

AGENDA

REGULAR MEETING OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Wednesday, January 10, 2018 – 5:30pm
 El Camino Hospital | Conference Rooms EF&G (ground floor)
 2500 Grant Road Mountain View, CA 94040

MISSION: To heal, relieve suffering, and advance wellness as your publicly accountable health partner.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER/ROLL CALL	Lanhee Chen, Board Chair		5:30 – 5:32pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Lanhee Chen, Board Chair		5:32 – 5:33
3. BOARD RECOGNITION <i>Resolution 2018-01</i> ATTACHMENT 3	David Clark, Interim COO	<i>public comment</i>	motion required 5:33 – 5:38
4. QUALITY COMMITTEE REPORT ATTACHMENT 4	David Reeder, Quality Committee Chair		information 5:38 – 5:48
5. MOUNTAIN VIEW SITE PLAN STATUS UPDATE ATTACHMENT 5	Ken King, CASO		information 5:48 – 6:03
6. FY18 PERIOD 4 FINANCIALS ATTACHMENT 6	Iftikhar Hussain, CFO	<i>public comment</i>	possible motion 6:03 – 6:13
7. OPIOID ADDICTION CRISIS ATTACHMENT 7	William Faber, MD, CMO		discussion 6:13 – 6:43
8. DRAFT RESOLUTION 2018-02 Authorizing the CEO to execute an ED On-Call Agreement with Peter C. Fung, MD ATTACHMENT 8	Lanhee Chen, Board Chair	<i>public comment</i>	possible motion 6:43 – 6:48
9. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Lanhee Chen, Board Chair		information 6:48 – 6:51
10. ADJOURN TO CLOSED SESSION	Lanhee Chen, Board Chair		motion required 6:51 – 6:52
11. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Lanhee Chen, Board Chair		6:52 – 6:53
12. CONSENT CALENDAR <i>Any Board 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 Hospital Board Meeting (November 8, 2017) b. Minutes of the Closed Session of the Executive Compensation Committee Meeting (September 21, 2017)	Lanhee Chen, Board Chair		motion required 6:53 – 6:54

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<p>Information <i>Health and Safety Code Section 32155</i> for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters: c. Organizational Clinical Risks <i>Health and Safety Code Section 32106(b)</i> for a report involving health care facility trade secrets: d. Long Term Financial Forecast</p>			
<p>13. <i>Health and Safety Code Section 32155</i> for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters: - Medical Staff Report</p>	Rebecca Fazilat, MD, Mountain View Chief of Staff; J. Augusto Bastidas, MD, Los Gatos Chief of Staff		<p>motion required 6:54 – 7:04</p>
<p>14. <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trades secrets: - Board Retreat</p>	Lanhee Chen, Board Chair; Dan Woods, CEO		<p>discussion 7:04 – 7:14</p>
<p>15. <i>Gov't Code Section 54956.9(d)(2)</i> – conference with legal counsel – pending or threatened litigation; <i>Gov't Code Section 54957.6</i> for a conference with labor negotiator Dan Woods; <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trades secrets; <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters: - CEO Report on New Services and Programs, Legal Issues, and Labor Relations</p>	Dan Woods, CEO		<p>discussion 7:14 – 7:24</p>
<p>16. Report involving <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters: - Executive Session</p>	Lanhee Chen, Board Chair		<p>discussion 7:24 – 7:29</p>
<p>17. ADJOURN TO OPEN SESSION</p>	Lanhee Chen, Board Chair		<p>motion required 7:29 – 7:30</p>
<p>18. RECONVENE OPEN SESSION/ REPORT OUT</p>	Lanhee Chen, Board Chair		<p>7:30 – 7:31</p>
<p>To report any required disclosures regarding permissible actions taken during Closed Session.</p>			
<p>19. CONSENT CALENDAR ITEMS: <i>Any Board Member or member of the public may remove an item for discussion before a motion is made.</i></p>	Lanhee Chen, Board Chair	<i>public comment</i>	<p>motion required 7:31 – 7:33</p>
<p>Approval a. Minutes of the Open Session of the Hospital Board Meeting (November 8, 2017) <i>Reviewed and Recommended for Approval by the Executive Compensation Committee</i> b. Letters of Rebuttable Presumption of Reasonableness</p>			

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<p>c. Minutes of the Open Session of the Executive Compensation Committee Meeting (September 21, 2017)</p> <p>d. FY18 Salary Range for President, SVMD; Revised Executive Compensation Philosophy & Executive Compensation Incentive Plan Policies</p> <p><i>Reviewed and Recommended for Approval by the Finance Committee</i></p> <p>e. FY18 Period 3 Financials</p> <p>f. Ophthalmology Call Coverage Renewal</p> <p>g. Gastroenterology ED Call Panel (LG) Renewal</p> <p>h. OB Hospitalist Contract</p> <p><i>Reviewed and Recommended for Approval by the Governance Committee</i></p> <p>i. Consent to Action Amending Silicon Valley Medical Development, LLC (SVMD) Operating Agreement</p> <p><i>Reviewed and Recommended for Approval by the Medical Executive Committee</i></p> <p>j. Medical Staff Report</p> <p><i>Information</i></p> <p>k. FY18 Period 5 Financials</p> <p>l. Educational Activity Reports</p>			
<p>20. CEO REPORT ATTACHMENT 20</p>	Dan Woods, CEO		<p>information 7:33 – 7:36</p>
<p>21. BOARD COMMENTS</p>	Lanhee Chen, Board Chair		<p>information 7:36 – 7:39</p>
<p>22. ADJOURNMENT</p>	Lanhee Chen, Board Chair		<p>motion required 7:39 – 7:40 pm</p>

Upcoming Meetings: February 14, 2018, March 14, 2018, April 11, 2018, May 9, 2018, June 13, 2018
Board/Committee Educational Gatherings: April 25, 2018

EL CAMINO HOSPITAL BOARD

RESOLUTION 2018 - 01

RESOLUTION OF THE BOARD OF DIRECTORS OF EL CAMINO HOSPITAL REGARDING RECOGNITION OF SERVICE TO THE COMMUNITY

WHEREAS, the Board of Directors of El Camino Hospital values and wishes to recognize the contribution of individuals who enhance the experience of the hospital's patients, their families, the community and the staff, as well as individuals who in their efforts exemplify El Camino Hospital's mission and values.

WHEREAS, the Board wishes to honor and acknowledge the Los Gatos Operations Team for their efforts to add programs, enhance surgical services, expand capabilities, and attract new specialists to provide more healthcare resources for community members. They are redefining what it means to be a community hospital by offering the latest treatment options and the latest technology. El Camino Hospital Los Gatos has been a trusted leader in urology, men's health, orthopedics, maternity, mental health, and sleep medicine and now has expanded endoscopy, colonoscopy, pulmonology, pelvic health, spine, and robotic-assisted surgery capabilities.

In addition to providing dynamic care to the community, the team has also worked to develop personalized services for physicians to help improve communication and ease patient registration and scheduling. Over the past year, the hospital has acquired new technology and devices to enhance the specialized therapies offered.

The services improvement team is comprised of staff throughout the hospital, from facilities services to the pharmacy and volunteers to surgical nurses. It is a collaborative effort that crosses hospital departments and strives to implement processes and programs that are best for physicians and patients. They represent the hospital with dignity, compassion and professionalism.

WHEREAS, the Board would like to publically acknowledge members of the Los Gatos Operations Team for increasing personalized service to our physicians and patients which has resulted in increased physician and patient satisfaction.

NOW THEREFORE BE IT RESOLVED that the Board does formally and unanimously pay tribute to:

The Los Gatos Operations Team

FOR ENHANCING PHYSICIAN AND PATIENT SATISFACTION.

IN WITNESS THEREOF, I have here unto set my hand this **10TH DAY OF JANUARY, 2018**.

EL CAMINO HOSPITAL BOARD OF DIRECTORS:

Lanhee Chen, JD, PhD
Jeffrey Davis, MD
Neysa Fligor

Peter C. Fung, MD
Julia Miller

Bob Rebitzer
David Reeder
John Zoglin

JULIA MILLER
SECRETARY/TREASURER,
EL CAMINO HOSPITAL BOARD OF DIRECTORS



ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Quality, Patient Care and Patient Experience Committee (“Quality Committee”) Report El Camino Hospital Board of Directors January 10, 2017
Responsible party:	Dave Reeder, Quality Committee Chair
Action requested:	For Information
Background: The Quality Committee meets 10 times per year. The Committee last met on December 4, 2017 and meets next on February 5, 2018.	
<p>Summary and session objectives:</p> <p>Summary of December 4th, 2017 Meeting:</p> <ol style="list-style-type: none"> 1. <u>Clinical Program Presentation</u>: Dr. David King, Co-Medical Director for Urological Services, provided an overview of El Camino’s Urology Service. The ECH Urology service is one of the busiest in Northern California with over 2160 procedures done in FY17, with 78% of that activity on our Los Gatos campus. The service was a pioneer in lithotripsy and offers the full gamut of urological and men’s health services with a staff of 31 urologists. Cutting edge technologies offered by the service include the Artemis Prostate Biopsy system and Blue Light Cystoscopy which both improve cancer detection. 2. <u>FY18 Quality Dashboard</u>: Catherine Carson, RN, Senior Director of Quality Improvement and Patient Safety, reviewed the quality dashboard. The only concerning trend is some degradation of our sepsis bundle performance, though performance overall remains above comparable hospitals. Regarding Hospital Acquired Infections (HAIs), our area of intense organizational focus, we have had two CLABSIs during the first half of FY18 and are running slightly above target on CAUTIs, but well below target for C. difficile. Many initiatives are under way as a result of the deep analysis that is done by our HAI subcommittees after every hospital acquired infection. ECH was recognized with a Leapfrog A rating for safety- one of only a few hospitals in the Bay Area to achieve that distinction. 3. <u>Patient and Family Centered Care</u>: Cheryl Reinking, CNO, announced the selection of Ashlee Fontenot as our new Manager of Patient Experience and Ms. Fontenot reviewed some of her preliminary plans to improve Patient Satisfaction. 	
Suggested discussion questions: None.	
Proposed Board motion, if any: None	
<p>Attachment:</p> <ol style="list-style-type: none"> 1. FY18 Quality Dashboard 	

Quality and Safety Dashboard (Monthly)

Reports run: 11/20/17		Baseline	FY18 Goal	Trend	Comments	
SAFETY EVENTS		Performance				
	Month	FYTD	FY2017 Actual	FY2018 Goal		
1	Patient Falls Med / Surg / CC Falls / 1,000 CALNOC Pt Days Date Period: Oct 2017	1.60 (6/5,210)	1.29 (26/20200)	1.49	0.74 (Top decile CALNOC)	Review of 1st qtr. Fall data: equal # of falls on Day/Evening Shift, less than 1/2 on night shift. 55% of falls related to toileting. Team reviewing TJC recommended fall assessment tool, data showed 11% of pts who fell did not have a fall risk assessment. Issues with bed alarm settings continue, to be addressed with education at unit huddles.
2	*Organizational Goal Hospital Acquired Infection (Infection rate) Catheter Associated Urinary Tract Infection (CAUTI) per 1,000 urinary catheter days Date Period: Oct 2017 SIR Goal: <= 0.75	1.30 (2/1,544)	1.01 (6/5,928)	1.09	SIR Goal: <= 0.75	1st Qtr 2018: 4 CAUTI (3 MV - 1 LG) 2nd Qtr. 2018: 4 CAUTI (4 MV - 0 LG) New P&P requiring daily bath/linen change implemented, All RN's receiving education on new Bard Sure-Step Foley insertion kit, Nsg. Mgrs now have access to EPIC daily foley/central line lists. Education on reducing catheter re-insertions.
3	Central Line Associated Blood Stream Infection (CLABSI) per 1,000 central line days Date Period: Oct 2017 SIR Goal: <= 0.50	1.34 (1/748)	0.28 (1/3,633)	0.56	SIR Goal: <= 0.50	1 new CLABSI: 29 yr old pregnant pt w/ hyperemesis, PICC line for TPN. Blood stream infection - common skin flora. Daily bathing not done, implement Central line standard of daily CHG bath to all central lines, not just critical care.
4	Clostridium Difficile Infection (CDI) per 10,000 patient days Date Period: Oct 2017 SIR Goal: <= 0.70	1.16 (1/8,624)	1.52 (5/32,941)	1.89	SIR Goal: <= 0.70	1st Qtr 2018: 4 C.Diff infections (4 MV - 0 LG) 2nd Qtr. 2018 1 in MV. New infection with long term ABX use and PPI use after ICU. ABX Stewardship reviewed and discussed with physicians re: PPI use.
Efficiency		Performance		FY17 Actual	FY 2018 Goal	
	Month	FYTD				
5	*Organizational Goal Arithmetic Observed LOS Average/Geometric LOS Expected for Medicare Population (ALOS)/Expected GMLOS (Medicare definition, MS-CC, Inpatient) Date Period: Oct 2017	1.09	1.10	1.16	1.11	Use of individual GMIOS from CDI reported daily and on EPIC banner for nursing/ care coordination to view and use to prioritize, has helped lower ALOS, while CDI continues to improve GMLOS through better documentation of co-morbidities. Result is better ratio.

Reports run: 9/20/17		Baseline	FY18 Goal	Trend	Comments																																																																				
6	<p>Sepsis Core Measure SEP-1 100% or O% Date Period: Sep 2017</p>	<p>SEP-1: MONTHLY Compliance Rate ECH vs All Core Measure Hospitals</p>			<p>Sept-1 compliance rate of 58% represents 6 failures: 2 related to Lactate, 1 late ABX, 2 related to Crystalloid fluids, 1 to septic shock focused exam.</p>																																																																				
7	<p>IVF Bolus Ordered within 2 Hours of TOP of Severe Sepsis or Septic Shock (Patients lacking initial hypotension or lactate <3 excluded) Date Period: Sep 2017</p>	<p>Percentage of Randomly Sampled ED Patients (LG & MV) with ≥ 30ml/kg Crystalloid IVF Ordered within 2 Hours of Time of Presentation (or NICOM) of Severe Sepsis or Septic Shock Patients Lacking Initial Hypotension or Lactate < 3 Excluded.</p> <table border="1"> <thead> <tr> <th>Month</th> <th>Apr-16</th> <th>May-16</th> <th>Jun-16</th> <th>Sep-16</th> <th>Oct-16</th> <th>Nov-16</th> <th>Dec-16</th> <th>Jan-17</th> <th>Feb-17</th> <th>Mar-17</th> <th>Apr-17</th> <th>May-17</th> <th>Jun-17</th> <th>Jul-17</th> <th>Aug-17</th> <th>Sep-17</th> </tr> </thead> <tbody> <tr> <td>Number of Sampled Cases</td> <td>18</td> <td>19</td> <td>21</td> <td>23</td> <td>30</td> <td>30</td> <td>29</td> <td>30</td> <td>30</td> <td>26</td> <td>26</td> <td>25</td> <td>25</td> <td>28</td> <td>26</td> <td>24</td> </tr> <tr> <td>Cases with 30ml/kg ordered within 2h TOP (or NICOM)</td> <td>9</td> <td>17</td> <td>9</td> <td>14</td> <td>17</td> <td>17</td> <td>24</td> <td>21</td> <td>26</td> <td>26</td> <td>25</td> <td>25</td> <td>28</td> <td>26</td> <td>24</td> <td>27</td> </tr> <tr> <td>Percent Compliance with 30ml/kg or NICOM ordered within 2h of Time of Presentation</td> <td>50%</td> <td>89%</td> <td>43%</td> <td>61%</td> <td>57%</td> <td>57%</td> <td>83%</td> <td>70%</td> <td>87%</td> <td>87%</td> <td>83%</td> <td>83%</td> <td>93%</td> <td>87%</td> <td>80%</td> <td>90%</td> </tr> </tbody> </table>			Month	Apr-16	May-16	Jun-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Number of Sampled Cases	18	19	21	23	30	30	29	30	30	26	26	25	25	28	26	24	Cases with 30ml/kg ordered within 2h TOP (or NICOM)	9	17	9	14	17	17	24	21	26	26	25	25	28	26	24	27	Percent Compliance with 30ml/kg or NICOM ordered within 2h of Time of Presentation	50%	89%	43%	61%	57%	57%	83%	70%	87%	87%	83%	83%	93%	87%	80%	90%	<p>Ordering and giving adequate Crystalloids and the 3 hour bundle have a positive effect on the Sepsis mortality rate. Crystalloid ordering up to 90% in October, then Sepsis mortality rate down to 9.3% for 1st Qtr. 2018 and at 6.35 in October.</p>
Month	Apr-16	May-16	Jun-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17																																																									
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Mortality		Performance		FY 2017	FY 2018																																																																				
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8	<p>Mortality Rate Observed/Expected Premier Standard Risk Calculation Mode Date Period: Aug 2017</p>	0.78 (1.12%/1.43%)	0.89 (1.34%/1.50%)	1.02 (1.88%/1.83%)	0.62	<p>The work of CDI to improve clinical documentation affects the observed/expected mortality rate with improved documentation on the risk of death for each pt. The result is an O/E mortality rate of 0.89 and approaching our goal of the top decile of western US hospitals.</p>																																																																			
SERVICE		Performance		FY 2017 Actual	FY 2018 Goal																																																																				
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9	<p>«Organizational Goal HCAHPS Rate Hospital 0-10 Top Box Rating 9 and 10 Date Period: Oct 2017</p>	79.5 (186/234)	77.9 (746/958)	76.30	78.0%	<p>The October Top Box Rating has improved to 79.5% above the Target goal of 78.</p>																																																																			



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

Major Capital Projects Update
Board of Directors
For Information

January 10, 2018

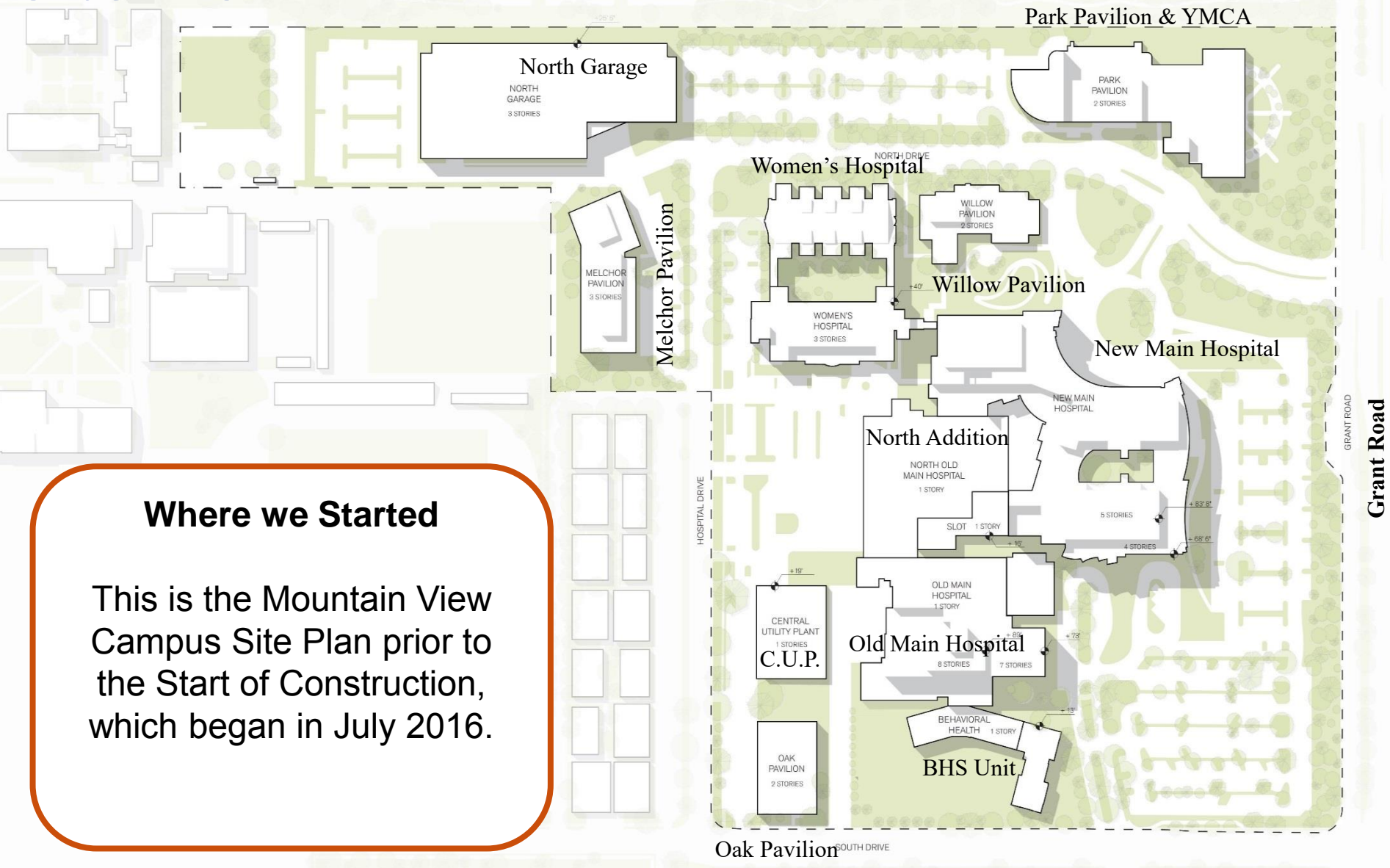
Ken King

Chief Administrative Services Officer

Mountain View Campus

Major Projects Overview – REFRESHER

Site Plan — Prior to Start of Construction Cuesta Park



Where we Started

This is the Mountain View Campus Site Plan prior to the Start of Construction, which began in July 2016.

Site Plan 2016 – Basis for Development

Garage
Expansion
Construction
Area

NORTH
GARAGE
3 STORIES

PARK
PAVILION
2 STORIES

NORTH DRIVE

NEED
TO
EXPAND

WOMEN'S
HOSPITAL
3 STORIES

WILLOW
PAVILION
2 STORIES

MELCHOR
PAVILION
3 STORIES

NEW MAIN
HOSPITAL

Integrated MOB
Construction Area

5 STORIES

SLOT 1 STORY

4 STORIES

What we Needed
The primary drivers for the projects currently under construction are:

1. Need to Expand the Women's Hospital.
2. Need to Demolish the Old Main Hospital.

NEED TO
DEMOLISH

OLD MAIN
HOSPITAL
1 STORY

CENTRAL
UTILITY PLANT
1 STORIES

OAK
PAVILION
2 STORIES

New Mental Health
Construction Area

BEHAVIORAL
HEALTH
1 STORY

SOUTH DRIVE

GRANT ROAD

Mountain View Campus Plan – Project List

Project Name

Current Phase

Step 1

- North Parking Garage Expansion - Complete
- Behavioral Health Services (BHS) Building - Construction
- Integrated Medical Office (IMOB) Building - Construction
- Central Utility Plant (CUP) Upgrades - Construction

Step 2

- **Women’s Hospital Expansion** - Design
- Demo Old Main Hospital & Related Site Work - Pending

Mountain View Campus Development Projects Status Update – December 28, 2017

- Behavioral Health Services (BHS) Building
 - Steel Structure has been erected
 - Metal Decking installation is complete
 - Installation of system deck inserts is in process
 - Concrete placement on 2nd Floor metal deck to begin 01/05/18
 - Currently progressing on schedule with a target completion date for construction of March 2019.
 - Final GMP Proposal has been accepted and is within the revised budget

BHS West Side
11/15/17



BHS West Side
12/28/17



OxBlue®

BHS East Side
11/15/17



BHS East Side
12/28/17



OxBlue®

Mountain View Campus Development Projects Status Update –December 28, 2017

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

IMOB Southeast View

11/15/17



IMOB Southeast View

12/28/17



OxBlue®

IMOB East View

11/15/17



IMOB East View

12/28/17



OxBlue®

Mountain View Campus Development Projects Status Update –December 28, 2017

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

Concrete Pads for New Chillers



Central Utility Plant (CUP)

01/03/18

Stubbed out Points of Connection



Mountain View Campus Development Projects Status Update –December 28, 2017

- **Women's Hospital Expansion** *(Included for the first time)*
 - Over the past 14 months, with the initial approved funding of \$6 million we have conducted an assessment of the existing building conditions and their compliance with current building codes.
 - We have met with physicians and staff and conducted site visits to recently constructed facilities.
 - We have completed the schematic floor plans for the expansion.
 - **Note that the "expansion" is to the 2nd & 3rd floors that are currently occupied by medical offices. There is no addition to the building footprint contemplated.**
 - The process of design development is 95% complete and construction phasing and sequencing is being developed.
 - The initial construction cost estimate for the project has recently been received and a detailed review is underway.
 - The project development and cost information and a request to proceed with the project development will be presented to the Finance Committee later this month and to the Board in February.

Project Cost Projections – November 16, 2017

Mountain View Master Plan Projects - Financial Summary & Forecasted Cost					
Current Projection				Updated 11/16/17	
Through November 16, 2017	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forecasted to Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	\$24,769,525	\$21,843,804	\$24,237,751	\$262,249
Behavioral Health Services Building	\$96,100,000	\$66,100,031	\$28,630,222	\$96,100,000	\$0
Integrated Medical Office Building & Parking Structure	\$302,100,000	\$179,775,646	\$61,950,750	\$302,100,000	\$0
Central Utility Plant Upgrade	\$9,000,000	\$8,868,283	\$3,113,505	\$8,965,783	\$34,217
Women's Hospital Expansion	\$6,000,000	\$4,410,468	\$2,244,273	Pending	NA
Total All Projects	\$437,700,000	\$283,923,953	\$117,782,554	\$431,403,534	\$296,466

- To date we have obligated by contract 65% of the Total Project Budgets and paid 41% of the obligated amount.
- The Forecasted Cost anticipates spending nearly all of the approved funding to complete the projects at this time.
- The El Camino Healthcare District Board approved the requested increase in the project funding at their meeting on October 17, 2017.

Questions?

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	FY18 Period 4 Financials El Camino Hospital Board of Directors January 10, 2018
Responsible party:	Iftikhar Hussain, CFO
Action requested:	For Approval

Background:

Financial Report: El Camino Hospital is experiencing a very strong year, with Operating Margin through FY18 Period 4 (ending October 31, 2017) \$10.4 million ahead of target; non-operating income, primarily investment income, is \$7 million ahead of target. The strong operating results are due to \$8 million in unusual items, favorable revenue – commercial insurance 0.4% more of the payor mix than budget, optimal revenue cycle operations, and high volume.

Financial Report Format: Over time, staff has received feedback from the Board that some staff reports are longer and more detailed than required for Board governance oversight, resulting in unnecessary and excessive Board member meeting preparation time. At the request of a Board member who also serves on the Finance Committee, staff developed a proposed 10 page Summary Financial Report for the full Board. The Finance Committee reviewed the proposed summary report and recommended that it be used for the full Board. The full (usual) Financial Reports will still be reviewed by the Finance Committee. The Chair of the Finance Committee requested the full Financial Report be included as an appendix to the Summary Report for the Board and suggested that the Board consider (1) whether the full appendix is useful and/or necessary, or (2) if the proposed summary report is adequate.

Items not included in the summary report:

1. Dashboard Items
 - a. Specific types of inpatient and outpatient cases
 - b. Net patient revenue
 - c. Operating expenses
 - d. Inpatient and outpatient commercial payor mix not reported separately
 - e. Inpatient and outpatient operating margins are not reported separately
2. Other Slides
 - a. Budget variance slide
 - b. Net operating items and net income **by Affiliate**
 - c. Productivity and Length of Stay
 - d. Volume trends
 - e. Appendix including separate MV and LG reports as well as further detail on capital spending

*The Period 5 Financial Report is on the consent calendar for information only because it has

ECH BOARD MEETING AGENDA ITEM COVER SHEET

	not been reviewed by the Finance Committee yet.
	<p>Board Advisory Committees that reviewed the issue and recommendation, if any:</p> <p>The Finance Committee voted to recommend that the Board approve the FY18 Period 4 Financials. The Finance Committee also agreed that the proposed summary report format contains sufficient detail for Board governance oversight.</p>
	<p>Summary and session objectives :</p> <ol style="list-style-type: none"> 1. For the Board to decide if the proposed Summary Financial Report Format contains sufficient detail for the Board’s governance oversight purposes. 2. To approve the FY18 Period 4 Financial Report.
	<p>Suggested discussion questions:</p> <ol style="list-style-type: none"> 1. Is the proposed Summary Financial Report Format sufficiently detailed for the Board’s governance oversight purposes? 2. Is it necessary or desired to include the full Financial Report as an appendix? 3. If staff provides the full Financial Report as an appendix in the Board packet, do Board members feel compelled to review it to fulfill their fiduciary duty? As an alternative, Board members (who wish to do so) can access it on the El Camino Hospital website or in the Board portal.
	<p>Proposed Board motion, if any:</p> <ol style="list-style-type: none"> 1. To approve the FY18 Period 4 Financials. 2. To approve the Proposed Summary Financial Report Format.
	<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none"> 1. FY18 Period 4 Financial Report



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Proposed Summary Financial Report to
the Board Report

Fiscal Year 2018 – Period 4
7/1/2017 to 10/31/2017

Summary Financial Report

Dashboard - ECH combined as of October 31, 2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
ADC	242	239	239	240	230	244	230	230	236	231
Total Discharges (Excl NNB)	19,171	19,649	20,091	19,695	1,626	1,724	1,660	6,358	6,697	6,574
Outpatient Cases	139,935	145,957	148,950	147,485	11,923	12,909	12,440	47,637	49,650	48,733
Financial Perf.										
Total Operating Revenue	795,657	858,347	908,160	855,195	74,302	83,988	71,897	277,836	302,720	286,198
Operating Income \$	52,613	112,176	147,318	77,090	11,243	18,216	7,820	37,340	49,106	30,223
Operating Margin	6.6%	13.1%	16.2%	9.0%	15.1%	21.7%	10.9%	13.4%	16.2%	10.6%
EBITDA \$	108,554	161,811	199,566	138,862	15,788	22,778	12,927	55,490	66,522	50,069
EBITDA %	13.6%	18.9%	22.0%	16.2%	21.2%	27.1%	18.0%	20.0%	22.0%	17.5%
Payor Mix										
Medicare	46.6%	47.7%	46.1%	47.4%	46.3%	46.7%	47.4%	46.8%	46.1%	47.4%
Medi-Cal	7.4%	7.3%	8.0%	7.2%	8.4%	8.9%	7.2%	7.3%	8.0%	7.2%
Total Commercial	43.3%	42.5%	43.2%	42.9%	43.1%	42.1%	42.9%	43.5%	43.2%	42.9%
Other	2.7%	2.5%	2.6%	2.5%	2.2%	2.2%	2.5%	2.5%	2.6%	2.5%
Cost										
Total FTE	2,509.5	2,506.7	2,580.3	2,529.6	2,480.3	2,580.3	2,494.0	2,472.8	2,580.3	2,494.0
Productive Hrs/APD	30.7	30.3	30.7	31.1	31.3	30.2	31.0	30.7	30.7	31.1
Balance Sheet										
Net Days in AR	53.7	44.8	49.3	48.0	44.8	49.3	48.0	44.8	49.3	48.0
Days Cash	361	444	463	266	444	463	266	444	463	266
Affiliates - Net Income (\$000s)										
Hosp	43,043	169,576	219,633	79,793	4,807	25,595	8,046	45,745	73,211	45,745
Concern	1,823	1,556	2,706	1,430	18	178	124	480	902	512
ECSC	(282)	(105)	(48)	0	(7)	(9)	0	(50)	(16)	0
Foundation	982	2,420	2,171	737	(32)	214	157	524	724	265
SVMD	156	209	528	(0)	(38)	(54)	21	62	176	22

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

Financial Performance:

- Oct op income is \$10.4M over budget, due to favorable revenue and higher volume. Rev for the month include \$4.7 million in unusual items. For the year op margin is \$18.9M ahead of target

Cost:

- Prod Hrs/APD for October is 30.2 and slightly better than budget . YTD we are slightly better than budget

Balance Sheet:

- Net days in AR is 49.3 which is 1.3 days more than budget.

Volume:

- For the year, overall volume, measured in adjusted discharges is 3.1% higher than budget.
- IP cases are 1.9% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 2.6% and 3.3% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Payor Mix:

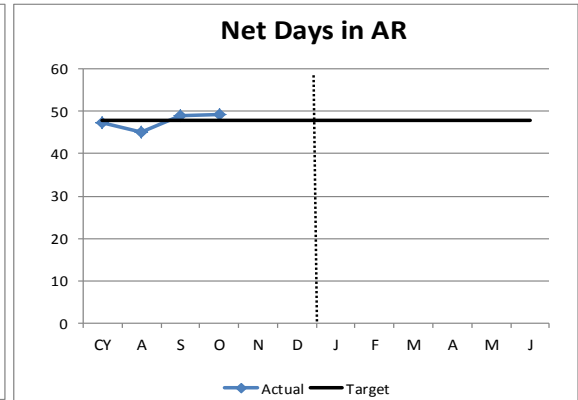
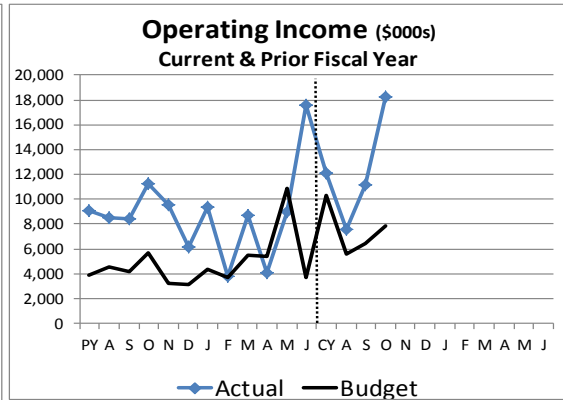
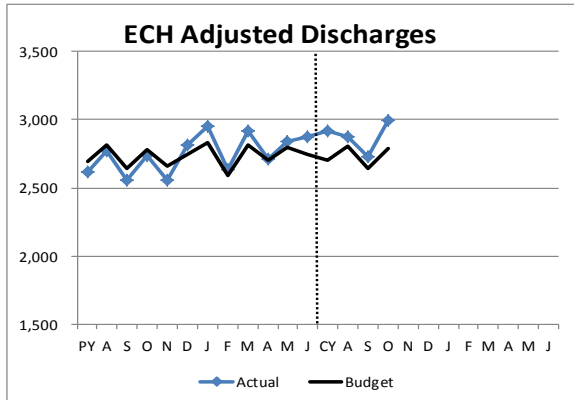
- Commercial insurance is 0.4% more of the Payor Mix in October than budget.

