

AGENDA

FINANCE COMMITTEE MEETING OF THE EL CAMINO HOSPITAL BOARD

Monday, November 26, 2018 – 5:30 pm

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

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

Boyd Faust will be participating via teleconference from 7000 NE Airport Way Portland, OR 97218

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 – 5:32pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		5:32 – 5:33
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 5:33 – 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 of the Finance Committee Meeting (September 26, 2018) b. FY19 Period 3 Financials Information c. Progress Against Goals d. Article of Interest e. Update Capital Projects in Process	John Zoglin, Chair	<i>public comment</i>	motion required 5:36 – 5:38
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	John Zoglin, Chair		information 5:38 – 5:43
6. FY19 PERIOD 4 FINANCIALS ATTACHMENT 6	Iftikhar Hussain, CFO	<i>public comment</i>	motion required 5:43 – 5:58
7. POST IMPLEMENTATION PROJECT REVIEW ATTACHMENT 7	Iftikhar Hussain, CFO		information 5:58 – 6:08
8. PROPOSED POLICY REVISIONS a. Signature Authority Policy b. Physician Financial Arrangements Policy c. Finance Committee Charter	Cindy Murphy, Director of Governance Services	<i>public comment</i>	possible motion 6:08 – 6:13

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AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
9. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		motion required 6:13 – 6:14
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		6:14 – 6:15
11. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2.</i> a. Minutes of the Closed Session of the Finance Committee Meeting (September 26, 2018) Informational <i>Health & Safety Code 32106(b)</i> b. MV Perinatal Diagnostic Center Professional Services Agreement Renewal c. Enterprise Radiology Professional Services Agreement Renewal d. MV & LG ASPIRE Program Medical Director Renewal Agreement e. MV Gastroenterology Call Panel Renewal f. MV Orthopedic Surgery Call Panel Renewal g. MV Hospitalist Professional Service Agreement Renewal h. Enterprise Orthopedic Co-Management Agreement	John Zoglin, Chair		motion required 6:15 – 6:17
12. Health & Safety Code 32106(b) for a report & discussion involving health care facility trade secrets: - Capital Funding a. Woman's Hospital b. Los Gatos Cancer Center Funding	Ken King, CASO Jim Griffith, COO		possible motions 6:17 – 6:47
13. Health & Safety Code 32106(b) for a report & discussion involving health care facility trade secrets: - Payor Update	Joan Kezic, VP of Payor Relations		information 6:47 – 7:02
14. Health & Safety Code 32106(b) for a report & discussion involving health care facility trade secrets: - HVI	Amy Maher, Director Service Line HVI Jim Griffith, COO		information 7:02 – 7:12
15. Health & Safety Code 32106(b) for a report & discussion involving health care facility trade secrets: - Oncology	Markettea Beneke, Sr. Director, Oncology Service Line Jim Griffith, COO		information 7:12 – 7:42
16. Health & Safety Code 32106(b) for a report & discussion involving health care facility trade secrets: - Physician Practice Acquisition	Bruce Harrison, President SVMMD		information 7:42 – 7:47
17. EXECUTIVE SESSION	John Zoglin, Chair		information 7:47 – 7:52
18. ADJOURN TO OPEN SESSION	John Zoglin, Chair		motion required 7:52 – 7:53

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
19. RECONVENE OPEN SESSION/ REPORT OUT	John Zoglin, Chair		7:53 – 7:54
To report any required disclosures regarding permissible actions taken during Closed Session.			
20. PHYSICIAN CONTRACTS a. MV Perinatal Diagnostic Center Professional Services Agreement Renewal b. Enterprise Radiology Professional Services Agreement Renewal c. Enterprise ASPIRE Program Medical Director Renewal Agreement d. MV Gastroenterology Call Panel Renewal e. MV Orthopedic Surgery Call Panel Renewal f. MV Hospitalist Professional Service Agreement Renewal g. Enterprise Orthopedic Co-Management Agreement	Mark Adams, MD, CMO	<i>public comment</i>	motion required 7:54 – 7:56
21. PHYSICIAN CONTRACTS a. Woman’s Hospital b. Los Gatos Caner Center Funding	Ken King, CASO Jim Griffith, COO	<i>public comment</i>	motion required 7:56 – 7:57
22. APPOINTMENT OF AD HOC COMMITTEE	John Zoglin, Chair	<i>public comment</i>	motion required 7:57 – 7:59
23. FY19 COMMITTEE PACING PLAN ATTACHMENT 23	John Zoglin, Chair		discussion 7:59 – 8:01
24. CLOSING COMMENTS	John Zoglin, Chair		information 8:01 – 8:02
25. ADJOURNMENT	John Zoglin, Chair	<i>public comment</i>	motion required 8:02 pm

Upcoming Meetings

- January 28, 2018
- March 26, 2018
- April 26, 2018
- May 29, 2018

Board and Committee Educational Sessions

- April 25, 2018



Minutes of the Open Session of the Finance Committee
Monday, September 24, 2018
El Camino Hospital | Conference Rooms A & B (ground floor)
2500 Grant Road, Mountain View, CA 94040

Members Present

Boyd Faust
 William Hobbs (By phone)
 Richard Juelis
 David Reeder
 John Zoglin, Chair

Members Absent

Joseph Chow
 Gary Kalbach

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 5:29pm by Chair John Zoglin. Mr. Chow and Mr. Kalbach were absent. All other Committee members were present.	
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 Open Session of Finance Committee Meeting (July 30, 2018); and FY 19 Period 1 Financials.</p> <p>Movant: Reeder Second: Faust Ayes: Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Chow & Kalbach Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the Report on Board Actions as further detailed in the packet.	
6. FY19 PERIOD 2 FINANCIALS	<p>Iftikhar Hussain, CFO, reviewed the FY19 Period 2 Financials with the Committee members. Overall ECH had strong volumes in August which brings the adjusted discharges for the year to budget. IP volume is below budget by 6.2% and below prior year by 8.0%. YTD Deliveries are below budget by 5.4% and below prior year by 7.8%. The majority of the IP decline occurred in the MCH, HVI, Ortho/Neuro/Spine and Orthopedics service lines. OP cases YTD are favorable to budget by 1.6% and greater than prior year by 0.6%. Most notable increases are in Imaging and Lab, however Oncology, Urology, as well as BHS are lower than budget.</p> <p>August operating income is YTD is \$3.2M favorable to budget but \$2.8M below prior year for the same time period. Operating Expense was favorable to budget by 1.2% YTD and above prior year by 7.6%, primarily due to flexing of labor and supplies in line with reduction in volumes and timing in hiring budgeted management positions. Also, Net Patient Revenue favorable to budget YTD by 1.5% and above prior year by 5.7%. The increase in OP volumes contributed to the overall positive revenue. Strong investments continue for August, investment earnings are \$15.5 million ahead of target. The Payor Mix has decreased slightly over expected and PY due to decline in deliveries. The overall balance sheet reflects the AR is 46.9 days which is 1.1 days better than budget.</p>	<i>FY 19 Period 2 Financials approved with requested revisions</i>

	<p><i>The Committee requested the following revisions; 1) Change the typo from \$25K to \$25M under the transfer to investments; 2) Correct variance sign in the income statement; 3) Update days cash on hand.</i></p> <p><i>The Committee requested that Mr. Hussain report on increased expenses in Los Gatos that were not related to volume at the next meeting.</i></p> <p>Motion: To recommend the Board approve the FY19 Period 2 Financials that includes the requested revisions.</p> <p>Movant: Juelis Second: Faust Ayes: Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Chow & Kalbach Recused: None</p>	
7. CAPITAL FUNDING REQUEST-LOS GATOS IMAGING EQUIPMENT	<p>David Clark, Interim, COO and Dr. Mark Adams, CMO reviewed the Capital Funding Requests for Los Gatos. Mr. Adams stated a replacement of the O-Arm portable x-ray unit and two Stealth Navigation Stations for the ECH Los Gatos Surgery Department are required. Dr. Adams commented that the new equipment would provide higher quality care.</p> <p><i>Chair Zoglin requested that a review of this purchase be added to the Pacing Plan in 12 months. Mr. Hobbs commented that as ECH continues to invest in Los Gatos the Committee would like some information about the long term plans for that campus.</i></p> <p>Motion: To recommend that the Board of Directors approve the Capital Funding Request for Los Gatos.</p> <p>Movant: Faust Second: Juelis Ayes: Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Chow & Kalbach Recused: None</p>	<i>Capital Funding Request – approved to recommend to the Board for approval.</i>
8. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 6:10pm pursuant to Gov’t Code Section 54957.2 for approval of the Minutes of Closed Session of Finance Committee Meeting (July 30, 2018).</p> <p>Movant: Second: Ayes: Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Chow & Kalbach Recused: None</p>	<i>Adjourned to closed session at 6:10 pm</i>
9. AGENDA ITEM 13: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 7:09 pm. Agenda items 10-11 were covered in closed session. During the closed session the committee approved the Minutes of the Closed Session of the Finance Committee (July 30, 2018).</p> <p>By a unanimous vote in favor by all present Committee Members (Faust, Hobbs, Juelis, Reeder, and Zoglin). Chow & Kalbach was absent.</p>	
10. AGENDA ITEM 14: APPROVAL OF CONTRACTS	<p>Motion: To recommend that the Board approve the NICU Medical Director Agreement -Mountain View, and ED and Inpatient Consult On-Call Neuro-Interventional Panel Renewal- Mountain View contracts.</p>	<i>Physician Contracts approved</i>

	Movant: Juelis Second: Faust Ayes: Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Chow & Kalbach Recused: None	
11. AGENDA ITEM 15: FY19 COMMITTEE PACING PLAN	Chair Zoglin reminded the Committee there's an Educational Session in late October. Also there's another Service line presentation in November. He encourages the Committee to make sure the key factors are presented within the presentations: 1) What is our Strategy; 2) What are the goals for this year; 3) Are the goals tied to our strategy. Also, Mr. Juelis suggested please add new cutting edge technology tied to strategy if any.	
12. AGENDA ITEM 16: CLOSING COMMENTS	None	<i>Chair Zoglin requested to add a standing Executive Session topic to all FC agenda's.</i>
13. AGENDA ITEM 17: ADJOURNMENT	Motion: To adjourn at 7:14pm Movant: Second: Ayes: Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: Chow & Kalbach Recused: None	<i>Meeting adjourned at 7:14 pm</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 2019 – Period 3
7/1/2018 to 9/30/2018

Financial Overview

Volume:

- Due to continued strong OP Activity, YTD adjusted discharges remained at budgeted levels (31 cases favorable to budget) . IP volume was below budget by 3.6% (170 cases) and below prior year by 6.0% (280 cases). YTD Deliveries were below budget by 6.0% (64 deliveries) and below prior year by 9.0% (95 deliveries). The majority of the IP decline occurred in the MCH, HVI, and the Ortho/Neuro/Spine service lines.
- OP cases YTD were on budget and below prior year by 0.9% (333 cases). Most notable increase was in Imaging, however Lab, Oncology and BHS were lower than budget.

Financial Performance:

- Net Patient Revenue was favorable to budget by 0.9% (\$2.0M) YTD and above prior year by 3.6% (\$7.7M). The consistent increase in OP volumes contributed to the overall positive revenue.
- Operating Expense was favorable to budget by 1.6% (\$3.3M) YTD and above prior year by 6.7% (\$12.6M). Favorability in Salaries & Wages was primarily due to flexing of labor reduction to volumes and timing in hiring budgeted management positions. Supplies and Purchased Services were unfavorable to budget.
- Operating income was favorable to budget by 21% (\$4.4M) YTD and 19% (\$5.7M) below prior year for the same time period.
- Investments were lower than expected in September, however YTD investment earnings are \$13.8 million ahead of target.

Payor Mix:

- Both Commercial and Medicare are favorable to plan YTD and slightly unfavorable to PY

Cost:

- Prod FTEs were favorable to target by 0.1% in September and 0.9% YTD.

Balance Sheet:

- Net days in AR was 49.2 which was 1.2 days unfavorable to budget.

Dashboard - ECH combined as of September 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	236	228	220	8	234	223	228	(5)
Utilization MV	67%	63%	62%	0%	65%	61%	64%	-3%
Utilization LG	25%	28%	23%	5%	27%	28%	26%	2%
Utilization Combined	53%	52%	50%	2%	53%	50%	52%	-1%
Adjusted Discharges	2,765	2,798	2,783	15	8,714	8,570	8,511	59
Total Discharges (Excl NNB)	1,593	1,530	1,558	(28)	4,969	4,677	4,860	(183)
Inpatient Cases								
MS Discharges	1,103	1,058	1,085	(27)	3,463	3,229	3,400	(171)
Deliveries	387	347	375	(28)	1,160	1,060	1,129	(69)
BHS	81	83	77	6	257	264	243	21
Rehab	22	42	22	20	89	124	89	35
Outpatient Cases								
ED	12,058	11,589	11,960	(371)	36,721	36,391	36,371	20
Procedural Cases								
OP Surg	3,830	3,790	3,769	21	11,849	11,697	11,654	43
Endo	408	379	407	(28)	1,141	1,188	1,143	45
Interventional	184	184	186	(2)	602	599	609	(10)
All Other	158	184	167	17	518	555	544	11
	7,478	7,052	7,432	(380)	22,611	22,352	22,421	(69)
Financial Perf.								
Net Patient Revenues	71,716	71,453	71,653	(200)	212,156	219,855	217,816	2,039
Total Operating Revenue	73,452	73,523	74,118	(594)	218,732	225,577	224,496	1,081
Operating Expenses	62,304	65,337	67,085	(1,748)	187,842	200,445	203,762	(3,316)
Operating Income \$	11,148	8,186	7,032	1,154	30,890	25,132	20,734	4,398
Operating Margin	15.2%	11.1%	9.5%	1.6%	14.1%	11.1%	9.2%	1.9%
EBITDA \$	15,468	12,611	11,887	724	43,744	38,308	34,809	3,499
EBITDA %	21.1%	17.2%	16.0%	1.1%	20.0%	17.0%	15.5%	1.5%
Payor Mix								
Medicare	46.7%	45.2%	45.9%	-0.7%	45.9%	46.0%	46.4%	-0.4%
Medi-Cal	7.4%	7.5%	7.6%	-0.1%	7.7%	8.1%	7.8%	0.3%
Commercial IP	22.8%	22.1%	22.4%	-0.3%	23.0%	21.9%	22.7%	-0.8%
Commercial OP	20.3%	22.2%	21.1%	1.1%	20.6%	21.4%	20.4%	1.0%
Total Commercial	43.1%	44.3%	43.5%	0.8%	43.6%	43.2%	43.1%	0.2%
Other	2.8%	3.0%	2.9%	0.1%	2.8%	2.6%	2.7%	-0.1%
Cost								
Total FTE	2,548.9	2,609.1	2,605.5	4	2,557.7	2,589.8	2,613.5	(24)
Productive Hrs/APD	31.2	31.2	33.1	(2)	30.9	31.2	32.6	(1)
Balance Sheet								
Net Days in AR	47.7	49.2	48.0	1	47.7	49.2	48.0	1.2
Days Cash	505	511	449	62	505	511	449	62
Affiliates - Net Income (\$000s)								
Hosp	19,024	8,096	7,489	608	47,616	41,451	22,103	19,348
Concern	302	80	137	(57)	725	775	103	672
ECSC	(2)	(10)	0	(10)	(7)	(12)	0	(12)
Foundation	334	18	102	(83)	510	956	355	602
SVMD	379	467	(30)	497	229	1,363	(214)	1,578

Budget Variances

Fiscal Year 2019 YTD (7/1/2018-09/30/2018) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Op Income	% Net Revenue
Budgeted Hospital Operations FY2019	20,734	9.2%
Net Revenue - IP volumes continue to be lower than expectation, however higher OP volumes are making up the difference.	1,081	0.5%
Labor and Benefit Expense Change - Flexing in staff and mgmt positions not yet filled.	1,616	0.7%
Professional Fees & Purchased Services - Favorable variances in physician, consulting and legal fees	340	0.2%
Supplies - Medical and Non Medical Supplies are over budget, but savings in Drugs offset the variance	(302)	-0.1%
Other Expenses - timing difference for services .	764	0.3%
Depreciation & Interest	899	0.4%
Actual Hospital Operations FY2019	25,132	11.1%

El Camino Hospital (\$000s)

Period ending 09/30/2018

Period 3 FY 2018	Period 3 FY 2019	Period 3 Budget 2019	Variance Fav (Unfav)	Var%		YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					\$000s					
OPERATING REVENUE										
270,383	267,887	277,448	(9,561)	(3.4%)	Gross Revenue	796,950	824,411	840,584	(16,173)	(1.9%)
(198,667)	(196,434)	(205,795)	9,361	4.5%	Deductions	(584,794)	(604,556)	(622,768)	18,212	2.9%
71,716	71,453	71,653	(200)	(0.3%)	Net Patient Revenue	212,156	219,855	217,816	2,039	0.9%
1,736	2,070	2,464	(394)	(16.0%)	Other Operating Revenue	6,576	5,722	6,679	(958)	(14.3%)
73,452	73,523	74,118	(594)	(0.8%)	Total Operating Revenue	218,732	225,577	224,496	1,081	0.5%
OPERATING EXPENSE										
38,311	40,359	40,040	(319)	(0.8%)	Salaries & Wages	116,127	121,514	123,130	1,616	1.3%
9,362	10,251	11,114	863	7.8%	Supplies	29,032	32,559	32,257	(302)	(0.9%)
7,949	8,176	8,767	591	6.7%	Fees & Purchased Services	23,316	26,307	26,647	340	1.3%
2,361	2,127	2,310	183	7.9%	Other Operating Expense	6,513	6,888	7,652	764	10.0%
298	174	323	149	46.2%	Interest	1,050	452	970	518	53.4%
4,022	4,250	4,532	281	6.2%	Depreciation	11,805	12,724	13,105	381	2.9%
62,304	65,337	67,085	1,748	2.6%	Total Operating Expense	187,842	200,445	203,762	3,316	1.6%
11,148	8,186	7,032	1,154	16.4%	Net Operating Income/(Loss)	30,890	25,132	20,734	4,398	21.2%
7,875	(90)	456	(546)	(119.7%)	Non Operating Income	16,726	16,320	1,369	14,950	1091.9%
19,024	8,096	7,489	608	8.1%	Net Income(Loss)	47,616	41,451	22,103	19,348	87.5%
21.1%	17.2%	16.0%	1.1%		EBITDA	20.0%	17.0%	15.5%	1.5%	
15.2%	11.1%	9.5%	1.6%		Operating Margin	14.1%	11.1%	9.2%	1.9%	
25.9%	11.0%	10.1%	0.9%		Net Margin	21.8%	18.4%	9.8%	8.5%	

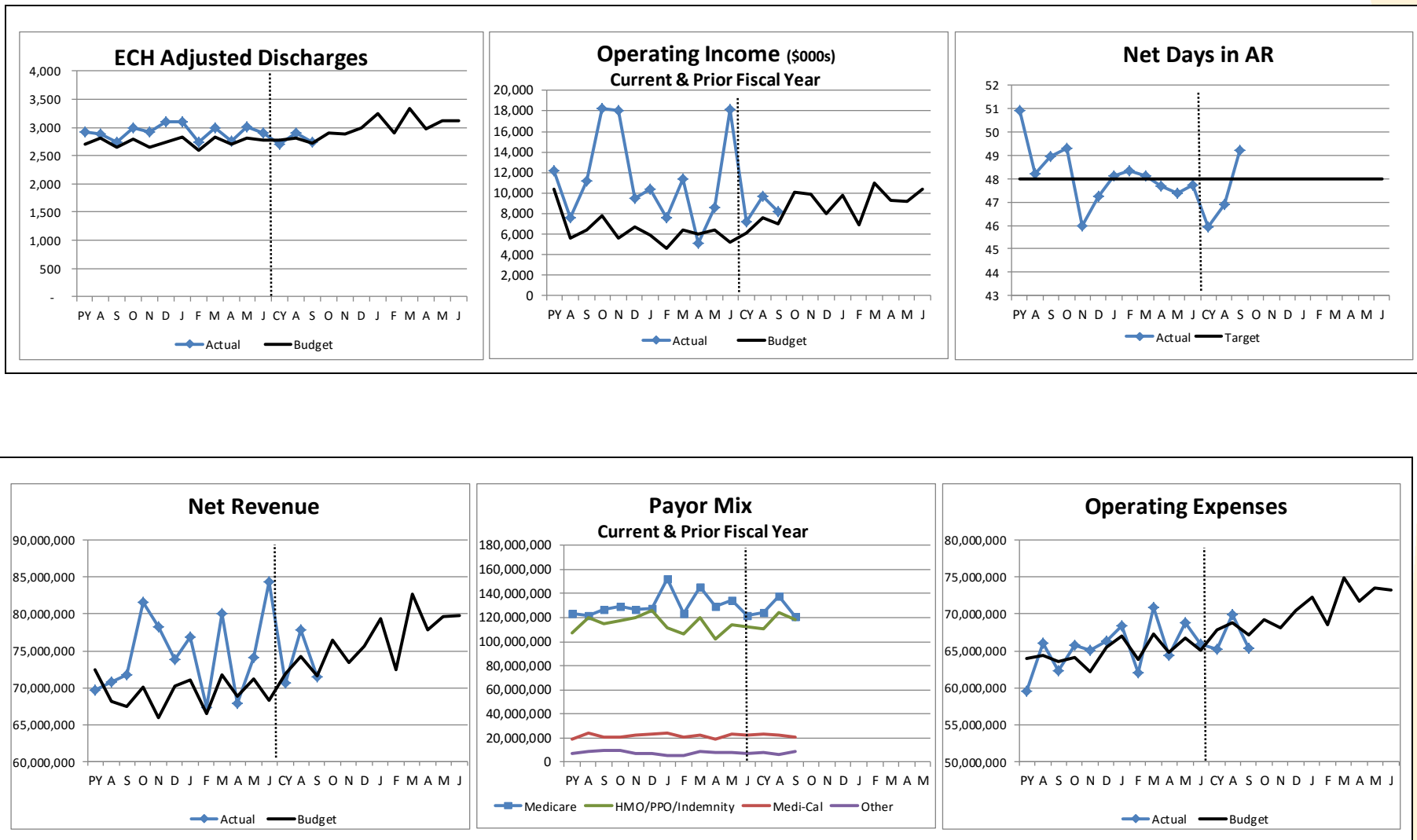
Non Operating Items and Net Income by Affiliate

\$ in thousands

	Period 3 - Month			Period 3 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	6,757	5,889	868	23,149	16,953	6,196
Los Gatos	1,429	1,143	286	1,983	3,781	(1,798)
Sub Total - El Camino Hospital, excl. Affiliates	8,186	7,032	1,154	25,132	20,734	4,398
Operating Margin %	11.1%	9.5%		11.1%	9.2%	
El Camino Hospital Non Operating Income						
Investments	820	2,478	(1,657)	21,267	7,433	13,834
Swap Adjustments	509	(100)	609	403	(300)	703
Community Benefit	(4)	(300)	296	(2,621)	(900)	(1,721)
Pathways	0	0	0	(46)	0	(46)
Satellite Dialysis	0	(25)	25	2	(75)	77
Community Connect	0	(53)	53	0	(159)	159
SVMD Funding ¹	(967)	(1,219)	252	(1,812)	(3,657)	1,845
Other	(449)	(324)	(124)	(874)	(973)	99
Sub Total - Non Operating Income	(90)	456	(546)	16,320	1,369	14,950
El Camino Hospital Net Income (Loss)	8,096	7,489	608	41,451	22,103	19,348
ECH Net Margin %	11.0%	10.1%		18.4%	9.8%	
Concern	80	137	(57)	775	103	672
ECSC	(10)	0	(10)	(12)	0	(12)
Foundation	18	102	(83)	956	355	602
Silicon Valley Medical Development	467	(30)	497	1,363	(214)	1,578
Net Income Hospital Affiliates	555	209	346	3,083	244	2,839
Total Net Income Hospital & Affiliates	8,651	7,697	954	44,535	22,347	22,188

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

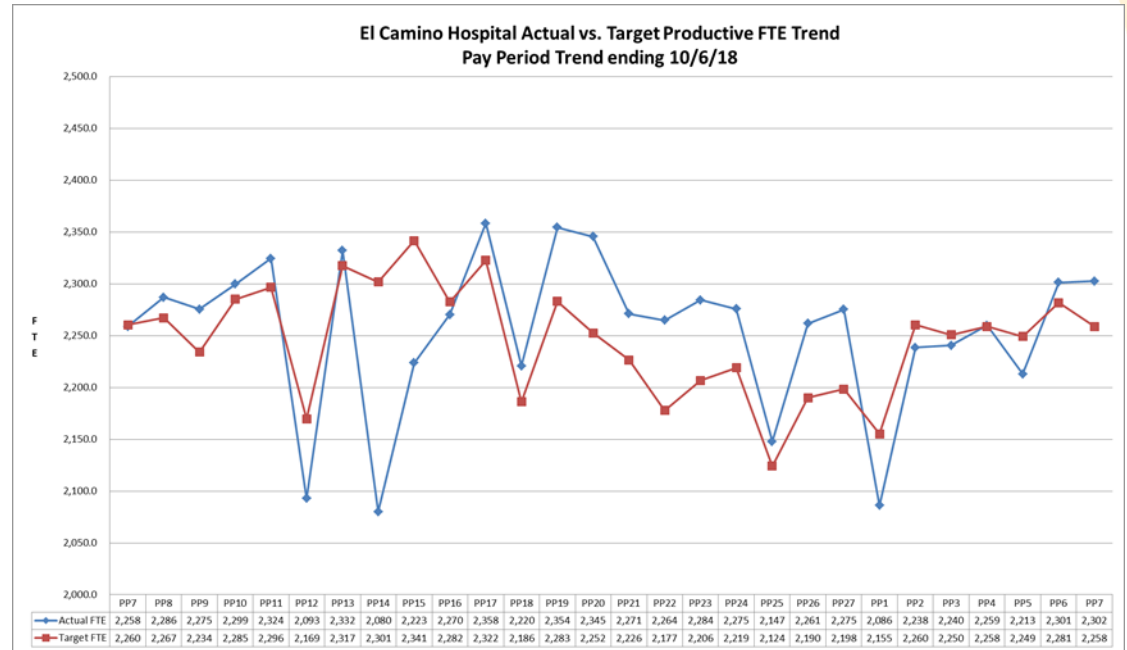
Monthly Financial Trends



Productivity and Medicare Length of Stay

At or below FTE target for the first seven pay periods of the year.

ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2019 below benchmark (blue). 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

Inpatient

ServLn	Annual Trend							FY 19 Bud vs FY 18		Month					YTD				
	2014	2015	2016	2017	2018	Bud 2018	Bud 2019	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var
Behavioral Health	1,012	1,052	928	924	1,098	912	1,062	(36)	-3.2%	83	92	79	13	9	261	279	246	33	18
General Medicine	4,160	4,591	4,459	4,962	5,288	4,679	5,325	37	0.7%	385	365	359	6	(20)	1,237	1,141	1,153	(12)	(96)
General Surgery	1,243	1,150	1,311	1,317	1,304	1,306	1,344	40	3.1%	104	113	108	5	9	322	350	336	14	28
GYN	390	313	293	270	243	275	255	12	4.9%	19	24	16	8	5	64	56	57	(1)	(8)
Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,082	2,445	73	3.1%	183	170	178	(8)	(13)	580	495	562	(67)	(85)
MCH	6,695	6,371	5,951	5,819	5,716	6,206	5,764	48	0.8%	475	429	460	(31)	(46)	1,459	1,320	1,412	(92)	(139)
Neurosciences	667	672	677	688	870	697	907	37	4.3%	69	50	79	(29)	(19)	219	190	249	(59)	(29)
Oncology	606	564	652	594	633	572	726	93	14.7%	51	68	51	17	17	148	191	150	41	43
Orthopedics	1,695	1,773	1,746	1,690	1,706	1,762	1,819	113	6.6%	139	142	142	0	3	420	410	431	(21)	(10)
Other	5	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehab Services	547	555	500	461	441	497	436	(5)	-1.1%	22	42	22	20	20	89	124	89	35	35
Spine Surgery	377	429	417	474	375	478	465	90	24.0%	41	28	43	(15)	(13)	107	82	112	(30)	(25)
Urology	172	169	234	257	254	240	274	20	7.9%	24	17	24	(7)	(7)	67	55	67	(12)	(12)
	19,428	19,638	19,169	19,659	20,300	19,705	20,823	523	2.6%	1,595	1,540	1,560	(20)	(55)	4,973	4,693	4,863	(170)	(280)
Change		1.1%	-2.4%	2.6%	3.3%	0.2%	2.6%						-1.3%	-3.4%				-3.5%	-5.6%

El Camino Hospital Volume Annual Trends Outpatient

Outpatient	2014	2015	2016	2017	2018	Bud 2018	Bud 2019	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var
Behavioral Health	911	886	2,395	3,262	3,152	3,282	3,417	265	8.4%	275	208	264	(56)	(67)	805	665	781	(116)	(140)
Dialysis	1,060	154	7					-					-	-	-	-	-	-	-
Emergency	46,005	49,077	48,576	48,615	49,420	48,975	49,122	(298)	-0.6%	3,830	3,792	3,769	23	(38)	11,849	11,699	11,654	45	(150)
General Medicine	5,969	5,999	6,569	6,540	6,783	6,504	6,850	67	1.0%	533	546	540	6	13	1,691	1,726	1,724	2	35
General Surgery	1,840	1,854	1,798	1,843	2,007	2,049	2,068	61	3.0%	160	145	158	(13)	(15)	459	484	459	25	25
GYN	1,221	1,308	1,018	1,080	1,094	1,172	1,171	77	7.0%	101	105	99	6	4	264	336	259	77	72
Heart and Vascular	2,575	2,719	3,811	4,372	4,366	4,393	4,410	44	1.0%	341	381	351	30	40	1,064	1,167	1,098	69	103
Imaging Services	19,549	20,077	17,801	17,244	18,509	17,597	18,744	235	1.3%	1,479	1,474	1,446	28	(5)	4,499	4,739	4,398	341	240
Laboratory Services	30,595	29,710	29,028	29,137	28,569	28,741	29,071	502	1.8%	2,372	2,118	2,357	(239)	(254)	7,060	6,871	7,023	(152)	(189)
MCH	5,038	4,830	5,092	5,583	5,646	5,200	5,928	282	5.0%	471	423	467	(44)	(48)	1,426	1,344	1,410	(66)	(82)
Neurosciences	110	61	127	125	114	142	155	41	36.0%	11	5	13	(8)	(6)	35	15	42	(27)	(20)
Oncology	4,002	4,174	14,306	18,578	19,278	19,438	22,037	2,759	14.3%	1,585	1,519	1,628	(109)	(66)	4,828	4,711	4,958	(247)	(117)
Orthopedics	866	776	584	616	642	588	714	72	11.2%	59	64	69	(5)	5	160	168	184	(16)	8
Other	664	635	629	543	513	703	607	94	18.3%	42	50	43	7	8	131	148	127	21	17
Outpatient Clinics	1,817	1,706	1,681	1,304	1,890	1,450	1,517	(373)	-19.7%	196	140	143	(3)	(56)	591	411	365	46	(180)
Rehab Services	1,732	1,747	3,951	4,518	4,928	4,326	4,900	(28)	-0.6%	391	430	388	42	39	1,230	1,310	1,221	89	80
Sleep Center	160	223	499	368	211	720	300	89	42.2%	12	15	23	(8)	3	39	49	75	(26)	10
Spine Surgery	325	401	309	324	310	331	326	16	5.2%	32	17	31	(14)	(15)	84	70	82	(12)	(14)
Urology	1,758	1,773	1,740	1,898	2,053	1,875	2,058	5	0.2%	168	165	171	(6)	(3)	506	485	510	(25)	(21)
	126,197	128,110	139,921	145,950	149,485	147,485	153,395	3,910	2.6%	12,058	11,597	11,960	(363)	(461)	36,721	36,398	36,371	27	(323)
Change		1.5%	9.2%	4.3%	2.4%	1.1%	2.6%						-3.0%	-3.8%				0.1%	-0.9%

ECH Operating Margin

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



FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments

	J	A	S	YTD
Mcare Settltmt/Appeal/Tent Settltmt/PIP	141	112	92	344
AB 915	-	-	2,875	2,875
Late Charge Accrual	-	-	2,828	2,828
Various Adjustments under \$250k	4	5	148	157
Total	145	116	5,946	6,207

El Camino Hospital Investment Committee Scorecard

September 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		3Q 2018		Fiscal Year-to-date		5y 11m Since Inception (annualized)		2018	
Surplus cash balance*		\$994.7	--	--	--	--	--	\$886.6	--
Surplus cash return		2.3%	2.0%	2.3%	2.0%	5.8%	5.5%	3.2%	5.3%
Cash balance plan balance (millions)		\$274.7	--	--	--	--	--	\$276.9	--
Cash balance plan return		2.8%	2.5%	2.8%	2.5%	8.3%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		\$481.7	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 11m Since Inception (annualized)		2018	
Surplus cash Sharpe ratio		1.59	1.52	--	--	1.34	1.27	--	0.43
Net of fee return		7.5%	7.1%	--	--	5.8%	5.5%	--	5.3%
Standard deviation		4.1%	4.0%	--	--	4.0%	4.0%	--	6.7%
Cash balance Sharpe ratio		1.64	1.55	--	--	1.45	1.34	--	0.40
Net of fee return		9.4%	8.5%	--	--	8.3%	7.4%	--	5.7%
Standard deviation		5.1%	4.8%	--	--	5.3%	5.1%	--	8.1%
Asset Allocation		3Q 2018							
Surplus cash absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Manager Compliance		3Q 2018							
Surplus cash manager flags		20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		23	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~\$160 mm), District assets (~\$31 mm), and balance sheet cash not in investable portfolio (~\$94 mm).

Includes Foundation (~\$28 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	FY19 Budget	FY 19 YTD Spent
IT Hardware, Software, Equipment & Imaging				19.7	0.1	19.7	0.1
Medical & Non Medical Equipment FY 18				5.6	8.8	0.0	2.8
Medical & Non Medical Equipment FY 19				11.2	0.3	11.2	0.3
Facility Projects							
	1245 Behavioral Health Bldg	FY16	96.1	96.1	49.1	45.0	3.2
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.2	0.0	0.0
	1414 Integrated MOB	FY15	302.1	302.1	138.4	150.0	17.9
	1422 CUP Upgrade	FY16	9.0	9.0	7.7	0.8	0.1
	1430 Women's Hospital Expansion	FY16	135.0	135.0	4.0	10.0	0.8
	Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.0
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0
	1525 New Main Lab Upgrades		3.1	3.1	2.3	0.3	0.2
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.0
	1503 Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0
	1602 JW House (Patient Family Residence)		6.5	6.5	0.3	6.0	0.0
	Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.0
	1707 Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	6.0	0.0
	1708 IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	0.0
	Flooring Replacement		1.6	1.6	0.0	1.5	0.0
	1219 LG Spine OR	FY13	0.0	0.0	3.8	0.0	0.0
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.1
	1307 LG Upgrades	FY13	19.3	19.3	18.4	0.8	0.6
	1507 LG IR Upgrades		1.3	0.0	0.0	1.3	0.0
	1603 LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0
	1711 Emergency Sanitary & Water Storage		1.5	1.5	0.2	1.3	0.0
	LG Modular MRI & Awning		3.9	3.9	0.1	3.5	0.0
	LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.0
	LG Observation Unit (Conversion of ICU 2)		0.0	0.0	0.0	0.0	0.0
	1712 LG Cancer Center		5.0	5.0	0.2	4.8	0.0
	Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0
	Primary Care Clinic Development (2 @ \$3 Million Ea		6.0	6.0	0.0	5.0	0.0
	Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	0.0
	Willow SC Upgrades (35,000 @ \$50)		1.8	1.8	0.0	1.8	0.0
	New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.0
	80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0
	Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0
	All Other Projects		7.2	6.9	11.7	7.8	0.3
GRAND TOTAL			755.9	728.4	281.7	279.5	23.2
				759.3	290.9	310.4	26.4

Balance Sheet (in thousands)

ASSETS

	Audited	
	September 30, 2018	June 30, 2018
CURRENT ASSETS		
Cash	91,269	118,992
Short Term Investments	154,060	150,664
Patient Accounts Receivable, net	117,602	124,427
Other Accounts and Notes Receivable	2,588	3,402
Intercompany Receivables	1,613	2,090
(1) Inventories and Prepaids	80,983	75,594
Total Current Assets	448,115	475,171
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	158,878	153,784
(2) Women's Hospital Expansion	13,967	9,298
(3) Operational Reserve Fund	139,057	127,908
Community Benefit Fund	18,174	18,675
Workers Compensation Reserve Fund	20,940	20,263
Postretirement Health/Life Reserve Fund	29,362	29,212
PTO Liability Fund	24,906	24,532
Malpractice Reserve Fund	1,831	1,831
Catastrophic Reserves Fund	19,656	18,322
Total Board Designated Assets	426,770	403,826
(4) FUNDS HELD BY TRUSTEE	158,698	197,620
LONG TERM INVESTMENTS	370,538	345,684
INVESTMENTS IN AFFILIATES	33,770	32,412
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,267,454	1,261,854
Less: Accumulated Depreciation	(590,335)	(577,959)
Construction in Progress	264,411	220,991
Property, Plant & Equipment - Net	941,530	904,886
DEFERRED OUTFLOWS	21,027	21,177
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,400,449	2,380,776

LIABILITIES AND FUND BALANCE

	Audited	
	September 30, 2018	June 30, 2018
CURRENT LIABILITIES		
(5) Accounts Payable	31,930	49,925
(6) Salaries and Related Liabilities	22,072	26,727
Accrued PTO	24,906	24,532
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,444	10,068
Intercompany Payables	156	125
Malpractice Reserves	1,831	1,831
Bonds Payable - Current	3,850	3,850
(7) Bond Interest Payable	6,841	12,975
Other Liabilities	9,888	8,909
Total Current Liabilities	114,218	141,242
LONG TERM LIABILITIES		
Post Retirement Benefits	29,362	29,212
Worker's Comp Reserve	18,640	17,963
Other L/T Obligation (Asbestos)	3,888	3,859
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	517,204	517,781
Total Long Term Liabilities	569,094	568,815
DEFERRED REVENUE-UNRESTRICTED	519	528
DEFERRED INFLOW OF RESOURCES	22,835	22,835
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,267,012	1,243,529
Board Designated	426,770	403,825
Restricted	0	0
(8) Total Fund Bal & Capital Accts	1,693,783	1,647,355
TOTAL LIABILITIES AND FUND BALANCE	2,400,449	2,380,776

September 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.
- (2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.
- (3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.
- (4) Decrease is due to continued draws from the Bond Project Funds, primarily for the IMOB and BHS project.
- (5) Decrease is due to the yearend accruals that were paid out in July and August.
- (6) Decrease is due a lesser number of days of payroll expenses for September opposed to a full 14 day pay period that was needed for June 30.
- (7) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in August.
- (8) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.

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. At the end of fiscal year 2018 another \$6.2 million was added to this fund.

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 the current 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 \$500,000 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, in fiscal year it generated over \$1.1 million of 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. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.

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)

Period ending 09/30/2018

Period 3 FY 2018	Period 3 FY 2019	Period 3 Budget 2019	Variance Fav (Unfav)	Var%		YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
223,244	219,350	229,734	(10,385)	(4.5%)	Gross Revenue	655,610	676,032	694,480	(18,448)	(2.7%)
(164,377)	(161,337)	(170,766)	9,429	5.5%	Deductions	(480,493)	(495,105)	(515,694)	20,589	4.0%
58,867	58,012	58,968	(956)	(1.6%)	Net Patient Revenue	175,118	180,927	178,787	2,141	1.2%
1,573	1,816	2,229	(412)	(18.5%)	Other Operating Revenue	6,093	4,949	5,995	(1,046)	(17.4%)
60,440	59,829	61,197	(1,368)	(2.2%)	Total Operating Revenue	181,211	185,877	184,781	1,095	0.6%
					OPERATING EXPENSE					
32,079	33,579	33,782	203	0.6%	Salaries & Wages	96,735	100,899	103,729	2,829	2.7%
7,795	8,298	9,093	795	8.7%	Supplies	23,645	26,218	26,436	217	0.8%
6,823	6,851	7,548	697	9.2%	Fees & Purchased Services	19,554	22,310	22,795	484	2.1%
809	660	796	136	17.1%	Other Operating Expense	1,913	2,345	2,961	616	20.8%
298	174	323	149	46.2%	Interest	1,050	452	970	518	53.4%
3,513	3,509	3,766	256	6.8%	Depreciation	10,324	10,503	10,938	436	4.0%
51,318	53,071	55,308	2,236	4.0%	Total Operating Expense	153,220	162,728	167,829	5,101	3.0%
9,122	6,757	5,889	868	14.7%	Net Operating Income/(Loss)	27,991	23,149	16,953	6,196	36.5%
7,875	(90)	456	(546)	(119.7%)	Non Operating Income	16,771	16,320	1,369	14,950	1091.9%
16,998	6,667	6,346	322	5.1%	Net Income(Loss)	44,762	39,468	18,322	21,146	115.4%
21.4%	17.5%	16.3%	1.1%		EBITDA	21.7%	18.3%	15.6%	2.7%	
15.1%	11.3%	9.6%	1.7%		Operating Margin	15.4%	12.5%	9.2%	3.3%	
28.1%	11.1%	10.4%	0.8%		Net Margin	24.7%	21.2%	9.9%	11.3%	

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

Period ending 09/30/2018

Period 3 FY 2018	Period 3 FY 2019	Period 3 Budget 2019	Variance Fav (Unfav)	Var%		YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
47,139	48,537	47,714	824	1.7%	Gross Revenue	141,339	148,379	146,104	2,275	1.6%
(34,290)	(35,096)	(35,028)	(68)	(0.2%)	Deductions	(104,301)	(109,451)	(107,074)	(2,377)	(2.2%)
12,849	13,441	12,685	756	6.0%	Net Patient Revenue	37,038	38,928	39,030	(102)	(0.3%)
163	254	235	18	7.7%	Other Operating Revenue	483	773	685	88	12.8%
13,012	13,695	12,921	774	6.0%	Total Operating Revenue	37,521	39,701	39,714	(14)	(0.0%)
					OPERATING EXPENSE					
6,232	6,780	6,259	(522)	(8.3%)	Salaries & Wages	19,392	20,615	19,402	(1,213)	(6.3%)
1,567	1,953	2,020	68	3.4%	Supplies	5,387	6,341	5,821	(519)	(8.9%)
1,126	1,325	1,219	(106)	(8.7%)	Fees & Purchased Services	3,762	3,997	3,852	(145)	(3.8%)
1,552	1,467	1,513	47	3.1%	Other Operating Expense	4,600	4,543	4,691	148	3.2%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
509	741	766	25	3.3%	Depreciation	1,482	2,222	2,167	(55)	(2.5%)
10,986	12,265	11,777	(488)	(4.1%)	Total Operating Expense	34,623	37,718	35,933	(1,784)	(5.0%)
2,026	1,429	1,143	286	25.0%	Net Operating Income/(Loss)	2,898	1,983	3,781	(1,798)	(47.6%)
0	0	0	0	0.0%	Non Operating Income	(45)	0	0	0	0.0%
2,026	1,429	1,143	286	25.0%	Net Income(Loss)	2,854	1,983	3,781	(1,798)	(47.6%)
					EBITDA	11.7%	10.6%	15.0%	(4.4%)	
19.5%	15.8%	14.8%	1.1%		Operating Margin	7.7%	5.0%	9.5%	(4.5%)	
15.6%	10.4%	8.8%	1.6%		Net Margin	7.6%	5.0%	9.5%	(4.5%)	
15.6%	10.4%	8.8%	1.6%							

Capital Spend Trend & FY 19 Budget

Capital Spending (in 000's)	Actual FY2016	Actual FY2017	Actual FY2018	Budget 2019
EPIC	20,798	2,755	1,114	-
IT Hardware / Software Equipment	6,483	2,659	1,108	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	11,206
Non CIP Land, Land I , BLDG, Additions	4,189	-	2,070	-
Facilities	48,137	82,953	137,364	279,450
GRAND TOTAL	96,740	97,923	157,435	310,388
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2014 – FY 2018

Category	2014	2015	2016	2017	2018	Category	2014	2015	2016	2017	2018
EPIC	6,838	29,849	20,798	2,755	1,114	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	2,788	4,660	6,483	2,659	1,108	1415 - Signage & Wayfinding	-	-	106	58	136
Medical/Non Medical Equipment	12,891	13,340	17,133	9,556	15,780	1416 - MV Campus Digital Directories	-	-	34	23	95
Non CIP Land, Land I, BLDG, Additions	22,292	-	4,189	-	2,070	1423 - MV MOB TI Allowance	-	-	588	369	-
Facilities Projects CIP						1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
Mountain View Campus Master Plan Projects						1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676	1430 - Women's Hospital Expansion	-	-	-	464	2,763
1413 - North Drive Parking Structure Exp	-	167	1,266	18,120	4,670	1432 - 205 South Dr BHS TI	-	8	15	-	52
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319	1501 - Women's Hospital NPC Comp	-	4	-	223	320
1422 - CUP Upgrade	-	-	896	1,245	5,428	1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
Sub-Total Mountain View Campus Master Plan	1,257	5,950	12,426	62,493	114,093	1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
Mountain View Capital Projects						1504 - Equipment Support Infrastructure	-	61	311	-	60
9900 - Unassigned Costs	470	3,717	-	-	-	1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
0906 - Slot Build-Out	1,576	15,101	1,251	294	-	1525 - New Main Lab Upgrades	-	-	-	464	1,739
1109 - New Main Upgrades	393	2	-	-	-	1526 - CONCERN TI	-	-	37	99	10
1111 - Mom/Baby Overflow	29	-	-	-	-	Sub-Total Mountain View Projects	7,219	26,744	5,588	5,535	7,948
1204 - Elevator Upgrades	30	-	-	-	-	Los Gatos Capital Projects					
0800 - Womens L&D Expansion	1,531	269	-	-	-	0904 - LG Facilities Upgrade	-	-	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-	0907 - LG Imaging Masterplan	774	1,402	17	-	-
1227 - New Main eICU	21	-	-	-	-	1210 - Los Gatos VOIP	89	-	-	-	-
1230 - Fog Shop	80	-	-	-	-	1116 - LG Ortho Pavillion	24	21	-	-	-
1315 - 205 So. Drive TI's	500	2	-	-	-	1124 - LG Rehab BLDG	458	-	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961	1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1125 - Will Pav Fire Sprinkler	39	-	-	-	-	1308 - LG Infrastructure	114	-	-	-	-
1216 - New Main Process Imp Office	1	16	-	-	-	1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-	1219 - LG Spine OR	214	323	633	2,163	447
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-	1221 - LG Kitchen Refrig	85	-	-	-	-
1301 - Desktop Virtual	13	-	-	-	-	1248 - LG - CT Upgrades	26	345	197	6,669	1,673
1304 - Rehab Wander Mgmt	87	-	-	-	-	1249 - LG Mobile Imaging	146	-	-	-	-
1310 - Melchor Cancer Center Expansion	44	13	-	-	-	1328 - LG Ortho Canopy FY14	255	209	-	-	-
1318 - Women's Hospital TI	48	48	29	2	-	1345 - LG Lab HVAC	112	-	-	-	-
1327 - Rehab Building Upgrades	-	15	20	-	22	1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-	1347 - LG Central Sterile Upgrades	-	181	43	66	-
1340 - New Main ED Exam Room TVs	8	193	-	-	-	1421 - LG MOB Improvements	-	198	65	303	356
1341 - New Main Admin	32	103	-	-	-	1508 - LG NICU 4 Bed Expansion	-	-	-	207	-
1344 - New Main AV Upgrd	243	-	-	-	-	1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1400 - Oak Pav Cancer Center	-	5,208	666	52	156	1603 - LG MOB Improvements	-	-	-	285	4,593
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-	Sub-Total Los Gatos Projects	5,276	6,246	6,116	14,780	12,306
1404 - Park Pav HVAC	64	7	-	-	-	1550 - Land Acquisition	-	-	24,007	-	-
1405 - 1 - South Accessibility Upgrades	-	-	168	95	-	1701 - 828 S Winchester Clinic TI	-	-	-	145	3,018
1408 - New Main Accessibility Upgrades	-	7	46	501	12	Sub-Total Other Strategic Projects	-	-	24,007	145	3,018
						Subtotal Facilities Projects CIP	13,753	38,940	48,137	82,953	137,364
						Grand Total	58,561	86,789	96,740	97,923	157,435

FY19 COMMITTEE GOALS

Finance Committee

PURPOSE

The purpose of the Finance Committee (the "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 the El Camino Hospital (ECH) Hospital 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 (Executive Sponsor)

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 Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Review major capital projects	Each regular meeting	Update on major capital projects in progress
2. Review two education topics: 1) Medicare Loss and 2) Inpatient and Outpatient Margins	Q1	Presentation at the July meeting COMPLETED
3. Post-Implementation review	Q2	Review results of major investments after their first year of implementation
4. Review the top three (3) service lines: 1) Heart & Vascular Institute (HVI), 2) Oncology, and 3) Behavioral Health Services (BHS)	- HVI (Q1) - Oncology (Q2) - BHS (Q3)	Presentations in September, November, and January

SUBMITTED BY:

Chair: John Zoglin

Executive Sponsor: Iftikhar Hussain

Approved by the El Camino Hospital Board on June 13, 2018

As U.S. fertility rates collapse, finger-pointing and blame follow

New data confirms historic declines across all races, in both urban and rural areas.



