

AGENDA
FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD

Tuesday, May 29, 2018 – 6:45 pm

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

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

Richard Juelis will be participating via teleconference from 8500 Costa Verde Drive, Myrtle Beach, SC 29572.

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		6:45 – 6:46pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		6:46 -6:47
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	John Zoglin, Chair		information 6:47 – 6:51
4. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session Finance Committee – April 26, 2018 b. Finance: Financial Assistance, Charity Care & Discounts Policy c. FY19 Pacing Plan Information d. FY18 Pacing Plan e. Progress Against Goals f. Article of Interest g. Update on Major Capital Projects	John Zoglin, Chair	<i>public comment</i>	motion required 6:51 – 6:53
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	John Zoglin, Chair		information 6:53 – 6:58
6. ENTERPRISE RESOURCE PLANNING PROJECT (ERP) UPGRADE ATTACHMENT 6	Iftikhar Hussain, CFO Kathryn Fisk, CHRO Deb Muro, CIO	<i>public comment</i>	motion required 6:58 – 7:13
7. FY18 PERIOD 10 FINANCIALS ATTACHMENT 7	Iftikhar Hussain, CFO	<i>public comment</i>	motion required 7:13 – 7:23
8. FY19 OPERATING AND CAPITAL BUDGET ATTACHMENT 8	Iftikhar Hussain, CFO David Clark, Interim COO		Discussion 7:23 – 7:33
9. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		motion required 7:33 – 7:34

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
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		7:34 – 7:35
11. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2.</i> a. Minutes of the Closed Session of the Finance Committee Meeting (April 26, 2018) Informational b. Stroke Program (Enterprise) c. Cancer Program (Enterprise) d. Radiology Services & Breast Center – SVDI e. Radiation Oncology (MV) f. Cardiac Catheterization Laboratory (MV) g. Respiratory Care Services (MV)	John Zoglin, Chair		discussion 7:35 – 7:36
12. Health & Safety Code 54956.8 –Conference realestate negotiator Ken King regarding property (APN 706-01-83) - Real Estate Purchase	Ken King, CASO		motion 7:36 – 8:06
13. Health & Safety Code 32106(b) For a report & discussion involving health care facility trade secrets: - FY19 Operating and Capital Budget	Iftikhar Hussain, CFO		information 8:06 – 8:16
14. ADJOURN TO OPEN SESSION	John Zoglin, Chair		motion required 8:16 – 8:17
15. RECONVENE OPEN SESSION/ REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	John Zoglin, Chair		8:17 -8:18
16. MEDICAL DIRECTOR AGREEMENT RENEWALS a. Stroke Program (Enterprise) b. Cancer Program (Enterprise) c. Radiology Services & Breast Center – SVDI d. Radiation Oncology (MV) e. Cardiac Catheterization Laboratory (MV) f. Respiratory Care Services (MV)	David Clark, Interim COO Mark Adams, MD, Interim CMO	<i>public comment</i>	motion required 8:18 – 8:20
17. FY19 OPERATING AND CAPITAL BUDGET	Iftikhar Hussain, CFO	<i>public comment</i>	motion required 8:20 – 8:22pm
18. CLOSING COMMENTS	John Zoglin, Chair		information 8:22 – 8:23
19. ADJOURNMENT	John Zoglin, Chair	<i>public comment</i>	motion required 8:23 – 8:24pm

Upcoming Meetings

FY19 Finance Committee Meetings

(pending Board approval)

- July 30, 2018
- September 24, 2018
- November 26, 2018
- January 28, 2019 (Joint meeting w/Investment Cmte)

- March 25, 2019

- April 22, 2019

- May 28, 2019 (Joint meeting w/Hospital Board)

Board/Committee Educational Gatherings

- October 24, 2018

- April 24, 2019



Minutes of the Open Session of the Finance Committee
Thursday, April 26, 2018
El Camino Hospital | Conference Rooms Med Staff (Administration Area)
2500 Grant Road, Mountain View, CA 94040

Members Present

Joseph Chow
 Boyd Faust
 Richard Juelis
 David Reeder
 John Zoglin, Chair

Members Absent

William Hobbs

Others Present

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 5:30pm by Chair John Zoglin. Mr. Faust and Mr. Chow were 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	<p>Chair Zoglin asked if any member of the Committee or the public wished to remove an item from the consent calendar.</p> <p>Motion: To approve the consent calendar: Minutes of the Minutes of the Open Session of the Finance Committee (March 12, 2018)</p> <p>Movant: Faust Second: Juelis Ayes: Chow, Faust, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Hobbs Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	<p>Chair Zoglin briefly reviewed the Report on Board Actions as further detailed in the packet. The Committee expressed the Board and Committee Educational Gathering meeting held on April 25th was a good strategic meeting, and they enjoyed meeting the Interim CMO Dr. Mark Adams.</p> <p><i>The Committee is inquiring if they can receive a copy of the CEO presentation that was presented at the Educational Gathering.</i></p>	
6. FY18 PERIOD 8 FINANCIALS	<p>Ifitikhar Hussain, CFO, reviewed the FY18 Period 9 Financials with the Committee members. FY18 for the year, overall volume, measured in adjusted discharges is 5.7% higher than budget. IP cases are 4.0% over budget, specifically Neurosciences, HVI, BHS, Oncology and General Medicine. Deliveries are slightly lower than prior year and 4.2% below budget. OP cases are higher than budget in General Surgery, General Medicine, Emergency, Lab, Imaging Services, MCH, Rehab, Outpatient Clinics and Urology.</p> <p>March operating income is \$5M over budget. For the year op margin is \$46M ahead of target. Investments had a \$3.2 million loss during the month but for the year, investment earnings are \$32 million ahead of target. Commercial insurance is 3.6% less of the Payor Mix in March than budget where Medicare has increased 2.1%. Prod Hrs/APD for March is 30.9 unfavorable vs target due to lower volume. YTD productivity we are ahead of budget. The overall balance sheet reflects the AR is 48.1 vs target of 48.</p> <p>Motion: To approve the FY18 Period 9 Financials.</p>	<i>FY 18 Period 9 Financials approved</i>

	Movant: Juelis Second: Boyd Ayes: Chow, Faust, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Hobbs Recused: None	
7. ADJOURN TO CLOSED SESSION	Motion: To adjourn to closed session at 5:54pm pursuant to Gov't Code Section 54957.2 for approval of the Minutes of the Closed Session of the Finance Committee (March 12, 2018). Movant: Chow Second: Boyd Ayes: Chow, Faust, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Hobbs Recused: None	<i>Adjourned to closed session at 5:54 pm</i>
8. AGENDA ITEM 13: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 7:24 pm. Agenda items 9-11 were covered in closed session. During the closed session the committee approved the Minutes of the Closed Session of the Finance Committee (March 12, 2018); Pathology Medical Directorship Renewal (Enterprise) – Dr. Lombard – El Camino Pathology Medical; Sheridan ICU Nighttime Coverage Agreement; PAMF ICU Daytime Coverage Agreement Renewal</p> <p>By a unanimous vote in favor by all present committee members (Chow, Faust, Juelis, Reeder and Zoglin). Hobbs was absent.</p>	
9. AGENDA ITEM 14: FY19 COMMITTEE GOALS & AGENDA ITEM 15: FY19 COMMITTEE PACING PLAN	<p>Chair Zoglin and The Committee agreed to add <i>Post Implantation Review</i> throughout each quarter for FY19 Goals instead of just in Q2 which is currently listed.</p> <p>Chair Zoglin reviewed the FY19 Committee Pacing Plan as further detailed in the packet. He requested feedback and a brief discussion ensued. The Committee agreed no changes to the FY19 Committee Pacing Plan</p> <p>Motion: To recommend that the Board approve the FY19 Committee Goals & Pacing Plan simultaneously.</p> <p>Movant: Juelis Second: Chow Ayes: Chow, Faust, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Hobbs Recused: None</p>	<i>FY19 Committee Goals & Pacing Plan approved</i>
10. AGENDA ITEM 18: CLOSING COMMENTS	None	
11. AGENDA ITEM 19: ADJOURNMENT	Motion: To adjourn at 7:34pm Movant: Faust Second: Chow Ayes: Chow, Faust, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Hobbs Recused: None	<i>Meeting adjourned at 7:34 pm</i>

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

John Zoglin
Chair, Finance Committee

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	<p>Policy – Draft Revised Financial Assistance, Charity Care and Discounts</p> <p>Finance Committee</p> <p>Meeting Date: 5/29/2018</p>
Responsible party:	Terri Manifesto, Director Revenue Cycle
Action requested:	Recommend Approval to the Board
<p>Other Board Advisory Committees that reviewed the issue and recommendation, if any:</p> <p>None.</p>	
<p>Summary and session objectives :</p> <ul style="list-style-type: none"> • <u>Policy: Financial Assistance, Charity Care and Discounts</u> Management recommendation to remove sliding scale and increasing the full charity care threshold from <u>350%</u> to <u>400%</u> of the Federal Poverty Guidelines. Change made for simplicity since most of the charity applications are above 400%. • Made additions to the policy to be in compliance with the Department of the Treasury IRS 501(r) regulations. <ul style="list-style-type: none"> a. State the method for calculating amounts charged to patients. ECH adopts the look-back method for Amounts Generally Billed (AGB) b. Added a statement that an FAP eligible patient cannot be charged more than AGB. 	
<p>Suggested discussion questions:</p> <p>None.</p>	
<p>Proposed Committee motion, if any:</p> <p>Recommend Approval to the Board</p>	
<p>LIST OF ATTACHMENTS:</p> <p>Policy – Draft Revised Financial Assistance, Charity Care and Discounts</p>	

TITLE: Finance: Financial Assistance, Charity Care and Discounts
CATEGORY: Administration
LAST APPROVAL: 4/2015

TYPE: ☒ Policy ☐ Protocol ☐ Practice Guideline ☐ Standardized
☐ Procedure ☐ Plan ☐ Scope of Service/ADT Procedure
SUB-CATEGORY: Finance
OFFICE OF ORIGIN: Finance
ORIGINAL DATE: 4/2000

I. COVERAGE:

Individuals eligible to receive financial assistance, charity care or discounts.

II. PURPOSE:

Consistent with its Mission, El Camino Hospital (ECH) strives to ensure that the financial capacity of people who need health care services does not prevent them from seeking or receiving care

III. POLICY STATEMENT:

ECH is committed to providing financial assistance and charity care to persons who have healthcare needs and are uninsured and ineligible for a government program, as well as to those patients with High Medical Costs, who are unable to pay for medically necessary care based on their individual financial situation. ECH will also provide discounts and extended payment plans to patients taking into consideration Essential Living Expenses. ECH is also committed to providing and assisting our patients with information necessary on how to apply for Covered California Plans, and will assist patients in determining eligibility for enrollment with Medi-Cal, and other government programs. Patients that are eligible for financial assistance are not charged more than the amounts generally billed (AGB) for emergency or other medically-necessary care.

El Camino Hospital adopts the look-back method for amounts generally billed; however, patients who are eligible for Financial Assistance are not financially responsible for more than the amounts generally billed because eligible patients do not pay any amount.

ECH's financial assistance programs are not substitutes for personal responsibility. Patients are expected to cooperate with ECH's procedures for obtaining financial assistance and to contribute to the cost of their care based on their ability to pay. In order to manage its resources responsibly and to allow ECH to provide the appropriate level of assistance to the greatest number of persons in need, the Board of Directors establishes these guidelines for the provision of charity care.

IV. DEFINITIONS:

For the purpose of this policy, the terms below are defined as follows:

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TITLE:	Finance: Financial Assistance, Charity Care and Discounts
CATEGORY:	Administration
LAST APPROVAL:	4/2015

Monetary Assets: The fair market value of the Patient's Family's savings and investments, excluding amounts held in retirement plans or deferred compensation plans

Eligible Services: The following services are ineligible for the application of Financial Assistance under this policy, except as required by law:

- Purchases from ECH retail operations, such as gift shops & cafeteria;
- ~~Bariatric surgery services;~~
- Cosmetic surgery; and
- Any products or services that are:
 - Inconsistent with the symptom(s) or diagnosis and treatment of the condition, disease or injury.
 - Primarily for the convenience of the patient, the patient's family, the physician or other provider.
 - Not the most appropriate level of services that can safely be provided to the patient.
- ~~Services which are programmatically bundled and discounted. Some examples of these bundled services include packages for ~~cosmetic and bariatric surgery~~ Self-Pay Endometriosis and Maternity Services.~~
- Physician Services that are not billed by Hospital (See Attachment A for Hospital Departments where Physician Services are not covered by this policy).

Excluding any services specifically listed as ineligible, the following healthcare services are eligible for ECH's financial assistance program:

- Emergency medical services provided in an emergency room setting;
- Services for a condition which, in the opinion of the treating physician or other health care professional, would lead to an adverse change in the health status of an individual if not treated promptly; and
- Non-elective services provided in response to life-threatening or health-threatening circumstances.

In addition, in its sole discretion, ECH management may elect to make other services eligible for Financial Assistance.

Patient's Family:

1. For Persons 18 years of age and older, spouse, domestic partner, as defined in Section 297 of the Family Code, and dependent children under 21 years of age, whether living at home or not
2. For Persons under 18 years of age, parent, caretaker relatives, and other children under 21 years of age of the parent or caretaker relative.

Family Income: Family Income is determined using the following income of a Patient's Family when computing federal poverty guidelines:

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- Includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources;
- Noncash benefits (such as food stamps and housing subsidies) do not count;
- Determined on a before-tax basis;
- Excludes capital gains or losses; and
- Includes the income of Patient's Family members as defined above.

High Medical Costs: A patient ~~whose~~who's Family Income does not exceed 400 percent of the federal poverty level and:

~~Has~~ has annual out-of-pocket medical costs incurred by the individual at ECH ~~or other~~ healthcare providers that exceed 10 percent of the patient's Family Income in the prior 12 months; ~~or,~~

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~~Has annual out-of-pocket medical~~ For expenses ~~that exceed 10 percent of the patient's Family Income,~~ that exceed 10 percent of the patient's Family Income, ~~if incurred at other providers,~~ the patient ~~provides~~must provide documentation of ~~the patient's~~ medical expenses paid by the patient or the ~~Patient's Family~~patient's family in the prior 12 months. .

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The definition of High Medical Costs will include patients who have a balance due after insurance payment of a discounted rate as a result of 3rd party coverage.

Out-of-network: Certain insurance carriers and governmental health care programs may reduce or eliminate benefits unless care is provided at designated facilities. In cases where ECH is not one of the designated facilities, any non-emergency care provided is considered to be out-of-network. Out-of-network care will not be eligible for charity discounts except that ECH may, on a case-by-case basis, grant assistance in the case of medical indigence. An Uninsured Discount will be given on amounts denied for out of network amounts.

Uninsured: The patient has no level of insurance or third party assistance to assist with meeting his/her payment obligations. A patient who has insurance or third party assistance to provide medical services but whose insurance or assistance does not include services provided at ECH will be considered as out-of-network, not as uninsured. An Uninsured Discount will be given on amounts denied as non-covered.

Essential Living Expenses: Include rent, house payment and maintenance, food, household supplies, utilities telephone, clothing, medical and dental payment, insurance, school or child care, child or spousal support, transportation and auto expenses, including insurance, gas, and repairs, installment payments, laundry and cleaning and other extraordinary expenses.

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IV. PROCEDURE:

A. Charity Care Program

Information in this section applies to the provision of charity care when a patient has no health insurance or has High Medical Costs and is not eligible for any government programs.

1. Eligibility Criteria for Charity Care. Eligibility for charity care will be considered for those individuals who are unable to pay for their care and are uninsured and ineligible for any government health care benefit program or for those patients that have High Medical Costs. The granting of charity care shall be based on an individualized determination of Family Income, and shall not take into account age, gender, race, social or immigrant status, sexual orientation or religious affiliation.

Full Charity Care will be offered if Family Income is ~~at 350% or less of the Federal Poverty Guidelines. Partial Charity Care will be offered on a sliding scale if Family Income is between 351% to~~ AT OR BELOW 400% of the Federal Poverty Guidelines.

2. Determination of Eligibility for Charity Care. The cooperation of the patient and/or the Patient's Family is necessary in order for ECH to determine eligibility.

a) Eligibility will be determined in accordance with the following procedures to ensure an individual assessment of Family Income. The application process will require the following information from the patient:

- Completed signed application
- Proof of Income Tax return and monetary assets or subsequent month bank statements or most recent payroll stub or FICA earning summary from SSA.
- Include reasonable efforts by ECH to explore appropriate alternative sources of payment and coverage from public and private payment programs and to assist patients to apply for such programs. However if the patient applies, or has a pending application for another health coverage program at the same time that he or she applies for a hospital charity care or discount payment program, neither application shall preclude eligibility for the other program.; and
- Include a review of the patient's outstanding accounts for any open accounts that may also be eligible for charity care for the approval timeframe.
- For patients who are unable to complete the application or provide financial information, ECH may determine eligibility using presumptive determination based on information obtained from Experian.

b) Eligibility determination may be done at any point in the collection cycle. The eligibility for Charity Care shall be based on the patient's insured status at the time services are rendered, and shall give consideration to any retroactive denial or granting of insurance. That is, if the patient is believed to be insured at the time services are rendered but is subsequently found to

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have been uninsured at that time, then the patient is eligible for an ~~uninsured charity~~ Uninsured discount. Similarly, if the patient is believed to be uninsured at the time services are rendered but is subsequently found to have been insured at that time, then the patient is not eligible for an ~~uninsured charity~~ Uninsured discount. Charity Care will be reversed in these situations.

c) If at any time information relevant to the eligibility of the patient changes, it is the patient's responsibility to notify ECH of the updated information.
The determination of financial need shall be done consistently with the requirements of California AB 774, including the requirement that the first ten thousand dollars (\$10,000) of a patient's monetary assets shall not be counted in determining eligibility, nor shall 50 percent of a patient's monetary assets over the first ten thousand dollars (\$10,000) be counted in determining eligibility.

d) Eligibility for financial assistance shall be revaluated every 12 months or at any time additional information relevant to the eligibility of the patient becomes known. If such information does change, it is the patient's responsibility to notify ECH of the updated information.

e) ECH's values of respect and integrity shall be reflected in the application process, eligibility determination and granting of an uninsured discount. Requests for Charity Care shall be processed promptly and ECH shall notify the patient or applicant in writing of its decision on a completed application. .

B. Uninsured Discounts and Extended Payment Plans

1. ~~Cash and Prompt Pay~~ Uninsured Discounts

ECH Patients who do not have third-party insurance and are not eligible for a government program will receive a published discount off ECH charges. ~~Such patients are also eligible for a published prompt pay discount on the remaining balance if that balance is paid within 30 days of the date of the first statement or paid at the point of service..~~ A patient may choose not to use available third-party insurance and may receive ~~the above discounts for cash and/or prompt payment.~~ Cash and prompt payan Uninsured discount. . The uninsured discount percentage for Hospital/Facility billing is 75%. Uninsured discounts are determined by ECH management.

2. Extended Payment Plans

ECH will negotiate an extended payment plan to allow payment over time that is agreed upon between ECH and the patient based on the patient's Family Income and Essential Living Expenses. All payment plans shall be interest free. The extended payment plan may be declared no longer operative after the patient's failure to make all consecutive payments during a 90-day period. Before declaring the extended payment plan no longer operative, ECH or its collection agency shall make a reasonable attempt to contact the patient by phone and to give notice in writing, that the

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extended payment plan may become inoperative and of the opportunity to renegotiate the extended payment plan. ECH does not report to consumer credit agencies.

C. Other Provisions

- 1. Communication of this Policy to Patients and the Public.** Notification about charity care and discounts available from ECH, which shall include a contact number, shall be disseminated by ECH by various means, which may include, but are not limited to, the publication of notices on facility websites or on patient bills, and by posting notices in the emergency room, admitting and registration departments, hospital business offices, Clinics and patient financial services offices that are located on facility campuses, and at other public places as ECH may elect. Such information shall be provided in the primary languages spoken by the population serviced by ECH. Referral of patients for financial assistance may be made by anyone, subject to applicable privacy laws.

Such communications include:

- Published ~~Cash Pay Discount Percentage~~
 - ~~Prompt Pay Uninsured~~ Discount Percentage
 - Extended Payment Plans option with phone number to call
 - Charity Care eligibility and current Federal Poverty Guidelines along with a customer service phone number to call for assistance
 - High Medical Costs definition
 - Links to other programs including Covered California
 - Phone number for Consumer Support/Legal Assistance
 - Discounts from Emergency Room Physicians and a phone number to call for assistance.
- 2. Relationship to Collection Policies.** ECH management shall develop policies and procedures for internal and external collection practices that take into account the extent to which the patient qualifies for financial assistance, a patient's good faith effort to apply for a governmental program or for financial assistance from ECH, a patient's good faith effort to comply with his or her payment agreements with ECH, and all applicable laws and regulations. The Patient Accounts-Collection Practices and Collection Agency Management Policy outlines the presumptive charity care eligibility screening process used to evaluate charity care eligibility prior to an account being sent to collections. The patient's account will not be sent to collections if eligible for Charity Care. For patients who qualify for financial assistance and who are cooperating in good faith to resolve their hospital bills, ECH may offer extended payment plans to eligible patients, will not impose wage garnishments or liens on primary residences, and will not send unpaid bills to outside collection agencies. Any agency performing routine monitoring and follow-up for such accounts on ECH's behalf shall be instructed not to report such accounts to any credit monitoring agency, and shall not be considered to be an "outside collection agency" under this policy. In the event ECH should err in following these policies, ECH will take appropriate steps to correct its error in a timely fashion.

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3. Errors and Misrepresentations. ECH may deny an application for Financial Assistance and/or may reverse previously applied discounts if it learns of information which it believes supports a conclusion that information previously provided was inaccurate. In addition, ECH may elect to pursue legal actions, against persons who it believes knowingly misrepresented their financial condition, and including those who accept financial assistance after an improvement in their financial circumstances which was not made known to ECH.

4. Regulatory Requirements. In implementing this Policy, ECH shall comply with all federal, state, and local laws, rules, and regulations that may apply to activities conducted pursuant to this Policy such as AB 774 and SB 1276.

D. Exceptions and Limitations

The Chief Executive Officer and Chief Financial Officer of ECH are each granted the authority to provide exceptions to these policies and procedures as appropriate to the individual patient's circumstances and as appropriate to the financial ability and needs of ECH. These individuals are also each granted the authority to adjust the parameters of the financial assistance program in order to ensure the total amount of financial assistance provided is consistent with the organization's financial ability and to ensure ECH is able to meet its financial obligations.

This policy is intended to be a statement of general intent, setting forth the basic principles to be followed by the organization in administration of its programs to provide financial assistance and charity care to its patients. However, because the complexities of human existence can present myriad possible individual circumstances, and because of the challenges present in managing a health care organization, it is recognized that some degree of flexibility is appropriate in administering these programs. As such, nothing in this policy shall be construed to create an affirmative obligation for ECH to grant financial assistance to any particular patient, other than as required under the law.

