El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

AGENDA
FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Monday, January 29, 2018 – 6:00 pm
Conference Rooms A&B (ground floor)
El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

Boyd Faust will be participating via teleconference from 100 Capital Boulevard, Rocky Hill, CT. 06067

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

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1.	**CALL TO ORDER / ROLL CALL**	John Zoglin, Chair		**6:00 – 6:02 pm**
2.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	John Zoglin, Chair		**6:02 – 6:03**
3.	**PUBLIC COMMUNICATION** a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	John Zoglin, Chair		**6:03 – 6:06**
4.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.*	John Zoglin, Chair	*public comment*	**motion required 6:06 – 6:08**
	Approval a. Minutes of the Open Session of the Finance Committee Meeting (November 27, 2017) b. FY18 Period 5 Financials c. Physician Financial Arrangements Policy d. Community Benefits Grants Policy ***Information*** e. Board Designated Funds f. Progress Against Committee Goals g. Article Of Interest			
5.	**REPORT ON BOARD ACTIONS** **ATTACHMENT 5**	John Zoglin, Chair		**information 6:08 – 6:13**
6.	**FY18 PERIOD 6 FINANCIALS** **ATTACHMENT 6**	Iftikhar Hussain, CFO	*public comment*	**possible motion 6:13 – 6:23**
7.	**REVIEW MAJOR CAPITAL PROJECTS IN PROGRESS** **ATTACHMENT 7**	Ken King, CASO		**information 6:23 – 6:33**
8.	**CAPITAL FUNDING REQUEST** **ATTACHMENT 8**	Ken King, CASO	*public comment*	**motion required 6:33 – 6:48**

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
9.	**REPORT ON FINANCIAL & OPERATIONAL BENCHMARKS** **ATTACHMENT 9**	Iftikhar Hussain, CFO		**information** **6:48 – 7:03**
10.	**EPIC IMPLEMENTATION REVIEW** **ATTACHMENT 10**	Deb Muro, Interim CIO		**information** **7:03 – 7:23**
11.	**ADJOURN TO CLOSED SESSION**	John Zoglin, Chair		**motion required** **7:23 – 7:24**
12.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	John Zoglin, Chair		**7:24 – 7:25**
13.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2*: a. Meeting Minutes of the Closed Session of the Finance Committee (November 27, 2017) ***Information*** b. Acute Rehab Agreement – LG c. ED On-Call Interventional Radiology – LG d. ED On-Call Interventional Radiology – MV e. ED On-Call Urology Call Coverage – MV f. ED On-Call Urology Call Coverage – LG g. ED On-Call Stroke & Neurology – MV & LG h. Urgent Care Clinics	John Zoglin, Chair Iftikhar Hussain, CFO Will Faber, MD, CMO		**motion required** **7:25 – 7:26**
14.	*Health and Safety Code 32106(b)* for a report involving heath care facility trade secrets: - Service Line Review – Behavioral Health Services	Michael Fitzgerald, Executive Director Behavioral Health Services		**discussion** **7:26 – 7:51**
15.	**ADJOURN TO OPEN SESSION**	John Zoglin, Chair		**motion required** **7:51 – 7:52**
16.	**RECONVENE OPEN SESSION / REPORT OUT** To report any required disclosures regarding permissible actions taken during Closed Session.	John Zoglin, Chair		**7:52 - 7:53**
17.	**APPROVAL OF PHYISICAN CONTRACTS** a. Acute Rehab Agreement – LG b. ED On-Call Interventional Radiology – LG c. ED On-Call Interventional Radiology – MV d. ED On-Call Urology Call Coverage – MV e. ED On-Call Urology Call Coverage – LG f. ED On-Call Stroke & Neurology – MV & LG	John Zoglin, Chair	*public comment*	**motion required** **7:53 – 7:56**
18.	**FY18 PACING PLAN** **ATTACHMENT 18**	John Zoglin, Chair	*public comment*	**possible motion** **7:56 – 7:59**
19.	**ADJOURNMENT**	John Zoglin, Chair		**motion required** **7:59 – 8:00 pm**

Upcoming Finance Committee Meetings in FY18:

- March 26, 2018
- April 25, 2018 (*Board & Committee Educational Gathering)*
- *April 26, 2018*
- May 29, 2018 (*Joint Meeting w/ECH Board then separate Finance meeting*)

Minutes of the Open Session of the Finance Committee
Monday, November 27th 2017
El Camino Hospital | Conference Rooms A & B (ground floor)
2500 Grant Road, Mountain View, CA 94040

Members Present	Members Absent	Others Present
John Zoglin, Chair	William Hobbs	
Joseph Chow		
Boyd Faust		
Richard Juelis		
David Reeder		

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:31 pm by Chair John Zoglin. Mr. Hobbs was absent.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Zoglin asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	Chair Zoglin asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed; however the committee wants to bring back HVI for another presentation in March 2018. **Motion:** To approve the consent calendar: Minutes of the Open Session of the Finance Committee Meeting (September 25, 2017); FY18 Period 3 Financials **Movant:** Reeder **Second:** Chow **Ayes:** Chow, Faust, Juelis, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	***Consent calendar approved***
5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the Report on Board Actions as further detailed in the packet. He also introduced David Clark, Interim COO to the committee.	
6. FY18 PERIOD 4 FINANCIALS	Iftikhar Hussain, CFO, reviewed the FY18 Period 4 Financials with the Committee members. FY18 for the year, overall volume, measured in adjusted discharges is 3.1% higher than budget. IP cases are 1.9% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 2.6% and 3.3% below budget. OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology. October operating income is $10.4M over budget, due to favorable revenue cycle operations and higher volume. Revenue for the month includes $4.7 million in unusual items. For the year op margin is $18.9M ahead of target. Commercial insurance is 0.4% more of the Payor Mix in October than budget. Prod Hrs/APD for October is 30.2 and slightly better than budget. YTD we are slightly better than budget. The overall balance sheet reflects the AR is 49.3 days which is 1.3 days more than budget. **Motion:** To approve the FY18 Period 4 Financials. **Movant:** Chow	***FY 18 Period 4 Financials approved***

	Second: Reeder **Ayes:** Chow, Faust, Juelis, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	
7. PROPOSED SUMMARY FINANCIAL REPORT TO THE BOARD	Iftikhar Hussain, CFO, proposed a new brief summary style on the El Camino Hospital Financial Report, to the Board on the following categories: Dashboard, Operating Revenue, Monthly Financial Trends, Operating Margin, Scorecard, Capital Spending and Balance Sheet. The Finance Committee appreciated the proposed style on the Financial information. A few suggestions commented by the committee: 1. In the Dashboard remove annual columns, grey highlighted rows and add variants budget against actual column. 2. Add back removed pages from the FC packet in the Bd packet Appendix	
8. REVIEW MAJOR CAPITAL PROJECTS IN PROGRESS	Ken King, CASO, reported on the current development progress of Capital Projects in process with the Committee. Mr. King outlined the current projects updates on the following: 1. North Parking Garage Expansion - Substantially complete with only the scheduled installation of the battery system (under a separate agreement) to be completed by February 2018. 2. Behavioral Health Services (BHS) Building - The steel structure has been erected and completing the installation of metal decking and deck inserts is the next step in the construction sequence. Fire proofing & concrete placement is scheduled to be completed by the end of December. (Weather Permitting) Target Completion Date (Construction) March 2019. 3. Integrated Medical Office (IMOB) Building - The foundation elements and under slab utilities are complete and the slab on grades is 75% complete for the IMOB. The foundation elements and under slab utilities for the IMOB Parking Structure are in process. The structural steel erection is scheduled to begin on 11/27/17 and be completed by the end of February 2018. Target Completion Date (Construction) May 2019. 4. Central Utility Plant (CUP) Upgrades - Construction and equipment installation continues on schedule. The next major milestone is the installation of two new absorption chillers which has been scheduled for the winter months to avoid operational impacts during hot spring and summer days. Target Completion Date (Construction) April 2018. *5.* Women's Hospital Expansion *(Included for the first time)* - The Schematic Plans have been completed and Design Development is 85% complete and the sequencing of the construction activities are being planned in great detail. The design development cost estimate will be received in late December and will be presented to the Finance Committee at the scheduled meeting in January 2018. In response to Mr. Chow's question, Mr. King stated the Woman's Hospital expansion is targeted 2019. In response to Mr. Juelis question, Mr. Hussain and Mr. King explained that the projects are funded and allocated by the bonds and we barrowed the maximum, but it doesn't cover 100% for the hospital remodel on the Mountain View campus development.	

DRAFT

9. QUARTERLY REPORT: RETURN ON INVESTMENT FOR THE LOS GATOS CAPITAL SPENDING	Iftikhar Hussain, CFO, reported on the return investment for the Los Gatos capital spending to the committee. Mr. Hussain summary included that the capital spending at Los Gatos hospital was to replace failed equipment and provide basic services. The cash flow supports these investments and the volume is stable. Mr. Hussain reported that historical Los Gatos cash flow from operations is $20 million per year. Though there was drop in FY 16 due to EPIC go-live. In 2016 the overhead allocation was increased to $15 million from 10.5 million. In response to Mr. Juelis question, Mr. Hussain explained that the $20 million cash flow includes overhead allocation.	
10. SERVICE LINE ONCOLOGY	Markettea Beneke, Sr. Director Oncology Service Line reported on the following items: Service Line Dashboard, Market Distinction, Current Projects, Future Projects, Survival Rates and Prevention to the committee. 1. *Service Line Dashboard comparing FY16 to FY17*: a. Profitability improvements b. Net Income improved 49.3% c. Net Revenue decreased by 2.2% d. Surgical volume continues to shift from Inpatient to Outpatient e. Strong growth for Infusion Center 2. *Market Distinction*: There are five market distinctions for the ECH. a. Patient-centric: You and your family are involved throughout the treatment planning and implementation process, allowing you to make informed decisions about your care. b. Personalized: Speed of treatment, tailored to you and quickly adjusted to fit your needs. c. Integrated: Your care team works together, all under one roof, coordinated by a dedicated care manager who helps to orchestrate your schedule, communication, education and follow up. d. Community based: Local care by local care providers. e. Equal to Academic: Great outcomes, clinical trials are available. 3. Current Projects: Ms. Beneke reported on the Los Gatos Infusion Center is tentatively up and running by July 2018. Other incorporating programs/partnerships through Safeway, middle schools, restaurants and web-base food delivery site to educate, to prevent cancer and help with patient/client outreach. 4. Future Projects: Ms. Beneke informed the committee on some improvements for the Oncology Service Line for FY 19 budget. The list of improvements: a. Upgrade to latest version of the Cyberknife system, M6 b. Upgrade to Varian Edge SRS System c. Upgrade to ViewRay MRI LINAC d. Options for LINAC Upgrade - Upgrade to a Varian TruBeam System 5. Survival Rates: El Camino Hospital meets or exceeds everyone else within our area and nationally. 6. Prevention: Our approved dietitian logo we want to apply out to the community which states Cancer Healthy. In response to Mr. Juelis questions, Ms. Beneke explained that ECH is well compensated by the large drug companies. She helps with the Clinical Research department monthly, to coordinate with patients and we've received patients from Stanford's Clinical trial.	

DRAFT

	In response to Mr. Faust question, Ms. Beneke expressed doubling the volume with our Outreach Coordinator going out to the health fairs and branding our name. Also, partnering with American Heart Association and utilizing our Marketing department to its full potential.	
11. ADJOURN TO CLOSED SESSION	**Motion:** To adjourn to closed session at 7:18 pm pursuant to *Gov't Code Section 54957.2.* for approved of the Minutes of the Closed Session of the Finance Committee (September 25, 2017); pursuant to *Health & Safety Code 32106(b) for discussion of* Long Term Financial Forecast; pursuant to *Health & Safety Code 32106(b) for discussion of* Ophthalmology Call Coverage Renewal – Enterprise to *Health & Safety Code 32106(b) for a report and discussion involving ED-On call Gastroenterology Panel;* pursuant to *Health & Safety Code 32106(b) for a report and discussion involving health care facility trade secrets:* OB Hospitalist*;* pursuant to *Health & Safety Code 32106(b) for a report and discussion involving health care facility trade secrets*. **Movant:** Reeder **Second:** Julis **Ayes:** Chow, Faust, Juelis, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	***Adjourned to closed session at 7:18 pm***
12. AGENDA ITEM 17: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened at 8:05 pm. Agenda items 12-15 were covered in closed session. During the closed session the committee approved the Minutes of the Closed Session of Finance Committee (September 25, 2017) By a unanimous vote in favor by all present committee members (Chow, Faust, Juelis, Reeder, Zoglin), Hobbs was absent.	
13. AGENDA ITEM 18: APPROVAL OF CONTRACTS	**Motion**: To recommend that the Board approve the Ophthalmology Call Coverage Renewal – Enterprise, ED On-Call Gastroenterology Panel and Renewal – LG Campus OB Hospitalist – MV/LG Campus **Movant:** Juelis **Second:** Chow **Ayes:** Chow, Faust, Juelis, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	
14. AGENDA ITEM 19: FY18 COMMITTEE PACING PLAN	Mr. Zoglin stated to the committee we have a joint Finance and Investment meeting in January and the long-term forecast is held in March of 2018.	
15. AGENDA ITEM 20: CLOSING COMMENTS	**None**	
16. AGENDA ITEM 21: ADJOURNMENT	**Motion:** To adjourn at 8:08pm **Movant:** Chow **Second:** Reeder **Ayes:** Chow, Faust, Juelis, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** Hobbs **Recused:** None	***Meeting adjourned at 8:08pm***

DRAFT

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

_____
John Zoglin
Chair, Finance Committee

DRAFT

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 5

7/1/2017 to 11/30/2017

Dashboard - ECH combined as of November 30, 2017

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	222	246	231	15	229	238	231	7
Adjusted Discharges	2,649	2,996	2,727	269	13,622	14,768	14,139	629
Total Discharges (Exd NNB)	1,504	1,728	1,575	153	7,862	8,422	8,149	273
Inpatient Cases								
MS Discharges	1,007	1,182	1,084	98	5,263	5,816	5,549	267
Deliveries	378	401	383	18	1,999	1,980	2,016	(36)
BHS	78	99	70	29	388	452	377	75
Rehab	41	46	38	8	212	174	208	(34)
Outpatient Cases	11,759	12,140	11,804	336	59,395	61,781	60,538	1,243
ED	3,726	3,752	3,921	(169)	19,459	19,683	20,106	(423)
Procedural Cases								
OP Surg	375	423	368	55	1,777	1,965	1,884	81
Endo	211	184	171	13	982	985	876	109
Interventional	164	149	170	(21)	908	844	874	(30)
All Other	7,283	7,632	7,174	458	36,269	38,304	36,797	1,507
Financial Perf.								
Net Patient Revenues	64,350	78,331	65,930	12,401	335,040	372,076	344,016	28,060
Total Operating Revenue	69,728	83,180	67,781	15,399	347,564	385,900	353,979	31,920
Operating Expenses	60,159	65,099	62,208	2,891	300,654	318,713	318,183	530
Operating Income $	9,570	18,081	5,573	12,507	46,910	67,187	35,796	31,391
Operating Margin	13.7%	21.7%	8.2%	13.5%	13.5%	17.4%	10.1%	7.3%
EBITDA $	14,079	22,823	10,665	12,158	69,569	89,346	60,735	28,611
EBITDA %	20.2%	27.4%	15.7%	11.7%	20.0%	23.2%	17.2%	6.0%
IP Margin[1]	5.8%	12.6%	-10.2%	22.8%	5.8%	12.6%	-10.2%	22.8%
OP Margin[1]	37.0%	42.2%	31.7%	10.5%	37.0%	42.2%	31.7%	10.5%
Payor Mix								
Medicare	46.2%	46.3%	47.4%	-1.1%	46.7%	46.1%	47.4%	-1.3%
Medi-Cal	7.9%	7.8%	7.2%	0.6%	7.4%	8.0%	7.2%	0.7%
Commercial IP	22.0%	22.6%	22.6%	0.0%	23.1%	22.7%	22.6%	0.1%
Commercial OP	21.5%	20.9%	20.3%	0.6%	20.4%	20.6%	20.3%	0.3%
Total Commercial	43.4%	43.4%	42.9%	0.6%	43.5%	43.3%	42.9%	0.4%
Other	2.5%	2.5%	2.5%	0.0%	2.5%	2.6%	2.5%	0.1%
Cost								
Total FTE	2,458.7	2,566.2	2,487.8	78	2,470.0	2,563.9	2,498.0	66
Productive Hrs/APD	31.0	29.8	31.1	(1)	30.8	30.5	31.1	(1)
Balance Sheet								
Net Days in AR	44.8	46.0	48.0	(2)	44.8	46.0	48.0	(2)
Days Cash	444	477	266	211	444	477	266	211
Affiliates - Net Income ($000s)								
Hosp	8,449	27,017	5,799	21,218	54,193	100,227	54,193	46,034
Concern	(254)	43	137	(94)	226	945	649	296
ECSC	(1)	(2)	0	(2)	(51)	(18)	0	(18)
Foundation	361	493	105	388	884	1,216	371	846
SVMD	(31)	389	(7)	395	31	564	15	549

Volume:

- For the year, overall volume, measured in adjusted discharges is 2.3% higher than budget.
- IP cases are 3.4% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 1.0% and 1.8% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Financial Performance:

- Operating income is $12.5M over budget, due to favorable revenue and higher volume. Rev for the month include $4.1 million in unusual items. For the year op margin is $31.4M ahead of target

Payor Mix:

- Commercial insurance is 0.6% more of the Payor Mix in November than budget.

Cost:

- Prod Hrs/APD for November is 29.8 and slightly better than budget . YTD we are slightly better than budget

Balance Sheet:

- Net days in AR is 46.0 which is 1.0 days less than budget.

FY2017 budget presented excludes 2016 and 2017 bonds cost of issuance and interest expense

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-11/30/2017) Waterfall

(in thousands; $000s)	Year to Date (YTD) Net Income Impact	Year to Date (YTD) % Net Revenue
Budgeted Hospital Operations FY2018	**35,796**	**10.1%**
Net Revenue - Favorable due to higher volume, favorable payor mix and $9.2 million unusual items	31,920	8.3%
Labor and Benefit Expense Change - Labor is close to budget after adjusting for higher volume	(2,574)	-0.7%
Professional Fees & Purchased Services -Recruiting costs increases in many services in combination with Consulting fee and Purchased services increases in IT and Facilities.	(1,612)	-0.4%
Supplies - Slightly unfavorable due to increase in surgical supplies, offset by savings in Spine and Heart valves and an increase in Drug expense	(125)	0.0%
Other Expenses - primarily due to no strategic fund expenses.	1,001	0.3%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as some LG projects	2,780	0.7%
Actual Hospital Operations FY2018	**67,187**	**17.4%**

El Camino Hospital ($000s)

5 months ending 11/30/2017

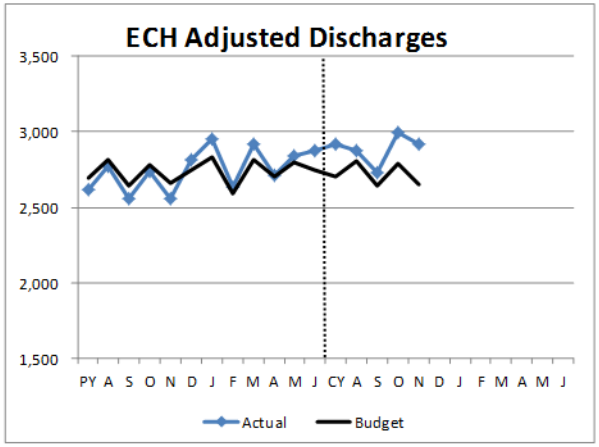
Period 5 FY 2017	Period 5 FY 2018	Period 5 Budget 2018	Variance Fav (Unfav)	Var%	$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
238,597	278,325	255,565	22,760	8.9%	**Gross Revenue**	1,198,251	1,370,889	1,306,246	64,643	4.9%
(174,248)	(199,994)	(189,635)	(10,359)	1.0%	**Deductions**	(863,211)	(998,813)	(962,230)	(36,583)	3.8%
64,350	**78,331**	**65,930**	**12,401**	**18.8%**	**Net Patient Revenue**	**335,040**	**372,076**	**344,016**	**28,060**	**8.2%**
5,379	4,849	1,851	2,998	161.9%	**Other Operating Revenue**	12,524	13,824	9,963	3,861	38.7%
69,728	**83,180**	**67,781**	**15,399**	**22.7%**	**Total Operating Revenue**	**347,564**	**385,900**	**353,979**	**31,920**	**9.0%**
					OPERATING EXPENSE					
35,777	38,238	37,275	(963)	-2.6%	**Salaries & Wages**	181,969	194,133	191,559	(2,574)	-1.3%
9,937	10,453	9,686	(766)	-7.9%	**Supplies**	45,977	49,780	49,655	(125)	-0.3%
7,746	9,147	7,666	(1,481)	-19.3%	**Fees & Purchased Services**	38,420	41,282	39,670	(1,612)	-4.1%
2,189	2,519	2,489	(31)	-1.2%	**Other Operating Expense**	11,629	11,359	12,360	1,001	8.1%
470	647	725	78	10.8%	**Interest**	2,357	2,150	3,627	1,477	40.7%
4,039	4,095	4,366	271	6.2%	**Depreciation**	20,302	20,009	21,311	1,302	6.1%
60,159	**65,099**	**62,208**	**(2,891)**	**-4.6%**	**Total Operating Expense**	**300,654**	**318,713**	**318,183**	**(530)**	**-0.2%**
9,570	**18,081**	**5,573**	**12,507**	**224.4%**	**Net Operating Income/(Loss)**	**46,910**	**67,187**	**35,796**	**31,391**	**87.7%**
(1,121)	8,936	225	8,711	3866.2%	**Non Operating Income**	7,284	33,041	1,126	31,914	2833.1%
8,449	**27,017**	**5,799**	**21,218**	**365.9%**	**Net Income(Loss)**	**54,193**	**100,227**	**36,922**	**63,305**	**171.5%**
20.2%	27.4%	15.7%	11.7%		EBITDA	20.0%	23.2%	17.2%	6.0%	
13.7%	21.7%	8.2%	13.5%		Operating Margin	13.5%	17.4%	10.1%	7.3%	
12.1%	32.5%	8.6%	23.9%		Net Margin	15.6%	26.0%	10.4%	15.5%	

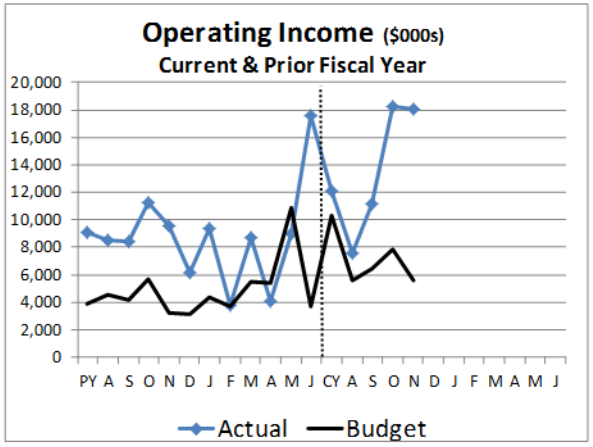
Non Operating Items and Net Income by Affiliate

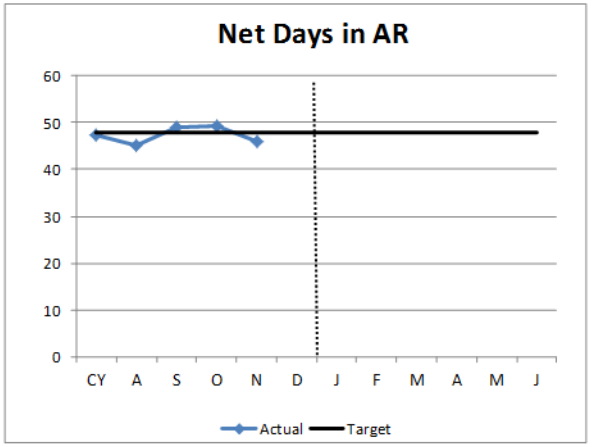
$ in thousands

	Period 5 - Month			Period 5 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	16,554	4,443	12,111	60,908	29,295	31,613
Los Gatos	1,527	1,130	397	6,279	6,501	(222)
Sub Total - El Camino Hospital, excl. Afflilates	**18,081**	**5,573**	**12,507**	**67,187**	**35,796**	**31,391**
Operating Margin %	**21.7%**	**8.2%**		**17.4%**	**10.1%**	
El Camino Hospital Non Operating Income						
Investments	8,772	1,516	7,257	36,459	7,578	28,882
Swap Adjustments	324	0	324	499	0	499
Community Benefit	(37)	(283)	247	(2,100)	(1,417)	(683)
Pathways	135	42	93	312	208	104
Satellite Dialysis	(8)	(35)	27	(86)	(177)	91
Other	(250)	(1,013)	763	(2,045)	(5,066)	3,021
Sub Total - Non Operating Income	**8,936**	**225**	**8,711**	**33,041**	**1,126**	**31,914**
El Camino Hospital Net Income (Loss)	**27,017**	**5,799**	**21,218**	**100,227**	**36,922**	**63,305**
ECH Net Margin %	**32.5%**	**8.6%**		**26.0%**	**10.4%**	
Concern	43	137	(94)	945	649	296
ECSC	(2)	0	(2)	(18)	0	(18)
Foundation	493	105	388	1,216	371	846
Silicon Valley Medical Development	389	236	153	564	15	549
Net Income Hospital Affiliates	**922**	**236**	**686**	**2,708**	**1,035**	**1,673**
Total Net Income Hospital & Affiliates	**27,939**	**6,035**	**21,904**	**102,935**	**37,957**	**64,978**

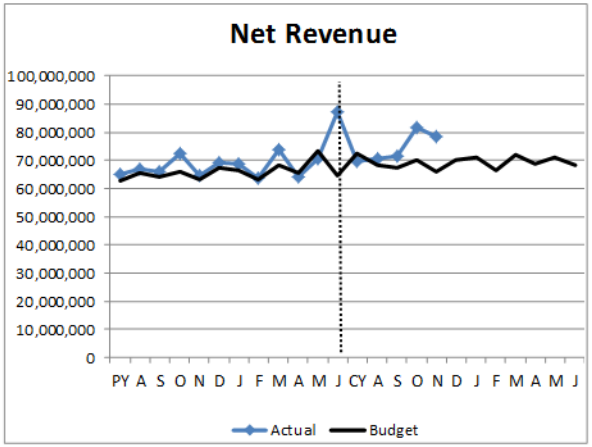
Monthly Financial Trends

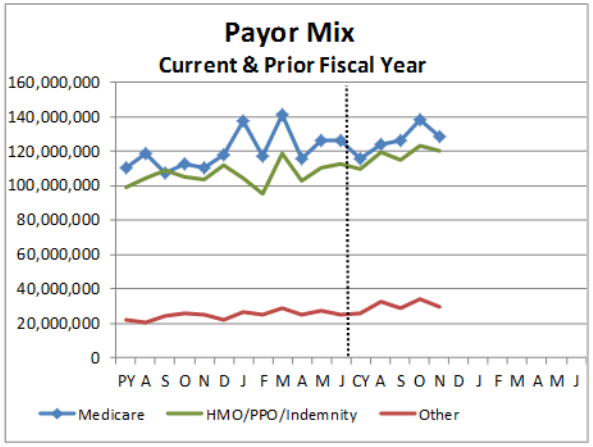


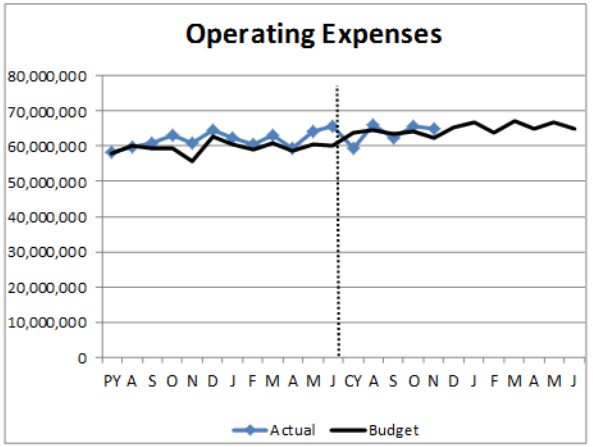




Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient HVI and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics and Rehab.