Women are now having fewer babies and at older ages than in the past three decades. (iStock)

The Washington Post

By [Ariana Eunjung Cha](#)

October 19, 2018

As 2017 drew to a close, House Speaker Paul D. Ryan (R-Wis.) urged Americans to have more children. To keep the country great, he said, we're "going to need more people."

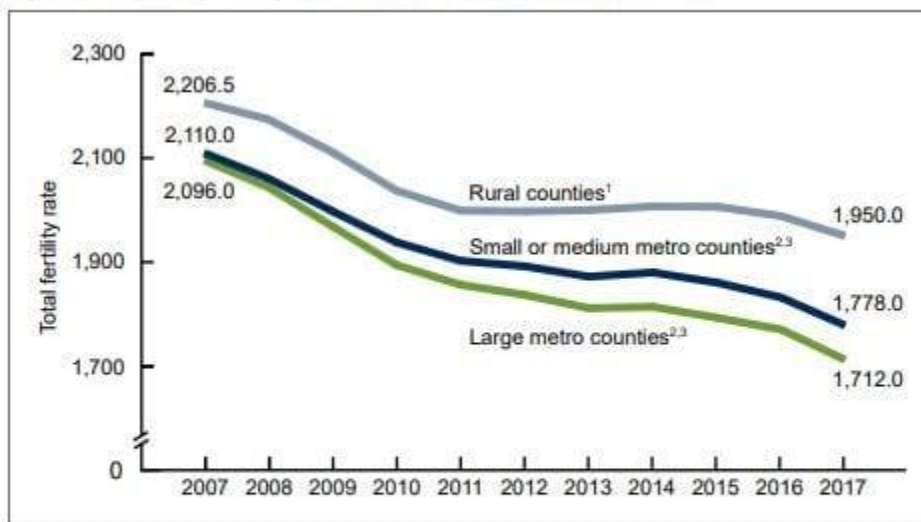
“I did my part,” the father of three declared.

Ryan’s remarks drew some eye rolls at the time, but as new data about the country’s collapsing fertility rates has emerged, concern has deepened over what’s causing the changes, whether it constitutes a crisis that will fundamentally change the demographic trajectory of the country — and what should be done about it.

Women are now having fewer babies and at older ages than in the past three decades, a change that the Centers for Disease Control and Prevention’s National Center for Health Statistics (NCHS) reported this year, and which was confirmed this week with the [release of additional data](#) that shows that the trend holds across races and for urban and rural areas.

The CDC said Wednesday that the total fertility rate — a theoretical figure that estimates the number of births a woman will have in her lifetime — fell by 18 percent from 2007 to 2017 in large metropolitan areas, 16 percent in smaller metro areas and 12 percent in rural areas. A similar downward trend holds for white, black and Hispanic women.

Figure 1. Total fertility rate, by urbanization level: United States, 2007–2017



¹Significant decreasing trend for 2007–2011 ($p < 0.05$); stable trend for 2011–2017.

²Significant decreasing trend for 2007–2017 ($p < 0.05$).

³Significant difference in rate compared with rural counties for all years ($p < 0.05$).

NOTES: Total fertility rate is based on births per 1,000 women in a specified area. County designation is based on mother's county of residence. County classification is based on the 2006 and 2013 NCHS Urban–Rural Classification Scheme for Counties. Access data table for Figure 1 at: https://www.cdc.gov/nchs/data/databriefs/db323_table-508.pdf#1.

SOURCE: NCHS, National Vital Statistics System, 2007–2017.

From 2007 through 2017, total fertility rates declined for each urbanization level, but differences between rural and metro counties widened.

Fertility and birthrates are among the most closely monitored indicators of a country's economic health. When too high, a surging youth population might be unable to find work and become susceptible to unrest. When too low, economies can rapidly contract, and a small working-age population has to support a large retired population. The United States is somewhat more buffered because of its relatively high levels of immigration, but if the decline in fertility continues, demographers say, the country may face an extreme population imbalance in the future.

Theories — social, economic, scientific, environmental — about why fertility is falling so sharply in the United States abound. Many agree that cultural shifts, such as women getting married later and focusing on education or work, play a big role. But there's considerable debate, some of it more political than evidence-based, about other possible causes.

Economist [Lyman Stone](#) has blamed the United States' less-than-generous parental leave and pay policies. [Human Life International](#), a missionary group, blames "pro-abortion population control groups like Planned Parenthood." Tucker Carlson claims it has to do with immigration, arguing that immigrants drive wages down, which hurts the attractiveness of men as potential spouses — "thus reducing fertility." Some have even wondered whether the [decline might be influenced by sperm quality](#). Recent medical journal publications have indicated that exposure to pollutants might be harming reproductive health, including the motility and quantity of sperm, which could delay childbearing and overall fertility.

The University of Pennsylvania's Hans-Peter Kohler, who studies fertility and birthrates, said the data indicated that many shifts affecting fertility are occurring "in the transition to adulthood." The biggest recent drops in birthrate have been among teenagers as well as people in their 20s. In 2016, the teen birthrate hit at an all-time low after peaking in 1991.

"The declining total fertility rates are children not born in the moment, but the hope is that they are delayed, not forgone," Kohler said. "The exact details we won't know until the young adults who are currently delaying having children are in their 30s or 40s."

William H. Frey, a demographer with the Brookings Institution, said that what struck him about the new report is the figures on Hispanic women, who have traditionally had high fertility rates. From 2007 to 2017, Hispanic women experienced a 26 percent drop in fertility rates in rural areas, a 29 percent drop in smaller metro areas and a 30 percent decline in large metro areas.

He said the fertility rates for Hispanic women in urban areas are now below the “replacement rate” of 2.1 children per woman, which would keep the population stable.

“They may be following the same pattern as the rest of the population,” Frey said, an important finding that should figure into the debate over immigration.

John Rowe, a professor of health policy and aging at Columbia University Mailman School of Public Health, predicts that fertility rates will drop even lower in the coming years. He said he thinks the country should be ready to deal with the impact on Social Security and the workforce but that he does not believe there’s reason to panic. He said that some other wealthy countries, such as Japan and Germany, are grappling with low fertility rates, and there’s a lot to learn about how they have managed their smaller workforce to maintain high productivity.

“The emphasis should not just be on the number of people but their productivity. So we have to invest in education to enhance the productivity of younger individuals to compensate for reduction in numbers,” Rowe said.

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El Camino Hospital[®]
THE HOSPITAL OF SILICON VALLEY

Major Capital Projects Update
Finance Committee
For Information

Nov, 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 - | Complete |

Step 2

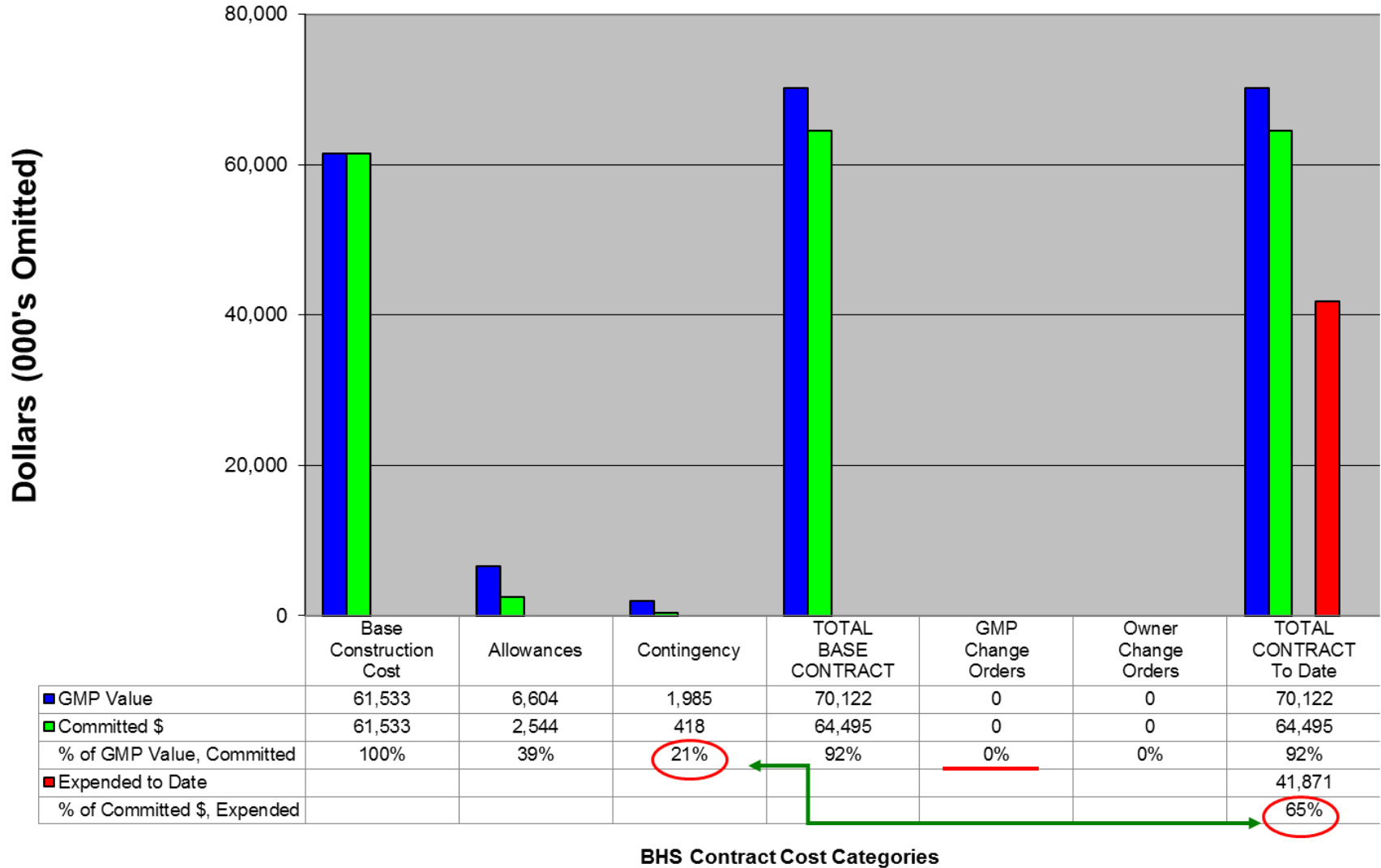
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| • Women's Hospital Expansion - | Design/Hold |
| • Demo Old Main Hospital & Related Site Work - | Assessment |

MV Campus Development Projects Status Update

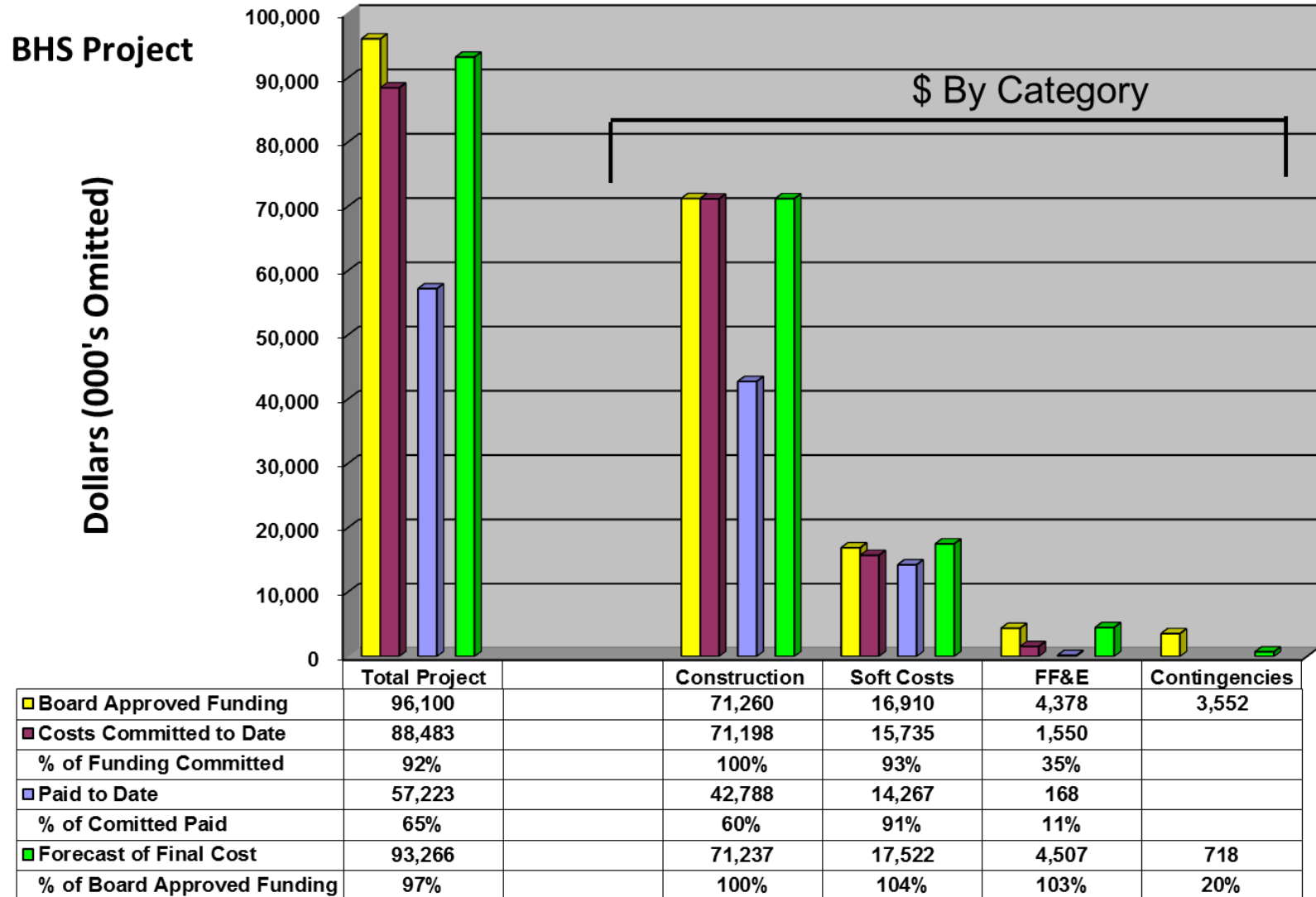
November 20, 2018

- **Behavioral Health Services (BHS) Building**
 - 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**
 - In addition to the construction of the building and parking garage the required site improvements throughout the campus are underway. 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 – *No Change***
 - 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**
 - A revised plan for the Women's Hospital Expansion and a request for additional funding of the development will be presented to the Finance Committee in November and to the Board of Directors in January.

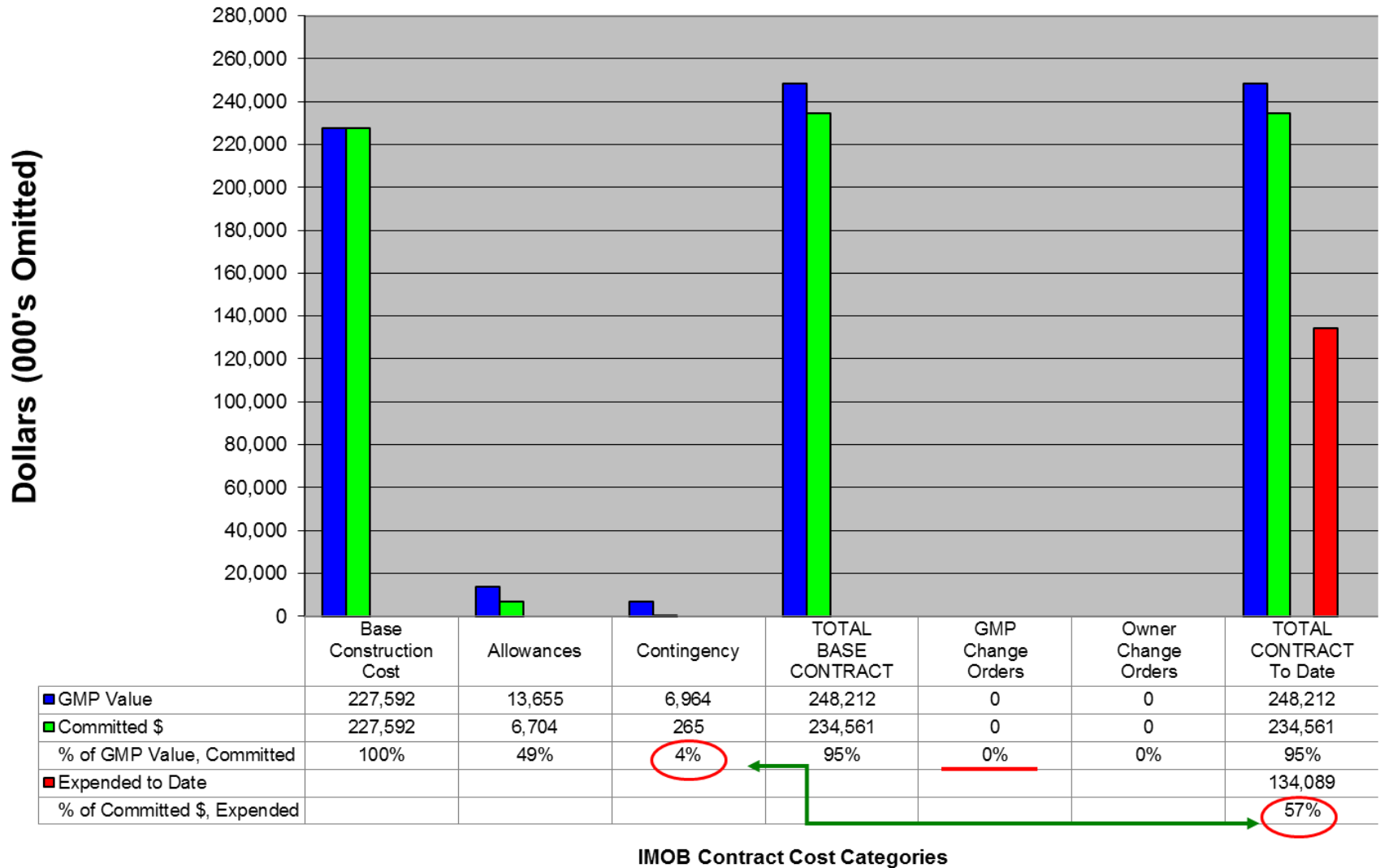
Behavioral Health Services Building – Construction Contract Summary



Behavioral Health Services Building – Project Cost Summary



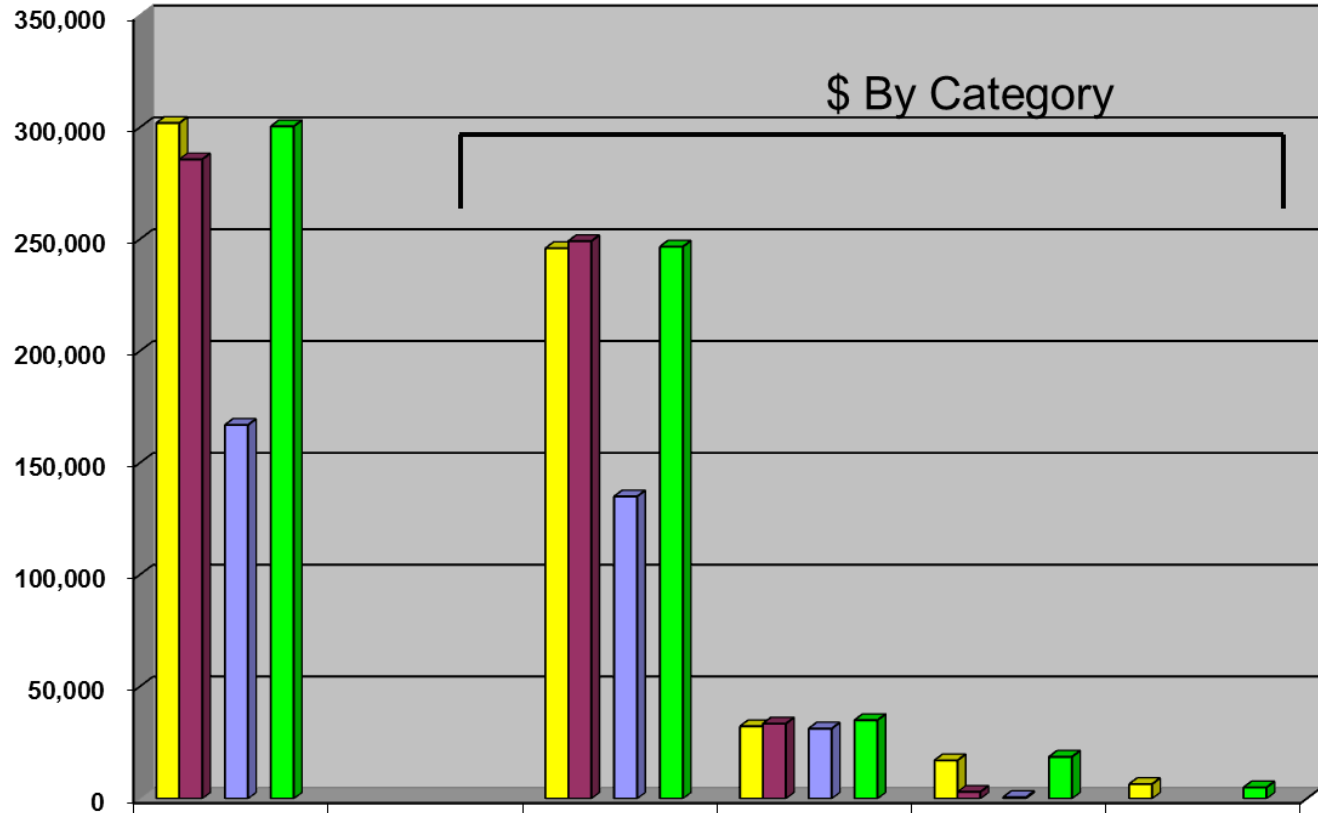
Integrated Medical Office Building – Construction Contract Summary



