

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

**Monday, July 31<sup>st</sup> 2017 – 5:30 pm**

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

William Hobbs will be participating via teleconference from 99 Degaris Avenue Dartmouth, MA 02748.

**MISSION:** To advise and assist the El Camino Hospital (ECH) Board of Directors (“Board”) in matters related to governance, board development, board effectiveness, and board composition, i.e., the nomination and appointment/reappointment process. The Governance Committee ensures the Board and Committees are functioning at the highest level of governance standards.

| AGENDA ITEM   | PRESENTED BY                                    |                       | ESTIMATED TIMES                              |
|---|---|-----------------------|--|
| <b>1. CALL TO ORDER / ROLL CALL</b>   | John Zoglin, Chair                              |                       | <b>5:30 – 5:32pm</b>                         |
| <b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>  | John Zoglin, Chair                              |                       | <b>5:32 – 5:33</b>                           |
| <b>3. PUBLIC COMMUNICATION</b><br>a. Oral Comments<br><i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i><br>b. Written Correspondence  | John Zoglin, Chair                              |                       | <b>information</b><br><b>5:33 – 5:36</b>     |
| <b>4. CONSENT CALENDAR</b><br><i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i><br><b>Approval</b><br>a. <a href="#">Minutes of the Open Session of the Joint Meeting of the Finance Committee and the Hospital Board (May 30<sup>th</sup>, 2017)</a><br>b. <a href="#">Minutes of the Open Session of the Finance Committee Meeting (May 30th , 2017)</a><br>c. <a href="#">FY17 Period 11 Financials</a><br><b>Information</b><br>d. <a href="#">Article of Interest</a><br>e. <a href="#">Progress Against Goals</a><br>f. <a href="#">FY 2018 Operating Budget</a> | John Zoglin, Chair                              | <i>public comment</i> | <b>motion required</b><br><b>5:36 – 5:38</b> |
| <b>5. REPORT ON BOARD ACTIONS</b><br><a href="#">ATTACHMENT 5</a>   | John Zoglin, Chair                              |                       | <b>information</b><br><b>5:38 – 5:43</b>     |
| <b>6. FY17 YEAR END FINANCIALS</b><br><a href="#">ATTACHMENT 6</a>  | Iftikhar Hussain, CFO                           | <i>public comment</i> | <b>motion required</b><br><b>5:43 – 6:03</b> |
| <b>7. PATIENT PRICE ESTIMATOR</b><br><a href="#">ATTACHMENT 7</a>   | Terri Manifesto,<br>Sr. Director, Revenue Cycle |                       | <b>information</b><br><b>6:03 – 6:18</b>     |
| <b>8. UPDATE ON MAJOR CAPITAL PROJECTS</b><br><a href="#">ATTACHMENT 8</a>  | Ken King, CASO                                  |                       | <b>discussion</b><br><b>6:18 – 6:28</b>      |
| <b>9. ADJOURN TO CLOSED SESSION</b>   | John Zoglin, Chair                              |                       | <b>motion required</b><br><b>6:28 – 6:29</b> |

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

| AGENDA ITEM  | PRESENTED BY   |                       | ESTIMATED TIMES                           |
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| <b>10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>  | John Zoglin, Chair   |                       | <b>6:29 – 6:30</b>                        |
| <b>11. CONSENT CALENDAR</b><br><i>Any Committee Member may remove an item for discussion before a motion is made.</i><br><br><b>Approval</b><br><i>Gov't Code Section 54957.2.</i><br>a. Minutes of the Closed Session of the Joint Meeting of the Finance Committee and the Hospital Board. (May 30, 2017)<br>b. Minutes of the Closed Session of the Finance Committee Meeting (May 30, 2017)<br><br><b>Information</b><br><i>Health &amp; Safety Code 32106(b).</i><br>c. Neurointerventional Radiology – Physician Recruitment<br>d. Cardiothoracic ED Call Panel – MV<br>e. Pediatric Consultations ED Call Agreement- MV<br>f. General Surgery ED Call Panel – LG<br>g. Processional Service Agreement for Cancer Center- University Healthcare Alliance | John Zoglin, Chair   |                       | <b>motion required<br/>6:30 – 6:31</b>    |
| <b>12. Health &amp; Safety Code 32106(b)</b> For a report & discussion involving health care facility trade secrets:<br>- Facilities Project Strategy Update   | Ken King, CASO   |                       | <b>discussion<br/>6:31 – 6:51</b>         |
| <b>13. Gov't Code Section 54956(d)(2)</b> – conference with legal counsel – pending or threatened litigation:<br>- Physician Transaction Compliance Education  | Mary Rotunno, General Counsel  |                       | <b>motion required<br/>6:51 – 7:06</b>    |
| <b>14. ADJOURN TO OPEN SESSION</b>   | John Zoglin, Chair   |                       | <b>motion required<br/>7:06 – 7:07</b>    |
| <b>15. RECONVENE OPEN SESSION/ REPORT OUT</b><br><br>To report any required disclosures regarding permissible actions taken during Closed Session.   | John Zoglin, Chair   |                       | <b>7:07 – 7:08</b>                        |
| <b>16. APPROVAL OF CONTRACTS</b><br>a. Neurointerventional Radiology – Physician Recruitment<br>b. Cardiothoracic ED Call Panel – MV<br>c. Pediatric Consultations ED Call Agreement – MV<br>d. General Surgery ED Call Panel – LG<br>e. Processional Service Agreement for Cancer Center- University Healthcare Alliance  | William Faber, MD, CMO<br>Mick Zdeblick, COO<br><br>Iftikhar Hussain, CFO & Markettea Beneke, Sr. Director Oncology Service Line | <i>public comment</i> | <b>possible motion(s)<br/>7:08 – 7:10</b> |
| <b>17. FY18 COMMITTEE PACING PLAN</b><br><a href="#">ATTACHMENT 17</a>   | John Zoglin, Chair   | <i>public comment</i> | <b>possible motion<br/>7:10 – 7:20</b>    |
| <b>18. CLOSING COMMENTS</b>  | John Zoglin, Chair   |                       | <b>discussion</b>                         |

| AGENDA ITEM            | PRESENTED BY       |  | ESTIMATED TIMES                           |
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|                        |                    |  | <b>7:20 – 7:22</b>                        |
| <b>19. ADJOURNMENT</b> | John Zoglin, Chair |  | <b>motion required<br/>7:22 – 7:23 pm</b> |

**Upcoming Meetings**

- September 25, 2017
- November 27, 2017
- January 29, 2018
- March 26, 2018
- May 29, 2018

**a. Minutes of the Open Session of the Joint Meeting of  
the Finance Committee and the Hospital Board (May  
30th, 2017)**





**Minutes of the Joint Open Session of the  
El Camino Hospital Board of Directors  
and the Finance Committee  
Monday, May 30, 2017**

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

**Board Members Present**

Lanhee Chen  
Dennis Chiu, Vice Chair  
Neal Cohen, MD, Chair  
Jeffrey Davis, MD  
Peter Fung, MD  
John Zoglin

**Board Members Absent**

Julia Miller  
David Reeder

**Members Excused**

None

**Committee Members Present**

Joseph Chow  
Boyd Faust  
William Hobbs (via teleconference)

**Committee Members Absent**

Richard Juellis

| Agenda Item   | Comments/Discussion   | Approvals/<br>Action |
|---|---|----------------------|
| <p><b>1. CALL TO ORDER/<br/>ROLL CALL</b></p>                           | <p>The joint open session meeting of the Board of Directors of El Camino Hospital (the “Board”) and the Finance Committee (the “Committee”) was called to order at 5:31pm by Chair Cohen. A verbal roll call was taken. Mr. William Hobbs participated via teleconference. Director Davis joined the meeting at 5:56pm during Agenda Item 4: FY18 Operating and Capital Budget. Director Miller, Director Reeder, and Mr. Richard Juellis were absent. All other Board and Committee members were present.</p>  |                      |
| <p><b>2. POTENTIAL<br/>CONFLICT OF<br/>INTEREST<br/>DISCLOSURES</b></p> | <p>Director Cohen asked if any Board or Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.</p>   |                      |
| <p><b>3. PUBLIC<br/>COMMUNICATION</b></p>                               | <p>There were no comments from the public.</p>  |                      |
| <p><b>4. FY18 OPERATING<br/>AND CAPITAL<br/>BUDGET</b></p>              | <p>Don Sibery, Interim CEO introduced Mick Zdeblick, COO and Iftikhar Hussain, CFO to present the FY18 Operating and Capital Budget.</p> <p>Mr. Zdeblick provided an overview of how the budget process integrates with the Hospital’s strategic planning framework, and the Proposed FY18 Organizational Goals. He noted that the Quality Committee will be reviewing one of the metrics for the organizational goals at its June 5<sup>th</sup> meeting. He also outlined the Executive Compensation Committee’s recommended change in design for minimum, target, and maximum. He described the benchmarks and methodology for each proposed goal (budgeted operating margin, length of stay, HCAHPS Service Metric: Rate the Hospital, and standardized infection rates for hospital-acquired infections).</p> <p>Director Zoglin and Mr. Zdeblick discussed the evaluation of whether the differences between minimum, target, maximum are statistically meaningful. Staff noted that they will look at the distribution of the benchmark/goal data.</p> <p>In response to Director Zoglin’s question, Mr. Zdeblick explained that staff chose to use the Q4 data for performance evaluation because initiatives must be implemented before they can be measured. The Board, Committee, and staff discussed whether the data should be evaluated over the course of the full year or at year’s end (in Q4).</p> <p>In response to Mr. Faust’s question, Mr. Hussain explained the eventual</p> |                      |

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|  | <p>alignment of organizational goals with value-based metrics integrated in payor contracts.</p> <p>Mr. Hobbs and Mr. Faust commented that they viewed the threshold goal ( % of budgeted operating margin) as too low, recommending 95% instead of 90%.</p> <p>In response to Director Cohen’s question, Mr. Zdeblick described efforts to engage physicians in clinical documentation improvements.</p> <p>Mr. Zdeblick also outlined budgetary priorities, including investments in:</p> <ul style="list-style-type: none"><li>- Strategic plan: \$5 million in “undesignated expenses” at the discretion of the CEO</li><li>- Growth: new surgical robots, physician concierge service, infusion center, spine center, physician recruitments, Winchester Primary Care Center</li><li>- Core Business: New RN Graduates Hiring and Training Program, Community Connect, IT Security, parking management</li></ul> <p>The Board, the Committee, and Mr. Zdeblick discussed the expected savings from clinical variation improvement.</p> <p>Director Chen requested additional information about the accountability for the \$5 million allocated for strategic initiatives at the discretion of the CEO, noting that the topic may be discussed further in closed session. Mr. Zdeblick outlined specific strategic initiatives for FY18 and their expected net financial results.</p> <p>Iftikhar Hussain, CFO explained that EBIDA (earnings before interest, depreciation, and amortization) will be a new metric for setting earnings targets because of the new bond financing and ongoing construction projects. He also provided an overview of budget assumptions, including:</p> <ul style="list-style-type: none"><li>- Key financial metrics, highlighting that days cash on hand remains strong.</li><li>- Expenses in FY16 were higher due to Epic Go-Live, and will go up again in FY18.</li><li>- Key drivers of FY18 operating budget: investments in strategic initiatives, favorable labor variance, interest on new bonds and construction, co-management for clinical variations.</li><li>- Revenue rates assumptions regarding pricing, reimbursement, and other payments (PRIME); expense assumptions, including inflation.</li><li>- Initiatives for the HPO plan (resource utilization, CDI, productivity, pricing, LOS reduction, etc.).</li><li>- IT Initiatives, including Community Connect, enterprise resource planning system (upgrade or get a new system).</li><li>- Capital spending trends and capital project requests.</li></ul> <p>The Board discussed and requested clarifications on inpatient and outpatient volume expectations, delineations of FTEs/vacancies in the budget, and the decline in volume for outpatient laboratory and imaging services over the last few years.</p> <p>He also reported that, due to additional investment income, staff will recommend a \$5 million increase in the Board-Designated Community Benefit Endowment Fund for Board approval at its June meeting.</p> <p>In response to Director Zoglin’s question, Mr. Hussain described filling vacancies gaps and Kathryn Fisk, CHRO described merit increases (3%). In response to Mr. Faust’s question, Mr. Hussain explained the</p> |  |
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|  | <p>calculation of the vacancy gap.</p> <p>Director Zoglin expressed concerns that urgent care clinics were not included in the budget.</p> <p>In response to Director Fung’s question, Mr. Hussain explained that most commercial contracts are three year contracts and discussed price increases that are in line with others in the industry.</p>  |   |
| <p><b>5. ADJOURN TO CLOSED SESSION</b></p>                         | <p><b>Motion:</b> To adjourn to closed session at 6:43 pm pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: Strategic Initiatives – Budgetary Implications.</p> <p><b>Movant:</b> Chiu<br/> <b>Second:</b> Fung<br/> <b>Ayes:</b> Chen, Chiu, Chow, Cohen, Davis, Faust, Fung, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis, Miller, Reeder<br/> <b>Recused:</b> None</p> | <p><i>Adjourned to closed session at 6:43 pm.</i></p> |
| <p><b>6. AGENDA ITEM 9: RECONVENE OPEN SESSION/ REPORT OUT</b></p> | <p>Open session was reconvened at 7:12pm. There were no actions taken during the closed session.</p>  |   |
| <p><b>7. AGENDA ITEM 10: ADJOURNMENT</b></p>                       | <p><b>Motion:</b> To adjourn at 7:12 pm.</p> <p><b>Movant:</b> Chen<br/> <b>Second:</b> Fung<br/> <b>Ayes:</b> Chen, Chiu, Chow, Cohen, Davis, Faust, Fung, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis, Miller, Reeder<br/> <b>Recused:</b> None</p>   | <p><i>Meeting adjourned at 7:12 pm.</i></p>           |

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

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 Lanhee Chen  
 Chair, ECH Board

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 Julia Miller  
 Secretary, ECH Board

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 John Zoglin  
 Chair, Finance Committee

Prepared by: Cindy Murphy, Board Liaison  
 Sarah Rosenberg, Contracts & Board Services Coordinator

**b. Minutes of the Open Session of the Finance  
Committee Meeting (May 30th , 2017)**



**Minutes of the Open Session of the Finance Committee**  
**Tuesday, May 30, 2017**  
**El Camino Hospital | Conference Rooms F&G (ground floor)**  
**2500 Grant Road, Mountain View, CA 94040**

**Members Present**

**Dennis Chiu, Chair**  
**Joseph Chow**  
**Boyd Faust**  
**William Hobbs (via teleconference)**  
**John Zoglin**

**Members Absent**

**Richard Juelis**

| Agenda Item  | Comments/Discussion  | Approvals/Action                                |
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| <b>1. CALL TO ORDER/<br/>ROLL CALL</b>                           | The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 7:20 pm by Chair Chiu. A verbal roll call was taken. Mr. William Hobbs participated via teleconference. Mr. Richard Juelis was absent. All other Committee members were present.  |   |
| <b>2. POTENTIAL<br/>CONFLICT OF<br/>INTEREST<br/>DISCLOSURES</b> | Chair Chiu asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.  |   |
| <b>3. PUBLIC<br/>COMMUNICATION</b>                               | There were no comments from the public.  |   |
| <b>4. CONSENT<br/>CALENDAR</b>                                   | <p>Mr. Zoglin asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p><b>Motion:</b> To approve the consent calendar: Minutes of the Open Session of the Finance Committee Meeting (March 27, 2017); FY18 Committee Meeting Dates; FY17 Period 8 Financials; and FY17 Period 9 Financials; and for information: Article of Interest.</p> <p><b>Movant:</b> Zoglin<br/> <b>Second:</b> Faust<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>  | <i><b>Consent<br/>Calendar<br/>approved</b></i> |
| <b>5. REPORT ON<br/>BOARD ACTIONS</b>                            | Chair Chiu briefly reviewed the Board Report as further detailed in the packet.  |   |
| <b>6. FY17 PERIOD 10<br/>FINANCIALS</b>                          | Iftikhar Hussain, CFO, reviewed the Financial Dashboard with the committee members noting that it has been a very good financial year for El Camino Hospital. All key dashboard metrics are green except for payor mix which is within a percentage point of target. He noted that operating results are ahead of plan due to both higher revenues and lower expenses. Investment income is \$34 million ahead of target. Labor and benefits are the largest portion of the expenses and are favorable due to efficiencies after the EPIC implementation last year and vacant positions in non-patient care areas. In response to Mr. Zoglin’s question, Mr. King explained that large month to month changes in capital spending projection reporting to the Committee is |   |

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|   | <p>due to the fact that these projections are updated quarterly. Mr. Zoglin requested that large changes in these projections be called out and explained in the Committee’s materials.</p> <p><b>Motion:</b> To recommend that the Board approve the FY17 Period 10 Financials.</p> <p><b>Movant:</b> Faust<br/> <b>Second:</b> Chow<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>   |  |
| <p><b>7. FY18 PROPOSED BUDGET</b></p>               | <p>In response to questions from Committee members, Mr. Hussain reported that it is very difficult in ECH’s market to reduce expenses by decreasing wages, salaries and benefits so management is focused on attaining operating margin goals though improvements in clinical documentation, length of stay reductions, and clinical variation reductions. Don Sibery, Interim CEO, reported that embedded in the budget is work in Q1 FY18 to identify all fixed positions and achieve \$2million costs reductions in overhead and fixed staffed areas.</p> <p><b>Motion:</b> To recommend that the Board approve the Proposed FY18 Operating and Capital Budget with the following suggestions:</p> <ol style="list-style-type: none"> <li>1. Increase the threshold organizational goal to 95% of budgeted operating margin.</li> <li>2. Describe guidelines on spending the proposed \$5 million (or different amount approved by the Board) allocated to the CEO for advancing strategic initiatives.</li> <li>3. Consider reducing FTE’s per adjusted occupied bed.</li> <li>4. Consider adequacy of the marketing budget by looking at benchmarks.</li> <li>5. Consider loss of market share in imaging and outpatient laboratory</li> </ol> <p><b>Movant:</b> Hobbs<br/> <b>Second:</b> Faust<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p> |  |
| <p><b>8. PROPOSED FY18 ORGANIZATIONAL GOALS</b></p> | <p>The Committee members reiterated a desire to increase the threshold goal to 95% of operating margin, and discussed whether (1) the deltas between the minimum, target and maximum metrics proposed for the LOS, HCAHPS Service, and Hospital Acquired Infection goals are statistically significant and (2) the Q4 measurement period is appropriate. Mick Zdeblick, COO explained that the Executive Compensation Committee recommended equalizing the delta between minimum and target and target and maximum. He also reported that progress against the goals is tracked quarterly even though the proposed measurement period for the management incentive plan is restricted to Q4 results.</p>   |  |

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|   | <p><b>Motion:</b> To recommend that the Board approve the proposed FY18 Organizational Goals with the understanding that the goals with proposed Q4 measurement periods are tracked quarterly by management and the following suggestions:</p> <ol style="list-style-type: none"> <li>1. Increase the threshold organizational goal to 95% of budgeted operating margin.</li> <li>2. Management should provide the Board with validation that the deltas between the minimum, target and maximum metrics proposed for the LOS, HCAHPS Service, and Hospital Acquired Infection goals are statistically significant.</li> </ol> <p><b>Movant:</b> Zoglin<br/> <b>Second:</b> Faust<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>  |   |
| <p><b>9. UPDATE ON MAJOR CAPITAL PROJECTS</b></p> | <p>Ken King, CASO, referring to the project timelines in the Committee materials, reported that permitting delays have delayed progress on the North Parking Garage, IMPB and BHS Building construction projects. He also reported that project cost projections have increased through May 2017 due to competition for labor in the local market.</p>  |   |
| <p><b>10. CAPITAL FUNDING REQUESTS</b></p>        | <ol style="list-style-type: none"> <li><b>a. Xi DaVinci Robot</b> – In response to questions from Committee members, Mr. Zdeblick reported deployment of the additional Xi Da Vinci Surgical Robot at the Los Gatos Campus will increase market share and surgical volume resulting in recovery of the full investment in the first year. The Committee requested quarterly reports on the return on this investment.</li> <li><b>b. 828 Winchester Primary Care Clinic Tenant Improvement</b> Mr. King reported that this clinic site is part of the primary care clinic strategy. The request is for leasehold improvements; the lease was approved and executed.</li> <li><b>c. LG MRI Replacement</b> – Mr. King reported that onsite MRI capability is a necessary service for a hospital and that the funding request includes the equipment, building of a modular structure to house and operate the equipment and a shelter between the modular structure and the two buildings.</li> <li><b>d. Feasibility Study &amp; Capital Facilities Project Request – Patient Family Residence</b> – Mr. King explained the concept and need for this project to provide low cost temporary housing for families of ECH’s patients. He also reported that the land on which the existing structure sits is owned by the El Camino Healthcare District and the project will ultimately require District Board approval.</li> </ol> <p><b>Motion:</b> To recommend that the Board approve agenda items 10 a – d 2 Xi DaVinci Robots (\$3,940,000), 828 Winchester PCC Tenant Improvements (not to exceed \$3.6 million), LG MRI Replacement (not to exceed \$3.9 million), and Patient Family Residence Feasibility Study (not to exceed \$500,000) funding requests.</p> <p><b>Movant:</b> Faust</p> | <p><i>Capital funding requests recommended for approval</i></p> |

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|   | <p><b>Second:</b> Zoglin<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>   |  |
| <p><b>11. ADJOURN TO CLOSED SESSION</b></p>   | <p><b>Motion:</b> To adjourn to closed session at 8:33 pm pursuant to <i>Health &amp; Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Draft Revised Physician Financial Arrangements Review and Approval Policy; pursuant to <i>Health &amp; Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Summary of Physician Financial Arrangements; pursuant to <i>Gov't Code Section 54957.2</i> for approval of Minutes of the Closed Session of the Finance Committee Meeting (March 27, 2017); pursuant to <i>Health &amp; Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Update on Data Governance Project, PSA: Pre-Employment Evaluations and Clearances, MDA: Utilization Management, MDA: Interventional Pulmonology Program.</p> <p><b>Movant:</b> Zoglin<br/> <b>Second:</b> Faust<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p> | <p><i>Adjourned to closed session at 8:33 pm.</i></p>      |
| <p><b>12. AGENDA ITEM 17: RECONVENE OPEN SESSION/ REPORT OUT</b></p>  | <p>Open session was reconvened at 8:46. Agenda Items 12-16 were covered in closed session. During the closed session, the Committee approved the Closed Session Minutes of the Finance Committee Meeting of March 27, 2017 and the Summary of Physician Financial Arrangements by a vote of all members present (Chiu, Chow, Faust, Hobbs, Zoglin). Mr. Juelis was absent.</p>  |  |
| <p><b>13. AGENDA ITEM 18: APPROVAL OF PHYSICIAN CONTRACTS</b></p>   | <p><b>Motion:</b> To recommend that the Board approve the Professional Services Agreement: Pre-Employment Evaluation and Clearances; Medical Director, Utilization Management; and Medical Director, Interventional Pulmonology Program.</p> <p><b>Movant:</b> Faust<br/> <b>Second:</b> Zoglin<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>  | <p><i>Physician Contracts recommended for approval</i></p> |
| <p><b>14. AGENDA ITEM 19: APPROVAL OF DRAFT REVISED PHYSICIAN FINANCIAL ARRANGEMENTS – REVIEW AND APPROVAL POLICY</b></p> | <p><b>Motion:</b> To recommend that the Board approve the Draft Revised Physician Financial Arrangements – Review and Approval Policy.</p> <p><b>Movant:</b> Chow<br/> <b>Second:</b> Zoglin<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>   | <p><i>Policy recommended for approval</i></p>              |
| <p><b>15. AGENDA ITEM 20:</b></p>   | <p>The Committee members discussed adding two goals (1) To Develop</p>  | <p><i>Goals</i></p>  |



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|--|---|---|
| <p><b>FY18 COMMITTEE GOALS</b></p>                           | <p>and Monitor Industry Benchmarks for Operations and Financials and (2) Review of Top Three Service Lines as well as removing Review Results of HPO Plan” as a Committee goal. Mr. Zdeblick commented that the top three service lines are Oncology, HVI and Behavioral Health.</p> <p><b>Motion:</b> To recommend that the Governance Committee review and recommend for approval the FY18 Finance Committee Goals with revisions as discussed.</p> <p><b>Movant:</b> Faust<br/> <b>Second:</b> Chow<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>   | <p><i>recommended for approval</i></p>      |
| <p><b>16. AGENDA ITEM 21: FY18 COMMITTEE PACING PLAN</b></p> | <p>Cindy Murphy, Board Liaison, reported that the Proposed Pacing Plan was developed with the Committee’s standard work as well as its FY18 goals in mind. Ms. Murphy commented she would add a third Service Line Report in March as well as the Benchmarking report in November. She also noted that combined Board and Committee Education Sessions were being scheduled for October and April and the Pacing Plan will be updated to reflect that.</p> <p><b>Motion:</b> To approve the proposed FY18 Pacing Plan.</p> <p><b>Movant:</b> Chow<br/> <b>Second:</b> Zoglin<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p> |   |
| <p><b>17. AGENDA ITEM 22: CLOSING COMMENTS</b></p>           | <p>Chair Chiu commented that Director Zoglin would likely be chairing the Committee next year, and thanked the Committee members for their service.</p>   |   |
| <p><b>18. AGENDA ITEM 23: ADJOURNMENT</b></p>                | <p><b>Motion:</b> To adjourn at 9:00 pm.</p> <p><b>Movant:</b> Zoglin<br/> <b>Second:</b> Faust<br/> <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin<br/> <b>Noes:</b> None<br/> <b>Abstentions:</b> None<br/> <b>Absent:</b> Juelis<br/> <b>Recused:</b> None</p>  | <p><i>Meeting adjourned at 9:00 pm.</i></p> |

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

\_\_\_\_\_  
 John Zoglin  
 Chair, Finance Committee

## **FY17 Period 11 Financials**



**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2017 – Period 11  
7/1/2016 to 5/31/2017

|   | Annual  |         |               |                    | Month   |         |            | YTD     |         |            |
|---|---------|---------|---------------|--------------------|---------|---------|------------|---------|---------|------------|
|   | 2015    | 2016    | 2017<br>Proj. | 2017<br>Bud/Target | PY      | CY      | Bud/Target | PY      | CY      | Bud/Target |
| <b>Volume</b>                           |         |         |               |                    |         |         |            |         |         |            |
| Licensed Beds                           | 443     | 443     | 443           | 443                | 443     | 443     | 443        | 443     | 443     | 443        |
| ADC                                     | 246     | 242     | 239           | 245                | 256     | 235     | 247        | 243     | 239     | 246        |
| Adjusted Discharges                     | 22,342  | 22,499  | 23,343        | 22,992             | 1,838   | 2,052   | 2,007      | 20,236  | 21,398  | 21,147     |
| Total Discharges                        | 19,637  | 19,367  | 19,604        | 19,781             | 1,622   | 1,673   | 1,720      | 17,621  | 17,984  | 18,207     |
| <b>Inpatient Cases</b>                  |         |         |               |                    |         |         |            |         |         |            |
| MS Discharges                           | 13,114  | 13,344  | 13,577        | 13,499             | 1,109   | 1,180   | 1,173      | 12,004  | 12,446  | 12,419     |
| Deliveries                              | 5,067   | 4,717   | 4,660         | 4,810              | 404     | 377     | 418        | 4,316   | 4,272   | 4,426      |
| BHS                                     | 901     | 806     | 907           | 901                | 77      | 86      | 79         | 849     | 845     | 837        |
| Rehab                                   | 555     | 500     | 459           | 570                | 32      | 30      | 50         | 452     | 421     | 525        |
| <b>Outpatient Cases</b>                 |         |         |               |                    |         |         |            |         |         |            |
| ED                                      | 128,110 | 139,935 | 145,560       | 147,053            | 11,707  | 12,728  | 12,448     | 128,172 | 133,430 | 131,795    |
| Procedural Cases                        | 49,106  | 48,609  | 48,636        | 51,258             | 4,135   | 4,275   | 4,440      | 44,764  | 44,583  | 47,007     |
| OP Surg                                 | 6,488   | 6,070   | 6,680         | 6,427              | 470     | 533     | 540        | 5,536   | 6,123   | 5,714      |
| Endo                                    | 2,520   | 2,324   | 2,140         | 2,479              | 191     | 167     | 207        | 2,140   | 1,962   | 2,188      |
| Interventional                          | 1,998   | 2,021   | 2,016         | 2,323              | 159     | 165     | 198        | 1,858   | 1,848   | 2,098      |
| All Other                               | 67,998  | 80,911  | 86,088        | 84,566             | 6,752   | 7,588   | 7,063      | 73,874  | 78,914  | 74,788     |
| <b>Financial Perf.</b>                  |         |         |               |                    |         |         |            |         |         |            |
| Net Patient Revenues                    | 746,645 | 772,020 | 812,625       | 789,585            | 69,230  | 70,653  | 73,383     | 698,855 | 744,907 | 725,154    |
| Total Operating Revenue                 | 767,751 | 795,657 | 839,074       | 814,645            | 70,880  | 74,454  | 75,471     | 718,671 | 769,151 | 748,126    |
| Operating Expenses                      | 689,631 | 743,044 | 743,112       | 764,828            | 64,060  | 65,507  | 64,564     | 677,510 | 681,186 | 693,585    |
| Operating Income \$                     | 78,120  | 52,613  | 95,962        | 49,817             | 6,821   | 8,947   | 10,907     | 41,162  | 87,965  | 54,541     |
| Operating Margin                        | 10.2%   | 6.6%    | 11.4%         | 6.1%               | 9.6%    | 12.0%   | 14.5%      | 5.7%    | 11.4%   | 7.3%       |
| EBITDA \$                               | 128,002 | 108,554 | 148,216       | 109,890            | 11,685  | 13,183  | 15,920     | 91,235  | 135,865 | 107,951    |
| EBITDA %                                | 16.7%   | 13.6%   | 17.7%         | 13.5%              | 16.5%   | 17.7%   | 21.1%      | 12.7%   | 17.7%   | 14.4%      |
| IP Margin <sup>1</sup>                  | -3.9%   | -8.7%   | -5.2%         | -6.1%              | -3.9%   | -5.8%   | -6.1%      | -9.6%   | -5.2%   | -6.1%      |
| OP Margin <sup>1</sup>                  | 26.7%   | 26.7%   | 34.4%         | 26.4%              | 25.8%   | 36.1%   | 26.4%      | 25.2%   | 34.4%   | 26.4%      |
| <b>Payor Mix</b>                        |         |         |               |                    |         |         |            |         |         |            |
| Medicare                                | 46.2%   | 46.6%   | 47.7%         | 46.4%              | 50.6%   | 47.8%   | 46.4%      | 46.6%   | 47.7%   | 46.4%      |
| Medi-Cal                                | 6.6%    | 7.4%    | 7.3%          | 6.5%               | 7.4%    | 8.0%    | 6.5%       | 7.3%    | 7.3%    | 6.5%       |
| Commercial IP                           | 24.2%   | 23.2%   | 22.3%         | 24.0%              | 21.8%   | 22.2%   | 24.0%      | 24.0%   | 22.3%   | 24.0%      |
| Commercial OP                           | 18.7%   | 18.7%   | 20.1%         | 19.0%              | 18.2%   | 19.8%   | 19.0%      | 19.3%   | 20.1%   | 19.0%      |
| Total Commercial                        | 42.9%   | 41.9%   | 42.4%         | 43.0%              | 40.0%   | 42.0%   | 43.0%      | 43.3%   | 42.4%   | 43.0%      |
| Other                                   | 4.3%    | 4.1%    | 2.5%          | 4.1%               | 2.0%    | 2.3%    | 4.1%       | 2.8%    | 2.5%    | 4.1%       |
| <b>Cost</b>                             |         |         |               |                    |         |         |            |         |         |            |
| Employees                               | 2,452.4 | 2,542.8 | 2,500.4       | 2,551.7            | 2,529.3 | 2,536.9 | 2,556.1    | 2,590.3 | 2,500.4 | 2,551.7    |
| Hrs/APD                                 | 30.45   | 30.35   | 29.86         | 29.40              | 29.15   | 30.93   | 29.20      | 31.04   | 29.86   | 29.40      |
| <b>Balance Sheet</b>                    |         |         |               |                    |         |         |            |         |         |            |
| Net Days in AR                          | 43.6    | 53.7    | 47.5          | 48.0               | 53.7    | 47.5    | 48.0       | 53.7    | 47.5    | 48.0       |
| Days Cash                               | 401     | 361     | 441           | 266                | 361     | 441     | 266        | 361     | 441     | 266        |
| <b>Affiliates - Net Income (\$000s)</b> |         |         |               |                    |         |         |            |         |         |            |
| Hosp                                    | 94,787  | 43,043  | 216,125       | 67,032             | 10,062  | 18,137  | 11,636     | 28,706  | 144,084 | 62,559     |
| Concern                                 | 1,202   | 1,823   | 1,874         | 2,604              | 80      | (108)   | 221        | 1,937   | 1,249   | 2,372      |
| ECSC                                    | (41)    | (282)   | (138)         | 0                  | 1       | (9)     | 0          | (311)   | (92)    | 0          |
| Foundation                              | 710     | 982     | 3,265         | (450)              | 180     | 37      | (20)       | 919     | 2,177   | (477)      |
| SVMD                                    | 106     | 156     | 8             | 0                  | (67)    | (85)    | (1)        | 88      | 5       | (1)        |

**Inpatient Volume:**

- May inpatient acute MS discharges exceeds budget by 0.6% and PY by 6.4%. YTD discharge is also higher than budget by 0.2%.
- Deliveries and Rehab discharges remain soft and are 9.8% and 39.4% below budget for the month and 3.5% and 19.8% below budget YTD.
- Volumes for Behavioral Health (0.9%), General Medicine (4.1%), General Surgery (2.3%), HVI (8.1%), Spine Surgery (10.0%), Urology (5.6%) and GYN (13.7) are all ahead of budget YTD.

**Outpatient Volume:**

- OP was ahead of budget for the month of May by 2.2% and prior month last year by 8.7%. YTD OP remains ahead of budget by 1.2% and last year YTD by 4.1%
- OP volume remained strong and ahead of budget YTD especially in Behavioral Health 40.1%, Oncology 31.6%, Rehab Services 14.7% and HVI 14.6%.

**Financial Performance:**

- Operating Income was behind budget by \$2.0M for the month, but remains ahead YTD by \$33.4. In May, \$6.3M was budgeted as IGT income, but has not been received as of yet due to timing.

**Payor Mix:**

- Commercial mix decreased from April from 42.7% to 42.0%. YTD PM is still under budget due to higher Medicare.

**Cost:**

- YTD Paid FTEs is under budget by 51 FTEs.

**Balance Sheet:**

- Net days in AR are ahead of target and improved further in May. Total cash on hand is still at an all time high of 441 days in May.

Green - Equal to or better than budget; Yellow - Unfav by up to 5%; Red - Greater than 5% unfav  
FY2017 budget presented excludes 2016 and 2017 bonds cost of issuance and interest expense

# Budget Variances

Fiscal Year 2017 YTD (7/1/2016-5/31/2017) Waterfall

| (in thousands)   | Month to Date (MTD) |                   |               | Year to Date (YTD) |                   |               |
|--|---------------------|-------------------|---------------|--------------------|-------------------|---------------|
|  | Detail              | Net Income Impact | % Net Revenue | Detail             | Net Income Impact | % Net Revenue |
| <b>Budgeted Hospital Operations FY2017</b>   |                     | <b>10,907</b>     | <b>14.5%</b>  |                    | <b>54,541</b>     | <b>7.3%</b>   |
| <b>Net Revenue</b>   |                     | (1,017)           | -1.4%         |                    | 21,025            | 2.7%          |
| * Volume and Payor Mix   | (1,802)             |                   |               | 978                |                   |               |
| * Rev cycle improvements   | 500                 |                   |               | 9,167              |                   |               |
| * Insurance (Payment Variance)   |                     |                   |               | 1,120              |                   |               |
| * Mcare Settlement   | 54                  |                   |               | 3,298              |                   |               |
| * BPCI Settlement  | 76                  |                   |               | (2,092)            |                   |               |
| * Medi-Cal Supplemental  | 144                 |                   |               | 1,510              |                   |               |
| * IGT Supplemental   |                     |                   |               | 6,535              |                   |               |
| * Various Adjustments under \$250k   | 11                  |                   |               | 510                |                   |               |
| <b>Labor and Benefit Expense Change</b>  |                     | 622               | 0.8%          |                    | 9,708             | 1.3%          |
| * Benefits -FICA and WC Cash Replenish   | 273                 |                   |               | (1,404)            |                   |               |
| * Accrued Time Off - Reprising PRN PTO Banks   |                     |                   |               | 1,079              |                   |               |
| * Productivity, volume and service mix   | (90)                |                   |               | 10,039             |                   |               |
| * WC Reserve Update based on Favorable Exp   |                     |                   |               | 2,524              |                   |               |
| * Vacancies filled with purchased services   | 439                 |                   |               | 3,073              |                   |               |
| * Pay for performance bonus  |                     |                   |               | (3,204)            |                   |               |
| * Ratification bonus   |                     |                   |               | (2,400)            |                   |               |
| <b>Professional Fees &amp; Purchased Services</b>  |                     | (991)             | -1.3%         |                    | (2,869)           | -0.4%         |
| * Physician Fees - Below Budget in MD Director Fee both May & YTD                                  | 79                  |                   |               | 1,560              |                   |               |
| * Consulting Fee - Various Administration and Strategic Planning consultants                       | (648)               |                   |               | (4,776)            |                   |               |
| * Purchased Services - Outside Labor (EPIC Consultants)  | (585)               |                   |               | (4,097)            |                   |               |
| * Repairs and Maintenance Fees   | 163                 |                   |               | 4,445              |                   |               |
| <b>Supplies</b>  |                     | (1,489)           | -2.0%         |                    | 58                | 0.0%          |
| * Drug Expense - Offset by \$4.7M in revenue   | (497)               |                   |               | (2,760)            |                   |               |
| * Medical Supplies - Structural Heart Valves & Spine Surgery                                       | (898)               |                   |               | 1,426              |                   |               |
| * Non Med Supplies - Misc (Food/Volumes)   | (94)                |                   |               | 1,391              |                   |               |
| <b>Other Expenses</b>  |                     | 138               | 0.2%          |                    | (9)               | 0.0%          |
| * Leases & Rental Fees (Facility Building Leases & Imaging Equipment Rental YTD)                   | 11                  |                   |               | (271)              |                   |               |
| * Utilities & Telephone  | 141                 |                   |               | 411                |                   |               |
| * Other G&A  | (13)                |                   |               | (149)              |                   |               |
| <b>Depreciation &amp; Interest</b>   |                     | 777               | 1.0%          |                    | 5,511             | 0.7%          |
| * Depreciation (Under budget in Facilities Dev and Real Estate & ICARE depreciation and equipment) | 621                 |                   |               | 4,431              |                   |               |
| * Interest Expense - 2017 bonds & Capital Interest 2015 bonds                                      | 156                 |                   |               | 1,080              |                   |               |
| <b>Actual Hospital Operations FY2017</b>   |                     | <b>8,947</b>      | <b>12.0%</b>  |                    | <b>87,965</b>     | <b>11.4%</b>  |

# El Camino Hospital (\$000s)

11 months ending 5/31/2017

| PERIOD 11<br>FY 2016     | PERIOD 11<br>FY 2017 | PERIOD 11<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          | \$000s                               | YTD<br>FY 2016 | YTD<br>FY 2017 | YTD<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          |
|--------------------------|----------------------|--------------------------|-------------------------|---------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| <b>OPERATING REVENUE</b> |                      |                          |                         |               |                                      |                |                |                    |                         |               |
| 243,812                  | 264,096              | 248,699                  | 15,396                  | 6.2%          | <b>Gross Revenue</b>                 | 2,520,630      | 2,754,532      | 2,661,876          | 92,656                  | 3.5%          |
| (174,582)                | (193,442)            | (175,316)                | (18,126)                | 1.0%          | <b>Deductions</b>                    | (1,821,775)    | (2,009,625)    | (1,936,722)        | (72,903)                | 3.8%          |
| <b>69,230</b>            | <b>70,653</b>        | <b>73,383</b>            | <b>(2,730)</b>          | <b>-3.7%</b>  | <b>Net Patient Revenue</b>           | <b>698,855</b> | <b>744,907</b> | <b>725,154</b>     | <b>19,753</b>           | <b>2.7%</b>   |
| 1,650                    | 3,800                | 2,088                    | 1,712                   | 82.0%         | <b>Other Operating Revenue</b>       | 19,816         | 24,245         | 22,972             | 1,272                   | 5.5%          |
| <b>70,880</b>            | <b>74,454</b>        | <b>75,471</b>            | <b>(1,017)</b>          | <b>-1.3%</b>  | <b>Total Operating Revenue</b>       | <b>718,671</b> | <b>769,151</b> | <b>748,126</b>     | <b>21,025</b>           | <b>2.8%</b>   |
| <b>OPERATING EXPENSE</b> |                      |                          |                         |               |                                      |                |                |                    |                         |               |
| 39,553                   | 38,903               | 39,524                   | 622                     | 1.6%          | <b>Salaries &amp; Wages</b>          | 397,620        | 411,216        | 420,923            | 9,708                   | 2.3%          |
| 10,866                   | 11,455               | 9,966                    | (1,489)                 | -14.9%        | <b>Supplies</b>                      | 106,951        | 108,254        | 108,312            | 58                      | 0.1%          |
| 6,769                    | 8,764                | 7,773                    | (991)                   | -12.8%        | <b>Fees &amp; Purchased Services</b> | 90,355         | 88,872         | 86,003             | (2,869)                 | -3.3%         |
| 2,008                    | 2,149                | 2,287                    | 138                     | 6.1%          | <b>Other Operating Expense</b>       | 32,511         | 24,946         | 24,937             | (9)                     | 0.0%          |
| 617                      | 292                  | 448                      | 156                     | 34.8%         | <b>Interest</b>                      | 5,575          | 3,851          | 4,930              | 1,080                   | 21.9%         |
| 4,247                    | 3,944                | 4,565                    | 621                     | 13.6%         | <b>Depreciation</b>                  | 44,498         | 44,049         | 48,480             | 4,431                   | 9.1%          |
| <b>64,060</b>            | <b>65,507</b>        | <b>64,564</b>            | <b>(943)</b>            | <b>-1.5%</b>  | <b>Total Operating Expense</b>       | <b>677,510</b> | <b>681,186</b> | <b>693,585</b>     | <b>12,399</b>           | <b>1.8%</b>   |
| <b>6,821</b>             | <b>8,947</b>         | <b>10,907</b>            | <b>(1,960)</b>          | <b>-18.0%</b> | <b>Net Operating Income/(Loss)</b>   | <b>41,162</b>  | <b>87,965</b>  | <b>54,541</b>      | <b>33,424</b>           | <b>61.3%</b>  |
| 3,242                    | 9,191                | 729                      | 8,462                   | 1160.9%       | <b>Non Operating Income</b>          | (12,455)       | 56,118         | 8,018              | 48,100                  | 599.9%        |
| <b>10,062</b>            | <b>18,137</b>        | <b>11,636</b>            | <b>6,502</b>            | <b>55.9%</b>  | <b>Net Income(Loss)</b>              | <b>28,706</b>  | <b>144,084</b> | <b>62,559</b>      | <b>81,524</b>           | <b>130.3%</b> |
| 16.5%                    | 17.7%                | 21.1%                    | -3.4%                   |               | <b>EBITDA</b>                        | 12.7%          | 17.7%          | 14.4%              | 3.2%                    |               |
| 9.6%                     | 12.0%                | 14.5%                    | -2.4%                   |               | <b>Operating Margin</b>              | 5.7%           | 11.4%          | 7.3%               | 4.1%                    |               |
| 14.2%                    | 24.4%                | 15.4%                    | 8.9%                    |               | <b>Net Margin</b>                    | 4.0%           | 18.7%          | 8.4%               | 10.4%                   |               |

