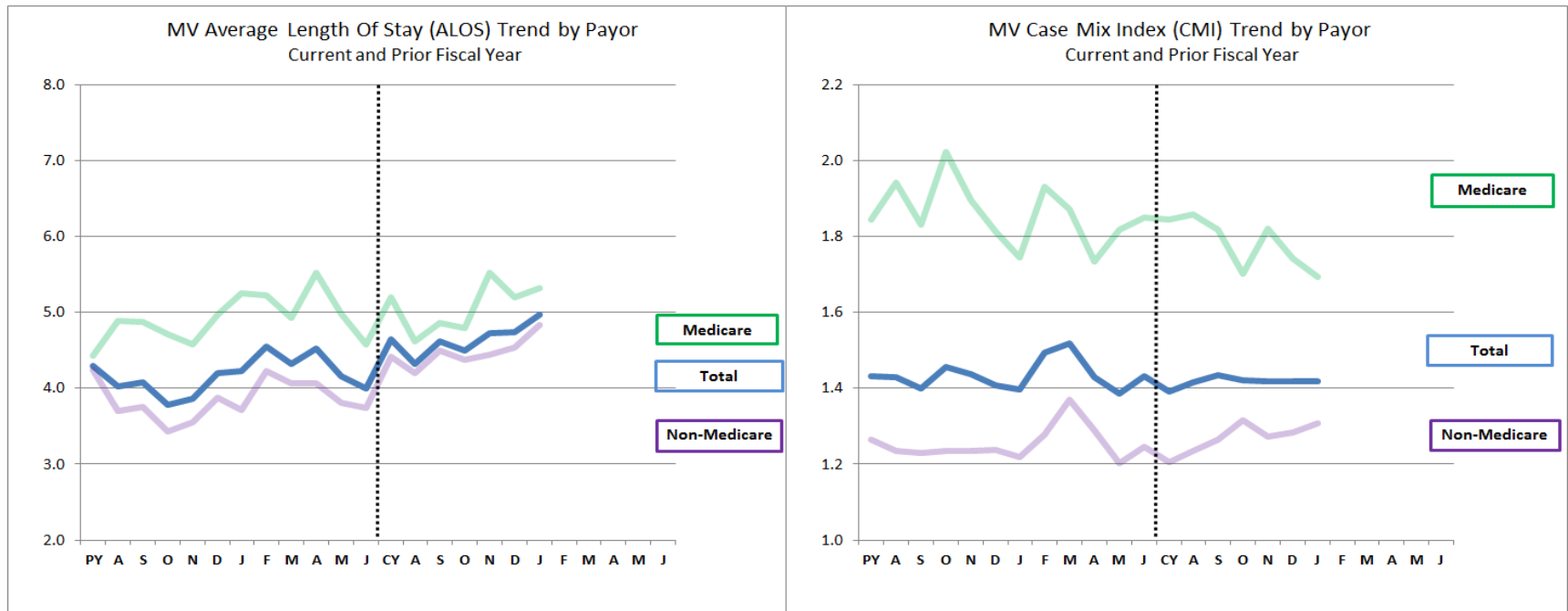
## Los Gatos



Continued high cost in December related to pharmacy and general surgery supplies.

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# Mountain View LOS & CMI Trend<sup>(1)</sup>



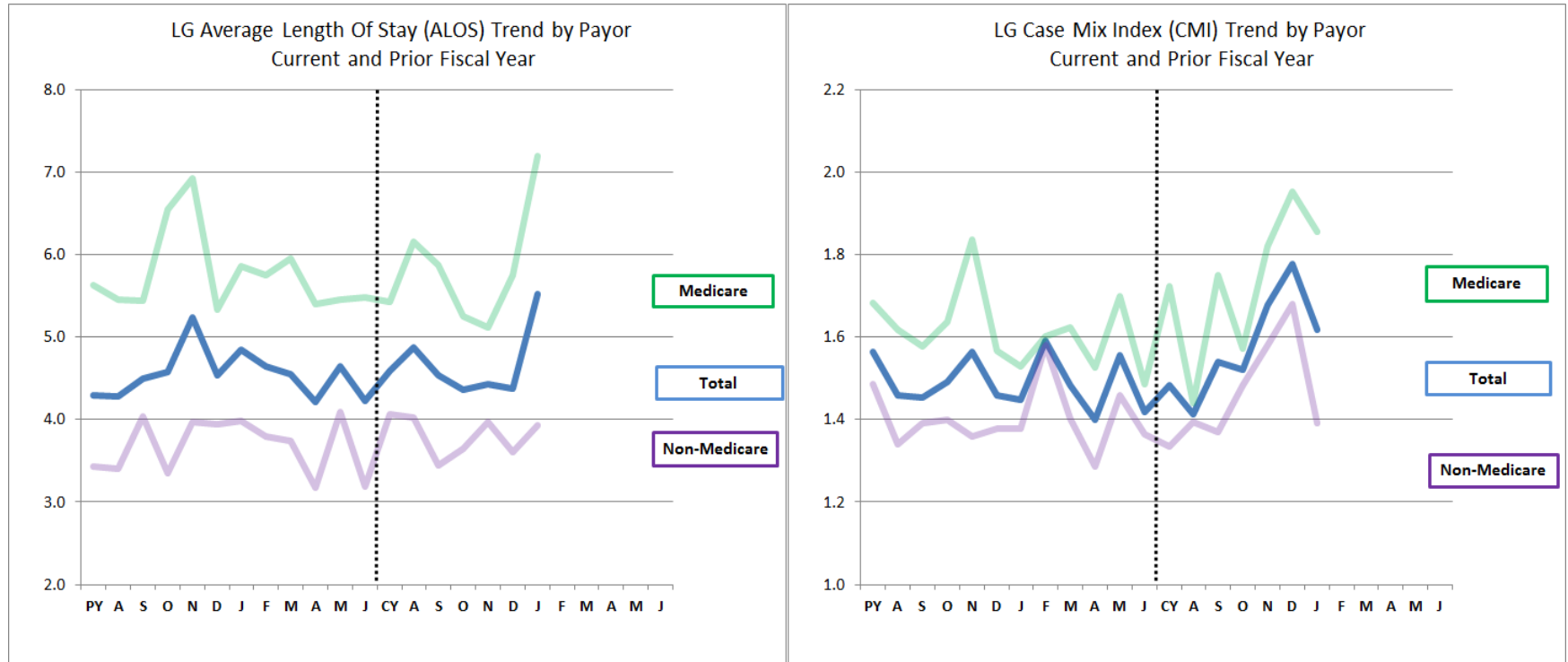
- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

Length of stay continues an upward trend while CMI remains relatively flat .

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

All data excludes normal newborns (MS-DRG=795), Medicare data excludes Medicare HMOs and PPOs

# Los Gatos LOS & CMI Trend<sup>(1)</sup>



- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

The Los Gatos Medicare caseload shows a sharp increase in length of stay and increasing case complexity. The non-Medicare caseload also shows an upward trend in length of stay. The small campus is impacted by relatively slight shifts in surgical volume.

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

All data excludes normal newborns (MS-DRG=795), Medicare data excludes Medicare HMOs and PPOs



# El Camino Hospital<sup>(1)</sup>

Results from Operations vs. Prior Year

7 months ending 1/31/2016

\$000s	FY 2016	FY 2015	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE:</b>				
Gross Revenue	1,579,008	1,490,325	88,683	6.0%
Deductions	(1,137,202)	(1,073,775)	(63,427)	5.9%
<b>Net Patient Revenue</b>	<b>441,806</b>	<b>416,550</b>	<b>25,255</b>	<b>6.1%</b>
Other Operating Revenue	14,000	11,484	2,515	21.9%
<b>Total Operating Revenue</b>	<b>455,805</b>	<b>428,035</b>	<b>27,771</b>	<b>6.5%</b>
<b>OPERATING EXPENSE:</b>				
Salaries & Wages	252,089	237,462	(14,628)	-6.2%
Supplies	66,691	63,550	(3,141)	-4.9%
Fees & Purchased Services	50,308	43,396	(6,912)	-15.9%
Other Operating Expense	61,034	52,217	(8,817)	-16.9%
<b>Total Operating Expense</b>	<b>430,123</b>	<b>396,625</b>	<b>(33,498)</b>	<b>-8.4%</b>
<b>Net Operating Income/(Loss)</b>	<b>25,682</b>	<b>31,410</b>	<b>(5,727)</b>	<b>-18.2%</b>
Non Operating Income	(32,997)	(25)	(32,972)	130005.0%
<b>Net Income(Loss)</b>	<b>(7,315)</b>	<b>31,384</b>	<b>(38,699)</b>	<b>-123.3%</b>
<b>Collection Rate</b>	28.0%	28.0%	0.0%	
<b>Operating Margin</b>	5.6%	7.3%	-1.7%	
<b>Net Margin</b>	-1.6%	7.3%	-8.9%	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital – Mountain View<sup>(1)</sup>

Results from Operations vs. Prior Year  
7 months ending 1/31/2016

\$000s	FY 2016	FY 2015	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE:</b>				
Gross Revenue	1,287,293	1,216,466	70,827	5.8%
Deductions	(927,954)	(881,528)	(46,426)	5.3%
<b>Net Patient Revenue</b>	<b>359,338</b>	<b>334,938</b>	<b>24,400</b>	<b>7.3%</b>
Other Operating Revenue	12,576	10,179	2,397	23.5%
<b>Total Operating Revenue</b>	<b>371,915</b>	<b>345,117</b>	<b>26,797</b>	<b>7.8%</b>
<b>OPERATING EXPENSE:</b>				
Salaries & Wages	209,763	196,937	(12,826)	-6.5%
Supplies	54,230	51,386	(2,844)	-5.5%
Fees & Purchased Services	41,034	34,567	(6,467)	-18.7%
Other Operating Expense	46,330	40,463	(5,867)	-14.5%
<b>Total Operating Expense</b>	<b>351,357</b>	<b>323,353</b>	<b>(28,004)</b>	<b>-8.7%</b>
<b>Net Operating Income/(Loss)</b>	<b>20,557</b>	<b>21,764</b>	<b>(1,206)</b>	<b>-5.5%</b>
Non Operating Income	(32,971)	(25)	(32,946)	129902.2%
<b>Net Income(Loss)</b>	<b>(12,414)</b>	<b>21,738</b>	<b>(34,152)</b>	<b>-157.1%</b>
 <b>Collection Rate</b>	 27.9%	 27.5%	 0.4%	
<b>Operating Margin</b>	5.5%	6.3%	-0.8%	
<b>Net Margin</b>	-3.3%	6.3%	-9.6%	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital – Los Gatos<sup>(1)</sup>

Results from Operations vs. Prior Year  
7 months ending 1/31/2016

\$000s	FY 2016	FY 2015	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE:</b>				
Gross Revenue	291,715	273,859	17,856	6.5%
Deductions	(209,248)	(192,247)	(17,001)	8.8%
<b>Net Patient Revenue</b>	<b>82,467</b>	<b>81,612</b>	<b>855</b>	<b>1.0%</b>
Other Operating Revenue	1,424	1,305	118	9.1%
<b>Total Operating Revenue</b>	<b>83,891</b>	<b>82,918</b>	<b>973</b>	<b>1.2%</b>
<b>OPERATING EXPENSE:</b>				
Salaries & Wages	42,327	40,525	(1,801)	-4.4%
Supplies	12,461	12,163	(297)	-2.4%
Fees & Purchased Services	9,274	8,829	(445)	-5.0%
Other Operating Expense	14,704	11,754	(2,950)	-25.1%
<b>Total Operating Expense</b>	<b>78,766</b>	<b>73,272</b>	<b>(5,494)</b>	<b>-7.5%</b>
<b>Net Operating Income/(Loss)</b>	<b>5,125</b>	<b>9,646</b>	<b>(4,521)</b>	<b>-46.9%</b>
Non Operating Income	(26)	0	(26)	0.0%
<b>Net Income(Loss)</b>	<b>5,099</b>	<b>9,646</b>	<b>(4,547)</b>	<b>-47.1%</b>
 <b>Collection Rate</b>	 28.3%	 29.8%	 -1.5%	
<b>Operating Margin</b>	6.1%	11.6%	-5.5%	
<b>Net Margin</b>	6.1%	11.6%	-5.6%	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital<sup>(1)</sup>

Results from Operations vs. Budget  
7 months ending 1/31/2016

\$000s	FY 2016	Budget 2016	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE:</b>				
Gross Revenue	1,579,008	1,572,211	6,796	0.4%
Deductions	(1,137,202)	(1,139,480)	2,278	-0.2%
<b>Net Patient Revenue</b>	<b>441,806</b>	<b>432,731</b>	<b>9,074</b>	<b>2.1%</b>
Other Operating Revenue	14,000	11,905	2,095	17.6%
<b>Total Operating Revenue</b>	<b>455,805</b>	<b>444,636</b>	<b>11,169</b>	<b>2.5%</b>
<b>OPERATING EXPENSE:</b>				
Salaries & Wages	252,089	250,707	(1,383)	-0.6%
Supplies	66,691	64,787	(1,904)	-2.9%
Fees & Purchased Services	50,308	48,318	(1,990)	-4.1%
Other Operating Expense	61,034	52,237	(8,798)	-16.8%
<b>Total Operating Expense</b>	<b>430,123</b>	<b>416,049</b>	<b>(14,075)</b>	<b>-3.4%</b>
<b>Net Operating Income/(Loss)</b>	<b>25,682</b>	<b>28,587</b>	<b>(2,905)</b>	<b>-10.2%</b>
Non Operating Income	(32,997)	13,022	(46,019)	-353.4%
<b>Net Income(Loss)</b>	<b>(7,315)</b>	<b>41,609</b>	<b>(48,924)</b>	<b>-117.6%</b>
<b>Collection Rate</b>	<b>28.0%</b>	<b>27.5%</b>	<b>0.5%</b>	
<b>Operating Margin</b>	<b>5.6%</b>	<b>6.4%</b>	<b>-0.8%</b>	
<b>Net Margin</b>	<b>-1.6%</b>	<b>9.4%</b>	<b>-11.0%</b>	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital – Mountain View<sup>(1)</sup>

Results from Operations vs. Budget  
7 months ending 1/31/2016

\$000s	FY 2016	Budget 2016	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE:</b>				
Gross Revenue	1,287,293	1,287,968	(675)	-0.1%
Deductions	(927,954)	(937,179)	9,225	-1.0%
<b>Net Patient Revenue</b>	<b>359,338</b>	<b>350,789</b>	<b>8,549</b>	<b>2.4%</b>
Other Operating Revenue	12,576	10,564	2,012	19.0%
<b>Total Operating Revenue</b>	<b>371,915</b>	<b>361,353</b>	<b>10,561</b>	<b>2.9%</b>
<b>OPERATING EXPENSE:</b>				
Salaries & Wages	209,763	208,231	(1,532)	-0.7%
Supplies	54,230	52,725	(1,505)	-2.9%
Fees & Purchased Services	41,034	38,761	(2,273)	-5.9%
Other Operating Expense	46,330	37,699	(8,631)	-22.9%
<b>Total Operating Expense</b>	<b>351,357</b>	<b>337,416</b>	<b>(13,942)</b>	<b>-4.1%</b>
<b>Net Operating Income/(Loss)</b>	<b>20,557</b>	<b>23,938</b>	<b>(3,381)</b>	<b>-14.1%</b>
Non Operating Income	(32,971)	13,022	(45,993)	-353.2%
<b>Net Income(Loss)</b>	<b>(12,414)</b>	<b>36,959</b>	<b>(49,373)</b>	<b>-133.6%</b>
<b>Collection Rate</b>	<b>27.9%</b>	<b>27.2%</b>	<b>0.7%</b>	
<b>Operating Margin</b>	<b>5.5%</b>	<b>6.6%</b>	<b>-1.1%</b>	
<b>Net Margin</b>	<b>-3.3%</b>	<b>10.2%</b>	<b>-13.6%</b>	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital – Los Gatos<sup>(1)</sup>

Results from Operations vs. Budget  
7 months ending 1/31/2016

\$000s	FY 2016	Budget 2016	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE:</b>				
Gross Revenue	291,715	284,243	7,472	2.6%
Deductions	(209,248)	(202,301)	(6,947)	3.4%
<b>Net Patient Revenue</b>	<b>82,467</b>	<b>81,942</b>	<b>525</b>	<b>0.6%</b>
Other Operating Revenue	1,424	1,340	84	6.2%
<b>Total Operating Revenue</b>	<b>83,891</b>	<b>83,283</b>	<b>608</b>	<b>0.7%</b>
<b>OPERATING EXPENSE:</b>				
Salaries & Wages	42,327	42,476	149	0.4%
Supplies	12,461	12,062	(398)	-3.3%
Fees & Purchased Services	9,274	9,557	283	3.0%
Other Operating Expense	14,704	14,538	(166)	-1.1%
<b>Total Operating Expense</b>	<b>78,766</b>	<b>78,633</b>	<b>(133)</b>	<b>-0.2%</b>
<b>Net Operating Income/(Loss)</b>	<b>5,125</b>	<b>4,650</b>	<b>475</b>	<b>10.2%</b>
Non Operating Income	(26)	0	(26)	0.0%
<b>Net Income(Loss)</b>	<b>5,099</b>	<b>4,650</b>	<b>449</b>	<b>9.7%</b>
 <b>Collection Rate</b>	 28.3%	 28.8%	 -0.6%	
<b>Operating Margin</b>	<b>6.1%</b>	<b>5.6%</b>	<b>0.5%</b>	
<b>Net Margin</b>	<b>6.1%</b>	<b>5.6%</b>	<b>0.5%</b>	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital<sup>(1)</sup>

## Balance Sheet (\$ Thousands)

### ASSETS

	Audited	
	January 31, 2016	June 30, 2015
<b>CURRENT ASSETS</b>		
Cash	55,151	55,224
Short Term Investments	92,465	145,027
Patient Accounts Receivable, net	116,286	95,737
Other Accounts and Notes Receivable	2,899	2,378
Intercompany Receivables	1,137	1,595
Inventories and Prepays	49,004	44,055
<b>Total Current Assets</b>	<b>316,943</b>	<b>344,016</b>
<b>BOARD DESIGNATED ASSETS</b>		
Plant & Equipment Fund	113,920	117,965
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	13,197	2,085
Workers Compensation Reserve Fund	26,072	24,719
Postretirement Health/Life Reserve Fund	18,165	17,197
PTO Liability Fund	22,459	22,212
Malpractice Reserve Fund	1,800	1,800
Catastrophic Reserves Fund	13,053	14,150
<b>Total Board Designated Assets</b>	<b>308,863</b>	<b>300,324</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>34,340</b>	<b>37,676</b>
<b>LONG TERM INVESTMENTS</b>	<b>197,057</b>	<b>207,290</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>30,868</b>	<b>31,808</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,145,722	1,077,951
Less: Accumulated Depreciation	(482,466)	(473,920)
Construction in Progress	33,593	82,506
<b>Property, Plant &amp; Equipment - Net</b>	<b>696,848</b>	<b>686,537</b>
<b>DEFERRED OUTFLOWS</b>	<b>24,868</b>	<b>25,218</b>
<b>RESTRICTED ASSETS - CASH</b>	<b>0</b>	<b>5</b>
<b>TOTAL ASSETS</b>	<b>1,609,788</b>	<b>1,632,874</b>

### LIABILITIES AND FUND BALANCE

	Audited	
	January 31, 2016	June 30, 2015
<b>CURRENT LIABILITIES</b>		
Accounts Payable	24,520	30,142
Salaries and Related Liabilities	18,730	20,812
Accrued PTO	22,459	22,212
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	14,143	20,253
Intercompany Payables	80	108
Malpractice Reserves	1,800	1,800
Bonds Payable - Current	3,635	5,475
Bond Interest Payable	594	1,711
Other Liabilities	3,247	3,111
<b>Total Current Liabilities</b>	<b>91,508</b>	<b>107,925</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	18,165	17,197
Worker's Comp Reserve	23,772	22,419
Other L/T Obligation (Asbestos)	3,593	3,531
Other L/T Liabilities (IT/Medl Leases)	-	7,102
Bond Payable	227,259	222,446
<b>Total Long Term Liabilities</b>	<b>272,789</b>	<b>272,696</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	936,628	951,924
Board Designated	308,863	300,324
Restricted	0	5
<b>Total Fund Bal &amp; Capital Accts</b>	<b>1,245,491</b>	<b>1,252,254</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>1,609,788</b>	<b>1,632,874</b>