El Camino Hospital (\$000s)

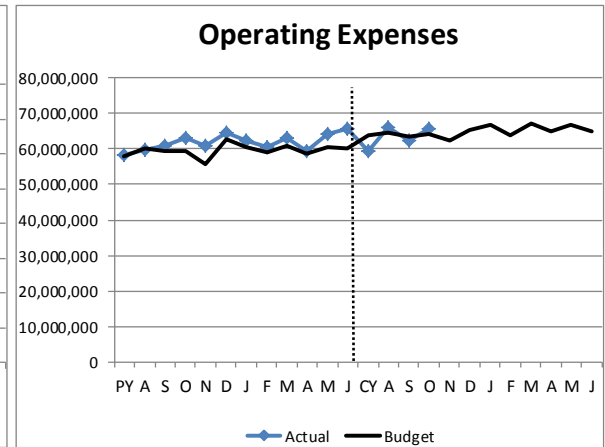
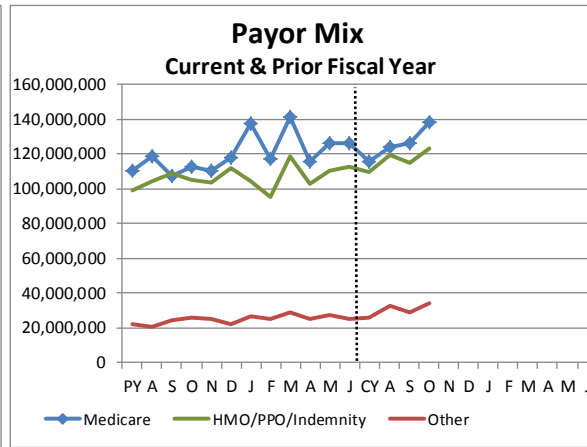
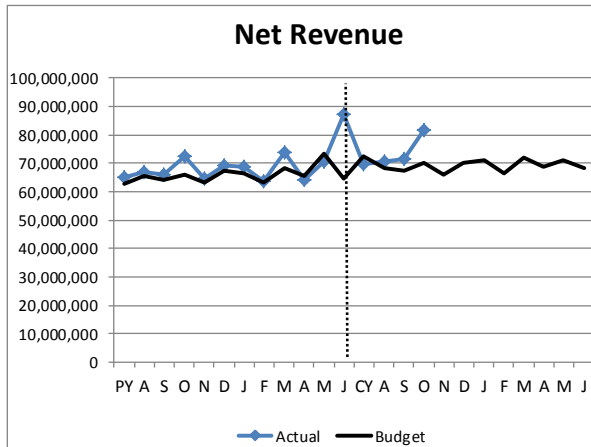
4 months ending 10/31/2017

Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
243,805	295,615	266,372	29,242	11.0%	Gross Revenue	959,654	1,092,564	1,050,681	41,883	4.0%
(171,205)	(214,025)	(196,339)	(17,686)	1.0%	Deductions	(688,964)	(798,819)	(772,595)	(26,224)	3.4%
72,600	81,589	70,033	11,556	16.5%	Net Patient Revenue	270,690	293,745	278,086	15,659	5.6%
1,702	2,398	1,864	534	28.7%	Other Operating Revenue	7,145	8,974	8,112	863	10.6%
74,302	83,988	71,897	12,091	16.8%	Total Operating Revenue	277,836	302,720	286,198	16,522	5.8%
OPERATING EXPENSE										
39,353	39,768	38,589	(1,179)	-3.1%	Salaries & Wages	146,192	155,895	154,284	(1,611)	-1.0%
8,442	10,295	10,084	(211)	-2.1%	Supplies	36,040	39,327	39,969	642	1.6%
8,016	8,819	7,995	(824)	-10.3%	Fees & Purchased Services	30,674	32,135	32,004	(131)	-0.4%
2,703	2,327	2,301	(26)	-1.1%	Other Operating Expense	9,440	8,840	9,872	1,032	10.4%
498	453	725	273	37.6%	Interest	1,887	1,502	2,902	1,399	48.2%
4,046	4,108	4,381	273	6.2%	Depreciation	16,263	15,914	16,945	1,031	6.1%
63,059	65,771	64,077	(1,695)	-2.6%	Total Operating Expense	240,496	253,614	255,975	2,362	0.9%
11,243	18,216	7,820	10,396	132.9%	Net Operating Income/(Loss)	37,340	49,106	30,223	18,884	62.5%
(6,436)	7,379	225	7,153	3175.1%	Non Operating Income	8,404	24,105	901	23,204	2574.8%
4,807	25,595	8,046	17,550	218.1%	Net Income(Loss)	45,745	73,211	31,124	42,087	135.2%
21.2%	27.1%	18.0%	9.1%		EBITDA	20.0%	22.0%	17.5%	4.5%	
15.1%	21.7%	10.9%	10.8%		Operating Margin	13.4%	16.2%	10.6%	5.7%	
6.5%	30.5%	11.2%	19.3%		Net Margin	16.5%	24.2%	10.9%	13.3%	

Monthly Financial Trends

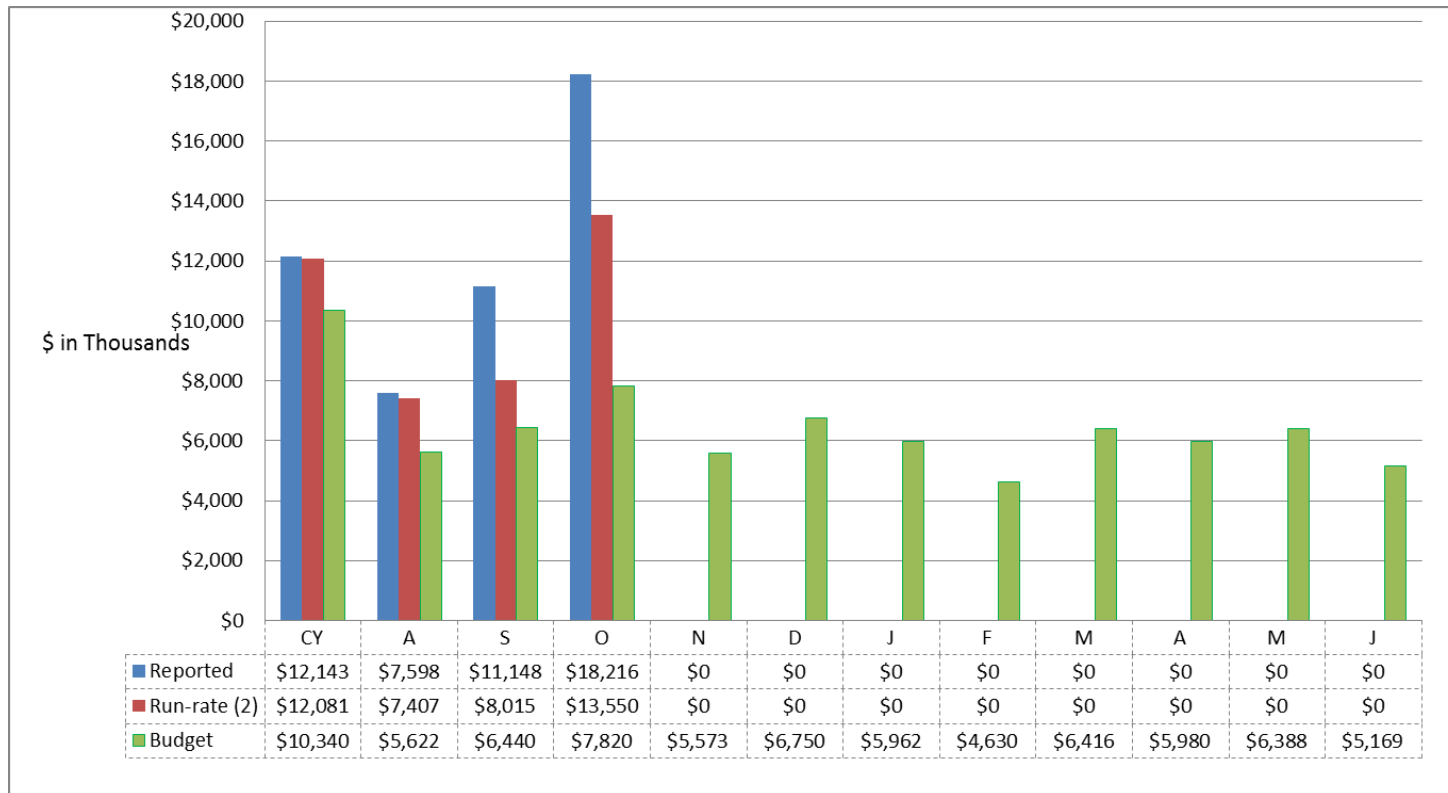


Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.



ECH Operating Margin

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



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

Revenue Adjustments	J	A	S	O	YTD
Insurance (Payment Variance)	-	-	-	611	611
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	1,168
Hospital Fee	-	-	-	712	712
Credit Balance Quarterly Review	-	-	2,201	-	2,201
Late Charge Accrual	-	-	-	3,283	3,283
Various Adjustments under \$250k	9	36	27	6	78
Total	63	191	3,134	4,667	8,054

El Camino Hospital Investment Committee Scorecard September 30, 2017

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

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

El Camino Hospital

Capital Spending (in millions)

Capital Spending
As of October 2017

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade		1.9	0.8	1.1	0.8
IT Hardware, Software, Equipment & Imaging*			12.2	0.0	12.2	0.0
Medical & Non Medical Equipment FY 17**			10.3	7.2	3.1	7.2
Medical & Non Medical Equipment FY 18***			5.6	0.9	4.8	0.9
Facility Projects						
	1245 Behavioral Health Bldg	96.1	96.1	27.1	27.0	9.5
	1413 North Drive Parking Expansion	24.5	24.5	22.3	2.6	2.5
	1414 Integrated MOB	302.1	302.1	64.1	72.0	18.2
	1422 CUP Upgrade	9.0	9.0	2.9	5.5	0.6
	1430 Women's Hospital Expansion	120.0	6.0	1.3	3.6	0.9
	1425 IMOB Preparation Project - Old Main	20.0	0.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	0.0	0.0	2.4	0.0	0.0
	1525 New Main Lab Upgrades	3.1	3.1	1.1	2.5	0.7
	1515 ED Remodel Triage/Psych Observation	5.0	0.3	0.0	0.4	0.0
	1503 Willow Pavilion Tomosynthesis	0.8	0.0	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	6.5	0.5	0.0	0.5	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.3	0.0
	IR Room #6 Development	0.0	0.0	0.0	0.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.1	0.0
	1707 Imaging Equipment Replacement (5 or 6)	20.7	0.0	0.0	0.3	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.3	0.0
	1709 ED Remodel / CT Triage - Other	0.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.3	0.0	0.4	0.0
	1219 LG Spine OR	0.0	0.0	3.7	0.0	0.3
	1313 LG Rehab HVAC System & Structural	0.0	0.0	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.6	0.7
	1307 LG Upgrades	19.3	19.3	14.6	4.9	0.7
	1519 LG Electrical Systems Upgrade	0.0	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.0	0.2	0.0	0.0
	1507 LG IR Upgrades	1.3	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	0.0	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	2.5	3.5	2.2
	Emergency Sanitary & Water Storage	1.4	0.3	0.0	0.2	0.0
	LG Modular MRI & Awning	3.9	3.9	0.0	0.4	0.0
	LG Nurse Call System Upgrade	2.8	0.0	0.0	0.0	0.0
	LG Observation Unit (Conversion of ICU)	1.8	0.0	0.0	0.8	0.0
	LG Cancer Center	2.4	0.0	0.0	0.4	0.0
	All Other Projects under \$1M	5.6	0.6	0.3	1.8	1.6
		684.4	479.6	157.1	128.0	37.8
GRAND TOTAL			509.7	166.0	149.3	46.6

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases

Balance Sheet (in thousands)

ASSETS

	Audited	
	October 31, 2017	June 30, 2017
CURRENT ASSETS		
(1) Cash	97,574	125,551
Short Term Investments	125,211	140,284
Patient Accounts Receivable, net	120,043	109,089
Other Accounts and Notes Receivable	2,624	2,628
Intercompany Receivables	2,178	1,495
(2) Inventories and Prepays	55,621	50,657
Total Current Assets	403,252	429,705
BOARD DESIGNATED ASSETS		
(3) Plant & Equipment Fund	141,336	131,153
Women's Hospital Expansion	9,298	9,298
(4) Operational Reserve Fund	127,908	100,196
(5) Community Benefit Fund	18,438	12,237
Workers Compensation Reserve Fund	20,671	20,007
Postretirement Health/Life Reserve Fund	19,629	19,218
PTO Liability Fund	23,905	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	17,194	16,575
Total Board Designated Assets	380,014	333,727
(6) FUNDS HELD BY TRUSTEE	255,396	287,052
LONG TERM INVESTMENTS	292,648	256,652
INVESTMENTS IN AFFILIATES	32,821	32,451
(7) PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,228,420	1,192,047
Less: Accumulated Depreciation	(544,474)	(531,785)
Construction in Progress	138,205	138,017
Property, Plant & Equipment - Net	822,150	798,279
DEFERRED OUTFLOWS	28,760	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,215,041	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	October 31, 2017	June 30, 2017
CURRENT LIABILITIES		
(8) Accounts Payable	22,441	38,457
(9) Salaries and Related Liabilities	19,171	25,109
Accrued PTO	23,905	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,446	10,438
Intercompany Payables	197	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
(10) Bond Interest Payable	7,529	11,245
Other Liabilities	5,913	4,889
Total Current Liabilities	97,272	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,629	19,218
Worker's Comp Reserve	18,371	17,707
Other L/T Obligation (Asbestos)	3,784	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	527,195	527,371
Total Long Term Liabilities	568,980	568,042
DEFERRED REVENUE-UNRESTRICTED	526	567
DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,157,583	1,132,525
Board Designated	380,014	333,726
Restricted	0	0
(11) Total Fund Bal & Capital Accts	1,537,597	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,215,041	2,166,825

October 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July as currently having the 2017 Project Bond monies available for payments of the major construction projects. A. Even with this transfer to investments in early July, overall cash receipts have exceeded budgets in a number months in FY2018, thus adding to the cash balance.
- (2) The increase is due to two quarterly pension fundings of \$2.6M in July and October.
- (3) The increase is due 4 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains \$14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds.
- (4) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years. To increase this Operational Reserve, some of the needed amount was taken from the Short Term Investments in the Current Assets above.
- (5) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (6) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (7) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (8) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (9) Primarily the decrease in current year is due to the Management incentives and "Thank You" bonuses paid to all staff in appreciation of the outcomes of fiscal year 2017 in October. These amounts were accrued during the 2017 fiscal year
- (10) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (11) The increase is attributable to the first four periods of financial performance producing an operating income of \$52 million and non-operating of \$24 million (mostly from unrealized gains on investments).

⁽¹⁾ Hospital entity only, excludes controlled affiliates

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

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

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

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

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

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

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

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

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

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

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

Full Financial Report



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 4
7/1/2017 to 10/31/2017

Dashboard - ECH combined as of October 31, 2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	242	239	239	240	230	244	230	230	236	231
Adjusted Discharges	32,324	33,837	35,331	34,080	2,807	3,054	2,895	10,972	11,777	11,412
Total Discharges (Excl NNB)	19,171	19,649	20,091	19,695	1,626	1,724	1,660	6,358	6,697	6,574
Inpatient Cases										
MS Discharges	13,026	13,624	13,911	13,544	1,090	1,178	1,127	4,256	4,637	4,464
Deliveries	4,717	4,656	4,737	4,752	414	411	413	1,621	1,579	1,633
BHS	928	908	1,059	902	82	96	77	310	353	307
Rehab	500	461	384	497	40	39	42	171	128	169
Outpatient Cases	139,935	145,957	148,950	147,485	11,923	12,909	12,440	47,637	49,650	48,733
ED	48,609	48,631	47,811	48,975	3,883	4,085	4,131	15,733	15,937	16,185
Procedural Cases										
OP Surg	6,070	4,488	4,626	4,595	371	403	387	1,402	1,542	1,517
Endo	2,324	2,366	2,397	2,134	193	195	180	771	799	705
Interventional	2,021	2,134	2,076	2,130	194	176	179	744	692	704
All Other	80,911	88,338	92,040	89,651	7,282	8,050	7,563	28,987	30,680	29,623
Financial Perf.										
Net Patient Revenues	772,020	832,263	881,236	832,066	72,600	81,589	70,033	270,690	293,745	278,086
Total Operating Revenue	795,657	858,347	908,160	855,195	74,302	83,988	71,897	277,836	302,720	286,198
Operating Expenses	743,044	746,171	760,841	778,105	63,059	65,771	64,077	240,496	253,614	255,975
Operating Income \$	52,613	112,176	147,318	77,090	11,243	18,216	7,820	37,340	49,106	30,223
Operating Margin	6.6%	13.1%	16.2%	9.0%	15.1%	21.7%	10.9%	13.4%	16.2%	10.6%
EBITDA \$	108,554	161,811	199,566	138,862	15,788	22,778	12,927	55,490	66,522	50,069
EBITDA %	13.6%	18.9%	22.0%	16.2%	21.2%	27.1%	18.0%	20.0%	22.0%	17.5%
IP Margin ¹	-9.8%	5.8%	10.6%	-10.2%	5.8%	10.6%	-10.2%	5.8%	10.6%	-10.2%
OP Margin ¹	35.9%	37.0%	40.8%	31.7%	37.0%	40.8%	31.7%	37.0%	40.8%	31.7%
Payor Mix										
Medicare	46.6%	47.7%	46.1%	47.4%	46.3%	46.7%	47.4%	46.8%	46.1%	47.4%
Medi-Cal	7.4%	7.3%	8.0%	7.2%	8.4%	8.9%	7.2%	7.3%	8.0%	7.2%
Commercial IP	24.0%	22.3%	22.7%	22.6%	23.1%	21.9%	22.6%	23.4%	22.7%	22.6%
Commercial OP	19.3%	20.2%	20.5%	20.3%	20.0%	20.3%	20.3%	20.1%	20.5%	20.3%
Total Commercial	43.3%	42.5%	43.2%	42.9%	43.1%	42.1%	42.9%	43.5%	43.2%	42.9%
Other	2.7%	2.5%	2.6%	2.5%	2.2%	2.2%	2.5%	2.5%	2.6%	2.5%
Cost										
Total FTE	2,509.5	2,506.7	2,580.3	2,529.6	2,480.3	2,580.3	2,494.0	2,472.8	2,580.3	2,494.0
Productive Hrs/APD	30.7	30.3	30.7	31.1	31.3	30.2	31.0	30.7	30.7	31.1
Balance Sheet										
Net Days in AR	53.7	44.8	49.3	48.0	44.8	49.3	48.0	44.8	49.3	48.0
Days Cash	361	444	463	266	444	463	266	444	463	266
Affiliates - Net Income (\$000s)										
Hosp	43,043	169,576	219,633	79,793	4,807	25,595	8,046	45,745	73,211	45,745
Concern	1,823	1,556	2,706	1,430	18	178	124	480	902	512
ECSC	(282)	(105)	(48)	0	(7)	(9)	0	(50)	(16)	0
Foundation	982	2,420	2,171	737	(32)	214	157	524	724	265
SVMD	156	209	528	(0)	(38)	(54)	21	62	176	22

Volume:

- For the year, overall volume, measured in adjusted discharges is 3.1% higher than budget.
- IP cases are 1.9% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 2.6% and 3.3% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Financial Performance:

- Oct op income is \$10.4M over budget, due to favorable revenue and higher volume. Rev for the month include \$4.7 million in unusual items. For the year op margin is \$18.9M ahead of target

Payor Mix:

- Commercial insurance is 0.4% more of the Payor Mix in October than budget

Cost:

- Prod Hrs/APD for October is 30.2 and slightly better than budget . YTD we are slightly better than budget

Balance Sheet:

- Net days in AR is 49.3 which is 1.3 days more than budget.

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-10/31/2017) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	30,223	10.6%
Net Revenue - Favorable due to higher volume, favorable payor mix and \$8.0 million unusual items	16,522	5.5%
Labor and Benefit Expense Change - Labor is close to budget after adjusting for higher volume	(1,611)	-0.5%
Professional Fees & Purchased Services -Recruiting costs in HVI, Imaging Admin, Pathology, IT, Employee Health, and Clinical Education in combination with Consulting fee increases net to a lower amount due to savings in IT purchased services	(131)	0.0%
Supplies - Favorable due to savings in Spine and Heart valves offsetting Robotics and Medical capital supplies as well as a positive variance in our Drug supplies	642	0.2%
Other Expenses - Favorable due to reduction in property taxes due to common area correction, and no strategic fund expenses.	1,032	0.3%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as some LG projects	2,431	0.8%
Actual Hospital Operations FY2018	49,106	16.2%

El Camino Hospital (\$000s)

4 months ending 10/31/2017

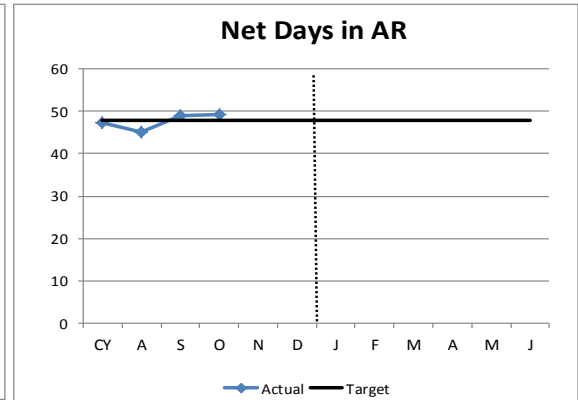
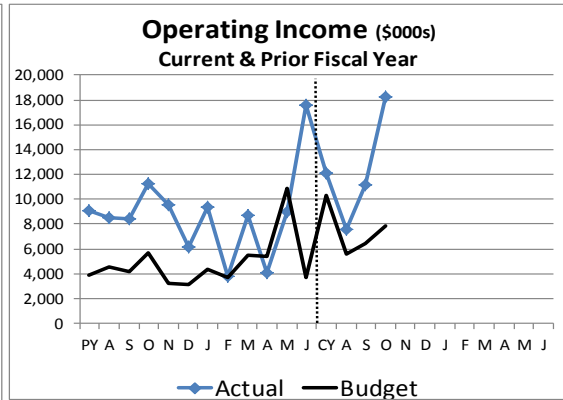
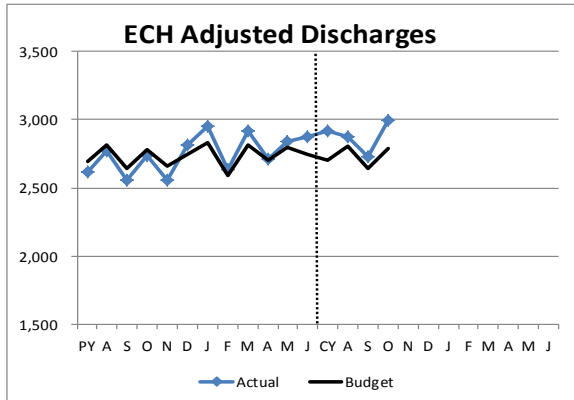
Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
243,805	295,615	266,372	29,242	11.0%	Gross Revenue	959,654	1,092,564	1,050,681	41,883	4.0%
(171,205)	(214,025)	(196,339)	(17,686)	1.0%	Deductions	(688,964)	(798,819)	(772,595)	(26,224)	3.4%
72,600	81,589	70,033	11,556	16.5%	Net Patient Revenue	270,690	293,745	278,086	15,659	5.6%
1,702	2,398	1,864	534	28.7%	Other Operating Revenue	7,145	8,974	8,112	863	10.6%
74,302	83,988	71,897	12,091	16.8%	Total Operating Revenue	277,836	302,720	286,198	16,522	5.8%
OPERATING EXPENSE										
39,353	39,768	38,589	(1,179)	-3.1%	Salaries & Wages	146,192	155,895	154,284	(1,611)	-1.0%
8,442	10,295	10,084	(211)	-2.1%	Supplies	36,040	39,327	39,969	642	1.6%
8,016	8,819	7,995	(824)	-10.3%	Fees & Purchased Services	30,674	32,135	32,004	(131)	-0.4%
2,703	2,327	2,301	(26)	-1.1%	Other Operating Expense	9,440	8,840	9,872	1,032	10.4%
498	453	725	273	37.6%	Interest	1,887	1,502	2,902	1,399	48.2%
4,046	4,108	4,381	273	6.2%	Depreciation	16,263	15,914	16,945	1,031	6.1%
63,059	65,771	64,077	(1,695)	-2.6%	Total Operating Expense	240,496	253,614	255,975	2,362	0.9%
11,243	18,216	7,820	10,396	132.9%	Net Operating Income/(Loss)	37,340	49,106	30,223	18,884	62.5%
(6,436)	7,379	225	7,153	3175.1%	Non Operating Income	8,404	24,105	901	23,204	2574.8%
4,807	25,595	8,046	17,550	218.1%	Net Income(Loss)	45,745	73,211	31,124	42,087	135.2%
21.2%	27.1%	18.0%	9.1%		EBITDA	20.0%	22.0%	17.5%	4.5%	
15.1%	21.7%	10.9%	10.8%		Operating Margin	13.4%	16.2%	10.6%	5.7%	
6.5%	30.5%	11.2%	19.3%		Net Margin	16.5%	24.2%	10.9%	13.3%	

Non Operating Items and Net Income by Affiliate

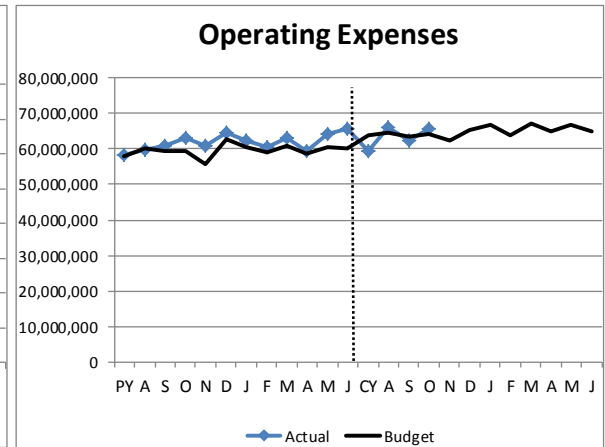
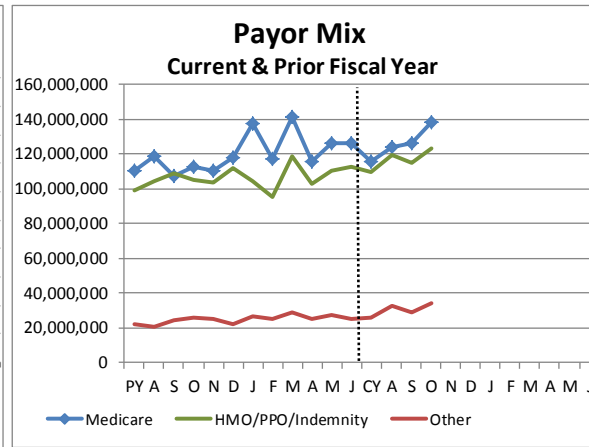
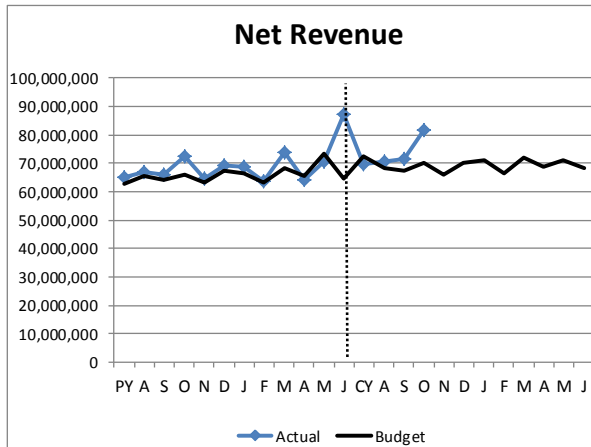
\$ in thousands

	Period 4 - Month			Period 4 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	16,363	6,269	10,094	44,354	24,852	19,502
Los Gatos	1,854	1,552	302	4,752	5,371	(619)
Sub Total - El Camino Hospital, excl. Affiliates	18,216	7,820	10,396	49,106	30,223	18,884
Operating Margin %	21.7%	10.9%		16.2%	10.6%	
El Camino Hospital Non Operating Income						
Investments	7,991	1,516	6,475	27,687	6,062	21,625
Swap Adjustments	81	0	81	175	0	175
Community Benefit	(28)	(283)	256	(2,063)	(1,133)	(930)
Pathways	135	42	93	177	167	11
Satellite Dialysis	0	(35)	35	(78)	(142)	64
Other	(800)	(1,013)	213	(1,794)	(4,053)	2,258
Sub Total - Non Operating Income	7,379	225	7,153	24,105	901	23,204
El Camino Hospital Net Income (Loss)	25,595	8,046	17,550	73,211	31,124	42,087
ECH Net Margin %	30.5%	11.2%		24.2%	10.9%	
Concern	178	124	53	902	512	390
ECSC	(9)	0	(9)	(16)	0	(16)
Foundation	214	157	57	724	265	458
Silicon Valley Medical Development	(54)	303	(357)	176	22	154
Net Income Hospital Affiliates	329	303	26	1,786	799	987
Total Net Income Hospital & Affiliates	25,924	8,349	17,576	74,996	31,923	43,074

Monthly Financial Trends

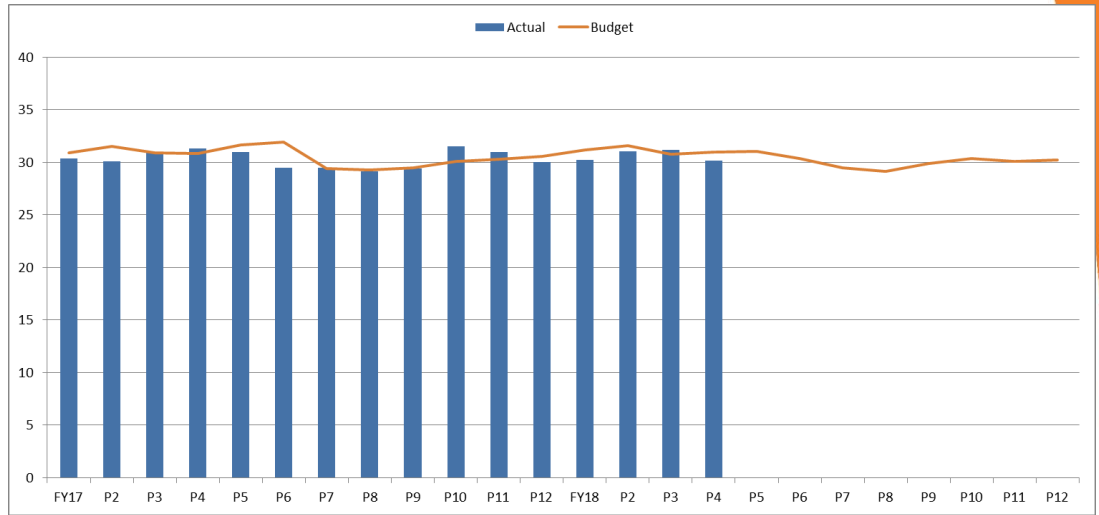


Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.



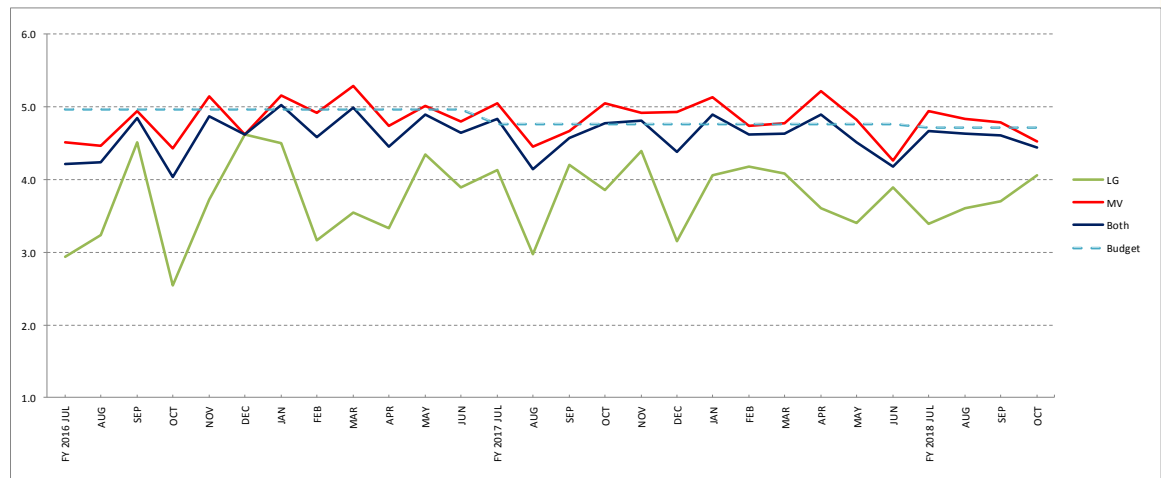
Productivity and Medicare Length of Stay

Work hours per adjusted patient day decreased in October over budget by 0.8. Overall the month of October is 30.2 worked hours per adjusted patient day.