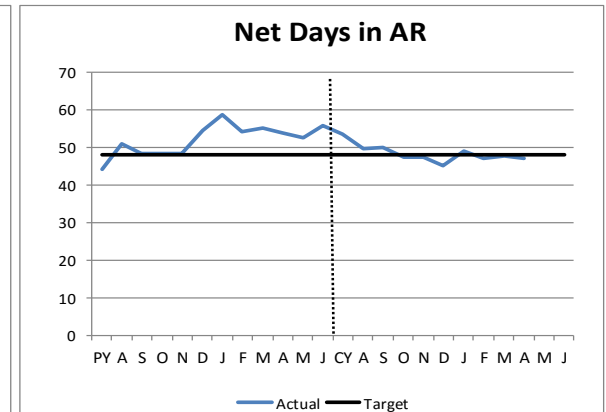
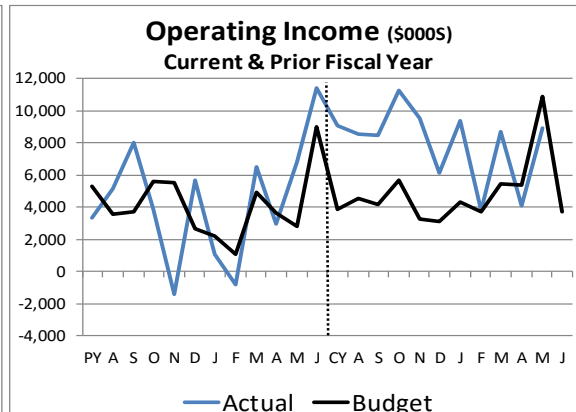
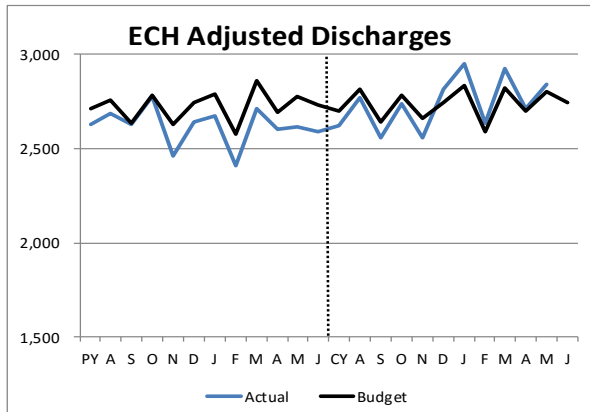
# Non Operating Items and Net Income by Affiliate

## \$ in thousands

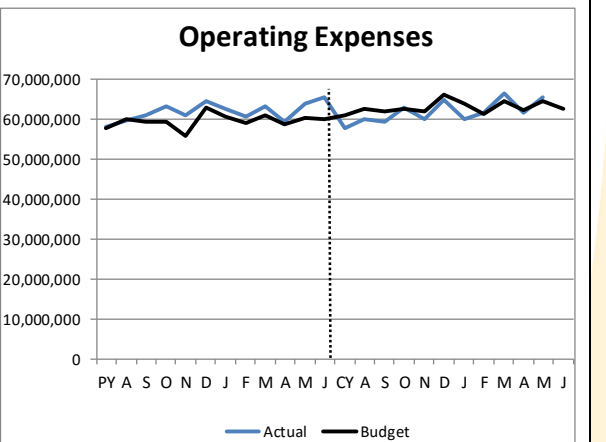
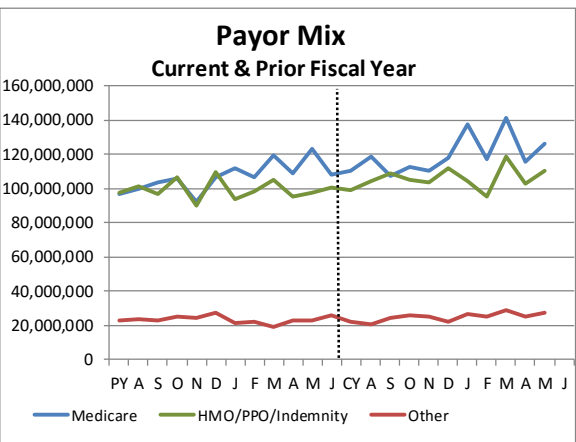
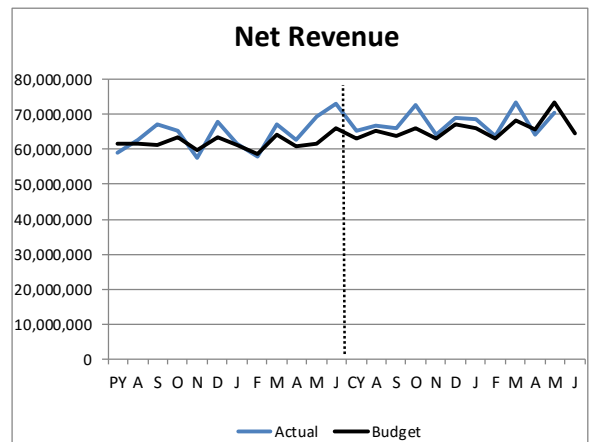
|   | Period 11 - Month |               |                | Period 11 - FYTD |               |               |
|---|-------------------|---------------|----------------|------------------|---------------|---------------|
|   | Actual            | Budget        | Variance       | Actual           | Budget        | Variance      |
| <b>El Camino Hospital Income (Loss) from Operations</b> |                   |               |                |                  |               |               |
| Mountain View   | 9,695             | 9,786         | (91)           | 84,453           | 43,663        | 40,790        |
| Los Gatos   | (748)             | 1,121         | (1,869)        | 3,512            | 10,878        | (7,366)       |
| <b>Sub Total - El Camino Hospital, excl. Affilates</b>  | <b>8,947</b>      | <b>10,907</b> | <b>(1,960)</b> | <b>87,965</b>    | <b>54,541</b> | <b>33,424</b> |
| <b>Operating Margin %</b>                               | <b>12.0%</b>      | <b>14.5%</b>  |                | <b>11.4%</b>     | <b>7.3%</b>   |               |
| <b>El Camino Hospital Non Operating Income</b>          |                   |               |                |                  |               |               |
| Investments   | 10,260            | 1,512         | 8,748          | 59,905           | 16,628        | 43,277        |
| Swap Adjustments  | (751)             | 0             | (751)          | 3,030            | 0             | 3,030         |
| Community Benefit                                       | (92)              | (283)         | 191            | (3,081)          | (3,117)       | 36            |
| Other (IPECH / Foundation)                              | (226)             | (499)         | 274            | (3,736)          | (5,494)       | 1,757         |
| <b>Sub Total - Non Operating Income</b>                 | <b>9,191</b>      | <b>729</b>    | <b>8,462</b>   | <b>56,118</b>    | <b>8,018</b>  | <b>48,100</b> |
| <b>El Camino Hospital Net Income (Loss)</b>             | <b>18,137</b>     | <b>11,636</b> | <b>6,502</b>   | <b>144,084</b>   | <b>62,559</b> | <b>81,524</b> |
| <b>ECH Net Margin %</b>                                 | <b>24.4%</b>      | <b>15.4%</b>  |                | <b>18.7%</b>     | <b>8.4%</b>   |               |
| <b>Concern</b>  | (108)             | 221           | (329)          | 1,249            | 2,372         | (1,122)       |
| ECSC  | (9)               | 0             | (9)            | (92)             | 0             | (92)          |
| Foundation  | 37                | (20)          | 57             | 2,177            | (477)         | 2,654         |
| Silicon Valley Medical Development                      | (85)              | (1)           | (84)           | 5                | (1)           | 7             |
| <b>Net Income Hospital Affiliates</b>                   | <b>(165)</b>      | <b>200</b>    | <b>(365)</b>   | <b>3,340</b>     | <b>1,893</b>  | <b>1,447</b>  |
| <b>Total Net Income Hospital &amp; Affiliates</b>       | <b>17,972</b>     | <b>11,835</b> | <b>6,137</b>   | <b>147,423</b>   | <b>64,452</b> | <b>82,971</b> |

- Investments favorable for May and YTD due to Unrealized Gains on investments.
- Swap Adjustments unfavorable for May due to revenue bond swap (-\$751k).
- Concern unfavorable both May and YTD due to medical outside services.
- Foundation favorable both May and YTD due to unrealized investment gain and investment income.

# Monthly Financial Trends

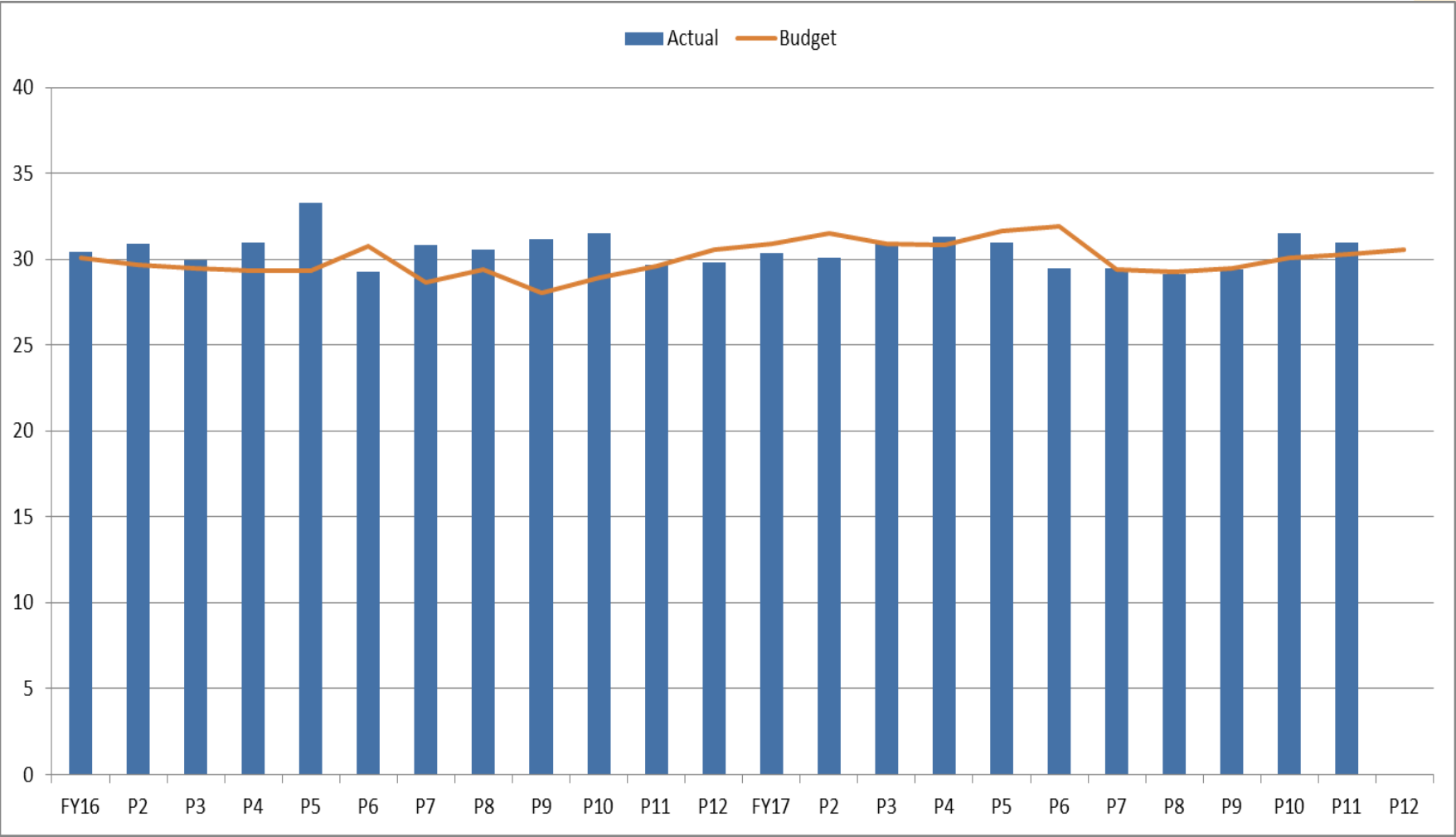


May volume is slightly higher than previous month. MV discharges is at 100.3% of budget and LG discharges is at 95.3% of budget. Operating expenses are higher than budgeted in May due to higher volume and is \$12.4M favorable to budget YTD.



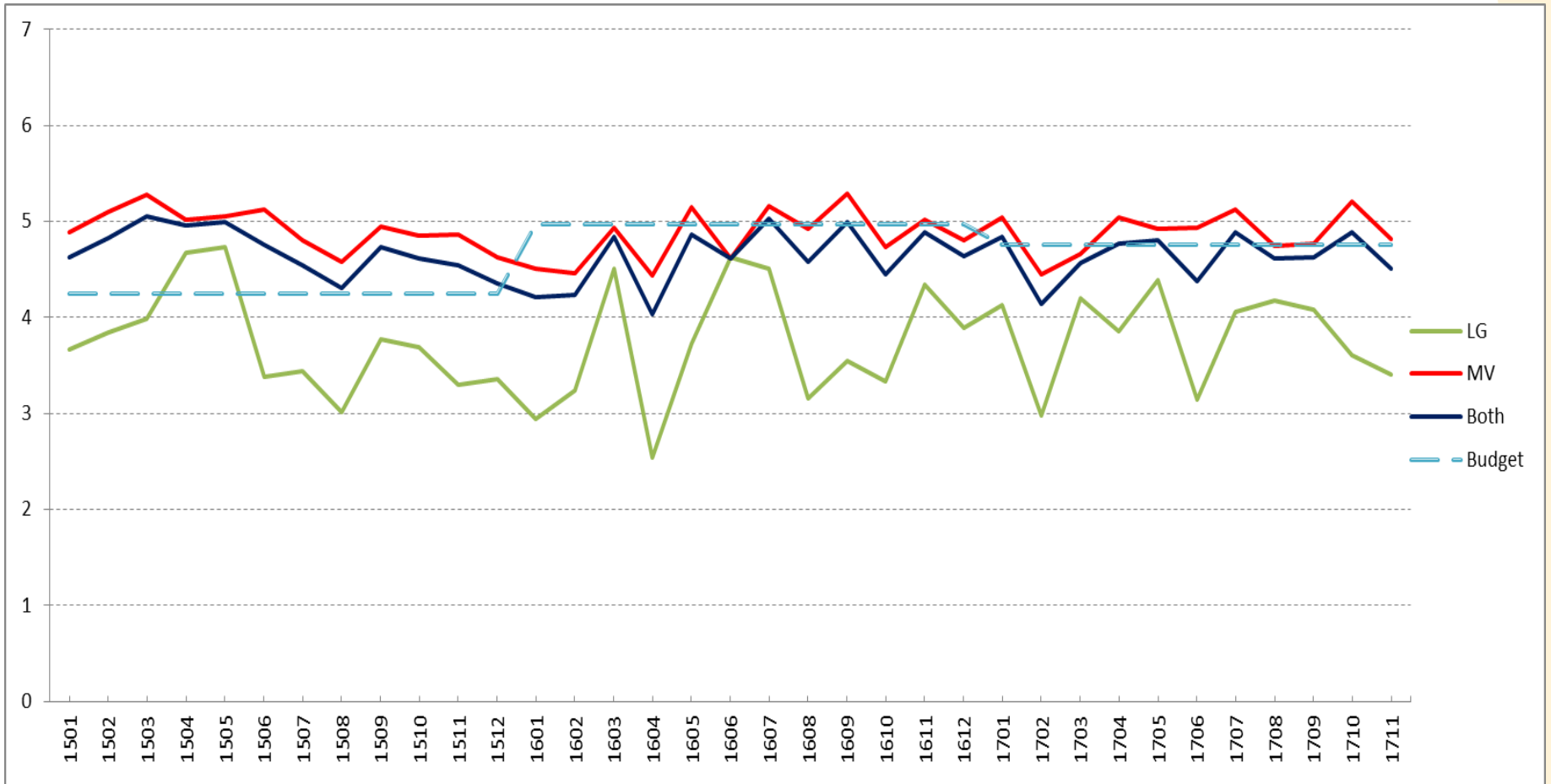


# Worked Hours per Adjusted Patient Day



Work hours per adjusted patient day decreased in May, with a slight decrease in IT hours while sitter hours remained the same. Overall, May decreased slightly after an increase in April and has an average of 30.3 worked hours per adjusted patient day for FY 2017.

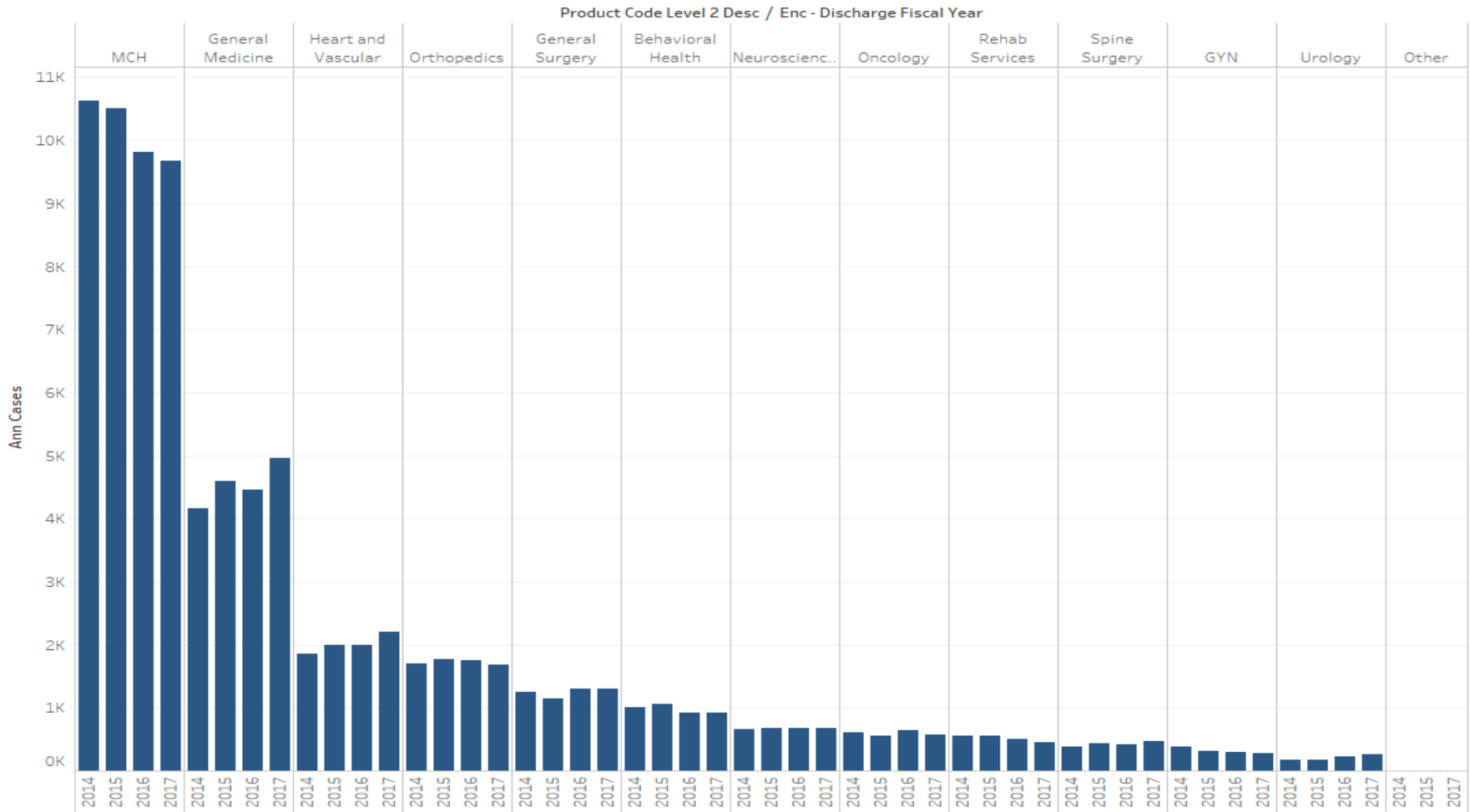
## Medicare ALOS



•ALOS is ahead of target as of May. YTD ALOS (4.65) is below budget (4.76) by .11.

# El Camino Hospital Volume Annual Trends – Inpatient

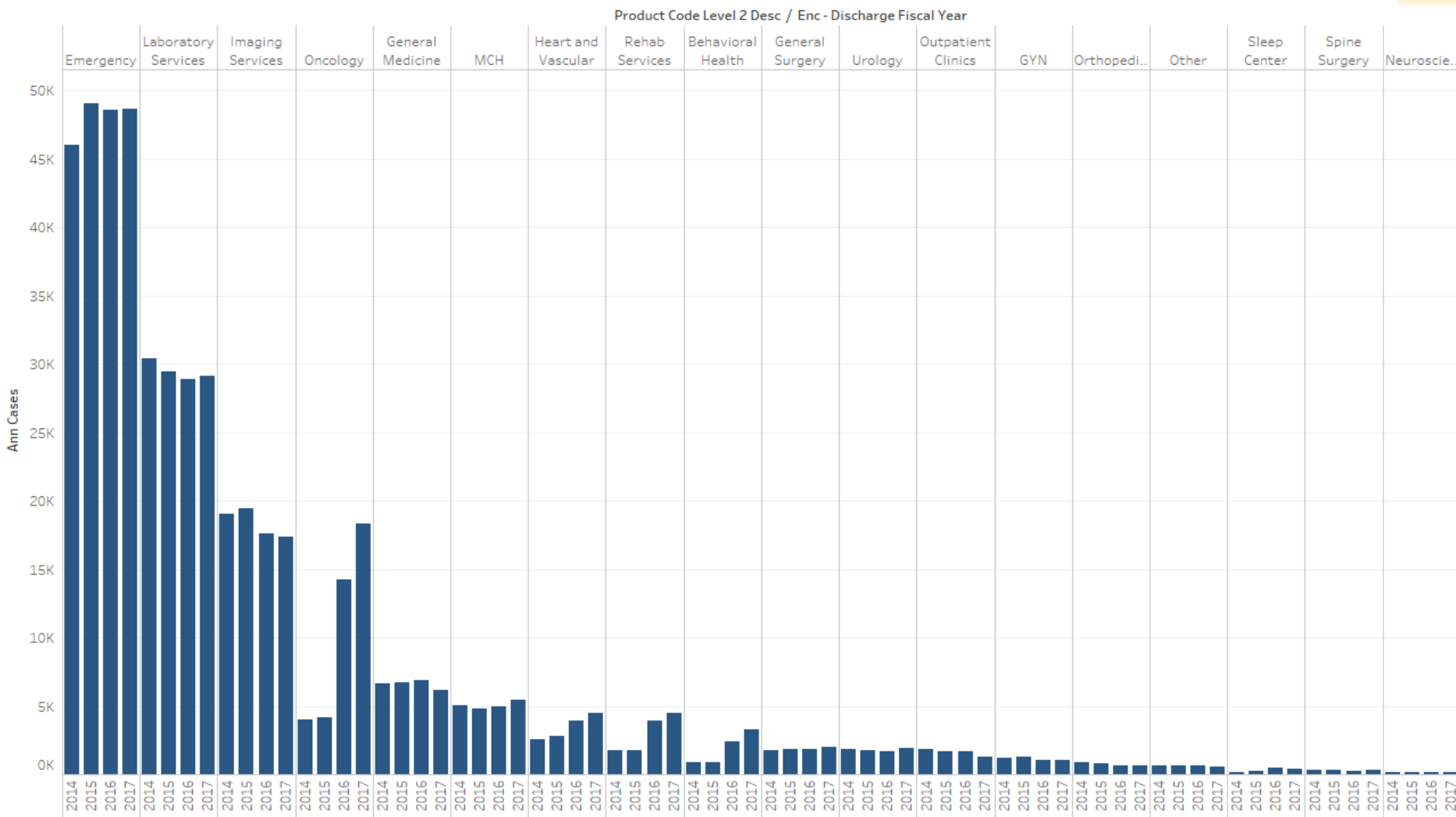
## FY 2017 is annualized



- MCH volume shows a decreasing trend year-over-year and is currently at 96.5% YTD of budget.
- Both HVI and General Surgery show an increasing trend year-over-year. HVI is ahead of budget by 8.1% YTD. Similarly General Surgery is ahead of budget by 2.3% YTD.

# El Camino Hospital Volume Annual Trends – Outpatient

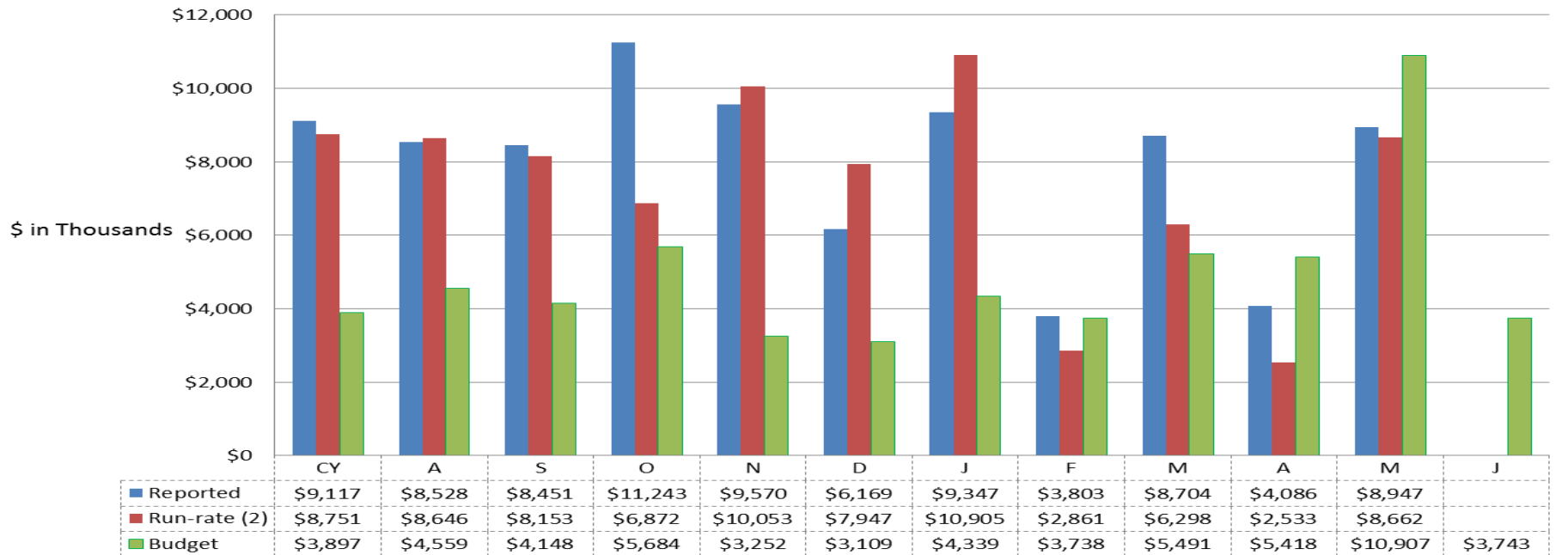
**FY 2017 is annualized**



- Behavioral Health, General Surgery, Heart & Vascular, Laboratory Service, MCH, Oncology, Orthopedics, Rehab Services and Urology are all ahead of budget for May as well as YTD.
- Comparing year-over-year, Oncology, MCH, HVI, Behavioral Health shows an increasing trend in volume.

# ECH Operating Margin

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



## FY 2017 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

| Revenue Adjustments                             |  | J          | A            | S          | O              | N            | D              | J              | F            | M            | A            | M          | J        | YTD            |
|---|--|------------|--------------|------------|----------------|--------------|----------------|----------------|--------------|--------------|--------------|------------|----------|----------------|
| Insurance (Payment Variance)                    |  | 335        | -            | 61         | 145            | 36           | -              | -              | -            | 544          | -            | -          | -        | 1,120          |
| Mcare Settltm/Appeal/Tent Settltm/PIP           |  | 100        | (158)        | 74         | 67             | 67           | 100            | 67             | 947          | 27           | 1,953        | 54         | -        | 3,298          |
| BPCI Settlement                                 |  | -          | -            | -          | -              | -            | -              | (2,167)        | -            | -            | -            | 76         | -        | (2,092)        |
| Medi-Cal Supplemental                           |  | -          | -            | -          | -              | -            | 312            | 814            | 240          | -            | -            | 144        | -        | 1,510          |
| IGT Supplemental                                |  | -          | -            | -          | 6,535          | -            | -              | -              | -            | -            | -            | -          | -        | 6,535          |
| Various Adjustments under \$250k                |  | (69)       | 40           | 164        | 25             | 12           | 9              | 131            | 157          | 12           | 19           | 11         | -        | 510            |
| <b>Total</b>                                    |  | <b>366</b> | <b>(118)</b> | <b>299</b> | <b>6,771</b>   | <b>115</b>   | <b>421</b>     | <b>(1,155)</b> | <b>1,344</b> | <b>582</b>   | <b>1,972</b> | <b>284</b> | <b>-</b> | <b>10,881</b>  |
| Expense Adjustments                             |  |            |              |            |                |              |                |                |              |              |              |            |          |                |
| Pay-For-Performance Bonus                       |  | -          | -            | -          | -              | -            | (2,400)        | (403)          | (401)        | -            | -            | -          | -        | (3,204)        |
| Ratification Bonus                              |  | -          | -            | -          | (2,400)        | -            | -              | -              | -            | -            | -            | -          | -        | (2,400)        |
| Purchases Below Capital Threshold               |  | -          | -            | -          | -              | (598)        | -              | -              | -            | -            | -            | -          | -        | (598)          |
| WC Reserve Updates Based on Fav. Experience     |  | -          | -            | -          | -              | -            | 700            | -              | -            | 1,824        | -            | -          | -        | 2,524          |
| Other Purchased Services (Clinical Informatics) |  | -          | -            | -          | -              | -            | (500)          | -              | -            | -            | -            | -          | -        | (500)          |
| Accrued Time Off (Repricing of PRN PTO)         |  | -          | -            | -          | -              | -            | -              | -              | -            | -            | (419)        | -          | -        | (419)          |
| <b>Total</b>                                    |  | <b>-</b>   | <b>-</b>     | <b>-</b>   | <b>(2,400)</b> | <b>(598)</b> | <b>(2,200)</b> | <b>(403)</b>   | <b>(401)</b> | <b>1,824</b> | <b>(419)</b> | <b>-</b>   | <b>-</b> | <b>(4,597)</b> |

# El Camino Hospital Investment Committee Scorecard

March 31, 2017

Updated Quarterly  
Last update 04/01/17

| Key Performance Indicator                  | Status | 1Q 2017   |                           | Fiscal Year-to-date |           | 4y 5m Since Inception (annualized) |           | FY17            | Expectation          |
|--|--------|-----------|---------------------------|---------------------|-----------|------------------------------------|-----------|-----------------|----------------------|
|  |        | El Camino | Benchmark                 | El Camino           | Benchmark | El Camino                          | Benchmark | Year-end Budget | Per Asset Allocation |
| <b>Investment Performance</b>              |        | 1Q 2017   |                           | Fiscal Year-to-date |           | 4y 5m Since Inception (annualized) |           |                 | May 2016             |
| Surplus cash balance & op. cash (millions) |        | \$854.8   | --                        | --                  | --        | --                                 | --        | \$657.2         | --                   |
| Surplus cash return                        | Green  | 3.3%      | 3.1%                      | 6.4%                | 6.4%      | 5.1%                               | 5.1%      | 4.0%            | 5.2%                 |
| Cash balance plan balance (millions)       |        | \$238.0   | --                        | --                  | --        | --                                 | --        | \$220.6         | --                   |
| Cash balance plan return                   | Green  | 4.1%      | 3.6%                      | 7.7%                | 7.6%      | 7.6%                               | 7.0%      | 6.0%            | 5.8%                 |
| 403(b) plan balance (millions)             |        | \$394.4   | --                        | --                  | --        | --                                 | --        | --              | --                   |
| <b>Risk vs. Return</b>                     |        | 3-year    |                           |                     |           | 4y 5m Since Inception (annualized) |           |                 | May 2016             |
| Surplus cash Sharpe ratio                  | Green  | 0.82      | 0.90                      | --                  | --        | 1.19                               | 1.17      | --              | 0.55                 |
| Net of fee return                          | Green  | 3.8%      | 4.2%                      | --                  | --        | 5.1%                               | 5.1%      | --              | 5.2%                 |
| Standard deviation                         | Green  | 4.5%      | 4.6%                      | --                  | --        | 4.2%                               | 4.2%      | --              | 8.6%                 |
| Cash balance Sharpe ratio                  | Green  | 0.82      | 0.84                      | --                  | --        | 1.29                               | 1.26      | --              | 0.49                 |
| Net of fee return                          | Green  | 4.8%      | 4.8%                      | --                  | --        | 7.6%                               | 7.0%      | --              | 5.8%                 |
| Standard deviation                         | Green  | 5.8%      | 5.6%                      | --                  | --        | 5.7%                               | 5.5%      | --              | 10.7%                |
| <b>Asset Allocation</b>                    |        | 1Q 2017   |                           |                     |           |                                    |           |                 |                      |
| Surplus cash absolute variances to target  | Green  | 7.2%      | < 10%                     | --                  | --        | --                                 | --        | --              | --                   |
| Cash balance absolute variances to target  | Green  | 6.8%      | < 10%                     | --                  | --        | --                                 | --        | --              | --                   |
| <b>Manager Compliance</b>                  |        | 1Q 2017   |                           |                     |           |                                    |           |                 |                      |
| Surplus cash manager flags                 | Green  | 16        | < 19 Green<br>< 23 Yellow | --                  | --        | --                                 | --        | --              | --                   |
| Cash balance plan manager flags            | Green  | 19        | < 20 Green<br>< 25 Yellow | --                  | --        | --                                 | --        | --              | --                   |

# El Camino Hospital

## Capital Spending (in millions)

| Category                 | Detail  | Total Estimated Cost of Project | Total Authorized Active | Spent from Inception | 2017 Proj Spend | FY 17 YTD Spent |
|--------------------------|---|---------------------------------|-------------------------|----------------------|-----------------|-----------------|
| <b>CIP</b>               | EPIC Upgrade  |                                 | 6.1                     | 2.3                  | 6.1             | 2.3             |
|                          | <b>IT Hardware, Software, Equipment*</b>            |                                 | 5.4                     | 2.2                  | 5.4             | 2.2             |
|                          | <b>Medical &amp; Non Medical Equipment FY 16**</b>  |                                 | 4.3                     | 4.2                  | 4.3             | 4.2             |
|                          | <b>Medical &amp; Non Medical Equipment FY 17***</b> |                                 | 10.3                    | 7.3                  | 13.9            | 7.3             |
| <b>Facility Projects</b> |   |                                 |                         |                      |                 |                 |
|                          | 1245 Behavioral Health Bldg                         | 91.5                            | 91.5                    | 15.2                 | 24.8            | 9.1             |
|                          | 1413 North Drive Parking Expansion                  | 24.5                            | 24.5                    | 15.3                 | 21.1            | 15.7            |
|                          | 1414 Integrated MOB                                 | 275.0                           | 275.0                   | 40.7                 | 70.1            | 28.2            |
|                          | 1422 CUP Upgrade                                    | 9.0                             | 9.0                     | 2.0                  | 5.0             | 1.1             |
|                          | 1430 Women's Hospital Expansion                     | 91.0                            | 6.0                     | 0.1                  | 0.8             | 0.4             |
|                          | 1425 IMOB Preparation Project - Old Main            | 3.0                             | 3.0                     | 2.6                  | 0.3             | 1.9             |
|                          | 1502 Cabling & Wireless Upgrades                    | 2.8                             | 2.8                     | 2.4                  | 2.8             | 0.3             |
|                          | 1525 New Main Lab Upgrades                          | 1.6                             | 3.1                     | 0.3                  | 2.6             | 0.4             |
|                          | 1515 ED Remodel Triage/Psych Observation            | 1.6                             | 0.0                     | 0.0                  | 0.6             | 0.0             |
|                          | 1503 Willow Pavilion Tomosynthesis                  | 1.3                             | 1.3                     | 0.3                  | 1.3             | 0.2             |
|                          | 1602 JW House (Patient Family Residence)            | 2.5                             | 0.0                     | 0.0                  | 0.0             | 0.0             |
|                          | Site Signage and Other Improvements                 | 1.0                             | 0.0                     | 0.0                  | 0.2             | 0.0             |
|                          | IR Room #6 Development                              | 2.6                             | 0.0                     | 0.0                  | 0.6             | 0.0             |
|                          | Nurse Call System Upgrades                          | 2.4                             | 0.0                     | 0.0                  | 0.0             | 0.0             |
|                          | 1707 Imaging Equipment Replacement ( 5 or €         | 20.7                            | 0.0                     | 0.0                  | 0.0             | 0.0             |
|                          | 1708 IR/ Cath Lab Equipment Replacement             | 19.4                            | 0.0                     | 0.0                  | 0.0             | 0.0             |
|                          | 1709 ED Remodel / CT Triage - Other                 | 5.0                             | 0.0                     | 0.0                  | 0.0             | 0.0             |
|                          | Flooring Replacement                                | 1.6                             | 0.0                     | 0.0                  | 0.0             | 0.0             |
|                          | 1219 LG Spine OR                                    | 4.1                             | 4.1                     | 3.2                  | 3.1             | 2.0             |
|                          | 1313 LG Rehab HVAC System & Structural              | 3.7                             | 3.7                     | 3.6                  | 1.0             | 1.9             |
|                          | 1248 LG Imaging Phase II (CT & Gen Rad)             | 8.8                             | 8.8                     | 6.4                  | 7.8             | 6.4             |
|                          | 1307 LG Upgrades                                    | 19.3                            | 19.3                    | 12.7                 | 6.3             | 2.6             |
|                          | 1519 LG Electrical Systems Upgrade                  | 1.2                             | 0.0                     | 0.0                  | 0.5             | 0.0             |
|                          | 1508 LG NICU 4 Bed Expansion                        | 0.0                             | 0.5                     | 0.2                  | 4.0             | 0.2             |
|                          | 1507 LG IR Upgrades                                 | 1.1                             | 0.0                     | 0.0                  | 0.2             | 0.0             |
|                          | LG Building Infrastructure Upgrades                 | 1.5                             | 0.0                     | 0.0                  | 1.5             | 0.0             |
|                          | 1603 LG MOB Improvements (17)                       | 5.0                             | 5.0                     | 0.1                  | 4.0             | 0.2             |
|                          | All Other Projects under \$1M                       | 26.4                            | 4.8                     | 40.2                 | 12.2            | 0.0             |
|                          |   | <b>627.6</b>                    | <b>462.3</b>            | <b>145.4</b>         | <b>170.8</b>    | <b>70.7</b>     |
| <b>GRAND TOTAL</b>       |   |                                 | <b>488.4</b>            | <b>161.4</b>         | <b>200.4</b>    | <b>86.7</b>     |

**GRAND TOTAL**

\*Excluding EPIC

\*\* Unspent Prior Year routine used as contingency

\*\*\*Includes 2 robot purchases

# El Camino Hospital

## Capital Spending – Facility Projects (in millions)

Updated Quarterly  
Last update 04/01/17

| FACILITY  | PROJ | CAPITAL PROJECT DESCRIPTION                             | TOTAL BUDGET FY17  | FY17 PROJECTED SPEND | Variance from Budget |
|---|------|---|--------------------|----------------------|----------------------|
| <b>Mountain View Campus Master Plan Projects</b>  |      |   |                    |                      |                      |
| 1 - Mountain View                                 | 1245 | BHS Replacement   | 30,000,000         | 24,762,757           | 5,237,243            |
| 1 - Mountain View                                 | 1413 | North Dr Parking Structure Expansion                    | 20,500,000         | 21,145,944           | (645,944)            |
| 1 - Mountain View                                 | 1414 | Integrated Medical Office Building                      | 101,500,000        | 70,087,267           | 31,412,733           |
| 1 - Mountain View                                 | 1422 | CUP Upgrades  | 5,000,000          | 4,967,592            | 32,408               |
| 1 - Mountain View                                 | 1430 | Women Hosp Expansion                                    | 5,500,000          | 800,000              | 4,700,000            |
| <b>Sub-total Mountain View Campus Master Plan</b> |      |   | <b>162,500,000</b> | <b>121,763,560</b>   | <b>40,736,440</b>    |
| <b>Mountain View Capital Projects</b>             |      |   |                    |                      |                      |
| 1 - Mountain View                                 | 1501 | Womens Hosp NPC Closeout                                | 327,000            | 609,234              | (282,234)            |
| 1 - Mountain View                                 | 1425 | IMOB Preparation Project - Old Main                     | 1,000,000          | 3,000,000            | (2,000,000)          |
| 1 - Mountain View                                 | 1502 | Cabling and Wireless upgrades                           | 400,000            | 2,800,000            | (2,400,000)          |
| 1 - Mountain View                                 | 1525 | New Main Lab Upgrades                                   | 1,200,000          | 2,640,000            | (1,440,000)          |
| 1 - Mountain View                                 | 1515 | ED Remodel Triage / Psych Observation                   | 1,400,000          | 600,000              | 800,000              |
| 1 - Mountain View                                 | 1415 | Signage & Wayfinding                                    | 300,000            | 541,500              | (241,500)            |
| 1 - Mountain View                                 | 1416 | Digital Directories                                     |                    | 125,000              | (125,000)            |
| 1 - Mountain View                                 | 1503 | Breast Imaging Tomography (Excludes \$1M Equip)         | 300,000            | 1,300,000            | (1,000,000)          |
| 1 - Mountain View                                 | 1316 | Willow Pavilion FA Sys and Equip Upgrades               | 800,000            | 100,000              | 700,000              |
| 1 - Mountain View                                 | 1423 | MV MOB TI Allowance                                     |                    | 784,000              | (784,000)            |
| 1 - Mountain View                                 |      | Facilities Planning Allowance                           | 300,000            | -                    | 300,000              |
| 1 - Mountain View                                 | 1523 | MV Melchor Suite 309 TI's                               |                    | 464,000              | (464,000)            |
| 1 - Mountain View                                 |      | Furniture Systems Inventory (17)                        | 250,000            | 496,000              | (246,000)            |
| 1 - Mountain View                                 |      | Site Signage & Other Improvements                       | 200,000            | 100,000              | 100,000              |
| 1 - Mountain View                                 |      | MV Equipment & Infrastructure Upgrades (17)             | 300,000            | -                    | 300,000              |
| 1 - Mountain View                                 |      | IR Room #6 Development                                  | 500,000            | 200,000              | 300,000              |
| 1 - Mountain View                                 | 1602 | JW House (Patient Family Residence)                     | 500,000            | -                    | 500,000              |
| <b>Sub-total Mountain View Capital Projects</b>   |      |   | <b>7,777,000</b>   | <b>13,759,734</b>    | <b>(5,982,734)</b>   |
| <b>Los Gatos Capital Projects</b>                 |      |   |                    |                      |                      |
| 11 - Los Gatos                                    | 1219 | LG Spine Room Expansion - OR 4                          | 3,100,000          | 4,100,000            | (1,000,000)          |
| 11 - Los Gatos                                    | 1313 | LG Rehab HVAC Upgrades                                  | 400,000            | 3,675,000            | (3,275,000)          |
| 11 - Los Gatos                                    | 1248 | LG Imaging Phase II (CT & Gen Rad) & Sterile Processing | 7,250,000          | 8,100,000            | (850,000)            |
| 11 - Los Gatos                                    | 1307 | LG Upgrades - Major                                     | 7,300,000          | 14,100,000           | (6,800,000)          |
| 11 - Los Gatos                                    | 1327 | LG Rehab Building Upgrades                              | 500,000            | 193,000              | 307,000              |
| 11 - Los Gatos                                    | 1346 | LG Surgical Lights OR's 5,6 & 7                         |                    | 500,000              | (500,000)            |
| 11 - Los Gatos                                    | 1421 | LG MOB Improvements                                     | 150,000            | 900,000              | (750,000)            |
| 11 - Los Gatos                                    | 1507 | LG IR Upgrades  | 800,000            | -                    | 800,000              |
| 11 - Los Gatos                                    | 1508 | LG NICU 4 Bed Expansion                                 | 5,000,000          | 247,000              | 4,753,000            |
| 11 - Los Gatos                                    | 1600 | LG 825 Pollard - Aspire Phase 2                         |                    | 525,000              | (525,000)            |
| 11 - Los Gatos                                    |      | LG Building Infrastructure Improvements                 | 1,200,000          | -                    | 1,200,000            |
| 11 - Los Gatos                                    |      | LG Facilities Planning                                  | 500,000            | -                    | 500,000              |
| 11 - Los Gatos                                    | 1603 | LG MOB Improvements (17)                                | 4,000,000          | 1,500,000            | 2,500,000            |
| <b>Sub-total Los Gatos Capital Projects</b>       |      |   | <b>30,200,000</b>  | <b>33,840,000</b>    | <b>(3,640,000)</b>   |
| <b>Other Strategic Capital Facility Projects</b>  |      |   |                    |                      |                      |
| Other Cap Fac Proj                                |      | Primary Care Clinic (TI's Only) FY 17 (828 Winchester)  | 1,600,000          | 1,400,000            | 200,000              |
| Other Cap Fac Proj                                |      | Urgent Care Clinics (TI's Only)                         | 2,400,000          | -                    | 2,400,000            |
| <b>Sub-total Other Strategic Projects</b>         |      |   | <b>4,000,000</b>   | <b>1,400,000</b>     | <b>2,600,000</b>     |
| <b>GRAND TOTAL FACILITIES PROJECTS</b>            |      |   | <b>204,477,000</b> | <b>170,763,294</b>   | <b>33,713,706</b>    |