Integrated Medical Office Building - Project Cost Summary

IMOB Project

Dollars (ooo; Ommitted)

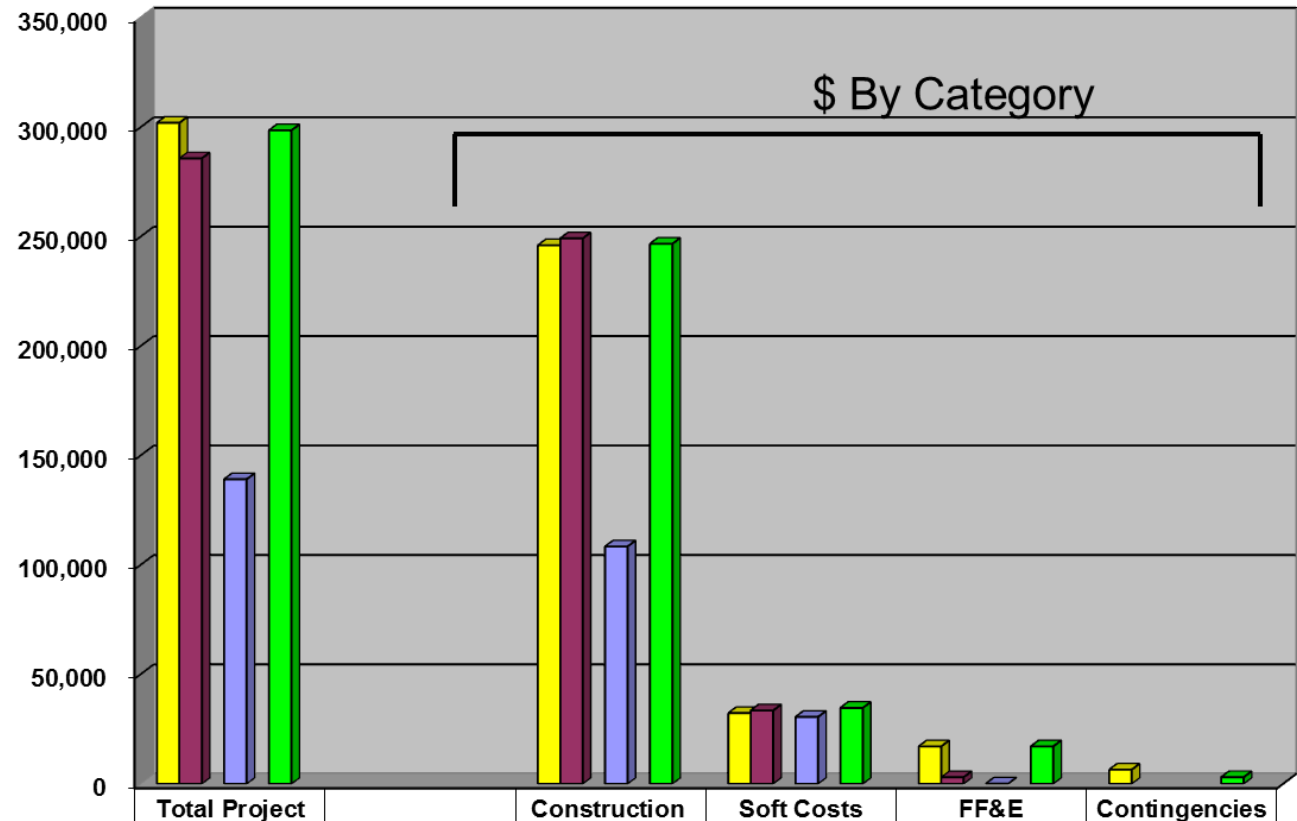


	Total Project	Construction	Soft Costs	FF&E	Contingencies
Board Approved Funding	302,100	246,109	32,350	17,141	6,500
Costs Committed to Date	285,862	249,300	33,539	3,024	
% of Funding Committed	95%	101%	105%	27%	
Paid to Date	167,115	135,120	31,335	660	
% of Comitted Paid	58%	54%	92%	14%	
Forecast of Final Cost	300,620	246,818	35,087	18,714	5,020
% of Board Approved Funding	99.5%	100%	108%	109%	77%

Integrated Medical Office Building - Project Cost Summary

IMOB Project

Dollars (ooo;s Ommitted)



	Total Project	Construction	Soft Costs	FF&E	Contingencies
Board Approved Funding	302,100	246,109	32,350	17,141	6,500
Costs Committed to Date	285,862	249,300	33,539	3,024	
% of Funding Committed	73%	75%	103%	6%	
Paid to Date	139,216	108,479	30,598	138	
% of Comitted Paid	49%	44%	91%	5%	
Forecast of Final Cost	298,672	246,800	34,731	17,141	3,072
% of Board Approved Funding	99%	100%	107%	100%	47%

Overall Project Cost Projections – September 14, 2018

Mountain View Master Plan Projects - Financial Summary & Forecasted Cost					
Current Projection				Updated 11/20/18	
Through November 20, 2018	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forecasted to Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	23,790,033	23,655,729	\$24,039,388	\$460,612
Behavioral Health Services Building	\$96,100,000	88,482,873	57,222,547	\$93,265,853	\$2,834,147
Integrated Medical Office Building & Parking Structure	\$302,100,000	287,810,779	167,115,243	\$300,620,216	\$1,479,784
Central Utility Plant Upgrade	\$9,000,000	9,016,178	7,755,979	\$9,039,678	(\$39,678)
Women's Hospital Expansion	\$6,000,000	5,936,007	4,394,927	\$6,000,000	\$0
Total All Projects	\$437,700,000	\$415,035,869	\$260,144,425	\$432,965,134	\$4,734,866
		95%	63%		

- To date we have obligated by contract 95% of the Total Project Budgets and paid 63% 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.

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: November 26, 2018
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. Situation: It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below 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.
2. Authority: This is being brought to the Committees at the request of the Board and Committee
3. Background: Since the last Finance Committee the Hospital Board has met twice and the District Board has met once.

A. ECH Board Actions

- October 10, 2018
 - Approved FY19 Period 2 Financials
 - Approved FY18 Financial Audit
 - Approved FY18 Annual 430(b) Retirement Plan and Cash Balance Retirement Plan Audits
 - Approved Appointment of Robin Driscoll to the El Camino Hospital Foundation Board of Directors
 - Approved Revised Executive Benefit Plan Policy (Life Insurance and Eligibility Date Provisions)
 - Approved Purchase of Los Gatos Imaging Equipment (O-Arm)
 - Approved NICU Medical Director and Neuro-Interventional Call Panel Contracts
 - Appointed Director Julie Kliger as Quality, Patient Care and Patient Experience Committee Chair
 - Approved FY18 CEO Incentive Plan Payment
- November 14, 2018
 - Approved Resolution 2018-11 honoring Ganesh Krishna, MD for his innovative work in the field of Interventional Pulmonology
 - Delegated Authority to the Finance Committee to approve certain physician contracts and to the Finance Committee and the Corporate Compliance and Audit

Committee to Approve the Annual Summary of Physician Financial Arrangements.

- Approved revisions to the Quality, Patient Care, and Patient Experience Committee Charter including a refined definition of quality care and providing for the Committee to review and approve its annual quality dashboard
- Approved Revised Board and Committee Education Policy increasing the annual allowance to \$5000 per Board member and per Committee.

B. ECHD Board Actions

- October 16, 2018
 - Approved Resolution 2018-11 recognizing Community Benefit Partner Bay Area Women's Sports Initiative
 - Approved Resolution 2018-12 Adopting Calendar year 2019 Meeting Dates
 - Approved Resolution 2018-13 Amending the ECHD Conflict of Interest Code
 - Approved FY18 ECH and ECHD Consolidated Year-End Financials
 - Approved the FY18 Community Benefit Report
 - Approved the FY18 Year-End Stand Alone Financials
 - Approved the FY19 Financials YTD
 - Approved the FY19 Financial Audit
 - Approved a Revision to the El Camino Hospital Bylaws providing that a vacancy in the Board of Directors shall be deemed to exist when a Director, who was appointed or elected as a Director while serving as a Director of the sole Member is no longer a director of the sole Member.

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments:

None.

Suggested Committee Discussion Questions:

None.



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2019 – Period 4
7/1/2018 to 10/31/2018

Financial Overview

Volume:

- Due to continued strong OP Activity, YTD adjusted discharges are favorable to budget (152 cases or 1.4% favorable) . October IP volumes improved in the MCH, HVI, and Ortho/Neuro Spine Service Lines. YTD IP volume remained below budget by 3.2% (205 cases) and below prior year by 5.6% (352 cases). October Deliveries also improved , but YTD Deliveries remain below budget by 4.7% (68 deliveries) and below prior year by 8.0% (116 deliveries).
- OP cases YTD favorable to budget (221 cases or 0.5%) and below prior year by 0.5% (261 cases). Most notable increase in October was in the Oncology Service Line, while YTD increases were in Imaging and Rehab Services.

Financial Performance:

- Net Patient Revenue was favorable to budget by 0.9% (\$2.8M) YTD and above prior year by 1.1% (\$3.3M). The consistent increase in OP volumes contributed to the overall positive revenue.
- Operating Expense was unfavorable to budget by \$1.3M or 1.9%. YTD Operating Expense is favorable to budget by .07% (\$2.0M) and above prior year by 6.9% (\$17.4M). YTD favorability in Salaries & Wages was primarily due to flexing of labor reduction to volumes and timing in hiring budgeted management positions. YTD, Repairs & Maintenance, Interest Expense, Supplies and Purchased Services were unfavorable to budget.
- Operating income was favorable to budget by 9.7% (\$3.0M) YTD and 31% (\$15.3M) below prior year.
- Capitalized interest for the month is low due to true-up for completed projects.
- Investment income variance due to market decline

Payor Mix:

- Commercial mix is lower primarily due to decline in deliveries

Cost:

- Prod FTEs were unfavorable to target by 2.5% in October and on target YTD.

Balance Sheet:

- Net days in AR was 46.6 which was 1.4 days favorable to budget.

Dashboard - ECH combined as of October 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	244	230	237	(8)	236	225	231	(6)
Utilization MV	66%	64%	65%	-1%	65%	62%	64%	-2%
Utilization LG	31%	26%	29%	-3%	28%	27%	26%	1%
Utilization Combined	55%	52%	54%	-2%	53%	51%	52%	-1%
Adjusted Discharges	3,058	3,091	2,939	152	11,774	11,662	11,449	213
Total Discharges (Excl NNB)	1,726	1,648	1,689	(41)	6,695	6,326	6,549	(223)
Inpatient Cases								
MS Discharges	1,180	1,126	1,162	(36)	4,643	4,356	4,562	(206)
Deliveries	411	391	397	(6)	1,571	1,451	1,526	(75)
BHS	96	92	90	2	353	356	333	23
Rehab	39	39	39	-	128	163	128	35
Outpatient Cases								
ED	12,910	12,994	12,777	217	49,630	49,369	49,148	221
Procedural Cases	4,076	3,896	4,009	(113)	15,925	15,586	15,662	(76)
OP Surg	403	432	401	31	1,544	1,622	1,544	78
Endo	197	252	199	53	799	851	808	43
Interventional	179	183	191	(8)	697	740	735	5
All Other	8,055	8,231	7,978	253	30,665	30,570	30,399	171
Financial Perf.								
Net Patient Revenues	81,589	77,203	76,452	751	293,745	297,058	294,268	2,790
Total Operating Revenue	83,988	79,236	79,322	(86)	302,720	304,813	303,818	996
Operating Expenses	65,771	70,575	69,247	1,327	253,614	271,020	273,009	(1,989)
Operating Income \$	18,216	8,662	10,074	(1,413)	49,106	33,793	30,808	2,985
Operating Margin	21.7%	10.9%	12.7%	-1.8%	16.2%	11.1%	10.1%	0.9%
EBITDA \$	22,778	14,174	14,925	(750)	66,522	52,483	49,734	2,749
EBITDA %	27.1%	17.9%	18.8%	-0.9%	22.0%	17.2%	16.4%	0.8%
Payor Mix								
Medicare	46.7%	47.1%	46.7%	0.4%	46.1%	46.3%	46.5%	-0.2%
Medi-Cal	8.9%	7.9%	7.6%	0.3%	8.0%	8.1%	7.8%	0.3%
Commercial IP	21.9%	21.0%	22.6%	-1.6%	22.7%	21.6%	22.7%	-1.0%
Commercial OP	20.3%	21.6%	20.2%	1.4%	20.5%	21.4%	20.3%	1.1%
Total Commercial	42.1%	42.6%	42.8%	-0.2%	43.2%	43.1%	43.0%	0.1%
Other	2.2%	2.4%	2.8%	-0.4%	2.6%	2.6%	2.8%	-0.2%
Cost								
Total FTE	2,580.4	2,639.5	2,642.6	(3)	2,563.4	2,602.3	2,620.9	(19)
Productive Hrs/APD	30.2	31.0	32.0	(1)	30.7	31.2	32.5	(1)
Balance Sheet								
Net Days in AR	50.7	46.6	48.0	(1)	50.7	46.6	48.0	(1.4)
Days Cash	505	496	449	47	505	496	449	47
Affiliates - Net Income (\$000s)								
Hosp	25,595	(25,597)	10,531	(36,128)	73,211	15,854	32,634	(16,780)
Concern	178	98	176	(79)	902	873	280	593
ECSC	(9)	(2)	0	(2)	(16)	(14)	0	(14)
Foundation	214	(851)	227	(1,077)	724	106	582	(476)
SVMD	(54)	(11)	(36)	24	176	1,352	(250)	1,602

Budget Variances

Fiscal Year 2019 YTD (7/1/2018-10/31/2018) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Op Income	% Net Revenue
Budgeted Hospital Operations FY2019	30,808	10.1%
Net Revenue - IP volumes continue to be lower than expectation, however higher OP volumes are making up the difference.	996	0.3%
Labor and Benefit Expense Change - Flexing in staff and key positions not yet filled.	1,745	0.6%
Professional Fees & Purchased Services - Significant IT Maintenance Fees partially offset by reduction in Administrative and Consulting Fees	(337)	-0.1%
Supplies - Medical and Non Medical Supplies are over budget, but savings in Drugs offset the variance	162	0.1%
Other Expenses	183	0.1%
Depreciation & Interest	236	0.1%
Actual Hospital Operations FY2019	33,793	11.1%

El Camino Hospital (\$000s)

Period ending 10/31/2018

Period 4 FY 2018	Period 4 FY 2019	Period 4 Budget 2019	Variance Fav (Unfav)	Var%		YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
295,615	296,754	292,515	4,239	1.4%	Gross Revenue	1,092,564	1,121,165	1,133,099	(11,933)	(1.1%)
(214,025)	(219,552)	(216,063)	(3,488)	(1.6%)	Deductions	(798,819)	(824,108)	(838,831)	14,724	1.8%
81,589	77,203	76,452	751	1.0%	Net Patient Revenue	293,745	297,058	294,268	2,790	0.9%
2,398	2,034	2,870	(837)	(29.1%)	Other Operating Revenue	8,974	7,756	9,550	(1,794)	(18.8%)
83,988	79,236	79,322	(86)	(0.1%)	Total Operating Revenue	302,720	304,813	303,818	996	0.3%
					OPERATING EXPENSE					
39,768	41,422	41,552	129	0.3%	Salaries & Wages	155,895	162,936	164,682	1,745	1.1%
10,295	11,171	11,635	464	4.0%	Supplies	39,327	43,730	43,892	162	0.4%
8,819	9,645	8,968	(677)	(7.5%)	Fees & Purchased Services	32,135	35,952	35,615	(337)	(0.9%)
2,327	2,824	2,243	(581)	(25.9%)	Other Operating Expense	8,840	9,712	9,895	183	1.8%
453	1,237	323	(914)	(282.6%)	Interest	1,502	1,690	1,294	(396)	(30.6%)
4,108	4,275	4,527	251	5.6%	Depreciation	15,914	17,000	17,632	632	3.6%
65,771	70,575	69,247	(1,327)	(1.9%)	Total Operating Expense	253,614	271,020	273,009	1,989	0.7%
18,216	8,662	10,074	(1,413)	(14.0%)	Net Operating Income/(Loss)	49,106	33,793	30,808	2,985	9.7%
7,379	(34,259)	456	(34,716)	(7606.0%)	Non Operating Income	24,105	(17,939)	1,826	(19,765)	(1082.6%)
25,595	(25,597)	10,531	(36,128)	(343.1%)	Net Income(Loss)	73,211	15,854	32,634	(16,780)	(51.4%)
27.1%	17.9%	18.8%	(0.9%)		EBITDA	22.0%	17.2%	16.4%	0.8%	
21.7%	10.9%	12.7%	(1.8%)		Operating Margin	16.2%	11.1%	10.1%	0.9%	
30.5%	-32.3%	13.3%	(45.6%)		Net Margin	24.2%	5.2%	10.7%	(5.5%)	

Non Operating Items and Net Income by Affiliate

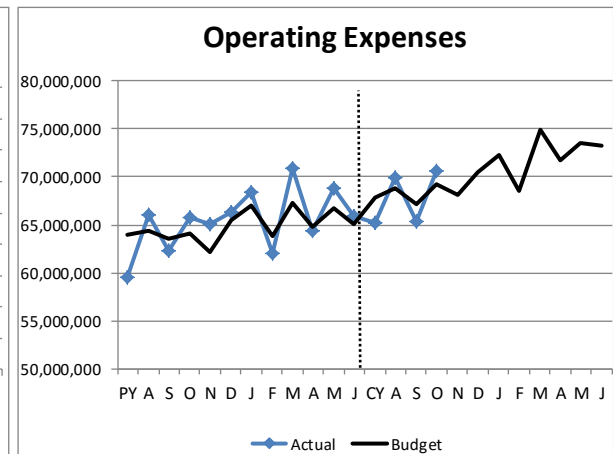
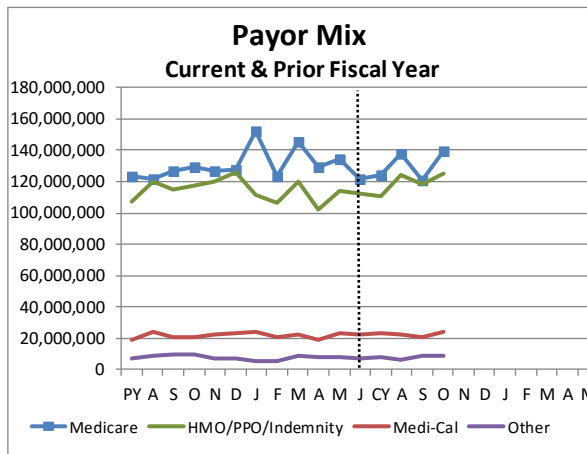
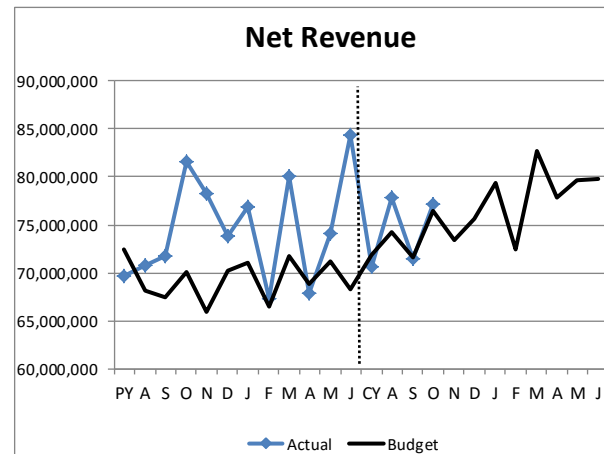
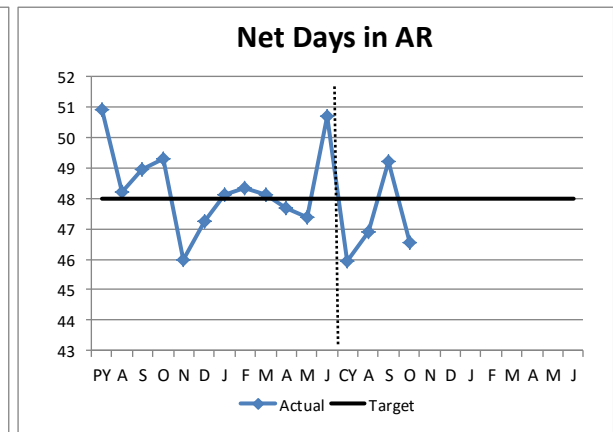
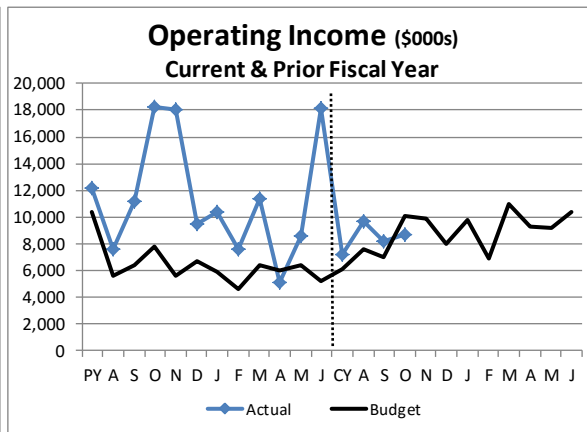
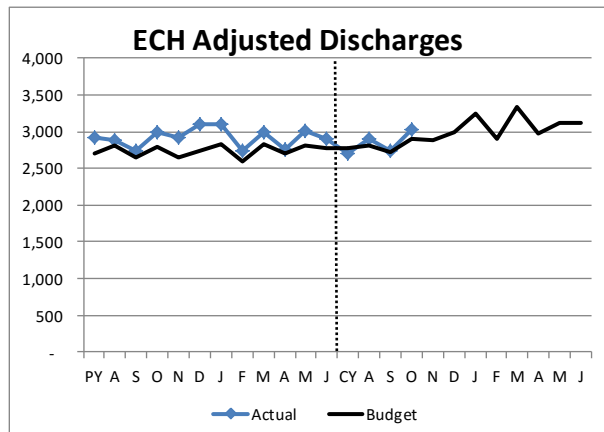
\$ in thousands