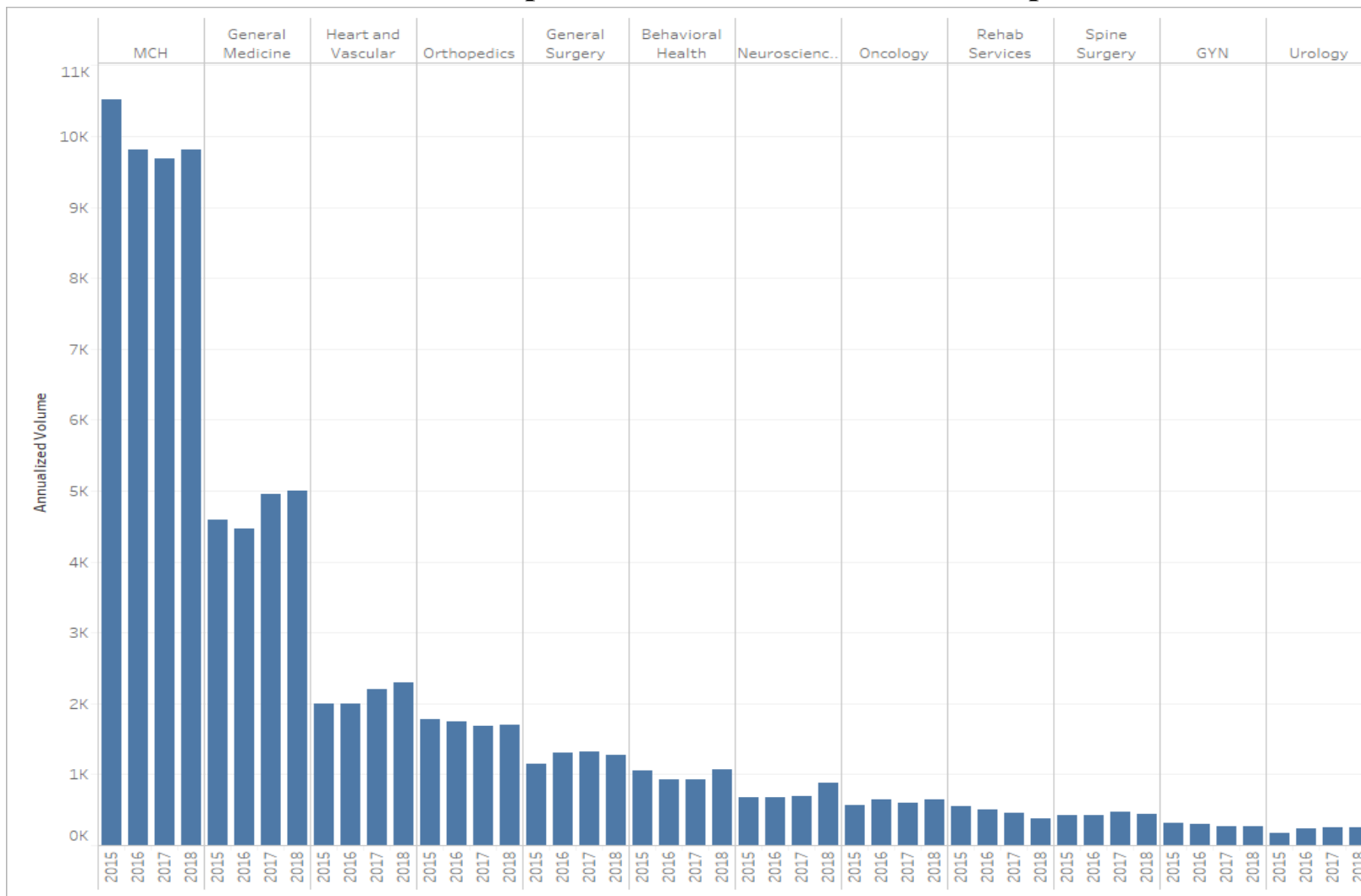


ALOS remains better than target

Medicare ALOS



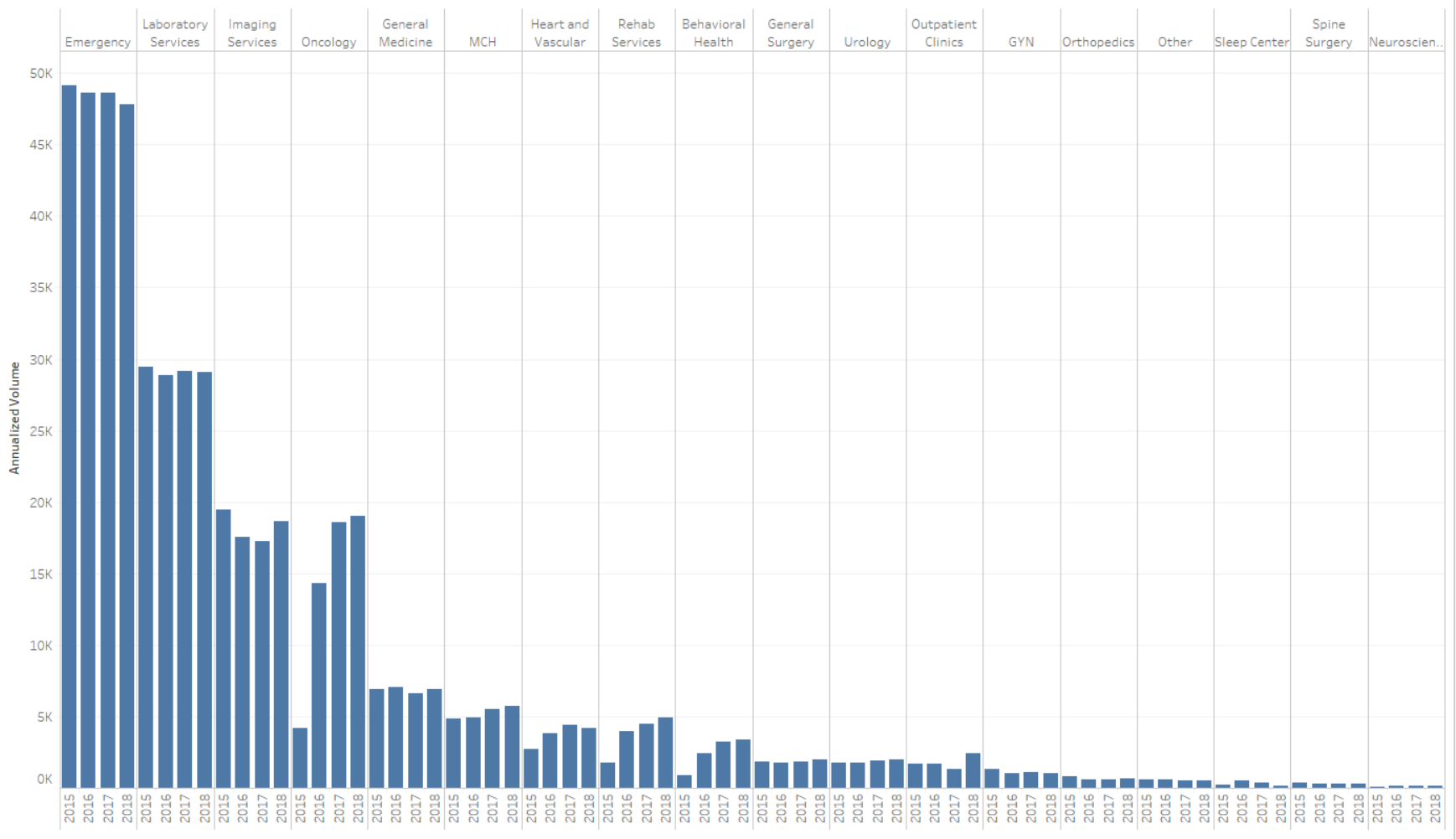
El Camino Hospital Volume Annual Trends – Inpatient



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

El Camino Hospital Volume Annual Trends – Outpatient

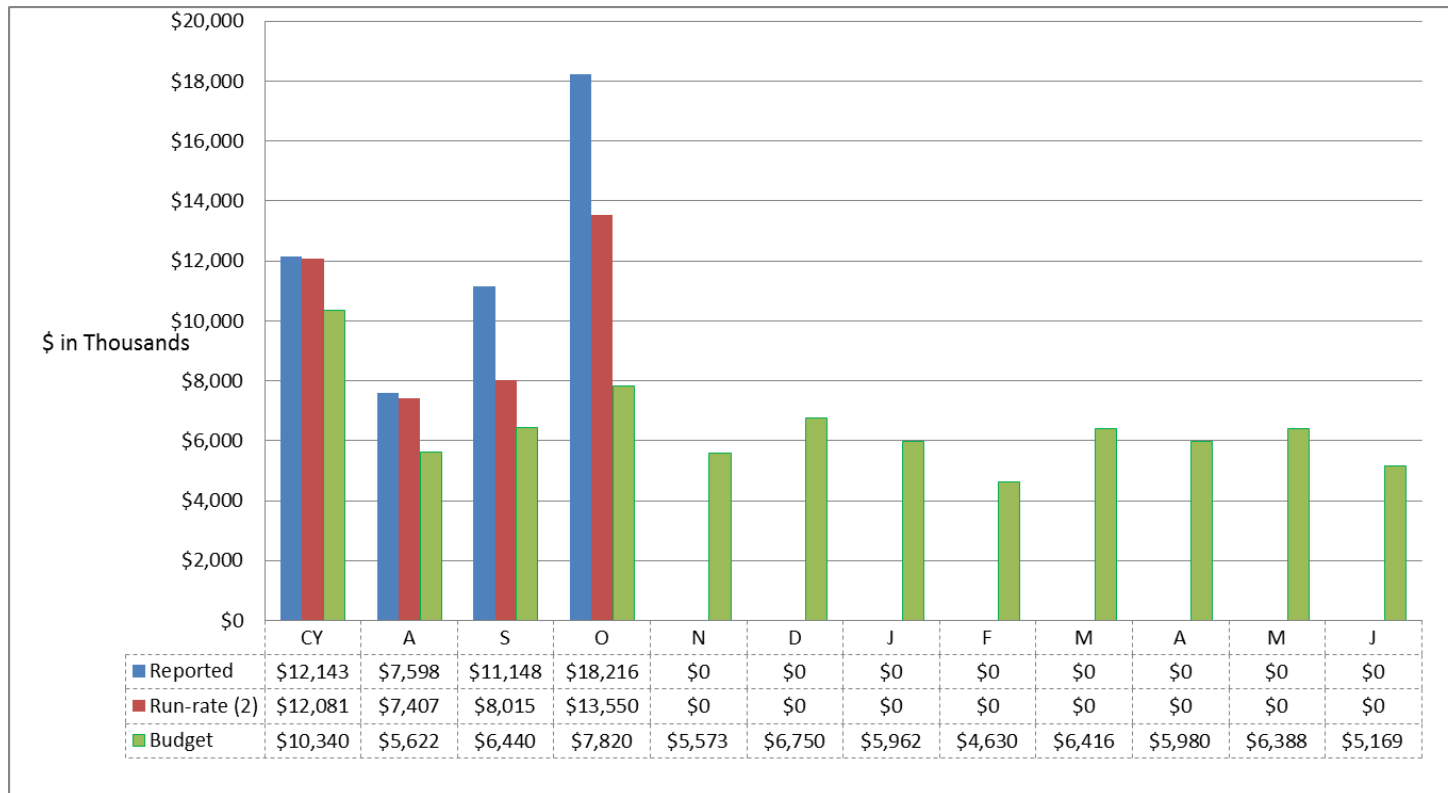
FY 2018 is annualized



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

ECH Operating Margin

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



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

Revenue Adjustments	J	A	S	O	YTD
Insurance (Payment Variance)	-	-	-	611	611
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	1,168
Hospital Fee	-	-	-	712	712
Credit Balance Quarterly Review	-	-	2,201	-	2,201
Late Charge Accrual	-	-	-	3,283	3,283
Various Adjustments under \$250k	9	36	27	6	78
Total	63	191	3,134	4,667	8,054

El Camino Hospital Investment Committee Scorecard September 30, 2017

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

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

El Camino Hospital

Capital Spending (in millions)

Capital Spending
As of October 2017

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade		1.9	0.8	1.1	0.8
IT Hardware, Software, Equipment & Imaging*			12.2	0.0	12.2	0.0
Medical & Non Medical Equipment FY 17**			10.3	7.2	3.1	7.2
Medical & Non Medical Equipment FY 18***			5.6	0.9	4.8	0.9
Facility Projects						
	1245 Behavioral Health Bldg	96.1	96.1	27.1	27.0	9.5
	1413 North Drive Parking Expansion	24.5	24.5	22.3	2.6	2.5
	1414 Integrated MOB	302.1	302.1	64.1	72.0	18.2
	1422 CUP Upgrade	9.0	9.0	2.9	5.5	0.6
	1430 Women's Hospital Expansion	120.0	6.0	1.3	3.6	0.9
	1425 IMOB Preparation Project - Old Main	20.0	0.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	0.0	0.0	2.4	0.0	0.0
	1525 New Main Lab Upgrades	3.1	3.1	1.1	2.5	0.7
	1515 ED Remodel Triage/Psych Observation	5.0	0.3	0.0	0.4	0.0
	1503 Willow Pavilion Tomosynthesis	0.8	0.0	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	6.5	0.5	0.0	0.5	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.3	0.0
	IR Room #6 Development	0.0	0.0	0.0	0.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.1	0.0
	1707 Imaging Equipment Replacement (5 or 6	20.7	0.0	0.0	0.3	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.3	0.0
	1709 ED Remodel / CT Triage - Other	0.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.3	0.0	0.4	0.0
	1219 LG Spine OR	0.0	0.0	3.7	0.0	0.3
	1313 LG Rehab HVAC System & Structural	0.0	0.0	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.6	0.7
	1307 LG Upgrades	19.3	19.3	14.6	4.9	0.7
	1519 LG Electrical Systems Upgrade	0.0	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.0	0.2	0.0	0.0
	1507 LG IR Upgrades	1.3	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	0.0	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	2.5	3.5	2.2
	Emergency Sanitary & Water Storage	1.4	0.3	0.0	0.2	0.0
	LG Modular MRI & Awning	3.9	3.9	0.0	0.4	0.0
	LG Nurse Call System Upgrade	2.8	0.0	0.0	0.0	0.0
	LG Observation Unit (Conversion of ICU)	1.8	0.0	0.0	0.8	0.0
	LG Cancer Center	2.4	0.0	0.0	0.4	0.0
	All Other Projects under \$1M	5.6	0.6	0.3	1.8	1.6
		684.4	479.6	157.1	128.0	37.8
			509.7	166.0	149.3	46.6

GRAND TOTAL

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases

Balance Sheet (in thousands)

ASSETS

	Audited	
	October 31, 2017	June 30, 2017
CURRENT ASSETS		
(1) Cash	97,574	125,551
Short Term Investments	125,211	140,284
Patient Accounts Receivable, net	120,043	109,089
Other Accounts and Notes Receivable	2,624	2,628
Intercompany Receivables	2,178	1,495
(2) Inventories and Prepays	55,621	50,657
Total Current Assets	403,252	429,705
BOARD DESIGNATED ASSETS		
(3) Plant & Equipment Fund	141,336	131,153
Women's Hospital Expansion	9,298	9,298
(4) Operational Reserve Fund	127,908	100,196
(5) Community Benefit Fund	18,438	12,237
Workers Compensation Reserve Fund	20,671	20,007
Postretirement Health/Life Reserve Fund	19,629	19,218
PTO Liability Fund	23,905	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	17,194	16,575
Total Board Designated Assets	380,014	333,727
(6) FUNDS HELD BY TRUSTEE	255,396	287,052
LONG TERM INVESTMENTS	292,648	256,652
INVESTMENTS IN AFFILIATES	32,821	32,451
(7) PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,228,420	1,192,047
Less: Accumulated Depreciation	(544,474)	(531,785)
Construction in Progress	138,205	138,017
Property, Plant & Equipment - Net	822,150	798,279
DEFERRED OUTFLOWS	28,760	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,215,041	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	October 31, 2017	June 30, 2017
CURRENT LIABILITIES		
(8) Accounts Payable	22,441	38,457
(9) Salaries and Related Liabilities	19,171	25,109
Accrued PTO	23,905	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,446	10,438
Intercompany Payables	197	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
(10) Bond Interest Payable	7,529	11,245
Other Liabilities	5,913	4,889
Total Current Liabilities	97,272	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,629	19,218
Worker's Comp Reserve	18,371	17,707
Other L/T Obligation (Asbestos)	3,784	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	527,195	527,371
Total Long Term Liabilities	568,980	568,042
DEFERRED REVENUE-UNRESTRICTED	526	567
DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,157,583	1,132,525
Board Designated	380,014	333,726
Restricted	0	0
(11) Total Fund Bal & Capital Accts	1,537,597	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,215,041	2,166,825

October 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July as currently having the 2017 Project Bond monies available for payments of the major construction projects. A. Even with this transfer to investments in early July, overall cash receipts have exceeded budgets in a number months in FY2018, thus adding to the cash balance.
- (2) The increase is due to two quarterly pension fundings of \$2.6M in July and October.
- (3) The increase is due 4 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains \$14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds.
- (4) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years. To increase this Operational Reserve, some of the needed amount was taken from the Short Term Investments in the Current Assets above.
- (5) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (6) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (7) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (8) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (9) Primarily the decrease in current year is due to the Management incentives and "Thank You" bonuses paid to all staff in appreciation of the outcomes of fiscal year 2017 in October. These amounts were accrued during the 2017 fiscal year
- (10) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (11) The increase is attributable to the first four periods of financial performance producing an operating income of \$52 million and non-operating of \$24 million (mostly from unrealized gains on investments).

⁽¹⁾ Hospital entity only, excludes controlled affiliates

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

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

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

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

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

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

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

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

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

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

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

APPENDIX

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

4 months ending 10/31/2017

Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
197,826	240,707	218,001	22,706	10.4%	Gross Revenue	792,043	896,317	861,000	35,318	4.1%
(137,459)	(173,090)	(161,211)	(11,879)	7.4%	Deductions	(567,762)	(653,582)	(634,842)	(18,740)	3.0%
60,366	67,618	56,791	10,827	19.1%	Net Patient Revenue	224,281	242,735	226,158	16,578	7.3%
1,530	2,239	1,648	591	35.9%	Other Operating Revenue	6,452	8,332	7,264	1,068	14.7%
61,896	69,856	58,438	11,418	19.5%	Total Operating Revenue	230,733	251,067	233,421	17,646	7.6%
					OPERATING EXPENSE					
33,188	33,016	32,249	(766)	-2.4%	Salaries & Wages	122,188	129,751	129,043	(707)	-0.5%
7,086	8,169	8,102	(67)	-0.8%	Supplies	30,018	31,814	32,109	296	0.9%
6,634	7,534	6,686	(848)	-12.7%	Fees & Purchased Services	25,330	27,088	26,804	(283)	-1.1%
706	794	769	(26)	-3.3%	Other Operating Expense	2,727	2,707	3,600	893	24.8%
498	453	725	273	37.6%	Interest	1,887	1,502	2,902	1,399	48.2%
3,510	3,529	3,638	109	3.0%	Depreciation	14,117	13,852	14,111	259	1.8%
51,623	53,494	52,170	(1,324)	-2.5%	Total Operating Expense	196,268	206,713	208,570	1,856	0.9%
10,274	16,363	6,269	10,094	161.0%	Net Operating Income/(Loss)	34,465	44,354	24,852	19,502	78.5%
(6,436)	7,379	225	7,153	3175.1%	Non Operating Income	8,415	24,149	901	23,248	2579.7%
3,837	23,741	6,494	17,247	265.6%	Net Income(Loss)	42,880	68,503	25,753	42,750	166.0%
23.1%	29.1%	18.2%	10.9%		EBITDA	21.9%	23.8%	17.9%	5.8%	
16.6%	23.4%	10.7%	12.7%		Operating Margin	14.9%	17.7%	10.6%	7.0%	
6.2%	34.0%	11.1%	22.9%		Net Margin	18.6%	27.3%	11.0%	16.3%	

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

4 months ending 10/31/2017

Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
45,979	54,907	48,371	6,536	13.5%	OPERATING REVENUE					
(33,746)	(40,936)	(35,129)	(5,807)	16.5%	Gross Revenue	167,611	196,247	189,681	6,566	3.5%
12,233	13,972	13,242	729	5.5%	Deductions	(121,202)	(145,236)	(137,752)	(7,484)	5.4%
172	160	216	(57)	-26.2%	Net Patient Revenue	46,409	51,010	51,929	(919)	-1.8%
12,406	14,131	13,458	673	5.0%	Other Operating Revenue	694	642	848	(206)	-24.3%
					Total Operating Revenue	47,103	51,652	52,777	(1,124)	-2.1%
					OPERATING EXPENSE					
6,166	6,753	6,340	(413)	-6.5%	Salaries & Wages	24,003	26,145	25,241	(904)	-3.6%
1,355	2,127	1,982	(144)	-7.3%	Supplies	6,021	7,514	7,860	346	4.4%
1,382	1,285	1,309	24	1.8%	Fees & Purchased Services	5,344	5,048	5,200	152	2.9%
1,997	1,533	1,533	(0)	0.0%	Other Operating Expense	6,713	6,133	6,272	138	2.2%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
536	580	743	163	22.0%	Depreciation	2,146	2,061	2,834	773	27.3%
11,436	12,277	11,907	(371)	-3.1%	Total Operating Expense	44,228	46,900	47,406	506	1.1%
970	1,854	1,552	302	19.5%	Net Operating Income/(Loss)	2,875	4,752	5,371	(619)	-11.5%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
970	1,854	1,552	302	19.5%	Net Income(Loss)	2,865	4,708	5,371	(663)	-12.4%
12.1%	17.2%	17.0%	0.2%		EBITDA	10.7%	13.2%	15.5%	-2.4%	
7.8%	13.1%	11.5%	1.6%		Operating Margin	6.1%	9.2%	10.2%	-1.0%	
7.8%	13.1%	11.5%	1.6%		Net Margin	6.1%	9.1%	10.2%	-1.1%	

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,128
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	7,889
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
GRAND TOTAL	86,789	96,740	97,923	149,286
*Includes 2 robot purchases in FY2017				

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

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



El Camino Hospital[®]

THE HOSPITAL OF SILICON VALLEY

The Opioid Addiction Crisis
and the ECH Response
January 10, 2018

The National Crisis

The New York Times

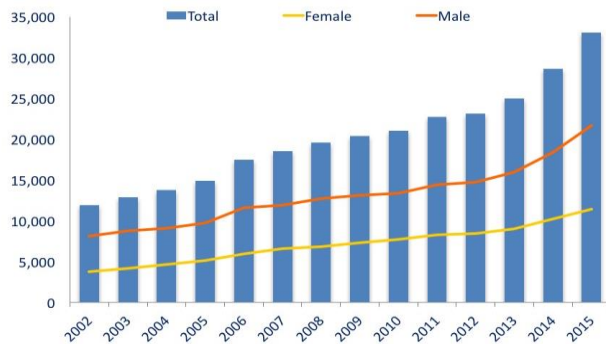
HEALTH

White House Panel Recommends Declaring National Emergency on Opioids



National Overdose Deaths

Number of Deaths Involving Opioid Drugs



Source: National Center for Health Statistics, CDC Wonder

The Mercury News

News > California News

How does California fit into the opioid crisis?

THE WALL STREET JOURNAL.

POLITICS | HEALTH POLICY

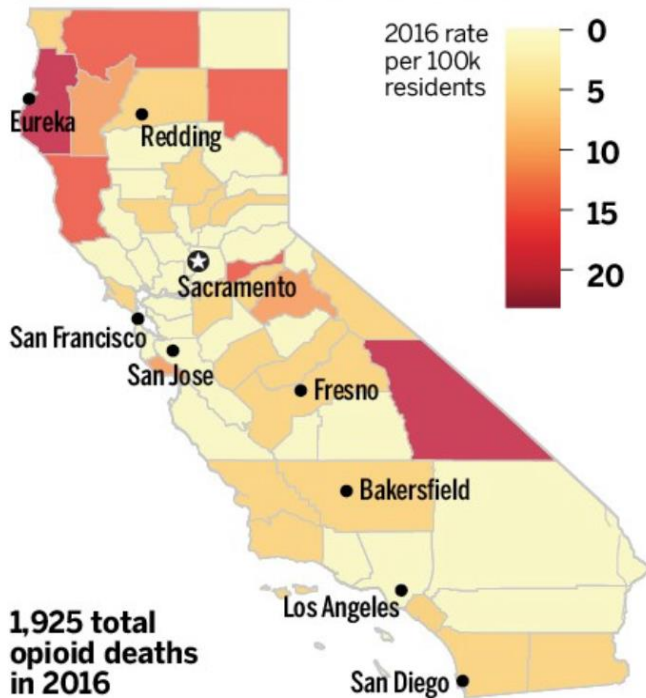
U.S. Must Do More to Combat Opioid Abuse, Panel Says

- National Cost estimated at \$600 billion in crime and lost productivity
- Now the leading cause of accidental death in the US (passed car deaths 2008)
- 91 Americans die every day from opioid overdose (CDC August 2017)
- More opioid deaths are now due to heroin than prescription narcotics

The Local Impact of the Opioid Crisis

CALIFORNIA OPIOID DEATHS

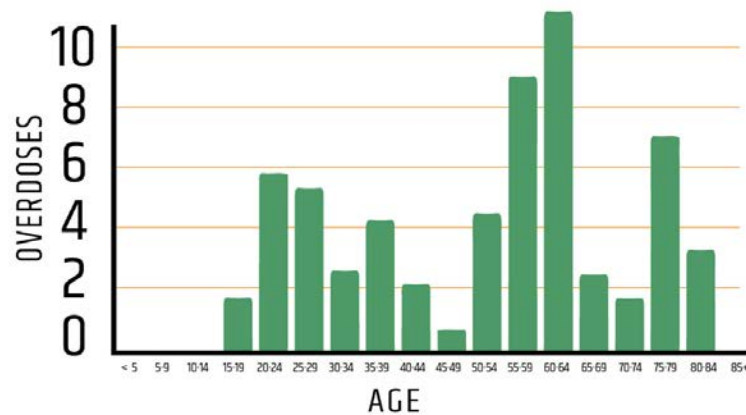
As President Trump declares an opioids public-health emergency, California has already seen the crisis up close and personal. Some of the numbers in the Golden State are staggering: 619 prescriptions were written per 1,000 residents in 2015. And heroin-related deaths in the state have climbed from 355 in 2011 to 561 in 2014.



Source: California Department of Public Health, Office of Statewide Health Planning and Development, Department of Justice, and the California Health Care Foundation

BAY AREA NEWS GROUP

2016 OPIOID OVERDOSES IN SANTA CLARA COUNTY



- Between 2011 and 2015, there was a 126% jump in heroin overdose cases in Santa Clara County
- In 2016, 1,925 people died in California from opioid related deaths. California Opioid Overdose Surveillance Dashboard
- One Response: Santa Clara County Opioid Overdose Prevention Project

El Camino Approaches

- The Opioid Crisis is *primarily* a problem of non-hospital treatment of chronic pain, heroin use and diversion of high potency drugs like fentanyl; nevertheless we can help in the acute care setting.
- ECH now has a Pain Pharmacist and an improved Palliative Care program and these each offer assistance to physicians on appropriate pain medication ordering and administration, monitoring usage and suggesting appropriate alternates to controlled substances.
- Our pain management steering committee is currently developing an opioid risk screening tool to identify patients who may be at increased risk. These patients may be monitored more closely during their admission.

El Camino Approaches

- ECH uses the CURES program to monitor **patients'** controlled substance use. This is a registry of all controlled substances prescribed in California. Our doctors and pharmacists can check whether their patients are getting opioids elsewhere.
- Our ED group has protocols limiting the number of opioids prescribed (e.g. the default order is for no more than 15 tablets of Norco, a relatively mild opioid). Stronger narcotics are not prescribed and patients with chronic pain conditions are not prescribed to.
- ECH has instituted monitoring on patients receiving intravenous opioids to detect and alarm respiratory depression; the number one cause of death from opioid use.

El Camino Approaches

- The ECH pharmacy uses Pharmacy One Source Access to review adverse events for opioids and reviews naloxone (opioid antagonist) usage. The Pain Pharmacist runs reports for opioid-delivering devices and long-acting opioids to review appropriate usage.
- Instituting an outpatient pharmacy on site at ECH Mountain View (scheduled to open in the spring of 2018) will decrease the risk of opioid diversion for illicit use. Patients will get their controlled substances right on the premises at discharge, decreasing the number of participants in the chain of custody and eliminating the ability of abusers to alter prescriptions.

El Camino Hospital Addiction Services

- Dual Diagnosis program: co-occurring mental health and substance use disorders; 4-6 weeks.
- Dr. Evan Garner, Medical Director
- Chemical dependence program: 3 months, expanding to one year.
- Chemical dependency consultation services: consultation to the patients on the medical and surgical floors.
- Staff education: grand rounds and focused educational sessions with individual departments.

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Resolution 2018-02 El Camino Hospital Board of Directors January 10, 2018
Responsible party:	Mary Rotunno, General Counsel
Action requested:	For Approval
<p>Background:</p> <p>El Camino Hospital management wishes to renew Board Director Peter C. Fung, MD’s Stroke and Neurology ED On-Call Agreement, which expires on January 31, 2018. Management believes that the proposed contract is in the best interest of El Camino Hospital and is fair to its patients. Moreover, the amount to be paid will be no greater than the amounts paid under the same or similar agreements.</p> <p>The agreement must be approved by the Board in order to comply with the California Nonprofit Corporations Act. In addition, although Director Fung’s agreement is with El Camino Hospital, not with the District, I recommend that the Board approve Resolution 2018-02 in a manner that would comply with Health and Safety Code Section 32111; if it applied.</p> <p>California Government Code Section 1090 generally bars contracts between governmental entities and directors, among others, who are financially interested in certain agreements. California Health and Safety Code Section 32111 provides an exception to contracts involving a member of a medical staff who is subject to Section 1090, where the contract is between the district and the officer for professional services to the district’s patients, employees, or medical staff members and their respective dependents, provided that similar contracts exist with other staff members and the amounts payable under the contract are no greater than the amounts payable under similar contracts covering the same or similar services if the following conditions have been satisfied:</p> <ul style="list-style-type: none"> (i) the officer abstains from any board action regarding the contract; (ii) the officer’s relationship to the contract is disclosed to the board and noted in its official records; and (iii) the board finds the contract is fair and in its best interest and authorizes the contract in good faith without the participation by the officer. <p>Per Diem Rate: Director Fung is compensated at the same rate as the other physicians on the call panel. The per diem rate at the Mountain View campus is \$1,040 per day (4 physicians on the call panel) and at the Los Gatos campus the per diem rate is \$624/day (6 physicians on the call panel). The per diem rate at the Mountain View campus is slightly over 75% based on MD Ranger data for SF Bay Area hospitals with an average daily census of 150 and over (\$1,000 at 75% and \$1,240 at 90%). The per diem rate for LG campus is between 50-75% for all hospitals</p>	

ECH BOARD MEETING AGENDA ITEM COVER SHEET

	<p>with average daily census under 150 (\$510 at 50% and \$840 at 75%).</p> <p>Call Schedule: The Medical Director for the Stroke program prepares the call schedules for both campuses based on the availability of the call panel physicians. Physicians are not permitted to be on call at both campuses on the same day. A review of Stroke/Neurology call schedules for the past 6 months confirmed that each of the physicians on the Mountain View call panel, including Dr. Fung, take call an average of 5-9 days per month, and the physicians on the Los Gatos call panel, including Dr. Fung, take call an average of 3-17 half days per month. The physicians who are not on the Mountain View panel are assigned more frequently on the Los Gatos Panel. Dr. Fung participates on both the Mountain View and Los Gatos call panels and takes call an average of 5-6 times per month at each campus.</p>
	<p>Board Advisory Committee(s) that reviewed the issue and recommendation, if any: None.</p>
	<p>Summary and session objectives :</p> <p>To obtain approval of Resolution 2018-02 finding that Director Fung’s Stroke and Neurology ED On-Call Coverage agreement is fair and in ECH’s best interests.</p>
	<p>Proposed board motion: To approve Resolution 2018-02.</p>
	<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none">1. Resolution 2018-02

DRAFT
RESOLUTION 2018 – 02
BOARD OF DIRECTORS
EL CAMINO HOSPITAL

WHEREAS, Peter Fung, M.D. (“Dr. Fung”) has provided services as an Emergency Room on-call physician to El Camino Hospital, a California nonprofit corporation, since October 1, 2005;

WHEREAS, Dr. Fung became a member of the Board of Directors of El Camino Hospital on December 9, 2014;

WHEREAS, El Camino Hospital has similar contracts with other members of its Medical Staff;

WHEREAS, El Camino Hospital management has proposed renewing the Emergency Room on-call physician agreement with Dr. Fung with terms, including payments terms, that are similar to those entered into with other physicians;

WHEREAS, El Camino Hospital management has determined that renewing the Emergency Room on-call physician agreement with Dr. Fung is fair and in the interests of El Camino Hospital and El Camino Hospital could not have obtained a more advantageous arrangement; and

WHEREAS, Dr. Fung has recused himself from voting or otherwise participating in this matter;

NOW, THEREFORE, BE IT:

RESOLVED, that the Board of Directors finds that the proposed contract with Dr. Fung is fair and in the interests of El Camino Hospital and El Camino Hospital could not have obtained a more advantageous arrangement; be it further

RESOLVED, that the proposed agreement with Dr. Fung is hereby approved and the President and CEO is authorized to execute and deliver such agreement on behalf of El Camino Hospital.

AYES:

NOES:

ABSTAIN:

RECUSED:

Julia Miller, Secretary



**Minutes of the Open Session of the
El Camino Hospital Board of Directors
Wednesday, November 8, 2017
2500 Grant Road, Mountain View, CA 94040
Conference Rooms F&G (ground floor)**

Board Members Present

Lanhee Chen, Chair
 Jeffrey Davis, MD
 Neysa Fligor
 Peter Fung, MD
 Julia Miller
 Robert Rebitzer
 David Reeder
 John Zoglin, Vice Chair

Board Members Absent

None

Members Excused

None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Board of Directors of El Camino Hospital (the “Board”) was called to order at 5:30pm by Chair Chen. Roll call was taken. Director Davis participated via teleconference and joined the meeting at 5:32pm during Agenda Item 3: Board Recognition. Director Rebitzer joined the meeting at 5:46pm during Agenda Item 4: Quality Committee Report. All other Board members were present at roll call.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Chen asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. BOARD RECOGNITION	<p>Motion: To approve <i>Resolution 2017-12</i>.</p> <p>Movant: Miller Second: Fung Ayes: Chen, Fligor, Fung, Miller, Reeder, Zoglin Noes: None Abstentions: None Absent: Davis, Rebitzer Recused: None</p> <p>Deb Muro, Interim CIO, recognized the IT Senior Leadership team for integrating technology and advancing access to data to foster a culture of continuous improvement, and leading the use of technology to improve care. The Board commended the team for their work.</p>	<i>Resolution 2017-12 approved</i>
4. QUALITY COMMITTEE REPORT	<p>Director Reeder, Chair of the Quality Committee, reported that the Committee received a presentation from Shaun Cho, MD about ECH’s Electrophysiology services.</p> <p>Director Reeder also reported that there are no negative trends on the quality dashboard. He described the presentations the Committee received on advances in the clinical documentation program and Patient and Family-Centered Care. He also highlighted the Committee’s discussion on the opioid epidemic, including the obligation to minimize opioid addiction and have resources to help those who have become addicted.</p> <p>In response to Director Fligor’s question, Cheryl Reinking, RN, CNO, explained the process for the Getting to Know You program, where nurses identify longer stay patients who are interviewed by a member of the Auxiliary and their story is displayed in the patient’s room.</p> <p>In response to Director Zoglin’s question, William Faber, MD, CMO,</p>	

	<p>described the factors that contributed to the growth in ECH’s electrophysiology program over the last few years, including the increasing prevalence of heart disease, technological advances in the field, and the recruitment of EP physicians.</p>	
<p>5. BOARD AND ADVISORY COMMITTEE SELF-ASSESSMENT TOOL</p>	<p>Director Fung provided an overview of the Board and Committee Self-Assessment Tool as further detailed in the packet. He highlighted the abbreviated, open-ended nature of the proposed Board/Board Chair assessments because of Director Chen’s relatively new tenure as Board Chair, the recent introduction of Directors Fligor and Rebitzer, and the two new Hospital Board seats to be filled.</p> <p>Motion: To adopt the proposed Board/Board Chair Assessment Tool.</p> <p>Movant: Fung Second: Zoglin</p> <p>Director Reeder proposed delaying the Board assessment until Spring, when new members may have been on-boarded and settled. Director Zoglin suggested that the Board consider developing goals for itself. The Board agreed to discuss the goal setting process at a later date.</p> <p>Ayes: Chen, Davis, Fligor, Fung, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p> <p>Director Fung highlighted the changes to the Committee Self-Assessment Tool to assess the effectiveness of the expanded Advisory Committee structure, including open ended questions.</p> <p>Motion: To adopt the proposed Committee Self-Assessment Tool, with the inclusion of applicable Executive team members for number 7 (question posed to long-term Board members about Committee effectiveness).</p> <p>Movant: Fung Second: Zoglin</p> <p>Director Zoglin expressed concerns about the question regarding Board consideration of Committee recommendations. The Board discussed the methodology of evaluating this topic and requested that the survey be modified to encourage respondents to offer specific examples. Director Zoglin suggested reviewing whether additional joint Committee meetings would be appropriate and beneficial. He also suggested that long-term executives also answer the question regarding Committee effectiveness since the expansion.</p> <p>Ayes: Chen, Davis, Fligor, Fung, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p> <p>In response to a question from staff, Chair Chen clarified that staff should proceed with finalizing and deploying the Committee assessment, but hold off on the Board and Board Chair assessment until Spring 2018.</p>	<p><i>Board and Committee Self-Assessment Tool approved</i></p>
<p>6. PUBLIC COMMUNICATION</p>	<p>There were no comments from the public.</p>	
<p>7. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 6:06 pm pursuant to <i>Gov’t Code Section 54957.2</i> for approval of the Minutes of the Closed Session of the</p>	<p><i>Adjourned to closed</i></p>

	<p>Hospital Board Meeting (October 11, 2017) and Minutes of the Closed Session of the Special Meeting to Conduct a Study Session of the Hospital Board (October 25, 2017); pursuant to <i>Health and Safety Code 32155</i> for deliberations concerning reports on Medical Staff quality assurance matters: Organizational Clinical Risks; pursuant to <i>Health and Safety Code 32155</i> for deliberations concerning reports on Medical Staff quality assurance matters: Medical Staff Report; pursuant to <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Marketing Implications for New Programs and Services; pursuant to <i>Gov't Code Section 5496.9(d)(2)</i> – conference with legal counsel – pending or threatened litigation, <i>Gov't Code Section 54957.6</i> for a conference with labor negotiator Dan Woods, and <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: CEO Report on New Services and Programs, Legal Issues, and Labor Relations; pursuant to <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters: Executive Session.</p> <p>Movant: Fung Second: Miller Ayes: Chen, Davis, Fligor, Fung, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>session at 6:06 pm.</i></p>
<p>8. AGENDA ITEM 15: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>Open session was reconvened at 8:42pm. Agenda items 8-13 were addressed in closed session. Director Davis did not join the meeting for the second open session.</p> <p>During the closed session, the Board approved the Minutes of the Closed Session of the Hospital Board Meeting (October 11, 2017), Minutes of the Closed Session of the Special Meeting to Conduct a Study Session of the Hospital Board (October 25, 2017) by a unanimous vote in favor of all members present (Directors Chen, Fligor, Fung, Miller, Rebitzer, Reeder, and Zoglin). Director Davis was absent for the vote. The Board also approved the Medical Staff Report by a unanimous vote in favor of all members present (Directors Chen, Davis, Fligor, Fung, Miller, Rebitzer, Reeder, and Zoglin).</p>	
<p>9. AGENDA ITEM 16: CONSENT CALENDAR</p>	<p>Chair Chen asked if any member of the Board or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Hospital Board Meeting (October 11, 2017); Minutes of the Open Session of the Special Meeting to Conduct a Study Session of the Hospital Board (October 25, 2017); Annual Safety Report for the Environment of Care; Medical Staff Report; and for information: FY18 Period 3 Financials.</p> <p>Movant: Reeder Second: Fung Ayes: Chen, Fligor, Fung, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: Davis Recused: None</p>	<p><i>Consent calendar approved</i></p>

10. AGENDA ITEM 17: CEO REPORT	Dan Woods, CEO, highlighted the attendance and presentations by ECH nurses at the national Magnet conference, the achievement of an “A,” Leapfrog’s highest hospital safety grade, the Auxiliary’s 7,700 volunteer hours in September, and the Foundation’s annual Heritage Golf Tournament.	
11. AGENDA ITEM 18: BOARD COMMENTS	Director Fligor requested that the Board receive a presentation on the opioid epidemic in Santa Clara County and what ECH initiatives are addressing it at a future meeting. Director Miller described her recent activities at events sponsored by ECH Community Benefit and attendance at meetings of the Boards of Directors for the Silicon Valley Tobacco Securitization Joint Powers Authority and Santa Clara County Tobacco Securitization Corporation.	
12. AGENDA ITEM 19: ADJOURNMENT	Motion: To adjourn at 8:44pm. Movant: Fung Second: Fligor Ayes: Chen, Fligor, Fung, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: Davis Recused: None	Meeting adjourned at 8:44 pm.