V. APPROVAL:

APPROVING COMMITTEES AND AUTHORIZING BODY	APPROVAL DATES
Finance Committee:	
ePolicy Committee:	
Medical Executive Committee:	
Board of Directors:	
Historical Approvals:	4/00, 7/03, 6/04, 1/07, 6/07, 4/08, 6/09, 2/11, 12/11, 10/12, 6/13, 4/15

VI. REFERENCES:

Patient Protection and Affordable Care Act of 2010 and California AB 774 and SB 1276

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VII. ATTACHMENTS:

Physician Services provided in the following Departments are not subject to El Camino Hospital's FAP except for professional fees billed by El Camino Medical Associates.

6015	CCU 3A; ICU	7639	IMAGING - MAMMOGRAPHY
6070	NICU	7640	RADIATION ONCOLOGY
6150	PROGRESSIVE CARE UNIT-PCU 3A	7641	OUTPATIENT INFUSION CENTER
6173	TELEMETRY-3B	7650	IMAGING - NUC MED
6174	TELEMETRY STROKE-3C	7660	IMAGING - MRI
6175	SURG PEDS 4A; ORTHO SPINE	7670	IMAGING - US/ECHO
6176	MEDICAL - 2C	7680	IMAGING - CT SCAN
6177	MED SURG ONC 4B; MED SURG 1	7720	RESPIRATORY CARE SVCS
6310	MOTHER BABY	7730	PULMONARY DIAGNOSTICS LAB
6315	MOTHER-BABY UNIT	7741	DIALYSIS-INPATIENT
6340	ACUTE IP PSYCH	7761	ENDOSCOPY
6440	INPATIENT ACUTE REHAB	7881	PRENATAL DIAGNOSTIC CENTER
6900	PRE-OP SHORT STAY; OPS		
7010	EMERGENCY ROOM		
7011	OB EMERGENCY DEPARTMENT		
7086	WOUND CARE CLINIC		
7087	CANCER CLINIC		
7088	SURVIVORSHIP CLINIC		
7260	BEHAVIORAL HEALTH-OP		
7400	LABOR DELIVERY		
7420	OPERATING ROOM		
7426	MINOR PROCEDURES		
7427	PACU		
7429	SLEEP CENTER		
7501	CLIN LAB-HEMATOLOGY		
7520	ANATOMIC PATHOLOGY		
7570	INTERVENTIONAL SERVICES		
7590	ECG		
7593	CARDIOPULM WELLNESS CTR		
7630	IMAGING - DIAGNOSTIC		
7636	IMAGING RN SUPPORT		

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.

Finance Committee

Updated May 23, 2018

FY19 FC Pacing Plan – Q1		
July 30, 2018	August 2018	September 24, 2018
<ul style="list-style-type: none"> - Meeting Minutes (May 2018), any policies - Financial Report (FY18 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Physician Transaction Compliance Education - Year-End Financial Report - Financial Institutions - Women's Hospital Expansion 	<p>No scheduled meeting</p>	<ul style="list-style-type: none"> - Meeting Minutes (July 2018), any policies - Financial Report (FY19 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Payor Update - Summary of Physician Financial Arrangements (Year-End) - Service Line Review – HVI - Medical Staff Development Plan - Education Topic: Medicare Loss and IP/OP margins - Consent Calendar – FY18 Year End Financials
FY19 FC Pacing Plan – Q2		
October 2018	November 26, 2018	December 2018
<ul style="list-style-type: none"> - October 24, 2018 – Board and Committee Educational Session 	<ul style="list-style-type: none"> - Meeting Minutes (September 2018), any policies - Financial Report (FY19 Period 3,4) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – Oncology - Proposed Summary Financial Report to the Board - Post implementation Review 	<p>No scheduled meeting</p>

Updated May 23, 2018

Finance Committee

Updated May 18, 2018

FY18 FC Pacing Plan – Q1		
July 31, 2017	August 2017	September 25, 2017
<ul style="list-style-type: none"> - 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 	<p><i>No scheduled meeting</i></p>	<ul style="list-style-type: none"> - 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 - 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
<p>10/25 – Board and Committee Education Session</p>	<ul style="list-style-type: none"> - 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 	<p><i>No scheduled meeting</i></p>

Finance Committee

Updated May 18, 2018

FY18 FC Pacing Plan – Q3		
January 29, 2018	February 2018	March 26, 2018
<p>**Joint Meeting with the Investment Committee</p> <ul style="list-style-type: none"> - 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 	<p><i>No scheduled meeting</i></p>	<ul style="list-style-type: none"> - 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 - Review Self-Assessment Results (FY18, FY20) <i>every two years</i>
FY18 FC Pacing Plan – Q4		
April 26, 2018	May 29, 2018	June 2018
<ul style="list-style-type: none"> - Fy19 Budget Review <p>4/25 – Board and Committee Education Session</p>	<p>**Joint Meeting with the Hospital Board on the Operating & Capital Budget</p> <p>Meeting Minutes (March 2018), any policies</p> <ul style="list-style-type: none"> - 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 <p>Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)</p>	<p><i>No scheduled meeting</i></p>

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	<ul style="list-style-type: none"> Q2 FY18 	<ul style="list-style-type: none"> Receive report on operational and financial benchmarks. LTF presentation in 11/17 shows performance vs benchmarks. More detailed benchmark report presented at January’s meeting
2. Review major capital projects	<ul style="list-style-type: none"> Q3 FY18 	<ul style="list-style-type: none"> Update on major capital projects in progress Presented at each meeting
3. Education Topic: Ambulatory Care Business Model	<ul style="list-style-type: none"> Q1 FY18 	<ul style="list-style-type: none"> Presentation at the August meeting. Completed in the September meeting
4. Epic Implementation Review	<ul style="list-style-type: none"> Q2 FY18 	<ul style="list-style-type: none"> Presentation at the November meeting. Completed in January’s meeting
5. Review top three service lines (HVI, Oncology, BHS)	<ul style="list-style-type: none"> Q1 – Q2 FY18 	<ul style="list-style-type: none"> Presentations at September, November and January meetings. HVI presented in September; Oncology in November and BHS in January. The committee asked for clearer focus on strategy, goals and KPIs.

SUBMITTED BY:

John Zoglin
Iftikhar Hussain

Chair, Finance Committee
Executive Sponsor, Finance Committee

NEW YORK TIMES - COLUMN/OPINION

As an Insurer Resists Paying for ‘Avoidable’ E.R. Visits, Patients and Doctors Push Back

Guessing wrong on when a condition is a life-threatening medical emergency could mean a large bill. Or worse.

By Reed Abelson, Margot Sanger-Katz and Julie Creswell MAY 19, 2018

Jim Burton was lifting a box in his garage last August when he felt a jolt in his back.

“It dropped me to my knees instantly,” he said. He thought he’d slipped a disk. His friend, an emergency medical technician, urged him to go to the hospital.

At the emergency room, Mr. Burton, a 37-year-old resident of Lexington, Ky., was found to have a back sprain, with no signs of other serious injury, and was sent home.

He soon got another surprise. His health insurer, Anthem, refused to pay medical bills totaling \$1,722, saying his care in the emergency room had not been needed “right away to avoid a serious risk to health.”

To rein in emergency medicine costs, Anthem is reviving an old, contentious tactic: pushing back on patients who visit the emergency room for ailments deemed minor.

Anthem denied thousands of claims last year under its “avoidable E.R. program,” according to a sample of emergency room bills analyzed by the American College of Emergency Physicians. The program, which Anthem has been rolling out in a handful of states in recent years, reviews claims based on the final diagnosis of patients.

Emergency room physicians say that, last year, the company did not routinely request medical records for denied patients, and therefore could not review the symptoms that brought them to the emergency room. Anthem says it is now reviewing such records before issuing denials.

The company says the policy goal is to reduce use of the emergency department, one of the most expensive places to receive medical care. Anthem recommends that patients with sprains and upper respiratory infections instead consider a visit to a primary care doctor or an urgent care center.

“The costs of treating non-emergency ailments in the E.R. has an impact on the cost of health care for consumers, employers and the health care system as a whole,” Jill Becher, a company spokeswoman, said in an email.

But doctors and consumer advocates argue that the policy forces patients to diagnose their own illness, and may discourage people with serious problems from seeking care. Patients, doctors and hospitals have been pushing back in the form of opinion pieces, political lobbying and even humorous videos ridiculing the idea that people can be their own doctors. Members of Congress have written to Anthem expressing displeasure, and state lawmakers have drafted bills to bar the practice.

The criticism seems to have had an effect: For now, Anthem appears to be denying fewer claims — though it also expanded its policy to several more states.

“Avoidable visits” are the latest conflict among doctors, hospitals, insurance companies and patients over emergency rooms. And the Anthem policy is just one way that patients seeking emergency care can be stuck with unexpected costs. [Some doctors](#), who fail to sign contracts with insurance companies, are [sending patients direct bills](#) for their services.

“It’s the place where the incentives in health care break down,” said Zack Cooper, a health economist at Yale University, who has studied patterns in out-of-network bills. “You’ve ended up with this death struggle between insurers, hospitals and emergency room physicians, and patients get caught in the middle.”

The emergency room, which functions as the front door to most hospitals, contributes a substantial portion to the nation’s enormous health costs. The program by Anthem, the nation’s second-largest insurer, tries to reduce those

costs by changing patient behavior. Other insurers are watching carefully. Anthem points to estimates that as many as 5 percent of visits are unnecessary.

“E.R.s are often a time-consuming place to receive care and in many instances 10 times higher in cost than urgent care,” Ms. Becher said.

Anthem began testing its policy in Kentucky in 2015. That’s when Jason Salyers, now 32, who works in the financial aid office of a community college, started having episodes in which he couldn’t breathe. When he went to the emergency room, he was treated for a panic attack. Two days later, he returned, fearful he was having a heart problem.

His pulse, he recalls, was above 150 beats per minute.

“I thought I was dying and I needed to go to the E.R.,” he said.

His second visit was covered because his diagnosis was breathing trouble. Anthem denied payment for his first visit, classified as a panic attack. He appealed, and eventually Anthem paid.

Under federal law, insurers can’t limit coverage of emergency care if a “prudent layperson” would think he or she were experiencing a medical emergency. That standard was established in the 1990s, and the Affordable Care Act expanded the standard to apply to all workplace and individual insurance plans in 2010.

Nearly every state has a similar standard. But the definition of the rule may be a little murky, said Mark Hall, a professor at the Wake Forest University School of Law, [who studied the state laws in 2004](#). So far, state insurance commissioners have received some complaints about the Anthem policy, but no enforcement actions have been taken. Anthem says it follows the standard.

“I could see how this approach could easily start to violate the spirit of the law,” Mr. Hall said. “But on the other hand, there has to be some system in place to make these determinations.”

Consumer advocates argue that Anthem’s approach of reviewing the final diagnosis — even if most bills end up being paid — could cause lasting harm by making patients hesitate to seek treatment.

Karen Englert, the government relations director at the Missouri branch of the American Heart Association, said her organization has worked for years to

teach women to look for early, unconventional signs of a heart attack, like indigestion, nausea or arm pain. “For some women, those are absolutely the precursors to a heart attack,” she said. “We can’t look inside ourselves to know this is what I have. And patients shouldn’t be expected to — they aren’t doctors.”

Ms. Englert, who uses Anthem insurance and is a heart patient herself, says she vividly recalls opening a letter from Anthem notifying her of the policy.

Last summer, Anthem expanded the program into some of its plans in Missouri and Georgia.

In 2016, Sandra Rivera of Jackson, Mo., had a series of small strokes during an operation to repair her aorta. Last year, she woke up in the middle of the night with chest pain and heart palpitations, and drove herself to the emergency room.

It wasn’t a heart attack, it turned out. Anthem sent her a letter, saying the visit would be covered, but if she went back again with a similar complaint, it wouldn’t pay the bill.

“I’m a heart patient, and it’s not like I was having a stomachache,” said Ms. Rivera, 48. Still, the letter worked. Worried about another bill, she said that she had a few more episodes of chest pain in the following months that she didn’t have checked out at the emergency room. “That’s pretty scary,” she said.

Mr. Burton, the man whose claim was denied after his back sprain, kept fighting his bill. Anthem eventually paid.

Anthem’s new policy appears to still be in flux.

At the start of this year, Anthem announced it would begin making more exceptions: patients who live far from an urgent care facility, those who are under 15, those who receive certain treatments in the emergency room, and those admitted to the hospital, for example. These people will automatically have their visits covered, even if they have an “avoidable” diagnosis.

In Kentucky and Missouri, data from emergency room physicians show that last year’s spike in denials has been followed by a rapid decline. But Anthem has expanded the policy to four more states — Indiana, Ohio, New Hampshire and Connecticut — and has sent letters to affected customers notifying them of

the change. Anthem said it could not comment on the data provided by the doctors.

In Missouri, the state legislature passed [a bill](#) Friday to shield patients from the dysfunction of the emergency department. The legislation will prevent insurance companies from rejecting bills solely on the basis of a final diagnosis. The bill will also force doctors who didn't sign insurance contracts into binding arbitration with insurers, to avoid surprise bills.

“The whole idea is just to protect the consumer,” said Paul Wieland, the chairman of the State Senate’s insurance and banking committee. “Because the consumer does not need to be caught up in the fight between the insurance company and the providers.”

Reed Abelson covers the business of health care, focusing on health insurance and how financial incentives affect the delivery of medical care. She has been a reporter for The Times since 1995.

Margot Sanger-Katz is a domestic correspondent and writes about health care for The Upshot. She was previously a reporter at National Journal and The Concord Monitor and an editor at Legal Affairs and the Yale Alumni Magazine.

Julie Creswell is a New York-based reporter. She has covered banks, private equity, retail and health care. She previously worked for Fortune Magazine and also wrote about debt, monetary policy and mutual funds at Dow Jones.



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

Major Capital Projects Update
Finance Committee
For Information

May 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 |

MV Campus Development Projects Status Update

May 21, 2018

- **Behavioral Health Services (BHS) Building**

- Foundations, slab on grade and concrete walls are 99% complete. Interior and Exterior wall framing are 20% complete and MEP rough in is 35% complete. Construction is progressing as scheduled with a target completion in March 2019 and the project is forecasted to be within the approved budget.

- **Integrated Medical Office Building (IMOB) & Garage**

- Foundations, slab on grade, structural steel and suspended slabs are 100% complete. Fireproofing of structure is complete up to the third floor. Interior framing and overhead MEP installation is underway on levels G and 1. Exterior GFRC and window walls are in process on the upper floor. Construction is progressing as scheduled with a target completion in May 2019 and the project is forecasted to be within the approved budget.

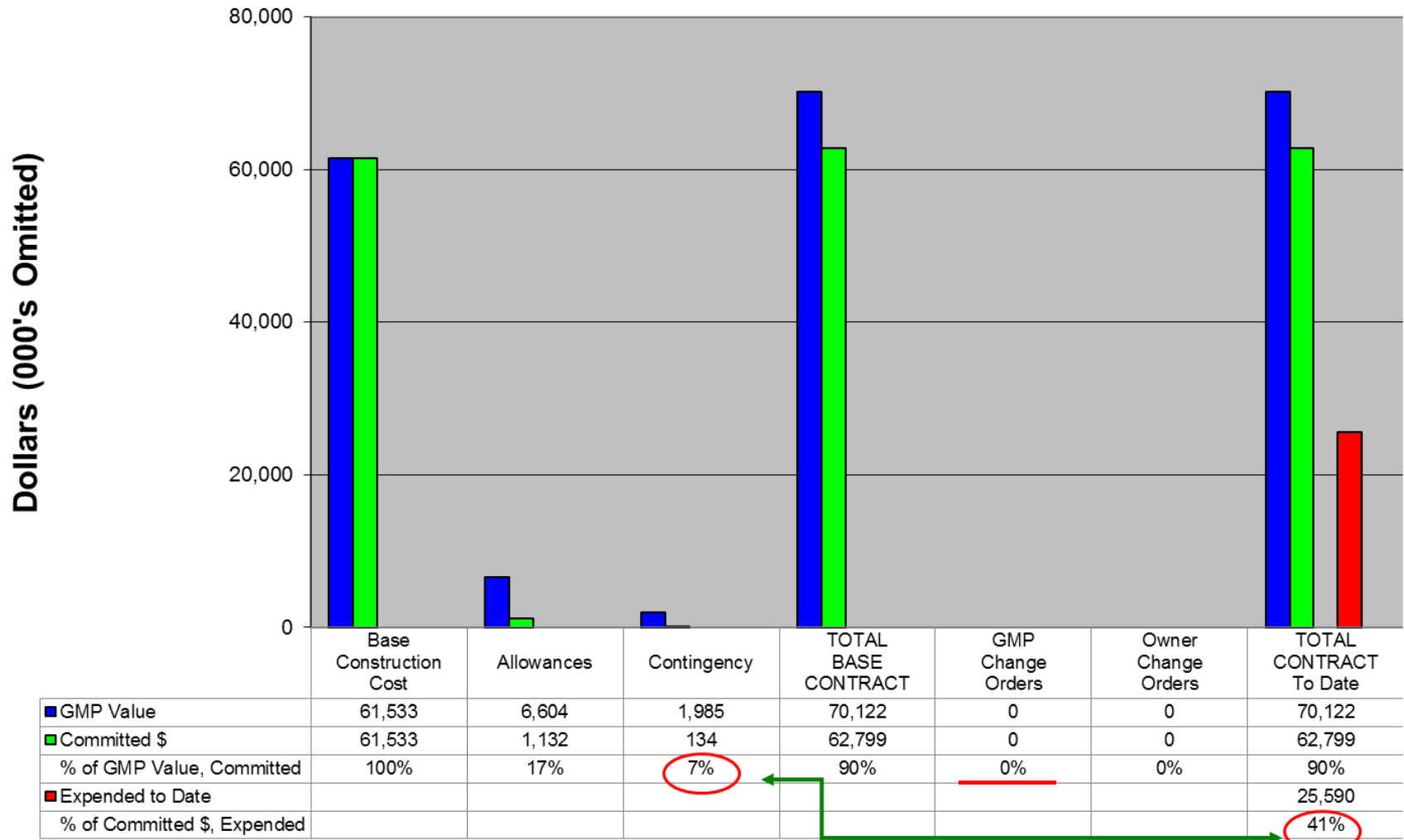
- **Central Utility Plant (CUP) Upgrade**

- Construction and equipment installation is substantially complete, with only commissioning and close out activities remaining. The project is forecasted to be within the approved budget.

- **Women's Hospital Expansion**

- The development of the project plan is being adjusted to accommodate the temporary relocation of Labor & Delivery and NICU. A detail accounting of the costs schedule and operational implications will be presented at the next scheduled meeting of the Finance Committee.

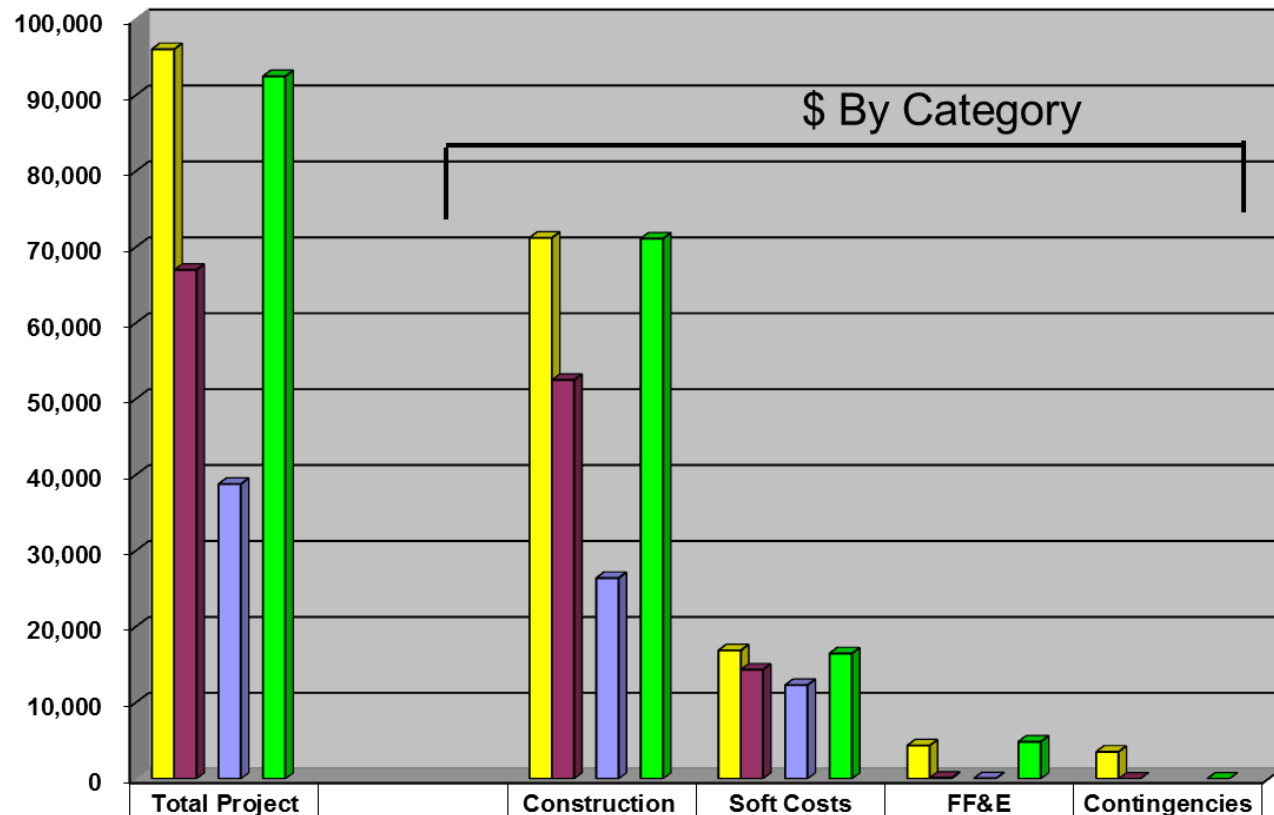
Behavioral Health Services Building – Construction Contract Summary