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates



## El Camino Hospital Capital Spending (in thousands) FY 2011 – FY 2015

Category	2011	2012	2013	2014	2015
IT Hardware/Software Equipment	3,544	7,289	8,019	2,788	4,660
Medical/Non Medical Equipment	6,632	11,203	10,284	12,891	13,340
Non CIP Land, Land I, BLDG, Additions	2,518	7,311	0	22,292	0
<b>Facilities Projects CIP</b>					
0101 - Hosp Replace	232	313	0	0	0
0317 - Melchor TI's	925	117	0	0	0
0701 - Cyberknife	735	0	0	0	0
0704 - 1 South Upgrade	0	2	0	0	0
0802 - Willow Pavillion Upgrades	7	0	0	0	0
0805 - Women's Hospital Finishes	51	0	0	0	0
0809 - Hosp Renovations	262	0	0	0	0
0815 - Orc Pav Water Heater	29	0	0	0	0
0816 - Hospital Signage	41	0	0	0	0
0904 - LG Facilities Upgrade	254	41	2	0	0
0907 - LG Imaging Masterplan	0	162	244	774	1,402
1000 - LG Rehab Building	258	0	0	0	0
1104 - New Main CDU TV's	124	0	0	0	0
9900 - Unassigned Costs	921	279	734	470	3,717
0803 - Park Pav Foundation	207	270	0	0	0
1005 - LG OR Light Upgrd	89	108	14	0	0
1101 - Melchor Pavillion - Genomics	15	0	0	0	0
1102 - LG Joint Hotel	359	657	0	0	0
1106 - SHC Project	0	2,245	0	0	0
1108 - Cooling Towers	4	932	450	0	0
1115 - Womens Hosp TI's	0	50	0	0	0
1118 - Park Pav Roto Care	0	119	0	0	0
1120 - BHS Out Patient TI's	0	472	66	0	0
1122 - LG Sleep Studies	0	147	7	0	0
1129 - Old Main Card Rehab	0	400	9	0	0
0817 - Womens Hosp Upgrds	132	1,242	645	1	0
0906 - Slot Build-Out	0	0	1,003	1,576	15,101
1107 - Boiler Replacement	0	49	0	0	0
1109 - New Main Upgrades	0	589	423	393	2
1111 - Mom/Baby Overflow	0	267	212	29	0
1129 - Cardiac Rehab Improv	0	0	0	0	0
1132 - Pheumatic Tube Prj	0	78	0	0	0
1204 - Elevator Upgrades	0	24	25	30	0
1210 - Los Gatos VOIP	0	1	147	89	0
0800 - Womens L&D Expansion	27	129	2,104	1,531	269
1116 - LG Ortho Pavillion	0	44	177	24	21
1124 - LG Rehab BLDG	0	11	49	458	0
1128 - LG Boiler Replacement	0	3	0	0	0
1131 - MV Equipment Replace	0	190	216	0	0
1135 - Park Pavillion HVAC	0	47	0	0	0
1208 - Willow Pav. High Risk	0	0	110	0	0
1213 - LG Sterilizers	0	0	102	0	0
1225 - Rehab BLDG Roofing	0	0	7	241	4
1227 - New Main eICU	0	0	96	21	0
1230 - Fog Shop	0	0	339	80	0
1247 - LG Infant Security	0	0	134	0	0
1307 - LG Upgrades	0	0	376	2,979	3,282
1308 - LG Infrastructure	0	0	0	114	0
1315 - 205 So. Drive TI's	0	0	0	500	2
0908 - NPCR3 Seismic Upgrds	0	554	1,302	1,224	1,328

Category	2011	2012	2013	2014	2015
<b>Facilities Projects CIP cont.</b>					
1125 - Will Pav Fire Sprinkler	0	9	57	39	0
1211 - SIS Monitor Install	0	0	215	0	0
1216 - New Main Process Imp Office	0	0	19	1	16
1217 - MV Campus MEP Upgrades FY13	0	0	0	181	274
1219 - LG Spine OR	0	0	0	214	323
1221 - LG Kitchen Refrig	0	0	0	85	0
1224 - Rehab Bldg HVAC Upgrades	0	0	11	202	81
1245 - Behavioral Health Bldg Replace	0	0	0	1,257	3,775
1248 - LG - CT Upgrades	0	0	0	26	345
1249 - LG Mobile Imaging	0	0	0	146	0
1301 - Desktop Virtual	0	0	0	13	0
1304 - Rehab Wander Mgmt	0	0	0	87	0
1310 - Melchor Cancer Center Expansio	0	0	0	44	13
1318 - Women's Hospital TI	0	0	0	48	48
1327 - Rehab Building Upgrades	0	0	0	0	15
1320 - 2500 Hosp Dr Roofing	0	0	0	75	81
1328 - LG Ortho Canopy FY14	0	0	0	255	209
1340 - New Main ED Exam Room TVs	0	0	0	8	193
1341 - New Main Admin	0	0	0	32	103
1344 - New Main AV Upgrd	0	0	0	243	0
1345 - LG Lab HVAC	0	0	0	112	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	0	0	285
1347 - LG Central Sterile Upgrades	0	0	0	0	181
1400 - Oak Pav Cancer Center	0	0	0	0	5,208
1403 - Hosp Drive BLDG 11 TI's	0	0	0	86	103
1404 - Park Pav HVAC	0	0	0	64	7
1408 - New Main Accessibility Upgrades	0	0	0	0	7
1413 - North Drive Parking Structure Exp	0	0	0	0	167
1414 - Integrated MOB	0	0	0	0	2,009
1421 - LG MOB Improvements	0	0	0	0	198
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	0	0	101
1432 - 205 South Dr BHS TI	0	0	0	0	8
1501 - Women's Hospital NPC Comp	0	0	0	0	4
1504 - Equipment Support Infrastructure	0	0	0	0	61
<b>Subtotal Facilities Projects CIP</b>	<b>4,674</b>	<b>9,553</b>	<b>9,294</b>	<b>13,753</b>	<b>38,940</b>
<b>Grand Total</b>	<b>17,368</b>	<b>35,357</b>	<b>27,598</b>	<b>51,723</b>	<b>56,940</b>
Forecast at Beginning of year		47,138	49,399	47,300	65,420



Article of Interest

# **Reform and Renewal of Primary Care**

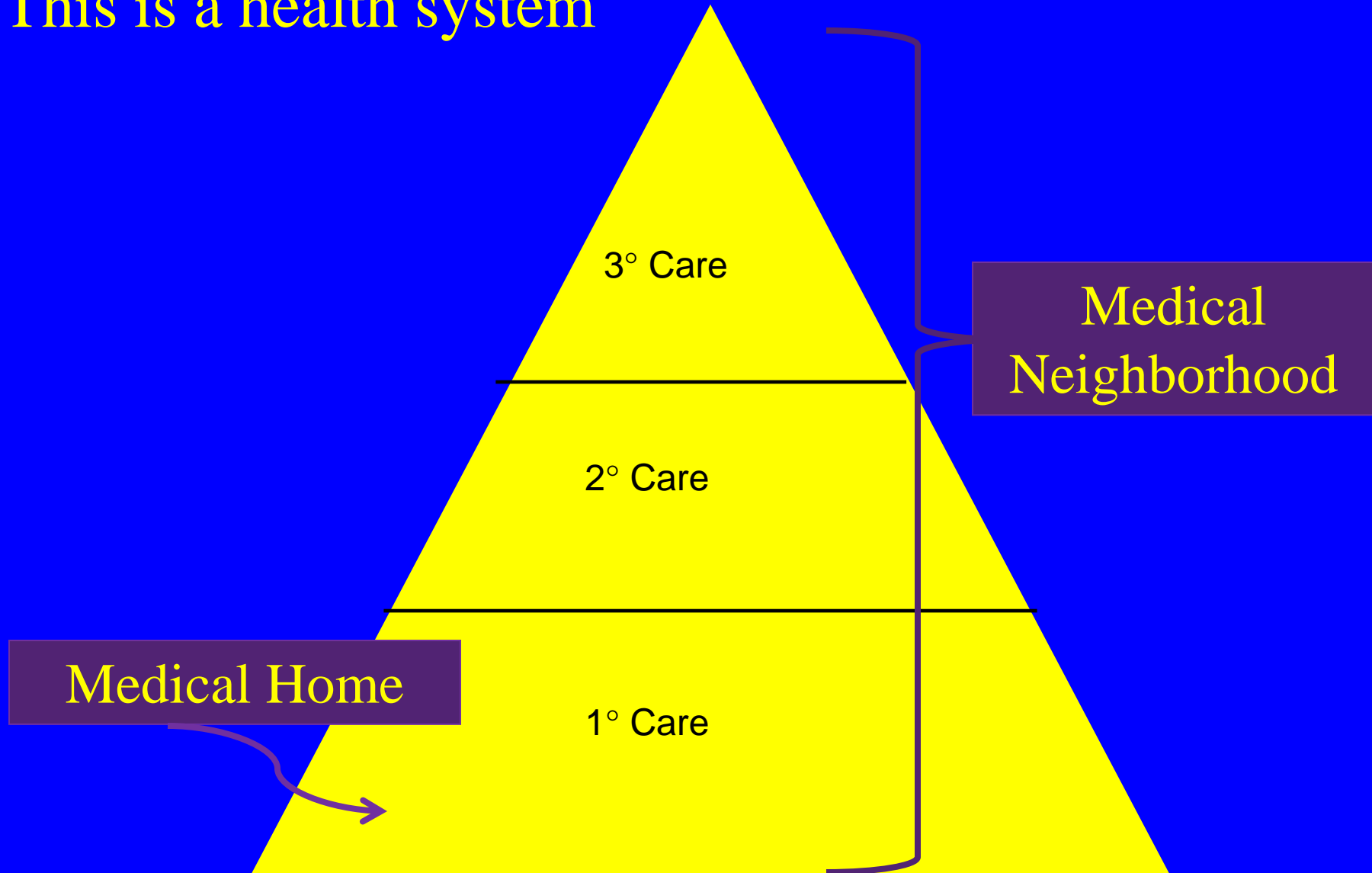
**The Leadership Institute  
January 13, 2016**

**Kevin Grumbach, MD**

**Center for Excellence in Primary Care  
Department of Family & Community Medicine  
University of California, San Francisco**



This is a health system



# A Strong Foundation of Primary care is Essential to:

- Achieving the triple aims of
  - Better and more equitable health care
  - Better health outcomes
  - Lower costs
- Succeeding as an ACO in a population health and value-based health care framework

## Testimony

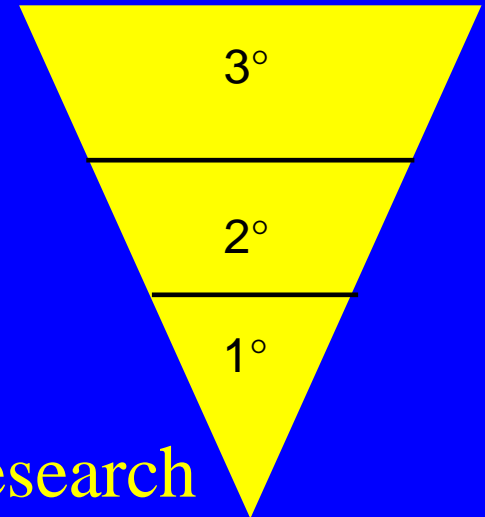
Before the Committee on Health,  
Education, Labor, and Pensions, U.S.  
Senate

For Release on Delivery  
Expected at 2:30 p.m. EST  
Tuesday, February 12, 2008

## PRIMARY CARE PROFESSIONALS

### Recent Supply Trends, Projections, and Valuation of Services

Statement of A. Bruce Steinwald, Director  
Health Care

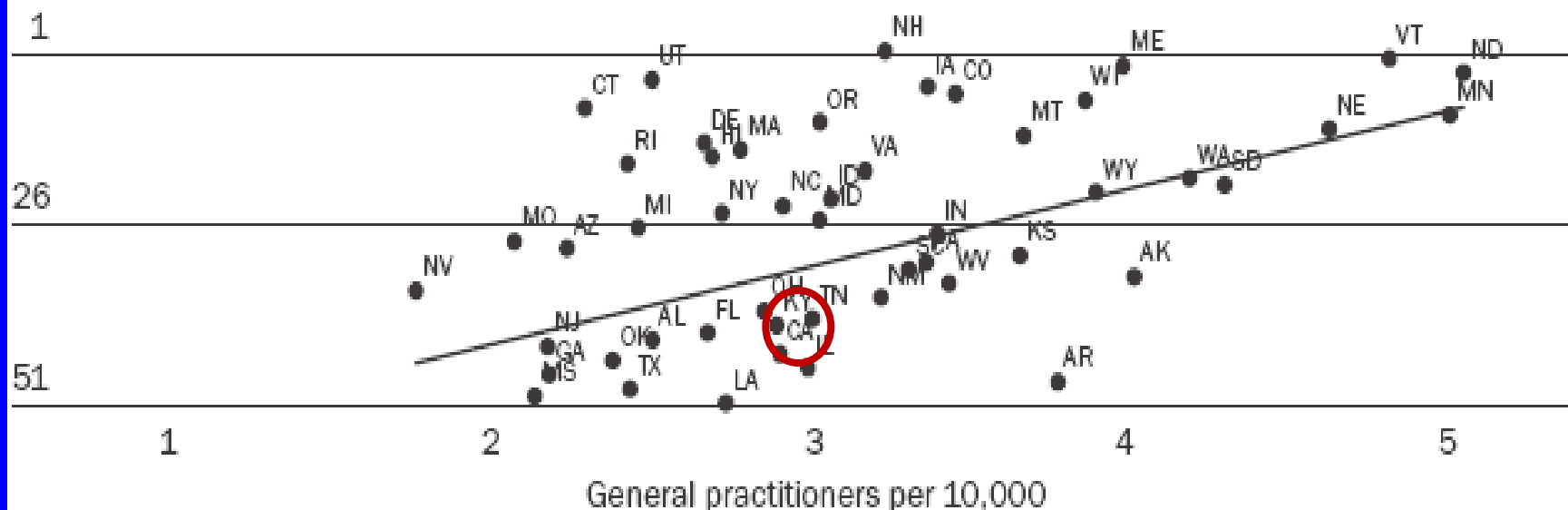


“Ample research  
concludes in recent years  
that the nation’s over

reliance on specialty care services at the  
expense of primary care leads to a health  
system that is less efficient...research shows  
that preventive care, care coordination for the  
chronically ill, and continuity of care—all  
hallmarks of primary care medicine—can  
achieve better health outcomes and cost  
savings.”

## Relationship Between Provider Workforce And Quality: General Practitioners Per 10,000 And Quality Rank In 2000

Quality rank



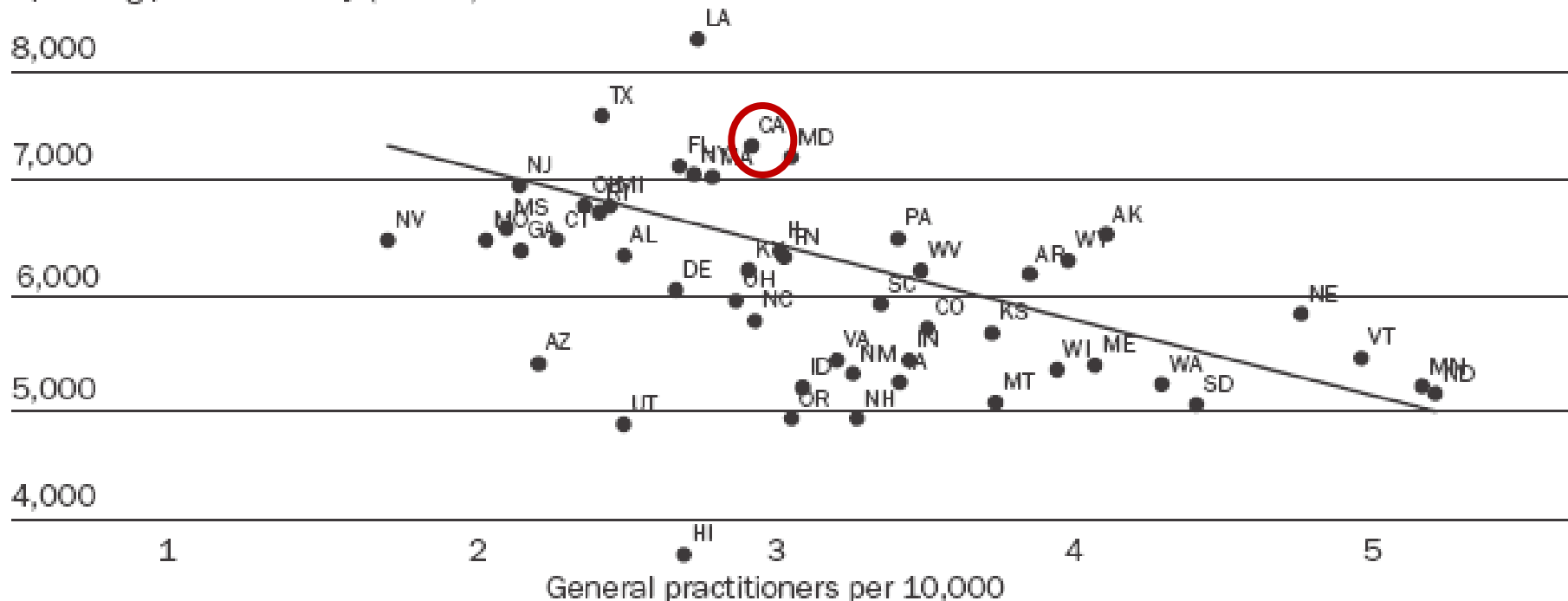
**SOURCES:** Medicare claims data; and Area Resource File, 2003.

**NOTES:** For quality ranking, smaller values equal higher quality. Total physicians held constant.

Source: Baicker & Chandra, Health Affairs, April 7, 2004

## Relationship Between Provider Workforce And Medicare Spending: General Practitioners Per 10,000 And Spending Per Beneficiary In 2000

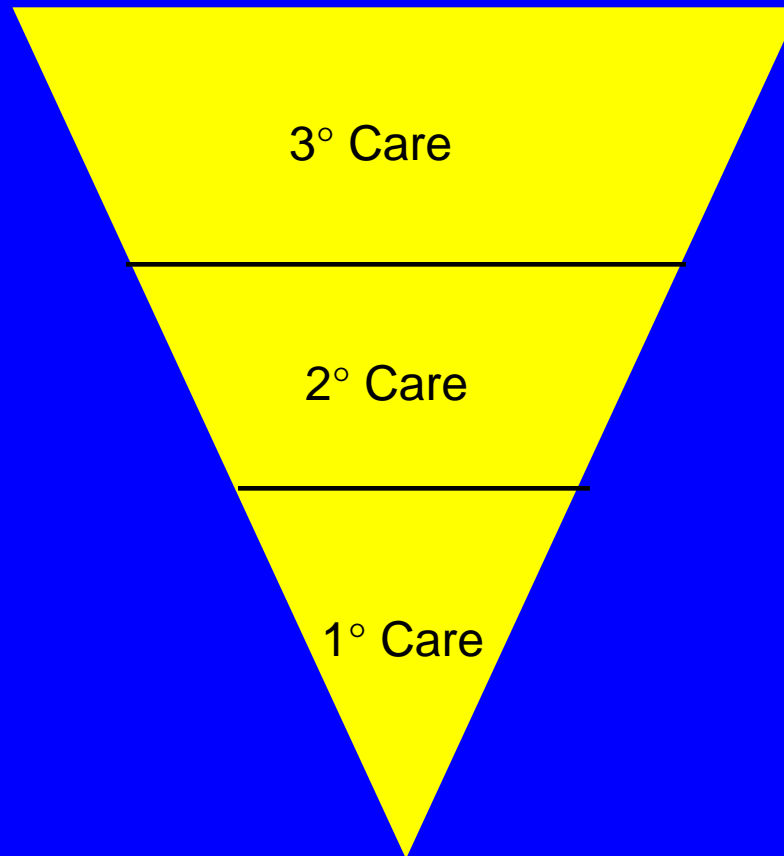
Spending per beneficiary (dollars)



**SOURCES:** Medicare claims data; and Area Resource File, 2003.

**NOTE:** Total physicians held constant.

**Tom Daschle, testifying to Senate Health Committee, Jan 2009:**  
**“Every country starts at the base of the pyramid with primary care, and they work their way up until the money runs out. We start at the top of the pyramid, and we work our way down until the money runs out...And so we have to change the pyramid. We have to start at the base.”**

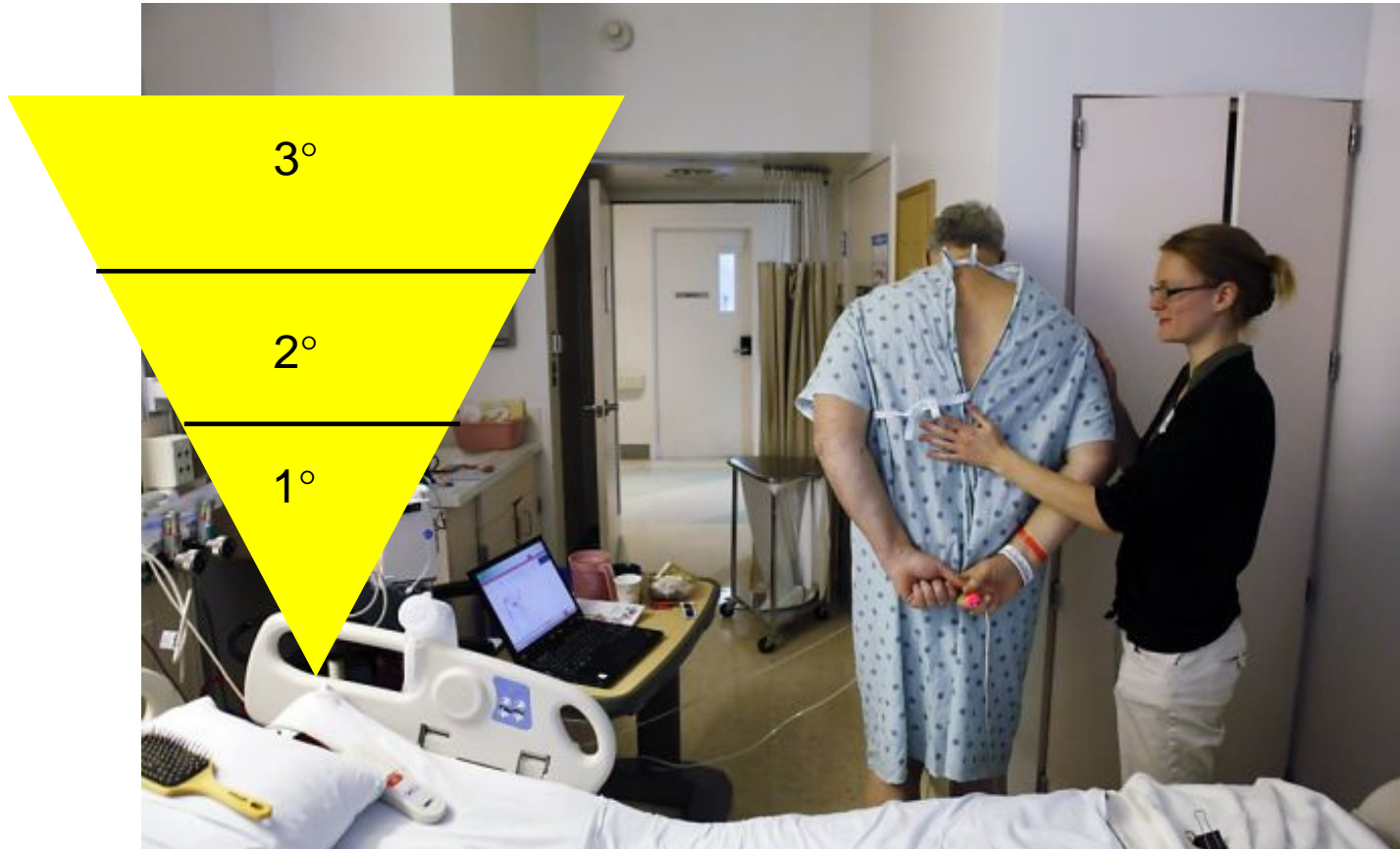




**San Francisco Chronicle**

*Front page, Jan 2, 2013*

# Primary care doctors growing scarce



- Only 16 of 58 CA counties meet minimum standard of adequate PCP supply (at least 1 PCP for every 3,700 people)
- Including primary care NPs and PAs in the count still leaves many areas with inadequate # of PCPs
- Growing problems of access to primary care and “medical homelessness”
- Half as many US medical graduates entering family medicine and general internal medicine today compared with 15-20 years ago