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

Lanhee Chen
Chair, ECH Board of Directors

Julia Miller
Secretary, ECH Board of Directors

Prepared by: Cindy Murphy, Director of Governance Services
Sarah Rosenberg, Contracts & Board Services Coordinator



55 Second Street
Suite 1700
San Francisco, CA 94105
415.227.0900 Phone
415.227.0770 Fax

File Number: E4192-0007
415.227.3603 Direct
molejko@buchalter.com

January 10, 2018

Lanhee J. Chen, J.D., Ph.D.
Chair
El Camino Hospital
P.O. Box 7025
2500 Grant Road
Mountain View, CA 94040

Re: Reasonableness of Executive Compensation

Dear Lanhee:

El Camino Hospital engaged Mercer (US) Inc. (“Mercer”), an independent healthcare consulting firm, to evaluate executive compensation levels as part of its overall executive compensation process with respect to certain executives. El Camino Hospital intends to obtain the benefit of the rebuttable presumption of reasonableness pursuant to regulations implementing Section 4958 of the Internal Revenue Code. In order to invoke the presumption, the amount of compensation must be approved in advance by an authorized body; the decision must be based on appropriate data as to comparability; and the decision must be adequately documented.

El Camino Hospital’s decisions to compensate executives are approved in advance by its Board of Directors (“Board”) acting without the participation of any individual who has a conflict of interest with respect to the matter under consideration. The Board has created an advisory committee that undertakes certain activities with respect to executive compensation as provided in the advisory committee’s charter. The advisory committee also acts without the participation of any individual who has a conflict of interest with respect to the matter under consideration. The Board is an authorized body as defined by Section 4958. Further, the Board has relied upon comparability data: specifically, for example, data provided by Mercer analyzing the amount of compensation organizations in El Camino Hospital’s peer group pay executives in similar positions.

In the two letters attached (one dated October 31, 2017 related to the Chief Executive Officer and one dated December 12, 2017 related to other Executives) (the “Letters”), Mercer

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Los Angeles
Napa Valley
Orange County
Sacramento
San Francisco
Scottsdale
Seattle

Lanhee J. Chen, J.D., Ph.D.
January 10, 2018
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concludes that the total compensation El Camino Hospital pays its executives (who are specified in the Letters) during fiscal year 2018 “falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances.” The Letters constitute Mercer’s report of its conclusions, and includes a summary of its interactions with the advisory committee and the Board (prior to the January 10, 2018 meeting) and a summary of the information considered by the Board prior to the actions of the Board with respect to executive compensation.

Finally, in order to invoke the rebuttable presumption, El Camino Hospital must adequately document the basis for its decision. El Camino Hospital maintains documentation in the form of meeting minutes, which set forth the terms of the arrangements, the date(s) of approval, and the members who were present to vote on and discuss the arrangement. El Camino Hospital also maintains documentation – including the Letters – in the form of comparability data that it obtained and relied upon to reach the compensation levels. El Camino Hospital should keep this letter and the attached Letters as further documentation of the basis of its decision and its intent to obtain (and the steps taken to obtain) the benefits of the rebuttable presumption of reasonableness.

Very truly yours,

BUCHALTER
A Professional Corporation

By



Mitchell J. Olejko

MJO:ej

Attachments

Mr. Robert Miller
Chair, Executive Compensation Committee
El Camino Hospital
2500 Grant Road
Mountain View, CA 94040

October 31, 2017

Subject: Reasonableness Opinion for El Camino Hospital Chief Executive Officer

Dear Mr. Miller:

As requested by the Executive Compensation Committee (“ECC” or “Committee”) of the Board of Directors (“Board”) of El Camino Hospital (“El Camino” or “ECH”), Mercer has conducted an evaluation of the total remuneration program for the El Camino Chief Executive Officer for the fiscal year ending June 30, 2018 (FY 2018). This letter outlines the study’s objectives, Mercer’s evaluation process, findings, and our opinion that the approved FY 2018 total remuneration program for the Chief Executive Officer falls within a reasonable range of the competitive practice.

I. PURPOSE

The purpose of this letter is to document comparability data and provide Mercer’s opinion on the reasonableness of executive total remuneration program in support of the organization’s pursuit of the rebuttable presumption of reasonableness under IRC §4958. To do so, we have:

- Presented relevant summary market comparability data at the May 2017 Committee meeting to ensure that the Committee is well-informed of current market executive compensation and benefits practices when making recommendations on El Camino’s Chief Executive Officer remuneration;
- Advised the Committee regarding interpretation of the market data;
- Assisted the Committee in its governance responsibility with respect to the compensation program for the Chief Executive Officer by providing Mercer’s opinion that his total remuneration falls within a reasonable range of competitive market practices, applicable to like positions, among like organizations under like circumstances, in accordance with the Intermediate Sanctions legislation and applicable regulations; and
- Documented the Chief Executive Officer compensation approved by the Board of Directors in June 2017 based on the comparability data Mercer provided to the Committee in May 2017.

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Mr. Robert Miller
El Camino Hospital

II. BACKGROUND

Mercer serves as an independent advisor to the Committee. In this capacity, we provide advice and competitive compensation and benefits market data to management that has been used in its decision-making process relative to the compensation program for El Camino's Chief Executive Officer.

The executive compensation program is governed by the Board of Directors and the Executive Compensation Committee that advises the Board to meet all applicable legal and regulatory requirements as related to executive compensation and effectiveness in attracting, retaining, and motivating executives.

Organization Context

El Camino is a nonprofit 501(c)(3) organization that strives to be an innovative, publicly accountable and locally controlled comprehensive healthcare organization. El Camino cares for the sick, relieves suffering, and provides quality, cost-competitive services to improve the health and well-being of the community. El Camino opened its doors to its first patients on September 1, 1961 with 21 medical staff. An expanding population in Silicon Valley drove El Camino Hospital to develop further, and today El Camino Hospital consists of two campuses: Los Gatos and Mountain View. El Camino's net revenue for FY 2017 was \$870.5 million.

Executive Compensation Philosophy¹

El Camino's Executive Compensation Philosophy utilizes the following guiding principles and objectives to drive executive compensation decisions:

- Support the Hospital's ability to attract, retain, and motivate a highly-talented executive team with the ability and dedication to manage the Hospital accordingly.
- Support the Hospital's mission and vision and achievement of strategic goals.
- Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.
- Consider the Hospital's financial performance and ability to pay which shall be balanced with the Hospital's ability to attract, retain and motivate executives.
- Govern the executive compensation programs to comply with state and federal laws.

¹ This is extracted from El Camino's official stated philosophy, as presented at the September 9, 2016 Board meeting.

The executive compensation program encompasses both cash compensation (base salary, incentive compensation, and other cash compensation) and non-cash compensation (employer provided benefit plans and perquisites) which, in whole, represent total remuneration.

The three key components of the program are base salary, incentives, and benefits. In evaluating executive compensation, the Executive Compensation Committee uses the following market definition and desired positioning guidelines.

Table 1: El Camino Hospital Market Definition and Desired Positioning

COMPONENT	MARKET DEFINITION AND DESIRED POSITIONING
Market Definition	Primarily national, not-for-profit, independent hospitals/health systems of comparable net revenue size and complexity to ECH. Data increased by a 25% geographic salary differential to account for salary differences in the Bay Area.
Base Salary	Salary range midpoints are based on the 50th percentile. The salary range will be from 20% below to 20% above the salary range midpoint. Placement in the range will reflect incumbent performance and qualifications.
Incentives	Target incentive opportunities are set at competitive levels (i.e., 50th percentile). Actual total cash compensation will reflect incumbent salary and individual and organizational performance.
Benefits	Executive benefits and severance targeted at competitive levels (i.e., 50th percentile). Perquisites are minimal, and provided only when supported by specific business reasons.

El Camino's compensation philosophy calls for the following guidelines for placement in base salary range based upon a combination of the factors of paying competitively, rewarding performance, and recognizing competence, credentials, and experience:

- Pay at 80% to 90% of market 50th percentile for newly-hired individuals with limited experience or for individuals who have recently been promoted and need developmental time in the position.

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- Pay at 90% to 110% of market 50th percentile for fully experienced (6-8 years) individuals with demonstrated records of consistently meeting performance expectations.
- Pay at 110% to 120% of market 50th percentile may be appropriate for a highly experienced individual with demonstrated record of consistently exceeding performance expectations or with skills and expertise beyond those normally associated with the position.
- Board of Directors can approve salaries above the normal salary range for hard-to recruit positions or positions deemed critical to the organization's success.

El Camino Chief Executive Officer

Mercer reviewed the FY 2018 total remuneration for Daniel Woods, who was appointed Chief Executive Officer on June 14, 2017 and commenced employment with ECH effective August 30, 2017. Woods previously served as President and Chief Executive Officer of Wellstar Kennestone Regional Medical Center, the flagship hospital of WellStar Health System in Georgia. At Wellstar Kennestone, Woods oversaw a combined Medical Staff of over 1,100 employed and independent physicians and 4,700 employees. Prior to WellStar, Woods served as Senior Vice President at Verras Healthcare, a healthcare consulting firm providing services to hospitals by pairing business intelligence with clinical analytics. He served as Vice President of Operations for nine years at Northwestern Memorial Healthcare and concurrently for five years as President and CEO of NM Home Healthcare. He spent 12 years at the University of Chicago Hospitals and Health System serving in multiple leadership roles including President and CEO, CareMed Chicago and Vice President of the health system.

El Camino's Total Remuneration Program

Mercer assessed the value of the total remuneration, which consists of the following elements:

Table 2: Compensation Elements

ELEMENT	OVERVIEW
Base Salary	Annual cash salary based on position, market data, and incumbent skills and experience.

ELEMENT	OVERVIEW
Incentives	<p>Annual cash incentive awards are provided based on annual performance against system-wide financial, patient safety, quality outcomes, and smart growth metrics.</p> <p>The Chief Executive Officer did not participate in the annual cash incentive program in FY 2017.</p> <p>His FY 2018 target opportunity is 30% of base salary, with maximum opportunity at 150% of target opportunity, or 45% of base salary.</p> <p>For FY 2018, Mr. Woods's actual incentive award will be prorated to reflect partial fiscal year participation (August 30, 2017 – June 30, 2018).</p>
Additional Compensation	<p>In FY 2018, the Chief Executive Officer may receive a bonus forfeiture payment of \$90,000 to reimburse him for the loss of bonuses with respect to prior employment (receivable after six months).</p>
Retirement	<p>The Chief Executive Officer is eligible for the following employer paid retirement plans: a Qualified Defined Contribution (DC) Plan; a Qualified Defined Benefit (DB) Plan; and a Nonqualified DC SERP. Total employer contribution is 13% of base salary.</p> <p>The Chief Executive Officer may also participate in 403(b) and 457(b) plans for voluntary deferrals, including unused allowance from the Taxable Benefit Allowance.</p>
Health & Welfare	<p>The Chief Executive Officer is eligible to receive the same health benefits as all other El Camino employees.</p> <p>The Chief Executive Officer receives group life insurance coverage of up to three times base salary (capped at \$1.25 million) with a guaranteed issue amount of \$350,000.</p> <p>The Chief Executive Officer receives short-term disability of 100% of base salary for six months, including any state disability insurance, worker's compensation, long-term disability benefits, paid time off and extended sick leave. The Chief Executive Officer receives long-term disability equal to 60% of base salary up to a monthly maximum of \$15,000, effective January 1, 2018.</p>

ELEMENT	OVERVIEW
Perquisites	<p>The Chief Executive Officer receives an employer contribution of 7% of base salary to an Executive Taxable Benefit Allowance to purchase voluntary long-term disability, long-term care, and life insurance; unused allowance can be deferred to the 457(b) plan or paid in cash.</p> <p>In FY2018, the Chief Executive Officer will receive a relocation allowance of up to \$100,000. In addition, he will be provided with a housing allowance of up to \$7,000 per month for up to six months.</p> <p>El Camino has offered to make an interest-free loan to the Chief Executive Officer of up to \$400,000 to assist him in buying a home in the El Camino Healthcare District within 12 months.</p>
Severance	Executive employment agreement provides up to 12 months of base salary and health benefits.

Table 3 summarizes the approved target and maximum FY 2018 total compensation program for El Camino's Chief Executive Officer. Target values shown in Table 3 reflect the *structure* of El Camino's program; actual payouts will vary and are based on performance. Maximum values assume annual incentive is paid at the maximum value (150% of target opportunity) and is paid for attainment of stretch performance under the annual incentive plan. Total remuneration is shown exclusive and inclusive of the special one-time awards granted in FY 2018 (\$90,000 bonus forfeiture sign-on award, \$100,000 relocation allowance amortized over 2 years (\$50,000 for 2018), and a \$42,000 temporary housing allowance).

Table 3: El Camino's Chief Executive Officer FY 2018 Target and Maximum Total Remuneration Opportunity (Data in \$000s)

	Total Cash Compensation					Total Remuneration		
	Base Salary	Target Bonus	Target TCC ⁽¹⁾	Max Bonus	Max TCC ⁽¹⁾	Benefits	Target TR ⁽²⁾	Max TR ⁽²⁾
Excluding One-Time Awards	\$850	30%	\$1,105	45%	\$1,233	\$211	\$1,316	\$1,443
Including One-Time Awards	\$850	30%	\$1,105	45%	\$1,233	\$393	\$1,498	\$1,625

(1) Total Cash Compensation (TCC) calculated as Base Salary + Target/Max Bonus.

(2) Total Remuneration calculated as Total Cash Compensation + Benefits (employer cost of all benefits).

III. METHODOLOGY

Mercer's evaluation was conducted in accordance with our firm's standards for reviewing compensation arrangements in tax-exempt organizations.

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Cash Compensation Assessment Methodology

Our approach to evaluating competitive compensation practices for El Camino's executives is to develop a composite of market data, constructed by weighting each of the following published healthcare surveys equally.

- Market Composite - Healthcare Surveys:
 - Mercer (2016): Integrated Health Networks (IHN) Compensation Survey;
 - Integrated Healthcare Strategies (2016): National Healthcare Leadership Compensation Survey; and
 - Sullivan, Cotter and Associates, Inc. (2016): Survey of Manager and Executive Compensation in Hospitals and Health Systems.
- Survey Data Methodology:
 - From each survey, we collected market data for base salary, total cash compensation, total direct compensation (where applicable), and total remuneration at the 25th, 50th, and 75th percentiles. Each survey source is weighted equally to arrive at the market composite.
 - All survey data were scoped to approximate El Camino's net revenue size of \$746.6 million.
 - All data sources were trended to January 1, 2018 by 3.0%, the expected annual increase for executives at healthcare organizations according to Mercer's *2016/2017 US Compensation Planning Survey*.
 - All data sources were adjusted by 25% to account for the geographic salary differences in the Bay Area. See Appendix C for detail.

In addition, we gathered IRS Form 990 data from local peer organizations for a supplemental market perspective. See Appendix A for local peer organization IRS Form 990 data.

We show a market ratio to 50th percentile (Market Ratio P50) which compares each El Camino's compensation element to the adjusted survey data 50th percentile. A market ratio of 100% means that executive's compensation element is at the 50th percentile.

Benefits Assessment

El Camino's benefits and perquisites were compared to practices among not-for-profit organizations using Mercer's (2016/2017) *Healthcare Executive Benefits and Perquisites Survey* (revenue ranging from \$400

million to \$1.6 billion). To develop the survey total remuneration market perspective, Mercer added the market annualized value of retirement, health and welfare benefits and perquisites to market total cash compensation levels. To calculate the Chief Executive Officer's Target and Maximum Total Remuneration, Mercer added the annualized values of retirement and other benefits to target and maximum total cash compensation.

IV. FINDINGS AND OBSERVATIONS

Target and Maximum Total Remuneration

Table 4 displays the comparison of El Camino's approved Chief Executive Officer FY 2018 total remuneration program relative to market composite levels.

Table 4: FY 2018 Annualized Base Salary, Target Total Cash Compensation, and Total Remuneration versus Market (Data in \$000s)

	ECH FY2018		Market			Market Ratio	
	Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Base Salary	\$850	--	\$838	\$1,016	\$1,125	84%	--
Total Cash Compensation ⁽¹⁾	\$1,105	\$1,233	\$869	\$1,170	\$1,453	94%	85%
Total Remuneration (exc. relocation/sign-on) ⁽²⁾	\$1,316	\$1,443	\$988	\$1,311	\$1,607	100%	90%
Total Remuneration ⁽³⁾	\$1,498	\$1,625	\$988	\$1,311	\$1,607	114%	101%

(1) Market Total Cash Compensation calculated as Base Salary + Actual Bonus.

(2) Market Total Remuneration calculated as Total Cash Compensation + Benefits (employer cost of all benefits). Excludes one-time benefits of relocation bonus and temporary housing allowance.

(3) Market Total Remuneration calculated as Total Cash Compensation + One-time Benefits (relocation bonus and temporary housing allowance) + Ongoing Benefits (employer cost of all benefits).

Base Salary

As shown in Table 4, the Chief Executive Officer's base salary is positioned at 84% of market 50th percentile, which is in accordance with El Camino's pay guidelines for newly-hired individuals.

Annual Incentives and Total Cash Compensation

The Chief Executive Officer's FY 2018 target total cash compensation (i.e., base salary + target bonus) is positioned within 10% of the 50th percentile, in accordance with El Camino's stated philosophy.

Benefits

Overall, El Camino's executive benefit offerings are comprehensive and generally consistent with market practice and those provided by comparators. The total value of El Camino's benefits program is generally aligned with the market 50th percentile of the not-for-profit healthcare industry.

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- Retirement

Overall, the types of retirement plans offered by El Camino are consistent with market practice. Like El Camino, the vast majority of similarly sized tax-exempt healthcare organizations provide a qualified defined contribution plan. Total employer contribution to retirement (including defined contribution, defined benefit and SERP) is aligned with the 50th percentile of the not-for-profit healthcare industry.

- Health and Welfare Benefits

The Chief Executive Officer receives the same health benefits as all other employees, which is consistent with market practice. The Chief Executive Officer receives life insurance coverage of up to 3X base pay (\$1,250,000 maximum) with a guaranteed issue amount of \$350,000. Because of the cap, his total coverage level is ~150%, which is generally aligned with market median. The Chief Executive Officer receives short-term disability coverage of 100% of base salary for up to 6 months, and long-term disability coverage of 60% of base pay up to a monthly maximum benefit of \$15,000, which is consistent with market practice. Given the benefit levels, El Camino is generally consistent with market practice in its health and welfare benefit offerings.

- Perquisites

El Camino provides the Chief Executive Officer with an employer contribution of 7% of base salary to an Executive Taxable Benefit Allowance to purchase voluntary long-term disability coverage, long-term care, and life insurance. Any unused allowance can be deferred to the 457(b) plan or he may opt to receive in cash. Perquisites without a clear business-related purpose continue to become less prevalent in the market. Flexible benefit plans in particular are declining in prevalence for a variety of reasons including complexity and cost. El Camino's executive severance policy is to provide base salary and health benefits for up to six months, and the CEO employment agreement provides twelve months. The length of El Camino's severance period is below market practice.

Target Total Remuneration

The Chief Executive Officer's FY 2018 target total remuneration (excluding relocation and sign on) value (base salary + target annual incentives + benefits) is positioned at approximately the market 50th percentile. While FY 2018 target total remuneration inclusive of special one-time awards is positioned above the 50th percentile of market data, the Board believes these awards were essential to securing Mr. Woods' acceptance of the employment offer, given the high cost of housing in the El Camino area and the bonus compensation he was due at his previous employer. This value has been included; however, it does not represent target go-forward compensation and appear to be part of an initial contract exemption (and therefore reasonable).

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Mr. Robert Miller
El Camino Hospital

Maximum Total Remuneration Opportunity

In addition to examining the approved target total remuneration program for El Camino's Chief Executive Officer, Mercer also has reviewed the Chief Executive Officer's FY 2018 *maximum* total remuneration opportunity (maximum total cash compensation plus benefits). Maximum total remuneration assumes the annual incentive plan pays out at maximum (i.e., 150% of target opportunity) and payout requires attainment of stretch goals under the annual incentive plan. The Chief Executive Officer's maximum total remuneration value, inclusive of special awards in 2018, is at approximately the market 75th percentile.

V. BASIS FOR OPINION

Many factors are considered in an evaluation of the reasonableness of pay, including the organization's performance, its total rewards philosophy, and the qualifications and roles of the incumbents. Market data and external factors play a role in determining a reasonable range of compensation practices. Differences in pay levels between an organization and the market data (i.e., variation from the 50th) do not mean that an organization is necessarily over- or under-competitive. El Camino can compensate an executive above the 75th percentiles of the market and still be within a range of reasonable compensation, depending on the facts and circumstances of the particular situation. Mercer considered the following factors in determining the reasonableness of pay for the Chief Executive Officer of El Camino:

- Industry Pressure: With the significant changes in the healthcare industry, El Camino faces a strategic crossroads as an independent community hospital system. The ability to attract and retain key talent remains critical to the future success of the organization during this turbulent time and providing compensation at market (50th percentile) or above levels is part of El Camino's strategy to ensure its ability to attract and retain executive talent.
- Executive Compensation Philosophy: El Camino's desired market positioning as described in the executive compensation philosophy is the market 50th percentile. The Chief Executive Officer is positioned at approximately the 50th percentile for target remuneration, in alignment with the compensation philosophy.
- The Qualifications and Role of the Chief Executive Officer: The El Camino Chief Executive Officer is critical to the success of the organization. The Committee has acknowledged that he is well-regarded, experienced, and possesses significant industry knowledge.
- One-time Special Awards: While sign-on and relocation awards raise 2018 total remuneration above the 50th percentile at target levels, these are temporary payments that are not indicative of the go-forward compensation program for the CEO. We believe that these would meet the definition under the initial contract exemption and are therefore deemed reasonable.

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October 31, 2017
Mr. Robert Miller
El Camino Hospital

VI. OPINION OF REASONABLENESS

Mercer (US) Inc. certifies that it (1) is a compensation consulting firm, (2) performs compensation valuation studies of this type on a regular basis, and (3) is qualified to perform the valuations of the type of property or services involved. In our opinion, the total remuneration we have reviewed falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances.

Disclaimers

Mercer has relied on the information and data provided to us without any independent review or verification and we assume all data provided to us is accurate, factual and complete. This does not constitute an opinion regarding the underlying business decisions.

This opinion has been prepared exclusively for El Camino Hospital to assist in understanding market total remuneration positioning for its Chief Executive Officer. This letter provides the Committee with market comparability data as required by Intermediate Sanctions regulations and we urge the Committee to ensure that the additional requirements for establishing the rebuttable presumption/ determining reasonable compensation have been met and to seek the advice of counsel as needed in this regard. This letter may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any such unauthorized use.



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October 31, 2017
Mr. Robert Miller
El Camino Hospital

As always, it is our pleasure to be of service. If you have any questions about this letter, please do not hesitate to contact me at (213) 346-2233.

Sincerely,

Stephen S. Pollack
Partner

Copy:
Lisa Stella, Mercer



APPENDIX A: MARKET EVALUATION DETAILS (COMPENSATION DATA IN 000S)

Table 5: Chief Executive Officer Not-For-Profit Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-MER-16 - 4100A - President/Chief Executive Officer (CEO) - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		26	26	\$654	\$875	\$975	\$672	\$997	\$1,293	\$672	\$997	\$1,293	--	--	--
US-HLTH-IHS-16 - 050 - Independent Chief Executive Officer - System: Net Rev \$500M-\$1.0B	1		47		\$720	\$820	\$878	\$725	\$906	\$1,118	\$725	\$944	\$1,147	--	--	--
US-HLTH-SUL-16 - 7000 - President and Chief Executive Officer - System: \$400M to \$900M Net Revenue	1		85		\$637	\$743	\$847	\$690	\$905	\$1,076	\$690	\$925	\$1,080	--	--	--
Survey Composite					\$670	\$813	\$900	\$695	\$936	\$1,162	\$695	\$956	\$1,173	\$794	\$1,052	\$1,289
Survey Composite with 25% Geographic Differential					\$838	\$1,016	\$1,125	\$869	\$1,170	\$1,453	\$869	\$1,194	\$1,467	\$988	\$1,311	\$1,607

Table 6: Chief Executive Officer Local Peer Organizations 990 Data – For Reference

Organization	Title	Name	Revenue Resp. ⁽¹⁾ (\$000s)	Base Salary ⁽²⁾ (\$000s)	Total Cash ⁽²⁾ (\$000s)	Total Comp ⁽³⁾ (\$000s)
Regional/Multiple-Facility Heads						
Stanford Health Care	Director/CEO	Amir Dan Rubin	¹⁵ \$3,548,515	\$1,826	\$2,921	\$3,602
John Muir Health	President/CEO/Director	Calvin Knight	¹⁴ \$1,294,724	\$1,058	\$1,561	\$2,833
Sutter West Bay Hospitals	Regional President, West Bay	Michael Cohill	¹⁴ \$1,230,216	\$830	\$1,849	\$2,341
Marin General Hospital	CEO/MGH Board Ex-Officio	Lee Domanico	¹⁵ \$384,624	\$822	\$1,433	\$1,668
Sutter Central Valley Hospitals	Regional Pres, Central Valley	David P Benn	¹⁴ \$719,936	\$641	\$1,122	\$1,553
Sutter East Bay Hospitals	Regional President, East Bay	David Bradley	¹⁴ \$1,128,891	\$743	\$1,158	\$1,503
Sutter Central Valley Hospitals	President, Sutter Health Sacramento Sierra Region	James Conforti	-	\$650	\$1,115	\$1,501
UCSF Medical Center	CEO Medical Center	Mark R. Laret	¹⁶ \$3,567,317	\$1,046	\$1,046	\$1,283
Single Hospital Heads						
Sutter West Bay Hospitals	CEO, San Francisco Hosp, SWBH	Warren Browner MD	-	\$636	\$962	\$1,414
⁽⁴⁾ Mills-Peninsula Health Services	CEO, Mills Peninsula Hlth Svcs	Robert Merwin	¹⁴ \$622,916	\$573	\$1,203	\$1,408
John Muir Health	CAO, Walnut Creek Campus	Jane Willemssen	-	\$569	\$764	\$1,133
John Muir Health	CAO, Concord Campus	Michael Thomas	-	\$517	\$701	\$1,042
Sutter East Bay Hospitals	CEO, Alta Bates Summit Medical Center	Charles Prosper	-	\$511	\$761	\$990
Sutter Central Valley Hospitals	CEO, Memorial Medical Center	Daryn Kumar	-	\$452	\$672	\$830
Sutter Central Valley Hospitals	CEO, Sutter Tracy Community Hospital	David Thompson	-	\$360	\$570	\$716
Sutter East Bay Hospitals	CEO, Sutter Delta Medical Ctr	Gary D Rapaport	-	\$380	\$606	\$699
Summary Statistics: Regional/Multiple-Facility Heads		75th Percentile		\$1,049	\$1,633	\$2,464
		Median		\$826	\$1,295	\$1,611
		25th Percentile		\$719	\$1,120	\$1,503
Summary Statistics: Single Hospital Heads		75th Percentile		\$570	\$814	\$1,202
		Median		\$514	\$731	\$1,016
		25th Percentile		\$434	\$655	\$802

(1) Revenue amounts are from annual reports and 990 forms; the revenue year is indicated to the left of the amount (e.g., 16 = FY2016 Revenue).

(2) Base and Bonus data has been aged to 1/1/2018 using an update factor of 3.0% in 2014, 2015, 2016, and 2017.

(3) Total Compensation includes Total Cash, Other Compensation, Deferred Compensation, and Non-Taxable Benefits.

(4) Robert Merwin left the organization in January 2015. His successor, Janet Wagner, was appointed CEO in September 2014.

APPENDIX B: EXECUTIVE BENEFITS AND PERQUISITES REVIEW

Retirement Plans Summary

	El Camino	Market Practice	Comments
Employer-paid	<p>Qualified Plans</p> <p><u>Defined Contribution (DC) – 403(b) Plan</u></p> <ul style="list-style-type: none"> Employer match of salary, based on years of service: <ul style="list-style-type: none"> 1-14 years: 4% 15-19 years: 5% 20+ years: 6% <p><u>Defined Benefit (DB) – Cash Balance Plan</u></p> <ul style="list-style-type: none"> 5% of salary <p>Contributions on pay up to IRS limit (\$275K in 2018)</p> <p>Nonqualified DC SERP 457(f) Plan</p> <ul style="list-style-type: none"> 13% of salary, offset by contributions to qualified plans <p>Total contribution is 13% of salary</p>	<ul style="list-style-type: none"> Nearly all provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> Less than 15% provide a qualified DB plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> 60% provide a supplemental plan to the CEO <ul style="list-style-type: none"> The vast majority are DC SERPs Median total contribution from all employer-provided sources ranges from 12%-13% of salary 	<ul style="list-style-type: none"> Overall structure is consistent with market practice although prevalence of DB plans continues to decline Contribution level is aligned with not-for-profit market median
Voluntary Deferrals	<p><u>403(b) Plan</u></p> <ul style="list-style-type: none"> Allows for deferral of pay (up to \$18,500 in 2018; \$24,500 if age 50+) <p><u>457(b) Plan</u></p> <ul style="list-style-type: none"> Allows for additional deferral up to \$18,500 in 2018 Can elect to defer some of the Taxable Allowance into the 457(b) plan 	<ul style="list-style-type: none"> Nearly all allow for deferrals to a 403(b)/401(k) plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> 85% allow additional deferrals into a 457(b) plan 	<ul style="list-style-type: none"> Consistent with market practice to provide a 457(b) plan

Source: Mercer's 2016/2017 Healthcare Executive Benefits and Perquisites Survey.

Health & Welfare Plans Summary

	El Camino	Market Practice	Comments
Medical	<ul style="list-style-type: none"> CEO receives the same health benefits as all employees 	<ul style="list-style-type: none"> It is common to provide the same health benefits and employer/employee cost sharing to all employees 	<ul style="list-style-type: none"> Consistent with market practice
Life Insurance	<ul style="list-style-type: none"> 3X annual salary, up to a maximum of \$1.25 million; amounts above \$350K subject to medical underwriting Effective coverage with cap and underwriting is ~1.5X salary Has the option to buy additional coverage with Taxable Allowance 	<ul style="list-style-type: none"> Almost all provide employer-paid group coverage 30% to 45% provide supplemental coverage to the CEO Median coverage is 150% to 200% of salary (200% to 300% at the 75th percentile) 	<ul style="list-style-type: none"> Coverage is limited due to the maximum but still aligned with market median Consider increasing the guarantee issue limit
Long-term Care (LTC)	<ul style="list-style-type: none"> Has the option to buy coverage with Taxable Allowance 	<ul style="list-style-type: none"> Approximately 5% provide executive coverage to the CEO 	<ul style="list-style-type: none"> Providing LTC is not prevalent in the market

Source: Mercer's 2016/2017 Healthcare Executive Benefits and Perquisites Survey.

Health & Welfare Plans Summary, continued

	EI Camino	Market Practice	Comments
Short-term Disability (STD)	<ul style="list-style-type: none"> Employer-paid executive coverage equal to 100% of salary for up to 12 months 	<ul style="list-style-type: none"> 75% provide group coverage <ul style="list-style-type: none"> 60% of salary is the most common benefit 40% provide supplemental coverage to the CEO <ul style="list-style-type: none"> 100% of salary is the most common benefit 	<ul style="list-style-type: none"> Consistent with market practice
Long-term Disability (LTD)	<ul style="list-style-type: none"> Employer-paid group coverage to all employees equal to 60% of salary up to a monthly maximum of \$15,000 Has the option to buy additional coverage with Taxable Allowance 	<ul style="list-style-type: none"> Nearly all provide group coverage 30% to 50% provide supplemental coverage to the CEO Median coverage is 60% of salary up to \$20,000 per month 	<ul style="list-style-type: none"> Coverage level is consistent with market practice
Taxable Allowance	<ul style="list-style-type: none"> 7% of salary Can be used to purchase LTC, additional LTD, and life insurance, defer into 457(b) plan, or distribute as cash payments 	<ul style="list-style-type: none"> Prevalence of flexible plans has declined over time (less than 20% provide), due to complexity and compliance risk 	<ul style="list-style-type: none"> Note that EI Camino's plan was updated in 2009, which simplified the plan and minimized compliance risk

Source: Mercer's 2016/2017 Healthcare Executive Benefits and Perquisites Survey.

Severance and Perquisites Summary

	El Camino	Market Practice	Comments
Severance	<ul style="list-style-type: none"> Salary and health benefits continue for up to 12 months 	<ul style="list-style-type: none"> 65% provide additional severance benefits Median severance period is 18 months for the CEO <ul style="list-style-type: none"> – 75% continue benefits during the severance period 	<ul style="list-style-type: none"> Length of severance period is below market median
Perquisites	<ul style="list-style-type: none"> El Camino does not provide any executive-only perquisites 	<ul style="list-style-type: none"> Car/car allowance is the only perquisite that remains somewhat prevalent <ul style="list-style-type: none"> – 35% for the CEO 	<ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent

Source: Mercer's 2016/2017 Healthcare Executive Benefits and Perquisites Survey.

APPENDIX C: GEOGRAPHIC SALARY DIFFERENTIAL

- A geographic salary differential is a numerical value that expresses how a position’s pay in a particular location compares to the national average pay for the same position.
 - For example, a differential of 27% for Mountain View means that the average executive salary in Mountain View is 27% higher than the average salary of executives across the US.
- The purpose of applying a geographic salary differential to market data is to account for the market differences in that employee’s location.
 - Geographic salary differentials used in this study are calculated using data from the Economic Research Institute (ERI), which determines differentials using salary survey data from across the country. The differential in the Bay Area has been increasing over the past decade, with that increase accelerating over the past three to five years.

Table 8: Geographic Salary Differential Data

	BAY AREA ²	SILICON VALLEY ³	MOUNTAIN VIEW
Average Differential	24%	27%	27%

A geographic salary differential of 25% has been applied to survey data for base salary, total cash, and total remuneration in this study.

² Bay Area includes Silicon Valley (see below for Silicon Valley definition), San Francisco, Oakland, Berkeley, Piedmont, Lafayette, Walnut Creek, Alameda, and Marin County.

³ Silicon Valley includes Mountain View, Palo Alto, Cupertino, Sunnyvale, Los Altos, and Los Gatos.

Stephen S. Pollack
Partner

777 S. Figueroa St., Suite 2400
Los Angeles, CA 90017
213 346 2233
Stephen.Pollack@mercer.com
www.mercer.com

Private & Confidential

Bob Miller
Chair, Executive Compensation Committee
El Camino Hospital
2500 Grant Rd
Mountain View, CA 94040

December 12, 2017

Subject: Reasonableness Opinion for El Camino Hospital Disqualified Persons

Dear Mr. Miller:

As requested by the Executive Compensation Committee (“Committee”) of the Board of Directors (“Board”) of El Camino Hospital (“El Camino” or “ECH”), Mercer has conducted an evaluation of the total remuneration program provided to the El Camino executives named in Table 2 for the fiscal year ending June 30, 2017 (FY 2017). The results of this assessment were presented in Mercer’s report at the May Executive Compensation Committee meeting and were used to inform the Board’s approval of FY 2018 compensation and benefits. This letter outlines the study’s objectives, Mercer’s evaluation process, findings, and our opinion that the approved FY 2018 total remuneration program for the named executives falls within a reasonable range of the competitive practice.

I. Purpose

The purpose of this letter is to document comparability data and provide Mercer’s opinion on the reasonableness of the executive total remuneration program in support of the organization’s pursuit of the rebuttable presumption of reasonableness under IRC §4958. To do so, we have:

- Presented relevant summary market comparability data at the May 2017 Committee and June 2017 Board meetings to ensure that the Committee and the Board are well-informed of current executive compensation and benefits practices when making decisions on El Camino’s executive remuneration;
- Advised the Committee regarding interpretation of the market data;
- Assisted the Committee in its governance responsibility with respect to the compensation program for all executives by providing Mercer’s opinion that all executives’ total remuneration, approved in August 2017, falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances in accordance with the Intermediate Sanctions legislation and applicable regulations; and

- Documented the recent changes to compensation approved by the Board of Directors based on the comparability data Mercer provided to the Committee in May 2017.