Behavioral Health Services Building – Project Cost Summary

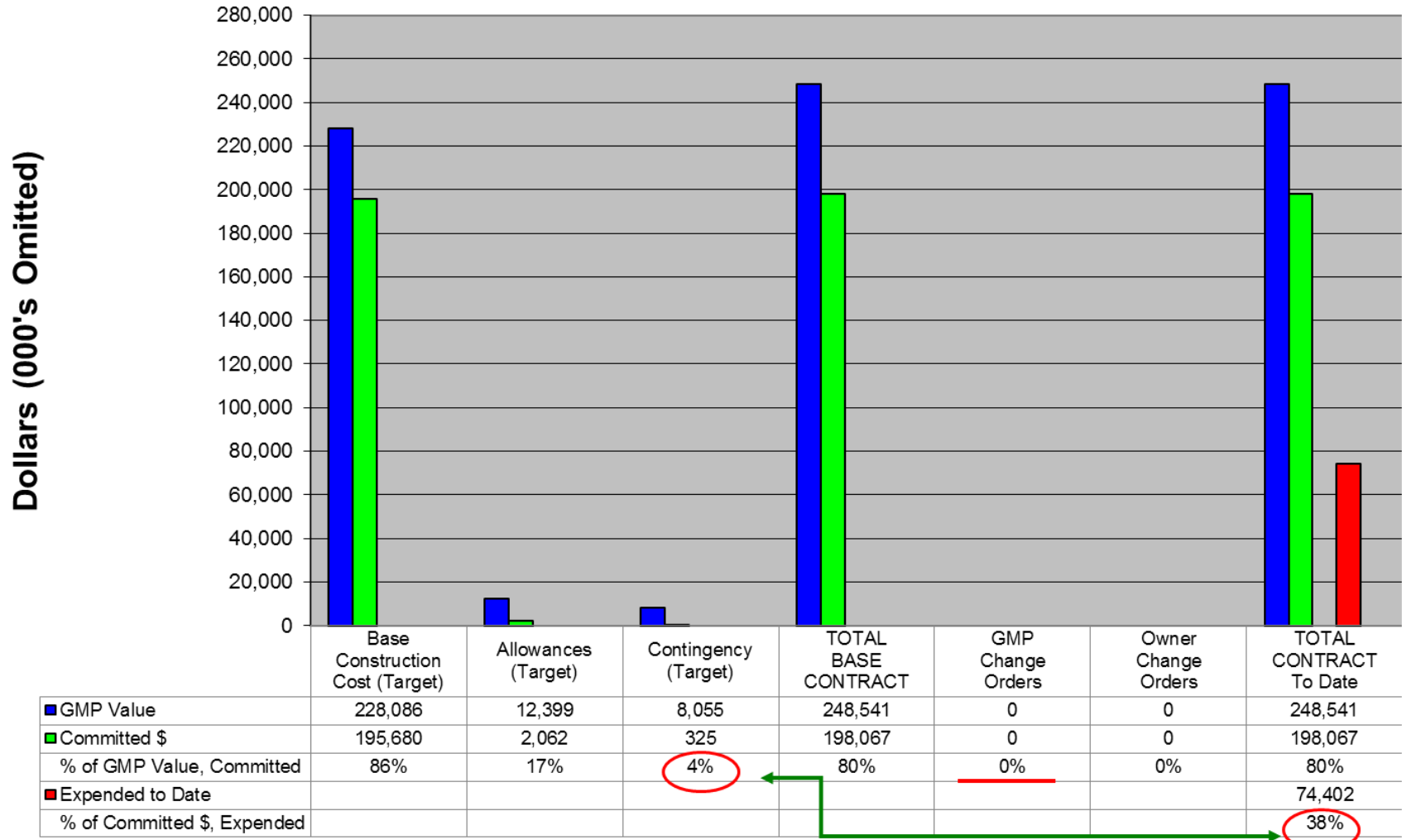
BHS Project

Dollars (000's Omitted)



	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	67,038	52,532	14,377	129	0
% of Funding Committed	70%	74%	85%	3%	
Paid to Date	38,826	26,439	12,332	55	
% of Comitted Paid	58%	50%	86%	43%	
Forecast of Final Cost	92,538	71,148	16,512	4,878	(10)
% of Board Approved Funding	96%	100%	98%	111%	0%

Integrated Medical Office Building – Construction Contract Summary

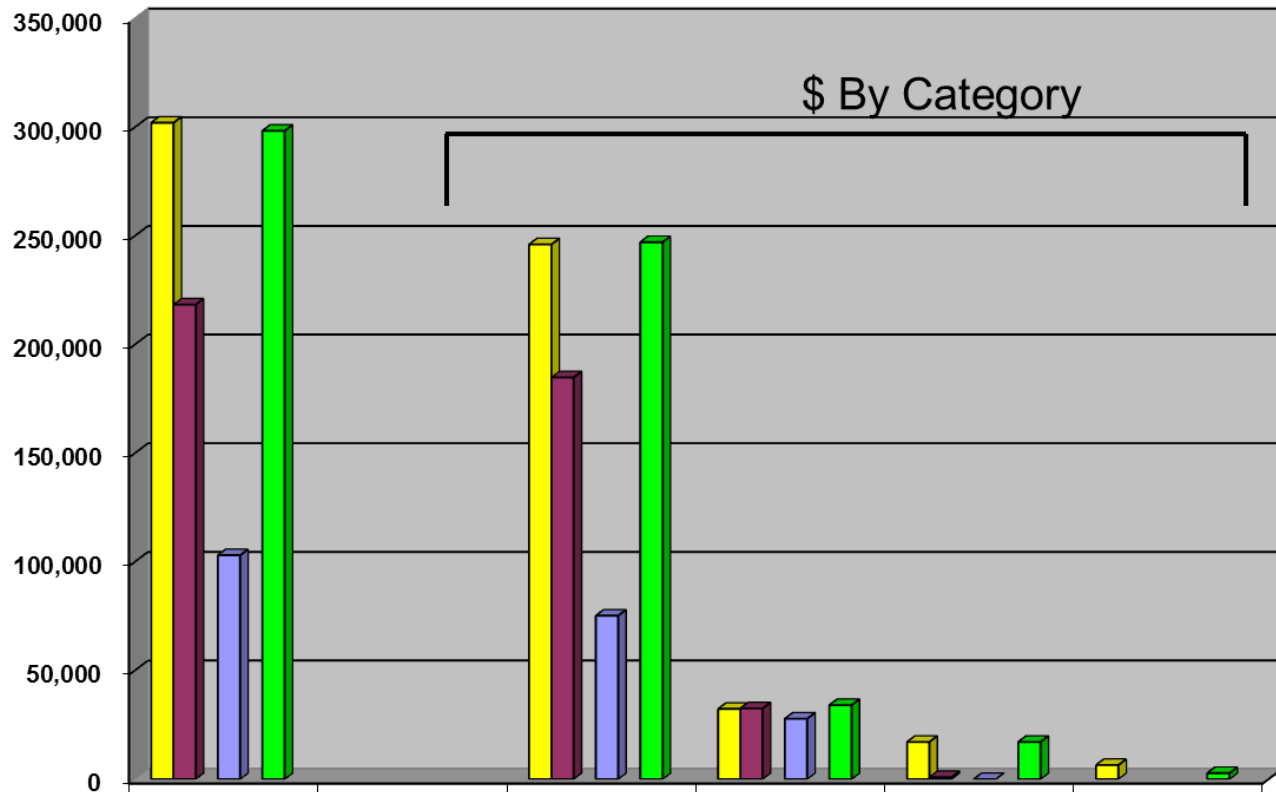


IMOB Contract Cost Categories

Integrated Medical Office Building - Project Cost Summary

IMOB Project

Dollars (ooo;s Ommitted)



	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	218,420	184,891	32,585	944	
% of Funding Committed	72%	75%	101%	6%	
Paid to Date	103,095	75,260	27,826	9	
% of Comitted Paid	47%	41%	85%	1%	
Forecast of Final Cost	298,398	247,160	34,097	17,141	2,798
% of Board Approved Funding	99%	100%	105%	100%	43%

Overall Project Cost Projections – May 21, 2018

Mountain View Master Plan Projects - Financial Summary & Forecasted Cost					
Current Projection				Updated 05/21/18	
Through March 19, 2018	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forecasted to Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	\$24,148,156	\$23,342,436	\$24,163,156	\$336,844
Behavioral Health Services Building	\$96,100,000	\$67,037,772	\$38,826,047	\$92,538,041	\$3,561,959
Integrated Medical Office Building & Parking Structure	\$302,100,000	\$218,420,373	\$103,095,173	\$298,397,376	\$3,702,624
Central Utility Plant Upgrade	\$9,000,000	\$8,959,094	\$6,405,351	\$8,982,594	\$17,406
Women's Hospital Expansion	\$6,000,000	\$5,821,624	\$3,120,799	\$6,000,000	\$0
Total All Projects	\$437,700,000	\$324,387,019	\$174,789,807	\$430,081,167	\$7,618,833

- To date we have obligated by contract 74% of the Total Project Budgets and paid 54% of the obligated amount.
- The Forecasted Cost for the IMOB & Parking Structure includes the following assumptions.
 - \$500,000 in savings from the Phase I construction contract.
 - \$2,000,000 in tenant contributions to be credited to TI construction costs.
- 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.
- The Women's Hospital Expansion cost estimate will be presented at the next scheduled meeting of the Finance Committee.

ECH Board Actions*

1. April 18, 2018
 - a. Approved the FY 18 Period 7 and 8 Financials
 - b. Approved a Resolution Delegating Authority to the Executive Compensation Committee to Approve Annual Salary Ranges, Annual Base Pay Adjustments, Individual Incentive Goals and Incentive Payments for Executives other than the CEO.
 - c. Approved a Resolution Approving the Winding Up and Dissolution of Pathways Continuous Care (Private Duty Services).
 - d. Approved Revised ECH Bylaws Sections 5.1 and 5.2.
2. May 9, 2018
 - a. Approved Resolution 2018-07 recognizing the Pathology and Lab Services Department for outstanding service.
 - b. Approved the following physician contracts:
 - i. Pathology Medical Directorship (Enterprise) Renewal
 - ii. ICU Nighttime Coverage (MV)
 - iii. ICU Daytime Coverage (MV)
 - c. Approved the Medical Executive Committee's Recommendation to Uphold Medical Staff Bylaws Section 3.2-1(c)(3)

ECHD Board Actions

1. May 15, 2018
 - a. Approved a Revised District Community Benefit Grants Policy
 - b. Appointed an the FY19 El Camino Hospital Board Member Election and Re-Election Ad Hoc Committee comprised of Julia Miller (Chair) and Neysa Fligor. Christina Lai of the ECH Governance Committee will serve as an advisor to the committee and another advisor from the ECH Board will be appointed at a later date.

*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.

Memorandum Administration

Date: May 29, 2018
To: Finance Committee
From: Iftikhar Hussain, CFO
Kathryn Fisk, CHRO
Deb Muro, CIO
Re: Capital Funding Request - Enterprise Resource Planning System

Request: We are requesting that the Finance Committee recommend Board approval for the purchase and installation of hardware, software and services necessary to replace the existing Enterprise Resource Planning (ERP) System, at a one-time capital cost not to exceed \$9.65 million.

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Authority: Capital expenditures in excess of \$1,000,000 require approval by the Board of Directors.

Problem/Opportunity Definition: An ERP System is critical to running a healthcare organization and is second only to the EMR in importance to support hospital operations. El Camino Hospital implemented Epic in 2016 and is now ready for the ERP software. In 1994, El Camino Hospital purchased the PeopleSoft ERP system, which supports Human Resources, Finance, and Supply-Chain Management. The El Camino installed versions are 8.9 (HCM) and 9.0 (FM, and SCM). Oracle ended Premier support for these products in 2009 and 2011 and ended Extended Support in 2012 and 2015 respectively. Oracle Corp. acquired PeopleSoft in 2005, and reduced investment in the product to minor updates only with an announced end of support for PeopleSoft products by 2027.

In recent years, the ERP industry has matured in its development of cloud-based solutions to replace the technology used in PeopleSoft which lags industry standards and best practices. The new ERP functionality now available, especially in human resources management, will support El Camino Hospital's strategic goals of recruiting and retaining high-quality staff and operational efficiency. The ability of a single system to support Human Resources, Supply Chain, and Finance is a key goal for El Camino Hospital.

Benefits of implementation a new ERP will include improved efficiency of El Camino's Human Resources, Finance and Supply Chain functions, streamlined recruiting functions, an enhanced employee self-service function, an integrated view of operational data including business analytics and reporting, reduction in supplies expense, and the elimination of a variety of costly niche vendor solutions in place today.

Process Description: To lead the new ERP system-selection process, a Steering Committee, composed of the following hospital executives was formed: Iftikhar Hussain, CFO; Kathryn Fisk, CHRO; Deb Muro, CIO; and David Clark; Interim COO with participation of stakeholders from Human Resources, Information Technology, Finance and Supply Chain.

Capital funding request for new enterprise resource planning system

The Steering Committee engaged the services of an independent consulting firm, Healthlink Advisors, to guide the selection process using content expertise and industry best practices. Vendor solutions were evaluated in detail with stakeholder participation and feedback. The selection assessment criteria included: Software Solution (Viability, Maturity, Vision, Technology, Security), Functionality, Total Cost of Ownership (TCO), Client Perceptions and Partnership. The work of the Steering Committee is well-documented, as evident in the RFP scorecard, selection assessment criteria, Steering Committee presentations, vendor proposal evaluations, references and vendor due diligence. The final vendor selection is pending funding approval and contract negotiations.

Alternative Solutions: The Steering Committee also explored the option of upgrading PeopleSoft to the current available version. Besides the lack of contemporary functionality and Oracle's movement of clients to its cloud solution, the cost to upgrade and support PeopleSoft resulted in a seven year net operating cost of ownership which was higher than the new ERP system. Therefore, the Steering Committee does not recommend upgrading the existing PeopleSoft ERP system as a viable solution.

Concurrence for Recommendation: This recommendation is supported by Human Resources, Finance, Supply Chain, Information Services, IT Governance Decision Committees, and the Executive Team.

Outcome Measures/Deadlines: Upon Board approval, next steps include the completion of negotiations and contracts, staffing for implementation, and implementation over the next 18 months, with activation of all systems by 1st Quarter 2020. Savings will begin immediately and increase over the first year following conversion, and continue to accrue for several years.

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

Financial Review: The requested funding, not to exceed \$9.65 million, will provide the necessary capital funds to install and implement the new full ERP suite to support Human Resources, Finance, and Supply Chain Management. The projected operating costs of the new system over the next 7 years is \$13.1 million with a projected net savings of \$10.35 million. The total increase in operating expense is \$2.75 million over 7 years which may be addressed by soft savings not included in the benefit calculation.



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

ERP Replacement Finance Committee

Iftikhar Hussain, CFO

Kathryn Fisk, CHRO,

Deb Muro, CIO

May 29, 2018

Requested Finance Committee Action

We request that the Finance Committee recommend Board approval for the purchase and installation of hardware, software and services necessary to replace the existing Enterprise Resource Planning (ERP) System, at a one-time capital cost not to exceed \$9.65 million.

Problem

- ERP System software is critical for Human Resources, Finance and Supply Chain operations.
- The current ERP system, PeopleSoft, has been in place since 1994.
- The current version of PeopleSoft is no longer supported by Oracle with gaps in functionality, technology and security.
- PeopleSoft software upgrade costs are higher than a replacement solution.

Opportunity

- El Camino determined the need to identify an optimal ERP solution to support the strategic vision of operational efficiency
- The ERP industry has matured in its development of cloud-based solutions to replace aging ERP technology which lag industry best practices.
- Benefits of a new ERP system include improved efficiencies, streamlined recruiting and new hire experience, employee self-service tools, integrated “real-time” operational data, timely upgrades and elimination of fragmented legacy applications.

Process

- A Steering Committee, composed of Hospital executives and critical stakeholders was formed to lead the selection process.
- Vendor solutions were evaluated in detail with Human Resources, Finance, Supply Chain and IT stakeholder participation and feedback.
- Vendor selection criteria included:
 - Software Solution (Viability, Maturity, Vision, Technology, Security)
 - Functionality
 - Total Cost of Ownership
 - Client Perceptions
 - Partnership

Recommendation

- Replace the current ERP system with a new platform as supported by Human Resources, Finance, Supply Chain, Information Services, IT Governance Decision Committees, and the Executive Team.
- Two vendors have been selected as finalists: Oracle and WorkDay.
- The final vendor selection is pending funding approval and contract negotiations.

Appendix

Total cost of ownership Upgrade PeopleSoft

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El Camino Hospital ERP Evaluation

PeopleSoft Upgrade Costs

Index	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
ONE TIME COSTS								
<i>Total One Time Costs</i>	\$ 7,614,933	\$ -	\$ -	\$ 172,500	\$ -	\$ -	\$ -	\$ 7,787,433
ANNUAL SUPPORT AND MAINTENANCE COSTS								
<i>Total Annual Support and Maintenance</i>	\$ 1,172,789	\$ 1,445,609	\$ 1,453,957	\$ 1,478,318	\$ 1,503,410	\$ 1,529,255	\$ 1,555,875	\$ 10,139,212
Total Project Costs	\$ 8,787,722	\$ 1,445,609	\$ 1,453,957	\$ 1,650,818	\$ 1,503,410	\$ 1,529,255	\$ 1,555,875	\$ 17,926,645
<i>Total Potential Operating Benefits (Model 1)</i>	\$ -	\$ (100,000)	\$ (549,096)	\$ (549,096)	\$ (549,096)	\$ (549,096)	\$ (549,096)	\$ (2,845,480)
NET ANNUAL OPERATING	\$ 1,172,789	\$ 1,345,609	\$ 904,861	\$ 929,222	\$ 954,314	\$ 980,159	\$ 1,006,779	\$ 7,293,732

Total cost of ownership

New ERP

Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
ONE TIME COSTS								
<i>Total One Time Costs</i>	\$ 9,632,234	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,632,234
<i>Total Annual Support and Maintenance</i>	\$ 1,669,152	\$ 1,861,392	\$ 1,869,648	\$ 1,878,151	\$ 1,886,909	\$ 1,954,867	\$ 1,964,159	\$ 13,084,277
TOTAL PROJECT COSTS	\$ 11,301,386	\$ 1,861,392	\$ 1,869,648	\$ 1,878,151	\$ 1,886,909	\$ 1,954,867	\$ 1,964,159	\$ 22,716,511
OPERATING SAVINGS								
<i>Total Operating Savings</i>	\$ -	\$ (100,000)	\$ (1,509,056)	\$ (2,184,056)	\$ (2,184,056)	\$ (2,184,056)	\$ (2,184,056)	\$ (10,345,280)
NET ANNUAL OPERATING	\$ 1,669,152	\$ 1,761,392	\$ 360,592	\$ (305,905)	\$ (297,147)	\$ (229,189)	\$ (219,897)	\$ 2,738,997
Seven Year Average	\$ 391,285							

Full savings of \$2.180M are realized beginning in year 4

Hard savings from a new ERP

Category	Benefit	Potential Annual Savings
Outsourced Support	Eliminate third party support for PeopleSoft	\$573,000
Performance Management System	Eliminate third party software	\$173,000
Applicant Tracking System	Eliminate third party recruiting software	\$100,000
Benefits System	Eliminate third party software	\$170,000
HR Efficiency	Improvement in HR efficiency (10% improvement in employees per HR FTE)	\$429,000
Cost of HR Supplies	Opportunity to reduce paper supplies cost in HR by 50%	\$60,000
Cost of supplies	Reduction in supplies expense by 0.75% on \$90M/yr.	\$675,000
Total Annual Savings (Hard)		\$2,180,000

Soft savings from a new ERP

Category	Benefit	Potential Annual Benefits
Manager efficiency	Manager productivity improvement from self service (20% per year)	\$530,000
Employee efficiency	Employee productivity enhancement from self service (20% per year)	\$230,000
HR Efficiency	Improvement in HR efficiency (10% improvement in employees per HR FTE)	\$430,000
Voluntary turnover	Reduce turnover from 11.7% to 10.7%	\$890,000
Recruiting cost	Reduce external recruiting fees (replacement hires only)	\$145,000
New hire productivity	Reduction in time to productivity for new hires and internal transfers (10%)	\$300,000
Compliance	Cost avoidance of non-compliance	\$50,000
Total Annual Savings (Soft)		\$2,575,000



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 10
7/1/2017 to 04/30/2018

Financial Overview

Volume:

- For the year, overall volume, measured in adjusted discharges is 5.3% higher than budget.
- IP cases are 3.5% over budget, specifically Neurosciences, HVI, BHS, Oncology and General Medicine. Deliveries are lower to prior year and 4.5% below budget.
- OP cases are higher than budget in General Surgery, General Medicine, Lab, Imaging Services, MCH, Rehab, Outpatient Clinics and Emergency.

Financial Performance:

- Operating income is \$871K under budget. For the year operating margin is \$45.6M ahead of target.
- Investments rebounded slightly during the month and for the year, investment earnings remain \$31 million ahead of target.

Payor Mix:

- Commercial insurance is a 3.6% decrease of the Payor Mix in April than budget where Medicare has increased 2.1%.

Cost:

- Prod Hrs/APD for April is unfavorable vs target due to lower volume. YTD we are slightly ahead of budget.

Balance Sheet:

- Net days in AR is 47.7 which is .3 days better than budget.

