

AGENDA
FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD

Monday July 30, 2018 – 5:30 pm

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

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

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER / ROLL CALL	John Zoglin, Chair		5:30 – 5:31pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		5:31 – 5:32
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 5:32 – 5:36
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. Minutes of the Joint Open Session ECH Board and Finance Committee (May 29, 2018) c. Minutes of the Open Session Finance Committee (May 29, 2018) d. FY18 Period 10 Financials Information e. Progress Against Goals f. Article of Interest g. Update on Major Capital Project h. FY18 Period 11 Financials	John Zoglin, Chair	<i>public comment</i>	motion required 5:36 – 5:38
5. APPOINTMENT OF VICE CHAIR TO THE FINANCE COMMITTEE	John Zoglin, Chair		information 5:38 – 5:40
6. DELEGATION OF AUTHORITY TO THE COMMITTEE ATTACHMENT 6	Cindy Murphy, Director of Governance Services Iftikhar Hussain, CFO		possible motion 5:40 – 5:55
7. REPORT ON BOARD ACTIONS ATTACHMENT 7	John Zoglin, Chair		information 5:55 – 6:00
8. FY18 YEAR END FINANCIALS ATTACHMENT 8	Iftikhar Hussain, CFO	<i>public comment</i>	motion required 6:00 – 6:15

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

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
9. PHYSICIAN TRANSACTION COMPLIANCE EDUCATION ATTACHMENT 9	Diane Wigglesworth, Director of Corporate Compliance Mary Rotunno, General Counsel		information 6:15 – 6:30
10. FINANCIAL INSTITUTIONS ATTACHMENT 10	Matt Harris, Controller		Discussion 6:30 – 6:45
11. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		motion required 6:45 – 6:46
12. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		6:46 – 6:47
13. 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) b. Minutes of the Closed Session of the Joint ECH Board and Finance Committee (May 29, 2018) c. Minutes of the Closed Session of the Finance Committee Meeting (May 29, 2018) Informational <i>Health & Safety Code 32106(b)</i> d. Palliative Care Director Agreement e. Medical Oncology – Outpatient Department Medical Director Agreement Renewal – MV	John Zoglin, Chair		motion required 6:47 – 6:50
14. <i>Health & Safety Code 32106(b)</i> For a report & discussion involving health care facility trade secrets: - El Camino Ambulatory Surgery Center	Iftikhar Hussain, CFO		motion 6:50 – 7:10
15. <i>Health & Safety Code 32106(b)</i> For a report & discussion involving health care facility trade secrets: - Committee Education: Medicare Loss & Inpatient / OP Margins	Iftikhar Hussain, CFO		discussion 7:10 – 7:25
16. ADJOURN TO OPEN SESSION	John Zoglin, Chair		motion required 7:25 – 7:26
17. RECONVENE OPEN SESSION/ REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	John Zoglin, Chair		7:26 – 7:27
18. MEDICAL DIRECTOR AGREEMENT RENEWALS a. Palliative Care Director Agreement b. Medical Oncology – Outpatient Department Medical Director Agreement Renewal – MV	David Clark, Interim COO	<i>public comment</i>	motion required 7:27 – 7:29
19. FY19 COMMITTEE PACING PLAN ATTACHMENT 19	John Zoglin, Chair	<i>public comment</i>	possible motion 7:29 – 7:31
20. CLOSING COMMENTS	John Zoglin, Chair		information 7:31 – 7:32
21. ADJOURNMENT	John Zoglin, Chair		motion required 7:32 – 7:33

Upcoming Meetings

- September 24, 2018
- November 26, 2018
- January 28, 2019 (*Joint meeting w/ Investment Committee*)
- March 25, 2019
- April 22, 2019
- May 28, 2019 (*Joint meeting w/Hospital Board*)

Board/Committee Educational Gatherings

- October 24, 2018
- April 24, 2018



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



**Minutes of the Joint Open Session of the
Finance Committee and the
El Camino Hospital Board of Directors
Tuesday, May 29, 2018
2500 Grant Road, Mountain View, CA 94040
Conference Rooms EF&G (ground floor)**

Board Members Present

Jeffrey Davis, MD
Neysa Fligor
Peter C. Fung, MD
Gary Kalbach
Julie Kliger, RN
Julia E. Miller, Secretary/Treasurer
Bob Rebitzer
David Reeder
John Zoglin, Vice Chair

Board Members Absent

Lanhee Chen, Chair

Members Absent

Committee Members Present

Joseph Chow
Boyd Faust
Richard Juelis (via teleconference)
William Hobbs (via teleconference)

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session of the Joint Meeting of the Finance Committee (the “Committee”) and the El Camino Hospital Board of Directors (the “Board”) was called to order by Vice Chair Zoglin at 5:30pm. A verbal roll call was taken. Chair Chen, Director Rebitzer and Mr. Richard Juelis were absent. All other Board and Committee members were present. Director Rebitzer joined the meeting at 5:39pm during Agenda Item 4: FY19 Operating and Capital Budget.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Vice Chair Zoglin asked if any Board or Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. FY19 OPERATING AND CAPITAL BUDGET	Dan Woods, CEO, reviewed the Hospital’s Strategic Framework with the Board and Committee Members, highlighting FY19 initiatives associated with the three strategic themes: High Performing Operating Model; Consumer, Payer & Employer Alignment; and Physician Integration. He also described the Draft FY19 Organizational Goals and reported that they have been reviewed by the Executive Compensation Committee and will be reviewed by the Quality Committee on June 4 th . Ifitikhar Hussain, CFO, reported that the FY17 and FY18 operating margins have been favorable compared to history and to budget, and explained that the variance in FY17 was primarily due to better charge capture following EPIC implementation and in FY18 was primarily due to higher volumes than expected. Mr. Hussain explained the FY19 revenue, volume, and expense assumptions. He reviewed the proposed budget with the Board and Committee Members, noting that budgeting operating margin is lower for FY19. Mr. Hussain reviewed the proposed FY19 Capital Spending Plan and reported that \$900,000 from the Board designated Community Benefit Endowment Fund will be available in FY19, up from \$500,000 in FY18. In response to questions from the Board and Committee members, Mr. Hussain reported the following: - FY18 ED and Med/Surg volumes were higher than expected due to an unusually severe flu season and other volumes were higher than	

	<p>expected due exceptional growth of the HVI, Oncology, and Neuroscience service lines.</p> <ul style="list-style-type: none"> - CONCERN revenue is down due to the loss of one large client that received a lower bid from a competitor. ECH could not provide the level of service this client demands at that price, but has a good track record of growth and continues to attract new clients. - The supplies savings initiative will be achieved through a value analysis process. ECH continues to work with Adventist to get volume pricing and may need to change some of the supplies we use. - \$500,000 is budgeted for the Alexa pilot (hospital room of the future). Following the pilot, management will consider deployment throughout the hospital. - The major construction projects are proceeding and expected to be completed within the approved budgets. - Pharmacy and supply cost projections are obtained through ECH's GPO. - ECH's contract rates for deliveries are mid-market. 	
5. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 6:20pm pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets.</p> <p>Movant: Miller Second: Kalbach Ayes: Chow, Davis, Faust, Fligor, Fung, Hobbs, Kliger, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: Chen, Juelis Recused: None</p>	Adjourned to closed session at 6:20pm
6. AGENDA ITEM 9: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 6:55 pm by Vice Chair Zoglin. Agenda items 6-8 were addressed in closed session. There were no actions taken in closed session. Director Reeder was not present when open session reconvened. Mr. Juelis joined the meeting during the closed session.</p>	
7. AGENDA ITEM 10: ADJOURNMENT	<p>Motion: To adjourn at 6:56 pm.</p> <p>Movant: Miller Second: Kalbach Ayes: Chow, Davis, Faust Fligor, Fung, Hobbs, Juelis, Kliger, Miller, Rebitzer, Zoglin Noes: None Abstentions: None Absent: Chen, Reeder Recused: None</p>	Meeting adjourned at 6:56pm

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

Lanhee Chen
Chair, ECH Board of Directors

Julia E. Miller
Secretary, ECH Board of Directors

John Zoglin
Chair, Finance Committee

Prepared by: Cindy Murphy, Director of Governance Services



Minutes of the Open Session of the Finance Committee
Tuesday, May 29, 2018
El Camino Hospital | Conference Rooms E, F, & G
2500 Grant Road, Mountain View, CA 94040

Members Present

Joseph Chow
 Boyd Faust
 William Hobbs (Via Phone)
 Richard Juelis (Via Phone)
 John Zoglin, Chair

Members Absent

David Reeder

Others Present

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	Committee Chair John Zoglin called the open session of the Finance Committee to order at 6:56 pm. Mr. Reeder was absent. All other Committee members were present. There were not enough committee members within the district to meet quorum.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Zoglin asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	Chair Zoglin explained that because there was not a quorum present, the items within the consent calendar (FY19 Pacing Plan and Financial Assistance, Charity Care & Discounts Policy) will be forwarded to the Hospital Board for approval indicating that there were no questions or objections from the Committee Members present. The approval of the Minutes for the Open Session Finance Committee (April 26, 2018) was deferred to the next Committee meeting in July.	<i>The Open Session Finance Committee (April 26, 2018) minutes were deferred to the July 30th Committee meeting.</i>
5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the Report on Board Actions as further detailed in the packet. The committee had no comments or concerns.	
6. ENTERPRISE RESOURCE PLANNING PROJECT (ERP) UPGRADE	Iftikhar Hussain, CFO, Kathryn Fisk, CHRO and Deb Muro, CIO are part of the ERP Steering Committee. The Steering Committee presented the importance of the ERP upgrade which was detailed in the packet. The Steering Committee request that the Finance Committee recommend Board approval for the purchase and installation of the 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. While there were not enough committee members present to meet quorum, there were no questions or objections noted from the Committee Members present.	<i>The ERP Project forwarded for Hospital Board review and approval</i>
7. FY18 PERIOD 10 FINANCIALS	Iftikhar Hussain, CFO, reviewed the FY18 Period 10 Financials with the Committee members. FY18 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. April 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 \$31M ahead of target. Commercial insurance is a 3.6% decrease of the Payor Mix in April than budget where Medicare has increased 2.1%. Prod Hrs/APD for April is unfavorable vs target due, to lower volume. YTD we are slightly ahead of budget. The overall balance sheet reflects AR is 47.7 which is .3 days better than budget.	<i>The FY18 Period 10 Financial approval will be deferred to the July 30th Committee Meeting.</i>

	<p><i>The Committee stated the draw schedule needs to be updated more often to them within the fiscal year.</i></p> <p>While there were not enough committee members present to meet quorum, there were no questions or objections noted from the Committee Members present.</p>	
8. FY19 OPERATING AND CAPITAL BUDGET	<p>Iftikhar Hussain, CFO, reviewed the FY19 Operating & Capital Budget with the Finance Committee members. Iftikhar Hussain, CFO, reported that the FY17 and FY18 operating margins have been favorable compared to history and to budget, and explained that the variance in FY17 was primarily due to better charge capture following EPIC implementation and in FY18 was primarily due to higher volumes than expected. Mr. Hussain explained the FY19 revenue, volume, and expense assumptions. He reviewed the proposed budget with the Finance Committee Members and noting that the budgeting operating margin is lower for FY19.</p> <p>In response to questions from the Finance Committee members, Mr. Hussain reported the following:</p> <ul style="list-style-type: none"> - FY18 ED and Med/Surg volumes were higher than expected due to an unusually severe flu season and other volumes were higher than expected due exceptional growth of the HVI, Oncology, and Neuroscience service lines. - CONCERN revenue is down due to the loss of one large client that received a lower bid from a competitor. ECH could not provide the level of service this client demands at that price, but has a good track record of growth and continues to attract new clients. - The supplies savings initiative will be achieved through a value analysis process. ECH continues to work with Adventist to get volume pricing and may need to change some of the supplies we use. - \$500,000 is budgeted for the Alexa pilot (hospital room of the future). Following the pilot, management will consider deployment throughout the hospital. - The major construction projects are proceeding and expected to be completed within the approved budgets. - Pharmacy and supply cost projections are obtained through ECH's GPO. - ECH's contract rates for deliveries are mid-market. 	
9. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 7:39pm pursuant to Gov't Code Section 54957.2 for approval of the Minutes of the Closed Session of the Finance Committee (April 26, 2018)</p> <p>Movant: Faust Second: Chow Ayes: Chow, Faust, Hobbs, Juelis, Zoglin Noes: None Abstentions: None Absent: Reeder Recused: None</p>	<i>Adjourned to closed session at 7:39 pm</i>
10. AGENDA ITEM 14: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 8:19 pm. Agenda items 11 – 13 were covered in closed session; however there were no quorum, so no actions were taken by the Committee. The approval of the Minutes of the Closed Session Finance Committee (April 26, 2018) was deferred to the next Committee meeting in July.</p>	

11. AGENDA ITEM 16: MEDICAL DIRECTOR AGREEMENT RENEWALS 17: FY19 OPERATING AND CAPITAL BUDGET	<p>Chair Zoglin and reviewed the Medical Director Agreement Renewal as further detailed in the packet. He requested feedback and a brief discussion ensued.</p> <p>Chair Zoglin reviewed the FY19 Operating and Capital Budget as further detailed in the packet. He requested feedback and a brief discussion ensued.</p> <p>While there were not enough committee members present to meet quorum, there were no questions or objections noted from the Committee Members present on the Medical Director Agreement Renewal & FY19 Operating and Capital Budget simultaneously.</p>	<i>The FY19 Operating and Capital Budget forwarded for Hospital Board review and approval</i>
12. AGENDA ITEM 18: CLOSING COMMENTS	None	
13. AGENDA ITEM 19: ADJOURNMENT	<p>Motion: To adjourn at 8:28pm</p> <p>Movant: Faust</p> <p>Second: Chow</p> <p>Ayes: Chow, Faust, Hobbs, Juelis, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Reeder</p> <p>Recused: None</p>	<i>Meeting adjourned at 8:28pm</i>

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

John Zoglin
Chair, Finance Committee



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

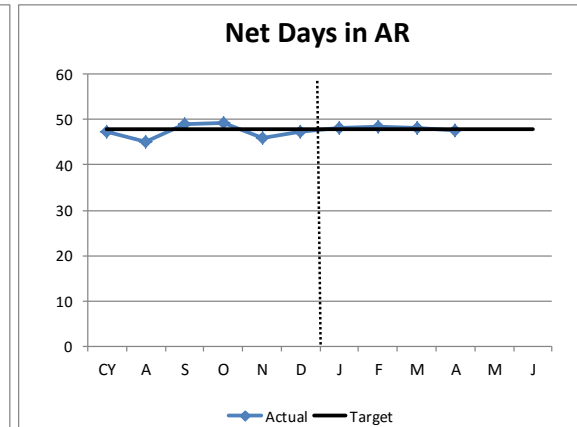
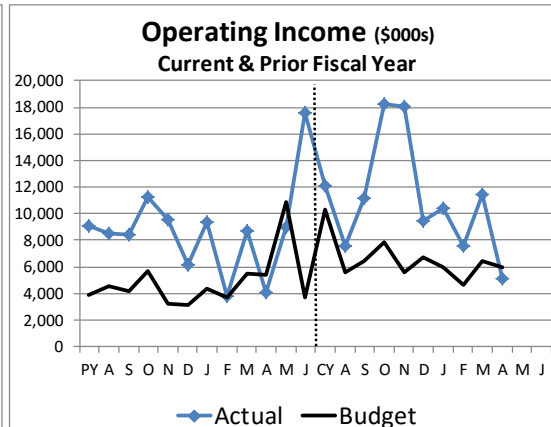
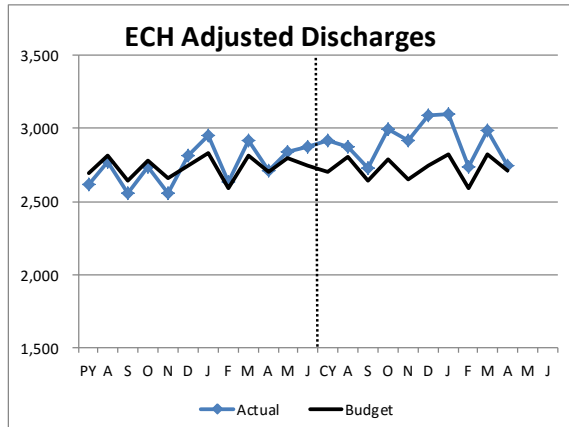
\$ in thousands

	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

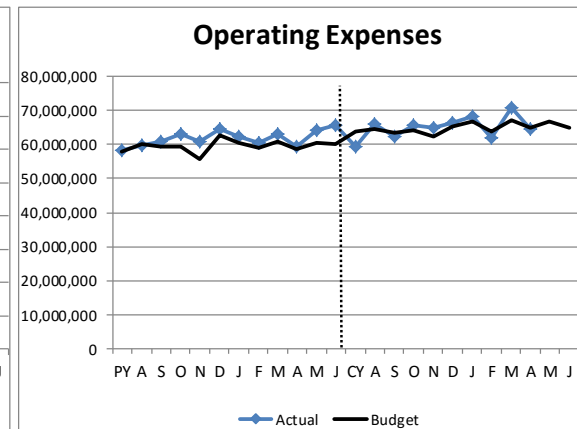
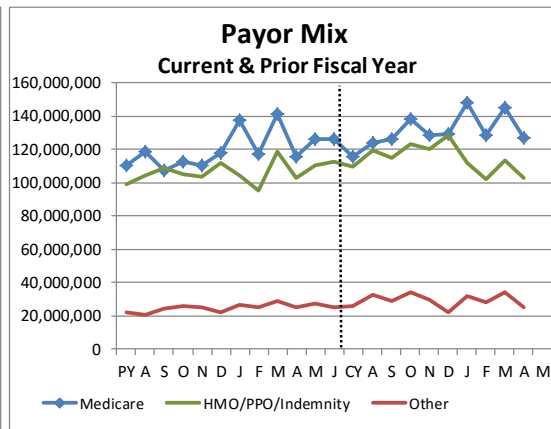
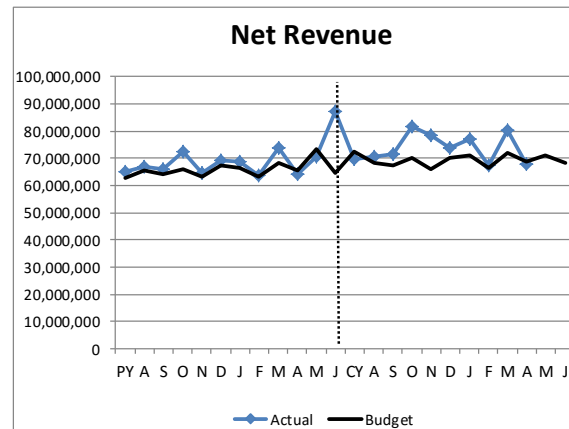
¹Favorable variances for SVMD and Community Connect are due to delayed implementation

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

Monthly Financial Trends



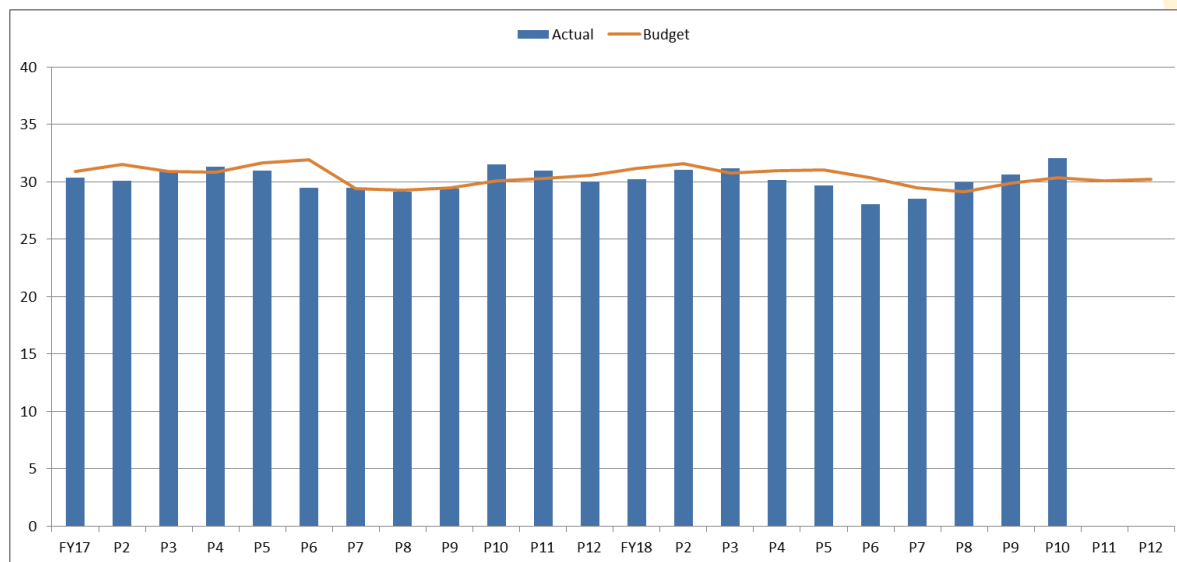
Volume is lower than budget for the month and higher for the year. High inpatient volume is in Inpatient Behavioral Health, HVI, Neurosciences, Oncology and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics, General Surgery and Rehab.



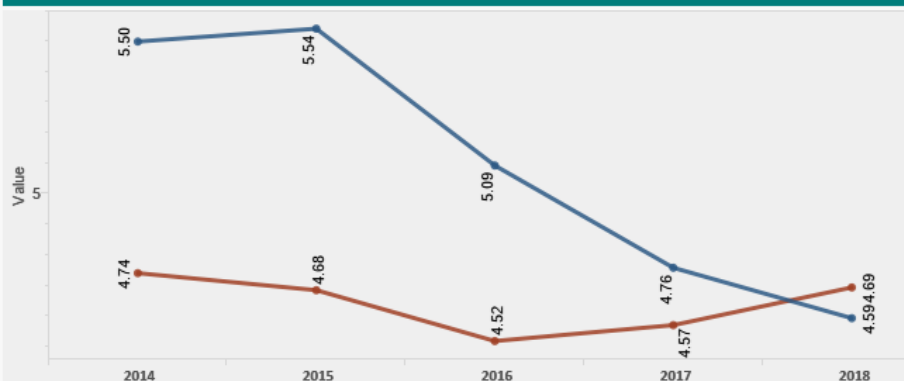
Productivity and Medicare Length of Stay