Denotes project has been cancelled or replaced

2017 projected spend includes items to be presented for approval during the fiscal year



# Balance Sheet (in thousands)

## ASSETS

|  | Audited          |                  |
|--|------------------|------------------|
|  | May 31, 2017     | June 30, 2016    |
| <b>CURRENT ASSETS</b>                        |                  |                  |
| (1) Cash                                     | 110,567          | 59,169           |
| Short Term Investments                       | 133,839          | 105,284          |
| (2) Patient Accounts Receivable, net         | 107,645          | 120,960          |
| Other Accounts and Notes Receivable          | 2,669            | 4,369            |
| (3) Intercompany Receivables                 | 1,706            | 2,200            |
| (4) Inventories and Prepays                  | 43,019           | 39,678           |
| <b>Total Current Assets</b>                  | <b>399,445</b>   | <b>331,660</b>   |
| <b>BOARD DESIGNATED ASSETS</b>               |                  |                  |
| Plant & Equipment Fund                       | 116,542          | 119,650          |
| BHS Building Replacement                     | 14,292           |                  |
| (5) Women's Hospital Expansion               | 9,298            | -                |
| Operational Reserve Fund                     | 100,196          | 100,196          |
| Community Benefit Fund                       | 12,200           | 13,037           |
| Workers Compensation Reserve Fund            | 21,434           | 22,309           |
| Postretirement Health/Life Reserve Fund      | 19,745           | 18,256           |
| PTO Liability Fund                           | 23,323           | 22,984           |
| Malpractice Reserve Fund                     | 1,800            | 1,800            |
| Catastrophic Reserves Fund                   | 16,164           | 14,125           |
| <b>Total Board Designated Assets</b>         | <b>334,993</b>   | <b>312,358</b>   |
| (6) FUNDS HELD BY TRUSTEE                    | <b>290,704</b>   | <b>30,841</b>    |
| <b>LONG TERM INVESTMENTS</b>                 | <b>259,382</b>   | <b>207,597</b>   |
| <b>INVESTMENTS IN AFFILIATES</b>             | <b>32,624</b>    | <b>31,627</b>    |
| <b>PROPERTY AND EQUIPMENT</b>                |                  |                  |
| Fixed Assets at Cost                         | 1,186,789        | 1,171,372        |
| Less: Accumulated Depreciation               | (527,909)        | (485,856)        |
| Construction in Progress                     | 111,885          | 46,009           |
| <b>Property, Plant &amp; Equipment - Net</b> | <b>770,765</b>   | <b>731,525</b>   |
| <b>DEFERRED OUTFLOWS</b>                     | 29,263           | 29,814           |
| <b>RESTRICTED ASSETS - CASH</b>              | 0                | -                |
| <b>TOTAL ASSETS</b>                          | <b>2,117,176</b> | <b>1,675,422</b> |

## LIABILITIES AND FUND BALANCE

|  | Audited          |                  |
|--|------------------|------------------|
|  | May 31, 2017     | June 30, 2016    |
| <b>CURRENT LIABILITIES</b>                     |                  |                  |
| (7) Accounts Payable                           | 26,000           | 28,519           |
| (8) Salaries and Related Liabilities           | 21,294           | 22,992           |
| Accrued PTO                                    | 23,323           | 22,984           |
| Worker's Comp Reserve                          | 2,300            | 2,300            |
| Third Party Settlements                        | 12,471           | 11,314           |
| Intercompany Payables                          | 58               | 105              |
| Malpractice Reserves                           | 1,772            | 1,936            |
| Bonds Payable - Current                        | 3,735            | 3,635            |
| Bond Interest Payable                          | 3,317            | 5,459            |
| Other Liabilities                              | 8,005            | 10,478           |
| <b>Total Current Liabilities</b>               | <b>99,383</b>    | <b>106,830</b>   |
| <b>LONG TERM LIABILITIES</b>                   |                  |                  |
| Post Retirement Benefits                       | 19,745           | 18,256           |
| Worker's Comp Reserve                          | 19,134           | 20,009           |
| Other L/T Obligation (Asbestos)                | 3,737            | 3,637            |
| Other L/T Liabilities (IT/Medl Leases)         | -                | -                |
| (9) Bond Payable                               | 531,614          | 225,857          |
| <b>Total Long Term Liabilities</b>             | <b>574,230</b>   | <b>267,759</b>   |
| <b>DEFERRED REVENUE-UNRESTRICTED</b>           | 636              |                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>            | 2,892            | 2,892            |
| <b>FUND BALANCE/CAPITAL ACCOUNTS</b>           |                  |                  |
| Unrestricted                                   | 1,105,043        | 985,583          |
| Board Designated                               | 334,993          | 312,358          |
| Restricted                                     | 0                | -                |
| (10) <b>Total Fund Bal &amp; Capital Accts</b> | <b>1,440,036</b> | <b>1,297,941</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>      | <b>2,117,176</b> | <b>1,675,422</b> |

## El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase in cash is due allowing for immediate cash to be available for the recent significant construction projects that have started in MV campus.
- (2) The decrease is primarily due to the significant cash payments the Patient Accounts team has brought in during the nine months, three months were in excess of \$70M where the projected budgeted was approximately \$63M per month.
- (3) The decrease is just a timing issue of intercompany payments from one quarter to another. Normally at a fiscal year end, they are higher due to the books being held open for a longer period of time in preparation for audit.
- (4) The increase is principally due to three quarterly pension contributions of \$2.6M each since July 1, 2016, less reserves for pension expense.
- (5) A new item, the District allocated its FY 2014 and FY 2015 Capital Appropriation Funds in support of future renovations to the Women's Hospital when the IMOB is completed and those floors become for patient care.
- (6) This reflects the 2017 Revenue Bonds that were issued in March. The total amount now reflects this new issue of \$292M, the bond premium on it of \$21M, less paybacks to the hospital of \$36M for prior construction costs on the 4 major MV projects. Also there still exists \$21M in the LG Project Fund from the 2015A proceeds.
- (7) The decrease is due significant General Contractor payments being accrued at year end, that were subsequently relieved during the first quarter of fiscal year 2017.
- (8) The decrease over June 2016, is that at the end of June we had yet to payout the end of June's payroll (occurred the beginning of July, where here in May the last payroll had been paid out, thus no needed accrued payroll that approximates \$12M.
- (9) The increase is due to the new 2017 debt added as of March 2017, along with the associated bond premium that will be amortized over the life of the new debt.
- (10) The increase is to this year's financial performance (\$87M from Operations and \$56M in Non-Operations income - primarily driven by significant incomes from unrealized investment gains).

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

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

**Women’s Hospital Expansion** – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.

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

**Community Benefit Fund** – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$10 million within this fund is board designated endowment fund formed in 2015 to generate investment income to be used for grants and sponsorships, currently generating approximately \$400,000 a year.

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

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

**Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.

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

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

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

# APPENDIX

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

11 months ending 5/31/2017

| PERIOD 11<br>FY 2016     | PERIOD 11<br>FY 2017 | PERIOD 11<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%         | \$000s                               | YTD<br>FY 2016 | YTD<br>FY 2017 | YTD<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          |
|--------------------------|----------------------|--------------------------|-------------------------|--------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| <b>OPERATING REVENUE</b> |                      |                          |                         |              |                                      |                |                |                    |                         |               |
| 203,708                  | 220,897              | 202,591                  | 18,306                  | 9.0%         | <b>Gross Revenue</b>                 | 2,070,126      | 2,262,281      | 2,168,277          | 94,005                  | 4.3%          |
| (144,860)                | (160,805)            | (142,220)                | (18,585)                | 13.1%        | <b>Deductions</b>                    | (1,498,502)    | (1,646,517)    | (1,579,709)        | (66,809)                | 4.2%          |
| <b>58,848</b>            | <b>60,092</b>        | <b>60,371</b>            | <b>(279)</b>            | <b>-0.5%</b> | <b>Net Patient Revenue</b>           | <b>571,624</b> | <b>615,764</b> | <b>588,568</b>     | <b>27,196</b>           | <b>4.6%</b>   |
| 1,475                    | 3,630                | 1,873                    | 1,757                   | 93.8%        | <b>Other Operating Revenue</b>       | 17,693         | 22,404         | 20,611             | 1,793                   | 8.7%          |
| <b>60,323</b>            | <b>63,722</b>        | <b>62,244</b>            | <b>1,478</b>            | <b>2.4%</b>  | <b>Total Operating Revenue</b>       | <b>589,316</b> | <b>638,168</b> | <b>609,179</b>     | <b>28,989</b>           | <b>4.8%</b>   |
| <b>OPERATING EXPENSE</b> |                      |                          |                         |              |                                      |                |                |                    |                         |               |
| 33,014                   | 32,622               | 32,853                   | 231                     | 0.7%         | <b>Salaries &amp; Wages</b>          | 330,989        | 341,891        | 350,450            | 8,558                   | 2.4%          |
| 8,899                    | 9,510                | 8,154                    | (1,356)                 | -16.6%       | <b>Supplies</b>                      | 87,366         | 88,091         | 88,619             | 528                     | 0.6%          |
| 5,550                    | 7,405                | 6,526                    | (879)                   | -13.5%       | <b>Fees &amp; Purchased Services</b> | 75,502         | 73,975         | 72,303             | (1,672)                 | -2.3%         |
| 517                      | 744                  | 593                      | (152)                   | -25.6%       | <b>Other Operating Expense</b>       | 15,271         | 7,488          | 7,266              | (222)                   | -3.1%         |
| 617                      | 292                  | 448                      | 156                     | 34.8%        | <b>Interest</b>                      | 5,575          | 3,851          | 4,930              | 1,080                   | 21.9%         |
| 3,723                    | 3,453                | 3,884                    | 431                     | 11.1%        | <b>Depreciation</b>                  | 38,926         | 38,419         | 41,949             | 3,529                   | 8.4%          |
| <b>52,319</b>            | <b>54,027</b>        | <b>52,458</b>            | <b>(1,569)</b>          | <b>-3.0%</b> | <b>Total Operating Expense</b>       | <b>553,630</b> | <b>553,715</b> | <b>565,516</b>     | <b>11,801</b>           | <b>2.1%</b>   |
| <b>8,003</b>             | <b>9,695</b>         | <b>9,786</b>             | <b>(91)</b>             | <b>-0.9%</b> | <b>Net Operating Income/(Loss)</b>   | <b>35,686</b>  | <b>84,453</b>  | <b>43,663</b>      | <b>40,790</b>           | <b>93.4%</b>  |
| 3,242                    | 9,191                | 729                      | 8,462                   | 1160.9%      | <b>Non Operating Income</b>          | (12,429)       | 56,129         | 8,018              | 48,110                  | 600.0%        |
| <b>11,245</b>            | <b>18,885</b>        | <b>10,515</b>            | <b>8,371</b>            | <b>79.6%</b> | <b>Net Income(Loss)</b>              | <b>23,257</b>  | <b>140,582</b> | <b>51,681</b>      | <b>88,901</b>           | <b>172.0%</b> |
| 20.5%                    | 21.1%                | 22.7%                    | -1.6%                   |              | <b>EBITDA</b>                        | 13.6%          | 19.9%          | 14.9%              | 5.0%                    |               |
| 13.3%                    | 15.2%                | 15.7%                    | -0.5%                   |              | <b>Operating Margin</b>              | 6.1%           | 13.2%          | 7.2%               | 6.1%                    |               |
| 18.6%                    | 29.6%                | 16.9%                    | 12.7%                   |              | <b>Net Margin</b>                    | 3.9%           | 22.0%          | 8.5%               | 13.5%                   |               |

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

11 months ending 5/31/2017

| PERIOD 11<br>FY 2016     | PERIOD 11<br>FY 2017 | PERIOD 11<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%           | \$000s                               | YTD<br>FY 2016 | YTD<br>FY 2017 | YTD<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          |
|--------------------------|----------------------|--------------------------|-------------------------|----------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| <b>OPERATING REVENUE</b> |                      |                          |                         |                |                                      |                |                |                    |                         |               |
| 40,103                   | 43,198               | 46,108                   | (2,910)                 | -6.3%          | <b>Gross Revenue</b>                 | 450,504        | 492,251        | 493,600            | (1,349)                 | -0.3%         |
| (29,722)                 | (32,637)             | (33,096)                 | 459                     | -1.4%          | <b>Deductions</b>                    | (323,273)      | (363,108)      | (357,014)          | (6,094)                 | 1.7%          |
| <b>10,382</b>            | <b>10,562</b>        | <b>13,012</b>            | <b>(2,451)</b>          | <b>-18.8%</b>  | <b>Net Patient Revenue</b>           | <b>127,232</b> | <b>129,143</b> | <b>136,586</b>     | <b>(7,443)</b>          | <b>-5.4%</b>  |
| 176                      | 170                  | 215                      | (45)                    | -20.7%         | <b>Other Operating Revenue</b>       | 2,124          | 1,841          | 2,361              | (521)                   | -22.0%        |
| <b>10,558</b>            | <b>10,732</b>        | <b>13,227</b>            | <b>(2,495)</b>          | <b>-18.9%</b>  | <b>Total Operating Revenue</b>       | <b>129,355</b> | <b>130,984</b> | <b>138,947</b>     | <b>(7,964)</b>          | <b>-5.7%</b>  |
| <b>OPERATING EXPENSE</b> |                      |                          |                         |                |                                      |                |                |                    |                         |               |
| 6,540                    | 6,280                | 6,671                    | 391                     | 5.9%           | <b>Salaries &amp; Wages</b>          | 66,631         | 69,324         | 70,474             | 1,149                   | 1.6%          |
| 1,967                    | 1,945                | 1,813                    | (133)                   | -7.3%          | <b>Supplies</b>                      | 19,584         | 20,163         | 19,693             | (470)                   | -2.4%         |
| 1,219                    | 1,359                | 1,246                    | (112)                   | -9.0%          | <b>Fees &amp; Purchased Services</b> | 14,853         | 14,897         | 13,700             | (1,197)                 | -8.7%         |
| 1,490                    | 1,404                | 1,695                    | 290                     | 17.1%          | <b>Other Operating Expense</b>       | 17,240         | 17,458         | 17,671             | 213                     | 1.2%          |
| 0                        | 0                    | 0                        | 0                       | 0.0%           | <b>Interest</b>                      | 0              | 0              | 0                  | 0                       | 0.0%          |
| 524                      | 491                  | 682                      | 190                     | 27.9%          | <b>Depreciation</b>                  | 5,572          | 5,629          | 6,531              | 902                     | 13.8%         |
| <b>11,740</b>            | <b>11,480</b>        | <b>12,106</b>            | <b>626</b>              | <b>5.2%</b>    | <b>Total Operating Expense</b>       | <b>123,880</b> | <b>127,471</b> | <b>128,069</b>     | <b>598</b>              | <b>0.5%</b>   |
| <b>(1,183)</b>           | <b>(748)</b>         | <b>1,121</b>             | <b>(1,869)</b>          | <b>-166.7%</b> | <b>Net Operating Income/(Loss)</b>   | <b>5,475</b>   | <b>3,512</b>   | <b>10,878</b>      | <b>(7,366)</b>          | <b>-67.7%</b> |
| 0                        | 0                    | 0                        | 0                       | 0.0%           | <b>Non Operating Income</b>          | (26)           | (10)           | 0                  | (10)                    | 0.0%          |
| <b>(1,183)</b>           | <b>(748)</b>         | <b>1,121</b>             | <b>(1,869)</b>          | <b>-166.7%</b> | <b>Net Income(Loss)</b>              | <b>5,449</b>   | <b>3,502</b>   | <b>10,878</b>      | <b>(7,376)</b>          | <b>-67.8%</b> |
| -6.2%                    | -2.4%                | 13.6%                    | 7.5%                    |                | <b>EBITDA</b>                        | 8.5%           | 7.0%           | 12.5%              | -5.6%                   |               |
| -11.2%                   | -7.0%                | 8.5%                     | -15.4%                  |                | <b>Operating Margin</b>              | 4.2%           | 2.7%           | 7.8%               | -5.1%                   |               |
| -11.2%                   | -7.0%                | 8.5%                     | -15.4%                  |                | <b>Net Margin</b>                    | 4.2%           | 2.7%           | 7.8%               | -5.2%                   |               |

## Capital Spend Trend & FY 18 Budget

| Capital Spending (in 000's)   | Actual<br>FY2013 | Actual<br>FY2014 | Actual<br>FY2015 | Actual<br>FY2016 | Budget<br>FY2017 | Projected<br>FY2017 | Budget<br>FY2018 |  |
|---|------------------|------------------|------------------|------------------|------------------|---------------------|------------------|--|
| EPIC  | -                | 6,838            | 29,849           | 20,798           | 6,137            | 6,137               | 1,922            |  |
| IT Hardware / Software Equipment  | 8,019            | 2,788            | 4,660            | 6,483            | 5,391            | 5,391               | 12,238           |  |
| Medical / Non Medical Equipment*  | 10,284           | 12,891           | 13,340           | 17,133           | 10,254           | 18,185              | 5,635            |  |
| Non CIP Land, Land I , BLDG, Additions  |                  | 22,292           | -                | 4,189            | -                | -                   | -                |  |
| Facilities  | 9,294            | 13,753           | 38,940           | 48,137           | 204,477          | 170,763             | 211,886          |  |
| <b>GRAND TOTAL</b>  | <b>27,598</b>    | <b>58,561</b>    | <b>86,789</b>    | <b>96,740</b>    | <b>226,259</b>   | <b>200,476</b>      | <b>231,681</b>   |  |
| *Includes 2 robot purchases in projected FY 2017 & FY16 Medical/Non Medical Equipment spent in FY17 |                  |                  |                  |                  |                  |                     |                  |  |



El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2016

| Category  | 2012     | 2013     | 2014         | 2015         | 2016          | Category                                   | 2012          | 2013          | 2014          | 2015          | 2016          |
|---|----------|----------|--------------|--------------|---------------|--|---------------|---------------|---------------|---------------|---------------|
| EPIC  | 0        | 0        | 6,838        | 29,849       | 20,798        | <b>Facilities Projects CIP cont.</b>       |               |               |               |               |               |
| IT Hardware/Software Equipment                    | 7,289    | 8,019    | 2,788        | 4,660        | 6,483         | 1327 - Rehab Building Upgrades             | 0             | 0             | 0             | 15            | 20            |
| Medical/Non Medical Equipment                     | 11,203   | 10,284   | 12,891       | 13,340       | 17,133        | 1320 - 2500 Hosp Dr Roofing                | 0             | 0             | 75            | 81            | 0             |
| Non CIP Land, Land I, BLDG, Additions             | 7,311    | 0        | 22,292       | 0            | 4,189         | 1340 - New Main ED Exam Room TVs           | 0             | 0             | 8             | 193           | 0             |
| <b>Facilities Projects CIP</b>                    |          |          |              |              |               | 1341 - New Main Admin                      | 0             | 0             | 32            | 103           | 0             |
| <b>Mountain View Camputs Master Plan Projects</b> |          |          |              |              |               | 1344 - New Main AV Upgrd                   | 0             | 0             | 243           | 0             | 0             |
| 1245 - Behavioral Health Bldg Replace             | 0        | 0        | 1,257        | 3,775        | 1,389         | 1400 - Oak Pav Cancer Center               | 0             | 0             | 0             | 5,208         | 666           |
| 1413 - North Drive Parking Structure Exp          | 0        | 0        | 0            | 167          | 1,266         | 1403 - Hosp Drive BLDG 11 TI's             | 0             | 0             | 86            | 103           | 0             |
| 1414 - Integrated MOB                             | 0        | 0        | 0            | 2,009        | 8,875         | 1404 - Park Pav HVAC                       | 0             | 0             | 64            | 7             | 0             |
| 1422 - CUP Upgrade                                | 0        | 0        | 0            | 0            | 896           | 1405 - 1 - South Accessibility Upgrades    | 0             | 0             | 0             | 0             | 168           |
| <b>Sub-Total Mountain View Campus Master Plan</b> | <b>0</b> | <b>0</b> | <b>1,257</b> | <b>5,950</b> | <b>12,426</b> | 1408 - New Main Accessibility Upgrades     | 0             | 0             | 0             | 7             | 46            |
| <b>Mountain View Capital Projects</b>             |          |          |              |              |               | 1415 - Signage & Wayfinding                | 0             | 0             | 0             | 0             | 106           |
| 0101 - Hosp Replace                               | 313      | 0        | 0            | 0            | 0             | 1416 - MV Campus Digital Directories       | 0             | 0             | 0             | 0             | 34            |
| 0317 - Melchor TI's                               | 117      | 0        | 0            | 0            | 0             | 1423 - MV MOB TI Allowance                 | 0             | 0             | 0             | 0             | 588           |
| 0704 - 1 South Upgrade                            | 2        | 0        | 0            | 0            | 0             | 1425 - IMOB Preparation Project - Old Main | 0             | 0             | 0             | 0             | 711           |
| 9900 - Unassigned Costs                           | 279      | 734      | 470          | 3,717        | 0             | 1429 - 2500 Hospital Dr Bldg 8 TI          | 0             | 0             | 0             | 101           | 0             |
| 0803 - Park Pav Foundation                        | 270      | 0        | 0            | 0            | 0             | 1432 - 205 South Dr BHS TI                 | 0             | 0             | 0             | 8             | 15            |
| 1106 - SHC Project                                | 2,245    | 0        | 0            | 0            | 0             | 1501 - Women's Hospital NPC Comp           | 0             | 0             | 0             | 4             | 0             |
| 1108 - Cooling Towers                             | 932      | 450      | 0            | 0            | 0             | 1502 - Cabling & Wireless Upgrades         | 0             | 0             | 0             | 0             | 1,261         |
| 1115 - Womens Hosp TI's                           | 50       | 0        | 0            | 0            | 0             | 1503 - Willow Pavillion Tomosynthesis      | 0             | 0             | 0             | 0             | 53            |
| 1118 - Park Pav Roto Care                         | 119      | 0        | 0            | 0            | 0             | 1504 - Equipment Support Infrastructure    | 0             | 0             | 0             | 61            | 311           |
| 1120 - BHS Out Patient TI's                       | 472      | 66       | 0            | 0            | 0             | 1523 - Melchor Pavillion Suite 309 TI      | 0             | 0             | 0             | 0             | 10            |
| 1129 - Old Main Card Rehab                        | 400      | 9        | 0            | 0            | 0             | 1526 - CONCERN TI                          | 0             | 0             | 0             | 0             | 37            |
| 0817 - Womens Hosp Upgrds                         | 1,242    | 645      | 1            | 0            | 0             | <b>Sub-Total Mountain View Projects</b>    | <b>8,380</b>  | <b>8,145</b>  | <b>7,219</b>  | <b>26,744</b> | <b>5,588</b>  |
| 1107 - Boiler Replacement                         | 49       | 0        | 0            | 0            | 0             | 0904 - LG Facilities Upgrade               | 41            | 2             | 0             | 0             | 0             |
| 1109 - New Main Upgrades                          | 589      | 423      | 393          | 2            | 0             | 0907 - LG Imaging Masterplan               | 162           | 244           | 774           | 1,402         | 17            |
| 1111 - Mom/Baby Overflow                          | 267      | 212      | 29           | 0            | 0             | 1000 - LG Rehab Building                   | 0             | 0             | 0             | 0             | 0             |
| 1129 - Cardiac Rehab Improv                       | 0        | 0        | 0            | 0            | 0             | 1005 - LG OR Light Upgrd                   | 108           | 14            | 0             | 0             | 0             |
| 1132 - Pneumatic Tube Prj                         | 78       | 0        | 0            | 0            | 0             | 1102 - LG Joint Hotel                      | 657           | 0             | 0             | 0             | 0             |
| 1204 - Elevator Upgrades                          | 24       | 25       | 30           | 0            | 0             | 1122 - LG Sleep Studies                    | 147           | 7             | 0             | 0             | 0             |
| 0800 - Womens L&D Expansion                       | 129      | 2,104    | 1,531        | 269          | 0             | 1210 - Los Gatos VOIP                      | 1             | 147           | 89            | 0             | 0             |
| 1131 - MV Equipment Replace                       | 190      | 216      | 0            | 0            | 0             | 1116 - LG Ortho Pavillion                  | 44            | 177           | 24            | 21            | 0             |
| 1135 - Park Pavilion HVAC                         | 47       | 0        | 0            | 0            | 0             | 1124 - LG Rehab BLDG                       | 11            | 49            | 458           | 0             | 0             |
| 1208 - Willow Pav. High Risk                      | 0        | 110      | 0            | 0            | 0             | 1128 - LG Boiler Replacement               | 3             | 0             | 0             | 0             | 0             |
| 1213 - LG Sterilizers                             | 0        | 102      | 0            | 0            | 0             | 1247 - LG Infant Security                  | 0             | 134           | 0             | 0             | 0             |
| 1225 - Rehab BLDG Roofing                         | 0        | 7        | 241          | 4            | 0             | 1307 - LG Upgrades                         | 0             | 376           | 2,979         | 3,282         | 3,511         |
| 1227 - New Main eICU                              | 0        | 96       | 21           | 0            | 0             | 1308 - LG Infrastructure                   | 0             | 0             | 114           | 0             | 0             |
| 1230 - Fog Shop                                   | 0        | 339      | 80           | 0            | 0             | 1313 - LG Rehab HVAC System/Structural     | 0             | 0             | 0             | 0             | 1,597         |
| 1315 - 205 So. Drive TI's                         | 0        | 0        | 500          | 2            | 0             | 1219 - LG Spine OR                         | 0             | 0             | 214           | 323           | 633           |
| 0908 - NPCR3 Seismic Upgrds                       | 554      | 1,302    | 1,224        | 1,328        | 240           | 1221 - LG Kitchen Refrig                   | 0             | 0             | 85            | 0             | 0             |
| 1125 - Will Pav Fire Sprinkler                    | 9        | 57       | 39           | 0            | 0             | 1248 - LG - CT Upgrades                    | 0             | 0             | 26            | 345           | 197           |
| 1211 - SIS Monitor Install                        | 0        | 215      | 0            | 0            | 0             | 1249 - LG Mobile Imaging                   | 0             | 0             | 146           | 0             | 0             |
| 1216 - New Main Process Imp Office                | 0        | 19       | 1            | 16           | 0             | 1328 - LG Ortho Canopy FY14                | 0             | 0             | 255           | 209           | 0             |
| 1217 - MV Campus MEP Upgrades FY13                | 0        | 0        | 181          | 274          | 28            | 1345 - LG Lab HVAC                         | 0             | 0             | 112           | 0             | 0             |
| 1224 - Rehab Bldg HVAC Upgrades                   | 0        | 11       | 202          | 81           | 14            | 1346 - LG OR 5, 6, and 7 Lights Replace    | 0             | 0             | 0             | 285           | 53            |
| 1301 - Desktop Virtual                            | 0        | 0        | 13           | 0            | 0             | 1347 - LG Central Sterile Upgrades         | 0             | 0             | 0             | 181           | 43            |
| 1304 - Rehab Wander Mgmt                          | 0        | 0        | 87           | 0            | 0             | 1421 - LG MOB Improvements                 | 0             | 0             | 0             | 198           | 65            |
| 1310 - Melchor Cancer Center Expansion            | 0        | 0        | 44           | 13           | 0             | <b>Sub-Total Los Gatos Projects</b>        | <b>1,174</b>  | <b>1,150</b>  | <b>5,276</b>  | <b>6,246</b>  | <b>6,116</b>  |
| 1318 - Women's Hospital TI                        | 0        | 0        | 48           | 48           | 29            | 1550 - Land Acquisition                    | 0             | 0             | 0             | 0             | 24,007        |
|   |          |          |              |              |               | <b>Sub-Total Other Strategic Projects</b>  | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>24,007</b> |
|   |          |          |              |              |               | <b>Subtotal Facilities Projects CIP</b>    | <b>9,553</b>  | <b>9,294</b>  | <b>13,753</b> | <b>38,940</b> | <b>48,137</b> |
|   |          |          |              |              |               | <b>Grand Total</b>                         | <b>35,357</b> | <b>27,598</b> | <b>58,561</b> | <b>86,789</b> | <b>96,740</b> |
|   |          |          |              |              |               | Forecast at Beginning of year              | 47,138        | 70,503        | 70,037        | 101,607       | 114,025       |

## Article of Interest

WEST

## California ER use jumps despite Medicaid expansion

**California is the latest state to report that emergency room usage is up despite expanding Medicaid eligibility.**

ER visits by people on Medi-Cal, the state's Medicaid program, rose 75% over five years from 800,000 in the first quarter of 2012 to 1.4 million in the last quarter of 2016, according to state data.

Illinois, Massachusetts and Oregon report similar trends, which contradict what policy experts thought would happen if people gained more insurance coverage. They could also give Republican lawmakers the ammunition they need to dramatically overhaul Medicaid.

From 2013 to 2016, enrollment in Medi-Cal grew by 57%; 5 million new members were added, bringing current enrollment to 13.5 million. Medi-Cal now covers more than one-third of all Californians, leading some to claim that it's the closest to universal coverage of any state.

California health officials couldn't explain the rise, but providers say reimbursement rates have been too



low to draw in enough physicians. Therefore, newly enrolled Medi-Cal patients continue to seek care in hospital ERs because they cannot access primary care in physician offices and clinics.

California ranks 47th in the nation for Medicaid payment rates for providers, according to the CMS.

Republicans have already used reports of increased ER use in expansion states and rising spending in the program as reasons to convert Medicaid into a per capita cap system. Medicaid spending nationally rose 4.3% to \$575.9 billion in 2016 with the federal share growing 4.5% to \$363.4 billion, according to the CMS. —Virgil Dickson

SOUTH

## Greenville Health, Palmetto forming biggest S.C. system

Greenville (S.C.) Health System has agreed to a merger with Palmetto Health to create the largest hospital system in South Carolina.

The new health system would operate 13 hospitals and serve 1.2 million patients annually, Greenville CEO Michael Riordan said, adding that the two systems don't overlap much.

Riordan will be co-CEO of the new

system with his counterpart at Columbia-based Palmetto, Charles Beaman Jr. The system will have combined revenue of about \$4 billion, Riordan said.

With the merger, half of South Carolinians will be within 15 minutes of a hospital or ambulatory site in the new system.

Greenville, which runs six hospitals, has been on the financial rebound since early 2016, according to a recent report by Fitch Ratings. The system suffered a \$15 million operating loss in the first four months of its fiscal 2016 ended Jan. 31—reflecting a mild flu season and the costs of converting to an electronic health record system, according to the report. —Dave Barkholz

NORTHEAST

## NYU Langone takes on state's largest healthcare union

NYU Langone Medical Center has pitted itself against the state's largest healthcare union, 1199 SEIU, four of its chief hospital competitors and a collective-bargaining unit representing 109 not-for-profit hospitals and nursing homes.

In a recently filed federal lawsuit, NYU Langone alleges that 1199 SEIU and the League of Voluntary Hospitals and Homes of New York have forced it to make about \$25 million in additional payments to the 1199 Benefit Fund for Health and Human Service Employees since it withdrew from the league in March. The payments cover medical, dental and disability benefits.

Other defendants in the lawsuit are Montefiore Medical Center, Mount Sinai Hospital, New York-Presbyterian Hospital and Northwell Health's Long Island Jewish Medical Center.

NYU Langone said in the lawsuit that the league's actions violated federal antitrust law. After the withdrawal, the league no longer represented NYU Langone in negotiations with the union, but the health system was still bound by a 2014 agreement concerning wages and benefits and required to pay dues, according to the complaint. —Jonathan LaMantia and Caroline Lewis, Crain's New York Business



The 21st Edition of our Care Guidelines includes payer and provider support for the opioid epidemic and benchmark statistics dashboards. Learn more: [www.MCG.com](http://www.MCG.com)



# Hot streak continues for bond market

By Dave Barkholz

Operating out of buildings that are 50 to 100 years old, MetroHealth is due for a major face lift. The Cleveland-based system though faces some significant financial constraints. Serving many of the poor in Cuyahoga County, 50% of its revenue comes from Medicaid; it also cares for a large uninsured population. The county-run health system gets just 3% of its funds from subsidies.

So when time came to raise money for a new 12-story, 270-bed modern hospital on its main campus, MetroHealth turned to a booming bond market. In fact, MetroHealth found so much investor appetite this month for an outsized \$946 million offering that the competition for the bonds drove down the interest rate to less than 5%. MetroHealth had four to five times as many bids for its bonds than the debt available to buy, CEO Dr. Akram Boutros said.

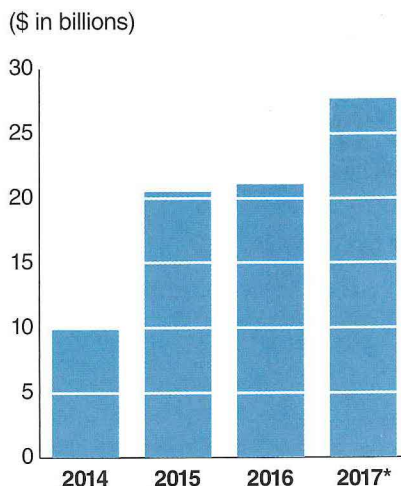
The replacement hospital is scheduled to open in 2022 next to a new 85-bed intensive-care unit tower that opened with operating room suites in July. MetroHealth used operating cashflow for the bulk of that \$95 million ICU tower.

"It's a great time to go to market," said Pierre Bogacz, managing partner of healthcare financial adviser HFA Partners in Tampa, Fla. Hospital bond offerings have exploded over the past year despite a lull in January and February.

Total hospital issuance of tax-exempt, fixed-rate revenue bonds has reached a pre-recession high of \$27.7 billion in the 12 months ending June 30 with more than a month to go, HFA Partners found. That compares with a strong \$21.1 billion in the previous 12 months and

## Hospital bond boom

Tax-exempt fixed-rate revenue bonds issued by hospitals during 12-month periods ending June 30.



\*As of May 10  
Source: HFA Partners

**Growth plans from years ago, immediately after the boom of the Affordable Care Act, are now being implemented.**

\$20.5 billion in the period before that. By contrast, hospital issues totaled only \$9.4 billion in the 12 months ended June 30, 2014.

### THE TAKEAWAY

Even health systems with dinged finances or poor patient mixes are completing \$1 billion bond offerings.

Bogacz said the market is being fueled by a convergence of investors chasing the fairly safe, solid returns that hospital bonds offer as hospitals shake off the recession to raise capital for deferred maintenance and the ongoing patient shift in the industry to ambulatory

care.

Like MetroHealth, many health systems are also looking to update their aging infrastructure. Fitch Ratings in a September report noted that hospitals with lower bond ratings had seen the average age of their facilities grow from about 10.5 years in 2008 to 11.5 years in 2015 because they had put off replacing them. Growth plans from years ago, immediately after the boom of the Affordable Care Act, are now being implemented.

**Moreover,** rates remain near historic lows, making it attractive to borrow now, he said. Highly rated Kaiser Permanente, which carried an A+ rating into its recent bond offering, raised a record \$4.4 billion in three simultaneous issuances at a stellar interest rate of 3.8%.

Chicago-based Presence Health was able to complete a \$1 billion bond offering in August, despite severe operating losses that the system corrected just months before the issuance. The money was used to refinance older bonds, giving Presence Health the breathing room it needed to continue a turnaround that saw the system improve to break even six months after a \$186 million operating loss in 2015, CEO Mike Englehart said.

Both MetroHealth and Presence went into their offerings with bond ratings barely at investment grade.

Bogacz said hospitals might be motivated to issue bonds now before the healthcare market changes under a repeal of the Affordable Care Act.

Beyond financial uncertainty, many hospitals have been studying how quickly patient volumes were moving out of the hospital to ambulatory settings before spending big on new patient towers that might not be needed in the future, said Ryan Freil, senior vice president at healthcare financial advising company Kaufman, Hall & Associates. ●

# Progress Against Goals

**FY18 COMMITTEE GOALS**  
Finance Committee

**PURPOSE**

The purpose of the Finance 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 (ECH) Board of Directors (“Board”). In carrying out its review, advisory and oversight responsibilities, the Finance Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

**STAFF:** Iftikhar Hussain, Chief Financial Officer

*The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair’s consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the CFO and at the discretion of the Committee Chair. The CEO is an ex-officio member of this Committee.*

| <b>GOALS</b>  | <b>TIMELINE by Fiscal Year</b><br>(Timeframe applies to when the Board approves the recommended action from the Committee, if applicable) | <b>METRICS</b>  |
|---|---|---|
| 1. Develop and monitor industry benchmarks for operations and finance | <ul style="list-style-type: none"> <li>Q2 FY18</li> </ul>   | <ul style="list-style-type: none"> <li>Receive report on operational and financial benchmarks</li> </ul>        |
| 2. Review major capital projects                                      | <ul style="list-style-type: none"> <li>Q3 FY18</li> </ul>   | <ul style="list-style-type: none"> <li>Update on major capital projects in progress (7/31/17 Agenda)</li> </ul> |
| 3. Education Topic: Ambulatory Care Business Model                    | <ul style="list-style-type: none"> <li>Q1 FY18</li> </ul>   | <ul style="list-style-type: none"> <li>Presentation at the August meeting (7/31/17 Agenda)</li> </ul>           |
| 4. Epic Implementation Review   | <ul style="list-style-type: none"> <li>Q2 FY18</li> </ul>   | <ul style="list-style-type: none"> <li>Presentation at the November meeting</li> </ul>                          |
| 5. Review top three service lines (HVI, Oncology, BHS)                | <ul style="list-style-type: none"> <li>Q1 – Q2 FY18</li> </ul>  | <ul style="list-style-type: none"> <li>Presentations at September, January, and March meetings</li> </ul>       |

**SUBMITTED BY:**

Dennis Chiu

**Chair**, Finance Committee

Iftikhar Hussain

**Executive Sponsor**, Finance Committee

**Approved by the ECH Board of Directors on June 14, 2017**

# **FY 2018 Operating Budget**



**El Camino Hospital**<sup>®</sup>

THE HOSPITAL OF SILICON VALLEY

**El Camino Hospital and Affiliates  
FY18 Operating & Capital Budget**

ECH Board of Directors

June 14, 2017

Don Sibery, Interim CEO

Mick Zdeblick, COO

Iftikhar Hussain, CFO



# Contents

- Context Remarks
- Finance Committee Recommendations
- Strategic Goal and Building Blocks
- FY 18 Organizational Goals
- FY 18 Operating Budget
  - Overview
  - Revenue
  - Volume
  - Expenses
- FY 18 Capital Budget
- Board Designated Community Benefit
- Appendix
  - Affiliate Profit & Loss Statement
  - Non Operating Revenue / Expense

# Context For The ECH Enterprise During FY18

- Consciously move from hospital centric to health centric
- Focus on Silicon Valley rather than just Mountain View, Los Gatos or Santa Teresa
- Preserve Values which exist and bring to life the Values which need support and development
- Act on the Engagement and Culture of Safety Survey Results
- On-board the permanent CEO and look forward to him putting his thumb print on the Strategic Plan initiatives
- Building contemporary HR, Supply Chain, Accounting systems
- Concentrate on preparing the organization for execution on the initiatives which are strategic priorities

# Context For The ECH Enterprise During FY 2018

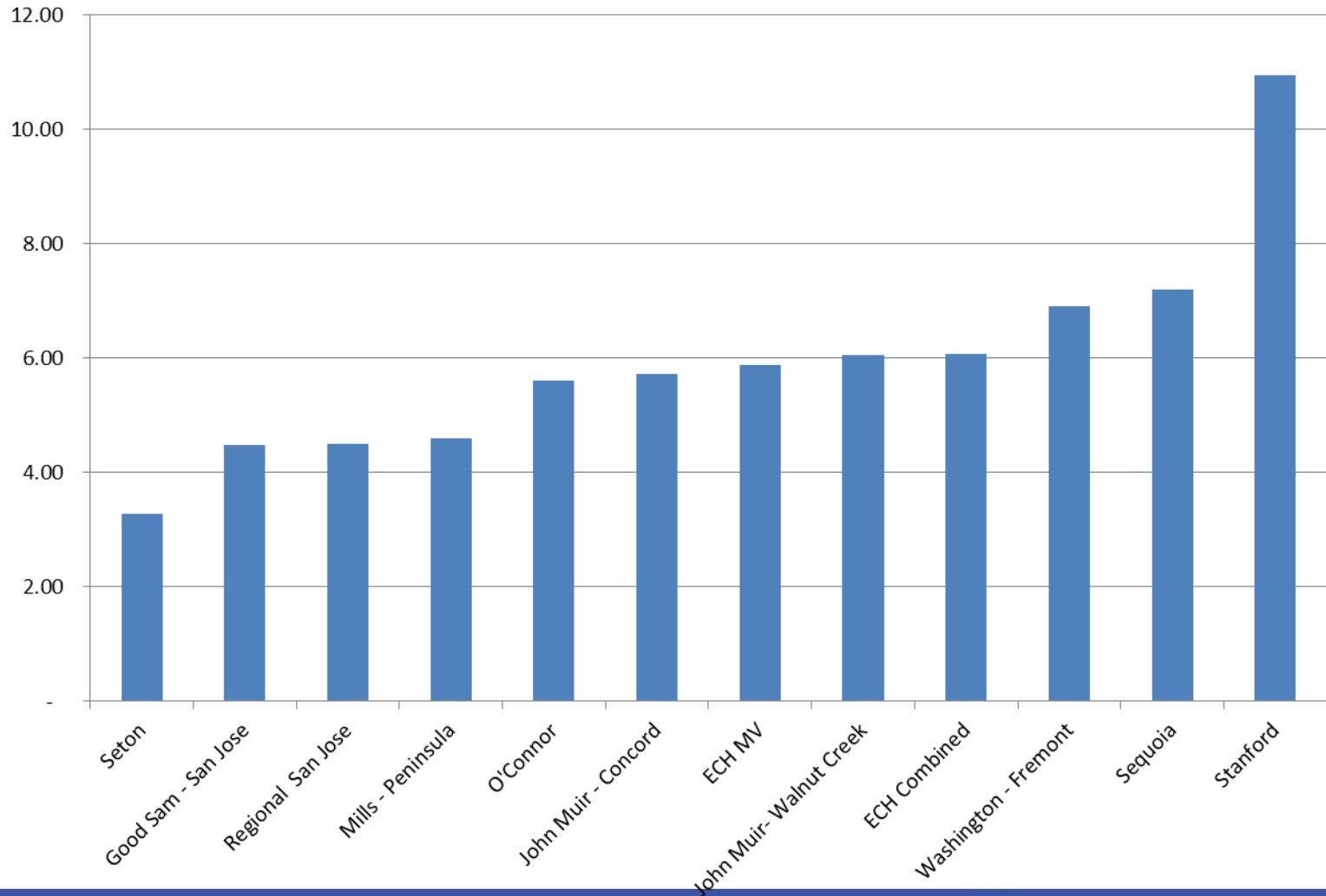
- The capital and operating budget supports clinical volume growth in MV, LG, and ambulatory sites
- Budgeted Operating Income and EBIDTA deserving of an A Bond Rating by Moody's
- Embed Lean principles at all levels of the organization
- Layoff savings, without eliminating or redesigning work, will creep back into the organization over time
- First quarter, identify overhead reductions and implement during the balance of the fiscal year simultaneous with the work redesign or work elimination

# Context For The ECH Enterprise During FY 2018

- All new FTEs have been paid for by:
  - New revenue to cover the position
  - Cost savings to pay for the position
  - Eliminating another position in order to fill the new position
- We have increased our bench strength with budgeted investments in compliance and legal

# Context For The ECH Enterprise During FY 2018

FTEs/AOB



# Context For The ECH Enterprise During FY 2018

Strategic Plan Fund of \$5,000,000

- How did we arrive at this number?
  - ✓ Felt it was a realistic first year amount to digest as an organization
  - ✓ In order to preserve our A Bond Rating this was the amount we could spend
- Why not \$10,000,000 or more?
  - ✓ It would impact the EBITDA and the operating margin
  - ✓ Other than capital investments, I felt we could not absorb more operating expenditures than \$5,000,000.