Dashboard - ECH combined as of April 30, 2018

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	241	226	242	(16)	239	242	240	2
Utilization MV	68%	62%	67%	-5%	66%	67%	66%	0%
Utilization LG	26%	28%	29%	-1%	30%	30%	29%	1%
Utilization Combined	54%	51%	55%	-4%	54%	55%	54%	0%
Adjusted Discharges	2,772	2,826	2,771	56	27,990	29,813	28,318	1,494
Total Discharges (Excl NNB)	1,642	1,581	1,603	(22)	16,300	16,973	16,405	568
Total Discharges	1,971	1,878	1,889		19,522	20,111	19,415	
Inpatient Cases								
MS Discharges	1,141	1,100	1,110	(10)	11,269	11,939	11,281	658
Deliveries	387	359	377	(18)	3,891	3,782	3,960	(178)
BHS	79	86	75	11	749	890	751	139
Rehab	35	36	41	(5)	391	362	414	(52)
Outpatient Cases								
ED	11,902	12,082	12,096	(14)	120,742	124,609	122,113	2,496
Procedural Cases	4,140	3,944	4,018	(74)	40,283	41,391	40,552	839
OP Surg	367	368	377	(9)	3,743	3,895	3,805	90
Endo	159	182	175	7	1,972	1,988	1,767	221
Interventional	158	165	174	(9)	1,799	1,753	1,763	(10)
All Other	7,078	7,423	7,352	71	72,945	75,582	74,226	1,356
Financial Perf.								
Net Patient Revenues	64,140	67,804	68,908	(1,104)	674,253	738,063	692,514	45,548
Total Operating Revenue	65,772	69,537	70,773	(1,236)	694,698	761,864	711,911	49,953
Operating Expenses	61,685	64,428	64,793	(366)	615,679	650,715	646,378	4,337
Operating Income \$	4,086	5,109	5,980	(871)	79,019	111,150	65,534	45,616
Operating Margin	6.2%	7.3%	8.4%	-1.1%	11.4%	14.6%	9.2%	5.4%
EBITDA \$	7,889	9,875	11,398	(1,523)	122,682	157,079	116,519	40,560
EBITDA %	12.0%	14.2%	16.1%	-1.9%	17.7%	20.6%	16.4%	4.3%
IP Margin ¹	5.8%	4.5%	-10.2%	14.7%	5.8%	4.5%	-10.2%	14.7%
OP Margin ¹	37.0%	38.9%	31.7%	7.2%	37.0%	38.9%	31.7%	7.2%
Payor Mix								
Medicare	47.3%	49.7%	47.4%	2.3%	47.7%	47.6%	47.4%	0.3%
Medi-Cal	7.5%	6.9%	7.2%	-0.3%	7.3%	7.7%	7.2%	0.5%
Commercial IP	22.4%	21.5%	22.6%	-1.1%	22.3%	22.0%	22.6%	-0.6%
Commercial OP	20.3%	19.2%	20.3%	-1.1%	20.2%	20.1%	20.3%	-0.2%
Total Commercial	42.7%	40.7%	42.9%	-2.2%	42.5%	42.1%	42.9%	-0.8%
Other	2.5%	2.7%	2.5%	0.2%	2.5%	2.5%	2.5%	0.0%
Cost								
Total FTE	2,542.4	2,588.1	2,536.7	51	2,496.7	2,580.5	2,529.0	52
Productive Hrs/APD	31.5	32.2	30.4	2	30.3	30.2	30.5	(0)
Balance Sheet								
Net Days in AR	44.8	47.7	48.0	(0)	44.8	47.7	48.0	(0)
Days Cash	444	487	266	221	444	487	266	221
Affiliates - Net Income (\$000s)								
Hosp	11,619	4,713	6,205	(1,492)	125,946	154,471	67,786	86,685
Concern	304	(66)	130	(196)	1,358	941	1,189	(248)
ECSC	(11)	(20)	0	(20)	(83)	(61)	0	(61)
Foundation	51	196	(52)	249	2,140	1,717	497	1,220
SVMD	(27)	494	(16)	510	91	840	31	809

Budget Variances

(in thousands; \$000s)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	65,534	9.2%
Net Revenue - Favorable due higher volume, revenue cycle operations and \$14 million unusual items	49,953	6.6%
Labor and Benefit Expense Change - Labor favorable vs budget after adjusting for volume	(1,583)	-0.2%
Professional Fees & Purchased Services - Recruiting costs for several key positions in the organization and backfill for vacant positions, repairs for survey readiness	(5,639)	-0.7%
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 and net positive to volume adjusted budget	(3,496)	-0.5%
Other Expenses - primarily due strategic fund expenses not spent	1,325	0.2%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as LG projects	5,056	0.7%
Actual Hospital Operations FY2018	111,150	14.6%

El Camino Hospital (\$000s)

10 months ending 04/30/2018

Period 10 FY 2017	Period 10 FY 2018	Period 10 Budget 2018	Variance Fav (Unfav)	Var%		YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
243,934	255,113	262,362	(7,249)	-2.8%	Gross Revenue	2,490,436	2,749,518	2,653,163	96,355	3.6%
(179,795)	(187,308)	(193,453)	6,145	1.0%	Deductions	(1,816,183)	(2,011,455)	(1,960,649)	(50,807)	2.6%
64,140	67,804	68,908	(1,104)	-1.6%	Net Patient Revenue	674,253	738,063	692,514	45,548	6.6%
1,632	1,732	1,865	(132)	-7.1%	Other Operating Revenue	20,445	23,802	19,397	4,405	22.7%
65,772	69,537	70,773	(1,236)	-1.7%	Total Operating Revenue	694,698	761,864	711,911	49,953	7.0%
					OPERATING EXPENSE					
38,255	38,208	39,211	1,002	2.6%	Salaries & Wages	372,313	391,777	390,194	(1,583)	-0.4%
10,015	10,262	10,075	(186)	-1.9%	Supplies	96,798	105,215	101,720	(3,496)	-3.4%
7,569	8,924	7,787	(1,136)	-14.6%	Fees & Purchased Services	80,108	84,895	79,256	(5,639)	-7.1%
2,044	2,268	2,302	34	1.5%	Other Operating Expense	22,797	22,897	24,222	1,325	5.5%
(129)	567	725	159	21.9%	Interest	3,558	4,859	7,254	2,395	33.0%
3,932	4,199	4,693	493	10.5%	Depreciation	40,104	41,070	43,731	2,661	6.1%
61,685	64,428	64,793	366	0.6%	Total Operating Expense	615,679	650,715	646,378	(4,337)	-0.7%
4,086	5,109	5,980	(871)	-14.6%	Net Operating Income/(Loss)	79,019	111,150	65,534	45,616	69.6%
7,532	(396)	225	(621)	-275.8%	Non Operating Income	46,927	43,322	2,253	41,069	1822.9%
11,619	4,713	6,205	(1,492)	-24.0%	Net Income(Loss)	125,946	154,471	67,786	86,685	127.9%
12.0%	14.2%	16.1%	-1.9%		EBITDA	17.7%	20.6%	16.4%	4.3%	
6.2%	7.3%	8.4%	-1.1%		Operating Margin	11.4%	14.6%	9.2%	5.4%	
17.7%	6.8%	8.8%	-2.0%		Net Margin	18.1%	20.3%	9.5%	10.8%	

Non Operating Items and Net Income by Affiliate

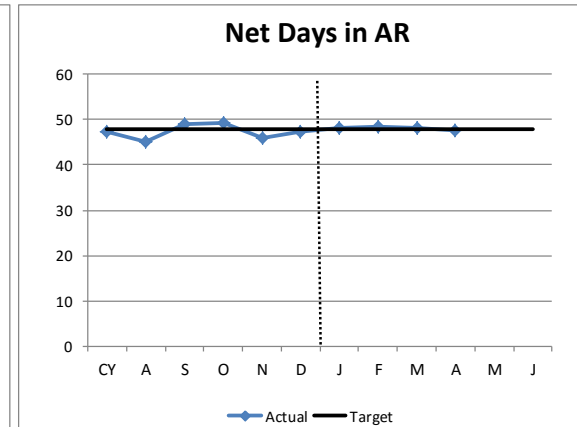
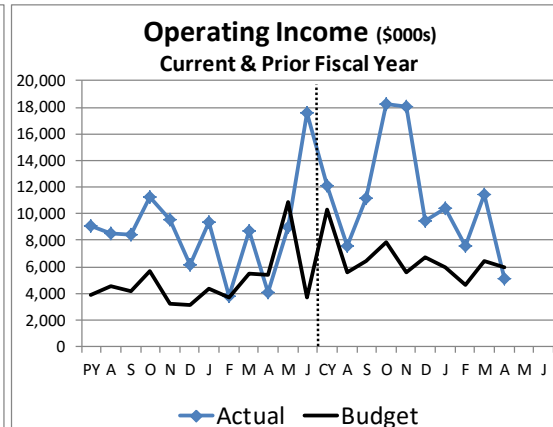
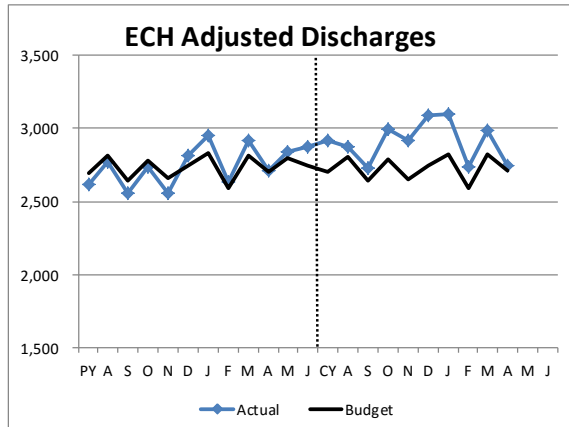
\$ in thousands

	Period 10 - Month			Period 10 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	4,311	4,862	(552)	100,272	52,723	47,549
Los Gatos	799	1,117	(319)	10,878	12,811	(1,933)
Sub Total - El Camino Hospital, excl. Affilates	5,109	5,980	(871)	111,150	65,534	45,616
Operating Margin %	7.3%	8.4%		14.6%	9.2%	
El Camino Hospital Non Operating Income						
Investments	660	1,516	(855)	46,210	15,155	31,054
Swap Adjustments	519	0	519	2,069	0	2,069
Community Benefit	(31)	(283)	252	(3,094)	(2,833)	(261)
Pathways	67	42	25	(143)	417	(560)
Satellite Dialysis	0	(35)	35	(190)	(354)	164
Community Connect	0	(141)	141	0	(1,405)	1,405
SVMD Funding ¹	(376)	(448)	72	(1,741)	(4,483)	2,742
Premier Investment ²	(833)	0	(833)	3,695	0	3,695
Other	(402)	(424)	23	(3,483)	(4,243)	760
Sub Total - Non Operating Income	(396)	225	(621)	43,322	2,253	41,069
El Camino Hospital Net Income (Loss)	4,713	6,205	(1,492)	154,471	67,786	86,685
ECH Net Margin %	6.8%	8.8%		20.3%	9.5%	
Concern	(66)	130	(196)	941	1,189	(248)
ECSC	(20)	0	(20)	(61)	0	(61)
Foundation	196	(52)	249	1,717	497	1,220
Silicon Valley Medical Development	494	(16)	510	840	31	809
Net Income Hospital Affiliates	605	61	544	3,436	1,716	1,720
Total Net Income Hospital & Affiliates	5,318	6,267	(949)	157,907	69,503	88,405

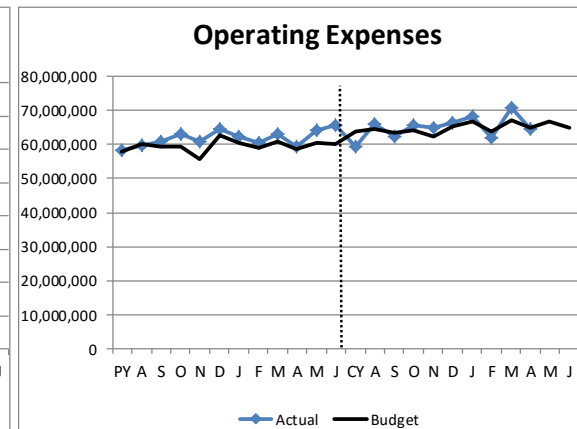
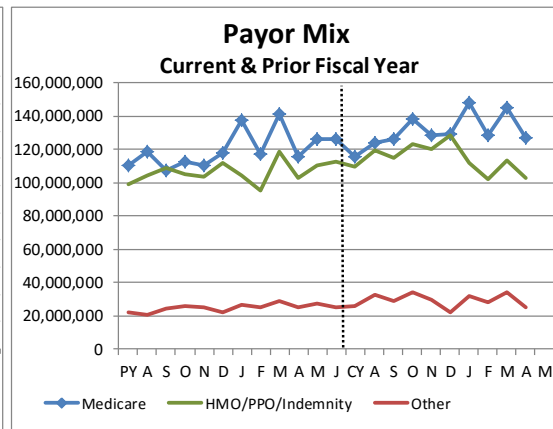
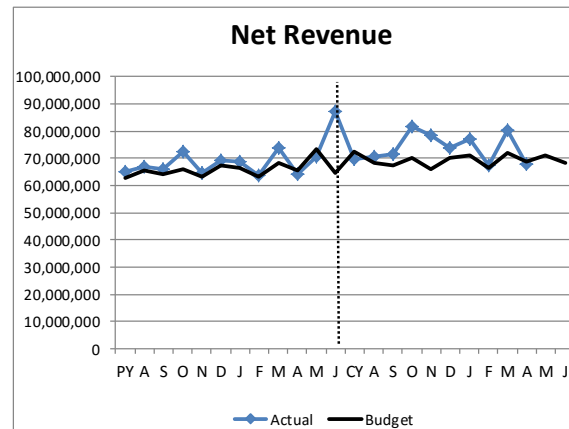
¹Favorable variances for SVMD and Community Connect are due to delayed implementation

²Gain on Premier stock sale of shares eligible were sold with proceeds going to pooled investments. No impact on vendor relationships.

Monthly Financial Trends



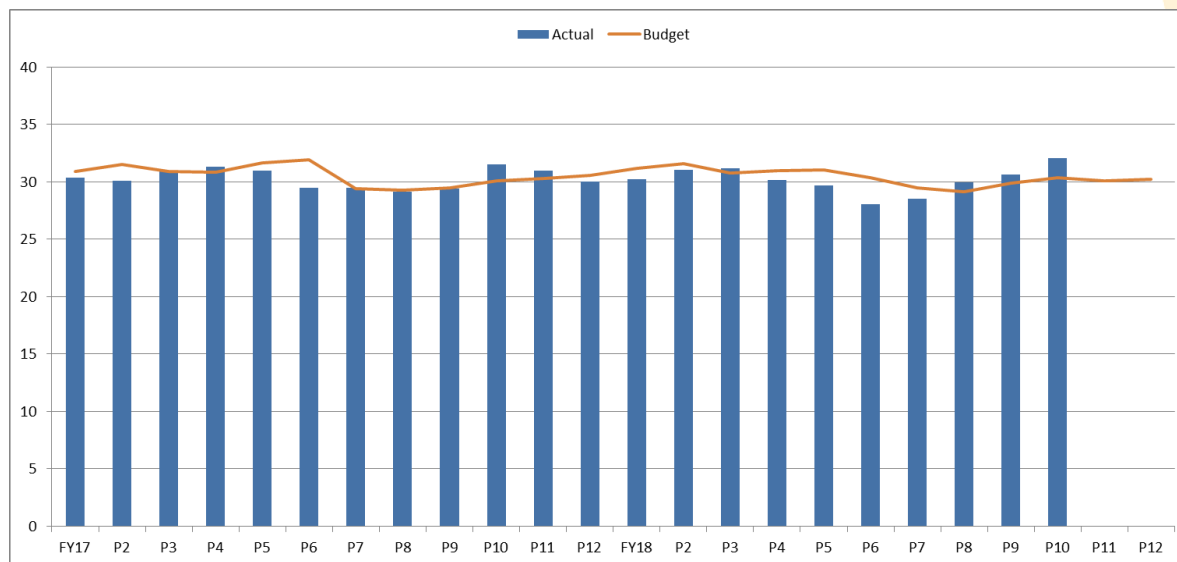
Volume is lower than budget for the month and higher for the year. High inpatient volume is in Inpatient Behavioral Health, HVI, Neurosciences, Oncology and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics, General Surgery and Rehab.



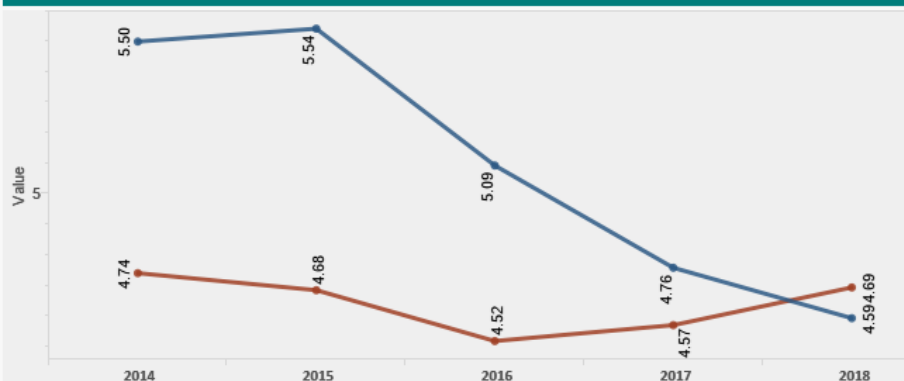
Productivity and Medicare Length of Stay

Work hours per adjusted patient day in April is over budget by 1.8. Overall the month of April is 32.2 worked hours per adjusted patient day

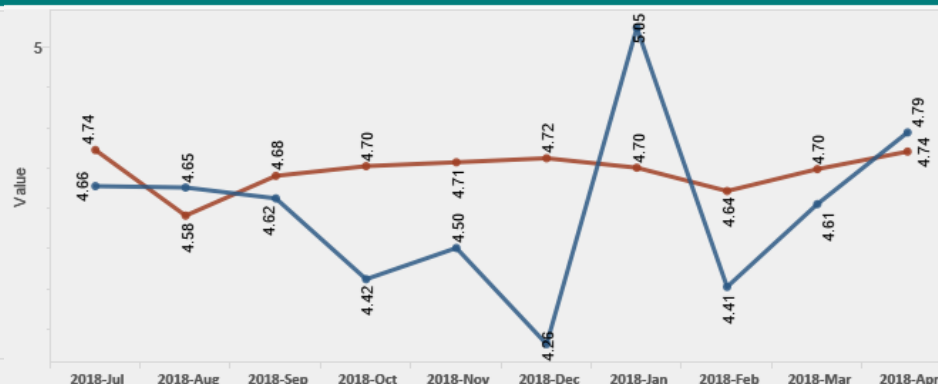
ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2018 at benchmark.
Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR

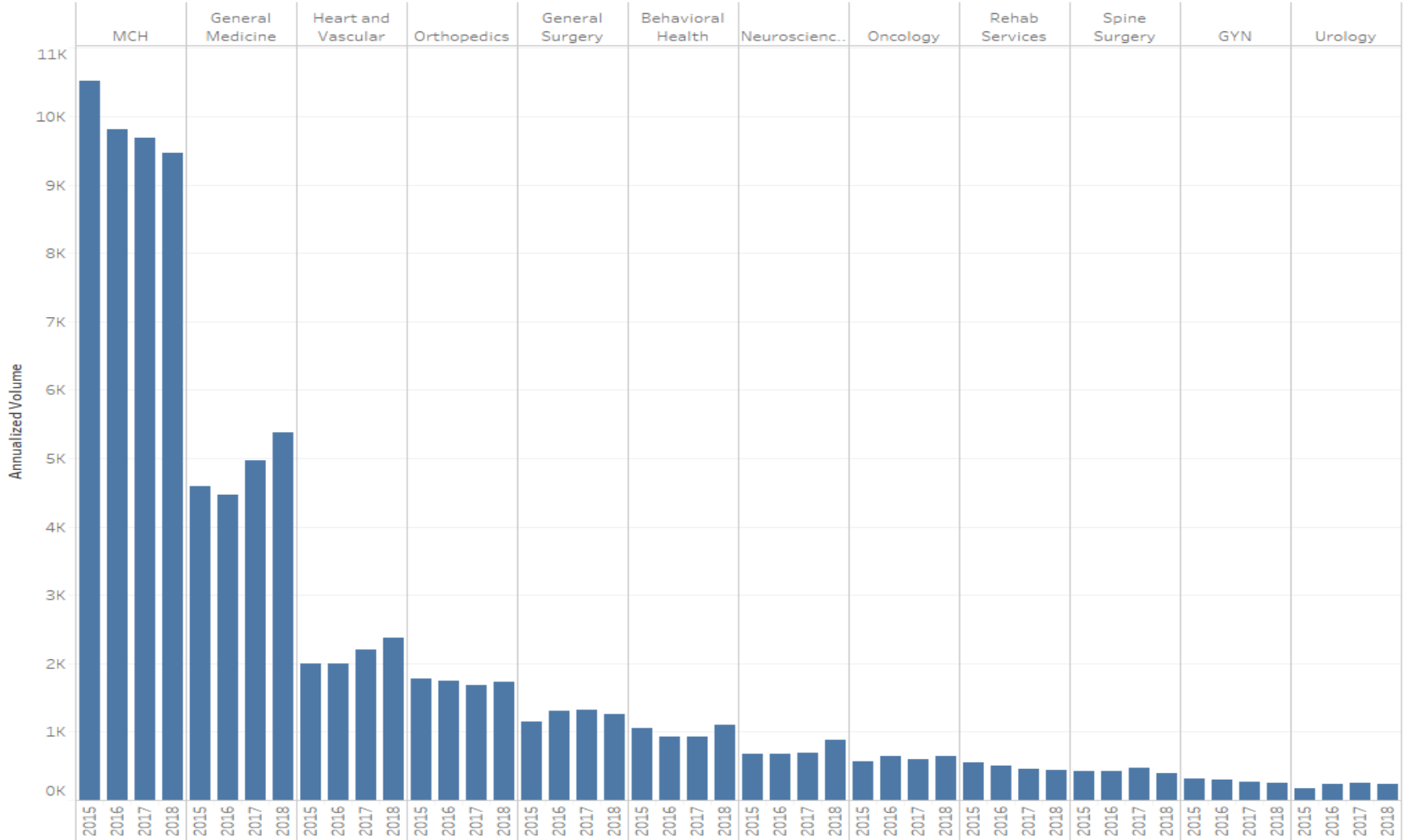


AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



El Camino Hospital Volume Annual Trends – Inpatient

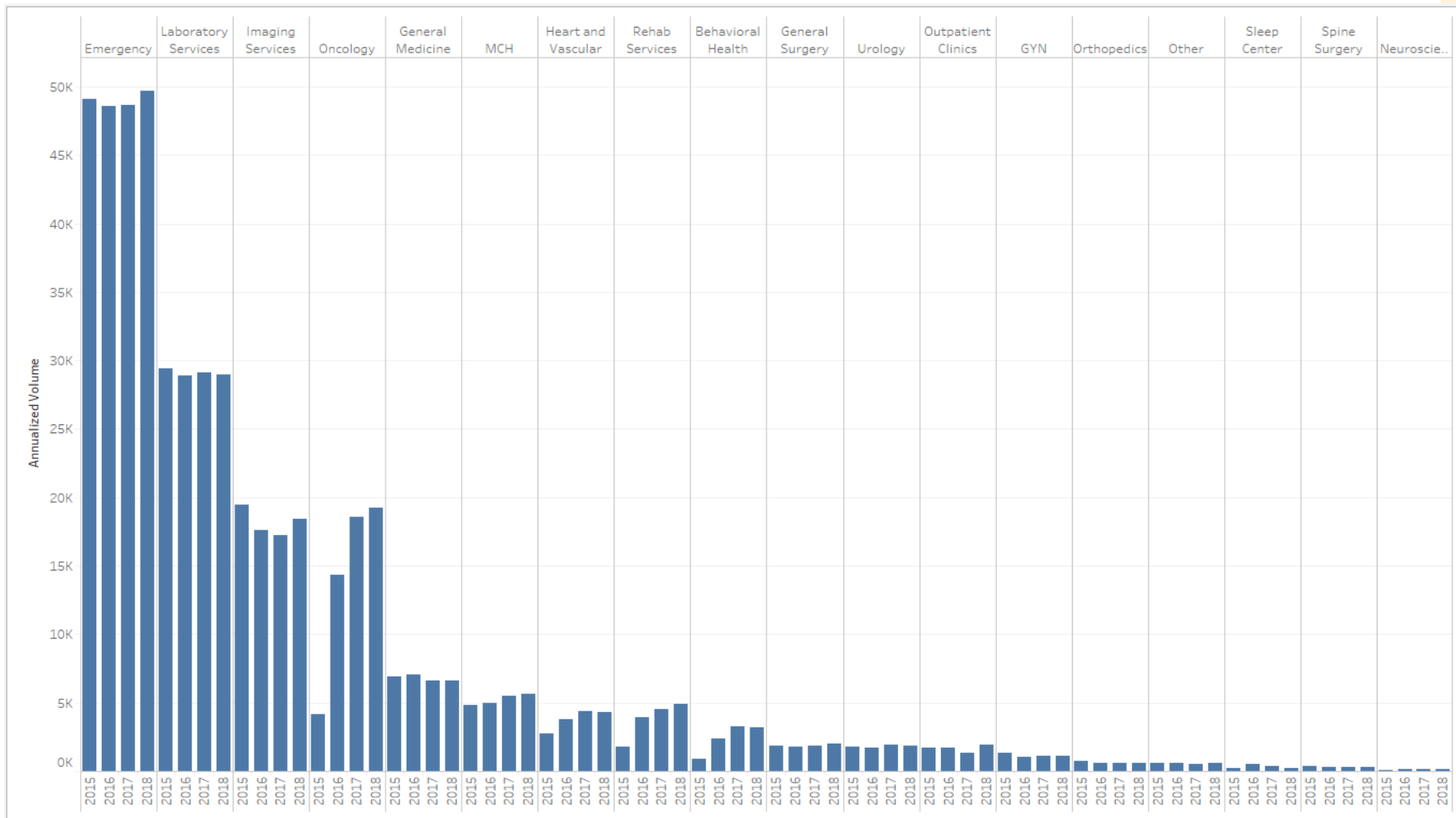
FY 2018 is annualized



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

El Camino Hospital Volume Annual Trends – Outpatient

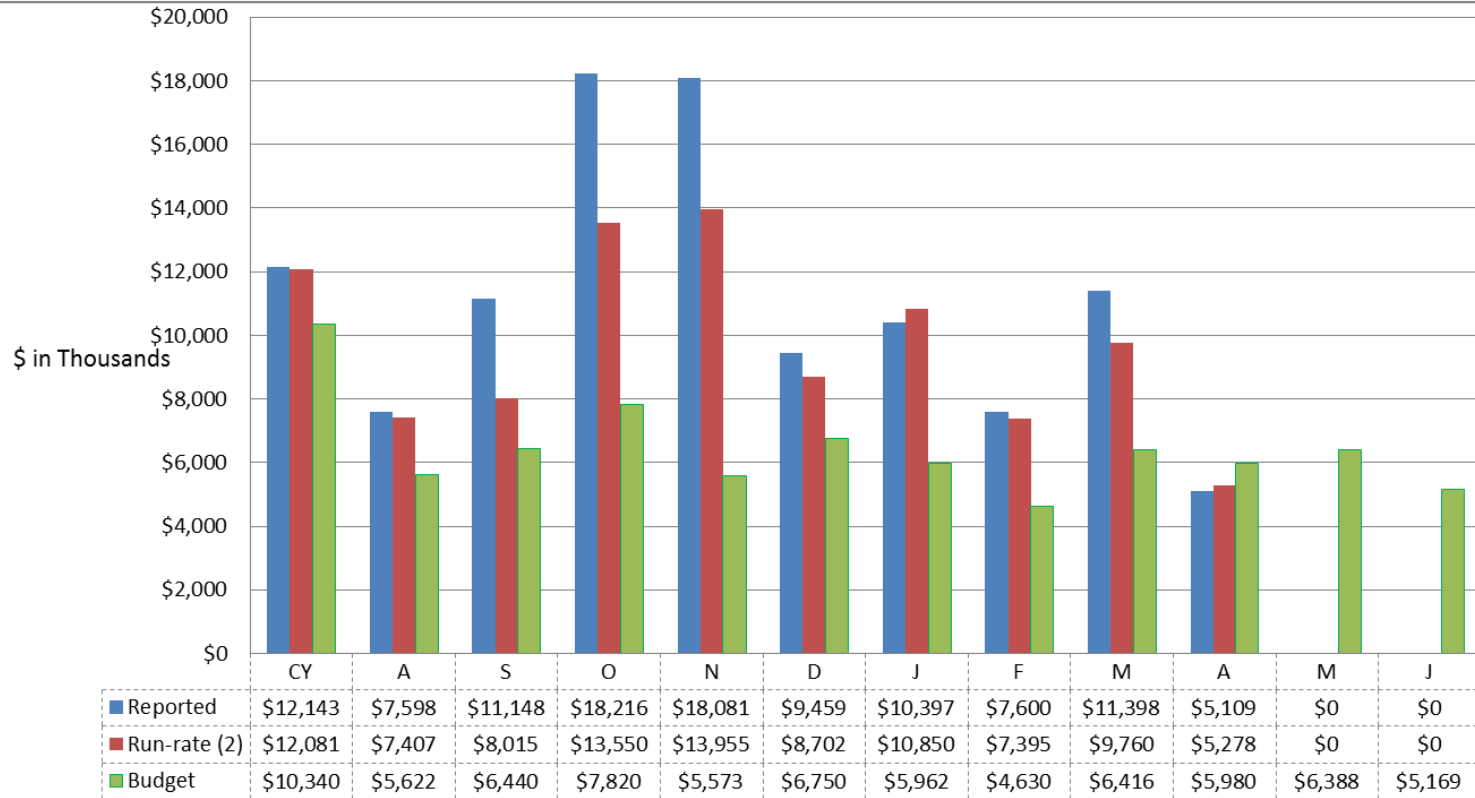
FY 2018 is annualized



- Comparing year-over-year Oncology, MCH, Rehab Services, Emergency and Outpatient Clinics are all increasing in volume. All others are remaining flat or decreasing.

ECH Operating Margin

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



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

Revenue Adjustments	J	A	S	O	N	D	J	F	M	A	YTD
Insurance (Payment Variance)	-	-	-	611	-	669	28	-	603	-	1,912
Mcare Settltmt/Appeal/Tent Settltmt/PIP	54	155	905	54	184	81	396	92	92	(224)	1,789
AB 915	-	-	-	-	-	-	-	103	926	-	1,029
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	8	(878)	10	17	56	(694)
Total	63	191	3,134	4,667	4,126	757	(453)	205	1,638	(169)	14,158

El Camino Hospital Investment Committee Scorecard

March 31, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		1Q 2018		Fiscal Year-to-date		5y 5m Since Inception (annualized)		2018	
Surplus cash balance*		\$875.2	--	--	--	--	--	\$926.1	--
Surplus cash return		0.1%	-0.6%	5.5%	4.9%	5.7%	5.5%	1.9%	5.3%
Cash balance plan balance (millions)		\$260.0	--	--	--	--	--	\$257.1	--
Cash balance plan return		0.4%	-0.7%	6.7%	6.0%	8.1%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		\$455.1	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 5m Since Inception (annualized)		2018	
Surplus cash Sharpe ratio		0.93	0.91	--	--	1.29	1.26	--	0.43
Net of fee return		4.9%	4.7%	--	--	5.7%	5.5%	--	5.3%
Standard deviation		4.8%	4.7%	--	--	4.1%	4.1%	--	6.7%
Cash balance Sharpe ratio		0.95	0.92	--	--	1.39	1.32	--	0.40
Net of fee return		6.0%	5.6%	--	--	8.1%	7.4%	--	5.7%
Standard deviation		5.9%	5.6%	--	--	5.5%	5.3%	--	8.1%
Asset Allocation		1Q 2018							
Surplus cash absolute variances to target		6.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		4.9%	< 10%	--	--	--	--	--	--
Manager Compliance		1Q 2018							
Surplus cash manager flags		29	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		32	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~\$223 mm), District assets (~\$33 mm), and balance sheet cash not in investable portfolio (~\$133 mm).

Includes Foundation (~\$26 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



El Camino Hospital

Capital Spending (in millions)

Category	Detail	Approved	Total	Total	Spent from Inception	2018 Current Proj Spend	FY18 Orig Proj Spend	Variance	FY 18 YTD Spent
			Estimated Cost of Project	Authorized Active				Between Current Proj Spend and Orig Proj Spend	
CIP	EPIC Upgrade			1.9	1.0	1.9	1.9	0.0	1.0
IT Hardware, Software, Equipment & Imaging*				12.2	1.2	12.2	12.2	0.0	1.2
Medical & Non Medical Equipment FY 17**				14.0	12.9	8.6	0.0	8.6 ²	7.5
Medical & Non Medical Equipment FY 18***				5.6	4.5	5.6	5.6	0.0	4.5
Facility Projects									
	1245 Behavioral Health Bldg	FY16	96.1	96.1	37.5	27.0	51.4	-24.4 ¹	19.9
	1413 North Drive Parking Expansion	FY15	24.5	24.5	23.9	2.6	3.4	-0.8	4.1
	1414 Integrated MOB	FY15	302.1	302.1	95.1	72.0	130.1	-58.1 ¹	49.2
	1422 CUP Upgrade	FY16	9.0	9.0	6.4	5.5	4.0	1.5	4.2
	1430 Women's Hospital Expansion	FY16	120.0	6.0	3.0	3.6	7.0	-3.4	2.5
	1425 IMOB Preparation Project - Old Main	FY16	20.0	0.0	2.8	0.0	0.0	0.0	0.2
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.6	0.0	0.0	0.0	0.2
	1525 New Main Lab Upgrades		3.1	3.1	2.2	2.5	0.0	2.5	1.7
	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	0.2	0.5	0.5	0.0	0.2
	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	3.8	0.0	0.0	0.0	0.4
	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	8.9	0.6	0.7	-0.1	1.6
	1307 LG Upgrades	FY13	19.3	19.3	17.5	4.9	5.0	-0.1	3.7
	1508 LG NICU 4 Bed Expansion	FY16	0.0	0.0	0.0	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	5.0	3.5	3.5	0.0	4.7
	1711 Emergency Sanitary & Water Storage		1.4	0.3	0.1	0.2	3.2	-3.0	0.1
	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	0.2	0.4	0.0	0.4	0.2
	All Other Projects under \$1M		5.6	0.4	57.1	1.8	0.0	1.8	4.0
GRAND TOTAL			684.4	479.6	270.7	128.0	211.9	-83.9	97.2
				499.4	290.4	156.5	231.7	-75.2	111.4

* Excluding EPIC

** Unspent Prior Year routine used as contingency

*** Includes 2 robot purchases

¹ Variance due to delay in MV campus plan

² Initial assumption was to spend all FY17 in FY17

Balance Sheet (in thousands)

ASSETS

	Audited	
	April 30, 2018	June 30, 2017
CURRENT ASSETS		
Cash	115,213	125,551
Short Term Investments	151,944	140,284
Patient Accounts Receivable, net	115,311	109,089
Other Accounts and Notes Receivable	2,713	2,628
Intercompany Receivables	1,654	1,495
(1) Inventories and Prepaids	53,338	50,657
Total Current Assets	440,174	429,705
BOARD DESIGNATED ASSETS		
(2) Plant & Equipment Fund	152,742	131,153
Women's Hospital Expansion	9,298	9,298
(3) Operational Reserve Fund	127,908	100,196
(4) Community Benefit Fund	18,631	12,237
Workers Compensation Reserve Fund	21,793	20,007
Postretirement Health/Life Reserve Fund	19,684	19,218
PTO Liability Fund	24,428	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	18,260	16,575
Total Board Designated Assets	394,378	333,727
(5) FUNDS HELD BY TRUSTEE	216,581	287,052
LONG TERM INVESTMENTS	314,542	256,652
INVESTMENTS IN AFFILIATES	32,753	32,451
PROPERTY AND EQUIPMENT		
(6) Fixed Assets at Cost	1,253,374	1,192,047
Less: Accumulated Depreciation	(569,552)	(531,785)
Construction in Progress	181,299	138,017
Property, Plant & Equipment - Net	865,122	798,279
DEFERRED OUTFLOWS	28,460	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,292,009	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	April 30, 2018	June 30, 2017
CURRENT LIABILITIES		
(7) Accounts Payable	25,747	38,457
(8) Salaries and Related Liabilities	19,708	25,109
Accrued PTO	24,428	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	9,501	10,438
Intercompany Payables	63	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,850	3,735
(9) Bond Interest Payable	6,477	11,245
Other Liabilities	7,845	4,889
Total Current Liabilities	101,554	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,684	19,218
Worker's Comp Reserve	19,493	17,707
Other L/T Obligation (Asbestos)	3,840	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	521,452	527,371
Total Long Term Liabilities	564,469	568,042
DEFERRED REVENUE-UNRESTRICTED	218	567
DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,220,725	1,132,525
Board Designated	394,378	333,726
Restricted	0	0
(10) Total Fund Bal & Capital Accts	1,615,103	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,292,009	2,166,825

APRIL 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to two quarterly pension fundings of \$2.6M in October and January.
- (2) The increase is due to 10 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, item (5).
- (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 decrease is primarily due to the annual 403B match funding that occurred in January
- (9) The significant decrease is due to semi-annual 2015A and 2017 Bond interest payments having been paid in January.
- (10) The increase is mostly attributable to the first ten periods of financial performance producing an operating income of \$111 million and non-operating of \$43 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)

10 months ending 04/30/2018

Period 10 FY 2017	Period 10 FY 2018	Period 10 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
202,246	208,733	215,033	(6,300)	-2.9%	Gross Revenue	2,041,384	2,255,835	2,178,808	77,026	3.5%
(148,592)	(153,115)	(159,082)	5,967	-3.8%	Deductions	(1,485,712)	(1,647,073)	(1,616,157)	(30,916)	1.9%
53,654	55,618	55,951	(333)	-0.6%	Net Patient Revenue	555,672	608,762	562,651	46,111	8.2%
1,463	1,511	1,651	(140)	-8.5%	Other Operating Revenue	18,774	21,988	17,257	4,731	27.4%
55,116	57,130	57,602	(473)	-0.8%	Total Operating Revenue	574,446	630,749	579,908	50,841	8.8%
OPERATING EXPENSE										
31,881	31,710	32,773	1,063	3.2%	Salaries & Wages	309,269	326,053	326,542	489	0.1%
8,307	8,704	8,109	(595)	-7.3%	Supplies	78,581	85,714	81,949	(3,765)	-4.6%
6,291	7,584	6,519	(1,065)	-16.3%	Fees & Purchased Services	66,570	71,576	66,461	(5,115)	-7.7%
502	749	766	17	2.2%	Other Operating Expense	6,743	7,305	8,693	1,388	16.0%
(129)	567	725	159	21.9%	Interest	3,558	4,859	7,254	2,395	33.0%
3,446	3,507	3,849	342	8.9%	Depreciation	34,966	34,970	36,286	1,316	3.6%
50,299	52,819	52,740	(79)	-0.2%	Total Operating Expense	499,687	530,477	527,185	(3,292)	-0.6%
4,817	4,311	4,862	(552)	-11.3%	Net Operating Income/(Loss)	74,759	100,272	52,723	47,549	90.2%
7,532	(396)	225	(621)	-275.8%	Non Operating Income	46,938	43,366	2,253	41,113	1824.9%
12,349	3,914	5,088	(1,173)	-23.1%	Net Income(Loss)	121,697	143,638	54,976	88,663	161.3%
14.8%	14.7%	16.4%	-1.7%		EBITDA	19.7%	22.2%	16.6%	5.6%	
8.7%	7.5%	8.4%	-0.9%		Operating Margin	13.0%	15.9%	9.1%	6.8%	
22.4%	6.9%	8.8%	-2.0%		Net Margin	21.2%	22.8%	9.5%	13.3%	

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

10 months ending 04/30/2018

Period 10 FY 2017	Period 10 FY 2018	Period 10 Budget 2018	Variance Fav (Unfav)	Var%		YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
41,688	46,379	47,328	(949)	-2.0%	Gross Revenue	449,052	493,683	474,355	19,329	4.1%
(31,202)	(34,193)	(34,371)	178	-0.5%	Deductions	(330,471)	(364,382)	(344,491)	(19,891)	5.8%
10,486	12,186	12,957	(771)	-6.0%	Net Patient Revenue	118,581	129,301	129,863	(562)	-0.4%
169	221	214	7	3.5%	Other Operating Revenue	1,671	1,814	2,140	(326)	-15.2%
10,655	12,407	13,171	(764)	-5.8%	Total Operating Revenue	120,252	131,115	132,003	(888)	-0.7%
					OPERATING EXPENSE					
6,374	6,498	6,438	(60)	-0.9%	Salaries & Wages	63,044	65,724	63,652	(2,072)	-3.3%
1,707	1,558	1,967	408	20.8%	Supplies	18,218	19,501	19,771	269	1.4%
1,277	1,340	1,269	(71)	-5.6%	Fees & Purchased Services	13,538	13,319	12,796	(523)	-4.1%
1,541	1,520	1,536	17	1.1%	Other Operating Expense	16,054	15,592	15,529	(63)	-0.4%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
486	692	843	151	17.9%	Depreciation	5,138	6,100	7,445	1,345	18.1%
11,386	11,609	12,053	445	3.7%	Total Operating Expense	115,992	120,237	119,192	(1,045)	-0.9%
(730)	799	1,117	(319)	-28.5%	Net Operating Income/(Loss)	4,260	10,878	12,811	(1,933)	-15.1%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
(730)	799	1,117	(319)	-28.5%	Net Income(Loss)	4,250	10,833	12,811	(1,978)	-15.4%
					EBITDA	7.8%	12.9%	15.3%	-2.4%	
-2.3%	12.0%	14.9%	-2.9%		Operating Margin	3.5%	8.3%	9.7%	-1.4%	
-6.9%	6.4%	8.5%	-2.0%		Net Margin	3.5%	8.3%	9.7%	-1.4%	
-6.9%	6.4%	8.5%	-2.0%							

Month and YTD unfav variance due to loss of surgical volume due to MD shift and unexpected retirements. Plan in place to replace lost volume by June.

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	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	14,275
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	156,465
*Includes 2 robot purchases in FY2017				

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

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556	1404 - Park Pav HVAC	0	64	7	0	0
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
Land Acquisition (1550)	0	0	0	24,007	0	1408 - New Main Accessibility Upgrades	0	0	7	46	501
828 S Winchester Clinic TI (1701)	0	0	0	0	145	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
Facilities Projects CIP						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
Mountain View Campus Master Plan Projects						1430 - Women's Hospital Expansion	0	0	0	0	464
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1432 - 205 South Dr BHS TI	0	0	8	15	0
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1501 - Women's Hospital NPC Comp	0	0	4	0	223
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
1422 - CUP Upgrade	0	0	0	896	1,245	1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493	1504 - Equipment Support Infrastructure	0	0	61	311	0
						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
Mountain View Capital Projects						1525 - New Main Lab Upgrades	0	0	0	0	464
9900 - Unassigned Costs	734	470	3,717	0	0	1526 - CONCERN TI	0	0	0	37	99
1108 - Cooling Towers	450	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
1120 - BHS Out Patient TI's	66	0	0	0	0	Los Gatos Capital Projects					
1129 - Old Main Card Rehab	9	0	0	0	0	0904 - LG Facilities Upgrade	2	0	0	0	0
0817 - Womens Hosp Upgrds	645	1	0	0	0	0907 - LG Imaging Masterplan	244	774	1,402	17	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	1005 - LG OR Light Upgrd	14	0	0	0	0
1109 - New Main Upgrades	423	393	2	0	0	1122 - LG Sleep Studies	7	0	0	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1213 - LG Sterilizers	102	0	0	0	0	1308 - LG Infrastructure	0	114	0	0	0
1225 - Rehab BLDG Roofing	7	241	4	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1227 - New Main eICU	96	21	0	0	0	1219 - LG Spine OR	0	214	323	633	2,163
1230 - Fog Shop	339	80	0	0	0	1221 - LG Kitchen Refrig	0	85	0	0	0
1315 - 205 So. Drive TI's	0	500	2	0	0	1248 - LG - CT Upgrades	0	26	345	197	6,669
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1249 - LG Mobile Imaging	0	146	0	0	0
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1211 - SIS Monitor Install	215	0	0	0	0	1345 - LG Lab HVAC	0	112	0	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1421 - LG MOB Improvements	0	0	198	65	303
1301 - Desktop Virtual	0	13	0	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1304 - Rehab Wander Mgmt	0	87	0	0	0	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1603 - LG MOB Improvements	0	0	0	0	285
1318 - Women's Hospital TI	0	48	48	29	2	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1327 - Rehab Building Upgrades	0	0	15	20	0	Subtotal Facilities Projects CIP	9,294	13,753	38,940	24,130	82,808
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0						
1340 - New Main ED Exam Room TVs	0	8	193	0	0	Grand Total	27,598	58,561	86,789	96,740	97,923
1341 - New Main Admin	0	32	103	0	0	Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000
1344 - New Main AV Upgrd	0	243	0	0	0						
1400 - Oak Pav Cancer Center	0	0	5,208	666	52						





El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

**El Camino Hospital and Affiliates
FY19 Operating & Capital Budget**

El Camino Hospital Board
Finance Committee

May 29, 2018

Dan Woods, CEO

Iftikhar Hussain, CFO

Contents

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Strategic Goals and Objectives

Themes *Differentiators*

1 High-Performance Operating Model

2 Consumer, Payer, Employer Alignment

3 Physician Integration

Goals *What you will achieve to make strategy a success*

1.
Create
innovative
sites of care
across Silicon
Valley

2.
Create
Operational
Efficiency to
manage cost
and increase
scale

3.
Enable a
value based
network of
care in Silicon
Valley

4.
Exceed
patient,
payer and
employer
expectations

5.
Provide
world class
programs and
physician
support

6.
Align with a
clinically and
financially
integrated
physician
network

Objectives *Specific outcomes with targets and deadlines*

1.1a Facility Plan
1.1b Ambulatory / Clinic Plan
1.2a Embed Lean Management
1.2b Reduce preventable
admissions, readmissions

2.1a Know consumer, payers, employers
2.1b Silicon Valley Post Acute Network
2.2a Best patient centered quality, safety
& experience
2.2b Nationally renowned innovative
care delivery

3.1a Centers of Excellence
3.1b Best environment for
physicians
3.2a ECH employed network
3.2b Aligned diverse network

High-Performing Operating Model

1.1

Create innovative sites of care across Silicon Valley

Initiative 1.1a: Execute campus plan for all three sites and beyond, within the context of growth and informed by rationalization of services

FY19 Tactics

1. Achieve Heart Valve Center of Excellence designation from American College of Cardiology by year end
2. Increase patient capacity through cardiac cath and electrophysiology lab equipment & facilities to allow growth/new physicians in Mountain View, phased throughout year
3. Implement Comprehensive Spine Program in Mountain View
4. Open expanded Behavioral Health Services facility by year end
5. Expand pre-/post-surgical services at Los Gatos by year-end to accommodate more growth
6. Assess opportunity to develop medical oncology program development at Los Gatos by end of FY19

Initiative 1.1b: Create a beyond-campus provider network of at least four ambulatory care sites supporting population health management, digital channels and the delivery of care at the right place and time

FY19 Tactics

1. Operate six (6) ambulatory locations by year end, including SVMD and Urgent Care centers

High-Performing Operating Model

1.2

Create operational efficiency to manage cost and increase scale

Initiative 1.2a: Embed a Lean management culture that focuses on performance analytics and accountability

FY19 Tactics

1. Align work of organization to achieve strategic goals
2. Demonstrate improvement on patient Emergency Department throughput, facilities/equipment, operating room efficiency value streams
3. Use focused Lean Management System training/"Train-the-Trainer" for future facilitators
4. Execute leader Standard Work at all levels of leadership (Managers -> Executives)

Initiative 1.2b: Reduce preventable admissions and readmissions, and support effective, efficient care transitions along the continuum

FY19 Tactics

1. Continue Clinical Documentation Improvement (CDI) initiative
2. Assess clinical variation opportunities and execute to reduce cost and improve outcomes

Consumer, Payer & Employer Alignment

2.1

Enable a value-based network of care in Silicon Valley

Initiative 2.1a: Know our employers, payers, and consumers better than any other health system in Silicon Valley

FY19 Tactics

1. Address 1-2 operational concerns from payers
2. Address 1-2 concerns of employers found in the employer preference study
3. Conduct 1-2 additional focus groups to better understand our consumers

Initiative 2.1b: Establish a Silicon Valley post-acute care network along the continuum capable of supporting value-based payment (VBP) arrangements

FY19 Tactics

1. Align additional post-acute providers to increase percent of eligible patients discharged to a network provider to 58%

Consumer, Payer & Employer Alignment

2.2

Exceed patient, payer & employer expectations

Initiative 2.2a: Provide Silicon Valley's best patient centered experience via high quality, convenient care across the entire care continuum

FY19 Tactics

1. Develop ECH's 3-year Patient Experience Roadmap
2. Execute on Patient Experience Roadmap priorities for FY19 to improve HCAHPS performance
3. Improve participation in MyChart to 50% by December 31, 2018
4. Implement MyChart Bedside in specified units by December 31, 2018
5. Integrate 1-2 technologies (e.g., Chatbot or app) to support patient experience
6. Attain improvement on quality metrics (mortality AMI, CABG and readmission AMI, HF)
7. Implement navigation system in pilot Center(s) of Excellence