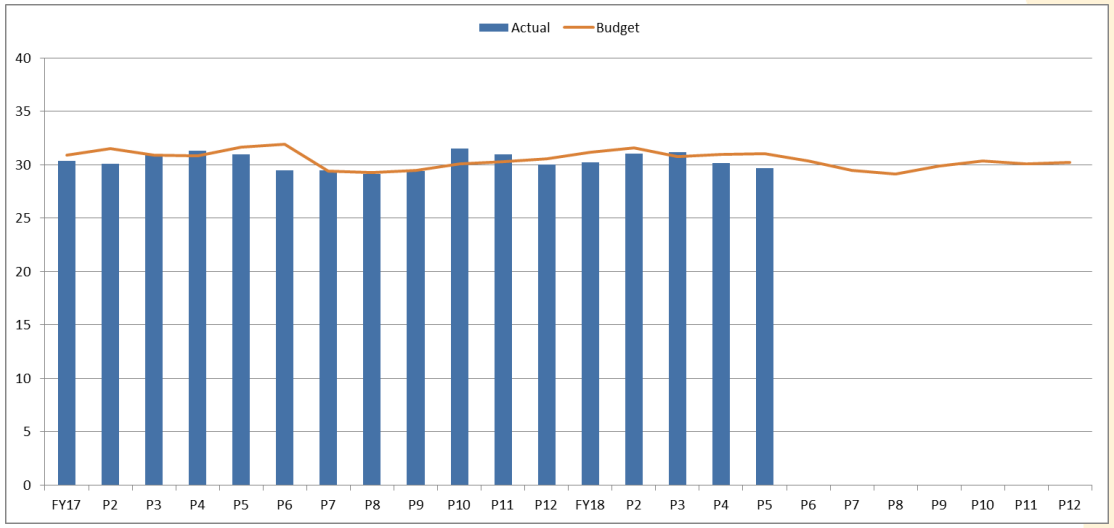






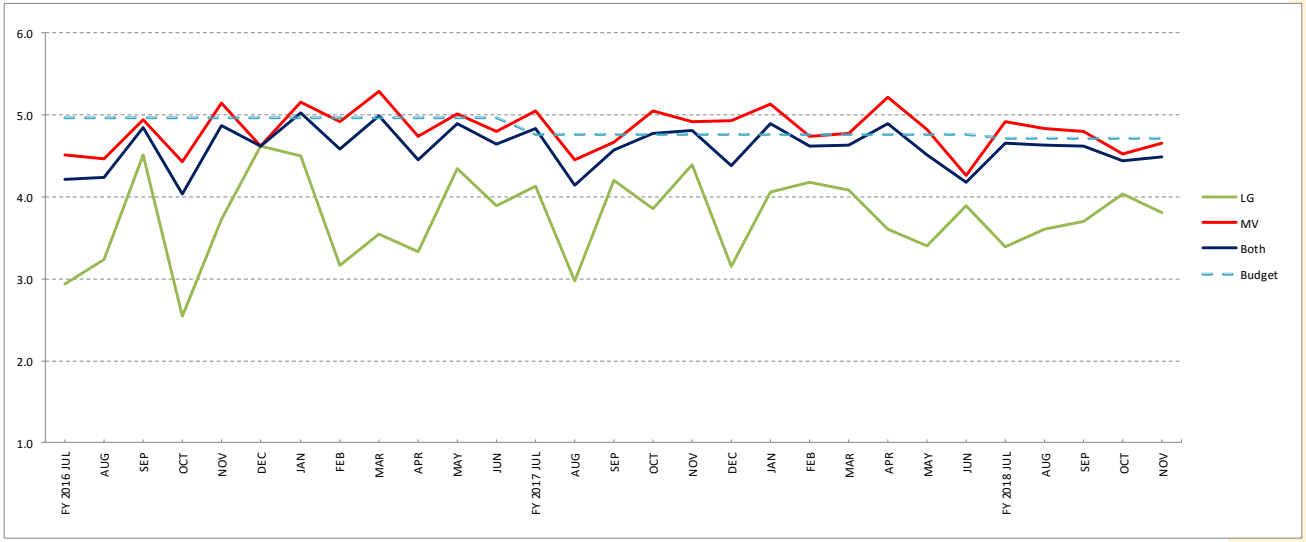
Productivity and Medicare Length of Stay

Work hours per adjusted patient day decreased in November under budget by 1.3. Overall the month of November is 29.8 worked hours per adjusted patient day.

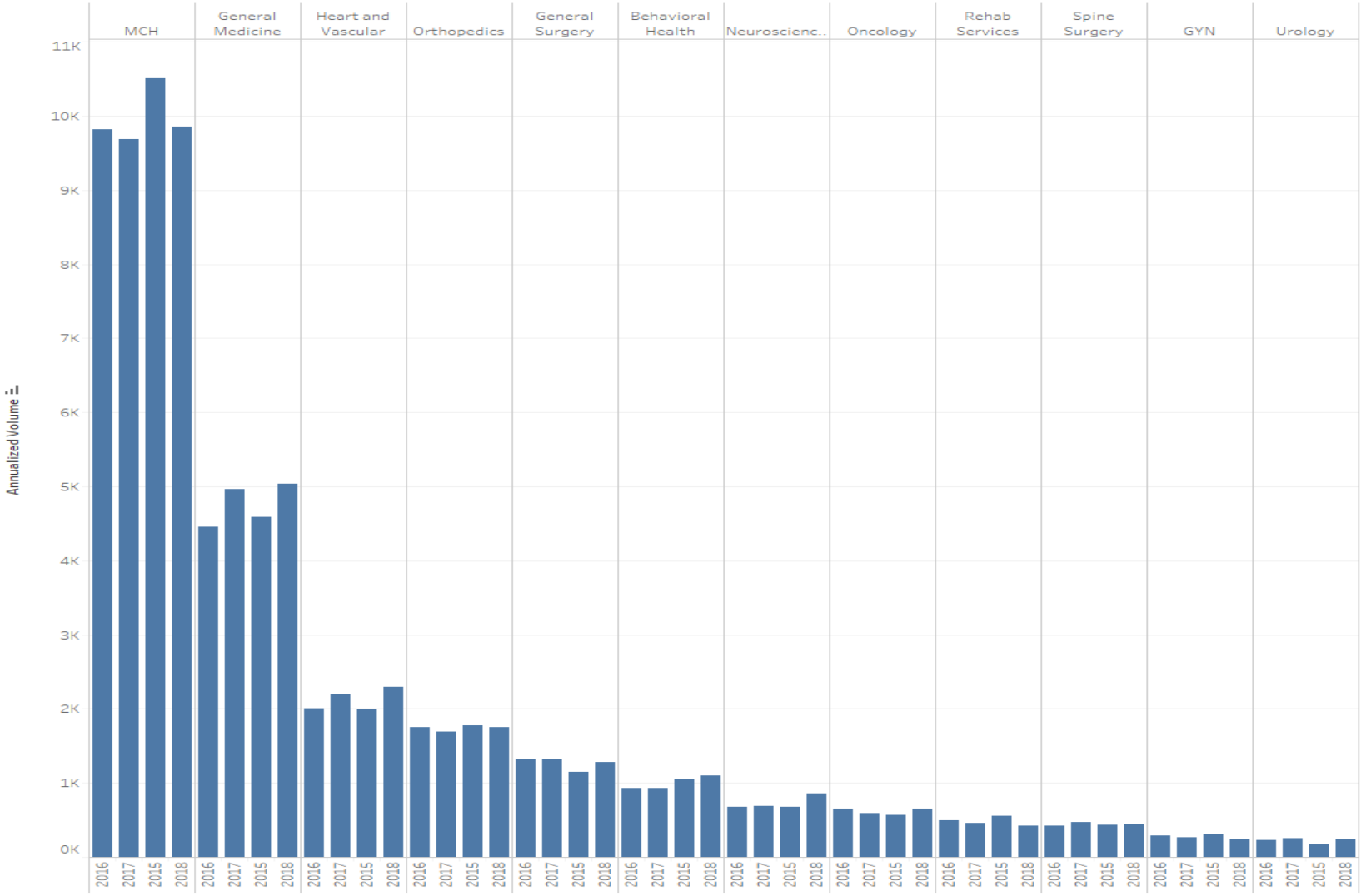


Medicare ALOS

ALOS remains better than target

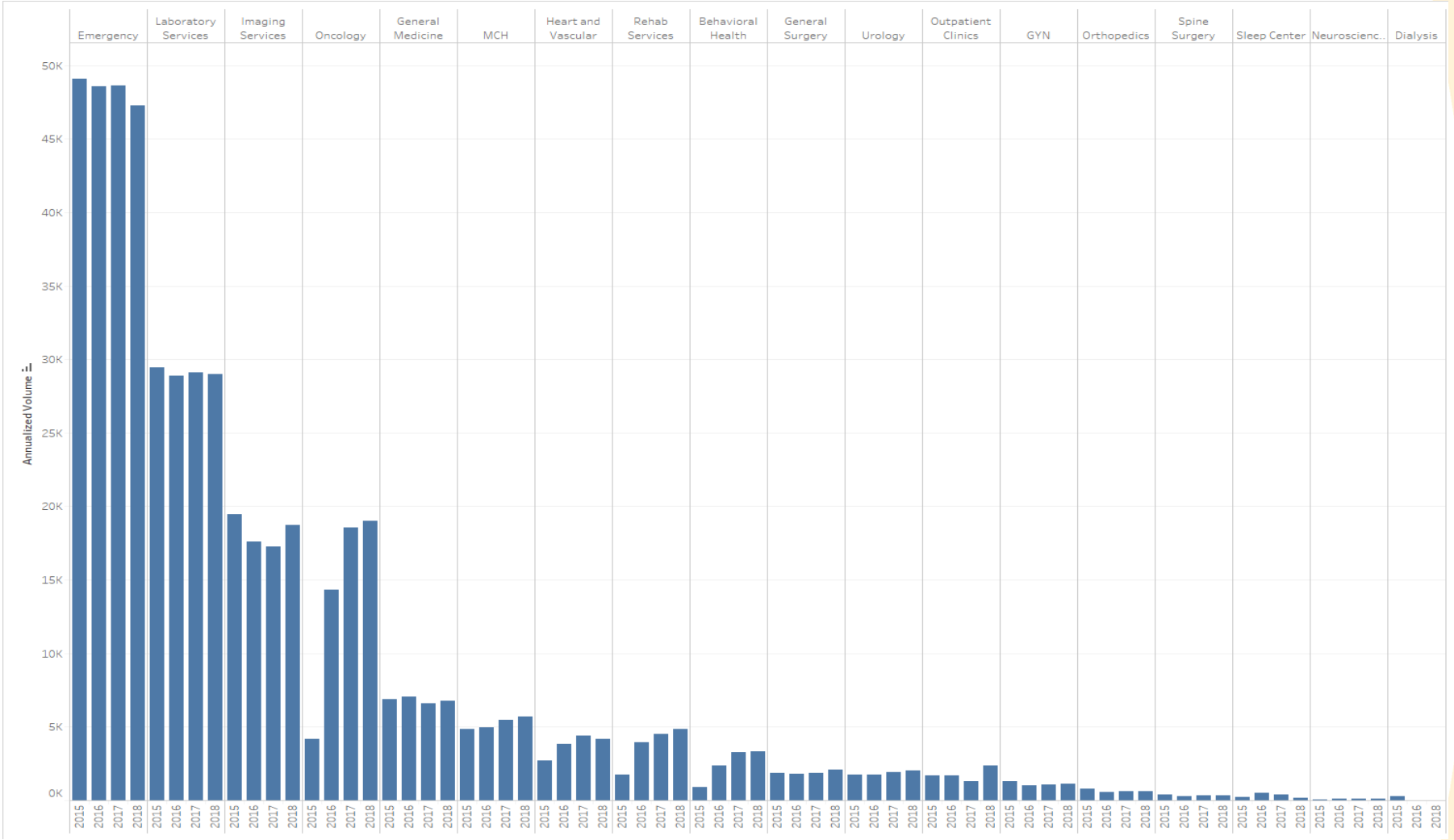


El Camino Hospital Volume Annual Trends – Inpatient



- General Medicine, HVI, Behavioral Health, and Neuroscience display an increasing trend year to year.
- Conversely, Orthopedics, Rehab Services and GYN show a decreasing trend year to year.
- The remaining service lines are staying flat.

El Camino Hospital Volume Annual Trends – Outpatient
FY 2018 is annualized



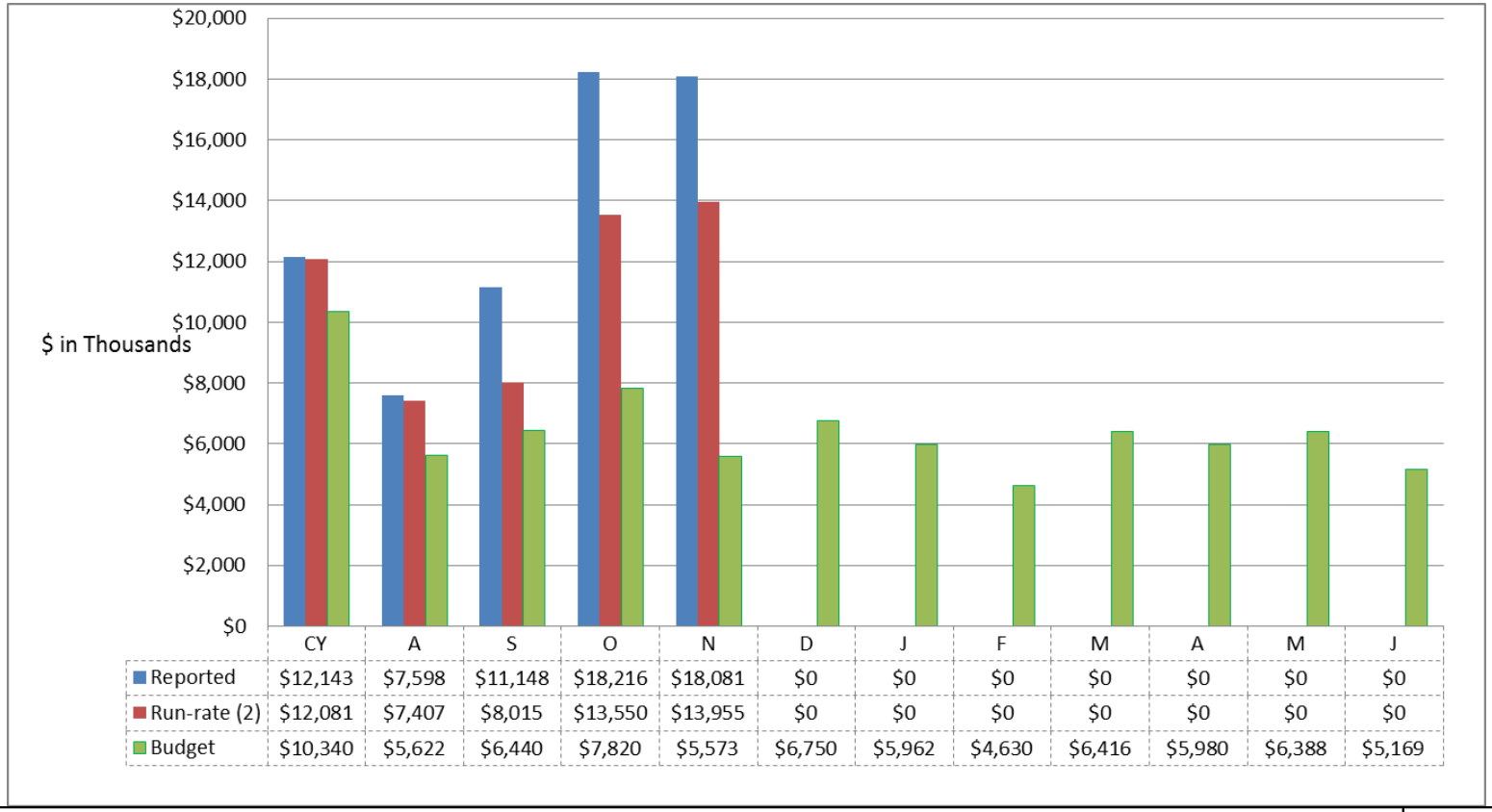
- Comparing year-over-year Oncology, MCH, Rehab Services, Behavioral Health, General Surgery, and Outpatient Clinics are all increasing in volume.

Medicare data excludes Medicare HMOs

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

ECH Operating Margin

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



	CY	A	S	O	N	D	J	F	M	A	M	J
Reported	$12,143	$7,598	$11,148	$18,216	$18,081	$0	$0	$0	$0	$0	$0	$0
Run-rate (2)	$12,081	$7,407	$8,015	$13,550	$13,955	$0	$0	$0	$0	$0	$0	$0
Budget	$10,340	$5,622	$6,440	$7,820	$5,573	$6,750	$5,962	$4,630	$6,416	$5,980	$6,388	$5,169

FY 2018 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	N	YTD
Insurance (Payment Variance)	-	-	-	611	-	611
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	184	1,352
Hospital Fee	-	-	-	712	1,024	1,736
PRIME Incentive	-	-	-	-	2,902	2,902
Credit Balance Quarterly Review	-	-	2,201	-	-	2,201
Late Charge Accrual	-	-	-	3,283	-	3,283
Various Adjustments under $250k	9	36	27	6	16	93
Total	**63**	**191**	**3,134**	**4,667**	**4,126**	**9,278**

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Updated Quarterly
Last update 09/30/17

El Camino Hospital Investment Committee Scorecard

September 30, 2017

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash balance & op. cash (millions)*		$1,158.2	--	--	--	--	--	$1,262.5	--
Surplus cash return		2.7%	2.7%	2.7%	2.7%	5.7%	5.6%	1.9%	5.7%
Cash balance plan balance (millions)		$250.4	--	--	--	--	--	$257.1	--
Cash balance plan return		3.1%	3.1%	3.1%	3.1%	8.2%	7.6%	6.0%	6.1%
403(b) plan balance (millions)		$411.2	--	--	--	--	--	--	--
Risk vs. Return		3-year				4y 11m Since Inception (annualized)			2017
Surplus cash Sharpe ratio		1.08	1.13	--	--	1.36	1.33	--	0.46
Net of fee return		5.0%	5.3%	--	--	5.7%	5.6%	--	5.7%
Standard deviation		4.4%	4.4%	--	--	4.0%	4.1%	--	7.2%
Cash balance Sharpe ratio		1.08	1.07	--	--	1.45	1.39	--	0.43
Net of fee return		6.3%	6.0%	--	--	8.2%	7.6%	--	6.1%
Standard deviation		5.6%	5.3%	--	--	5.4%	5.2%	--	8.7%
Asset Allocation		3Q 2017							
Surplus cash absolute variances to target		8.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Manager Compliance		3Q 2017							
Surplus cash manager flags		19	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		19	< 20 Green < 25 Yellow	--	--	--	--	--	--

*Includes Debt Reserve funds, excludes District assets, Foundation assets, and Concern.

1

PAVILION

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

El Camino Hospital

Capital Spending (in millions)

As of November 2017

	Category		Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade					1.9	1.0	1.0	1.0
IT Hardware, Software, Equipment & Imaging*						12.2	0.4	11.8	0.4
Medical & Non Medical Equipment FY 17 **						10.3	7.3	3.0	7.3
Medical & Non Medical Equipment FY 18 ***						5.6	1.6	4.1	1.6
Facility Projects									
		1245	Behavioral Health Bldg	FY16	96.1	96.1	29.3	27.0	11.7
		1413	North Drive Parking Expansion	FY15	24.5	24.5	23.3	2.6	3.5
		1414	Integrated MOB	FY15	302.1	302.1	68.5	72.0	22.6
		1422	CUP Upgrade	FY16	9.0	9.0	3.2	5.5	0.9
		1430	Women's Hospital Expansion	FY16	120.0	6.0	2.1	3.6	1.6
		1425	IMOB Preparation Project - Old Main	FY16	20.0	0.0	2.7	0.0	0.1
		1502	Cabling & Wireless Upgrades	FY16	0.0	0.0	2.5	0.0	0.1
		1525	New Main Lab Upgrades		3.1	3.1	1.2	2.5	0.8
		1515	ED Remodel Triage/Psych Observation	FY16	5.0	0.3	0.0	0.4	0.0
		1503	Willow Pavilion Tomosynthesis	FY16	0.8	0.0	0.3	0.0	0.0
		1602	JW House (Patient Family Residence)		6.5	0.5	0.0	0.5	0.0
			Site Signage and Other Improvements		1.0	0.0	0.0	0.3	0.0
			IR Room #6 Development		0.0	0.0	0.0	0.0	0.0
			Nurse Call System Upgrades		2.4	0.0	0.0	0.1	0.0
		1707	Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	0.3	0.0
		1708	IR/ Cath Lab Equipment Replacement		19.4	0.0	0.0	0.3	0.0
		1709	ED Remodel / CT Triage - Other		0.0	0.0	0.0	0.0	0.0
			Flooring Replacement		1.6	0.3	0.0	0.4	0.0
		1219	LG Spine OR	FY13	0.0	0.0	3.7	0.0	0.3
		1313	LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.4
		1248	LG Imaging Phase II (CT & Gen Rad)	FY16	8.8	8.8	8.0	0.6	0.7
		1307	LG Upgrades	FY13	19.3	19.3	15.2	4.9	1.4
		1519	LG Electrical Systems Upgrade	FY16	0.0	0.0	0.0	0.0	0.0
		1508	LG NICU 4 Bed Expansion	FY16	0.0	0.0	0.2	0.0	0.0
		1507	LG IR Upgrades		1.3	0.0	0.0	0.0	0.0
			LG Building Infrastructure Upgrades		0.0	0.0	0.0	0.0	0.0
		1603	LG MOB Improvements (17)		5.0	5.0	3.4	3.5	3.1
		1711	Emergency Sanitary & Water Storage		1.4	0.3	0.0	0.2	0.0
			LG Modular MRI & Awning		3.9	3.9	0.0	0.4	0.0
			LG Nurse Call System Upgrade		2.8	0.0	0.0	0.0	0.0
			LG Observation Unit (Conversion of ICU 2)		1.8	0.0	0.0	0.8	0.0
		1712	LG Cancer Center		2.4	0.3	0.0	0.4	0.0
			All Other Projects under $1M		5.6	0.4	11.4	1.8	2.2
					684.4	479.6	179.2	128.0	49.5
GRAND TOTAL						**509.7**	**189.4**	**147.9**	**59.7**

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases

Balance Sheet (in thousands)

ASSETS

		November 30, 2017	Audited June 30, 2017
	CURRENT ASSETS		
	Cash	125,574	125,551
	Short Term Investments	141,908	140,284
	Patient Accounts Receivable, net	117,039	109,089
	Other Accounts and Notes Receivable	2,542	2,628
	Intercompany Receivables	1,616	1,495
(1)	Inventories and Prepaids	57,059	50,657
	Total Current Assets	**445,738**	**429,705**
	BOARD DESIGNATED ASSETS		
(2)	Plant & Equipment Fund	142,671	131,153
	Women's Hospital Expansion	9,298	9,298
(3)	Operational Reserve Fund	127,908	100,196
(4)	Community Benefit Fund	18,463	12,237
	Workers Compensation Reserve Fund	20,839	20,007
	Postretirement Health/Life Reserve Fund	19,425	19,218
	PTO Liability Fund	23,609	23,409
	Malpractice Reserve Fund	1,634	1,634
	Catastrophic Reserves Fund	17,809	16,575
	Total Board Designated Assets	**381,657**	**333,727**
(5)	**FUNDS HELD BY TRUSTEE**	**250,375**	**287,052**
	LONG TERM INVESTMENTS	**283,017**	**256,652**
	INVESTMENTS IN AFFILIATES	**33,426**	**32,451**
	PROPERTY AND EQUIPMENT		
(6)	Fixed Assets at Cost	1,246,793	1,192,047
	Less: Accumulated Depreciation	(548,570)	(531,785)
	Construction in Progress	130,235	138,017
	Property, Plant & Equipment - Net	**828,458**	**798,279**
	DEFERRED OUTFLOWS	28,710	28,960
	RESTRICTED ASSETS - CASH	0	0
	TOTAL ASSETS	**2,251,382**	**2,166,825**

LIABILITIES AND FUND BALANCE

		November 30, 2017	Audited June 30, 2017
	CURRENT LIABILITIES		
(7)	Accounts Payable	30,489	38,457
(8)	Salaries and Related Liabilities	22,562	25,109
	Accrued PTO	23,609	23,409
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	10,001	10,438
	Intercompany Payables	105	84
	Malpractice Reserves	1,634	1,634
	Bonds Payable - Current	3,735	3,735
(9)	Bond Interest Payable	9,333	11,245
	Other Liabilities	5,921	4,889
	Total Current Liabilities	**109,690**	**121,299**
	LONG TERM LIABILITIES		
	Post Retirement Benefits	19,425	19,218
	Worker's Comp Reserve	18,539	17,707
	Other L/T Obligation (Asbestos)	3,793	3,746
	Other L/T Liabilities (IT/Medl Leases)	-	-
	Bond Payable	526,872	527,371
	Total Long Term Liabilities	**568,629**	**568,042**
	DEFERRED REVENUE-UNRESTRICTED	412	567
	DEFERRED INFLOW OF RESOURCES	10,666	10,666
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,180,329	1,132,525
	Board Designated	381,657	333,726
	Restricted	0	0
(10)	**Total Fund Bal & Capital Accts**	**1,561,986**	**1,466,251**
	TOTAL LIABILITIES AND FUND BALANCE	**2,251,382**	**2,166,825**

November 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

(1) The increase is due to two quarterly pension fundings of $2.6M in July and October.

(2) The increase is due 5 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains $14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds.

(3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.

(4) The increase is due to an approved addition of $5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.

(5) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.

(6) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.

(7) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.

(8) Primarily the decrease in current year is due to the Management incentives and "Thank You" bonuses paid to all staff in appreciation of the outcomes of fiscal year 2017 in October. These amounts were accrued during the 2017 fiscal year

(9) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of $4.9 million.

(10) The increase is attributable to the first five periods of financial performance producing an operating income of $67 million and non-operating of $33 million (mostly from unrealized gains on investments).

(1) Hospital entity only, excludes controlled affiliates

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

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

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

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. $15 million within this fund is a board designated endowment fund formed in 2015 with a $10 million contribution, and added to at the end of the 2017 fiscal year end with another $5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate $500,000 a year in investment income for the program.

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

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

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

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)

5 months ending 11/30/2017

Period 5 FY 2017	Period 5 FY 2018	Period 5 Budget 2018	Variance Fav (Unfav)	Var%	$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
195,724	225,175	210,131	15,044	7.2%	**Gross Revenue**	987,767	1,121,492	1,071,131	50,361	4.7%
(141,723)	(160,793)	(156,640)	(4,153)	2.7%	**Deductions**	(709,485)	(814,375)	(791,482)	(22,893)	2.9%
54,001	**64,382**	**53,491**	**10,891**	**20.4%**	**Net Patient Revenue**	**278,282**	**307,117**	**279,649**	**27,468**	**9.8%**
5,205	4,681	1,634	3,046	186.4%	**Other Operating Revenue**	11,657	13,013	8,898	4,115	46.2%
59,206	**69,063**	**55,126**	**13,937**	**25.3%**	**Total Operating Revenue**	**289,939**	**320,130**	**288,547**	**31,583**	**10.9%**
					OPERATING EXPENSE					
29,851	31,787	31,205	(582)	-1.9%	**Salaries & Wages**	152,040	161,538	160,248	(1,290)	-0.8%
8,053	8,357	7,814	(544)	-7.0%	**Supplies**	38,071	40,171	39,923	(248)	-0.6%
6,571	7,667	6,425	(1,241)	-19.3%	**Fees & Purchased Services**	31,901	34,754	33,230	(1,525)	-4.6%
532	534	887	353	39.8%	**Other Operating Expense**	3,259	3,241	4,488	1,246	27.8%
470	647	725	78	10.8%	**Interest**	2,357	2,150	3,627	1,477	40.7%
3,525	3,516	3,626	110	3.0%	**Depreciation**	17,642	17,369	17,737	368	2.1%
49,002	**52,509**	**50,682**	**(1,826)**	**-3.6%**	**Total Operating Expense**	**245,270**	**259,222**	**259,252**	**30**	**0.0%**
10,204	**16,554**	**4,443**	**12,111**	**272.6%**	**Net Operating Income/(Loss)**	**44,669**	**60,908**	**29,295**	**31,613**	**107.9%**
(1,121)	8,936	225	8,711	3866.2%	**Non Operating Income**	7,294	33,085	1,126	31,959	2837.0%
9,083	**25,489**	**4,668**	**20,821**	**446.0%**	**Net Income(Loss)**	**51,963**	**93,993**	**30,421**	**63,571**	**209.0%**
24.0%	30.0%	16.0%	14.0%		**EBITDA**	22.3%	25.1%	17.6%	7.6%	
17.2%	24.0%	8.1%	15.9%		**Operating Margin**	15.4%	19.0%	10.2%	8.9%	
15.3%	36.9%	8.5%	28.4%		**Net Margin**	17.9%	29.4%	10.5%	18.8%	

El Camino Hospital – Los Gatos($000s)

5 months ending 11/30/2017

Period 5 FY 2017	Period 5 FY 2018	Period 5 Budget 2018	Variance Fav (Unfav)	Var%	$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
42,873	53,150	45,434	7,716	17.0%	**Gross Revenue**	210,484	249,397	235,115	14,282	6.1%
(32,524)	(39,201)	(32,995)	(6,206)	18.8%	**Deductions**	(153,726)	(184,438)	(170,748)	(13,690)	8.0%
10,349	**13,949**	**12,438**	**1,510**	**12.1%**	**Net Patient Revenue**	**56,758**	**64,959**	**64,367**	**592**	**0.9%**
173	169	217	(49)	-22.4%	**Other Operating Revenue**	867	811	1,065	(254)	-23.9%
10,522	**14,117**	**12,656**	**1,462**	**11.5%**	**Total Operating Revenue**	**57,625**	**65,770**	**65,432**	**337**	**0.5%**
					OPERATING EXPENSE					
5,926	6,451	6,070	(381)	-6.3%	**Salaries & Wages**	29,929	32,595	31,311	(1,284)	-4.1%
1,884	2,095	1,873	(223)	-11.9%	**Supplies**	7,906	9,609	9,732	123	1.3%
1,175	1,480	1,241	(239)	-19.3%	**Fees & Purchased Services**	6,519	6,528	6,441	(87)	-1.4%
1,657	1,985	1,601	(384)	-24.0%	**Other Operating Expense**	8,370	8,118	7,873	(245)	-3.1%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
514	579	740	161	21.8%	**Depreciation**	2,660	2,640	3,574	934	26.1%
11,156	**12,590**	**11,525**	**(1,065)**	**-9.2%**	**Total Operating Expense**	**55,384**	**59,490**	**58,931**	**(559)**	**-0.9%**
(634)	**1,527**	**1,130**	**397**	**35.1%**	**Net Operating Income/(Loss)**	**2,241**	**6,279**	**6,501**	**(222)**	**-3.4%**
0	0	0	0	0.0%	**Non Operating Income**	(10)	(45)	0	(45)	0.0%
(634)	**1,527**	**1,130**	**397**	**35.1%**	**Net Income(Loss)**	**2,231**	**6,235**	**6,501**	**(266)**	**-4.1%**
-1.1%	14.9%	14.8%	0.1%		**EBITDA**	8.5%	13.6%	15.4%	-1.8%	
-6.0%	10.8%	8.9%	1.9%		**Operating Margin**	3.9%	9.5%	9.9%	-0.4%	
-6.0%	10.8%	8.9%	1.9%		**Net Margin**	3.9%	9.5%	9.9%	-0.5%	