# Context For The ECH Enterprise During FY 2018

Strategic Plan Fund of \$5,000,000

- How will decisions be made as to its use?
  - ✓ The CEO will present the rationale for use of the funds and will bring it forth to the Board or an appropriate Board Committee
- Is the Board restricted to the \$5m Fund amount?
  - ✓ The Board has full discretion as to how much to invest at any point in time. Return on the investment and impact on our A Bond Rating will need to be taken into consideration by the Board at the time

# Context for FY18 Goals

Organizational Goals must meet three tests:

1. Each employee must be able to contribute personally towards achieving the goal (Line of Sight)
2. Goal must be measurable and have an external benchmark
3. The goal must move the needle on one of the ECH strategic initiatives



# Finance Committee Suggestions

The Finance Committee, at the May 30, 2017 meeting, recommended that the Board approve the budget and made the following suggestions:

- Increase the threshold organizational goal to 95% of budgeted operating margin.
  - DONE: This change will be incorporated into the Organizational Goals presented later in today's agenda.
- Describe guidelines on spending the proposed \$5 million (or different amount approved by the Board) allocated to the CEO for advancing strategic initiatives.
  - See slide 8 for details
- Consider reducing FTEs per adjusted occupied bed.
  - We will use FY18 to rebuild the Lean structure. The changes from this process will be lasting and improve quality rather than making a rushed change in the FY18 budget.
  - See comments on slides 5.

# Finance Committee Suggestions

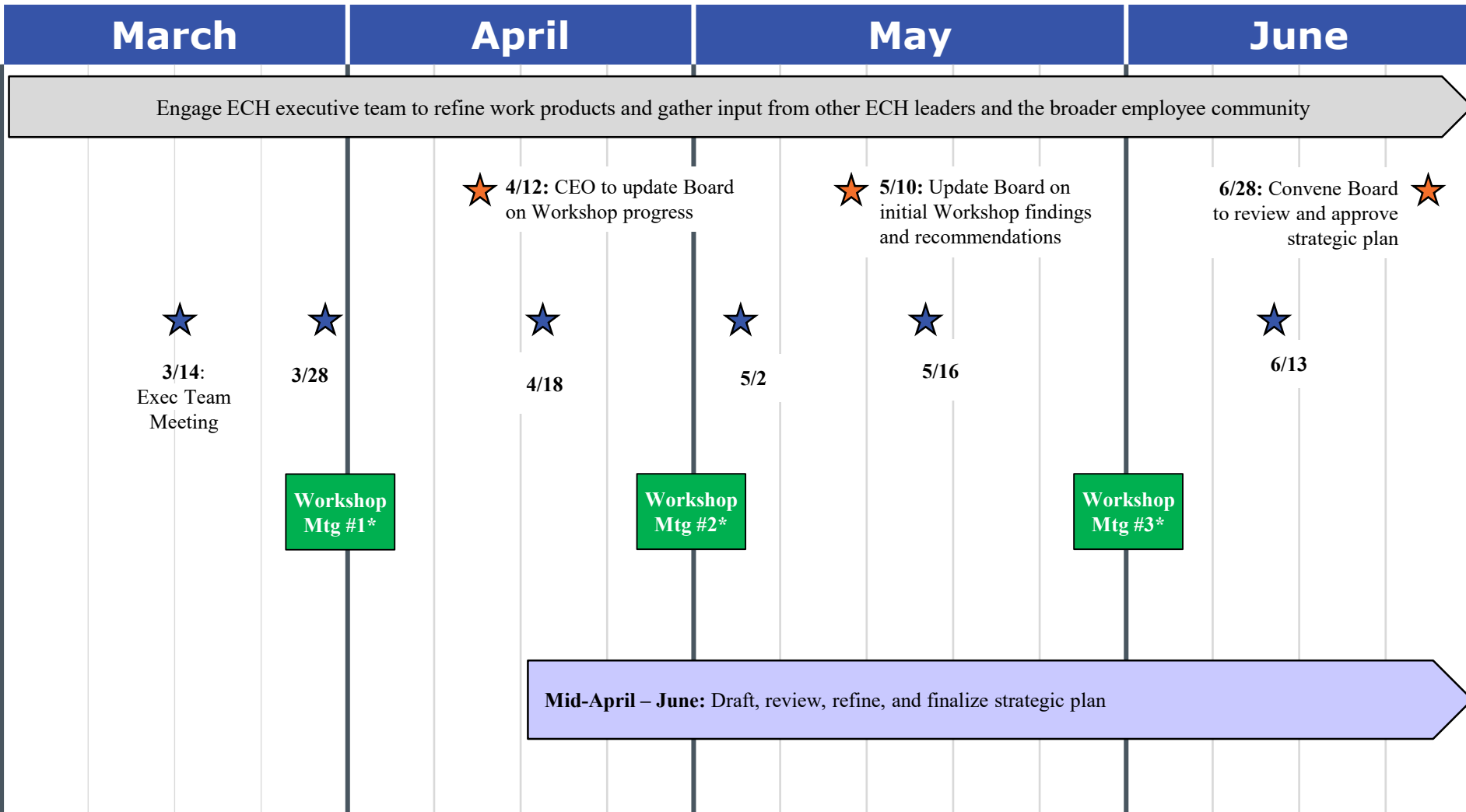
The Finance Committee, at the May 30, 2017 meeting, recommended that the Board approve the budget and made the following suggestions:

- Consider adequacy of the marketing budget by looking at benchmarks.
  - We have validated that the marketing budget is adequate. Truven Benchmarks show that the ECH marketing expenses at 84.6 percentile (e.g. only 14.4% percent of like organizations spend more than us).
- Consider loss of market share in imaging and outpatient laboratory.
  - An analysis by payer showed that the highest volume decreases correlated to payers that reimburse outpatient radiology services at fixed rates (i.e. Anthem Blue Cross, United Healthcare, Workers' Comp, and Medicare). The rates are assessed to be similar between free standing facilities and hospitals – with similar patient co payments. Thus, changes to pricing would have no impact to these payers and would provide no incentive for these payers to channel additional business to ECH.
  - We intend to remain competitive with free standing centers by implementing lower rates, offset by higher inpatient rates in our contracts. Mammo volume decline will recover after Tomo implementation.

# END of DOCUMENT

The rest of this document was presented at the Joint Finance and Board Meeting on May 30, 2017.

# Project Timeline



*\*Proposed Workshop meeting dates are contingent on member availability and may vary by Workshop*

# El Camino Hospital's Mission, Vision & Values

*drafted May 2017*

## Mission

**Our mission is to heal, relieve suffering and advance wellness as your publicly accountable health partner**

## Vision

**Our vision is to lead the transformation of healthcare delivery in Silicon Valley**

## Values

- **Quality.** We pursue excellence to deliver evidence based care in partnership with our patients and families.
- **Compassion.** We care for each individual uniquely with kindness, respect and empathy.
- **Community .** We partner with local organizations, volunteers and a philanthropic community to provide healthcare services across all stages of life.
- **Collaboration.** We partner for the best interests of our patients, their families and our community using a team approach.
- **Stewardship.** We carefully manage our resources to sustain, grow and enable services that meet the health needs of our community.
- **Innovation** We embrace solutions and forward thinking approaches that lead to better health.
- **Accountability.** We take responsibility for the impact our actions have on the community and each other.

# Strategic Focus

| Strategic Focus               | Strategic Building Blocks  |
|-------------------------------|--|
| <b>Physician Alignment</b>    | <ul style="list-style-type: none"> <li>• <i>Physician Collaboration</i></li> <li>• <i>Destination Clinical Programs</i></li> <li>• <i>Preferred Physician Practice Environment</i></li> </ul>  |
| <b>Consumer Alignment</b>     | <ul style="list-style-type: none"> <li>• <i>Provide Patient- and Family-Centered Care</i></li> <li>• <i>Offer a Collaborative Physician Experience</i></li> <li>• <i>Deliver Value to Payers and Employers</i></li> <li>• <i>Engage Community</i></li> </ul> |
| <b>Operational Excellence</b> | <ul style="list-style-type: none"> <li>• <i>Lean Organization</i></li> <li>• <i>Financial Sustainability</i></li> <li>• <i>Leverage Assets</i></li> </ul>  |
| <b>Cultural Foundation</b>    | <ul style="list-style-type: none"> <li>• <i>Fostering Effective Teams</i></li> <li>• <i>Enabling and Expecting Excellence</i></li> <li>• <i>Seeking Out and Embracing Innovation</i></li> </ul>  |

## Proposed Next Steps

1. Revise building blocks per Board feedback.
2. Incorporate workshop #3 feedback into final presentation.
3. Convene Board to review and approve strategic plan on June 28<sup>th</sup>.

# FY18 Organizational Goals: For Discussion

- Format and framework of the organizational goals has been approved by the Executive Compensation Committee of the Board.
- Specifically:
  - a threshold goal based on financial performance to budget.
  - three goals that collectively impact the entire organization, generally focused on Quality, Service Affordability, and being Patient Centric.
  - ½X, X, 2x format for Minimum, Target and Maximum.
- The Quality Committee of the Board needs to review and recommend to the Board the three specific Quality, Service, Affordability, or Patient Centric goals.



# FY18 Organizational Goals: For Discussion and Approval

**[Update to change budget threshold to 95%]**

| ECH FY18 Organizational Goals  |  |   |                 |        |         |           |                       |  |
|--|--|---|-----------------|--------|---------|-----------|-----------------------|--|
| DRAFT  |  |   |                 |        |         |           |                       |  |
| Organizational Goals FY18  | Benchmark                                | 2017 ECH Baseline   | Minimum         | Target | Maximum | Weight    | Performance Timeframe |  |
| <b>Threshold Goals</b>   |  |   |                 |        |         |           |                       |  |
| Budgeted Operating Margin  | 90% threshold                            | Achieved Budget   | 90% of Budgeted |        |         | Threshold | FY 18                 |  |
| Arithmetic Observed LOS Average / Geometric LOS Expected for Medicare population (ALOS / GMLOS)  | External : Expected via Epic Methodology | FY2016: 1.21 (ALOS 4.86 / GMLOS 4.00)<br>FY2017 YTD April: <b>1.18</b><br>(4.81/4.08) | 1.12            | 1.11   | 1.08    | 34%       | 4Q FY18               |  |
| HCAHPS Service Metric: Rate Hospital   | External Benchmark                       | HCAHPS Baseline:<br>10/2016 - 12/2016: <b>75.5</b><br>1/2017 - 3/2017: <b>75.1</b>    | 77              | 78     | 80      | 33%       | 4Q FY18               |  |
| Standardized Infection Ratio (SIR) Observed HAIs / Predicted HAIs (Hospital Acquired Infections) | External Benchmark                       | July - Dec 2016: CAUTI 1.37, CLABSI .25, C.DIFF .59<br><b>Avg of .738</b>             | 0.670           | 0.602  | 0.467   | 33%       | FY18                  |  |

# FY18 Organizational Goals: For Discussion and Approval

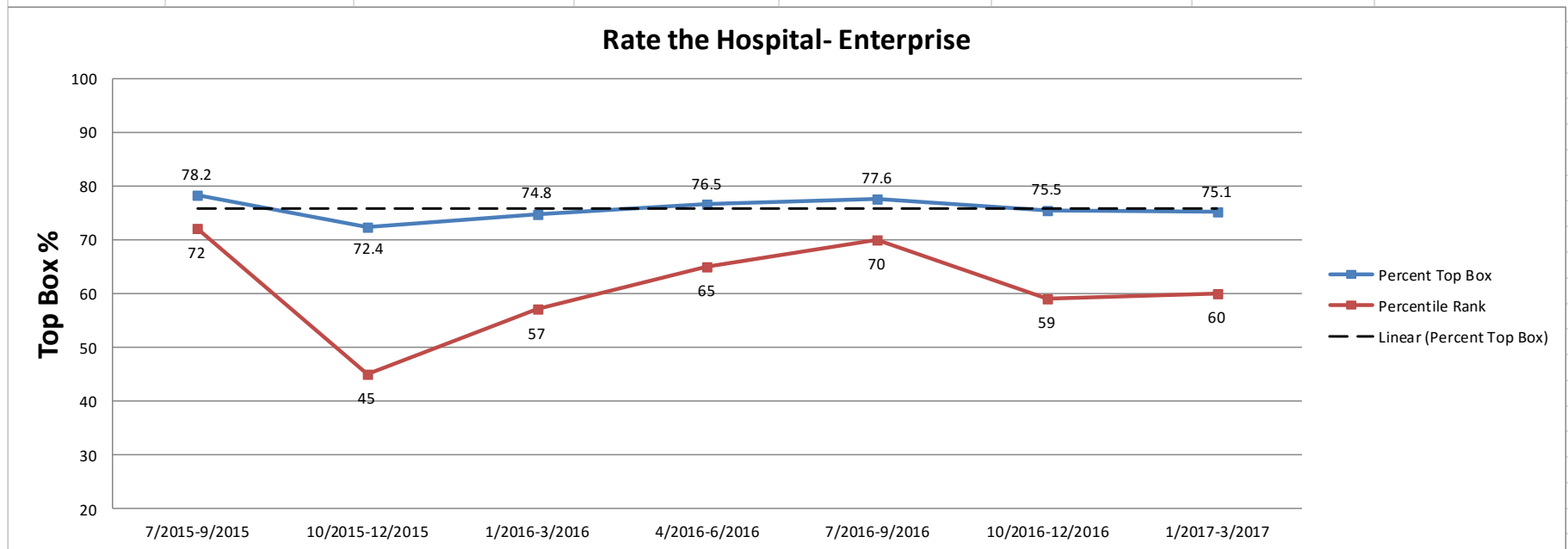
- For the last two years we have set internally focused LOS and Readmission goals, i.e. trend improvement. This year, we are advancing the concept via an external component, expected GMLOS.
- By using an Observed (actual ECH performance) over Expected (GMLOS) ratio, it captures both improvement in LOS management and better coding/documentation (CDI effort).

|                                |          |      |
|--------------------------------|----------|------|
| CMI impacting GMLOS            | Baseline | 4.08 |
|                                | 3.0%     | 4.20 |
|                                | 4.0%     | 4.25 |
|                                | 6.0%     | 4.33 |
| ALOS impacted by day reduction | Baseline | 4.81 |
|                                | 625      | 4.71 |
|                                | 750      | 4.72 |
|                                | 1000     | 4.67 |

# FY18 Organizational Goals: For Discussion and Approval

We are recommending “Rate the Hospital” CAHPS as the service goal, it allows for multiple interventions and is a very good capstone metric representing our consumers view of our service.

| Rate hospital 0-10 | 7/2015-9/2015 | 10/2015-12/2015 | 1/2016-3/2016 | 4/2016-6/2016 | 7/2016-9/2016 | 10/2016-12/2016 | 1/2017-3/2017 |
|--------------------|---------------|-----------------|---------------|---------------|---------------|-----------------|---------------|
| Percent Top Box    | 78.2          | 72.4            | 74.8          | 76.5          | 77.6          | 75.5            | 75.1          |
| Percentile Rank    | 72            | 45              | 57            | 65            | 70            | 59              | 60            |
| <b>n</b>           | <b>660</b>    | <b>543</b>      | <b>810</b>    | <b>918</b>    | <b>866</b>    | <b>803</b>      | <b>635</b>    |



# FY18 Organizational Goals: For Discussion and Approval

We discussed goal setting options with Press Gainey and they provided the following perspective:

## FY 18 HCAHPS Goal Setting Analysis

5/8/17

Top box score from 5/1/16 – 4/30/17

El Camino Hospital (Aggregate)

| Service/Level      | Peer Group | Score Type | Your Score | Your Rank | The top 50% of improvers' saw this much change: |                    |                      | The top 30% of improvers' saw this much change: |                    |                      | The top 10% of improvers' saw this much change: |                    |                      |  |
|--------------------|------------|------------|------------|-----------|---|--------------------|----------------------|---|--------------------|----------------------|---|--------------------|----------------------|--|
|                    |            |            |            |           | Threshold Goal                                  |                    |                      | Target Goal                                     |                    |                      | Stretch Goal                                    |                    |                      |  |
|                    |            |            |            |           | Top Box Score Increase                          | Top Box Score Goal | Percentile Rank Goal | Top Box Score Increase                          | Top Box Score Goal | Percentile Rank Goal | Top Box Score Increase                          | Top Box Score Goal | Percentile Rank Goal |  |
| HCAHPS             |            |            |            |           |   |                    |                      |   |                    |                      |   |                    |                      |  |
| Rate hospital 0-10 | All PG DB  | Top Box    | 75.8       | 64        | 0.8   | 76.6               | 65                   | 2.2   | 78.0               | 71                   | 4.2   | 80.0               | 80                   |  |

76.6      78.0      80.0

Top xx% of improvers saw this much change: 50%, 30%, 10%:

# FY18 Organizational Goals: For Discussion and Approval

After good discussion with the Quality Committee of the Board, we have revised our third Organizational Goal to be focused exclusively on quality. We are proposing SIR, specifically focused on CAUTI, CLABSI, and C-DIFF.

## *STANDARDIZED INFECTION RATIO (SIR)*

### *What is a standardized infection ratio (SIR)?*

The standardized infection ratio (SIR) is a summary measure used to track HAIs at a national, state, or local level over time. The SIR adjusts for patients of varying risk within each facility. The method of calculating an SIR is similar to the method used to calculate the Standardized Mortality Ratio (SMR), a summary statistic widely used in public health to analyze mortality data. In HAI data analysis, the SIR compares the actual number of HAIs reported with the baseline U.S. experience (i.e., NHSN aggregate data are used as the standard population), adjusting for several risk factors that have been found to be significantly associated with differences in infection incidence. In other words, an SIR greater than 1.0 indicates that more HAIs were observed than predicted, accounting for differences in the types of patients followed; conversely, an SIR less than 1.0 indicates that fewer HAIs were observed than predicted.

# FY18 Organizational Goals: For Discussion and Approval

| HAI                        | Facility – MV      | # of HAI        | Facility- LG    | # OF HAI    | AVE SIR | Target SIR                      |        |
|----------------------------|--------------------|-----------------|-----------------|-------------|---------|---------------------------------|--------|
| <b>CAUTI</b>               | 2016 H2 –<br>1.817 | 11              | 2016 H2 – 0.932 | 1           | 1.375   |                                 |        |
| HX 2015-2016               | 0.767              | 20              | 0.6385          | 3           | 0.703   | 1.039                           |        |
|                            |                    |                 |                 |             |         |                                 |        |
| <b>CLABSI</b>              | 2016 H2 –<br>0.492 | 2               | 2016 H2 - 0     | 0           | 0.246   |                                 |        |
| HX 2015-2016               | 0.31               | 5               | 0               | 1           | 0.155   | 0.201                           |        |
|                            |                    |                 |                 |             |         |                                 |        |
| <b>C.DIFF</b>              | 2016 Q4-1.185      | 2016 Q4 -<br>10 | 2016 - 0        | 2016 Q4 - 0 | 0.593   |                                 |        |
| HX 2016                    | 0.753              | 23              | 0.331           | 1           | 0.542   | 0.567                           |        |
|                            |                    |                 |                 |             |         |                                 |        |
| <b>AVE SIR<br/>CURRENT</b> |                    |                 |                 |             | 0.738   |                                 |        |
| AVE SIR HX                 |                    |                 |                 |             | 0.467   |                                 |        |
| Delta                      |                    |                 |                 |             | 0.271   |                                 |        |
|                            |                    |                 |                 |             |         |                                 |        |
|                            |                    |                 |                 |             |         |                                 |        |
|                            |                    |                 |                 |             |         |                                 |        |
|                            |                    |                 |                 |             |         |                                 |        |
|                            |                    |                 |                 |             |         |                                 |        |
|                            |                    |                 |                 |             |         |                                 |        |
|                            |                    |                 |                 |             |         | Infection Rate<br>Index: Target |        |
| 1/4 if Delta =<br>Min      |                    |                 |                 |             | 0.068   | 0.670                           | Minium |
| ½ Delta = X                |                    |                 |                 |             | 0.136   | 0.602                           | Target |
| Max = Delta                |                    |                 |                 |             | 0.271   | 0.467                           | Max    |

# FY18 Organizational Goals: For Discussion and Approval

- Minimum is ¼ to historical best (last 4 years)
- Target improvement is ½ to historical best
- Maximum is historical best on all three indicators
  
- An alternative would be 1 of 3, 2 of 3, 3 of 3 achievement of target SIR per each HAI

In raw numbers the occurrences are small, but the impact is significant.

| HAI Type | Fiscal Yr 2016 | Fiscal Yr 2017 to date (April 2017) |
|----------|----------------|-------------------------------------|
| CAUTI    | 8              | 18                                  |
| CLABSI   | 1              | 6                                   |
| C.Diff   | 17             | 15                                  |

# FY18 Operating Budget Overview



# FY18 Budget and Organizational Priorities

Key Themes:

## **Invest in our Strategic Plan**

- We have established \$5M in budget “undesigned expenses” as a means of funding the initial priorities of the Strategic Plan.
- A portion of this \$5M is funded through a reduction of overhead expenses, both the overhead and release of any funding from the \$5M is at the discretion of the CEO.

## **Invest in Growth**

- Two new Xi Da Vinci Surgical Robots, one dedicated to Los Gatos. (Strategic Plan: Clinical Centers of Excellence)
- Physician Concierge Service in Los Gatos focused on “ease of interaction”, e.g. scheduling, preference cards, billing. (Strategic Plan: Physician Alignment)
- Los Gatos Infusion Center: continued growth of our Cancer Center. (Strategic Plan: Physician Alignment and Clinical Centers of Excellence)

# FY18 Budget and Organizational Priorities

Key Themes:

## **Invest in Growth**

- Spine Center: a comprehensive spine center in Mountain View  
(Strategic Plan: Clinical Centers of Excellence)
- Physician recruitments for Silicon Valley Medical Development (SVMD) –  
11 Primary Care Physicians and 4 Specialists  
(Strategic Plan: Physician Alignment)
- Winchester Primary Care Center: completion of build out and hiring of  
physicians and staff.  
(Strategic Plan: Physician Alignment and Land Assets)

# FY18 Budget and Organizational Priorities

Key Themes:

## **Invest in our Core Business**

- New RN Graduates Hiring and Training Program: training funds set aside to recruit and train over 20 new RN Grads.  
(Strategic Plan: Operational Excellence)
- Community Connect: investment in people and subsidy cost as we roll-out our instance of Community Connect to independent physicians.  
(Strategic Plan: Physician Alignment)
- IT Security: investment in both people and systems to enhance our IT security capabilities.
- Parking Management: investment in programs that enable and encourage staff to use alternative modes of transportation to our campus and comply with the parking plan required by the city of MV.
- Lastly, investment in our team to tackle clinical variation, budgeting for a net impact of \$2M.

# FY18 Strategic Initiatives –

| Summary of FY18 Strategic Priorities                            |  |                      |
|---|--|----------------------|
| Strategic Plan  | Initiatives                                      | Net Financial Result |
| <input checked="" type="checkbox"/> Growth                      | General Surgeries @ LG - add 100 cases           | 664,806              |
|   | LG Infusion Program - begin in 4Q, FY18          | 13,808               |
|   | Robotic Surgeries @ LG - add 200 cases           | 2,552,647            |
|   | Sleep Disorder (OSA) - add 300 cases             | 27,966               |
|   | Spine Program - add 30 cases                     | 647,965              |
|   | SVMD - recruit 11 PCP and 4 Specialist           | (2,496,063)          |
| <b>Growth Total</b>   |  | <b>1,411,129</b>     |
| <input checked="" type="checkbox"/> Investment in Core Business | - Reduce Medicare Loss - CDI                     | 3,500,000            |
|   | - Reduce Medicare Loss - Clinical Variation      | 2,000,000            |
|   | - Reduce Medicare Loss - Medicare ALOS reduction | 875,000              |
|   | Community Connect                                | (2,000,000)          |
|   | IT Security                                      | (1,200,000)          |
|   | Workforce Planning - New Grad Program            | (1,600,000)          |
| <b>Investment in Core Business Total</b>                        |  | <b>1,575,000</b>     |
| <input checked="" type="checkbox"/> Strategic Plan              | Overhead Reduction                               | 1,698,470            |
|   | Strategic Plan                                   | (5,000,000)          |
| <b>Strategic Plan Total</b>                                     |  | <b>(3,301,530)</b>   |
| <b>Grand Total</b>  |  | <b>(315,401)</b>     |
| * Number in ( ) is reducing revenue                             |  |                      |

# El Camino Hospital & Affiliates

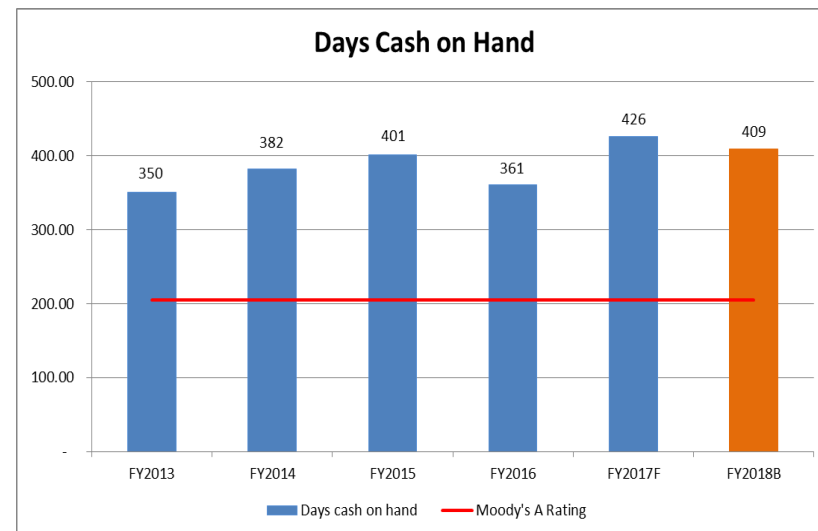
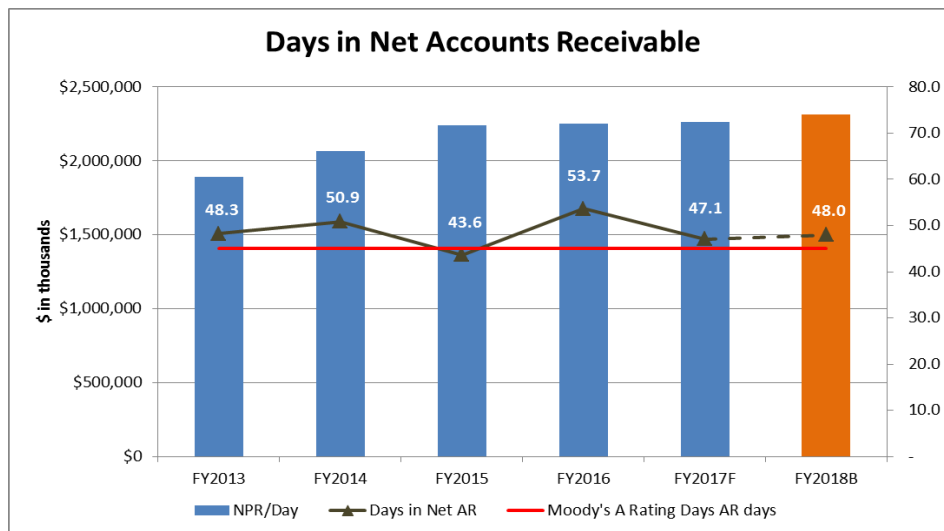
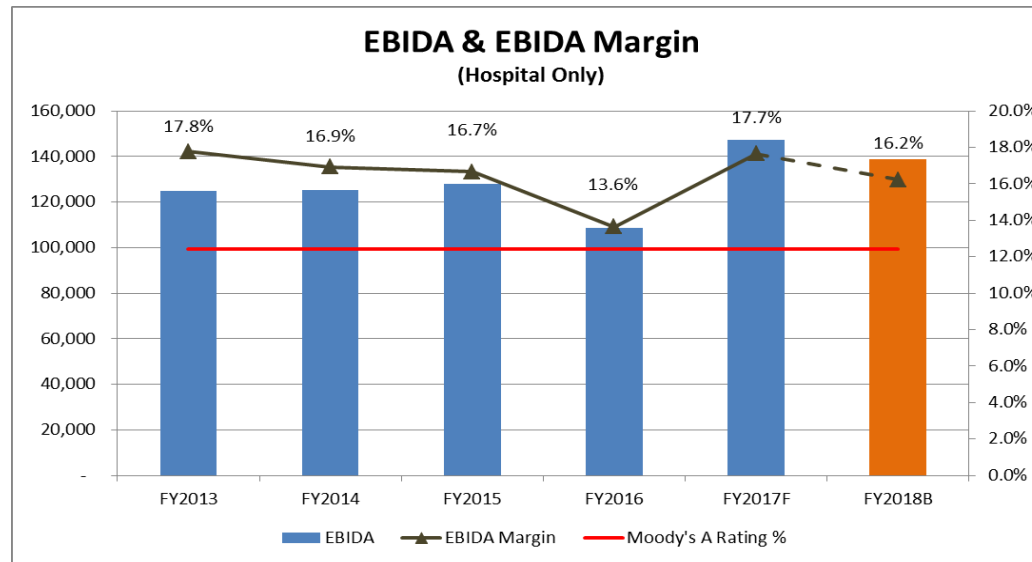
| El Camino Hospital & Affiliates (\$ in thousands) |                  |                      |                  |                                       |               |
|---|------------------|----------------------|------------------|---------------------------------------|---------------|
|   | FY2016<br>Actual | FY2017<br>Annualized | FY2018<br>Budget | Change<br>Favorable/<br>(Unfavorable) | % Change      |
| <b>REVENUES</b>                                   |                  |                      |                  |                                       |               |
| Net Patient Service Revenue                       | 772,173          | 809,481              | 835,789          | 26,308                                | 3.2%          |
| Other Operating Revenue                           | 39,407           | 41,133               | 41,322           | 189                                   | 0.5%          |
| Total Net Revenue                                 | 811,580          | 850,614              | 877,111          | 26,497                                | 3.1%          |
| <b>EXPENSES</b>                                   |                  |                      |                  |                                       |               |
| Salaries & Benefits                               | 443,258          | 453,986              | 481,417          | (27,431)                              | -5.7%         |
| Supplies & Other Expenses                         | 261,488          | 251,118              | 264,310          | (13,192)                              | -5.0%         |
| Interest  | 7,193            | 4,270                | 8,705            | (4,435)                               | -50.9%        |
| Depreciation/Amortization                         | 48,803           | 48,170               | 53,442           | (5,272)                               | -9.9%         |
| TOTAL EXPENSES                                    | 760,746          | 757,544              | 807,874          | (50,330)                              | -6.2%         |
| <b>OPERATING INCOME</b>                           | <b>50,834</b>    | <b>93,070</b>        | <b>69,237</b>    | <b>(23,833)</b>                       | <b>34.4%</b>  |
| Non Operating Income                              | (5,112)          | 62,267               | 12,723           | 49,544                                |               |
| <b>NET INCOME</b>                                 | <b>45,722</b>    | <b>155,337</b>       | <b>81,960</b>    | <b>(73,377)</b>                       | <b>-47.2%</b> |
| EBITDA  | 106,831          | 145,510              | 131,384          | (14,126)                              | -9.7%         |
| EBITDA Margin Percentage                          | 13.2%            | 17.1%                | 15.0%            | -2.1%                                 | -12.4%        |
| Operating Margin Percentage                       | 6.3%             | 10.9%                | 7.9%             | -3.0%                                 | -27.9%        |

# El Camino Hospital FY18 Budget

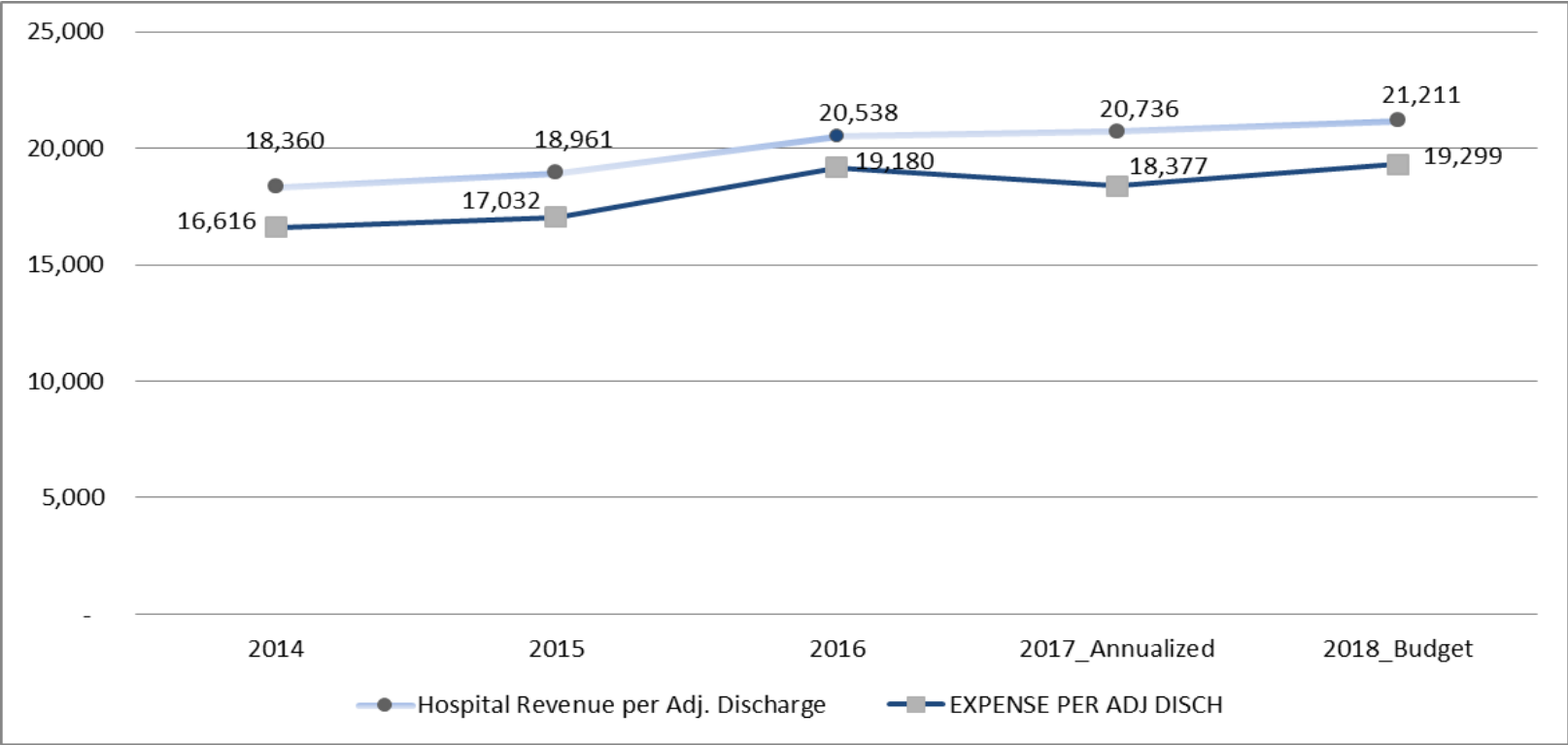
| El Camino Hospital (\$ in thousands)      |                  |                      |                  |                                       |               |
|---|------------------|----------------------|------------------|---------------------------------------|---------------|
|   | FY2016<br>Actual | FY2017<br>Annualized | FY2018<br>Budget | Change<br>Favorable/<br>(Unfavorable) | % Change      |
| <b>REVENUES</b>                           |                  |                      |                  |                                       |               |
| Net Patient Service Revenue               | 772,020          | 809,104              | 832,066          | 22,962                                | 2.8%          |
| Other Operating Revenue                   | 23,636           | 24,529               | 23,129           | (1,400)                               | -5.7%         |
| Total Net Revenue                         | 795,657          | 833,633              | 855,195          | 21,562                                | 2.6%          |
| <b>EXPENSES</b>                           |                  |                      |                  |                                       |               |
| Salaries & Benefits                       | 435,988          | 446,775              | 470,357          | (23,581)                              | -5.0%         |
| Supplies & Other Expenses                 | 251,115          | 239,644              | 245,976          | (6,332)                               | -2.6%         |
| Interest                                  | 7,193            | 4,270                | 8,705            | (4,435)                               | -50.9%        |
| Depreciation/Amortization                 | 48,748           | 48,125               | 53,067           | (4,942)                               | -9.3%         |
| TOTAL EXPENSES                            | 743,044          | 738,815              | 778,105          | (39,290)                              | -5.0%         |
| <b>OPERATING INCOME</b>                   | <b>52,613</b>    | <b>94,818</b>        | <b>77,090</b>    | <b>(17,729)</b>                       | <b>23.0%</b>  |
| Non Operating Income                      | (9,570)          | 56,313               | 4,390            | (51,923)                              |               |
| <b>NET INCOME</b>                         | <b>43,043</b>    | <b>151,131</b>       | <b>81,480</b>    | <b>(69,652)</b>                       | <b>-46.1%</b> |
| EBITDA                                    | 108,554          | 147,214              | 138,862          | (8,352)                               | -5.7%         |
| EBIDA Margin Percentage                   | 13.6%            | 17.7%                | 16.2%            | -1.4%                                 | -8.1%         |
| Operating Margin Percentage               | 6.6%             | 11.4%                | 9.0%             | -2.4%                                 | -20.7%        |
| <b>KEY HOSPITAL INDICATORS</b>            |                  |                      |                  |                                       |               |
| Hospital Discharges, excl normal newborns | 19,401           | 19,580               | 19,705           | 125                                   | 0.6%          |
| Total Hospital Patient Days               | 88,700           | 87,175               | 87,656           | 481                                   | 0.6%          |
| Adjusted Discharges*                      | 31,379           | 32,808               | 32,864           | 56.0                                  | 0.2%          |
| Hospital Average Daily Census             | 243              | 239                  | 240              | 1                                     | 0.6%          |

\* Adjusted Discharges exclude New Born discharges

# Key Financial Metrics

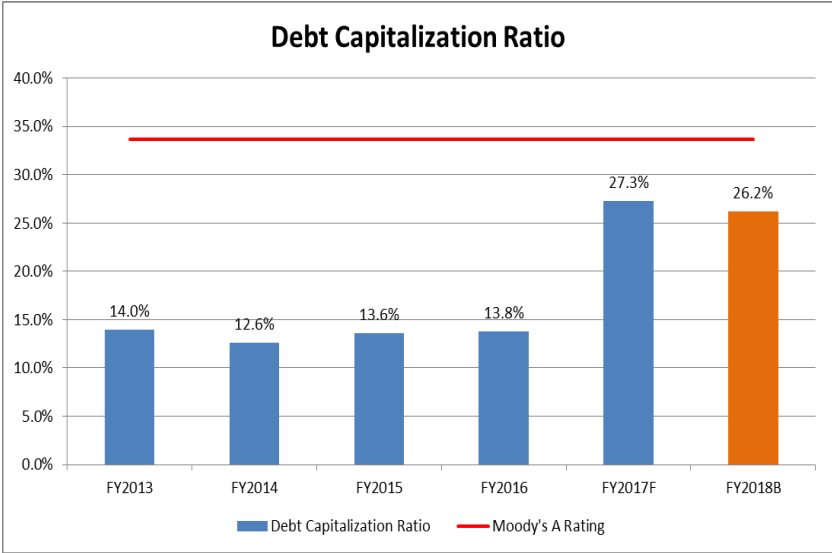
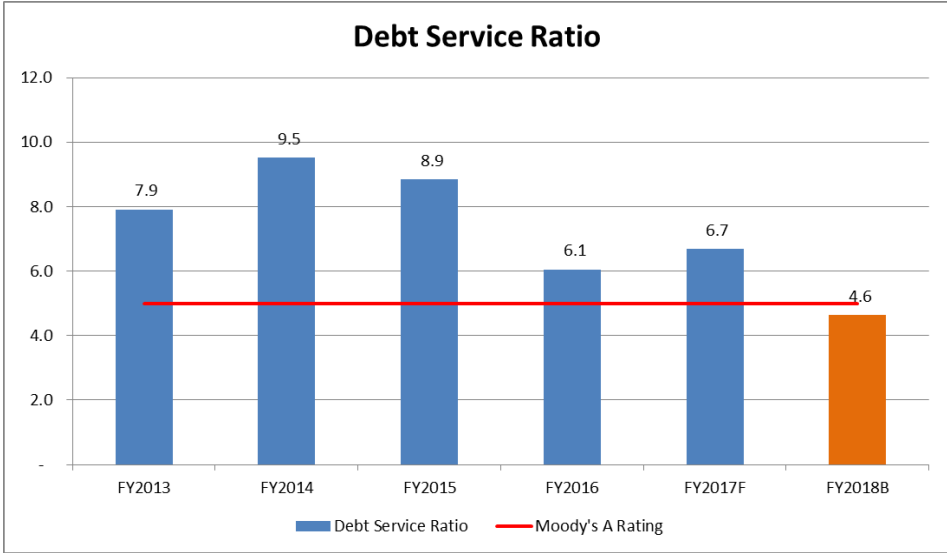


# FY18: Revenue & Expense per Adj. Discharge Trend





# Key Financial Metrics



## Key Drivers of FY18 Budget Operating Margin

| \$ in Thousands (000s) -- Favorable/(Unfavorable) |   | Detail   | Net Income<br>Impact | % Net<br>Revenue |
|---|---|----------|----------------------|------------------|
| <b>Expected Hospital Operations FY2017</b>        |   |          | <b>94,818</b>        | <b>11.4%</b>     |
| <b>Net Revenue</b>                                |   |          | 21,562               | 2.5%             |
| *   | Revenue from Growth & Price Changes                         | 23,773   |                      |                  |
| *   | Non Recurring unusual items (IGT, AB915)                    | (1,205)  |                      |                  |
| *   | PRIME project reduced                                       | (3,479)  |                      |                  |
| *   | Other Op Revenue  | 2,079    |                      |                  |
| *   | Other   | 394      |                      |                  |
| <b>Labor Expense Change</b>                       |   |          | (23,581)             | -2.8%            |
| *   | FY17 Vacancy Gap / FY18 New FTE                             | (16,276) |                      |                  |
| *   | Wage increases  | (10,989) |                      |                  |
| *   | Volume Increase / New Program                               | (1,471)  |                      |                  |
| *   | Nursing new grad. program                                   | (1,217)  |                      |                  |
| *   | Performance Bonus not in FY 18 budget                       | 3,080    |                      |                  |
| *   | Ratification Bonus - one time in FY 17                      | 2,417    |                      |                  |
| *   | Medicare LOS reduction                                      | 875      |                      |                  |
| <b>Professional Fees &amp; Purchased Services</b> |   |          | 1,228                | 0.1%             |
| *   | Physician Fees: oncology recruitment, ortho co-management   | (2,441)  |                      |                  |
| *   | Bond Issuance   | 3,095    |                      |                  |
| *   | Legal   | (754)    |                      |                  |
| *   | Administrative Savings (IT,EVS,Lab)                         | 3,649    |                      |                  |
| *   | Traffic mitigation -- Shuttle Service                       | (1,121)  |                      |                  |
| *   | IT Security   | (1,200)  |                      |                  |
| <b>Supplies</b>                                   |   |          | (5,993)              | -0.7%            |
| *   | Central Supply - volumes + Inflation                        | (1,661)  |                      |                  |
| *   | Medical Gases Contract increase                             | (481)    |                      |                  |
| *   | New Programs: IFC (MV/LG), Spine Program, Robotic Surgeries | (816)    |                      |                  |
| *   | Drug Expenses: Infusion Volume increase + Inflation         | (2,328)  |                      |                  |
| *   | Other   | (707)    |                      |                  |
| <b>Other Expenses</b>                             |   |          | (1,567)              | -0.2%            |
| *   | Leases  | 769      |                      |                  |
| *   | Utilities/Leases  | (274)    |                      |                  |
| *   | Strategic Planning  | (5,000)  |                      |                  |
| *   | Clinical Variation net savings                              | 2,000    |                      |                  |
| *   | Other   | 938      |                      |                  |
| <b>Depreciation &amp; Interest</b>                |   |          | (9,377)              | -1.1%            |
| *   | Interest Expense, full year                                 | (4,435)  |                      |                  |
| *   | New Construction projects completing                        | (4,942)  |                      |                  |
| <b>Expected Hospital Operations FY2018</b>        |   |          | <b>77,090</b>        | <b>9.0%</b>      |