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

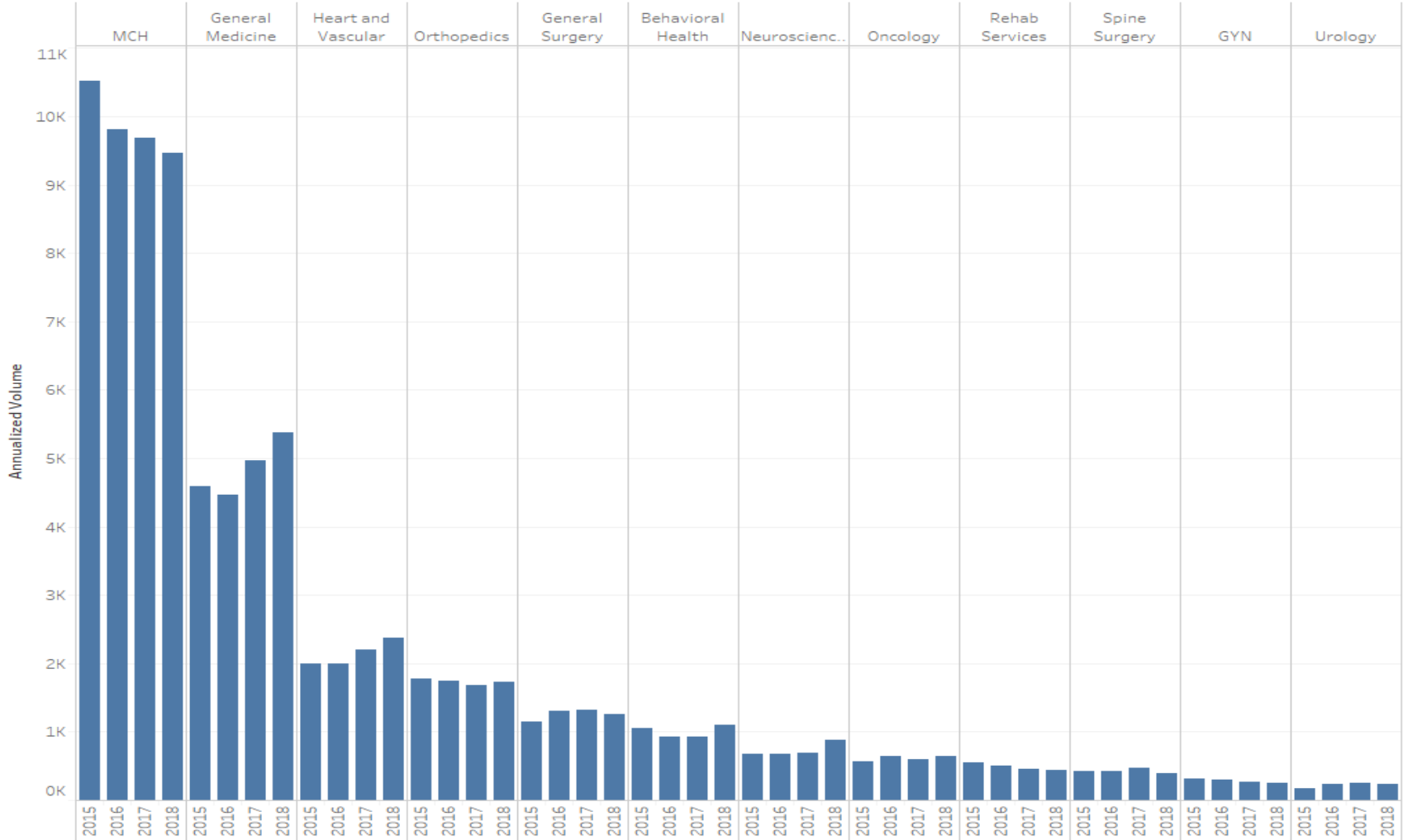


AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



El Camino Hospital Volume Annual Trends – Inpatient

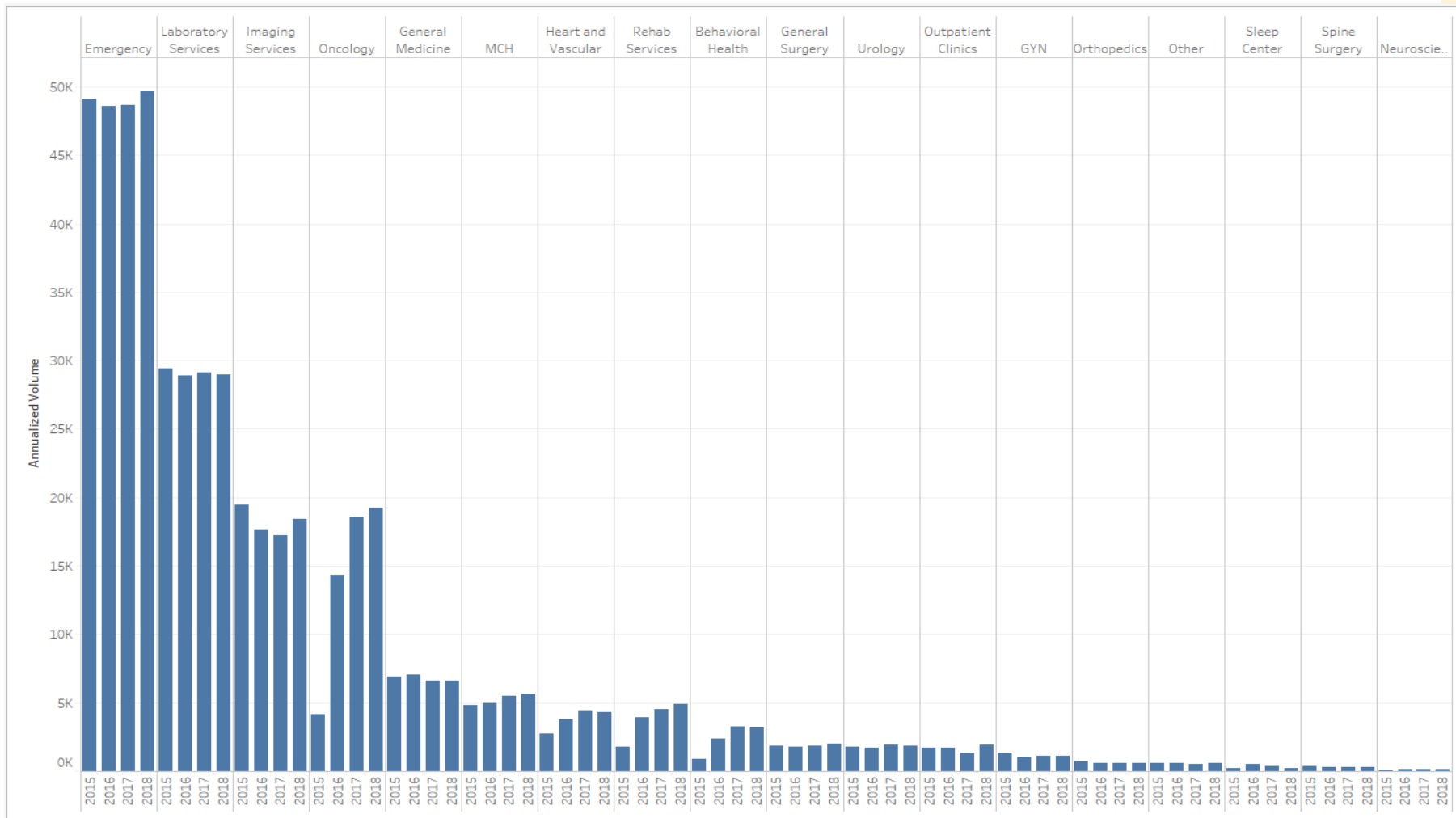
FY 2018 is annualized



- 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

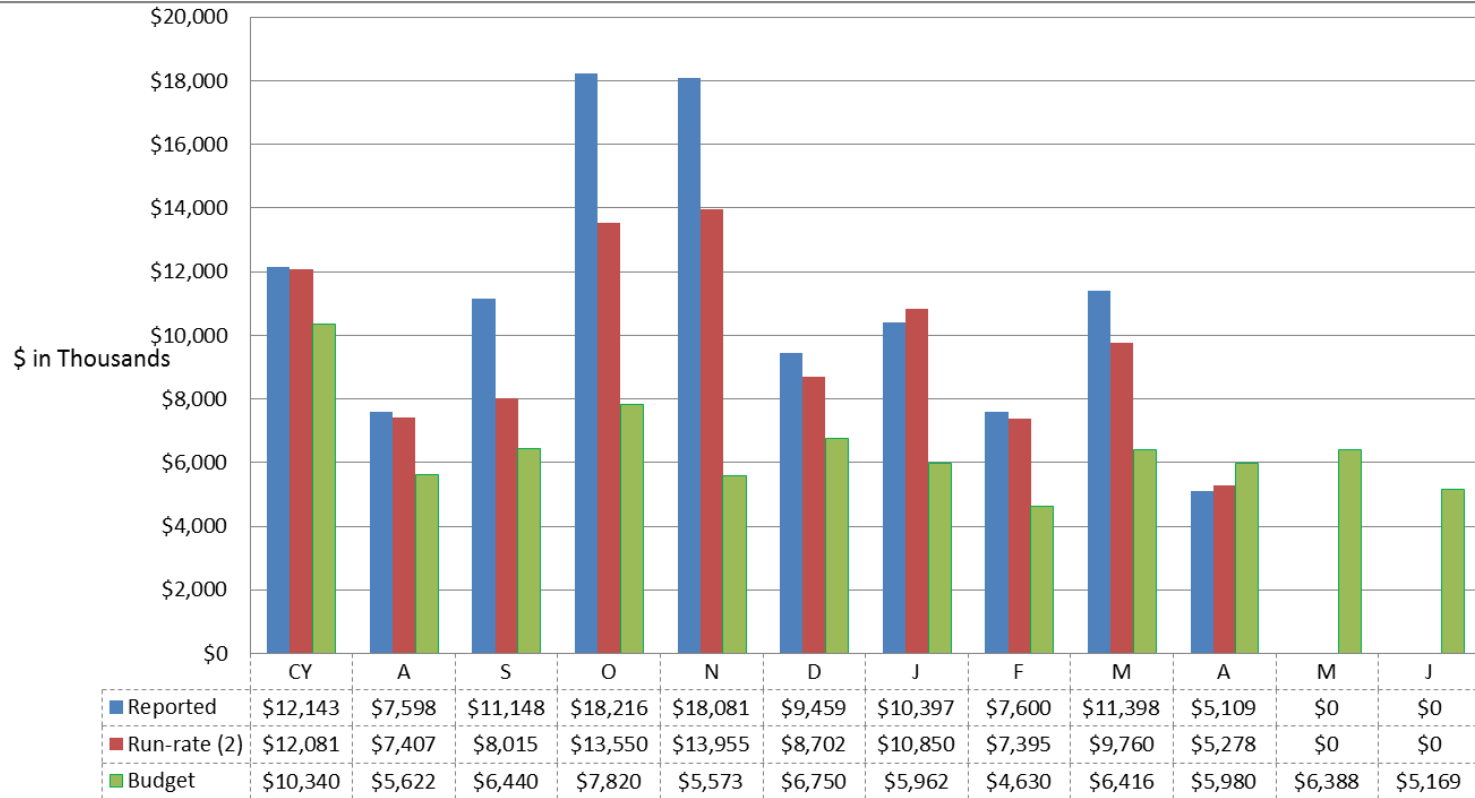
FY 2018 is annualized



- 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 Settmt/Appeal/Tent Settmt/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%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
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%
-2.3%	12.0%	14.9%	-2.9%		EBITDA	7.8%	12.9%	15.3%	-2.4%	
-6.9%	6.4%	8.5%	-2.0%		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%	

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						



PROGRESS AGAINST FY19 COMMITTEE GOALS

Finance Committee

PURPOSE

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

STAFF: Iftikhar Hussain, Chief Financial Officer

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

GOALS	TIMELINE by Fiscal Year (Timeframe applies to when the Board approves the recommended action from the Committee, if applicable)	METRICS
1. Review major capital projects	Each regular meeting	<ul style="list-style-type: none"> Update on major capital projects in progress
2. Education Topics: <ul style="list-style-type: none"> a. Medicare Loss b. Inpatient and OP margins 	Q1	<ul style="list-style-type: none"> Presentation at the July meeting
3. Post implementation Review	Q2	<ul style="list-style-type: none"> Review results major investments after first year of implementation
4. Review top three service lines: <ul style="list-style-type: none"> a. HVI b. Oncology c. BHS 	<ul style="list-style-type: none"> Q1 September – HVI Q2 – Oncology Q3 – BHS 	<ul style="list-style-type: none"> Presentations in September, November and January.

John Zoglin
Iftikhar Hussain

Chair, Finance Committee
Executive Sponsor, Finance Committee

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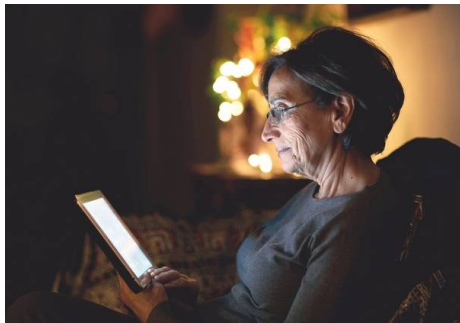


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Hospitals roll out online price estimators as CMS presses for transparency

By [Harris Meyer](#) | June 23, 2018

Getty Images



Leaders at El Camino Hospital, located in California's Silicon Valley, wanted to make it easy for tech-savvy consumers to shop online for personalized, reliable price estimates for its medical services.

The independent not-for-profit hospital launched a consumer self-service tool in May 2017, after about a year of development work with Experian Health, which previously helped El Camino set up an internal price-estimator tool for its billing staff.

Since then, more than 3,000 people have visited the hospital's website, selected one or more of about 90 medical or surgical services they were interested in, entered their insurance information, and received an instant out-of-pocket cost estimate the hospital claims is 95% to 99% accurate.

Over the past two years, a growing number of hospitals have worked with vendors such as Experian and Recondo to offer online price estimates directly to consumers

for common, less complex services. Previous tools allowed hospital staff to generate estimates for patients when they called or came in for a service.

Now, more providers want to offer self-service cost estimators on their websites. That's because they're experiencing strong demand from patients in high-deductible health plans who want to shop around and know their financial exposure in advance. When patients understand how much they'll owe, that can improve the collection process and reduce uncompensated care, hospital leaders say.

Prices, what prices?

Types of procedures for which El Camino Hospital offers price estimates to patients

Procedure type	Number offered
Radiology and imaging	25
Prenatal diagnostics	7
Surgery-outpatient	6
Surgery-inpatient	4
EKG-EEG	3
Colonoscopy	2
Maternity	2
Occupational therapy	2
Physical therapy	2
Speech therapy	2
Lactation	1

Source: El Camino Hospital website

"A lot of people don't have time to make phone calls or wait for a callback, they want an answer right away," said Terri Manifesto, El Camino's senior director of revenue cycle. "They expect this kind of information online. It's a great thing to offer patients."

The hospital spends about \$18,000 a year to provide the service, which currently offers estimates for 35 lab tests, 25 imaging or radiological procedures and about 30 surgical or other medical services.

Providers face mounting pressure from regulators and consumers to be transparent about costs, especially given increasing public anger about

unexpected large bills. The CMS recently proposed a rule (<http://www.modernhealthcare.com/article/20180425/NEWS/180429939>) requiring hospitals to publish online a list of their standard charges in a machine-readable format and update the information at least once a year.

Still, experts note there are limits to the types of services for which consumers are able to price-shop. There is a risk they can get confused about more complex services and blame providers for underestimating the final cost. Vendors are still working on improving the reliability of the estimates, particularly for surgical procedures involving more cost variables.

Up to now, many hospital leaders have contended that insurers are better equipped to

tell patients what they'll owe for particular services, claiming there's no infrastructure in place giving providers access to the necessary information. But that argument may be losing credibility as more hospitals partner with vendors to offer patients out-of-pocket cost estimates.

"There are enough examples now that show if providers want to offer better information to consumers, they can build the capacity to do it," said Suzanne Delbanco, executive director of Catalyst for Payment Reform, which monitors healthcare transparency efforts. "It clearly can be done, and symbolically it's the right thing for providers to do."

Online patient price-estimator tools for hospitals and healthcare providers represent a growing market for vendors. "This is an absolute area of interest based on regulation, high-deductible plans and increased patient responsibility for bills," said John Yount, vice president of healthcare solutions at TransUnion, which hopes to have a patient self-service tool on the market by the end of this year.

Franklin, Tenn.-based Experian, which offered its first price-estimator tool for hospitals' internal use in 2008, now has about 10 customers—including hospitals, physician groups, and outpatient and imaging centers—that have gone live with the company's online tool for consumers. It tested the product at St. Clair Hospital in Pittsburgh, which in 2016 became the first hospital to offer it to patients.

Experian's product calculates patients' out-of-pocket cost based on the hospital's chargemaster price, its claims history for providing that service, its contract terms with the patient's insurer, and the patient's benefit structure and deductible status. It also estimates out-of-pocket costs for self-pay patients. The estimate currently covers just the facility fee, though El Camino wants to add professional fees into calculations available through the tool.

In addition to having the option of including facility fees alone in the estimate or including professional fees, providers have the option to present only the patient's out-of-pocket cost, or they can also disclose their actual charges and insurance payment rates. Vendors say providers in more competitive markets typically choose to display only the patient's out-of-pocket responsibility to avoid letting rivals see proprietary rate information.

information.

"Offering an online price estimator is a marketing advantage for hospitals and medical groups that want to be transparent with patients," said Merideth Wilson, a senior vice president at Experian, which charges clients a one-time implementation fee and a monthly maintenance fee based on patient visit volume. "Our customers say it helps with consumer satisfaction, bringing patients back, and bringing more patients in."

Denver-based Recondo released its online cost estimator, called MySurePayHealth, three years ago, and now has about a dozen hospital systems, including Baylor Scott & White Health and ProMedica, using it. The accuracy of its estimates ranges from 75% to nearly 90%, depending on the complexity of the medical or surgical service, said Heather Kawamoto, vice president of products for Recondo, which charges clients a monthly subscription fee based on patient visit volume.

Some Recondo hospital clients, particularly those that own sizable physician practices, include professional fees in the estimate, which makes it much more useful to patients, she said. The tool also asks users if they want a hospital financial counselor to call to discuss a possible loan or charity-care arrangement.

"If the patient has concerns about ability to pay, our clients want to proactively engage in that conversation and put the patient in the best position to pay for that care," Kawamoto said.

Quality indicators absent

These price-estimator tools currently do not offer any type of quality of care, outcomes, or patient satisfaction information to allow consumers to factor those into their shopping decision, though El Camino officials say they hope to build that in.

Delbanco said the lack of quality data is one problem with these tools. Another is that the estimate consumers receive may not reflect the full cost of the care because the professional fees are missing and an episode of care may include unanticipated additional services. A hospital's online price estimator "is not the optimal choice for consumers but it's certainly better than nothing," she said.

El Camino's Manifesto is trying to figure out whether offering the online cost estimator has boosted her hospital's revenue. "We're pretty excited that more than 3,000 consumers ran price estimates in one year's time," she said. "Now it would be great to know if they actually came in for services."

Tags: **Costs**, **Finance**, **Healthcare Economics**, **Hospitals**, **Price transparency**, **Provider Revenue-Cycle**, **Providers**, **Technology**

Recommended for You



The healthcare industry has largely been unable to meet consumers' expectations. These health system are discussing how they plan to change that.



Rick Pollack: Hospitals and health systems know that they can't remain an analog service in a digital environment. Providers have heard the call and are working to meet this demand.



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El Camino Hospital, California; General Obligation; Hospital; Joint Criteria

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Rationale

Outlook

Enterprise Profile: Strong

Financial Profile: Very Strong

Credit Snapshot:

El Camino Hospital, California; General Obligation; Hospital; Joint Criteria

Credit Profile		
El Camino Hosp rev bnds		
<i>Long Term Rating</i>	AA/Stable	Upgraded
El Camino Hospital District GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
California Hlth Facs Fincg Auth, California		
El Camino Hosp, California		
California Hlth Facs Fincg Auth (El Camino Hosp) HOSP		
<i>Long Term Rating</i>	AA/Stable	Upgraded
County of Santa Clara, California		
El Camino Hosp, California		
Series 2009A		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Upgraded
<i>Long Term Rating</i>	AA+/A-1	Affirmed

Rationale

S&P Global Ratings raised its long-term rating and underlying rating (SPUR) two notches to 'AA' from 'A+' on El Camino Hospital (ECH), Calif.'s series 2017A and series 2015A revenue bonds. In addition, S&P Global Ratings affirmed its 'AA+/A-1' joint criteria rating on Santa Clara County, Calif.'s series 2009A variable-rate demand bonds (VRDBs), issued on behalf of ECH. Finally, S&P Global Ratings affirmed its 'AA' long-term rating and SPUR on ECH's series 2017 and 2006 general obligation (GO) bonds. The outlook, where applicable, is stable.

The joint criteria rating is based on a low correlation between El Camino Hospital and the letter of credit (LOC) provider, Wells Fargo Bank N.A. El Camino Hospital is a component of the El Camino Hospital District, which also includes the El Camino Hospital Foundation. The GO bonds are a general obligation of the district, payable from an unlimited ad valorem tax levied within the district's boundaries, and collected by Santa Clara County.

The raised rating on ECH's revenue bonds is based on application of the U.S. and Canadian Not-for-Profit Acute Care Health Care Organizations criteria, published on March 19, 2018. We view ECH's underlying credit quality as stable.

The 'AA' rating further reflects our view of ECH's superior and improving financial performance and exceptional days' cash on hand. The rating is also based on our view of ECH's stable market position in a highly competitive market that includes larger integrated systems, favorable service area, and excellent economic characteristics resulting in a healthy payor mix. Furthermore, our rating incorporates the strength of the district's proven and ongoing tax-support, exemplified by the district's diverse tax base and growing assessed value (AV).

ECH has \$749 million in capital plans covering the fiscal years of 2018-2022 that will be funded with a mix of cash flow, unrestricted reserves and 2017 debt with ongoing capital plans likely extending beyond that time period as management has indicated it has preliminary plans to replace ECH's Los Gatos campus due to seismic needs. As a result, we anticipate that ECH's liquidity and financial flexibility may weaken in the coming years as capital spending escalates although we expect management will utilize the remaining \$191.6 million of its series 2017 bond proceeds (as of April 30, 2018) to support future capital spending. Thus, the upcoming capital spending's effect on ECH's balance sheet will depend, to an extent, on the organization's ability to navigate the challenges of the current health care operating environment while maintaining healthy cash flow to support capital spending.

Nevertheless, we believe that ECH is starting from a position of very healthy financial strength, and anticipate that it will be able to continue to absorb the cost of its capital plans and maintain a financial profile that is in line with the 'AA' rating. However, since the projects result in elevated spending that extends for several years, we will continue to assess their effect, if any, on ECH's credit profile as spending escalates and financing options are determined.

The rating further reflects our view of ECH's:

- Exceptional operating margins, resulting in actual debt service coverage of 6.00x in 2017;
- Abundant unrestricted reserves for the rating as calculated by 475 days' cash on hand;
- Considerable tax support through levies for GO bonds and operations; and
- Favorable economic fundamentals with above-average wealth and income indicators, resulting in a favorable payor mix as well as growing assessed valuations (AV) to cover future debt service payments.

Partly offsetting credit risks include:

- ECH's plans for significant capital expenditures over the next five years (and potentially longer depending on other project start times);
- Location in a highly competitive operating environment containing significantly larger health care providers and systems; and
- Moderate debt levels.

Outlook

The stable outlook reflects our view of ECH's currently very strong financial profile, as well as its favorable service-area characteristics. We expect ECH's management team will maintain stable operations for the next several years. Furthermore, we believe there is capacity for additional debt or a drawdown of internal reserves at the current rating level, although we will assess capital spending and debt plans as they are finalized.

Upside scenario

Given ECH's highly competitive operating environment and significant capital plans, we do not expect further upward movement in the rating during the two-year outlook period. Over the longer term and outside of the outlook period, we could consider such an action if the organization is able to successfully implement strategic initiatives, demonstrate

success under changing sector dynamics, and absorb its higher capital spending while maintaining a very strong financial profile.

Downside scenario

We think that ECH has ample cushion at the current ratings, so a lower rating is not anticipated during the outlook period. However, while not anticipated, a material deterioration in operations, an overly aggressive additional debt issuance, or an erosion of the balance sheet (including unrestricted reserves below 250 unrestricted days' cash on hand) may lead to a negative outlook or lowered rating.

Enterprise Profile: Strong

Robust economic fundamentals and district tax support

ECH's two campuses are located in the heart of Silicon Valley. The district operates in Santa Clara County, where its taxing boundaries, and primary service area, include the cities of Mountain View, Los Altos, Los Altos Hills Sunnyvale, Cupertino, Campbell, and Los Gatos, as well as portions of San Jose, Saratoga, and Santa Clara.

We consider the economic fundamentals to be robust, with 1.27 million people in the primary service area (PSA) and projected growth in the county that exceeds national averages. Income indicators are also much stronger than national levels, and property values are significantly higher, in our opinion. The projected per capita personal income for the county is 175% of the nation, which we consider very strong and reflective of the deep and stable economic base. Furthermore, the local economy is a technology center. Technology employers within the district's boundaries include Google, Apple, Hewlett-Packard, Intel, and Facebook. The unemployment rate is also lower than both national and state averages.

The amount of ad valorem tax levied by the county to replay the district's GO bonds is based on the AV of taxable property in the district and the amount of debt service due on its GO funds. Total tax revenue received by ECH remain modest at just below 3%.

Overall, while the dependency on tax revenue is not significant, we view the area's growing AV and diversity of the taxpayer base to be supportive of the rating and we expect that this trend will continue. In 2017, the district refunded part of its outstanding series 2006 bonds, which resulted in increased assessed property values and reduced the tax rate from \$12.90 per \$100,000 of AV to \$10.00 per \$100,000 of current AV. The district's tax base encompasses most of the county and has been growing; district AV totaled \$77 billion for fiscal 2017, which we consider extremely strong. The district estimates its AV will continue to increase in fiscal 2018. The taxpayer base is diverse in our view, as the top 10 taxpayers account for around 12% of total AV.

Market position and partnerships

Although ECH's PSA is broad and covers a sizeable population base, we consider it fragmented because of several prominent providers, including Kaiser Permanente, Good Samaritan Hospital, Stanford & Stanford Children's Hospital, Santa Clara Valley Medical Center, and O'Connor Hospital. Based on fiscal 2016 data, El Camino Hospital has 17.8% market share. Although the service area is highly competitive, ECH's market share has remained relatively stable for the past couple of years, and we believe with its investments, ECH is well positioned in Santa Clara County and the

surrounding areas.

ECH has an affiliation agreement with Palo Alto Medical Foundation (PAMF), a Sutter Health System medical group with a presence throughout the peninsula. The affiliation strengthens ECH's business position, in our opinion, by building clinical programs, managing the risks associated with various programs, increasing physician integration, monitoring quality, and reducing redundancy. Moreover, ECH is also collaborating with PAMF to complete a market needs assessment with a goal to more efficiently serve the community and take advantage of market opportunities. In addition, ECH and PAMF have agreed to jointly develop new facilities in Silicon Valley's southern region.

Lastly, ECH has joint ventures with Pathways, which provides home care and hospice services to patients throughout the San Francisco Bay Area, and Satellite Dialysis, which manages dialysis-related assets.

Management and governance

Despite recent management turnover in the past several years, the chief financial officer has been with the organization for several years. Following the departure of ECH's chief executive officer (CEO) in 2016, a new CEO was hired in 2017. In addition, management indicates that they are looking to hire a new chief medical officer and chief operating officer. Overall, we view the management team as strategic in that they are making the appropriate investments to maintain and also grow ECH's business position.

The hospital district is governed by a five-member board, each of whom is elected to staggered, four-year terms. Elections are held every two years, alternating between two and three available positions. Any unplanned vacancies are filled by appointment.

Table 1

El Camino Hospital District, Calif.: Enterprise Statistics			
	--Fiscal year ended June 30--		
	2017	2016	2015
PSA population	N.A	1,265,211	1,227,964
PSA market share (%)	N.A	17.80	17.80
Inpatient admissions	18,033	17,312	17,646
Equivalent inpatient admissions	31,035	29,178	30,063
Emergency visits	61,888	60,433	61,286
Inpatient surgeries	4,523	4,508	4,488
Outpatient surgeries	6,471	6,099	6,474
Medicare case mix index	1.83	1.81	1.80
FTE employees	2,507	2,510	2,452
Active physicians	1,411	1,411	1,103
Based on net/gross revenues	Net	Net	Net
Medicare (%)	25.30	24.60	24.40
Medicaid (%)	2.00	2.00	1.40
Commercial/Blues (%)	71.60	72.40	71.80

N/A--Not applicable. N.A.--Not available. Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

Financial Profile: Very Strong

Very strong financial performance

ECH has a multi-year history of producing stable financial margins and cash flow and we expect this to continue. ECH's operating margins and net patient revenue increased in fiscal 2017 due to program development and an increase in utilization across various service lines, coupled with maintenance of an extremely healthy payor mix of over 70% commercial payors.

During the past few years, management has made considerable improvements in the revenue cycle, third-party negotiations, labor productivity, supply costs, and documentation. In addition, ECH benefitted from tax revenue of \$25 million in fiscal 2017.

Cash flow, as measured by the EBIDA margin, is remarkable at 19%. Because of ECH's healthy EBIDA margins, actual debt service coverage is robust at nearly 6x in fiscal 2017, based on S&P Global Ratings' calculation method, which includes the current debt service for both GO and revenue bonds. Our actual debt service figure assumes \$29.3 million, consisting of \$24.3 million associated with revenue bonds and \$5.0 million associated with GO bonds. The revenue bond debt service is level at about \$30.9 million through final maturity in 2047. The GO bonds are capital appreciation bonds, so debt service increases each year, starting at \$5.0 million in 2018, and then increasing to \$18.2 million in fiscal 2037. We expect that, over time, the area's AV will continue to grow and that additional tax revenue will support ECH's debt service over time.

Management expects to finish fiscal 2018 with operating margins above budgeted expectations around 13%. We view this as achievable, given ECH's consistent operating performance, history of meeting operational goals, prudent expense management, and revenue growth initiatives.

Strong balance sheet, although metrics may diminish due to potential sizable capital plans

Despite heightened spending in recent years, ECH has continued to strengthen its balance sheet, which we already considered healthy. ECH has seen solid growth in its unrestricted liquidity on a days' cash on hand basis and attributes the growth in unrestricted reserves to the use of bond proceeds to support some of the capital spending coupled with strong operating results and cash flow.

Management has indicated that it has plans for significant capital spending (\$749 million total investment) over the next five years, at both the Mountain View and Los Gatos campuses. Following the recently expanded North Drive parking garage project at the Mountain View campus, ECH's key projects at that campus (included in the above totals) include replacing its behavioral office building, demolishing the main tower of its replaced hospital building, and expanding its Women's Hospital. In addition, ECH will continue to construct, expand, remodel, renovate, and upgrade its Los Gatos campus. We expect these projects will result in considerable spending in the coming years that may reduce ECH's currently outstanding metrics depending on overall cash flow and project details as some of the above projects are still being finalized and sized.

Debt and liabilities

ECH maintains moderate debt levels following 2017's GO and revenue bond issuances. At this time, management does not plan to issue debt over the next two years; however, we will continue to monitor ECH's debt plans as capital spending will likely remain heightened for a number of years. ECH had \$649 million in total long-term debt as of June 30, 2017. ECH's long-term debt includes: \$131 million of GO bonds (series 2006 and series 2017 Capital Appreciation Bonds (CABs) and Current Interest Bonds (CIBs), and \$494 million of revenue bonds (series 2009, series 2015A and series 2017A). ECH's GO bonds are secured by an unlimited ad valorem tax levied within the district's boundaries and collected by Santa Clara County. The series 2009 VRDBs are backed by a LOC provided by Wells Fargo Bank N.A. that is scheduled to expire in October 2019. ECH has one outstanding swap related to the series 2007 bonds on a \$50 million notional value; the swap had a \$7.6 million fair value liability as of June 30, 2017.

Table 2

El Camino Hospital District, Calif.: Financial Statistics				
Financial performance	--Fiscal year ended June 30--			--Medians for 'AA' rated stand-alone hospitals--
	2017	2016	2015	2016
Net patient revenue (\$000s)	832,573	772,173	746,645	1,508,559
Total operating revenue (\$000s)	896,029	834,851	797,572	MNR
Total operating expenses (\$000s)	791,328	769,975	720,547	MNR
Operating income (\$000s)	104,701	64,876	77,025	MNR
Operating margin (%)	11.69	7.77	9.66	7.10
Net nonoperating income (\$000s)	16,688	10,078	16,416	MNR
Excess income (\$000s)	121,389	74,954	93,441	MNR
Excess margin (%)	13.30	8.87	11.48	9.40
Operating EBIDA margin (%)	17.81	14.95	16.53	13.50
EBIDA margin (%)	19.31	15.97	18.21	15.30
Net available for debt service (\$000s)	176,265	134,896	148,216	291,930
Maximum annual debt service (\$000s)	29,310	29,310	29,310	MNR
Maximum annual debt service coverage (x)	6.01	4.60	5.06	7.30
Operating lease-adjusted coverage (x)	5.17	4.02	4.84	6.10
Liquidity and financial flexibility				
Unrestricted reserves (\$000s)	919,065	698,042	704,265	1,214,670
Unrestricted days' cash on hand	451.40	353.40	380.50	372.90
Unrestricted reserves/total long-term debt (%)	141.50	199.80	196.20	327.90
Unrestricted reserves/contingent liabilities (%)	1,838.10	1,396.10	1,408.50	719.80
Average age of plant (years)	11.20	10.00	10.70	10.80
Capital expenditures/depreciation and amortization (%)	233.50	178.10	180.50	164.90
Debt and liabilities				
Total long-term debt (\$000s)	649,395	349,336	358,906	MNR
Long-term debt/capitalization (%)	31.40	21.90	23.20	19.00
Contingent liabilities (\$000s)	50,000	50,000	50,000	MNR
Contingent liabilities/total long-term debt (%)	7.70	14.30	13.90	44.40
Debt burden (%)	3.21	3.47	3.60	2.10

Table 2

El Camino Hospital District, Calif.: Financial Statistics (cont.)				
Defined-benefit plan funded status (%)	116.73	111.67	112.88	81.80
Pro forma ratios				
Unrestricted reserves (\$000s)	N/A	674,156	N/A	MNR
Total long-term debt (\$000s)	N/A	615,551	N/A	MNR
Unrestricted days' cash on hand	N/A	341.30	N/A	MNR
Unrestricted reserves/total long-term debt (%)	N/A	109.50	N/A	MNR
Long-term debt/capitalization (%)	N/A	33.10	N/A	MNR

N/A--Not applicable. N.A.--Not available. MNR--Median not reported.