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	969
IT Hardware / Software Equipment	4,660	6,483	2,659	11,803
Medical / Non Medical Equipment*	13,340	17,133	9,556	7,093
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
GRAND TOTAL	86,789	96,740	97,923	147,895
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2017

Category	2013	2014	2015	2016	2017
EPIC	**0**	**6,838**	**29,849**	**20,798**	**2,755**
IT Hardware/Software Equipment	**8,019**	**2,788**	**4,660**	**6,483**	**2,659**
Medical/Non Medical Equipment	**10,284**	**12,891**	**13,340**	**17,133**	**9,556**
Non CIP Land, Land I, BLDG, Additions	**0**	**22,292**	**0**	**4,189**	**0**
Facilities Projects CIP					
Mountain View Campus Master Plan Projects					
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120
1414 - Integrated MOB	0	0	2,009	8,875	32,805
1422 - CUP Upgrade	0	0	0	896	1,245
Sub-Total Mountain View Campus Master Plan	**0**	**1,257**	**5,950**	**12,426**	**62,493**
Mountain View Capital Projects					
9900 - Unassigned Costs	734	470	3,717	0	0
1108 - Cooling Towers	450	0	0	0	0
1120 - BHS Out Patient TI's	66	0	0	0	0
1129 - Old Main Card Rehab	9	0	0	0	0
0817 - Womens Hosp Upgrds	645	1	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294
1109 - New Main Upgrades	423	393	2	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0
1131 - MV Equipment Replace	216	0	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0
1225 - Rehab BLDG Roofing	7	241	4	0	0
1227 - New Main eICU	96	21	0	0	0
1230 - Fog Shop	339	80	0	0	0
1315 - 205 So. Drive TI's	0	500	2	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342
1125 - Will Pav Fire Sprinkler	57	39	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0
1216 - New Main Process Imp Office	19	1	16	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6
1301 - Desktop Virtual	0	13	0	0	0
1304 - Rehab Wander Mgmt	0	87	0	0	0
1310 - Melchor Cancer Center Expansion	0	44	13	0	0
1318 - Women's Hospital TI	0	48	48	29	2
1327 - Rehab Building Upgrades	0	0	15	20	0
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0
1341 - New Main Admin	0	32	103	0	0
1344 - New Main AV Upgrd	0	243	0	0	0
1400 - Oak Pav Cancer Center	0	0	5,208	666	52

Category	2013	2014	2015	2016	2017
Facilities Projects CIP cont.					
1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
1404 - Park Pav HVAC	0	64	7	0	0
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
1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1430 - Women's Hospital Expansion	0	0	0	0	464
1432 - 205 South Dr BHS TI	0	0	8	15	0
1501 - Women's Hospital NPC Comp	0	0	4	0	223
1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
1504 - Equipment Support Infrastructure	0	0	61	311	0
1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
1525 - New Main Lab Upgrades	0	0	0	0	464
1526 - CONCERN TI	0	0	0	37	99
Sub-Total Mountain View Projects	**8,145**	**7,219**	**26,744**	**5,588**	**5,535**
Los Gatos Capital Projects					
0904 - LG Facilities Upgrade	2	0	0	0	0
0907 - LG Imaging Masterplan	244	774	1,402	17	0
1005 - LG OR Light Upgrd	14	0	0	0	0
1122 - LG Sleep Studies	7	0	0	0	0
1210 - Los Gatos VOIP	147	89	0	0	0
1116 - LG Ortho Pavillion	177	24	21	0	0
1124 - LG Rehab BLDG	49	458	0	0	0
1247 - LG Infant Security	134	0	0	0	0
1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1308 - LG Infrastructure	0	114	0	0	0
1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1219 - LG Spine OR	0	214	323	633	2,163
1221 - LG Kitchen Refrig	0	85	0	0	0
1248 - LG - CT Upgrades	0	26	345	197	6,669
1249 - LG Mobile Imaging	0	146	0	0	0
1328 - LG Ortho Canopy FY14	0	255	209	0	0
1345 - LG Lab HVAC	0	112	0	0	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1347 - LG Central Sterile Upgrades	0	0	181	43	66
1421 - LG MOB Improvements	0	0	198	65	303
1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1603 - LG MOB Improvements	0	0	0	0	285
Sub-Total Los Gatos Projects	**1,150**	**5,276**	**6,246**	**6,116**	**14,780**
1550 - Land Acquisition	0	0	0	24,007	0
1701 - 828 S Winchester Clinic TI	0	0	0	0	145
Sub-Total Other Strategic Projects	**0**	**0**	**0**	**24,007**	**145**
Subtotal Facilities Projects CIP	**9,294**	**13,753**	**38,940**	**48,137**	**82,953**
Grand Total	**27,598**	**58,561**	**86,789**	**96,740**	**97,923**
Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	Item:	Approval of Policies Finance Committee January 29, 2018
	Responsible party:	Diane Wigglesworth, Sr. Director Corporate Compliance
	Action requested:	For Possible Motion
	Background: As required by Title 22 and The Joint Commission, the Hospital's governing body must review and approve all organizational policies, plans, and scope of services at least every three years if there are no changes, and, if a policy is new or revised, it must be approved by the Board before the Hospital can adopt it. Policies are being brought to the appropriate Board Advisory Committee for review and recommendation before being place on the Hospital Board consent calendar for approval. All policies have been internally reviewed and have received appropriate approvals before being presented to a Board Committee.	
	Other Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
	Summary and session objectives: • The Physician Financial Arrangements – Review and Approval Policy has been modified as requested by the Board Finance Committee, to present the summary of all physician financial arrangements annually instead of semi-annually (see page 10). The policy has also been updated to reflect current practices.	
	Suggested discussion questions: None.	
	Proposed Committee motion, if any: To recommend that the Hospital Board approve the policies.	
	LIST OF ATTACHMENTS: ***Policies*** 1. Physician Financial Arrangements – Review and Approval	

POLICY/PROCEDURE TITLE: Corporate Compliance:51.00 Physician Financial Arrangements - Review and Approval~~Corporate Compliance:51.00 Physician Financial Arrangements - Review and Approval~~~~Corporate Compliance:51.00 Physician Financial Arrangements - Review and Approval~~
Last Approval Date: 06/2017

SUB-CATEGORY: Administrative Policies and Procedures
ORIGINAL DATE: 6/08

COVERAGE:

All El Camino Hospital staff, Contract Personnel, Physicians, Healthcare Providers, and the Governing Board.

PURPOSE:

The purpose of this policy is to comply with the Stark law, Anti-Kickback, HIPAA and all other Federal and State Laws.

STATEMENT:

This policy implements the overall compliance goals of the Hospital with respect to Physician financial arrangements.

This policy establishes administrative principles and guidelines, Board delegation of authority and oversight, and review processes and approvals that must be followed before the Hospital enters into a direct or indirect financial arrangement with an individual physician, a physician group, other organizations representing a physician, or a member of immediate family of a physician ("Physician"). Physician financial arrangements that involve any transfer of value, including monetary compensation, are subject to this and the following policies: 1) Signature Authority policy 17.00, 2) Reimbursement of Business Expenses policy 5.00, and 3) Physician Recruitment policy 42.00.

All financial arrangements of any kind involving Physician, including but not limited to, medical director, consulting, on-call arrangements, professional service agreements, education and training, conference reimbursement or real estate leases, will comply with the Stark law, Anti-Kickback, HIPAA and all other Federal and State Laws.

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

All Physician financial arrangements are prohibited except those Physician financial arrangements that are approved and documented as provided in this Policy.

Physician financial arrangements may be entered into only where they are needed and serve the strategic goals (including quality and value) of the Hospital. Each Physician financial arrangement must meet or exceed the complex and stringent legal requirements that regulate Physician financial relationships with the Hospital. All Physician financial arrangements between a physician and the Hospital must be in writing and meet fair market value, commercial reasonableness and the following requirements as applicable.

PROCEDURE:

A. **Administrative Standards:**

When creating or renewing a Physician financial arrangement, the following principles must be followed. This Policy applies to any Physician financial arrangement including, but not limit to: Medical Directorships, ED Call Panels, Professional Services, Panel Professional Services, Consulting, Lease, Education and Training, Conference Payment, and Physician Recruitment.

1. **All Physician Financial Arrangements:**

a) Each Physician financial arrangement (except Physician Lease Contracts) must provide a service that is needed for at least one of the following reasons: 1) it is required by applicable law, 2) required administrative or clinical oversight can only be provided by a qualified physician, 3) the administrative services to be provided support an articulated strategic goal of the Hospital, such as patient safety, and 4) the arrangement must solve, prevent or mitigate an identified operational problem for the Hospital.

b) The terms of the Physician financial arrangement must be fair market value and commercially reasonable and must not take into account the volume or value of any referrals or other business generated between the

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

parties. All of the terms of the Physician financial arrangement must be in a written contract that details the work or activities to be performed and all compensation of any kind or the lease terms ("Physician Contracts"). The services contracted for may not exceed those that are reasonable and necessary for the legitimate business purposes of the Physician financial arrangement. If there is more than one Physician Contract with a Physician, the Physician Contracts must cross-reference one another (or be identified on a list of Physician Contracts) and be reviewed for potential overlapping commitments prior to negotiating additional agreements.

The process for determining Physician compensation for each Physician financial arrangement must be set forth in the Physician Contract file and identified in sufficient detail so that it can be objectively verified as meeting fair market value standards. Any compensation paid to or remuneration received by a Physician shall not vary based on the volume or value of services referred or business otherwise generated by the Physician and must reflect fair market value. Compensation cannot exceed the seventy-fifth percentile of fair market value without prior Board approval. All Physician contracts should use local or regional market data, when available, to determine the seventy-fifth percentile of FMV.

In order to support reasonableness of compensation or remuneration, written fair market data must accompany the Physician Contract and show compensation paid by similar situated organizations and/or independent compensation surveys by nationally recognized independent firms.

c) Compensation cannot be revised or modified during the first twelve (12) months of any Physician financial arrangement. If the compensation is revised thereafter, it must be evidenced by a written amendment to the Physician Contract, signed by both parties before the increase in compensation takes effect. For example, if the increase in compensation is to take effect on April 1, the amendment must be signed by both parties on or before April 1 and the original Physician Contract must

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

have been effective on or before March 31 of the prior year. The compensation cannot be changed for twelve (12) months after the effective date of such amendment.

d) All Physician Contract renewals must be signed before the expiration of the term of the existing Physician Contract.

e) Physician Contracts must be in writing and executed by the parties before commencement. Only the CEO of the Hospital or designee by CEO in his or her absence may execute a Physician Contract, except Physicians Contracts that are real estate or equipment leases with Physicians may be signed by the Chief Administrative Services Officer ("CASO"). Physicians cannot be compensated for work performed, nor may a lease commence, prior to execution by both parties.

f) The Physician financial arrangement must not violate the Stark law, the anti-kickback statute (section 1128B(b) of the Act) or any Federal or State law or regulations.

g) The Physician Contract will permit the Hospital to suspend performance under the Physician Contract if there is a compliance concern. Concerns about compliance should be directed to Compliance, Legal, or the office of the Chief Medical Officer ("CMO"). Performance under Physician Contracts deemed to not meet the administrative guidelines shall be suspended until the Physician Contract can be remedied.

h) Physician Contracts must contain termination without cause provisions (except for real estate and equipment leases). Physician Contracts which grant an exclusive right to Hospital-based physicians to perform services may not exceed five years. If a Physician Contract is terminated, then the Hospital may not enter into a new financial arrangement with the same Physician covering the same arrangement on different terms within twelve (12) months of the effective date of the terminated Physician Contract.

i) Physicians with potential conflicts of interest must complete a conflict of interest form (see Policy 4.00) that must be reviewed by the

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

Compliance Officer prior to entering into a Physician Contract. The conflict must be addressed and referenced in the Physician Contract. A conflict may prevent entry into a Physician Contract.

j) All Physician Contracts must be prepared using the appropriate Hospital contract template prepared by Legal Services. All Physician Contracts must be drafted by personnel designated by Legal Services.

k) Attached to the final version of a Physician Contract prior to execution by Hospital must be a completed "Contract Cover Sheet and Summary of Terms" and a signed "Certification of Necessity and Fair Market Value" (Appendix A); ~~(~~a Physician Lease Contract must also include a signed "Contract Certification" (Appendix B) and "Lease Contract Review Checklist" (Appendix C) to be reviewed and approved by Legal Services and Compliance.

Formatted: Not Highlight

Formatted: Not Highlight

l) All executed Physician Contracts must be scanned into the Meditract system.

m) Payments may not be made to a Physician unless there is adherence with all of the requirements of this Policy.

n) Each Physician Contract shall comply with all applicable laws.

2. **Medical Director Contracts:** In addition to the criteria set forth above (D.1) for *All Physician Financial Arrangements*, the following must be met *prior* to creating, renewing or amending a Medical Directorship:

a) A Medical Directorship may not be intended or used as a means to recruit a Physician to practice at the Hospital.

b) A Medical Directorship must fit within a rational management framework that optimizes coordination of the Medical Director's knowledge and work efforts with Hospital needs and resources. To meet this requirement, the Medical Director must work with, and be accountable to, a supporting Hospital manager-partner who is a Hospital supervisor, manager or executive director who verifies the

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

Medical Director's work and efforts. The ~~Hospital manager-partner~~Designated Manager shall participate in the negotiation of the Medical Director Contract, including setting duties and goals, and will be familiar with the details of the Medical Director ~~C~~contract. The CMO will evaluate and approve all Medical Director contracts.

c) The number of hours assigned to the Medical Directorship must be appropriate considering the work required. Medical Director contracts are typically a two-year term and upon renewal, a~~A~~n ~~annual~~ evaluation shall be conducted by the CMO and the ~~Hospital manager-partner~~Designated Manager to evaluate whether all such services are needed in any new or renewal term, whether new services are needed and if the hours are still reasonable and necessary for the legitimate business purpose of the Medical Directorship arrangement. The proposed services may not duplicate work that is provided to the Hospital by other Physicians unless the total work under all arrangements are needed.

d) Medical Director Contracts must require Physician completion and submission of a ~~P~~physician t~~T~~ime ~~S~~study ~~R~~reports ~~(see Exhibit C)~~ each month, and each such report must be approved by the ~~Hospital manager-partner~~Designated Manager and the Compliance Department before any compensation is paid. There must be one or more internal review processes to verify that the Medical Director is performing the expected duties and tasks, of which the required time report is one example.

e) All Medical Director Contracts providing for total compensation of $30,000 or more shall include two (2) annual quality incentive goals that support the Hospital's strategic initiatives, one of which shall be related to an outcome quality metric and the other shall be related to a process metric or milestone for service to patients, unless an exception is approved by the CMO for two (2) process goals. For Medical Director Contracts greater than $100,000 in compensation per year, 20% of the total compensation will be held at risk based on the completion of the quality incentive goals. For Medical Director Contracts between $50,000 to $99,999 per year, 10% of the total

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

compensation will be held at risk based on the completion of the goals. For Medical Director Contracts between $30,000 to $49,999 per year, 5% of the total compensation will be held at risk based on the completion of the goals.

~~f) If a Medical Director would oversee a function in a service line, then a development and selection committee (that includes at least one physician leader in the service line) will evaluate the candidates and recommend a final candidate with whom the Hospital should negotiate. An effective alignment of the Physician and the service line should be created.~~

~~g) If the Medical Directorship is intended to oversee a function outside of a defined service line, the CMO will evaluate and approve the Medical Director candidates for the proposed function.~~

~~h) Each year, the Medical Executive Committee will review a summary report of all Medical Directorship arrangements and goals.~~

~~i)~~f) Medical Director Contracts must include a Hospital-approved HIPAA Business Associate Agreement.

3. **Physician Consulting Contracts:**
In addition to the criteria set forth in the *All Physician Financial Arrangements* section (D.1) above, the following criteria must be met *before* creating or renewing a Physician Consulting Contract:

a) Physician Consulting Contracts must require concise deliverables and due dates and require completion of a ~~P~~physician ~~T~~time ~~S~~study ~~R~~report ~~(see Exhibit C)~~. The deliverables and due dates must be set for the duration of the Physician Consulting Contract before the services begin and the Physician Consulting Contract is signed.

b) The number of hours assigned to the Physician Consulting Contract must be appropriate in light of the work required.

c) Physician Consulting Contracts must include a Hospital-approved HIPAA Business Associate Agreement.

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

4. **Physician Lease Contracts:**
   In addition to the criteria set forth in the *All Physician Financial Arrangements* section above (D.1), the following criteria must be met *before* creating, amending, or renewing a Physician Lease Contract:

   a) Attached to the final version of a Physician Lease Contract, and prior to execution, must be a completed "Lease Contract Review Checklist" (Appendix C) and an executed "Contract Certification" (Appendix B).
   b) The Physician Lease Contract shall confirm total measurement of the space to be utilized by Physician under the lease.
   c) The Physician Lease Contract ~~mjust~~must be supported by fair market value documentation from a property appraiser or brokers opinion of value.
   ~~b)~~d) Tenant Improvements must be incorporated into the Physician Lease Contract as a Tenant expense.
   ~~c)~~e) Physician must not use the space and the Hospital must not make the space available for use prior to the execution of the Physician Lease Contract by both parties.
   ~~d)~~f) The Physician Lease Contract shall require that all property taxes are to be paid by the Tenant for Triple Net leases.
   ~~e)~~g) Physician Lease Contracts are executed by the CEO or the CASO.

5. **Physician Education, Training and Conference Payment Contracts:**
   In addition to the criteria set forth in the *All Physician Financial Arrangements* section above (D.1) , the following criteria must be met *before* creating a new Education, Training and Conference Reimbursement Contracts and prior to attendance:
   a) Physician Education, Training and Conference Payment Contracts must be created and reimbursed in accordance with Hospital Policy Reimbursement of Business, Education and Travel Expenses (see Hospital Policy 5.00).

   b) The Hospital's need for this training to be provided to the Physician shall be documented as part of the approval process.

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

6. **Physician Recruitment Contracts:**
   In addition to the criteria set forth in the *All Physician Financial Arrangements* section above (D.1), the following criteria must be met *before* creating a new Physician Recruitment Contract:
   a) Physician Recruitment Contracts must be created in accordance with the Physician Recruitment Policy Program, (see Hospital Policy 42.00) and must be presented to the Board for review before the recruitment proposal is developed.

B. **Approval of Physician Contracts:**

1. Attached to the final version of a Physician Contract *before* CEO execution must be a completed "Contract Cover Sheet and Summary of Terms" and "Certification of Necessity and Fair Market Value"" (Appendix A).

2. Attached to the final version of a Physician Lease Contract, *prior* to execution by the CEO or the CASO, must be a completed "Lease Contract Review Checklist" (Appendix C) ~~and signed~~and signed "Contract Certification" (Appendix B).

3. Corporate Compliance and the General Counsel will verify the checklist, certification, and documentation accompanying all Physician Contracts (including FMV) prior to execution by the CEO or the CASO. Incomplete or missing checklist and certifications will be returned to the originator for completion.

4. All proposed Physician Contracts lacking the appropriate documentation will be returned to the originator for completion. No services may be performed under the Physician Contract or leases implemented until the Physician Contract is fully executed.

5. CEO Approval: The CEO will have authority to execute new, renewal and amended Physician Contracts (up to $250,000.00 in total possible compensation annually), except as set forth in Section 6(~~b~~c) below.

   If a new arrangement is over $250,000.00; or a renewal or amend~~ed agreement~~ment related to compensation ~~-~~is over $250,000; or the annual

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

increase is greater than ten percent (10%), the Board must approve prior to CEO execution, except as set forth in Section 6(~~b~~c) below. All recruitment proposals must be approved prior to the CEO executing.

~~6.~~ Board Approval:

or amended agreement is over $250,000; or the annual increase is greater than ten percent (10%), the Board must approve prior to CEO execution of the Physician Contract.

~~a.~~6. If a new arrangement is over $250,000.00; or a renewal or amended agreement is over $250,000; or the annual increase is greater than ten percent (10%), the Board must approve prior to CEO execution of the Physician Contract.

Formatted: Indent: Left: 0.75", Hanging: 0.38", Numbered + Level: 1 + Numbering Style: 1, 2, 3, … + Start at: 1 + Alignment: Left + Aligned at: 1.25" + Tab after: 1.5" + Indent at: 1.5", Keep with next, Tab stops: 1.25", List tab + Not at 1.5"

~~1)~~ a) All ~~new~~ Physician financial arrangements that exceed $250,000 annually should be presented to the appropriate Board Committees for review and recommendation to the Board of Directors prior to being placed on the Board of Directors' agenda and prior to execution.

Formatted: Indent: Left: 1.44", No bullets or numbering

~~2)~~ b) A memo prepared by ~~Hospital Manager Partner~~Designated Manager that justifies the Hospital's needs shall be provided to the appropriate Board Committees and Board of Directors as part of the approval documents.

Formatted: Indent: Left: 1.5", No bullets or numbering

~~B~~ c) . Notwithstanding Section 6(a), the CEO may execute without Board approval a new, renewal or amended Professional Services Agreement with ~~SV Primary Medical Group, P.C.~~El Camino Medical Associates ("~~SVPMG~~ECMA") so long as the total cash compensation to each individual physician employed by ~~SVPMG~~ ECMA does not exceed 75% percentile of fair market value or $1,000,000 annually.

Formatted: Indent: Left: 1.5", Tab stops: 1.44", Left

C. **Board Oversight and Internal Review Process:**

During the ~~second and fourth~~third quarter of each Hospital fiscal year, management and staff will prepare a summary report for all Physician financial arrangements describing: 1) the names of all such arrangements and associated physicians, 2) the organizational need that justifies each arrangement, 3) the total

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

amounts paid to each physician and/or group for each Physician Contract annually (and in total for duration on of contract term), 4) current and prior year annual financial comparison, ~~5) Education, Training or Conference Contracts that reimburse for travel expenses out of the state of California,~~ and ~~6~~5) any recommendations for changes to the Policy or any procedure.

For Medical Directorships, the summary report will also include: 1) the goals set forth for each Medical Directorship, 2) the contracted rate and hours, and 3) assessment of the performance goals of Medical Directors over the past year.

The CFO, COO & CMO will review the information and prepare recommendations if any regarding specific actions or changes that will be implemented.

The report will then be reviewed by the CEO and presented to the Compliance and Finance committees of the Board of Directors for review and submission to the Board of Directors no later than the end of the following quarter.

D. Exceptions:

There are no exceptions to this Policy unless approved by the Board of Directors in advance.

E. Review and/or Validate:

The CEO and the Corporate Compliance Officer shall be responsible for reviewing the policy and guidelines as conditions warrant but at a minimum at least annually to assure consistency with Board expectations. The Compliance department will annually monitor organizations adherence to the policy and report to the Board.

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

F. Policy Enforcement

El Camino Hospital's Compliance Officer is responsible for monitoring enforcement of this policy. Any workforce member found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	
_____Medical Committee (if applicable):	
ePolicy Committee: (Please don't remove this line)	
Pharmacy and Therapeutics (if applicable):	
Medical Executive Committee:	
Board of Directors:	

Historical Approvals:

New 6/08, 06/09; 8/12, 10/12, 11/13, 1/14, 5/14

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

APPENDIX A
ECH Contract Cover Sheet and Summary of Terms

Physician/Physician Group Name Party to Agreement:

Type of Agreement: ___ Medical Director ___Consulting Services __ Professional Services
__ED Call ___ Hospital-Based Physician Services
__Other:

Agreement is: __New ___ Amendment __Extension ____ Renewal

Department/Program:

Campus:

Designated ECH Manager:

Effective Date:

Expiration Date:

Need for Agreement:

Reason Physician or Physician group was chosen for the position:

Number of Hours to be Worked:

Hourly/PerDiem Rate to Physician/Physician Group:

Does Agreement include two Quality Goals for Medical Directorships, if Total Annual Compensation is greater than $30,000.00 annually:

Total Annual Amount:

Finance Committee Review and Board approval required under Policy 51.00:
___ No ___ Yes *(if yes, attach approval documentation)*

Approvals

Compliance: _____ Date: _____

Legal: _____ Date: _____

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

CERTIFICATION OF NECESSITY AND FAIR MARKET VALUE:

I certify that: (1) the services to be provided by Physician/Medical Group are reasonable and necessary because

_____

___; and (2) the compensation proposed for this arrangement is fair market value because (check one):

___ MD Ranger Data attached hereto, is at or below the 75th percentile, or

___ I have a FMV opinion, attached hereto, which demonstrates fair market value.

Signature: _____

Designated ECH Manager

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

APPENDIX B

Contract Certification

I, _____ of El Camino Hospital hereby certify that to the best of my knowledge,
(responsible party negotiating)

the following matters are true for the attached contract by and between El Camino Hospital and _____

(Physician) dated _____ (the "Arrangement").

1) There are no other arrangements, written or oral with the physician except set forth in the Arrangement;
2) No payment has been or will be made to the physician referenced herein outside of the terms and condition of the arrangement unless such outside payment is also consistent with El Camino Hospital's policies;
3) The contract is in compliance with Administrative Policy 51.00 guidelines.
4) All of the statements above and in the Compliance Checklist are complete and correct.

Date: _____ Signature: _____
(Hospital responsible party negotiating)

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

POLICY/PROCEDURE TITLE:Corporate Compliance:51.00 Physician Financial Arrangements - Review and Approval

CATEGORY: Administrative
LAST APPROVAL DATE:

APPENDIX C

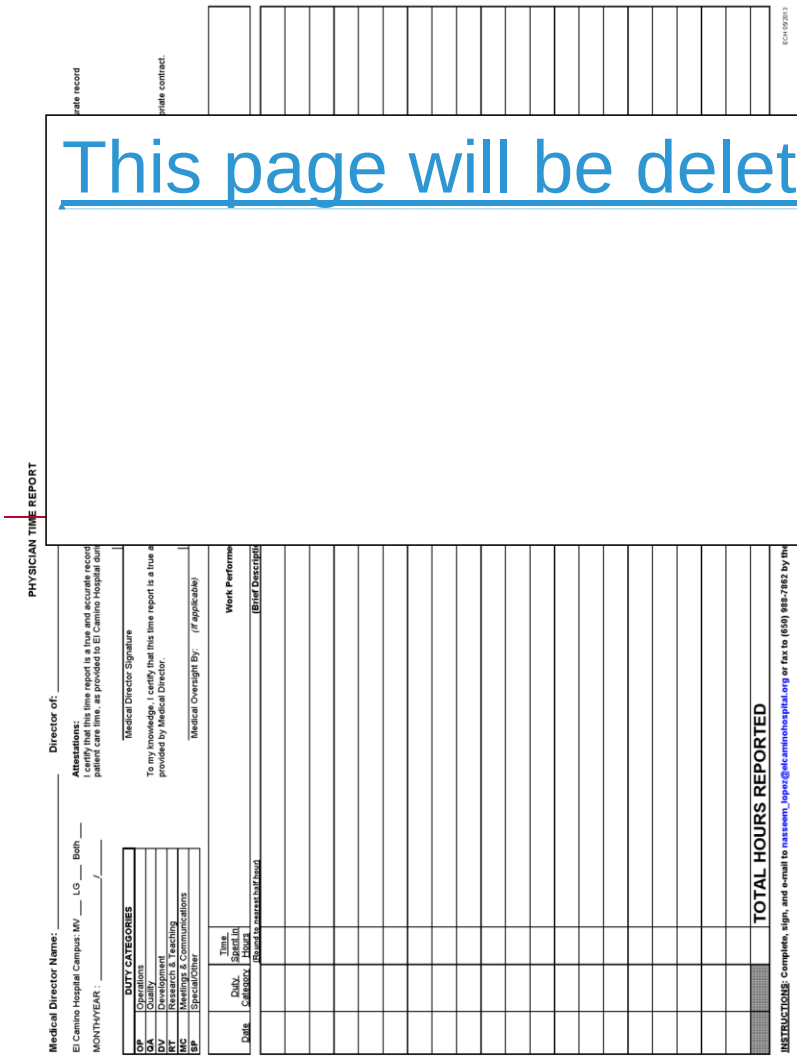
Lease Contract Review Checklist

Yes __ No __ 1. Is the term of the Physician Lease Contract for at least one year?
Yes __ No __ 2. Does the Physician Lease Contract describe what is being leased and all services that will be included?
Yes __ No __ 3. Are the costs of Tenant Improvements incorporated into the Physician Lease Contract?
Yes __ No __ 4. Have fair-market value (FMV) rates been determined based at time of signing? [The Physician Lease Contract
Yes __ No __ 5. Does the lease rate include an inflator value for future FMV?
Yes __ No __ 6. Is Physician using the space now?
Yes __ No __ 7. Will all applicable property taxes be paid by the Physician under the Physician Lease Contract?
Yes __ No __ 8. Were any loans or loan guarantees made to the Physician?
Yes __ No __ 9. Was the Hospital template used to create this Physician Lease Contract?
Yes __ No __ 10. Were any of the terms modified? If yes, attach a copy marked to show changes.
Yes __ No __ 11. Within 5 days after final execution, the Physician Lease Contract must be forwarded for scanning into Meditract.