# FY18 Operating Budget Detail Revenue Assumptions

# FY18 Budget Overview: Revenue Rates

| Category      | Budget Assumptions   |
|---------------|--|
| Pricing       | Prices to increase to 5.0%   |
|               | Overall charges based on OSHPD per case review, ECH pricing remains at 35th percentile.  |
|               | Inpatient Charges were at 25th percentile  |
|               | Outpatient charges were at 50th percentile   |
| Reimbursement | 3% rate increase in commercial payors which accounts for 72% of the net revenue  |
|               | 0% rate increase in Medicare accounts, which accounts for 48% of our payor mix but 25% of the net revenue; \$6.5M IGT discontinuance but expect CDI would improve Medicare payment by ~\$3.5M. |
|               | 0% rate increase in Medi-Cal accounts, which accounts for 7.2% payor mix of ECH patient population   |
| Other Payment | \$733K Other Operating Revenue from the PRIME Project  |

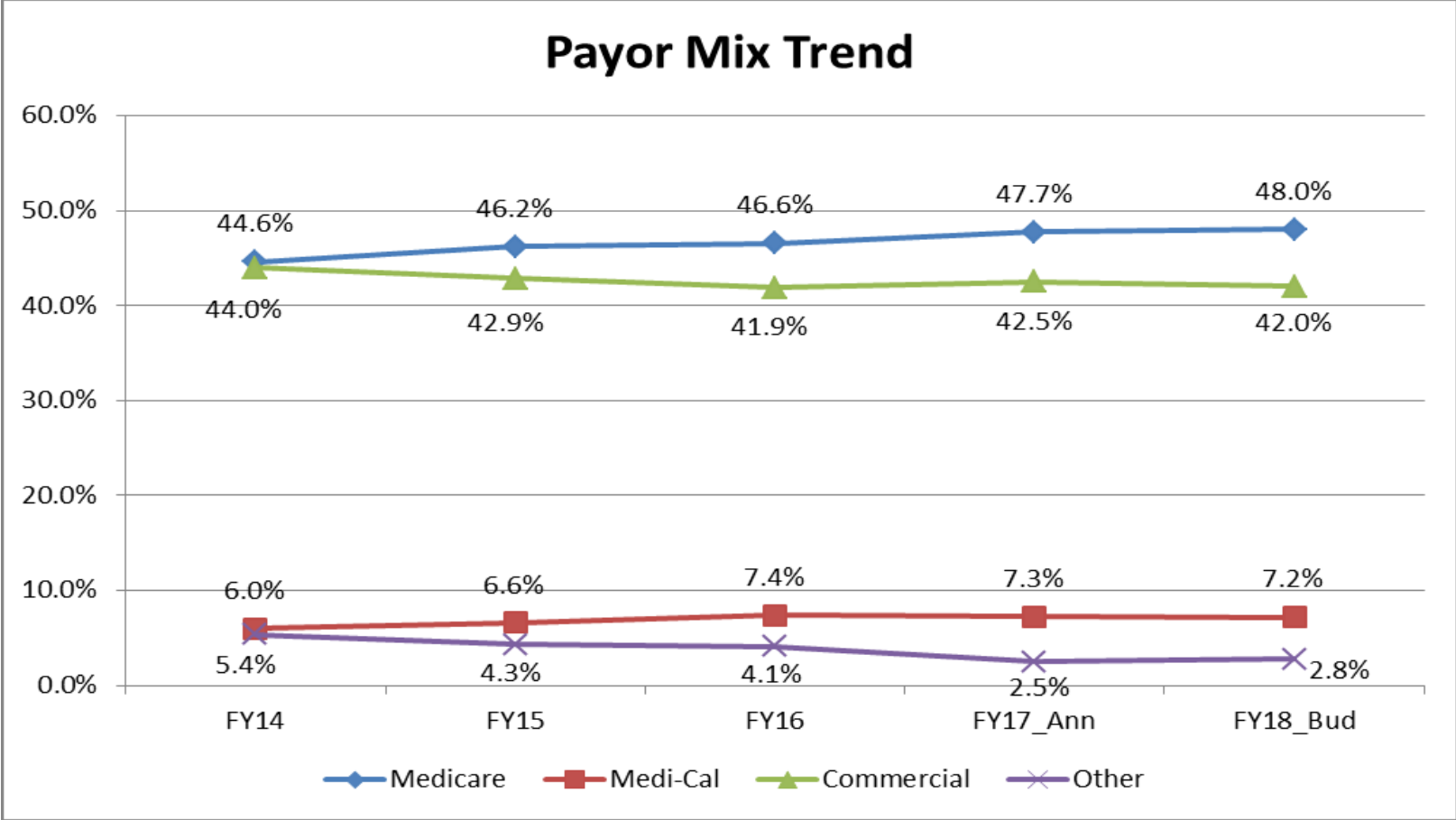
# Charge Master Pricing Changes with Benchmark Data

- CMS/OSHPD claim level data shows El Camino Hospital prices below mid-market level compared to the local peer group including Good Samaritan Hospital, Regional Medical Center, O'Connor Hospital, Stanford Hospital, Sequoia Hospital and Washington Hospital.
- Even with the 6.0% price increase in FY17, our overall charges remain at the 35th percentile based on OSHPD charge per case review (inpatient @ 25<sup>th</sup> percentile / outpatient @ 50<sup>th</sup> percentile).
- To catch up with the market pricing, a 5.0% charge increase is proposed in the FY18 budget

| Hospital                            | 2012   | 2013   | 2014  | 2015   | 2016    | 5-Year Average |
|-------------------------------------|--------|--------|-------|--------|---------|----------------|
| EL CAMINO HOSPITAL                  | 0.89%  | 0.06%  | 0.90% | 5.00%  | 6.00%   | 2.57%          |
| STANFORD UNIVERSITY HOSPITAL        | 9.60%  | 7.20%  | 6.90% | 6.90%  | 6.80%   | 7.48%          |
| REGIONAL MEDICAL CENTER OF SAN JOSE | 10.60% | 1.36%  | 5.28% | -1.32% | 8.90%   | 4.96%          |
| SEQUOIA HOSPITAL                    | 5.40%  | 3.10%  | 0.00% | 2.70%  | 3.10%   | 2.86%          |
| WASHINGTON HOSPITAL - FREMONT       | 0.56%  | 9.71%  | 0.97% | 2.12%  | 0.21%   | 2.71%          |
| GOOD SAMARITAN HOSPITAL- SAN JOSE   | 9.90%  | 12.80% | 7.10% | 4.70%  | 2.40%   | 7.38%          |
| O'CONNOR HOSPITAL                   | 0.20%  | 0.13%  | 1.02% | 0.06%  | -19.79% | -3.68%         |

*\*Data Source: OSHPD*

# Payor Mix and Net Revenue Distribution by Payor



# FY2018 Operating Budget Detail - Volume

# Volume Assumptions - Inpatient

## Service Line Inpatient Volume Trend

| Service Line Volume Trend & FY18 Volume Projection |               |               |               |               |               |             |  |
|--|---------------|---------------|---------------|---------------|---------------|-------------|--|
|  | FY2014        | FY2015        | FY2016        | FY17_Proj     | FY18_Budget   | FY18 Change | Notes  |
| <b>I</b>   | <b>19,430</b> | <b>19,643</b> | <b>19,401</b> | <b>19,580</b> | <b>19,705</b> | <b>0.6%</b> |  |
| Behavioral Health                                  | 1,012         | 1,052         | 929           | 912           | 912           | 0.0%        | Increase operating beds from 18 to 21 after 1 phase construction   |
| General Medicine                                   | 4,160         | 4,591         | 4,465         | 4,940         | 4,679         | -5.3%       | High volume due to outbreak of flu in FY17; not expecting the same in FY18   |
| General Surgery                                    | 1,243         | 1,150         | 1,312         | 1,289         | 1,306         | 1.3%        | Modest increase due to population growth   |
| Heart and Vascular                                 | 1,859         | 1,998         | 2,008         | 2,170         | 2,082         | -4.0%       | High volume increase in HVI cases in FY17 related to outbreak of flu; not expecting the same in FY18                             |
| MCH  | 6,695         | 6,372         | 6,136         | 5,845         | 6,206         | 6.2%        | Physician recruitment  |
| Neurosciences                                      | 667           | 672           | 678           | 680           | 697           | 2.4%        | Recruitment of Neuro Surgeon beginning in FY18   |
| Oncology   | 606           | 564           | 652           | 587           | 572           | -2.5%       |  |
| Orthopedics  | 1,695         | 1,773         | 1,750         | 1,700         | 1,762         | 3.6%        | Increase cases due to recruitment of 2 new Orthopedic physicians at LG, increase of Shoulder Replacement and Co-Management at MV |
| Other  | 7             | 5             | 24            | 4             | -             | 0.0%        |  |
| Rehab Services                                     | 547           | 555           | 501           | 469           | 497           | 5.9%        | Plan to increase higher acute Rehab patients in FY18   |
| Spine Surgery                                      | 377           | 429           | 418           | 462           | 478           | 3.5%        | Recruitment of Spine Surgeon beginning in FY18   |
| Urology  | 172           | 169           | 234           | 250           | 240           | -3.8%       |  |
| Womens Non-MCH                                     | 390           | 313           | 294           | 272           | 275           | 0.8%        |  |
| <b>Grand Total</b>                                 | <b>19,430</b> | <b>19,643</b> | <b>19,401</b> | <b>19,580</b> | <b>19,705</b> | <b>0.6%</b> |  |
| <i>% Change from PY</i>                            |               | 1.1%          | -1.2%         | 0.9%          | 0.6%          |             |  |

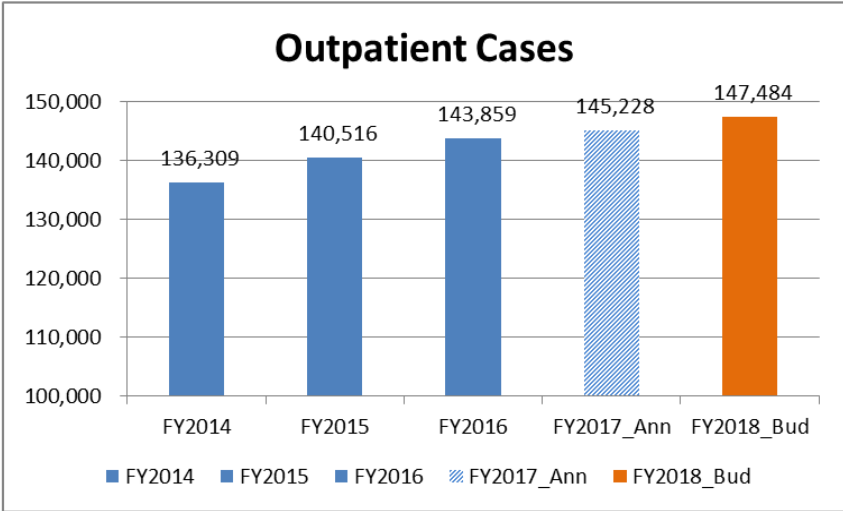
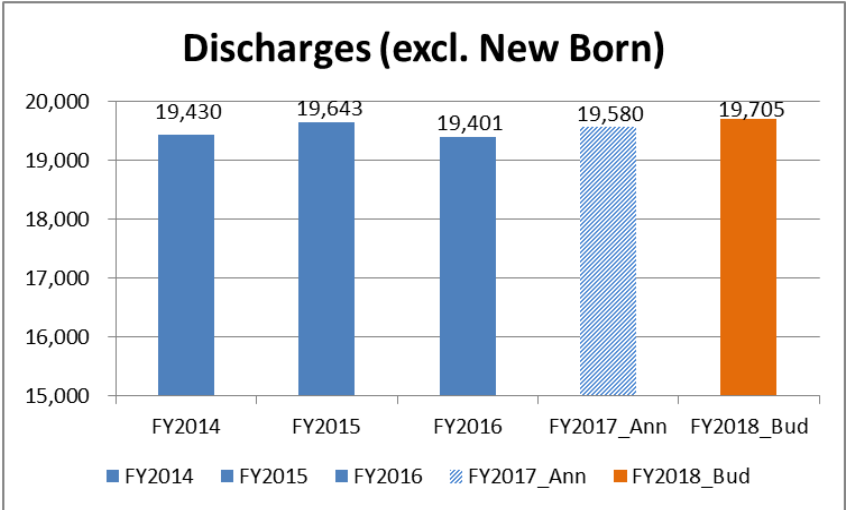
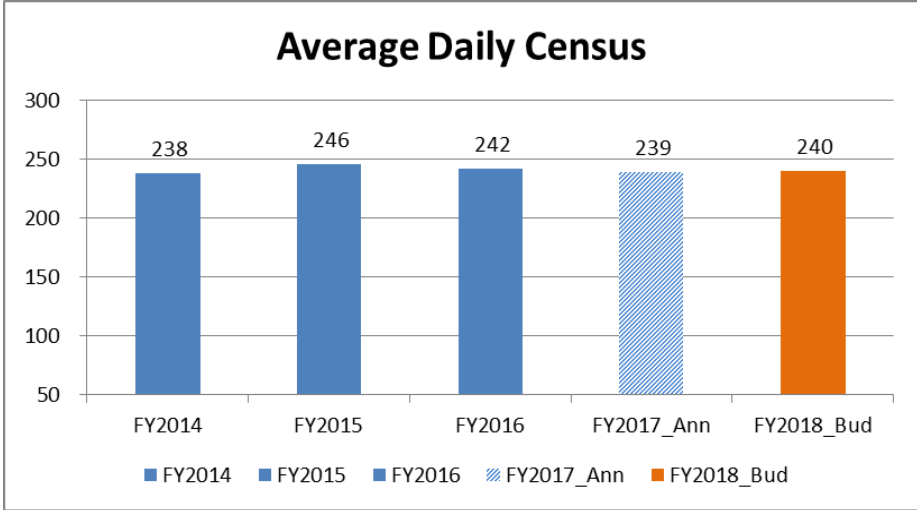


# Volume Assumptions - Outpatient

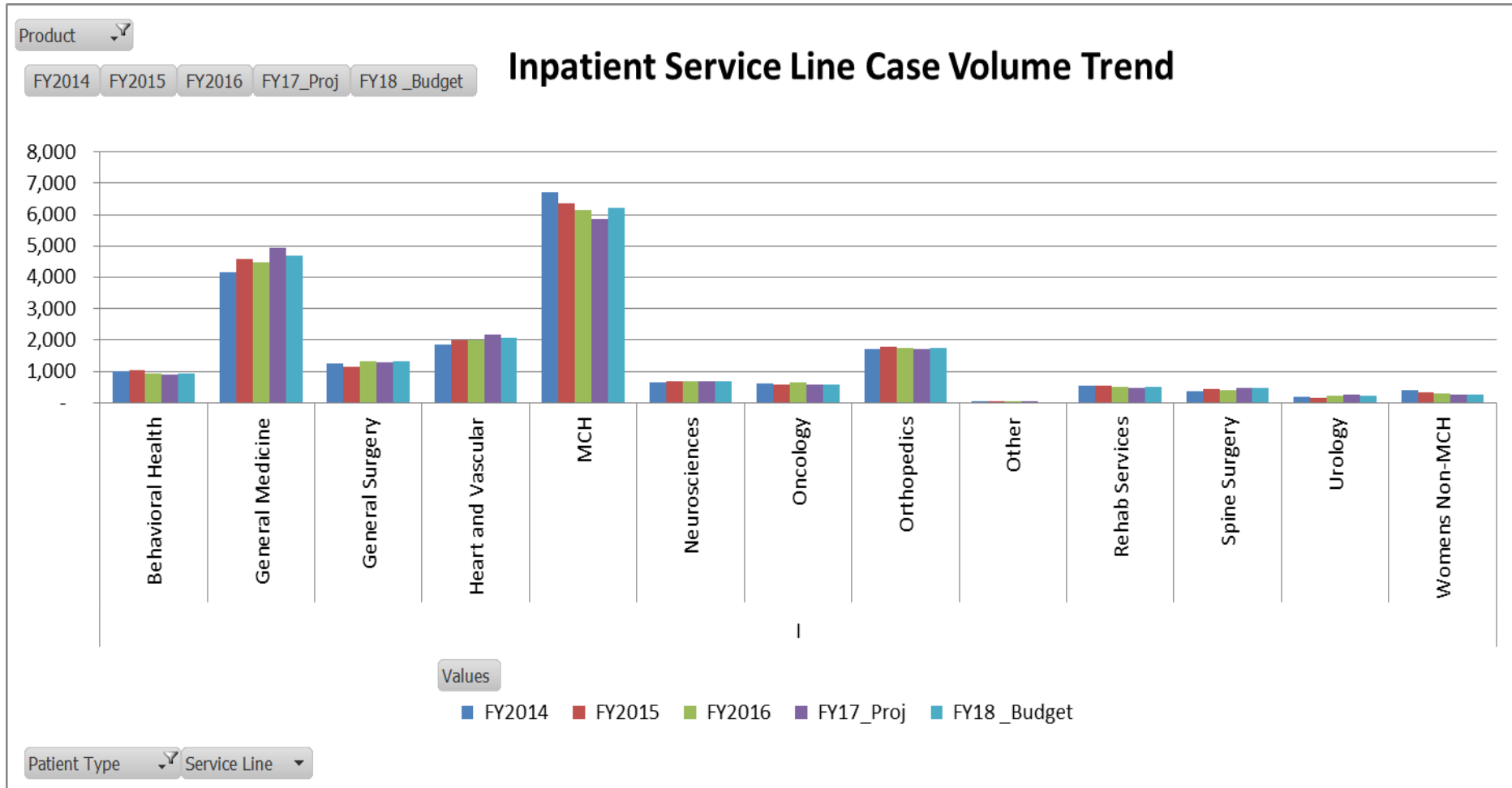
## Service Line Outpatient Volume Trend

| Service Line Volume Trend & FY18 Volume Projection |                |                |                |                |                |             |  |
|--|----------------|----------------|----------------|----------------|----------------|-------------|--|
|  | FY2014         | FY2015         | FY2016         | FY17_Proj      | FY18_Budget    | FY18 Change | Notes  |
| <b>O</b>   | <b>136,309</b> | <b>140,516</b> | <b>143,859</b> | <b>145,228</b> | <b>147,484</b> | <b>1.6%</b> |  |
| Behavioral Health                                  | 2,565          | 2,496          | 2,859          | 3,284          | 3,282          | -0.1%       |  |
| Emergency  | 46,025         | 49,106         | 48,513         | 48,231         | 48,975         | 0.0%        |  |
| General Medicine                                   | 6,656          | 6,735          | 6,877          | 6,257          | 6,504          | 3.9%        | Increase of 10% in Interventional Bronch   |
| General Surgery                                    | 1,785          | 1,866          | 1,857          | 2,051          | 2,049          | -0.1%       |  |
| Heart and Vascular                                 | 3,474          | 3,749          | 4,239          | 4,440          | 4,392          | -1.1%       |  |
| Imaging Services                                   | 19,025         | 19,480         | 17,535         | 17,248         | 17,597         | 2.0%        | Projected increase in mammography volume with the install of Tomo.                                   |
| Laboratory Services                                | 30,413         | 29,488         | 28,810         | 29,165         | 28,741         | -1.5%       |  |
| MCH  | 5,049          | 4,830          | 4,944          | 5,452          | 5,200          | -4.6%       | Less OP OB referrals due to one OB physicians retiring and 1 leaving the area.                       |
| Neurosciences                                      | 132            | 130            | 141            | 149            | 142            | 0.0%        |  |
| Oncology   | 10,462         | 11,673         | 17,251         | 18,348         | 19,438         | 5.9%        | Projected 10% increase in MV Infusion Center and a new LG Infusion Center starting in the 4Q of FY18 |
| Orthopedics  | 883            | 791            | 616            | 669            | 588            | -12.2%      | Lose of OP Orthopedic cases to surrounding ASC   |
| Other  | 656            | 633            | 630            | 599            | 703            | 17.5%       | Other Ancially Services (Dietary Theraypy, IV Therapy, EKG)  |
| Outpatient Clinics                                 | 1,818          | 1,706          | 1,676          | 1,275          | 1,450          | 13.8%       | 2nd Year of Wound Care Operation projection  |
| Rehab Services                                     | 3,878          | 4,223          | 4,372          | 4,396          | 4,326          | -1.6%       |  |
| Sleep Center                                       | 160            | 223            | 498            | 403            | 720            | 78.8%       | Recruit for new Sleep specialty physician, expect a 300 case volume increase in FY18                 |
| Spine Surgery                                      | 293            | 330            | 276            | 288            | 331            | 14.9%       | New Spine Surgeon starting 2nd half of FY18  |
| Urology  | 1,823          | 1,750          | 1,696          | 1,913          | 1,875          | -2.0%       |  |
| Womens Non-MCH                                     | 1,212          | 1,307          | 1,069          | 1,060          | 1,171          | 10.5%       | Part of the General Surgery and Robotic cases increase in LG and population growth.                  |
| <b>Grand Total</b>                                 | <b>136,309</b> | <b>140,516</b> | <b>143,859</b> | <b>145,228</b> | <b>147,484</b> | <b>1.6%</b> |  |
| % Change from PY                                   |                | 3.1%           | 2.4%           | 1.0%           | 1.6%           |             |  |

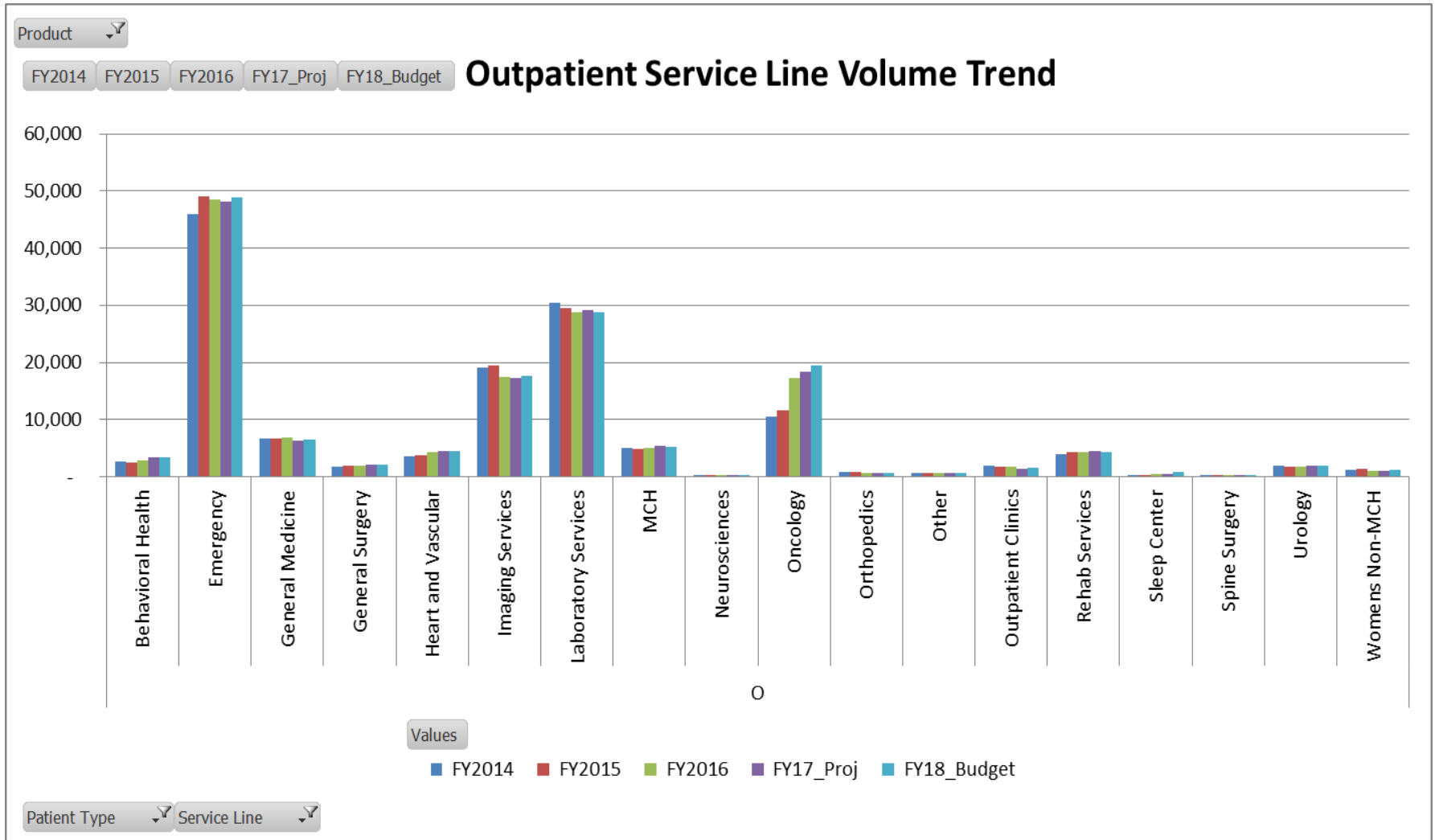
# Key Hospital Volume Statistics Trend



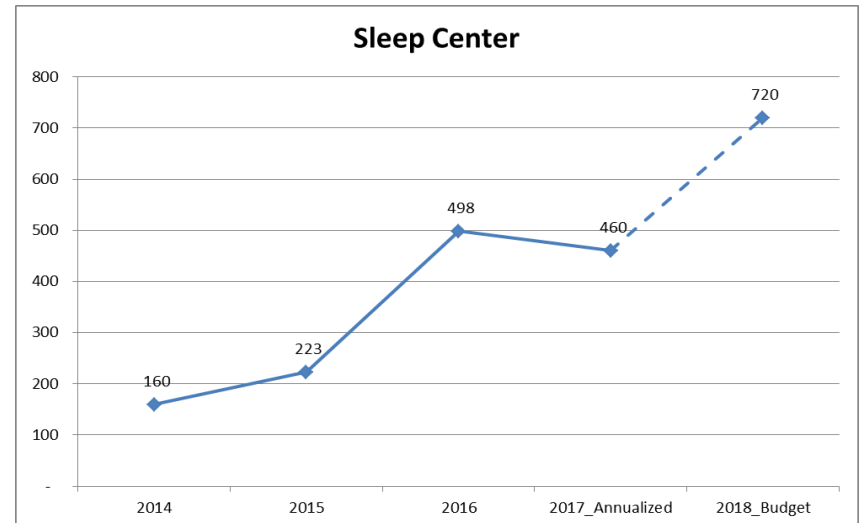
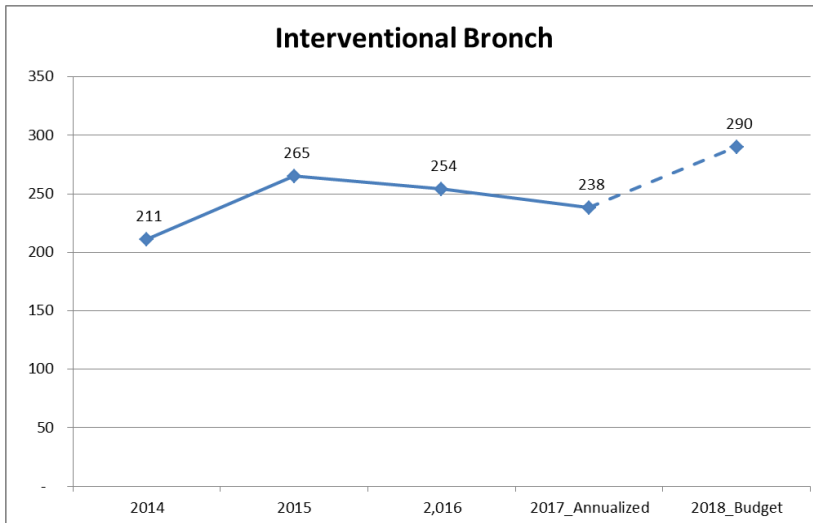
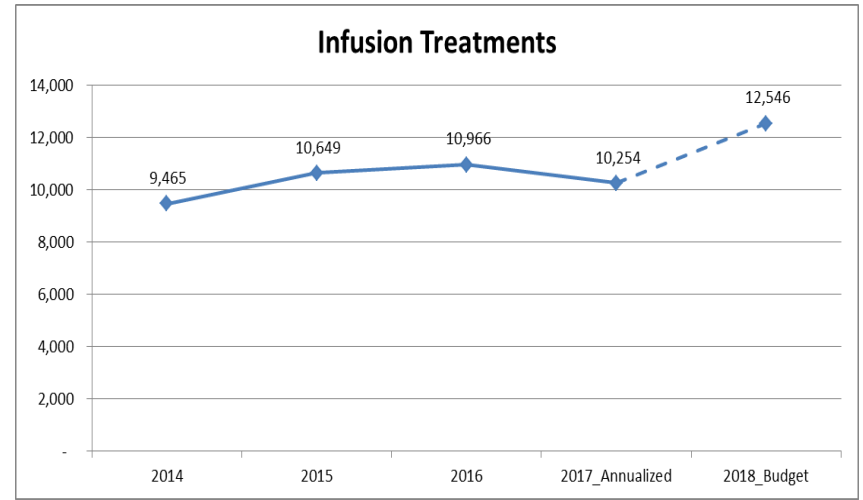
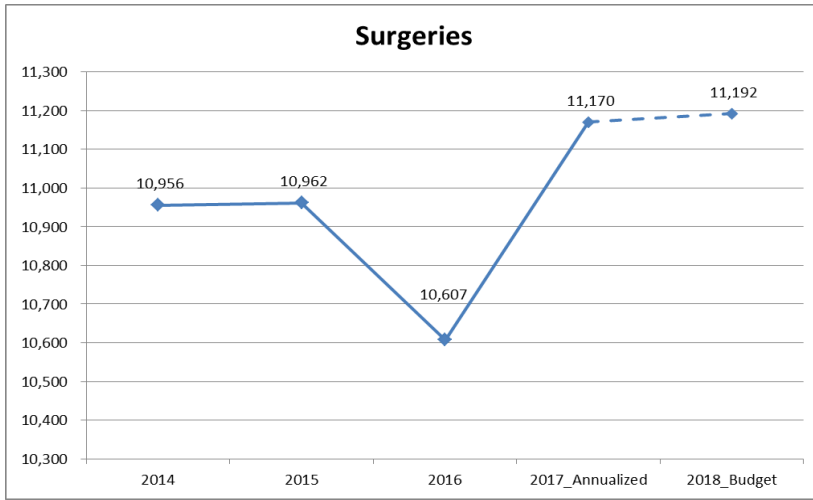
# Inpatient Service Line Volume Trend



# Outpatient Service Line Volume Trend



# Focus Volume Growth – Ancillary & Procedural Areas



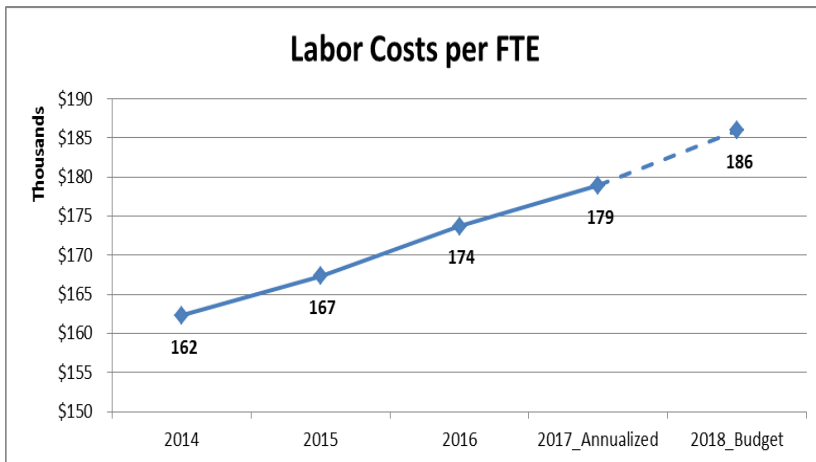
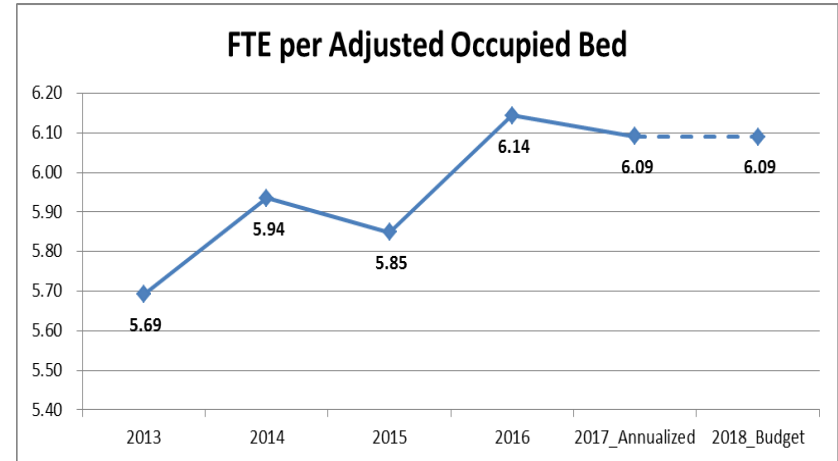
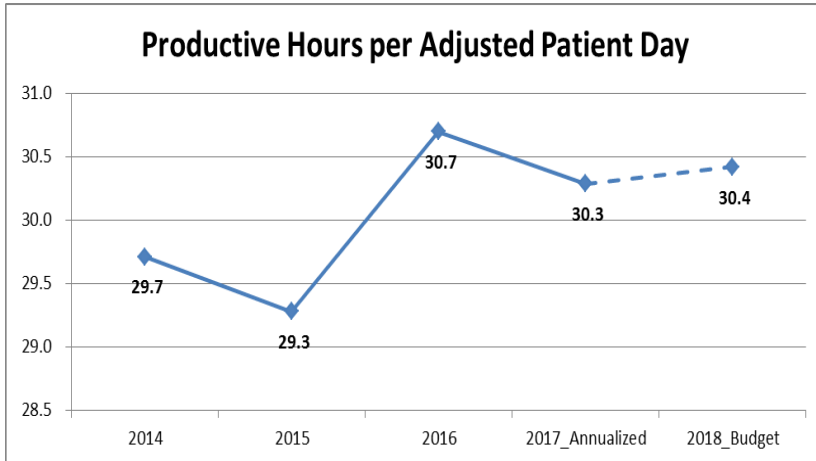
# FY18 Operating Budget Detail Expense Assumptions

# FY18 Budget Overview: Expenses –

## Expense Assumptions

| Category         | Inflation & Other Expense Assumptions  |
|------------------|--|
| Group Health     | Low base in FY17 with 3% inflation resulting an overall reduction comparing to actual FY17 |
| Dental           | 3.0% increase for 2nd half of FY18; 1.5% overall increase in FY18                          |
| Pharmaceutical   | 4.2% inflation on drug cost  |
| Medical Supplies | 1.0% overall inflation   |
| Other            | 2.0% inflation   |

# Key Operational Metrics

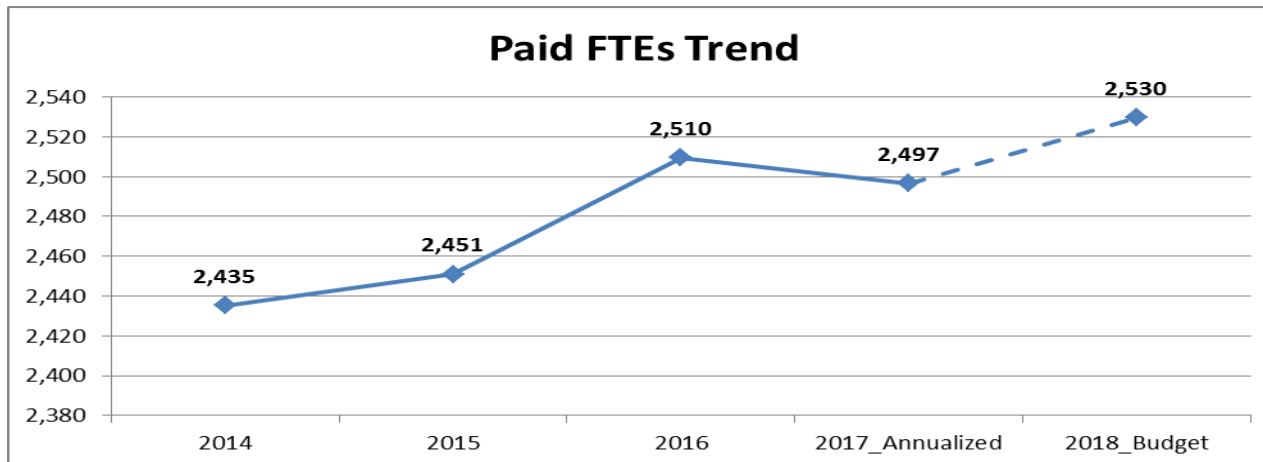


- Productivity remains flat with the support of additional initiatives.
- The 3.9% increase in labor cost is primarily related to salary and benefit rate increase.