Initiative 2.2b: Create and support a nationally renowned innovation center focused on bringing Silicon Valley's innovation to clinical processes and care delivery

FY19 Tactics

1. Use design thinking processes to develop and test "Patient Room of the Future"

Physician Integration

3.1

Provide world-class programs and physician support

Initiative 3.1a: Invest in and expand Centers of Excellence to foster ECH's market distinction and deliver standard of care

FY19 Tactics

1. Establish 1-2 partnerships with local health systems that achieve retention and growth for key service lines and support Initiatives 1.1a and 1.1b

Initiative 3.1b: Offer physicians the best health care environment in which to work

FY19 Tactics

1. Implement focused operations plans based on input from physicians and demonstrate improvement
2. Implement voice recognition software for physician staff
3. Establish a highly effective Medical Staff onboarding and credentialing process
4. Improve Medical Staff engagement through exceptional physician relations

Physician Integration

3.2

Align with a clinically and financially integrated physician network

Initiative 3.2a: Invest in and expand ECH's own physician network via 1206(g), evolving to 1206(l)

FY19 Tactics

1. Establish medical group and practice management infrastructure
2. Growth to 25 providers by the end of FY19

Initiative 3.2b: Align with a distributed, clinically integrated physician network and Foundation with one or more partners

FY19 Tactics

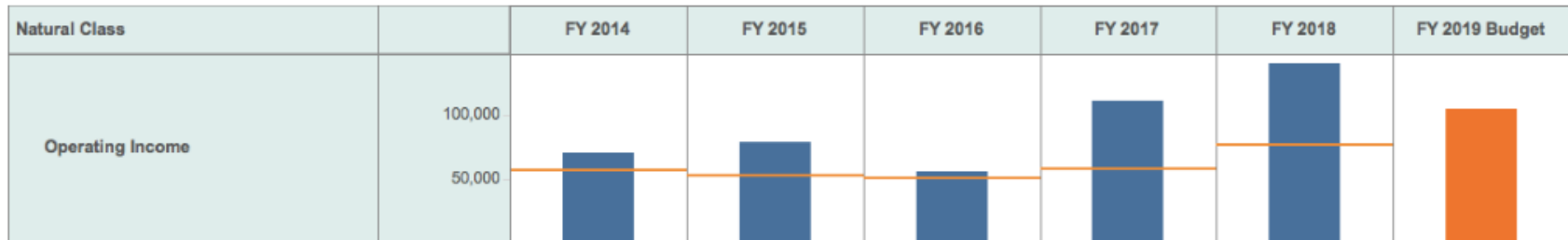
1. Add El Camino Hospital and members of its independent Medical Staff to 1-2 payer networks and/or products

FY19 Organizational Goals: Draft

Organizational Goals FY19		Benchmark	Baseline	Minimum	Target	Maximum	Weight	Performance Timeframe
Organizational Goals								
	Patient Throughput ED Door to Patient Floor - LG & MV	Internal Benchmark <i>Based on CMS Core Measure Data</i>	Minutes - 339	306	280	270	30%	Q4
	HCAHPS Service Metric Nurse Communication 10% Responsiveness 10% Cleanliness 10%	External Benchmark <i>PG-HCAHPS Adjusted/Received</i>	Nurse Comm - 80 Responsiveness - 65.1 Cleanliness - 74.5	80.5 65.6 75	81 67 76	82 68.5 77	30%	Q4
	Quality Metrics Mortality Index - All Patients 10% Readmissions Index - All Patients 10%	External Benchmark <i>Premier Quality Advisor Top Quartile</i>	Mortality 1.02 Readmission 1.08	1.00 1.07	0.95 1.05	0.90 1.03	20%	FY
	People Employee Engagement	External Benchmark <i>Press Ganey</i>	4.09	4.09	4.14	4.17	20%	FY
Threshold Goals								
	Budgeted Operating Margin	Internal <i>95% Threshold</i>	Achieved FY18 Budget	95% of Budgeted Operating Margin		Threshold		FY

Historical Performance

Historical Performance vs. Budget



- Beginning in FY17, operating margin has been favorable vs. history and budget

Historical Performance – Op. Margin Variance

FY 17 variance primarily due to Rev Cycle due to EPIC implementation in FY 16 and contracting

FY 18 variance primarily due to volume

	FY17	FY18	Notes
Actual Operating Margin Variance	\$53,892	\$64,298	
Revenue cycle and contracting			
Denials recovery	(12,180)		Rev cycle improvement in first year after go-live. Maintained and budgeted in subsequent year
Anthem renewal	(4,500)		Contract negotiated after FY 17 budget
Charge Capture	(746)		
CDI revenue	(4,300)	(924)	FY 17 was first year of CDI program
Volume Growth	(6,225)	(30,684)	FY18 variance in ER, General Med-Surg, HVI, Onc and Ortho
Other Op Revenue Favorability		(6,100)	Prime, Cancer Clinic, Cafeteria
Unusual Items	(12,752)	(13,664)	One time items
Fav Depreciation due to construction delay	(4,900)	(3,906)	
Fav Interest	(2,700)	(2,981)	FY 17 cap interest included prior year adj. FY 18 Cap int calc based on est use on projects funded with new bonds
	(48,303)	(58,259)	
All other items	\$5,589	\$6,038	

FY18
Includes
\$5.5 million
from FY17

FY19 Proposed Operating Budget

FY19 Revenue, Volume, and Expense Inflation Assumptions

Category	Description
Charges	5% increase. Combined IP and OP prices are at 35 th percentile based on OSHPD data
Net Revenue	Medicare 1.4% increase Average commercial 3% to maintain mid market position.
Growth	2.5% measured in adjusted discharges
Commercial Payer Mix	Increase by 1.6% to 42.8%
Wages	Non contractual at 3%
Pharmacy	3.5%
Supplies	3%
All other	2 - 3%

Proposed Hospital & Affiliates Consolidated Budget

	2015	2016	2017	2018 Ann	BUD 2019		Bud19 vs 18	% Var 19 vs 18
Revenue								
Total Gross Revenue	2,573,881	2,755,722	3,020,408	3,300,093	3,564,266		264,173	8.0%
Deductions	1,827,236	1,983,549	2,187,761	2,414,245	2,647,094		232,849	9.6%
Net Patient Revenue	746,645	772,173	832,647	885,848	917,172		31,324	3.5%
Other Operating Revenue	34,805	39,407	42,910	44,737	51,621		6,884	15.4%
Total Revenue	781,451	811,580	875,556	930,586	968,793		38,208	4.1%
Expenses								
Salaries, Contract Labor	319,671	339,551	346,486	369,813	401,610		31,797	8.6%
Benefits	97,387	103,707	106,879	107,833	114,958		7,125	6.6%
Drugs	24,181	28,797	31,623	34,355	45,751		11,395	33.2%
Supplies	85,962	89,386	90,358	93,342	95,385		2,043	2.2%
Professional Fees	30,417	32,124	37,693	38,071	45,856		7,785	20.4%
Purchased Services	69,936	75,093	74,340	75,968	85,508		9,540	12.6%
Other Operating Expenses	28,146	36,057	28,490	28,937	31,813		2,875	9.9%
Depreciation	44,707	48,803	47,970	49,478	53,244		3,766	7.6%
Interest Expense	5,256	7,193	1,709	5,831	7,686		1,855	31.8%
Total Operating Expense	705,663	760,712	765,548	803,630	881,811		78,181	9.7%
Operating Income	75,788	50,869	110,008	126,956	86,982		(39,973)	-31.5%
Investments	19,020	1,094	64,035	56,433	30,064		(26,369)	-46.7%
Community Benefit	(2,397)	(2,724)	(3,076)	(3,693)	(3,400)		293	-7.9%
Other - Calc	4,360	(3,482)	2,722	7,113	(981)		(8,094)	-113.8%
Other	4,355	(3,517)	2,688	7,113	(981)		(8,094)	-113.8%
Non-Operating	20,979	(5,147)	63,648	59,853	25,684		(34,169)	-57.1%
Net Income	96,766	45,722	173,656	186,809	112,666		(74,143)	-39.7%
EBIDTA	125,751	106,865	159,688	182,265	147,913		(34,353)	-18.8%
EBIDTA Margin %	16.1%	13.2%	18.2%	19.6%	15.3%			
Operating Margin %	9.7%	6.3%	12.6%	13.6%	9.0%			
Net Margin %	12.4%	5.6%	19.8%	20.1%	11.6%			

Proposed Hospital Budget

	2015	2016	2017	2018 Ann	BUD 2019	Bud19 vs 18	% Var
Revenue							
Total Gross Revenue	2,573,881	2,755,387	3,019,083	3,299,422	3,558,402	258,981	7.8%
Deductions	1,827,236	1,983,367	2,186,820	2,413,746	2,643,492	229,746	9.5%
Net Patient Revenue	746,645	772,020	832,263	885,675	914,910	29,235	3.3%
Other Operating Revenue	21,105	23,636	26,085	28,562	36,360	7,798	27.3%
Total Revenue	767,751	795,657	858,347	914,237	951,269	37,032	4.1%
Expenses							
Salaries, Contract Labor & P	314,406	334,140	341,137	364,273	396,612	32,339	8.9%
Benefits	95,666	101,849	104,948	105,860	113,297	7,437	7.0%
Drugs	24,136	28,770	31,617	34,349	45,689	11,340	33.0%
Supplies	85,825	89,218	90,209	93,172	94,970	1,797	1.9%
Professional Fees	29,721	31,421	36,845	36,769	38,239	1,470	4.0%
Purchased Services	62,653	66,597	64,277	66,124	67,502	1,378	2.1%
Other Operating Expenses	27,340	35,109	27,503	27,752	29,079	1,327	4.8%
Depreciation	44,627	48,748	47,925	49,284	52,857	3,572	7.2%
Interest Expense	5,256	7,193	1,709	5,831	7,686	1,855	31.8%
Total Operating Expense	689,629	743,044	746,171	783,414	845,930	62,517	8.0%
Operating Income	78,122	52,613	112,176	130,823	105,339	(25,484)	-19.5%
Non Operating							
Investments	18,194	(155)	62,259	55,451	29,072	(26,379)	-47.6%
Community Benefit	(2,397)	(2,716)	(3,076)	(3,431)	(3,600)	(169)	4.9%
Other - Calc	871	(6,699)	(1,710)	247	(20,655)	(20,903)	
Other	871	(6,699)	(1,783)	247	(20,655)	(20,903)	-8452.9%
Non-Operating Revenue and I	16,668	(9,570)	57,400	52,267	4,817	(47,450)	-90.8%
Net Income	94,790	43,043	169,576	183,091	110,156	(72,935)	-39.8%
EBIDTA	128,005	108,554	161,811	185,939	165,882	(20,057)	(0)
EBIDTA Margin %	16.7%	13.6%	18.9%	20.3%	17.4%	-2.9%	
Operating Margin %	10.2%	6.6%	13.1%	14.3%	11.1%	-3.2%	
FTEs	2,451	2,510	2,507	2,579	2,709	130	5.0%
FTEs per AOB	5.85	6.14	6.09	6.07	6.24		
Adj Discharges	32,507	31,379	33,052	34,888	35,771	883	2.5%

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Reconciliation FY18 to Hospital Budget FY19 (000's)

	FY 2018 Projected/ Actual	Volume & Access	Inflation	Strategic	Operations Improvement	Other	Increase / (Decrease)	FY 2019 Budget
Collectible Patient Revenue:	885,675	16,312	22,108			-9,186	29,235	914,910
Yield	26.8%						-1.1%	25.7%
Other Revenue:	28,562	7,100			500	198	7,798	36,360
TOTAL NET OPERATING REVENUE	914,237	23,412	22,108		500	-8,989	37,032	951,269
Salaries, Contract Labor & PTO	364,273	7,276	17,236	2,781	4,546	500	32,339	396,612
Total Benefits:	105,860	1,673	3,964	640	1,046	114	7,437	113,297
DRUGS	34,349	10,044	1,202			94	11,340	45,689
SUPPLIES	93,172	1,324	2,795	309	-2,200	-432	1,797	94,970
PROFESSIONAL FEES	36,769			2,128	363	-1,021	1,470	38,239
PURCHASED SERVICES	66,124	616		2,743	-1,306	-674	1,378	67,502
OTHER OPERATING EXPENSE	27,752	750		120	-507	965	1,327	29,079
DEPRECIATION	49,284					3,572	3,572	52,857
INTEREST EXPENSE	5,831					1,855	1,855	7,686
TOTAL OPERATING EXPENSE	783,414	21,683	25,198	8,720	1,942	4,973	62,517	845,930
OPERATING MARGIN	130,823	1,730	-3,090	-8,720	-1,442	-13,962	-25,484	105,339

- Strategic items mapped to strategy on the following page
- Operations improvement includes staffing to improve quality and safety funded with offsetting efficiencies

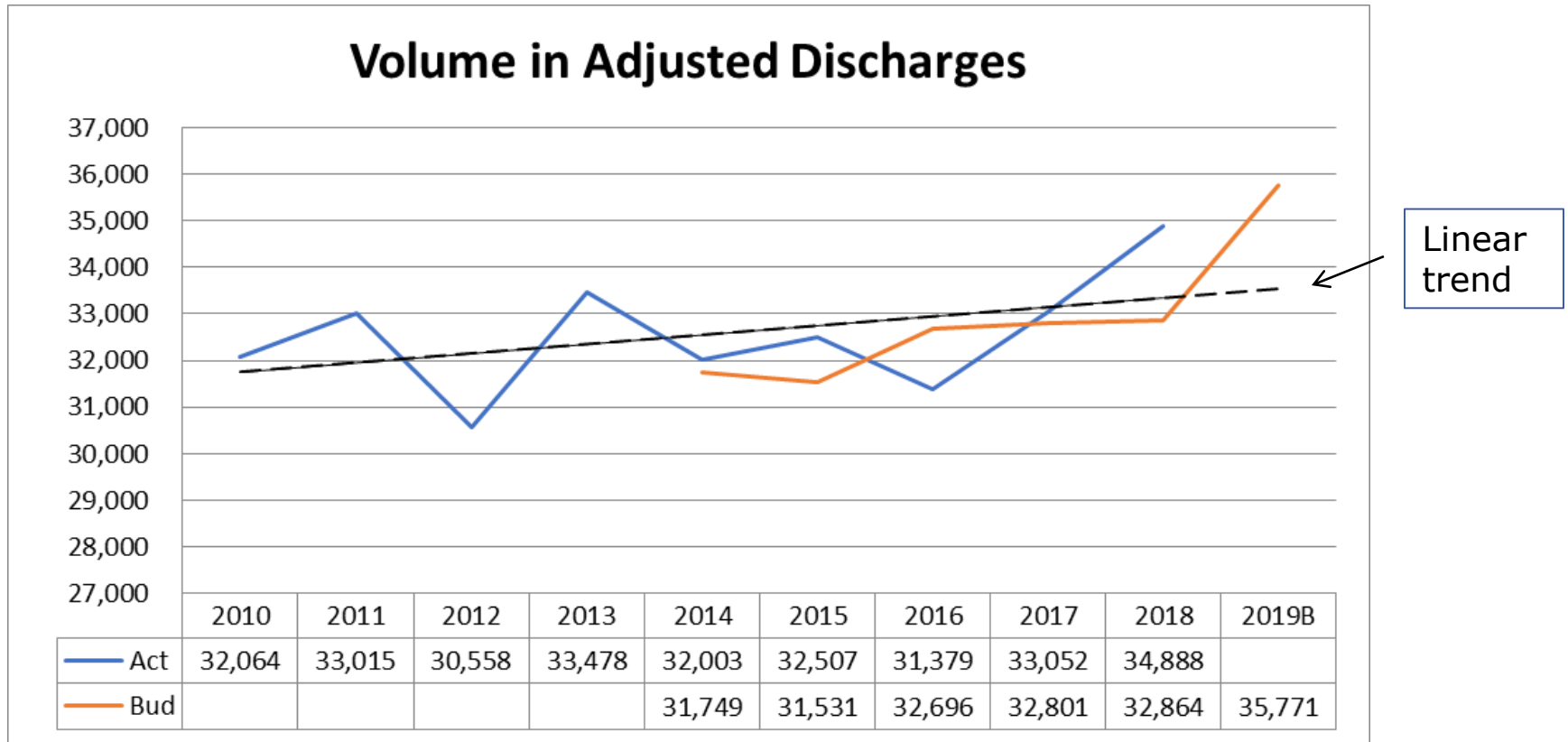
Funding for Strategic Initiatives

\$ in 000's

	Strategic Costs	Strategic Initiative(s)
Salaries, Contract Labor & PTO	2,781	
Strategic Programs	987	1.2a, 1.2b, 2.2a, 2.1b
Physician Integration	1,794	3.2a
Total Benefits:	640	
Benefit costs driven by increase in salaries	640	Various
SUPPLIES	309	
8330 Retail Café Supplies	309	2.2a
PROFESSIONAL FEES	2,128	
iCare Strategic Objective iCare Voice Recognition Dictation & Transcription project	1,000	3.1b
Consulting Engagements: - LEAN Culture - Market Surveys - Digital Technologies	828	1.2a, 2.1a
Guest Services Implement Patient Experience Roadmap	300	2.2a
PURCHASED SERVICES	2,743	
IS SW CONTRACT - New ERP	987	1.2a
IS Business Systems - New ERP Training	683	1.2a
Marketing Strategic Initiatives	833	2.1a
Press Gainey Culture of Safety engagement	240	2.2a
OTHER OPERATING EXPENSE	120	
Marketing Strategic Initiatives	120	2.1a
TOTAL OPERATING EXPENSE	8,720	

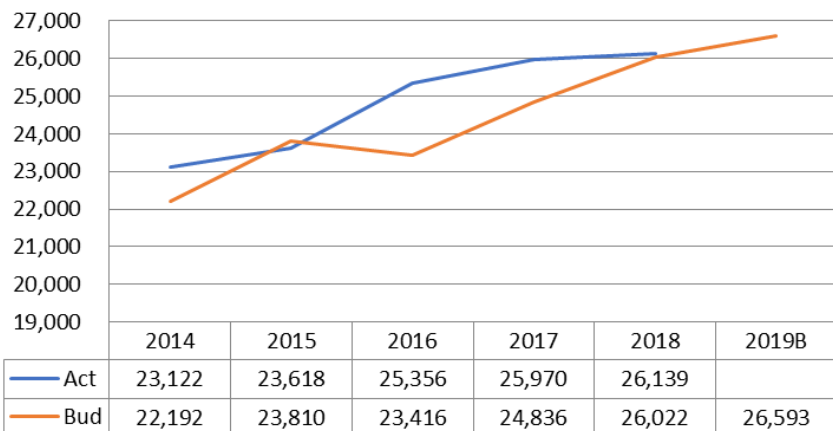
Patient Volume

Adjusted Discharges metric measures combined inpatient and outpatient volume

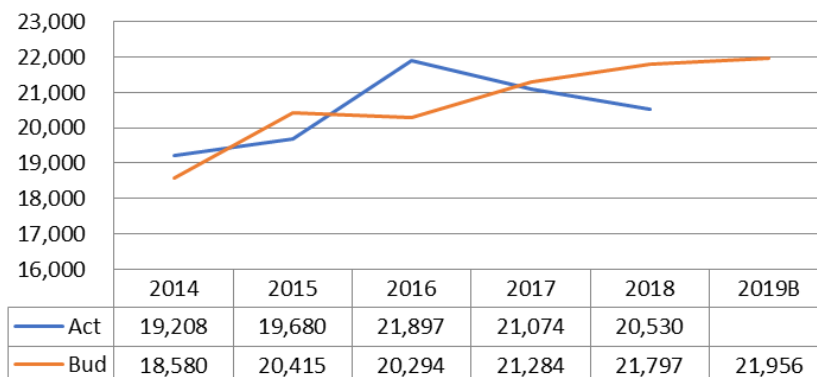


Revenues and Expenses: Historical Performance

Revenue per Adjusted Discharge

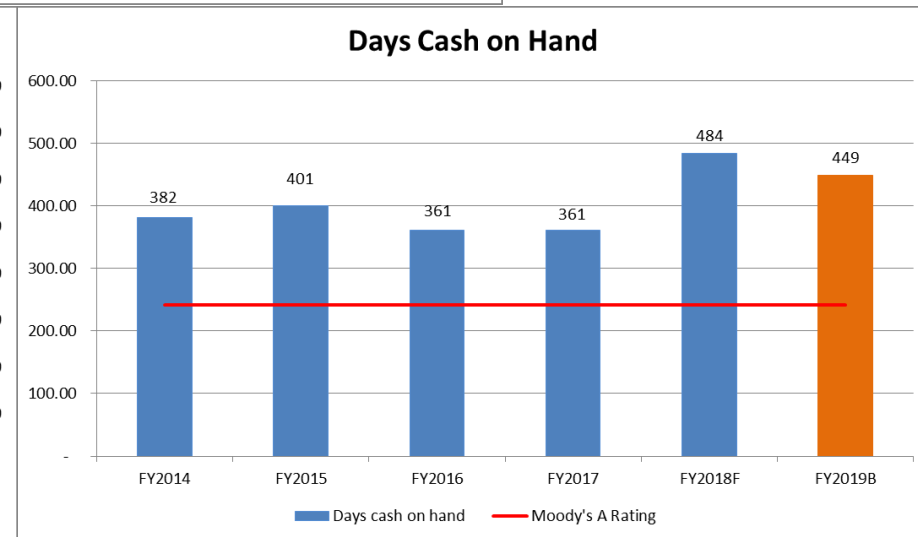
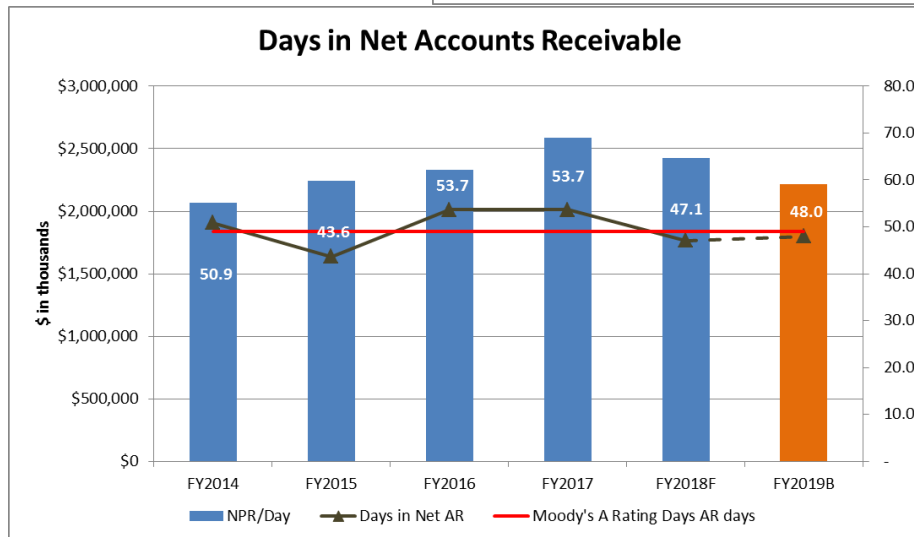
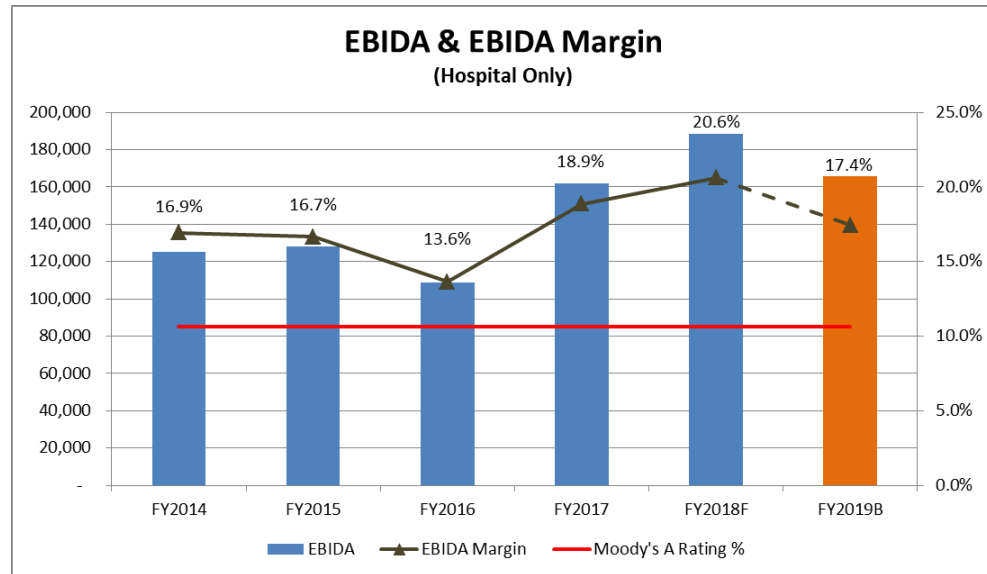


Expenses per Adjusted Discharge excluding Depreciation and Interest



- Revenue per adjusted discharge climbed in 2016 due to revenue cycle improvements as a result of EPIC.
- Post implementation, Revenue per adjusted discharge has grown modestly: 2.4% in FY17 and 0.7% in FY18. FY18 revenue per adjusted discharge is at budget.
- Expenses per adjusted discharge declined in FY17 and FY18 due to patient volume increase and leveraging fixed cost structure.