Credit Snapshot:

- Security: ECH's revenue bonds are secured by a pledge of gross revenue from the hospital, the sole member of the obligated group. The GO bonds are a general obligation of the district, payable from an unlimited ad valorem tax levied within the district's boundaries, and collected by Santa Clara County.
- Group rating methodology: The ratings are based on our view of ECH's group credit profile (GCP) and the obligated group's core status. Accordingly, we rate the bonds at the same level as the GCP. The analysis reflects the system as a whole.
- Organizational description: El Camino Hospital is a component of El Camino Hospital District, which also includes El Camino Hospital Foundation, CONCERN: Employee Assistance Program, El Camino Surgery Center LLC, and Silicon Valley Medical Development LLC. El Camino Hospital is a separate 501 (c)(3) that operates the district's health care assets, which include 443 beds in service on two campuses: Mountain View (300 licensed beds) and Los Gatos (143 licensed beds), which was acquired in 2009. Substantially, all of the consolidated assets are held at the hospital. The hospital generates most of the consolidated operating surplus.

Ratings Detail (As Of June 1, 2018)

El Camino Hosp Dist GO rfdg bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Many issues are enhanced by bond insurance.

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Moody's		S&P		Fitch		Rating description				
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term					
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade			
Aa1		AA+		AA+		High grade				
Aa2		AA		AA						
Aa3		AA−		AA−						
A1		A+	A-1	A+	F1	Upper medium grade				
A2		A		A						
A3	P-2	A−	A-2	A−	F2	Lower medium grade				
Baa1		BBB+		BBB+						
Baa2	P-3	BBB	A-3	BBB	F3					
Baa3		BBB−		BBB−						
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade AKA high-yield bonds			
Ba2		BB		BB		Highly speculative				
Ba3		BB−		BB−						
B1		B+		B+						
B2		B		B						
B3		B−		B−						
Caa1		CCC+				Substantial risks				
Caa2	CCC−				Substantial risks					



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

Major Capital Projects Update
Finance Committee
For Information

July 30, 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**

- Interior and Exterior wall framing is 85%complete and MEP rough in is 55% 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**

- Fireproofing of structure is 85%complete. Interior framing and overhead MEP installation is 50% complete. Exterior GFRC and window walls are 90% complete on the upper floors. Construction is progressing as scheduled with a target completion in May 2019 and the project is forecasted to be within the approved budget.

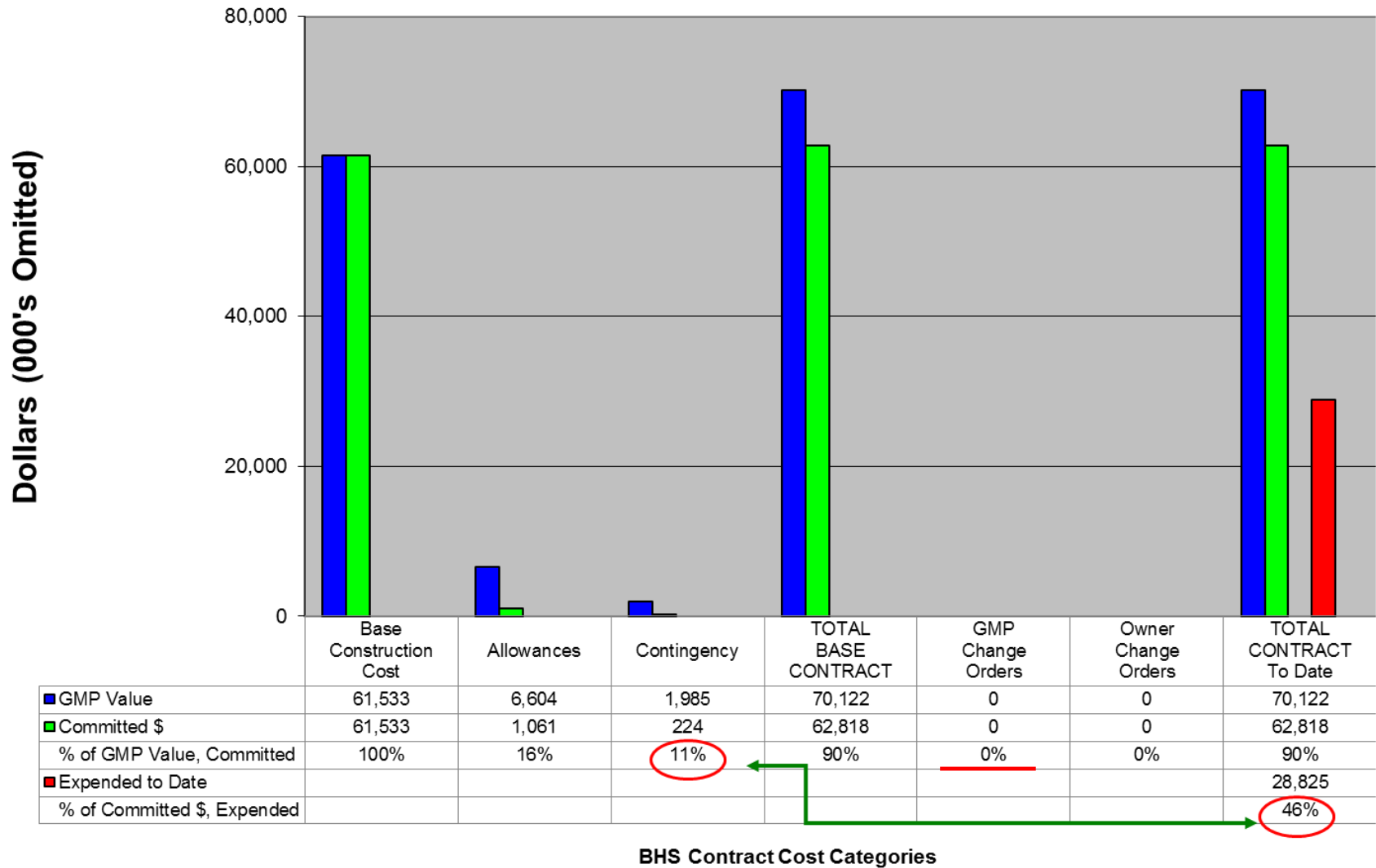
- **Central Utility Plant (CUP) Upgrade**

- 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.

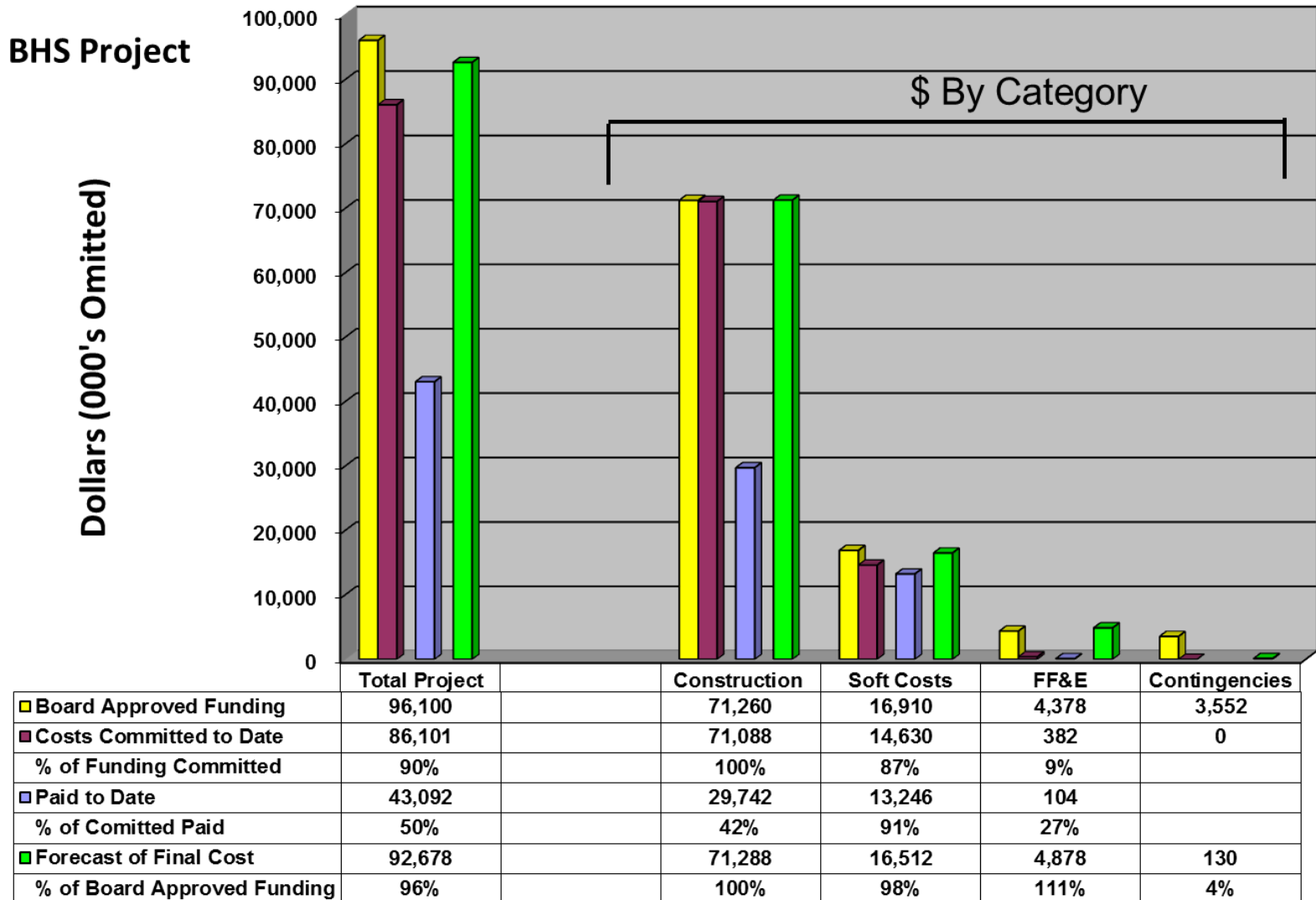
- **Women's Hospital Expansion**

- 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 are still be evaluated and will be presented at a future meeting of the Finance Committee.

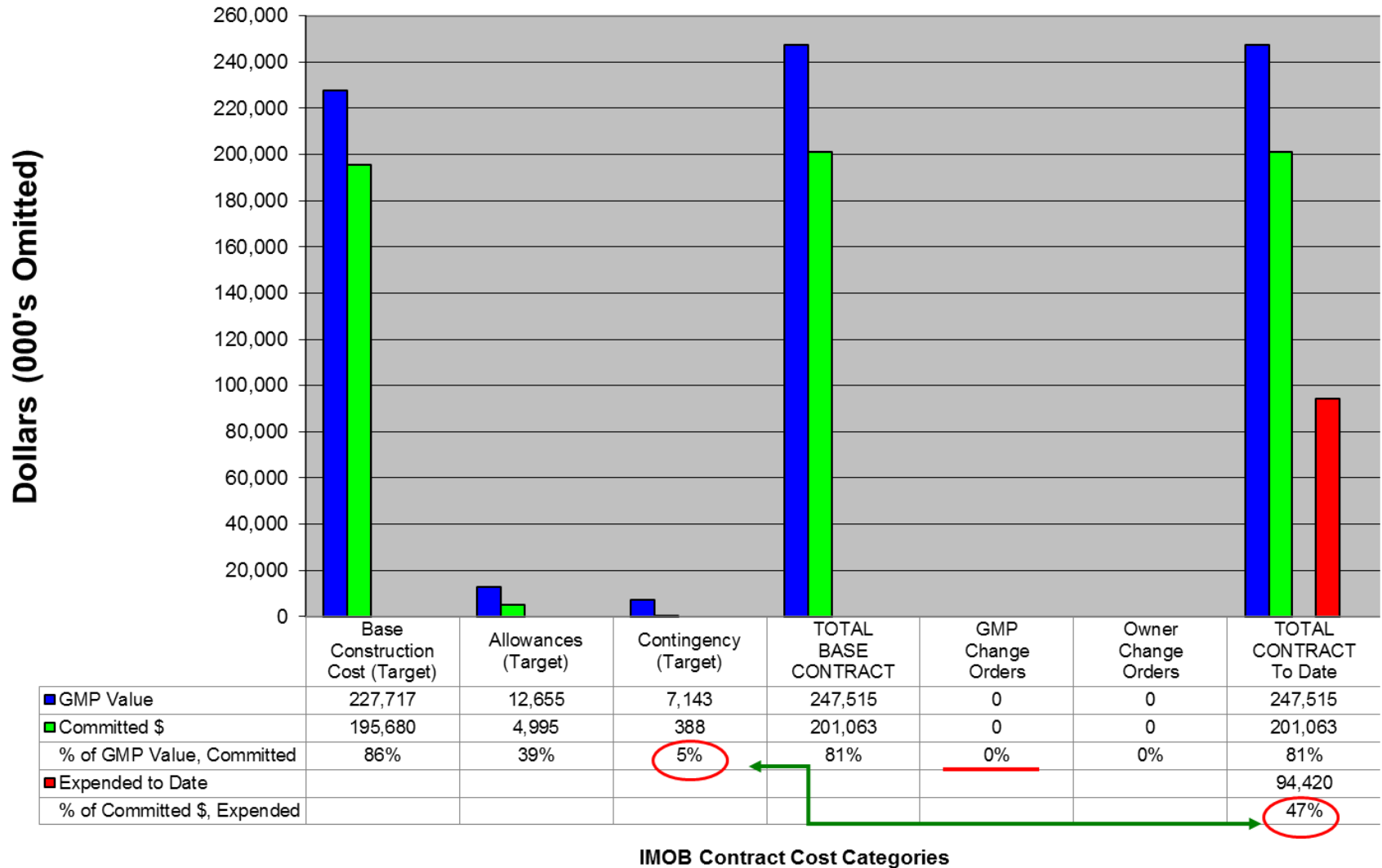
Behavioral Health Services Building – Construction Contract Summary



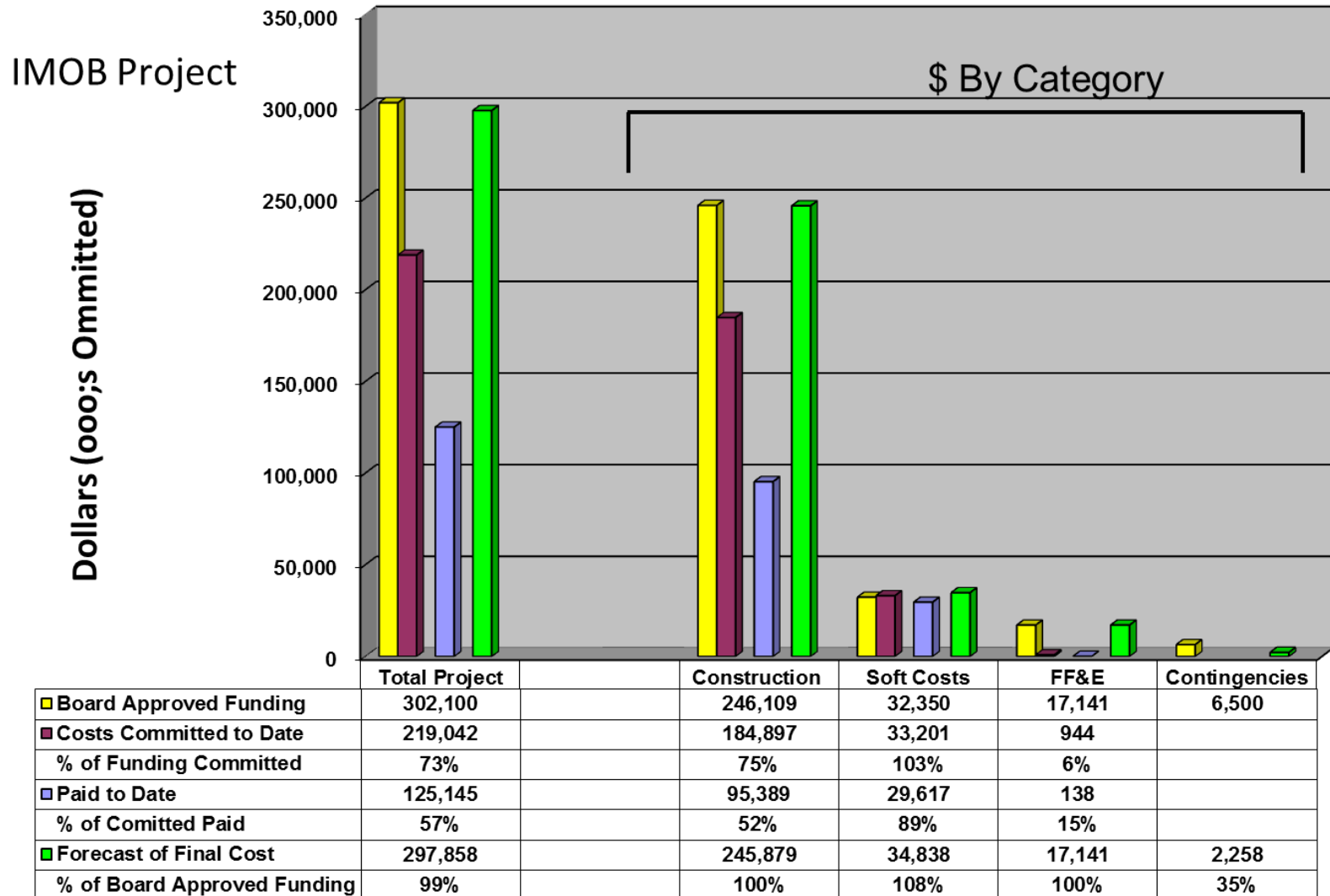
Behavioral Health Services Building – Project Cost Summary



Integrated Medical Office Building – Construction Contract Summary



Integrated Medical Office Building - Project Cost Summary



Overall Project Cost Projections – July 19, 2018

Mountain View Master Plan Projects - Financial Summary & Forecasted Cost					
Current Projection				Updated 07/19/18	
Through July 19, 2018	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forecasted to Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	23,753,044.88	23,498,503.76	\$24,043,045	\$456,955
Behavioral Health Services Building	\$96,100,000	86,350,657.41	42,978,934.70	\$92,678,108	\$3,421,892
Integrated Medical Office Building & Parking Structure	\$302,100,000	219,041,816.54	122,640,988.35	\$298,397,376	\$3,702,624
Central Utility Plant Upgrade	\$9,000,000	8,996,852.74	7,062,753.10	\$8,996,853	\$3,147
Women's Hospital Expansion	\$6,000,000	5,861,624.01	3,578,474.16	\$6,000,000	\$0
Total All Projects	\$437,700,000	\$344,003,996	\$199,759,654	\$430,115,381	\$7,584,619
		79%	58%		

- To date we have obligated by contract 79% of the Total Project Budgets and paid 58% 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 has been differed until September.



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 11
7/1/2017 to 05/31/2018

Financial Overview

Volume:

- For the year, overall volume, measured in adjusted discharges is 5.3% higher than budget. Medical and ER cases were high due to the flu season. Strong service line growth in Neurosciences, HVI, BHS, Oncology. Deliveries are lower than prior year and 4.6% below budget primarily due to the decline in birth rate.
- OP cases also show strong service line growth in General Surgery, General Medicine, Orthopedics, Imaging Services, MCH and Rehab.

Financial Performance:

- For the month, operating income is \$2.2M better than budget due to \$1.3 million in Medic-Cal outpatient supplemental funding(AB915) and \$1.1 million in PRIME funding. For the year operating margin is \$47.8M ahead of target due to higher volume, \$17 million in unusual items and strong revenue cycle operations.
- Strong investment results for the month and the year

Payor Mix:

- Medicare Mix is higher due to growth in HVI and general medicine which have a high Medicare mix.

Cost:

- YTD productivity is ahead of budget but recent months show a decline as volume has eased.

Balance Sheet:

- Net days in AR is 47.4 which is .6 days better than budget.

Dashboard - ECH combined as of May 31, 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	235	219	241	(22)	239	240	240	(0)
Utilization MV	66%	60%	66%	-6%	66%	66%	66%	0%
Utilization LG	25%	26%	29%	-3%	29%	30%	29%	1%
Utilization Combined	53%	49%	54%	-5%	54%	54%	54%	0%
Adjusted Discharges	2,893	3,124	2,937	187	30,884	32,919	31,255	1,664
Total Discharges (Excl NNB)	1,664	1,683	1,682	1	17,964	18,649	18,088	561
Inpatient Cases								
MS Discharges	1,175	1,160	1,158	2	12,444	13,092	12,439	653
Deliveries	377	380	403	(23)	4,268	4,163	4,364	(201)
BHS	82	102	78	24	831	992	829	163
Rehab	30	41	43	(2)	421	402	456	(54)
Outpatient Cases	12,741	12,738	12,891	(153)	133,483	137,314	135,004	2,310
ED	4,273	4,089	4,279	(190)	44,556	45,479	44,831	648
Procedural Cases								
OP Surg	363	427	402	25	4,106	4,325	4,207	118
Endo	176	214	186	28	2,148	2,201	1,953	248
Interventional	183	188	187	1	1,982	1,942	1,950	(8)
All Other	7,746	7,820	7,837	(17)	80,691	83,367	82,063	1,304
Financial Perf.								
Net Patient Revenues	70,653	74,092	71,197	2,895	744,907	812,155	763,712	48,443
Total Operating Revenue	74,454	77,398	73,068	4,329	769,151	839,262	784,979	54,283
Operating Expenses	65,507	68,832	66,681	2,151	681,186	719,547	713,058	6,488
Operating Income \$	8,947	8,566	6,388	2,178	87,965	119,715	71,921	47,794
Operating Margin	12.0%	11.1%	8.7%	2.3%	11.4%	14.3%	9.2%	5.1%
EBITDA \$	13,183	13,185	11,793	1,392	135,865	170,265	128,312	41,952
EBITDA %	17.7%	17.0%	16.1%	0.9%	17.7%	20.3%	16.3%	3.9%
IP Margin ¹	5.8%	4.5%	-10.2%	14.7%	5.8%	4.5%	-10.2%	14.7%
OP Margin ¹	37.0%	39.3%	31.7%	7.6%	37.0%	39.3%	31.7%	7.6%
Payor Mix								
Medicare	47.8%	48.6%	47.4%	1.2%	47.7%	47.7%	47.4%	0.3%
Medi-Cal	8.0%	7.6%	7.2%	0.4%	7.3%	7.7%	7.2%	0.5%
Commercial IP	22.2%	20.5%	22.6%	-2.1%	22.3%	21.9%	22.6%	-0.7%
Commercial OP	19.8%	20.7%	20.3%	0.4%	20.2%	20.1%	20.3%	-0.2%
Total Commercial	42.0%	41.1%	42.9%	-1.7%	42.5%	42.0%	42.9%	-0.9%
Other	2.3%	2.6%	2.5%	0.1%	2.5%	2.5%	2.5%	0.0%
Cost								
Total FTE	2,534.9	2,564.2	2,539.3	25	2,500.3	2,578.2	2,529.9	48
Productive Hrs/APD	31.0	31.3	30.1	1	30.4	30.3	30.4	(0)
Balance Sheet								
Net Days in AR	44.8	47.4	48.0	(1)	44.8	47.4	48.0	(1)
Days Cash	444	500	266	234	444	500	266	234
Affiliates - Net Income (\$000s)								
Hosp	18,137	17,733	6,613	11,120	144,084	172,204	74,399	97,805
Concern	(108)	(139)	115	(254)	1,249	801	1,304	(503)
ECSC	(9)	(31)	0	(31)	(92)	(91)	0	(91)
Foundation	37	22	105	(83)	2,177	1,738	602	1,137
SVMD	(85)	557	(23)	581	5	1,397	7	1,390

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-05/31/2018) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	71,921	9.2%
Net Revenue - Favorable due higher volume, revenue cycle operations and \$14 million unusual items	54,283	6.5%
Labor and Benefit Expense Change - Labor favorable vs budget after adjusting for volume	(1,836)	-0.2%
Professional Fees & Purchased Services -Recruiting costs for several key positions in the organization and backfill for vacant positions, repairs for survey readiness	(7,228)	-0.9%
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	(4,615)	-0.5%
Other Expenses - primarily due strategic fund expenses not spent	1,349	0.2%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as LG projects	5,842	0.7%
Actual Hospital Operations FY2018	119,715	14.3%

El Camino Hospital (\$000s)

11 months ending 05/31/2018

Period 11 FY 2017	Period 11 FY 2018	Period 11 Budget 2018	Variance Fav (Unfav)	Var%		YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
264,096	277,853	275,712	2,141	0.8%	Gross Revenue	2,754,532	3,027,371	2,928,875	98,496	3.4%
(193,442)	(203,761)	(204,515)	754	1.0%	Deductions	(2,009,625)	(2,215,216)	(2,165,164)	(50,053)	2.3%
70,653	74,092	71,197	2,895	4.1%	Net Patient Revenue	744,907	812,155	763,712	48,443	6.3%
3,800	3,305	1,871	1,435	76.7%	Other Operating Revenue	24,245	27,107	21,268	5,839	27.5%
74,454	77,398	73,068	4,329	5.9%	Total Operating Revenue	769,151	839,262	784,979	54,283	6.9%
					OPERATING EXPENSE					
38,903	40,884	40,631	(253)	-0.6%	Salaries & Wages	411,216	432,661	430,825	(1,836)	-0.4%
11,455	11,556	10,437	(1,119)	-10.7%	Supplies	108,254	116,771	112,157	(4,615)	-4.1%
8,764	9,404	7,815	(1,589)	-20.3%	Fees & Purchased Services	88,872	94,299	87,071	(7,228)	-8.3%
2,149	2,368	2,392	24	1.0%	Other Operating Expense	24,946	25,265	26,614	1,349	5.1%
292	431	725	295	40.6%	Interest	3,851	5,290	7,980	2,689	33.7%
3,944	4,189	4,680	491	10.5%	Depreciation	44,049	45,259	48,411	3,152	6.5%
65,507	68,832	66,681	(2,151)	-3.2%	Total Operating Expense	681,186	719,547	713,058	(6,488)	-0.9%
8,947	8,566	6,388	2,178	34.1%	Net Operating Income/(Loss)	87,965	119,715	71,921	47,794	66.5%
9,191	9,167	225	8,942	3969.1%	Non Operating Income	56,118	52,489	2,478	50,011	2018.0%
18,137	17,733	6,613	11,120	168.2%	Net Income(Loss)	144,084	172,204	74,399	97,805	131.5%
17.7%	17.0%	16.1%	0.9%		EBITDA	17.7%	20.3%	16.3%	3.9%	
12.0%	11.1%	8.7%	2.3%		Operating Margin	11.4%	14.3%	9.2%	5.1%	
24.4%	22.9%	9.1%	13.9%		Net Margin	18.7%	20.5%	9.5%	11.0%	