II. Background

Mercer serves as an independent advisor to the Committee. In this capacity, we provide advice and competitive compensation and benefits market data to management that has been used in its decision-making process relative to the compensation program for El Camino's executives.

The executive compensation program is governed by the Board of Directors and the Executive Compensation Committee, which advises the Board to meet all applicable legal and regulatory requirements as they relate to executive compensation and effectiveness in attracting, retaining, and motivating executives.

Organization Context

El Camino is a nonprofit 501(c)(3) organization that strives to be an innovative, publicly accountable and locally controlled comprehensive health care organization. El Camino cares for the sick, relieves suffering and provides quality, cost-competitive services to improve the health and well-being of the community. El Camino opened its doors to its first patients on September 1, 1961 with 21 medical staff. An expanding population in Silicon Valley drove El Camino Hospital to develop further, and today El Camino Hospital consists of two campuses: Los Gatos and Mountain View. Net revenue for FY 2017 was \$870.5 million.

Executive Compensation Philosophy¹

El Camino's Executive Compensation Philosophy utilizes the following guiding principles and objectives to drive executive compensation decisions:

1. Support the Hospital's ability to attract, retain, and motivate a highly-talented executive team with the ability and dedication to manage the Hospital accordingly.
2. Support the Hospital's mission and vision and achievement of strategic goals.
3. Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.
4. Consider the Hospital's financial performance and ability to pay which shall be balanced with the Hospital's ability to attract, retain and motivate executives.
5. Govern the executive compensation programs to comply with state and federal laws.

The executive compensation program encompasses both cash compensation (base salary, incentive compensation, and other cash compensation) and non-cash compensation (benefit plans and perquisites) which, in whole, represent total compensation.

¹ This is extracted from El Camino's official stated philosophy, as presented at the November 9, 2017 Board meeting.

The three key components of the program are base salary, incentives, and benefits. In evaluating executive compensation, the Executive Compensation Committee uses the following market definition and desired positioning guidelines.

Table 1 – El Camino Hospital Market Definition and Desired Positioning

Component	Market Definition and Desired Positioning
Market Definition	<ul style="list-style-type: none"> Primarily national, not-for-profit, independent hospitals/health systems of comparable net revenue size and complexity to ECH. Data increased by a 25% geographic salary differential to account for salary differences in the Bay Area.
Base Salary	<ul style="list-style-type: none"> Salary range midpoints are based on the 50th percentile. The salary range will be from 20% below to 20% above the salary range midpoint. Actual salary will reflect market range, performance, and incumbent qualifications. Pay at 80% to 90% of market 50th percentile for newly-hired individuals with limited experience or for individuals who have recently been promoted and need developmental time in the position. Pay at 90% to 110% of market 50th percentile for fully experienced (6-8 years) individuals with demonstrated records of consistently meeting performance expectations. Pay at 110% to 120% of market 50th percentile may be appropriate for a highly experienced individual with demonstrated record of consistently exceeding performance expectations or with skills and expertise beyond those normally associated with the position. Board of Directors can approve salaries above the normal salary range for hard-to-recruit positions or positions deemed critical to the organization's success.
Incentives	<ul style="list-style-type: none"> Target incentive opportunities are set at competitive levels (i.e., 50th percentile). Actual total cash compensation will reflect individual and organizational performance.
Benefits	<ul style="list-style-type: none"> Executive benefits and severance targeted at competitive levels (i.e., 50th percentile). Perquisites should only be provided when supported by specific business reasons. ECH's practice is to minimize the use of perquisites.

El Camino Executives

Table 2 details the list of incumbents included in Mercer's review of FY 2018 total remuneration. See Appendix C for detailed biographies of each incumbent.

Table 2 – Executives Reviewed

Incumbent	Title
Michael Zdeblick	Chief Operating Officer
William Faber, MD	Chief Medical Officer
Iftikhar Hussain	Chief Financial Officer
Mary Rotunno	General Counsel
Kathryn Fisk	Chief Human Resource Officer
Cheryl Reinking	Chief Nursing Officer
Ken King	Chief Administrative Services Officer
Joan Kezic	Vice President of Payor Relations
Cecile Currier	Vice President of Corporate & Community Health Services; CEO of CONCERN: Employee Assistance Program
Jodi Barnard	President of El Camino Hospital Foundation

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El Camino’s Total Remuneration Program

Mercer assessed the value of the total remuneration provided to each executive, which consists of the following elements:

Table 3: Compensation Elements

Element	Overview
Base Salary	<ul style="list-style-type: none"> Annual cash salary based on position, market data, and incumbent skills and experience. For FY 2018, approved base salary increases ranged from 1.4% - 14.1%, and were determined based on market, merit, and executive experience.
Incentives	<ul style="list-style-type: none"> Annual cash incentive awards were provided based on annual performance against system-wide financial, patient safety, quality outcomes, and smart growth metrics. For FY 2018, target opportunity remains at 20% of base salary for all executives, with maximum opportunity at 150% of target opportunity.
Retirement	<ul style="list-style-type: none"> Executives are eligible for the following employer paid retirement plans: a Qualified Defined Contribution (DC) Plan; a Qualified Defined Benefit (DB) Plan; and a Nonqualified DC SERP. Total employer contributions range from 9% to 16% for executives, depending on pay and years of service. Executives may also participate in 403(b) and 457(b) plans for voluntary deferrals. See Appendix B for a detailed breakdown of benefits values.
Health & Welfare	<ul style="list-style-type: none"> Executives are eligible to receive the same health benefits as all other El Camino employees. Executives receive group life insurance coverage of up to 3X base salary (capped at \$1.25 million); amounts above \$350K subject to medical underwriting. Executives receive short-term disability of 100% of base salary for six months (offset for state disability insurance, worker’s compensation, paid time off, extended sick leave) Executives receive long-term disability equal to 60% of base salary up to a monthly maximum of \$15,000, effective January 1, 2018. See Appendix B for a detailed breakdown of benefits values.
Perquisites	<ul style="list-style-type: none"> Executives receive an employer contribution of 7% of base salary to an Executive Taxable Benefit Plan to purchase voluntary long-term disability, long-term care, and life insurance; unused allowance can be deferred to the 457(b) plan or paid in cash. Executive severance policy provides up to six months of base salary and health benefits.

Table 4 summarizes the approved target and maximum FY 2018 total compensation program for El Camino's executives. Target values below reflect the *structure* of El Camino's program; actual payouts will vary and are based on performance. Maximum values assume annual incentive is paid at the maximum value (150% of target) and is paid for attainment of stretch performance under the annual incentive plan.

Table 4: El Camino's FY 2018 Target and Maximum Total Remuneration Opportunity (Data in \$000s)

Incumbent	Base Salary	Total Cash Compensation				Total Remuneration		
		Target Bonus	Target TCC ⁽¹⁾	Max Bonus	Max TCC ⁽¹⁾	Benefits	Target TR ⁽²⁾	Max TR ⁽²⁾
Zdeblick	\$557	20%	\$668	30%	\$724	\$121	\$789	\$845
Faber	\$507	20%	\$608	30%	\$659	\$103	\$711	\$762
Hussain	\$480	20%	\$576	30%	\$624	\$113	\$689	\$737
Rotunno	\$357	20%	\$428	30%	\$464	\$97	\$525	\$561
Fisk	\$341	20%	\$410	30%	\$444	\$95	\$505	\$539
Reinking	\$334	20%	\$400	30%	\$434	\$100	\$500	\$534
King	\$295	20%	\$354	30%	\$383	\$91	\$444	\$474
Kezic*	\$265	20%	\$318	30%	\$345	\$94	\$412	\$439
Currier	\$257	20%	\$308	30%	\$334	\$83	\$391	\$417
Barnard	\$252	20%	\$303	30%	\$328	\$83	\$385	\$410

*Base salary reflects Kezic's 0.9 FTE status.

(1) Total Cash Compensation (TCC) calculated as Base Salary + Target/Max Bonus.

(2) Total Remuneration (TR) calculated as Total Cash Compensation + Benefits.

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III. Methodology

Mercer's evaluation was conducted in accordance with our firm's standards for reviewing compensation arrangements in tax-exempt organizations.

Cash Compensation Assessment Methodology

Our approach to evaluating competitive compensation practices for El Camino's executives is to develop a composite of market data, constructed by weighting each of the following published health care surveys equally.

- Market Composite - Healthcare Surveys:
 - Mercer (2016): *Integrated Health Networks (IHN) Compensation Survey*;
 - Integrated Healthcare Strategies (2016): *National Healthcare Leadership Compensation Survey*; and
 - Sullivan, Cotter and Associates, Inc. (2016): *Survey of Manager and Executive Compensation in Hospitals and Health Systems*.
- Survey Data Methodology:
 - From each survey, we collected market data for base salary and total cash compensation at the 25th, 50th, and 75th percentiles.
 - All survey data were scoped to approximate El Camino's net revenue size (\$350 million to \$1.5 billion, approximately 0.5x - 2.0x ECH's net revenue of approximately \$750 million).
 - All data sources were trended to January 1, 2018 by 3.0%, the expected annual increase for executives at health care organizations according to Mercer's *2016/2017 US Compensation Planning Survey*.
 - All data sources were adjusted by 25% to account for the geographic salary differences in the Bay Area. See Appendix D for detail.
 - One incumbent (Kezic) has a reduced Full Time Equivalence (FTE) status. As such, Mercer discounted the survey market data for her position to reflect the same FTE in the market.
 - Mercer developed a position matching strategy for each role through a detailed review of job descriptions, discussions with El Camino, and interviews with executives.

We show a market ratio to 50th percentile (Market Ratio P50) which compares each El Camino executive's compensation element to the market 50th percentile. A market ratio of 100% means that executive's compensation element is at the 50th percentile.

Benefits Assessment

El Camino's benefits and perquisites were compared to practices among both not-for-profit organizations using Mercer's (2016/2017) *Health Care Executive Benefits and Perquisites Survey* (revenue ranging from \$400 million to \$1.6 billion) and general industry companies from Mercer's Executive and Broad-Based Employee Retirement Tool (revenue ranging from \$400 million to \$1.6 billion) and Mercer's (2016/2017) *US Executive Rewards Year-End Survey* (revenue ranging from \$500 million to \$2.5 billion). To develop the survey total remuneration market perspective,

Mercer added the market annualized value of retirement, health and welfare benefits and perquisites to market total cash compensation levels.

IV. Findings and Observations

Target and Maximum Total Remuneration

Tables 5-7 display the comparison of El Camino’s approved FY 2018 target and maximum total remuneration program to market composite levels.

Overall, base salaries generally fall below the 50th percentile of the not-for-profit healthcare market for nearly all executives when the geographic salary differential is applied. El Camino executives’ target bonus levels bring target total cash compensation (base salary + target bonus) to a more competitive position; just above the 50th percentile in aggregate. Target total remuneration (base salary + target bonus + benefits) is generally at or less than 10% above market 50th percentile, with a few exceptions of executives that are just under the market 50th percentile and a few that are over the 75th percentile.

In aggregate, target total remuneration of the executives is within range of the market 50th percentile, which aligns with the desired positioning stated in El Camino’s compensation philosophy. We will review individual circumstances that warrant compensation above target levels later in this letter. Maximum total cash compensation and maximum total remuneration for most executives is positioned below the 75th percentile of market data.

Base Salary

As shown in Table 5, in aggregate, FY 2018 base salary levels fall below the 50th percentile of the not-for-profit healthcare market for eight of ten executives.

Table 5: FY 2018 Approved Base Salary versus Market (Data in \$000s)

Incumbent	Title	ECH FY2018	Market Base Salary			Market Ratio P50
			P25	P50	P75	
Zdeblick	Chief Operating Officer	\$557	\$472	\$575	\$663	97%
Faber	Chief Medical Officer	\$507	\$474	\$536	\$625	95%
Hussain	Chief Financial Officer	\$480	\$467	\$551	\$621	87%
Rotunno	General Counsel	\$357	\$352	\$411	\$477	87%
Fisk	Chief Human Resource Officer	\$341	\$312	\$356	\$411	96%
Reinking	Chief Nursing Officer	\$334	\$328	\$379	\$435	88%
King	Chief Administrative Services Officer	\$295	\$226	\$273	\$310	108%
Kezic*	VP, Payor Relations	\$265	\$194	\$253	\$297	105%
Currier	VP, Corp./ Comm. Health Svcs & Pres, EAP	\$257	\$251	\$284	\$375	90%
Barnard	President of ECH Foundation	\$252	\$225	\$278	\$328	91%
--	Chief Information Officer	--	\$351	\$401	\$452	--
--	Chief Strategy Officer	--	\$300	\$363	\$411	--
Aggregate						94%

*Market data has been discounted for Kezic's 0.9 FTE status.
 Note: All market data include a 25% geographic differential.

Annual Incentives and Total Cash Compensation

Table 6 provides a comparison of El Camino’s target total cash compensation (base salary + target bonus) to market composite target total cash compensation. In aggregate, El Camino’s FY 2018 target total cash compensation is positioned at approximately the 50th percentile. Most executives are positioned within 10% of the 50th percentile, with the exception of the Chief Administrative Services Officer and VP of Payor Relations.

Table 6: FY 2018 Approved Target Total Cash Compensation versus Market (Data in \$000s)

Incumbent	Title	ECH TCC FY2018		Market Actual Total Cash Compensation			Market Ratio	
		Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Zdeblick	Chief Operating Officer	\$668	\$724	\$507	\$648	\$812	103%	89%
Faber	Chief Medical Officer	\$608	\$659	\$506	\$583	\$694	104%	95%
Hussain	Chief Financial Officer	\$576	\$624	\$485	\$616	\$734	93%	85%
Rotunno	General Counsel	\$428	\$464	\$385	\$465	\$561	92%	83%
Fisk	Chief Human Resource Officer	\$410	\$444	\$331	\$393	\$486	104%	91%
Reinking	Chief Nursing Officer	\$400	\$434	\$353	\$418	\$511	96%	85%
King	Chief Administrative Services Officer	\$354	\$383	\$238	\$306	\$369	116%	104%
Kezic*	VP, Payor Relations	\$318	\$345	\$200	\$260	\$326	123%	106%
Currier	VP, Corp./ Comm. Health Svcs & Pres, EAP	\$308	\$334	\$268	\$319	\$401	97%	83%
Barnard	President of ECH Foundation	\$303	\$328	\$240	\$304	\$387	100%	85%
--	Chief Information Officer	--	--	\$366	\$439	\$513	--	--
--	Chief Strategy Officer	--	--	\$316	\$380	\$482	--	--
Aggregate							101%	90%

*Market data has been discounted for Kezic's 0.9 FTE status.
 Note: All market data include a 25% geographic differential.

Benefits

Overall, El Camino’s executive benefit offerings are generally consistent with market practice. The total value of El Camino’s benefits is generally aligned with the market 50th percentile of the not-for-profit health care industry.

Retirement

Overall, the types of retirement plans offered by El Camino are consistent with market practice. Like El Camino, the vast majority of similarly sized tax-exempt healthcare organizations provide a qualified defined contribution plan, although prevalence of defined benefit plans continues to decline. Total employer contribution value (including defined contribution, defined benefit and SERP) is generally aligned with the 50th percentile of the not-for-profit healthcare industry. However, due to the flat 5% SERP contribution, higher paid executives receive lower overall retirement benefit values as a percent of base salary.

Health and Welfare Benefits

El Camino’s executives receive the same health benefits as all other employees, which is consistent with market practice. Executive life insurance coverage is aligned with the market 75th percentile. Executive short-term and long-term disability coverages are consistent with market practice, except that the long-term disability monthly cap of \$10,000 is below typical market practice of \$15,000. Given the benefit levels, El Camino is generally consistent with market practice in its health and welfare benefit offerings.

Perquisites

The length of El Camino’s severance period (up to 6 months) is below typical market practice.

Target Total Remuneration

El Camino’s target total remuneration values (base salary + target bonus + benefits) for executives are generally within 10% of the market 50th percentile, with the exception of three executives (Chief Human Resources Officer, Chief Administrative Services Officer, and VP of Payor Relations). In aggregate, target total remuneration is between the market 50th and 75th percentiles. (Table 7)

Maximum Total Remuneration Opportunity

In addition to examining the approved target total remuneration program for El Camino’s executives, Mercer also has reviewed the *maximum* total remuneration opportunity for executives (maximum total direct compensation plus benefits). Maximum total remuneration assumes the annual incentive plan pays out at maximum (i.e., 150% of target opportunity) and payout requires attainment of stretch goals under the annual incentive plan. (Table 7)

Table 7: FY 2018 Approved Target and Maximum Total Remuneration versus Market (Data in \$000s)

Incumbent	Title	ECH TR FY2018		Market Total Remuneration			Market Ratio	
		Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Zdeblick	Chief Operating Officer	\$789	\$845	\$582	\$735	\$909	107%	93%
Faber	Chief Medical Officer	\$711	\$762	\$577	\$660	\$783	108%	97%
Hussain	Chief Financial Officer	\$689	\$737	\$558	\$700	\$827	98%	89%
Rotunno	General Counsel	\$525	\$561	\$445	\$532	\$636	99%	88%
Fisk	Chief Human Resource Officer	\$505	\$539	\$386	\$453	\$553	111%	97%
Reinking	Chief Nursing Officer	\$500	\$534	\$410	\$481	\$581	104%	92%
King	Chief Administrative Services Officer	\$444	\$474	\$283	\$356	\$424	125%	112%
Kezic*	VP, Payor Relations	\$412	\$439	\$240	\$307	\$379	134%	116%
Currier	VP, Corp./ Comm. Health Svcs & Pres, EAP	\$391	\$417	\$315	\$371	\$463	106%	90%
Barnard	President of ECH Foundation	\$385	\$410	\$284	\$355	\$444	109%	92%
--	Chief Information Officer	--	--	\$425	\$505	\$585	--	--
--	Chief Strategy Officer	--	--	\$370	\$442	\$549	--	--
Aggregate							108%	95%

*Market data has been discounted for Kezic's 0.9 FTE status.
 Note: All market data include a 25% geographic differential.

V. Basis for Opinion

Many factors are considered in an evaluation of the reasonableness of pay, including the organization’s performance, its total rewards philosophy, and the qualifications and roles of the incumbents. Market data and external factors play a role in determining a reasonable range of compensation practices. Differences in pay levels between an organization and the market data (i.e., variation from the 75th) do not mean that an organization is necessarily over- or under-competitive. El Camino can compensate an executive above the 75th percentiles of the market and still be within a range of reasonable compensation, depending on the facts and circumstances of the particular situation.

- Industry Pressure: With the significant changes in the health care industry, El Camino faces a strategic crossroads as an independent community hospital system. The ability to attract and retain key talent remains critical to the future success of the organization during this turbulent time and providing compensation at market (50th percentile) or above levels is part of El Camino's strategy to ensure its ability to attract and retain executive talent.
- Executive Compensation Philosophy: El Camino's desired market positioning as described in the executive compensation philosophy is the market 50th percentile. In aggregate, El Camino executives are positioned at the 50th percentile for target compensation across compensation elements and in alignment with the compensation philosophy. Three individuals exceed target positioning, but this reflects specific circumstances for those individuals and the decision of El Camino to allocate its compensation spend strategically across the executive team. The Committee has discussed the rationale for the positioning of these three executives (see below).
- The Qualifications and Roles of the Incumbents: The El Camino executive team is critical to the success of the organization. The Committee has acknowledged that they are well-regarded, experienced, and possess significant institutional and industry knowledge. Three incumbents are more than 10% above El Camino's targeted 50th percentile of market; their compensation reflects unique circumstances by incumbent and role:
 - The **Chief Human Resources Officer** has responsibility for El Camino's entire employee population (approximately 3,300 employees). Prior to joining El Camino in 2014, she held senior-level human resources positions at several large health systems. Based on her current responsibilities at El Camino and her previous experience, the Committee is comfortable with setting her total remuneration opportunity above the 50th percentile, and her maximum total remuneration opportunity just below the 75th percentile.
 - The **Chief Administrative Services Officer** has nearly 30 years of experience with El Camino and his salary is positioned toward the conservative end of the range (108% of median) outlined in the executive compensation philosophy for highly-tenured individuals (110%-120% of market median). The addition of a slightly more generous benefits package pushes overall positioning at maximum total remuneration above the 75th percentile.
 - The **Vice President of Payor Relations** has responsibility for relationships that El Camino Hospital believes are essential for the continued success of the organization as an independent hospital, and the Committee believes that retention of top talent in this role is critical to the execution of the organization strategy. Therefore, the Committee is comfortable positioning base salary more aggressively to market (105% of median), which results in maximum total remuneration opportunity above the 75th percentile.

VI. Opinion of Reasonableness

Mercer (US) Inc. certifies that it (1) is a compensation consulting firm, (2) performs compensation valuation studies of this type on a regular basis, and (3) is qualified to perform the valuations of the type of property or services involved. In our opinion, the total remuneration we have reviewed falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances.

Disclaimers

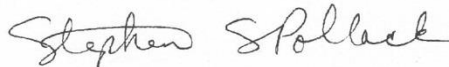
Mercer has relied on the information and data provided to us without any independent review or verification and we assume all data provided to us is accurate, factual and complete. This does not constitute an opinion regarding the underlying business decisions.

This opinion has been prepared exclusively for El Camino Hospital to assist in understanding market total remuneration positioning for its senior executives. This letter provides the Committee with market comparability data as required by Intermediate Sanctions regulations and we urge the Committee to ensure that the additional requirements for establishing the rebuttable presumption/determining reasonable compensation have been met and to seek the advice of counsel as needed in this regard. This letter may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any such unauthorized use.

We are unaware of any family members of the Executives listed in Table 2 that also work for El Camino Hospital who might also be considered disqualified persons

As always, it is our pleasure to be of service. If you have any questions about this letter, please do not hesitate to contact me at (213) 346-2233.

Sincerely,



Stephen S. Pollack
Partner

Copy:
Lisa Stella, Mercer

Appendix A: Market Evaluation Details (compensation data in 000s)

Table 8: Chief Operating Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4102A - Chief Operating Officer (COO) - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		12	12	\$372	\$491	\$557	\$391	\$546	\$705	\$391	\$546	\$705	--	--	--
US-HLTH-IHS-16 - 100 - Independent Chief Operating Officer (with Nursing) - System: Net Rev \$500M-\$1.0B	1		27		\$389	\$433	\$523	\$402	\$475	\$631	\$402	\$475	\$636	--	--	--
US-HLTH-SUL-16 - 7005 - Chief Operating Officer - System: \$400M to \$900M Net Revenue	1		49		\$371	\$456	\$511	\$424	\$534	\$612	\$424	\$544	\$639	--	--	--
Survey Composite					\$377	\$460	\$530	\$406	\$518	\$649	\$406	\$522	\$660	\$469	\$591	\$731
Survey Composite with 25% Geographic Differential					\$472	\$575	\$663	\$507	\$648	\$812	\$507	\$652	\$825	\$582	\$735	\$909

Table 9: Chief Medical Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4320A - Chief Medical Officer (CMO) - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		20	20	\$360	\$428	\$516	\$384	\$446	\$567	\$384	\$446	\$567	--	--	--
US-HLTH-IHS-16 - 650 - Chief Medical Officer (MD/DO) - System: Net Rev \$500M-\$1.0B	1		47		\$400	\$433	\$496	\$416	\$480	\$546	\$416	\$495	\$546	--	--	--
US-HLTH-SUL-16 - 7010 - Chief Medical Officer - System: \$400M to \$900M Net Revenue	1		60		\$377	\$425	\$487	\$415	\$472	\$553	\$423	\$477	\$563	--	--	--
Survey Composite					\$379	\$429	\$500	\$405	\$466	\$555	\$408	\$473	\$559	\$464	\$531	\$629
Survey Composite with 25% Geographic Differential					\$474	\$536	\$625	\$506	\$583	\$694	\$510	\$591	\$698	\$577	\$660	\$783

Table 10: Chief Financial Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4230A - Chief Financial Officer (CFO) - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		23	23	\$370	\$475	\$533	\$391	\$531	\$625	\$391	\$531	\$625	--	--	--
US-HLTH-IHS-16 - 425 - Independent Chief Financial Officer - System: Net Rev \$500M-\$1.0B	1		51		\$396	\$444	\$487	\$401	\$477	\$574	\$401	\$491	\$577	--	--	--
US-HLTH-SUL-16 - 7015 - Chief Financial Officer - System: \$400M to \$900M Net Revenue	1		77		\$356	\$403	\$471	\$371	\$472	\$564	\$375	\$481	\$577	--	--	--
Survey Composite					\$374	\$441	\$497	\$388	\$493	\$587	\$389	\$501	\$593	\$450	\$564	\$665
Survey Composite with 25% Geographic Differential					\$467	\$551	\$621	\$485	\$616	\$734	\$486	\$626	\$741	\$558	\$700	\$827

Table 13: General Counsel Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4280A - Chief Legal Counsel/Top Legal Services Executive - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		14	14	\$287	\$357	\$406	\$332	\$400	\$495	\$339	\$400	\$495	--	--	--
US-HLTH-IHS-16 - 590 - Top Executive, Legal Services (General Counsel) - System: Net Rev \$500M-\$1.0B	1		35		\$270	\$313	\$376	\$284	\$359	\$425	\$284	\$359	\$425	--	--	--
US-HLTH-SUL-16 - 7075 - Top Legal Services Executive (General Counsel) - System: \$400M to \$900M Net Revenue	1		50		\$286	\$317	\$363	\$308	\$357	\$427	\$308	\$357	\$427	--	--	--
Survey Composite					\$281	\$329	\$382	\$308	\$372	\$449	\$310	\$372	\$449	\$359	\$429	\$512
Survey Composite with 25% Geographic Differential					\$352	\$411	\$477	\$385	\$465	\$561	\$388	\$465	\$561	\$445	\$532	\$636

Table 14: Chief Human Resource Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4260A - Top Human Resources Executive - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		18	18	\$257	\$290	\$341	\$285	\$318	\$423	\$285	\$318	\$423	--	--	--
US-HLTH-IHS-16 - 500 - Top Executive, Human Resources - System: Net Rev \$500M-\$1.0B	1		49		\$257	\$290	\$334	\$265	\$317	\$387	\$265	\$317	\$387	--	--	--
US-HLTH-SUL-16 - 7055 - Top Human Resources Executive - System: \$400M to \$900M Net Revenue	1		71		\$236	\$275	\$312	\$245	\$308	\$357	\$245	\$308	\$357	--	--	--
Survey Composite					\$250	\$285	\$329	\$265	\$314	\$389	\$265	\$314	\$389	\$312	\$366	\$446
Survey Composite with 25% Geographic Differential					\$312	\$356	\$411	\$331	\$393	\$486	\$331	\$393	\$486	\$386	\$453	\$553

Table 16: Chief Nursing Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-IHS-16 - 120 - Top Executive, Patient Care - System: Net Rev \$500M-\$1.0B	1		12		\$244	\$293	\$350	\$264	\$322	\$412	\$264	\$322	\$429	--	--	--
US-HLTH-SUL-16 - 7045 - Top Patient Care Executive - System: \$400M to \$900M Net Revenue	1		28		\$248	\$294	\$336	\$275	\$332	\$397	\$275	\$332	\$397	--	--	--
_US-HLTH-MER-16 - 4380A - Top Nursing Executive - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		11	11	\$295	\$323	\$359	\$309	\$351	\$417	\$309	\$351	\$417	--	--	--
Survey Composite					\$262	\$304	\$348	\$283	\$335	\$409	\$283	\$335	\$414	\$332	\$389	\$468
Survey Composite with 25% Geographic Differential					\$328	\$379	\$435	\$353	\$418	\$511	\$353	\$418	\$518	\$410	\$481	\$581

Table 15: Chief Administrative Services Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4530A - Head of Support Services - Healthcare System: Total Net Revenue: More than 0 USD	1	-20% for Size	8	8	\$140	\$204	\$247	\$155	\$220	\$299	\$155	\$220	\$299	--	--	--
US-HLTH-IHS-16 - 215 - Top Executive, Support Services - System: Net Rev \$500M-\$1.0B	1		13		\$192	\$230	\$254	\$192	\$233	\$294	\$206	\$233	\$294	--	--	--
US-HLTH-SUL-16 - 7061 - Top Support Services Executive - System: \$400M to \$900M Net Revenue	1		12		\$210	\$223	\$243	\$226	\$281	\$292	\$226	\$281	\$292	--	--	--
Survey Composite					\$181	\$219	\$248	\$191	\$245	\$295	\$196	\$245	\$295	\$230	\$288	\$342
Survey Composite with 25% Geographic Differential					\$226	\$273	\$310	\$238	\$306	\$369	\$245	\$306	\$369	\$283	\$356	\$424

Table 17: Vice President of Payor Relations Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4330A - Head of Managed Care - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1	-10% for Reduced FTE Status	12	12	\$146	\$203	\$219	\$158	\$204	\$248	\$158	\$204	\$248	--	--	--
US-HLTH-IHS-16 - 800 - Head of Managed Care - System: Net Rev \$500M-\$1.0B	1	-10% for Reduced FTE Status	19		\$117	\$169	\$219	\$117	\$169	\$242	\$117	\$169	\$242	--	--	--
US-HLTH-SUL-16 - 7229 - Top Managed Care Executive - System: \$400M to \$900M Net Revenue	1	-10% for Reduced FTE Status	11		\$205	\$236	\$275	\$205	\$249	\$293	\$205	\$249	\$293	--	--	--
Survey Composite					\$156	\$203	\$238	\$160	\$208	\$261	\$160	\$208	\$261	\$195	\$249	\$307
Survey Composite with 25% Geographic Differential					\$194	\$253	\$297	\$200	\$260	\$326	\$200	\$260	\$326	\$240	\$307	\$379

Table 18: Vice President of Corporate and Community Health Services; CEO of CONCERN: Employee Assistance Program Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4600A - Head of Product/Service Line - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1	+20% for Org Level	8	28	\$188	\$209	\$240	\$196	\$215	\$240	\$196	\$215	\$240	--	--	--
US-HLTH-IHS-16 - 325 - Head of Service Line (with Nursing) - System: Net Rev \$750M-\$2.0B	1	-20% for Size; +20% for Org Level	8		\$175	\$206	\$227	\$187	\$224	\$253	\$187	\$224	\$253	--	--	--
US-HLTH-SUL-16 - 7260 - Top Service Line Executive ? Other - System: All Organizations	1	+20% for Org Level	14		\$238	\$266	\$434	\$260	\$327	\$469	\$260	\$327	\$469	--	--	--
Survey Composite					\$200	\$227	\$300	\$214	\$255	\$320	\$214	\$255	\$320	\$255	\$300	\$374
Survey Composite with 25% Geographic Differential					\$251	\$284	\$375	\$268	\$319	\$401	\$268	\$319	\$401	\$315	\$371	\$463

Table 19: President of El Camino Hospital Foundation Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER-16 - 4240A - Head of Foundation - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		15	15	\$186	\$237	\$254	\$206	\$248	\$308	\$206	\$248	\$320	--	--	--
US-HLTH-IHS-16 - 735 - Head of Foundation/Fund Development - System: Net Rev \$500M-\$1.0B	1		40		\$152	\$198	\$252	\$152	\$213	\$299	\$152	\$213	\$299	--	--	--
US-HLTH-SUL-16 - 7090 - Top Foundation/Fund Development Executive - System: \$400M to \$900M Net Revenue	1		35		\$202	\$232	\$281	\$218	\$268	\$321	\$218	\$268	\$321	--	--	--
Survey Composite					\$180	\$222	\$262	\$192	\$243	\$309	\$192	\$243	\$313	\$231	\$287	\$358
Survey Composite with 25% Geographic Differential					\$225	\$278	\$328	\$240	\$304	\$387	\$240	\$304	\$392	\$284	\$355	\$444

Table 11: Chief Information Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-MER-16 - 4165A - Chief Information Officer (CIO) - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		24	24	\$283	\$330	\$364	\$300	\$368	\$429	\$300	\$368	\$429	--	--	--
US-HLTH-IHS-16 - 550 - Chief Information Officer - System: Net Rev \$500M-\$1.0B	1		44		\$274	\$321	\$357	\$285	\$334	\$397	\$285	\$334	\$397	--	--	--
US-HLTH-SUL-16 - 7030 - Chief Information Officer - System: \$400M to \$900M Net Revenue	1		56		\$285	\$311	\$364	\$292	\$352	\$406	\$292	\$352	\$406	--	--	--
Survey Composite					\$281	\$321	\$362	\$292	\$351	\$411	\$292	\$351	\$411	\$344	\$407	\$472
Survey Composite with 25% Geographic Differential					\$351	\$401	\$452	\$366	\$439	\$513	\$366	\$439	\$513	\$425	\$505	\$585

Table 12: Chief Strategy Officer Market Data

Benchmark Match Information	Wgt	Adj	# of Cos	# of Incs	Base			TCC			TDC			Total Remuneration		
					25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-MER-16 - 4391A - Top Planning Executive - Healthcare System: Total Net Revenue: 350M to less than 1.5B USD	1		8	8	\$218	\$255	\$266	\$238	\$257	\$341	\$238	\$257	\$341	--	--	--
US-HLTH-SUL-16 - 7027 - Chief Strategy Officer - System: \$400M to \$900M Net Revenue	1		20		\$248	\$309	\$359	\$267	\$349	\$421	\$267	\$352	\$425	--	--	--
US-HLTH-IHS-16 - 790 - Top Executive, Strategic Planning - System: Net Rev \$500M-\$1.0B	1		17		\$255	\$307	\$362	\$255	\$307	\$396	\$255	\$307	\$396	--	--	--
Survey Composite					\$240	\$290	\$329	\$253	\$304	\$386	\$253	\$305	\$387	\$299	\$357	\$443
Survey Composite with 25% Geographic Differential					\$300	\$363	\$411	\$316	\$380	\$482	\$316	\$382	\$484	\$370	\$442	\$549

Appendix B: Executive Benefits and Perquisites Review

Retirement Plans Summary

	El Camino	Market Practice	Comments
Employer Paid	<p>Qualified Plans <u>Defined Contribution (DC) – 403(b) Plan</u></p> <ul style="list-style-type: none"> Employer match of salary, based on pension years: <ul style="list-style-type: none"> – 1-14 years: 4% – 15-19 years: 5% – 20+ years: 6% <p><u>Defined Benefit (DB) – Cash Balance Plan</u></p> <ul style="list-style-type: none"> 5% of salary <p>Contributions on pay up to IRS limit (\$275K in 2018)</p> <p>Nonqualified DC SERP <u>457(f) Plan</u></p> <ul style="list-style-type: none"> Executives receive employer contribution of 5% of salary <p>Total employer contribution ranges from 9% to 16% for executives, depending on pay and years of service</p>	<ul style="list-style-type: none"> Nearly all provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> – Less than 15% provide a qualified DB plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> 60% provide a nonqualified plan to top executives <ul style="list-style-type: none"> – The vast majority are DC SERPs Median total employer contribution from all sources ranges from 12%-13% of salary 	<ul style="list-style-type: none"> Overall structure is consistent with market practice although prevalence of DB plans continues to decline Total contribution is generally aligned with market median of not-for-profits

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report.

Retirement Plans Summary, continued

	El Camino	Market Practice	Comments
Voluntary Deferrals	<u>403(b) Plan</u> <ul style="list-style-type: none"> Allows for deferral of pay (up to \$18,500 in 2018; \$24,500 if age 50+) <u>457(b) Plan</u> <ul style="list-style-type: none"> Allows for additional deferral up to \$18,500 in 2018 Most executives have elected to defer some of their Taxable Allowance into the 457(b) plan 	<ul style="list-style-type: none"> Nearly all allow for deferrals to a 403(b)/401(k) plan Not-for-Profit <ul style="list-style-type: none"> 85% allow additional deferrals into a 457(b) plan 	<ul style="list-style-type: none"> Consistent with market practice to provide a 457(b) plan

Sources: Mercer's 2016/2017 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report.