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

~~APPENDIX D~~

~~FORM OF PHYSICIAN MONTHLY TIME~~



This page will be deleted

Formatted: Font: 36 pt

~~REPORT~~

NOTE: Printed copies of this document are uncontrolled. In the case of a conflict between printed and electronic versions of this document, the electronic version prevails.

SUMMARY OF POLICIES/PROTOCOLS FOR REVIEW AND APPROVAL - BOARD

Jan-18

NEW POLICIES/PROCEDURES			
Document Name	**Department**	**Type of Document**	**Summary of Document Changes**
DOCUMENTS WITH MAJOR REVISIONS			
Document Name	**Department**	**Type of Document**	**Summary of Policy Changes**
DOCUMENTS WITH MINOR REVISIONS			
Document Name	**Department**	**Type of Document**	**Summary of Policy Changes**
Physician Financial Arrangements	Compliance	Policy	Revisions added that were requested by the Board
DOCUMENTS WITH NO REVISIONS			
Document Name	**Department**	**Type of Document**	**No Revisions**
Community Benefits Grants	Finance	Policy	
DOCUMENTS FOR INFORMATION ONLY			
Document Name	**Department**	**Type of Document**	**Summary of Policy Changes**

January 29, 2018

To: Finance Committee

From: Matt Harris, Controller

Subject: EL CAMINO HOSPITAL BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY

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. $15 million within this fund is a board designated endowment fund formed in 2015 with a $10 million contribution, and added to at the end of the 2017 fiscal year end with another $5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate $500,000 a year in investment income for the program.

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.

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

FY18 FINANCE COMMITTEE GOALS

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.

GOALS	TIMELINE by Fiscal Year (Timeframe applies to when the Board approves the recommended action from the Committee, if applicable)	METRICS
1. Develop and monitor industry benchmarks for operations and finance	• Q2 FY18	• Receive report on operational and financial benchmarks. LTF presentation in 11/17 shows performance vs benchmarks. More detailed benchmark report in the pacing plan for January's meeting
2. Review major capital projects	• Q3 FY18	• Update on major capital projects in progress Presented at each meeting
3. Education Topic: Ambulatory Care Business Model	• Q1 FY18	• Presentation at the August meeting. Completed in the September meeting
4. Epic Implementation Review	• Q2 FY18	• Presentation at the November meeting. On the pacing plan for January's meeting
5. Review top three service lines (HVI, Oncology, BHS)	• Q1 – Q2 FY18	• Presentations at September, November and January meetings. HVI presented in September; Oncology in November and BHS planned for January.

SUBMITTED BY:
John Zoglin **Chair**, Finance Committee
Iftikhar Hussain **Executive Sponsor**, Finance Committee

Top 12 takeaways from the 2018 JP Morgan Healthcare Conference — while the destination is uncertain, the direction is clear

BECKER'S HOSPITAL REVIEW
Written by Dan Michelson, CEO, Strata Decision Technology | January 10, 2018

The recent breathtaking flurry of mega-mergers coupled with increasingly challenging market forces and an ever shifting political landscape has cast a cloud of confusion regarding where the U.S. healthcare delivery system is heading.

So, where do you go to find the map?

Every year, the JP Morgan Healthcare Conference provides an incredibly efficient snapshot of the strategies for large healthcare delivery systems, the hub for healthcare in the U.S. Most of these organizations are also the largest employers in their respective states. The conference took place this week in San Francisco with over 20 healthcare systems presenting, including Advocate Health Care, Aurora Health Care, Baylor Scott & White Health, Catholic Health Initiatives, Geisinger Health System, Hospital for Special Surgery, Intermountain Healthcare, Mercy Health in Ohio, Northwell Health, Northwestern Medicine, Partners HealthCare System, WakeMed Health & Hospitals and many of the other big name brands in the market. Each provided their strategic roadmap in a series of 25-minute presentations from their "C" suite. If you're looking for the GPS on strategy and a gauge on the health of healthcare, this is it.

How do their strategies differ? What direction are they heading in? There is a great line from *Alice in Wonderland* that goes, "If you don't know where you're going, any road will take you there." You would think that line applies perfectly to the U.S healthcare system, but the good news is it actually doesn't.

While the exact destination for everyone is TBD, the direction they are heading in is actually pretty clear and consistent. It turns out that they are all using a very similar compass, which is sending them down a similar path.

So, what are the roadside stops health systems consider absolutely necessary to be part of their journey to creating a more viable and sustainable value-based business model?

Based on the travel plans for over 20 of the largest and most prestigious healthcare delivery systems in the country, here's your GPS and list of 12 things you "must do" on your journey.

1. You Must Scale

Clearly the headline at #JPM18 was the flurry of major announcements regarding major mergers. With that said, two of the mergers were front and center: teams were there to present from Downers Grove, Ill.-based Advocate and Milwaukee-based Aurora, which will be a $10 billion organization with 70,000 employees, as well as San Francisco-based Dignity Health and Englewood, Colo.-based Catholic Health Initiatives, which will be a $28 billion organization with 160,000 employees. The size and scale of these mergers is pretty stunning. While the announcement of these and the other recent mega-mergers has forced many into their board room to determine what the deals mean to them, the consensus at the conference was this: There are a number of different paths forward to achieve scale. Some, like Baylor Scott & White in Texas, have aggressive regional expansion plans. Others are betting on partnerships to provide the same or even more value. Taking a pulse of the room, two things were clear. The first is there is no definition of scale any more in this market. The second is that, despite this flurry of mergers, "getting really big" is not the only destination.

2. You Must Pursue "Smart Growth" and Find New Revenue Streams

Running counter to the merger narrative in the market, Salt Lake City-based Intermountain provided a good overview of the movement to what is called an "asset light" strategy of "smart growth." This is a radically contrarian approach to the industry norm, which is the capital intensive bricks and mortar playbook of buying and building. As part of their strategy, Intermountain will open a "virtual hospital" delivering provider consultations and remote patient monitoring via telehealth. The system will also launch a number of healthcare companies every year, leveraging their considerable resources in a manner they believe will produce a higher yield. Other health systems outlined a similar stream of initiatives they have in motion to diversify their revenue streams and expand their business model into higher margin, higher growth businesses. One example is Cincinnati-based Mercy Health, which achieved strong growth and leverage via their investment in a revenue cycle

management company. Advocate in Illinois formed a partnership with Walgreens. Together, they now operating 56 retail clinics and Advocate has seen a significant impact on driving new patients and downstream revenue to their system. The bottom line is all now recognize that they must think and act differently to be able to continue to fund their clinical mission and serve their community.

3. You Must Measure and Manage Cost and Margins

While some are moving aggressively to get scale, everyone is looking to more effectively use the resources they have and get more operating leverage. Margin compression was a consistent theme, with many systems now moving into consistent, stable operating models around managing margins versus launching reactionary initiatives when they find a budget gap. What is emerging is a new discipline and continuous process around managing cost and margins that is starting to look similar to the level of sophistication we have seen in the past for revenue cycle management. To that end, there has been major movement in the market to implement advanced cost accounting systems, often referred to as financial decision support, which provide accurate and actionable information on cost and help organizations understand their true margins as they take on risk-based, capitated contracts. Some during the conference referred to it as the "killer app" for the financial side of driving value. Regardless of what you call it, all are moving aggressively to understand the denominator of their value equation.

4. You Must Become a Brand

Investing in and better leveraging their brand has become a strategic must for health systems. The level of sophistication is growing here as providers shift their mental model to viewing patients as "consumers." Aurora in Wisconsin cited their dedicated Consumer Insights Group and outlined their "best people, best brand, best value" approach that has been incredibly effective both internally and externally. At the same time, the bigger investments for many health systems relative to brand are more on brand experience than brand image, with a focus on understanding and radically rethinking the consumer experience. As an example, at Danville, Pa.-based Geisinger, close to 50 percent of ambulatory appointments are scheduled and seen on the same day. And every health system is making meaningful investments in their "digital handshake" with consumers, creating and leveraging it via telehealth as well as mobile applications to enhance the customer experience.

5. You Must Operate as a System, Not Just Call Yourself One

One clear theme at #JPM18 is different organizations were at different points along the continuum of truly operating as a system vs. merely sharing a name and a logo. There are a number of reasons for this, but you are increasingly seeing tough decisions actually being made vs. just kicking the can down the road. There has been a great deal of acquisitions over the last few years coupled with a new wave of thinking relative to integration that is more aggressive and more forward-looking. This mental shift is actually a very big deal and perhaps the most important new trend. Many health systems are heavily investing in leadership development deep into their organization to drive changes much faster.

6. You Must Act Small

The word "agile" is quickly becoming part of everyone's narrative with health systems looking to adopt the principles and processes leveraged in high tech. Chicago-based Northwestern Medicine is an example of an organization that has grown dramatically in the last five years, now approaching $5 billion in revenue. At the same time, they have still found a way to operate small, leveraging daily huddles across the organization to drive their results. The team at Raleigh, N.C.-based WakeMed has achieved a dramatic financial turnaround over the last few years, applying a similar level of rigor yielding major operational improvements in surgical, pharmacy and emergency services that have translated into better bottom line results.

7. You Must Engage Your Physicians

Employee engagement was a major theme in many of the presentations. With the level of change required both now and in the future, a true focus on culture is now clearly top of mind and a strategic must for high-performing health systems. That said, only a handful articulated a focus on monitoring and measuring physician engagement. This appears to be a major miss, given that physicians make roughly 80 percent of the decisions on care that take place and, therefore, control 80 percent of the spend. One data point that stood out was a 117 percent improvement in physician engagement at Northwestern. Major improvements will require clinical leadership and a true partnership with physicians.

8. You Must Leverage Analytics

Many have reached their initial destination of deploying a single clinical record, only to find that their journey isn't over. While health systems have made major investments big data, machine learning and artificial intelligence, there was a consistent theme regarding the need to bring clinical and financial

data together to truly understand value. Part of this path is the consolidation of systems that is now needed on the financial side of the house with a focus on deploying a single platform for financial planning, analytics and performance. The primary focus is to translate analytics not just into insights, but action.

9. You Must Protect Yourself

As organizations move deeper into data, there is increased recognition that cybersecurity is a major risk. Over 40 percent of all data breaches that occur happen in healthcare. During the keynote, JP Morgan Chase CEO Jamie Dimon shared that his organization will spend $700 million protecting itself and their customers this year. Investments in cybersecurity will continue to ramp up due to both the operational and reputational risk involved. Cybersecurity has become a board room issue and a top-of-mind initiative for executive teams at every health delivery system.

10. You Must Manage Social Determinants of Health in the Communities You Serve

Perhaps the most encouraging theme for healthcare provider organizations was the need to engage the community they serve and focus on social determinants of health. As Intermountain shared: "Zip code is more important than genetic code." To that end, Geisinger refers to their focus on "ZNA." They have deployed community health assistants, non-licensed workers who work on social determinants of health and have implemented a "Fresh Food Farmacy," yielding a 20 percent decrease in hemoglobin A1c levels along with a 78 percent decrease in cost. Organizations like ProMedica Health System in Ohio have seen similar results with their focus on hunger in Toledo. WakeMed has an initiative focused on vulnerable populations in underserved communities that has resulted in a significant decrease in ER visits and admissions and over $6 million in savings.

11. You Must Help Solve the Opioid Epidemic

The opioid issue is one that healthcare professionals take very personally and feel responsible for solving. It came up in virtually in every presentation, and it's an emotional issue for the leaders of each organization. This is good news, but the better news is that they are taking action. As an example, Geisinger invested in a CleanState Medicaid member pilot that resulted in a 23 percent decrease in ER visits and 35 percent decrease in medical spending, breaking even on their investment in less than 10 months. While many would rightly argue that the economic rationalization isn't needed for something this

important, the fact that it's there should eliminate any excuse for anyone not taking action.

12. You Must Deliver Value

The Hospital for Special Surgery in New York is the largest orthopedics shop in the U.S. and a great example of how value-based care delivery is taking shape. Perhaps the most revealing stat they shared is that 36 percent of the time patients receive a non-surgical recommendation when they are referred to one of their providers for a second opinion. This is exactly the type of value-based counseling and decision-making that will help flip the model of healthcare. Some systems are farther along than others. Northwestern currently has 25 percent of its patients in value-based agreements, but other systems have less. As the team from Intermountain re-stated to this audience this year, "You can't time the market on value, you should always do the right thing, right now." Well said.

It's time to get started or get moving even faster.

As the saying goes, "It's the journey, not the destination."

Happy trails.

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	Item:	Report on ECH and ECHD Board Actions Finance Committee Meeting Meeting Date: January 29, 2018
	Responsible party:	Cindy Murphy, Director of Governance Services
	Action requested:	For Information
	Background: 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 a verbal report by the Chair of the Committee and/or Board members who also serve on the Committee.	
	Other Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
	Summary and session objectives : To inform the Committee about recent Board actions.	
	Suggested discussion questions: None.	
	Proposed Committee motion, if any: None. This is an informational item.	
	LIST OF ATTACHMENTS: Report on ECH and ECHD Board Actions	

November 2017 and January 2018 ECH Board Actions*

1. January 10, 2018
    a. Recognized the Los Gatos Operations team for increasing personalized service to physicians and patients.
    b. Approved the FY18 Period 3 and Period 4 Financials.
    c. Approved the Letters of Rebuttable Presumption of Reasonableness (related to Executive Compensation)
    d. Approved the FY18 Salary Range for the new President, SVMD position and its inclusion in the Executive Compensation and Benefits Plans
    e. Approved physician contracts for Opthalmology Call Coverage, Gastroenterology ED Call, and OB Hospitalist Coverage
    f. Approved the Amended & Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC (SVMD)

October 2017 ECHD Board Actions*

1. January 16, 2018
    a. Elected Gary Kalbach and Julie Kliger, RN to the El Camino Hospital Board of Directors. Their terms are effective immediately. Mr. Kalbach's term expires on June 30, 2021 and Ms. Kliger's term expires on June 30, 2020.

*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.

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 6

7/1/2017 to 12/31/2017

Dashboard - ECH combined as of December 31, 2017

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	240	257	240	17	231	241	233	9
Utilization MV	67%	70%	66%	4%	63%	66%	64%	2%
Utilization LG	28%	33%	29%	4%	28%	29%	28%	1%
Utilization Combined	54%	58%	54%	4%	52%	55%	53%	2%
Adjusted Discharges	2,897	3,164	2,867	297	16,520	17,934	17,005	929
Total Discharges (Excl NNB)	1,708	1,822	1,661	161	9,570	10,245	9,809	436
Total Discharges	2,012	2,159	1,960		11,521	12,231	11,641	CORF
Inpatient Cases								
MS Discharges	1,221	1,283	1,153	130	6,484	7,100	6,702	398
Deliveries	373	397	395	2	2,372	2,377	2,411	(34)
BHS	76	98	73	25	464	550	449	101
Rehab	38	44	40	4	250	218	248	(30)
Outpatient Cases	12,196	12,691	12,532	159	71,589	74,476	73,070	1,406
ED	4,093	4,473	4,160	313	23,552	24,149	24,266	(117)
Procedural Cases								
OP Surg	413	418	391	27	2,190	2,381	2,275	106
Endo	199	229	181	48	1,181	1,214	1,057	157
Interventional	163	131	181	(50)	1,071	990	1,055	(65)
All Other	7,328	7,440	7,619	(179)	43,595	45,742	44,416	1,326
Financial Perf.								
Net Patient Revenues	68,996	73,810	70,209	3,601	404,036	445,886	414,225	31,661
Total Operating Revenue	71,205	75,792	72,179	3,613	418,769	461,692	426,158	35,533
Operating Expenses	65,037	66,333	65,429	904	365,691	385,046	383,613	1,433
Operating Income $	6,169	9,459	6,750	2,709	53,078	76,646	42,546	34,100
Operating Margin	8.7%	12.5%	9.4%	3.1%	12.7%	16.6%	10.0%	6.6%
EBITDA $	10,346	14,133	11,833	2,300	79,915	103,478	72,567	30,911
EBITDA %	14.5%	18.6%	16.4%	2.3%	19.1%	22.4%	17.0%	5.4%
IP Margin[1]	5.8%	7.7%	-10.2%	17.9%	5.8%	7.7%	-10.2%	17.9%
OP Margin[1]	37.0%	41.6%	31.7%	9.9%	37.0%	41.6%	31.7%	9.9%
Payor Mix								
Medicare	46.8%	46.2%	47.4%	-1.2%	46.7%	46.1%	47.4%	-1.2%
Medi-Cal	5.9%	6.6%	7.2%	-0.6%	7.1%	7.7%	7.2%	0.5%
Commercial IP	23.1%	24.6%	22.6%	2.0%	23.1%	23.0%	22.6%	0.4%
Commercial OP	21.6%	21.6%	20.3%	1.3%	20.6%	20.8%	20.3%	0.5%
Total Commercial	44.7%	46.2%	42.9%	3.3%	43.7%	43.8%	42.9%	0.9%
Other	2.6%	1.0%	2.5%	-1.5%	2.5%	2.4%	2.5%	-0.2%
Cost								
Total FTE	2,480.8	2,594.2	2,524.0	70	2,471.8	2,569.0	2,502.3	67
Productive Hrs/APD	29.5	28.1	30.4	(2)	30.5	30.1	31.0	(1)
Balance Sheet								
Net Days in AR	44.8	47.3	48.0	(1)	44.8	47.3	48.0	(1)
Days Cash	444	479	266	213	444	479	266	213
Affiliates - Net Income ($000s)								
Hosp	11,336	7,461	6,975	485	65,530	107,688	43,898	63,790
Concern	247	83	110	(27)	473	1,028	759	270
ECSC	(1)	(1)	0	(1)	(52)	(19)	0	(19)
Foundation	644	373	44	329	1,528	1,589	415	1,175
SVMD	(41)	(99)	(29)	(70)	(10)	466	(14)	479

Volume:

- For the year, overall volume, measured in adjusted discharges is 5.5% higher than budget.
- IP cases are 5.1% over budget, specifically Neurosciences, HVI, BHS, Oncology and General Medicine. Deliveries are flat with prior year and 1.4% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab, Outpatient Clinics and Urology.

Financial Performance:

- Operating income is $2.7M over budget. Revenue for the month include $1.2 million in unusual items. For the year op margin is $34.1M ahead of target

Payor Mix:

- Commercial insurance is 0.9% more of the Payor Mix in December than budget where Medicare has decreased 1.2%.

Cost:

- Prod Hrs/APD for December is 28.1 and better than budget . YTD we are slightly better than budg

Balance Sheet:

- Net days in AR is 47.3 which is .7 days less than budget.

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-12/31/2017) Waterfall

(in thousands; $000s)	Year to Date (YTD) Net Income Impact	Year to Date (YTD) % Net Revenue
Budgeted Hospital Operations FY2018	**42,546**	**10.0%**
Net Revenue - Favorable due Rev Cycle operations (charge capture, lower denials and underpayments), higher volume, favorable payor mix and $13.4 million unusual items	35,533	7.7%
Labor and Benefit Expense Change - Labor favorable vs budget after adjusting for higher volume	(2,667)	-0.6%
Professional Fees & Purchased Services -Recruiting costs and backfill for vacant position; pro fees increase in oncology offsett by higher revenues	(1,283)	-0.3%
Supplies - unfavorable due to increase in surgical and other general supplies, offset by savings in Spine supplies as well as Drugs. Higher volumes also driving increase.	(1,300)	-0.3%
Other Expenses - primarily due to no strategic fund expenses offset with property tax retro payment and regular payment for half year.	628	0.1%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as LG projects	3,189	0.7%
Actual Hospital Operations FY2018	**76,646**	**16.6%**

El Camino Hospital ($000s)

6 months ending 12/31/2017

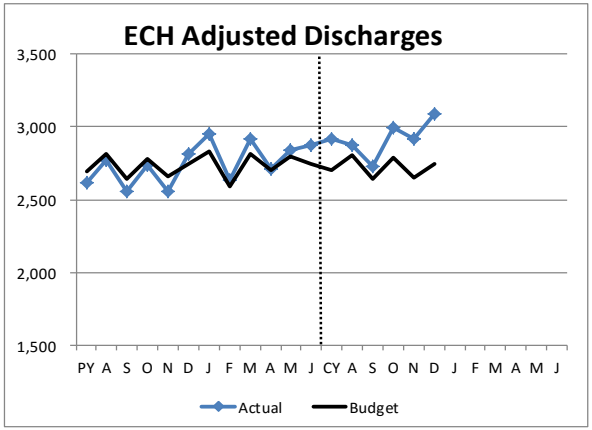
Period 6 FY 2017	Period 6 FY 2018	Period 6 Budget 2018	Variance Fav (Unfav)	Var%	$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
252,128	279,885	272,138	7,748	2.8%	**Gross Revenue**	1,450,379	1,650,774	1,578,384	72,391	4.6%
(183,132)	(206,075)	(201,928)	(4,147)	1.0%	**Deductions**	(1,046,343)	(1,204,889)	(1,164,159)	(40,730)	3.5%
68,996	**73,810**	**70,209**	**3,601**	**5.1%**	**Net Patient Revenue**	**404,036**	**445,886**	**414,225**	**31,661**	**7.6%**
2,210	1,982	1,970	12	0.6%	**Other Operating Revenue**	14,734	15,806	11,933	3,873	32.5%
71,205	**75,792**	**72,179**	**3,613**	**5.0%**	**Total Operating Revenue**	**418,769**	**461,692**	**426,158**	**35,533**	**8.3%**
					OPERATING EXPENSE					
40,285	39,831	39,738	(93)	-0.2%	**Salaries & Wages**	222,254	233,964	231,296	(2,667)	-1.2%
9,730	11,550	10,375	(1,175)	-11.3%	**Supplies**	55,706	61,330	60,030	(1,300)	-2.2%
8,476	7,553	7,882	329	4.2%	**Fees & Purchased Services**	46,896	48,835	47,552	(1,283)	-2.7%
2,369	2,726	2,352	(373)	-15.9%	**Other Operating Expense**	13,999	14,085	14,713	628	4.3%
177	456	725	269	37.1%	**Interest**	2,534	2,606	4,353	1,747	40.1%
4,000	4,218	4,357	139	3.2%	**Depreciation**	24,302	24,227	25,669	1,442	5.6%
65,037	**66,333**	**65,429**	**(904)**	**-1.4%**	**Total Operating Expense**	**365,691**	**385,046**	**383,613**	**(1,433)**	**-0.4%**
6,169	**9,459**	**6,750**	**2,709**	**40.1%**	**Net Operating Income/(Loss)**	**53,078**	**76,646**	**42,546**	**34,100**	**80.1%**
5,168	(1,998)	225	(2,224)	-986.9%	**Non Operating Income**	12,451	31,042	1,352	29,691	2196.4%
11,336	**7,461**	**6,975**	**485**	**7.0%**	**Net Income(Loss)**	**65,530**	**107,688**	**43,898**	**63,790**	**145.3%**
14.5%	18.6%	16.4%	2.3%		**EBITDA**	19.1%	22.4%	17.0%	5.4%	
8.7%	12.5%	9.4%	3.1%		**Operating Margin**	12.7%	16.6%	10.0%	6.6%	
15.9%	9.8%	9.7%	0.2%		**Net Margin**	15.6%	23.3%	10.3%	13.0%	

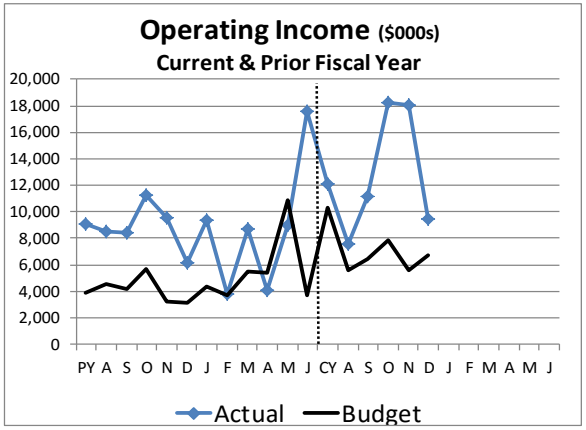
Non Operating Items and Net Income by Affiliate

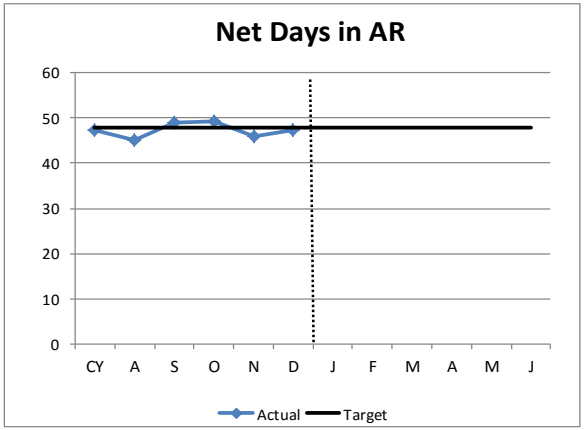
$ in thousands

	Period 6 - Month			Period 6 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	6,484	5,226	1,258	67,392	34,521	32,871
Los Gatos	2,975	1,524	1,451	9,254	8,025	1,229
Sub Total - El Camino Hospital, excl. Afflilates	**9,459**	**6,750**	**2,709**	**76,646**	**42,546**	**34,100**
Operating Margin %	**12.5%**	**9.4%**		**16.6%**	**10.0%**	
El Camino Hospital Non Operating Income						
Investments	(1,659)	1,516	(3,175)	34,800	9,093	25,707
Swap Adjustments	109	0	109	608	0	608
Community Benefit	(69)	(283)	214	(2,169)	(1,700)	(469)
Pathways	135	42	93	312	208	104
Satellite Dialysis	(8)	(35)	27	(86)	(177)	91
Other	(506)	(1,013)	508	(2,423)	(6,073)	3,649
Sub Total - Non Operating Income	**(1,998)**	**225**	**(2,224)**	**31,042**	**1,352**	**29,691**
El Camino Hospital Net Income (Loss)	**7,461**	**6,975**	**485**	**107,688**	**43,898**	**63,790**
ECH Net Margin %	**9.8%**	**9.7%**		**23.3%**	**10.3%**	
Concern	83	110	(27)	1,028	759	270
ECSC	(1)	0	(1)	(19)	0	(19)
Foundation	373	44	329	1,589	415	1,175
Silicon Valley Medical Development	(99)	125	(223)	466	(14)	479
Net Income Hospital Affiliates	**356**	**125**	**231**	**3,064**	**1,160**	**1,904**
Total Net Income Hospital & Affiliates	**7,816**	**7,100**	**716**	**110,752**	**45,057**	**65,694**

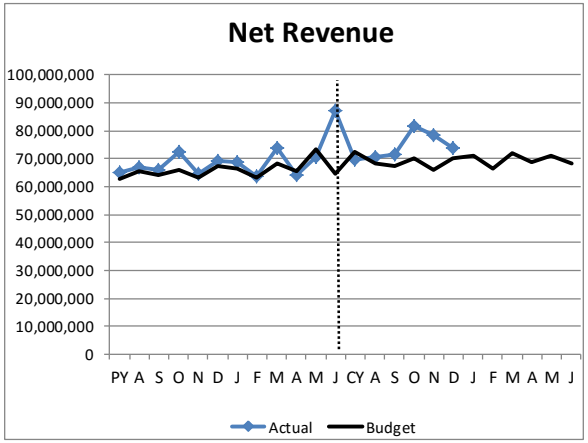
Monthly Financial Trends

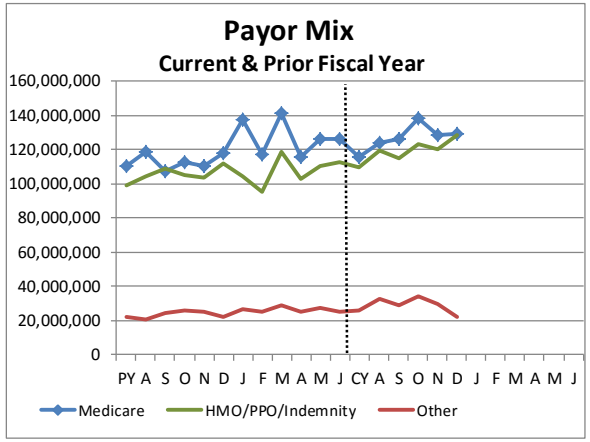


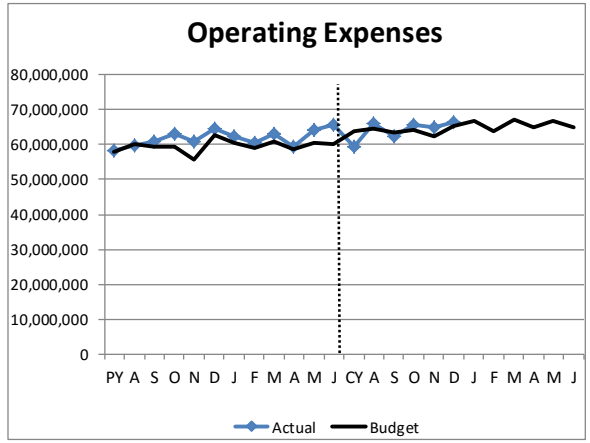




Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Behavioral Health, HVI and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics, General Surgery and Rehab