Non Operating Items and Net Income by Affiliate

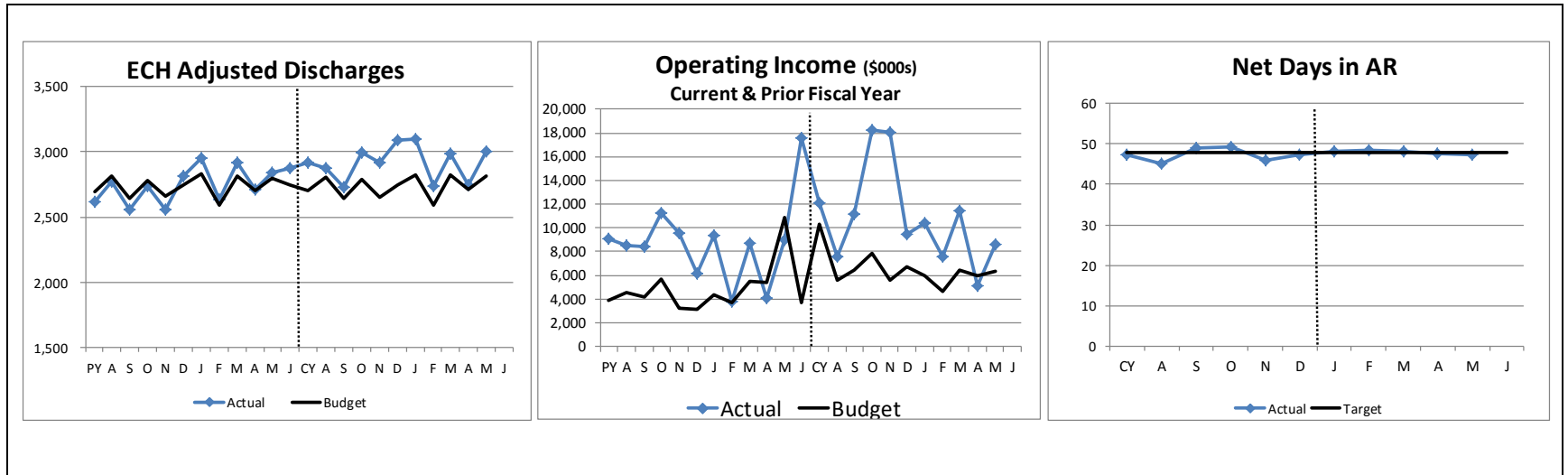
\$ in thousands

	Period 11 - Month			Period 11 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	7,127	4,653	2,473	107,398	57,376	50,023
Los Gatos	1,439	1,734	(295)	12,317	14,545	(2,229)
Sub Total - El Camino Hospital, excl. Affiliates	8,566	6,388	2,178	119,715	71,921	47,794
Operating Margin %	11.1%	8.7%		14.3%	9.2%	
El Camino Hospital Non Operating Income						
Investments	10,314	1,516	8,798	56,523	16,671	39,853
Swap Adjustments	(982)	0	(982)	1,087	0	1,087
Community Benefit	(27)	(283)	256	(3,121)	(3,117)	(4)
Pathways	(202)	42	(243)	(345)	458	(803)
Satellite Dialysis	7	(35)	42	183	(390)	573
Community Connect	0	(141)	141	0	(1,546)	1,546
SVMD Funding ¹	(506)	(448)	(58)	(2,247)	(4,932)	2,684
Premier Investment ²	0	0	0	3,695	0	3,695
Other	563	(424)	987	(3,287)	(4,667)	1,380
Sub Total - Non Operating Income	9,167	225	8,942	52,489	2,478	50,011
El Camino Hospital Net Income (Loss)	17,733	6,613	11,120	172,204	74,399	97,805
ECH Net Margin %	22.9%	9.1%		20.5%	9.5%	
Concern	(139)	115	(254)	801	1,304	(503)
ECSC	(31)	0	(31)	(91)	0	(91)
Foundation	22	105	(83)	1,738	602	1,137
Silicon Valley Medical Development	557	(23)	581	1,397	7	1,390
Net Income Hospital Affiliates	410	197	213	3,845	1,913	1,932
Total Net Income Hospital & Affiliates	18,143	6,810	11,333	176,050	76,312	99,737

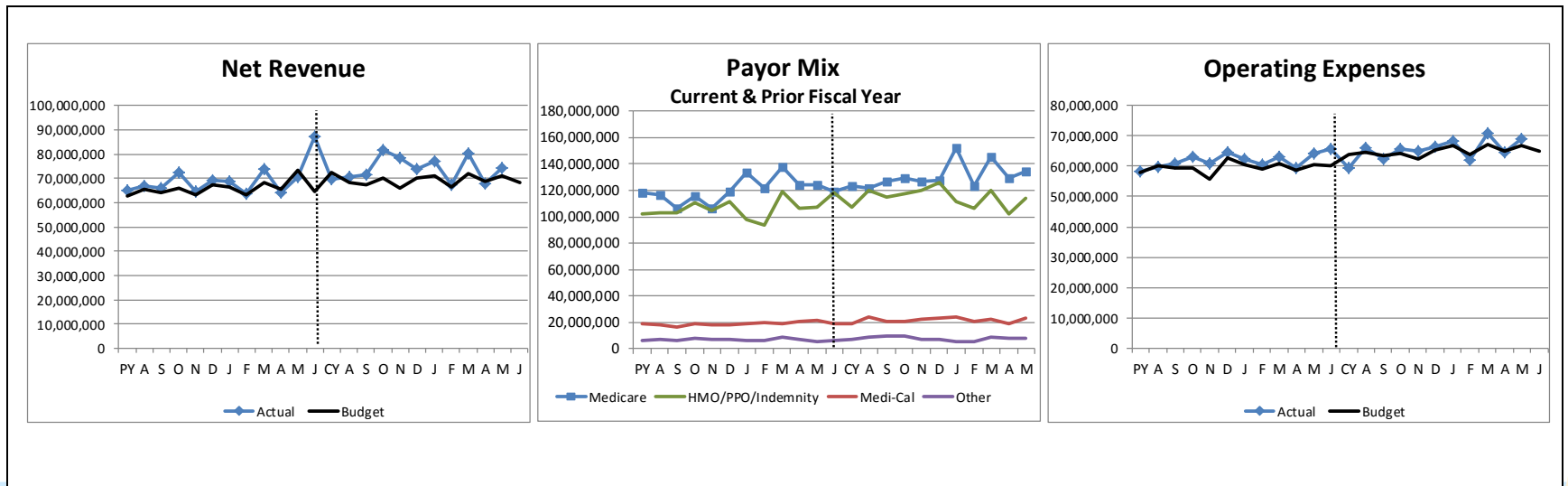
¹Favorable variances for SVMD and Community Connect are due to delayed implementation

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

Monthly Financial Trends



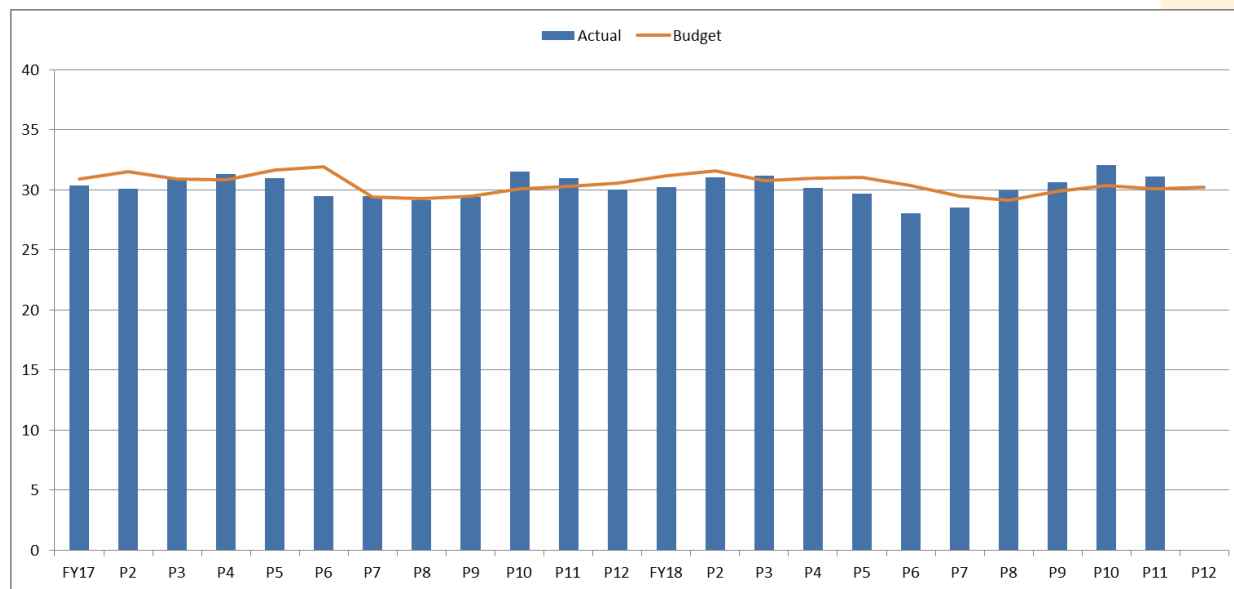
Higher inpatient volume occurring in Inpatient Behavioral Health, HVI, Neurosciences, Oncology and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Orthopedics, Outpatient Clinics, General Surgery and Rehab.



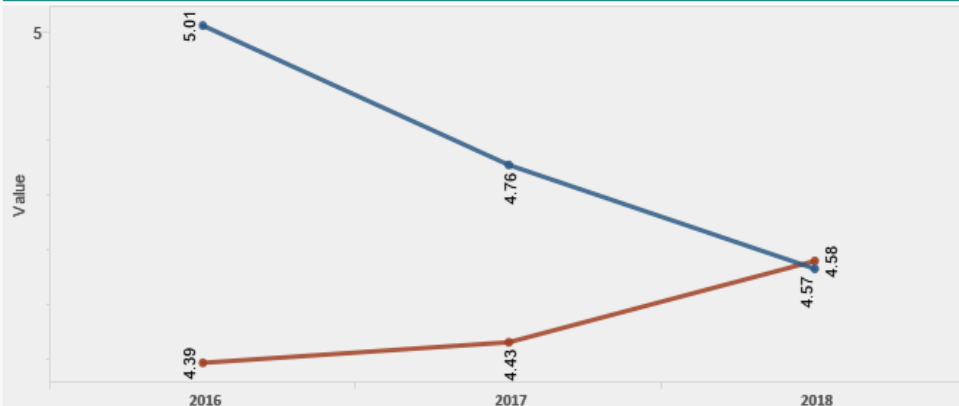
Productivity and Medicare Length of Stay

Work hours per adjusted patient day in May is over budget by 1.2. Overall the month of May is 31.3 worked hours per adjusted patient day

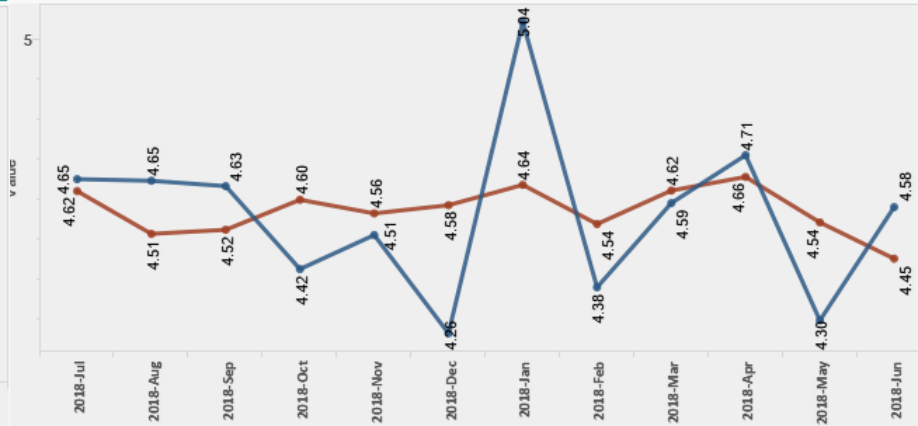
ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2018 at benchmark. Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR

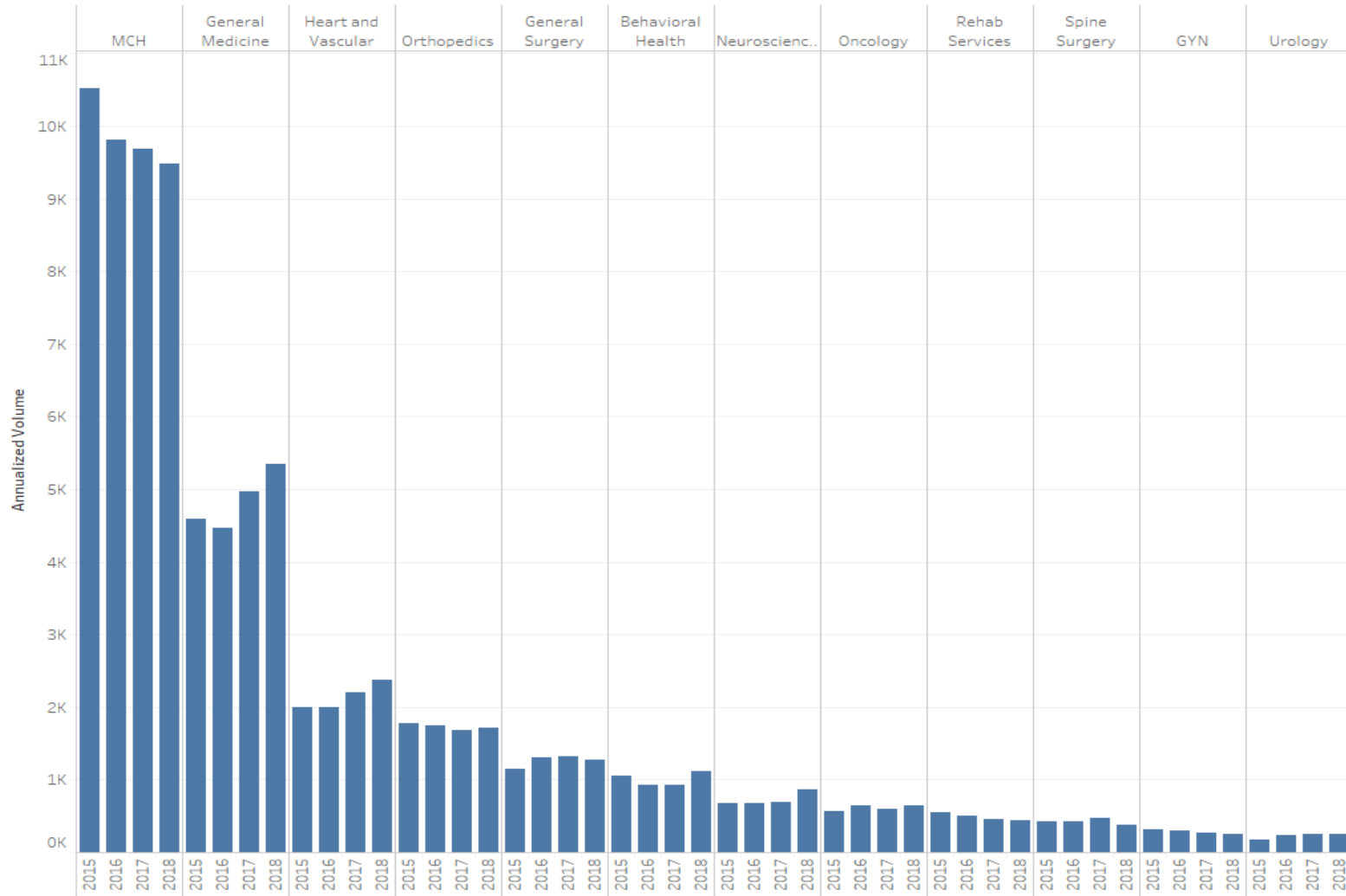


AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



El Camino Hospital Volume Annual Trends – Inpatient

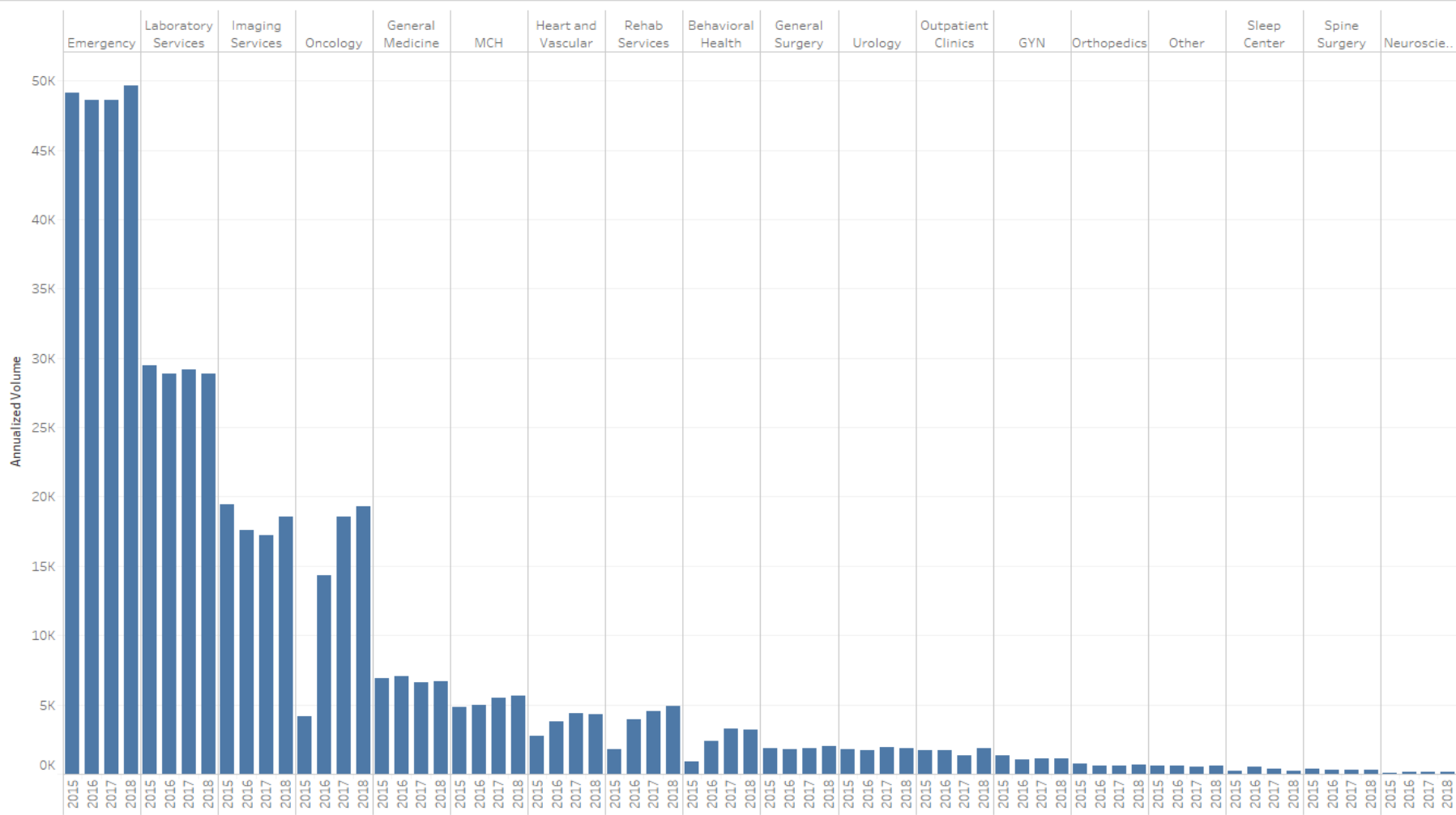
FY 2018 is annualized



- 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	M	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	92	2,328
BPCI Settlement	-	-	-	-	-	-	-	-	-	-	-	-
Medi-Cal Supplemental	-	-	-	-	-	-	-	-	-	0	-	0
IGT Supplemental	-	-	-	-	-	-	-	-	-	-	-	-
AB 915	-	-	-	-	-	-	-	103	926	-	1,302	2,332
Hospital Fee	-	-	-	712	1,024	-	-	-	-	-	-	1,736
PRIME Incentive	-	-	-	-	2,902	-	-	-	-	-	1,108	4,010
Credit Balance Quarterly Review	-	-	2,201	-	-	-	-	-	-	-	-	2,201
Late Charge Accrual	-	-	-	3,283	-	-	-	-	-	-	-	3,283
Various Adjustments under \$250k	9	35	27	6	16	8	(878)	10	17	(56)	9	(797)
Total	63	190	3,134	4,667	4,126	757	(453)	205	1,638	169	2,511	17,005

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 Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Current Proj Spend	FY18 Orig Proj Spend	Variance Between Current Proj Spend and Orig Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade			1.9	1.0	1.9	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	4.2	5.6	5.6	0.0	4.2
Facility Projects									
	1245 Behavioral Health Bldg	FY16	96.1	96.1	39.4	27.0	51.4	-24.4 ¹	21.8
	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	104.5	72.0	130.1	-58.1 ¹	58.6
	1422 CUP Upgrade	FY16	9.0	9.0	6.6	5.5	4.0	1.5	4.4
	1430 Women's Hospital Expansion	FY16	120.0	6.0	3.2	3.6	7.0	-3.4	2.7
	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	9.0	8.9	0.6	0.7	-0.1	1.6
	1307 LG Upgrades	FY13	19.3	19.3	17.8	4.9	5.0	-0.1	3.9
	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	4.9	3.5	3.5	0.0	4.6
	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	0.1	69.1	1.8	0.0	1.8	4.0
GRAND TOTAL			684.4	499.4	294.6	128.0	211.9	-83.9	109.2

* 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	
	May 31, 2018	June 30, 2017
CURRENT ASSETS		
Cash	134,334	125,551
Short Term Investments	155,866	140,284
Patient Accounts Receivable, net	114,340	109,089
Other Accounts and Notes Receivable	2,926	2,628
Intercompany Receivables	1,829	1,495
(1) Inventories and Prepaids	54,990	50,657
Total Current Assets	464,285	429,705
BOARD DESIGNATED ASSETS		
(2) Plant & Equipment Fund	154,352	131,153
Women's Hospital Expansion	9,298	9,298
(3) Operational Reserve Fund	127,908	100,196
(4) Community Benefit Fund	18,656	12,237
Workers Compensation Reserve Fund	21,949	20,007
Postretirement Health/Life Reserve Fund	19,736	19,218
PTO Liability Fund	23,916	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	18,105	16,575
Total Board Designated Assets	395,554	333,727
(5) FUNDS HELD BY TRUSTEE	204,759	287,052
LONG TERM INVESTMENTS	319,741	256,652
INVESTMENTS IN AFFILIATES	32,956	32,451
PROPERTY AND EQUIPMENT		
(6) Fixed Assets at Cost	1,259,134	1,192,047
Less: Accumulated Depreciation	(573,741)	(531,785)
Construction in Progress	189,276	138,017
Property, Plant & Equipment - Net	874,669	798,279
DEFERRED OUTFLOWS	28,410	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,320,372	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	May 31, 2018	June 30, 2017
CURRENT LIABILITIES		
(7) Accounts Payable	30,048	38,457
Salaries and Related Liabilities	28,191	25,109
Accrued PTO	23,916	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	9,522	10,438
Intercompany Payables	125	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,850	3,735
(8) Bond Interest Payable	7,896	11,245
Other Liabilities	7,702	4,889
Total Current Liabilities	115,184	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,736	19,218
Worker's Comp Reserve	19,649	17,707
Other L/T Obligation (Asbestos)	3,849	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	521,631	527,371
Total Long Term Liabilities	564,865	568,042
DEFERRED REVENUE-UNRESTRICTED	552	567
DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,233,552	1,132,525
Board Designated	395,554	333,726
Restricted	0	0
(9) Total Fund Bal & Capital Accts	1,629,106	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,320,372	2,166,825

May 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 11 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, CT upgrades at LG in September and the MOB upgrades also at LG.
- (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) The significant decrease is due to semi-annual 2015A and 2017 Bond interest payments having been paid in January.
- (9) The increase is mostly attributable to the first eleven periods of financial performance producing an operating income of \$120 million and non-operating of \$52 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)

11 months ending 05/31/2018

Period 11 FY 2017	Period 11 FY 2018	Period 11 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
220,897	227,364	224,335	3,029	1.4%	Gross Revenue	2,262,281	2,483,199	2,403,144	80,055	3.3%
(160,805)	(167,004)	(167,203)	200	-0.1%	Deductions	(1,646,517)	(1,814,077)	(1,783,361)	(30,716)	1.7%
60,092	60,361	57,132	3,229	5.7%	Net Patient Revenue	615,764	669,122	619,783	49,339	8.0%
3,630	3,084	1,656	1,427	86.2%	Other Operating Revenue	22,404	25,071	18,913	6,158	32.6%
63,722	63,444	58,788	4,656	7.9%	Total Operating Revenue	638,168	694,193	638,696	55,497	8.7%
OPERATING EXPENSE										
32,622	34,026	33,908	(118)	-0.3%	Salaries & Wages	341,891	360,079	360,450	371	0.1%
9,510	9,573	8,370	(1,203)	-14.4%	Supplies	88,091	95,287	90,319	(4,968)	-5.5%
7,405	7,962	6,514	(1,447)	-22.2%	Fees & Purchased Services	73,975	79,538	72,975	(6,563)	-9.0%
744	831	780	(50)	-6.4%	Other Operating Expense	7,488	8,135	9,473	1,338	14.1%
292	431	725	295	40.6%	Interest	3,851	5,290	7,980	2,689	33.7%
3,453	3,496	3,838	342	8.9%	Depreciation	38,419	38,466	40,124	1,658	4.1%
54,027	56,318	54,135	(2,183)	-4.0%	Total Operating Expense	553,715	586,795	581,320	(5,475)	-0.9%
9,695	7,127	4,653	2,473	53.2%	Net Operating Income/(Loss)	84,453	107,398	57,376	50,023	87.2%
9,191	9,167	225	8,942	3969.1%	Non Operating Income	56,129	52,534	2,478	50,056	2019.8%
18,885	16,294	4,878	11,416	234.0%	Net Income(Loss)	140,582	159,932	59,854	100,078	167.2%
21.1%	17.4%	15.7%	1.7%		EBITDA	19.9%	21.8%	16.5%	5.3%	
15.2%	11.2%	7.9%	3.3%		Operating Margin	13.2%	15.5%	9.0%	6.5%	
29.6%	25.7%	8.3%	17.4%		Net Margin	22.0%	23.0%	9.4%	13.7%	

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

11 months ending 05/31/2018

Period 11 FY 2017	Period 11 FY 2018	Period 11 Budget 2018	Variance Fav (Unfav)	Var%		YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
43,198	50,489	51,377	(888)	-1.7%	Gross Revenue	492,251	544,172	525,731	18,441	3.5%
(32,637)	(36,757)	(37,312)	554	-1.5%	Deductions	(363,108)	(401,140)	(381,803)	(19,337)	5.1%
10,562	13,732	14,065	(334)	-2.4%	Net Patient Revenue	129,143	143,033	143,929	(896)	-0.6%
170	222	215	7	3.3%	Other Operating Revenue	1,841	2,036	2,355	(319)	-13.5%
10,732	13,953	14,280	(327)	-2.3%	Total Operating Revenue	130,984	145,069	146,283	(1,215)	-0.8%
					OPERATING EXPENSE					
6,280	6,858	6,723	(135)	-2.0%	Salaries & Wages	69,324	72,582	70,375	(2,207)	-3.1%
1,945	1,983	2,067	84	4.1%	Supplies	20,163	21,485	21,838	353	1.6%
1,359	1,442	1,301	(142)	-10.9%	Fees & Purchased Services	14,897	14,761	14,096	(665)	-4.7%
1,404	1,538	1,612	75	4.6%	Other Operating Expense	17,458	17,130	17,141	11	0.1%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
491	693	843	150	17.8%	Depreciation	5,629	6,793	8,288	1,495	18.0%
11,480	12,514	12,545	31	0.2%	Total Operating Expense	127,471	132,752	131,738	(1,014)	-0.8%
(748)	1,439	1,734	(295)	-17.0%	Net Operating Income/(Loss)	3,512	12,317	14,545	(2,229)	-15.3%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
(748)	1,439	1,734	(295)	-17.0%	Net Income(Loss)	3,502	12,272	14,545	(2,273)	-15.6%
					EBITDA	7.0%	13.2%	15.6%	-2.4%	
-2.4%	15.3%	18.0%	-2.8%		Operating Margin	2.7%	8.5%	9.9%	-1.5%	
-7.0%	10.3%	12.1%	-1.8%		Net Margin	2.7%	8.5%	9.9%	-1.5%	
-7.0%	10.3%	12.1%	-1.8%							

LG margin improved from prior year and favorable compared to benchmarks. However performance is lower than budget due to MD turnover.