	Period 4 - Month			Period 4 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	8,679	8,161	517	31,827	25,114	6,713
Los Gatos	(17)	1,913	(1,930)	1,966	5,694	(3,728)
Sub Total - El Camino Hospital, excl. Affiliates	8,662	10,074	(1,413)	33,793	30,808	2,985
Operating Margin %	10.9%	12.7%		11.1%	10.1%	
El Camino Hospital Non Operating Income						
Investments ²	(33,832)	2,478	(36,310)	(12,565)	9,911	(22,476)
Swap Adjustments	274	(100)	374	677	(400)	1,077
Community Benefit	48	(300)	348	(2,573)	(1,200)	(1,373)
Pathways	(47)	0	(47)	(93)	0	(93)
Satellite Dialysis	185	(25)	210	187	(100)	287
Community Connect	0	(53)	53	0	(212)	212
SVMD Funding ¹	(533)	(1,219)	686	(2,345)	(4,876)	2,531
Other	(353)	(324)	(29)	(1,227)	(1,297)	70
Sub Total - Non Operating Income	(34,259)	456	(34,716)	(17,939)	1,826	(19,765)
El Camino Hospital Net Income (Loss)	(25,597)	10,531	(36,128)	15,854	32,634	(16,780)
ECH Net Margin %	-32.3%	13.3%		5.2%	10.7%	
Concern	98	176	(79)	873	280	593
ECSC	(2)	0	(2)	(14)	0	(14)
Foundation	(851)	227	(1,077)	106	582	(476)
Silicon Valley Medical Development	(11)	(36)	24	1,352	(250)	1,602
Net Income Hospital Affiliates	(766)	367	(1,134)	2,317	611	1,706
Total Net Income Hospital & Affiliates	(26,364)	10,898	(37,262)	18,171	33,245	(15,074)

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

²Equity markets experienced a massive selloff during the month, a small portion of which has been recouped so far in early November

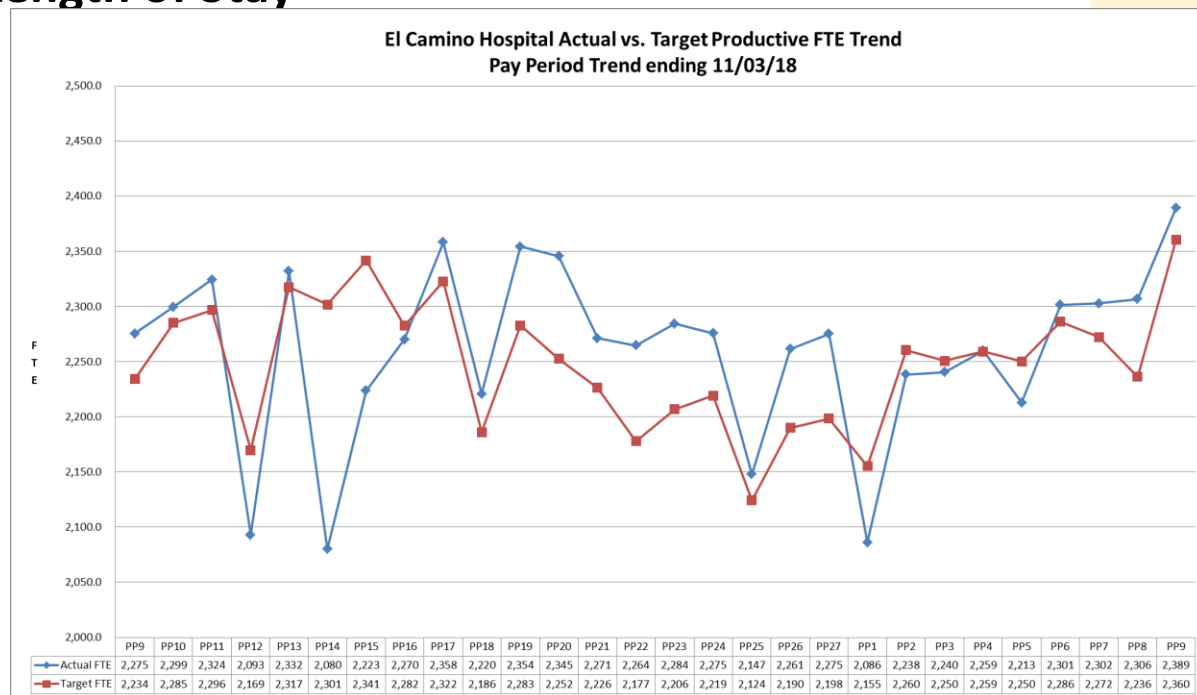
Monthly Financial Trends



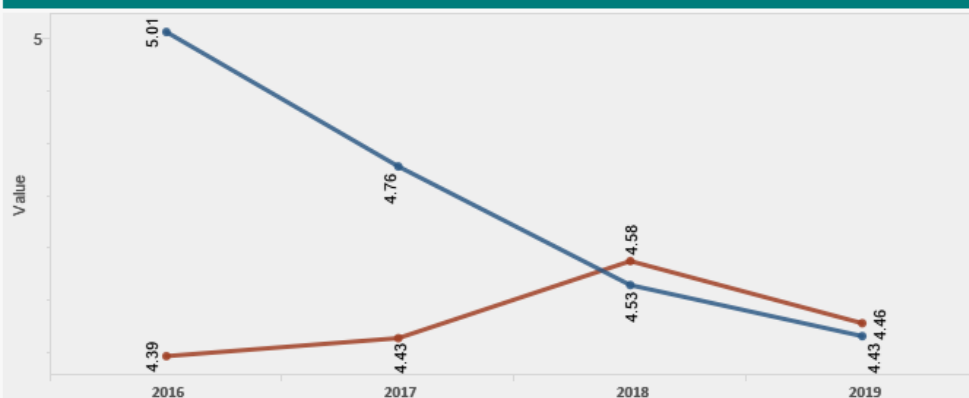
Productivity and Medicare Length of Stay

At or below FTE target for the first nine pay periods of the year.

ALOS vs Milliman well-managed benchmark. Trend shows steady improvement with FY 2019 below benchmark (blue). 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

ECH - Combined: Volume by Service Lines

As of October 2018

INPATIENT	Annual Trend						FY19 Bud vs FY18		Month					YTD				
	2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var
Behavioral Health	1,012	1,052	928	924	1,098	1,062	-35.6	-3.2%	97	98	91	7	1	358	378	338	40	20
General Medicine	4,165	4,592	4,459	4,962	5,288	5,325	36.7	0.7%	432	386	405	-19	-46	1,669	1,526	1,558	-32	-143
General Surgery	1,243	1,150	1,311	1,317	1,304	1,344	40.1	3.1%	105	118	108	10	13	427	468	444	24	41
GYN	390	313	293	270	243	255	12.0	4.9%	24	16	22	-6	-8	88	72	79	-7	-16
Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,445	73.1	3.1%	187	188	183	5	1	767	683	745	-62	-84
MCH	6,695	6,371	5,953	5,822	5,718	5,764	46.3	0.8%	499	487	482	5	-12	1,958	1,808	1,894	-86	-150
Neurosciences	667	672	677	688	870	907	37.1	4.3%	75	74	83	-9	-1	294	264	332	-68	-30
Oncology	606	564	652	594	633	726	93.2	14.7%	64	48	64	-16	-16	212	239	214	25	27
Orthopedics	1,695	1,773	1,746	1,690	1,706	1,819	113.0	6.6%	145	149	151	-2	4	565	559	582	-23	-6
Rehab Services	547	555	500	461	441	436	-5.0	-1.1%	39	39	39	0	0	128	163	128	35	35
Spine Surgery	377	429	417	474	375	465	90.0	24.0%	41	21	43	-22	-20	148	103	155	-52	-45
Urology	172	169	234	257	254	274	20.0	7.9%	19	30	18	12	11	86	85	86	-1	-1
Total	19,428	19,638	19,171	19,662	20,302	20,823	520.9	2.6%	1,727	1,654	1,690	-36	-73	6,700	6,348	6,553	-205	-352
Change		1.1%	-2.4%	2.6%	3.3%	2.6%						-2.1%	-4.2%				-3.1%	-5.3%

El Camino Hospital Volume Annual Trends Outpatient

OUTPATIENT	2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var
Behavioral Health	911	886	2,395	3,262	3,152	3,417	265	8.4%	326	226	309	-83	-100	1,131	895	1,090	-195	-236
Emergency	46,005	49,077	48,576	48,615	49,417	49,122	-295	-0.6%	4,076	3,896	4,009	-113	-180	15,925	15,586	15,662	-76	-339
General Medicine	6,633	6,634	7,198	7,083	7,295	6,850	68	1.0%	626	748	636	112	122	2,448	2,608	2,487	121	160
General Surgery	1,840	1,854	1,798	1,843	2,007	2,068	61	3.0%	172	178	171	7	6	631	663	629	34	32
GYN	1,221	1,308	1,018	1,080	1,095	1,171	76	6.9%	97	104	95	9	7	361	441	354	87	80
Heart and Vascular	2,575	2,719	3,811	4,371	4,366	4,410	44	1.0%	351	383	361	22	32	1,415	1,553	1,459	94	138
Imaging Services	19,549	20,077	17,801	17,244	18,509	18,744	235	1.3%	1,698	1,750	1,663	87	52	6,197	6,495	6,061	434	298
Laboratory Services	30,595	29,710	29,028	29,137	28,567	29,071	504	1.8%	2,612	2,506	2,597	-91	-106	9,672	9,366	9,621	-255	-306
MCH	5,038	4,830	5,092	5,582	5,645	5,928	283	5.0%	514	469	509	-40	-45	1,940	1,814	1,919	-105	-126
Neurosciences	110	61	127	125	114	155	41	36.0%	9	7	11	-4	-2	44	22	53	-31	-22
Oncology	4,002	4,174	14,306	18,578	19,275	22,037	2,762	14.3%	1,563	1,774	1,606	168	211	6,390	6,481	6,564	-83	91
Orthopedics	866	776	584	616	642	714	72	11.2%	49	66	56	10	17	209	234	241	-7	25
Outpatient Clinics	1,817	1,706	1,681	1,304	1,890	607	94	18.3%	214	177	140	37	-37	805	588	505	83	-217
Rehab Services	1,732	1,747	3,951	4,518	4,928	1,517	-373	-19.7%	410	467	407	60	57	1,640	1,777	1,629	149	137
Sleep Center	160	223	499	368	211	4,900	-28	-0.6%	11	28	21	7	17	50	77	96	-19	27
Spine Surgery	325	401	309	324	310	300	89	42.2%	26	28	26	2	2	110	99	108	-9	-11
Urology	1,758	1,773	1,740	1,898	2,053	326	16	5.2%	156	182	159	23	26	662	668	670	-2	6
Total	126,197	128,110	139,921	145,948	149,476	153,395	3,919	2.6%	12,910	12,989	12,777	213	79	49,630	49,367	49,147	220	-263
Change		1.5%	9.2%	4.3%	2.4%	1.2%						1.7%	0.6%				0.4%	-0.5%

ECH Operating Margin

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



FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	YTD
Insurance (Payment Variance)	-	-	3	-	3
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	420
AB 915	-	-	2,875	-	2,875
Late Charge Accrual	-	-	2,828	-	2,828
Various Adjustments under \$250k	4	5	148	8	165
Total	145	116	5,946	84	6,291

El Camino Hospital Investment Committee Scorecard

September 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		3Q 2018		Fiscal Year-to-date		5y 11m Since Inception (annualized)		2018	
Surplus cash balance*		\$994.7	--	--	--	--	--	\$886.6	--
Surplus cash return		2.3%	2.0%	2.3%	2.0%	5.8%	5.5%	3.2%	5.3%
Cash balance plan balance (millions)		\$274.7	--	--	--	--	--	\$276.9	--
Cash balance plan return		2.8%	2.5%	2.8%	2.5%	8.3%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		\$481.7	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 11m Since Inception (annualized)		2018	
Surplus cash Sharpe ratio		1.59	1.52	--	--	1.34	1.27	--	0.43
Net of fee return		7.5%	7.1%	--	--	5.8%	5.5%	--	5.3%
Standard deviation		4.1%	4.0%	--	--	4.0%	4.0%	--	6.7%
Cash balance Sharpe ratio		1.64	1.55	--	--	1.45	1.34	--	0.40
Net of fee return		9.4%	8.5%	--	--	8.3%	7.4%	--	5.7%
Standard deviation		5.1%	4.8%	--	--	5.3%	5.1%	--	8.1%
Asset Allocation		3Q 2018							
Surplus cash absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Manager Compliance		3Q 2018							
Surplus cash manager flags		20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		23	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~\$160 mm), District assets (~\$31 mm), and balance sheet cash not in investable portfolio (~\$94 mm).

Includes Foundation (~\$28 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	FY19 Budget	FY 19 YTD Spent
IT Hardware, Software, Equipment & Imaging				19.7	0.5	19.7	0.5
Medical & Non Medical Equipment FY 18				5.6	9.0	0.0	2.9
Medical & Non Medical Equipment FY 19				11.2	0.4	11.2	0.4
Facility Projects							
	1245 Behavioral Health Bldg	FY16	96.1	96.1	55.8	45.0	9.9
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.3	0.0	0.0
	1414 Integrated MOB	FY15	302.1	302.1	166.1	150.0	45.6
	1422 CUP Upgrade	FY16	9.0	9.0	7.8	0.8	0.2
	1430 Women's Hospital Expansion	FY16	135.0	135.0	4.3	10.0	1.1
	Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.0
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0
	1525 New Main Lab Upgrades		3.1	3.1	2.5	0.3	0.3
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.0
	1503 Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0
	1602 JW House (Patient Family Residence)		6.5	6.5	0.3	6.0	0.0
	Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.0
	1707 Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	6.0	0.0
	1708 IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	0.2
	Flooring Replacement		1.6	1.6	0.0	1.5	0.0
	1219 LG Spine OR	FY13	0.0	0.0	3.9	0.0	0.1
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.1
	1307 LG Upgrades	FY13	19.3	19.3	18.5	0.8	0.7
	1507 LG IR Upgrades		1.3	0.0	0.0	1.3	0.0
	1603 LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0
	1711 Emergency Sanitary & Water Storage		1.5	1.5	0.2	1.3	0.0
	LG Modular MRI & Awning		3.9	3.9	0.1	3.5	0.0
	LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.0
	LG Observation Unit (Conversion of ICU 2)		0.0	0.0	0.0	0.0	0.0
	1712 LG Cancer Center		5.0	5.0	0.3	4.8	0.0
	Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0
	Primary Care Clinic Development (2 @ \$3 Million Ea		6.0	6.0	0.0	5.0	0.0
	Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	0.0
	Willow SC Upgrades (35,000 @ \$50)		1.8	1.8	0.0	1.8	0.0
	New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.0
	80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0
	Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0
	All Other Projects		7.2	6.9	47.0	7.8	0.5
			755.9	728.4	352.1	279.5	58.8
GRAND TOTAL				759.3	362.0	310.4	62.6



Balance Sheet (in thousands)

ASSETS

	Audited	
	October 31, 2018	June 30, 2018
CURRENT ASSETS		
Cash	106,706	118,992
Short Term Investments	148,406	150,664
Patient Accounts Receivable, net	114,595	124,427
Other Accounts and Notes Receivable	2,597	3,402
Intercompany Receivables	1,481	2,090
(1) Inventories and Prepaids	80,781	75,594
Total Current Assets	454,565	475,171
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	161,827	153,784
(2) Women's Hospital Expansion	13,967	9,298
(3) Operational Reserve Fund	139,057	127,908
Community Benefit Fund	18,252	18,675
Workers Compensation Reserve Fund	21,019	20,263
Postretirement Health/Life Reserve Fund	29,412	29,212
PTO Liability Fund	25,051	24,532
Malpractice Reserve Fund	1,831	1,831
Catastrophic Reserves Fund	18,367	18,322
Total Board Designated Assets	428,783	403,826
(4) FUNDS HELD BY TRUSTEE	145,716	197,620
LONG TERM INVESTMENTS	339,844	345,684
INVESTMENTS IN AFFILIATES	33,875	32,412
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,268,803	1,261,854
Less: Accumulated Depreciation	(594,610)	(577,959)
Construction in Progress	281,004	220,991
Property, Plant & Equipment - Net	955,197	904,886
DEFERRED OUTFLOWS	20,977	21,177
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,378,956	2,380,776

LIABILITIES AND FUND BALANCE

	Audited	
	October 31, 2018	June 30, 2018
CURRENT LIABILITIES		
(5) Accounts Payable	35,970	49,925
(6) Salaries and Related Liabilities	20,927	26,727
Accrued PTO	25,051	24,532
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,271	10,068
Intercompany Payables	81	125
Malpractice Reserves	1,831	1,831
Bonds Payable - Current	3,850	3,850
(7) Bond Interest Payable	8,266	12,975
Other Liabilities	9,831	8,909
Total Current Liabilities	118,377	141,242
LONG TERM LIABILITIES		
Post Retirement Benefits	29,412	29,212
Worker's Comp Reserve	18,719	17,963
Other L/T Obligation (Asbestos)	3,897	3,859
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	516,876	517,781
Total Long Term Liabilities	568,905	568,815
DEFERRED REVENUE-UNRESTRICTED	653	528
DEFERRED INFLOW OF RESOURCES	22,835	22,835
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,239,403	1,243,529
Board Designated	428,783	403,825
Restricted	0	0
(8) Total Fund Bal & Capital Accts	1,668,185	1,647,355
TOTAL LIABILITIES AND FUND BALANCE	2,378,956	2,380,776

October 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.
- (2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.
- (3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.
- (4) Decrease is due to the yearend accruals that were paid out in July and August.
- (5) Decrease is due a lesser number of days of payroll expenses and payroll taxes for October opposed to a full 14 day pay period that was needed for June 30.
- (6) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in August.
- (7) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.

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. At the end of fiscal year 2018 another \$6.2 million was added to this fund.

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 the current 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 \$500,000 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, in fiscal year it generated over \$1.1 million of 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. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.

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)

Period ending 10/31/2018

Period 4 FY 2018	Period 4 FY 2019	Period 4 Budget 2019	Variance Fav (Unfav)	Var%		YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
240,707	245,648	238,151	7,497	3.1%	Gross Revenue	896,317	921,681	932,632	(10,951)	(1.2%)
(173,090)	(181,004)	(176,038)	(4,966)	(2.8%)	Deductions	(653,582)	(676,109)	(691,732)	15,623	2.3%
67,618	64,644	62,113	2,531	4.1%	Net Patient Revenue	242,735	245,572	240,900	4,672	1.9%
2,239	1,697	2,643	(946)	(35.8%)	Other Operating Revenue	8,332	6,646	8,638	(1,992)	(23.1%)
69,856	66,341	64,757	1,585	2.4%	Total Operating Revenue	251,067	252,218	249,538	2,680	1.1%
					OPERATING EXPENSE					
33,016	34,764	34,809	45	0.1%	Salaries & Wages	129,751	135,663	138,538	2,874	2.1%
8,169	9,152	9,387	235	2.5%	Supplies	31,814	35,370	35,823	453	1.3%
7,534	8,091	7,589	(502)	(6.6%)	Fees & Purchased Services	27,088	30,401	30,384	(18)	(0.1%)
794	897	726	(171)	(23.6%)	Other Operating Expense	2,707	3,242	3,686	445	12.1%
453	1,237	323	(914)	(282.6%)	Interest	1,502	1,690	1,294	(396)	(30.6%)
3,529	3,521	3,761	240	6.4%	Depreciation	13,852	14,024	14,699	675	4.6%
53,494	57,663	56,595	(1,067)	(1.9%)	Total Operating Expense	206,714	220,391	224,424	4,033	1.8%
16,363	8,679	8,161	517	6.3%	Net Operating Income/(Loss)	44,354	31,827	25,114	6,713	26.7%
7,379	(34,259)	456	(34,716)	(7606.0%)	Non Operating Income	24,149	(17,939)	1,826	(19,765)	#####
23,741	(25,580)	8,618	(34,198)	(396.8%)	Net Income(Loss)	68,503	13,888	26,940	(13,052)	(48.4%)
29.1%	20.3%	18.9%	1.3%		EBITDA	23.8%	18.8%	16.5%	2.4%	
23.4%	13.1%	12.6%	0.5%		Operating Margin	17.7%	12.6%	10.1%	2.6%	
34.0%	-38.6%	13.3%	(51.9%)		Net Margin	27.3%	5.5%	10.8%	(5.3%)	

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

Period ending 10/31/2018

Period 4 FY 2018	Period 4 FY 2019	Period 4 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
54,907	51,106	54,364	(3,258)	(6.0%)	Gross Revenue	196,247	199,485	200,467	(983)	(0.5%)
(40,936)	(38,548)	(40,025)	1,478	3.7%	Deductions	(145,236)	(147,999)	(147,099)	(899)	(0.6%)
13,972	12,558	14,338	(1,780)	(12.4%)	Net Patient Revenue	51,010	51,486	53,368	(1,882)	(3.5%)
160	337	227	110	48.4%	Other Operating Revenue	642	1,109	912	198	21.7%
14,131	12,895	14,565	(1,670)	(11.5%)	Total Operating Revenue	51,652	52,595	54,280	(1,684)	(3.1%)
OPERATING EXPENSE										
6,753	6,658	6,742	84	1.2%	Salaries & Wages	26,145	27,273	26,144	(1,129)	(4.3%)
2,127	2,019	2,247	228	10.2%	Supplies	7,514	8,360	8,069	(291)	(3.6%)
1,285	1,554	1,379	(175)	(12.7%)	Fees & Purchased Services	5,048	5,551	5,232	(319)	(6.1%)
1,533	1,927	1,517	(410)	(27.0%)	Other Operating Expense	6,133	6,470	6,208	(262)	(4.2%)
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
580	754	766	12	1.5%	Depreciation	2,061	2,976	2,933	(43)	(1.5%)
12,277	12,912	12,652	(260)	(2.1%)	Total Operating Expense	46,900	50,629	48,585	(2,044)	(4.2%)
1,854	(17)	1,913	(1,930)	(100.9%)	Net Operating Income/(Loss)	4,752	1,966	5,694	(3,728)	(65.5%)
0	0	0	0	0.0%	Non Operating Income	(45)	0	0	0	0.0%
1,854	(17)	1,913	(1,930)	(100.9%)	Net Income(Loss)	4,708	1,966	5,694	(3,728)	(65.5%)
17.2%	5.7%	18.4%	(12.7%)		EBITDA	13.2%	9.4%	15.9%	(6.5%)	
13.1%	-0.1%	13.1%	(13.3%)		Operating Margin	9.2%	3.7%	10.5%	(6.8%)	
13.1%	-0.1%	13.1%	(13.3%)		Net Margin	9.1%	3.7%	10.5%	(6.8%)	

Expense variances - YTD

- Salary variance due higher ED staffing and survey preparation
- High purchased services due to higher rehab volume and repairs and maintenance
- Other expense variance due to timing difference for property taxes.