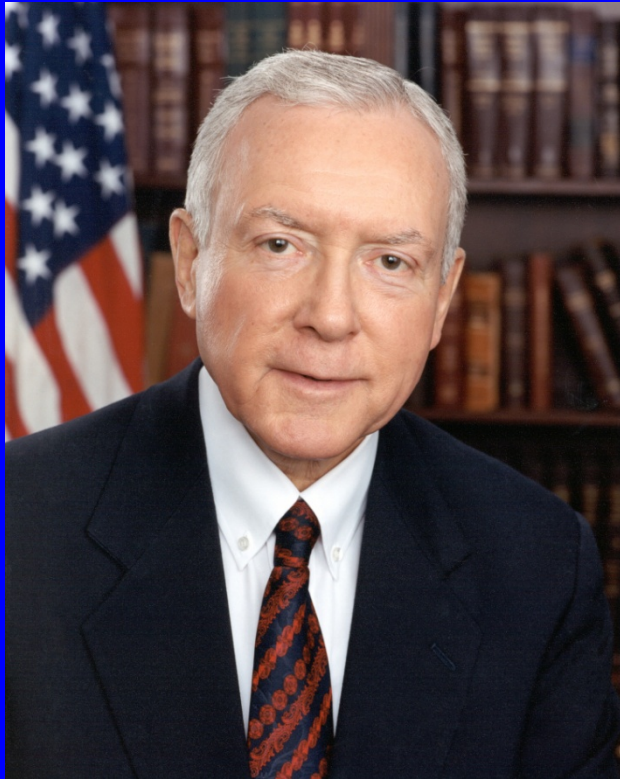


# The Presidents Wants More Family Doctors

“It used to be that most of us had a family doctor; you would consult with that family doctor; they knew your history, they knew your family, they knew your children, they helped deliver babies. How do we get more primary physicians, number one; and number two, how do we give them more power so that they are the hub around which a patient-centered medical system exists, right? ”

- **President Obama, June 8, 2010, Town Hall with Seniors**

**Senator Orrin Hatch**  
**Senate Finance Committee Roundtable**  
**Reforming America's Health Care Delivery System**  
**April 21, 2009**



“The US is first in providing rescue care, but this care has little or no impact on the general population. We must put more focus on primary care and preventive medicine. How do we transform the system to do this?”

**Randy MacDonald, Sr VP**



## **House Ways and Means Hearing April 29, 2009**

- “I will start with the very last question asked by the committee--what is the single most important thing to fix in healthcare? Primary care. Strengthen primary care -- transform it and pay differently using a model like the Patient Centered Medical Home.”
- Congressman: “And the second issue?”
- “Well, if you don't fix the first issue and do not have a foundation of powerful primary care then you can do nothing else. You have to fix primary care before you can even begin to address a second issue.”

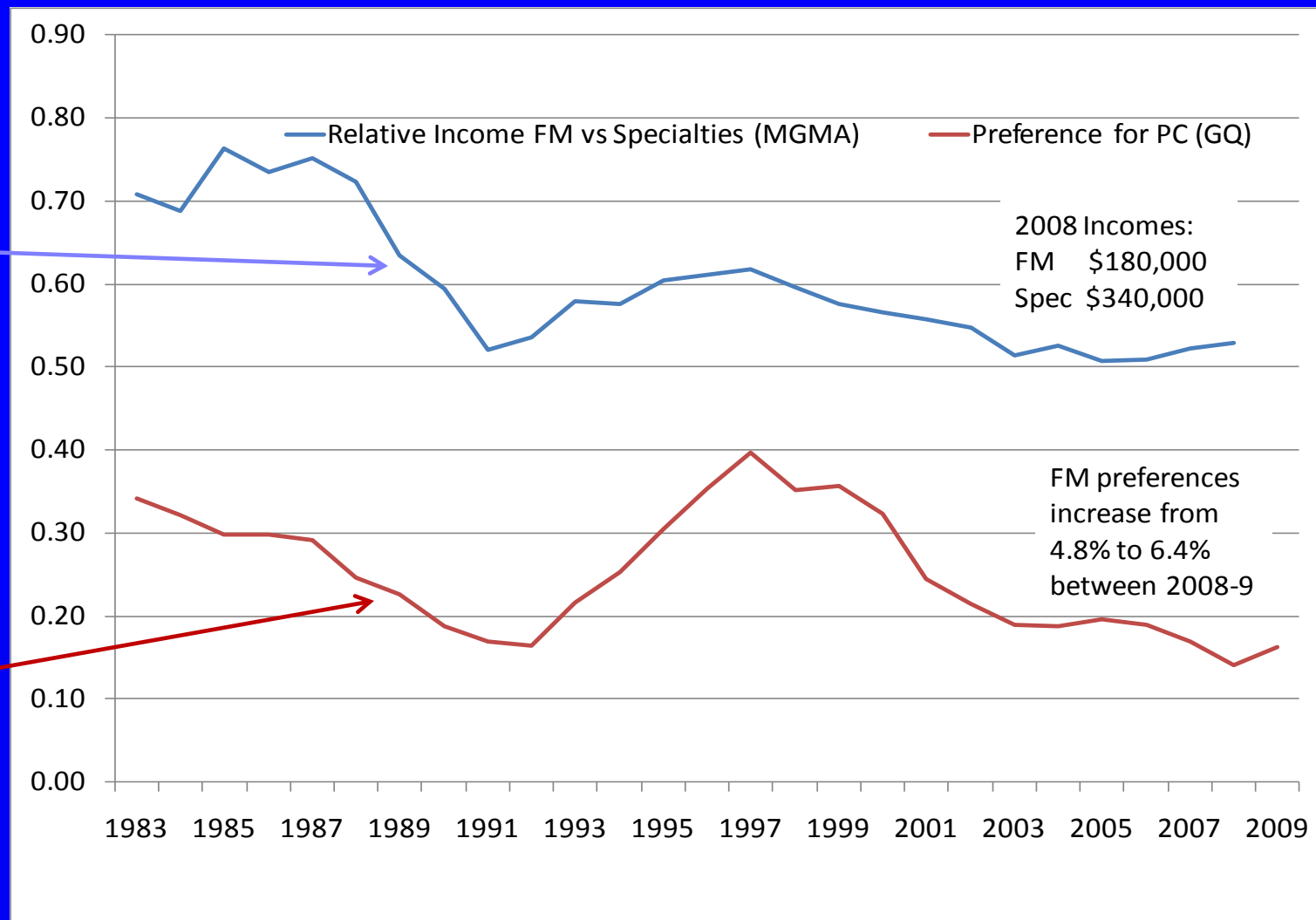
# Revitalization of primary care requires 3 things

- Paying more for primary care
- Reforming medical education
- Transforming practice of primary care

Payment

**Ratio of  
Average US  
Primary  
Care  
Physician  
Income to  
Average  
Specialty  
Income**

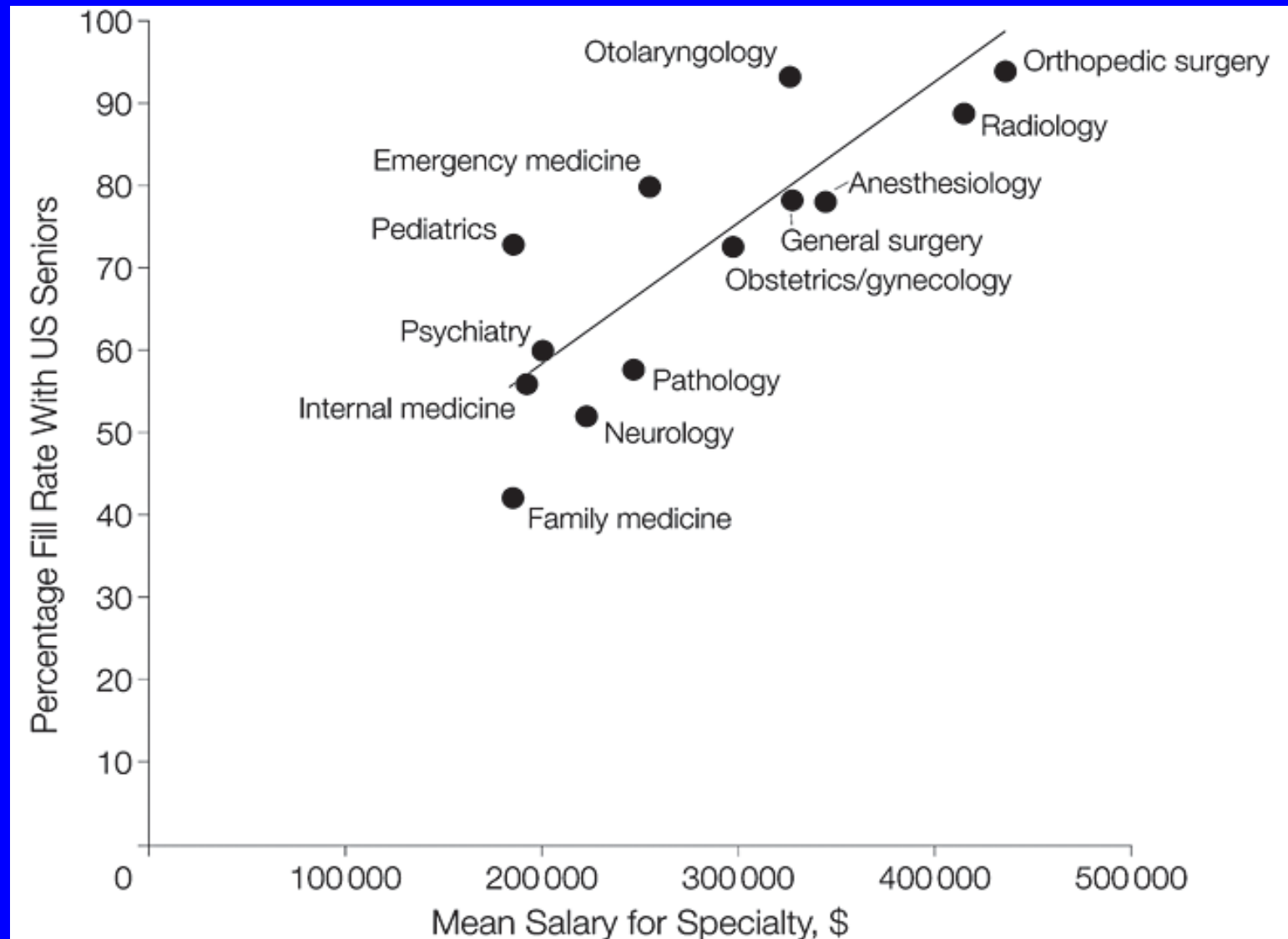
**Percent of  
Graduating  
US Medical  
Students  
Who Plan  
Careers in  
Primary  
Care**



Source: Council on Graduate Medical Education. Twentieth Report: Advancing Primary Care, December 2010.



# Percentage of Positions Filled With US Seniors vs Mean Overall Income By Specialty



# Medical Education and Medical Culture Issue

# Feedback to UCSF Students About Their Interest in Family Medicine

---

*“Why would you want to be a family doctor?  
They’re basically glorified triage nurses.”*

*“But you’re too intelligent for family  
practice!”*

*“Family practice is an evil plot by Congress!”*

Source: Fam Med, 1995

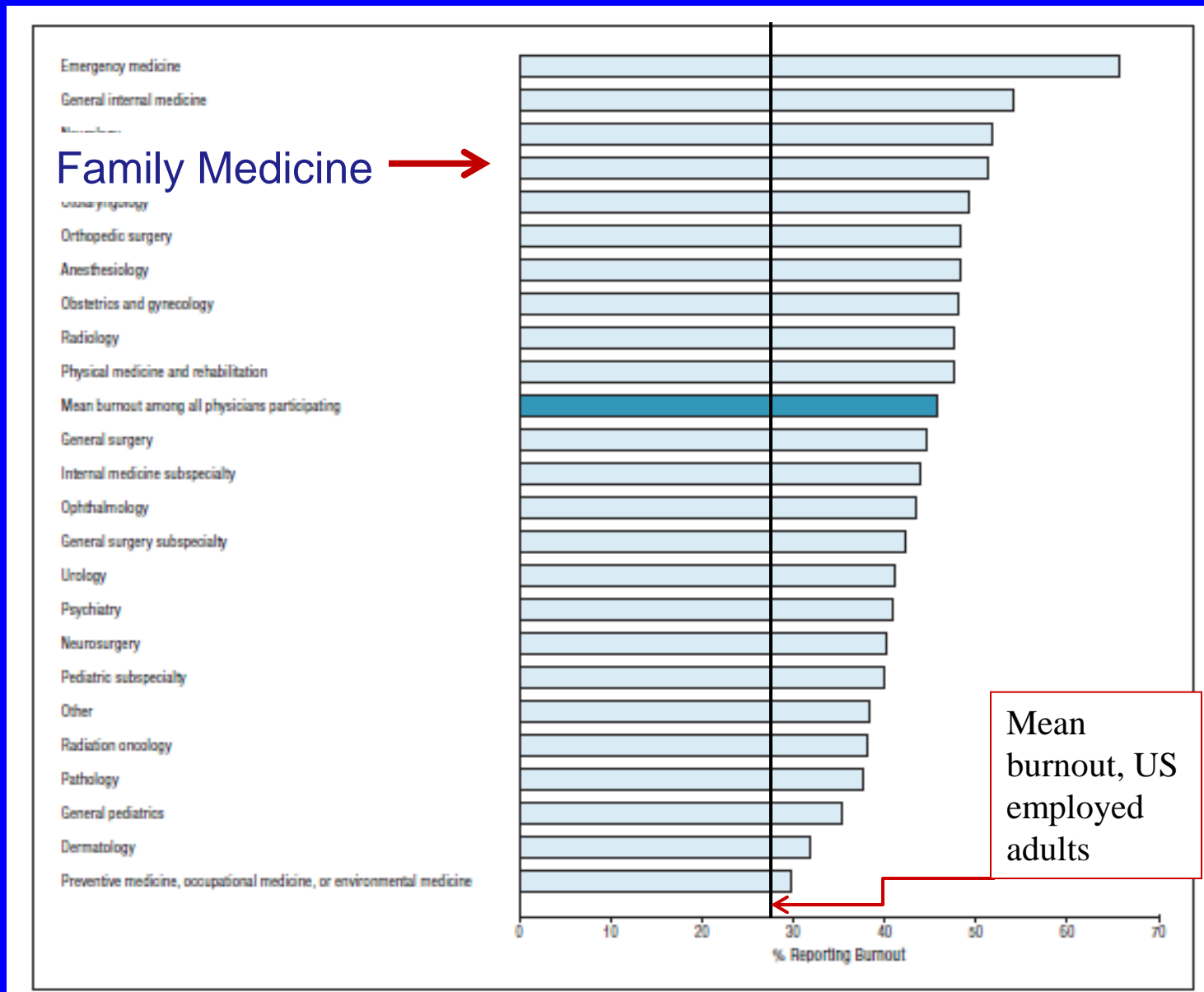


# Practice Transformation

# The New Math of the 15 Minute Primary Care Visit

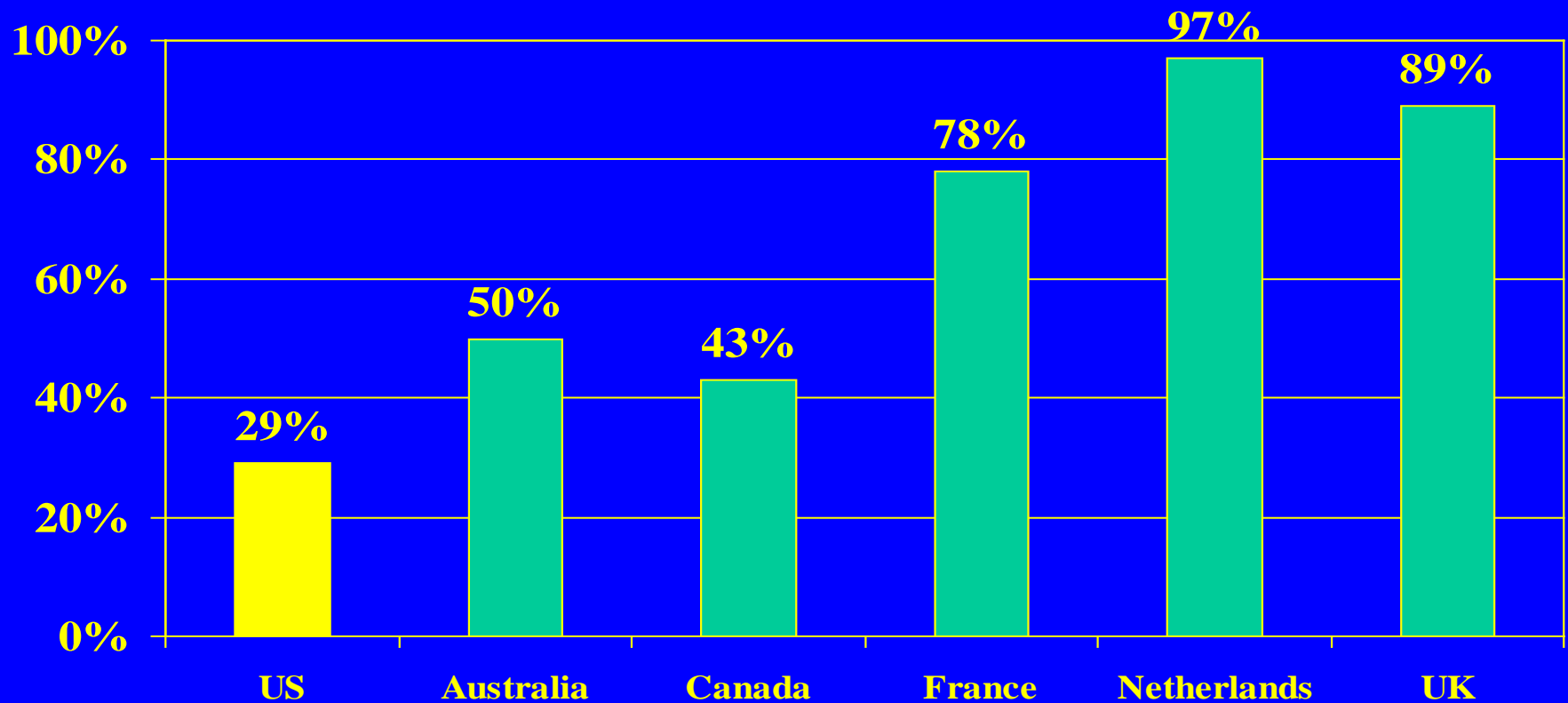
- A primary care physician with a panel of 2500 average patients would spend:
  - 7.4 hours per day to deliver all recommended preventive care [Yarnall et al. Am J Public Health 2003;93:635]
  - 10.6 hours per day to deliver all recommended chronic care services [Ostbye et al. Annals of Fam Med 2005;3:209]