Key Financial Metrics

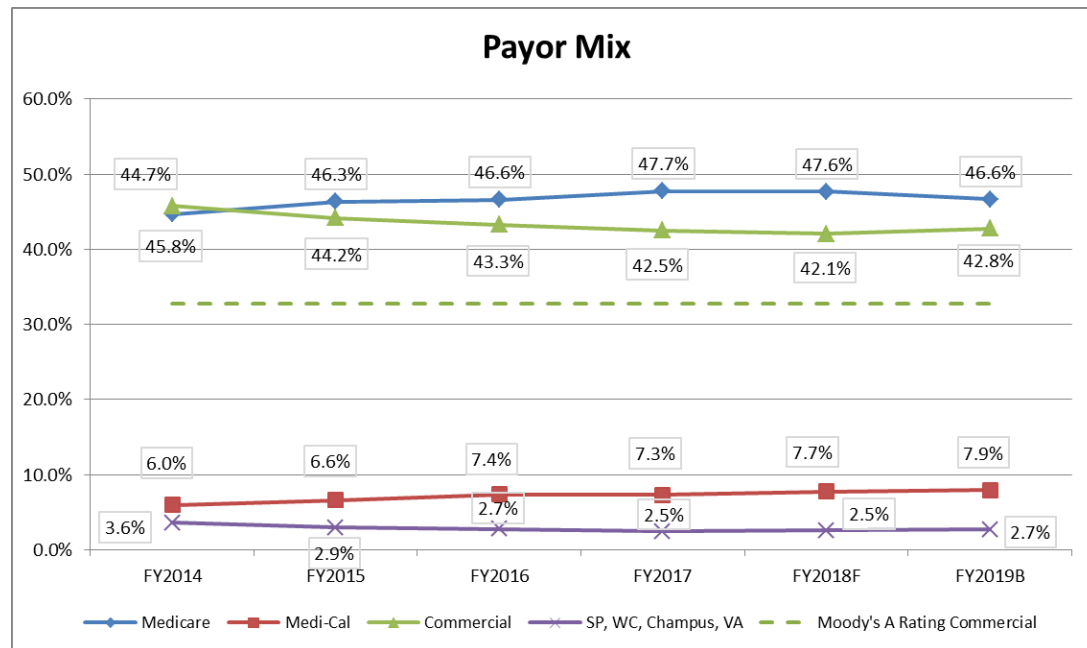


Target source: S&P 2014 A Rated Stand-Alone Hospital Median Ratio (last published 9/1/2015)

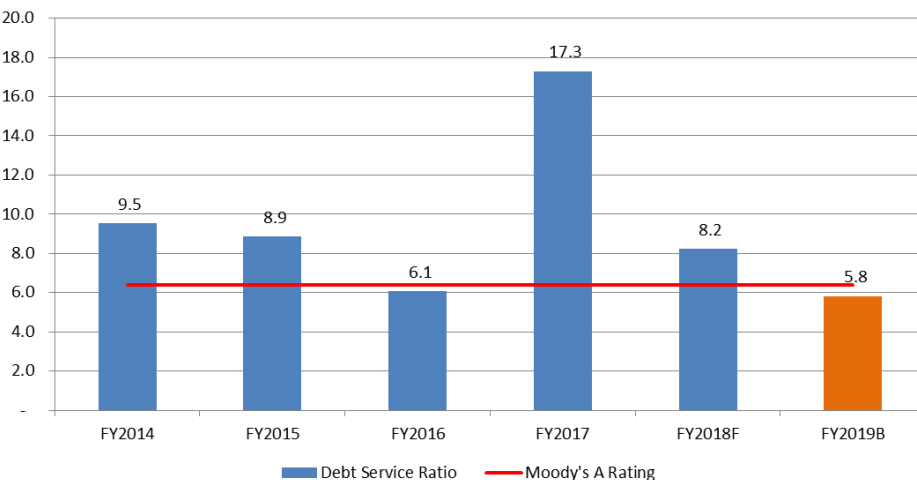
MOUNTAIN VIEW | LOS GATOS

Key Financial Metrics

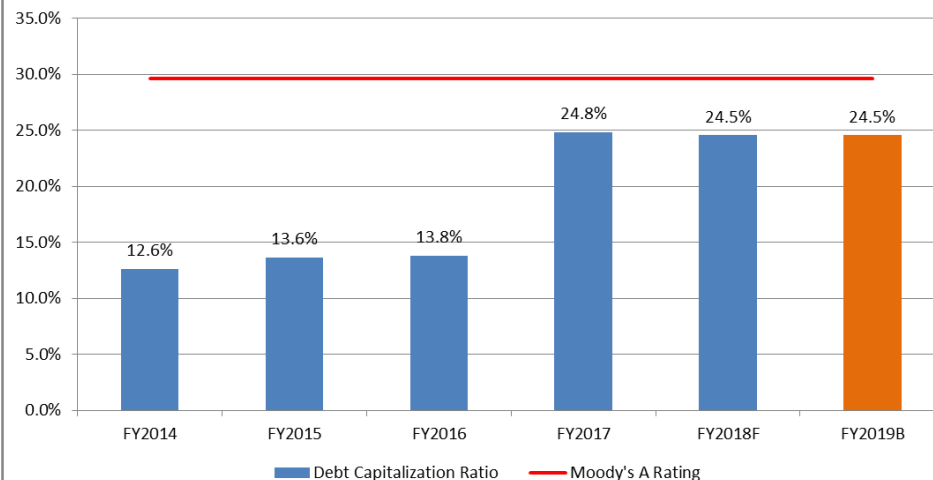
- Payer mix trend shows growth in Medicare and Medi-Cal
- FY19 growth initiative provide the commercial volume to stabilize the payer mix
- Commercial mix is above Moody's median



Debt Service Ratio



Debt Capitalization Ratio



Proposed Capital Budget FY19

FY19 Capital Spending Trend by Category

Capital Spending (in 000's)	Actual FY2014	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2018	Projected FY2018	Budget FY2019
EPIC	6,838	29,849	20,798	2,755	1,922	1,380	-
IT Hardware / Software Equipment	2,788	4,660	6,483	2,659	12,238	2,319	19,732
Medical / Non Medical Equipment*	12,891	13,340	17,133	9,556	5,635	15,063	11,206
Facilities	36,044	38,940	52,326	82,953	211,886	112,791	282,450
GRAND TOTAL	58,561	86,789	96,740	97,923	231,681	131,553	313,388

- FY19 Facility plan includes completion of IMOB and Behavioral projects
- IT budget includes ERP project
- Detail of IT and Equipment presented in appendix

FY19 Capital Request Detail

Facilities MV – Page 1/2

	Total Project Cost	FY -19 Proj Spend
Mountain View Campus Master Plan Projects		
Integrated Medical Office Building	302,100,000	150,000,000
North Dr Parking Structure Expansion	24,500,000	
BHS Replacement	96,100,000	45,000,000
Womens Hosp Expansion	135,000,000	10,000,000
Demo Old Main & Related Site Work	30,000,000	2,000,000
CUP Upgrades	9,000,000	800,000
Sub-Total Mountain View Master Plan Projects	596,700,000	207,800,000
Mountain View Other Capital Projects		
JW House (Patient Family Residence)	6,500,000	6,000,000
Imaging Equipment Replacement (Imaging Dept. Only)	20,700,000	6,000,000
IR / Cath Lab Equipment Replacement (5 or 6 Rooms)	19,400,000	5,000,000
ED Remodel Triage / Psych Observation	5,000,000	4,600,000
Nurse Call System Upgrade	2,400,000	2,400,000
Herman Miller Inventory (Parital Replacement)	2,000,000	2,000,000
Flooring Replacement	1,600,000	1,500,000
Emergency Sanitary & Water Storage	1,500,000	1,250,000
Willow Pavilion FA Sys and Equip Upgrades	1,000,000	1,000,000
Site Signage & Other Improvements	1,250,000	1,000,000
Various Relocation Projects	800,000	800,000
CT Equipment Replacement @ Radiation Oncology	815,302	780,000
MOB Upgrades (MV Campus) FY-19	1,000,000	700,000
New Main Lab Upgrades	3,100,000	300,000
MV Equipment & Infrastructure Upgrades (19)	600,000	250,000
Sub-Total Mountain View Other Capital Projects	68,165,302	33,580,000

FY 2019 Capital Request Detail

Facilities LG – Page 2/2

	Total Project Cost	FY -19 Proj Spend
Los Gatos Capital Projects		
LG Cancer Center	5,000,000	4,750,000
LG Modular MRI & Awning	3,900,000	3,500,000
LG Undefined Annual Forecast	0	2,000,000
LG IR Upgrades	1,250,000	1,250,000
LG Upgrades - Major	19,300,000	800,000
LG Nurse Call System Upgrade	800,000	500,000
MOB Upgrades (LG Campus) FY-19	800,000	500,000
LG Men's Health Clinic	480,000	470,000
LG Facilities Planning Allowance	600,000	400,000
LG Security System	400,000	400,000
LG Equipment & Infrastructure Upgrades	600,000	300,000
Sub-Total Los Gatos Projects	38,130,000	14,870,000
Other Strategic Capital Facility Projects		
Primary Care Clinic Development (2 @ \$3 Million Ea.) FY-19	6,000,000	5,000,000
Other Strategic Capital FY-19	15,000,000	15,000,000
80 Great Oaks Upgrades	4,500,000	3,000,000
Willow SC Upgrades (35,000 @ \$50)	1,750,000	1,750,000
New 28k MOB (Courthouse Prop)	22,400,000	1,200,000
Primary Care Clinic (TI's Only) FY 17 (828 Winchester)	3,600,000	250,000
Sub-Total Other Strategic Projects	53,250,000	26,200,000
Total Facilities Projects	756,245,302	282,450,000

Board Designated Community Benefit Endowment Fund

- In FY16, the Board established an endowment to provide investment income to fund community benefit.
- We agreed to evaluate whether the fund should be increased during the annual budget cycle.
- Recommendation
 - Endowment funding earnings available for FY19 community benefit to be \$900k increasing from \$500K in FY18
 - Endowment fund balance to remain \$15 million since FY19 capital plan exceeds EBITDA by \$164 million

Appendix

Affiliates

CONCERN

	2015	2016	2017	2018 Ann	BUD 2019	Bud19 vs 18	% Var 19 vs 18
Other Operating Revenue	13,690	15,755	16,825	16,126	13,025	(3,101)	-19.2%
Total Revenue	13,690	15,755	16,825	16,126	13,025	(3,101)	-19.2%
Expenses							
Salaries, Contract Labor & P	4,004	4,266	3,887	3,966	3,659	(307)	-7.8%
Benefits	1,332	1,488	1,422	1,408	1,249	(159)	-11.3%
Drugs	45	27	-	0	-	(0)	
Supplies	96	104	75	61	79	18	29.8%
Professional Fees	566	554	672	486	441	(45)	-9.3%
Purchased Services	6,115	7,271	8,573	8,261	6,386	(1,875)	-22.7%
Other Operating Expenses	504	731	705	678	782	103	15.3%
Depreciation	67	42	30	33	33	(0)	-0.6%
Total Operating Expense	12,730	14,483	15,363	14,894	12,629	(2,265)	-15.2%
Operating Income	960	1,273	1,462	1,232	396	(836)	-67.9%
Investments	249	593	54	(217)	500	717	-330.3%
Community Benefit	-	(8)	-	19	-	(19)	-100.0%
Other	(7)	(35)	40	-	(3)	(3)	0.0%
Non-Operating Revenue and	242	550	94	(198)	497	694	-351.3%
Net Income	1,202	1,823	1,556	1,035	893	(142)	-13.7%
EBIDTA	1,027	1,315	1,492	1,266	429	(836)	-66.1%
EBIDTA Margin %	7.5%	8.3%	8.9%	7.8%	3.3%		
Operating Margin %	7.0%	8.1%	8.7%	7.6%	3.0%		
Net Margin %	8.8%	11.6%	9.2%	6.4%	6.9%		

CONCERN Commentary – 1/2

Revenue Changes

- FY18 was budgeted before we knew about the loss of a large customer in January 2018. The customer went out to bid and another EAP under bid us by 42%.
 - This represented a loss in headcount of 81,000 Domestic and 52,000 headcount for International
 - This created a loss in revenue for several line items, the most significant reflected in Per Employee Per Month (PEPM) which includes domestic and international lives, enhanced support and onsite counseling.
 - 598-593 = PEPM and International
 - Projected Revenue in FY18 of \$3,159,000 for PEPM
 - Projected Revenue in FY18 of \$1,778,400 for International – this is a “pass through” because we paid a global partner for the services.
- This is why revenue went down from the FY18 budget of \$15,537,828 to the FY 19 budget of \$10,853,198

CONCERN Commentary – 2/2

Expense Changes

- Reduced Payroll in FY 19 by 5.5 positions from FY 18
 - 4 admin support positions (3 did not replace, 1 to reduce)
 - 1 senior clinical manager (retired, did not replace)
 - .5 clinical supervisor (left, did not replace)
- Variable Expenses
 - Reduced Medical Outside line item 716-610 by \$1,477,530 in FY 19 from FY 18
 - Reduced Other Purchased Services line item 716-660 by \$2,013,735 in FY 19 from FY 18
- FY 18 Overall Budget reduced by \$4,223,959 in FY 19 with a 5.1% Operating Margin

Foundation - FY18 Budget Financial

	2015	2016	2017	2018 P	BUD 2019		Bud19 vs 18
Expenses							
Salaries, Contract Labor & PT	1,076	1,071	1,171	1,273	1,339		67
Benefits	342	359	400	337	407		71
Supplies	41	45	60	63	83		20
Professional Fees	92	72	52	74	58		(16)
Purchased Services	1,084	1,133	1,060	1,183	1,246		64
Other Operating Expenses	292	240	222	347	341		(6)
Depreciation	13	13	13	13	13		-
Total Operating Expense	2,939	2,933	2,977	3,289	3,488		199
Operating Income	(2,939)	(2,933)	(2,977)	(3,289)	(3,488)		(199)
Investments	577	655	1,722	1,197	492		(705)
Other	3,072	3,260	3,675	4,463	4,413		(50)
Non-Operating Revenue and	3,650	3,915	5,397	4,102	4,905		803
Net Income	710	982	2,420	813	1,417		605
EBIDTA	(2,926)	(2,920)	(2,964)	(3,276)	(3,475)		(199)

FY 18 fundraising goal is low pending organizational strategic plan

Foundation Budget Highlights – 1/2

FUNDRAISING EVENTS: Budget increase of \$85,000

- South Asian Heart Center Ball – annual fundraising event
 - At the onset of an event for the SAHC, the expenses were set up to be reflected and managed by the Center's executive director
 - Now the Center's event has become one of the four signature fundraising events for the foundation and the financial model should mirror the other events that the Foundation supports
 - Expense budget transitioned from the Center to the Foundation

ANNUAL AUDIT: Budget decrease of \$17,500

- 2017 stand-alone audit for the Foundation was \$51,000 which would have increased to \$52,500 for this year.
- With the approval to move away from doing a standalone audit for the Foundation, the new audit expense will be \$32,500 per Moss Adams
- The Foundation will be part of the Hospital's annual consolidated audit.

Foundation Budget Highlights - 2/2

STEWARDSHIP EVENTS: Budget neutral

- Program-focused salon series
- With our ongoing strategy to cultivate new prospects and steward current donors, the Foundation budget has included an expense line for these events. Due to the generosity of the salon hosts, we have had to now pay for the majority of salon expenses. For FY19, we will revamp the focus of these salons to creating more of a Salon Series that would highlight 3-4 clinical programs with dates throughout the year to engage donor interest.
- Behavior Health Pavilion Ribbon-cutting
- With the opening of the mental health pavilion in Q3 of 2019, the Foundation will be allocating a portion of its major gift cultivation/salon budget for a special donor event around the opening

ANNUAL GIVING: Budget neutral

- Focus on personalized message to support mid-level donor program
- More segmentation by clinical program for targeted message to acquire new donors/grateful patients
- I.e. message to give to HVI targeted to all TAVR, MitraClip, Watchman patients who feel immediately better after the procedure and one day inpatient; this is a more timely approach to capture gratefulness

Foundation – FY 19 Fundraising Detail

FY19 ECH Foundation		FY19 Goals	Unrestricted	Restricted	Gift Focus
Major & Planned Gifts		\$3,750,000	\$1,500,000	\$2,250,000	Restricted outright gifts; restricted irrevocable planned gift commitments; unrestricted gifts from matured estates; APS sponsorships
Special Events	Spring Forward	\$450,000	\$300,000	\$150,000	Event Expense; beneficiary: Mental Health & Addiction Services
	Golf	\$300,000	\$260,000	\$40,000	Event Expense; beneficiary: Norma Melchor Heart & Vascular Institute
	SAHC	\$300,000	\$200,000	\$100,000	9858 SAHC Event then transfer proceeds to SAHC Restricted Fund
	NLL	\$150,000	\$150,000	\$0	9860 Special Events Expense then transfer net proceeds to determined beneficiary
Annual Giving		\$550,000	\$220,000	\$330,000	El Camino Fund (unrestricted gifts) and restricted gifts for specific service line/departmental needs
Investment Income		\$500,000	\$500,000	\$0	El Camino Fund (unrestricted)
TOTAL		\$6,000,000	\$3,130,000	\$2,870,000	

Foundation - Fundraising Trend

ECH FOUNDATION		FY19 Goal	FY18 as of 3/31	FY17 Actual	FY16 Actual	FY15 Actual
Major & Planned Gifts		3,750,000	3,056,296	4,213,319	4,059,779	6,402,194
Special Events	Spring Forward	450,000	26,000	788,360	936,240	627,386
	Golf Tournament	300,000	353,650	273,100	326,205	326,650
	Scarlet Ball	300,000	271,071	315,295	292,180	283,776
	Norma's Luncheon	150,000	209,075	153,300	245,106	126,577
Annual Giving		550,000	546,595	587,582	507,745	567,820
Grants					64,833	514,080
Investment Income		500,000	496,478	1,138,296	1,319,905	1,067,770
TOTAL			4,959,165	7,469,252	7,751,993	9,916,253
Annual Goal		6,000,000	6,150,000	6,170,000	7,300,000	6,690,000
K:\Finance\FMS_Dept\Common\BUDGET\BUD19\Dept Specific\Foundation\[FY 19 Goals UnrestRestr Breakdown v JODI FOR IH.xlsx]Annual Trend						

Capital Budget Detail

FY19 Capital Request Detail Information Technology

Facility ▼	Cost Center ▼	Cost Center_1 Desc ▼	Request Item Name ▼	Amount ▼
1	8480	INFO SVS AND TELECOMM	IS Baseline: Network - Baseline Replacement and Maint. Parts	6,331,620
			IS Baseline: Storage - Baseline Primary & Backup Storage Replacement and Growth	1,408,380
			IS Baseline: Server - Baseline Replacement, Upgrades & Growth	715,000
			IS Baseline: Software Upgrades - Existing Systems	400,000
			IS Baseline: Devices - Baseline Cart Replacements & Growth and eTime Badge Readers	295,000
			PROJECT: Mobility for Care Providers	250,000
			IS Baseline: Telecom - Baseline Replacement, Growth, and Maint. Parts	200,000
	8485	IT SECURITY	IS Security Program	500,000
1 Total				10,100,000
Grand Total				10,100,000
			ERP Implementation	9,632,000
			TOTAL Information Technology	19,732,000

FY19 Capital Request Detail

Medical/Non-Medical Equipment Items > \$25K

MV – Page 1/2

Facility	Cost Center	Cost Center_1 Desc	Request Item Name	Amount
1	6015	CCU 3A; ICU	Cardiac Output Monitor - Vigilance	151,580
			Zolls Defibrillator	107,919
			Ultrasound	100,000
			X2 Transport Monitor	52,568
	6150	PROGRESSIVE CARE UNIT-PCU 3A	Intellivue Multi Measurement Server X2 (transport monitor)	26,284
	6175	SURG PEDS 4A; ORTHO SPINE	Bedside vital sign monitoring	291,232
			New Bariatric Beds (Mattresses & Pumps purch. FY18)	168,100
	6176	MEDICAL - 2C	Philips NIBP	291,253
	6900	PRE-OP SHORT STAY; OPS	B450 + Networking	374,587
	7400	LABOR DELIVERY	Gurneys that can weigh patients	57,000
			GE Anesthesia Patient monitoring module	29,013
	7420	OPERATING ROOM	Valley Lab Bowie	500,000
			EPIQ 7C Ultrasound System	203,484
			HEMOSPHERE ADVANCED MONITORING PLATFORM	151,580
			Cell Saver	58,605
			GE Carescape Patient Data Module	48,355
			Data Management System - Perfusion	44,882
			Microdebrider(inst) and Endoscrub(console)	41,162
			LCD MONITOR 55 INCH W/O CABLES	40,214
			Cyberwand (shockpulse)	39,900