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						



ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Delegation of Authority to the Advisory Committees Finance Committee July 30, 2018
Responsible party:	Cindy Murphy, Director of Governance Services Iftikhar Hussain, CFO
Action requested:	For Discussion and Possible Motion
<p>Background: At its May 2018 meeting, the Board delegated authority to the Executive Compensation Committee to make final decisions regarding some executive (non-CEO) compensation matters. Subsequently, to achieve the purpose of reducing Board administrative review and freeing up Board time for strategic work, the Governance Committee recommended that the Board consider delegating authority to its other Committees. The Board directed staff to suggest areas of possible delegation of authority to the Board's other committees. If the Committees accept those suggestions, or have others, they will be taken to the Governance Committee for review and possible recommendation to the Board.</p> <ol style="list-style-type: none"> 1. <u>Physician Contracts</u> – The Physician Financial Arrangements Policy requires Board approval of any physician financial arrangement that exceeds the 75th percentile of fair market value. The policy also requires Board approval of any physician financial arrangement that exceeds \$250,000 annually, or is increased by more than 10% on renewal. An exception to the \$250,000/10% criteria exists for Professional Services Agreements with ECMA as long as the total cash compensation to each physician employed by ECMA does not exceed the 75th percentile of fair market value or \$1,000,000 annually. Currently, the Finance Committee reviews these physician financial arrangements prior to Board review and approval. <ol style="list-style-type: none"> a. Number of FY17 Approvals = 15 (includes 2 ECMA physician arrangements that no longer require Board approval) b. Number of FY18 Approvals = 24 2. <u>Funding Requests</u> – The Signature Authority Policy requires Board approval of operational or capital spending requests (budgeted or unbudgeted) in excess of \$1 million. In FY17, there were ten such requests and approvals between \$1 million and \$5 million and 1 such request in FY18. Ken King, CASO, reports that there were an unusually low number of requests in FY18 due to prioritization of major construction project activity and predicts an average of 6 – 10 such requests for approval annually going forward. <ol style="list-style-type: none"> a. FY17 Approvals <ol style="list-style-type: none"> i. Da Vinci Robots - \$3.94 million ii. Winchester TI's - \$3.6 million iii. LG MRI - \$3.9 million iv. New Main Hospital Lab Upgrades - \$3.1 million v. LG MOB Improvements - \$5 million 	

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

	<ul style="list-style-type: none"> vi. Stryker Laparoscopic Platform - \$1.5 million vii. Ventilator Replacements - \$1.1 million viii. Women's Hospital incremental Funding - \$5 million ix. LG Facility Improvements - \$2 million <p style="margin-left: 40px;">b. FY18 Approval - \$2.2 million PACS Imaging and Archive System</p>
	Other Board Advisory Committees that reviewed the issue and recommendation, if any: N/A
	<p>Summary and session objectives:</p> <ol style="list-style-type: none"> 1. To consider recommending that the Board delegate the following: <ol style="list-style-type: none"> a. Authority to approve funding requests not to exceed \$5 million. b. The same authority to approve physician financial arrangements that is currently reserved to the Board in accordance with The Physician Financial Arrangements Policy but that that do not exceed the 75th percentile of market value. 2. To consider whether the Finance Committee is the appropriate committee for delegation of authority for Physician Contract exceptions under the Physician Financial Arrangements Policy or whether the Compliance and Audit Committee may be more appropriate. 3. To discuss any other matters within the Finance Committee's Charter the Board should consider delegating to the Committee for approval.
	<p>Suggested discussion questions:</p> <ol style="list-style-type: none"> 1. Assuming the Board would be informed of the approvals, is there any reason the Board should not make the suggested delegations? 2. Would the proposed delegations take appropriate advantage of the Committee's expertise and have substantial impact on the Board's time spent reviewing and approving these matters? 3. Would it be more appropriate to delegate authority for approval of physician contract exceptions to the Compliance and Audit Committee since the exception approval process is intended to ensure compliance with Stark and anti-kickback compliance?
	<p>Proposed Committee motion, if any:</p> <p>To recommend that the Governance Committee recommend the Board delegate the following authority to the Finance (or Compliance and Audit?) Committee:</p> <ol style="list-style-type: none"> 1. _____ 2. _____ 3. _____
	LIST OF ATTACHMENTS: None.

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Report on ECH and ECHD Board Actions Finance Committee July 30, 2018
Responsible party:	Cindy Murphy, Director of Governance Services
Action requested:	For Information
Background: <p>In FY16, we added this item to each Board Committee agenda to keep Committee members informed about Board actions via a verbal report by the Committee Chair. This written report is intended to supplement a verbal report by the Chair of the Committee and/or Board members who also serve on the Committee.</p>	
Other Board Advisory Committees that reviewed the issue and recommendation, if any: <p>None.</p>	
Summary and session objectives: <p>To inform the Committee about recent Board actions.</p>	
Suggested discussion questions: None.	
Proposed Committee motion, if any: None. This is an informational item.	
LIST OF ATTACHMENTS: <ol style="list-style-type: none"> 1. Report on June 2018 ECH and ECHD Board Actions 	

ECH Board Actions*

1. June 13, 2018
 - a. Approved the following Finance Committee Recommendations:
 - i. FY 18 Period 9 and 10 Financials
 - ii. Proposed FY19 ECH Capital and Operating Budget
 - iii. \$9.6 million Purchase of Enterprise Resource Planning System
 - iv. Revised Charity Care Policy
 - v. Medical Director Agreement Renewals
 - b. Approved the following Governance Committee Recommendations:
 - i. Guidelines for Communication with Staff
 - ii. FY19 Board Goals
 - iii. FY19 Master Calendar
 - iv. FY19 Advisory Committee Goals
 - v. Revised Governance, Compliance and Audit, and Executive Compensation Committee Charters
 - vi. FY19 Slate of Advisory Committee Chairs and Members
 - c. Approved the FY19 ECH Community Benefit Plan awarding a total of \$3,565,000 in funding to 49 grantees
 - d. Approved Revised Executive Compensation Policies in accordance with previously approved delegation of authority to the Executive Compensation Committee
 - e. Approved FY19 Auxiliary Slate of Officers

ECHD Board Actions*

1. June 19, 2018
 - a. Approved Proposed FY19 ECH Capital and Operating Budget, Consolidated, and ECHD Stand Alone Budget
 - b. Approved ECHD FY 18 YTD Financials
 - c. Allocated \$6,174, 000 to the ECH Women's Hospital Expansion Project
 - d. Approved the ECHD FY19 Community Benefit Plan – awarding \$7,499,335 including awards to 54 grantees as well as sponshorships
 - e. Approved Guidelines for Communication with Staff
 - f. Appointed Neysa Fligor as the District Board's Liaison to the Community Benefit Advisory Council
 - g. Appointed Julie Kiger as an advisor to the FY19 El Camino Hospital Board Member Election and Re-Election Ad Hoc Committee.
 - h. Approved a District Director Vacancy Policy (identified as Alternative A in the Board materials)

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



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 12
7/1/2017 to 6/30/2018

Financial Overview

Volume:

- For the year, overall volume, measured in adjusted discharges is 5.4% higher than budget. Medical and ER cases were high due to the flu season. Strong service line growth in Neurosciences, HVI, BHS, Oncology. Deliveries are lower than prior year and 4.4% below budget primarily due to the decline in birth rate.
- OP cases also show strong service line growth in General Surgery, General Medicine, Orthopedics, Imaging Services, MCH and Rehab.

Financial Performance:

- For the month, operating income is \$15.5 million better than budget of \$5.2 million due to \$8.4 million in Inter Governmental Transfer (IGT) revenue \$2.3 million in revenue due to reversal of Medicare RAC audit reserve. For the year operating margin is \$63.3 million ahead of target due to higher volume, \$29 million in unusual items and strong revenue cycle operations.
- Strong investment during the month and the year, investment earnings are \$40.5 million ahead of target.

Payor Mix:

- Medicare Mix is higher due to growth in HVI, oncology and general medicine which have a high Medicare mix.

Cost:

- Productive Hours/APD for June is unfavorable vs target. YTD we are on budget.

Balance Sheet:

- Net days in AR is 46.8 which is 1.2 days better than budget.

Dashboard - ECH combined as of June 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	245	227	237	(10)	239	239	240	(1)
Utilization MV	67%	63%	65%	-3%	66%	66%	66%	-1%
Utilization LG	31%	28%	29%	-1%	29%	29%	29%	0%
Utilization Combined	55%	51%	54%	-2%	54%	54%	54%	0%
Adjusted Discharges	2,947	3,019	2,824	195	33,831	35,936	34,080	1,856
Total Discharges (Excl NNB)	1,682	1,664	1,607	57	19,646	20,313	19,695	618
Inpatient Cases								
MS Discharges	1,177	1,171	1,105	66	13,621	14,262	13,544	718
Deliveries	388	378	388	(10)	4,656	4,542	4,752	(210)
BHS	77	75	73	2	908	1,067	902	165
Rehab	40	40	40	(0)	461	442	497	(55)
Outpatient Cases	12,466	12,241	12,481	(240)	145,949	149,528	147,485	2,043
ED	4,069	3,961	4,144	(183)	48,625	49,443	48,975	468
Procedural Cases								
OP Surg	381	384	388	(4)	4,487	4,711	4,595	116
Endo	216	210	181	29	2,364	2,410	2,134	276
Interventional	155	163	180	(17)	2,137	2,111	2,130	(19)
All Other	7,645	7,523	7,588	(65)	88,336	90,853	89,651	1,202
Financial Perf.								
Net Patient Revenues	87,356	84,329	68,354	15,975	832,263	896,484	832,066	64,418
Total Operating Revenue	89,196	86,554	70,215	16,338	858,347	925,816	855,195	70,621
Operating Expenses	64,985	65,861	65,047	815	746,171	785,408	778,105	7,303
Operating Income \$	24,211	20,692	5,169	15,524	112,176	140,408	77,090	63,318
Operating Margin	27.1%	23.9%	7.4%	16.5%	13.1%	15.2%	9.0%	6.2%
EBITDA \$	25,946	25,151	10,550	14,602	161,811	195,416	138,862	56,554
EBITDA %	29.1%	29.1%	15.0%	14.0%	18.9%	21.1%	16.2%	4.9%
IP Margin ¹	5.8%	4.3%	-10.2%	14.5%	5.8%	4.3%	-10.2%	14.5%
OP Margin ¹	37.0%	40.2%	31.7%	8.5%	37.0%	40.2%	31.7%	8.5%
Payor Mix								
Medicare	47.7%	46.3%	47.4%	-1.1%	47.7%	47.6%	47.4%	0.2%
Medi-Cal	7.0%	8.5%	7.2%	1.3%	7.3%	7.8%	7.2%	0.6%
Commercial IP	22.4%	23.1%	22.6%	0.5%	22.3%	22.0%	22.6%	-0.6%
Commercial OP	20.6%	20.4%	20.3%	0.1%	20.2%	20.2%	20.3%	-0.1%
Total Commercial	43.0%	43.5%	42.9%	0.6%	42.5%	42.1%	42.9%	-0.8%
Other	2.4%	1.6%	2.5%	-0.9%	2.5%	2.5%	2.5%	0.0%
Cost								
Total FTE	2,578.6	2,585.2	2,525.6	60	2,506.7	2,578.7	2,529.6	49
Productive Hrs/APD	30.0	31.4	30.3	1	30.3	30.4	30.4	(0)
Balance Sheet								
Net Days in AR	44.8	46.8	48.0	(1)	44.8	46.8	48.0	(1)
Days Cash	444	504	266	238	444	504	266	238
Affiliates - Net Income (\$000s)								
Hosp	25,493	22,015	5,394	16,622	169,576	194,220	79,793	114,427
Concern	307	(94)	126	(220)	1,556	707	1,430	(723)
ECSC	(14)	(5)	0	(5)	(105)	(96)	0	(96)
Foundation	243	173	135	38	2,420	1,911	737	1,175
SVMD	204	(270)	(7)	(263)	209	1,127	(0)	1,127

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-06/30/2018) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Income	% Net Revenue
Budgeted Hospital Operations FY2018	77,090	9.0%
Net Revenue - Favorable due higher volume, revenue cycle operations and \$25 million unusual items	70,621	7.6%
Labor and Benefit Expense Change - Labor favorable vs budget after adjusting for volume, GASB credit in P12	2,091	0.2%
Professional Fees & Purchased Services -Recruiting costs for several key positions in the organization and backfill for vacant positions, repairs for survey readiness	(11,068)	-1.2%
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	(6,027)	-0.7%
Other Expenses - primarily due strategic fund expenses not spent	937	0.1%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as LG projects	6,764	0.7%
Actual Hospital Operations FY2018	140,408	15.2%

El Camino Hospital (\$000s)

12 months ending 06/30/2018

Period 12 FY 2017	Period 12 FY 2018	Period 12 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
264,551	268,471	264,630	3,841	1.5%	Gross Revenue	3,019,083	3,295,842	3,193,505	102,337	3.2%
(177,195)	(184,142)	(196,276)	12,134	1.0%	Deductions	(2,186,820)	(2,399,358)	(2,361,440)	(37,918)	1.6%
87,356	84,329	68,354	15,975	23.4%	Net Patient Revenue	832,263	896,484	832,066	64,418	7.7%
1,840	2,224	1,861	363	19.5%	Other Operating Revenue	26,085	29,332	23,129	6,202	26.8%
89,196	86,554	70,215	16,338	23.3%	Total Operating Revenue	858,347	925,816	855,195	70,621	8.3%
OPERATING EXPENSE										
34,869	35,604	39,532	3,928	9.9%	Salaries & Wages	446,085	468,265	470,357	2,091	0.4%
13,572	11,407	9,994	(1,413)	-14.1%	Supplies	121,826	128,179	122,151	(6,027)	-4.9%
12,251	11,670	7,830	(3,840)	-49.0%	Fees & Purchased Services	101,123	105,970	94,901	(11,068)	-11.7%
2,558	2,721	2,309	(412)	-17.8%	Other Operating Expense	27,503	27,986	28,924	937	3.2%
(2,141)	241	725	485	66.8%	Interest	1,709	5,531	8,705	3,174	36.5%
3,876	4,218	4,656	438	9.4%	Depreciation	47,925	49,477	53,067	3,590	6.8%
64,985	65,861	65,047	(815)	-1.3%	Total Operating Expense	746,171	785,408	778,105	(7,303)	-0.9%
24,211	20,692	5,169	15,524	300.3%	Net Operating Income/(Loss)	112,176	140,408	77,090	63,318	82.1%
1,282	1,323	225	1,098	487.2%	Non Operating Income	57,400	53,812	2,704	51,109	1890.4%
25,493	22,015	5,394	16,622	308.2%	Net Income(Loss)	169,576	194,220	79,793	114,427	143.4%
29.1%	29.1%	15.0%	14.0%		EBITDA	18.9%	21.1%	16.2%	4.9%	
27.1%	23.9%	7.4%	16.5%		Operating Margin	13.1%	15.2%	9.0%	6.2%	
28.6%	25.4%	7.7%	17.8%		Net Margin	19.8%	21.0%	9.3%	11.6%	

Non Operating Items and Net Income by Affiliate

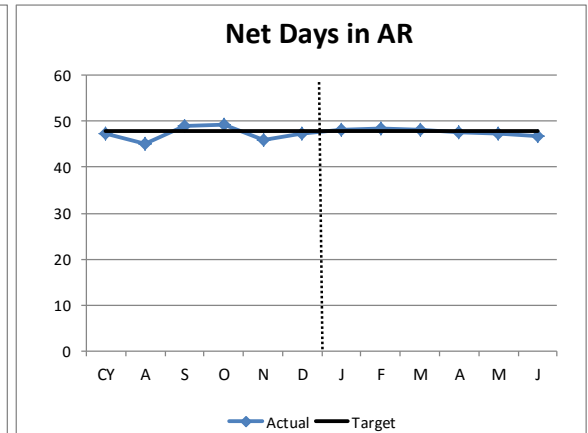
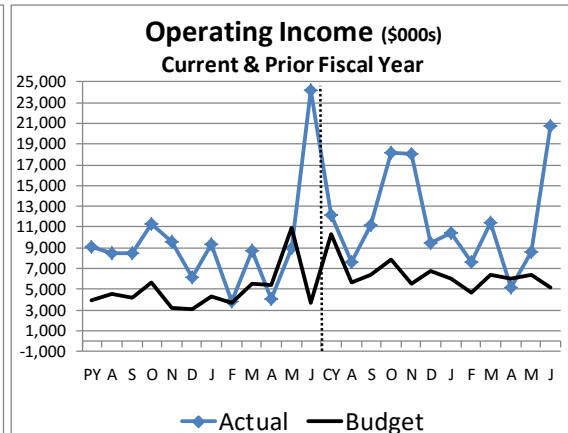
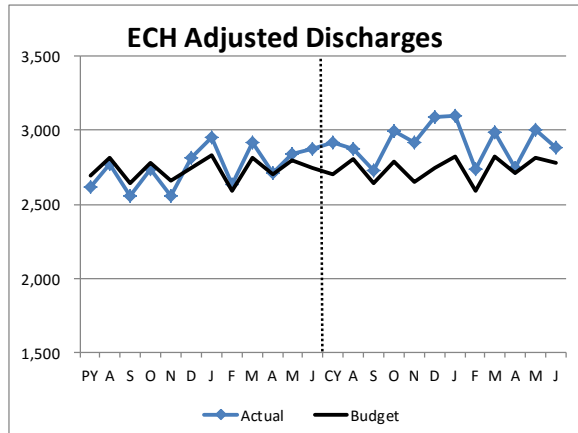
\$ in thousands

	Period 12 - Month			Period 12 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	19,453	3,394	16,060	126,852	60,769	66,082
Los Gatos	1,239	1,775	(536)	13,556	16,320	(2,764)
Sub Total - El Camino Hospital, excl. Affilates	20,692	5,169	15,524	140,408	77,090	63,318
Operating Margin %	23.9%	7.4%		15.2%	9.0%	
El Camino Hospital Non Operating Income						
Investments	2,144	1,516	629	58,668	18,186	40,481
Swap Adjustments	64	0	64	1,151	0	1,151
Community Benefit	(33)	(283)	251	(3,153)	(3,400)	247
Pathways	(289)	42	(331)	(634)	500	(1,134)
Satellite Dialysis	56	(35)	92	(127)	(425)	298
Community Connect	0	(141)	141	0	(1,686)	1,686
SVMD Funding ¹	(448)	(448)	1	(2,695)	(5,380)	2,685
Premier Investment ²	0	0	0	3,695	0	3,695
Other	(172)	(424)	252	(3,092)	(5,091)	1,999
Sub Total - Non Operating Income	1,323	225	1,098	53,812	2,704	51,109
El Camino Hospital Net Income (Loss)	22,015	5,394	16,622	194,220	79,793	114,427
ECH Net Margin %	25.4%	7.7%		21.0%	9.3%	
Concern	(94)	126	(220)	707	1,430	(723)
ECSC	(5)	0	(5)	(96)	0	(96)
Foundation	173	135	38	1,911	737	1,175
Silicon Valley Medical Development	(270)	(7)	(263)	1,127	(0)	1,127
Net Income Hospital Affiliates	(196)	254	(450)	3,650	2,167	1,483
Total Net Income Hospital & Affiliates	21,819	5,648	16,172	197,870	81,960	115,910

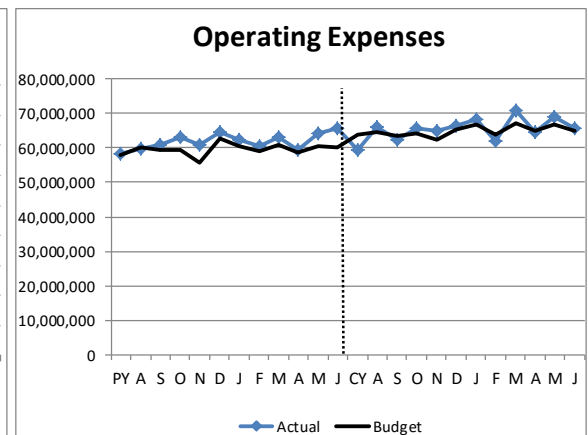
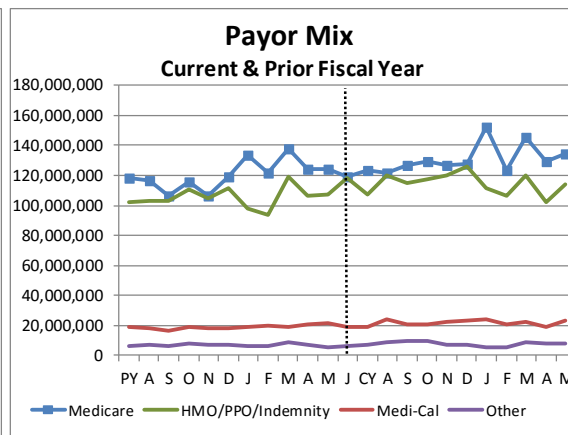
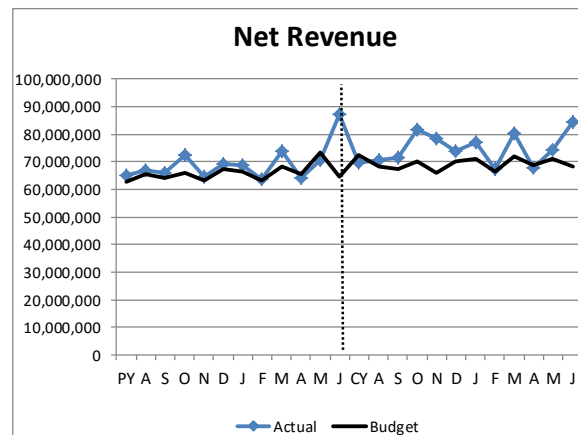
¹Favorable variances for SVMD and Community Connect are due to delayed implementation

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

Monthly Financial Trends



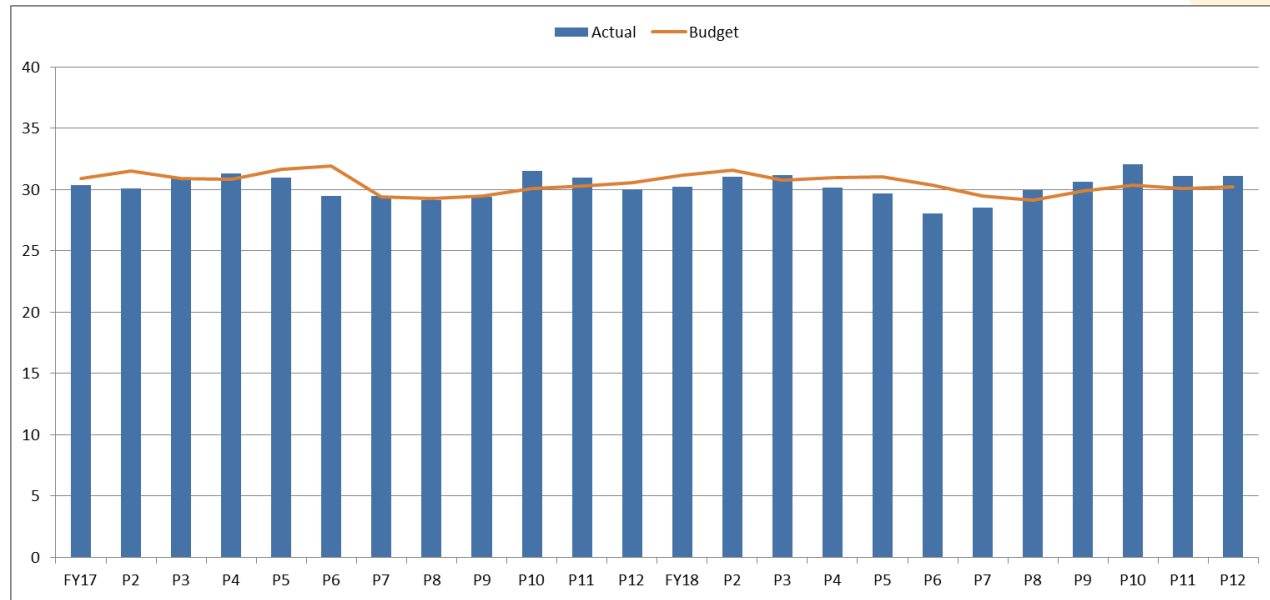
Higher inpatient volume occurring in Inpatient Behavioral Health, HVI, Neurosciences and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics, General Surgery and Rehab.



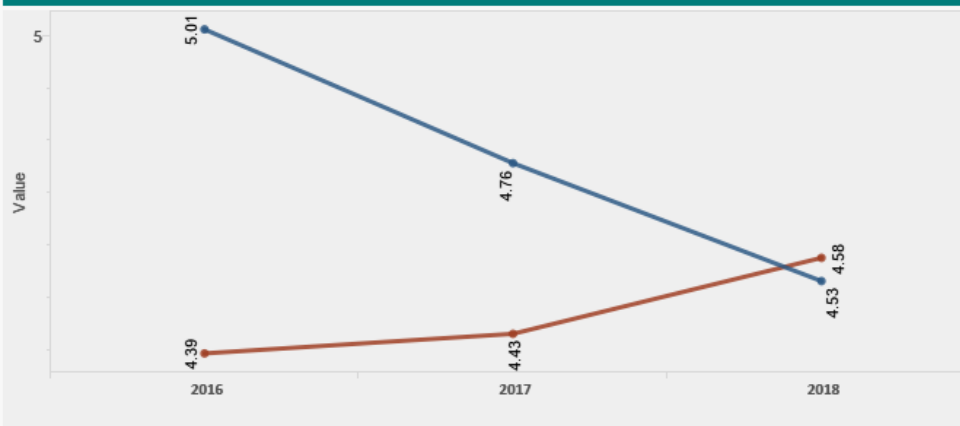
Productivity and Medicare Length of Stay

Work hours per adjusted patient day in June is over budget by 1.1. Overall the month of June is 31.4 worked hours per adjusted patient day

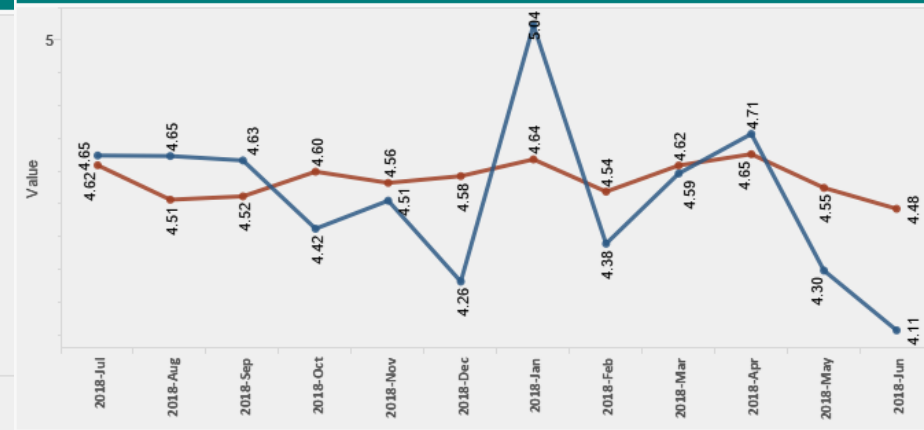
ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2018 at benchmark. Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR

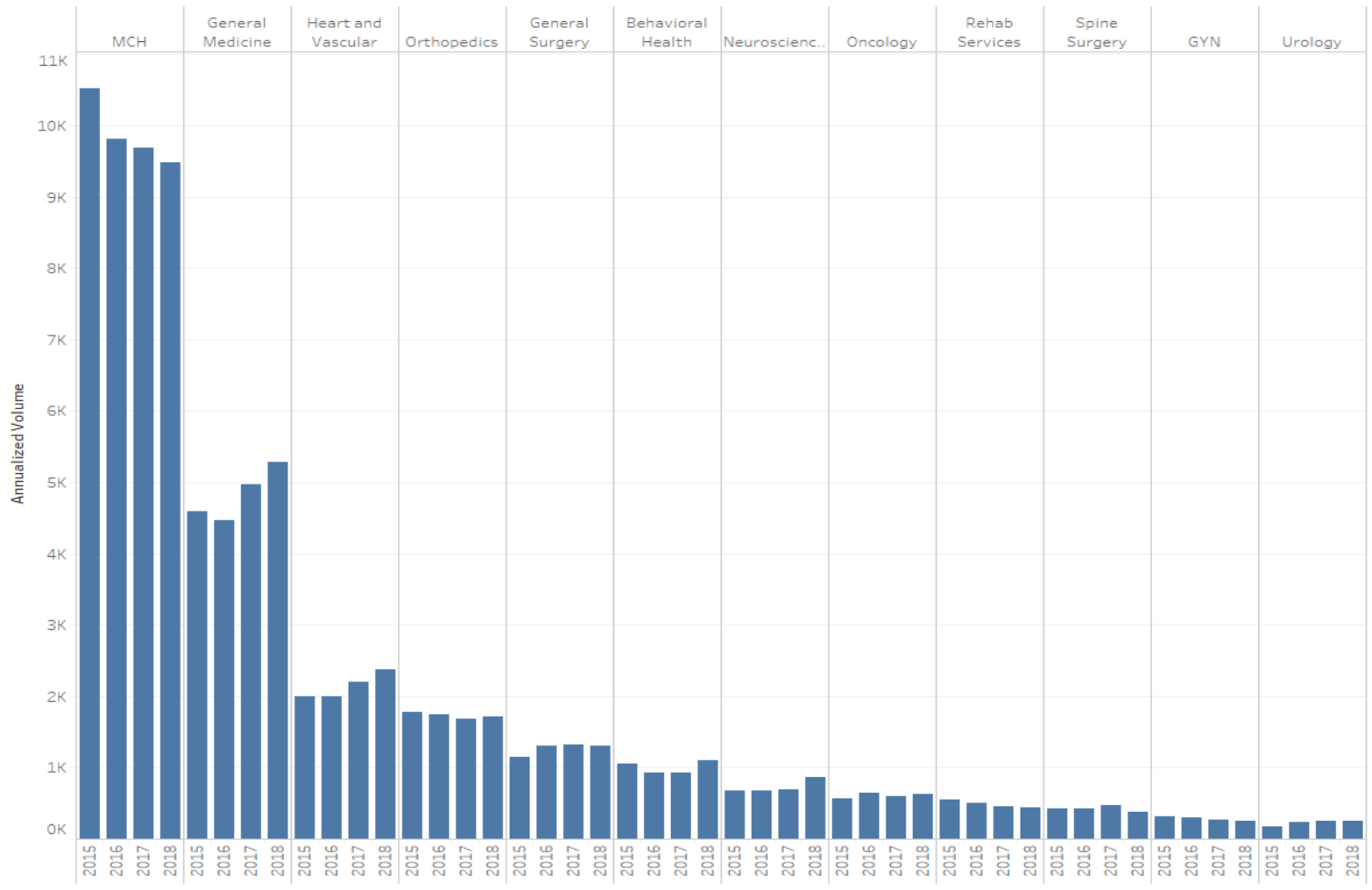


AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



El Camino Hospital Volume Annual Trends – Inpatient

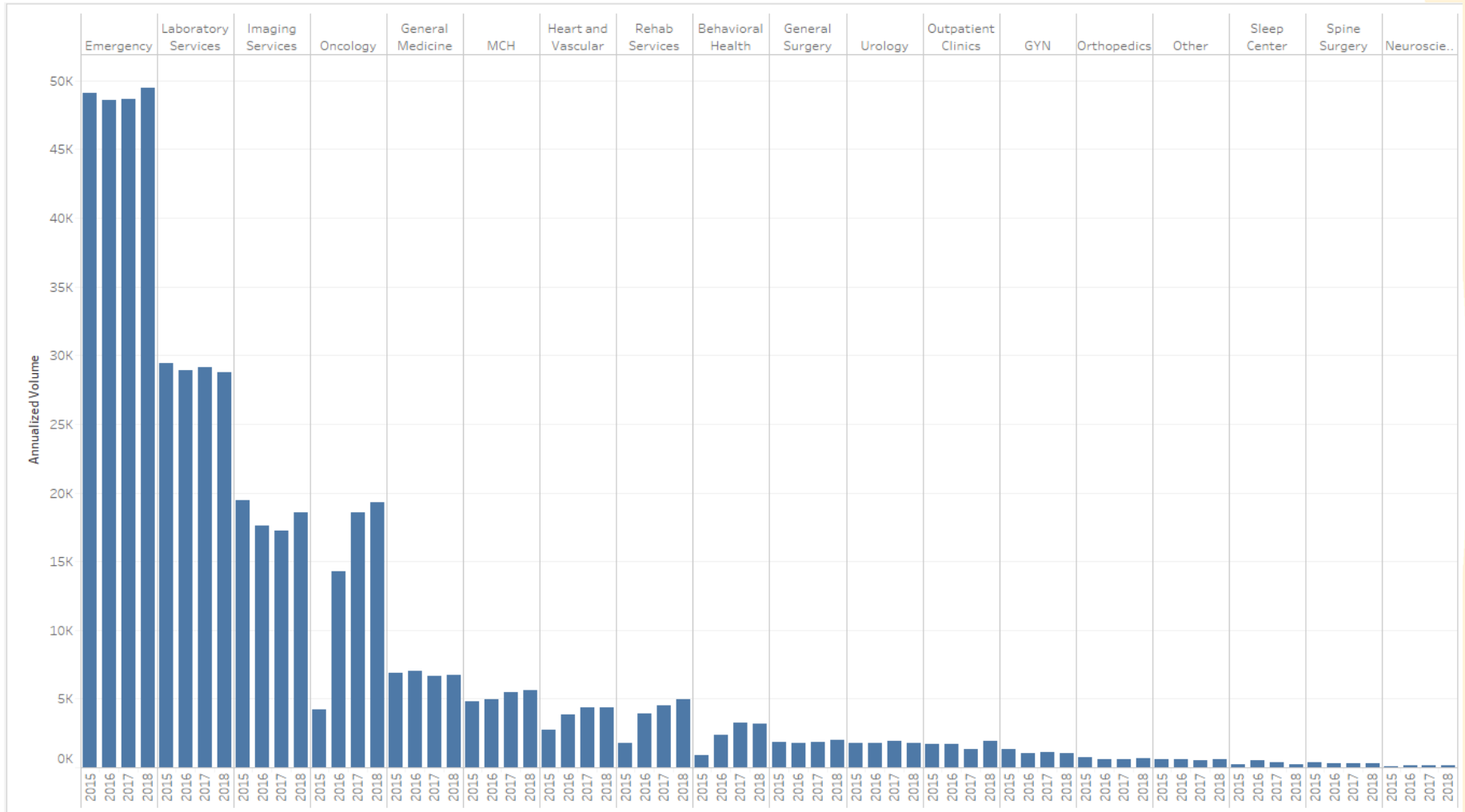
FY 2018 is annualized



- 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

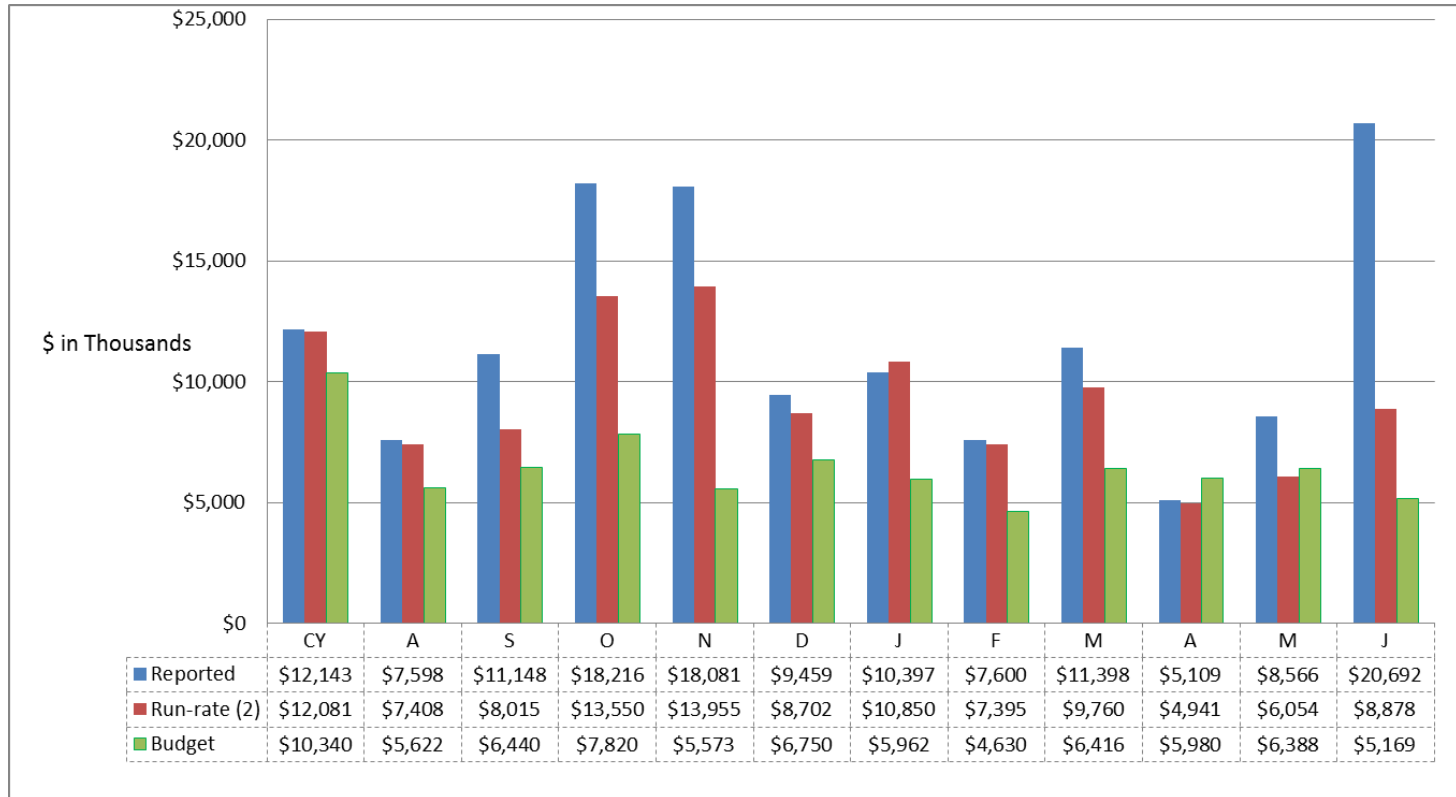
FY 2018 is annualized



- 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	M	J	YTD
Insurance (Payment Variance)	-	-	-	611	-	669	28	-	603	-	-	204	2,116
Mcare Settmt/Appeal/Tent Settmt/PIP	54	155	905	54	184	81	396	92	92	224	92	(16)	2,312
BPCI Settlement	-	-	-	-	-	-	-	-	-	-	-	331	331
Medi-Cal Supplemental	-	-	-	-	-	-	-	-	-	0	-	899	900
IGT Supplemental	-	-	-	-	-	-	-	-	-	-	-	8,410	8,410
AB 915	-	-	-	-	-	-	-	103	926	-	1,302	-	2,332
RAC Release	-	-	-	-	-	-	(894)	-	-	(63)	(1)	2,348	1,391
Hospital Fee	-	-	-	712	1,024	-	-	-	-	-	-	-	1,736
PRIME Incentive	-	-	-	-	2,902	-	-	-	-	-	1,108	-	4,010
Credit Balance Quarterly Review	-	-	2,201	-	-	-	-	-	-	-	-	(582)	1,620
Late Charge Accrual	-	-	-	3,283	-	-	-	-	-	-	-	-	3,283
Various Adjustments under \$250k	9	35	27	6	16	8	(878)	10	17	(56)	9	218	(579)
Total	63	190	3,134	4,667	4,126	757	(453)	205	1,638	169	2,511	11,814	28,819

El Camino Hospital Investment Committee Scorecard

June 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		2Q 2018		Fiscal Year-to-date		5y 8m Since Inception (annualized)		2018	
Surplus cash balance*		\$942.9	--	--	--	--	--	\$926.1	--
Surplus cash return		1.3%	0.8%	6.9%	5.8%	5.7%	5.4%	1.9%	5.3%
Cash balance plan balance (millions)		\$264.4	--	--	--	--	--	\$257.1	--
Cash balance plan return		2.0%	0.9%	8.9%	7.0%	8.1%	7.2%	6.0%	5.7%
403(b) plan balance (millions)		\$464.6	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 8m Since Inception (annualized)		2018	
Surplus cash Sharpe ratio		0.99	0.96	--	--	1.30	1.24	--	0.43
Net of fee return		5.3%	5.0%	--	--	5.7%	5.4%	--	5.3%
Standard deviation		4.7%	4.6%	--	--	4.1%	4.0%	--	6.7%
Cash balance Sharpe ratio		1.02	0.96	--	--	1.41	1.31	--	0.40
Net of fee return		6.6%	5.9%	--	--	8.1%	7.2%	--	5.7%
Standard deviation		5.8%	5.5%	--	--	5.4%	5.2%	--	8.1%
Asset Allocation		2Q 2018							
Surplus cash absolute variances to target		7.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.1%	< 10%	--	--	--	--	--	--
Manager Compliance		2Q 2018							
Surplus cash manager flags		20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		22	< 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.



PAVILION



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Current Proj Spend	FY18 Orig Proj Spend	Variance Between Current Proj Spend and Orig Proj Spend		FY 18 YTD Spent
CIP	EPIC Upgrade			1.9	1.1	1.9	1.9	0.0		1.1
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	13.0	8.6	0.0	8.6 ²		7.6
Medical & Non Medical Equipment FY 18***				5.6	6.3	5.6	5.6	0.0		6.3
Facility Projects										
	1245 Behavioral Health Bldg	FY16	96.1	96.1	45.4	27.0	51.4	-24.4 ¹		27.8
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.2	2.6	3.4	-0.8		4.5
	1414 Integrated MOB	FY15	302.1	302.1	119.0	72.0	130.1	-58.1 ¹		73.1
	1422 CUP Upgrade	FY16	9.0	9.0	7.6	5.5	4.0	1.5		5.3
	1430 Women's Hospital Expansion	FY16	120.0	6.0	3.2	3.6	7.0	-3.4		2.8
	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	9.0	8.9	0.6	0.7	-0.1		1.6
	1307 LG Upgrades	FY13	19.3	19.3	17.8	4.9	5.0	-0.1		3.9
	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	4.9	3.5	3.5	0.0		4.6
	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	0.1	90.9	1.8	0.0	1.8		4.1
GRAND TOTAL			684.4	479.6	338.3	128.0	211.9	-83.9		131.2
				499.4	360.0	156.5	231.7	-75.2		147.4

* 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	
	June 30, 2018	June 30, 2017
CURRENT ASSETS		
Cash	118,976	125,551
Short Term Investments	158,582	140,284
Patient Accounts Receivable, net	116,372	109,089
Other Accounts and Notes Receivable	3,117	2,628
Intercompany Receivables	2,052	1,495
(1) Inventories and Prepays	75,421	50,657
Total Current Assets	474,520	429,705
BOARD DESIGNATED ASSETS		
(2) Plant & Equipment Fund	153,784	131,153
Women's Hospital Expansion	9,298	9,298
(3) Operational Reserve Fund	127,908	100,196
(4) Community Benefit Fund	18,675	12,237
Workers Compensation Reserve Fund	22,261	20,007
Postretirement Health/Life Reserve Fund	19,787	19,218
PTO Liability Fund	24,532	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	18,322	16,575
Total Board Designated Assets	396,202	333,727
(5) FUNDS HELD BY TRUSTEE	197,269	287,052
LONG TERM INVESTMENTS	343,409	256,652
INVESTMENTS IN AFFILIATES	32,775	32,451
PROPERTY AND EQUIPMENT		
(6) Fixed Assets at Cost	1,261,854	1,192,047
Less: Accumulated Depreciation	(577,959)	(531,785)
Construction in Progress	204,623	138,017
Property, Plant & Equipment - Net	888,518	798,279
DEFERRED OUTFLOWS	21,177	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,353,871	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	June 30, 2018	June 30, 2017
CURRENT LIABILITIES		
Accounts Payable	30,474	38,457
Salaries and Related Liabilities	27,476	25,109
Accrued PTO	24,532	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	7,000	10,438
Intercompany Payables	124	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,850	3,735
Bond Interest Payable	13,031	11,245
Other Liabilities	9,078	4,889
Total Current Liabilities	119,500	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,787	19,218
Worker's Comp Reserve	19,961	17,707
Other L/T Obligation (Asbestos)	3,859	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	517,781	527,371
Total Long Term Liabilities	561,388	568,042
DEFERRED REVENUE-UNRESTRICTED	528	567
(7) DEFERRED INFLOW OF RESOURCES	21,333	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,254,920	1,132,525
Board Designated	396,202	333,726
Restricted	0	0
(8) Total Fund Bal & Capital Accts	1,651,121	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,353,871	2,166,825

June 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The significant increase is due to the actuarially determined (GASB 68) prepaid funding of the Cash Balance Plan just completed by Conduent, as given the investment performance in calendar 2017 the value of prepaid funding grew by approximately \$20M. Note there is about a 50% offset on the Liability side of the Balance Sheet – see Deferred Inflow of Resources.
- (2) The increase is due to 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, CT upgrades at LG in September and the MOB upgrades also at LG.
- (7) Increase related to Cash Balance adjust this year (GASB 68) – see footnote #1
- (8) The increase is mostly attributable to the year's financial performance producing an operating income of \$140 million and non-operating of \$54 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)

12 months ending 06/30/2018

Period 12 FY 2017	Period 12 FY 2018	Period 12 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
215,651	220,687	214,584	6,103	2.8%	Gross Revenue	2,477,932	2,703,886	2,617,727	86,159	3.3%
(143,134)	(149,454)	(159,931)	10,477	-6.6%	Deductions	(1,789,652)	(1,963,531)	(1,943,291)	(20,239)	1.0%
72,517	71,233	54,653	16,580	30.3%	Net Patient Revenue	688,281	740,355	674,436	65,919	9.8%
1,676	1,732	1,648	85	5.1%	Other Operating Revenue	24,080	26,804	20,561	6,243	30.4%
74,192	72,965	56,301	16,665	29.6%	Total Operating Revenue	712,360	767,159	694,997	72,162	10.4%
					OPERATING EXPENSE					
28,310	29,223	33,017	3,793	11.5%	Salaries & Wages	370,202	389,302	393,466	4,165	1.1%
11,627	9,339	8,013	(1,325)	-16.5%	Supplies	99,717	104,625	98,332	(6,293)	-6.4%
10,623	10,004	6,561	(3,444)	-52.5%	Fees & Purchased Services	84,598	89,542	79,535	(10,007)	-12.6%
918	1,212	772	(439)	-56.9%	Other Operating Expense	8,406	9,347	10,246	898	8.8%
(2,141)	241	725	485	66.8%	Interest	1,709	5,531	8,705	3,174	36.5%
3,382	3,493	3,819	326	8.5%	Depreciation	41,801	41,959	43,943	1,983	4.5%
52,719	53,512	52,907	(605)	-1.1%	Total Operating Expense	606,434	640,307	634,227	(6,080)	-1.0%
21,473	19,453	3,394	16,060	473.2%	Net Operating Income/(Loss)	105,926	126,852	60,769	66,082	108.7%
1,282	1,323	225	1,098	487.2%	Non Operating Income	57,410	53,857	2,704	51,153	1892.1%
22,755	20,776	3,619	17,157	474.1%	Net Income(Loss)	163,337	180,709	63,473	117,236	184.7%
30.6%	31.8%	14.1%	17.7%		EBITDA	21.0%	22.7%	16.3%	6.4%	
28.9%	26.7%	6.0%	20.6%		Operating Margin	14.9%	16.5%	8.7%	7.8%	
30.7%	28.5%	6.4%	22.0%		Net Margin	22.9%	23.6%	9.1%	14.4%	

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

12 months ending 06/30/2018

Period 12 FY 2017	Period 12 FY 2018	Period 12 Budget 2018	Variance Fav (Unfav)	Var%		YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
48,900	47,784	50,047	(2,263)	-4.5%	Gross Revenue	541,151	591,956	575,778	16,178	2.8%
(34,061)	(34,688)	(36,346)	1,658	-4.6%	Deductions	(397,168)	(435,827)	(418,148)	(17,679)	4.2%
14,839	13,096	13,701	(605)	-4.4%	Net Patient Revenue	143,982	156,129	157,630	(1,501)	-1.0%
164	492	214	278	130.4%	Other Operating Revenue	2,005	2,528	2,568	(40)	-1.6%
15,003	13,588	13,915	(326)	-2.3%	Total Operating Revenue	145,987	158,657	160,198	(1,541)	-1.0%
					OPERATING EXPENSE					
6,559	6,381	6,515	134	2.1%	Salaries & Wages	75,883	78,963	76,890	(2,073)	-2.7%
1,945	2,069	1,981	(87)	-4.4%	Supplies	22,109	23,553	23,819	266	1.1%
1,628	1,666	1,270	(396)	-31.2%	Fees & Purchased Services	16,524	16,427	15,366	(1,061)	-6.9%
1,640	1,509	1,537	28	1.8%	Other Operating Expense	19,098	18,639	18,678	39	0.2%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
495	725	837	112	13.4%	Depreciation	6,124	7,518	9,125	1,607	17.6%
12,266	12,349	12,140	(210)	-1.7%	Total Operating Expense	139,737	145,101	143,878	(1,223)	-0.9%
2,738	1,239	1,775	(536)	-30.2%	Net Operating Income/(Loss)	6,250	13,556	16,320	(2,764)	-16.9%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
2,738	1,239	1,775	(536)	-30.2%	Net Income(Loss)	6,240	13,511	16,320	(2,809)	-17.2%
21.5%	14.5%	18.8%	-4.3%		EBITDA	8.5%	13.3%	15.9%	-2.6%	
18.2%	9.1%	12.8%	-3.6%		Operating Margin	4.3%	8.5%	10.2%	-1.6%	
18.2%	9.1%	12.8%	-3.6%		Net Margin	4.3%	8.5%	10.2%	-1.7%	

LG margin improved from prior year and favorable compared to benchmarks. However performance is lower than budget due to MD turnover.

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
Mountain View Capital Projects						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
9900 - Unassigned Costs	734	470	3,717	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1108 - Cooling Towers	450	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1120 - BHS Out Patient TI's	66	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
1129 - Old Main Card Rehab	9	0	0	0	0	Los Gatos Capital Projects					
0817 - Womens Hosp Upgrds	645	1	0	0	0	0904 - LG Facilities Upgrade	2	0	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1109 - New Main Upgrades	423	393	2	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1225 - Rehab BLDG Roofing	7	241	4	0	0	1308 - LG Infrastructure	0	114	0	0	0
1227 - New Main eICU	96	21	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1230 - Fog Shop	339	80	0	0	0	1219 - LG Spine OR	0	214	323	633	2,163
1315 - 205 So. Drive TI's	0	500	2	0	0	1221 - LG Kitchen Refrig	0	85	0	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1248 - LG - CT Upgrades	0	26	345	197	6,669
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1345 - LG Lab HVAC	0	112	0	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1301 - Desktop Virtual	0	13	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1304 - Rehab Wander Mgmt	0	87	0	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1318 - Women's Hospital TI	0	48	48	29	2	1603 - LG MOB Improvements	0	0	0	0	285
1327 - Rehab Building Upgrades	0	0	15	20	0	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	Subtotal Facilities Projects CIP	9,294	13,753	38,940	24,130	82,808
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						



ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Physician Transaction Compliance Education Finance Committee July 30, 2018
Responsible party:	Mary Rotunno, General Counsel; Diane Wigglesworth, Sr. Director, Corporate Compliance
Action requested:	For Information
<p>Background:</p> <p>The Office of the Inspector General of the US Department of Health and Human Services recommends that healthcare organization boards receive annual compliance training to promote an effective compliance program. This training was provided to the Hospital Board at its March 14, 2018 meeting and to the Compliance and Audit Committee at its May 17, 2018 meeting.</p> <p>This presentation is provided for the Finance Committee's information, as the Committee is responsible under Hospital Policy 51.00 for reviewing and recommending for approval any physician contracts 1) over \$250,000, 2) over the 75th percentile of fair market value, and/or 3) with a 10% or more increase. Physician financial arrangements are a significant compliance risk to El Camino Hospital.</p>	
<p>Other Board Advisory Committees that reviewed the issue and recommendation, if any: N/A, this is an informational item.</p>	
<p>Summary and session objectives:</p> <p>This education session will focus on: 1) the Committee's responsibility under Policy 51.00 (Physician Financial Arrangements – Review and Approval); and 2) a discussion of evaluating commercial reasonableness to be used in evaluating physician financial arrangements under Policy 51.00.</p>	
<p>Suggested discussion questions:</p> <p>When reviewing 10-Steps for physician contracts:</p> <ol style="list-style-type: none"> 1. Is the business justification to pay over 75% clearly documented in the 10-Step? (e.g., bona fide negotiations with physician or other physicians, RFP process) 2. Is the business need for the arrangement clearly defined and commercially reasonable? (Does the 10-Step address the questions on the Commercial Reasonableness Checklist? Are there similar agreements already in place? Are there more cost-effective alternatives available to the Hospital?) 	
<p>Proposed Committee motion, if any: None.</p>	
<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none"> 1. Policy 51.00 (Physician Financial Arrangements – Review and Approval) 2. Stark/CMS Definitions of FMV and Commercial Reasonableness 3. Commercial Reasonableness Checklist 4. Appendix: Compliance Training presentation (provided to the Board 3/14/2018) 5. Appendix: OIG Report: Practical Guidance for Health Care Governing Boards on Compliance Oversight 	

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

CATEGORY: Administration

LAST APPROVAL DATE: 1/2018

☒ Policy ☐ Procedure ☐ Protocol ☐ Standardized Procedure ☐ Scope of Service/ADT
☐ Practice Guideline

SUB-CATEGORY:

ORIGINAL DATE: 6/08

COVERAGE:

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

PURPOSE:

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

STATEMENT:

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

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

All financial arrangements of any kind involving Physician, including but not limited to, medical director, consulting, on-call arrangements, professional service agreements, education and training, conference reimbursement or real estate leases, will comply with the Stark law, Anti-Kickback, HIPAA and all other Federal and State Laws. **All Physician financial arrangements are prohibited except those Physician financial arrangements that are approved and documented as provided in this Policy.**

Physician financial arrangements may be entered into only where they are needed and serve the strategic goals (including quality and value) of the Hospital. Each Physician financial arrangement must meet or exceed the complex and stringent legal requirements that regulate Physician financial relationships with the Hospital. All Physician financial arrangements

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

between a physician and the Hospital must be in writing and meet fair market value, commercial reasonableness and the following requirements as applicable.

PROCEDURE:**A. Administrative Standards:**

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

1. All Physician Financial Arrangements:

- a) Each Physician financial arrangement (except Physician Lease Contracts) must provide a service that is needed for at least one of the following reasons: 1) it is required by applicable law, 2) required administrative or clinical oversight can only be provided by a qualified physician, 3) the administrative services to be provided support an articulated strategic goal of the Hospital, such as patient safety, and 4) the arrangement must solve, prevent or mitigate an identified operational problem for the Hospital.
- b) The terms of the Physician financial arrangement must be fair market value and commercially reasonable and must not take into account the volume or value of any referrals or other business generated between the parties. All of the terms of the Physician financial arrangement must be in a written contract that details the work or activities to be performed and all compensation of any kind or the lease terms ("Physician Contracts"). The services contracted for may not exceed those that are reasonable and necessary for the legitimate business purposes of the Physician financial arrangement. If there is more than one Physician Contract with a Physician, the Physician Contracts must cross-reference one another (or be identified on a list of Physician Contracts) and be reviewed for potential overlapping commitments prior to negotiating additional agreements.

The process for determining Physician compensation for each Physician financial arrangement must be set forth in the Physician Contract file and identified in sufficient detail so that it can be objectively verified as meeting fair market value standards. Any compensation paid to or remuneration received by a Physician shall not vary based on the volume or value of services referred or business

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

otherwise generated by the Physician and must reflect fair market value. Compensation cannot exceed the seventy-fifth percentile of fair market value without prior Board approval. All Physician contracts should use local or regional market data, when available, to determine the seventy-fifth percentile of FMV.

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

- c) Compensation cannot be revised or modified during the first twelve (12) months of any Physician financial arrangement. If the compensation is revised thereafter, it must be evidenced by a written amendment to the Physician Contract, signed by both parties before the increase in compensation takes effect. For example, if the increase in compensation is to take effect on April 1, the amendment must be signed by both parties on or before April 1 and the original Physician Contract must have been effective on or before March 31 of the prior year. The compensation cannot be changed for twelve (12) months after the effective date of such amendment.
- d) All Physician Contract renewals must be signed before the expiration of the term of the existing Physician Contract.
- e) Physician Contracts must be in writing and executed by the parties before commencement. Only the CEO of Hospital or designee by CEO in his or her absence may execute a Physician Contract, except Physicians Contracts that are real estate or equipment leases with Physicians may be signed by the Chief Administrative Services Officer ("CASO"). Physicians cannot be compensated for work performed, nor may a lease commence, prior to execution by both parties.
- f) The Physician financial arrangement must not violate the Stark law, the anti-kickback statute (section 1128B(b) of the Act) or any Federal or State law or regulations.
- g) The Physician Contract will permit the Hospital to suspend performance under the Physician Contract if there is a compliance concern. Concerns about compliance should be directed to Compliance, Legal, or the office of the Chief Medical Officer ("CMO"). Performance under Physician Contracts deemed to not meet

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

the administrative guidelines shall be suspended until the Physician Contract can be remedied.