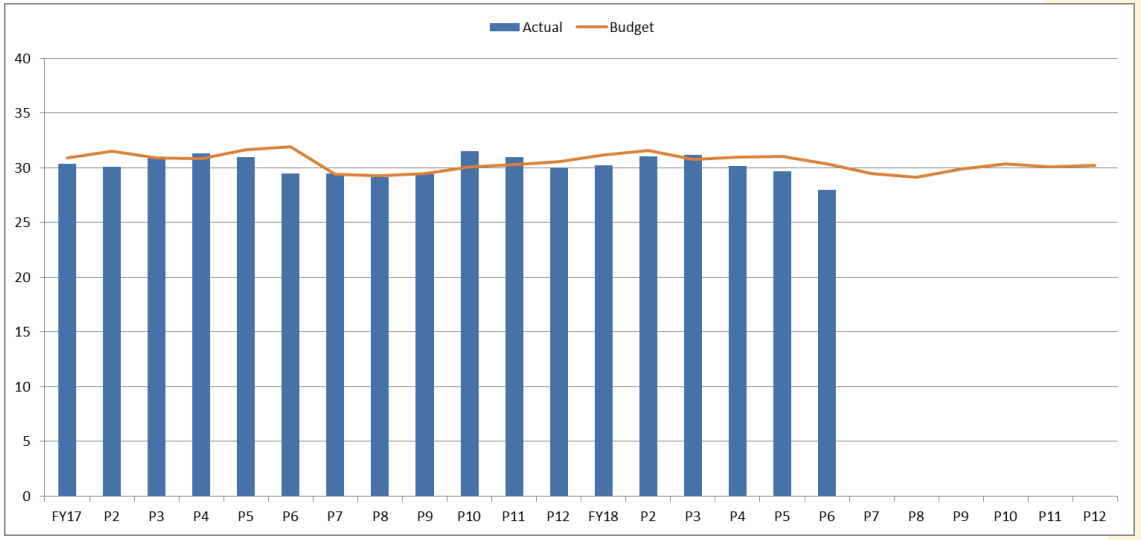




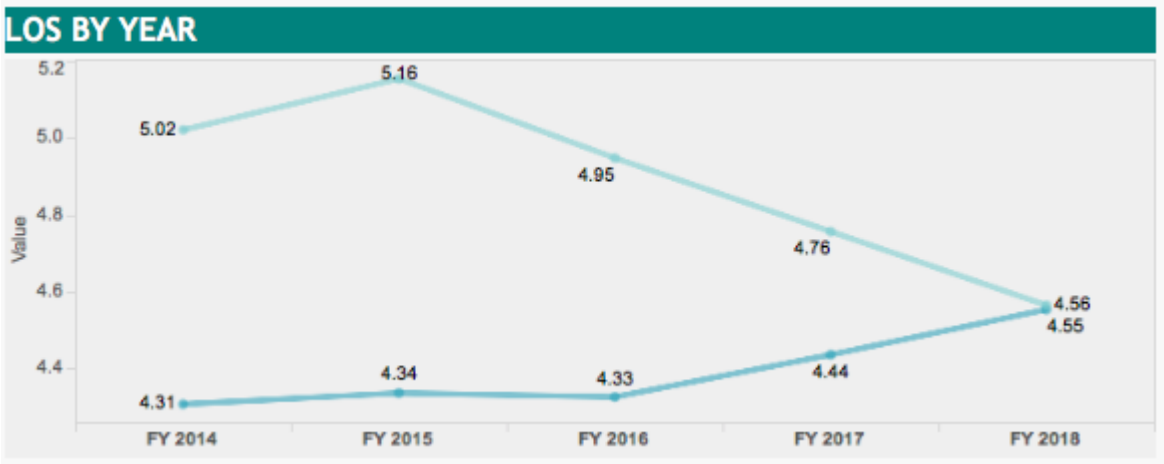


Productivity and Medicare Length of Stay

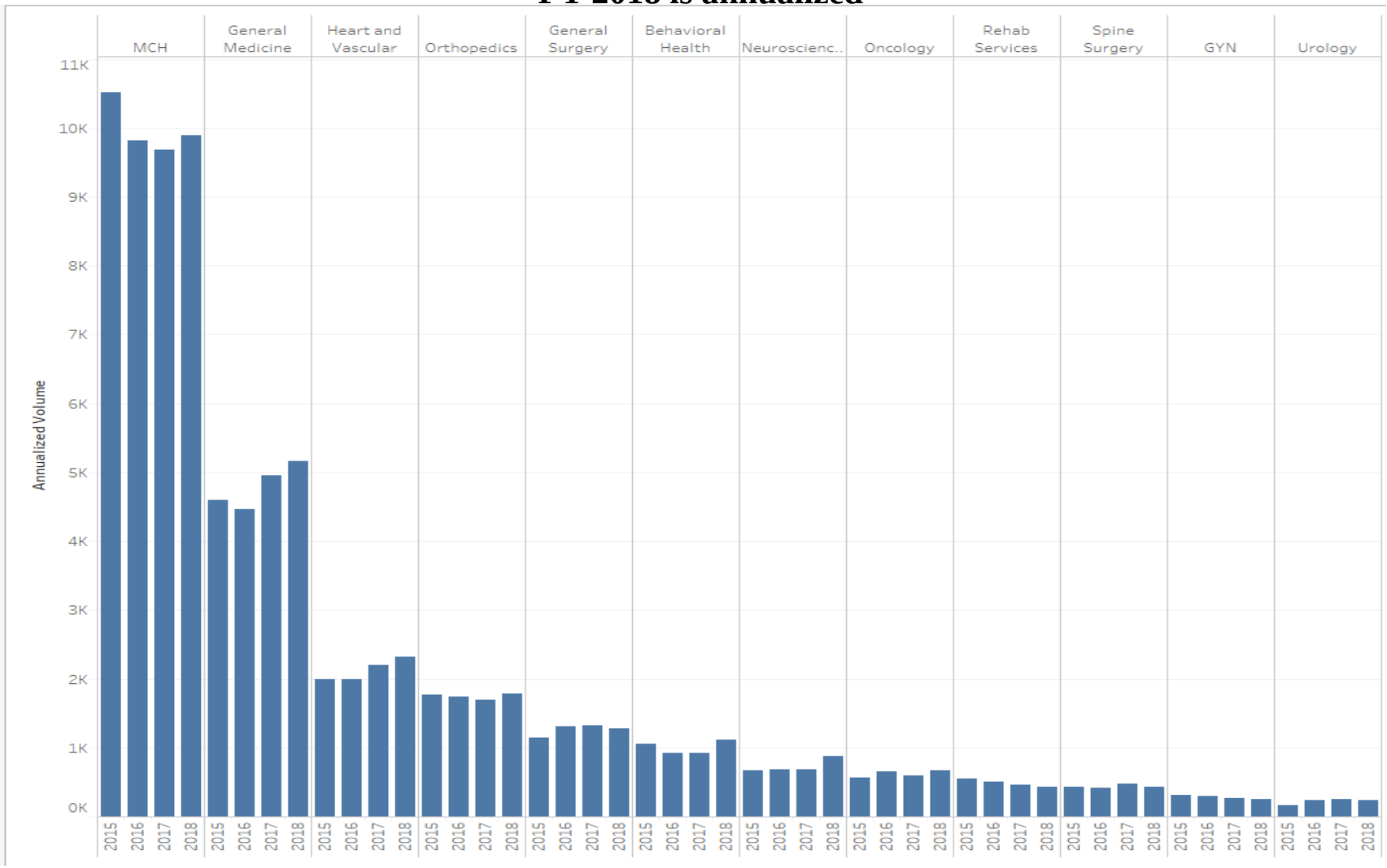
Work hours per adjusted patient day decreased again in December under budget by 2.3. Overall the month of December is 28 worked hours per adjusted patient day



ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2018 at benchmark.
Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)

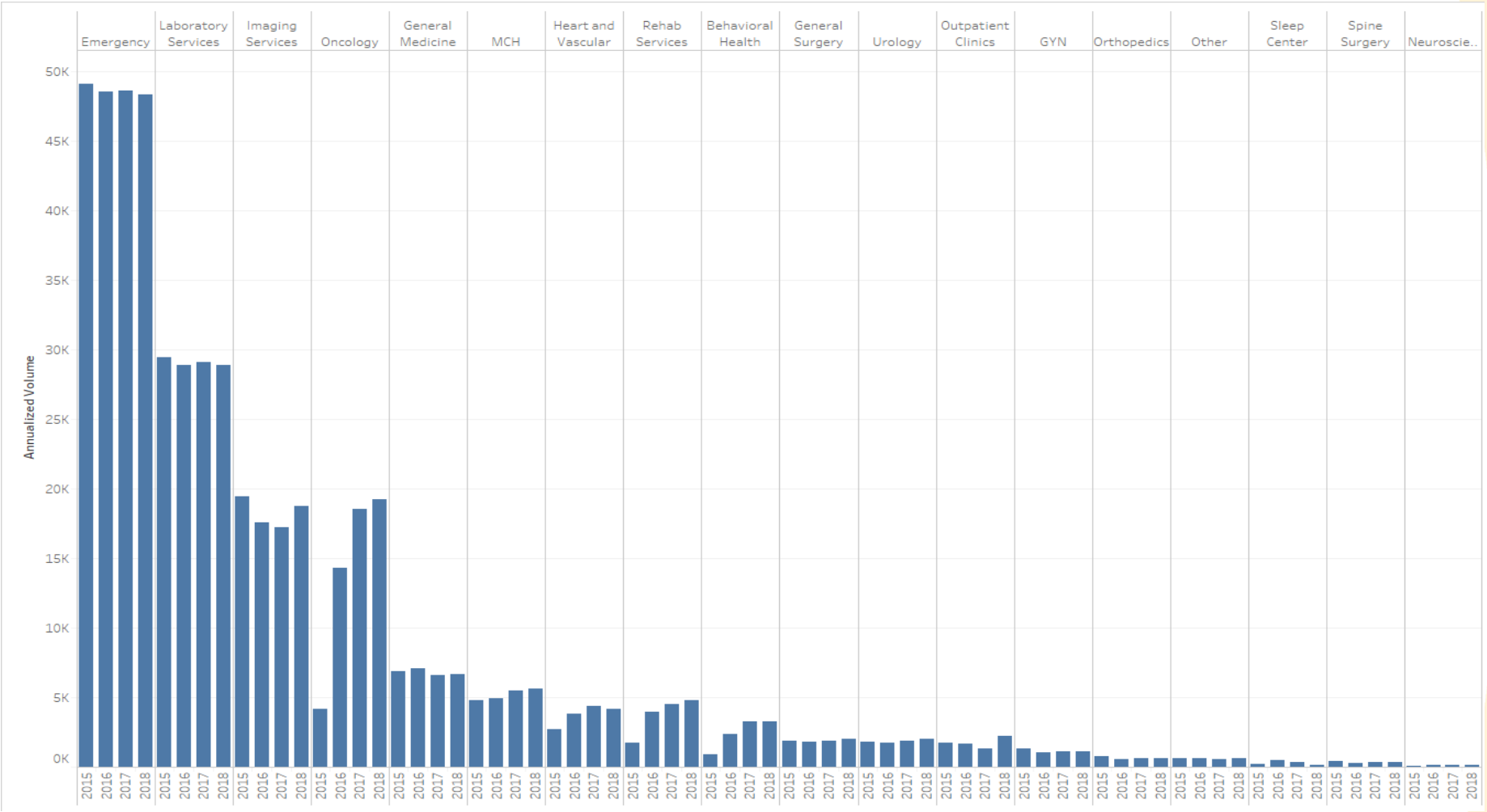


El Camino Hospital Volume Annual Trends – Inpatient
FY 2018 is annualized



- General Medicine, HVI, Behavioral Health, and Neuroscience display an increasing trend.
- Conversely, Rehab Services and GYN show a decreasing trend.
- The remaining service lines are staying flat.

El Camino Hospital Volume Annual Trends – Outpatient
FY 2018 is annualized



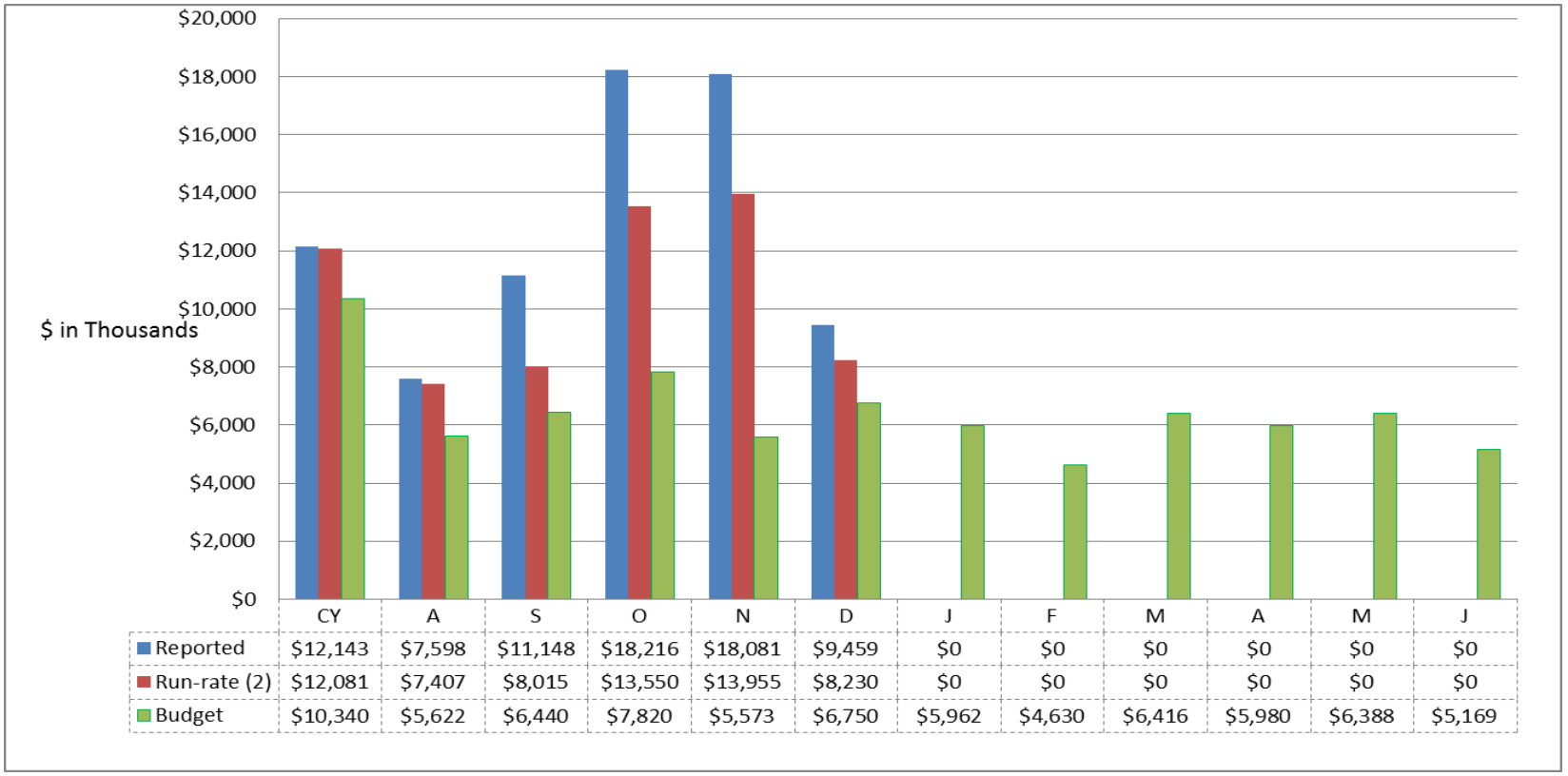
- Comparing year-over-year Oncology, MCH, Rehab Services, Behavioral Health, General Surgery, and Outpatient Clinics are all increasing in volume.

Medicare data excludes Medicare HMOs

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

ECH Operating Margin

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



	CY	A	S	O	N	D	J	F	M	A	M	J
Reported	$12,143	$7,598	$11,148	$18,216	$18,081	$9,459	$0	$0	$0	$0	$0	$0
Run-rate (2)	$12,081	$7,407	$8,015	$13,550	$13,955	$8,230	$0	$0	$0	$0	$0	$0
Budget	$10,340	$5,622	$6,440	$7,820	$5,573	$6,750	$5,962	$4,630	$6,416	$5,980	$6,388	$5,169

FY 2018 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	N	D	YTD
Insurance (Payment Variance)	-	-	-	611	-	669	1,280
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	184	81	1,433
Hospital Fee	-	-	-	712	1,024	-	1,736
PRIME Incentive	-	-	-	-	2,902	-	2,902
Credit Balance Quarterly Review	-	-	2,201	-	-	472	2,673
Late Charge Accrual	-	-	-	3,283	-	-	3,283
Various Adjustments under $250k	9	36	27	6	16	8	101
Total	**63**	**191**	**3,134**	**4,667**	**4,126**	**1,229**	**13,409**

Updated Quarterly
Last update 09/30/17

El Camino Hospital Investment Committee Scorecard

September 30, 2017

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash balance & op. cash (millions)*		$1,158.2	--	--	--	--	--	$1,262.5	--
Surplus cash return		2.7%	2.7%	2.7%	2.7%	5.7%	5.6%	1.9%	5.7%
Cash balance plan balance (millions)		$250.4	--	--	--	--	--	$257.1	--
Cash balance plan return		3.1%	3.1%	3.1%	3.1%	8.2%	7.6%	6.0%	6.1%
403(b) plan balance (millions)		$411.2	--	--	--	--	--	--	--
Risk vs. Return		3-year				4y 11m Since Inception (annualized)			2017
Surplus cash Sharpe ratio		1.08	1.13	--	--	1.36	1.33	--	0.46
Net of fee return		5.0%	5.3%	--	--	5.7%	5.6%	--	5.7%
Standard deviation		4.4%	4.4%	--	--	4.0%	4.1%	--	7.2%
Cash balance Sharpe ratio		1.08	1.07	--	--	1.45	1.39	--	0.43
Net of fee return		6.3%	6.0%	--	--	8.2%	7.6%	--	6.1%
Standard deviation		5.6%	5.3%	--	--	5.4%	5.2%	--	8.7%
Asset Allocation		3Q 2017							
Surplus cash absolute variances to target		8.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Manager Compliance		3Q 2017							
Surplus cash manager flags		19	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		19	< 20 Green < 25 Yellow	--	--	--	--	--	--

*Includes Debt Reserve funds, excludes District assets, Foundation assets, and Concern.

1

PAVILION

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

El Camino Hospital

Capital Spending
As of December 2017

Capital Spending (in millions)

Category		Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Current Proj Spend	FY18 Orig Proj Spend	Variance Between Current Proj Spend and Orig Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade				1.9	1.0	1.0	1.9	-1.0	1.0
IT Hardware, Software, Equipment & Imaging*					12.2	0.4	11.8	12.2	-0.4	0.4
Medical & Non Medical Equipment FY 17**					10.3	7.3	3.0	6.4	-3.4	7.3
Medical & Non Medical Equipment FY 18***					5.6	1.8	3.8	5.6	-1.8	1.8
Facility Projects										
	1245	Behavioral Health Bldg	FY16	96.1	96.1	29.6	27.0	51.4	-24.4 [1]	12.0
	1413	North Drive Parking Expansion	FY15	24.5	24.5	23.3	2.6	3.4	-0.8	3.6
	1414	Integrated MOB	FY15	302.1	302.1	72.8	72.0	130.1	-58.1 [1]	26.9
	1422	CUP Upgrade	FY16	9.0	9.0	3.4	5.5	4.0	1.5	1.2
	1430	Women's Hospital Expansion	FY16	120.0	6.0	2.3	3.6	7.0	-3.4	1.8
	1425	IMOB Preparation Project - Old Main	FY16	20.0	0.0	2.7	0.0	0.0	0.0	0.1
	1502	Cabling & Wireless Upgrades	FY16	0.0	0.0	2.5	0.0	0.0	0.0	0.1
	1525	New Main Lab Upgrades		3.1	3.1	1.8	2.5	0.0	2.5	1.3
	1515	ED Remodel Triage/Psych Observation	FY16	5.0	0.3	0.0	0.4	0.0	0.4	0.0
	1503	Willow Pavilion Tomosynthesis	FY16	0.8	0.0	0.3	0.0	0.0	0.0	0.0
	1602	JW House (Patient Family Residence)		6.5	0.5	0.0	0.5	0.5	0.0	0.0
		Site Signage and Other Improvements		1.0	0.0	0.0	0.3	1.0	-0.8	0.0
		Nurse Call System Upgrades		2.4	0.0	0.0	0.1	0.0	0.1	0.0
	1707	Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	0.3	0.1	0.2	0.0
	1708	IR/ Cath Lab Equipment Replacement		19.4	0.0	0.0	0.3	2.0	-1.8	0.0
		Flooring Replacement		1.6	0.3	0.0	0.4	0.0	0.4	0.0
	1219	LG Spine OR	FY13	0.0	0.0	3.7	0.0	0.0	0.0	0.3
	1313	LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0	0.4
	1248	LG Imaging Phase II (CT & Gen Rad)	FY16	8.8	8.8	8.1	0.6	0.7	-0.1	0.7
	1307	LG Upgrades	FY13	19.3	19.3	15.3	4.9	5.0	-0.1	1.4
	1508	LG NICU 4 Bed Expansion	FY16	0.0	0.0	0.2	0.0	0.0	0.0	0.0
	1507	LG IR Upgrades		1.3	0.0	0.0	0.0	0.0	0.0	0.0
	1603	LG MOB Improvements (17)		5.0	5.0	4.2	3.5	3.5	0.0	3.9
	1711	Emergency Sanitary & Water Storage		1.4	0.3	0.0	0.2	3.2	-3.0	0.0
		LG Modular MRI & Awning		3.9	3.9	0.0	0.4	0.0	0.4	0.0
		LG Nurse Call System Upgrade		2.8	0.0	0.0	0.0	0.0	0.0	0.0
		LG Observation Unit (Conversion of ICU 2)		1.8	0.0	0.0	0.8	0.0	0.8	0.0
	1712	LG Cancer Center		2.4	0.3	0.0	0.4	0.0	0.4	0.0
		All Other Projects under $1M		5.6	0.4	17.7	1.8	0.0	1.8	2.6
				684.4	479.6	191.8	128.0	211.9	-83.9	56.2
GRAND TOTAL					**499.4**	**202.3**	**147.6**	**238.1**	**-90.4**	**66.7**

* Excluding EPIC

** Unspent Prior Year routine used as contingency

*** Includes 2 robot purchases

1 Variance due to delay in MV campus plan

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Balance Sheet (in thousands)

ASSETS

		December 31, 2017	Audited June 30, 2017
	CURRENT ASSETS		
	Cash	118,841	125,551
	Short Term Investments	156,141	140,284
	Patient Accounts Receivable, net	120,065	109,089
	Other Accounts and Notes Receivable	2,395	2,628
	Intercompany Receivables	1,363	1,495
(1)	Inventories and Prepaids	55,375	50,657
	Total Current Assets	**454,180**	**429,705**
	BOARD DESIGNATED ASSETS		
(2)	Plant & Equipment Fund	145,347	131,153
	Women's Hospital Expansion	9,298	9,298
(3)	Operational Reserve Fund	127,908	100,196
(4)	Community Benefit Fund	18,523	12,237
	Workers Compensation Reserve Fund	20,839	20,007
	Postretirement Health/Life Reserve Fund	19,477	19,218
	PTO Liability Fund	22,762	23,409
	Malpractice Reserve Fund	1,634	1,634
	Catastrophic Reserves Fund	18,107	16,575
	Total Board Designated Assets	**383,894**	**333,727**
(5)	**FUNDS HELD BY TRUSTEE**	**244,413**	**287,052**
	LONG TERM INVESTMENTS	**279,897**	**256,652**
	INVESTMENTS IN AFFILIATES	**33,313**	**32,451**
	PROPERTY AND EQUIPMENT		
(6)	Fixed Assets at Cost	1,249,549	1,192,047
	Less: Accumulated Depreciation	(552,787)	(531,785)
	Construction in Progress	136,184	138,017
	Property, Plant & Equipment - Net	**832,946**	**798,279**
	DEFERRED OUTFLOWS	28,660	28,960
	RESTRICTED ASSETS - CASH	0	0
	TOTAL ASSETS	**2,257,303**	**2,166,825**

LIABILITIES AND FUND BALANCE

		December 31, 2017	Audited June 30, 2017
	CURRENT LIABILITIES		
(7)	Accounts Payable	22,892	38,457
(8)	Salaries and Related Liabilities	28,092	25,109
	Accrued PTO	22,762	23,409
	Worker's Comp Reserve	2,300	2,300
	Third Party Settlements	9,249	10,438
	Intercompany Payables	61	84
	Malpractice Reserves	1,634	1,634
	Bonds Payable - Current	3,735	3,735
	Bond Interest Payable	10,747	11,245
	Other Liabilities	6,666	4,889
	Total Current Liabilities	**108,138**	**121,299**
	LONG TERM LIABILITIES		
	Post Retirement Benefits	19,477	19,218
	Worker's Comp Reserve	18,539	17,707
	Other L/T Obligation (Asbestos)	3,803	3,746
	Other L/T Liabilities (IT/Medl Leases)	-	-
	Bond Payable	526,763	527,371
	Total Long Term Liabilities	**568,581**	**568,042**
	DEFERRED REVENUE-UNRESTRICTED	472	567
	DEFERRED INFLOW OF RESOURCES	10,666	10,666
	FUND BALANCE/CAPITAL ACCOUNTS		
	Unrestricted	1,185,553	1,132,525
	Board Designated	383,894	333,726
	Restricted	0	0
(9)	**Total Fund Bal & Capital Accts**	**1,569,447**	**1,466,251**
	TOTAL LIABILITIES AND FUND BALANCE	**2,257,303**	**2,166,825**

DECEMBER 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

(1) The increase is due to two quarterly pension fundings of $2.6M in July and October.

(2) The increase is due 5 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains $14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds.

(3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.

(4) The increase is due to an approved addition of $5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.

(5) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.

(6) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.

(7) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.

(8) This increase is primarily due additional accrued expense for the 403B Match for the 2nd half of calendar year 2017, as the payment for all of calendar year is made in January 2018

(9) The increase is attributable to the first SIX periods of financial performance producing an operating income of $78 million and non-operating of $31 million (mostly from unrealized gains on investments).

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. $15 million within this fund is a board designated endowment fund formed in 2015 with a $10 million contribution, and added to at the end of the 2017 fiscal year end with another $5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate $500,000 a year in investment income for the program.