# Burnout By Specialty



Source: Shanafelt TD et al. ArchInternMed.2012.3199

## Percent of Primary Care Physicians Reporting After-Hours Arrangement to See Doctor or Nurse Without Going to an ER





# Primary Care Practice Transformation



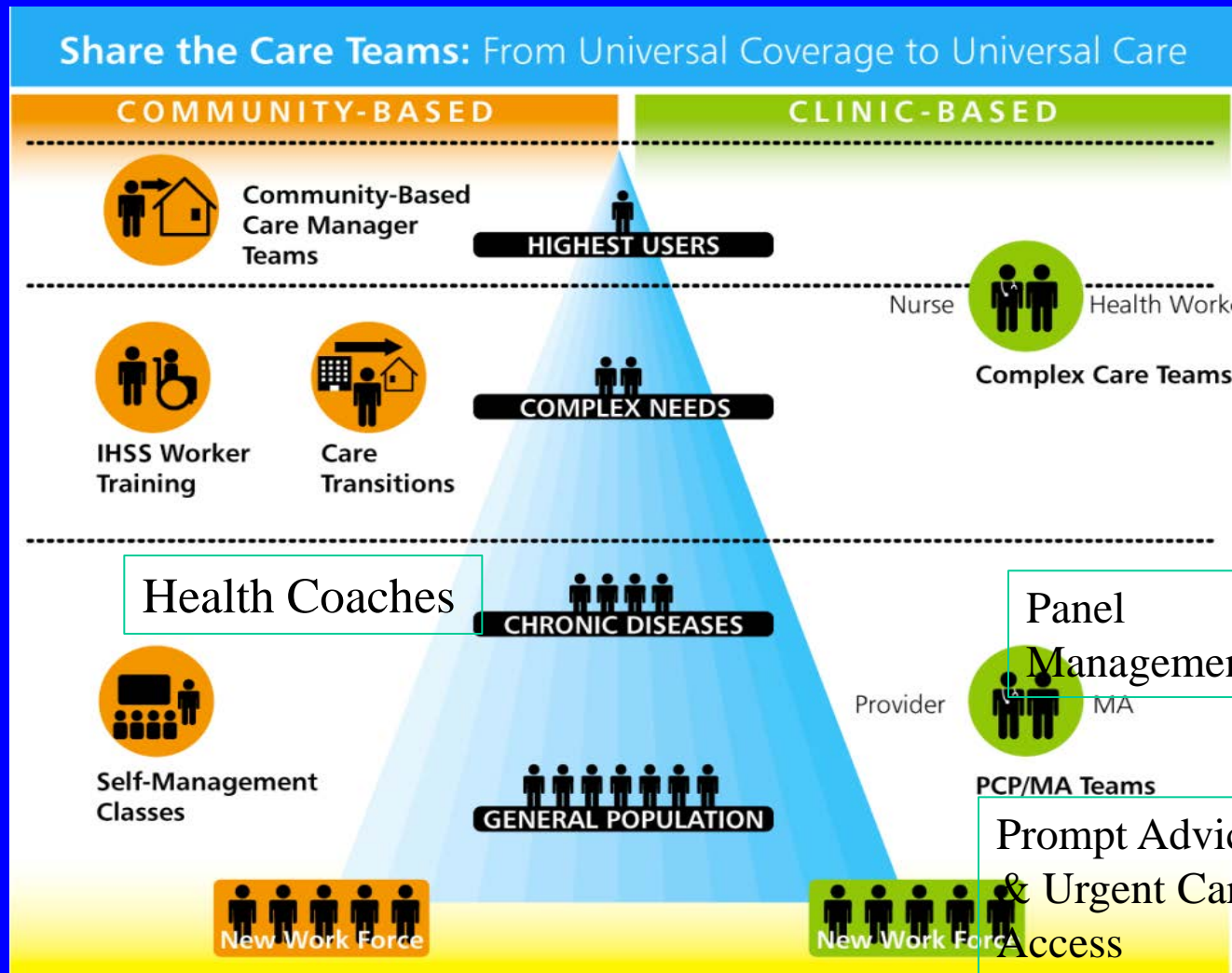
- Patient-Centered Medical Home (PCMH)
- Advanced Primary Care
- High Performing Primary Care

# 10 Building Blocks of High-Performing Primary Care



T Bodenheimer et al AnnFamMed March 2014

# Tailor Care Model to Population Strata



# The Patient- Centered Medical Home's

**PCMH studies continue to demonstrate impressive improvements across a broad range of categories including: cost, utilization, population health, prevention, access to care, and patient satisfaction, while a gap still exists in reporting impact on clinician satisfaction.**



An Annual Update  
of the Evidence,  
2012-2013

January 2014

**Authors:**

Marci Nielsen, PhD, MPH  
J. Nwando Olayiwola, MD, MPH  
Paul Grundy, MD, MPH  
Kevin Grumbach, MD

# Examples of Cost Outcomes

- Group Health Cooperative: 5% ↓ \$PMPM
- Geisinger: 7% ↓ \$PMPM
- VA: \$593 ↓ cost per patient with COPD
- BCBS South Carolina: 6.5% ↓ \$PMPM
- Metropolitan Health Networks: 20% ↓ \$ per patient
- North Carolina Medicaid/SCHIP: Cumulative savings of \$974.5 million over 6 years (2003-2008)
- Colorado Medicaid: \$215 ↓ cost per child per year

# Case Study of Group Health Cooperative of Puget Sound

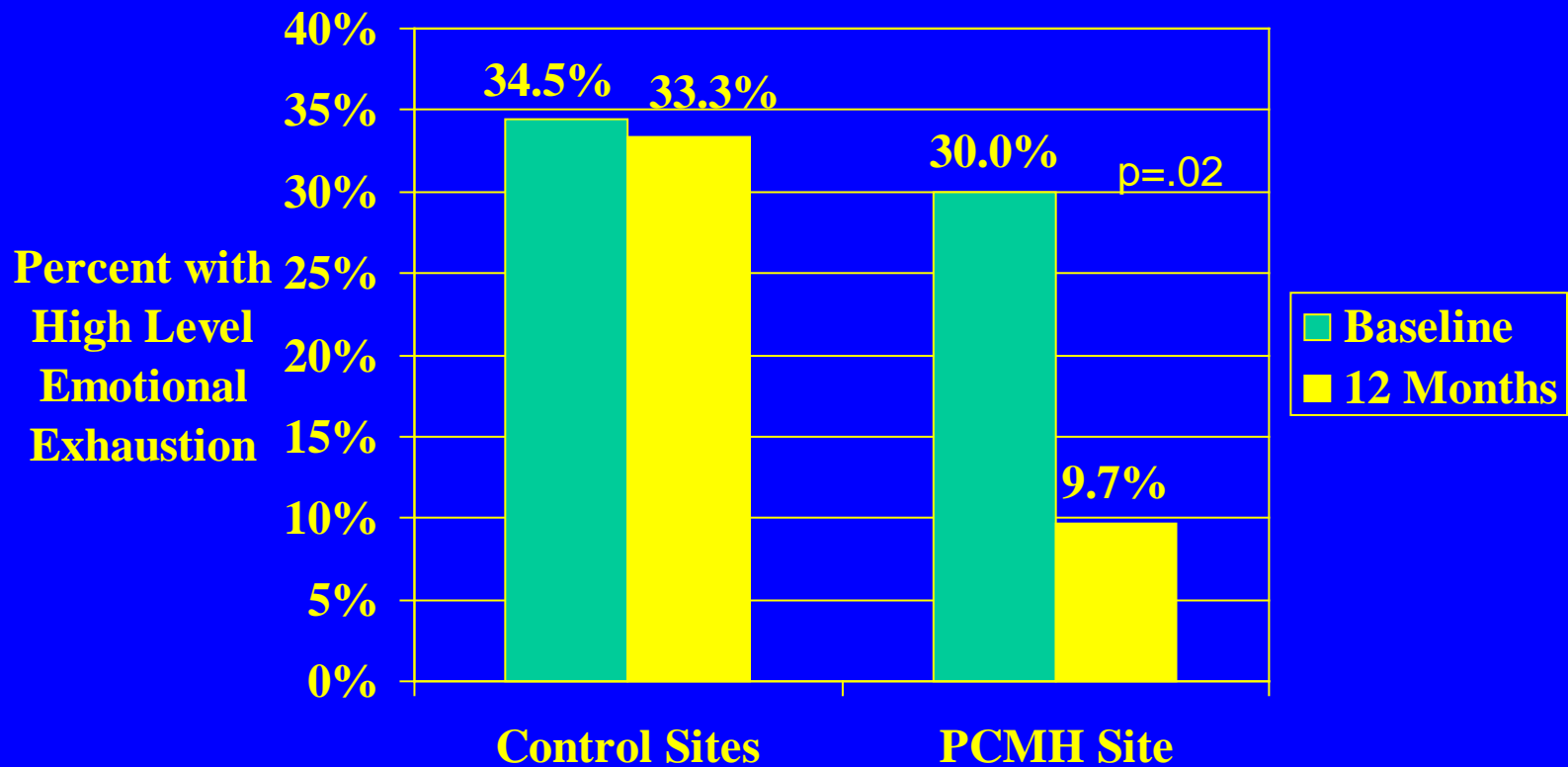
- Patient Centered Medical Home model piloted at one site in 2007
  - Avg PCP panel size reduced from 2327 to 1800
  - Longer face-to-face visits and scheduled time for phone and email encounters
  - Increased team staffing and teamwork
  - HIT
  - Panel management

# Group Health PCMH Pilot: Controlled Evaluation 12 Month Outcomes

- Improved continuity of care
- Better patient experiences (6 of 7 measures)
- Better composite quality of care score
- Reductions in ED visits and Ambulatory Care Sensitive Hospitalizations
- No difference in total costs at year 1 (lower total costs by year 2)

Source: R Reid et al. Am J Managed Care 2009;15:e71

# Group Health PCMH Pilot: Effect on Clinic Staff





# Health Affairs Sept, 2012

## PATIENT-CENTERED MEDICAL HOMES

By Ruth S. Raskas, Lisa M. Latts, Jill R. Hummel, Douglas Widders, Harlan Levine, and Sam R. Nussbaum

DOI: 10.1377/hlthaff.2012.0364  
HEALTH AFFAIRS 31,  
NO. 9 (2012): 2002-2009  
©2012 Project HOPE—  
The People-to-People Health  
Foundation, Inc.

### INNOVATION PROFILE

## Early Results Show WellPoint's Patient-Centered Medical Home Pilots Have Met Some Goals For Costs, Utilization, And Quality

DOI: 10.1377/hlthaff.2012.0359  
HEALTH AFFAIRS 31,  
NO. 9 (2012): 2010-2017  
©2012 Project HOPE—  
The People-to-People Health  
Foundation, Inc.

### INNOVATION PROFILE

## Colorado's Patient-Centered Medical Home Pilot Met Numerous Obstacles, Yet Saw Results Such As Reduced Hospital Admissions

DOI: 10.1377/hlthaff.2012.0392  
HEALTH AFFAIRS 31,  
NO. 9 (2012): 2018-2027  
©2012 Project HOPE—  
The People-to-People Health  
Foundation, Inc.

### INNOVATION PROFILE

## Horizon's Patient-Centered Medical Home Program Shows Practices Need Much More Than Payment Changes To Transform

# Payment Reform to Support the 10 Building Blocks of High Performing Primary Care

- Beyond fee for service
  - Blended models FFS+capitation (“care coordination fee”)
  - Full capitation
  - Direct funding of team resources
  - P4P

# Michael Pollan's Guide to Nutrition

- Eat food
- Not too much
- Mostly plants

# Kevin's Guide to Health Care

- Get medical care
- Not too much
- Mostly primary care

kevin.grumbach@ucsf.edu

<http://cepc.ucsf.edu/>

## **ATTACHMENT 6**



**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2016 – Period 8  
7/1/2015 to 2/29/2016

# EL CAMINO HOSPITAL

(Excludes Affiliates)

## EXECUTIVE FINANCIAL SUMMARY

Period Ending February 29, 2016

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)					BALANCE SHEET (\$000s)		
	Prior Year	Actual	Budget	Var F(U)		February 29, 2016	Jun 30, 2015
Gross Revenue	\$1,695,461	\$1,805,926	\$1,791,227	\$14,700	Cash and Investments	637,445	707,865
Deductions from Revenue	(1,223,232)	(1,306,320)	(1,299,985)	(6,335)	Non Cash Current Assets	158,776	143,766
Net Patient Revenue	472,230	499,606	491,242	8,364	Property, Plant & Equipment (Net)	721,938	686,537
Other Operating Revenue	13,434	16,073	13,589	2,484	Other Assets	87,755	94,707
<b>Total Operating Revenue</b>	<b>485,664</b>	<b>515,679</b>	<b>504,830</b>	<b>10,848</b>	<b>Total Assets</b>	<b>1,605,915</b>	<b>1,632,874</b>
Salaries & Wages	270,447	287,822	286,534	(1,288)	Current Liabilities	92,318	107,925
Supplies	71,845	75,754	73,888	(1,866)	Long-Term Liabilities	273,697	272,696
Fees & Purchased Services	49,485	57,572	55,346	(2,226)	Fund Balance/Capital Accounts	1,239,900	1,252,254
Other Operating Expense	24,860	34,236	25,671	(8,565)	<b>Total Liabilities &amp; Equity</b>	<b>1,605,915</b>	<b>1,632,874</b>
<b>Total Non Capital Operating Expense</b>	<b>416,636</b>	<b>455,385</b>	<b>441,439</b>	<b>(13,945)</b>	<b>KEY ECH STATISTICS - YTD</b>		
<b>OPERATING EBITDA</b>	<b>69,028</b>	<b>60,294</b>	<b>63,391</b>	<b>(3,097)</b>	<b>Balance Sheet</b>	<b>Actual</b>	<b>Target <sup>(1)</sup></b>
Interest, Depreciation & Amortization	34,673	35,406	33,739	(1,668)	Debt Service Coverage Ratio (MADS)	5.2	1.2
<b>NET OPERATING SURPLUS</b>	<b>34,355</b>	<b>24,888</b>	<b>29,652</b>	<b>(4,765)</b>	Debt to Capitalization	14.4%	29.0%
Non Operating Income	14,361	(37,083)	14,882	(51,965)	Days of Cash	339	262
<b>TOTAL NET SURPLUS</b>	<b>48,716</b>	<b>(12,196)</b>	<b>44,534</b>	<b>(56,730)</b>	Net AR Days	54.4	48.0
EBITDA Margin	14.2%	11.7%	12.6%	-0.9%	<b>Volume</b>	<b>Prior Year</b>	<b>Actual</b>
Operating Margin	7.1%	4.8%	5.9%	-1.0%	Acute Discharges	12,595	12,366
Total Margin	10.0%	-2.4%	8.8%	-11.2%	Acute Average Daily Census	244	240
					Licensed Beds	443	443
					Occupancy (%)	55%	54%
					Deliveries	3,422	3,214
					Emergency Department Visits	40,000	39,127
					Surgical Cases	7,214	7,075
					<b>Productivity</b>		
					Full Time Equivalent Employees	2,435	2,499
					Worked Hrs/Adjusted Patient Day	29.25	30.75
						29.59	

<sup>(1)</sup> For Debt Service Coverage Ratio and Debt to Capitalization, Target represents Bond Covenants  
For Days Cash and Net AR Days, Target represents S&P A Rated Stand-Alone Hospital Medians

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates



# Financial Trends and Commentary

## Volume:

For the year, inpatient volume remains 1.8% lower than prior year primarily due to lower deliveries, OB services, and radiation oncology treatments/procedures.

## Operating Margin:

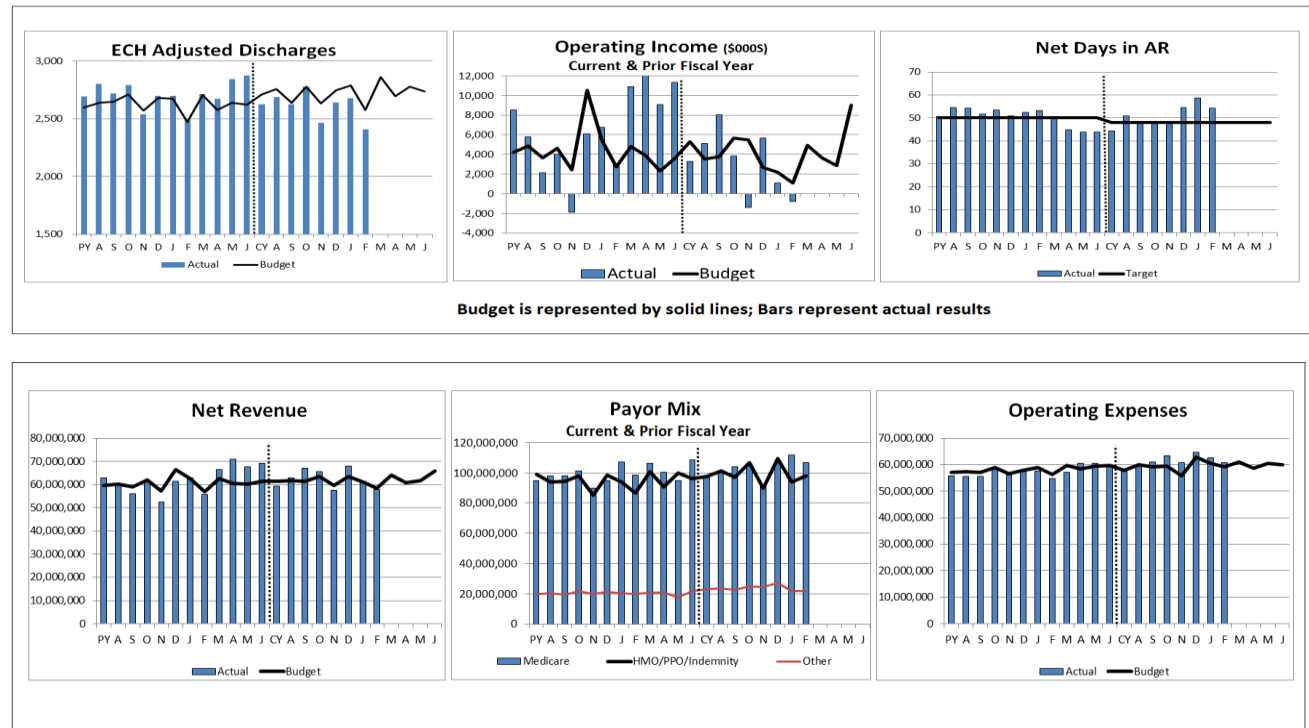
Operating margin is \$1.5 million unfavorable for the month due to low volume and higher Medicare inpatient mix. Margin for the year is \$4.8 million unfavorable primarily due to EPIC related expenses in labor and training, pharmacy and surgical medical supply expenses and not achieving budget cost reduction targets in Other expenses.

## Non-Operating Margin:

Non operating income is \$52.0 million behind target primarily due to \$29.1 million in investment loss. Our cash position remains strong allowing a long term investment strategy. Investment scorecard is included in the financial report on page 13.

## Net Days in AR:

In February, receivables decreased \$8.9 million from January. Net days in A/R decreased to 54.4. The reduction in AR after only two months of increases after go live is outstanding performance



## Other Operating Expense:

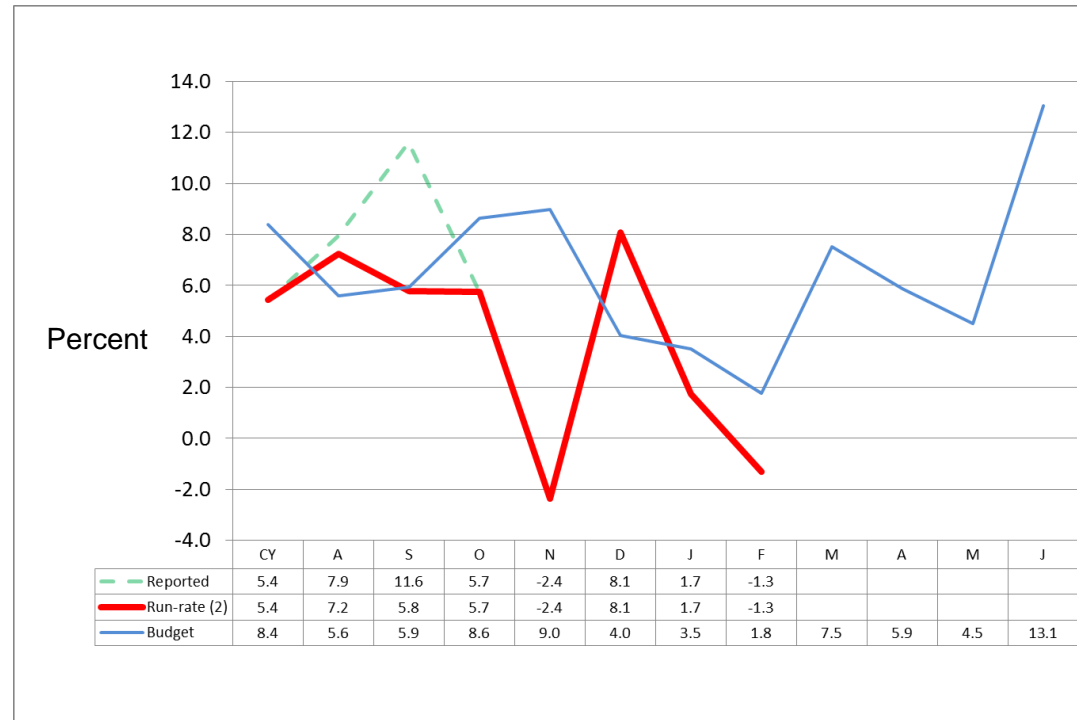
The \$8.6 million variance consists of \$3.2 EPIC go live variance and not achieving \$4.6 of budget cost reduction target.

## Depreciation:

Depreciation is higher due to completion of the data center project and accelerated depreciation on the old hospital that will be demolished to build the iMOB.

# ECH Operating Margin

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



FY 2016 Actual Run Rate Adjustments (in thousands)												
	J	A	S	O	N	D	J	F	M	A	M	J
Revenue Adjustments	RAC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Cost Reports Settlements	-\$49	-\$569	-\$616	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	IGT-Inter Government Transfer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Insurance Overpayment Released	\$0	\$0	-\$4,913	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<b>Total</b>	<b>-\$49</b>	<b>-\$569</b>	<b>-\$5,530</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Expense Adjustments	Pay-For-Performance Bonus	\$76	\$69	\$1,183	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	<b>Total</b>	<b>\$76</b>	<b>\$69</b>	<b>\$1,183</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

- No revenue/expense adjustments for February.