# FY18 Budgeted Hospital FTE

| <b>Hospital Paid FTE</b>   |                 |                           |                     |
|--|-----------------|---------------------------|---------------------|
| <b>Starting FTE FY2017 YTD Apr Ann</b>   | <b>2,496.64</b> | <b>Volume/New Program</b> | <b>Productivity</b> |
| LG IFC   | 0.46            | 0.46                      |                     |
| OSA (Sleep Ctr)  | 0.81            | 0.81                      |                     |
| Spine  | 1.66            | 1.66                      |                     |
| LG Robotics 200 cases  | 5.00            | 5.00                      |                     |
| Strategic Workforce  | 6.00            | 6.00                      |                     |
| PSA (Video Monitoring Implementation)  | (3.00)          |                           | (3.00)              |
| ALOS Reduction   | (4.04)          |                           | (4.04)              |
| Other Volume Driven  | 2.97            | 2.97                      |                     |
| Change in Target (Run Rate vs BUD18)   | (4.63)          |                           | (4.63)              |
| Target Reduction (Overhead) Office of COO  | (16.36)         |                           | (16.36)             |
| Budgeted Vacant Position (Overhead):   | 30.37           |                           | 30.37               |
| - IT: 11.3 FTE (backfilled by Purchase Service)  |                 |                           |                     |
| - CMO / Quality Svcs: 11.5 (partially backfilled by PS)  |                 |                           |                     |
| Wound Care   | 2.40            | 2.40                      |                     |
| Approved FTEs:   |                 |                           |                     |
| - CDI Manager; Pharmacy Tech (Stewardship); Compliance Manager; Jr. Attorney; Benefit Specialist | 11.27           |                           | 11.27               |
| <b>Ending Budget FY18 Paid FTE</b>   | <b>2,529.56</b> | <b>19.30</b>              | <b>13.61</b>        |



# High Performance Organization (HPO) Initiatives

| Work Stream                         | Focus Area                       | FY18 Budget      |
|-------------------------------------|----------------------------------|------------------|
| Variation                           | LOS Reduction (750 days)         | 875,000          |
|                                     | Resources Utilization Management | 2,000,000        |
|                                     | Clinical Documentation           | 3,500,000        |
| Workflow and Workforce Optimization |                                  |                  |
|                                     | Productivity Target Reduction    | 1,505,000        |
|                                     | Incidental Overtime Management   | 425,000          |
| Supply Chain                        | Pricing                          | 1,300,000        |
| <b>Total</b>                        |                                  | <b>9,605,000</b> |

# High Performance Organization (HPO) Status Update

| HPO Plan Reporting & Projection      |                                |                     |                         |                     |                             |                    |                             |
|--------------------------------------|--------------------------------|---------------------|-------------------------|---------------------|-----------------------------|--------------------|-----------------------------|
| Work Stream                          | Focus Area                     | Total Identified    | Confirmed Opportunities | FY 2016 Actual      | FY17 Implemented - Achieved | FY18 Budget        | Remaining HPO Opportunities |
| Patient Flow and Capacity Management | SPD                            | \$321,054           | \$183,282               | \$0                 | \$165,543                   |                    | \$17,739                    |
|                                      | <i>Emergency Department</i>    | \$1,612,592         | \$1,612,592             | \$0                 | \$1,580,321                 |                    | \$32,271                    |
|                                      | <i>Periop MV / Endo / Cath</i> | \$1,226,234         | \$576,202               | \$35,000            | \$541,202                   |                    | \$0                         |
|                                      | <i>Periop LG</i>               | \$334,732           | \$288,394               | \$0                 | \$140,006                   |                    | \$148,388                   |
|                                      | <i>Laboratory</i>              | \$1,882,000         | \$1,113,782             | \$82,068            | \$1,031,714                 |                    | \$0                         |
|                                      | <i>Imaging</i>                 | \$451,000           | \$334,200               | \$183,000           | \$151,200                   |                    | \$0                         |
| Variation                            | Level and Duration of Care     | \$2,367,600         | \$2,367,600             | \$1,483,445         | \$529,273                   | \$875,000          | -\$520,118                  |
|                                      | RUM - Blood                    | \$378,000           | \$378,000               | \$46,000            | \$332,000                   |                    | \$0                         |
|                                      | RUM - Inpatient                | \$1,090,417         | \$1,090,417             | \$0                 |                             |                    | \$1,090,417                 |
|                                      | RUM - Other Services           | \$7,926,583         | \$7,926,583             | \$0                 | \$1,000,000                 | \$2,000,000        | \$4,926,583                 |
|                                      | Care Coordination              | \$196,728           | \$201,344               | \$78,919            | \$0                         |                    | \$122,425                   |
|                                      | Quality Cycle Management       | \$0                 |                         | \$0                 |                             |                    | \$0                         |
| Workflow and Workforce Optimization  | Clinical Documentation         | \$3,661,000         | \$4,300,000             | \$0                 | \$1,800,000                 | \$3,500,000        | -\$1,000,000                |
|                                      | Benefits                       | \$4,070,000         | \$900,000               | \$0                 | \$900,000                   |                    | \$0                         |
|                                      | IP Nursing & MCH               | \$6,320,152         | \$1,967,175             |                     | \$376,414                   |                    | \$1,590,761                 |
|                                      | Productivity Improvement       |                     |                         |                     |                             | \$1,505,000        | -\$1,505,000                |
|                                      | Premium Pay                    | \$3,639,194         | \$3,639,194             | \$0                 | \$0                         | \$425,000          | \$3,214,194                 |
|                                      | Span of Control                | \$31,000            | \$0                     | \$0                 | \$0                         |                    | \$0                         |
| Revenue Cycle Enhancement            | Workforce Management           | \$0                 | \$0                     | \$0                 |                             |                    | \$0                         |
|                                      | HIM and Coding                 | \$356,096           | \$356,096               | \$0                 | \$308,000                   |                    | \$48,096                    |
|                                      | Revenue Cycle Staffing         | \$614,788           | \$0                     | \$0                 | \$0                         |                    | \$0                         |
| Supply Chain                         | Revenue Cycle Enhancement*     | \$3,222,000         | \$3,222,000             | \$7,360,000         |                             |                    | -\$4,138,000                |
|                                      | PPI                            | \$2,652,120         | \$2,652,120             | \$1,955,957         |                             |                    | \$696,163                   |
|                                      | Pricing                        | \$0                 | \$0                     | \$0                 |                             | \$1,300,000        | -\$1,300,000                |
|                                      | Rx Best Practices              | \$50,000            | \$0                     | \$0                 |                             |                    | \$0                         |
|                                      | Drugs                          | \$1,844,360         | \$727,312               | \$533,270           | \$194,042                   |                    | \$0                         |
|                                      | Endo-Mechanicals               | \$658,501           | \$658,501               | \$0                 | \$512,000                   |                    | \$146,501                   |
| <b>Total</b>                         |                                | <b>\$44,906,151</b> | <b>\$34,494,794</b>     | <b>\$11,757,659</b> | <b>\$9,561,715</b>          | <b>\$9,605,000</b> | <b>\$3,570,420</b>          |

# Impact of IT Initiatives FY - 17 to FY18

## IT Initiatives for FY18

| Description  | Additional Operating Expense for FY18 | Budgeted Capital Cost FY18 (Adjusted) |
|--|---------------------------------------|---------------------------------------|
| ERP (Enterprise Resource Planning System)                          | 895,500                               | 4,725,500                             |
| IS Baseline: Software, Devices, Network, Server, Storage & Telecom | -                                     | 3,069,650                             |
| PACS, VNA, Universal Viewer Enterprise Imaging IT                  | -                                     | 2,286,400                             |
| iCare Program  | -                                     | 1,922,000                             |
| IS Security Program  | -                                     | 964,500                               |
| Community Connect (Company 91)                                     | 1,802,068                             | 675,000                               |
| <b>Total FY18</b>  | <b>2,697,568</b>                      | <b>13,643,050</b>                     |

# Capital Budget FY18

# FY18 Capital Spending Trend

| Capital Spending (in 000's)            | Actual<br>FY2014 | Actual<br>FY2015 | Actual<br>FY2016 | Projected<br>FY2017 | Budget<br>FY2018 |
|--|------------------|------------------|------------------|---------------------|------------------|
| EPIC                                   | 6,838            | 29,849           | 20,798           | 6,137               | 1,922            |
| IT Hardware / Software Equipment       | 2,788            | 4,660            | 6,483            | 5,391               | 12,238           |
| Medical / Non Medical Equipment*       | 12,891           | 13,340           | 17,133           | 18,185              | 5,635            |
| Non CIP Land, Land I , BLDG, Additions | 22,292           | -                | 4,189            | -                   | -                |
| Facilities                             | 13,753           | 38,940           | 48,137           | 170,763             | 211,886          |
| <b>GRAND TOTAL</b>                     | <b>58,561</b>    | <b>86,789</b>    | <b>96,740</b>    | <b>200,476</b>      | <b>231,681</b>   |

\*Includes 2 robot purchases in projected FY 2017 & FY16 Medical/Non Medical Equipment spent in FY17

# FY18 IT / Imaging Capital Request (in 000s)

| FY18 IT & Imaging Requested Capital                | FY18 Budgeted Commitment | FY18 Budgeted Spend |
|--|--------------------------|---------------------|
| iCare Program (EPIC)                               | 1,922                    | 1,922               |
| <b>EPIC Total</b>                                  | <b>1,922</b>             | <b>1,922</b>        |
| ERP  | 4,725                    | 4,725               |
| PACS, VNA, Universal Viewer Enterprise Imaging IT  | 2,286                    | 2,286               |
| IS Security Program                                | 965                      | 965                 |
| IS Baseline: Storage - Baseline Primary & Backup S | 882                      | 882                 |
| IS Baseline: Network - Baseline Replacement & Main | 771                      | 771                 |
| IS Baseline: Server - Baseline Replacement & Main  | 717                      | 717                 |
| Community Connect (Company 91)                     | 675                      | 675                 |
| Convert all CR equipments to DR                    | 357                      | 357                 |
| IS Baseline: Software Upgrades: Existing Software  | 250                      | 250                 |
| IS Baseline: Devices - Baseline Deviec Replacement | 250                      | 250                 |
| All Other*   | 361                      | 361                 |
| <b>IT Hardware/Software Equipment/Imaging</b>      | <b>12,238</b>            | <b>12,238</b>       |

Capital over \$250k itemized  
 \*All Other includes all items less than \$250k

# FY18 Equipment Capital Request

(in 000s)

| FY18 Medical / Non Medical Equipment Requested Capital     | FY18 Budgeted Spend |
|--|---------------------|
| Centralized ECG Monitoring                                 | 1,300               |
| Siemens CT scanner   | 600                 |
| ARIA Optimization Solution                                 | 600                 |
| Navigation Unit (Electromagnetic Navigational Bronch Unit) | 300                 |
| All Other*   | 2,835               |
| <b>Total</b>   | <b>5,635</b>        |



# FY18 Facility Project Request with Details

## (in 000s) 1 of 2

|  | FY18<br>Budgeted<br>Commitment | FY18<br>Budgeted<br>Spend |
|--|--------------------------------|---------------------------|
| <b>Mountain View Campus Master Plan Projects</b>   |                                |                           |
| BHS Replacement                                    | \$0 **                         | \$51,400                  |
| North Dr Parking Structure Expansion               | \$0 **                         | \$3,354                   |
| Integrated Medical Office Building                 | \$0 **                         | \$130,100                 |
| CUP Upgrades                                       | \$0 **                         | \$4,032                   |
| Womens Hosp Expansion                              | \$6,000 **                     | \$7,000                   |
| <b>Sub-Total Mountain View Campus Master Plan</b>  | <b>\$6,000</b>                 | <b>\$195,886</b>          |
| <b>Mountain View Capital Projects</b>              |                                |                           |
| New Main Lab Upgrades                              | \$0 *                          | \$500                     |
| ED Remodel Triage / Psych Observation              | \$0 *                          | \$1,000                   |
| Willow Pavilion FA Sys and Equip Upgrades          | \$800                          | \$700                     |
| Facilities Planning Allowance                      | \$600                          | \$0                       |
| Site Signage & Other Improvements                  | \$1,000                        | \$100                     |
| IR Room #6 Development                             | \$0 *                          | \$2,000                   |
| JW House (Patient Family Residence)                | \$2,500                        | \$0                       |
| Nurse Call System Upgrades                         | \$2,400                        | \$0                       |
| Imaging Equipment Replacement (Imaging Dept. Only) | \$20,700                       | \$0                       |
| IR / Cath Lab Equipment Replacement (5 or 6 Rooms) | \$19,400                       | \$0                       |
| ED Remodel / CT - Triage - Other                   | \$5,000                        | \$0                       |
| MV Equipment & Infrastructure Upgrades (18)        | \$600                          | \$0                       |
| Various Relocation Projects                        | \$800                          | \$0                       |
| Flooring Replacement                               | \$1,600                        | \$0                       |
| <b>Sub-Total Mountain View Projects</b>            | <b>\$55,400</b>                | <b>\$4,300</b>            |

\*Board approved from prior years  
 \*\* Board approved, partially funded from prior years

# FY18 Facility Project Request with Details

## (in 000s) 2 of 2

|  | FY18<br>Budgeted<br>Commitment | FY18<br>Budgeted<br>Spend |
|--|--------------------------------|---------------------------|
| <b>Los Gatos Capital Projects</b>                          |                                |                           |
| LG Imaging Phase II (CT & Gen Rad) & Sterile Processing    | \$0 **                         | \$700                     |
| LG Upgrades - Major  | \$0 **                         | \$5,000                   |
| LG Rehab Building Upgrades                                 | \$0 **                         | \$500                     |
| LG IR Upgrades   | \$1,100                        | \$0                       |
| LG Facilities Planning                                     | \$800                          | \$0                       |
| LG MOB Improvements (17)                                   | \$0 *                          | \$3,500                   |
| LG Nurse Call System Replacement (M/S, Ortho, Women's, ED) | \$2,800                        | \$0                       |
| LG OPS Expansion & Physician Lounge                        | \$850                          | \$0                       |
| LG Observation Unit (Conversion of ICU 2)                  | \$1,800                        | \$0                       |
| LG Security System   | \$460                          | \$0                       |
| LG Pharmacy USP800 Upgrades                                | \$400                          | \$0                       |
| LG Men's Health Clinic TI's                                | \$450                          | \$0                       |
| LG Cancer Center   | \$1,900                        | \$0                       |
| <b>Sub-Total Los Gatos Projects</b>                        | <b>\$10,560</b>                | <b>\$9,700</b>            |
| <b>Other Strategic Capital Projects</b>                    |                                |                           |
| Primary Care Clinic (TI's Only)                            | \$0 *                          | \$2,000                   |
| Urgent Care Clinics (Tis Only)                             | \$3,800                        | \$0                       |
| New 28K MOB (Courthouse Prop)                              | \$22,400                       | \$0                       |
| <b>Sub-Total Other Strategic Capital Projects</b>          | <b>\$26,200</b>                | <b>\$2,000</b>            |
| <b>Grand Total Facilities Projects</b>                     | <b>\$98,160</b>                | <b>\$211,886</b>          |

\*Board approved from prior years

\*\*Board approved, partially funded from prior years

# Board Designated Community Benefit Endowment Fund

- In FY16, the Board established an endowment to provide investment income to fund community benefit.
- We agreed to evaluate whether the fund should be increased during the annual budget cycle.
- Recommendation
  - Endowment funding evaluation in FY17 Q3 determined the budgeted amount for FY18 Community Benefit to be \$500k.
  - Increase community benefit endowment fund by \$5 million – 50% increase over the amount established in 2016.

|                   | <u>FY14</u> | <u>FY15</u> | <u>FY16</u> | <u>FY17 Ann</u> | <u>FY18 Bud</u> |
|-------------------|-------------|-------------|-------------|-----------------|-----------------|
| Community Benefit | (1,477,050) | (2,397,226) | (2,716,041) | (3,586,367)     | (3,400,000)     |

# Appendix

# CONCERN – FY18 Budget Financial

| CONCERN (\$ in thousands)          |                  |                      |                  |                                       |               |
|------------------------------------|------------------|----------------------|------------------|---------------------------------------|---------------|
|                                    | FY2016<br>Actual | FY2017<br>Annualized | FY2018<br>Budget | Change<br>Favorable/<br>(Unfavorable) | % Change      |
| <b>REVENUES</b>                    |                  |                      |                  |                                       |               |
| Other Operating Revenue            | 15,755           | 16,604               | 18,090           | 1,486                                 | 9.0%          |
| Total Net Revenue                  | 15,755           | 16,604               | 18,090           | 1,486                                 | 9.0%          |
| <b>EXPENSES</b>                    |                  |                      |                  |                                       |               |
| Salaries & Benefits                | 5,754            | 5,283                | 5,694            | (411)                                 | -7.2%         |
| Supplies & Other Expenses          | 8,721            | 9,620                | 11,432           | (1,813)                               | -15.9%        |
| Interest                           | -                | -                    | -                | -                                     | 0.0%          |
| Depreciation/Amortization          | 42               | 29                   | 31               | (1)                                   | -3.7%         |
| TOTAL EXPENSES                     | 14,518           | 14,932               | 17,157           | (2,225)                               | -13.0%        |
| <b>OPERATING INCOME</b>            | <b>1,238</b>     | <b>1,672</b>         | <b>934</b>       | <b>(738)</b>                          | <b>79.1%</b>  |
| Non Operating Income               | 585              | (43)                 | 497              | 539                                   |               |
| <b>NET INCOME</b>                  | <b>1,823</b>     | <b>1,629</b>         | <b>1,430</b>     | <b>(199)</b>                          | <b>-12.2%</b> |
| <i>Operating EBIDA</i>             | <i>1,280</i>     | <i>1,701</i>         | <i>964</i>       | <i>(737)</i>                          | <i>-43.3%</i> |
| <i>EBIDA Margin Percentage</i>     | <i>8.1%</i>      | <i>10.2%</i>         | <i>5.3%</i>      | <i>-4.9%</i>                          | <i>-48.0%</i> |
| <i>Operating Margin Percentage</i> | <i>7.9%</i>      | <i>10.1%</i>         | <i>5.2%</i>      | <i>-4.9%</i>                          | <i>-48.7%</i> |

# CONCERN Commentary

## CONCERN Initiatives:

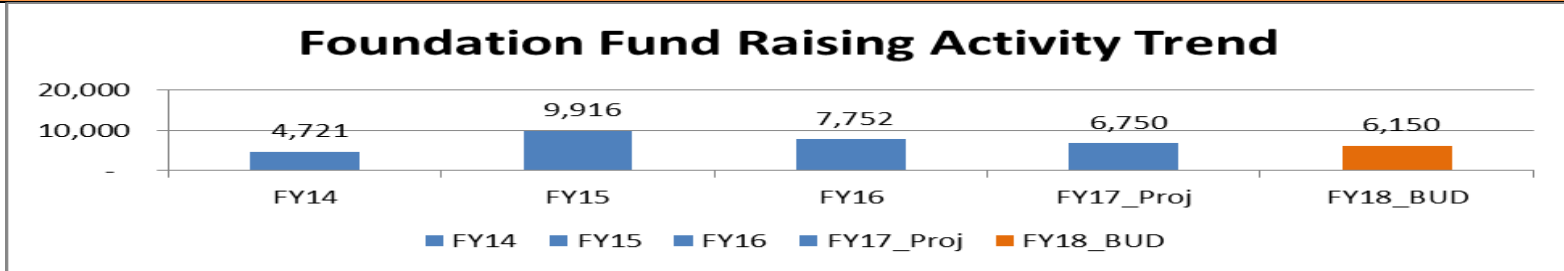
- Implement our Technology Roadmap required by our largest tech customers
  - Video Counseling
  - Texting for service requests
  - Company specific online portal
  - Digital therapeutics including online interventions for depression and anxiety
- Implement Phase II of EAPExpert CRM Platform to streamline claims payment, clinical documentation and employer customized reporting
- Increase the size of the provider network nationally by 10%
- Become licensed/certified in 6 states as required by the DMHC

## Margin

- Margin remains healthy but is declining due to price competition from national insurance companies and industry wide increase in utilization

# Foundation - FY18 Budget Financial

| FOUNDATION (\$ in thousands) |                  |                      |                  |                                       |             |
|------------------------------|------------------|----------------------|------------------|---------------------------------------|-------------|
|                              | FY2016<br>Actual | FY2017<br>Annualized | FY2018<br>Budget | Change<br>Favorable/<br>(Unfavorable) | % Change    |
| <b>REVENUES</b>              |                  |                      |                  |                                       |             |
| Other Operating Revenue      | -                | -                    | -                | -                                     | \$0         |
| Total Net Revenue            | -                | -                    | -                | -                                     | 0%          |
| <b>EXPENSES</b>              |                  |                      |                  |                                       |             |
| Salaries & Benefits          | 1,430            | 1,579                | 1,686            | (107)                                 | -6%         |
| Supplies & Other Expenses    | 1,489            | 1,228                | 1,667            | (438)                                 | -26%        |
| Interest                     | -                | -                    | -                | -                                     | 0%          |
| Depreciation/Amortization    | 13               | 13                   | 13               | -                                     | 0%          |
| TOTAL EXPENSES               | 2,933            | 2,821                | 3,366            | (545)                                 | -16%        |
| <b>OPERATING INCOME</b>      | <b>(2,933)</b>   | <b>(2,821)</b>       | <b>(3,366)</b>   | <b>(545)</b>                          | <b>-16%</b> |
| Non Operating Income         | 3,915            | 5,388                | 4,102            | (1,286)                               |             |
| <b>NET INCOME</b>            | <b>982</b>       | <b>2,568</b>         | <b>737</b>       | <b>(1,831)</b>                        | <b>-71%</b> |
| <i>Operating EBIDA</i>       | <i>(2,920)</i>   | <i>(2,807)</i>       | <i>(3,352)</i>   | <i>(545)</i>                          | 19%         |



FY 18 fundraising goal is low pending organizational strategic plan

# SVMD – FY18 Budget Financial

| SVMD (\$ in thousands)             |                  |                      |                  |                                       |               |
|------------------------------------|------------------|----------------------|------------------|---------------------------------------|---------------|
|                                    | FY2016<br>Actual | FY2017<br>Annualized | FY2018<br>Budget | Change<br>Favorable/<br>(Unfavorable) | % Change      |
| <b>REVENUES</b>                    |                  |                      |                  |                                       |               |
| Net Patient Service Revenue        | 153              | 377                  | 3,723            | 3,346                                 | 100%          |
| Othe Operating Revenue             | -                | -                    | 102              | 102                                   |               |
| Total Net Revenue                  | 153              | 377                  | 3,826            | 3,346                                 | 0%            |
| <b>EXPENSES</b>                    |                  |                      |                  |                                       |               |
| Salaries & Benefits                | 85               | 348                  | 3,681            | (3,333)                               | -91%          |
| Supplies & Other Expenses          | 162              | 519                  | 5,235            | (4,716)                               | -90%          |
| Interest                           | -                | -                    | -                | -                                     | 0%            |
| Depreciation/Amortization          | -                | 2                    | 331              | (329)                                 | 0%            |
| TOTAL EXPENSES                     | 247              | 869                  | 9,247            | (8,378)                               | -91%          |
| <b>OPERATING INCOME</b>            | <b>(94)</b>      | <b>(491)</b>         | <b>(5,421)</b>   | <b>(4,930)</b>                        | <b>-91%</b>   |
| Non Operating Income               | 250              | 600                  | 3,735            | 3,135                                 |               |
| <b>NET INCOME</b>                  | <b>156</b>       | <b>109</b>           | <b>(1,686)</b>   | <b>(1,795)</b>                        | <b>-1653%</b> |
| <i>Operating EBIDA</i>             | <i>(94)</i>      | <i>(489)</i>         | <i>(5,090)</i>   | <i>(4,601)</i>                        | 940%          |
| <i>EBIDA Margin Percentage</i>     | <i>-61.6%</i>    | <i>-129.8%</i>       | <i>-133.1%</i>   | <i>-3.3%</i>                          | 2.5%          |
| <i>Operating Margin Percentage</i> | <i>-61.6%</i>    | <i>-130.3%</i>       | <i>-141.7%</i>   | <i>-11.4%</i>                         | 8.8%          |



# SVMD – Primary Care Clinic

- Primary care physicians: Recruit 11 MDs (5 starting Oct and 6 starting Jan); total of 7.68 FTEs by end of the year.
- Specialists: Recruit 4 MDs (starting Jan); total of 2 FTEs by end of the year.

| Primary Care Clinic                                |                      |
|--|----------------------|
|  | Total                |
| <b>REVENUES</b>                                    |                      |
| Net Patient Service Revenue                        | 3,723,065            |
| Total Net Revenue                                  | 3,723,065            |
| <b>EXPENSES</b>                                    |                      |
| Salaries & Benefits                                | 3,415,750            |
| Supplies   | 123,573              |
| Purchased Services                                 | 2,090,901            |
| Facility Expenses*                                 | 494,306              |
| Other General and Administrative                   | 91,845               |
| Depreciation                                       | 2,753                |
| TOTAL EXPENSES                                     | 6,219,128            |
| <b>OPERATING INCOME</b>                            | <b>(\$2,496,063)</b> |
| <b>TOTAL FTEs</b>                                  |                      |
|  | <b>9.68</b>          |
| <i>Loss per MD FTE</i>                             | <i>(\$257,783)</i>   |
| <b>Primary Care Clinic Administration Expenses</b> | <b>1,238,667</b>     |

\*Facility Expenses: Lease/Repairs & Maintenance/Utilities

# Non-Operating Revenue Detail

| Non-Operating Revenue/<Expense> Detail (\$ in thousands) |                  |                      |                  |                                       |             |
|--|------------------|----------------------|------------------|---------------------------------------|-------------|
|  | FY2016<br>Actual | FY2017<br>Annualized | FY2018<br>Budget | Change<br>Favorable/<br>(Unfavorable) | % Change    |
| <b>Non Operating Revenue Detail</b>                      |                  |                      |                  |                                       |             |
| Investments  | (1,710)          | 59,376               | 18,100           | (41,277)                              | -69.5%      |
| Swap Adjustments   | (3,214)          | 4,537                | -                | (4,537)                               | -100.0%     |
| Bond Amortization  | 1,611            | 266                  | 70               | (196)                                 | -73.7%      |
| Community Benefit  | (2,716)          | (3,586)              | (3,400)          | 186                                   | -5.2%       |
| Support for Foundation                                   | (1,783)          | (1,783)              | (1,783)          | -                                     | 0.0%        |
| Support for SVMD   | (213)            | (459)                | (5,380)          | (4,921)                               | 1072.8%     |
| Investment in Satellite Dialysis                         | (434)            | (573)                | (425)            | 148                                   | -25.9%      |
| Gain/<Loss> on Community Connect                         | -                | -                    | -                | -                                     |             |
| Gain/<Loss> on Pathways                                  | 143              | 1,471                | 500              | (971)                                 | -66.0%      |
| Other  | (1,254)          | (2,936)              | (3,292)          | (355)                                 | 12.1%       |
|  | <b>(9,570)</b>   | <b>56,313</b>        | <b>4,390</b>     | <b>(51,923)</b>                       | <b>-92%</b> |

# ATTACHMENT 5

## ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

|  |  |
|--|--|
| <b>Item:</b>   | Report on ECH and ECHD Board Actions<br>Finance Committee<br>July 31, 2017   |
| <b>Responsible party:</b>  | Cindy Murphy, Director of Governance Services  |
| <b>Action requested:</b>   | For Information  |
| <b>Background:</b>   | In FY16, we added this item to each Board Committee agenda to keep Committee members informed about Board actions via a verbal report by the Committee Chair. This written report is intended to supplement the Chair's verbal report. |
| <b>Other Board Advisory Committees that reviewed the issue and recommendation, if any:</b> | None.  |
| <b>Summary and session objectives :</b>  | To inform the Committee about recent Board actions.  |
| <b>Suggested discussion questions:</b>   | None.  |
| <b>Proposed Committee motion, if any:</b>  | None. This is an informational item.   |
| <b>LIST OF ATTACHMENTS:</b>  | <ol style="list-style-type: none"> <li>1. Report on ECH and ECHD June 2017 Board Actions</li> </ol>  |

### **June 2017 ECH Board Actions\***

1. June 14, 2017
  - a. Approved the FY17 Period 10 Financials
  - b. Approved the FY18 Operating and Capital Budget
  - c. Approved the FY 18 Community Benefit Plan awarding approximately \$3.2 million in grants and sponsorships.
  - d. Approved the FY18 CEO and Executive Salary Ranges
  - e. Approved recommended revisions to the Executive Benefits Design Plan increasing Long-Term Disability Benefits
  - f. Approved Funding for the Xi Da Vinci Robot, 828 Winchester Tenant Improvements, Los Gatos MRI Replacement, and Initial Development Steps for Patient Family Residence
  - g. Approved FY18 Board Committee Appointments and Re-Appointments
  - h. Approved FY18 Advisory Committee Goals
  - i. Approved Recommended Revisions to the Physician Financial Arrangements Review and Approval Policy authorizing the CEO to execute certain agreements not to exceed \$1 million.
  - j. Approved the FY18 Organizational Goals
  - k. Approved the Management of Serious Events and Red Alert Patient safety Policy
  - l. Approved Employment of Dan Woods as El Camino Hospital's CEO.
  
2. June 28, 2017
  - a. Approved the El Camino Hospital Strategic Framework.
  - b. Adopted a Resolution acknowledging Neal Cohen's 5 years of service on the Hospital Board.

### **June 2017 ECHD Board Actions\***

1. June 14, 2017
  - a. Approved the Selection of Dan Woods as El Camino Hospital's CEO.
  
2. June 20, 2017
  - a. Approved the FY18 El Camino Hospital Capital and Operating Budget
  - b. Approved the FY18 Community Benefit program awarding approximately \$7 million in grants and sponsorships
  - c. Elected Board Officers:
    - i. Chair – Peter C. Fung, MD
    - ii. Vice Chair – Julia Miller
    - iii. Secretary/Treasurer – John Zoglin
  - d. Voted to fill the vacancy on the ECHD Board created by Dennis Chiu's resignation by appointment at a meeting scheduled for August 16, 2017.
  - e. Elected John Zoglin and Dave Reeder to serve on an Ad hoc Committee that will make recommendations to the District Board regarding selection of ECH Board Members.

\*This list is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.

Christina Lai, a member of the Hospital's Governance Committee, will serve as Advisor to the Committee.

3. June 28, 2017

- a. Approved the El Camino Hospital Strategic Framework.
- b. Adopted a Resolution acknowledging Dennis Chiu's nearly 5 years of service on the District and Hospital Boards.
- c. Approved a revision to the El Camino Hospital Bylaws expanding the Board to 10 seats, but removing the CEO as a voting member of the Board.

\*This list is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.

# ATTACHMENT 6



**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2017 – Period 12

7/1/2016 to 6/30/2017



|   | Annual  |         |               |                    | Month   |         |            | YTD     |         |            |
|---|---------|---------|---------------|--------------------|---------|---------|------------|---------|---------|------------|
|   | 2015    | 2016    | 2017<br>Proj. | 2017<br>Bud/Target | PY      | CY      | Bud/Target | PY      | CY      | Bud/Target |
| <b>Volume</b>                           |         |         |               |                    |         |         |            |         |         |            |
| Licensed Beds                           | 443     | 443     | 443           | 443                | 443     | 443     | 443        | 443     | 443     | 443        |
| ADC                                     | 246     | 242     | 239           | 245                | 248     | 245     | 242        | 243     | 239     | 245        |
| Adjusted Discharges                     | 22,342  | 22,499  | 23,446        | 22,992             | 1,723   | 2,057   | 1,845      | 21,960  | 23,446  | 22,993     |
| Total Discharges                        | 19,637  | 19,367  | 19,646        | 19,781             | 1,548   | 1,680   | 1,583      | 19,169  | 19,660  | 19,790     |
| <b>Inpatient Cases</b>                  |         |         |               |                    |         |         |            |         |         |            |
| MS Discharges                           | 13,114  | 13,344  | 13,616        | 13,499             | 1,020   | 1,175   | 1,080      | 13,024  | 13,616  | 13,500     |
| Deliveries                              | 5,067   | 4,717   | 4,660         | 4,810              | 401     | 388     | 385        | 4,717   | 4,660   | 4,810      |
| BHS                                     | 901     | 806     | 909           | 901                | 79      | 77      | 73         | 928     | 923     | 910        |
| Rehab                                   | 555     | 500     | 461           | 570                | 48      | 40      | 46         | 500     | 461     | 570        |
| <b>Outpatient Cases</b>                 |         |         |               |                    |         |         |            |         |         |            |
| ED                                      | 128,110 | 139,935 | 145,927       | 147,053            | 11,755  | 12,461  | 11,459     | 139,926 | 145,927 | 143,255    |
| Procedural Cases                        | 49,106  | 48,609  | 48,648        | 51,258             | 4,135   | 4,070   | 4,087      | 44,764  | 48,648  | 51,095     |
| OP Surg                                 | 6,488   | 6,070   | 6,666         | 6,427              | 535     | 542     | 497        | 6,076   | 6,666   | 6,211      |
| Endo                                    | 2,520   | 2,324   | 2,159         | 2,479              | 184     | 197     | 190        | 2,324   | 2,159   | 2,378      |
| Interventional                          | 1,998   | 2,021   | 1,963         | 2,323              | 165     | 112     | 182        | 2,023   | 1,963   | 2,281      |
| All Other                               | 67,998  | 80,911  | 86,491        | 84,566             | 6,736   | 7,540   | 6,503      | 84,739  | 86,491  | 81,290     |
| <b>Financial Perf.</b>                  |         |         |               |                    |         |         |            |         |         |            |
| Net Patient Revenues                    | 746,645 | 772,020 | 832,279       | 789,585            | 73,165  | 87,372  | 64,432     | 772,020 | 832,279 | 789,585    |
| Total Operating Revenue                 | 767,751 | 795,657 | 858,363       | 814,645            | 76,986  | 89,212  | 66,519     | 795,657 | 858,363 | 814,645    |
| Operating Expenses                      | 689,631 | 743,044 | 752,786       | 764,828            | 65,534  | 71,600  | 62,775     | 743,044 | 752,786 | 756,360    |
| Operating Income \$                     | 78,120  | 52,613  | 105,578       | 49,817             | 11,451  | 17,612  | 3,743      | 52,613  | 105,578 | 58,285     |
| Operating Margin                        | 10.2%   | 6.6%    | 12.3%         | 6.1%               | 14.9%   | 19.7%   | 5.6%       | 6.6%    | 12.3%   | 7.2%       |
| EBITDA \$                               | 128,002 | 108,554 | 157,631       | 109,890            | 17,319  | 21,766  | 8,560      | 108,554 | 157,631 | 116,511    |
| EBITDA %                                | 16.7%   | 13.6%   | 18.4%         | 13.5%              | 22.5%   | 24.4%   | 12.9%      | 13.6%   | 18.4%   | 14.3%      |
| IP Margin <sup>1</sup>                  | -3.9%   | -8.7%   | -4.7%         | -6.1%              | -6.3%   | 7.3%    | -6.1%      | -9.4%   | -4.7%   | -6.1%      |
| OP Margin <sup>1</sup>                  | 26.7%   | 26.7%   | 34.0%         | 26.4%              | 26.3%   | 33.3%   | 26.4%      | 25.3%   | 34.0%   | 26.4%      |
| <b>Payor Mix</b>                        |         |         |               |                    |         |         |            |         |         |            |
| Medicare                                | 46.2%   | 46.6%   | 47.7%         | 46.4%              | 46.1%   | 47.7%   | 46.4%      | 46.6%   | 47.7%   | 46.4%      |
| Medi-Cal                                | 6.6%    | 7.4%    | 7.3%          | 6.5%               | 8.4%    | 7.0%    | 6.5%       | 7.4%    | 7.3%    | 6.5%       |
| Commercial IP                           | 24.2%   | 23.2%   | 22.3%         | 24.0%              | 23.9%   | 22.4%   | 24.0%      | 24.0%   | 22.3%   | 24.0%      |
| Commercial OP                           | 18.7%   | 18.7%   | 20.2%         | 19.0%              | 19.0%   | 20.6%   | 19.0%      | 19.3%   | 20.2%   | 19.0%      |
| Total Commercial                        | 42.9%   | 41.9%   | 42.5%         | 43.0%              | 42.8%   | 43.0%   | 43.0%      | 43.3%   | 42.5%   | 43.0%      |
| Other                                   | 4.3%    | 4.1%    | 2.5%          | 4.1%               | 2.6%    | 2.4%    | 4.1%       | 2.8%    | 2.5%    | 4.1%       |
| <b>Cost</b>                             |         |         |               |                    |         |         |            |         |         |            |
| Employees                               | 2,452.4 | 2,542.8 | 2,510.0       | 2,549.8            | 2,524.2 | 2,585.3 | 2,527.8    | 2,584.9 | 2,510.0 | 2,549.8    |
| Hrs/APD                                 | 30.5    | 30.4    | 30.3          | 30.6               | 29.8    | 30.1    | 30.6       | 29.2    | 30.3    | 30.6       |
| <b>Balance Sheet</b>                    |         |         |               |                    |         |         |            |         |         |            |
| Net Days in AR                          | 43.6    | 53.7    | 44.8          | 48.0               | 53.7    | 44.8    | 48.0       | 53.7    | 44.8    | 48.0       |
| Days Cash                               | 401     | 361     | 444           | 266                | 361     | 444     | 266        | 361     | 444     | 266        |
| <b>Affiliates - Net Income (\$000s)</b> |         |         |               |                    |         |         |            |         |         |            |
| Hosp                                    | 94,787  | 43,043  | 246,038       | 67,032             | 14,336  | 19,942  | 4,472      | 43,043  | 164,026 | 67,032     |
| Concern                                 | 1,202   | 1,823   | 2,087         | 2,604              | (114)   | 142     | 233        | 1,823   | 1,391   | 2,604      |
| ECSC                                    | (41)    | (282)   | (158)         | 0                  | 29      | (14)    | 0          | (282)   | (105)   | 0          |
| Foundation                              | 710     | 982     | 3,645         | (450)              | 62      | 253     | 27         | 982     | 2,430   | (450)      |
| SVMD                                    | 106     | 156     | 293           | 0                  | 68      | 190     | 1          | 156     | 195     | 0          |

**Volume**

- Very strong volume in June. Combined volume, measured in adjusted discharges, was 11.5% higher than budget and 19% higher than prior year.
- For the year, combined volume was 2% higher than budget with the growth coming primarily from OP services.
- The OP volume growth is in Behavioral Health 33.3%, Oncology 26.7%, Rehab Services 11.6% and HVI 9.4%.
- The inpatient growth is mainly in general medicine, HVI, general surgery and spine surgery.

**Financial Performance:**

- June's operating income was very strong driven by high volume and \$8.1M in IGT and Medi-Cal supplemental funding.
- For the year, net income is \$97 million ahead of target; \$47M from operations and \$50M in investment income. Operating income includes two years of IGT, strong volume and expense efficiencies.

**Payor Mix:**

- Commercial mix is at budget for the month of June and within a percent for the year.

**Cost:**

- YTD FTEs are under budget by 39.8 FTEs.

**Balance Sheet:**

- Net days in AR are ahead of target and improved further in June to 44.8 from 47.5 in May. Total cash on hand is still at an all time high of 444 days in June.
- AR will climb during the next 3 months due to Anthem claims hold in July (required due to charge increase) and Nuance transcription malware disruption.

# Budget Variances

Fiscal Year 2017 YTD (7/1/2016-6/30/2017) Waterfall

| (in thousands)   | Month to Date (MTD) |                   |               | Year to Date (YTD) |                   |               |
|--|---------------------|-------------------|---------------|--------------------|-------------------|---------------|
|  | Detail              | Net Income Impact | % Net Revenue | Detail             | Net Income Impact | % Net Revenue |
| <b>Budgeted Hospital Operations FY2017</b>   |                     | <b>3,743</b>      | <b>5.6%</b>   |                    | <b>58,285</b>     | <b>7.2%</b>   |
| <b>Net Revenue</b>   |                     | 22,693            | 25.4%         |                    | 43,718            | 5.1%          |
| * Volume and Payor Mix   | 14,022              |                   |               | 14,667             |                   |               |
| * Rev cycle improvements   | 500                 |                   |               | 10,000             |                   |               |
| * Insurance Payment Variances  | 579                 |                   |               | 1,698              |                   |               |
| * Mcare Settlement   | 81                  |                   |               | 3,379              |                   |               |
| * BPCI Settlement  |                     |                   |               | (2,092)            |                   |               |
| * Medi-Cal Supplemental  |                     |                   |               | 1,510              |                   |               |
| * IGT Supplemental   | 6,823               |                   |               | 13,358             |                   |               |
| * AB 915 (Medi-Cal OP Supplemental payment)  | 880                 |                   |               | 880                |                   |               |
| * Various Adjustments under \$250k   | (192)               |                   |               | 318                |                   |               |
| <b>Labor and Benefit Expense Change</b>  |                     | 759               | 0.9%          |                    | 10,467            | 1.2%          |
| * Benefits - No accrual in Pension and WC due low actuarial estimates                              | 548                 |                   |               | (855)              |                   |               |
| * Accrued Time Off - Repricing PRN PTO.  |                     |                   |               | 1,146              |                   |               |
| * Productivity, vacancies and volume mix   | 211                 |                   |               | 13,256             |                   |               |
| * WC Reserve Update based on Favorable Exp   |                     |                   |               | 2,524              |                   |               |
| * Pay for performance bonus  |                     |                   |               | (3,204)            |                   |               |
| * Ratification bonus   |                     |                   |               | (2,400)            |                   |               |
| <b>Professional Fees &amp; Purchased Services</b>  |                     | (5,614)           | -6.3%         |                    | (8,483)           | -1.0%         |
| * Physician Fees - Bonus Paid & VMOC 5 month reserve   | (317)               |                   |               | 1,243              |                   |               |
| * Consulting Fee - Various Administration, Legal, FP&A and HR consultants                          | (2,058)             |                   |               | (6,834)            |                   |               |
| * Purchased Services - Outside Labor (Informatics offset by lower labor from vacancies)            | (2,895)             |                   |               | (6,992)            |                   |               |
| * Maintenance Fees (Annual service contract renewals)  | (344)               |                   |               | 4,100              |                   |               |
| <b>Supplies</b>  |                     | (4,262)           | -4.8%         |                    | (4,204)           | -0.5%         |
| * Drug Expense - Offset by revenue   | (1,353)             |                   |               | (4,112)            |                   |               |
| * Medical Supplies - Year end inventory adjustment   | (2,259)             |                   |               | (833)              |                   |               |
| * Non Med Supplies - \$422k due to patient TV replacement.   | (650)               |                   |               | 741                |                   |               |
| <b>Other Expenses</b>  |                     | (369)             | -0.4%         |                    | (378)             | 0.0%          |
| * Leases & Rental Fees (mainly mobile CT at LG during upgrade)                                     | 4                   |                   |               | (268)              |                   |               |
| * Bad Debt Expense   | (73)                |                   |               | (73)               |                   |               |
| * Utilities & Telephone  | 62                  |                   |               | 473                |                   |               |
| * Other G&A  | (362)               |                   |               | (511)              |                   |               |
| <b>Depreciation &amp; Interest</b>   |                     | 662               | 0.7%          |                    | 6,173             | 0.7%          |
| * Depreciation (Under budget in Facilities Dev and Real Estate & ICARE depreciation and equipment) | 492                 |                   |               | 4,923              |                   |               |
| * Interest Expense - 2017 bonds & Capital Interest 2015 bonds                                      | 170                 |                   |               | 1,250              |                   |               |
| <b>Actual Hospital Operations FY2017</b>   |                     | <b>17,612</b>     | <b>19.7%</b>  |                    | <b>105,578</b>    | <b>12.3%</b>  |

# El Camino Hospital (\$000s)

12 months ending 6/30/2017

| PERIOD 12                | PERIOD 12     | PERIOD 12     | Variance       |               |                                      | YTD            | YTD            | YTD            | Variance      |               |
|--------------------------|---------------|---------------|----------------|---------------|--------------------------------------|----------------|----------------|----------------|---------------|---------------|
| FY 2016                  | FY 2017       | Budget 2017   | Fav (Unfav)    | Var%          | \$000s                               | FY 2016        | FY 2017        | Budget 2017    | Fav (Unfav)   | Var%          |
| <b>OPERATING REVENUE</b> |               |               |                |               |                                      |                |                |                |               |               |
| 234,757                  | 263,963       | 238,936       | 25,027         | 10.5%         | <b>Gross Revenue</b>                 | 2,755,387      | 3,018,494      | 2,900,812      | 117,682       | 4.1%          |
| (161,592)                | (176,591)     | (174,504)     | (2,086)        | 1.0%          | <b>Deductions</b>                    | (1,983,367)    | (2,186,216)    | (2,111,227)    | (74,989)      | 3.6%          |
| <b>73,165</b>            | <b>87,372</b> | <b>64,432</b> | <b>22,940</b>  | <b>35.6%</b>  | <b>Net Patient Revenue</b>           | <b>772,020</b> | <b>832,279</b> | <b>789,585</b> | <b>42,693</b> | <b>5.4%</b>   |
| 3,820                    | 1,840         | 2,087         | (247)          | -11.8%        | <b>Other Operating Revenue</b>       | 23,636         | 26,085         | 25,059         | 1,025         | 4.1%          |
| <b>76,986</b>            | <b>89,212</b> | <b>66,519</b> | <b>22,693</b>  | <b>34.1%</b>  | <b>Total Operating Revenue</b>       | <b>795,657</b> | <b>858,363</b> | <b>814,645</b> | <b>43,718</b> | <b>5.4%</b>   |
| <b>OPERATING EXPENSE</b> |               |               |                |               |                                      |                |                |                |               |               |
| 38,368                   | 37,480        | 38,239        | 759            | 2.0%          | <b>Salaries &amp; Wages</b>          | 435,988        | 448,696        | 459,163        | 10,467        | 2.3%          |
| 11,037                   | 14,036        | 9,774         | (4,262)        | -43.6%        | <b>Supplies</b>                      | 117,988        | 122,290        | 118,085        | (4,204)       | -3.6%         |
| 7,664                    | 13,420        | 7,806         | (5,614)        | -71.9%        | <b>Fees &amp; Purchased Services</b> | 98,019         | 102,292        | 93,809         | (8,483)       | -9.0%         |
| 2,598                    | 2,509         | 2,140         | (369)          | -17.3%        | <b>Other Operating Expense</b>       | 35,109         | 27,455         | 27,077         | (378)         | -1.4%         |
| 1,618                    | 278           | 448           | 170            | 38.0%         | <b>Interest</b>                      | 7,193          | 4,128          | 5,379          | 1,250         | 23.2%         |
| 4,249                    | 3,876         | 4,368         | 492            | 11.3%         | <b>Depreciation</b>                  | 48,748         | 47,925         | 52,848         | 4,923         | 9.3%          |
| <b>65,534</b>            | <b>71,600</b> | <b>62,775</b> | <b>(8,824)</b> | <b>-14.1%</b> | <b>Total Operating Expense</b>       | <b>743,044</b> | <b>752,786</b> | <b>756,360</b> | <b>3,574</b>  | <b>0.5%</b>   |
| <b>11,451</b>            | <b>17,612</b> | <b>3,743</b>  | <b>13,869</b>  | <b>370.5%</b> | <b>Net Operating Income/(Loss)</b>   | <b>52,613</b>  | <b>105,578</b> | <b>58,285</b>  | <b>47,293</b> | <b>81.1%</b>  |
| 2,885                    | 2,330         | 729           | 1,601          | 219.7%        | <b>Non Operating Income</b>          | (9,570)        | 58,448         | 8,747          | 49,701        | 568.2%        |
| <b>14,336</b>            | <b>19,942</b> | <b>4,472</b>  | <b>15,470</b>  | <b>345.9%</b> | <b>Net Income(Loss)</b>              | <b>43,043</b>  | <b>164,026</b> | <b>67,032</b>  | <b>96,994</b> | <b>144.7%</b> |
| 22.5%                    | 24.4%         | 12.9%         | 11.5%          |               | <b>EBITDA</b>                        | 13.6%          | 18.4%          | 14.3%          | 4.1%          |               |
| 14.9%                    | 19.7%         | 5.6%          | 14.1%          |               | <b>Operating Margin</b>              | 6.6%           | 12.3%          | 7.2%           | 5.1%          |               |
| 18.6%                    | 22.4%         | 6.7%          | 15.6%          |               | <b>Net Margin</b>                    | 5.4%           | 19.1%          | 8.2%           | 10.9%         |               |

# Non Operating Items and Net Income by Affiliate

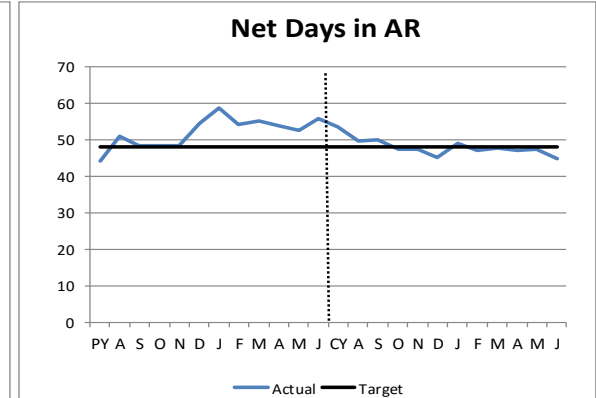
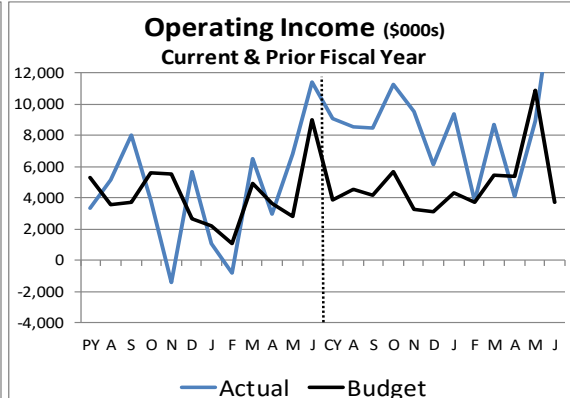
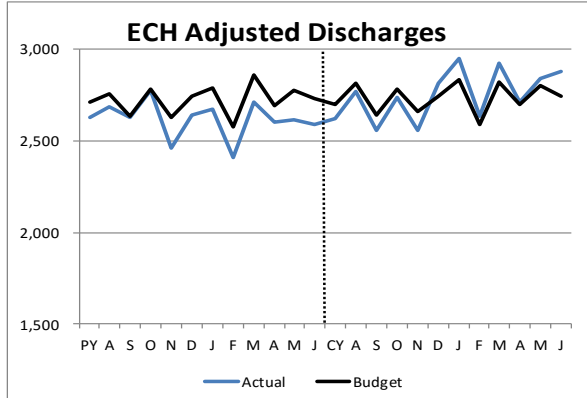
## \$ in thousands

|   | Period 12 - Month |              |               | Period 12 - FYTD |               |               |
|---|-------------------|--------------|---------------|------------------|---------------|---------------|
|   | Actual            | Budget       | Variance      | Actual           | Budget        | Variance      |
| <b>El Camino Hospital Income (Loss) from Operations</b> |                   |              |               |                  |               |               |
| Mountain View   | 15,586            | 2,820        | 12,765        | 100,039          | 46,483        | 53,555        |
| Los Gatos   | 2,026             | 923          | 1,103         | 5,539            | 11,801        | (6,262)       |
| <b>Sub Total - El Camino Hospital, excl. Affiliates</b> | <b>17,612</b>     | <b>3,743</b> | <b>13,869</b> | <b>105,578</b>   | <b>58,285</b> | <b>47,293</b> |
| <b>Operating Margin %</b>                               | <b>19.7%</b>      | <b>5.6%</b>  |               | <b>12.3%</b>     | <b>7.2%</b>   |               |
| <b>El Camino Hospital Non Operating Income</b>          |                   |              |               |                  |               |               |
| Investments   | 3,014             | 1,512        | 1,502         | 62,919           | 18,140        | 44,779        |
| Swap Adjustments  | 399               | 0            | 399           | 3,429            | 0             | 3,429         |
| Community Benefit                                       | (50)              | (283)        | 234           | (3,131)          | (3,400)       | 269           |
| Other (IPECH / Foundation)                              | (1,033)           | (499)        | (533)         | (4,769)          | (5,993)       | 1,224         |
| <b>Sub Total - Non Operating Income</b>                 | <b>2,330</b>      | <b>729</b>   | <b>1,601</b>  | <b>58,448</b>    | <b>8,747</b>  | <b>49,701</b> |
| <b>El Camino Hospital Net Income (Loss)</b>             | <b>19,942</b>     | <b>4,472</b> | <b>15,470</b> | <b>164,026</b>   | <b>67,032</b> | <b>96,994</b> |
| <b>ECH Net Margin %</b>                                 | <b>22.4%</b>      | <b>6.7%</b>  |               | <b>19.1%</b>     | <b>8.2%</b>   |               |
| Concern   | 142               | 233          | (91)          | 1,391            | 2,604         | (1,213)       |
| ECSC  | (14)              | 0            | (14)          | (105)            | 0             | (105)         |
| Foundation  | 253               | 27           | 226           | 2,430            | (450)         | 2,880         |
| Silicon Valley Medical Development                      | 190               | 1            | 188           | 195              | (0)           | 195           |
| <b>Net Income Hospital Affiliates</b>                   | <b>571</b>        | <b>262</b>   | <b>310</b>    | <b>3,911</b>     | <b>2,155</b>  | <b>1,756</b>  |
| <b>Total Net Income Hospital &amp; Affiliates</b>       | <b>20,513</b>     | <b>4,734</b> | <b>15,779</b> | <b>167,936</b>   | <b>69,186</b> | <b>98,750</b> |

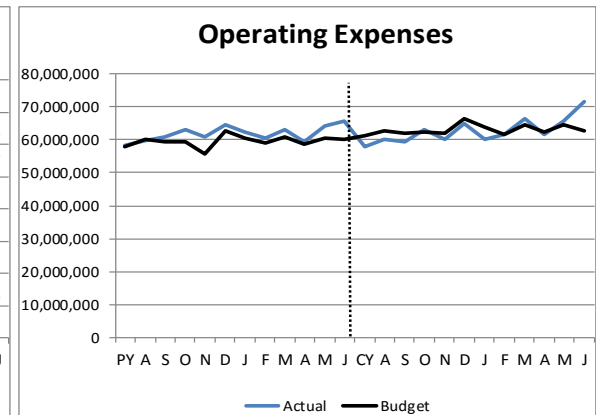
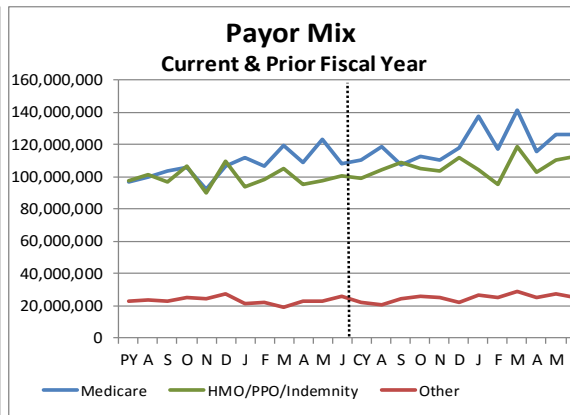
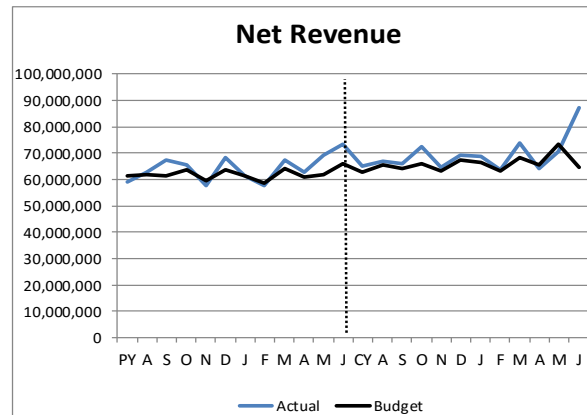
- Investments favorable for June and YTD
- Swap gain for the year due to rise in interest rates.
- Favorable other due to lower SVMD loss and Pathways investment income.