Capital Spend Trend & FY 19 Budget

Capital Spending (in 000's)	Actual FY2016	Actual FY2017	Actual FY2018	Budget 2019
EPIC	20,798	2,755	1,114	-
IT Hardware / Software Equipment	6,483	2,659	1,108	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	11,206
Non CIP Land, Land I , BLDG, Additions	4,189	-	2,070	-
Facilities	48,137	82,953	137,364	279,450
GRAND TOTAL	96,740	97,923	157,435	310,388
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2014 – FY 2018

Category	2014	2015	2016	2017	2018	Category	2014	2015	2016	2017	2018
EPIC	6,838	29,849	20,798	2,755	1,114	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	2,788	4,660	6,483	2,659	1,108	1415 - Signage & Wayfinding	-	-	106	58	136
Medical/Non Medical Equipment	12,891	13,340	17,133	9,556	15,780	1416 - MV Campus Digital Directories	-	-	34	23	95
Non CIP Land, Land I, BLDG, Additions	22,292	-	4,189	-	2,070	1423 - MV MOB TI Allowance	-	-	588	369	-
Facilities Projects CIP						1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
Mountain View Campus Master Plan Projects						1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676	1430 - Women's Hospital Expansion	-	-	-	464	2,763
1413 - North Drive Parking Structure Exp	-	167	1,266	18,120	4,670	1432 - 205 South Dr BHS TI	-	8	15	-	52
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319	1501 - Women's Hospital NPC Comp	-	4	-	223	320
1422 - CUP Upgrade	-	-	896	1,245	5,428	1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
Sub-Total Mountain View Campus Master Plan	1,257	5,950	12,426	62,493	114,093	1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
Mountain View Capital Projects						1504 - Equipment Support Infrastructure	-	61	311	-	60
9900 - Unassigned Costs	470	3,717	-	-	-	1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
0906 - Slot Build-Out	1,576	15,101	1,251	294	-	1525 - New Main Lab Upgrades	-	-	-	464	1,739
1109 - New Main Upgrades	393	2	-	-	-	1526 - CONCERN TI	-	-	37	99	10
1111 - Mom/Baby Overflow	29	-	-	-	-	Sub-Total Mountain View Projects	7,219	26,744	5,588	5,535	7,948
1204 - Elevator Upgrades	30	-	-	-	-	Los Gatos Capital Projects					
0800 - Womens L&D Expansion	1,531	269	-	-	-	0904 - LG Facilities Upgrade	-	-	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-	0907 - LG Imaging Masterplan	774	1,402	17	-	-
1227 - New Main eICU	21	-	-	-	-	1210 - Los Gatos VOIP	89	-	-	-	-
1230 - Fog Shop	80	-	-	-	-	1116 - LG Ortho Pavillion	24	21	-	-	-
1315 - 205 So. Drive TI's	500	2	-	-	-	1124 - LG Rehab BLDG	458	-	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961	1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1125 - Will Pav Fire Sprinkler	39	-	-	-	-	1308 - LG Infrastructure	114	-	-	-	-
1216 - New Main Process Imp Office	1	16	-	-	-	1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-	1219 - LG Spine OR	214	323	633	2,163	447
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-	1221 - LG Kitchen Refrig	85	-	-	-	-
1301 - Desktop Virtual	13	-	-	-	-	1248 - LG - CT Upgrades	26	345	197	6,669	1,673
1304 - Rehab Wander Mgmt	87	-	-	-	-	1249 - LG Mobile Imaging	146	-	-	-	-
1310 - Melchor Cancer Center Expansion	44	13	-	-	-	1328 - LG Ortho Canopy FY14	255	209	-	-	-
1318 - Women's Hospital TI	48	48	29	2	-	1345 - LG Lab HVAC	112	-	-	-	-
1327 - Rehab Building Upgrades	-	15	20	-	22	1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-	1347 - LG Central Sterile Upgrades	-	181	43	66	-
1340 - New Main ED Exam Room TVs	8	193	-	-	-	1421 - LG MOB Improvements	-	198	65	303	356
1341 - New Main Admin	32	103	-	-	-	1508 - LG NICU 4 Bed Expansion	-	-	-	207	-
1344 - New Main AV Upgrd	243	-	-	-	-	1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1400 - Oak Pav Cancer Center	-	5,208	666	52	156	1603 - LG MOB Improvements	-	-	-	285	4,593
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-	Sub-Total Los Gatos Projects	5,276	6,246	6,116	14,780	12,306
1404 - Park Pav HVAC	64	7	-	-	-	1550 - Land Acquisition	-	-	24,007	-	-
1405 - 1 - South Accessibility Upgrades	-	-	168	95	-	1701 - 828 S Winchester Clinic TI	-	-	-	145	3,018
1408 - New Main Accessibility Upgrades	-	7	46	501	12	Sub-Total Other Strategic Projects	-	-	24,007	145	3,018
						Subtotal Facilities Projects CIP	13,753	38,940	48,137	82,953	137,364
						Grand Total	58,561	86,789	96,740	97,923	157,435



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

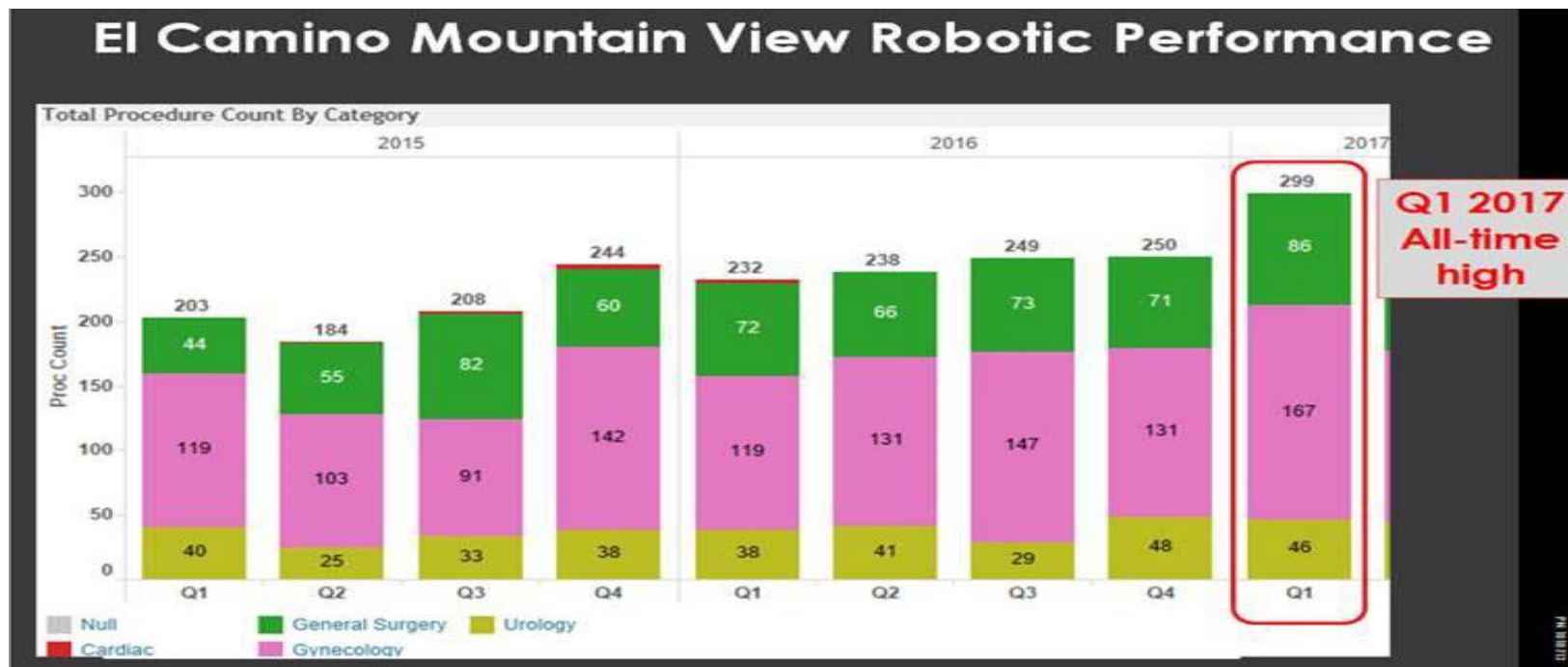
Robotics Program- Lookback Analysis

November 2018

Da Vinci Surgical Robots Approval Timeline & Detail

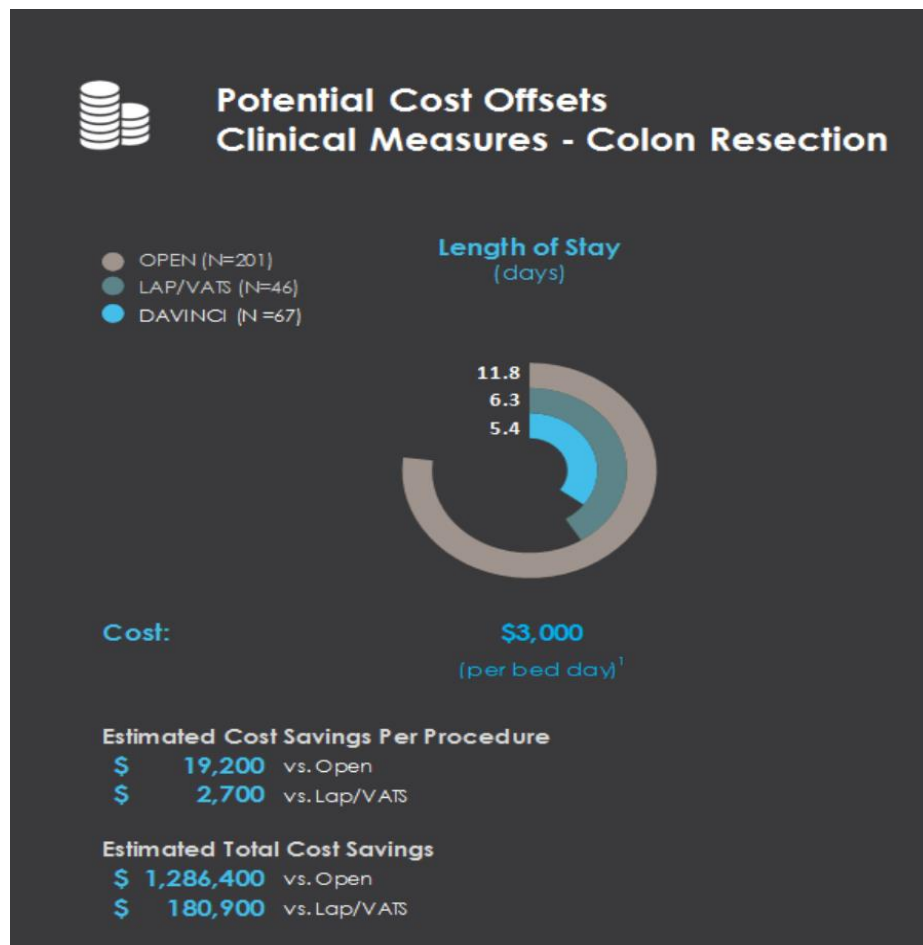
- Surgical Robot Fleet:
 - **Prior to** May 2017
 - MV – 2 Model Xi (New Gen), 1 Model Si (Older Gen)
 - LG – 1 Model Si
 - **After acquisition** of 2 additional Xi robots
 - MV – 3 Model Xi, 1 Model Si
 - LG – 1 Model Xi
- Proposal to acquire 2 Xi (newer generation) surgical robots presented to Finance Committee May 30, 2017
- Los Gatos acquired new Xi robot 6/19/2017
 - Trade-in value of \$250,000 for fully depreciated Si unit
- Mountain View acquired one additional Xi robot 6/28/2017
- Total Acquisition Cost: \$3,940,000

Presented to ECH Finance Committee – 5/30/2017



Surgical Approach	Average Length of Stay	Cost per Case (includes direct costs + hospitalization)
Open Colectomy	11.8	\$59,313
Laparoscopic Colectomy	6.3	\$34,573
Robotic Colectomy	5.4	\$30,582

Presented at ECH Finance Committee – 5/30/2017



Comparison: Surgical Approach, ALOS, and Cost Per Case

Colectomy Update – FY2018

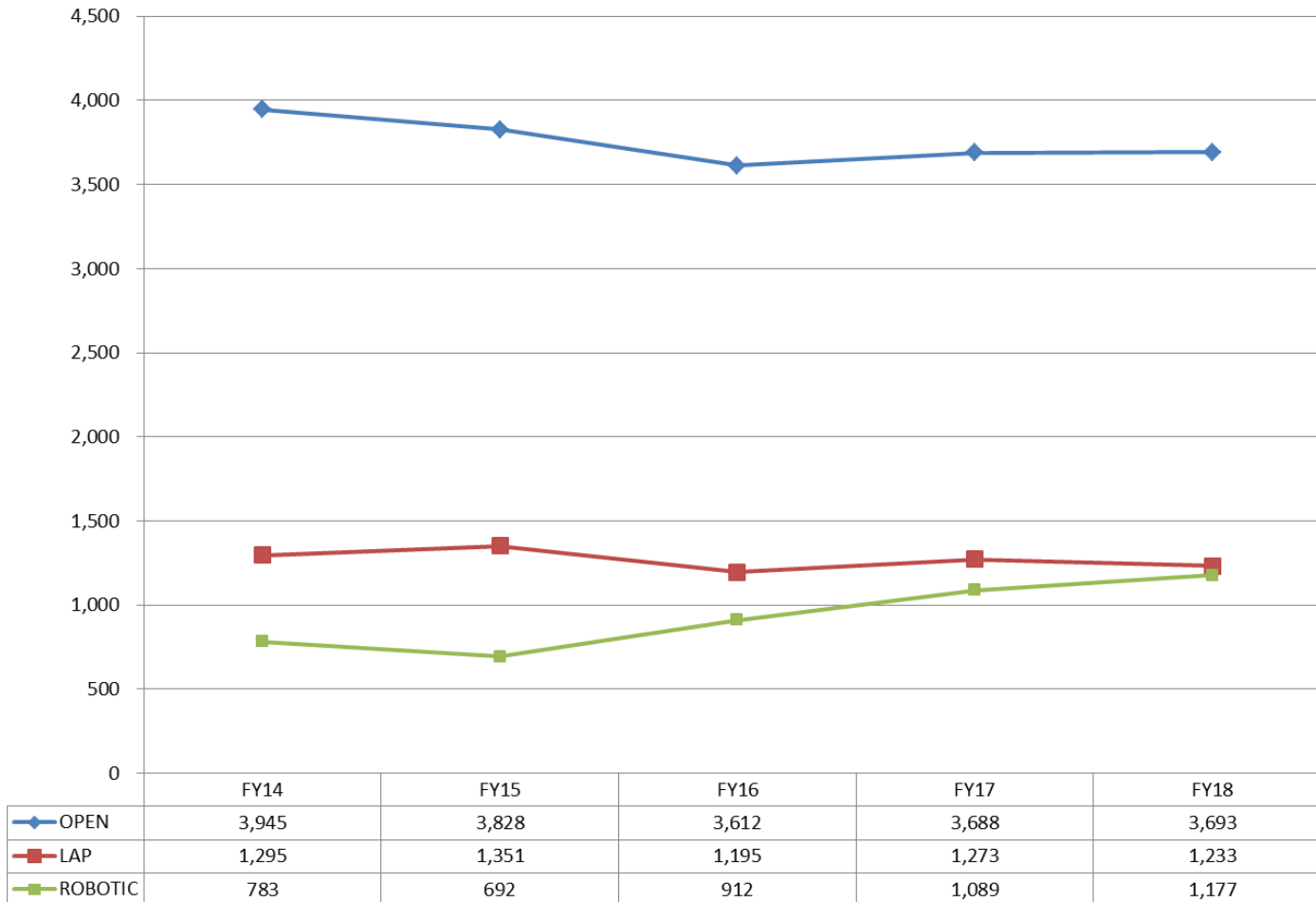
Surgical Approach	Average Length of Stay	Cost per Case (includes direct costs + hospitalization)
Open Colectomy	11.7	\$54,975
Laparoscopic Colectomy	5.1	\$27,854
Robotic Colectomy	3.3	\$23,272

Presented to FC 5/30/2017

Surgical Approach	Average Length of Stay	Cost per Case (includes direct costs + hospitalization)
Open Colectomy	11.8	\$59,313
Laparoscopic Colectomy	6.3	\$34,573
Robotic Colectomy	5.4	\$30,582