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

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

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

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)

6 months ending 12/31/2017

Period 6 FY 2017	Period 6 FY 2018	Period 6 Budget 2018	Variance Fav (Unfav)	Var%	$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
204,773	226,462	223,569	2,893	1.3%	**Gross Revenue**	1,192,540	1,347,954	1,294,700	53,254	4.1%
(148,486)	(167,977)	(166,657)	(1,320)	0.8%	**Deductions**	(857,971)	(982,352)	(958,139)	(24,213)	2.5%
56,287	**58,485**	**56,913**	**1,572**	**2.8%**	**Net Patient Revenue**	**334,569**	**365,602**	**336,562**	**29,041**	**8.6%**
1,972	1,777	1,755	22	1.3%	**Other Operating Revenue**	13,629	14,790	10,653	4,137	38.8%
58,259	**60,262**	**58,668**	**1,595**	**2.7%**	**Total Operating Revenue**	**348,198**	**380,392**	**347,214**	**33,178**	**9.6%**
					OPERATING EXPENSE					
32,941	33,124	33,302	178	0.5%	**Salaries & Wages**	184,981	194,662	193,550	(1,112)	-0.6%
7,828	9,253	8,374	(880)	-10.5%	**Supplies**	45,899	49,424	48,296	(1,128)	-2.3%
7,003	6,214	6,603	388	5.9%	**Fees & Purchased Services**	38,904	40,969	39,832	(1,136)	-2.9%
854	1,206	820	(387)	-47.2%	**Other Operating Expense**	4,113	4,448	5,307	860	16.2%
177	456	725	269	37.1%	**Interest**	2,534	2,606	4,353	1,747	40.1%
3,485	3,524	3,619	95	2.6%	**Depreciation**	21,127	20,893	21,356	463	2.2%
52,289	**53,778**	**53,442**	**(337)**	**-0.6%**	**Total Operating Expense**	**297,559**	**313,001**	**312,694**	**(307)**	**-0.1%**
5,970	**6,484**	**5,226**	**1,258**	**24.1%**	**Net Operating Income/(Loss)**	**50,638**	**67,392**	**34,521**	**32,871**	**95.2%**
5,168	(1,998)	225	(2,224)	-986.9%	**Non Operating Income**	12,462	31,087	1,352	29,735	2199.7%
11,137	**4,486**	**5,451**	**(966)**	**-17.7%**	**Net Income(Loss)**	**63,100**	**98,478**	**35,872**	**62,606**	**174.5%**
16.5%	17.4%	16.3%	1.1%		**EBITDA**	21.3%	23.9%	17.3%	6.5%	
10.2%	10.8%	8.9%	1.9%		**Operating Margin**	14.5%	17.7%	9.9%	7.8%	
19.1%	7.4%	9.3%	-1.8%		**Net Margin**	18.1%	25.9%	10.3%	15.6%	

El Camino Hospital – Los Gatos($000s)

6 months ending 12/31/2017

Period 6 FY 2017	Period 6 FY 2018	Period 6 Budget 2018	Variance Fav (Unfav)	Var%	$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
47,355	53,424	48,568	4,855	10.0%	**Gross Revenue**	257,839	302,820	283,683	19,137	6.7%
(34,646)	(38,099)	(35,272)	(2,827)	8.0%	**Deductions**	(188,372)	(222,536)	(206,020)	(16,517)	8.0%
12,709	**15,325**	**13,296**	**2,029**	**15.3%**	**Net Patient Revenue**	**69,467**	**80,284**	**77,664**	**2,620**	**3.4%**
238	205	215	(10)	-4.9%	**Other Operating Revenue**	1,105	1,016	1,280	(265)	-20.7%
12,947	**15,530**	**13,512**	**2,018**	**14.9%**	**Total Operating Revenue**	**70,572**	**81,299**	**78,944**	**2,356**	**3.0%**
					OPERATING EXPENSE					
7,343	6,707	6,436	(271)	-4.2%	**Salaries & Wages**	37,273	39,302	37,747	(1,555)	-4.1%
1,902	2,297	2,002	(295)	-14.8%	**Supplies**	9,807	11,906	11,734	(172)	-1.5%
1,473	1,338	1,279	(59)	-4.6%	**Fees & Purchased Services**	7,992	7,866	7,720	(146)	-1.9%
1,515	1,519	1,533	14	0.9%	**Other Operating Expense**	9,885	9,637	9,405	(232)	-2.5%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
514	694	739	45	6.1%	**Depreciation**	3,175	3,334	4,313	979	22.7%
12,748	**12,555**	**11,988**	**(567)**	**-4.7%**	**Total Operating Expense**	**68,132**	**72,045**	**70,919**	**(1,126)**	**-1.6%**
199	**2,975**	**1,524**	**1,451**	**95.2%**	**Net Operating Income/(Loss)**	**2,440**	**9,254**	**8,025**	**1,229**	**15.3%**
0	0	0	0	0.0%	**Non Operating Income**	(10)	(45)	0	(45)	0.0%
199	**2,975**	**1,524**	**1,451**	**95.2%**	**Net Income(Loss)**	**2,430**	**9,210**	**8,025**	**1,185**	**14.8%**
5.5%	23.6%	16.7%	6.9%		**EBITDA**	8.0%	15.5%	15.6%	-0.1%	
1.5%	19.2%	11.3%	7.9%		**Operating Margin**	3.5%	11.4%	10.2%	1.2%	
1.5%	19.2%	11.3%	7.9%		**Net Margin**	3.4%	11.3%	10.2%	1.2%	

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	969
IT Hardware / Software Equipment	4,660	6,483	2,659	11,803
Medical / Non Medical Equipment*	13,340	17,133	9,556	6,821
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
GRAND TOTAL	86,789	96,740	97,923	147,624
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2017

Category	2013	2014	2015	2016	2017
EPIC	**0**	**6,838**	**29,849**	**20,798**	**2,755**
IT Hardware/Software Equipment	**8,019**	**2,788**	**4,660**	**6,483**	**2,659**
Medical/Non Medical Equipment	**10,284**	**12,891**	**13,340**	**17,133**	**9,556**
Non CIP Land, Land I, BLDG, Additions	**0**	**22,292**	**0**	**4,189**	**0**
Facilities Projects CIP					
Mountain View Campus Master Plan Projects					
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120
1414 - Integrated MOB	0	0	2,009	8,875	32,805
1422 - CUP Upgrade	0	0	0	896	1,245
Sub-Total Mountain View Campus Master Plan	**0**	**1,257**	**5,950**	**12,426**	**62,493**
Mountain View Capital Projects					
9900 - Unassigned Costs	734	470	3,717	0	0
1108 - Cooling Towers	450	0	0	0	0
1120 - BHS Out Patient TI's	66	0	0	0	0
1129 - Old Main Card Rehab	9	0	0	0	0
0817 - Womens Hosp Upgrds	645	1	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294
1109 - New Main Upgrades	423	393	2	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0
1131 - MV Equipment Replace	216	0	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0
1225 - Rehab BLDG Roofing	7	241	4	0	0
1227 - New Main eICU	96	21	0	0	0
1230 - Fog Shop	339	80	0	0	0
1315 - 205 So. Drive TI's	0	500	2	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342
1125 - Will Pav Fire Sprinkler	57	39	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0
1216 - New Main Process Imp Office	19	1	16	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6
1301 - Desktop Virtual	0	13	0	0	0
1304 - Rehab Wander Mgmt	0	87	0	0	0
1310 - Melchor Cancer Center Expansion	0	44	13	0	0
1318 - Women's Hospital TI	0	48	48	29	2
1327 - Rehab Building Upgrades	0	0	15	20	0
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0
1341 - New Main Admin	0	32	103	0	0
1344 - New Main AV Upgrd	0	243	0	0	0
1400 - Oak Pav Cancer Center	0	0	5,208	666	52

Category	2013	2014	2015	2016	2017
Facilities Projects CIP cont.					
1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
1404 - Park Pav HVAC	0	64	7	0	0
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
1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1430 - Women's Hospital Expansion	0	0	0	0	464
1432 - 205 South Dr BHS TI	0	0	8	15	0
1501 - Women's Hospital NPC Comp	0	0	4	0	223
1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
1504 - Equipment Support Infrastructure	0	0	61	311	0
1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
1525 - New Main Lab Upgrades	0	0	0	0	464
1526 - CONCERN TI	0	0	0	37	99
Sub-Total Mountain View Projects	**8,145**	**7,219**	**26,744**	**5,588**	**5,535**
Los Gatos Capital Projects					
0904 - LG Facilities Upgrade	2	0	0	0	0
0907 - LG Imaging Masterplan	244	774	1,402	17	0
1005 - LG OR Light Upgrd	14	0	0	0	0
1122 - LG Sleep Studies	7	0	0	0	0
1210 - Los Gatos VOIP	147	89	0	0	0
1116 - LG Ortho Pavillion	177	24	21	0	0
1124 - LG Rehab BLDG	49	458	0	0	0
1247 - LG Infant Security	134	0	0	0	0
1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1308 - LG Infrastructure	0	114	0	0	0
1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1219 - LG Spine OR	0	214	323	633	2,163
1221 - LG Kitchen Refrig	0	85	0	0	0
1248 - LG - CT Upgrades	0	26	345	197	6,669
1249 - LG Mobile Imaging	0	146	0	0	0
1328 - LG Ortho Canopy FY14	0	255	209	0	0
1345 - LG Lab HVAC	0	112	0	0	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1347 - LG Central Sterile Upgrades	0	0	181	43	66
1421 - LG MOB Improvements	0	0	198	65	303
1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1603 - LG MOB Improvements	0	0	0	0	285
Sub-Total Los Gatos Projects	**1,150**	**5,276**	**6,246**	**6,116**	**14,780**
1550 - Land Acquisition	0	0	0	24,007	0
1701 - 828 S Winchester Clinic TI	0	0	0	0	145
Sub-Total Other Strategic Projects	**0**	**0**	**0**	**24,007**	**145**
Subtotal Facilities Projects CIP	**9,294**	**13,753**	**38,940**	**48,137**	**82,953**
Grand Total	**27,598**	**58,561**	**86,789**	**96,740**	**97,923**
Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

Major Capital Projects Update
Finance Committee
For Information

January 29, 2018

Ken King
Chief Administrative Services Officer

Mountain View Campus Plan – Project List

Project Name	Current Phase
Step 1	
• North Parking Garage Expansion -	Complete
• Behavioral Health Services (BHS) Building -	Construction
• Integrated Medical Office (IMOB) Building -	Construction
• Central Utility Plant (CUP) Upgrades -	Construction
Step 2	
• Women's Hospital Expansion -	Design
• Demo Old Main Hospital & Related Site Work -	Assessment

Mountain View Campus Development Projects Status Update –January 18, 2018

- **Behavioral Health Services (BHS) Building**
  - Steel Structure has been erected
  - Metal Decking installation is complete
  - Installation of system deck inserts is in process
  - Concrete placement on 2nd Floor metal deck is in process
  - Currently progressing on schedule with a target completion date for construction of March 2019.
  - Final GMP Proposal has been accepted and is within the revised budget

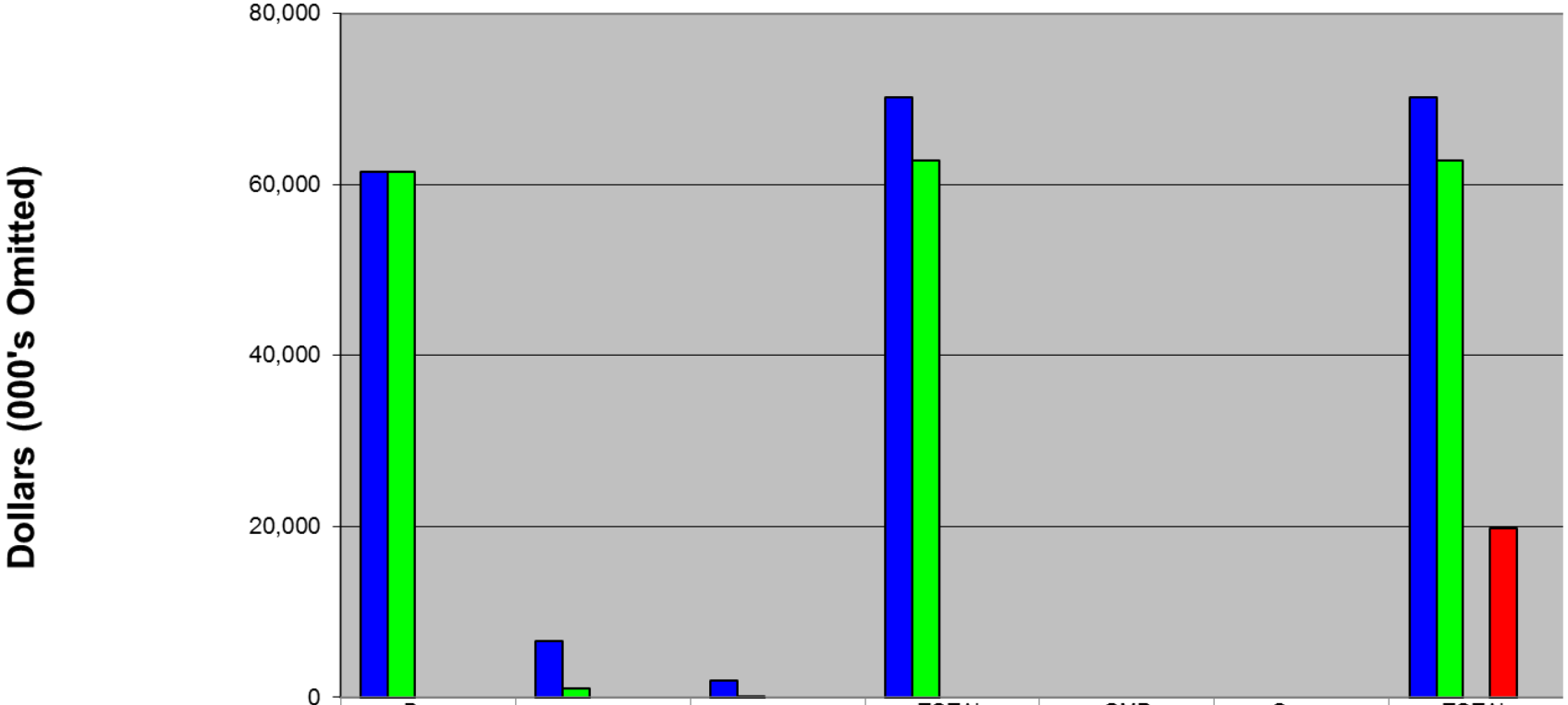

BHS West Side
11/15/17


BHS West Side
01/18/18
OxBlue®

BHS East Side
11/15/17


BHS East Side
01/18/18
OxBlue

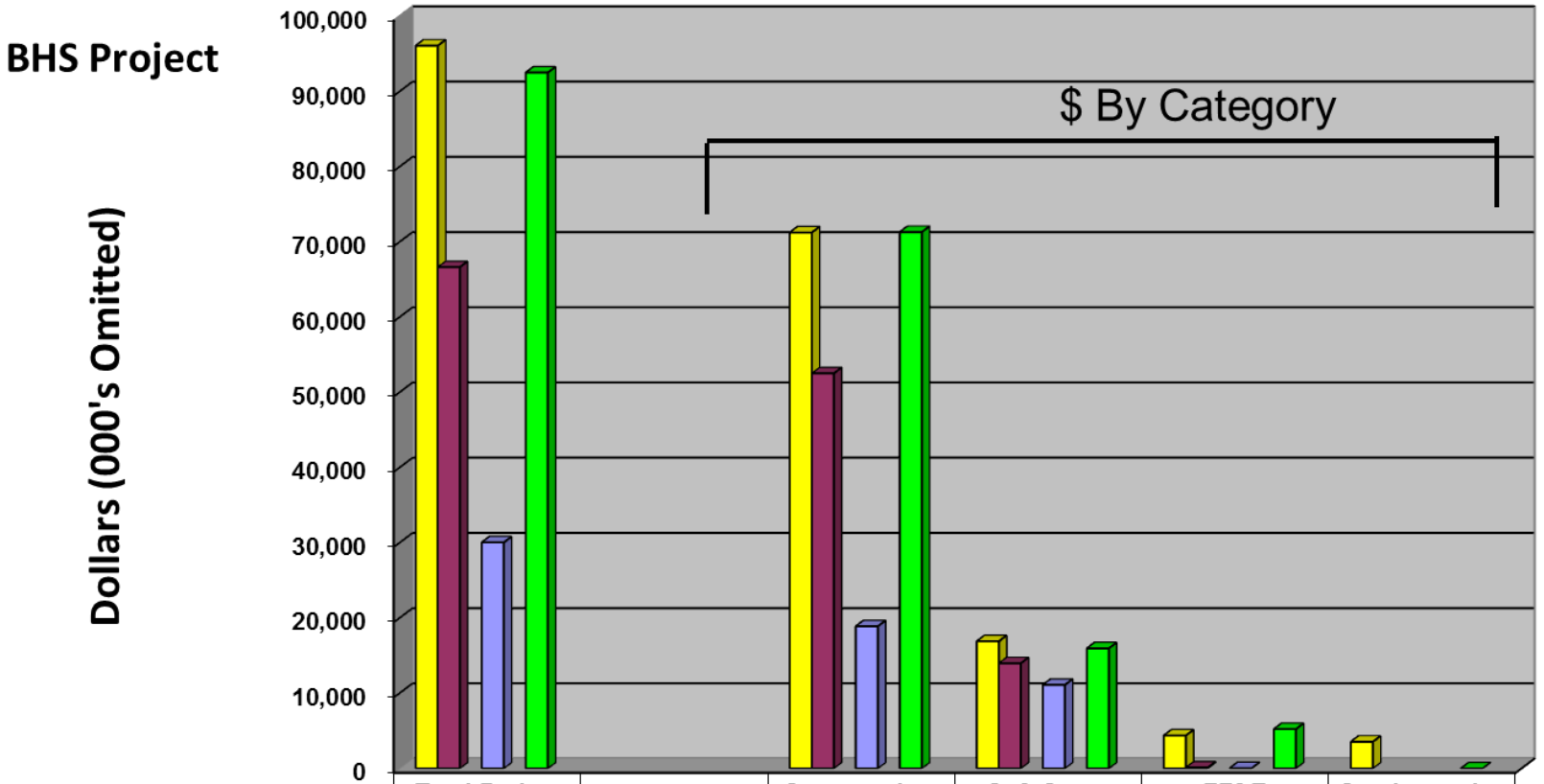
Behavioral Health Services Building –
Construction Contract Summary



	Base Construction Cost	Allowances	Contingency	TOTAL BASE CONTRACT	GMP Change Orders	Owner Change Orders	TOTAL CONTRACT To Date
GMP Value	61,533	6,604	1,985	70,122	0	0	70,122
Committed $	61,533	1,077	134	62,744	0	0	62,744
% of GMP Value, Committed	100%	16%	7%	89%	0%	0%	89%
Expended to Date							19,723
% of Committed $, Expended							31%

BHS Contract Cost Categories

Behavioral Health Services Building –
Project Cost Summary



	Total Project		Construction	Soft Costs	FF&E	Contingencies
Board Approved Funding	96,100		71,260	16,910	4,378	3,552
Costs Committed to Date	66,651		52,532	13,990	129	
% of Funding Committed	69%		74%	83%	3%	
Paid to Date	30,056		18,907	11,104	45	
% of Comitted Paid	45%		36%	79%	35%	
Forecast of Final Cost	92,524		71,319	15,972	5,233	(24)
% of Board Approved Funding	96%		100%	94%	120%	-1%

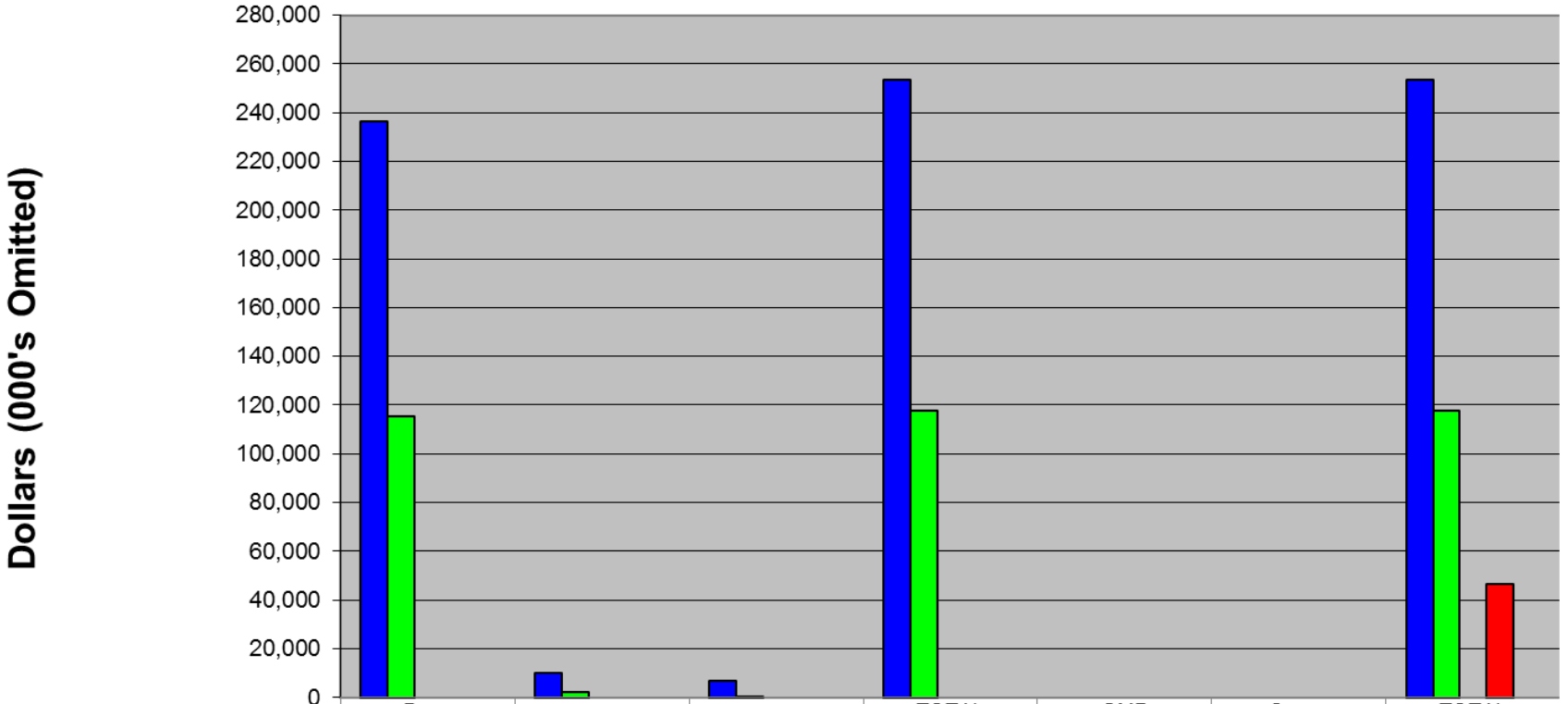
Mountain View Campus Development Projects Status Update –January 18, 2018

- **Integrated Medical Office (IMOB) Building**
  - Foundation elements and under slab utilities are complete for IMOB
  - Slab on grade for IMOB is complete
  - IMOB Steel Structure erection began on 11/27/17 and is progressing towards completion by the end of February
  - Foundation elements for IMOB Garage are in process
  - Currently progressing on schedule with a target completion date for construction of May 2019.
  - Acceptance of the Final GMP proposal is pending the receipt of various bids and negotiations. Current status is positive.

IMOB Southeast View
11/15/17

IMOB Southeast View
01/18/18

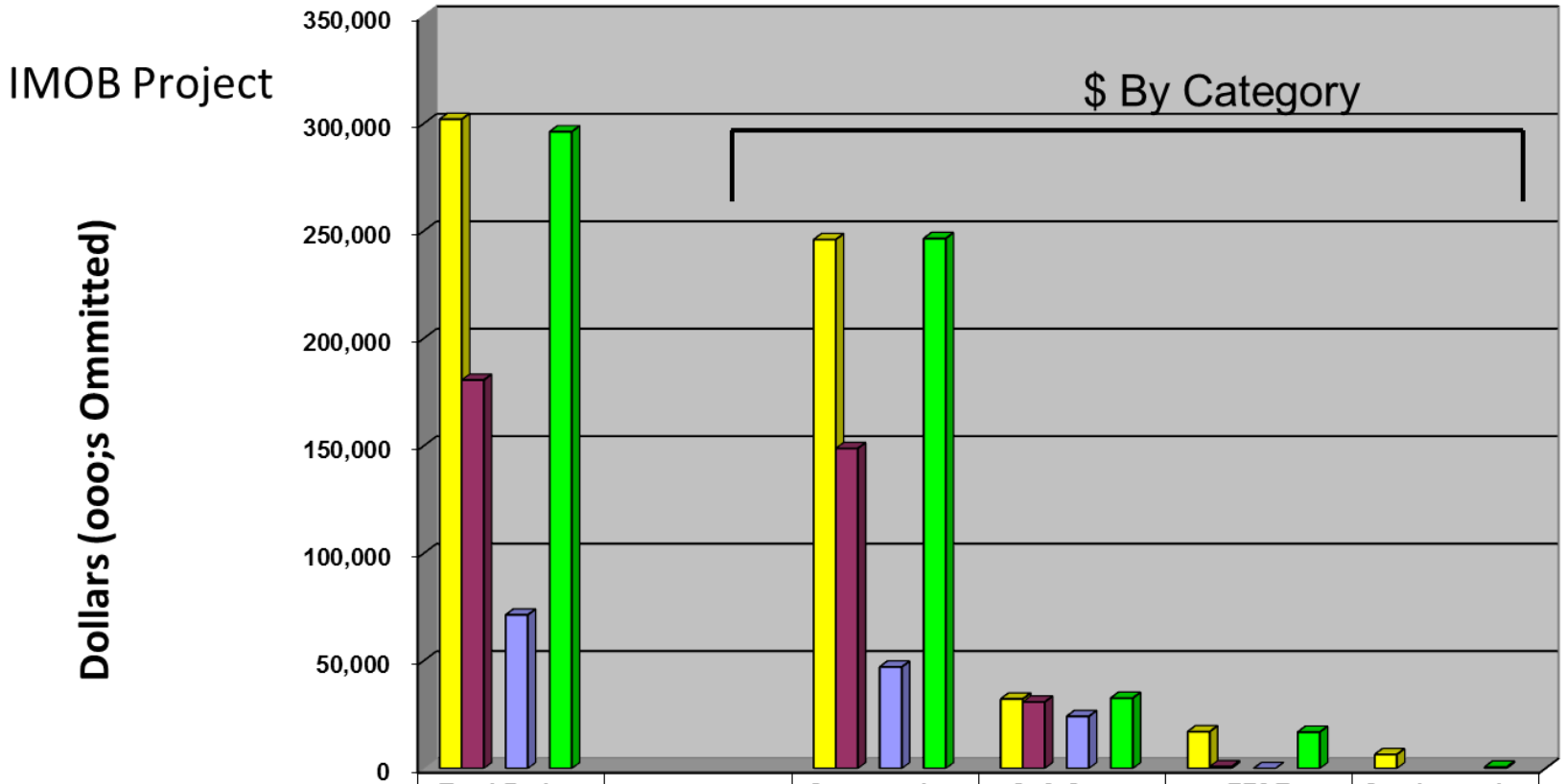
Integrated Medical Office Building –
Construction Contract Summary



	Base Construction Cost (Target)	Allowances (Target)	Contingency (Target)	TOTAL BASE CONTRACT	GMP Change Orders	Owner Change Orders	TOTAL CONTRACT To Date
GMP Value	236,391	9,932	6,982	253,306	0	0	253,306
Committed $	115,388	2,103	325	117,816	0	0	117,816
% of GMP Value, Committed	49%	21%	5%	47%	0%	0%	47%
Expended to Date							46,456
% of Committed $, Expended							39%

IMOB Contract Cost Categories

Integrated Medical Office Building



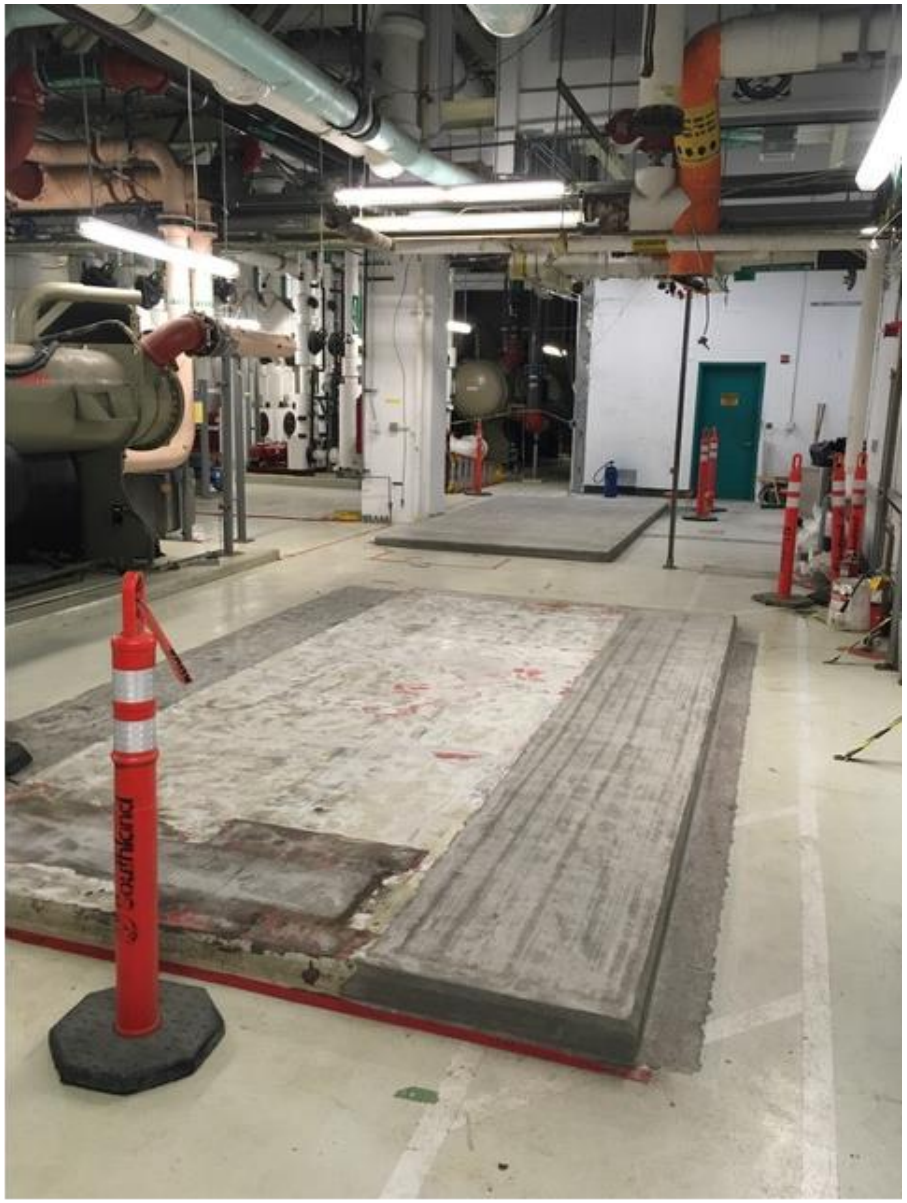
	Total Project		Construction	Soft Costs	FF&E	Contingencies
Board Approved Funding	302,100		246,109	32,350	17,141	6,500
Costs Committed to Date	180,750		148,935	30,939	875	
% of Funding Committed	60%		61%	96%	5%	
Paid to Date	71,456		47,229	24,223	5	
% of Comitted Paid	40%		32%	78%	1%	
Forecast of Final Cost	296,309		246,639	32,748	16,923	709
% of Board Approved Funding	98%		100%	101%	99%	11%

Mountain View Campus Development Projects Status Update –January 18,2018

- **Central Utility Plant (CUP) Upgrades**
  - Construction and equipment installation continues on schedule
  - Next major milestone is the installation of two new absorption chillers
    - Absorption chillers use steam from our boilers to generate chilled water. This allows us to use gas instead of electricity when electric rates are high and when reducing our use of electricity is required.
  - Currently progressing on schedule with a target completion date for construction of April 2018.
  - Cost of construction is proceeding within the accepted GMP proposal.