- Concern unfavorable - \$800 from ops and \$400 in investment due to requirement to invest in fixed income.
- Foundation favorable both June and YTD due to investment income.

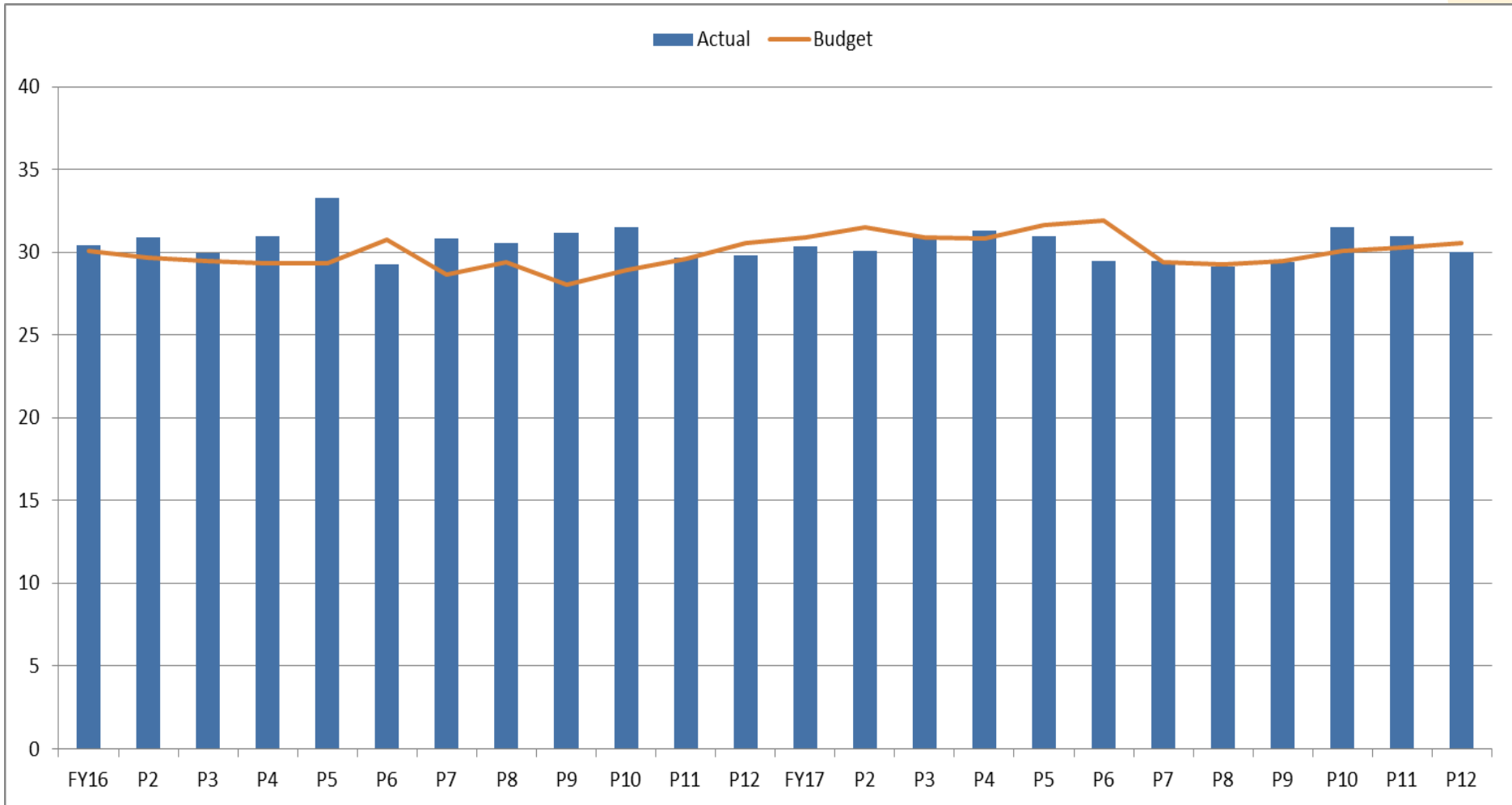
# Monthly Financial Trends



June volume is higher than budgeted for the month by 4.9% and slightly higher YTD at 0.5%. Operating expenses are higher than budgeted in June due to higher volume and is \$3.6M favorable to budget YTD.

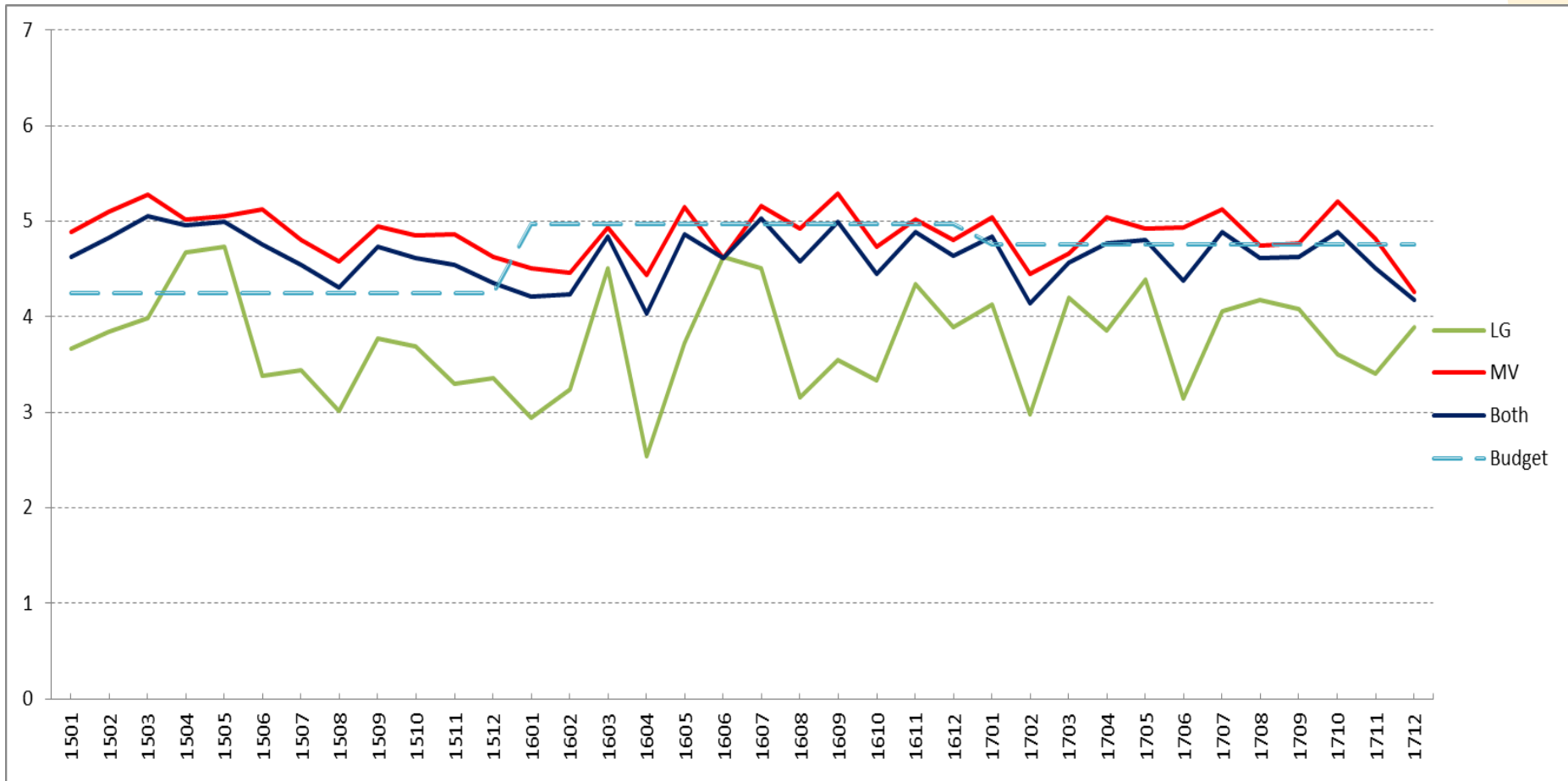


# Worked Hours per Adjusted Patient Day



Work hours per adjusted patient day decreased in June, with a decrease in both IT and sitter hours. Overall the month of June is 30.1 worked hours per adjusted patient day and 30.3 average YTD.

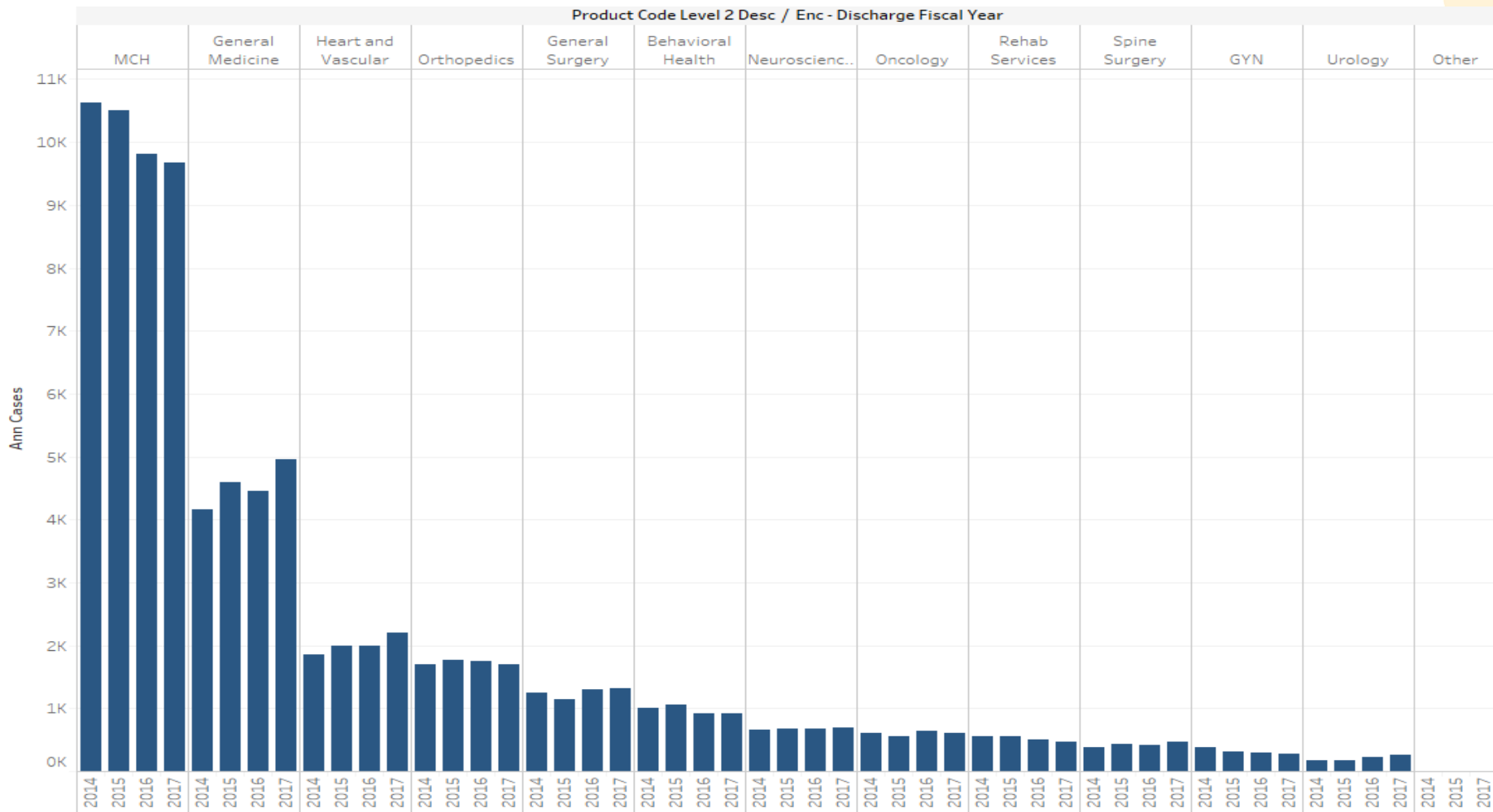
## Medicare ALOS



•ALOS is ahead of target as of June. YTD ALOS (4.60) is below budget (4.76) by .16.

# El Camino Hospital Volume Annual Trends – Inpatient

## FY 2017 is annualized

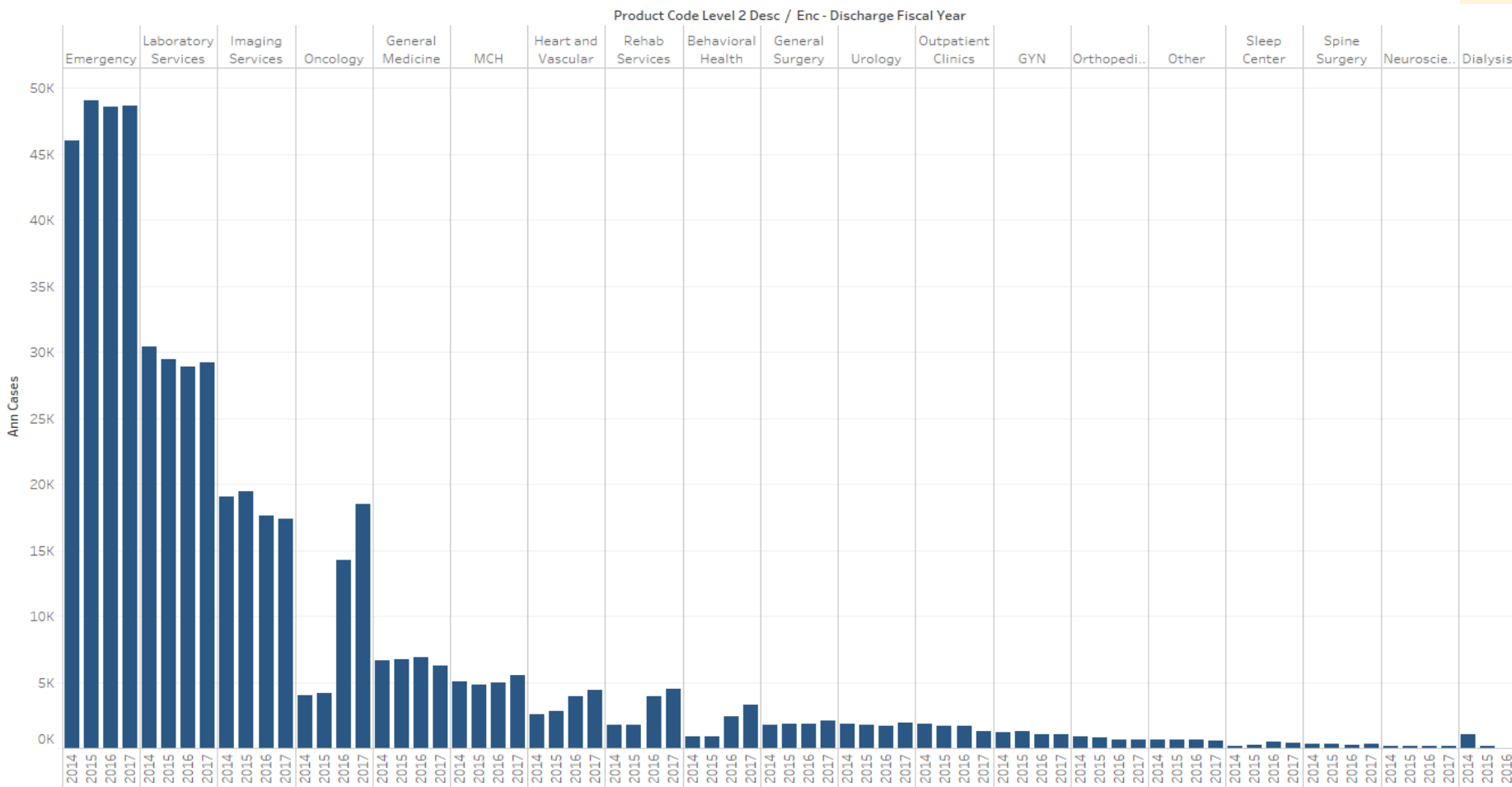


- MCH volume shows a decreasing trend year-over-year and is currently at 96.8% YTD of budget.
- Both HVI, General Surgery, Neuroscience and Spine Surgery show an increasing trend year-over-year. HVI is ahead of budget by 8.5% YTD, General Surgery is ahead of budget by 3.1%, Neuroscience is slightly behind budget by 0.7% and Spine Surgery is ahead by 11.9%.



# El Camino Hospital Volume Annual Trends – Outpatient

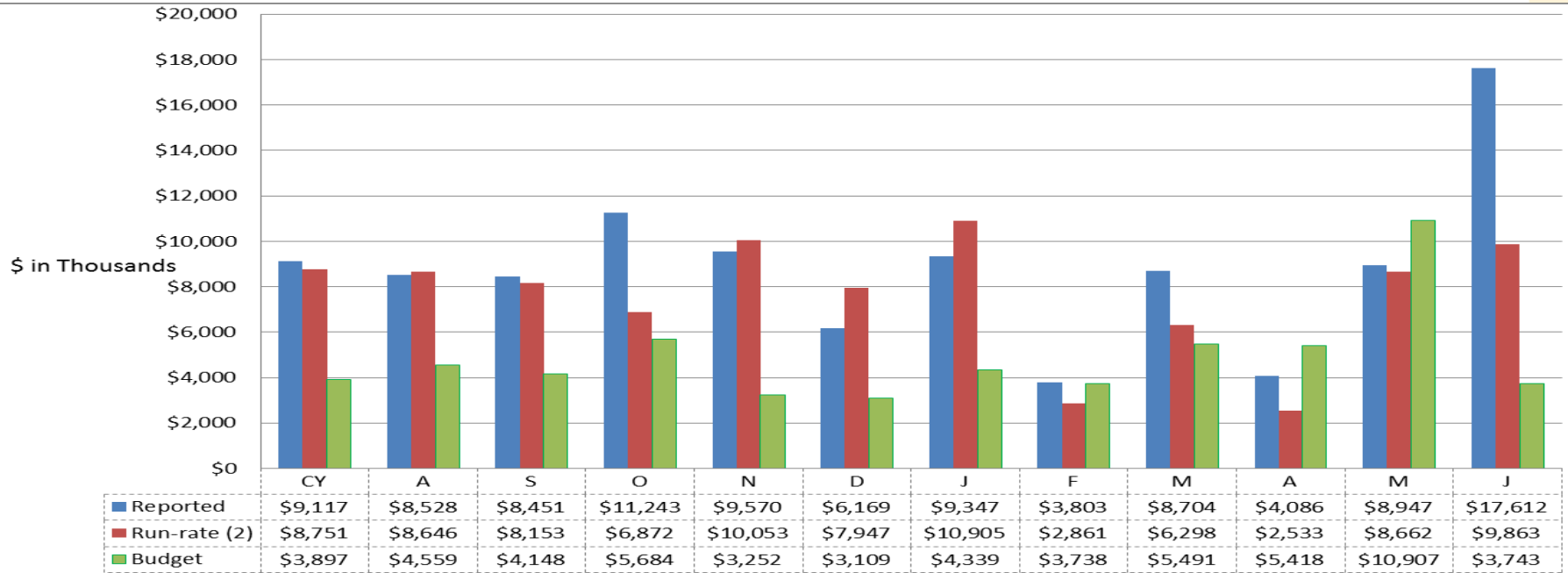
## FY 2017 is annualized



- Comparing year-over-year, Emergency, Oncology, MCH, HVI, Behavioral Health and General Surgery shows an increasing trend in volume and Behavioral Health, Emergency, General Surgery, Heart & Vascular, Laboratory Service, MCH, Oncology, Orthopedics, Rehab Services and Urology are all ahead of budget YTD.

# ECH Operating Margin

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



## FY 2017 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

| Revenue Adjustments                             |  | J          | A            | S          | O              | N            | D              | J              | F            | M            | A            | M          | J            | YTD            |
|---|--|------------|--------------|------------|----------------|--------------|----------------|----------------|--------------|--------------|--------------|------------|--------------|----------------|
| Insurance (Payment Variance)                    |  | 335        | -            | 61         | 145            | 36           | -              | -              | -            | 544          | -            | -          | 579          | 1,698          |
| Mcare Settlmt/Appeal/Tent Settlmt/PIP           |  | 100        | (158)        | 74         | 67             | 67           | 100            | 67             | 947          | 27           | 1,953        | 54         | 81           | 3,379          |
| BPCI Settlement                                 |  | -          | -            | -          | -              | -            | -              | (2,167)        | -            | -            | -            | 76         | -            | (2,092)        |
| Medi-Cal Supplemental                           |  | -          | -            | -          | -              | -            | 312            | 814            | 240          | -            | -            | 144        | -            | 1,510          |
| IGT Supplemental                                |  | -          | -            | -          | 6,535          | -            | -              | -              | -            | -            | -            | -          | 6,823        | 13,358         |
| AB 915  |  | -          | -            | -          | -              | -            | -              | -              | -            | -            | -            | -          | 880          | 880            |
| Various Adjustments under \$250k                |  | (69)       | 40           | 164        | 25             | 12           | 9              | 131            | 157          | 12           | 19           | 11         | (192)        | 318            |
| <b>Total</b>                                    |  | <b>366</b> | <b>(118)</b> | <b>299</b> | <b>6,771</b>   | <b>115</b>   | <b>421</b>     | <b>(1,155)</b> | <b>1,344</b> | <b>582</b>   | <b>1,972</b> | <b>284</b> | <b>8,171</b> | <b>19,052</b>  |
| Expense Adjustments                             |  |            |              |            |                |              |                |                |              |              |              |            |              |                |
| Pay-For-Performance Bonus                       |  | -          | -            | -          | -              | -            | (2,400)        | (403)          | (401)        | -            | -            | -          | -            | (3,204)        |
| Ratification Bonus                              |  | -          | -            | -          | (2,400)        | -            | -              | -              | -            | -            | -            | -          | -            | (2,400)        |
| Purchases Below Capital Threshold               |  | -          | -            | -          | -              | (598)        | -              | -              | -            | -            | -            | -          | -            | (598)          |
| WC Reserve Updates Based on Fav. Experience     |  | -          | -            | -          | -              | -            | 700            | -              | -            | 1,824        | -            | -          | -            | 2,524          |
| Other Purchased Services (Clinical Informatics) |  | -          | -            | -          | -              | -            | (500)          | -              | -            | -            | -            | -          | -            | (500)          |
| Other Minor Equipment (TV replacements)         |  | -          | -            | -          | -              | -            | -              | -              | -            | -            | -            | -          | (422)        | (422)          |
| Accrued Time Off (Repricing of PRN PTO)         |  | -          | -            | -          | -              | -            | -              | -              | -            | -            | (419)        | -          | -            | (419)          |
| <b>Total</b>                                    |  | <b>-</b>   | <b>-</b>     | <b>-</b>   | <b>(2,400)</b> | <b>(598)</b> | <b>(2,200)</b> | <b>(403)</b>   | <b>(401)</b> | <b>1,824</b> | <b>(419)</b> | <b>-</b>   | <b>(422)</b> | <b>(5,019)</b> |

# El Camino Hospital Investment Committee Scorecard

June 30, 2017

| Key Performance Indicator                  | Status | El Camino |                           | Benchmark           |       | El Camino                             |      | Benchmark |       | FY17<br>Year-end<br>Budget | Expectation<br>Per Asset<br>Allocation |
|--|--------|-----------|---------------------------|---------------------|-------|---------------------------------------|------|-----------|-------|----------------------------|--|
|  |        | 2Q 2017   |                           | Fiscal Year-to-date |       | 4y 8m Since Inception<br>(annualized) |      | May 2016  |       |                            |  |
| <b>Investment Performance</b>              |        |           |                           |                     |       |                                       |      |           |       |                            |  |
| Surplus cash balance & op. cash (millions) |        | \$900.5   | --                        | --                  | --    | --                                    | --   | \$657.2   | --    |                            |  |
| Surplus cash return                        | Green  | 2.4%      | 2.1%                      | 8.9%                | 8.7%  | 5.4%                                  | 5.3% | 4.0%      | 5.2%  |                            |  |
| Cash balance plan balance (millions)       |        | \$243.8   | --                        | --                  | --    | --                                    | --   | \$220.6   | --    |                            |  |
| Cash balance plan return                   | Green  | 3.1%      | 2.4%                      | 11.2%               | 10.3% | 7.9%                                  | 7.2% | 6.0%      | 5.8%  |                            |  |
| 403(b) plan balance (millions)             |        | \$406.6   | --                        | --                  | --    | --                                    | --   | --        | --    |                            |  |
| <b>Risk vs. Return</b>                     |        |           |                           |                     |       |                                       |      |           |       |                            |  |
| Surplus cash Sharpe ratio                  | Green  | 0.83      | 0.86                      | --                  | --    | 1.26                                  | 1.24 | --        | 0.55  |                            |  |
| Net of fee return                          | Green  | 3.9%      | 4.1%                      | --                  | --    | 5.4%                                  | 5.3% | --        | 5.2%  |                            |  |
| Standard deviation                         | Green  | 4.5%      | 4.5%                      | --                  | --    | 4.1%                                  | 4.1% | --        | 8.6%  |                            |  |
| Cash balance Sharpe ratio                  | Green  | 0.84      | 0.79                      | --                  | --    | 1.37                                  | 1.31 | --        | 0.49  |                            |  |
| Net of fee return                          | Green  | 4.9%      | 4.5%                      | --                  | --    | 7.9%                                  | 7.2% | --        | 5.8%  |                            |  |
| Standard deviation                         | Green  | 5.7%      | 5.6%                      | --                  | --    | 5.6%                                  | 5.3% | --        | 10.7% |                            |  |
| <b>Asset Allocation</b>                    |        |           |                           |                     |       |                                       |      |           |       |                            |  |
| Surplus cash absolute variances to target  | Green  | 9.6%      | < 10%                     | --                  | --    | --                                    | --   | --        | --    |                            |  |
| Cash balance absolute variances to target  | Green  | 9.4%      | < 10%                     | --                  | --    | --                                    | --   | --        | --    |                            |  |
| <b>Manager Compliance</b>                  |        |           |                           |                     |       |                                       |      |           |       |                            |  |
| Surplus cash manager flags                 | Yellow | 19        | < 19 Green<br>< 23 Yellow | --                  | --    | --                                    | --   | --        | --    |                            |  |
| Cash balance plan manager flags            | Yellow | 20        | < 20 Green<br>< 25 Yellow | --                  | --    | --                                    | --   | --        | --    |                            |  |

# El Camino Hospital

## Capital Spending (in millions)

| Category  | Detail                                       | Total Estimated Cost of Project | Total Authorized Active | Spent from Inception | FY 17 YTD Spent |
|---|--|---------------------------------|-------------------------|----------------------|-----------------|
| <b>CIP</b>  | EPIC Upgrade                                 |                                 | 6.1                     | 2.3                  | 2.8             |
| <b>IT Hardware, Software, Equipment*</b>            |  |                                 | 5.4                     | 2.7                  | 2.7             |
| <b>Medical &amp; Non Medical Equipment FY 16**</b>  |  |                                 | 4.3                     | 4.2                  | 4.2             |
| <b>Medical &amp; Non Medical Equipment FY 17***</b> |  |                                 | 10.3                    | 5.4                  | 5.4             |
| <b>Facility Projects</b>                            |  |                                 |                         |                      |                 |
|   | 1245 Behavioral Health Bldg                  | 91.5                            | 91.5                    | 16.4                 | 10.3            |
|   | 1413 North Drive Parking Expansion           | 24.5                            | 24.5                    | 17.3                 | 18.1            |
|   | 1414 Integrated MOB                          | 275.0                           | 275.0                   | 42.0                 | 32.8            |
|   | 1422 CUP Upgrade                             | 9.0                             | 9.0                     | 2.1                  | 1.2             |
|   | 1430 Women's Hospital Expansion              | 91.0                            | 6.0                     | 0.4                  | 0.5             |
|   | 1425 IMOB Preparation Project - Old Main     | 3.0                             | 3.0                     | 2.6                  | 1.9             |
|   | 1502 Cabling & Wireless Upgrades             | 2.8                             | 2.8                     | 2.4                  | 0.4             |
|   | 1525 New Main Lab Upgrades                   | 1.6                             | 3.1                     | 0.4                  | 0.5             |
|   | 1515 ED Remodel Triage/Psych Observation     | 1.6                             | 0.0                     | 0.0                  | 0.0             |
|   | 1503 Willow Pavilion Tomosynthesis           | 1.3                             | 1.3                     | 0.3                  | 0.3             |
|   | 1602 JW House (Patient Family Residence)     | 2.5                             | 0.0                     | 0.0                  | 0.0             |
|   | Site Signage and Other Improvements          | 1.0                             | 0.0                     | 0.0                  | 0.0             |
|   | IR Room #6 Development                       | 2.6                             | 0.0                     | 0.0                  | 0.0             |
|   | Nurse Call System Upgrades                   | 2.4                             | 0.0                     | 0.0                  | 0.0             |
|   | 1707 Imaging Equipment Replacement ( 5 or 6) | 20.7                            | 0.0                     | 0.0                  | 0.0             |
|   | 1708 IR/ Cath Lab Equipment Replacement      | 19.4                            | 0.0                     | 0.0                  | 0.0             |
|   | 1709 ED Remodel / CT Triage - Other          | 5.0                             | 0.0                     | 0.0                  | 0.0             |
|   | Flooring Replacement                         | 1.6                             | 0.0                     | 0.0                  | 0.0             |
|   | 1219 LG Spine OR                             | 4.1                             | 4.1                     | 3.3                  | 2.2             |
|   | 1313 LG Rehab HVAC System & Structural       | 3.7                             | 3.7                     | 3.7                  | 1.9             |
|   | 1248 LG Imaging Phase II (CT & Gen Rad)      | 8.8                             | 8.8                     | 7.1                  | 6.7             |
|   | 1307 LG Upgrades                             | 19.3                            | 19.3                    | 13.4                 | 3.1             |
|   | 1519 LG Electrical Systems Upgrade           | 1.2                             | 0.0                     | 0.0                  | 0.0             |
|   | 1508 LG NICU 4 Bed Expansion                 | 0.0                             | 0.5                     | 0.2                  | 0.2             |
|   | 1507 LG IR Upgrades                          | 1.1                             | 0.0                     | 0.0                  | 0.0             |
|   | LG Building Infrastructure Upgrades          | 1.5                             | 0.0                     | 0.0                  | 0.0             |
|   | 1603 LG MOB Improvements (17)                | 5.0                             | 5.0                     | 0.2                  | 0.3             |
|   | All Other Projects under \$1M                | 26.4                            | 4.8                     | 40.4                 | 2.7             |
|   |  | <b>627.6</b>                    | <b>462.3</b>            | <b>152.1</b>         | <b>83.0</b>     |
| <b>GRAND TOTAL</b>                                  |  |                                 | <b>488.4</b>            | <b>166.6</b>         | <b>97.9</b>     |

\*Excluding EPIC

\*\* Unspent Prior Year routine used as contingency

\*\*\*Includes 2 robot purchases

2017 projected spend includes items to be presented for approval during the fiscal year

# Balance Sheet (in thousands)

## ASSETS

|  | Audited          |                  |
|--|------------------|------------------|
|  | June 30, 2017    | June 30, 2016    |
| <b>CURRENT ASSETS</b>                        |                  |                  |
| (1) Cash                                     | 125,547          | 59,169           |
| Short Term Investments                       | 138,303          | 105,284          |
| (2) Patient Accounts Receivable, net         | 109,443          | 120,960          |
| Other Accounts and Notes Receivable          | 2,628            | 4,369            |
| (3) Intercompany Receivables                 | 1,519            | 2,200            |
| (4) Inventories and Prepays                  | 41,583           | 39,678           |
| <b>Total Current Assets</b>                  | <b>419,023</b>   | <b>331,660</b>   |
| <b>BOARD DESIGNATED ASSETS</b>               |                  |                  |
| Plant & Equipment Fund                       | 131,153          | 119,650          |
| (5) Women's Hospital Expansion               | 9,298            | -                |
| Operational Reserve Fund                     | 100,196          | 100,196          |
| Community Benefit Fund                       | 12,237           | 13,037           |
| Workers Compensation Reserve Fund            | 21,434           | 22,309           |
| Postretirement Health/Life Reserve Fund      | 19,880           | 18,256           |
| PTO Liability Fund                           | 23,268           | 22,984           |
| Malpractice Reserve Fund                     | 1,634            | 1,800            |
| Catastrophic Reserves Fund                   | 16,575           | 14,125           |
| <b>Total Board Designated Assets</b>         | <b>335,675</b>   | <b>312,358</b>   |
| (6) FUNDS HELD BY TRUSTEE                    | <b>287,006</b>   | <b>30,841</b>    |
| <b>LONG TERM INVESTMENTS</b>                 | <b>257,391</b>   | <b>207,597</b>   |
| <b>INVESTMENTS IN AFFILIATES</b>             | <b>32,864</b>    | <b>31,627</b>    |
| <b>PROPERTY AND EQUIPMENT</b>                |                  |                  |
| Fixed Assets at Cost                         | 1,188,826        | 1,171,372        |
| Less: Accumulated Depreciation               | (531,785)        | (485,856)        |
| Construction in Progress                     | 121,031          | 46,009           |
| <b>Property, Plant &amp; Equipment - Net</b> | <b>778,072</b>   | <b>731,525</b>   |
| <b>DEFERRED OUTFLOWS</b>                     | 29,213           | 29,814           |
| <b>RESTRICTED ASSETS - CASH</b>              | 0                | -                |
| <b>TOTAL ASSETS</b>                          | <b>2,139,245</b> | <b>1,675,422</b> |

## LIABILITIES AND FUND BALANCE

|   | Audited          |                  |
|---|------------------|------------------|
|   | June 30, 2017    | June 30, 2016    |
| <b>CURRENT LIABILITIES</b>                    |                  |                  |
| (7) Accounts Payable                          | 25,886           | 28,519           |
| Salaries and Related Liabilities              | 24,989           | 22,992           |
| Accrued PTO                                   | 23,268           | 22,984           |
| Worker's Comp Reserve                         | 2,300            | 2,300            |
| Third Party Settlements                       | 10,776           | 11,314           |
| Intercompany Payables                         | 84               | 105              |
| Malpractice Reserves                          | 1,634            | 1,936            |
| Bonds Payable - Current                       | 3,735            | 3,635            |
| Bond Interest Payable                         | 7,462            | 5,459            |
| Other Liabilities                             | 4,831            | 10,478           |
| <b>Total Current Liabilities</b>              | <b>104,965</b>   | <b>106,830</b>   |
| <b>LONG TERM LIABILITIES</b>                  |                  |                  |
| Post Retirement Benefits                      | 19,880           | 18,256           |
| Worker's Comp Reserve                         | 19,134           | 20,009           |
| Other L/T Obligation (Asbestos)               | 3,746            | 3,637            |
| Other L/T Liabilities (IT/Medl Leases)        | -                | -                |
| (8) Bond Payable                              | 527,311          | 225,857          |
| <b>Total Long Term Liabilities</b>            | <b>570,071</b>   | <b>267,759</b>   |
| <b>DEFERRED REVENUE-UNRESTRICTED</b>          | 567              |                  |
| <b>DEFERRED INFLOW OF RESOURCES</b>           | 2,892            | 2,892            |
| <b>FUND BALANCE/CAPITAL ACCOUNTS</b>          |                  |                  |
| Unrestricted                                  | 1,125,075        | 985,583          |
| Board Designated                              | 335,675          | 312,358          |
| Restricted                                    | 0                | -                |
| (9) <b>Total Fund Bal &amp; Capital Accts</b> | <b>1,460,750</b> | <b>1,297,941</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>     | <b>2,139,245</b> | <b>1,675,422</b> |

## El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase in cash is due allowing for immediate cash to be available for the recent significant construction projects that have started in MV campus. Note that we have in place a routine to seek repayment from the 2017 bond proceeds, we will be reducing this balance by at least \$40M and transfer it into various investments given upcoming recommendations from our investment consultant.
- (2) The decrease is primarily due to the significant cash payments the Patient Accounts team has brought in during the nine months, four months were in excess of \$70M where the projected budgeted was approximately \$63M per month.
- (3) The decrease is just a timing issue of intercompany payments from one quarter to another. Normally at a fiscal year end, they are higher due to the books being held open for a longer period of time in preparation for audit.
- (4) The increase is principally due to three quarterly pension contributions of \$2.6M each since July 1, 2016, less reserves for pension expense.
- (5) A new item, the District allocated its FY 2014 and FY 2015 Capital Appropriation Funds in support of future renovations to the Women's Hospital when the IMOB is completed and those floors become for patient care.
- (6) This reflects the 2017 Revenue Bonds that were issued in March. The total amount now reflects this new issue of \$292M, the bond premium on it of \$21M, less paybacks to the hospital of \$36M for prior construction costs on the 4 major MV projects. Also there still exists \$21M in the LG Project Fund from the 2015A proceeds.
- (7) The decrease is due to significant General Contractor payments being accrued at year end, that were subsequently relieved during the first quarter of fiscal year 2017.
- (8) The increase is due to the new 2017 debt added as of March 2017, along with the associated bond premium that will be amortized over the life of the new debt.
- (9) The increase is to this year's financial performance (\$105M from Operations and \$58M in Non-Operations income - primarily driven by significant incomes from unrealized investment gains).

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

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

**Women’s Hospital Expansion** – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.

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

**Community Benefit Fund** – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$10 million within this fund is board designated endowment fund formed in 2015 to generate investment income to be used for grants and sponsorships, currently generating approximately \$400,000 a year.