## Summary of Financial Results

### \$ in Thousands

	Period 8 - Month			Period 8 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Income (Loss) from Operations</b>						
Mountain View	104	583	(479)	20,654	24,521	(3,866)
Los Gatos	(898)	482	(1,381)	4,233	5,132	(898)
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>(795)</b>	<b>1,065</b>	<b>(1,860)</b>	<b>24,888</b>	<b>29,652</b>	<b>(4,765)</b>
<b>Operating Margin %</b>	<b>-1.3%</b>	<b>1.8%</b>		<b>4.8%</b>	<b>5.9%</b>	
<b>El Camino Hospital Non Operating Income</b>						
Investments	(2,460)	2,298	(4,758)	(29,142)	18,381	(47,523)
Swap Adjustments	(301)	0	(301)	(2,347)	0	(2,347)
Community Benefit	(923)	(233)	(690)	(2,490)	(1,866)	(624)
Other	(402)	(204)	(198)	(3,104)	(1,633)	(1,471)
<b>Sub Total - Non Operating Income</b>	<b>(4,086)</b>	<b>1,860</b>	<b>(5,946)</b>	<b>(37,083)</b>	<b>14,882</b>	<b>(51,965)</b>
<b>El Camino Hospital Net Income (Loss)</b>	<b>(4,881)</b>	<b>2,925</b>	<b>(7,806)</b>	<b>(12,196)</b>	<b>44,534</b>	<b>(56,730)</b>
<b>ECH Net Margin %</b>	<b>-8.2%</b>	<b>4.9%</b>		<b>-2.4%</b>	<b>8.8%</b>	
Concern	215	229	(14)	1,588	413	1,174
ECSC	(4)	0	(4)	13	0	13
Foundation	14	107	(93)	(320)	871	(1,190)
Silicon Valley Medical Development	(1)	0	(1)	(13)	0	(13)
<b>Net Income Hospital Affiliates</b>	<b>224</b>	<b>336</b>	<b>(112)</b>	<b>1,268</b>	<b>1,284</b>	<b>(16)</b>
<b>Total Net Income Hospital &amp; Affiliates</b>	<b>(4,656)</b>	<b>3,262</b>	<b>(7,918)</b>	<b>(10,927)</b>	<b>45,818</b>	<b>(56,745)</b>

Actual to Budget Variance for hospital affiliates primarily due to drug, medical supplies, and EPIC labor/training expenses .

# ECH Volume Statistics <sup>(1)</sup>

## ECH COMBINED

	Month of Feb, 2016			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges <sup>(2)</sup>	1,505	1,530	-1.6%	12,366	12,749	-3.0%	12,595	-1.8%
Deliveries	437	406	7.8%	3,214	3,453	-6.9%	3,422	-6.1%
ED Visits	4,416	4,943	-10.7%	39,127	40,257	-2.8%	40,000	-2.2%
Surgical Cases	813	865	-6.0%	7,075	7,356	-3.8%	7,214	-1.9%
Licensed Beds	443	443	0.0%	443	443	0.0%	443	0.0%
ADC <sup>(2)</sup>	263	241	9.5%	240	243	-1.2%	244	-1.4%
Occupancy %	59.5%	54.3%	9.5%	54.2%	54.9%	-1.2%	55.0%	-1.4%

## MOUNTAIN VIEW

	Month of Feb, 2016			Year to Date			Prior Year	
	Act	Bud	Var%	Act	Bud	Var%	Act	Var%
Discharges <sup>(2)</sup>	1,247	1,251	-0.3%	10,164	10,430	-2.6%	10,313	-1.4%
Deliveries	389	350	11.0%	2,789	2,984	-6.5%	2,960	-5.8%
ED Visits	3,474	3,949	-12.0%	31,012	32,164	-3.6%	31,990	-3.1%
Surgical Cases	523	537	-2.6%	4,366	4,568	-4.4%	4,421	-1.2%
Licensed Beds	300	300	0.0%	300	300	0.0%	300	0.0%
ADC <sup>(2)</sup>	218	197	10.7%	197	198	-0.6%	199	-0.7%
Occupancy %	72.7%	65.7%	10.7%	65.7%	66.1%	-0.6%	66.2%	-0.7%

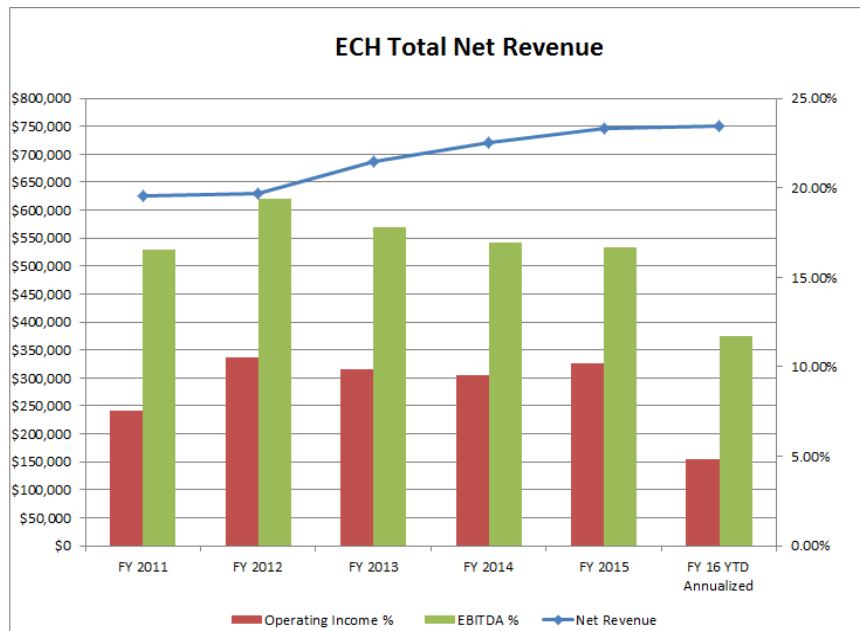
## LOS GATOS

	Month of Feb, 2016			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges <sup>(2)</sup>	258	279	-7.5%	2,202	2,319	-5.0%	2,282	-3.5%
Deliveries	48	55	-12.8%	425	469	-9.3%	462	-8.0%
ED Visits	942	994	-5.2%	8,115	8,093	0.3%	8,010	1.3%
Surgical Cases	290	328	-11.5%	2,709	2,788	-2.8%	2,793	-3.0%
Licensed Beds	143	143	0.0%	143	143	0.0%	143	0.0%
ADC <sup>(2)</sup>	45	44	4.2%	43	45	-3.8%	45	-4.5%
Occupancy %	31.7%	30.4%	4.2%	30.1%	31.3%	-3.8%	31.5%	-4.5%

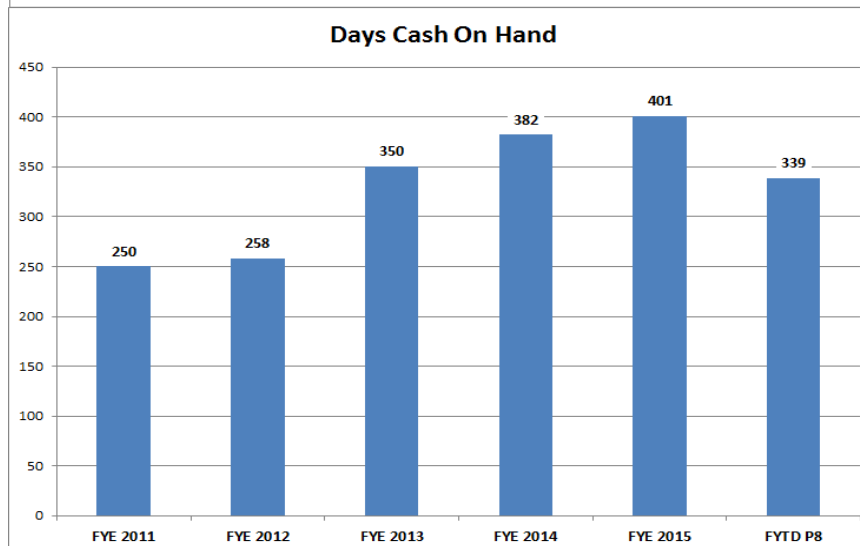
<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

<sup>(2)</sup> Excludes normal newborns, includes discharges from L&D

# El Camino Hospital Financial Metrics Trend <sup>(1)</sup>



Revenue growth is slowing down and margin has declined due to pharmacy, surgical, and EPIC related expenses.



Cash position remains strong despite \$29.1 million investment loss

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

## Key Hospital Indicators<sup>(1)</sup>

Statistic	FYE 2013	FYE 2014	FYE 2015	FYTD 2016	Annual Target (2) +/-	
Operating Margin	9.9%	9.5%	10.2%	4.8%	6.5%	
EBITDA Margin	17.8%	16.9%	16.7%	11.7%	13.3%	
Days of Cash	350	382	401	339	262	
Debt Service Coverage Ratio (MADS)	7.9	9.5	8.9	5.2	4.8	
Debt to Capitalization	14.0%	12.6%	13.6%	14.4%	29.4%	
Net AR Days	48.3	50.9	43.6	54.4	48.0	
In Patient Operating Margin	-1.1%	-3.2%	-4.5%	-8.7%	-1.0%	
Out Patient Operating Margin	25.9%	25.2%	28.1%	26.6%	25.0%	

<sup>(1)</sup> Hospital Only - Excludes Affiliates

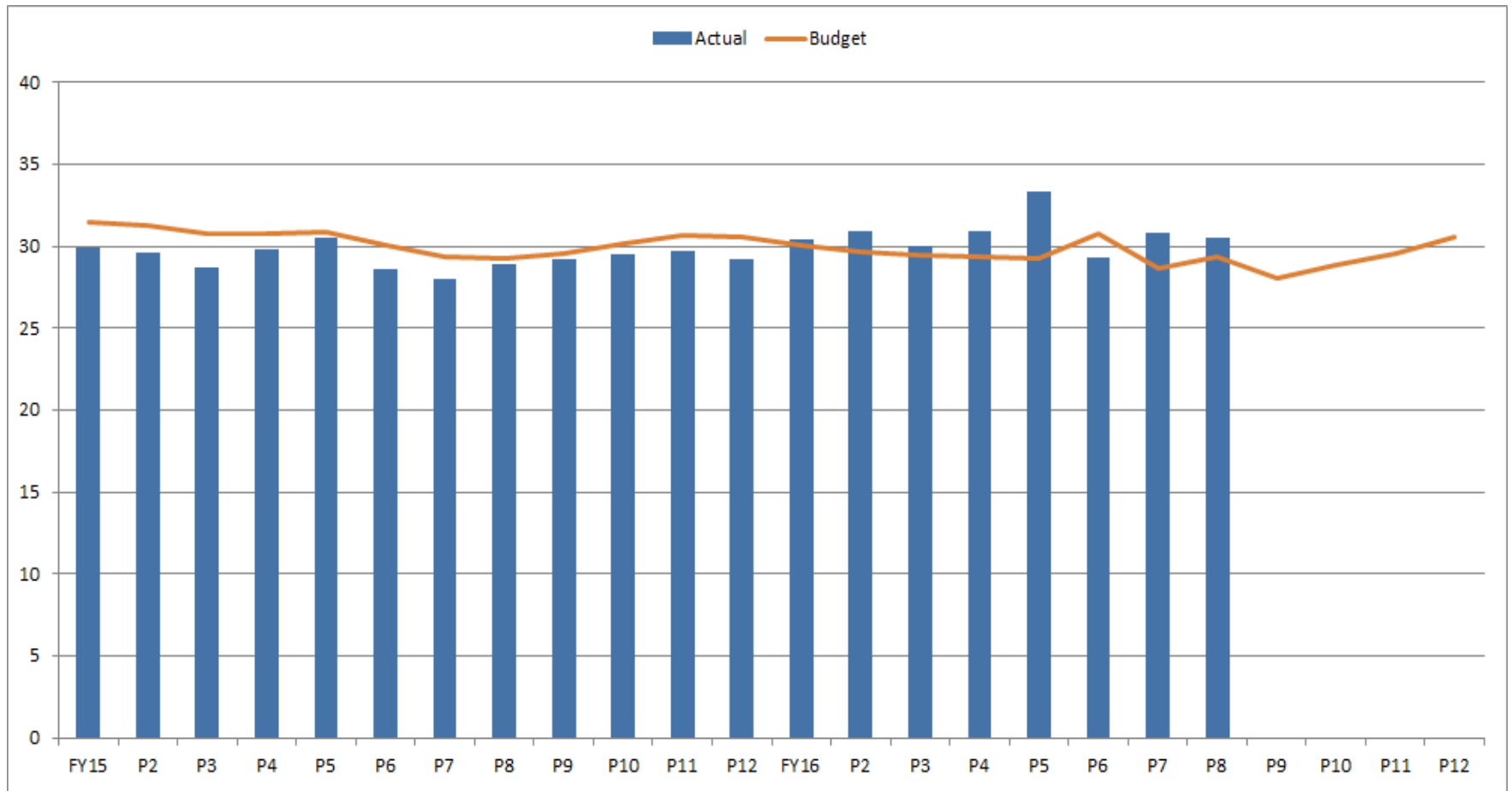
<sup>(2)</sup> Due to timing of month end costing, In Patient and Out Patient Operating Margin % for FYTD 2016 are one month in arrears

<sup>(3)</sup> Target source: Annual Budget for Operating Margin and EBITDA Margin

Target source: S&P 2014 A Rated Stand-Alone Hospital Median Ratios (last published 9/9/2015)

\*Prior Year numbers represent full year

## Worked Hours per Adjusted Patient Day



Productivity has improved after EPIC go live but remains unfavorable compared to budget .

# Tracking Smart Growth

COMBINED CAMPUS					Result Away from Goal
	FY15 Year to Date	FY16 Year to Date	Change	Annual Goal	
Inpatient Discharges	12,595	12,366	(229)	300	(529)
Surgical Outpatient Cases (incl Litho)	4,244	4,068	(176)	290	(466)
Endo Outpatient procedures	1,927	1,596	(331)	0	(331)
Outpatient Interventional Cases	1,224	1,260	36	10	26
<b>Total Case Volume</b>	<b>19,990</b>	<b>19,290</b>	<b>(700)</b>	<b>600</b>	<b>(1,300)</b>
NEW Physician Total		212	212		
Pre-existing Physician Total	19,990	19,078	(912)		
# New Physicians*		5		15	

\* New Physicians: MDs with 20% or more inpatient or procedural (above definition) cases (at least 10) and/or New PCP (OB, Internal Med, Fam Prac)

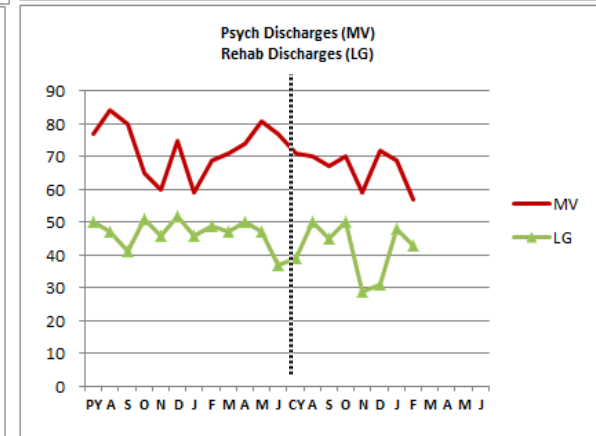
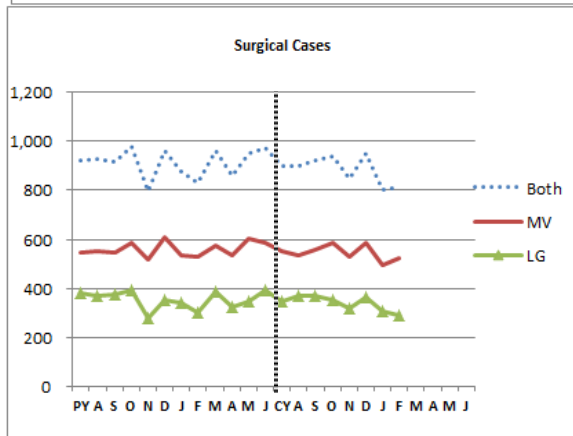
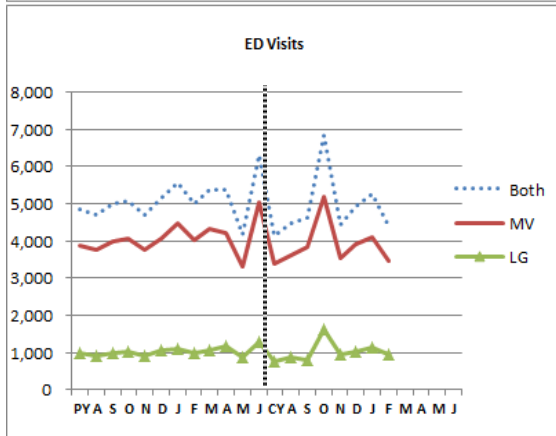
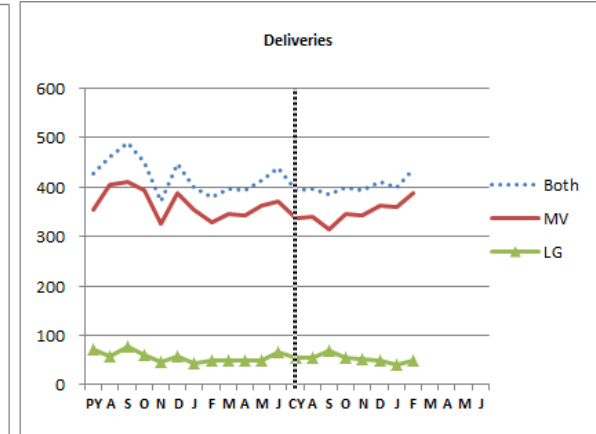
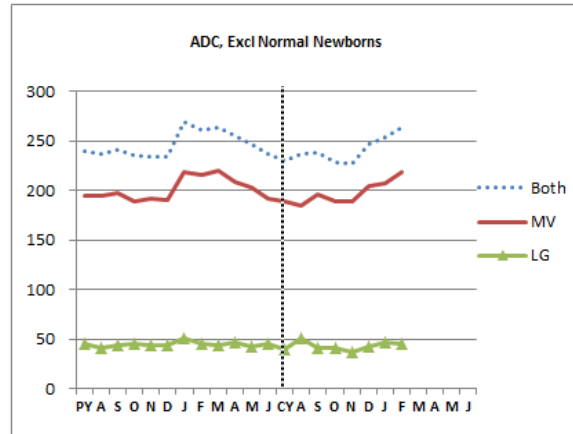
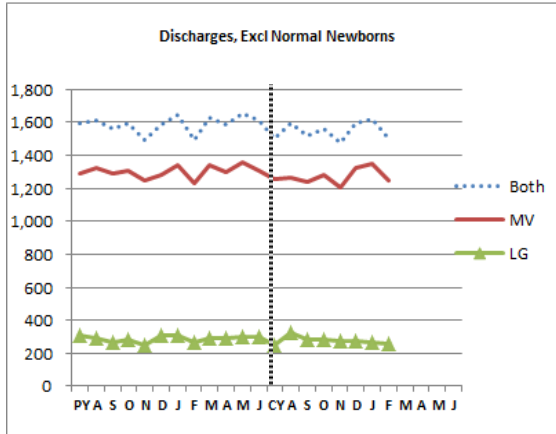
Mountain View Campus			
	FY15 Year to Date	FY16 Year to Date	Change
Inpatient Discharges	10,313	10,164	(149)
Surgical Outpatient Cases (incl Litho)	2,215	2,164	(51)
Endo Outpatient procedures	1,777	1,516	(261)
Outpatient Interventional Cases	1,211	1,250	39
<b>Total Case Volume</b>	<b>15,516</b>	<b>15,094</b>	<b>(422)</b>

Los Gatos Campus			
	FY15 Year to Date	FY16 Year to Date	Change
Inpatient Discharges	2,282	2,202	(80)
Surgical Outpatient Cases (incl Litho)	2,029	1,904	(125)
Endo Outpatient procedures	150	80	(70)
Outpatient Interventional Cases	13	10	(3)
<b>Total Case Volume</b>	<b>4,474</b>	<b>4,196</b>	<b>(278)</b>

(1) Hospital entity only, excludes controlled affiliates



## El Camino Hospital Volume Trends Prior and Current Fiscal Years



# El Camino Hospital

## Capital Spending (in millions)

Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Total Spent YTD	Spent from Inception	FY 16 Proj Spend**	FY 16 YTD Spent	FY 16 Remaining
<b>CIP</b>	EPIC Installation			73.8	18.7	54.8	35.9	18.7	17.2
	<b>IT Hardware, Software, Equipment*</b>			6.9	5.9		6.9	5.9	1.0
	<b>Medical &amp; Non Medical Equipment</b>			12.6	8.2		12.6	8.2	4.4
	<b>Facility Projects</b>								
	0908 NPCR3 Seismic Upgrades	FY12	6.7	6.7	0.2	5.0	0.2	0.2	0.0
	0907 LG Imaging Masterplan	FY12	0.0	3.1	0.0	2.8	0.0	0.0	0.0
	0906 Slot Build-Out	FY13	0.0	19.0	1.2	18.7	1.2	1.2	0.0
	1307 LG Upgrades	FY13	15.5	13.0	2.5	9.4	9.5	2.5	7.0
	1219 LG Spine OR	FY13	4.1	4.1	0.3	0.9	4.1	0.3	3.8
	1400 Oak Pavilion Cancer Ctr TI	FY14	0.0	5.9	0.4	5.8	0.4	0.4	0.0
	1414 Integrated MOB	FY15	232.0	28.0	5.6	8.3	13.7	5.6	8.1
	1413 North Drive Parking Expansion	FY15	15.0	3.0	1.0	1.3	2.2	1.0	1.2
	1245 Behavioral Health Bldg	FY16	62.5	9.0	1.3	6.7	4.5	1.3	3.2
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	6.8	0.0	0.0	0.0	1.6	0.0	1.6
1313/1224	LG Rehab HVAC System & Structural	FY16	3.7	3.7	0.8	0.8	3.4	0.8	2.6
	1502 Cabling & Wireless Upgrades	FY16	2.5	2.8	1.1	1.1	2.2	1.1	1.1
	1425 IMOB Preparation Project - Old Main	FY16	2.3	0.5	0.0	0.0	1.0	0.0	1.0
	1430 Women's Hospital Expansion	FY16	91.0	0.0	0.0	0.0	1.5	0.0	1.5
	1422 CUP Upgrade	FY16	4.0	1.5	0.6	0.7	2.9	0.6	2.3
	1503 Willow Pavilion Tomosynthesis	FY16	0.3	1.3	0.0	0.0	0.3	0.0	0.3
1519/1314	LG Electrical Systems Upgrade	FY16	1.2	0.0	0.0	0.0	0.0	0.0	0.0
	1347 LG Central Sterile Upgrades	FY15	3.7	0.2	0.0	0.2	1.2	0.0	1.2
	1508 LG NICU 4 Bed Expansion	FY16	7.0	0.0	0.0	0.0	0.5	0.0	0.5
	1520 Facilities Planning Allowance	FY16	1.0	0.0	0.0	0.0	1.0	0.0	1.0
	Land Acquisition Approved in 12/15	FY16	24.1	24.1	24.1	24.1	24.1	24.1	0.0
	All Other Projects under \$1M		9.5	6.0	1.0	2.8	7.5	1.0	6.5
			492.9	131.9	40.3	88.6	83.1	40.3	42.8
<b>GRAND TOTAL</b>				<b>225.2</b>	<b>73.2</b>		<b>138.5</b>	<b>73.2</b>	<b>65.3</b>
	Forecast at start of fiscal year						125.8		