Health & Welfare Plans Summary

	El Camino	Market Practice	Comments
Medical	<ul style="list-style-type: none"> Executives receive the same health benefits as all employees 	<ul style="list-style-type: none"> It is common to provide the same health benefits and employer/employee cost sharing to all employees 	<ul style="list-style-type: none"> Consistent with market practice
Life Insurance	<ul style="list-style-type: none"> 3X annual salary, up to a maximum of \$1.25 million; amounts above \$350K subject to medical underwriting Executives have the option to buy additional coverage with Taxable Allowance 	<ul style="list-style-type: none"> Almost all provide employer-paid group coverage 30% to 45% provide supplemental coverage to top executives Median coverage is 100% to 150% of salary (200% to 300% at the 75th percentile) 	<ul style="list-style-type: none"> Life insurance is very competitive for those who go through medical underwriting Consider increasing the guarantee issue limit
Long-term Care (LTC)	<ul style="list-style-type: none"> Executives can buy coverage with Taxable Allowance 2 executives have 2008 policies that were provided as a non-elective employer-paid benefit 	<ul style="list-style-type: none"> Approximately 5% provide executive coverage to executives 	<ul style="list-style-type: none"> Providing LTC is not prevalent in the market

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Health & Welfare Plans Summary, continued

	El Camino	Market Practice	Comments
Short-term Disability (STD)	<ul style="list-style-type: none"> • Employer-paid executive coverage equal to 100% of salary for up to 6 months 	<ul style="list-style-type: none"> • 75% provide group coverage <ul style="list-style-type: none"> – 60% of salary is the most common benefit • 40% provide supplemental coverage to top executives <ul style="list-style-type: none"> – 100% of salary is the most common benefit 	<ul style="list-style-type: none"> • Consistent with market practice
Long-term Disability (LTD)	<ul style="list-style-type: none"> • Employer-paid group coverage to all employees equal to 60% of salary up to a monthly maximum of \$15,000 • Executives have the option to buy additional coverage with Taxable Allowance 	<ul style="list-style-type: none"> • Nearly all provide group coverage • 30% to 50% provide supplemental coverage to executives • Median coverage is 60% of salary up to \$15,000 per month 	<ul style="list-style-type: none"> • Coverage level is consistent with market practice
Taxable Allowance	<ul style="list-style-type: none"> • 7% of salary • Can be used to purchase LTC, additional LTD, and life insurance, defer into 457(b) plan, or distributed in cash 	<ul style="list-style-type: none"> • Prevalence of flexible plans has declined over time (less than 20% provide), due to complexity and compliance risk 	<ul style="list-style-type: none"> • Note that El Camino’s plan was updated in 2009, which simplified the plan and minimized compliance risk

Sources: Mercer’s 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Severance and Perquisites Summary

	El Camino	Market Practice	Comments
Severance	<ul style="list-style-type: none"> Salary and health benefits continue for up to 6 months 	<ul style="list-style-type: none"> 65% provide additional severance for executives Median severance period is 12 months for top executives other than the CEO <ul style="list-style-type: none"> 75% continue benefits during the severance period 	<ul style="list-style-type: none"> Length of severance period is below market median
Perquisites	<ul style="list-style-type: none"> El Camino does not provide any executive-only perquisites 	<ul style="list-style-type: none"> Car/car allowance is the most prevalent remaining perquisite <ul style="list-style-type: none"> 35% for the CEO, 20% to 35% for other top executives Perquisites are slightly more prevalent among for-profit companies, with ~60% providing at least one perquisite 	<ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent

Sources: Mercer's 2016/2017 Health Care Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Appendix C: Executive Biographies

Mick Zdeblick Chief Operating Officer



Mick Zdeblick joined El Camino Hospital as the chief operating officer in the fall of 2012. He has more than 25 years of management and operational experience. Mick spent the majority of his career at APM Inc. (acquired by CSC in 2001). He previously served as vice president of operations at Rush University Medical Center in Chicago, Illinois. Mick earned a bachelor's degree in business administration from Marquette University and a master's degree from Northwestern University Kellogg School of Management in Chicago.

William Faber, MD Chief Medical Officer



Dr. William Faber joined El Camino Hospital as the Chief Medical Officer in the summer of 2016, bringing 30 years of medical experience. Before coming to El Camino Hospital, he held many senior leadership roles, including several with Advocate Health Care in Oakbrook, Illinois and most recently with General Electric (GE) Healthcare Camden Group in Chicago. Dr. Faber earned both his medical degree and his master's degree in medical ethics from Loma Linda University, and received a master of science in health care management from Harvard School of Public Health. Dr. Faber, board certified in Family Medicine, completed his residency at Family Medicine at Hinsdale Family Medicine Practice in Hinsdale, Illinois. He's a Fellow of the American Academy of Family Practice and a member of the American Academy of Family Physicians, in addition to several other professional organizations.

Iftikhar Hussain **Chief Financial Officer**



Iftikhar Hussain joined El Camino Hospital as the chief financial officer in the spring of 2014. He has more than 30 years of health care financial experience. Most recently, Iftikhar was chief executive officer of Mills-Peninsula Health Services in Burlingame, California. Other previous roles include director of finance at Alta Bates Summit Medical Center in Oakland, California, and director of accounting services at Mercy Healthcare/Catholic Healthcare West in Sacramento, California. He earned a bachelor's degree in finance and accounting from the University of California, Berkeley. Iftikhar is a member of the Healthcare Financial Management Association.

Mary Rotunno **General Counsel**



Mary Rotunno is the General Counsel for El Camino Hospital. Before joining the hospital in early 2014, she served for over 11 years as Senior Counsel for the Bay Area Region at Dignity Health in San Francisco, California. Mary has more than 25 years of experience as an attorney specializing in litigation and health care law. Mary graduated from University of Illinois at the Medical Center with a Bachelor of Science in Nursing and worked as a registered nurse before earning her Juris Doctor degree from University of California, Hastings College of Law. Her long-term commitment to service provided a natural transition from serving patients to serving clients, both allowing her to pursue her passion for helping others.

Kathryn Fisk **Chief Human Resource Officer**



Kathryn Fisk is the chief human resources officer for El Camino Hospital. She joined the hospital in early 2014. Most recently Kathryn was regional director of human resources for the Florida Region of Tenet Healthcare. She also served in several senior-level human resources positions at the University of Miami Health System, Baptist Health South Florida and the University of Massachusetts Medical Center and School. Along with master's degrees in biology and business administration, she holds a lifetime Senior Professional in Human Resources certification from the Society of Human Resources Management (SHRM).

Cheryl Reinking, RN, MS **Chief Nursing Officer**



Cheryl Reinking serves as the chief nursing officer for El Camino Hospital. She has served the hospital in progressive nursing leadership roles for the past 25 years. Cheryl received a bachelor's degree in nursing from Illinois Wesleyan University and a master's degree from San Jose State University. She's a member of the El Camino Hospital Community Benefit Advisory Board, Integrated Nurse Leadership Program Board, and Private Duty for Pathways Home Health and Hospice Board. Cheryl is also certified by American Nurses Credentialing Center in advanced nursing administration.

Ken King
Chief Administrative Services Officer



Ken King is the chief administrative services officer for El Camino Hospital. He joined the hospital in 1988. Before joining the El Camino Hospital, Ken worked in various engineering management positions in hospitals in Southern California. He's a member of the American Society of Hospital Engineers, National Fire Protection Agency, and the Association for the Advancement of Medical Instrumentation.

Joan Kezic
Vice President of Payor Relations



Joan Kezic is the vice president of payor relations for El Camino Hospital. She joined the hospital in 1996 after 10 years as director of contracting at Sequoia Hospital in Redwood City, California. Joan received a bachelor's degree in health planning and business administration from Penn State University. She's a member of the Managed Care Committee of the California Healthcare Association and the Healthcare Financial Management Association.

Cecile Currier
Vice President of Corporate and Community Health Services; CEO of CONCERN: Employee Assistance Program



Cecile Currier is the vice president of corporate and community health services for El Camino Hospital, as well as the chief executive officer of CONCERN: Employee Assistance Program. An employee of El Camino Hospital since 1985, she has many years of experience in health care with a focus on behavioral health, community health services, occupational health and employee assistance programs. Cecile earned a bachelor's degree in sociology and a master's degree in social work from the University of California, Santa Barbara. She's also a licensed clinical social worker.

Jodi Barnard
President of the El Camino Hospital Foundation



Jodi Barnard joined El Camino Hospital as the president of the El Camino Hospital Foundation in the fall of 2013. She has more than 25 years of development leadership experience across acute and pediatric health care, higher education and nonprofit institutions. Most recently, Jodi served as the regional executive director for statewide foundations of Providence Health & Services in Oregon and executive director of the Providence Community Health Foundation, Southern Oregon Service Area. Before moving to Oregon, she led development programs at Dayton's Children's Medical Center, the University of Dayton and Qbase. Jodi is a graduate of Interlochen Arts Academy and DePauw University.

Appendix D: Geographic Salary Differential

- A geographic salary differential is a numerical value that expresses how a position’s pay in a particular location compares to the national average pay for the same position.
 - For example, a differential of 27% for Mountain View means that the average executive salary in Mountain View is 27% higher than the average salary of executives across the US.
- The purpose of applying a geographic salary differential to market data is to account for the market differences in that employee’s location.
 - Geographic salary differentials used in this study are calculated using data from the Economic Research Institute (ERI), which determines differentials using salary survey data from across the country. The differential in the Bay Area has been increasing over the past decade, with that increase accelerating over the past three to five years.

	Bay Area ¹	Silicon Valley ²	Mountain View
Average Differential	24%	27%	27%

¹ Bay Area includes Silicon Valley (see below), San Francisco, Oakland, Berkeley, Piedmont, Lafayette, Walnut Creek, Alameda, and Marin County.

² Silicon Valley includes Mountain View, Palo Alto, Cupertino, Sunnyvale, Los Altos, and Los Gatos.

- A geographic salary differential of 25% has been applied to survey data for base salary, total cash, and total remuneration in this study.



**Minutes of the Open Session of the
Executive Compensation Committee
Thursday, September 21, 2017**

**El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040
Conference Room A (administration)**

Members Present

Teri Eyre
Neysa Fligor
Bob Miller, Chair
Julia Miller (via teleconference)
Pat Wadors

Members Absent

Jaison Layney

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Executive Compensation Committee of El Camino Hospital (the “Committee”) was called to order at 4:00pm by Chair B. Miller. Mr. Layney was absent. Ms. J. Miller participated via teleconference. All other Committee members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Miller 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	None.	
4. CONSENT CALENDAR	<p>Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (May 23, 2017); FY18 Pacing Plan.</p> <p>Movant: Fligor Second: Wadors Ayes: Eyre, Fligor, B. Miller, J. Miller, Wadors Noes: None Abstentions: None Absent: Layney Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	Chair B. Miller highlighted the changes in Committee membership, welcomed Ms. Fligor and Ms. Wadors to their first meeting, and noted that while Mr. Lanhee Chen was no longer a member of the Committee, he may occasionally attend meetings.	
6. FY17 ORGANIZATIONAL SCORE	<p>Mick Zdeblick, COO, presented the scoring of the FY17 organizational goals:</p> <ul style="list-style-type: none"> - Budgeted Operating Margin: Mr. Zdeblick explained that this is a trigger goal, and must be met to receive any incentive pay. In FY17, ECH was \$47 million ahead of plan. He noted that next year, the threshold will be 95% of budget rather than the 90% it has been. - Pain Reassessment and Pain Management: He described the inter-departmental efforts with the nursing teams including report development. In response to Ms. Fligor’s question, Mr. Zdeblick noted that staff can bring back data on the response rate for patient surveys. - Length of Stay and Readmissions: He outlined the reduction in 	<p><i>FY17 Organizational Score approved</i></p> <p><i>Staff to provide additional information on patient survey response rates</i></p>

	<p>length of stay at the same time as maintaining top decile performance in readmissions.</p> <ul style="list-style-type: none"> - Smart Growth: Mr. Zdeblick noted that year-over-year growth was positive, but did not meet budgeted volume. <p>Mr. Zdeblick explained that with weighting and proration for partial achievement the total score is 80.7%.</p> <p>Motion: To recommend that the Board approve the FY17 Organizational Score.</p> <p>Movant: Wadors Second: Eyre Ayes: Eyre, Fligor, B. Miller, J. Miller, Wadors Noes: None Abstentions: None Absent: Layney Recused: None</p> <p>Mr. Zdeblick left the meeting.</p>	
<p>7. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 4:09pm.</p> <p>Movant: Fligor Second: Eyre Ayes: Eyre, Fligor, B. Miller, J. Miller, Wadors Noes: None Abstentions: None Absent: Layney Recused: None</p>	<p><i>Adjourned to closed session at 4:09pm</i></p>
<p>8. AGENDA ITEM 15: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>Open session was reconvened at 5:13pm. Agenda items 8-14 were addressed in closed session.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting of May 23, 2017 and voted to recommend Board approval of the Proposed FY17 Executive Incentive Goal Scores by a unanimous vote in favor of all members present (Eyre, Fligor, B. Miller, J. Miller, Wadors). Mr. Layney was absent. The Committee also voted to recommend Board approval of the Proposed FY17 Individual Executive Performance Incentive Payouts, and the Proposed FY17 CHRO Goal Score and Performance Incentive Payout by a unanimous vote in favor of all members present (Eyre, Fligor, B. Miller, Wadors). Mr. Layney and Ms. Miller were absent.</p>	
<p>9. AGENDA ITEM 16: CLOSING COMMENTS</p>	<p>Chair B. Miller requested that staff poll the Committee to see if a 4:00pm start time works best for all members. He asked for feedback from the Committee on his service as Chair as the year progresses. Chair B. Miller noted that he spoke with Lanhee Chen, Board Chair, and requested to personally present the Committee's recommendations to the Board.</p>	<p><i>Staff to poll Committee members re meeting start time</i></p>
<p>10. AGENDA ITEM 17: ADJOURNMENT</p>	<p>Motion: To adjourn at 5:19pm.</p> <p>Movant: Eyre Second: Wadors Ayes: Eyre, Fligor, B. Miller, Wadors Noes: None Abstentions: None Absent: J. Miller, Layney Recused: None</p>	<p><i>Meeting adjourned at 5:19pm</i></p>

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

Bob Miller
Chair, Executive Compensation Committee

Julia Miller
Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Contracts & Board Services Coordinator

DRAFT

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Addition of Position (President, SVMD) to Executive Compensation and Benefits Plan and FY18 Salary Range Executive Compensation Committee January 10, 2018
Responsible party:	Dan Woods, CEO; Kathryn Fisk, CHRO
Action requested:	Approval
Background:	<p>To support the El Camino Hospital’s Physician Alignment strategy, the Hospital has started the search for an executive level President of SVMD, an affiliate company. Silicon Valley Medical Development, LLC (SVMD) is the entity responsible for the growth, development, and operations of the community-based outpatient clinics affiliated with El Camino Hospital.</p> <p>The Hospital is considering both physician and non-physician candidates.</p> <p>Mercer, independent compensation consultants, presented market analysis for both physician and non-physician candidates to the Executive Compensation Committee on November 9, 2017.</p>
Board Advisory Committees that reviewed the issue and recommendation, if any:	<p>The Executive Compensation Committee voted to recommend:</p> <ol style="list-style-type: none"> 1. A revision to the Executive Compensation Philosophy Policy adding this new position. 2. A revision to the Executive Performance Incentive Plan Policy to reflect the weighting of 50%/40%/10% (consistent with the Presidents of ECH’s other affiliate companies) for this new position. 3. The proposed FY18 salary ranges for the new position.
Summary and session objectives :	To obtain approval of the Executive Compensation Committee’s three recommendations.
Suggested discussion questions:	None. This is a consent item.
Proposed Board motion, if any:	<ol style="list-style-type: none"> 1. To recommend the Board add the President SVMD position to the Executive Compensation Plan with a FY18 base salary range of: <div style="margin-left: 40px;">\$344,000 - \$430,000 - \$516,000 (non-physician) OR \$467,200 - \$584,000 - \$700,800 (physician)</div> 2. To recommend the Board approve the weighting of organizational, individual, and discretion be 50%, 40%, and 10% respectively consistent with other organizational

ECH BOARD MEETING AGENDA ITEM COVER SHEET

	<p>Presidents.</p> <ol style="list-style-type: none">3. To recommend that the Executive Compensation Philosophy policy be amended to include the new position.4. To recommend that the Executive Performance Incentive Plan policy be amended to reflect the weighting of 50%/40%/10%.
	<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none">1. Mercer’s Market Analysis2. Draft Revised Executive Compensation Philosophy3. Draft Revised Executive Performance Incentive Plan

President, SVMD - Potential Compensation Ranges

	Market Median Base Salary	Base Salary Range (+/-20% of Median)	Target Total Cash Range ¹
MD Candidate	\$584	\$465 - \$700	\$558 - \$840
Non-MD Candidate	\$430	\$345 - \$515	\$414 - \$618

¹ Assuming a target bonus of 20% of base salary.

Note: Market data has been aged to 1/1/18 and includes a 25% geographical differential.

West Coast Physician Market Data - For Reference

	Base Salary			Target Total Cash		
	25th	50th	75th	25th	50th	75th
Highly Paid Specialty - Neurological Surgery	\$445	\$599	\$741	\$587	\$714	\$829
Lower Paid Specialty - Obstetrics/Gynecology	\$273	\$325	\$413	\$308	\$362	\$457
Internal Medicine	\$216	\$249	\$299	\$243	\$296	\$341

Note: Market data is from the Sullivan Cotter Physician Compensation and Productivity Survey Report, and is scoped to the US West Coast. Data has been aged to 1/1/18.

Executive Roles (MD Required)

Benchmark Match Information	Wgt	Degree Required	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
							25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-SUL2-16 - 7220 - Medical Group Chief Executive Officer/Executive Director (MD) - All Medical Groups	1.0	MD Required		-10% for autonomy; -10% for size	54		\$375	\$466	\$560	\$457	\$571	\$685	\$466	\$581	\$690
<i>US-HLTH-SUL2-16 - 7220 - Medical Group Chief Executive Officer/Executive Director (MD) - Less Than 200 Phy FTEs</i>	--	MD Required		-10% for autonomy	6		\$211	\$252	\$338	\$226	\$318	\$356	\$242	\$318	\$356
US-HLTH-AMGA2-14 - 5100 - Physician Administrator (CEO) - Administrative Positions: All Organizations	1.0	MD Required		-10% for autonomy; -10% for size	33	33	\$382	\$468	\$601	\$394	\$561	\$718	\$394	\$561	\$718
<i>US-HLTH-AMGA2-14 - 5100 - Physician Administrator (CEO) - Administrative Positions: 71-100 Physician FTEs</i>	--	MD Required		-10% for autonomy	10	10	-	-	-	\$417	\$474	\$680	\$417	\$474	\$680
<i>US-HLTH-AMGA2-14 - 5100 - Physician Administrator (CEO) - Administrative Positions: 35-70 Physician FTEs</i>	--	MD Required		-10% for autonomy	5	5	-	-	-	\$334	\$404	\$688	\$334	\$404	\$688
US-HLTH-MGMA2-17 - 1 - Physician CEO/President - All Practices	1.0	MD Required		-10% for autonomy; -10% for size	44	48	-	-	-	\$243	\$363	\$486	\$243	\$363	\$486
Survey Composite							\$378	\$467	\$581	\$365	\$498	\$630	\$368	\$502	\$632
Survey Composite with 25% Geographic Differential							\$473	\$584	\$726	\$456	\$623	\$787	\$460	\$627	\$789

Data aged to 1/1/2018

Executive Roles (MD Required) - Job Descriptions

Benchmark Match Information	Wtg	Match
US-HLTH-SUL2-16 - 7220 - Medical Group Chief Executive Officer/Executive Director (MD) - All Medical Groups	1.0	Responsible for establishing and achieving the medical groups short- and long-term objectives and overall viability. Typically reports to the board of the medical group. This position requires an MD. This is the top executive in the medical group.
US-HLTH-AMGA2-14 - 5100 - Physician Administrator (CEO) - Administrative Positions: All Organizations	1.0	A physician that plans, directs, and coordinates the administrative activity of the organization; participates with governing board in planning and determining the strategic goals; and is responsible for all operating and financial performance. This is the top physician management position and reports directly to the governing board.
US-HLTH-MGMA2-17 - 1 - Physician CEO/President - All Practices	1.0	Position requires candidate to be a licensed physician; Usually found in larger practices or in some form of an integrated system or network, such as physician hospital organization (PHO) or management services organization (MSO); Since administrative duties are substantial, the delivery of health care services is minimal; Develops and monitors organizational policy with other management personnel and board of directors; Responsible for the overall operation of the organization, including patient care and contract relations; Oversees activities related to the growth and expansion of the organization; Plays a major role in the organizations strategic process; Typically serves as the liaison between the organization, the community, and the board of directors; Oversees a team of senior management personnel; and Usually reports to the governing body of the organization.

Executive Roles (MD Not Required)

Benchmark Match Information	Wgt	Degree Required	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
							25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-SUL2-16 - 7221 - Medical Group Chief Executive Officer/Executive Director (Non-MD) - All Medical Groups	1.0			-10% for autonomy; -10% for size	23		\$298	\$348	\$441	\$322	\$435	\$619	\$339	\$435	\$619
US-HLTH-SUL2-16 - 7221 - Medical Group Chief Executive Officer/Executive Director (Non-MD) - Less Than 200 Phy FTEs	--			-10% for autonomy	6		\$227	\$279	\$305	\$260	\$282	\$362	\$260	\$297	\$369
_US-HLTH-MER4A-17 - 4125A - Top Physician Practices Executive - Total Net Revenue: 350M to less than 1.5B USD	1.0		\$1B		7	7	\$322	\$409	\$564	\$322	\$409	\$564	\$322	\$409	\$564
US-HLTH-SUL-17 - 7145 - Top Physician Practices Management Executive - Systems: \$400M to \$900M Net Revenue	1.0	MD Optional	\$675.1M		17		\$215	\$276	\$348	\$238	\$303	\$409	\$238	\$303	\$409
Survey Composite							\$278	\$344	\$451	\$294	\$382	\$531	\$300	\$382	\$531
Survey Composite with 25% Geographic Differential							\$348	\$430	\$564	\$367	\$478	\$663	\$375	\$478	\$663

Data aged to 1/1/2018

Executive Roles (MD Not Required) - Job Descriptions

Benchmark Match Information	Wtg	Match Description
US-HLTH-SUL2-16 - 7221 - Medical Group Chief Executive Officer/Executive Director (Non-MD) - All Medical Groups	1.0	Responsible for establishing and achieving the medical groups short- and long-term objectives and overall viability. Typically reports to the board of the medical group. This position is not an MD. This is the top executive in the medical group.
_US-HLTH-MER4A-17 - 4125A - Top Physician Practices Executive - Total Net Revenue: 350M to less than 1.5B USD	1.0	Responsible for developing and directing the physician practices line of business for the organization. Develops long-term plans, strategies, and objectives. Develops operating standards for sites and monitors their performance against standards. Typically reports to the President/Chief Executive Officer (CEO) or Chief Operating Officer (COO). Note: This is generally a single incumbent position. Only one employee, the most senior individual, per organization entity should be reported.
US-HLTH-SUL-17 - 7145 - Top Physician Practices Management Executive - Systems: \$400M to \$900M Net Revenue	1.0	Responsible for planning, developing and overseeing the overall physician practices, including financial performance, marketing, growth, physician recruiting and contracting. May serve as a liaison for the physicians to the governing body of the organization. Typically reports to the president and chief executive officer or chief operating officer. This position may have an MD.

Internal Medicine Roles

Benchmark Match Information	Wgt	Degree Required	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
							25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-MGMA-17 - 24.3 - Hospitalist: Internal Medicine - All Practices	0.5	MD Required			211	3620	-	-	-	\$252	\$293	\$341	\$252	\$293	\$341
US-HLTH-MGMA-17 - 26 - Internal Medicine: General - All Practices	0.5	MD Required			721	5259	-	-	-	\$213	\$255	\$317	\$213	\$255	\$317
US-HLTH-SUL1-16 - 1210-1 - Internal Medicine - Staff Physician - West	1.0	MD Required			29	1280	\$216	\$249	\$299	\$243	\$296	\$341	\$243	\$296	\$341
Survey Composite							\$216	\$249	\$299	\$238	\$285	\$335	\$238	\$285	\$335

Data aged to 1/1/2018

Specialist Roles

Benchmark Match Information	Wgt	Degree Required	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
							25th	50th	75th	25th	50th	75th	25th	50th	75th
US-HLTH-SUL1-16 - 2090-1 - Neurological Surgery - Staff Physician - West		MD Required			20	104	\$445	\$599	\$741	\$587	\$714	\$829	\$587	\$714	\$829
US-HLTH-SUL1-16 - 2015-1 - Cardiovascular Surgery - Staff Physician - West		MD Required			8	53	\$340	\$453	\$681	\$402	\$623	\$732	\$402	\$623	\$732
US-HLTH-SUL1-16 - 4040-1 - Radiology - Diagnostic - Staff Physician - West		MD Required			15	337	\$365	\$512	\$587	\$485	\$545	\$616	\$485	\$545	\$616
US-HLTH-SUL1-16 - 4130-1 - Radiology - Radiation Oncology - Staff Physician - West		MD Required			18	115	\$377	\$447	\$544	\$442	\$526	\$564	\$442	\$526	\$564
US-HLTH-SUL1-16 - 1040-1 - Cardiology - General - Staff Physician - West		MD Required			21	196	\$311	\$396	\$490	\$373	\$457	\$548	\$373	\$457	\$548
US-HLTH-SUL1-16 - 2000-1 - Anesthesiology - Staff Physician - West		MD Required			14	396	\$308	\$383	\$452	\$382	\$454	\$512	\$382	\$454	\$512
US-HLTH-SUL1-16 - 2050-1 - General Surgery Staff Physician - West		MD Required			28	353	\$308	\$367	\$424	\$347	\$398	\$459	\$347	\$398	\$459
US-HLTH-SUL1-16 - 2070-1 - Obstetrics/Gynecology - General - Staff Physician - West		MD Required			29	618	\$273	\$325	\$413	\$308	\$362	\$457	\$308	\$362	\$457
US-HLTH-SUL1-16 - 1250-1 - Neurology - Staff Physician - West		MD Required			25	276	\$222	\$256	\$311	\$252	\$300	\$345	\$252	\$300	\$345
US-HLTH-SUL1-16 - 1100-1 - Endocrinology and Metabolism - Staff Physician - West		MD Required			25	158	\$208	\$229	\$265	\$233	\$270	\$319	\$233	\$270	\$319

Data aged to 1/1/2018

Physician Specialty Roles - Job Descriptions

Benchmark Match Information	Wgt	Match Description
US-HLTH-SUL1-16 - 2090-1 - Neurological Surgery - Staff Physician - West		Certified by the American Board of Neurological Surgery. Provides the operative and non-operative management (e.g., prevention, diagnosis, evaluation, treatment, critical care and rehabilitation) of disorders of the central, peripheral and autonomic nervous systems, including their supporting structures and vascular supply; the evaluation and treatment of pathological processes that modify function or activity of the nervous system; and the operative and non-operative management of pain. Treats patients with disorders of the nervous system; disorders of the brain, meninges, skull and their blood supply, including the extracranial carotid and vertebral arteries; disorders of the pituitary gland; disorders of the spinal cord, meninges and vertebral column, including those that may require treatment by spinal fusion or instrumentation; and disorders of the cranial and spinal nerves throughout their distribution.
US-HLTH-SUL1-16 - 2015-1 - Cardiovascular Surgery - Staff Physician - West		A cardiovascular surgeon performs operations on the heart and blood vessels of the body. This may include replacement of heart valves or bypasses of blocked coronary arteries. Training in the specialization of cardiovascular surgery involves the completion of a general surgery residency program followed by two or three more years of specialized training in all of the aspects of heart, blood vessel and chest surgery. Some surgeries include permanent transvenous pacemaker insertion, cardiac surgery of the coronary artery (bypass) and treatment of valvular heart disease, artery problems, carotid artery problems or microvascular surgery for diabetic leg ulcers.
US-HLTH-SUL1-16 - 4040-1 - Radiology - Diagnostic - Staff Physician - West		Certified by the American Board of Radiology. A radiologist who utilizes X-ray, radionuclides, ultrasound and electromagnetic radiation to diagnose disease.
US-HLTH-SUL1-16 - 4130-1 - Radiology - Radiation Oncology - Staff Physician - West		Certified by the American Board of Radiology. A radiation oncologist studies and manages diseases, especially malignant tumors and radiological treatments of abnc
US-HLTH-SUL1-16 - 1040-1 - Cardiology - General - Staff Physician - West		Certified by the American Board of Internal Medicine with a certificate of special qualification in cardiovascular disease. An internist who specializes in diseases of the heart and blood vessels and manages complex cardiac conditions such as heart attacks and life-threatening, abnormal heartbeat rhythms. This specialty includes the remaining cardiologists not defined in the cardiology subspecialties.
US-HLTH-SUL1-16 - 2000-1 - Anesthesiology - Staff Physician - West		Certified by the American Board of Anesthesiology. Trained to provide pain relief and maintenance or restoration of a stable condition during and immediately followi
US-HLTH-SUL1-16 - 2050-1 - General Surgery Staff Physician - West		Certified by the American Board of Surgery. A surgeon manages a broad spectrum of surgical conditions affecting almost any area of the body. The surgeon establis
US-HLTH-SUL1-16 - 2070-1 - Obstetrics/Gynecology - General - Staff Physician - West		Certified by the American Board of Obstetrics and Gynecology. An obstetrician/gynecologist possesses special knowledge, skills and professional capability in the m
US-HLTH-SUL1-16 - 1250-1 - Neurology - Staff Physician - West		Certified by the American Board of Psychiatry and Neurology. A neurologist specializes in the diagnosis and treatment of all types of diseases or impaired functions of the brain, spinal cord, peripheral nerves, muscles and autonomic nervous system as well as the blood vessels that relate to these structures.
US-HLTH-SUL1-16 - 1100-1 - Endocrinology and Metabolism - Staff Physician - West		Certified by the American Board of Internal Medicine with a certificate of special qualification in endocrinology, diabetes and metabolism. This physician concentrates on disorders of the internal (endocrine) glands such as the thyroid and adrenal glands. Also deals with disorders such as diabetes, metabolic and nutritional disorders, pituitary diseases and menstrual and sexual problems.

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.01 EXECUTIVE COMPENSATION PHILOSOPHY

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO and approved participants. Participation in the plan is subject to approval by the Hospital Board of Directors (see Attachment A).

B. Reviewed/Revised:

New: 2/08, 6/09, 12/08/10; 8/10/11, 2/13/13, 6/11/14, 10/12/16, Proposed Change for Board Consideration on January 10, 2018

C. Policy Summary:

The compensation philosophy is the official statement of El Camino Hospital’s Board of Directors regarding the guiding principles and objectives upon which executive compensation decisions are based, and the general parameters and components for accomplishing these objectives.

The executive compensation program encompasses both cash compensation (salary, incentive pay, and other cash compensation) and non-cash compensation (employer provided benefit plans and perquisites) which in whole, represent total compensation. The program is governed by the Board of Directors and the Executive Compensation Committee which advises the Board to meet all applicable legal and regulatory requirements as it related to executive compensation and their effectiveness in attracting, retaining, and motivating executives.

D. Executive Compensation Philosophy:

The philosophy describes the guiding principles and objectives of the executive compensation program. Executive compensation decisions will be made using the following guiding principles and objectives:

1. Support the Hospital’s ability to attract, retain, and motivate a highly-talented executive team with the ability and dedication to manage the Hospital accordingly.
2. Support the Hospital’s mission and vision and achievement of strategic goals.
3. Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.

4. Considers the Hospital's financial performance and ability to pay which shall be balanced with the Hospital's ability to attract, retain and motivate executives.
5. Govern the executive compensation programs to comply with state and federal laws.

E. Components:

The three key components of the executive compensation program are base salary, performance incentive compensation, and benefits.

1. Base Salary. Each executive position will be assigned a salary range that is competitive with comparable hospitals and accounts for the higher cost of labor in Silicon Valley.
2. Performance Incentive Compensation. Each executive will be eligible for a goal-based performance incentive compensation program. An executive's performance incentive payout will be based on their performance against pre-defined organizational and individual goals and objectives aligned with the Hospital's mission, vision, and strategic goals.
3. Executive Benefits and Perquisites. The Hospital may provide executives with supplemental benefits as described in the executive benefits policy. It is the Hospital's practice to minimize the use of perquisites in total executive compensation.

F. Roles and Responsibilities:

The Executive Compensation Committee shall recommend and maintain written policies and procedures regarding the administration of each component. The Hospital Board of Directors will approve all policy changes.

G. Definitions

Comparable Hospital – To measure the competitiveness of the executive compensation program, the Hospital will use, in general, compensation information from tax-exempt independent hospitals from across the United States comparable in size and complexity to the Hospital. The hospitals will be comparable in size and complexity based upon net operating revenues.

Competitive Position – A determination of where the Hospital places executive salaries, incentives, and benefits relative to comparable hospitals nationally. El Camino Hospital's competitive position for base salaries is the market median plus a geographic differential for the Silicon Valley area.

Geographic Differential – Recognizes the significantly higher cost-of-labor in Silicon Valley. The Committee will periodically analyze data to ensure the geographic differential is appropriate and accurately projecting the El Camino Hospital median.

El Camino Hospital Median – Reflects the median base pay of the comparable hospitals plus the geographic differential for a particular position. The Hospital increases the data by 25% to calculate the El Camino Hospital median.

Other Cash Compensation – Other cash compensation excludes base salary and incentive pay but includes a hiring and retention bonuses, and relocation reimbursement.

Salary Range - A range established as 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.

Salary Range Midpoint - The midpoint of the salary range for each executive position will be set at the El Camino Hospital Median.

Total Cash Compensation – includes base salary plus annual incentive compensation (and other cash) paid to an executive.

Total Compensation – Total cash compensation plus the cost of employee and executive benefit programs.

**ATTACHMENT A:
APPROVED PARTICIPANTS IN EXECUTIVE
COMPENSATION PROGRAM**
Effective ~~11/1/2016~~1/10/18 (if Board approves)

Cecile Currier, Vice President Corporate and Community Health*
Cheryl Reinking, Chief Nursing Officer
~~Gregory Walton, Chief Technology Officer~~
Iftikhar Hussein, Chief Financial Officer
Open, Chief Strategy Officer
Joan Kezic, Vice President Payor Relations*
Joanne Barnard, President, El Camino Hospital Foundation
Kathryn Fisk, Chief Human Resources Officer
Kenneth King, Chief Administrative Services Officer
Mary Rotunno, General Counsel
~~Michael Zdeblick, Open,~~ Chief Operations Officer
~~Open~~Daniel Woods, President and CEO
William Faber, MD, Chief Medical Officer
Open, Chief Information Officer
Open, President SVMD

*These executives are considered grandfathered participants and shall continue to be eligible for the Executive Compensation Program as long as the individual remains in an executive position with El Camino Hospital.

Note: Executives hired on an interim basis are not eligible for the Executive Compensation and Benefits Program.

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.04 EXECUTIVE PERFORMANCE INCENTIVE PLAN

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO or COO. Participation in the plan is subject to approval by the Hospital Board of Directors.

B. Reviewed/Revised:

New: 9/15/09, 12/08/10, 2/13/13, 6/11/14 (eff 7/1/14), 10/14/15, 10/12/16, revised for Board consideration on January 10, 2018.

C. Policy Summary:

The Performance Incentive Plan is one component of the executive total compensation program which includes base salary, benefits, and other cash compensation. The Performance Incentive Plan is a goal-based compensation program designed to motivate and reward performance toward key annual strategic goals of the Hospital.

D. General Provisions:

The target amount for incentive pay will be competitive with those at comparable hospitals. An executive’s incentive payout will be based on their performance against pre-defined organizational and individual goals and measures aligned with the Hospital’s mission, vision, and strategic goals.

1. Eligibility – Participants hired after December 31 will not be eligible for the program until the beginning of the next fiscal year on July 1. Incentive compensation will be pro-rated for executives with at least six months, but less than one year in the position at the end of the fiscal year. Written performance goals and measures will be determined within the first 60 days of employment.
2. Criteria – the Hospital has established three criteria for payout. There will be no payout unless all three criteria are met. The Hospital must be accredited by the Joint Commission and the individual executive must “meet expectations” on their performance review. In addition, the Hospital will establish a financial measure that must be achieved each fiscal year (i.e., a percent of operating margin) for payout to occur.
3. Amount of incentive pay – the maximum payout for an executive is 30% of their base salary as of the end of the fiscal year. The targeted payout percent for those

participants reporting to the CEO or COO is 20% of base pay. The maximum incentive pay for the CEO is 45% with a target of 30% of base salary.