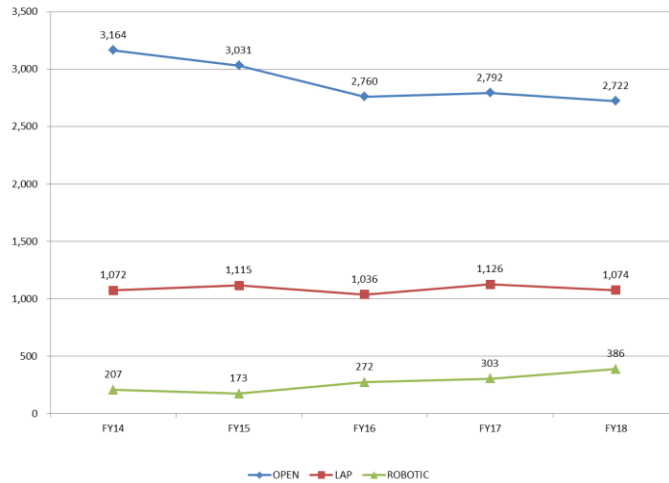
Mt View – All Surgeries FY2014 – FY2018

MV TOTAL

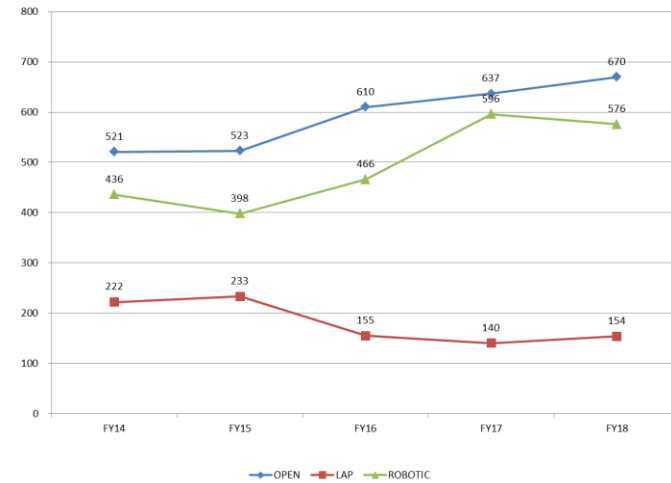


Surgeries by MD Specialty Mt View FY2014 – FY2018

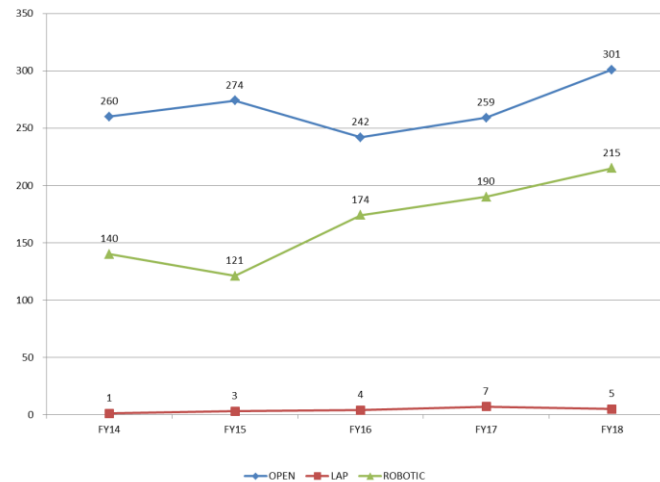
MV GENERAL SURGERY



MV GYNECOLOGY

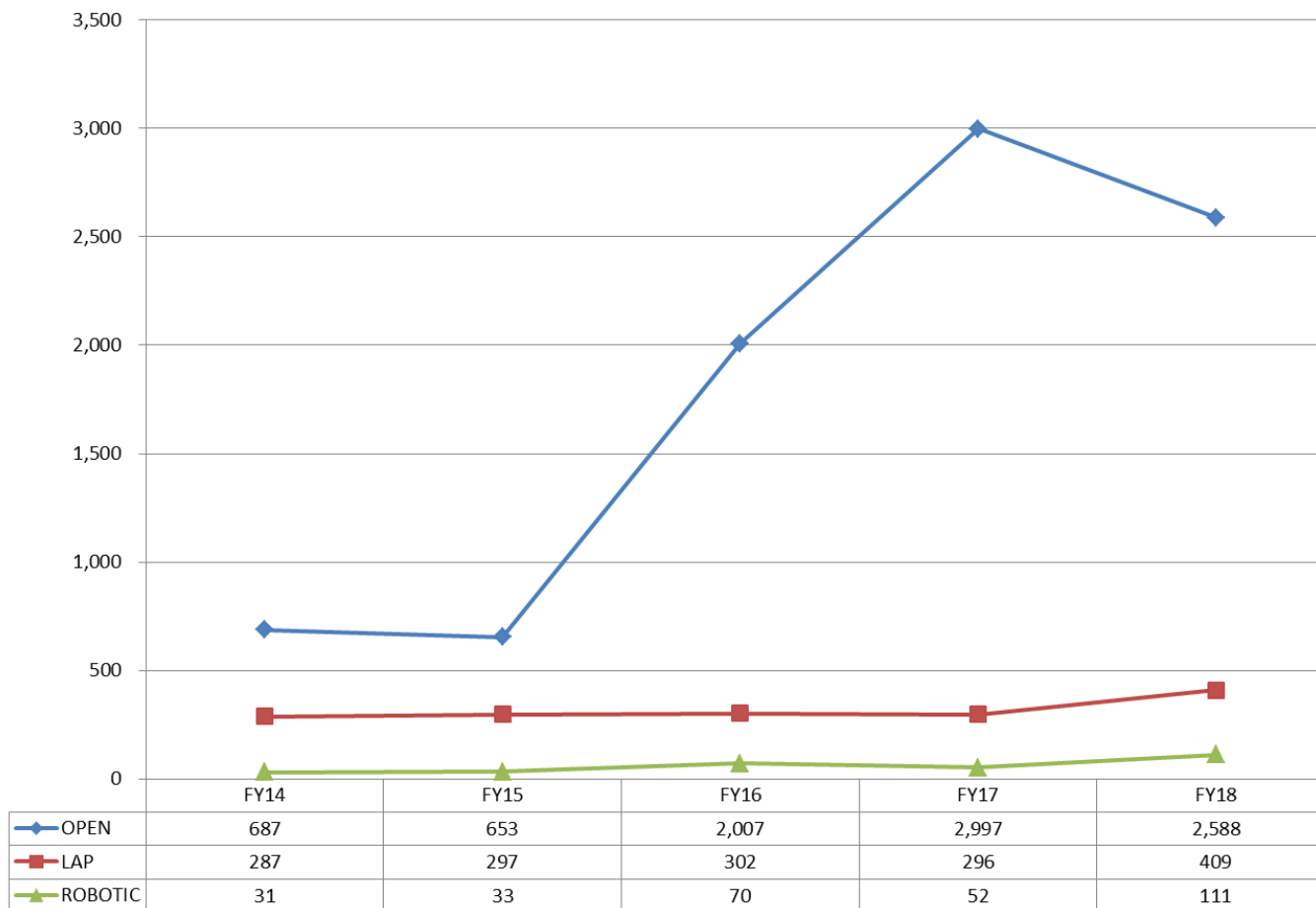


MV UROLOGY



Los Gatos - All Surgeries FY2014 - FY2018

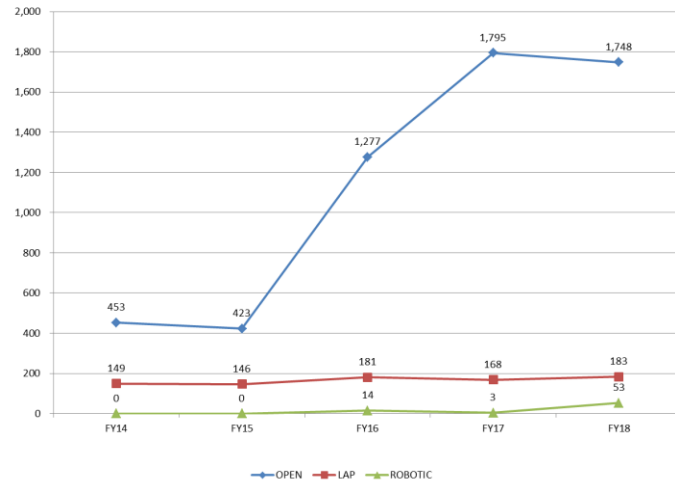
LG TOTAL



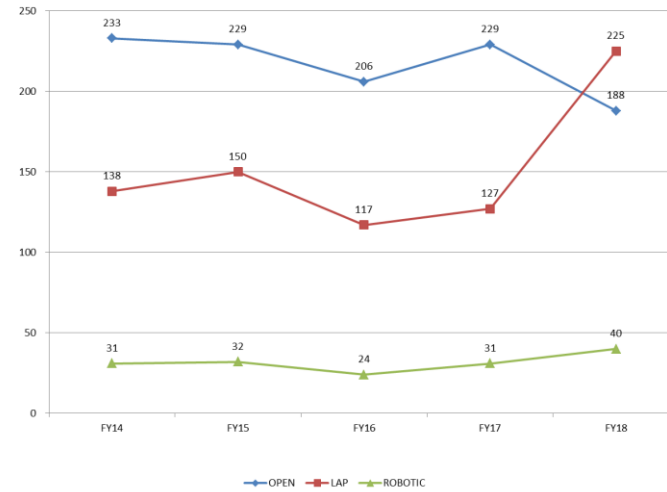
Surgeries by MD Specialty

Los Gatos FY2014 – FY2018

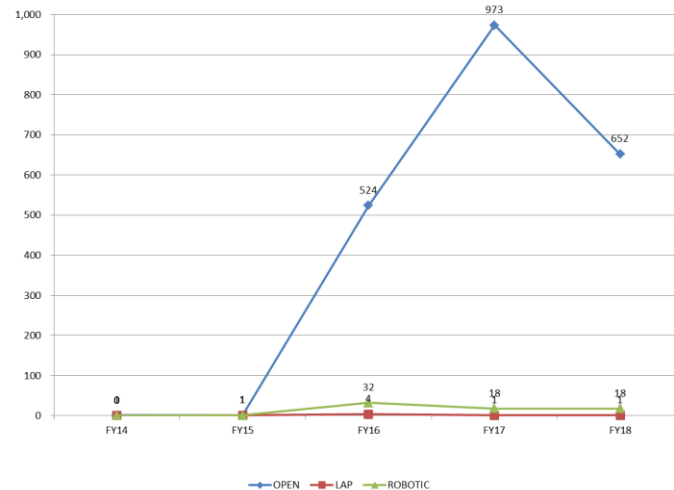
LG GENERAL SURGERY



LG GYNECOLOGY



LG UROLOGY



Robotic Surgery ROI Analysis – Mt View

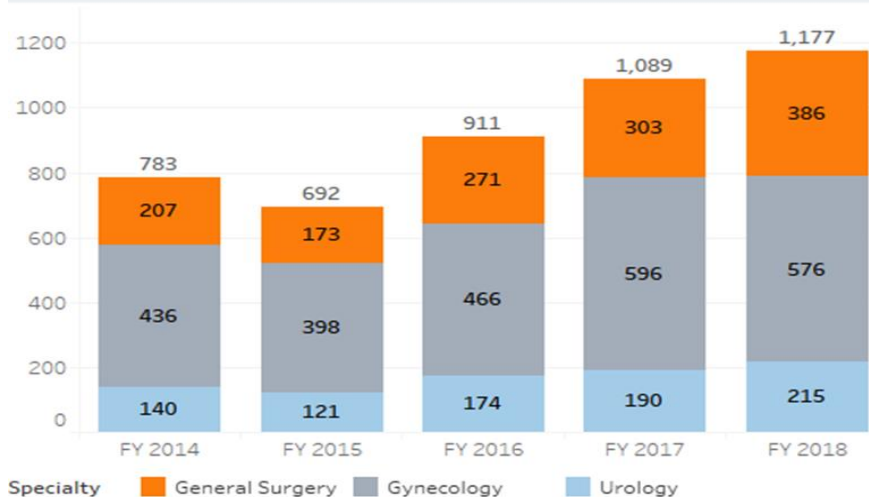
MV ROI						
Incremental Cases (FY17-FY18)		88				
Charges		8,406,754				
Net Revenue		2,895,525				
Direct Cost		946,243				
Variable Indirect		4,939				
Contribution Margin		1,944,342				
YR	0	1	2	3	4	5
Initial Investment	(2,095,000)					
Contrib Margin		1,944,342	1,944,342	1,944,342	1,944,342	1,944,342
Cash Flow (CF)	(2,095,000)	1,944,342	1,944,342	1,944,342	1,944,342	1,944,342
Cum CF		(150,658)	1,793,685	3,738,027	5,682,370	7,626,712
					NPV	5,492,699
					IRR	88.96%

Robotic Surgery ROI Analysis – Los Gatos

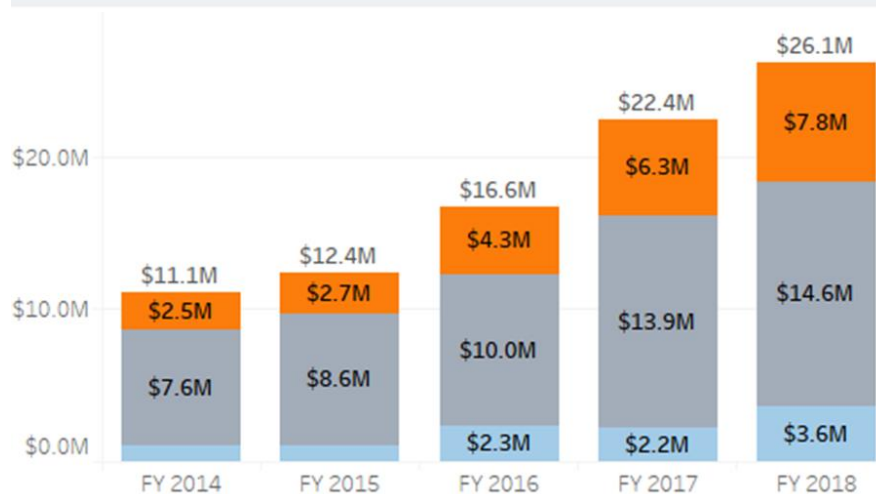
LG ROI						
Incremental Cases (FY17-FY18)		59				
Charges		5,881,722				
Net Revenue		1,652,883				
Direct Cost		778,999				
Variable Indirect		2,216				
Contribution Margin		871,669				
YR	0	1	2	3	4	5
Initial Invest	(1,845,000)					
Contrib Margin		871,669	871,669	871,669	871,669	871,669
CF	(1,845,000)	871,669	871,669	871,669	871,669	871,669
Cum CF		(973,331)	(101,662)	770,007	1,641,676	2,513,345
					NPV	1,615,902
					IRR	37.70%

Robotic Surgery – Mt View FY2014 – FY2018

Case Volume

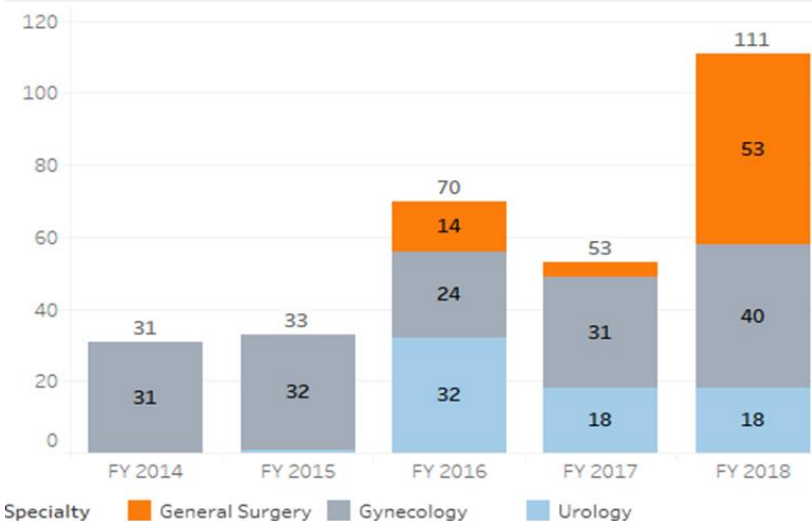


Contribution to Indirect

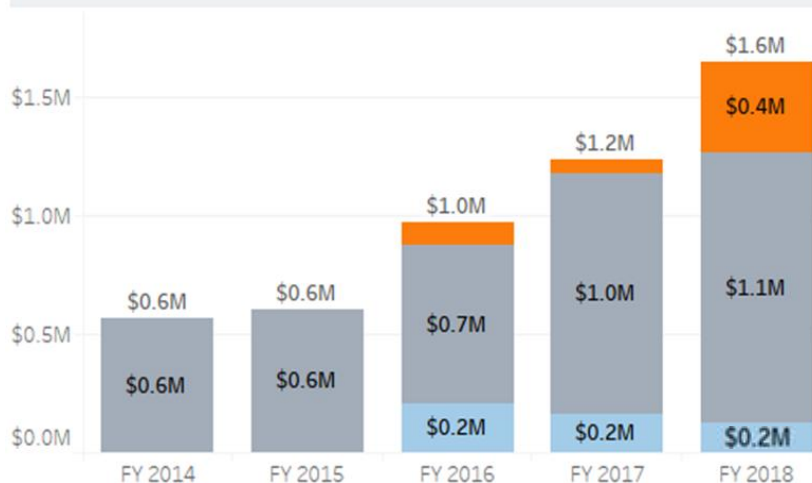


Robotic Surgery – Los Gatos FY2014 – FY2018

Case Volume



Contribution to Indirect



Surgery Category Mappings to Surgeon Specialties

Specialty Grouping	Surgeon Specialty
General Surgery	Bariatrics
General Surgery	Colon and Rectal Surgery
General Surgery	Gastroenterology
General Surgery	General Surgery
General Surgery	Hand Surgery
General Surgery	Interventional Radiology
General Surgery	Neurosurgery
General Surgery	Ophthalmology
General Surgery	Oral Maxillofacial Surgery
General Surgery	Orthopedic Surgery
General Surgery	Otolaryngology
General Surgery	Plastic Surgery
General Surgery	Podiatry
General Surgery	Surgery-Neurological
General Surgery	Surgical Oncology
Gynecology	Female Pelvic and Reconstructi
Gynecology	Gynecologic Oncology
Gynecology	Maternal and Fetal Medicine
Gynecology	Obstetrics and Gynecology
Urology	Nephrology
Urology	Urology

COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Iftikhar Hussain, CFO
Date: November 26, 2018
Subject: Draft Revised Authorization Policy

Recommendation(s):

To recommend that the Governance Committee recommend approval of the Revised Authorization Policy

Summary:

1. Situation: At its August 2018 meeting, the Finance Committee voted to recommend the Board delegate decision making authority to it to approve certain physician contracts. The attached proposed changes to the authorization policy along with the proposed changes to the physician financial Arrangements and the Finance committee charter are needed to implement the delegation of authority
2. Authority: The Authorization Policy should be revised to reflect the Board approved delegations of authority.
3. Background: The Board has approved certain delegated authority to the Finance Committee which is reflected in the proposed revisions to the charter. As well, the Finance Committee and the Governance Committee have recommended delegation of authority with respect to some capital expenditures that is reflected in the proposed revisions.

The proposed changes also include removing language that describes procedures. Also removed from the policy is the delegation that the CEO will set within his authorization level.

4. Assessment: N/A
5. Other Reviews: None.
6. Outcomes: N/A

List of Attachments:

Revised Authorization policy

Suggested Committee Discussion Questions:

None.

Agenda Item Name Here
October 10, 2018 [Meeting Date]

POLICY TITLE: Finance: 17.01 Authorization Policy**CATEGORY:** Administration

LAST APPROVAL DATE: 1/2019

ORIGINAL DATE: 1/90

COVERAGE:

El Camino Hospital and Affiliates.

PURPOSE:

The purpose of this policy is to establish the level of authority required to approve operating and capital expenditures. Authorization per the following guidelines must be obtained prior to the expenditure of funds.

1. Approval levels

Category	CEO	Finance Committee	Hospital Board	ECHD
General	\$1 million	>1 million - \$5 million	>\$5 million - 5% of assets	>5% of assets
Capital	\$1 million	>1 million - \$5 million	>\$5 million - 5% of assets	>\$25 million
Physician Contracts	Covered by Physician Financial Arrangements policy			
Notes				
The CEO can authorize items in the approved operating and capital budget				
The CEO will set authorization levels for other levels of management				

2. Emergency Exception

When an emergency occurs and funds must be expended or obligated without an appropriate signature, the appropriate signatures shall be obtained the following working day by the originator or if Board approval is required at the next upcoming Board meeting.

3. Accounting Firms

The selection of a certified public accounting firm must be approved by the District Board of Directors. All invoices for audit fees and accounting services must be approved by the Chief Financial Officer and/or Controller of the Hospital.

4. Building Leases**Building Leases – Hospital is the Tenant**

All building lease agreements for sites being leased where the Hospital is the tenant shall be executed by the CEO.

Medical Office Space/Building Leases – Hospital is the Landlord

All building lease agreements (including space needs within a department) entered into with tenants of Hospital owned buildings shall be executed by the Chief Administrative Services Officer (CASO) and shall be at current fair market value.

Sublease of Non-Medical Office Building Hospital Properties - The Hospital shall not sublease any of its non-medical office building properties without the approval of the El Camino Healthcare District Board of Directors (per ground lease between El Camino Hospital District and El Camino Healthcare System [El Camino Hospital] of December 17, 1992 – Article 5.6 (d).

5. Charitable Donations to Outside Organizations

As determined by the Community Benefit Advisory Committee (CBAC), the Hospital may make donations to outside charitable organizations that carry out the Hospital’s mission or strategic objectives, and especially the provision of healthcare to the uninsured or underserved. Greater detail is provided in Administrative Policy 48.00. Payment authorizations are as

Approved By	Dollar Limit
CBAC Coordinator	\$30,000
CEO	\$50,000
Board of Directors	>\$50,000

6. Employment

The Hospital Board of Directors hires, with approval of the District Board, and negotiates the salary, benefits, and incentive compensation of the Hospital’s CEO. The CEO hires or delegates to appropriate management the hiring of all other employees. Incentive pay for executive management staff requires the approval of the Board or Committee. Incentive pay for middle management requires the approval of the CEO.

7. Legal Firms

The selection of the Hospital’s general counsel firm must be approved by the Board of Directors. All retainer agreements for legal counsel must be signed by the CEO. All invoices for legal counsel (from any department e.g. Human Resources, Medical Staff), regardless of the amount are to be approved by the Associate General Counsel (AGC). The AGC shall report total hospital spend on legal services to the CEO and the CFO on a quarterly basis.

8. PPO/HMO Contracts

- a. Single (individual patient) case agreements are approved by the VP of Payor Relations.
- b. All contracts with third party payors to provide medical care are to be approved by the CFO or CEO.

9. Capital Guidelines

The CEO cannot approve items that bring the total spend on annual routine IT and equipment over the approved budget. Items over \$1 million and items that would bring total spending for routine IT and equipment above annual budget require Board approval

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

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POLICY TITLE: Finance: 17.01 ~~Signature Authorization~~
Policy

CATEGORY: Administration

LAST APPROVAL DATE: ~~18/2019~~5

ORIGINAL DATE: 1/90

COVERAGE:

All El Camino Hospital staff and Affiliates.

PURPOSE:

The purpose of this policy is to establish the level of ~~signature~~ authority required to approve ~~Hospital Operating and Expenditures, Capital Equipment, and Construction Funds~~ expenditures. ~~It is the policy of the Hospital and its related entities to. Authourozation obtain the appropriate approved signatures~~ authorization per the following guidelines ~~prior to the expenditure of funds. Verification of proper authorization is to be completed by Purchasing and/or Accounting before processing these expenditures.~~

Approval levels

Category	CEO	Finance Committee	Hospital Board	ECHD
General	\$1 million	>1 million - \$5 million	>\$5 million - 5% of assets	>5% of assets
Capital	\$1 million	>1 million - \$5 million	>\$5 million - 5% of assets	>\$25 million
Physician Contracts	Covered by Physician Financial Arrangents policy			
Notes				
The CEO can authorize items in the approved operating and capital budget				
The CEO will set authorization levels for other levels of management				

PROCEDURE: Check Signing Authority:

~~It is the policy of the Hospital to have checks in excess of \$10,000.00 to the maximum of \$25,000.00 to be hand signed by any one of the authorized signers reflected on the bank signature. Checks in excess of \$25,000.00 must be hand signed by one of the authorized signers from the Finance Division and one of the authorized signers from Administration. Only in emergency situations should the two required signers be from either the Finance or Administration Divisions.~~

A. Approving the Expenditure of Hospital Funds:

- ~~1. Department Directors/Managers shall be responsible for obtaining the appropriate approval signatures on the Signature Authority memorandum prior to authorizing the expenditure of funds.~~
- ~~2. Accounting and Purchasing shall verify that appropriate written approval signatures are on all transactions prior to processing.~~
- ~~3. All transactions lacking the appropriate written approvals shall be returned to the originator.~~

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~~4. In the event the authorized individual is not available to approve expenditures, the next highest approved authority level signature shall be obtained (i.e., department Director/Manager or designee not available, the department's Chief, Vice President or Chief or Chief Executive Officer (CEO) must authorize expenditure).~~

~~5. Transactions must include the approver's personal signature. The requester's name may be typed on the document.~~

~~Note: In no instance shall an individual be both the payee (or be on the behalf of the payee) and approver of funds.~~

B1. Emergency Exceptions:

When an emergency occurs and funds must be expended or obligated without an appropriate signature, the appropriate signatures shall be obtained the following working day by the originator or if Board approval is required at the next upcoming Board meeting.

C. General Guidelines for Signature Authority:

~~These guidelines are segregated into four sections:~~

- ~~a. Administrative guidelines,~~
- ~~b. Departmental guidelines~~
- ~~c. Capital guidelines, and~~
- ~~e. Construction Fund guidelines~~

~~The Administrative guidelines primarily detail signature authority for certain professional services, contracts and employment.~~

~~The Departmental guidelines detail the **standardized** signature authority levels for individual departments and/or entities of the Hospital.~~

~~The Construction Fund guidelines detail signature authority for expenditures for new construction and/or significant renovation or repair projects.~~

~~Purchasing and Accounting will be responsible for processing all purchase requisitions and/or invoices under these guidelines for all departments and/or entities of the District except for those itemized below ("exempt departments"). These exempt departments will be allowed the opportunity of ordering their specified supplies without using the purchase requisition system and may present invoices directly to Accounts Payable using approved signature authority levels within their departments.~~

Exempt Departments	May Order without Purchase Requisition
Pharmacy	Drugs & Pharmaceuticals
Food Service	Food Products

Administrative Guidelines: (alphabetized)

24. Accounting Firms

The selection of a certified public accounting firm must be approved by the District Board of

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Directors. All invoices for audit fees and accounting services must be approved by the Chief Financial Officer and/or Controller of the Hospital.

32- Building Leases

Building Leases – Hospital is the Tenant

All building lease agreements for sites being leased where the Hospital is the tenant shall be executed by the CEO.

Medical Office Space/Building Leases – Hospital is the Landlord

All building lease agreements (including space needs within a department) entered into with tenants of Hospital owned buildings shall be executed by the Chief Administrative Services Officer (CASO) and shall be at current fair market value.

Sublease of Non-Medical Office Building Hospital Properties - The Hospital shall not sublease any of its non-medical office building properties without the approval of the El Camino Healthcare District Board of Directors (per ground lease between El Camino Hospital District and El Camino Healthcare System [El Camino Hospital] of December 17, 1992 – Article 5.6 (d)).

43- Charitable Donations to Outside Organizations

As determined by the Community Benefit Advisory Committee (CBAC), the Hospital may make donations to outside charitable organizations that carry out the Hospital’s mission or strategic objectives, and especially the provision of healthcare to the uninsured or underserved. Greater detail is provided in Administrative Policy 48.00. Payment authorizations are as

Approved By	Dollar Limit
CBAC Coordinator	\$30,000.00
CEO	\$50,000.00
Board of Directors	>\$50,000.00

54- Employment

The Hospital Board of Directors hires, with approval of the District Board, and negotiates the salary, benefits, and incentive compensation of the Hospital's CEO. The CEO hires or delegates to appropriate management the hiring of all other employees. Incentive pay for executive management staff requires the approval of the Board. Incentive pay for middle management requires the approval of the CEO.

For greater detail in the above procedures and processes refer to certain Human Resources policies and guidelines regarding hiring and compensation programs.

Employment Practices Settlements

~~Employment practice settlement (within the BETA D&O Insurance Policy) authorizations to \$100,000 must be approved by the Chief Human Resources Officer. Settlements to \$1,000,000 must be approved by the CEO. Settlements greater than \$1,000,000 require Board approval.~~

5. Employment Recruiting Expenses

Expenses for recruiting advertising, outside professional search firms and applicant interview expenses must be approved as follows:

Approved By	Dollar Limit
Chief Human Resources Officer	\$250,000
CEO	\$500,000
Board of Directors	>\$500,000

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6. Legal Firms

The selection of the Hospital's general counsel firm must be approved by the Board of Directors. All retainer agreements for legal counsel must be signed by the CEO. All invoices for legal counsel (from any department e.g. Human Resources, Medical Staff), regardless of the amount are to be approved by the Associate General Counsel (AGC). The AGC shall report total hospital spend on legal services to the CEO and the CFO on a quarterly basis.

7. Physician Contracts for Services

All Physician medical directorships and consulting agreements, and new call panels (not individual contracts) must be approved as follows:

Contract Type	Approved By
New or renewal Contract >\$250,000	Board of Directors
Renewal of Contract up to 10% of current contract amount	CEO
Renewal of Contract greater than 10% of current contract amount	Board of Directors

Key Elements for Compliant Medical Director Agreements

It is the responsibility of Management and the Board of Directors to ensure that the organization has established a systematic and standardized process for analyzing, approving, and reviewing its medical director agreements. There are a number of key elements that Management and the Board should incorporate into medical director agreements. The key elements are detailed in Appendix D of this policy.

Physician contracts for medical directorships and/or consulting must also have a completed and signed Privacy and Confidentiality Addendum (aka: Business Associate Agreement) due to the potential access to patient information. The approved format for this Privacy and Confidentiality Addendum is found in Appendix E of this policy.

Physician Contract Review Policy 51.00

~~This policy allows the Corporate Compliance office to establish internal controls within the organization, allowing him or her to detect and correct significant risks before financial arrangements are implemented. Further, it acts as a tool for hospital management to self-detect any risks before submission for review, thereby minimizing any questionable elements of the arrangement before the proposed physician arrangement is presented to Corporate Compliance, the Chief Executive Officer and the ECH Board of Directors. Please refer to this Policy for greater detail and processes.~~

8. Physician Recruitment Expenses

- ~~a. Income/Salary Guarantee Loan Program to a maximum of \$500,000 must be approved by the CEO. Loans greater than \$500,000 must be approved by both the Hospital and District Board of Directors.~~
- ~~b. Second Home Mortgage Program to a maximum of the lesser of 10% of home purchase price or \$200,000 must be approved by the CEO. Amounts greater than the 10% of purchase price must be approved by both the Hospital and District Board of Directors.~~
- ~~c. Physician Recruitment/Relocation Program to a maximum of \$500,000 must be approved by CEO. Greater than \$500,000 must be approved by both the Hospital and District Board of Directors.~~
- ~~d. For greater detail on these programs, refer to Administrative Policy & Procedure 42.00: Physician Recruitment Policy.~~

79. PPO/HMO Contracts

- a. Single (individual patient) case agreements are approved by the VP of Payor Relations.
- b. All contracts with third party payors to provide medical care are to be approved by the CFO or CEO.