\* Excluding EPIC

\*\* Updated quarterly

2016 projected spend includes items to be presented for approval during the fiscal year

# Investment Scorecard

## As of December 31, 2015

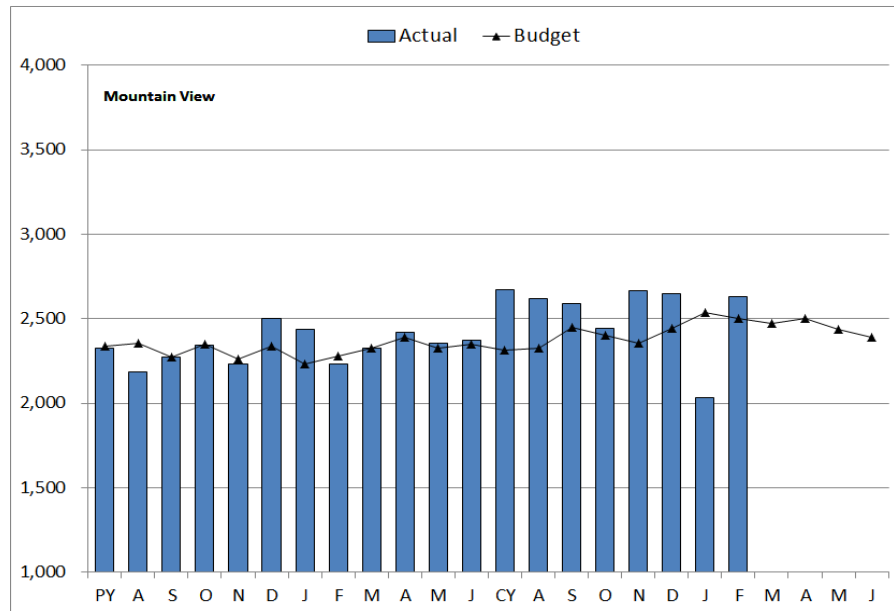
Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY16 Year-end Budget	Expectation Per Asset Allocation
<b>Investment Performance</b>		4Q 2015		Fiscal Year-to-date		Since Inception (annualized)			Mar 2014/2012
Surplus cash balance & op. cash (millions)		\$735.8	--	--	--	--	--	\$699.8	--
Surplus cash return		1.9%	2.1%	-2.1%	-1.8%	4.4%	4.3%	4.0%	5.0%
Cash balance plan balance (millions)		\$216.5	--	--	--	--	--	\$224.2	--
Cash balance plan return		3.1%	2.7%	-1.8%	-2.0%	7.6%	6.6%	6.0%	6.7%
403(b) plan balance (millions)		\$314.8	--	--	--	--	--	--	--
<b>Risk vs. Return</b>		3-year				Since Inception (annualized)			Mar 2014/2012
Surplus cash Sharpe ratio		1.00	0.98	--	--	1.06	1.03	--	0.66
Net of fee return		4.2%	4.2%	--	--	4.4%	4.3%	--	5.0%
Standard deviation		4.2%	4.2%	--	--	4.1%	4.1%	--	7.2%
Cash balance Sharpe ratio		1.21	1.11	--	--	1.29	1.17	--	0.54
Net of fee return		7.3%	6.4%	--	--	7.6%	6.6%	--	6.7%
Standard deviation		5.9%	5.7%	--	--	5.8%	5.6%	--	10.6%
<b>Asset Allocation</b>		4Q 2015							
Surplus cash absolute variances to target		5.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		5.4%	< 10%	--	--	--	--	--	--
<b>Manager Compliance</b>		4Q 2015							
Surplus cash manager flags		14	< 18	--	--	--	--	--	--
Cash balance plan manager flags		15	< 18	--	--	--	--	--	--

# APPENDIX

# Supply Cost per CMI Adjusted Discharges <sup>(1)</sup>

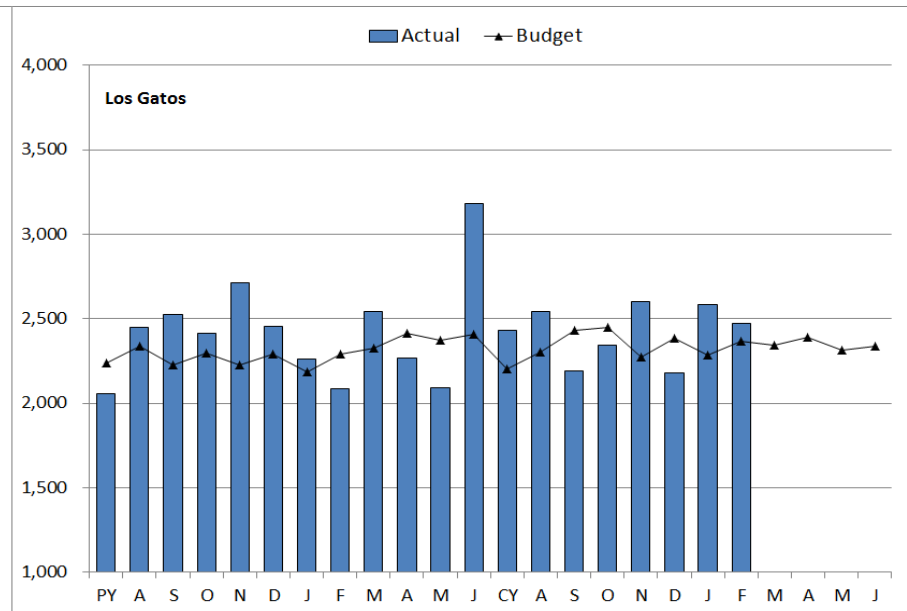
**YTD: 5.0% over budget**

## Mountain View



**YTD: 3.4% over budget**

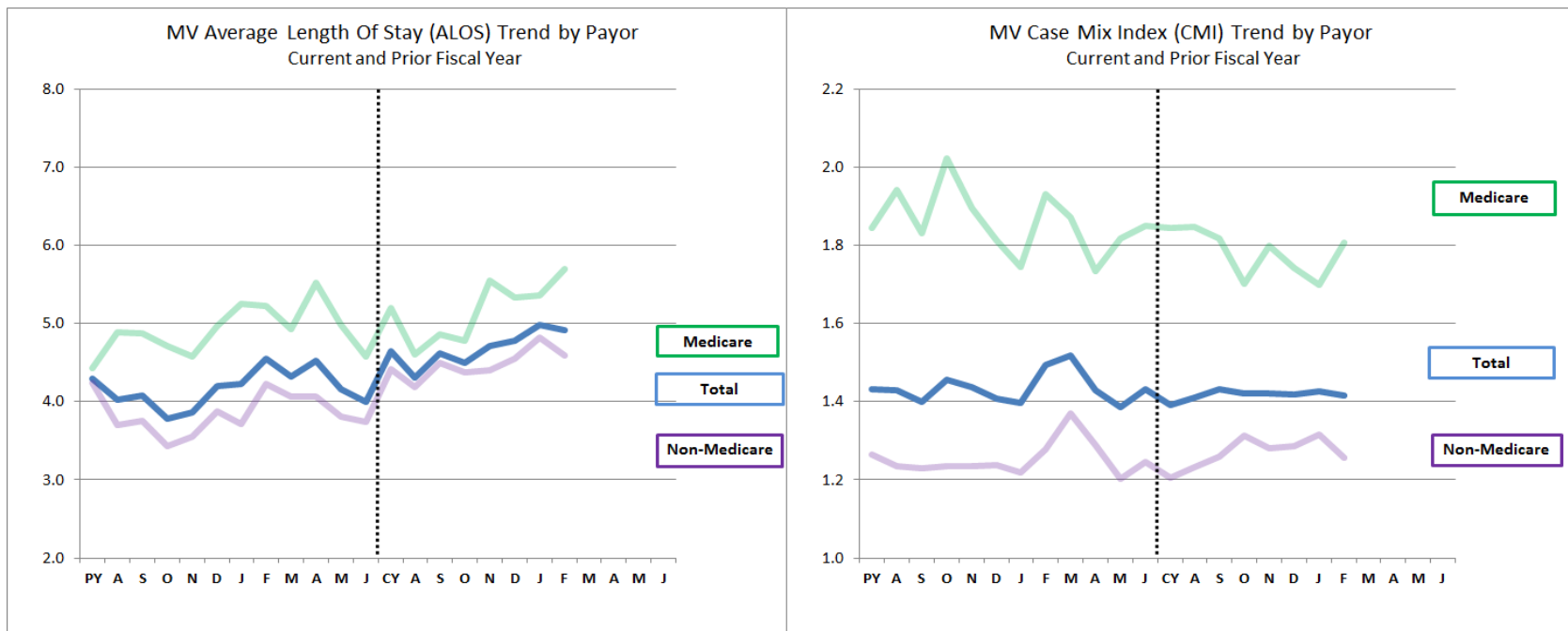
## Los Gatos



Continued high cost in February related to cardiac rhythm management and general surgery supplies.

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# Mountain View LOS & CMI Trend<sup>(1)</sup>



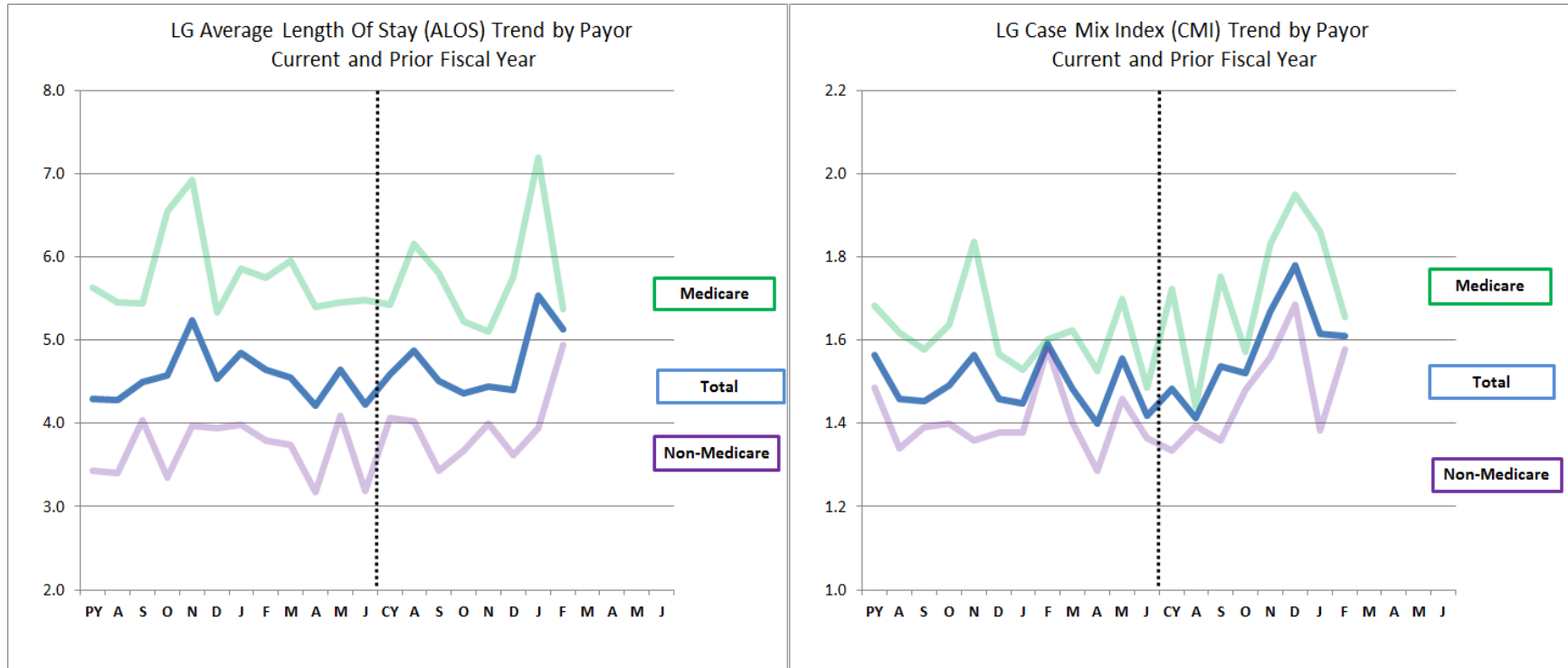
- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

Length of stay has a slight downward trend while CMI remains relatively flat .

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

All data excludes normal newborns (MS-DRG=795), Medicare data excludes Medicare HMOs and PPOs

# Los Gatos LOS & CMI Trend<sup>(1)</sup>



- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

The Los Gatos Medicare caseload shows a sharp decrease in length of stay and decreasing case complexity. The non-Medicare caseload shows an upward trend in length of stay. The small campus is impacted by relatively slight shifts in surgical volume.

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

All data excludes normal newborns (MS-DRG=795), Medicare data excludes Medicare HMOs and PPOs

# El Camino Hospital (\$000s) <sup>(1)</sup>

8 months ending 2/29/2016

PERIOD 8 FY 2015	PERIOD 8 FY 2016	PERIOD 8 Budget 2016	Variance Fav (Unfav)	Var%
205,136	226,918	219,015	7,903	3.6%
(149,457)	(169,118)	(160,505)	(8,613)	5.4%
<b>55,679</b>	<b>57,800</b>	<b>58,510</b>	<b>(710)</b>	<b>-1.2%</b>
1,950	2,073	1,684	389	23.1%
<b>57,629</b>	<b>59,873</b>	<b>60,194</b>	<b>(321)</b>	<b>-0.5%</b>
32,985	35,733	35,828	95	0.3%
8,295	9,063	9,101	38	0.4%
6,088	7,264	7,028	(236)	-3.4%
7,316	8,608	7,172	(1,435)	-20.0%
<b>54,684</b>	<b>60,668</b>	<b>59,129</b>	<b>(1,539)</b>	<b>-2.6%</b>
<b>2,945</b>	<b>(795)</b>	<b>1,065</b>	<b>(1,860)</b>	<b>-174.6%</b>
14,387	(4,086)	1,860	(5,946)	-319.7%
<b>17,332</b>	<b>(4,881)</b>	<b>2,925</b>	<b>(7,806)</b>	<b>-266.8%</b>
12.5%	6.8%	9.5%	-2.7%	
5.1%	-1.3%	1.8%	-3.1%	
30.1%	-8.2%	4.9%	-13.0%	

\$000s	YTD FY 2015	YTD FY 2016	YTD Budget 2016	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>					
Gross Revenue	1,695,461	1,805,926	1,791,227	14,700	0.8%
Deductions	(1,223,232)	(1,306,320)	(1,299,985)	(6,335)	0.5%
<b>Net Patient Revenue</b>	<b>472,230</b>	<b>499,606</b>	<b>491,242</b>	<b>8,364</b>	<b>1.7%</b>
Other Operating Revenue	13,434	16,073	13,589	2,484	18.3%
<b>Total Operating Revenue</b>	<b>485,664</b>	<b>515,679</b>	<b>504,830</b>	<b>10,848</b>	<b>2.1%</b>
<b>OPERATING EXPENSE</b>					
Salaries & Wages	270,447	287,822	286,534	(1,288)	-0.4%
Supplies	71,845	75,754	73,888	(1,866)	-2.5%
Fees & Purchased Services	49,485	57,572	55,346	(2,226)	-4.0%
Other Operating Expense	59,533	69,642	59,409	(10,233)	-17.2%
<b>Total Operating Expense</b>	<b>451,309</b>	<b>490,791</b>	<b>475,178</b>	<b>(15,613)</b>	<b>-3.3%</b>
<b>Net Operating Income/(Loss)</b>	<b>34,355</b>	<b>24,888</b>	<b>29,652</b>	<b>(4,765)</b>	<b>-16.1%</b>
Non Operating Income	14,361	(37,083)	14,882	(51,965)	-349.2%
<b>Net Income(Loss)</b>	<b>48,716</b>	<b>(12,196)</b>	<b>44,534</b>	<b>(56,730)</b>	<b>-127.4%</b>
<b>EBITDA</b>	<b>14.2%</b>	<b>11.7%</b>	<b>12.6%</b>	<b>-0.9%</b>	
<b>Operating Margin</b>	<b>7.1%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>-1.0%</b>	
<b>Net Margin</b>	<b>10.0%</b>	<b>-2.4%</b>	<b>8.8%</b>	<b>-11.2%</b>	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates



# El Camino Hospital – Mountain View <sup>(1)</sup> (\$000s)

8 months ending 2/29/2016

PERIOD 8 FY 2015	PERIOD 8 FY 2016	PERIOD 8 Budget 2016	Variance Fav (Unfav)	Var%		YTD FY 2015	YTD FY 2016	YTD Budget 2016	Variance Fav (Unfav)	Var%
					<b>\$000s</b>					
					<b>OPERATING REVENUE</b>					
169,572	187,826	179,942	7,884	4.4%	Gross Revenue	1,386,038	1,475,112	1,467,910	7,202	0.5%
(123,459)	(139,774)	(132,613)	(7,161)	5.4%	Deductions	(1,004,987)	(1,067,728)	(1,069,792)	2,064	-0.2%
<b>46,113</b>	<b>48,052</b>	<b>47,328</b>	<b>724</b>	<b>1.5%</b>	<b>Net Patient Revenue</b>	<b>381,051</b>	<b>407,384</b>	<b>398,117</b>	<b>9,266</b>	<b>2.3%</b>
1,724	1,885	1,493	392	26.3%	Other Operating Revenue	11,903	14,461	12,058	2,404	19.9%
<b>47,837</b>	<b>49,937</b>	<b>48,821</b>	<b>1,116</b>	<b>2.3%</b>	<b>Total Operating Revenue</b>	<b>392,954</b>	<b>421,845</b>	<b>410,175</b>	<b>11,670</b>	<b>2.8%</b>
					<b>OPERATING EXPENSE</b>					
27,546	29,867	30,024	157	0.5%	Salaries & Wages	224,483	239,630	238,255	(1,375)	-0.6%
6,825	7,431	7,434	2	0.0%	Supplies	58,211	61,662	60,159	(1,503)	-2.5%
4,871	5,900	5,680	(221)	-3.9%	Fees & Purchased Services	39,438	46,934	44,440	(2,494)	-5.6%
5,608	6,635	5,101	(1,533)	-30.1%	Other Operating Expense	46,071	52,965	42,800	(10,165)	-23.7%
<b>44,851</b>	<b>49,834</b>	<b>48,239</b>	<b>(1,595)</b>	<b>-3.3%</b>	<b>Total Operating Expense</b>	<b>368,204</b>	<b>401,191</b>	<b>385,654</b>	<b>(15,537)</b>	<b>-4.0%</b>
<b>2,986</b>	<b>104</b>	<b>583</b>	<b>(479)</b>	<b>-82.2%</b>	<b>Net Operating Income/(Loss)</b>	<b>24,750</b>	<b>20,654</b>	<b>24,521</b>	<b>(3,866)</b>	<b>-15.8%</b>
14,387	(4,086)	1,860	(5,946)	-319.7%	Non Operating Income	14,361	(37,057)	14,882	(51,939)	-349.0%
<b>17,373</b>	<b>(3,983)</b>	<b>2,443</b>	<b>(6,425)</b>	<b>-263.0%</b>	<b>Net Income(Loss)</b>	<b>39,111</b>	<b>(16,403)</b>	<b>39,402</b>	<b>(55,805)</b>	<b>-141.6%</b>
12.3%	6.4%	7.0%	-0.6%		<b>EBITDA</b>	12.3%	10.0%	10.8%	-0.8%	
6.2%	0.2%	1.2%	-1.0%		<b>Operating Margin</b>	6.3%	4.9%	6.0%	-1.1%	
36.3%	-8.0%	5.0%	-13.0%		<b>Net Margin</b>	10.0%	-3.9%	9.6%	-13.5%	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital – Los Gatos(\$000s) <sup>(1)</sup>

Results from Operations vs. Prior Year  
8 months ending 2/29/2016

PERIOD 8 FY 2015	PERIOD 8 FY 2016	PERIOD 8 Budget 2016	Variance Fav (Unfav)	Var%
35,564	39,093	39,074	19	0.0%
(25,998)	(29,344)	(27,892)	(1,453)	5.2%
<b>9,566</b>	<b>9,748</b>	<b>11,182</b>	<b>(1,434)</b>	<b>-12.8%</b>
226	188	191	(3)	-1.6%
<b>9,792</b>	<b>9,936</b>	<b>11,373</b>	<b>(1,437)</b>	<b>-12.6%</b>
5,439	5,866	5,804	(62)	-1.1%
1,470	1,632	1,667	35	2.1%
1,217	1,364	1,348	(15)	-1.1%
1,708	1,973	2,071	98	4.7%
<b>9,833</b>	<b>10,834</b>	<b>10,890</b>	<b>56</b>	<b>0.5%</b>
<b>(41)</b>	<b>(898)</b>	<b>482</b>	<b>(1,381)</b>	<b>-286.2%</b>
0	0	0	0	0.0%
<b>(41)</b>	<b>(898)</b>	<b>482</b>	<b>(1,381)</b>	<b>-286.2%</b>
13.6%	8.8%	20.2%	-11.4%	
-0.4%	-9.0%	4.2%	-13.3%	
-0.4%	-9.0%	4.2%	-13.3%	