FY19 Capital Request Detail

Medical/Non-Medical Equipment Items > \$25K

MV – Page 2/2

Facility	Cost Center	Cost Center_1 Desc	Request Item Name	Amount
	7501	CLIN LAB-HEMATOLOGY	Vitek II Microbiology System w/ Interface	187,675
			Blood Bank System w/ Interface	113,000
			Coagulation Instruments w/ interface x2	101,800
			BioMerieux BioFire PCR system	90,000
	7520	ANATOMIC PATHOLOGY	Tissue Processor	154,500
			Cryostat	73,000
	7570	INTERVENTIONAL SERVICES	Valley Lab Bovie	50,000
	7590	ECG	Replace EKG Fleet	197,200
	7720	RESPIRATORY CARE SVCS	ERBE Cart Cryo	45,000
			ERBE Cart for Argon Plasma	45,000
			High Definition Medical Grade Monitors (21)"	44,000
	7761	ENDOSCOPY	Endo flip Manometry	57,500
			Olympus Pedi Scope Trade In	32,113
			Glide Scope Endf of Life Replacements	26,420
	8340	NUTRITION SERVICES	CBORD Room Service Choice Upgrade	41,000
	8370	ANCILLARY UNIT SUPPORT	Staxi Wheelchairs	30,846
	8380	STERILE PROCESSING	Amsco Prevacuum Steam Sterilizer	148,007
			Reliance Vision Washer/Disinfecter	120,458
	8381	CENTRAL DISTRIBUTION	Equipment Tracking System (Aero Scout, Stanley Healthcare	150,000
	8440	ENVIRONMENTAL SVCS	Xenex Refurbished UV Disinfection Robot	85,000
	8484	EPIC PATHWAYS	MyChart Bedside	500,000
	8514	REVENUE INTEGRITY	Denial Management Reporting System (Implementation Fee)	60,000
1 Total				5,130,236

FY19 Capital Request Detail

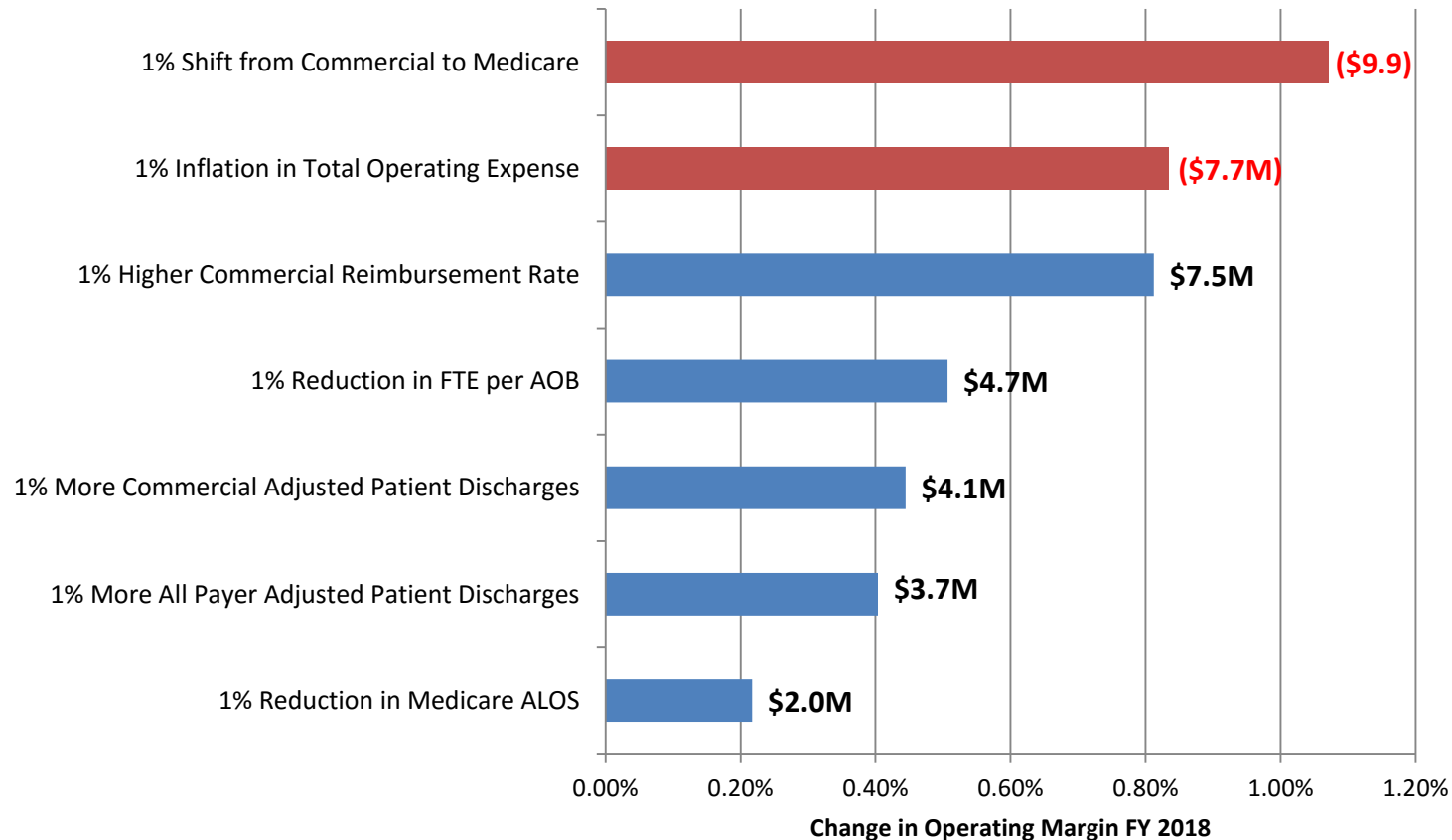
Medical/Non-Medical Equipment Items > \$25K LG & Total

Facility	Cost Center	Cost Center_1 Desc	Request Item Name	Amount
11	6015	CCU 3A; ICU	MindRay Ultrasound (ICU)	49,500
	6177	MED SURG ONC 4B; MED SURG	Supply Room Shelving/Cart	32,000
	6900	PRE-OP SHORT STAY; OPS	Prime Electric Big Wheel gurney	27,957
	7400	LABOR DELIVERY	Anesthesia carts	102,034
			Surgical lights	25,867
	7420	OPERATING ROOM	Medtronic O-arm/Stealth/Midas	1,372,632
			Stryker Video Upgrade	1,284,474
			GE Module Upgrade for Anesthesia Machines	696,318
			NuVasive LessRay	232,230
			AquaBeam System	192,000
			Dornier MedTech Table (Urology)	64,987
			Storz Cysto/Resection Set	44,307
			ConMed AirSeal	35,235
			Storz Monopolar/Bipolar Generator	27,656
	7501	CLIN LAB-HEMATOLOGY	Coagulation Instrument	90,875
	7520	ANATOMIC PATHOLOGY	Renovate LG Histology Lab	100,000
	7639	IMAGING - MAMMOGRAPHY	Hologic Tomosynthesis with Affirm Biopsy	539,050
			SaviScout Wire-Free Technology for Breast	81,850
	7650	IMAGING - NUC MED	Nuclear Medicine Equipment Replacement, Siemens Evo	293,992
	7761	ENDOSCOPY	olympus dual chamber gastroscope	43,401
	7770	THERAPY SERVICES - IP	BTE Upper Extremity	42,000
	8381	CENTRAL DISTRIBUTION	LogicQuip Shelving	32,044
	8440	ENVIRONMENTAL SVCS	Xenex Refurbished Robot	85,000
11 Total				5,495,409
Grand Total				10,625,645
			Items < \$25K	580,082
TOTAL Medical & Non-Medical Equipment				11,205,727

Sensitivity Analysis, Benchmarks and Historical Trends

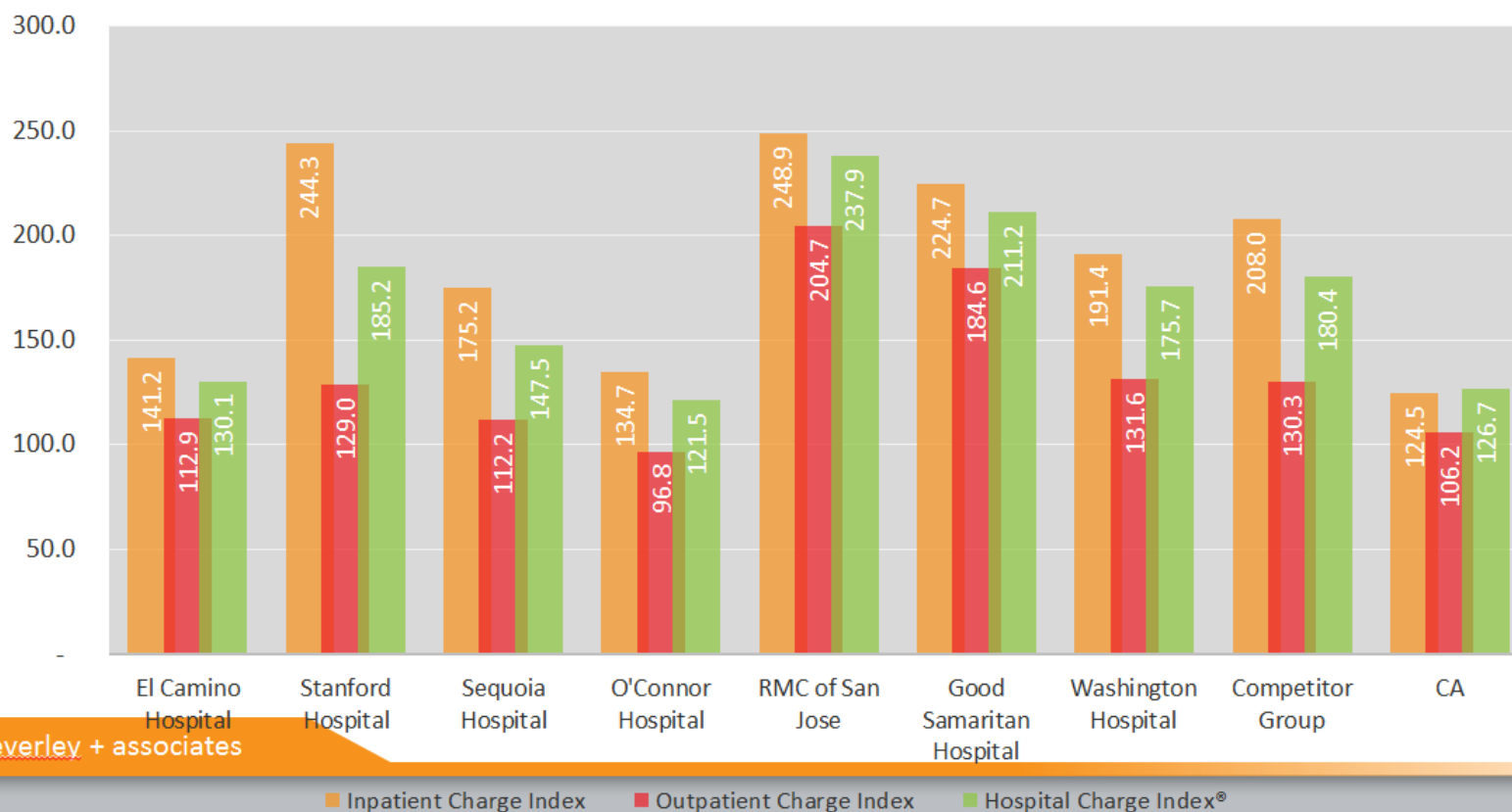
Sensitivity Analysis

Single Year Change in Operating Margin



Charge Master Pricing Comparison with Benchmark Data

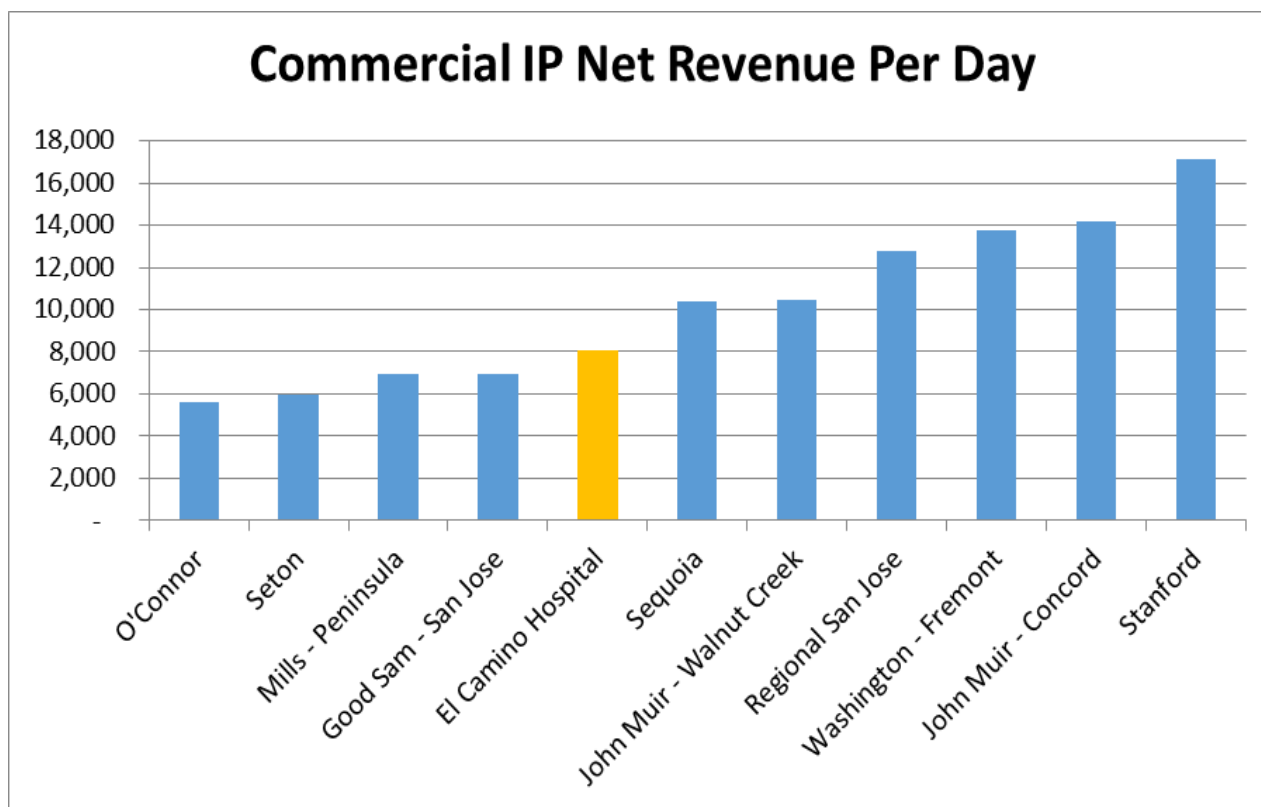
Hospital Charge Index®



Charge Master Pricing Comparison with Benchmark Data (cont.)

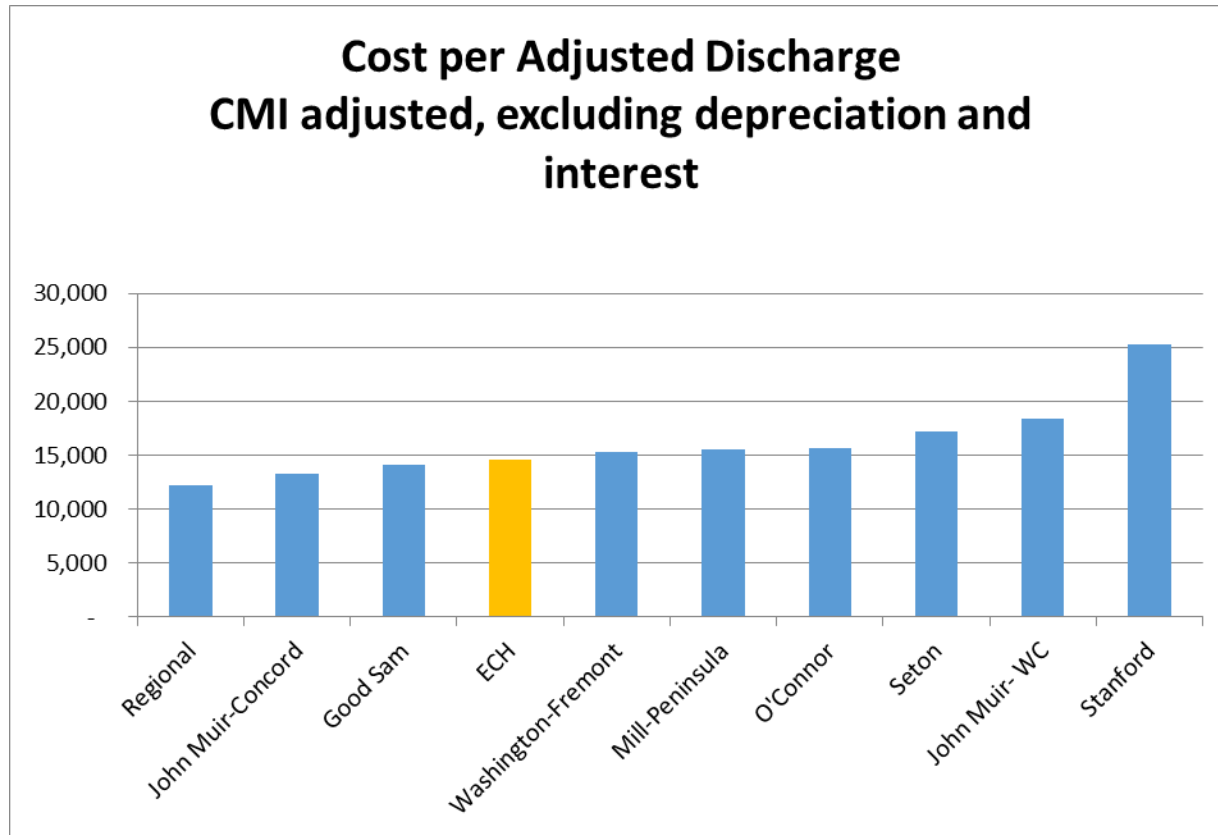
- According to hospital industry pricing experts at Cleverley & Associates, Medicare claims level data shows El Camino Hospital prices below mid-market level compared to its local peer group, which includes Good Samaritan Hospital, Regional Medical Center, O'Connor Hospital, Stanford Hospital, Sequoia Hospital, and Washington Hospital.
- A score of 100 on the Hospital Charge Index represents the national average. Our local peer (“competitor”) group’s blended Hospital Charge Index is 180.4 (i.e. 80.4% higher than the national average) – a reflection of the higher cost of living and prices in the Bay Area.
- In comparison, El Camino Hospital’s blended Hospital Charge Index is much lower at 130.1.
- Even with the 5.0% price increase in FY18, our overall charges remain below the mid-market level of our peer group.
- 5.0% charge increase is proposed in the FY19 budget

Commercial Rates



- ECH Commercial contract rates are mid market

Cost Benchmarks



ECH costs are mid market

Source: 2017 OSHPD data

Historical Performance and Budget Variances

	2014	2015	2016	2017	2018	CAGR	Change from PY			
							2015	2016	2017	2018
Actual										
Gross Charges	2,504,515	2,573,881	2,755,387	3,019,083	3,302,261	7.2%	2.8%	7.1%	9.6%	9.4%
Charges per AD	78,258	79,179	87,809	91,344	94,319	4.8%	1.2%	10.9%	4.0%	3.3%
Total operating Revenue	739,985	767,751	795,657	858,347	915,155	5.5%	3.8%	3.6%	7.9%	6.6%
Rev per AD	23,122	23,618	25,356	25,970	26,139	3.1%	2.1%	7.4%	2.4%	0.7%
Expenses	669,680	689,629	743,044	746,171	773,191	3.7%	3.0%	7.7%	0.4%	3.6%
Exp per AD	20,925	21,215	23,679	22,576	22,084	1.4%	1.4%	11.6%	-4.7%	-2.2%
Expenses ex Depr and Int	614,730	639,746	687,103	696,537	718,782	4.0%	4.1%	7.4%	1.4%	3.2%
Exp ex Depr and int per AD	19,208	19,680	21,897	21,074	20,530	1.7%	2.5%	11.3%	-3.8%	-2.6%
Operating margin	70,305	78,122	52,613	112,176	141,964	19.2%	11.1%	-32.7%	113.2%	26.6%
IP Discharges	18,567	19,081	18,618	19,205	20,010	1.9%	2.8%	-2.4%	3.2%	4.2%
OP cases	na	na	148,528	145,958	150,588	0.7%			-1.7%	3.2%
Adj Discharges	32,003	32,507	31,379	33,052	35,012	2.3%	1.6%	-3.5%	5.3%	5.9%
Charge price increase	1%	5%	6%	5%	5%					
Salaries and benefits	395,286	410,072	435,988	446,085	468,551	4.3%	3.7%	6.3%	2.3%	5.0%
Interest and Depreciation	54,949	54,949	55,941	49,634	54,409	-0.2%	0.0%	1.8%	-11.3%	9.6%
Other Exp	219,445	224,608	251,115	250,452	250,231	3.3%	2.4%	11.8%	-0.3%	-0.1%
Budget										
Gross Charges	2,455,800	2,536,132	2,713,439	2,900,812	3,193,505					
Charges per AD	77,350	80,432	82,991	88,436	97,173					
Total operating Revenue	704,587	750,748	765,618	814,645	855,195					
Rev per AD	22,192	23,810	23,416	24,836	26,022					
Expenses	647,944	697,728	715,481	756,360	778,105					
Exp per AD	20,408	22,128	21,883	23,059	23,676					
Expenses ex Depr and Int	589,898	643,726	663,544	698,134	716,333					
Exp ex Depr and int per AD	18,580	20,415	20,294	21,284	21,797					
Operating margin	56,642	53,020	50,138	58,285	77,090					
IP Discharges	19,512	18,771	19,262	19,271	19,003					
OP cases					146,306					
Adj Discharges	31,749	31,531	32,696	32,801	32,864					
Charge price increase	1%	5%	6%	5%	5%					
Salaries and benefits	377,614	413,521	432,011	459,163	470,357					
Interest and Depreciation	58,047	54,002	51,936	58,226	61,772					
Other Exp	212,284	230,204	231,534	238,971	245,976					
Bud to Act Variance - Fav/(unfav)										
Gross Charges	48,715	37,749	41,948	118,271	108,755					
Charges per AD	908	(1,253)	4,818	2,908	(2,854)					
Total operating Revenue	35,398	17,003	30,039	43,703	59,960					
Rev per AD	930	(192)	1,940	1,134	117					
Expenses	(21,735)	8,099	(27,563)	10,189	4,914					
Exp per AD	(517)	913	(1,796)	483	1,593					
Expenses ex Depr and Int	(24,833)	3,980	(23,559)	1,597	(2,449)					
Exp ex Depr and int per AD	(629)	735	(1,602)	210	1,267					
Operating margin	13,663	25,102	2,475	53,892	64,875					
IP Discharges	(945)	310	(644)	(66)	1,007					
OP cases					4,282					
Adj Discharges	254	976	(1,316)	251	2,147					
Charge price increase										
Salaries and benefits	(17,672)	3,449	(3,978)	13,078	1,806					
Interest and Depreciation	3,098	(947)	(4,005)	8,592	7,364					
Other Exp	(7,161)	5,597	(19,581)	(11,481)	(4,255)					