Central Utility Plant (CUP)
01/03/18

Concrete Pads for New Chillers

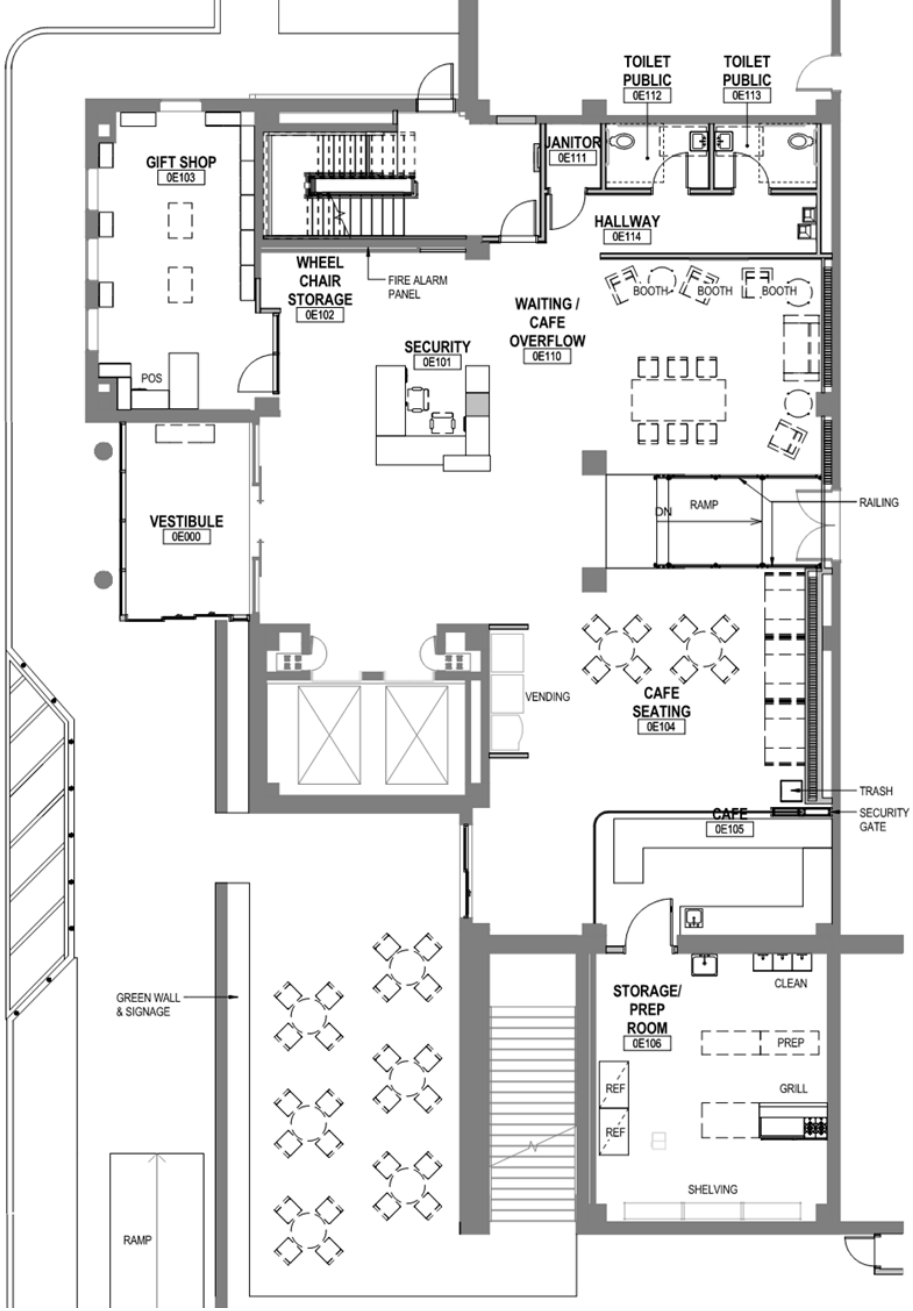


Stubbed out Points of Connection

Mountain View Campus Development Projects Status Update –January 18,2018

- **Women's Hospital Expansion** *(Included for the first time)*
  - Over the past 14 months, with the initial approved funding of $6 million we have conducted an assessment of the existing building conditions and their compliance with current building codes.
  - We have met with physicians and staff and conducted site visits to recently constructed facilities.
  - We have completed the schematic floor plans for the expansion.
    - Note that the "expansion" is to the 2nd & 3rd floors that are currently occupied by medical offices. There is no addition to the building footprint contemplated.
  - The process of design development is 95% complete and construction phasing and sequencing is being developed.
  - The initial construction cost estimate for the project has recently been received and a detailed review has been completed.
    - The implications of the proposed costs, sequencing, schedule and impact on operations during construction has caused us to delay the development process so that various options can be considered.

Women's Hospital – Entry & Drop-off View

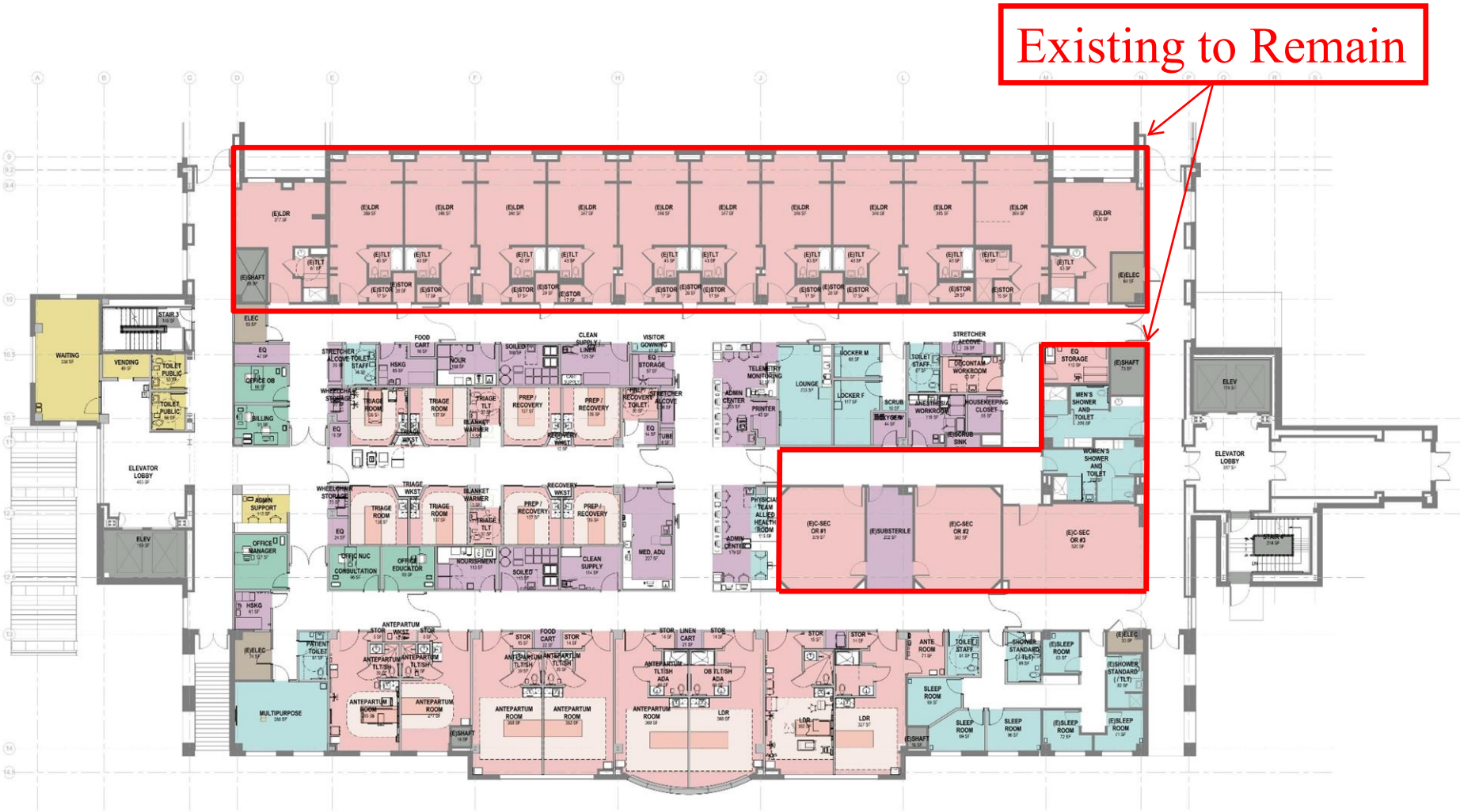


Women's Hospital Ground Level Floor Plan

Design Features

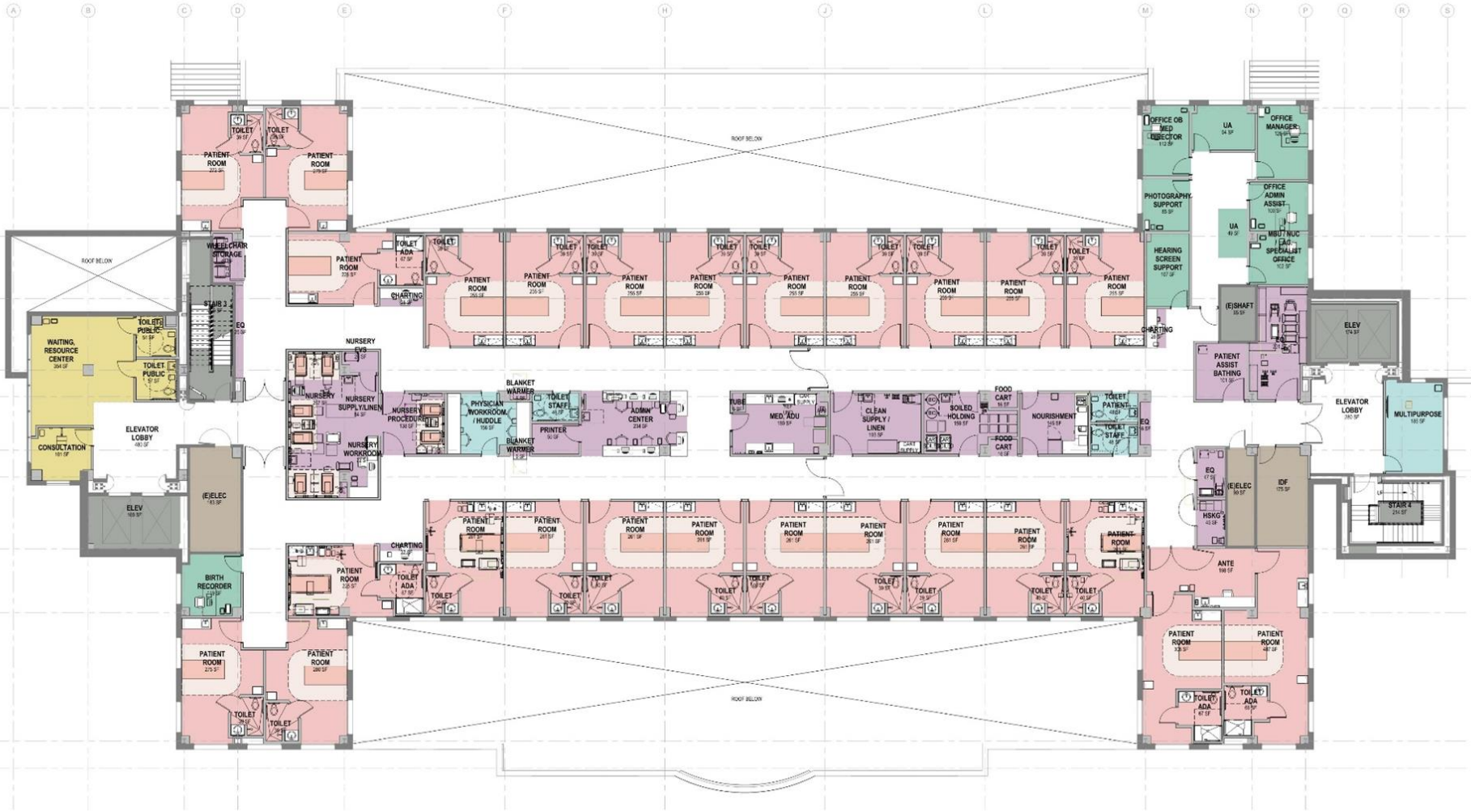
- Café with Indoor & Outdoor Seating
- Public Restrooms
- Updated Gift Shop
- Security Control Station
- Improved Interiors

Women's Hospital – 1st Floor Labor & Delivery

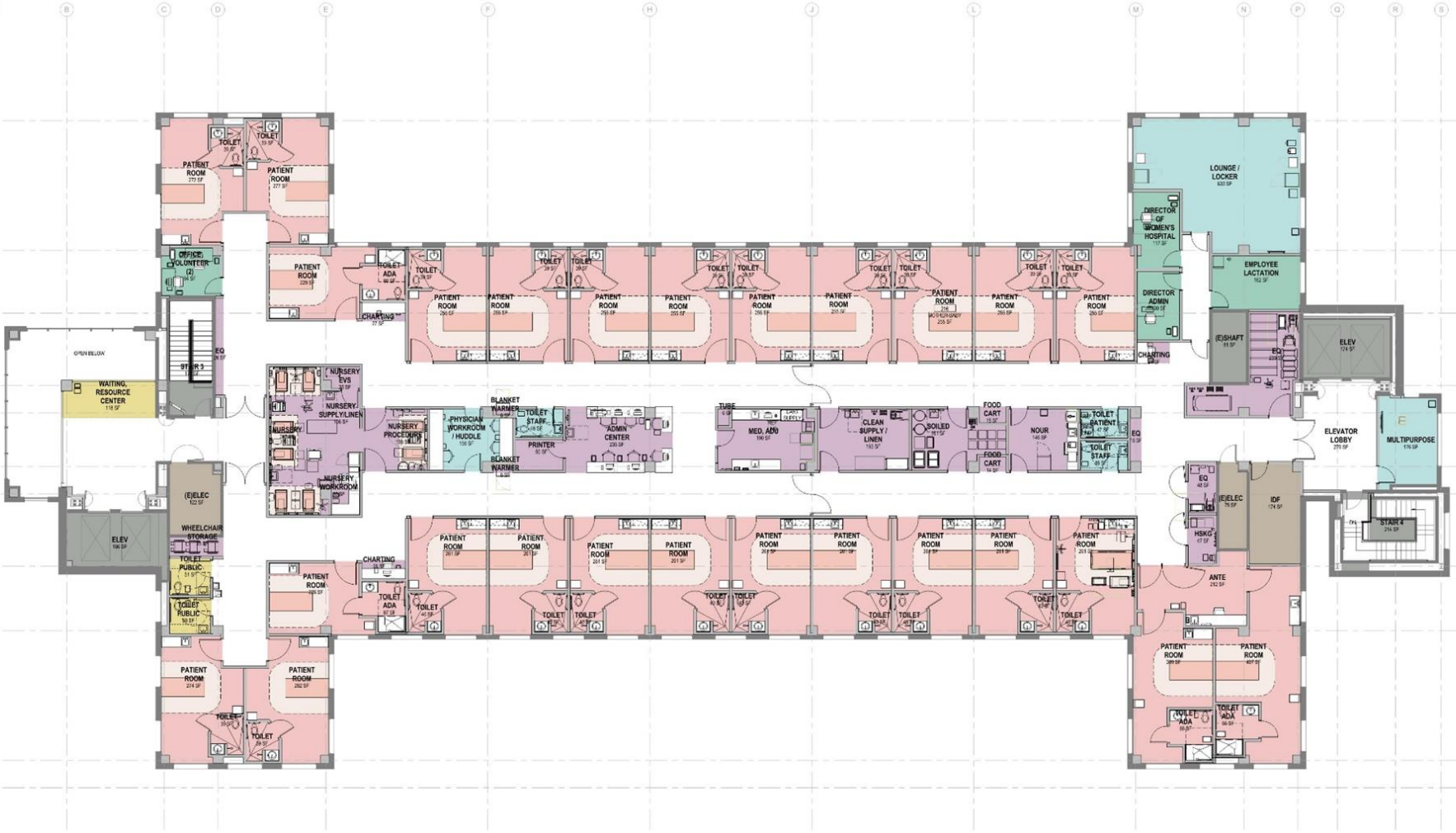


Women's Hospital – 1st Floor NICU

Women's Hospital – 2nd Floor Mother/Baby (Post-Partum)



Women's Hospital – 3rd Floor Mother/Baby (Post-Partum)



Women's Hospital – 1st Floor Labor & Delivery With 2nd Floor Overlay

Project Cost Projections – November 16, 2017

Mountain View Master Plan Projects - **Financial Summary & Forecasted Cost**

Current Projection				Updated 01/18/18	
Through January 18, 2018	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forcasted to Budget Variance
North Drive Parking Structure Expansion	$24,500,000	$24,798,405	$22,840,995	$24,457,260	$42,740
Behavioral Health Services Building	$96,100,000	$66,651,452	$30,246,238	$92,524,187	$3,575,813
Integrated Medical Office Building & Parking Structure	$302,100,000	$181,538,520	$70,181,993	$296,348,339	$5,751,661
Central Utiltity Plant Upgrade	$9,000,000	$8,911,074	$3,651,165	$8,965,783	$34,217
Women's Hospital Expansion	$6,000,000	$5,190,418	$2,511,865	$6,000,000	$0
Total All Projects	**$437,700,000**	**$287,089,869**	**$129,432,257**	**$428,295,569**	**$9,404,431**
		66%	45%		

- To date we have obligated by contract 66% of the Total Project Budgets and paid 45% of the obligated amount.
- The Forecasted Cost is based on where we expect to complete the project with everything we know today. This essentially will track our use of the project contingency.

Questions?

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

2500 Grant Road
Mountain View, CA 94040-4378
Phone: 650-940-7000
www.elcaminohospital.org

Memorandum
Administration

Date: January 29, 2018
To: El Camino Hospital Board of Directors
From: Ken King, CASO
Deb Muro, Interim CIO
Re: Capital Funding Request - Enterprise Imaging , Picture Archive Communication System

Request: The Finance Committee is requested to recommend Board Approval for the purchase and installation of hardware, software and services necessary to replace the existing Imaging Systems with a new Enterprise Imaging Picture Archive Communication System (PACS) at a cost not to exceed $2.2 million.

Authority: As required by policy, capital expenditures exceeding $500,000 require approval by the Board of Directors.

Problem / Opportunity Definition: The existing systems used for Diagnostic Radiology Reading, Image Archiving, Image Access and Business Intelligence and Analytics lag industry standards and best practices. The desire to replace these systems over three years ago was put on hold for two primary reasons. The first is that the organization needed to complete the installation of the Epic EMR and the second is that the department needed to finalize a roadmap for imaging informatics. Now that we have implemented the Epic EMR and developed a technology plan for Imaging Services, we are seeking to upgrade the current technology, protocols and standards and improve the functional gaps and performance issues that the existing systems present.

Process Description: A team of physicians and staff from Imaging Services and Information Systems, working with our content expert consultants from Don K Dennison Solutions, Inc., spent nearly a year executing a development process for the Imaging Services Department. This included a review and assessment of existing systems and processes, as well the development of several recommendations for improvement. The work of the team is well documented in several documents which include the Current State Overview, the Future State Report, the Enterprise Imaging Program Business Case and the RFP Scorecard and Recommendations. The recommended solution is to acquire the various elements of the Enterprise Imaging and PACS from vendors which will enhance high-availability, business continuity and disaster recovery. It will provide a superior platform for Enterprise Imaging and a reduction in vendor mix and contracts. The systems include an Enterprise Viewer that integrates with the Epic EMR, a Radiology PACS, Advanced Visualization system and a Vendor Neutral Imaging Archive. The final selection of vendors is pending funding approval and final negotiations.

Alternative Solutions: The only alternatives to be considered are the vendor mix selected to replace our existing systems. The consideration of continuing to work with our existing systems is not recommended.

Concurrence for Recommendation: This recommendation is supported by the Radiologists, Cardiologists, the Imaging Management Team, the Information Systems Team, Acute Care Decision Committee, Ambulatory Decision Committee and the Executive Team. The recommendation also is scheduled to be approved by the Medical Executive Committee at their February 7th meeting.

Outcome Measures / Deadlines: Upon approval the next steps include the completion of negotiations and contracts, procurement of hardware and software and implementation of new systems with activation of all systems by the end of January 2019.

Compliance Review: Legal and compliance reviews of contracts and agreements will follow normal protocols.

Financial Review: The FY 2018 Capital Budget Forecast included $2,286,400 for the replacement of Enterprise Imaging Solutions. The requested funding, not to exceed $2.2 million, will provide the necessary capital funds to install and implement the new systems. Note that the projected operating costs of the current systems over the next seven (7) years is $3.1 million and that the projected operating costs of the proposed new systems is $2.2 million, a $900,000 expense savings over seven years.

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	Item:	Financial Benchmarks Finance Committee January 29, 2018
	Responsible party:	Iftikhar Hussain, CFO
	Action requested:	Information
	Background: The FY 18 goals of the Finance committee include monitoring projections and performance against industry benchmarks. Our primary benchmarks are rating agency medians. The medians are reported in Appendix 4 on page 4 of the report. El Camino Hospital is rated A1 by Moody's. In preparing the long term forecast, these benchmarks are used as guardrails for our plans. The key takeaway from these benchmarks is that ECH net revenue is low in our rating category and our margins and cash position are very strong compared to our peers. In the long term forecast we also show our reimbursement and cost position using OSHPD data. The data shows that we are mid-market in reimbursement and cost.	
	LIST OF ATTACHMENTS: 1. Moody's Not for Profit Healthcare Medians	

MOODY'S
INVESTORS SERVICE

OUTLOOK
4 December 2017

Rate this Research

TABLE OF CONTENTS

Contacts

Eva Bogaty +1.415.274.1765
VP-Sr Credit Officer
eva.bogaty@moodys.com

Daniel Steingart, CFA +1.949.429.5355
VP-Senior Analyst
daniel.steingart@moodys.com

Lisa Goldstein +1.212.553.4431
Associate Managing Director
lisa.goldstein@moodys.com

Kendra M. Smith +1.212.553.4807
MD-Public Finance
kendra.smith@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Not-for-profit and public healthcare - US

2018 outlook changed to negative due to reimbursement and expense pressures

Our negative outlook indicates our expectations for the fundamental credit conditions driving the not-for-profit and public healthcare sector over the next 12-18 months.

We revised the US not-for-profit and public healthcare outlook to negative from stable based on our projections that operating cash flow will contract by 2%-4% over the next 12-18 months. Revenue growth is under pressure because of very low reimbursement rate increases, an ongoing rise in government payors and a continued shift to high deductible plans. We expect rapid expense growth to outpace revenue growth with high labor costs, nursing shortages and rising bad debt.

» **Operating cash flow will contract by 2%-4% in 2018.** Operating pressures are accelerating at hospitals because of low revenue growth and untamed expense growth.

» **Low reimbursement rates drive slowed revenue growth despite consistent volumes.** Hospitals are unable to translate volume increases into stronger revenue growth because of below inflationary growth of reimbursement rates and rising bad debt.

» **Expense pressures further compress margins.** Nursing shortages, continued physician and medical specialist hiring, as well as technological investments are accelerating expense growth. Bad debt will grow in 2018 with high deductibles, rising copays, and contracting exchange enrollment because of changes in federal marketing.

» **Federal policy will have marginal near term direct impact, but continued uncertainty is credit negative.** Federal healthcare policy actions to date will have a negative effect on a small segment of hospitals that we rate. Uncertainty around the Affordable Care Act (ACA) makes it very difficult for hospitals to effectively plan and model long-term strategies. Recent federal tax proposals will also contribute to rising costs for hospitals.

» **Heightened operating pressure will drive additional consolidations.** We expect that mergers and acquisitions will continue at a rapid pace as smaller and more rural hospitals struggle for financial stability.

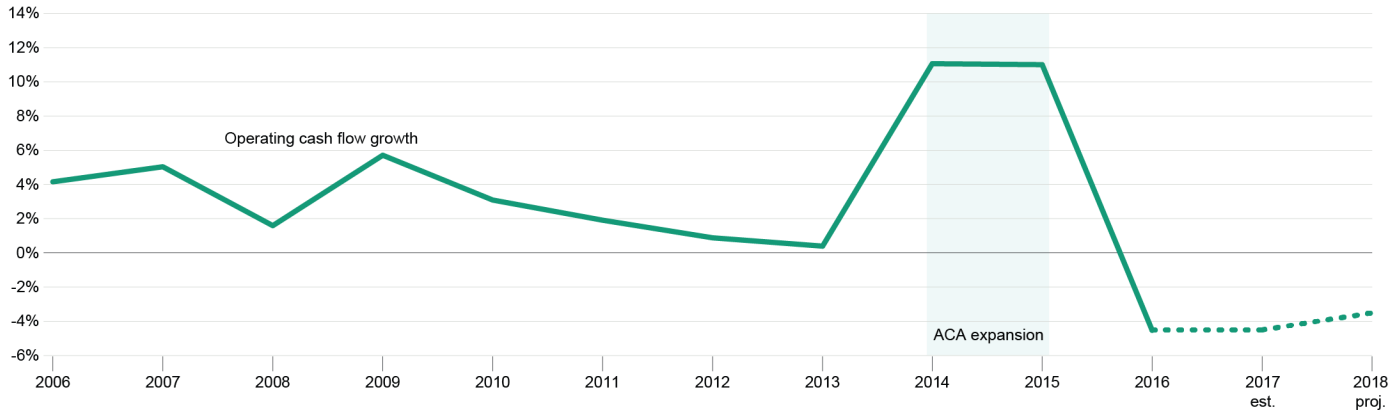
» **What could change the outlook.** Resumed operating cash flow growth of 0%-4% over a 12-18 month period, after accounting for healthcare inflation, could drive a change to stable. A positive outlook could result from expectations of accelerated operating cash flow growth of more than 4% after inflation. Long-term resolution of federal policy or positive regulatory changes could result in a change in outlook.

Operating cash flow will contract by 2%-4% in 2018

Operating cash flow declined at a more rapid pace than expected in 2017, and we expect continued contraction of 2%-4% through 2018. The cash flow spike from insurance expansion under the ACA in 2014 and 2015 has largely worn off, but cash flow has not stabilized as we had expected because of a low revenue/high expense growth environment (see Exhibit 1). Top-line revenue growth is still strong, but diminished from previous years because of constrained reimbursement rate increases. Margins and operating cash flow will compress as expenses and bad debt continue to rise.

Exhibit 1

Projections for contracting operating cash flow underscore negative outlook



Source: Moody's Investors Service

Low reimbursement rates drive slowed revenue growth despite consistent volumes

Revenue growth is slowing, and we expect it to remain slightly above medical inflation for hospitals and systems that we rate. Growth will be largely based on expansion strategies founded upon continued acquisitions, including outpatient sites and physician practices, rather than same store revenue growth. This projected level of growth would represent a steady three-year decline in revenue growth off a recent peak in 2015, and the slowest revenue growth since 2013.

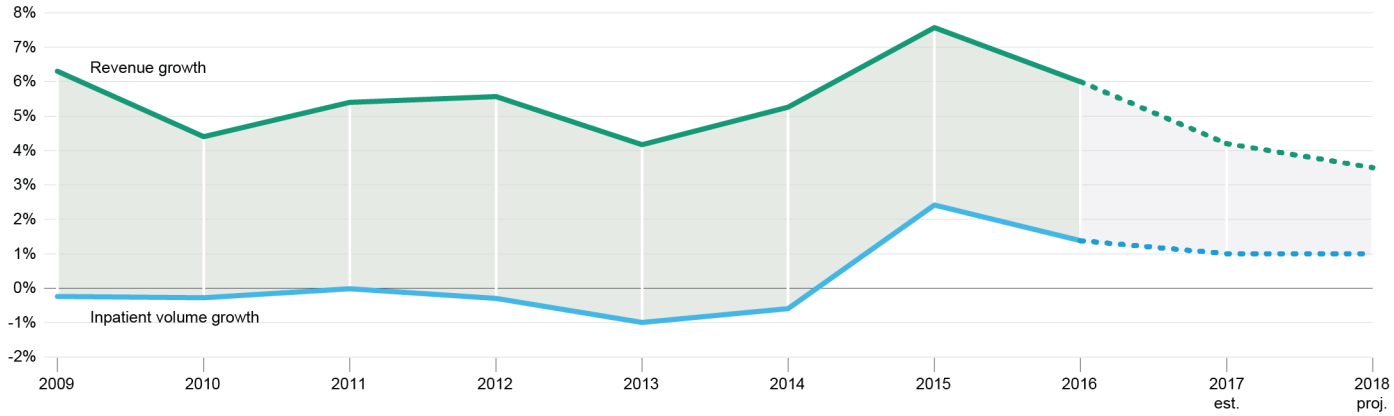
Hospitals have not been able to translate relatively stable volumes into stable revenue growth because of lower reimbursement rate increases across all insurance providers (see Exhibit 2). In 2018, inpatient volume growth will remain low as care continues to shift to less costly outpatient services, and patients defer or make alternative choices because of higher deductibles and copays. A small rise in the percentage of uninsured population (see federal policy section) will also contribute to lower inpatient volumes.

Because our outlooks represent our forward-looking view on credit conditions that factor into our ratings, a negative (positive) outlook suggests that negative (positive) rating actions are more likely on average. However, the outlook does not represent a sum of upgrades, downgrades or ratings under review, or an average of the rating outlooks of issuers in the country or sector, but rather our assessment of the main direction of credit fundamentals within the country, region or sector.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Exhibit 2

Low reimbursement rates compress revenue growth relative to volumes



2017 is estimated based on year-to-date financials from a sample of hospitals.
Source: Moody's Investors Service

Growth of governmental payors will dampen revenue growth for the foreseeable future due to a rapidly aging US population and low reimbursement rates. Most reimbursement rates will hover below medical inflation, which declined to a low 1.6% in September 2017.[1] Governmental payors, including Medicare and Medicaid, represent 61% of gross patient revenue in 2016 (see Exhibit 3). Medicare, the majority revenue source, continues its multi-year trend of very low reimbursement rate increases, with inpatient admission rates growing by just 1.3% in 2018.[2] Medicare growth has been low, in the 1%-2% range over the last several years, and is not expected to grow substantially in the near term. Medicaid reimbursement rates will vary by state, but with burgeoning Medicaid expenses, many states have begun to make cuts or are delaying payments.