- h) Physician Contracts must contain termination without cause provisions (except for real estate and equipment leases). Physician Contracts which grant an exclusive right to Hospital-based physicians to perform services may not exceed five years. If a Physician Contract is terminated, then the Hospital may not enter into a new financial arrangement with the same Physician covering the same arrangement on different terms within twelve (12) months of the effective date of the terminated Physician Contract.
 - i) Physicians with potential conflicts of interest must complete a conflict of interest form that must be reviewed by the Compliance Officer prior to entering into a Physician Contract. The conflict must be addressed and referenced in the Physician Contract. A conflict may prevent entry into a Physician Contract.
 - j) All Physician Contracts must be prepared using the appropriate Hospital contract template prepared by Legal Services. All Physician Contracts must be drafted by personnel designated by Legal Services.
 - k) Attached to the final version of a Physician Contract prior to execution by Hospital must be a completed "Contract Cover Sheet and Summary of Terms" and a signed "Certification of Necessity and Fair Market Value" (Appendix A) (a Physician Lease Contract must also include a signed "Contract Certification" (Appendix B) and "Lease Contract Review Checklist" (Appendix C) to be reviewed and approved by Legal Services and Compliance.
 - l) All executed Physician Contracts must be scanned into the Meditract system.
 - m) Payments may not be made to a Physician unless there is adherence with all of the requirements of this Policy.
 - n) Each Physician Contract shall comply with all applicable laws.
2. **Medical Director Contracts:** In addition to the criteria set forth above (D.1) for *All Physician Financial Arrangements*, the following must be met *prior* to creating, renewing or amending a Medical Directorship:
- a) A Medical Directorship may not be intended or used as a means to recruit a Physician to practice at the Hospital.

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

- b) A Medical Directorship must fit within a rational management framework that optimizes coordination of the Medical Director's knowledge and work efforts with Hospital needs and resources. To meet this requirement, the Medical Director must work with, and be accountable to, a supporting Hospital manager-partner who is a Hospital supervisor, manager or executive director who verifies the Medical Director's work and efforts. The Designated Manager shall participate in the negotiation of the Medical Director Contract, including setting duties and goals, and will be familiar with the details of the Medical Director contract. The CMO will evaluate and approve all Medical Director contracts.
- c) The number of hours assigned to the Medical Directorship must be appropriate considering the work required. Medical Director contracts are typically a two-year term and upon renewal, an evaluation shall be conducted by the CMO and the Designated Manager to evaluate whether all such services are needed in any new or renewal term, whether new services are needed and if the hours are still reasonable and necessary for the legitimate business purpose of the Medical Directorship arrangement. The proposed services may not duplicate work that is provided to the Hospital by other Physicians unless the total work under all arrangements is needed.
- d) Medical Director Contracts must require Physician completion and submission of a physician time study reports each month, and each such report must be approved by the Designated Manager and the Compliance Department before any compensation is paid. There must be one or more internal review processes to verify that the Medical Director is performing the expected duties and tasks, of which the required time report is one example.
- e) All Medical Director Contracts providing for total compensation of \$30,000 or more shall include two (2) annual quality incentive goals that support the Hospital's strategic initiatives, one of which shall be related to an outcome quality metric and the other shall be related to a process metric or milestone for service to patients, unless an exception is approved by the CMO for two (2) process goals. For Medical Director Contracts greater than \$100,000 in compensation per year, 20% of the total compensation will be held at risk based on the completion of the quality incentive goals. For Medical Director Contracts between \$50,000 to \$99,999 per year, 10% of the total compensation will be held at risk based on the completion of the goals. For Medical Director Contracts between \$30,000 to \$49,999 per year, 5% of the total compensation will be held at risk based on the completion of the goals.

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

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

3. Physician Consulting Contracts:

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

- a) Physician Consulting Contracts must require concise deliverables and due dates and require completion of a physician time study report. The deliverables and due dates must be set for the duration of the Physician Consulting Contract before the services begin and the Physician Consulting Contract is signed.
- b) The number of hours assigned to the Physician Consulting Contract must be appropriate in light of the work required.
- c) Physician Consulting Contracts must include a Hospital-approved HIPAA Business Associate Agreement.

4. Physician Lease Contracts:

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

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

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f) The Physician Lease Contract shall require that all property taxes are to be paid by the Tenant for Triple Net leases.

g) Physician Lease Contracts are executed by the CEO or the CASO.

5. Physician Education, Training and Conference Payment Contracts:

In addition to the criteria set forth in the *All Physician Financial Arrangements* section above (D.1), the following criteria must be met *before* creating a new Education, Training and Conference Reimbursement Contracts and prior to attendance:

a) Physician Education, Training and Conference Payment Contracts must be created and reimbursed in accordance with Hospital Policy Reimbursement of Business, Education and Travel Expenses.

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

6. Physician Recruitment Contracts:

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

a) Physician Recruitment Contracts must be created in accordance with the Physician Recruitment Policy Program, and must be presented to the Board for review before the recruitment proposal is developed.

B. Approval of Physician Contracts:

1. Attached to the final version of a Physician Contract *before* CEO execution must be a completed "Contract Cover Sheet and Summary of Terms" and "Certification of Necessity and Fair Market Value" (Appendix A).
2. Attached to the final version of a Physician Lease Contract, *prior* to execution by the CEO or the CASO, must be a completed "Lease Contract Review Checklist" (Appendix C) and signed "Contract Certification" (Appendix B).
3. Corporate Compliance and the General Counsel will verify the checklist, certification, and documentation accompanying all Physician Contracts (including FMV) prior to execution by the CEO or the CASO. Incomplete or missing checklist and certifications will be returned to the originator for completion.

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

4. All proposed Physician Contracts lacking the appropriate documentation will be returned to the originator for completion. No services may be performed under the Physician Contract or leases implemented until the Physician Contract is fully executed.
5. CEO Approval: The CEO will have authority to execute new, renewal and amended Physician Contracts (up to \$250,000.00 in total possible compensation annually), except as set forth in Section 6c) below.

If a new arrangement is over \$250,000.00; or a renewal or amendment related to compensation is over \$250,000; or the annual increase is greater than ten percent (10%), the Board must approve prior to CEO execution, except as set forth in Section 6(c) below. All recruitment proposals must be approved prior to the CEO executing.

6. Board Approval: If a new arrangement is over \$250,000.00; or a renewal or amended agreement is over \$250,000; or the annual increase is greater than ten percent (10%), the Board must approve prior to CEO execution of the Physician Contract.
 - a) All Physician financial arrangements that exceed \$250,000 annually should be presented to the appropriate Board Committees for review and recommendation to the Board of Directors prior to being placed on the Board of Directors' agenda and prior to execution.
 - b) A memo prepared by Designated Manager that justifies the Hospital's needs shall be provided to the appropriate Board Committees and Board of Directors as part of the approval documents.
 - c) Notwithstanding Section 6(a), the CEO may execute without Board approval a new renewal or amended Professional Services Agreement with El Camino Medical Associates (ECMA) so long as the total cash compensation to each individual physician employed by SVPMG does not exceed 75% percentile of fair market value or \$1,000,000 annually.

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

During the thirdquarter of each Hospital fiscal year, management and staff will prepare a summary report for all Physician financial arrangements describing: 1) the names of all such arrangements and associated physicians, 2) the organizational need that justifies each arrangement, 3) the total amounts paid to each physician and/or group for each Physician Contract annually (and in total for duration of contract term), 4) current and

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

prior year annual financial comparison, , and 5) any recommendations for changes to the Policy or any procedure.

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

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

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

D. Exceptions:

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

E. Review and/or Validate:

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

F. Policy Enforcement

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

APPROVAL	APPROVAL DATES
Finance Committee:	1/2018
Corporate Compliance Committee:	1/2018
ePolicy Committee:	1/2018
Medical Executive Committee:	N/A
Board of Directors:	N/A

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

Historical Approvals:

New 6/08, 06/09; 8/12, 10/12, 11/13, 1/14, 5/14, 6/17

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

APPENDIX A
ECH Contract Cover Sheet and Summary of Terms

Physician/Physician Group Name Party to Agreement:

Type of Agreement: ☐ Medical Director ☐ Consulting Services ☐
Professional Services
☐ ED Call ☐ Hospital-Based Physician Services
☐ Other:

Agreement is: ☐ New ☐ Amendment ☐ Extension ☐ Renewal

Department/Program:

Campus:

Designated ECH Manager:

Effective Date:

Expiration Date:

Need for Agreement:

Reason Physician or Physician group was chosen for the position:

Number of Hours to be Worked:

Hourly/PerDiem Rate to Physician/Physician Group:

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

Total Annual Amount:

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

Approvals

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

Compliance: _____

Date:

Legal: _____

Date:

CERTIFICATION OF NECESSITY AND FAIR MARKET VALUE:

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

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

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

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

Signature: _____

Designated ECH Manager

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

APPENDIX B

Contract Certification

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

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

(Physician) dated _____ (the “Arrangement”).

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

Date: _____

Signature: _____
(Hospital responsible party negotiating)

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

CATEGORY: Administrative, Document Type

LAST APPROVAL DATE:

APPENDIX C

Lease Contract Review Checklist

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

How does the Government define FMV and Commercial Reasonableness?

Stark defines FMV as:

*"Price that an asset would bring as the result of **bona fide bargaining** between well-informed buyers and sellers who are not otherwise in a position to generate business for the other party, or the compensation that would be included in a service agreement as the result of bona fide bargaining between well-informed parties to the agreement who are not otherwise in a position to generate business for the other party, on the date of acquisition of the asset or at the time of the service agreement"*

- FMV cannot be determined by taking into account the volume or value or referrals to the entity

CMS defines Commercial Reasonableness as: An Arrangement that is a sensible, prudent business arrangement, from the perspective of both parties involved, even in the absence of potential referrals

Commercial Reasonableness Checklist

	CATEGORY	CRITERIA	IMPACT
	1. Alignment with Mission and Goals	Does the arrangement align with and facilitate achievement of the organization's mission and goals?	If not, it may not be commercially reasonable.
	2. Industry Practice	Is the arrangement reasonably prevalent in similar organizations (size, type) or are there legitimate reasons for an atypical arrangement?	The more uncommon, the less likely it is to be commercially reasonable.
	3. Frequency and Intensity of Need	How often is the service needed? How intense is the workload?	If frequency or intensity of service is low, commercial reasonableness may be questionable.
	4. Alternatives	Are there less costly alternatives that are equivalent or better with respect to quality of care?	If yes, the arrangement may not be commercially reasonable.
	5. Duplication	Is there a duplication of service arrangements?	If yes, the arrangement may not be commercially reasonable.
	6. Financial Performance	Does the cost of the arrangement justify identifiable benefits?	If the associated service results or contributes to economic losses, it may not be commercially reasonable.
	7. Qualifications	Is the physician qualified to provide the services?	If not, the arrangement may not be commercially reasonable.
	8. Evaluation Metrics	Are there well defined and objective measures of performance? Is the evaluation process defined?	If not, the arrangement may not be commercially reasonable.
	9. Payment Terms	Is there a defined payment amount, with a defined maximum payout?	If not, the arrangement may not be commercially reasonable.



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

APPENDIX

Finance Committee Compliance Training

Mary Rotunno, General Counsel
Diane Wigglesworth,
Sr. Director, Corporate Compliance

July 30, 2018

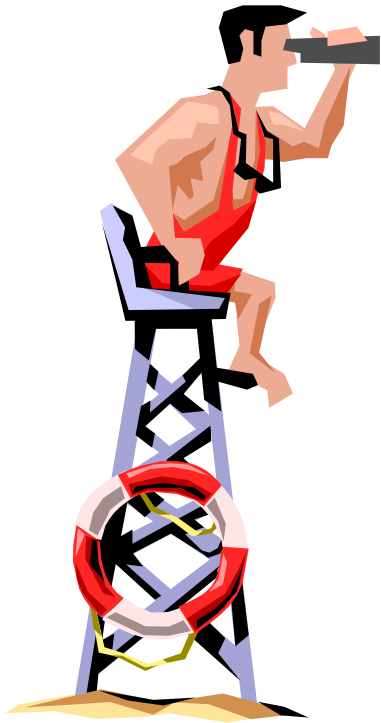
Education Objectives

- Understand the fiduciary responsibilities of corporate directors as they relate to corporate compliance.
- Identify the most relevant legal parameters and compliance risks to the Company's business.
- Highlight what directors can do to hold management accountable for an effective compliance program that minimizes organizational risk.

Fiduciary Responsibilities As A Corporate Director

Understand, Lead and Monitor

Corporate Leadership Responsibility



- Corporate directors have an obligation to act as fiduciaries for the organization.
- This duty includes an obligation to ***actively monitor organizational performance, processes and systems.***
- Failure to monitor organizational performance may result in liability for the corporation and corporate officers and directors.

Your Obligations

- As a Board member, you have ultimate oversight responsibility for the Company's Compliance Program.
- Fiduciary duties cannot be avoided by lack of knowledge.
- Increased funding, better use of technology, and enhanced cooperation and coordination among Government agencies have resulted in more effective and efficient enforcement.

Fiduciary Duties of Directors

- Directors have fiduciary duties to the company
- Directors' fiduciary duties are:
 - Duty of Care
 - Duty of Loyalty

Duty of Care

- Act in good faith with the care an ordinarily prudent person would exercise in similar circumstances.
- Directors must act on an informed basis after due consideration and appropriate deliberation.
- The Board may rely – so long as doing so is reasonable – on:
 - The records of the corporation; and
 - Other information presented by any person if the board reasonably believes:
 - Topics are within the competence of such persons, and
 - Such persons were selected with reasonable care.
- Board may NOT delegate basic duty of care to management or outside advisors.

Duty of Loyalty

- Directors must put the interests of the Company above any personal interests that they may have.
- Directors must disclose the existence and nature of any conflict of interest and any other facts that are material to transactions or other matters before the Board.
 - Where the Board's compliance responsibilities are concerned, this includes disclosure of information regarding potential compliance violations, even if such information might implicate an individual with whom they have a close personal or business relationship.

Overview of Director Responsibilities Under Common Law

- Act in good faith (*e.g.*, disclose any conflict of interest).
- Investigate transactions and other matters within their purview through management and advisors.
- Be satisfied on all key points.
- Ask questions if any point is not clear.
- Exercise independent judgment.

Business Judgment Rule

- State law presumes that, in making a decision, directors acted:
 - On an informed basis;
 - In good faith; and
 - With the honest belief that the action is in best interests of company.
- Courts will defer to directors unless plaintiff overcomes this presumption.
- Courts generally review the process, not the ultimate outcome.
- Where the Board's compliance oversight duties are concerned, it is essential that the Board, through its Committees receive sufficient information about the Compliance function to act on an informed basis.

Corporate Governance Guidelines and Committee Roles

Corporate Governance Guidelines

- The Board's core responsibilities include, but are not limited to, the following:
 - Select, monitor, evaluate and compensate senior management
 - Review the Company's financial controls, reporting systems and enterprise risk management program.
 - Review and monitor:
 - The Company's ethical standards and compliance with applicable healthcare laws, regulations, policies, professional standards and industry guidelines, and
 - The Company's programs, policies and procedures that support and enhance the quality of care provided by the Company
- The Board is authorized to delegate these core responsibilities to one or more Board committees.

Corporate Compliance / Privacy & Internal Audit Committee Role and Responsibilities

- It is the Committee's responsibility to assist the Board in monitoring the Company's compliance with legal and regulatory requirements, including:
 - Review the adequacy and effectiveness of the Company's internal regulatory, corporate compliance and risk management controls, and elicit recommendations for improvement.
 - Review management's response to any such recommendations.
 - Obtain and review reports regarding legal or compliance matters that may have a material effect on the Company's business, financial statements or compliance policies.
 - Review issues reported through the compliance hotline or other channels and the results of any internal investigations regarding any regulatory issues that may have a material effect on the Company's business, financial statements or compliance policies.

- It is the Committee's responsibility to assist the Board in evaluating and monitoring the Company's compliance with applicable healthcare laws, regulations, policies, professional standards and industry guidelines and the Company's Code of Conduct. Specific duties include:
 - Evaluate management's appointment, termination or replacement of the Compliance Officer.
 - Review policies and procedures designed to comply with all applicable health care laws, regulations, professional standards and industry guidelines, as well as the Company's policies and Code of Conduct.
 - Review internal systems and controls to carry out the Company's policies and procedures relating to clinical compliance matters and ethics.
 - Review the steps the Company is taking to educate its employees regarding its Code of Conduct and compliance issues.
 - Review procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding compliance related matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding compliance and ethical issues.
 - Review issues reported through the compliance hotline or other channels and the results of any internal investigations pertaining to clinical outcomes or quality of care-related compliance issues.
 - Apprise the Board on the Company's clinical compliance and performance improvement efforts with appropriate internal and external sources.

Board Oversight of the Company Compliance Program: Key Questions to Ask of Leadership and Compliance Teams

Board Oversight Function: Duty of Inquiry

- Board oversight of the compliance function as it relates to hospital operations is mandatory. The Board, through the Compliance Committee, must ask the right questions to hold Management accountable for an effective compliance program.
- Does the Company leadership team foster a culture that values and even rewards the prevention, detection and resolution of compliance issues?
- Do compensation structures place undue pressure to pursue profit over compliance?
- Does the Company have clear policies and internal controls addressing major risk areas?

Bottom Line: Board should hold the management team accountable for setting the proper "tone at the top" and the Compliance Officer accountable for appropriate policies and internal controls to address risk areas.

Board Oversight Function: Compliance Infrastructure

- Does the Compliance Officer report directly to the Board and CEO on the “state of compliance” at the Company?
- Does the Compliance Officer ensure effective compliance, education, auditing/monitoring of risk areas, investigations and corrective actions?
- Does the Compliance Officer have sufficient authority and resources to perform his/her responsibilities effectively?
- Is there an appropriately configured compliance committee that meets on a regular basis?

Bottom Line: The Board should ensure that Compliance has adequate resources and infrastructure to effectuate an effective compliance program.

Oversight Function: Compliance Education

- Do all the Company employees complete annual compliance training?
- Is compliance training scenario-based and geared to risk areas?
- Are compliance training programs evaluated and updated to maximize effectiveness and reflect regulatory developments?
- Does the Company track attendance and have procedures for follow up with employees who have not satisfied requirements as deadlines approach?

Bottom Line: The Board should be advised of the compliance education curriculum, completion rates and evaluation results.

Board Oversight Function: Effective Lines of Communication

- Does the Company maintain multiple, well-publicized channels for reporting compliance concerns?
- Does the Company maintain and enforce a well-publicized, non-retaliation policy to encourage candid reporting?
- Are there clearly defined channels for employees to seek guidance on the legal/compliance ramifications of potential actions **before** they are taken?
- Are significant legal and regulatory developments monitored and communicated to the business and the Board?
- Is the Board actively engaged in discussions regarding appropriate remedies to systemic or material compliance problems?

Bottom Line: The Board should receive statistics regarding reports of suspected non-compliance through various channels and specific information about material risks confronting the Company.

Board Oversight Function: Auditing and Monitoring

- Is there a robust audit plan to test/monitor major risk areas?
- Does the Company adhere to this plan in practice?
- Are audit trends tracked, reported and appropriately addressed?
- When audits reveal issues, are appropriate corrective action plans developed and implemented?
- When audits identify overpayments, are timely reports and refunds made in accordance with regulatory/payor requirements?
- Does the Company conduct periodic compliance program effectiveness reviews?

Bottom Line: The Board should be apprised of the audit plan, audit statistics, audit trends, overpayment refunds and material/systemic risks.

Board Oversight Function: Prompt Response to Suspected Non-Compliance

- Does the Company have an appropriate investigations policy/SOP in place?
- Are reports of suspected non-compliance in fact promptly investigated?
- Does the Company have an appropriate system to log reports of suspected non-compliance, investigation steps, findings and follow up?
- When violations are identified, is a root cause analysis performed and corrective action implemented to appropriately redress issues and prevent recurrence?
- Are investigators appropriately trained and subject to competency testing?
- Are investigation results tracked and trended to identify systemic issues that may pose a material risk to the Company?

Bottom Line: The Board should receive reports with aggregated information regarding investigations and results, as well as more granular information regarding investigation outcomes that pose a material risk to the Company.

Board Oversight Function: Effective Enforcement

- Does the Company establish and disseminate disciplinary policies identifying the consequences of compliance violations?
 - Does the Company have progressive disciplinary procedures while imposing serious sanctions for serious violations and intentional or reckless noncompliance?
- Are disciplinary standards consistently applied and enforced?
- Is the executive/management team held accountable for their own compliance failures, as well as for the foreseeable failures of their subordinates?
- Are there concrete compliance performance review criteria and bonus prerequisites to drive compliance?

Bottom Line: The Board should hold the management team, HR and Compliance accountable for appropriate, consistently enforced disciplinary standards.

The Importance of Director Vigilance in Mitigating Personal and Organizational Compliance Risks

Corporate Leadership Responsibility

- An effective compliance program minimizes organizational and personal risks in three important ways:
 - Reduces risk that violations will occur
 - When violations do occur, ensures that appropriate corrective actions are implemented to appropriately remediate in accordance with law and prevent recurrence
 - Results in more lenient sanctions under a variety of Governmental guidance detailed later in this presentation:
 - Reduced penalties
 - Reduced risk of corporate integrity agreement (“CIA”)


OIG Guidance: Importance of Culture and Leadership

- The U.S. Department of Health and Human Services (“HHS”) Office of Inspector General (“OIG”) website notes that “because of their oversight responsibilities, boards of directors have a unique opportunity to promote quality of care and embrace compliance with law.”
- The OIG Guidance emphasize the importance of leadership and culture:
 - “Leadership should foster an organizational culture that values, and even rewards, the prevention, detection, and resolution of quality of care and compliance problems.”
 - “The organization should endeavor to develop a culture that values compliance from the top down and fosters compliance from the bottom up. Such an organizational culture is the foundation of an effective compliance program.”



Practical Guidance for Health Care Governing Boards on Compliance Oversight

Office of Inspector General,
U.S. Department of Health and Human Services
Association of Healthcare Internal Auditors
American Health Lawyers Association
Health Care Compliance Association



About the Organizations

This educational resource was developed in collaboration between the Association of Healthcare Internal Auditors (AHIA), the American Health Lawyers Association (AHLA), the Health Care Compliance Association (HCCA), and the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS).

AHIA is an international organization dedicated to the advancement of the health care internal auditing profession. The AHLA is the Nation's largest nonpartisan, educational organization devoted to legal issues in the health care field. HCCA is a member-based, nonprofit organization serving compliance professionals throughout the health care field. OIG's mission is to protect the integrity of more than 100 HHS programs, including Medicare and Medicaid, as well as the health and welfare of program beneficiaries.

The following individuals, representing these organizations, served on the drafting task force for this document:

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This document is intended to assist governing boards of health care organizations (Boards) to responsibly carry out their compliance plan oversight obligations under applicable laws. This document is intended as guidance and should not be interpreted as setting any particular standards of conduct. The authors recognize that each health care entity can, and should, take the necessary steps to ensure compliance with applicable Federal, State, and local law. At the same time, the authors also recognize that there is no uniform approach to compliance. No part of this document should be taken as the opinion of, or as legal or professional advice from, any of the authors or their respective agencies or organizations.

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Introduction

Previous guidance¹ has consistently emphasized the need for Boards to be fully engaged in their oversight responsibility. A critical element of effective oversight is the process of asking the right questions of management to determine the adequacy and effectiveness of the organization's compliance program, as well as the performance of those who develop and execute that program, and to make compliance a responsibility for all levels of management. Given heightened industry and professional interest in governance and transparency issues, this document seeks to provide practical tips for Boards as they work to effectuate their oversight role of their organizations' compliance with State and Federal laws that regulate the health care industry. Specifically, this document addresses issues relating to a Board's oversight and review of compliance program functions, including the: (1) roles of, and relationships between, the organization's audit, compliance, and legal departments; (2) mechanism and process for issue-reporting within an organization; (3) approach to identifying regulatory risk; and (4) methods of encouraging enterprise-wide accountability for achievement of compliance goals and objectives.

A critical element of effective oversight is the process of asking the right questions....

1 OIG and AHHA, *Corporate Responsibility and Corporate Compliance: A Resource for Health Care Boards of Directors* (2003); OIG and AHHA, *An Integrated Approach to Corporate Compliance: A Resource for Health Care Organization Boards of Directors* (2004); and OIG and AHHA, *Corporate Responsibility and Health Care Quality: A Resource for Health Care Boards of Directors* (2007).

Expectations for Board Oversight of Compliance Program Functions

A Board must act in good faith in the exercise of its oversight responsibility for its organization, including making inquiries to ensure: (1) a corporate information and reporting system exists and (2) the reporting system is adequate to assure the Board that appropriate information relating to compliance with applicable laws will come to its attention timely and as a matter of course.² The existence of a corporate reporting system is a key compliance program element, which not only keeps the Board informed of the activities of the organization, but also enables an organization to evaluate and respond to issues of potentially illegal or otherwise inappropriate activity.

Boards are encouraged to use widely recognized public compliance resources as benchmarks for their organizations. The Federal Sentencing Guidelines (Guidelines),³ OIG's voluntary compliance program guidance documents,⁴ and OIG Corporate Integrity Agreements (CIAs) can be used as baseline assessment tools for Boards and management in determining what specific functions may be necessary to meet the requirements of an effective compliance program. The Guidelines "offer incentives to organizations to reduce and ultimately eliminate criminal conduct by providing a structural foundation from which an organization may self-police its own conduct through an effective compliance and ethics program."⁵ The compliance program guidance documents were developed by OIG to encourage the development and use of internal controls to monitor adherence to applicable statutes, regulations, and program requirements. CIAs impose specific structural and reporting requirements to

2 *In re Caremark Int'l, Inc. Derivative Litig.*, 698 A.2d 959 (Del. Ch. 1996).

3 U.S. Sentencing Commission, *Guidelines Manual* (Nov. 2013) (USSG), http://www.ussc.gov/sites/default/files/pdf/guidelines-manual/2013/manual-pdf/2013_Guidelines_Manual_Full.pdf.

4 OIG, *Compliance Guidance*, <https://oig.hhs.gov/compliance/compliance-guidance/>

5 USSG Ch. 8, Intro. Comment.

promote compliance with Federal health care program standards at entities that have resolved fraud allegations.

Basic CIA elements mirror those in the Guidelines, but a CIA also includes obligations tailored to the organization and its compliance risks. Existing CIAs may be helpful resources for Boards seeking to evaluate their organizations' compliance programs. OIG has required some settling entities, such as health systems and hospitals, to agree to Board-level requirements, including annual resolutions. These resolutions are signed by each member of the Board, or the designated Board committee, and detail the activities that have been undertaken to review and oversee the organization's compliance with Federal health care program and CIA requirements. OIG has not required this level of Board involvement in every case, but these provisions demonstrate the importance placed on Board oversight in cases OIG believes reflect serious compliance failures.

Although compliance program design is not a “one size fits all” issue, Boards are expected to put forth a meaningful effort....

Although compliance program design is not a “one size fits all” issue, Boards are expected to put forth a meaningful effort to review the adequacy of existing compliance systems and functions. Ensuring that management is aware of the Guidelines, compliance program guidance, and relevant CIAs is a good first step.

One area of inquiry for Board members of health care organizations should be the scope and adequacy of the compliance program in light of the size and complexity of their organizations. The Guidelines allow for variation according to “the size of the organization.”⁶ In accordance with the Guidelines,

⁶ USSG § 8B2.1, comment. (n. 2).

OIG recognizes that the design of a compliance program will depend on the size and resources of the organization.⁷ Additionally, the complexity of the organization will likely dictate the nature and magnitude of regulatory impact and thereby the nature and skill set of resources needed to manage and monitor compliance.

While smaller or less complex organizations must demonstrate the same degree of commitment to ethical conduct and compliance as larger organizations, the Government recognizes that they may meet the Guidelines requirements with less formality and fewer resources than would be expected of larger and more complex organizations.⁸ Smaller organizations may meet their compliance responsibility by “using available personnel, rather than employing separate staff, to carry out the compliance and ethics program.” Board members of such organizations may wish to evaluate whether the organization is “modeling its own compliance and ethics programs on existing, well-regarded compliance and ethics programs and best practices of other similar organizations.”⁹ The Guidelines also foresee that Boards of smaller organizations may need to become more involved in the organizations’ compliance and ethics efforts than their larger counterparts.¹⁰

Boards should develop a formal plan to stay abreast of the ever-changing regulatory landscape and operating environment. The plan may involve periodic updates from informed staff or review of regulatory resources made available to them by staff. With an understanding of the dynamic regulatory environment, Boards will be in a position to ask more pertinent questions of management

⁷ Compliance Program for Individual and Small Group Physician Practices, 65 Fed. Reg. 59434, 59436 (Oct. 5, 2000) (“The extent of implementation [of the seven components of a voluntary compliance program] will depend on the size and resources of the practice. Smaller physician practices may incorporate each of the components in a manner that best suits the practice. By contrast, larger physician practices often have the means to incorporate the components in a more systematic manner.”); Compliance Program Guidance for Nursing Facilities, 65 Fed. Reg. 14,289 (Mar. 16, 2000) (recognizing that smaller providers may not be able to outsource their screening process or afford to maintain a telephone hotline).