4. Organizational Goals – each fiscal year the Hospital will define organizational goals that support the strategic/business plan upon which 70% (90% for the CEO) of performance incentive pay will be based. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and payouts will be on a continuum. Organizational goals will account for 50% of performance incentive pay for Presidents of the Foundation, [SVMD](#), and Concern:EAP.
5. Executive Individual Goals (excluding CEO) – at the beginning of the fiscal year, each participant will propose performance goals and measurements that support the strategic/business plan upon which 20% of performance incentive pay will be based. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and payouts will be on a continuum. Individual goals based on the Foundation or Concern’s organizational goals, will account for 40% of performance incentive pay for Presidents of the Foundation, [SVMD](#), and Concern:EAP. respectively,
6. Ten percent (10%) of the executive’s performance incentive pay will be at the CEO’s discretion subject to Board approval. Ten percent (10%) of the CEO’s performance incentive pay will be at the Board’s discretion.
7. Performance Incentive Payout – Incentive compensation will be paid within 30 days of the Board of Directors approving the payout amounts. In order to receive incentive compensation, executives must be actively employed in an executive position at the time the incentive compensation is paid.

E. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve the plan design, organizational goals, executive individual goals, and performance incentive payout amounts.
2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as reviewing and recommending goals and performance incentive payout amounts.
3. The CEO recommends the organizational and individual goals, discretionary score, and recommends incentive payout amounts to the Committee.
4. The Chief Human Resources Officer and/or Director Total Rewards are responsible for overseeing administration of the program and implementing actions approved by the Board.



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 3
7/1/2017 to 9/30/2017

Dashboard - ECH combined as of September 30, 2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	242	239	236	240	233	236	237	230	234	232
Adjusted Discharges	32,324	33,837	34,914	34,080	2,627	2,772	2,817	8,165	8,728	8,516
Total Discharges (Excl NNB)	19,171	19,649	19,908	19,695	1,548	1,597	1,627	4,732	4,977	4,914
Inpatient Cases										
MS Discharges	13,026	13,624	13,844	13,544	1,036	1,105	1,111	3,166	3,461	3,338
Deliveries	4,717	4,656	4,672	4,752	421	388	400	1,207	1,168	1,219
BHS	928	908	1,036	902	52	82	75	228	259	229
Rehab	500	461	356	497	39	22	41	131	89	127
Outpatient Cases										
ED	139,935	145,960	146,892	147,485	11,743	12,056	12,072	35,714	36,723	36,293
Procedural Cases	48,609	48,631	47,404	48,975	3,816	3,834	4,009	11,850	11,851	12,054
OP Surg	6,070	4,487	4,548	4,595	337	406	376	1,031	1,137	1,130
Endo	2,324	2,366	2,420	2,134	206	185	175	578	605	525
Interventional	2,021	2,134	2,068	2,130	179	159	175	550	517	524
All Other	80,911	88,342	90,452	89,651	7,205	7,472	7,338	21,705	22,613	22,060
Financial Perf.										
Net Patient Revenues	772,020	832,263	848,624	832,066	66,069	71,716	67,399	198,091	212,156	208,053
Total Operating Revenue	795,657	858,347	874,928	855,195	67,896	73,452	69,964	203,534	218,732	214,301
Operating Expenses	743,044	746,171	751,370	778,105	59,445	62,304	63,523	177,437	187,842	191,896
Operating Income \$	52,613	112,176	123,559	77,090	8,451	11,148	6,441	26,097	30,890	22,406
Operating Margin	6.6%	13.1%	14.1%	9.0%	12.4%	15.2%	9.2%	12.8%	14.1%	10.5%
EBITDA \$	108,554	161,811	174,978	138,862	13,012	15,468	11,403	39,702	43,744	37,146
EBITDA %	13.6%	18.9%	20.0%	16.2%	19.2%	21.1%	16.3%	19.5%	20.0%	17.3%
IP Margin ¹	-9.8%	5.8%	7.1%	-10.2%	5.8%	7.1%	-10.2%	5.8%	7.1%	-10.2%
OP Margin ¹	35.9%	37.0%	39.4%	31.7%	37.0%	39.4%	31.7%	37.0%	39.4%	31.7%
Payor Mix										
Medicare	46.6%	47.7%	45.9%	47.4%	47.7%	45.0%	47.4%	48.2%	45.9%	47.4%
Medi-Cal	7.4%	7.3%	7.7%	7.2%	7.0%	8.8%	7.2%	6.8%	7.7%	7.2%
Commercial IP	24.0%	22.3%	23.0%	22.6%	22.2%	23.0%	22.6%	22.4%	23.0%	22.6%
Commercial OP	19.3%	20.2%	20.6%	20.3%	20.6%	20.5%	20.3%	20.5%	20.6%	20.3%
Total Commercial	43.3%	42.5%	43.6%	42.9%	42.9%	43.6%	42.9%	42.8%	43.6%	42.9%
Other	2.7%	2.5%	2.8%	2.5%	2.5%	2.7%	2.5%	2.3%	2.8%	2.5%
Cost										
Total FTE	2,509.5	2,506.7	2,548.9	2,529.6	2,473.8	2,548.9	2,524.3	2,470.2	2,548.9	2,524.3
Productive Hrs/APD	30.7	30.3	30.9	31.2	31.0	31.2	30.8	30.5	30.9	31.2
Balance Sheet										
Net Days in AR	53.7	44.8	49.0	48.0	44.8	49.0	48.0	44.8	49.0	48.0
Days Cash	361	444	459	266	444	459	266	444	459	266
Affiliates - Net Income (\$000s)										
Hosp	43,043	169,576	190,462	79,793	7,376	19,024	6,666	40,937	47,616	40,937
Concern	1,823	1,556	2,898	1,430	(43)	302	134	461	725	387
ECSC	(282)	(105)	(28)	0	(40)	(2)	0	(43)	(7)	0
Foundation	982	2,420	2,038	737	(84)	334	13	556	510	402
SVMD	156	209	918	(0)	(43)	379	1	100	229	1

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

Volume:

- For the year, overall volume, measured in adjusted discharges is 2.4% higher than budget.
- IP cases are 3.6% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 3.2% and 4.4% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Financial Performance:

- Septembers operating income is \$4.7M over budget, due to favorable revenue and higher volume. Operating margin for the year is \$8.5 million ahead of target

Payor Mix:

- Commercial insurance is 0.7% more of the Payor Mix in September than budget.

Cost:

- Prod Hrs/APD for September is 31.2 and slightly worse than budget. YTD we are slightly better than budget

Balance Sheet:

- Net days in AR is 49.0 which is 1 day more than budget.

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-9/30/2017) Waterfall

(in thousands)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	22,406	10.5%
Net Revenue - Favorable due to higher volume a favorable payor mix	4,431	2.0%
Labor and Benefit Expense Change - Labor is close to budget after adjusting for higher volume	(435)	-0.2%
Professional Fees & Purchased Services -Recruiting costs in HVI, Admin, Pathology, IT and Medical Staff in combination with savings from IS Contracts	693	0.3%
Supplies - Favorable due to savings in Spine and Heart valves offsetting Robotics and Medical capital supplies	853	0.4%
Other Expenses - Favorable due quarterly BETA (insurance) rebate, reduction in property taxes due to common area correction, and no strategic fund expenses.	1,057	0.5%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as some LG projects	1,886	0.9%
Actual Hospital Operations FY2018	30,890	14.1%

El Camino Hospital (\$000s)

3 months ending 9/30/2017

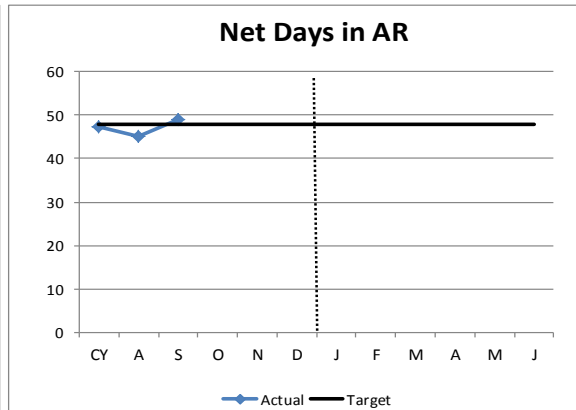
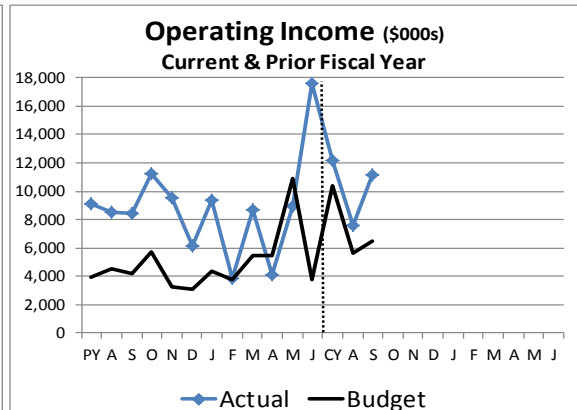
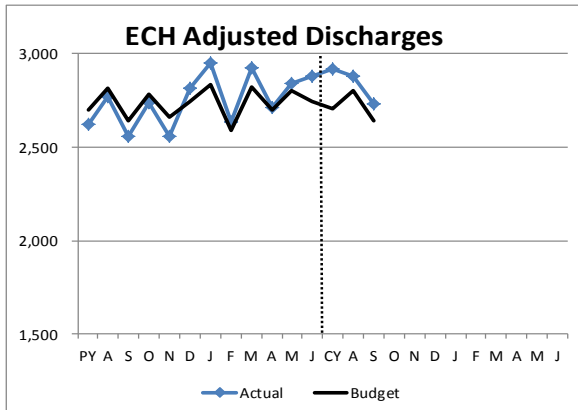
Period 3 FY 2017	Period 3 FY 2018	Period 3 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
241,002	270,383	261,191	9,192	3.5%	Gross Revenue	715,849	796,950	784,309	12,641	1.6%
(174,932)	(198,667)	(193,793)	(4,875)	1.0%	Deductions	(517,758)	(584,794)	(576,255)	(8,538)	1.5%
66,069	71,716	67,399	4,317	6.4%	Net Patient Revenue	198,091	212,156	208,053	4,103	2.0%
1,827	1,736	2,565	(830)	-32.3%	Other Operating Revenue	5,443	6,576	6,248	328	5.3%
67,896	73,452	69,964	3,488	5.0%	Total Operating Revenue	203,534	218,732	214,301	4,431	2.1%
OPERATING EXPENSE										
35,569	38,311	38,129	(182)	-0.5%	Salaries & Wages	106,838	116,127	115,692	(435)	-0.4%
9,320	9,362	9,986	624	6.2%	Supplies	27,598	29,032	29,885	853	2.9%
8,197	7,949	8,077	128	1.6%	Fees & Purchased Services	22,658	23,316	24,009	693	2.9%
1,798	2,361	2,369	7	0.3%	Other Operating Expense	6,737	6,513	7,570	1,057	14.0%
468	298	725	427	58.9%	Interest	1,389	1,050	2,176	1,127	51.8%
4,093	4,022	4,237	215	5.1%	Depreciation	12,217	11,805	12,564	759	6.0%
59,445	62,304	63,523	1,219	1.9%	Total Operating Expense	177,437	187,842	191,896	4,053	2.1%
8,451	11,148	6,441	4,707	73.1%	Net Operating Income/(Loss)	26,097	30,890	22,406	8,484	37.9%
(1,076)	7,875	225	7,650	3395.6%	Non Operating Income	14,841	16,726	676	16,050	2374.7%
7,376	19,024	6,666	12,357	185.4%	Net Income(Loss)	40,937	47,616	23,081	24,534	106.3%
19.2%	21.1%	16.3%	4.8%		EBITDA	19.5%	20.0%	17.3%	2.7%	
12.4%	15.2%	9.2%	6.0%		Operating Margin	12.8%	14.1%	10.5%	3.7%	
10.9%	25.9%	9.5%	16.4%		Net Margin	20.1%	21.8%	10.8%	11.0%	

Non Operating Items and Net Income by Affiliate

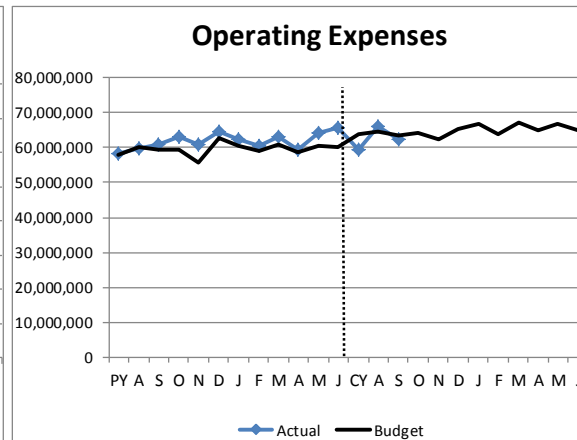
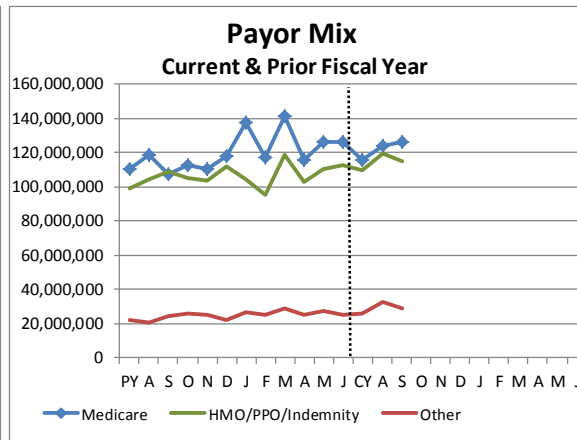
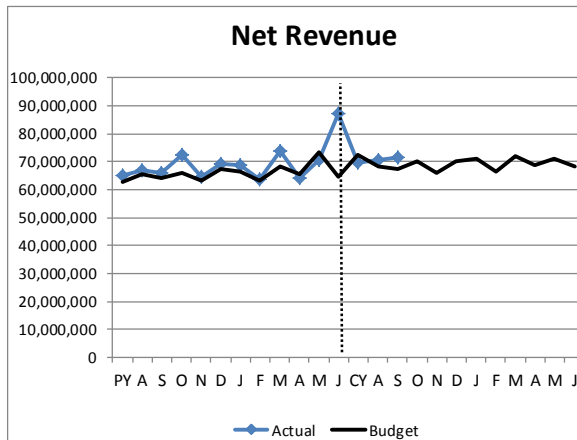
\$ in thousands

	Period 3 - Month			Period 3 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
	El Camino Hospital Income (Loss) from Operations					
Mountain View	9,122	5,078	4,045	27,991	18,583	9,409
Los Gatos	2,026	1,363	662	2,898	3,823	(924)
Sub Total - El Camino Hospital, excl. Affiliates	11,148	6,441	4,707	30,890	22,406	8,484
Operating Margin %	15.2%	9.2%		14.1%	10.5%	
El Camino Hospital Non Operating Income						
Investments	7,693	1,516	6,177	19,696	4,547	15,150
Swap Adjustments	614	0	614	95	0	95
Community Benefit	(32)	(283)	251	(2,036)	(850)	(1,186)
Other (Affiliate Funding/Dialysis/Pathways)	(399)	(1,007)	608	(1,029)	(3,021)	1,991
Sub Total - Non Operating Income	7,875	225	7,650	16,726	676	16,050
El Camino Hospital Net Income (Loss)	19,024	6,666	12,357	47,616	23,081	24,534
ECH Net Margin %	25.9%	9.5%		21.8%	10.8%	
Concern	302	134	167	725	387	337
ECSC	(2)	0	(2)	(7)	0	(7)
Foundation	334	13	321	510	108	402
Silicon Valley Medical Development	379	149	230	229	1	229
Net Income Hospital Affiliates	1,013	149	864	1,456	496	960
Total Net Income Hospital & Affiliates	20,037	6,815	13,221	49,072	23,577	25,495

Monthly Financial Trends

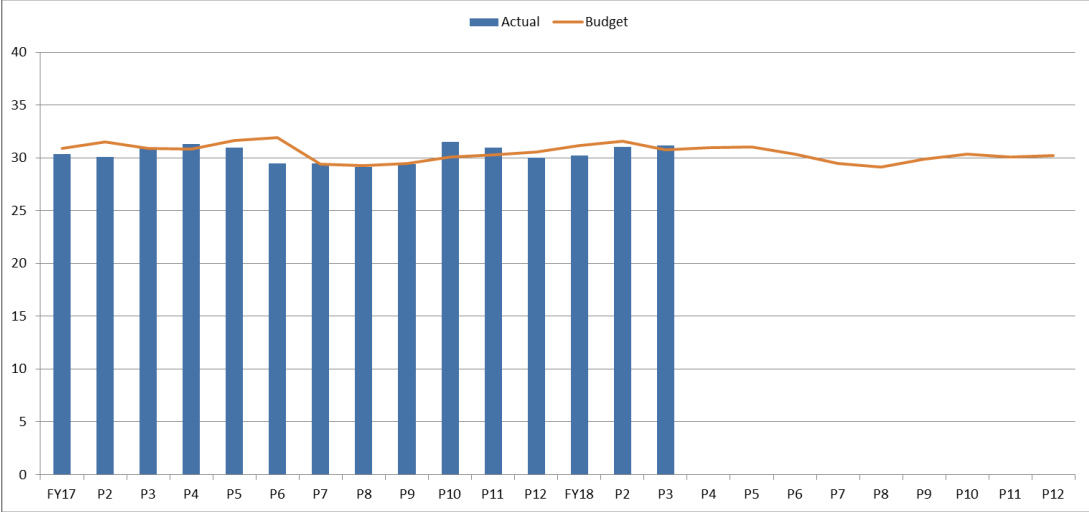


Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.



Productivity and Medicare Length of Stay

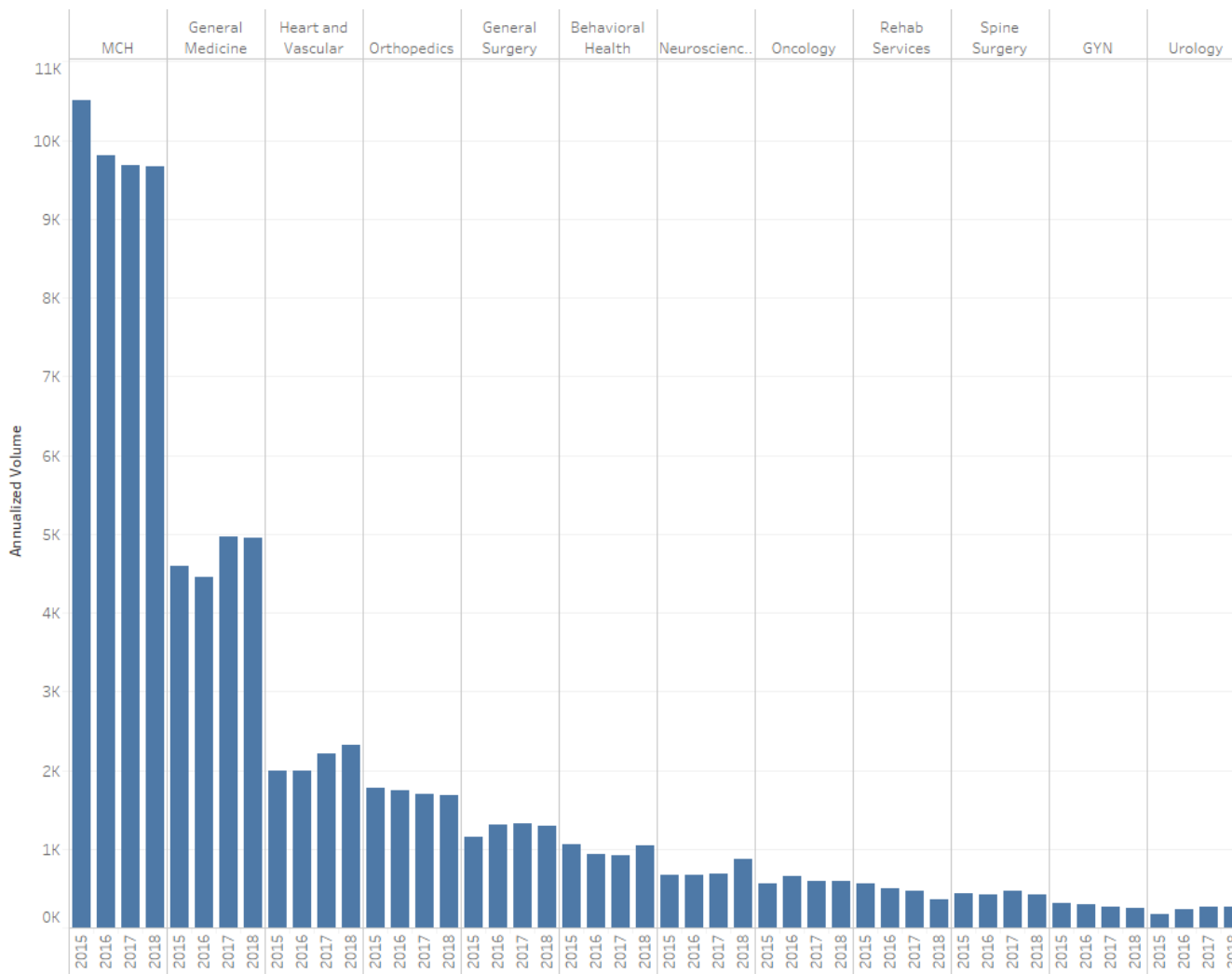
Work hours per adjusted patient day increased in September by 0.2. Overall the month of September is 31.2 worked hours per adjusted patient day.



ALOS remains better than target



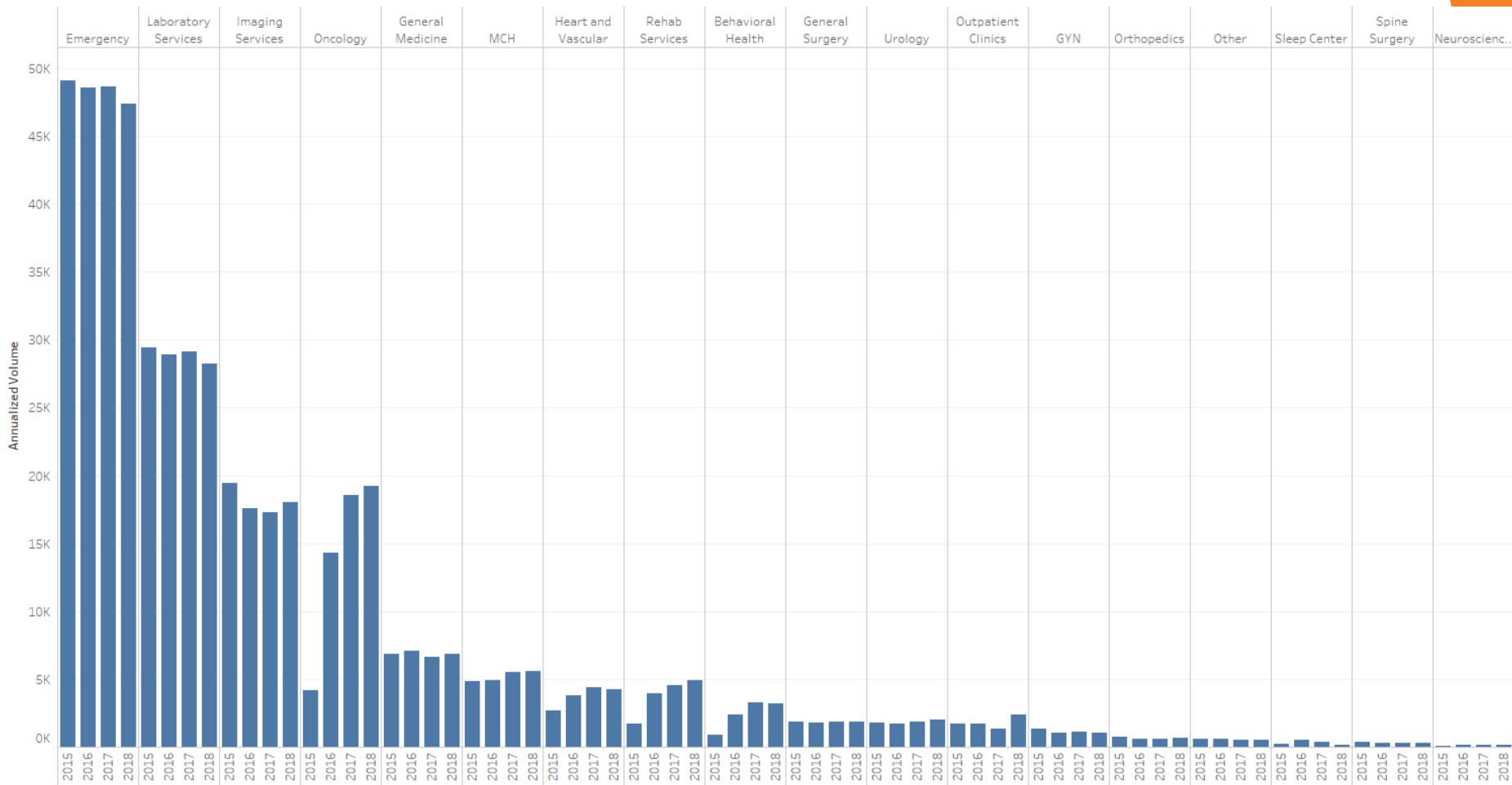
El Camino Hospital Volume Annual Trends – Inpatient FY 2018 is annualized



- MCH, General Medicine, HVI, Orthopedics, Behavioral Health , Neuroscience and Urology display an increasing trend year to year.
- Conversely, General Surgery, Oncology, Rehab Services, Spine Surgery and GYN show a decreasing trend year to year.

El Camino Hospital Volume Annual Trends – Outpatient

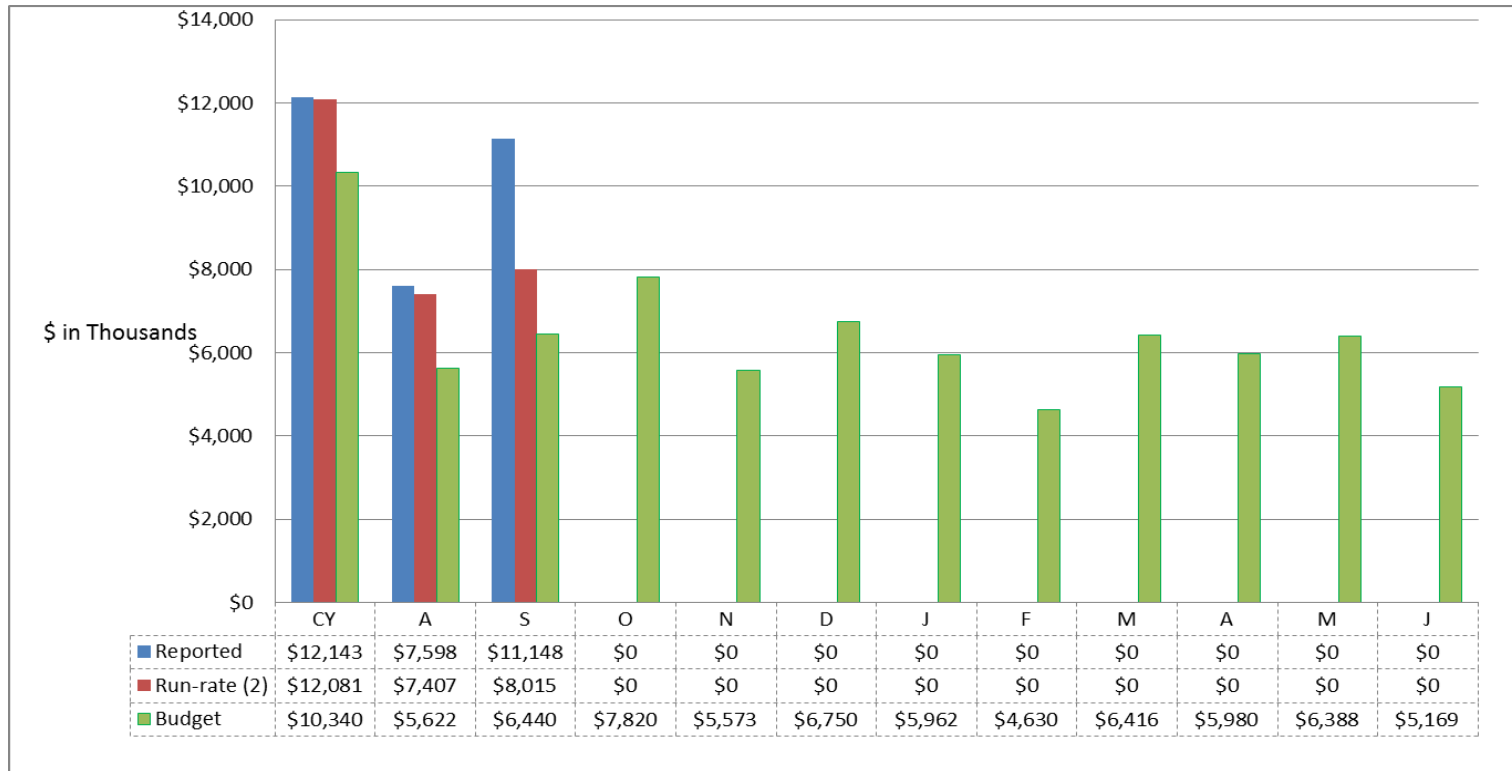
FY 2018 is annualized



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

ECH Operating Margin

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



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

Revenue Adjustments

	J	A	S	YTD
Insurance (Payment Variance)	-	-	-	-
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	1,114
Hospital Fee	-	-	-	-
Credit Balance Quarterly Review	-	-	2,201	2,201
Late Charge Accrual	-	-	-	-
Various Adjustments under \$250k	9	36	27	72
Total	63	191	3,134	3,387

El Camino Hospital Investment Committee Scorecard September 30, 2017

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

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

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade		1.9	0.0	1.9	0.8
IT Hardware, Software, Equipment & Imaging*			12.2	0.0	12.2	0.0
Medical & Non Medical Equipment FY 17**			10.3	7.0	3.3	7.0
Medical & Non Medical Equipment FY 18***			5.6	0.8	4.9	0.8
Facility Projects						
	1245 Behavioral Health Bldg	96.1	96.1	25.6	51.4	8.0
	1413 North Drive Parking Expansion	24.5	24.5	21.6	3.4	1.9
	1414 Integrated MOB	302.1	302.1	60.1	130.1	14.2
	1422 CUP Upgrade	9.0	9.0	2.7	4.0	0.5
	1430 Women's Hospital Expansion	91.0	6.0	1.3	7.0	0.8
	1425 IMOB Preparation Project - Old Main	3.0	3.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	2.8	2.8	2.4	0.0	0.0
	1525 New Main Lab Upgrades	1.6	3.1	1.0	0.5	0.5
	1515 ED Remodel Triage/Psych Observation	1.6	0.0	0.0	1.0	0.0
	1503 Willow Pavilion Tomosynthesis	1.3	1.3	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	2.5	0.0	0.0	0.0	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.1	0.0
	IR Room #6 Development	2.6	0.0	0.0	2.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.0	0.0
	1707 Imaging Equipment Replacement (5 or 6)	20.7	0.0	0.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.0	0.0
	1709 ED Remodel / CT Triage - Other	5.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.0	0.0	0.0	0.0
	1219 LG Spine OR	4.1	4.1	3.6	0.0	0.2
	1313 LG Rehab HVAC System & Structural	3.7	3.7	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.7	0.7
	1307 LG Upgrades	19.3	19.3	14.4	5.0	0.5
	1519 LG Electrical Systems Upgrade	1.2	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.5	0.2	0.0	0.0
	1507 LG IR Upgrades	1.1	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	1.5	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	1.5	3.5	1.2
	All Other Projects under \$1M	26.4	4.8	6.3	3.2	0.9
		659.3	494.0	155.4	211.9	29.4
GRAND TOTAL			524.1	163.1	234.2	37.9

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Balance Sheet (in thousands)

ASSETS		Audited		LIABILITIES AND FUND BALANCE		Audited	
CURRENT ASSETS		September 30, 2017	June 30, 2017	CURRENT LIABILITIES		September 30, 2017	June 30, 2017
(1) Cash		89,101	125,551	(8) Accounts Payable		22,116	38,457
Short Term Investments		116,332	140,284	Salaries and Related Liabilities		19,135	25,109
Patient Accounts Receivable, net		112,881	109,089	Accrued PTO		23,394	23,409
Other Accounts and Notes Receivable		2,448	2,628	Worker's Comp Reserve		2,300	2,300
Intercompany Receivables		1,226	1,495	Third Party Settlements		11,136	10,438
(2) Inventories and Prepaids		53,854	50,657	Intercompany Payables		74	84
Total Current Assets		375,842	429,705	Malpractice Reserves		1,634	1,634
BOARD DESIGNATED ASSETS				Bonds Payable - Current		3,735	3,735
(3) Plant & Equipment Fund		142,254	131,153	(9) Bond Interest Payable		7,141	11,245
Women's Hospital Expansion		9,298	9,298	Other Liabilities		5,935	4,889
(4) Operational Reserve Fund		127,908	100,196	Total Current Liabilities		96,601	121,299
(5) Community Benefit Fund		18,426	12,237	LONG TERM LIABILITIES			
Workers Compensation Reserve Fund		20,550	20,007	Post Retirement Benefits		19,526	19,218
Postretirement Health/Life Reserve Fund		19,526	19,218	Worker's Comp Reserve		18,250	17,707
PTO Liability Fund		23,394	23,409	Other L/T Obligation (Asbestos)		3,775	3,746
Malpractice Reserve Fund		1,634	1,634	Other L/T Liabilities (IT/Medl Leases)		-	-
Catastrophic Reserves Fund		17,014	16,575	Bond Payable		527,276	527,371
Total Board Designated Assets		380,005	333,727	Total Long Term Liabilities		568,827	568,042
(6) FUNDS HELD BY TRUSTEE		262,236	287,052	DEFERRED REVENUE-UNRESTRICTED		483	567
LONG TERM INVESTMENTS		293,494	256,652	DEFERRED INFLOW OF RESOURCES		10,666	10,666
INVESTMENTS IN AFFILIATES		32,840	32,451	FUND BALANCE/CAPITAL ACCOUNTS			
(7) PROPERTY AND EQUIPMENT				Unrestricted		1,133,448	1,132,525
Fixed Assets at Cost		1,227,200	1,192,047	Board Designated		380,005	333,726
Less: Accumulated Depreciation		(540,366)	(531,785)	Restricted		0	0
Construction in Progress		129,969	138,017	(10) Total Fund Bal & Capital Accts		1,513,452	1,466,251
Property, Plant & Equipment - Net		816,802	798,279	TOTAL LIABILITIES AND FUND BALANCE		2,190,030	2,166,825
DEFERRED OUTFLOWS		28,810	28,960				
RESTRICTED ASSETS - CASH		0	0				
TOTAL ASSETS		2,190,030	2,166,825				

September 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July as currently having the 2017 Project Bond monies available for payments of the major construction projects. The acquisition of Bldg 3E as well as "thank you's" paid out in September added to the decrease.
- (2) The increase is due a quarterly \$2.6M pension contribution was made in July. Also at the beginning of every July a number of significant annual insurance premiums (D&O, Property, Cyber, and Auto) were paid and classified as a Prepaid Expense that subsequently are amortized over the upcoming fiscal year.
- (3) The increase over the 2017 fiscal year end is principally due a transfer into the 60-day Operational Reserve within the Board Designated Assets to adjust the balance to needed reserve for the 2018 fiscal. Note this balance hadn't been reset for a couple of years.
- (4) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years. See #3 above
- (5) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (6) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (7) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (8) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (9) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (10) The increase is attributable to the first two periods of financial performance producing an operating income of \$30 million and non-operating of \$17 million (mostly from unrealized gains on investments).