Exhibit 3

Increasing reliance on government payors will temper revenue growth
% of gross patient revenue by payor type

Source: Moody's Investors Service

We estimate that commercial insurers, which represent about one-third of gross patient revenue, will raise rates at about inflation and lower insurance coverage. Many are also cutting services or increasing denials to control costs, often squeezing hospitals' higher margin service lines. For example, Anthem, Inc. (Baa2 stable, P-2) recently announced that it will no longer reimburse for certain MRI services at hospital-based centers due to high costs. Insurers and employees continue to shift costs to the patient through growth in high-deductible plans, which increases hospitals' copay collection burdens and will likely increase bad debt.

Rapid expense growth and rising bad debt will further compress margins

Expense growth will remain higher than revenue growth, a key driver of operating cash flow contraction. Median expense growth is usually at around 5%-6%, but grew to recent peak of 7.2% in fiscal 2016. The key driver of expense growth through 2018 will continue to be high labor costs. Nursing shortages remain acute — especially in urban centers, medical specialist fees are rising and hospitals continue to hire additional physicians. Recent upgrades of technological platforms and electronic medical records systems are increasingly requiring additional information technology staff as hospitals adapt processes and train staff on new systems. We expect supply costs to continue on a normal growth trend, with the recent spike in pharmaceutical costs subsiding over the near term. Pension costs will continue to grow for private hospitals with the federal government's pension guarantee agency (Pension Benefit Guaranty Corporation, or PBGC) premium step ups through 2019.

Rising costs will disproportionately affect small independent hospitals (less than $400 million in revenues) which represent 23% of the hospitals that we rate. These hospitals are at a disadvantage in negotiating with vendors as well as with attracting physicians. They have fewer financial resources and therefore it is difficult to match the salaries and benefits offered by larger urban systems.

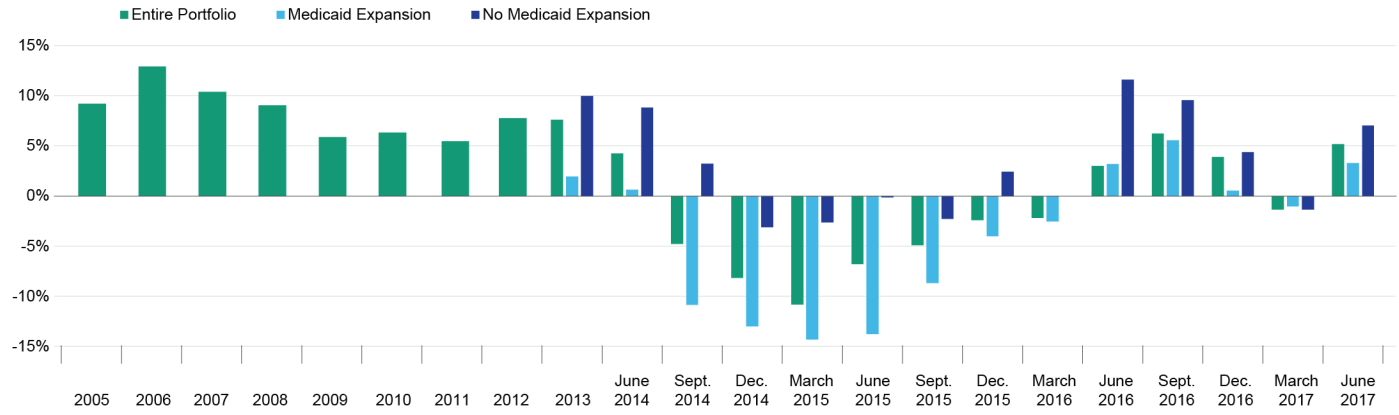
Academic medical centers will continue to have higher expense growth rates than other not-for-profit hospitals, offset by stronger revenue growth. Some factors contributing to elevated expenses at AMCs include: high infrastructure investments to maintain strong research, elevated recruiting costs to attract faculty and medical specialists, and financial transfers to associated medical schools.

Rising bad debt adds further pressure

We expect bad debt to grow 6%-7% in 2018, up from 5% in 2017, and slightly higher than revenue growth adding to margin pressures (see Exhibit 4). Reduced federal marketing and promotion of the ACA's exchange marketplaces will marginally increase the number of uninsured people, causing bad debt to grow at a somewhat faster pace than last year. Rising copays and use of high deductible plans will increase bad debt for both expansion and non expansion states.

Exhibit 4

Bad debt is growing as benefits from exchanges moderate



Source: Moody's Investors Service

Federal policy to date has marginal direct effect, but continued uncertainty and recent tax proposals are credit negative

The Trump administration has issued several executive orders that perpetuate the uncertainty around longer term stability of the individual marketplaces for health insurance, known as the exchanges. The recent actions would be largely credit negative for not-for-profit hospitals, but the immediate effect will be muted because most insurance premium rates are in place through 2018, and the populations affected by these orders are relatively small.

However, although we anticipate that any changes to policy will be rolled out slowly, the prolonged uncertainty around the future of federal policy creates a difficult environment for long-term planning.

The recent executive orders, CMS rulings and legislative proposals are largely credit negative, but with varying effect:

- **Repeal of individual mandate:** A repeal of the individual mandate has been included in tax reform legislation. A repeal would cause some individuals to forgo insurance; a larger uninsured population would raise uncompensated care costs for hospitals, which is credit negative.
- **Association health plans and expansion of short-term health plans:** The order to consider proposing new rules or revising existing ones to ease regulations on association health plans and expand the definition of short-term health insurance, which is not subject to ACA rules, will not have an immediate effect. Any changes developed would take several months to draft and enact. However, if introduced, the 10 million to 12 million unsubsidized individuals now in the ACA marketplaces or on the exchange could be swayed to lower cost, less comprehensive health insurance plans. This would have a negative impact on hospitals, driving up uncompensated care costs as fewer services are covered by non-ACA compliant plans.
- **ACA advertising and promotion:** The shorter enrollment period and greatly reduced marketing budget for the ACA insurance exchanges will result in a modest uptick of uninsured in 2018. A larger uninsured population would raise uncompensated care costs for hospitals, which is credit negative.
- **Cost-sharing reduction (CSR):** The administration's order would end the federal government's about $7 billion of CSR reimbursement payments to insurers that provide ACA-mandated subsidies of out-of-pocket costs and deductibles for certain low-income exchange enrollees. About 80% of people on the exchanges are subsidized. This change would primarily affect the 20% who are not subsidized, leading to higher insurance premiums, which is credit negative for not-for-profit hospitals because individuals may chose to discontinue coverage.
- **Disproportionate Share Hospital (DSH) program:** The Medicaid DSH program was cut by $2 billion, effective October 1, 2017, with additional cuts scheduled to take place each year over the next eight years. Medicare DSH payments are rising a very low 0.7%. The greatest impact will be felt largely by safety-net hospitals whose uncompensated care will increase.
- **Children's Health Insurance program** (CHIP): Potential discontinuation of CHIP would impact about 9 million children and mothers. The largest impact would be to children's hospitals, which tend to have very strong fundraising and balance sheets to help offset near-term revenue loss.
- **Reductions to 340b drug program:** The recently enacted 30% reduction to Medicare Part B drug reimbursement to 340B hospitals will not, on its own, have a material effect on most not-for-profit hospitals. However, the reductions will be a significant challenge for hospitals with low financial flexibility to absorb small revenue changes. We estimate that total 340B savings for all covered entities was about $6.9 billion in 2016.
- **Tax proposals:** Recent tax proposals from the House and Senate would be credit negative for not-for-profit healthcare. If enacted, the changes would drive up the cost of capital, contributing to greater merger and acquisition activity. Smaller hospitals would be less able to afford higher interest rate costs in the taxable market, and in order to meet capital needs, would likely look to find partners.

Heightened operating pressure will accelerate consolidation

Mergers, acquisitions and strategic alliances will continue at a rapid pace, especially for rural or community hospitals and in markets with Medicaid cuts or declining commercial insurers. Healthcare continues to be a crowded and highly regulated market, which heightens competition and revenue pressure. Operating scale and efficiency have become increasingly important as hospitals look for ways to control expenses in light of low reimbursement rates and a continued shift to outpatient services from higher margin inpatient services. Large hospital systems and high-acuity academic medical centers that are associated with strong universities continue to fare better because of economies of scale and brand recognition. Rural hospitals are struggling and are likely to be increasingly acquired by major systems in nearby urban hubs.

Recent consolidation among physician groups and the reentry of physician management companies that are acquiring large independent physician groups will also heighten competitive pressures. As part of a larger organization, these physician companies have greater negotiating leverage with payors and hospitals for contracted rates. Optum, a division of United Healthcare (A3 stable, P-2) has been buying physician groups and ambulatory centers across the US and in early 2017, purchased Surgical Care Affiliates, the largest operator of free-standing surgical centers in the US.

What could change the outlook

Our outlook could return to stable if the operating environment improves, bringing stronger revenue growth and stabilization of expense growth. Resolution of federal healthcare policy that leads to more long-term funding certainty could also result in a stable outlook. We would consider changing the outlook to stable if we were to expect resumed operating cash flow growth of 0%-4%.

We would consider changing our outlook to positive with projection of sustained strong operating cash flow growth of above 4%, robust economic expansion, and expectations of material improvement of reimbursement rates or federal policy changes that improve reimbursements.

Moody's related publications

Outlooks:

» Cross-Sector - Global: 2018 Outlook: Credit conditions improve as healthy economic growth moderates financial stability and political risks, November 2017

» Global Macroeconomic Update (2018-19): Broadening emerging market recovery and stable growth in advanced economies, November 2017

» Sovereigns – Global: 2018 outlook stable as healthy growth tempers high debt, geopolitical tensions, November 2017

Sector In-Depths:

» Cross-Sector - US - FAQ on credit implications of recent executive actions on healthcare

» Not-for-profit and public healthcare, Pharmaceuticals - US - Drug price increases abate, but potential 340B change would hurt hospital margins

» Not-for-profit and public healthcare - US Medians - Key financial metrics underperform as pressures mount

» State Government - US - Medicaid Pressures State Budgets With or Without Federal Policy Changes

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

1 US Bureau of Labor Statistics — CPI-All Urban Consumers

2 CMS finalizes 2018 payment and policy updates for Medicare hospital admissions, Centers for Medicare & Medicaid Services, August 2, 2017

© 2017 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1097211

Contacts

Bryan S Parra +1.212.553.0407
Associate Analyst
bryan.parra@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

Epic Implementation Review

Finance Committee of the Board

January 29, 2018

Agenda

- Epic Implementation Highlights
- Project Goals and Outcomes
- Epic Implementation Project Closure
- IT Governance
- Epic Upgrades
- New Epic Implementations
- Opportunities and Future Focus

Epic Implementation Highlights

- The Epic system was implemented on time as per the scheduled timeframe of November 2015
- The Command Center was closed within 14 days of go-live due to system stabilization, achievement of go-live metrics and reduced ticket volumes
- As planned, Beacon, the Epic Oncology and Chemotherapy Module completed a successful go-live in April 2016
- The project team transitioned from the implementation phase to a reduced staffing model for ongoing support by 1st quarter of 2016
- Technical components of the Epic system continue to run smoothly and reliably
- ECH received the highest "Good Install" award Epic bestowed on all of its customers for the years of 2015 and 2016 resulting in a $547,000 rebate.

Project Goals And Outcomes

Goal: Integrated patient record extending into the community setting

Outcome:

-El Camino Hospital and Clinics share a common EMR platform. Independent physicians can use the ECH EMR for their practice as part of the Community Connect program.

-Physicians can access the ECH Epic system remotely from their clinic office, home or other external settings

-Non-credentialed referring physicians can access the ECH Epic system using "EpicCare Link"

-Pathways Home Care and Hospice uses the ECH Epic system as their EMR and Home Care organizations within the community can access the ECH EMR for patient care treatment purposes using "EpicCare Link."

Project Goals and Outcomes - Costs

	Board Summary			Project Estimate		
	Capital	Operating	Total	Capital	Operating	Total
ECH Direct Labor	$27,600,000	$40,000,000	$67,600,000	$26,358,596	$48,977,610	$75,336,205
Epic & Required Software	$11,900,000	$1,300,000	$13,200,000	$8,883,513	$11,831,693	$20,715,205
Hardware	$9,800,000	$0	$9,800,000	$7,040,915	$5,040,644	$12,081,559
Third Party Services	$16,500,000	$0	$16,500,000	$17,978,660	$509,500	$18,488,160
Training	$0	$11,000,000	$11,000,000	$0	$6,563,133	$6,563,133
Contingency	$8,000,000	$0	$8,000,000	$4,500,000	$3,000,000	$7,500,000
Miscellaneous					$1,362,620	$1,362,620
Less 2 mo FY19					-$2,970,969	-$2,970,969
TOTAL	$73,800,000	$52,300,000	$126,100,000	$64,761,683	$74,314,231	$139,075,914
Legacy & Other Reduction			$12,843,495		-$13,000,000	-$13,000,000
ADJUSTED TOTAL	$73,800,000	$52,300,000	$138,943,495	$64,761,683	$61,314,231	$126,075,914

	FY14	FY15	FY16	FY17	FY18	FY19	Total
ECH Direct Labor	$700,973	$17,439,965	$8,217,658	$0	$0	$0	$26,358,596
Epic & Required Software	$6,282,660	$2,600,853	$0	$0	$0	$0	$8,883,513
Hardware	$0	$6,051,918	$111,484	$11,484	$854,545	$11,484	$7,040,915
Third Party Services	$948,960	$9,664,450	$7,365,250	$0	$0	$0	$17,978,660
Contingency	$0	$1,500,000	$3,000,000	$0	$0	$0	$4,500,000
CAPITAL TOTAL	$7,932,593	$37,257,186	$18,694,392	$11,484	$854,545	$11,484	$64,761,683
ECH Direct Labor	$0	$846,396	$10,745,597	$11,913,526	$12,454,423	$13,017,667	$48,977,610
Epic & Required Software	$0	$817,922	$2,201,693	$2,925,917	$2,937,490	$2,948,672	$11,831,693
Hardware	$0	$243,980	$920,795	$945,206	$1,934,418	$996,245	$5,040,644
Third Party Services	$228,399	$241,101	$40,000	$0	$0	$0	$509,500
Training	$47,159	$1,344,500	$5,171,474	$0	$0	$0	$6,563,133
Miscellaneous	$40,750	$802,475	$174,395	$115,000	$115,000	$115,000	$1,362,620
Contingency		$1,000,000	$2,000,000				$3,000,000
Less 2 mo FY19						-$2,970,969	-$2,970,969
OPERATING TOTAL	$316,308	$5,296,374	$21,253,954	$15,899,649	$17,441,330	$14,106,615	$74,314,231
Legacy & Other Reduction	$0	$0	-$1,857,000	-$3,714,000	-$3,714,500	-$3,714,500	-$13,000,000
ADJUSTED OPERATING TOTAL	$316,308	$5,296,374	$19,396,954	$12,185,649	$13,726,830	$10,392,115	$61,314,231
							$126,075,914

- Total Project cost $126 million
- Capital was below budget by $4.5 million offset by higher go-live costs
- Ongoing operating expenses $14 million equal to target

Project Goals And Outcomes

Goal: Enables sharing of patient information across the continuum of care

Outcome:

-El Camino Hospital has shared 7.2 million patient records with Epic organizations since go-live

-El Camino Hospital will share information with non-Epic organizations as part of the "Carequality" initiative

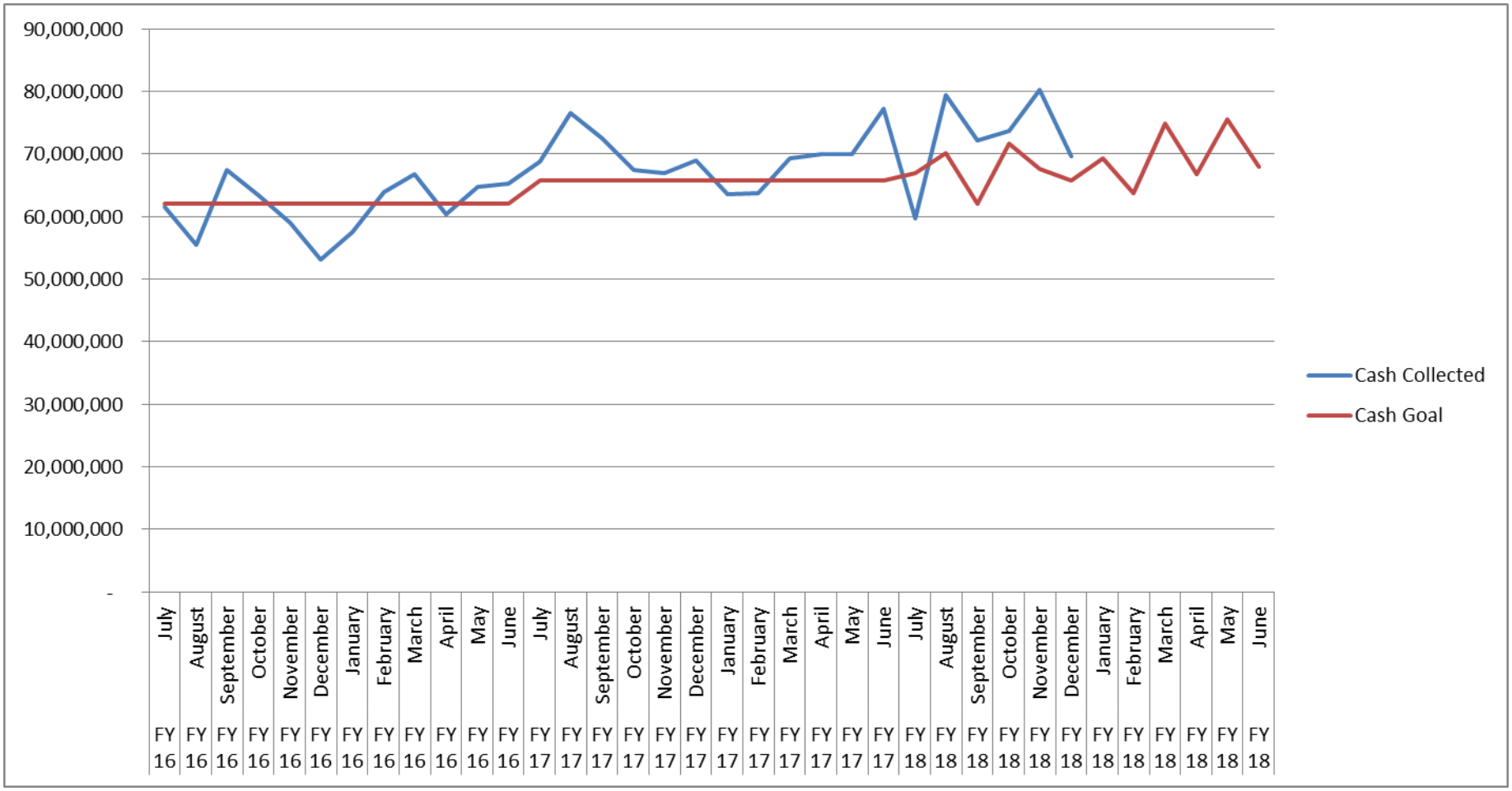
El Camino provides appropriate access to Epic for treatment purposes using tools such as "EpicCare Link"

-Epic provides a platform which supports growth and enables strategic initiatives and goals.

Project Goals And Outcomes

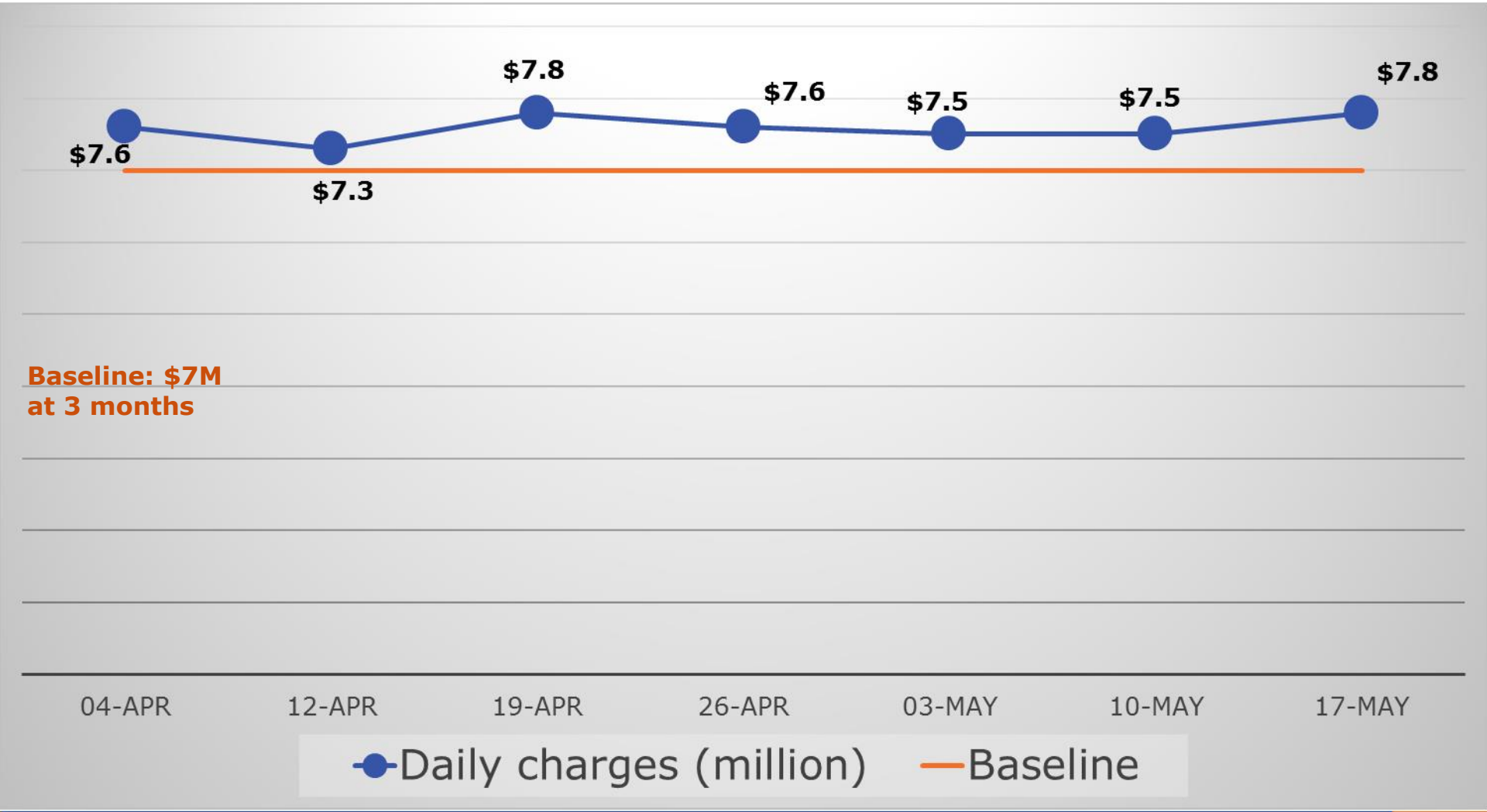
Goal: Improve Revenue Cycle, charge capture and patient financial capabilities

Cash Collections exceeded target by $45 million in FY 2017



Revenue Cycle
Daily Charges

Charge capture is exceeding baseline



Revenue Cycle
Clean Claims

- Our clean claims percent before Cirius and on 2/3/15 was only **28.79**. We were still on Star HBOC at this time and with no claims scrubber
- At Cirius Go-Live on 3/30/15 (Before Epic) we got our clean claims percent up to between **71% and 78%.**
- About 2 weeks before Epic Go-Live we were at **81%**
- Since Epic and in FY2017 our average clean claims percent for the year was **92.54 %**
- The goal was 95%

Project Goals And Outcomes

Goal: Meet Meaningful Use requirements

Outcome:

-ECH successfully attested for Meaningful Use Stage 2 this past year

-ECH is on a certified version of EPIC for Meaningful Use Stage 3 and is expected to meet Stage 3 requirements next year

Epic Implementation Project Closure

- The Epic Implementation Project and budget was closed as of June 30, 2016. The project was completed on time, within budget while achieving project closure metrics.
- Finance and IT Leadership finalized actual project costs and completed an analysis and forecasting of the overall Project Budget. The budget analysis confirmed that the Project was under budget for Capital expenditures without use of contingency dollars and ended under budget for Operating expenditures with use of planned contingency dollars. Contingency spending was required in the areas of user training and activation support resources.

IT Governance will be key in prioritizing and overseeing work going forward

Enterprise IT Executive Steering Committee

Ambulatory Decision Committee

Enterprise: TBD
IT Leader: Muro

Membership:
ED Leader (1)
PCMH Leader (1)
Physicians (6)
Clinical/Outpatient (5)
Integrated Care (2)
Pathways (1)

Expense Cycle-Reporting / Infrastructure Decision Committee

Enterprise:
IT Leaders:
Zucker & Brummett

Membership:
Finance (2)
HR (1)
Facilities (1)
Clinical (1)

Acute Care Decision Committee

Enterprise: Potolsky
IT Leader: Muro

Membership:
Nursing Leaders (3)
Physicians (4)
Service Line/Dept. Heads (5)
Risk (1)
Patient Experience (1)
Pathways (1)

Revenue Cycle Decision Committee

Enterprise: Manifesto
IT Leader: Muro

Membership:
Revenue Cycle (3)
Patient Finance (3)
Patient Experience (1)
HIM (1)
Clinical (1)
Compliance (1)

Enterprise Security, Compliance, Privacy Decision Committee

Enterprise: Wigglesworth
IT Leader: Muro

Membership:
Compliance (1)
HIM (1)
Clinical (1)
Physician (1)
Legal (1)
H/R (1)
Communications (1)

Data Governance

myCare Cmte

Ambulatory Advisory Committee

MEC
IP-IT
P&T
MIC
MSIT
Med Safety Committee
Order Set Committee

Acute Care Advisory Committees

Program & Policy
Implementation
ISD Operations

Security Advisory & Operations Committees

- IT Staff and PMs to support each group.
- A communication liaison will work with the committees as required

Epic Upgrades

- Two Epic Upgrades were successfully completed since go-live in November 2015. Both upgrades were completed on time, within budget while meeting project goals and metrics. The Command Centers for both upgrades were closed within a week due to low ticket volumes, system stability and user adoption. Completing these two sequential upgrades was required to meet Meaningful Use Stage 3 by early 2018 to avoid significant reimbursement penalties
- One additional upgrade to version 2018 will be completed within the next year. Thereafter, Epic is moving to a less intrusive quarterly upgrade model to provide a more timely model for releasing new functionality, features and security related updates.

New Epic Implementations

- Pathways Implementation (for Home Care, Hospice & Palliative Care Services) on November 2016
- Implementation of the Epic Data Warehouse
- Improved Infusion Scheduling functionality
- 2 Physicians implemented on Epic in the Winchester Clinic
- 1 Independent Physician implemented Epic in their private practice as part of the Community Connect program with one more in progress

Opportunities And Future Focus

- Increase enrollment and use of the MyChart patient medical record
- Implement MyChart Bedside to engage patient involvement and participation in their immediate care episode
- Improve efficiency and usability of the EMR for physicians by providing additional training, personalization and voice recognition capabilities
- Enable predictive analytics, machine learning and artificial intelligence to guide safe care of patients
- Continued ambulatory go-lives in ECH clinics and independent physician practices
- Participate in collaboration between Epic and Silicon Valley partners to provide innovative patient care technology

Finance Committee

Updated November 20, 2017

FY18 FC Pacing Plan – Q1		
July 31, 2017	August 2017	**September 25, 2017**
- Meeting Minutes (May 2017), any policies - Financial Report (FY17 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Physician Transaction Compliance Education - Year-End Financial Report	*No scheduled meeting*	- Meeting Minutes (July 2017), any policies - Financial Report (FY18 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Payor Update - Summary of Physician Financial Arrangements (Year-End) - Service Line Review - ~~Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)~~ - Medical Staff Development Plan - Education Topic: Ambulatory Care Business Model (presentation) - Consent Calendar – FY17 Year End Financials
FY18 FC Pacing Plan – Q2		
October 2017	**November 27, 2017**	December 2017
10/25 – Board and Committee Education Session	- Meeting Minutes (September 2017), any policies - Financial Report (FY18 Period 3,4) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Long-Term Financial Forecast - Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot) - Service Line Review - Proposed Summary Financial Report to the Board	*No scheduled meeting*

Finance Committee

Updated November 20, 2017

FY18 FC Pacing Plan – Q3		
January 29, 2018	February 2018	**March 26, 2018**
***Joint Meeting with the Investment Committee** - Meeting Minutes (November 2017), any policies - Financial Report (FY18 Period 5,6) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review - Epic Implementation Review (presentation) - Report on Financial and Operational Benchmarks - Board Designed Funds	*No scheduled meeting*	- Meeting Minutes (January 2018), any policies - Financial Report (FY18 Period 7,8) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Preview FY19 Budget Part # 1 - Discuss and recommend FY19 Committee Goals - Discuss FY19 Committee Dates - Biennial Review of Committee Charter - Payor Update - Summary of Physician Financial Arrangements (Mid-Year) - Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot) - Update on Patient Portal Status (Price Estimator)
FY18 FC Pacing Plan – Q4		
April 26 2018	**May 29, 2019**	June 2018
- Fy19 Budget Review **4/25 – Board and Committee Education Session**	***Joint Meeting with the Hospital Board on the Operating & Capital Budget** - Meeting Minutes (March 2018), any policies - Financial Report (FY18 Period 9,10) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Review and recommend FY19 Budget - Review and recommend FY19 Organizational Goals - Review Self-Assessment Results (FY18, FY20) *every two years* - Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)	*No scheduled meeting*