10. Purchasing Contracts and Purchase Orders

~~All purchasing contracts and purchase orders must be executed by the Director of Material Management/Purchasing and are subject to the appropriate approval requirements for purchase requisitions. In the Director of Material Management/Purchasing's absence, the Purchasing Manager or the Line Vice President or Chief must approve.~~

11. Purchases for Partnership Entities

~~All purchases or requests for expenditure of funds via Signature Authority Memorandum for partnerships of the Hospital must have the CEO's signature.~~

Approved By	Dollar Amount
Manager, Employee Health Services	\$25,000
Chief Human Resources Officer	\$100,000
CEO	> \$100,000

~~12. Employee Benefits Insurance Premiums and Claims~~

Approved By	Dollar Amount
Manager, Compensation & Benefits	\$4 Million
Chief Human Resources Officer	\$4 Million
CEO	\$4 Million

~~Departmental Guidelines:~~

~~The grid on page 1 defines the standard authority levels for departments. The recommended authority levels within a department are set by the Department Director/Manager.~~

~~For some cost centers, the standard authorization levels for **Operating Expenses** are not adequate to meet the smooth operational needs of the department. The cost center's Vice may approve an exception to this standard policy amount up to \$250,000. Exceptions in excess of \$250,000.00 must be approved by CEO to a maximum of \$1,000,000.~~

~~Operating Expenses~~

~~Operating expenses for a cost center are those on-going, routine (and non-routine) expenses necessary to operate the department on a daily basis. Accountability for these expenses is at the department and divisional levels.~~

~~a. Petty Cash~~

~~The petty cash limit is \$55 and is intended as reimbursement for local mileage and/or miscellaneous out-of-pocket expenses. The requester must complete a "Petty Cash Disbursement Voucher" form (#2088) and attach a receipt or proof of expenditure. The department Director/Supervisor must approve the voucher. If the requester is the department Director/Manager, it must be approved by the Vice Chief of Clinical Operations or Site Administrator or division Vice President. Use of petty cash is to be minimized in favor of the purchase order system.~~

~~b. Check Requests~~

~~A "Purchase Requisition" is not required to accompany check requests. Payments should be limited to association dues, membership fees, and miscellaneous non-reoccurring expenses. The department Director/Manager (or designee) must complete a "Disbursement Authorization-Operating Account" form (#2087) or approve by signing on the vendor's invoice.~~

~~c. Education Travel Tuition~~

~~The requester must complete an "Activity and Expense Authorization for Education Travel Tuition" form (#2085). This form is also to be used for business expenses incurred on behalf of the Hospital and its affiliates. The requester must follow the policy and procedures as detailed in the Education Travel Tuition guideline manual ([Administrative Policy 5.00](#)).~~

d. Outside Registries/Sitters/Administrative Support

~~For the use of registries and sitters, the Director/Manager/Supervisor has the authority to call the predetermined list of registries/agencies to hire the needed temporary RN's, sitters, clinical support, etc.~~

~~For the use of temporary outside administrative support, refer to the current HR policy/procedure for obtaining these services.~~

e. Supplies Secured by Purchase Requisition

~~Purchases of supplies needed for daily patient care or operation of department such as: minor instruments or equipment, repair parts, and miscellaneous non-stock items, must be authorized by the Department Director, Manager or Supervisor. The requester must fill out a "Purchase Requisition" form (#120) or use eProcurement and obtain appropriate signatures before forwarding to Purchasing. The approval by the Director of Material Management/Purchasing on the "Purchase Order" form is the authorization needed by Accounts Payable to pay vendor invoices in accordance with purchase order prices and specifications.~~

f. Purchased Services Secured by Purchase Requisition

~~Purchases of services from vendors for: 1) general "Purchased Services" (prime 716xxx) such as security services, custodian services, medical laboratory services; or 2) "Equipment Repairs and Maintenance" (prime 720xxx) such as preventative maintenance contractors on medical equipment, IT hardware or software maintenance support, must at a minimum be authorized by the Department Director/Manager. The requester must fill out a "Purchase Requisition" form (#120) or use eProcurement and obtain appropriate signatures before Purchasing issues a Purchase Order.~~

~~If a Purchase Requisition (form #120 or eProcurement) is not used and the amount to be paid to the vendor will exceed \$25,000 in a "rolling year", a current Master Services Agreement must be in place (refer to Administrative Policy #50.00 – Vendor Payment, Section H.6). When a Master Services Agreement is in place, a Purchase Order or EOS (Engagement of Services) is not required and payment authorization to the vendor is dictated by signature authority levels. Purchases under 720-622 (Building Alter Repair) are exempt.~~

g. Non-Capital Computer Hardware and Software

~~When ordering **NON** capital computer hardware (items less than \$1,000) or software (items less than \$4,000), use the Purchase Requisition form (#120) or use eProcurement.~~

~~**Purchases of these expense items must include the approval of a representative from the Information Systems department.**~~

h. Consultants and Professional Services

Approved By	Dollar Amount
Executive Director	\$50,000
Site Administrator	\$250,000
Chief/Vice President/	\$250,000

Subsidiary President	
CEO	\$1,000,000
Board of Directors	>\$1,000,000

~~All independent contractors (consulting and professional services) must have both an agreement (see the Manager of Legal and Contracting Services for a template) and “Engagement of Services” (EOS) form (Appendix C). These EOS forms may be obtained from Accounting. Completion of both forms will act as a purchase order for the matching of payments by Accounts Payable. All consulting and professional services must be approved as follows:~~

~~Exceeding an EOS Approved Amount:~~

- ~~a. Addendums to EOS that the revised amount will not exceed \$150,000 may be approved by the Vice Chief of Clinical Operations or Site Administrator. Amounts great than \$150,000, but less than \$250,000 may be approved by the respective Vice President or Chief.~~
- ~~b. Addendums to EOS’ that the revised amount will not exceed \$250,000 will require Vice President or Chief approval.~~
- ~~c. Any originally approved EOS between \$250,000 to \$500,000 that will be exceeded by an amount that the revised amount will not be greater than \$550,000 requires CEO approval.~~
- ~~d. All Board approved EOS’ that will be exceeded by \$50,000 or 10%, whichever is greater, requires Board approval.~~

~~**Note: When using an EOS and there does not exist a formal contract to support the EOS, it is strongly recommended that at a minimum a one page “contract” be included that specifies the duties and responsibilities to be performed by both parties, amounts to be paid, effective date, termination date, and that is approved and signed by both parties. See the AGC.**~~

~~There are times when purchasing consulting and professional services from a contractor that a Privacy and Confidentially Addendum (aka: Business Associate Agreement) must be completed and signed. This is usually driven by the potential to access patient information. The approved format for the Privacy and confidentially Addendum is found in Appendix E of this policy.~~

~~i. General Stores Issues~~

~~A “General Stores Requisition” form must be dated and signed by a representative of the requesting department (excluding case cart and exchange cart system requisitions) before General Stores issues any material to a department.~~

~~**Capital Guidelines**~~

~~As part of the Hospital’s annual budget process each year, departments request the capital needs for operating their department. The outcome of this budget process is a list of capital equipment that is ultimately approved by the Board of Directors for purchase during the fiscal~~

~~year. Approved capital equipment items are assigned a unique identifying number for tracking by the Finance Department. When a department is using Strata-Cap, this identifying number for the budgeted equipment must be provided.~~

~~Exceeding an approved Budgeted Capital Equipment Item: There are times for various reasons (change in the scope of the equipment being purchased, additional implementation/installation costs, etc.) a previously approved budgeted item will be exceeded.~~

~~When a budgeted item is going to be exceeded, the manager/requestor must seek additional approval **before** purchasing the Capital item per the following required authority levels:~~

- ~~a. Original budget to \$150,000 to be exceeded by up to \$25,000 requires a signature of the department's Vice Chief of Operations or Site Hospital Administrator.~~
- ~~b. Original budget to \$250,000 to be exceeded by up to \$25,000 requires the department's Vice President or Chief approval.~~
- ~~c. Original budget, within the range of \$250,000 to \$500,000 to be exceeded by some amount that will make the revised budget no greater than \$1,000,000 requires CEO approval.~~
- ~~d. All previously Board approved capital that will be exceeded by \$50,000 or 10% to a maximum of \$1,000,000, whichever is greater, requires Board approval.~~

~~e. Unbudgeted items to \$1,000,000 require CEO approval and Board approval for amounts over \$1,000,000. The CEO cannot approve items that bring the total spend on annual routine IT and equipment over the approved budget. Items over \$1 million and items that would bring total spending for routine IT and equipment above annual budget require Board approval~~

~~**Note: a.) IS equipment requires the additional approval of a representative of the Information Systems department. b.) Equipment with facilities impact requires the additional approval of facilities vice president.**~~

Construction Fund Guidelines:

1. The Use and Background of the Fund

~~The Construction-in-Progress (Facilities) Fund, which is paid from the Accounts Payable Operations Account, is primarily used for new construction projects and/or significant remodeling or repairs to the existing buildings and grounds. In most construction projects, additional capital equipment and/or materials, professional services, vendors, and sub-contractors will be purchased by the Hospital to complete the entire project. These expenditures are to be built into the overall estimated budget for the project in order to provide Executive Management and/or the Board of Directors a total project cost.~~

~~As potential construction (renovation) projects are developed and sized, costs regarding the feasibility of the project must be expended. It is at this time, a preliminary budget and "Project ID Number" (4 digits) is assigned in the accounting system to track these costs across multiple years as construction takes place.~~

~~**Note: No costs (including capital equipment) may be charged to a construction project without the approval of the CASO.**~~

2. Signature Guidelines

Approved By	Dollar Amount
CASO	\$250,000
CEO	\$1,000,000
Board of Directors	> \$1,000,000

a. ~~As a potential construction or renovation project is developed and sized, costs regarding the feasibility of the project must be expended. Approval of these initial costs are detailed as follows~~

b. Approval of Total Construction Project

Approved By	Dollar Amount
CASO	\$250,000
CEO	\$1,000,000
Board of Directors	> \$1,000,000

Approval of a total construction or renovation project is to be approved as follows:

c. Approval of Agreements to Perform Work

~~After an overall project has received approval, the CASO has the authority to execute all construction agreements with contractors and respective construction professionals to an aggregate of the total approved budget.~~

d. Approval of Costs Associated with a Board Approved Project >\$1,000,000

~~As detailed in "b" above, all construction projects greater than \$1,000,000 require Board of Directors approval. Once this approval has been given, the ongoing authorization of the costs associated with the project is detailed below:~~

e. Exceeding an Approved Construction Budget

~~As with capital equipment there are times for various reasons (change in scope of the construction project, unanticipated costs in performing a renovation project, etc.), a previously approved budget will be exceeded.~~

~~When a budgeted construction project is going to be exceeded, the CASO must seek additional approval **before** authorizing the increase to the project per the following required authority levels:~~

~~a. Original budget to \$250,000 to be exceeded by up to \$25,000 requires the CASO approval.~~

~~b. Original budget, within a range of \$250,000 to \$500,000 to be exceeded by some amount that will make the revised budget no greater than \$1,000,000 requires the CEO's approval.~~

~~c. All previously Board approved construction projects that will be exceeded by \$50,000 or 10% to a maximum of \$1,000,000, whichever is greater requires Board approval.~~

f. Approval of Total Construction Project

Approved By	Dollar Amount
-------------	---------------

CASO	\$250,000
CEO	\$1,000,000

Approval of a total construction or renovation project is to be approved as follows:

L. Review and/or Modification

Type of Transaction	Dollar Limit	Approved by
1. Approval of invoices for non-requisitioned supplies or services	\$250,000 >\$250,000	CASO CEO
2. Miscellaneous check requests for state and local permits.	\$250,000 >\$250,000	CASO CEO
3. Purchase requisitions capital equipment	Refer to item J "departmental guidelines" for approval levels for capital equipment.	
4. Contractor change orders	\$250,000 >\$250,000	CASO CEO
5. Engagement of Services (EOS)	\$250,000 >\$250,000	CASO CEO
6. Purchase Requisitions for Supplies or Services	\$250,000 >\$250,000	CASO CEO
7. AIA Certificates of Payments of contractors	\$250,000 >\$250,000	CASO CEO

The CEO shall be responsible for reviewing guidelines as conditions warrant but at a minimum at the beginning of every fiscal year. Modifications may be initiated by the Controller or Chief Financial Officer. Authority levels delegated by the Board of Directors may only be changed by Board approval.

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

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electronic versions of this document, the electronic version prevails.

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: November 26, 2018
Subject: Proposed Revisions to Corporate Compliance: Physician Financial Arrangements Policy

Recommendation(s):

To recommend the Board approve the Proposed Revisions to the Corporate Compliance: Physician Financial Arrangements Policy

Summary:

1. **Situation:** At its August 2018 meeting, the Finance Committee voted to recommend the Board delegate decision making authority to it to approve certain physician contracts. Subsequently, the Compliance and Audit Committee (CAC) voted to recommend the Board delegate authority to it and to the Finance Committee to review and approve the Annual Summary of Physician Financial Arrangements. The Governance Committee also voted to recommend approval of the delegations of authority and on November 14, 2018 the Board approved.
2. **Authority:** To accomplish and document the delegations of authority, the Corporate Compliance: Physician Financial Arrangements Policy must be revised
3. **Background:**
 - A. **Approval of Physician Financial Arrangements:** The policy currently requires Board approval of any physician financial arrangement that exceeds the 75th percentile of fair market value and 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. The proposed revisions would delegate authority to the Finance Committee to approve any physician financial arrangement that exceeds \$250,000 annually or is increased by more than 10% on renewal, but still require Board approval of those that exceed the 75th percentile of fair market value.
 - B. **Annual Summary Report of Physician Financial Arrangements:** The policy also currently requires presentation of a summary report to the CAC, the Finance Committee, and the full Board describing the arrangements, the organizational need that justifies each arrangement, the total annual amount paid to each physician or group, comparison to prior year, and any recommendations for change to policy or procedure related to physician financial arrangements. For Medical Directorships, the summary report also includes goals, contracted rate and hours, and performance against goals. The Board receives the report on its consent calendar. The proposed revisions to the policy would delegate authority to the Finance Committee and the Compliance and Audit Committee to review and approve the annual report.

Proposed Revisions to Corporate Compliance: Physician Financial Arrangements Policy
November 26, 2018

4. Assessment: The proposed revisions will implement the Board approved delegations of authority
5. Other Reviews: The CAC, The Governance Committee and The Board of Directors have concurred in the delegations of authority as described above. The proposed policy revisions will be taken to the CAC in January and to the Board in February.
6. Outcomes: The delegations will take appropriate advantage of the Committees' expertise, and have substantial impact on the Board's time spent reviewing and approving these matters, enabling it to focus on Strategic and Generative Governance at the Board level.

List of Attachments:

1. Draft Revised Corporate Compliance: Physician Financial Arrangements Policy

Suggested Committee Discussion Questions:

None.



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

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.

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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 6(e) below.

~~If a new arrangement is over \$250,000.00; or a renewal or ment 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(e) below. All recruitment proposals must be approved prior to the CEO executing.~~

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POLICY/PROCEDURE TITLE: Corporate Compliance: Physician Financial Arrangements - Review and Approval**6. Board Approval:**

a. All physician financial arrangements that exceed 75% of fair market value (regardless of total annual compensation) must be reviewed by the Finance Committee of the Board and approved by the Board.

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b. 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 Finance Committee of the Board must approve prior to CEO execution of the Physician Contract, except as set forth in section 6(d).

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~~6. —~~

~~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.~~

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~~b) — c. A~~ memo prepared by the Designated Manager that justifies the Hospital's needs shall be provided to the appropriate Board Committees and/or Board of Directors as necessary for approval as part of the approval documents.

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e) d. Notwithstanding Sections 6(a) and (b), 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.

Formatted: No bullets or numbering, Keep with next**C. Board Oversight and Internal Review Process:**

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



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

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 ~~approval 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

Historical Approvals:

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

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

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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

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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

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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)

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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.

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**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: November 26, 2018
Subject: Draft Revised Finance Committee Charter

Recommendation(s):

To recommend that the Governance Committee recommend approval of the Draft Revised Finance Committee Charter

Summary:

1. Situation: The Finance Committee Charter should be revised to reflect the Board approved delegations of authority as well as the proposed revisions to the Signature Authority Policy.
2. Authority: The Boards Advisory Committees recommend Charter revisions to the Governance Committee which then makes recommendations for approval to the Board
3. Background: The Board has approved certain delegated authority to the Finance Committee which is reflected in the proposed revisions. As well, the Finance Committee and the Governance Committee have recommended delegation of authority with respect to some capital expenditures that is reflected in the proposed revisions.
4. Assessment: N/A
5. Other Reviews: None.
6. Outcomes: N/A

List of Attachments:

Draft Revised Finance Committee Charter

Suggested Committee Discussion Questions:

None.



Draft Revised 11-26-18

Finance Committee Charter

Purpose

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

Authority

All governing authority for ECH resides with the Board and the Committee serves as an advisory body only. The Committee will report to the Board at the next scheduled meeting any recommendation made within the Committee’s authority. The Committee has the authority to select, engage, and supervise any consultant it deems necessary to advise the Committee on issues related to its responsibilities. In addition, the Committee, by resolution, may adopt a temporary advisory committee (ad hoc) of less than a quorum of the members of the Committee. The resolution shall state the total number of members, the number of board members to be appointed, and the specific task or assignment to be considered by the advisory committee.

Voting members of the Committee shall include the directors assigned to the Committee and external (non-director) members appointed to the Committee.

Membership

- The Committee shall be comprised of two (2) or more Hospital Board members. The Chair of the Committee shall be appointed by the Board Chair, subject to approval by the Board. All members of the Committee shall be eligible to serve as Chair of the Committee.
- The Finance Committee may also include 2-4 external (non-Hospital Board member) members with expertise which is relevant to the Committee’s areas of responsibility, such as banking, financial management, planning and real estate development, etc.
- All Committee members shall be appointed by the Board Chair, subject to approval by the Board, for a term of one year expiring on June 30th each year, renewable annually.
- It shall be within the discretion of the Chair of the Committee to appoint a Vice-Chair from among the members of the Committee. If the Chair of the Committee is not a Hospital Board member, the Vice-Chair must be a Hospital Board member.

Staff Support and Participation

The CFO shall serve as the primary staff support to 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 Committee meetings as deemed necessary.



General Responsibilities

The Committee's primary role is to provide oversight and to advise the management team and the Board on matters brought to this Committee. With input from the Committee, the management team shall develop dashboard metrics that will be used to measure and track financial performance for the Committee's review. It is the management team's responsibility to develop and provide the Committee with reports, plans, assessments, and other pertinent materials to inform, educate, and update the Committee, thereby allowing Committee members to engage in meaningful, data-driven discussions. Upon careful review and discussion and with input from management, the Committee shall then make recommendations to the Board. The Committee is responsible for ensuring that performance metrics which are not being met to the Board's expectations are reported to the Board.

Specific Duties

The specific duties of the Committee are:

A. Budgeting

- Review the annual operating and capital budgets for alignment with the mission and vision of ECH and make recommendations to the Board.
- Review any financial requests in excess of the CEO's signing authority and make recommendations to the Board.
- Review ECH's long-range forecasts and financial plans and make recommendations to management regarding steps advisable to improve ECH's financial strength.

B. Financial Reporting

- Review each accounting period's financial statements and ensure the Board is advised of any necessary corrective actions.
- Obtain a clear understanding of ECH's financial reporting process by reviewing the hospital's dashboard items and periodic financial reports and advise management on how to improve its financial reporting in order to improve accountability and ease of reading and understanding.

C. Financial Planning and Forecasting

- Semi-annually receive an update on management's assessment of expected results as well as potential risks related to the payor contracts.
- Evaluate the financial implications of emerging payment processes and provide advice to management regarding associated risk management concerns.
- Evaluate financial planning and forecasting to help ensure it remains in alignment with the mission and strategic direction of ECH.

D. Treasury, Pension Plans, and Contracting Concerns

- Review and make recommendations to the Board regarding all new debt issuances and derivative instruments in excess of \$1 million.
- Monitor compliance with debt covenants and evaluate ECH's capital structure.
- Review and make recommendations to the Board regarding changes in banking relationships, including, without limitation, depository accounts, investment accounts and major credit



facilities. The term “major credit facilities” does not include management-approved trade credit facilities offered in the ordinary course of business by vendors to the hospital. The Committee may recommend delegation of approval authority for specified changes to the CFO, but must maintain reporting and oversight of any such changes

- Review and make recommendations to the Board regarding proposed plan design or benefit design changes in excess of management authority limits to employee retirement plans, excluding changes to investments within those plans.
- Review and make recommendations to the Board regarding contractual agreements with persons considered to be “insiders” under IRS regulations, and those which are in excess of the CEO’s signing authority

E. Capital and Program Analysis

- Review and make recommendations to the Board with respect to the business plans of all capital items or proposed business ventures in excess of the CEO’s signing authority, and all variances to budget in excess of the CEO’s signing authority on projects in process.
- Review retrospective analyses of all strategic business ventures and all strategic capital expenditures in excess of \$2.5 million, as presented by management or as per the review schedule set forth by the Committee, to assess the reasonableness of business plans that were developed at the time of original approval and to promote learning as a result of any identified issues or concerns.
- Review and recommend approval fore the acquisition or disposition of capital any real property which is in excess of \$5 millionthe CEO’s signing authority.
- Approve unbudgeted capital expenditures exceeding the CEO’s signature authority but not in excess of \$5 million.

F. Physician Financial Arrangements

- Review and recommend for Board approval Physician Financial Arrangements in excess of 75% of fair market value in accordance with the Corporate Compliance: Physician Financial Arrangements Policy.
- Approve Physician Financial Arrangements in excess of 250,000 annually or if upon renewal or amendment, the annual increase is greater than 10% in accordance with the Corporate Compliance: Physician Financial Arrangements Policy.
- Approve the Annual Summary Report of Physician Financial Arrangements.

F.G. Financial Policies

- Review and recommend approval of any Board-level financial policies, excluding any financial policies for which responsibility has been specifically assigned to another Board Committee.

G.H. Ongoing Education

- Endorse and encourage Committee education and dialogue relative to emerging healthcare issues that will impact the viability and strategic direction of ECH

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H.I. Management Partnership

- Work in partnership with the CFO and other hospital executives to assist in the development of financial policies which will help ensure organizational success.
- Provide ongoing counsel to the CFO regarding areas of opportunity for either personal or organizational improvement.

Committee Effectiveness

The Committee is responsible for establishing its annual goals, objectives and work plan in alignment with the Board and Hospital's strategic goals. The Committee strives for continuous improvement with regard to its processes, procedures, materials, and meetings, and other functions to enhance its contribution to the full Board.

Meetings and Minutes

The Committee shall meet at least once per quarter. The Committee Chair shall determine the frequency of meetings based on the Committee's annual goals and work plan and the operational requirements of the organization. Minutes shall be kept by the assigned staff and shall be delivered to all members of the Committee when the agenda for the subsequent meeting is delivered. The approved minutes shall be forwarded to the Board for information.

Meetings and actions of all committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of the Bylaws, concerning meetings and actions of directors. Special meetings of committees may also be called by resolution of the Board or the Committee Chair. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the Committee. Notice of any special meetings of the Committee requires a 24 hour notice.

Finance Committee

Updated October 15, 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 - El Camino Ambulatory Surgery Center JV Purchase - Education Topic: Medicare Loss and IP/OP margins 	<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 - Service Line Review – HVI
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 – Woman’s Hospital - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – Oncology - Post implementation Review - Payor Update - HVI (Continue) - Consider Proposed Revisions to Signature Authority Policy - Consider Proposed Revisions to Physician Financial Arrangements Policy - Consider Proposed Revisions to Finance Committee Charter - Executive Session 	<p>No scheduled meeting</p>

Updated October 15, 2018

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