⁸ USSG § 8B2.1, comment. (n. 2).

⁹ *Id.*

¹⁰ *Id.*

and make informed strategic decisions regarding the organizations' compliance programs, including matters that relate to funding and resource allocation. For instance, new standards and reporting requirements, as required by law, may, but do not necessarily, result in increased compliance costs for an organization. Board members may also wish to take advantage of outside educational programs that provide them with opportunities to develop a better understanding of industry risks, regulatory requirements, and how effective compliance and ethics programs operate. In addition, Boards may want management to create a formal education calendar that ensures that Board members are periodically educated on the organizations' highest risks.

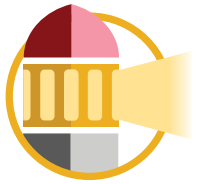
Finally, a Board can raise its level of substantive expertise with respect to regulatory and compliance matters by adding to the Board, or periodically consulting with, an experienced regulatory, compliance, or legal professional. The presence of a professional with health care compliance expertise on the Board sends a strong message about the organization's commitment to compliance, provides a valuable resource to other Board members, and helps the Board better fulfill its oversight obligations. Board members are generally entitled to rely on the advice of experts in fulfilling their duties.¹¹ OIG sometimes requires entities under a CIA to retain an expert in compliance or governance issues to assist the Board in fulfilling its responsibilities under the CIA.¹² Experts can assist Boards and management in a variety of ways, including the identification of risk areas, provision of insight into best practices in governance, or consultation on other substantive or investigative matters.

11 See Del Code Ann. tit. 8, § 141(e) (2010); ABA Revised Model Business Corporation Act, §§ 8.30(e), (f)(2) Standards of Conduct for Directors.

12 See Corporate Integrity Agreements between OIG and Halifax Hospital Medical Center and Halifax Staffing, Inc. (2014, compliance and governance); Johnson & Johnson (2013); Dallas County Hospital District d/b/a Parkland Health and Hospital System (2013, compliance and governance); Forest Laboratories, Inc. (2010); Novartis Pharmaceuticals Corporation (2010); Ortho-McNeil-Janssen Pharmaceuticals, Inc. (2010); Synthes, Inc. (2010, compliance expert retained by Audit Committee); The University of Medicine and Dentistry of New Jersey (2009, compliance expert retained by Audit Committee); Quest Diagnostics Incorporated (2009); Amerigroup Corporation (2008); Bayer HealthCare LLC (2008); and Tenet Healthcare Corporation (2006; retained by the Quality, Compliance, and Ethics Committee of the Board).

Roles and Relationships

Organizations should define the interrelationship of the audit, compliance, and legal functions in charters or other organizational documents. The structure, reporting relationships, and interaction of these and other functions (e.g., quality, risk management, and human resources) should be included as departmental roles and responsibilities are defined. One approach is for the charters to draw functional boundaries while also setting an expectation of cooperation and collaboration among those functions. One illustration is the following, recognizing that not all entities may possess sufficient resources to support this structure:



The compliance function promotes the prevention, detection, and resolution of actions that do not conform to legal, policy, or business standards. This responsibility includes the obligation to develop policies and procedures that provide employees guidance, the creation of incentives to promote employee compliance, the development of plans to improve or sustain compliance, the development of metrics to measure execution (particularly by management) of the program and implementation of corrective actions, and the development of reports and dashboards that help management and the Board evaluate the effectiveness of the program.

The legal function advises the organization on the legal and regulatory risks of its business strategies, providing advice and counsel to management and the Board about relevant laws and regulations that govern, relate to, or impact the organization. The function also defends the organization in legal proceedings and initiates legal proceedings against other parties if such action is warranted.

The internal audit function provides an objective evaluation of the existing risk and internal control systems and framework within an organization. Internal audits ensure monitoring functions are working as intended and identify where management monitoring and/or additional

Board oversight may be required. Internal audit helps management (and the compliance function) develop actions to enhance internal controls, reduce risk to the organization, and promote more effective and efficient use of resources. Internal audit can fulfill the auditing requirements of the Guidelines.

The human resources function manages the recruiting, screening, and hiring of employees; coordinates employee benefits; and provides employee training and development opportunities.

The quality improvement function promotes consistent, safe, and high quality practices within health care organizations. This function improves efficiency and health outcomes by measuring and reporting on quality outcomes and recommends necessary changes to clinical processes to management and the Board. Quality improvement is critical to maintaining patient-centered care and helping the organization minimize risk of patient harm.

Boards should be aware of, and evaluate, the adequacy, independence,¹³ and performance of different functions within an organization on a periodic basis. OIG believes an organization's Compliance Officer should neither be counsel for the provider, nor be subordinate in function or position to counsel or the legal department, in any manner.¹⁴ While independent, an organization's counsel and compliance officer should collaborate to further the interests of the organization. OIG's position on separate compliance and legal functions reflects the independent roles and professional obligations of each function;¹⁵

13 Evaluation of independence typically includes assessing whether the function has uninhibited access to the relevant Board committees, is free from organizational bias through an appropriate administrative reporting relationship, and receives fair compensation adjustments based on input from any relevant Board committee.

14 See OIG and AHHA, *An Integrated Approach to Corporate Compliance: A Resource for Health Care Organization Boards of Directors*, 3 (2004) (citing Compliance Program Guidance for Hospitals, 63 Fed. Reg. 8,987, 8,997 (Feb. 23, 1998)).

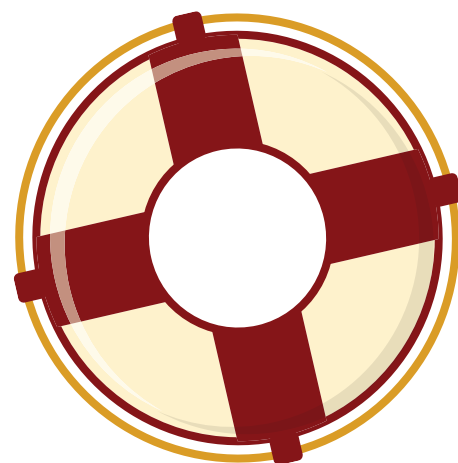
15 See, generally, *id.*

the same is true for internal audit.¹⁶ To operate effectively, the compliance, legal, and internal audit functions should have access to appropriate and relevant corporate information and resources. As part of this effort, organizations will need to balance any existing attorney-client privilege with the goal of providing such access to key individuals who are charged with the responsibility for ensuring compliance, as well as properly reporting and remediating any violations of civil, criminal, or administrative law.

The Board should have a process to ensure appropriate access to information; this process may be set forth in a formal charter document approved by the Audit Committee of the Board or in other appropriate documents. Organizations that do not separate these functions (and some organizations may not have the resources to make this complete separation) should recognize the potential risks of such an arrangement. To partially mitigate these potential risks, organizations should provide individuals serving in multiple roles the capability to execute each function in an independent manner when necessary, including through reporting opportunities with the Board and executive management.

Boards should also evaluate and discuss how management works together to address risk, including the role of each in:

- 1.** identifying compliance risks,
- 2.** investigating compliance risks and avoiding duplication of effort,
- 3.** identifying and implementing appropriate corrective actions and decision-making, and
- 4.** communicating between the various functions throughout the process.



¹⁶ Compliance Program Guidance for Hospitals, 63 Fed. Reg. 8,987, 8,997 (Feb. 23, 1998) (auditing and monitoring function should “[b]e independent of physicians and line management”); Compliance Program Guidance for Home Health Agencies, 63 Fed. Reg. 42,410, 42,424 (Aug. 7, 1998) (auditing and monitoring function should “[b]e objective and independent of line management to the extent reasonably possible”); Compliance Program Guidance for Nursing Facilities, 65 Fed. Reg. 14,289, 14,302 (Mar. 16, 2000).

Boards should understand how management approaches conflicts or disagreements with respect to the resolution of compliance issues and how it decides on the appropriate course of action. The audit, compliance, and legal functions should speak a common language, at least to the Board and management, with respect to governance concepts, such as accountability, risk, compliance, auditing, and monitoring. Agreeing on the adoption of certain frameworks and definitions can help to develop such a common language.

Reporting to the Board

The Board should set and enforce expectations for receiving particular types of compliance-related information from various members of management. The Board should receive regular reports regarding the organization's risk mitigation and compliance efforts—separately and independently—from a variety of key players, including those responsible for audit, compliance, human resources, legal, quality, and information technology. By engaging the leadership team and others deeper in the organization, the Board can identify who can provide relevant

The Board should receive regular reports regarding the organization's risk mitigation and compliance efforts....

information about operations and operational risks. It may be helpful and productive for the Board to establish clear expectations for members of the management team and to hold them accountable for performing and informing the Board in accordance with those expectations. The Board may request the development of objective scorecards that measure how well management is executing the compliance program, mitigating risks, and implementing corrective action plans. Expectations could also include reporting information on internal and external investigations, serious issues raised in internal and external audits, hotline call activity, all allegations of material fraud or senior management misconduct, and all management exceptions to the organization's

code of conduct and/or expense reimbursement policy. In addition, the Board should expect that management will address significant regulatory changes and enforcement events relevant to the organization's business.

Boards of health care organizations should receive compliance and risk-related information in a format sufficient to satisfy the interests or concerns of their members and to fit their capacity to review that information. Some Boards use tools such as dashboards—containing key financial, operational and compliance indicators to assess risk, performance against budgets, strategic plans, policies and procedures, or other goals and objectives—in order to strike a balance between too much and too little information. For instance, Board quality committees can work with management to create the content of the dashboards with a goal of identifying and responding to risks and improving quality of care. Boards should also consider establishing a risk-based reporting system, in which those responsible for the compliance function provide reports to the Board when certain risk-based criteria are met. The Board should be assured that there are mechanisms in place to ensure timely reporting of suspected violations and to evaluate and implement remedial measures. These tools may also be used to track and identify trends in organizational performance against corrective action plans developed in response to compliance concerns. Regular internal reviews that provide a Board with a snapshot of where the organization is, and where it may be going, in terms of compliance and quality improvement, should produce better compliance results and higher quality services.

As part of its oversight responsibilities, the Board may want to consider conducting regular “executive sessions” (i.e., excluding senior management) with leadership from the compliance, legal, internal audit, and quality functions to encourage more open communication. Scheduling regular executive sessions creates a continuous expectation of open dialogue, rather than calling such a session only when a problem arises, and is helpful to avoid suspicion among management about why a special executive session is being called.

Identifying and Auditing Potential Risk Areas

Some regulatory risk areas are common to all health care providers. Compliance in health care requires monitoring of activities that are highly vulnerable to fraud or other violations. Areas of particular interest include referral relationships and arrangements, billing problems (e.g., upcoding, submitting claims for services not rendered and/or medically unnecessary services), privacy breaches, and quality-related events.

The Board should ensure that management and the Board have strong processes for identifying risk areas. Risk areas may be identified from internal or external information sources. For instance, Boards and management may identify regulatory risks from internal sources, such as employee reports to an internal compliance hotline or internal audits. External sources that may be used to identify regulatory risks might include professional organization publications, OIG-issued guidance, consultants, competitors, or news media. When failures or problems in similar organizations are publicized, Board members should ask their own management teams whether there are controls and processes in place to reduce the risk of, and to identify, similar misconduct or issues within their organizations.



The Board should ensure that management consistently reviews and audits risk areas, as well as develops, implements, and monitors corrective action plans. One of the reasonable steps an organization is expected to take

under the Guidelines is “monitoring and auditing to detect criminal conduct.”¹⁷ Audits can pinpoint potential risk factors, identify regulatory or compliance problems, or confirm the effectiveness of compliance controls. Audit results that reflect compliance issues or control deficiencies should be accompanied by corrective action plans.¹⁸

Recent industry trends should also be considered when designing risk assessment plans. Compliance functions tasked with monitoring new areas of risk should take into account the increasing emphasis on quality, industry consolidation, and changes in insurance coverage and reimbursement. New forms of reimbursement (e.g., value-based purchasing, bundling of services for a single payment, and global payments for maintaining and improving the health of individual patients and even entire populations) lead to new incentives and compliance risks. Payment policies that align payment with quality care have placed increasing pressure to conform to recommended quality guidelines and improve quality outcomes. New payment models have also incentivized consolidation among health care providers and more employment and contractual relationships (e.g., between hospitals and physicians). In light of the fact that statutes applicable to provider-physician relationships are very broad, Boards of entities that have financial relationships with referral sources or recipients should ask how their organizations are reviewing these arrangements for compliance with the physician self-referral (Stark) and anti-kickback laws. There should also be a clear understanding between the Board and management as to how the entity will approach and implement those relationships and what level of risk is acceptable in such arrangements.

Emerging trends in the health care industry to increase transparency can present health care organizations with opportunities and risks. For example, the Government is collecting and publishing data on health outcomes and quality measures (e.g., Centers for Medicare & Medicaid Services (CMS) Quality Compare Measures), Medicare payment data are now publicly available (e.g.,

¹⁷ See USSG § 8B2.1(b)(5).

¹⁸ See USSG § 8B2.1(c).

CMS physician payment data), and the Sunshine Rule¹⁹ offers public access to data on payments from the pharmaceutical and device industries to physicians. Boards should consider all beneficial use of this newly available information. For example, Boards may choose to compare accessible data against organizational peers and incorporate national benchmarks when assessing organizational risk and compliance. Also, Boards of organizations that employ physicians should be cognizant of the relationships that exist between their employees and other health care entities and whether those relationships could have an impact on such matters as clinical and research decision-making. Because so much more information is becoming public, Boards may be asked significant compliance-oriented questions by various stakeholders, including patients, employees, government officials, donors, the media, and whistleblowers.

Encouraging Accountability and Compliance

Compliance is an enterprise-wide responsibility. While audit, compliance, and legal functions serve as advisors, evaluators, identifiers, and monitors of risk and compliance, it is the responsibility of the entire organization to execute the compliance program.

In an effort to support the concept that compliance is “a way of life,” a Board may assess employee performance in promoting and adhering to compliance.²⁰ An organization may assess individual, department, or facility-level performance or consistency in executing the compliance program. These assessments can then be used to either withhold incentives or to provide bonuses

Compliance is an enterprise-wide responsibility.

19 See Sunshine Rule, 42 C.F.R. § 403.904, and CMS *Open Payments*, <https://www.cms.gov/newsroom/press-releases/affordable-care-act-sunshine-rule-increases-transparency-health-care>

20 Compliance Program Guidance for Nursing Facilities, 65 Fed. Reg. 14,289, 14,298-14,299 (Mar. 16, 2000).

based on compliance and quality outcomes. Some companies have made participation in annual incentive programs contingent on satisfactorily meeting annual compliance goals. Others have instituted employee and executive compensation claw-back/recoupment provisions if compliance metrics are not met. Such approaches mirror Government trends. For example, OIG is increasingly requiring certifications of compliance from managers outside the compliance department. Through a system of defined compliance goals and objectives against which performance may be measured and incentivized, organizations can effectively communicate the message that everyone is ultimately responsible for compliance.

Governing Boards have multiple incentives to build compliance programs that encourage self-identification of compliance failures and to voluntarily disclose such failures to the Government. For instance, providers enrolled in Medicare or Medicaid are required by statute to report and refund any overpayments under what is called the 60 Day Rule.²¹ The 60-Day Rule requires all Medicare and Medicaid participating providers and suppliers to report and refund known overpayments within 60 days from the date the overpayment is “identified” or within 60 days of the date when any corresponding cost report is due. Failure to follow the 60-Day Rule can result in False Claims Act or civil monetary penalty liability. The final regulations, when released, should provide additional guidance and clarity as to what it means to “identify” an overpayment.²² However, as an example, a Board would be well served by asking management about its efforts to develop policies for identifying and returning overpayments. Such an inquiry would inform the Board about how proactive the organization’s compliance program may be in correcting and remediating compliance issues.

21 42 U.S.C. § 1320a-7k.

22 Medicare Program; Reporting and Returning of Overpayments, 77 Fed. Reg. 9179, 9182 (Feb. 16, 2012) (Under the proposed regulations interpreting this statutory requirement, an overpayment is “identified” when a person “has actual knowledge of the existence of the overpayment or acts in reckless disregard or deliberate ignorance of the overpayment.”) disregard or deliberate ignorance of the overpayment.”); Medicare Program; Reporting and Returning of Overpayments; Extensions of Timeline for Publication of the Final Rule, 80 Fed. Reg. 8247 (Feb. 17, 2015).

Organizations that discover a violation of law often engage in an internal analysis of the benefits and costs of disclosing—and risks of failing to disclose—such violation to OIG and/or another governmental agency. Organizations that are proactive in self-disclosing issues under OIG’s Self-Disclosure Protocol realize certain benefits, such as (1) faster resolution of the case—the average OIG self-disclosure is resolved in less than one year; (2) lower payment—OIG settles most self-disclosure cases for 1.5 times damages rather than for double or treble damages and penalties available under the False Claims Act; and (3) exclusion release as part of settlement with no CIA or other compliance obligations.²³ OIG believes that providers have legal and ethical obligations to disclose known violations of law occurring within their organizations.²⁴ Boards should ask management how it handles the identification of probable violations of law, including voluntary self-disclosure of such issues to the Government.

As an extension of their oversight of reporting mechanisms and structures, Boards would also be well served by evaluating whether compliance systems and processes encourage effective communication across the organizations and whether employees feel confident that raising compliance concerns, questions, or complaints will result in meaningful inquiry without retaliation or retribution. Further, the Board should request and receive sufficient information to evaluate the appropriateness of management’s responses to identified violations of the organization’s policies or Federal or State laws.

Conclusion

A health care governing Board should make efforts to increase its knowledge of relevant and emerging regulatory risks, the role and functioning of the organization’s compliance program in the face of those risks, and the flow and elevation of reporting of potential issues and problems to

23 See OIG, *Self-Disclosure Information*, <https://oig.hhs.gov/compliance/self-disclosure-info/>

24 See *id.*, at 2 (“we believe that using the [Self-Disclosure Protocol] may mitigate potential exposure under section 1128J(d) of the Act, 42 U.S.C. 1320a-7k(d).”)

senior management. A Board should also encourage a level of compliance accountability across the organization. A Board may find that not every measure addressed in this document is appropriate for its organization, but every Board is responsible for ensuring that its organization complies with relevant Federal, State, and local laws. The recommendations presented in this document are intended to assist Boards with the performance of those activities that are key to their compliance program oversight responsibilities. Ultimately, compliance efforts are necessary to protect patients and public funds, but the form and manner of such efforts will always be dependent on the organization's individual situation.

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El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

El Camino Hospital Financial Vendors

El Camino Hospital Finance
Committee

July 30, 2018

Matt Harris, Controller

El Camino Hospital Financial Vendors

	<u>Amex</u>	<u>BLX</u>	<u>CitiGroup</u>	<u>Comdata</u>	<u>Conduent</u>	<u>Fidelity</u>	<u>Garland</u> <u>Actuarial</u>	<u>Pavillion</u>	<u>Ponder</u>	<u>WFB</u>
Operations										
Disbursements and deposits										X
Electronic payments	X			X						
Investments										
Investment trust (surplus cash)										X
Bond Fund Investments									X	
Advisor								X		X
Pension Trust										X
403(b) Trustee						X				
Bonds										
Trustee										X
Notification / Disclosure		X								
Underwriter			X							
Advisor									X	
Actuary										
Pension					X					
Workers Comp Reserves							X			
Malpractice Reserves							X			

Background of Financial Vendors

AMEX

In 2011 partnered with American Express Global Commercial Services wanting to improve business process automation, better efficiency, and enhanced cash flow management. We had been with a Wells Fargo similar product but could only muster vendor enrollment to \$8 million in nightly electronic payments with a very small rebate return to El Camino Hospital (“ECH”). ECH selected American Expresses’ Buyer Initiated Payments (BIP) to get more vendors enrolled in such a program gaining more in rebates. BIP is web-based that integrated smoothly with PeopleSoft’s ERP system and offered nightly electronic payments to the vendors. Upon selecting the BIP program ECH received \$150,000 as a new customer, and every year since the program has been in place received rebates in the range of \$130,000 to \$170,000 and have approximately \$35 million in payables processing a year through their payables solution.

BLX (Bond Logistix)

Founded in 1989 as a subsidiary of Orrick, Herrington & Sutcliffe, LLP. BLX’s relationship started with the District’s issuance of its \$148M G.O. Bonds in December 2006 in assist in funding of the replacement hospital tower in Mountain View. Services provided arbitrage compliance calculations and filings, bond post-issuance compliance, continuing disclosures and private use examination of tax-exempt bond-financed facilities. BLX assisted in a review by IRS in 2013 of Hospital’s 2007 \$150M bond compliance, with the outcome of no findings. BLX continues to provide these services for the G.O. 2017 Refunding Bonds, the Hospital’s 2015A and 2017 bond issues. ECH completes the initial quarterly/annual filings that are then reviewed and filed by BLX.

CitiGroup

Citi continues to be the number one underwriter of not for profit healthcare bonds since the late 1990’s. Citi has worked with El Camino Healthcare District and the Hospital since the G.O. 2006 bond issuance. In 2015 underwrote the Hospital’s \$160M issue and the defeasance of its original 2007 issue. In March 2017 it underwrote the \$99M of District’s G.O. Bonds to reduce the cost of capital to the District, and did the Hospital’s \$292.4M Revenue Bonds needed for the IMOB, BHS, and addition to the Parking Structure. In total, Citi has underwrote 6 bond deals totaling over 890M in debt.

Background of Financial Vendors

Comdata

In spring 2018, the Hospital partnered with Comdata (a division of Fleetcor) to expand our payment automation footprint beyond AMEX and our internal processes to leverage our A/P spend to achieve greater rebates. In this program, weekly payment files are sent to Comdata from PeopleSoft for those vendors enrolled in this program. In turn, Comdata issues a single-use MasterCard number that are provided to each vendor included in the payment file, along with the remittance information for each individual payment. To date, ECH has enrolled approximately 600 vendors in the program with an estimated spend of \$30 million. We are continuing to enroll vendors and expect an annual spend to reach \$40 – 50 million. The Hospital will receive 185 bps on most dollars processed through the Comdata system. Depending of the growth we hope to hit in the next few months, ECH should expect annual rebates in the range of \$550k to \$800k. These rebates are calculated and paid on a monthly basis, based on the payments made to the vendors in the previous month.

Conduent

The relationship with Conduent (formerly under a number of firm names – starting with Coopers & Lybrand, to PWC, to Buck Consultants, now to Conduent) goes back well over 25 years. Conduent provides numerous services to El Camino some of which are:

Retirement Services

- IRS actuarial valuation annual reports
- Annual funding notices to employees
- GASB 68 pension expense report
- GASB yearend disclosure information for annual audit
- Annual employee benefit statements
- IRS Form 5500 with all schedules and attachments
- PBGC premium filings
- Provides a call center to aid employees with retirement questions and requests for benefit calculations and packages
- Initiate benefit payments with the Trustee (WFB)
- Maintain all benefit payment election information
- Respond to auditor's request for pension information

Background of Financial Vendors

Conduent (continued)

Postretirement Medical Services

- GASB expense report under GASB No. 75
- GASB yearend disclosure information for audit under GASB 75 requirements

Fidelity

ECH's deferred compensation stand-alone 403(b) provider. Up to about 7 or 8 years ago, ECH had three vendors (Fidelity, Lincoln National, and Valic), and decided to consolidate under one vendor, thus went through a RFP process with three (3) vendors and selected Fidelity as its vendor of our choice for the 403(b) program. ECH retained the services of the Multnomah Group at that point to provide oversight of Fidelity's array of investment programs that employees can select and be the "watch dog" if certain investments are under performing and make recommendations to Retirement Plan Administrative Committee to consider in closing certain funds and/or opening other funds. Multnomah also provides feedback on the fees being paid to Fidelity for their investment services.

Garland Actuarial, LLC

Relationship started back with Arthur Andersen ("AA"), CPA's as Roberta Garland was then working as an actuarial for AA. With the demise of AA, she went on her own and since she was familiar with ECH was retained as our actuarial for our self-funded Workers Compensation reserves, malpractice/general liability reserves (BETA Healthcare Group), and performing IBNR (Incurred, But Not Reported) outside provider claims for the CONCERN: EAP program that is especially needed as part of the annual audit filings with the Department of Managed Health Care. Roberta's work is reviewed by the annual auditors in order to get comfortable with the corresponding amounts recorded on our Balance Sheet for these reserves.

Background of Financial Vendors

Pavilion Advisory Group

As outcome of the Hospital wanting become more diversified in its investments of both surplus cash and pension cash, it went through a RFP process in 2011 for an investment consulting firm and Pavilion was the selected firm, which over time had the Hospital go from two (2) money managers in 2011 to approximately 27 money managers currently. Pavilion provides a due diligence process for the asset managers of the Hospital investments and quarterly investment performance reports to the Investment Committee and the committee assesses Pavilion's performance and interaction with the committee on a quarterly basis.

Ponder Company

Ponder provides market expertise in the analysis and application of debt structures, interest rate swaps, and other derivative products for not-for-profit hospitals and healthcare systems for approximately the last forty years. Ponder began working with the Hospital in 2006 for advice beginning with Hospital's 2007 \$150 million Revenue Bond issue. Ponder provided education for the Board and Finance Committee on the structure on the anticipated deal. The relationship has continued since then with the following transactions:

- Interest rate swap pricing and transaction management for the 2007 series
- Series 2008 of fixed rate bonds (conversion of the 2007 series after the credit crisis of 2008)
- Series 2009 (RFP for bank products and implementation of the 2009 \$50 million Variable Rate Demand Bonds)
- Series 2015A fixed rate bonds (defeasance of the 2007 and \$42 million of new capital proceeds (being used at the Los Gatos campus))
- Series 2017 fixed rate bonds (used for the IMOB, BHS, and Parking Structure expansion)
- 2017 G.O. Refunding of its 2006 issue reducing interest rates
- Ponder's Investment Company is currently managing the remaining 2015A Project Funds (market value \$10.5) and the 2017 issue (market value \$178.3 million).

Background of Financial Vendors

Wells Fargo Bank

As an outcome of a RFP process circa late 1980's we move our banking relationship to Wells for the "retail banking" side of the business and investment trustee, as well as credit card processing. The retail banking services covers all the bank accounts we have for all the District's entities and most related entities, automated bank reconciliation on our larger check writing systems, ACH Direct Deposit transactions, trustee accounts for all bond, surplus cash, and pension assets, letter of credit, corporate credit cards.

On the Corporate Trust side Wells Fargo provides:

Cash Balance Plan

Wells Fargo Institution Retirement and Trust acts as trustee for the Hospital's Cash Balance Plan acting as the fiduciary of the Plan. Wells Fargo IRT safekeeps all assets of the plan providing investment accounting reports of all holdings of the Plan. Also provides benefit payment services for the Plan's Retirees.

Surplus Cash and Bond Proceeds

Wells Institutional Trust much like as the pension services safekeeps all assets in the Surplus Cash accounts and supplies investment accounting reports, especially needed for audit. When Pavilion was selected as our Investment Consultant, a RFP was send to various banks for a possible new selection of a Trustee that confirmed that Wells Fargo services and pricing for those services was indeed the best. Wells Fargo also the Trustee for our G.O. and Revenue Bonds which both the District and the Hospital must submit continuing disclosure and compliance reports.

Finance Committee

Updated June 14, 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 - Delegation of Authority to the Committee 	<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 - El Camino Ambulatory Surgery Center JV Purchase
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>

Finance Committee

Updated June 14, 2018

FY19 FC Pacing Plan – Q3		
January 28, 2019	February 2019	March 25, 2019
**Joint Meeting with the Investment Committee - Long Term Forecast <ul style="list-style-type: none"> - Meeting Minutes (November 2018), any policies - Financial Report (FY19 Period 5,6) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – BHS 	<p>No scheduled meeting</p>	<ul style="list-style-type: none"> - Meeting Minutes (January 2019), any policies - Financial Report (FY19 Period 7,8) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Preview FY20 Budget Part # 1 - Discuss and recommend FY19 Committee Goals - Discuss FY20 Committee Dates - Payor Update - SVMD “Strategies and Execution”
FY19 FC Pacing Plan – Q4		
April 22, 2019	May 28, 2019	June 2019
<ul style="list-style-type: none"> - Fy20 Budget Review – Part 2 - April 24, 2019 – Board and Committee Educational Session 	**Joint Meeting with the Hospital Board on the Operating & Capital Budget <ul style="list-style-type: none"> - Meeting Minutes (March 2019), any policies - Financial Report (FY19 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 FY20 Budget - Review and recommend FY20 Organizational Goals 	<p>No scheduled meeting</p>