## \$000s OPERATING REVENUE

Gross Revenue
Deductions
<b>Net Patient Revenue</b>
Other Operating Revenue
<b>Total Operating Revenue</b>

## OPERATING EXPENSE

Salaries & Wages
Supplies
Fees & Purchased Services
Other Operating Expense
<b>Total Operating Expense</b>
<b>Net Operating Income/(Loss)</b>
Non Operating Income
<b>Net Income(Loss)</b>

**EBITDA**  
**Operating Margin**  
**Net Margin**

YTD FY 2015	YTD FY 2016	YTD Budget 2016	Variance Fav (Unfav)	Var%
309,423	330,814	323,317	7,498	2.3%
(218,245)	(238,592)	(230,192)	(8,400)	3.6%
<b>91,179</b>	<b>92,222</b>	<b>93,124</b>	<b>(902)</b>	<b>-1.0%</b>
1,531	1,611	1,531	80	5.3%
<b>92,710</b>	<b>93,834</b>	<b>94,655</b>	<b>(822)</b>	<b>-0.9%</b>
45,964	48,192	48,279	87	0.2%
13,633	14,093	13,730	(363)	-2.6%
10,046	10,638	10,906	268	2.5%
13,461	16,677	16,609	(68)	-0.4%
<b>83,105</b>	<b>89,600</b>	<b>89,523</b>	<b>(77)</b>	<b>-0.1%</b>
<b>9,605</b>	<b>4,233</b>	<b>5,132</b>	<b>(898)</b>	<b>-17.5%</b>
0	(26)	0	(26)	0.0%
<b>9,605</b>	<b>4,207</b>	<b>5,132</b>	<b>(925)</b>	<b>-18.0%</b>
22.2%	19.4%	20.2%	-0.8%	
10.4%	4.5%	5.4%	-0.9%	
10.4%	4.5%	5.4%	-0.9%	

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

# El Camino Hospital<sup>(1)</sup>

## Balance Sheet (\$ Thousands)

### ASSETS

	Audited	
	February 29, 2016	June 30, 2015
<b>CURRENT ASSETS</b>		
Cash	42,148	55,224
Short Term Investments	92,306	145,027
Patient Accounts Receivable, net	107,429	95,737
Other Accounts and Notes Receivable	3,268	2,378
Intercompany Receivables	1,210	1,595
Inventories and Prepays	46,870	44,055
<b>Total Current Assets</b>	<b>293,230</b>	<b>344,016</b>
<b>BOARD DESIGNATED ASSETS</b>		
Plant & Equipment Fund	112,972	117,965
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	12,348	2,085
Workers Compensation Reserve Fund	26,531	24,719
Postretirement Health/Life Reserve Fund	18,304	17,197
PTO Liability Fund	22,903	22,212
Malpractice Reserve Fund	1,800	1,800
Catastrophic Reserves Fund	12,949	14,150
<b>Total Board Designated Assets</b>	<b>308,004</b>	<b>300,324</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>32,653</b>	<b>37,676</b>
<b>LONG TERM INVESTMENTS</b>	<b>194,987</b>	<b>207,290</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>30,282</b>	<b>31,808</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,170,979	1,077,951
Less: Accumulated Depreciation	(486,683)	(473,920)
Construction in Progress	37,643	82,506
<b>Property, Plant &amp; Equipment - Net</b>	<b>721,938</b>	<b>686,537</b>
<b>DEFERRED OUTFLOWS</b>	<b>24,818</b>	<b>25,218</b>
<b>RESTRICTED ASSETS - CASH</b>	<b>3</b>	<b>5</b>
<b>TOTAL ASSETS</b>	<b>1,605,915</b>	<b>1,632,874</b>

### LIABILITIES AND FUND BALANCE

	Audited	
	February 29, 2016	June 30, 2015
<b>CURRENT LIABILITIES</b>		
Accounts Payable	22,508	30,142
Salaries and Related Liabilities	20,558	20,812
Accrued PTO	22,903	22,212
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	14,149	20,253
Intercompany Payables	74	108
Malpractice Reserves	1,800	1,800
Bonds Payable - Current	3,635	5,475
Bond Interest Payable	1,077	1,711
Other Liabilities	3,313	3,111
<b>Total Current Liabilities</b>	<b>92,318</b>	<b>107,925</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	18,304	17,197
Worker's Comp Reserve	24,231	22,419
Other L/T Obligation (Asbestos)	3,602	3,531
Other L/T Liabilities (IT/Medl Leases)	-	7,102
Bond Payable	227,560	222,446
<b>Total Long Term Liabilities</b>	<b>273,697</b>	<b>272,696</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	931,893	951,924
Board Designated	308,004	300,324
Restricted	3	5
<b>Total Fund Bal &amp; Capital Accts</b>	<b>1,239,900</b>	<b>1,252,254</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>1,605,915</b>	<b>1,632,874</b>

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

## El Camino Hospital Capital Spending (in thousands) FY 2011 – FY 2015

Category	2011	2012	2013	2014	2015
IT Hardware/Software Equipment	3,544	7,289	8,019	2,788	4,660
Medical/Non Medical Equipment	6,632	11,203	10,284	12,891	13,340
Non CIP Land, Land I, BLDG, Additions	2,518	7,311	0	22,292	0
<b>Facilities Projects CIP</b>					
0101 - Hosp Replace	232	313	0	0	0
0317 - Melchor TI's	925	117	0	0	0
0701 - Cyberknife	735	0	0	0	0
0704 - 1 South Upgrade	0	2	0	0	0
0802 - Willow Pavillion Upgrades	7	0	0	0	0
0805 - Women's Hospital Finishes	51	0	0	0	0
0809 - Hosp Renovations	262	0	0	0	0
0815 - Orc Pav Water Heater	29	0	0	0	0
0816 - Hospital Signage	41	0	0	0	0
0904 - LG Facilities Upgrade	254	41	2	0	0
0907 - LG Imaging Masterplan	0	162	244	774	1,402
1000 - LG Rehab Building	258	0	0	0	0
1104 - New Main CDU TV's	124	0	0	0	0
9900 - Unassigned Costs	921	279	734	470	3,717
0803 - Park Pav Foundation	207	270	0	0	0
1005 - LG OR Light Upgrd	89	108	14	0	0
1101 - Melchor Pavilion - Genomics	15	0	0	0	0
1102 - LG Joint Hotel	359	657	0	0	0
1106 - SHC Project	0	2,245	0	0	0
1108 - Cooling Towers	4	932	450	0	0
1115 - Womens Hosp TI's	0	50	0	0	0
1118 - Park Pav Roto Care	0	119	0	0	0
1120 - BHS Out Patient TI's	0	472	66	0	0
1122 - LG Sleep Studies	0	147	7	0	0
1129 - Old Main Card Rehab	0	400	9	0	0
0817 - Womens Hosp Upgrds	132	1,242	645	1	0
0906 - Slot Build-Out	0	0	1,003	1,576	15,101
1107 - Boiler Replacement	0	49	0	0	0
1109 - New Main Upgrades	0	589	423	393	2
1111 - Mom/Baby Overflow	0	267	212	29	0
1129 - Cardiac Rehab Improv	0	0	0	0	0
1132 - Pneumatic Tube Prj	0	78	0	0	0
1204 - Elevator Upgrades	0	24	25	30	0
1210 - Los Gatos VOIP	0	1	147	89	0
0800 - Womens L&D Expansion	27	129	2,104	1,531	269
1116 - LG Ortho Pavillion	0	44	177	24	21
1124 - LG Rehab BLDG	0	11	49	458	0
1128 - LG Boiler Replacement	0	3	0	0	0
1131 - MV Equipment Replace	0	190	216	0	0
1135 - Park Pavilion HVAC	0	47	0	0	0
1208 - Willow Pav. High Risk	0	0	110	0	0
1213 - LG Sterilizers	0	0	102	0	0
1225 - Rehab BLDG Roofing	0	0	7	241	4
1227 - New Main eICU	0	0	96	21	0
1230 - Fog Shop	0	0	339	80	0
1247 - LG Infant Security	0	0	134	0	0
1307 - LG Upgrades	0	0	376	2,979	3,282
1308 - LG Infrastructure	0	0	0	114	0
1315 - 205 So. Drive TI's	0	0	0	500	2
0908 - NPCR3 Seismic Upgrds	0	554	1,302	1,224	1,328

Category	2011	2012	2013	2014	2015
<b>Facilities Projects CIP cont.</b>					
1125 - Will Pav Fire Sprinkler	0	9	57	39	0
1211 - SIS Monitor Install	0	0	215	0	0
1216 - New Main Process Imp Office	0	0	19	1	16
1217 - MV Campus MEP Upgrades FY13	0	0	0	181	274
1219 - LG Spine OR	0	0	0	214	323
1221 - LG Kitchen Refrig	0	0	0	85	0
1224 - Rehab Bldg HVAC Upgrades	0	0	11	202	81
1245 - Behavioral Health Bldg Replace	0	0	0	1,257	3,775
1248 - LG - CT Upgrades	0	0	0	26	345
1249 - LG Mobile Imaging	0	0	0	146	0
1301 - Desktop Virtual	0	0	0	13	0
1304 - Rehab Wander Mgmt	0	0	0	87	0
1310 - Melchor Cancer Center Expansion	0	0	0	44	13
1318 - Women's Hospital TI	0	0	0	48	48
1327 - Rehab Building Upgrades	0	0	0	0	15
1320 - 2500 Hosp Dr Roofing	0	0	0	75	81
1328 - LG Ortho Canopy FY14	0	0	0	255	209
1340 - New Main ED Exam Room TVs	0	0	0	8	193
1341 - New Main Admin	0	0	0	32	103
1344 - New Main AV Upgrd	0	0	0	243	0
1345 - LG Lab HVAC	0	0	0	112	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	0	0	285
1347 - LG Central Sterile Upgrades	0	0	0	0	181
1400 - Oak Pav Cancer Center	0	0	0	0	5,208
1403 - Hosp Drive BLDG 11 TI's	0	0	0	86	103
1404 - Park Pav HVAC	0	0	0	64	7
1408 - New Main Accessibility Upgrades	0	0	0	0	7
1413 - North Drive Parking Structure Exp	0	0	0	0	167
1414 - Integrated MOB	0	0	0	0	2,009
1421 - LG MOB Improvements	0	0	0	0	198
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	0	0	101
1432 - 205 South Dr BHS TI	0	0	0	0	8
1501 - Women's Hospital NPC Comp	0	0	0	0	4
1504 - Equipment Support Infrastructure	0	0	0	0	61
<b>Subtotal Facilities Projects CIP</b>	<b>4,674</b>	<b>9,553</b>	<b>9,294</b>	<b>13,753</b>	<b>38,940</b>
<b>Grand Total</b>	<b>17,368</b>	<b>35,357</b>	<b>27,598</b>	<b>51,723</b>	<b>56,940</b>
Forecast at Beginning of year		47,138	49,399	47,300	65,420

# ATTACHMENT 7



**El Camino Hospital<sup>®</sup>**  
THE HOSPITAL OF SILICON VALLEY

## Capital Facilities Project Update > \$2.5m

March 28, 2016

Ken King

Chief Administrative Services  
Officer

# Informational Update

- This Capital Facilities Project Update is provided to the Finance Committee for information only.
- The information contained herein is intended to provide history, background and up to date information that will support funding requests for various projects.

# Background

- The following projects are greater than \$2.5 million and have been approved by the Board of Directors for partial or full funding:
  - Partially Funded Projects

Project	Estimated Total Project Cost March 2016	Total Committed To Date
BHS Replacement	74,500,000	<b>9,000,000</b>
North Dr Parking Structure Expansion	25,500,000	<b>3,000,000</b>
Integrated Medical Office Building	246,500,000	<b>28,000,000</b>
CUP Upgrades	8,500,000	<b>1,500,000</b>

- Fully Funded Projects

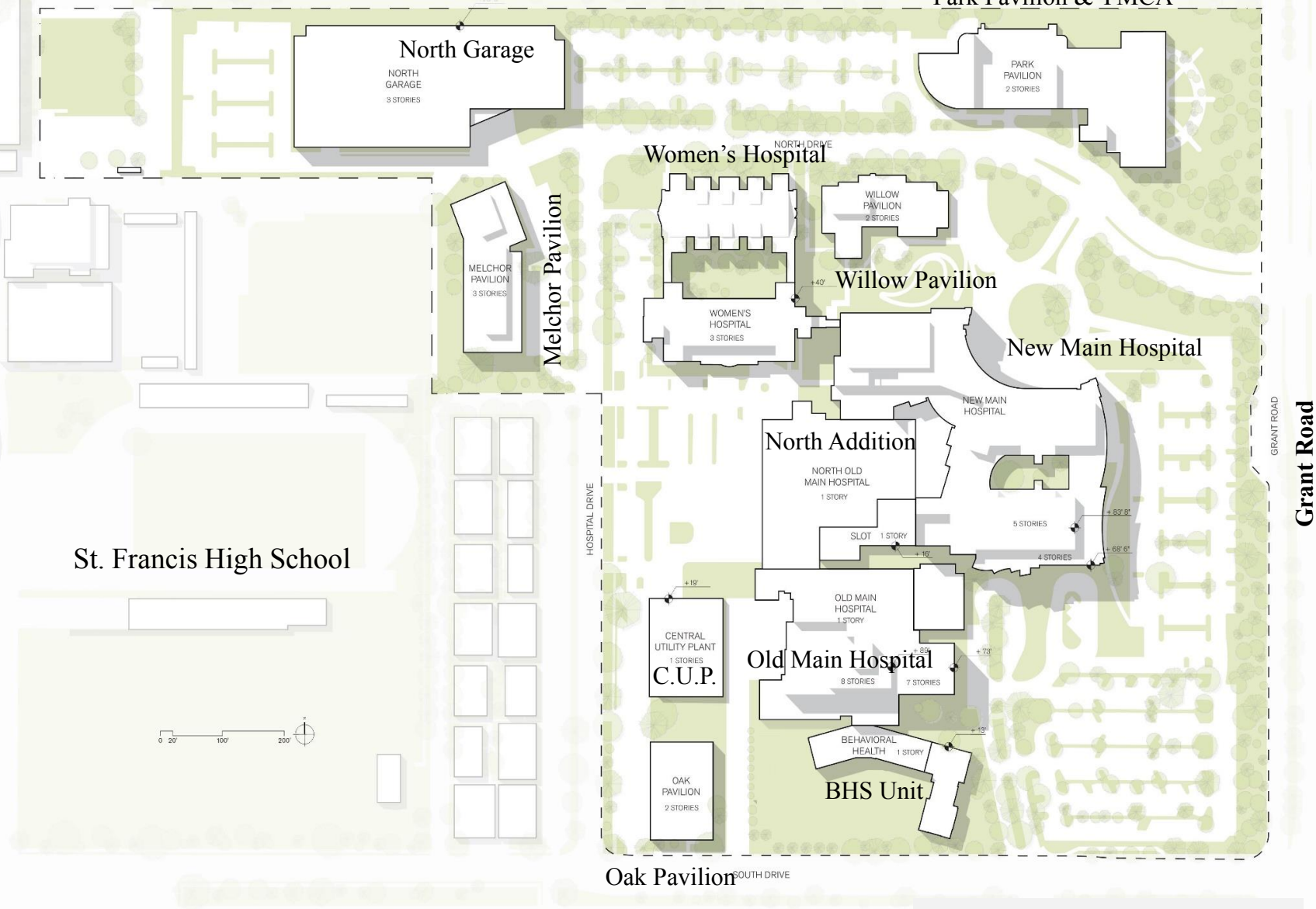
Project	Total Committed To Date
Cabling and Wireless upgrades	<b>2,800,000</b>
LG Spine Room Expansion - OR 4	<b>4,100,000</b>
LG Rehab HVAC Upgrades	<b>3,700,000</b>