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

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

**Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.

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

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

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



# APPENDIX

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

12 months ending 6/30/2017

| PERIOD 12<br>FY 2016     | PERIOD 12<br>FY 2017 | PERIOD 12<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          | \$000s                               | YTD<br>FY 2016 | YTD<br>FY 2017 | YTD<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          |
|--------------------------|----------------------|--------------------------|-------------------------|---------------|--------------------------------------|----------------|----------------|--------------------|-------------------------|---------------|
| <b>OPERATING REVENUE</b> |                      |                          |                         |               |                                      |                |                |                    |                         |               |
| 191,795                  | 215,092              | 194,124                  | 20,968                  | 10.8%         | <b>Gross Revenue</b>                 | 2,261,921      | 2,477,374      | 2,362,401          | 114,973                 | 4.9%          |
| (130,619)                | (142,084)            | (142,067)                | (17)                    | 0.0%          | <b>Deductions</b>                    | (1,629,121)    | (1,788,602)    | (1,721,776)        | (66,826)                | 3.9%          |
| <b>61,176</b>            | <b>73,008</b>        | <b>52,057</b>            | <b>20,951</b>           | <b>40.2%</b>  | <b>Net Patient Revenue</b>           | <b>632,800</b> | <b>688,772</b> | <b>640,625</b>     | <b>48,147</b>           | <b>7.5%</b>   |
| 3,639                    | 1,676                | 1,872                    | (197)                   | -10.5%        | <b>Other Operating Revenue</b>       | 21,332         | 24,080         | 22,483             | 1,596                   | 7.1%          |
| <b>64,815</b>            | <b>74,684</b>        | <b>53,929</b>            | <b>20,754</b>           | <b>38.5%</b>  | <b>Total Operating Revenue</b>       | <b>654,131</b> | <b>712,851</b> | <b>663,108</b>     | <b>49,743</b>           | <b>7.5%</b>   |
| <b>OPERATING EXPENSE</b> |                      |                          |                         |               |                                      |                |                |                    |                         |               |
| 31,699                   | 30,922               | 31,825                   | 904                     | 2.8%          | <b>Salaries &amp; Wages</b>          | 362,688        | 372,813        | 382,275            | 9,462                   | 2.5%          |
| 9,134                    | 11,885               | 8,000                    | (3,885)                 | -48.6%        | <b>Supplies</b>                      | 96,500         | 99,976         | 96,619             | (3,357)                 | -3.5%         |
| 6,405                    | 11,778               | 6,562                    | (5,216)                 | -79.5%        | <b>Fees &amp; Purchased Services</b> | 81,907         | 85,753         | 78,865             | (6,888)                 | -8.7%         |
| 996                      | 854                  | 584                      | (270)                   | -46.2%        | <b>Other Operating Expense</b>       | 16,267         | 8,341          | 7,849              | (492)                   | -6.3%         |
| 1,618                    | 278                  | 448                      | 170                     | 38.0%         | <b>Interest</b>                      | 7,193          | 4,128          | 5,379              | 1,250                   | 23.2%         |
| 3,732                    | 3,382                | 3,690                    | 308                     | 8.4%          | <b>Depreciation</b>                  | 42,659         | 41,801         | 45,638             | 3,837                   | 8.4%          |
| <b>53,584</b>            | <b>59,098</b>        | <b>51,109</b>            | <b>(7,989)</b>          | <b>-15.6%</b> | <b>Total Operating Expense</b>       | <b>607,214</b> | <b>612,813</b> | <b>616,625</b>     | <b>3,812</b>            | <b>0.6%</b>   |
| <b>11,231</b>            | <b>15,586</b>        | <b>2,820</b>             | <b>12,765</b>           | <b>452.6%</b> | <b>Net Operating Income/(Loss)</b>   | <b>46,918</b>  | <b>100,039</b> | <b>46,483</b>      | <b>53,555</b>           | <b>115.2%</b> |
| 2,885                    | 2,330                | 729                      | 1,601                   | 219.7%        | <b>Non Operating Income</b>          | (9,544)        | 58,459         | 8,747              | 49,712                  | 568.3%        |
| <b>14,116</b>            | <b>17,916</b>        | <b>3,549</b>             | <b>14,366</b>           | <b>404.8%</b> | <b>Net Income(Loss)</b>              | <b>37,374</b>  | <b>158,498</b> | <b>55,231</b>      | <b>103,267</b>          | <b>187.0%</b> |
| 25.6%                    | 25.8%                | 12.9%                    | 12.9%                   |               | <b>EBITDA</b>                        | 14.8%          | 20.5%          | 14.7%              | 5.8%                    |               |
| 17.3%                    | 20.9%                | 5.2%                     | 15.6%                   |               | <b>Operating Margin</b>              | 7.2%           | 14.0%          | 7.0%               | 7.0%                    |               |
| 21.8%                    | 24.0%                | 6.6%                     | 17.4%                   |               | <b>Net Margin</b>                    | 5.7%           | 22.2%          | 8.3%               | 13.9%                   |               |

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

12 months ending 6/30/2017

| PERIOD 12<br>FY 2016     | PERIOD 12<br>FY 2017 | PERIOD 12<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          | \$000s                               | YTD<br>FY 2016                            | YTD<br>FY 2017                            | YTD<br>Budget 2017 | Variance<br>Fav (Unfav) | Var%          |
|--------------------------|----------------------|--------------------------|-------------------------|---------------|--------------------------------------|---|---|--------------------|-------------------------|---------------|
| <b>OPERATING REVENUE</b> |                      |                          |                         |               |                                      |   |   |                    |                         |               |
| 42,962                   | 48,870               | 44,811                   | 4,059                   | 9.1%          | <b>Gross Revenue</b>                 | 493,466                                   | 541,121                                   | 538,411            | 2,710                   | 0.5%          |
| (30,973)                 | (34,506)             | (32,437)                 | (2,069)                 | 6.4%          | <b>Deductions</b>                    | (354,245)                                 | (397,614)                                 | (389,451)          | (8,163)                 | 2.1%          |
| <b>11,989</b>            | <b>14,364</b>        | <b>12,375</b>            | <b>1,989</b>            | <b>16.1%</b>  | <b>Net Patient Revenue</b>           | <b>139,221</b>                            | <b>143,507</b>                            | <b>148,960</b>     | <b>(5,454)</b>          | <b>-3.7%</b>  |
| 181                      | 164                  | 215                      | (51)                    | -23.5%        | <b>Other Operating Revenue</b>       | 2,305                                     | 2,005                                     | 2,576              | (571)                   | -22.2%        |
| <b>12,171</b>            | <b>14,528</b>        | <b>12,589</b>            | <b>1,939</b>            | <b>15.4%</b>  | <b>Total Operating Revenue</b>       | <b>141,526</b>                            | <b>145,512</b>                            | <b>151,536</b>     | <b>(6,025)</b>          | <b>-4.0%</b>  |
| <b>OPERATING EXPENSE</b> |                      |                          |                         |               |                                      |   |   |                    |                         |               |
| 6,669                    | 6,559                | 6,414                    | (145)                   | -2.3%         | <b>Salaries &amp; Wages</b>          | 73,300                                    | 75,883                                    | 76,888             | 1,005                   | 1.3%          |
| 1,903                    | 2,151                | 1,774                    | (377)                   | -21.3%        | <b>Supplies</b>                      | 21,488                                    | 22,314                                    | 21,467             | (847)                   | -3.9%         |
| 1,259                    | 1,642                | 1,244                    | (398)                   | -32.0%        | <b>Fees &amp; Purchased Services</b> | 16,112                                    | 16,539                                    | 14,944             | (1,595)                 | -10.7%        |
| 1,602                    | 1,655                | 1,556                    | (99)                    | -6.4%         | <b>Other Operating Expense</b>       | 18,842                                    | 19,114                                    | 19,227             | 114                     | 0.6%          |
| 0                        | 0                    | 0                        | 0                       | 0.0%          | <b>Interest</b>                      | 0   | 0   | 0                  | 0                       | 0.0%          |
| 517                      | 495                  | 678                      | 184                     | 27.1%         | <b>Depreciation</b>                  | 6,089                                     | 6,124                                     | 7,209              | 1,086                   | 15.1%         |
| <b>11,950</b>            | <b>12,502</b>        | <b>11,666</b>            | <b>(835)</b>            | <b>-7.2%</b>  | <b>Total Operating Expense</b>       | <b>135,830</b>                            | <b>139,973</b>                            | <b>139,735</b>     | <b>(238)</b>            | <b>-0.2%</b>  |
| <b>220</b>               | <b>2,026</b>         | <b>923</b>               | <b>1,103</b>            | <b>119.6%</b> | <b>Net Operating Income/(Loss)</b>   | <b>5,695</b>                              | <b>5,539</b>                              | <b>11,801</b>      | <b>(6,262)</b>          | <b>-53.1%</b> |
| (0)                      | 0                    | 0                        | 0                       | 0.0%          | <b>Non Operating Income</b>          | (26)                                      | (10)                                      | 0                  | (10)                    | 0.0%          |
| <b>220</b>               | <b>2,026</b>         | <b>923</b>               | <b>1,103</b>            | <b>119.6%</b> | <b>Net Income(Loss)</b>              | <b>5,669</b>                              | <b>5,528</b>                              | <b>11,801</b>      | <b>(6,273)</b>          | <b>-53.2%</b> |
| 6.1%                     | 17.4%                | 12.7%                    | 13.0%                   |               | <b>EBITDA</b>                        | 8.3% <span style="color: green;">▲</span> | 8.0% <span style="color: green;">▲</span> | 12.5%              | -4.5%                   |               |
| 1.8%                     | 13.9%                | 7.3%                     | 6.6%                    |               | <b>Operating Margin</b>              | 4.0%                                      | 3.8%                                      | 7.8%               | -4.0%                   |               |
| 1.8%                     | 13.9%                | 7.3%                     | 6.6%                    |               | <b>Net Margin</b>                    | 4.0%                                      | 3.8%                                      | 7.8%               | -4.0%                   |               |

\* Due to a 5.8% lower in cases and 9.4% lower in patient days comparing to budget and a requirement to maintain core staffing, LG generated a less favorable operating margin (4% below budget) in FY17.

## Capital Spend Trend & FY 18 Budget

| Capital Spending (in 000's)            | Actual<br>FY2014 | Actual<br>FY2015 | Actual<br>FY2016 | Actual<br>FY2017 | Budget<br>FY2017 | Budget<br>FY2018 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| EPIC                                   | 6,838            | 29,849           | 20,798           | 2,755            | 6,137            | 1,922            |
| IT Hardware / Software Equipment       | 2,788            | 4,660            | 6,483            | 2,659            | 5,391            | 12,238           |
| Medical / Non Medical Equipment*       | 12,891           | 13,340           | 17,133           | 9,556            | 10,254           | 5,635            |
| Non CIP Land, Land I , BLDG, Additions | 22,292           | -                | 4,189            | -                | -                | -                |
| Facilities                             | 13,753           | 38,940           | 48,137           | 82,953           | 204,477          | 98,160           |
| <b>GRAND TOTAL</b>                     | <b>58,561</b>    | <b>86,789</b>    | <b>96,740</b>    | <b>97,923</b>    | <b>226,259</b>   | <b>117,955</b>   |

\*Includes 2 robot purchases in projected FY 2017 & FY16 Medical/Non Medical Equipment spent in FY17

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2016

| Category  | 2013          | 2014          | 2015          | 2016          | 2017          | Category                                   | 2013          | 2014          | 2015          | 2016          | 2017          |
|---|---------------|---------------|---------------|---------------|---------------|--|---------------|---------------|---------------|---------------|---------------|
| <b>EPIC</b>                                       | <b>0</b>      | <b>6,838</b>  | <b>29,849</b> | <b>20,798</b> | <b>2,755</b>  | <b>Facilities Projects CIP cont.</b>       |               |               |               |               |               |
| <b>IT Hardware/Software Equipment</b>             | <b>8,019</b>  | <b>2,788</b>  | <b>4,660</b>  | <b>6,483</b>  | <b>2,659</b>  | 1403 - Hosp Drive BLDG 11 TI's             | 0             | 86            | 103           | 0             | 0             |
| <b>Medical/Non Medical Equipment</b>              | <b>10,284</b> | <b>12,891</b> | <b>13,340</b> | <b>17,133</b> | <b>9,556</b>  | 1404 - Park Pav HVAC                       | 0             | 64            | 7             | 0             | 0             |
| <b>Non CIP Land, Land I, BLDG, Additions</b>      | <b>0</b>      | <b>22,292</b> | <b>0</b>      | <b>4,189</b>  | <b>0</b>      | 1405 - 1 - South Accessibility Upgrades    | 0             | 0             | 0             | 168           | 95            |
|   |               |               |               |               |               | 1408 - New Main Accessibility Upgrades     | 0             | 0             | 7             | 46            | 501           |
|   |               |               |               |               |               | 1415 - Signage & Wayfinding                | 0             | 0             | 0             | 106           | 58            |
|   |               |               |               |               |               | 1416 - MV Campus Digital Directories       | 0             | 0             | 0             | 34            | 23            |
|   |               |               |               |               |               | 1423 - MV MOB TI Allowance                 | 0             | 0             | 0             | 588           | 369           |
| <b>Facilities Projects CIP</b>                    |               |               |               |               |               | 1425 - IMOB Preparation Project - Old Main | 0             | 0             | 0             | 711           | 1,860         |
| <b>Mountain View Campus Master Plan Projects</b>  |               |               |               |               |               | 1429 - 2500 Hospital Dr Bldg 8 TI          | 0             | 0             | 101           | 0             | 0             |
| 1245 - Behavioral Health Bldg Replace             | 0             | 1,257         | 3,775         | 1,389         | 10,323        | 1430 - Women's Hospital Expansion          | 0             | 0             | 0             | 0             | 464           |
| 1413 - North Drive Parking Structure Exp          | 0             | 0             | 167           | 1,266         | 18,120        | 1432 - 205 South Dr BHS TI                 | 0             | 0             | 8             | 15            | 0             |
| 1414 - Integrated MOB                             | 0             | 0             | 2,009         | 8,875         | 32,805        | 1501 - Women's Hospital NPC Comp           | 0             | 0             | 4             | 0             | 223           |
| 1422 - CUP Upgrade                                | 0             | 0             | 0             | 896           | 1,245         | 1502 - Cabling & Wireless Upgrades         | 0             | 0             | 0             | 1,261         | 367           |
| <b>Sub-Total Mountain View Campus Master Plan</b> | <b>0</b>      | <b>1,257</b>  | <b>5,950</b>  | <b>12,426</b> | <b>62,493</b> | 1503 - Willow Pavillion Tomosynthesis      | 0             | 0             | 0             | 53            | 257           |
|   |               |               |               |               |               | 1504 - Equipment Support Infrastructure    | 0             | 0             | 61            | 311           | 0             |
| <b>Mountain View Capital Projects</b>             |               |               |               |               |               | 1523 - Melchor Pavillion Suite 309 TI      | 0             | 0             | 0             | 10            | 59            |
| 9900 - Unassigned Costs                           | 734           | 470           | 3,717         | 0             | 0             | 1525 - New Main Lab Upgrades               | 0             | 0             | 0             | 0             | 464           |
| 1108 - Cooling Towers                             | 450           | 0             | 0             | 0             | 0             | 1526 - CONCERN TI                          | 0             | 0             | 0             | 37            | 99            |
| 1120 - BHS Out Patient TI's                       | 66            | 0             | 0             | 0             | 0             | <b>Sub-Total Mountain View Projects</b>    | <b>8,145</b>  | <b>7,219</b>  | <b>26,744</b> | <b>5,588</b>  | <b>5,535</b>  |
| 1129 - Old Main Card Rehab                        | 9             | 0             | 0             | 0             | 0             | <b>Los Gatos Capital Projects</b>          |               |               |               |               |               |
| 0817 - Womens Hosp Upgrds                         | 645           | 1             | 0             | 0             | 0             | 0904 - LG Facilities Upgrade               | 2             | 0             | 0             | 0             | 0             |
| 0906 - Slot Build-Out                             | 1,003         | 1,576         | 15,101        | 1,251         | 294           | 0907 - LG Imaging Masterplan               | 244           | 774           | 1,402         | 17            | 0             |
| 1109 - New Main Upgrades                          | 423           | 393           | 2             | 0             | 0             | 1005 - LG OR Light Upgrd                   | 14            | 0             | 0             | 0             | 0             |
| 1111 - Mom/Baby Overflow                          | 212           | 29            | 0             | 0             | 0             | 1122 - LG Sleep Studies                    | 7             | 0             | 0             | 0             | 0             |
| 1204 - Elevator Upgrades                          | 25            | 30            | 0             | 0             | 0             | 1210 - Los Gatos VOIP                      | 147           | 89            | 0             | 0             | 0             |
| 0800 - Womens L&D Expansion                       | 2,104         | 1,531         | 269           | 0             | 0             | 1116 - LG Ortho Pavillion                  | 177           | 24            | 21            | 0             | 0             |
| 1131 - MV Equipment Replace                       | 216           | 0             | 0             | 0             | 0             | 1124 - LG Rehab BLDG                       | 49            | 458           | 0             | 0             | 0             |
| 1208 - Willow Pav. High Risk                      | 110           | 0             | 0             | 0             | 0             | 1247 - LG Infant Security                  | 134           | 0             | 0             | 0             | 0             |
| 1213 - LG Sterilizers                             | 102           | 0             | 0             | 0             | 0             | 1307 - LG Upgrades                         | 376           | 2,979         | 3,282         | 3,511         | 3,081         |
| 1225 - Rehab BLDG Roofing                         | 7             | 241           | 4             | 0             | 0             | 1308 - LG Infrastructure                   | 0             | 114           | 0             | 0             | 0             |
| 1227 - New Main eICU                              | 96            | 21            | 0             | 0             | 0             | 1313 - LG Rehab HVAC System/Structural     | 0             | 0             | 0             | 1,597         | 1,904         |
| 1230 - Fog Shop                                   | 339           | 80            | 0             | 0             | 0             | 1219 - LG Spine OR                         | 0             | 214           | 323           | 633           | 2,163         |
| 1315 - 205 So. Drive TI's                         | 0             | 500           | 2             | 0             | 0             | 1221 - LG Kitchen Refrig                   | 0             | 85            | 0             | 0             | 0             |
| 0908 - NPCR3 Seismic Upgrds                       | 1,302         | 1,224         | 1,328         | 240           | 342           | 1248 - LG - CT Upgrades                    | 0             | 26            | 345           | 197           | 6,669         |
| 1125 - Will Pav Fire Sprinkler                    | 57            | 39            | 0             | 0             | 0             | 1249 - LG Mobile Imaging                   | 0             | 146           | 0             | 0             | 0             |
| 1211 - SIS Monitor Install                        | 215           | 0             | 0             | 0             | 0             | 1328 - LG Ortho Canopy FY14                | 0             | 255           | 209           | 0             | 0             |
| 1216 - New Main Process Imp Office                | 19            | 1             | 16            | 0             | 0             | 1345 - LG Lab HVAC                         | 0             | 112           | 0             | 0             | 0             |
| 1217 - MV Campus MEP Upgrades FY13                | 0             | 181           | 274           | 28            | 0             | 1346 - LG OR 5, 6, and 7 Lights Replace    | 0             | 0             | 285           | 53            | 22            |
| 1224 - Rehab Bldg HVAC Upgrades                   | 11            | 202           | 81            | 14            | 6             | 1347 - LG Central Sterile Upgrades         | 0             | 0             | 181           | 43            | 66            |
| 1301 - Desktop Virtual                            | 0             | 13            | 0             | 0             | 0             | 1421 - LG MOB Improvements                 | 0             | 0             | 198           | 65            | 303           |
| 1304 - Rehab Wander Mgmt                          | 0             | 87            | 0             | 0             | 0             | 1508 - LG NICU 4 Bed Expansion             | 0             | 0             | 0             | 0             | 207           |
| 1310 - Melchor Cancer Center Expansion            | 0             | 44            | 13            | 0             | 0             | 1600 - 825 Pollard - Aspire Phase II       | 0             | 0             | 0             | 0             | 80            |
| 1318 - Women's Hospital TI                        | 0             | 48            | 48            | 29            | 2             | 1603 - LG MOB Improvements                 | 0             | 0             | 0             | 0             | 285           |
| 1327 - Rehab Building Upgrades                    | 0             | 0             | 15            | 20            | 0             | <b>Sub-Total Los Gatos Projects</b>        | <b>1,150</b>  | <b>5,276</b>  | <b>6,246</b>  | <b>6,116</b>  | <b>14,780</b> |
| 1320 - 2500 Hosp Dr Roofing                       | 0             | 75            | 81            | 0             | 0             | 1550 - Land Acquisition                    | 0             | 0             | 0             | 24,007        | 0             |
| 1340 - New Main ED Exam Room TVs                  | 0             | 8             | 193           | 0             | 0             | 1701 - 828 S Winchester Clinic TI          | 0             | 0             | 0             | 0             | 145           |
| 1341 - New Main Admin                             | 0             | 32            | 103           | 0             | 0             | <b>Sub-Total Other Strategic Projects</b>  | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>24,007</b> | <b>145</b>    |
| 1344 - New Main AV Upgrd                          | 0             | 243           | 0             | 0             | 0             | <b>Subtotal Facilities Projects CIP</b>    | <b>9,294</b>  | <b>13,753</b> | <b>38,940</b> | <b>48,137</b> | <b>82,953</b> |
| 1400 - Oak Pav Cancer Center                      | 0             | 0             | 5,208         | 666           | 52            | <b>Grand Total</b>                         | <b>27,598</b> | <b>58,561</b> | <b>86,789</b> | <b>96,740</b> | <b>97,923</b> |
|   |               |               |               |               |               | Forecast at Beginning of year              | 70,503        | 70,037        | 101,607       | 114,025       | 212,000       |

# ATTACHMENT 7



**El Camino Hospital<sup>®</sup>**

THE HOSPITAL OF SILICON VALLEY

Perfecting the Patient Financial  
Experience

Revenue Cycle Presentation to:  
Finance Committee

July 31, 2017

Terri Manifesto,

Sr. Director, Revenue Cycle

# New Patient Portal Launched May 8, 2017

## Self-Service Price Estimator and Quick Pay tool

### Our Vision

- We wanted to provide our patients and prospective patients with a real-time customized out of pocket estimate so they can instantly and on demand 24/7 run their own estimate from any digital or mobile device.
- The estimate would be tailored to each persons benefits and combines our payer contract information and our charge master data for our high volume, non emergent most shoppable services.
- We wanted to provide consumers with a transparent, fast access, convenient tool and to respect their time without having to call our office or wait for a return call for an estimate.
- To provide a quick pay option that is fast, and easy for Legacy accounts, Epic HB and PB as well as any collection agency payments



# Results

Our patients, prospective patients and consumers now have the ability to:

- Create their own estimate 24/7 from wherever they are from any mobile device
- Contact us to schedule an appointment
- Get help understanding your bill
- Use Quick pay to pay bill without log in
- Learn about financial assistance & charity care,

## Details

- Service selections at this time include EKG-EEG, Lab, Maternity, OT,PT,ST, PDC, Colonoscopy and Radiology/Imaging
- Consumers can see all insurance plans we accept
- Patients can pay their bill for Legacy, Epic HB, PB and collection agency accounts
- Individuals can contact our financial counselors through e-mail to obtain a more complex estimate
- Patients can call or e-mail our customer service team

# The Journey

- ECH is the 1<sup>st</sup> Hospital in California to launch a self service estimator tool working with Passport as a beta project
- We are 2<sup>nd</sup> in the nation to implement this tool, 1<sup>st</sup> was St. Clair Hospital in Pittsburgh PA
- RFS was submitted scored and approved for this project March 21, 2016
- Launched May 8, 2017

## Estimate and Quick Pay Stats

- From 5/15 – 7/18 495 people ran an estimate for our services
- From 5/8 – 7/14 = 1,207 patients made a quick pay payment
- Payments = \$ 467,612

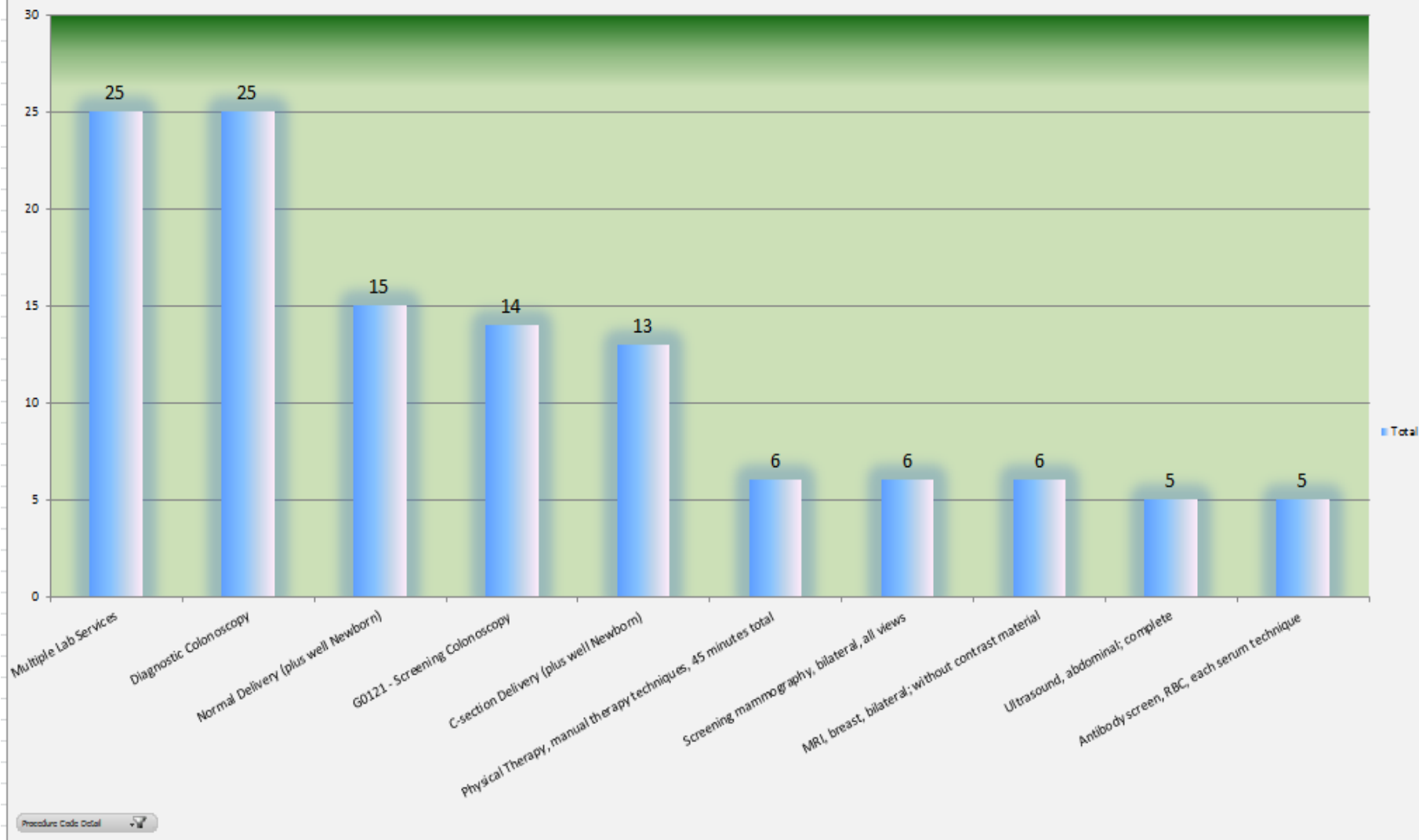
### Detail:

HB 729

PB 46

Legacy 432

## Total Estimates by Procedure (Top 10)



# Marketing Communication Plan

- It's time to start publically promoting the new tool
- Objectives
  - Build awareness of tool features, benefits and services supported
  - Grow current and prospective patient use of the tools
  - Create engagement with physician offices to support awareness of tool by patients
- Strategy for current and prospective patients
  - Newsletters, website, social media, fliers in ECH waiting rooms, Healthperks
- Internal and External Stakeholders
  - All Leaders and other forums
  - Intercom
  - Flier for Physician Offices
  - Physician Briefing
  - ECH Newsletters

## Next Steps

- Add more services to select from including surgeries based on claim volume as we have in our desktop version today
- Track activity in more detail and by service line
- Research if patient ran an estimate and if they actually came in for that service
- Listen to patients and the community with feedback on the tool

# ATTACHMENT 8





**El Camino Hospital**<sup>®</sup>

THE HOSPITAL OF SILICON VALLEY

## Major Capital Projects Update – For Information

July 18, 2017

Ken King

Chief Administrative Services  
Officer

# Major Capital Projects – Mountain View Master Plan Projects

## Background Info – No Change

Projects with Fully Approved Budgets - In Construction Phase

- **North Parking Garage Expansion**
  - 400 Car Expansion Structure with Solar Panels & Upgrades to Existing 850 Car Structure
- **Behavioral Health Services (BHS) Building**
  - New 2-Story BHS Building with 36 Beds & Outpatient Services & Support
- **Integrated Medical Office Building (IMOB) & Parking Structure**
  - New 7-Story Structure housing hospital services on G,1 and 2 with leased medical office space on floors 3-6, with 360 Car Parking Structure adjacent. Includes connection to new main hospital on 3 levels.
- **Central Utility Plan Upgrades**
  - Utility systems upgrades designed to serve the new BHS and IMOB projects.

# Major Capital Projects – Mountain View Master Plan Projects

## Background Info – No Change

Projects with Partial Budgets - In Planning & Design Phase

- **Women's Hospital Expansion**

- Remodel of existing building to move post partum to 52 private rooms on the 2<sup>nd</sup> and 3<sup>rd</sup> Floors, Expand the NICU to 32 beds on the north side of 1<sup>st</sup> Floor and Expand Labor and Delivery with anti-partum beds and additional LDR's on the south side of 1<sup>st</sup> Floor.

- **Old Main Hospital Demolition & Related Site Work**

- Demolition of Old Main Hospital, Connection structure between BHS and New Main Hospital and a new Service Yard and Loading Dock Access along with finished grading and landscaping.

# Projects Under Construction – No Change

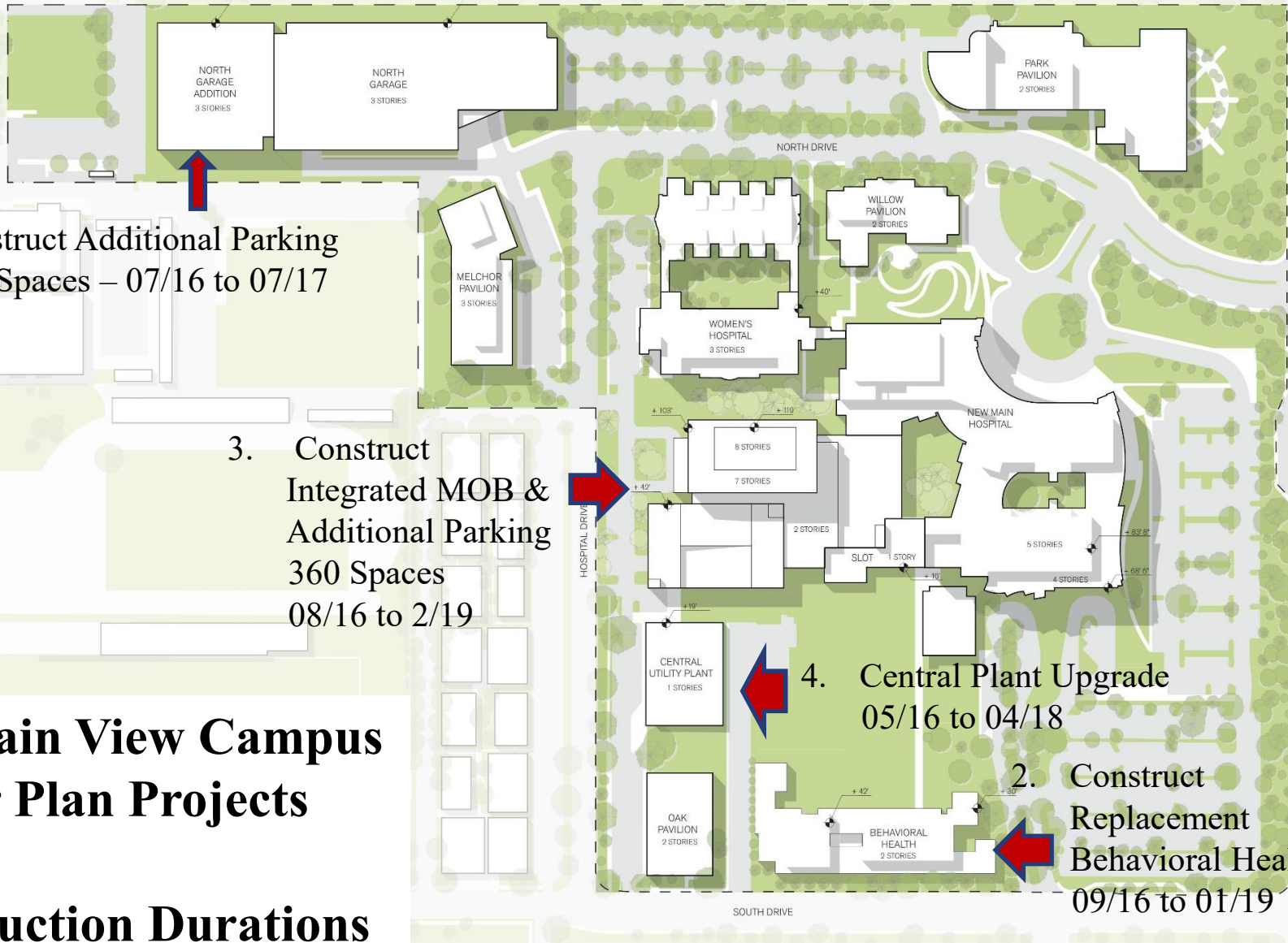
1. Construct Additional Parking  
400 Spaces – 07/16 to 07/17

3. Construct  
Integrated MOB &  
Additional Parking  
360 Spaces  
08/16 to 2/19

4. Central Plant Upgrade  
05/16 to 04/18

2. Construct  
Replacement  
Behavioral Health  
09/16 to 01/19

## Mountain View Campus Master Plan Projects with Construction Durations



**PROPOSED SITE PLAN**



# Behavioral Health Services Building Project Site

BHS Site  
Photo Date 05/22/17



BHS Site  
Photo Date 07/18/17



# Integrated Medical Office Building Project Site

IMOB Site  
Photo Date 05/22/17

IMOB Site  
Photo Date 07/18/17



# Project Timeline Report – The past Year

## No Change

### Mountain Veiw Campus Development Projects

Big Picture Schedule Update May 2017

|    |  | May-16                                      | Jun-16 | Jul-16                       | Aug-16 | Sep-16 | Oct-16 | Nov-16 | Dec-16 | Jan-17 | Feb-17 | Mar-17 | Apr-17 | May-17 | Target Completion Date |
|----|--|---|--------|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------------------|
| 1  | EIR & Planned Community Permit Process                   | Entitlements                                |        |                              |        |        |        |        |        |        |        |        |        |        | Complete               |
| 2  | Relocation of Departments & Services                     | Construction Preparation Move Project       |        |                              |        |        |        |        |        |        |        |        |        |        | Complete               |
| 3  | Plan 5/16 North Parking Garage Expansion                 | Plan Approval & Permit (City of)            |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 4  | Actual 5/17  | Plan Approval & Permit (City of MV)         |        | x Construction               |        |        |        |        |        |        |        |        |        |        | July-17                |
| 5  | Behavioral Health Services - Building                    |   |        |                              |        |        |        |        |        |        |        |        |        |        |                        |
| 6  | Plan 5/16 BHS Phase I - Partial Demo & Site Prep         | Plan Approval & Permit (OSHDP)              |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 7  | Actual 5/17  | Plan Approval & Permit (OSHDP & City of MV) |        | Construction                 |        |        |        |        |        |        |        |        |        |        | Complete               |
| 8  | Plan 5/16 BHS Phase II - New Building Construction       | Plan Approval & Permit (OSHDP)              |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 9  | Actual 5/17  | Plan Approval & Permit (OSHDP)              |        | Construction                 |        |        |        |        |        |        |        |        |        |        | Jan-19                 |
| 10 | Integrated Medical Office Building                       |   |        |                              |        |        |        |        |        |        |        |        |        |        |                        |
| 11 | Plan 5/16 IMOB Make Ready - Sitwork                      | Plan Approval & Permit (City of)            |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 12 | Actual 5/17  | Plan Approval & Permit (City of)            |        | Construction                 |        |        |        |        |        |        |        |        |        |        | Complete               |
| 13 | Plan 5/16 IMOB Make Ready - Demolition of North Addition | Plan Approval & Permit (OSHDP)              |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 14 | Actual 5/17  | Plan Approval & Permit (City of)            |        | x Construction               |        |        |        |        |        |        |        |        |        |        | Complete               |
| 15 | Plan 5/16 IMOB New Main Connector Construction           | Plan Approval & Permit (OSHDP & City of MV) |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 16 | Actual 5/17  | Plan Approval & Permit (City of MV & OHSPD) |        | x Hold Start of Construction |        |        |        |        |        |        |        |        |        |        | Co Apr-19              |
| 17 | Plan 5/16 IMOB New Building & Parking Construction       | Plan Approval & Permit (City of MV & OHSPD) |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 18 | Actual 5/17  | Plan Approval & Permit (City of MV & OHSPD) |        | x Co                         |        |        |        |        |        |        |        |        |        |        | Feb-19                 |
| 19 | Plan 5/16 Central Plant Upgrades                         | Plan Approval & Permit (OSHDP)              |        | Construction                 |        |        |        |        |        |        |        |        |        |        |                        |
| 20 | Actual 5/17  | Plan Approval & Permit (OSHDP)              |        | x Hold Start of Construction |        |        |        |        |        |        |        |        |        |        | Construct Apr-18       |

The North Parking Garage is tracking on schedule, however the target completion dates for BHS and IMOB have been pushed out four months to reflect the impact of the extremely wet winter and the complexity of the multi-jurisdictional permitting issues that were unanticipated.



# Project Cost Projections – July 18, 2017

| <b>Mountain View Master Plan Projects (In Process)</b> |                      |                      |                     | No Update from<br>Prior Report |                                  |
|--|----------------------|----------------------|---------------------|--------------------------------|----------------------------------|
| <b>Through June 30, 2017</b>                           | Approved Budget      | Total Obligated      | Paid to Date        | Forecasted Cost                | Forecasted to<br>Budget Variance |
| North Drive Parking Structure Expansion                | \$24,500,000         | \$24,380,454         | \$18,722,153        | \$23,861,747                   | \$638,253                        |
| Behavioral Health Services Building                    | \$91,500,000         | \$47,953,284         | \$16,864,789        | \$89,592,794                   | \$1,907,206                      |
| Integrated Medical Office Building & Parking Structure | \$275,000,000        | \$141,905,436        | \$43,553,214        | \$275,964,719                  | (\$964,719)                      |
| Central Utility Plant Upgrade                          | \$9,000,000          | \$8,051,723          | \$2,047,440         | \$8,785,435                    | \$214,565                        |
| <b>Total All Projects</b>                              | <b>\$400,000,000</b> | <b>\$222,290,897</b> | <b>\$81,187,596</b> | <b>\$398,204,695</b>           | <b>\$1,795,305</b>               |

- To date we have obligated by contract 55% of the Total Project Budgets, however at this time we are forecasting to spend 99.5% of the Total Project Budgets at completion.
- The forecast is based on proposals and bids that have not yet been accepted.
- We have contracted for all of the work that is on the critical path and we are currently awaiting final pricing that will reflect plan review and permit pricing adjustments.
- Final negotiations of the construction contracts may require additional project funding.



# Mountain View Campus Development Projects Status Update – July 18, 2017

- **North Parking Garage Expansion - \$24.5 m**
  - The expansion portion of the Garage is in use and the construction is substantially complete with only the installation of new landscaping to be completed. The installation of Solar Panels on the existing garage is nearly complete and the commissioning of new systems and equipment is underway. This project is projected to be completed within budget.
- **Behavioral Health Services (BHS) Building - \$91.5m**
  - The early sequence of construction is in full swing. Foundation and underground utilities are progressing on schedule and structural steel fabrication has begun. Final negotiations of the Construction GMP items not yet contracted for may require additional project funding.
- **Integrated Medical Office (IMOB) Building - \$275 m**
  - The Demolition and Site Utilities Phases are complete. The OSHPD “Examination Project” for construction impacting “OSHPD” structures has been approved and the excavation and foundation permits from the City of Mountain View were issued on May 26<sup>th</sup>. The installation of 318 foundation piles ranging from 40 to 80 deep is 60% complete and progressing on schedule. The next permit for the building structure is expected to be issued by the City of Mountain View at the end of July. The contractor is finalizing the GMP Proposal and initial indicators point to higher than projected costs for various elements of construction. Schedule critical elements have been released final negotiations of Construction GMP agreement may require additional project funding.

# Mountain View Campus Development Projects Update - July 18, 2017

- Central Utility Plant (CUP) Upgrades - \$9 m
  - The OSHPD Permit for this project has been issued and we have finalized the construction GMP Agreement with the contractor. It is projected that this project will be within the approved budget. Construction and equipment installation is progress. There are currently no problems anticipated for completing the upgrades in time to support the new BHS and IMOB projects.

**ATTACHMENT 17**

**Finance Committee**  
**Updated July 12, 2017**

| <b>FY18 FC Pacing Plan – Q1</b>  |   |  |
|--|---|--|
| <b>July 31, 2017</b>   | <b>August 2017</b>  | <b>September 25, 2017</b>  |
| <ul style="list-style-type: none"> <li>- Meeting Minutes (May 2017), any policies</li> <li>- Financial Report (FY17 Period 11, 12)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- <b>Physician Transaction Compliance Education</b></li> <li>- Year-End Financial Report</li> </ul> | <p><i>No scheduled meeting</i></p>  | <ul style="list-style-type: none"> <li>- Meeting Minutes (July 2017), any policies</li> <li>- Financial Report (FY18 Period 1, 2)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Payor Update</li> <li>- Summary of Physician Financial Arrangements (Year-End)</li> <li>- Service Line Review</li> <li>- Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)</li> <li>- <b>Medical Staff Development Plan</b></li> <li>- <b>Education Topic: Ambulatory Care Business Model (presentation)</b></li> </ul> |
| <b>FY18 FC Pacing Plan – Q2</b>  |   |  |
| <b>October 2017</b>  | <b>November 27, 2017</b>  | <b>December 2017</b>   |
| <p><b>10/25 – Board and Committee Education Session</b></p>  | <ul style="list-style-type: none"> <li>- Meeting Minutes (September 2017), any policies</li> <li>- Financial Report (FY18 Period 3,4)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Long-Term Financial Forecast</li> <li>- Epic Implementation Review (presentation)</li> <li>- Report on Financial and Operational Benchmarks</li> <li>- Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)</li> <li>- Service Line Review</li> </ul> | <p><i>No scheduled meeting</i></p>   |

| <b>FY18 FC Pacing Plan – Q3</b>  |  |   |
|--|--|---|
| <b>January 29, 2018</b>  | <b>February 2018</b>   | <b>March 26, 2018</b>   |
| <p><b>**Joint Meeting with the Investment Committee</b></p> <ul style="list-style-type: none"> <li>- Meeting Minutes (November 2017), any policies</li> <li>- Financial Report (FY18 Period 5,6)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- <b>Service Line Review</b></li> </ul> | <p><i>No scheduled meeting</i></p>   | <ul style="list-style-type: none"> <li>- Meeting Minutes (January 2018), any policies</li> <li>- Financial Report (FY18 Period 7,8)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Preview FY19 Budget Part # 1</li> <li>- Discuss and recommend FY19 Committee Goals</li> <li>- Discuss FY19 Committee Dates</li> <li>- Biennial Review of Committee Charter</li> <li>- Payor Update</li> <li>- Summary of Physician Financial Arrangements (Mid-Year)</li> <li>- Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)</li> </ul> |
| <b>FY18 FC Pacing Plan – Q4</b>  |  |   |
| <b>April 2018</b>  | <b>May 29, 2019</b>  | <b>June 2018</b>  |
| <ul style="list-style-type: none"> <li>- <b>**Proposal</b> – Preview FY19 Budget Part # 2 mtg.               <ul style="list-style-type: none"> <li>o Hopefully held the last week in April (Monday, April 23<sup>rd</sup>?)</li> <li>o 60 – 90 minute meeting</li> </ul> </li> </ul>  | <p><b>**Joint Meeting with the Hospital Board on the Operating &amp; Capital Budget</b></p> <ul style="list-style-type: none"> <li>- Meeting Minutes (March 2018), any policies</li> <li>- Financial Report (FY18 Period 9,10)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Review and recommend FY19 Budget</li> <li>- Review and recommend FY19 Organizational Goals</li> <li>- Review Self-Assessment Results (FY18, FY20) <i>every two years</i></li> <li>- Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)</li> </ul> | <p><i>No scheduled meeting</i></p>  |
| <p><b>4/25 – Board and Committee Education Session</b></p>   |  |   |