# Existing Site Plan

Cuesta Park

Park Pavilion & YMCA



# Proposed Site Plan

5. Expand to Upper Floors  
03/18 to 09/19

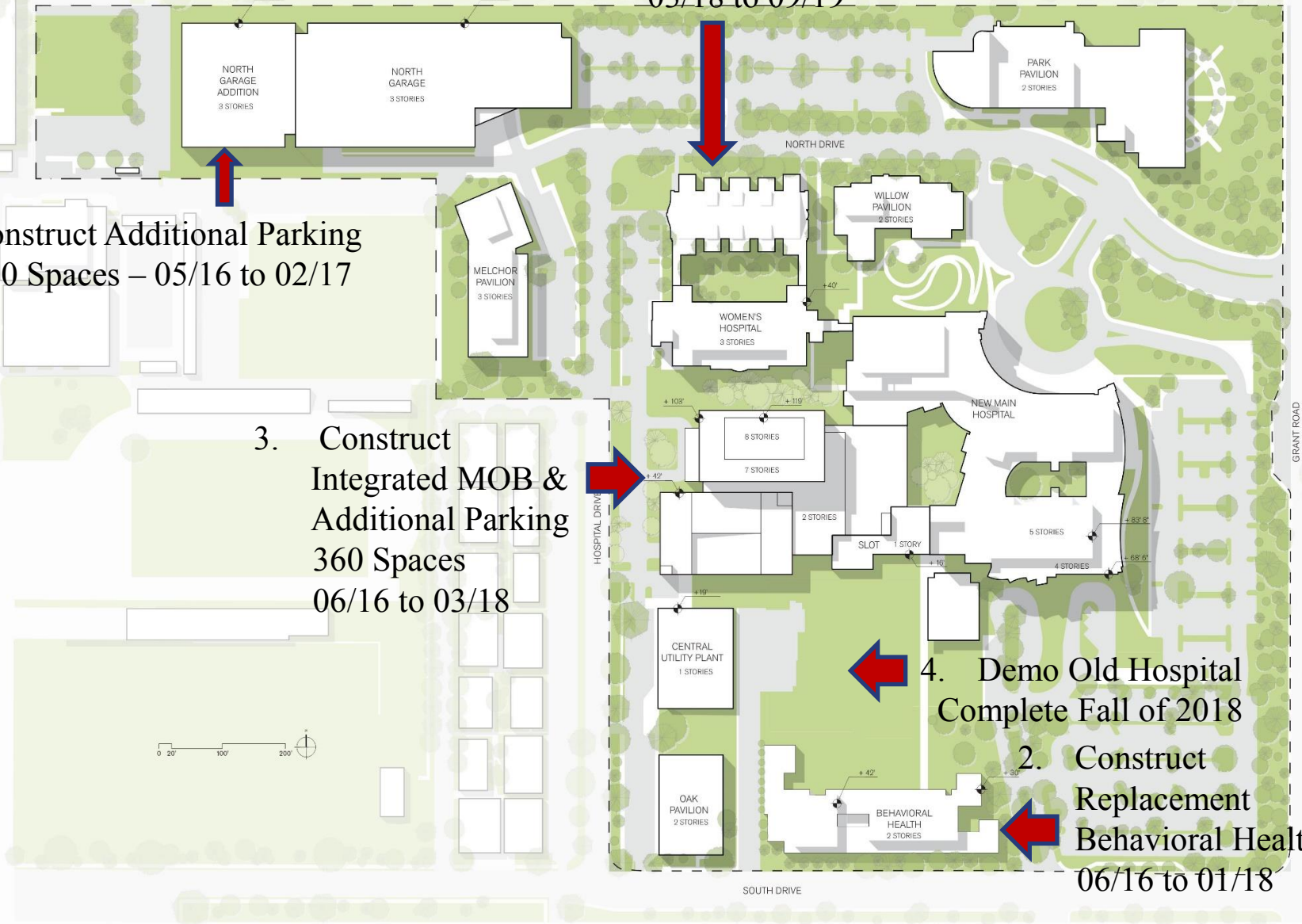
03/18 to 09/19

1. Construct Additional Parking  
400 Spaces – 05/16 to 02/17

3. Construct  
Integrated MOB &  
Additional Parking  
360 Spaces  
06/16 to 03/18

4. Demo Old Hospital  
Complete Fall of 2018

2. Construct  
Replacement  
Behavioral Health  
06/16 to 01/18



**PROPOSED SITE PLAN**



# Existing Campus – Looking Southwest



OVERVIEW FROM NORTHEAST - EXISTING



# Proposed Campus – Looking Southwest



OVERVIEW FROM NORTHEAST - PROPOSED



# Existing Campus – Looking North



OVERVIEW FROM SOUTH - EXISTING



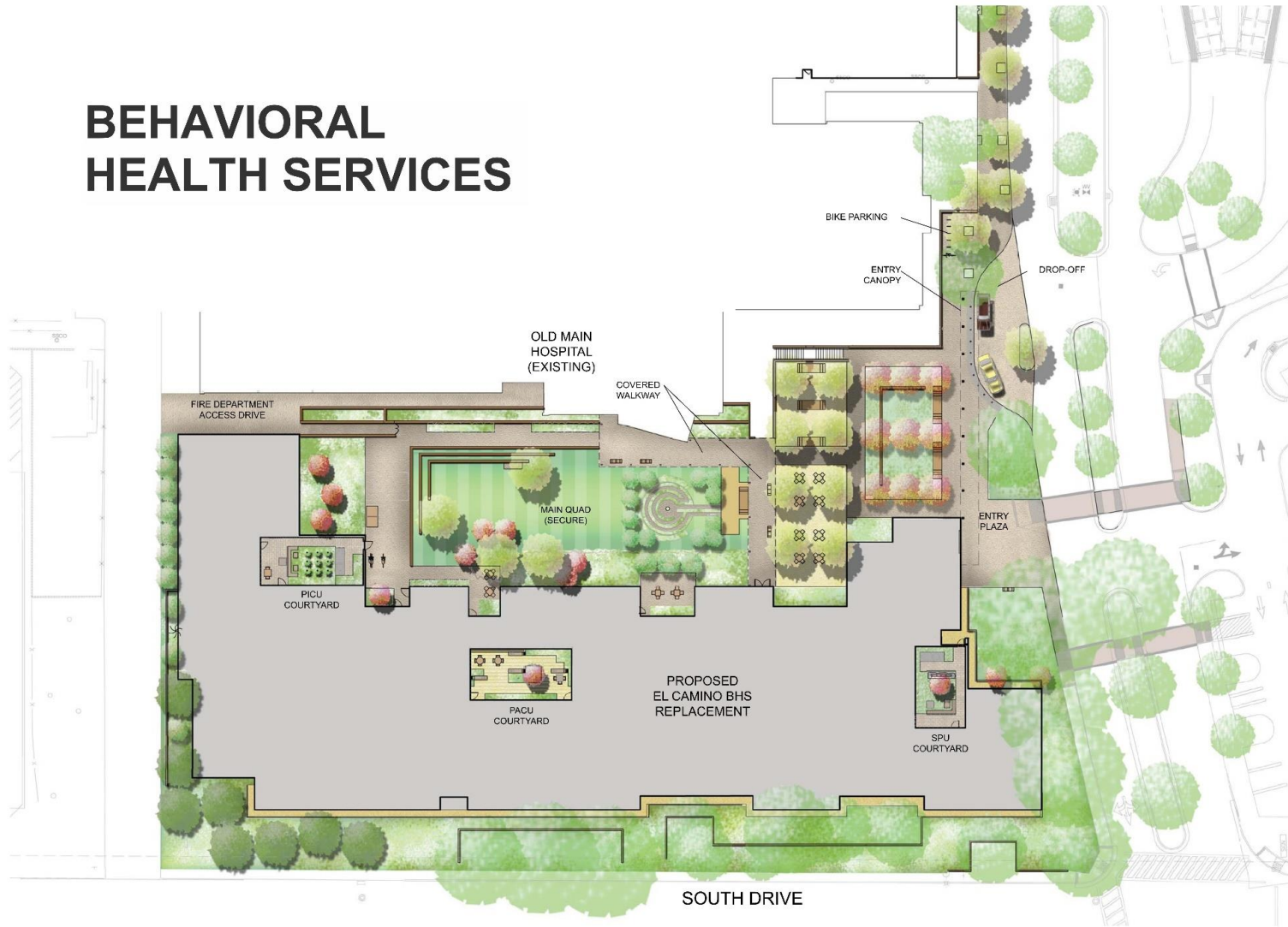
# Proposed Campus – Looking North





# Behavioral Health Services – Site Plan

## BEHAVIORAL HEALTH SERVICES



SITE PLAN - PROPOSED

# **Behavioral Health Services**

## Entry Lobby South/West View





# Behavioral Health Services

## South Elevation View

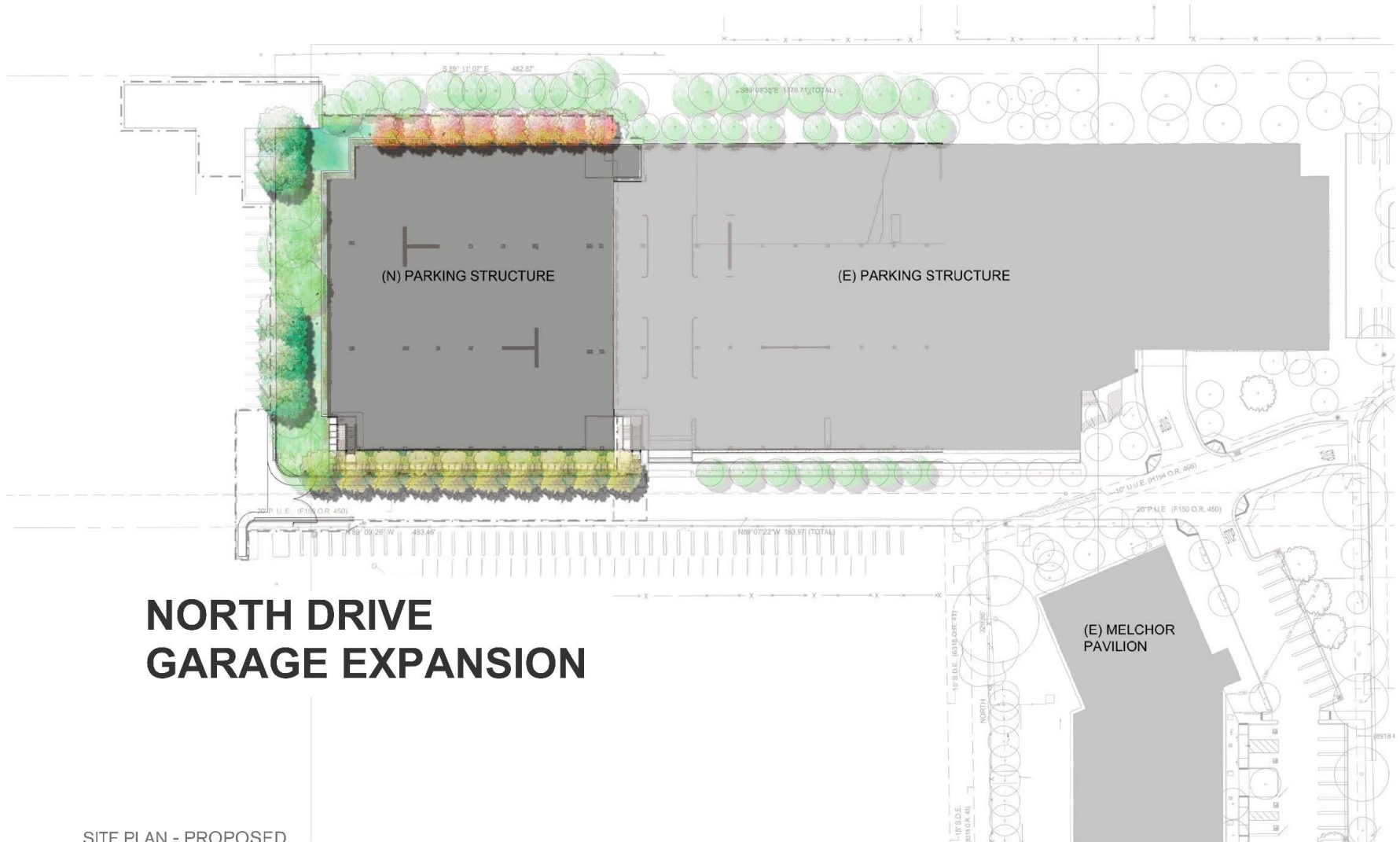


# Status Update – Behavioral Health Services

- Phase I Demolition & Site Preparation Package under final OSHPD review, Phase II New Building in 3<sup>rd</sup> round of OSHPD plan review.
- Start date of construction delayed approximately 4 months from target schedule due to extended OSHPD plan review cycles and CEQA - Environmental Impact Report (EIR) approval process. (New Target Date – 06/28/16)
- Estimated project cost increased from \$68.5m to \$74.5m due to delay, construction cost escalation, market conditions and EIR mitigation requirements.
- Next steps include obtaining OHSPD Plan Approvals, implementation of value engineering ideas, subcontractor bidding, site logistics impact preparations.



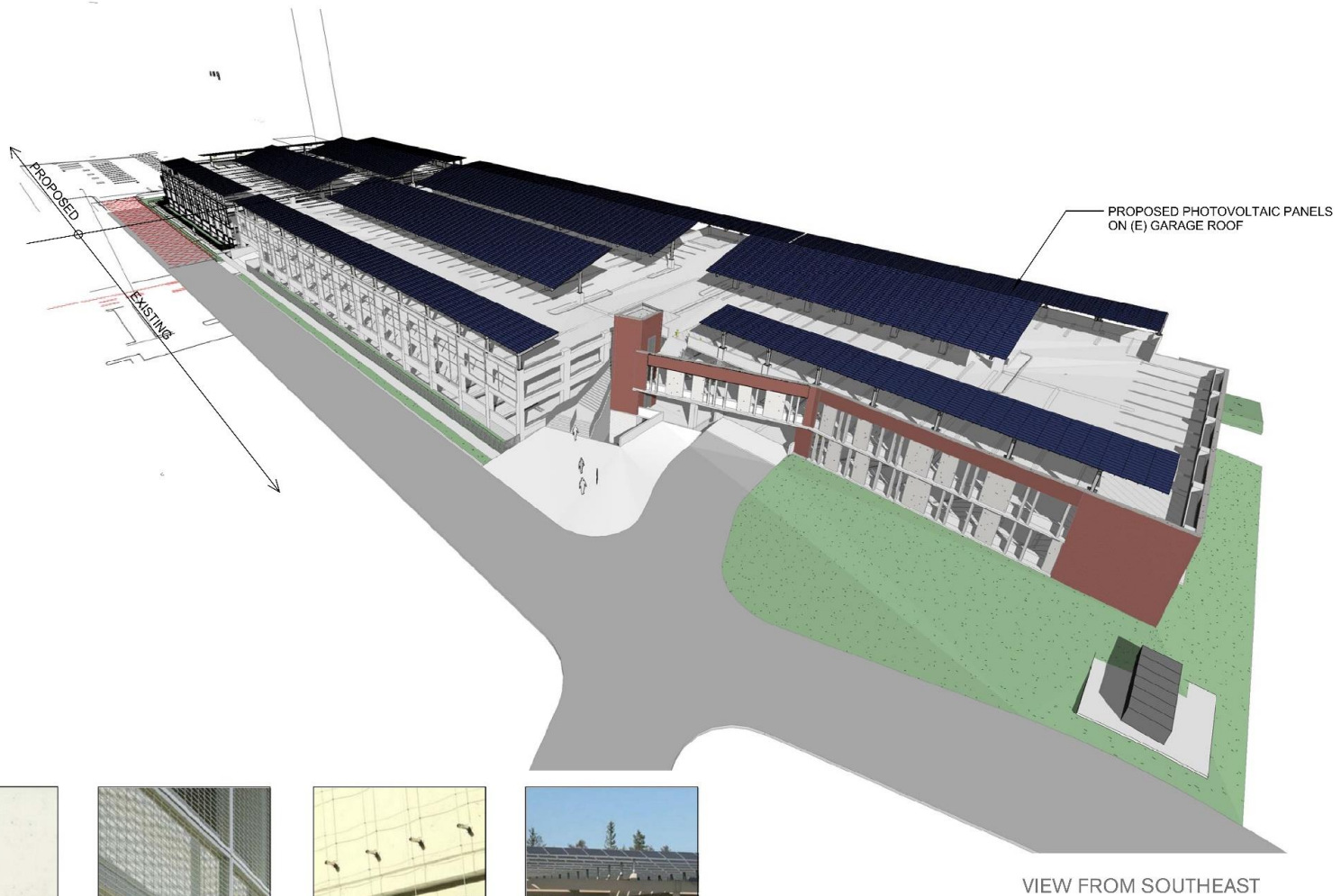
# North Parking Garage Expansion



## NORTH DRIVE GARAGE EXPANSION

SITE PLAN - PROPOSED

# North Parking Garage - Perspective



CONCRETE, PAINT TO MATCH EXISTING



METAL SCREEN PANEL, TO MATCH EXISTING



CABLE SCREEN SYSTEM, TO MATCH EXISTING



PHOTOVOLTAIC CANOPY

MATERIAL PALETTE

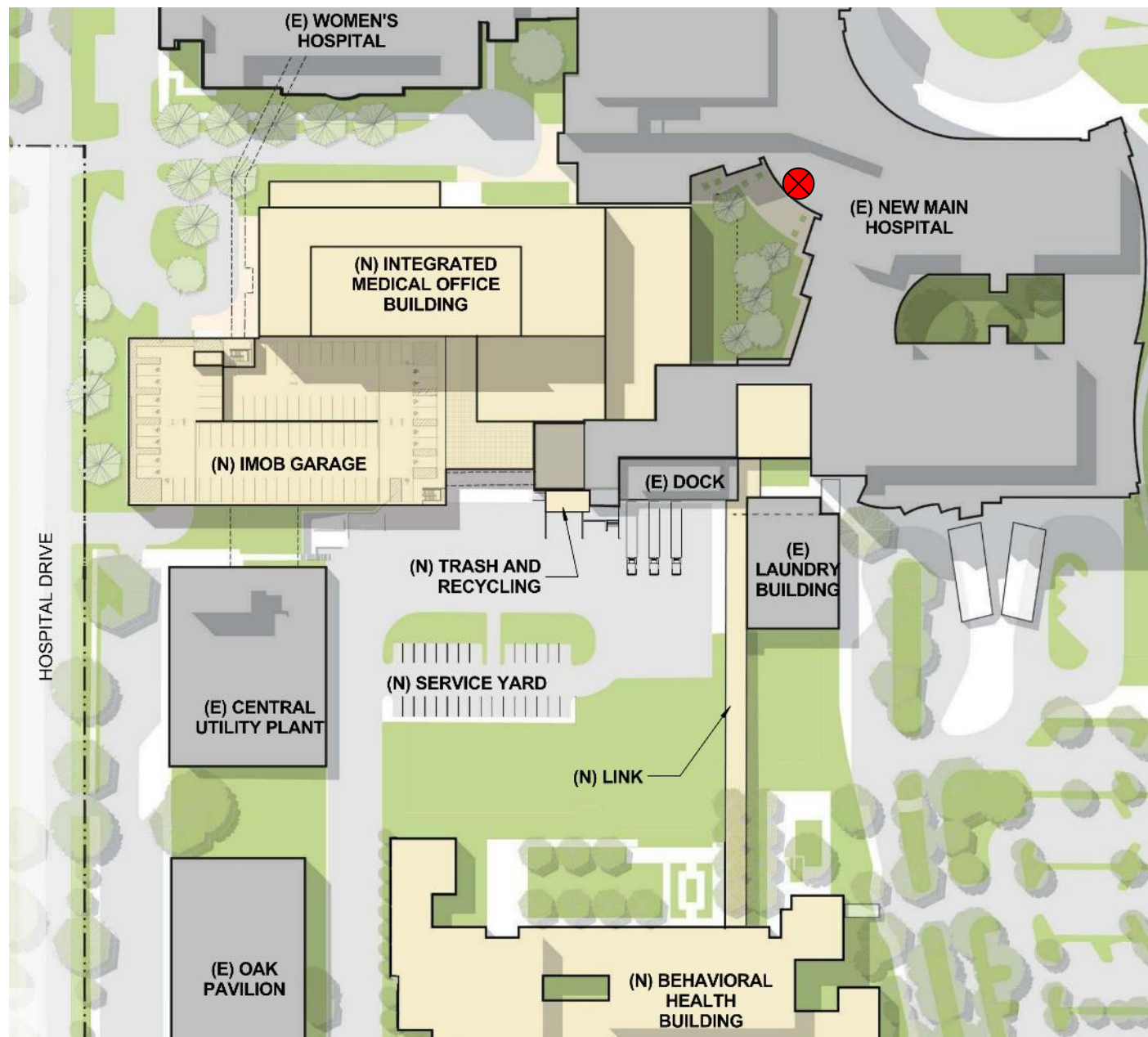
# Status Update – North Parking Garage Expansion

- Plans are in 2<sup>nd</sup> round of plan review by Mountain View.
- Start date of construction delayed approximately 4 months from target schedule due to CEQA - Environmental Impact Report (EIR) approval process.
- The plan review process and the EIR process are running concurrently so that construction can begin as soon as the EIR and Planned Community Permit is approved. (New Target Date – 06/28/16)
- Estimated Project Cost increased from \$20.5m to \$25.5m due to delay, construction cost escalation, market conditions and EIR mitigation requirements.
- The increased project cost will be offset by savings from solar panel installation and battery storage solution.
- Next Steps include obtaining permits, funding approval and construction start.

# Proposed IMOB Site Plan

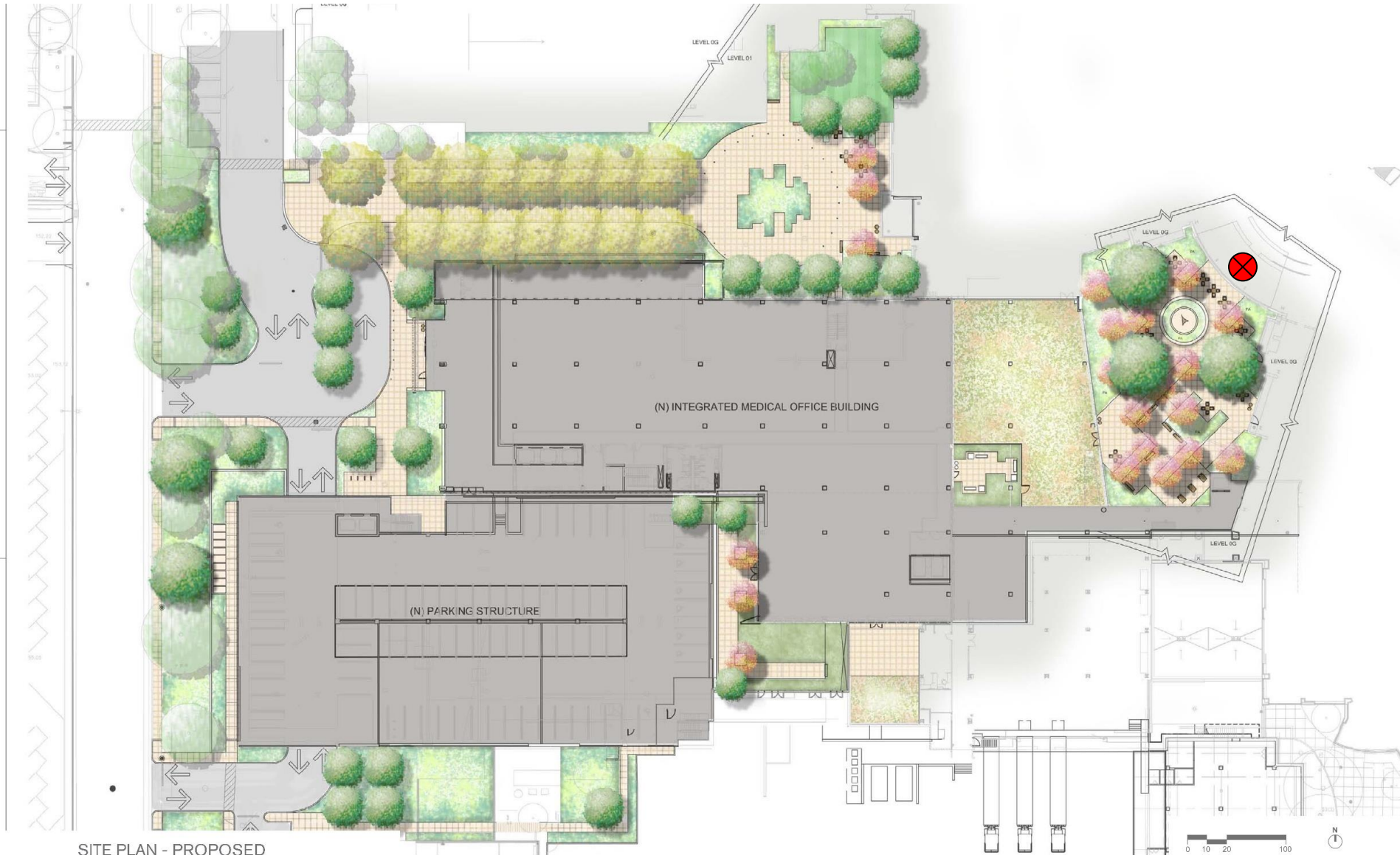
**IMOB =**  
Integrated  
Medical  
Office  
Building

**IMOB Site Plan**





# Proposed IMOB Site Plan



SITE PLAN - PROPOSED



# IMOB Rendering – Looking Southeast



## INTEGRATED MEDICAL OFFICE BUILDING



# IMOB Rendering – Looking East



# Status Update – Integrated MOB

- Phase I Site Utilities, Demolition of North Addition & Subsequent OSHPD Permitted Building Enclosures under 3<sup>rd</sup> round OSHPD review. Phase II New 7 Story Building (Non-OSHPD and New 3 Story Connector (OSHPD) 50% complete with Construction Documents. Target Date for plan review submission is 06/10/16.
- Start of Construction for Phase I & II delayed by 2 months from target schedule due to CEQA - Environmental Impact Report (EIR) approval process. (New Target Date – 06/28/16)
- Estimated Project Cost increased from \$232m to \$246.5m due to OSHPD Connector scope addition, delay, construction cost escalation, market conditions and EIR mitigation requirements.
- Leasing of MOB Space in progress with projected initial occupancy of 100%.
- Next Steps include obtaining permits, subcontractor bidding, funding approval and construction start.

# Status Update – Other Projects

- Central Utility Plant (CUP) Upgrades
  - Construction Documents nearing completion. Plan review to begin 06/10/16. New major equipment (Chillers) require seismic shaker test for OHSPD approval. Start of work 6 to 8 months after start of BHS and IMOB. Final funding request anticipated 09/2016.
- Cabling & Wireless Upgrades
  - This project is 60% complete and the remaining scope of work to reroute cabling and prep a new MPOE before the demolition of the North Addition is underway. Projected Completion 06/30/16, within the approved budget.
- Los Gatos Spine Room Expansion – OR 4
  - Start of construction was delayed to allow for iCare Implementation and the Joint Commission Survey. Construction scheduled to begin 04/04/16. Projected Completion 10/31/16, within the approved budget.
- Los Gatos Rehab HVAC Upgrades
  - This project is 70% complete and the remaining construction activity is on going with a projected completion date of 05/13/16, within the approved budget.

## Final Slide

# QUESTIONS?