(1) Hospital entity only, excludes controlled affiliates

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

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

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

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

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

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

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

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

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

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

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

APPENDIX

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

3 months ending 9/30/2017

Period 3 FY 2017	Period 3 FY 2018	Period 3 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
198,553	223,244	214,494	8,750	4.1%	OPERATING REVENUE					
(143,154)	(164,377)	(159,880)	(4,497)	2.8%	Gross Revenue	594,217	655,610	642,999	12,612	2.0%
55,399	58,867	54,614	4,253	7.8%	Deductions	(430,302)	(480,493)	(473,632)	(6,861)	1.4%
1,647	1,573	2,347	(774)	-33.0%	Net Patient Revenue	163,915	175,118	169,367	5,751	3.4%
57,045	60,440	56,961	3,478	6.1%	Other Operating Revenue	4,922	6,093	5,616	478	8.5%
					Total Operating Revenue	168,837	181,211	174,983	6,228	3.6%
					OPERATING EXPENSE					
29,596	32,079	31,935	(144)	-0.5%	Salaries & Wages	89,001	96,735	96,794	59	0.1%
7,616	7,795	8,044	249	3.1%	Supplies	22,932	23,645	24,007	362	1.5%
7,010	6,823	6,797	(26)	-0.4%	Fees & Purchased Services	18,696	19,554	20,118	564	2.8%
318	809	840	31	3.6%	Other Operating Expense	2,021	1,913	2,832	919	32.5%
468	298	725	427	58.9%	Interest	1,389	1,050	2,176	1,127	51.8%
3,560	3,513	3,542	29	0.8%	Depreciation	10,606	10,324	10,473	149	1.4%
48,568	51,318	51,884	566	1.1%	Total Operating Expense	144,645	153,220	156,400	3,180	2.0%
8,477	9,122	5,078	4,045	79.7%	Net Operating Income/(Loss)	24,191	27,991	18,583	9,409	50.6%
(1,076)	7,875	225	7,650	3395.6%	Non Operating Income	14,851	16,771	676	16,095	2381.2%
7,401	16,998	5,303	11,695	220.5%	Net Income(Loss)	39,042	44,762	19,259	25,503	132.4%
21.9%	21.4%	16.4%	5.0%		EBITDA	21.4%	21.7%	17.8%	3.9%	
14.9%	15.1%	8.9%	6.2%		Operating Margin	14.3%	15.4%	10.6%	4.8%	
13.0%	28.1%	9.3%	18.8%		Net Margin	23.1%	24.7%	11.0%	13.7%	

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

3 months ending 9/30/2017

Period 3 FY 2017	Period 3 FY 2018	Period 3 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
42,449	47,139	46,697	442	0.9%	OPERATING REVENUE					
(31,778)	(34,290)	(33,913)	(377)	1.1%	Gross Revenue	121,632	141,339	141,310	29	0.0%
10,671	12,849	12,784	65	0.5%	Deductions	(87,456)	(104,301)	(102,624)	(1,677)	1.6%
180	163	218	(56)	-25.4%	Net Patient Revenue	34,176	37,038	38,686	(1,648)	-4.3%
10,851	13,012	13,003	9	0.1%	Other Operating Revenue	521	483	632	(149)	-23.6%
					Total Operating Revenue	34,697	37,521	39,318	(1,797)	-4.6%
					OPERATING EXPENSE					
5,973	6,232	6,194	(38)	-0.6%	Salaries & Wages	17,838	19,392	18,898	(494)	-2.6%
1,704	1,567	1,942	375	19.3%	Supplies	4,666	5,387	5,877	490	8.3%
1,187	1,126	1,280	154	12.0%	Fees & Purchased Services	3,962	3,762	3,890	128	3.3%
1,480	1,552	1,529	(23)	-1.5%	Other Operating Expense	4,716	4,600	4,739	138	2.9%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
533	509	695	186	26.7%	Depreciation	1,610	1,482	2,091	610	29.2%
10,876	10,986	11,639	653	5.6%	Total Operating Expense	32,792	34,623	35,496	873	2.5%
(26)	2,026	1,363	662	48.6%	Net Operating Income/(Loss)	1,905	2,898	3,823	(924)	-24.2%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
(26)	2,026	1,363	662	48.6%	Net Income(Loss)	1,895	2,854	3,823	(969)	-25.3%
4.7%	19.5%	15.8%	3.7%		EBITDA	10.1%	11.7%	15.0%	-3.4%	
-0.2%	15.6%	10.5%	5.1%		Operating Margin	5.5%	7.7%	9.7%	-2.0%	
-0.2%	15.6%	10.5%	5.1%		Net Margin	5.5%	7.6%	9.7%	-2.1%	

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	8,199
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	211,886
GRAND TOTAL	86,789	96,740	97,923	234,245
*Includes 2 robot purchases in FY2017				

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

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

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Ophthalmology Call Coverage (Enterprise) - Renewal El Camino Hospital Board of Directors January 10, 2018
Responsible party:	William Faber, MD, CMO
Action requested:	For Approval
Background: See attached 10-Step.	
Board Advisory Committees that reviewed the issue and recommendation, if any: The Finance Committee recommended this for approval at its November 27, 2017 meeting.	
Summary and session objectives: To obtain approval of a renewal of the Enterprise Ophthalmology Call Coverage Agreements at the current rate of \$1,000 per appearance.	
Suggested discussion questions: None.	
Proposed Board motion, if any: To approve a to a not-to-exceed amount of \$1,000 per appearance, which is at the 90th percentile for fair market value according to 2017 MD Ranger national per episode report for Ophthalmology Call Coverage (75 th percentile is \$750/episode and 90 th percentile is \$1000/episode). A renewal term of two years will be proposed.	
LIST OF ATTACHMENTS: 1. 10-Step	

January 10, 2018

To: El Camino Hospital Board of Directors

From: William Faber, MD, CMO

Subject: **Ophthalmology Call Coverage Renewal - Enterprise**

1. **Recommendation:** We request that the Board of Directors approve delegating to the CEO the authority to renew the Enterprise Ophthalmology Call Coverage Agreements at the current rate of \$1,000 per appearance.
2. **Problem/Opportunity Definition:** Since 2014, seven Ophthalmologists have been available to respond to the Mountain View and Los Gatos Emergency Departments reimbursed at a rate of \$1,000 per appearance if the physician either comes to the ED to assist or accepts the patient immediately at his office for evaluation and treatment. The physician office alternative is needed because of the special equipment that is often required to handle eye diagnosis and treatment. \$1,000/episode is at the 90th percentile for fair market value according to 2017 MD Ranger national per episode report for Ophthalmology Call Coverage (75th percentile is \$750/episode and 90th percentile is \$1,000/episode).
3. **Authority:** According to Administrative Policies and Procedures 51.00, Finance Committee review and Board approval is required prior to the Chief Executive Officer signature of physician agreements that exceed the 75th percentile for fair market value.
4. **Process Description:** Upon Board approval, the Ophthalmology Call Coverage Agreements for the Mountain View and Los Gatos campuses will be entered into for an additional two years at the current rate of \$1,000 per appearance.
5. **Alternative Solution which Includes Cost Benefit/SWOT Analysis:** An alternative per diem payment analyzed based on the FY17 total payment of \$34,000 would be approximately \$93.00/day. For comparison, the 2017 MD Ranger Bay Area report for Per Diem Ophthalmology Call Coverage lists the 50th percentile at \$300/day and the 75th at \$370/day.
6. **Concurrence for Recommendation:** Approval of this recommendation is supported by the Medical Director, Quality and Physician Services. The Finance Committee recommended this for approval at its November 27, 2017 meeting.
7. **Outcome Measures and Deadlines:** Physicians will participate in the peer review process for consultations related to Ophthalmology call coverage.
8. **Legal Review:** Legal counsel will review the final agreements prior to execution.
9. **Compliance Review:** Compliance will review and approve the final agreements and compensation prior to execution.
10. **Financial Review:** Compensation will be constrained to a not-to-exceed amount of \$1,000 per appearance which is at the 90th percentile for fair market value according to 2017 MD Ranger national per episode report for Ophthalmology Call Coverage (75th percentile is \$750/episode and 90th percentile is \$1,000/episode). A renewal term of two years will be proposed.

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	ED On-Call Gastroenterology Panel (LG) - Renewal El Camino Hospital Board of Directors January 10, 2018
Responsible party:	William Faber, MD, CMO
Action requested:	For Approval
Background:	See attached 10-Step.
Board Advisory Committees that reviewed the issue and recommendation, if any:	The Finance Committee recommended this for approval at its November 27, 2017 meeting.
Summary and session objectives:	To obtain approval of a renewal of the Los Gatos Gastroenterology ED On-Call Agreements at an increased rate of \$850.00/day.
Suggested discussion questions:	None.
Proposed Committee motion, if any:	To approve a to a not-to-exceed amount of \$850.00 per day which is between the 75 th and 90 th percentiles according to the 2017 MD Ranger national report for Gastroenterology Call Coverage (Average Daily Census under 150: 75 th percentile is \$790/day and 90 th percentile is \$1000/day; Licensed General Acute Care Beds under 200: 75 th percentile is \$710/day and 90 th percentile is \$940/day). A renewal term of two years will be proposed.
LIST OF ATTACHMENTS:	1. 10-Step

January 10, 2018

To: El Camino Hospital Board of Directors

From: William Faber, MD, CMO

Subject: **ED On-Call Gastroenterology Panel Renewal - Los Gatos Campus**

1. **Recommendation:** We request that the Board of Directors approve delegating to the CEO the authority to renew the Los Gatos Gastroenterology ED On-Call Agreements at an increased rate of \$850.00/day.
2. **Problem/Opportunity Definition:** The Hospital has a Gastroenterology Call Panel at the Los Gatos campus in which gastroenterologists respond when needed for emergency evaluations for patients in the Los Gatos Emergency Department and Acute Rehabilitation Unit. Currently, the Los Gatos Campus has five gastroenterologists contracted at the rate of \$625/day. This rate has been unchanged since the inception of the panel in July 2009. For Gastroenterology Call Coverage, O'Connor Hospital reportedly pays \$1,300/day, Regional Medical Center reportedly pays \$1,400/day, and Good Samaritan Hospital reportedly pays \$1,100/weekday, \$1,300/weekend. The three PAMF physicians on the panel rejected the Hospital's initial offer to increase the rate to \$700/day for the renewal of their agreements, which expire December 31, 2017. The Hospital and PAMF negotiated a rate of \$850/day with the PAMF physicians, which is between the 75th and 90th percentiles according to the 2017 MD Ranger national report for Gastroenterology Call Coverage (Average Daily Census under 150: 75th percentile is \$790/day and 90th percentile is \$1,000/day; Licensed General Acute Care Beds under 200: 75th percentile is \$710/day and 90th percentile is \$940/day).

A one-month extension to these Agreements will be entered into while obtaining Board approval. The effective date of the new agreements will be February 1, 2018.

3. **Authority:** According to Administrative Policies and Procedures 51.00, Finance Committee review and Board approval is required prior to the CEO signature of physician agreements that exceed the 75th percentile for fair market value and a greater than 10% increase in total compensation.
4. **Process Description:** Upon Board approval, the Gastroenterology Call Panel Agreements for the Los Gatos campus will be entered into for an additional two years at a not to exceed rate of \$850/day.
5. **Alternative Solution which Includes Cost Benefit/SWOT Analysis:** An alternative solution is not being considered at this time.
6. **Concurrence for Recommendation:** Approval of this recommendation is supported by the Medical Director, Quality and Physician Services. The Finance Committee recommended this for approval at its November 27, 2017 meeting.
7. **Outcome Measures and Deadlines:** Physicians will participate in the peer review process for consultations related to Gastroenterology call.
8. **Legal Review:** Legal counsel will review the final agreements prior to execution.
9. **Compliance Review:** Compliance will review and approve the final agreements and compensation prior to execution.
10. **Financial Review:** Compensation will be constrained to a not to exceed amount of \$850.00 per day which is between the 75th and 90th percentiles according to the 2017 MD Ranger national report for Gastroenterology Call Coverage (Average Daily Census under 150: 75th percentile is \$790/day and 90th percentile is \$1,000/day; Licensed General Acute Care Beds under 200: 75th percentile is \$710/day and 90th percentile is \$940/day). A renewal term of two years will be proposed.

January 10, 2018

To: El Camino Hospital Board of Directors

From: Iftikhar Hussain, CFO

Subject: **OB Hospitalist Program at MV and LG campuses
to provide in-house 24/7 OB Physician coverage**

1. **Recommendation:** We request that the Board approve delegating to the CEO the authority to negotiate a renewed professional services contract with the OB Hospitalist Group (OBHG), subject to FMV review, to provide in-house OB and GYN coverage by a qualified obstetrician/gynecologist (OB/GYN) on a 24-hour, 7 days per week basis (24/7) for both the Mountain View and Los Gatos campuses.
2. **Problem/Opportunity Definition:** The OB Hospitalist professional services agreement for both the Mountain View and Los Gatos campus is presented to the Finance Committee for review and recommendation to the Board of Directors for approval because its annual cost exceeds the \$250,000 threshold as set forth in Board Policy.

Seven years ago, an independent quality review (VRQC) by expert ACOG members recommended the implementation of an OB hospitalist program for the size of our program at ECH MV. The OB Hospitalist program is in use throughout the country and is in most of our top OB hospital competitors in the South Bay area. It is required to have an OB on site 24/7 for the OBED.

Research has shown the following benefits of an in-house OB hospitalist program -- An in-house OB Hospitalist model can serve as an important safety net for patient care in a variety of ways, including:

- Decreasing the chance for precipitous deliveries while the patient's physician is in transit.
 - Acting as a liaison between nurses and physicians when there is concern about a potential unsafe practice.
 - Rescue of baby from an abruption or ruptured uterus by performing an emergency C-section.
 - Offering to give second opinions to both nurses and physicians.
 - Stepping in for the local physician as an assistant for surgery and/or other obstetrical emergencies.
 - Providing the "immediate availability" for trials of labor after C-section deliveries (VBAC).
 - Providing back up for mid-levels such as midwives
 - Providing emergency call coverage for patients without physicians who present to the ED or to the labor unit.
3. **Authority:** According to Administrative Policies and Procedures, Finance Committee review and Board approval is required prior to CEO signature of physician agreements that exceed \$250,000 per year.
 4. **Process Description:** Board Policy 51.00 regarding physician contracts exceeding \$250,000 in value requires Finance Committee review and recommendation and approval by the Board of Directors prior to CEO signature.
 5. **Alternative Solution which Includes Cost Benefit/SWOT Analysis:** We have had the OB Laborist program here for 3 years in January 2018 with OBHG. We have been very happy with the quality and services they provide. OBHG have truly partnered with ECH OB Department on quality and service.

6. **Concurrence for Recommendation:** Approval of this recommendation is supported by Chief Medical Officer, Chief Nursing Officer, Chief Operating Officer, and Medical Director, OB.
7. **Outcome Measures and Deadlines:**
 - Vaginal Birth after Cesarean (VBAC) rates increasing with on OB to cover 24/7
 - Sep. 2016 – Aug. 2017 8.7% 51 successes/585 with previous CS
 - Sep. 2015 – Aug. 2016 8.6% 55 successes/641 with previous CS
 - Sep. 2014 – Aug. 2017 6.7% 44 successes/655 with previous CS
 - Safety net for emergencies
 - OBHG coverage for the Nurse Midwives in Los Gatos
 - All patients being seen by an OB provider before discharge
 - Team leader for OB Alerts
8. **Legal Review:** Legal counsel will review the final agreement including FMV review prior to execution.
9. **Compliance Review:** Compliance will review and approve the proposed agreement and physician compensation prior to execution.
10. **Financial Review:** The cost of providing 24/7 OB physician services at our hospitals is \$142,813/month/hospital or \$3.4 M per year total. This would be approximately \$198 per hour including benefits and overhead expenses. Some of this cost is offset by OBED facility revenue as well as savings from reducing OB/GYN ED call coverage costs in LG now provided by the OBHG Hospitalist.

A summary of net income/<loss> is provided in the table that follows:

Net Income	FY15	FY16	FY17	Total
Mountain View	\$ (747,584)	\$ 662,917	\$ 741,124	\$ 656,458
Los Gatos	\$ (747,427)	\$(1,387,524)	\$(1,409,531)	\$(3,544,482)
Combined	\$(1,495,011)	\$ (724,607)	\$ (668,406)	\$(2,888,024)

FY15: includes half year cost of physicians due to engagement of contract, no volume this year.
 FY16 & FY17 LG: includes cost of physicians less a % of Physician cost distributed to "deliveries" and estimated call savings.

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Proposed Amended and Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC (“SVMD”) <p>El Camino Hospital Board of Directors</p> <p>December 13, 2017</p>
Responsible party:	Peter C. Fung, MD, Governance Committee Chair
Action requested:	For Approval
Background:	
<p>SVMD was formed as an LLC in 2008 to provide ambulatory and new venture development and to serve as a focal point for new business development outside of the acute care setting. El Camino Hospital is the sole corporate member of SVMD and the Hospital is currently the sole source of funding. SVMD was governed initially by a Board of Managers and in 2012, the ECH Board approved the transfer of governance to a Member-managed LLC with the CEO of the Hospital appointed as the sole Member Representative. In 2016, the ECH Board reinstated the Board of Managers as the governing body when the first 1206(g) unlicensed primary care clinic was opened. Staff is proposing revisions to the SVMD Operating Agreement, including (1) defining the Board of Managers by role, as opposed to individual name and (2) The El Camino Hospital Board’s Reserve Powers.</p> <p>At our meeting on December 13, 2017, the Governance Committee had a presentation by management and a thorough discussion of management’s proposed revisions. The Committee members found that defining membership on the Board of Managers by role (rather than by name) provides greater efficiency by eliminating the need for further revisions to the document when there are transitions in executive leadership or ECH Board membership. The Committee members also focused on the propriety of the limits on spending authority in Sections 6.2 (b) and (h), finding the \$1 million limit on unbudgeted items consistent with the ECH CEO’s authority and the \$5 million limit on capital expenditures a significant enough capital investment to require ECH Board approval.</p>	
Board Advisory Committees that reviewed the issue and recommendation, if any:	
The Governance Committee voted to recommend that the Board approve the Amended and Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC (“SVMD”).	
Summary and session objectives :	
As SVMD clinic growth is a major objective, it is important to clarify the reserved powers that ECH retains as the sole corporate member of SVMD and confirm delegation of authority to the SVMD Board of Managers, including authority to appoint officers and agents with delegated authority.	
Suggested discussion questions: None. This is a consent item.	

ECH BOARD MEETING AGENDA ITEM COVER SHEET

	<p>Proposed Committee motion, if any:</p> <p>To recommend that the ECH Board approve the Amended & Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC.</p>
	<p>LIST OF ATTACHMENTS:</p> <ol style="list-style-type: none">1. Consent to Amend2. Proposed Amended and Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC (redline)3. Proposed Amended and Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC (clean)

SILICON VALLEY MEDICAL DEVELOPMENT, LLC

Action of the Sole Member Taken by Written Consent

The undersigned, being the sole member of Silicon Valley Medical Development, LLC, a California limited liability company (the "Company"), pursuant to the provisions of Section 17104 of the Beverly-Killea Limited Liability Company Act of the State of California does hereby consent to and adopt the following as the action of the sole Member of the Company:

RESOLVED: That the Limited Liability Company Operating Agreement of the Company (as previously amended) (the "Operating Agreement") be further amended and restated in substantially the form attached hereto as Exhibit A ("Amended and Restated Operating Agreement") and that the Chief Executive Officer of El Camino Hospital is hereby authorized to execute and deliver the Amended and Restated Operating Agreement on behalf of El Camino Hospital.

IN WITNESS WHEREOF, this Consent has been executed and filed with the records of the Company, and shall be treated for all purposes as votes taken at a meeting.

Dated: _____, 2018

SOLE MEMBER:

El Camino Hospital,
a California nonprofit public benefit corporation

By: _____

Name: Dan Woods

Title: Chief Executive Officer

AMENDED AND RESTATED

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

SILICON VALLEY MEDICAL DEVELOPMENT, LLC

This Amended and Restated Limited Liability Company Operating Agreement (this “Agreement”) of Silicon Valley Medical Development, LLC amends and restates the Limited Liability Company Operating Agreement dated June 17, 2008, as amended. This Agreement is entered into as of the ___ day of _____, ~~—201~~, by El Camino Hospital, a California nonprofit public benefit corporation, as the “Member”).

The Member in order to form a limited liability company pursuant to and in accordance with the California Beverly-Killea Limited Liability Company Act, as amended from time to time (Cal. Corp. Code § 17000, *et seq.*) (the “Act”), hereby agrees with the Company as follows:

1. Name. The name of the limited liability company shall be Silicon Valley Medical Development, LLC (the “Company”).

2. Member. The name and the business and mailing addresses of the Member is as follows:

<u>Name</u>	<u>Address</u>
El Camino Hospital	2500 Grant Road Mountain View, CA 94040

3. Initial-Office and Designated Agent. The name and address of the ~~initial~~current agent of the Company for service of process on the Company in the State of California, is ~~e/o Corporation Service Company d/b/a CSC-Lawyers Incorporating Service, Suite 100, 2730 Gateway Oaks Drive, Sacramento, California 95833~~Mary L. Rotunno, 2500 Grant Rd, Administration, Mountain View, CA 94040. Such designations may be changed by the Board of Managers.

4. Articles. The Member, acting through any of its authorized officers, is hereby designated as an authorized person within the meaning of the Act to execute, deliver and file the Articles of Organization of the Company (the “Articles”), and to execute, deliver and file any amendments or restatements of the Articles or any certificate of cancellation of the Articles.

5. Purpose and Powers. The purpose of the Limited Liability Company is to engage in any lawful act or activity for which a limited liability company may be organized under the Act. Such purpose shall include, without limitation, to establish initiatives between independent physicians and El Camino Hospital, to develop and maintain ambulatory ventures outside of the Member’s facilities, and to establish and provide management services to any medical groups in

association with the Member. The Company shall have the power and authority to do any and all acts necessary or convenient to or in furtherance of the foregoing purposes, including all power and authority, statutory or otherwise, possessed by, or which may be conferred upon, limited liability companies under the laws of the State of California. The Company shall not undertake any activity that would jeopardize the Member's status as a tax-exempt entity under the Internal Revenue Code.

6. Management.

6.1. ~~6.Management~~Board of Managers. The business of the Company shall be managed by a Board of Managers, and the persons constituting the Board of Managers, not the Member, shall be the "managers" of the Company for all purposes under the Act.

The Board of Managers shall consist of four (4) voting managers (as determined by the Member), in addition to the ~~Chief Executive Officer~~ President of the Company who shall be an ex officio voting member of the Board of Managers. The Board of Managers shall initially consist of ~~Hfikhar Hussain, Rich Katzman, Neal Cohen, M.D., the new Integrated Care Medical Officer hired by Member, and Tomi Ryba~~ the Chief Executive Officer of the Company Member, the Chief Financial Officer of the Member, the Chief Medical Officer of the Member, and an appointee from the Member's Board of Directors. The Member has the right to remove any or all managers at any time, with or without cause. If the Member removes the entire Board of Managers, the Member shall then appoint a replacement Board of Managers. The Chief Executive Officer of the ~~Company Member~~ shall have the authority to fill any individual vacancies in the Board of Managers and may remove any manager on the Board of Managers, except the appointee from the Member's Board of Directors.

Decisions of the Board of Managers shall be embodied in a duly adopted vote taken by a majority of the voting members of the Board of Managers at a meeting for which at least five (5) days' written notice was duly given or waived, or in a resolution adopted by unanimous written consent of the Board of Managers. Such decisions shall be decisions of the "manager" for all purposes of the Act and shall be carried out by any member of the Board of Managers or by officers or agents of the Company designated by the Board of Managers in the vote or resolution in question or in one or more standing votes or resolutions or with the power and authority to do so. A decision of the Board of Managers may be amended, modified, or repealed in the same manner in which it was adopted, but no such amendment, modification or repeal shall affect any person who has been furnished a copy of the original vote or resolution, certified by a duly authorized agent of the Company, until such person has been notified in writing of such amendment, modification, or repeal. Members of the Board of Managers may attend meetings in person or by electronic connection that enables all members present simultaneously to hear one another.

6.2. Member Reserved Powers. Notwithstanding the foregoing, the Member retains the sole power to approve:

a. Any annual budget of the Company as an affiliate of the Member as part of the Member's consolidated budget;

- b. Any unbudgeted expenditure of the Company that exceed \$1,000,000;
- c. The role of the Company in the Member's strategic plan;
- d. The selection of an auditor to perform an audit that includes the Company;
- e. Any transfer, sale or disposition of the Company's assets;
- f. Any merger, consolidation, reorganization or dissolution of the Company;
- g. Any amendment or restatement to, or termination of, this Agreement;
- h. Any capital expenditures by the Company greater than \$5 million; or
- i. Any action of the Company that violates the Member's tax-exempt purposes.

Any action listed above that is taken by the Company and not approved by the Member is void.

7. Officers and Agents. The ~~Member, through its Member Representative, acting by written instrument,~~ Board of Managers shall have the power to appoint a President and other officers and agents to act for the Company, ~~with such titles and holding such powers as may be set forth in such written instrument and consistent with.~~ Subject to the Act, the Articles and this Agreement. ~~The Member, through its Member Representative,~~ the Board of Managers may delegate by written instrument to the President and such other officers and agents authority to act on behalf of the Company. The Board of Managers, acting by written instrument, may ratify any act previously taken by ~~an agent~~ the President and such other officers and agents acting on behalf of the Company. Except as provided in the Act, the Articles ~~and,~~ this Agreement, ~~the Member, through its Member Representative and any such delegation of authority,~~ the Board of Managers shall have the sole power to bind the Company.

8. Indemnification. The Company shall indemnify, defend, and hold harmless the Member and any director, officer, or employee of the Member, each member of the Board of Managers, and any person serving at the request of the Company as a director, officer, employee, partner, trustee, or independent contractor of another corporation, partnership, limited liability company, joint venture, trust, or other enterprise (all of the foregoing persons being referred to collectively as "Indemnified Parties" and individually as an "Indemnified Party") from any liability, loss, or damage incurred by the Indemnified Party by reason of any act performed or omitted to be performed by the Indemnified Party in connection with the business of the Company and from liabilities or obligations of the Company imposed on such Indemnified Party by virtue of such Indemnified Party's position with the Company, including reasonable attorneys' fees and costs and any amounts expended in the settlement of any such claims of liability, loss, or damage; *provided, however,* that if the liability, loss, damage, or claim arises out of any action or inaction of an Indemnified Party, indemnification shall be available only if (a) either (i) the Indemnified Party, at the time of such action or inaction, determined in good faith that its, his, or her course of conduct was in, or not opposed to, the best interests of the Company or (ii) in the case of inaction by the Indemnified Party, the Indemnified Party did not intend its, his, or her inaction to be harmful or opposed to the best interests of the Company and

(b) the action or inaction did not constitute fraud, gross negligence, or willful misconduct by the Indemnified Party; *provided, further, however*, that the indemnification provided herein shall be recoverable only from the assets of the Company and not from any assets of the Member. Unless the Board of Managers determines in good faith that the Indemnified Party is unlikely to be entitled to indemnification as provided herein, the Company shall pay or reimburse reasonable attorneys' fees of an Indemnified Party as incurred, provided that such Indemnified Party executes an undertaking, with appropriate security if requested by the Board of Managers, to repay the amount so paid or reimbursed in the event that a final nonappealable determination by a court of competent jurisdiction that such Indemnified Party is not entitled to indemnification as provided herein. The Company may pay for insurance covering liability of the Indemnified Party for negligence in operation of the Company's affairs.

No Indemnified Party shall be liable, in damages or otherwise, to the Company or to the Member for any loss that arises out of any act performed or omitted to be performed by it, him, or her pursuant to the authority granted by this Agreement if (a) either (i) the Indemnified Party, at the time of such action or inaction, determined in good faith that such Indemnified Party's course of conduct was in, or not opposed to, the best interests of the Company or (ii) in the case of inaction by the Indemnified Party, the Indemnified Party did not intend such Indemnified Party's inaction to be harmful or opposed to the best interests of the Company and (b) the conduct of the Indemnified Party did not constitute fraud, gross negligence, or willful misconduct by such Indemnified Party.

Any person who is within the definition of "Indemnified Party" at the time of any action or inaction in connection with the business of the Company shall be entitled to the benefits provided herein as an "Indemnified Party" with respect thereto, regardless whether such person continues to be within the definition of "Indemnified Party" at the time of such Indemnified Party's claim for indemnification or exculpation hereunder.

The Company may in its discretion indemnify any of its officers, authorized agents, employees, consultants, and counsel, each as if an "Indemnified Party." The Company may enter into an agreement with any Indemnified Party setting forth procedures consistent with applicable law for implementing the indemnities provided herein; however, the Company's failure to enter into any such agreement shall not limit the indemnities provided herein.

9. Reliance by Third Parties. Any person or entity dealing with the Company may rely upon a certificate signed by the Member or the Board of Managers as to: (a) the identity of the Member or the members of the Board of Managers; (b) the existence or non-existence of any fact or facts which constitute a condition precedent to acts by the Member or the Board of Managers or are in any other manner germane to the affairs of the Company; (c) the persons who or entities that are authorized to execute and deliver any instrument or document of or on behalf of the Company; and (d) any act or failure to act by the Company or as to any other matter whatsoever involving the Company, the Member, or the Board of Managers.

10. Capital Contributions. The Member ~~will allocate~~ has previously allocated up to one million three hundred thousand dollars (\$1,300,000) as its initial capital contribution to the Company. In its sole discretion, the Member may make, but shall not be required to make, additional capital contributions to the Company.

11. Taxation. The Company shall take steps to be treated as other than a corporation for federal tax purposes.

As set forth herein, the Company shall not undertake any activity that would jeopardize the Member's status as a tax-exempt organization under the Internal Revenue Code. If, in its sole discretion, the Member determines that any activity in which the Company is or proposed to be engaged may jeopardize the Company's status as a tax-exempt organization, the Member may require the Company immediately to modify or terminate such activity in order to preserve the Company's status as a tax-exempt organization.

12. Allocation of Profits and Losses. The Company's profits and losses shall be allocated to the Member.

13. Distributions. Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member.

14. Dissolution. The Company shall have perpetual existence unless it shall be dissolved and its affairs shall have been wound up upon (a) the vote of the Member or (b) the entry of a decree of judicial dissolution under Section 17351 of the Act. The Member shall have the right to vote to dissolve the Company at any time, in its sole discretion, and without approval of the Board of Managers. The existence of the Company as a separate legal entity shall continue until the cancellation of the Articles as provided in the Act.

15. Assignments. The Member may assign its limited liability company interest to any person, which assignee shall become a Member when the assignee becomes a party to the Agreement.

16. Amendments. This Agreement may be amended or restated from time to time by the Member.

17. Liability of Member. The Member shall not have any liability for any obligations or liabilities of the Company except to the extent provided in the Act.

18. Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of California all rights and remedies being governed by said laws.

* * *

IN WITNESS WHEREOF, the undersigned sole member of Silicon Valley Medical Development, LLC, intending to be legally bound hereby, has duly executed this [Amended and Restated](#) Limited Liability Company Operating Agreement as of the date and year first above written.

El Camino Hospital,
a California nonprofit public benefit corporation

By: _____
Name: Dan Woods
Title: Chief Executive Officer, El Camino Hospital

Comparison Details	
Title	pdfDocs compareDocs Comparison Results
Date & Time	12/15/17 3:28:05 PM
Comparison Time	0.84 seconds
compareDocs version	v4.1.500.11

Sources	
Original Document	[#31462617] [v2] Amended and Restated Operating Agreement 2017.docx
Modified Document	[#31462617] [v5] Amended and Restated Operating Agreement 2017.docx

Comparison Statistics	
Insertions	23
Deletions	2
Changes	18
Moves	0
TOTAL CHANGES	43

Word Rendering Set Markup Options	
Name	Standard
<u>Insertions</u>	
Deletions	
<u>Moves / Moves</u>	
Inserted cells	
Deleted cells	
Merged cells	
Formatting	Color only.
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	True
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
SILICON VALLEY MEDICAL DEVELOPMENT, LLC

This Amended and Restated Limited Liability Company Operating Agreement (this "Agreement") of Silicon Valley Medical Development, LLC amends and restates the Limited Liability Company Operating Agreement dated June 17, 2008, as amended. This Agreement is entered into as of the ___ day of _____, 201_, by El Camino Hospital, a California nonprofit public benefit corporation, as the sole member (the "Member").

The Member in order to form a limited liability company pursuant to and in accordance with the California Beverly-Killea Limited Liability Company Act, as amended from time to time (Cal. Corp. Code § 17000, *et seq.*) (the "Act"), hereby agrees with the Company as follows:

1. Name. The name of the limited liability company shall be Silicon Valley Medical Development, LLC (the "Company").

2. Member. The name and the business and mailing addresses of the Member is as follows:

<u>Name</u>	<u>Address</u>
El Camino Hospital	2500 Grant Road Mountain View, CA 94040

3. Office and Designated Agent. The name and address of the current agent of the Company for service of process on the Company in the State of California, is Mary L. Rotunno, 2500 Grant Rd, Administration, Mountain View, CA 94040. Such designations may be changed by the Board of Managers.

4. Articles. The Member, acting through any of its authorized officers, is hereby designated as an authorized person within the meaning of the Act to execute, deliver and file the Articles of Organization of the Company (the "Articles"), and to execute, deliver and file any amendments or restatements of the Articles or any certificate of cancellation of the Articles.

5. Purpose and Powers. The purpose of the Limited Liability Company is to engage in any lawful act or activity for which a limited liability company may be organized under the Act. Such purpose shall include, without limitation, to establish initiatives between independent physicians and El Camino Hospital, to develop and maintain ambulatory ventures outside of the Member's facilities, and to establish and provide management services to any medical groups in association with the Member. The Company shall have the power and authority to do any and all acts necessary or convenient to or in furtherance of the foregoing purposes, including all power

and authority, statutory or otherwise, possessed by, or which may be conferred upon, limited liability companies under the laws of the State of California. The Company shall not undertake any activity that would jeopardize the Member's status as a tax-exempt entity under the Internal Revenue Code.

6. Management.

6.1. Board of Managers. The business of the Company shall be managed by a Board of Managers, and the persons constituting the Board of Managers, not the Member, shall be the "managers" of the Company for all purposes under the Act.

The Board of Managers shall consist of four (4) voting managers (as determined by the Member), in addition to the President of the Company who shall be an ex officio voting member of the Board of Managers. The Board of Managers shall initially consist of the Chief Executive Officer of the Member, the Chief Financial Officer of the Member, the Chief Medical Officer of the Member, and an appointee from the Member's Board of Directors. The Member has the right to remove any or all managers at any time, with or without cause. If the Member removes the entire Board of Managers, the Member shall then appoint a replacement Board of Managers. The Chief Executive Officer of the Member shall have the authority to fill any individual vacancies in the Board of Managers and may remove any manager on the Board of Managers, except the appointee from the Member's Board of Directors.

Decisions of the Board of Managers shall be embodied in a duly adopted vote taken by a majority of the voting members of the Board of Managers at a meeting for which at least five (5) days' written notice was duly given or waived, or in a resolution adopted by unanimous written consent of the Board of Managers. Such decisions shall be decisions of the "manager" for all purposes of the Act and shall be carried out by any member of the Board of Managers or by officers or agents of the Company designated by the Board of Managers in the vote or resolution in question or in one or more standing votes or resolutions or with the power and authority to do so. A decision of the Board of Managers may be amended, modified, or repealed in the same manner in which it was adopted, but no such amendment, modification or repeal shall affect any person who has been furnished a copy of the original vote or resolution, certified by a duly authorized agent of the Company, until such person has been notified in writing of such amendment, modification, or repeal. Members of the Board of Managers may attend meetings in person or by electronic connection that enables all members present simultaneously to hear one another.

6.2. Member Reserved Powers. Notwithstanding the foregoing, the Member retains the sole power to approve:

- a. Any annual budget of the Company as an affiliate of the Member as part of the Member's consolidated budget;
- b. Any unbudgeted expenditure of the Company that exceed \$1,000,000;
- c. The role of the Company in the Member's strategic plan;
- d. The selection of an auditor to perform an audit that includes the Company;

- e. Any transfer, sale or disposition of the Company's assets;
- f. Any merger, consolidation, reorganization or dissolution of the Company;
- g. Any amendment or restatement to, or termination of, this Agreement;
- h. Any capital expenditures by the Company greater than \$5 million; or
- i. Any action of the Company that violates the Member's tax-exempt purposes.

Any action listed above that is taken by the Company and not approved by the Member is void.

7. Officers and Agents. The Board of Managers shall have the power to appoint a President and other officers and agents to act for the Company. Subject to the Act, the Articles and this Agreement, the Board of Managers may delegate by written instrument to the President and such other officers and agents authority to act on behalf of the Company. The Board of Managers, acting by written instrument, may ratify any act previously taken by the President and such other officers and agents acting on behalf of the Company. Except as provided in the Act, the Articles, this Agreement and any such delegation of authority, the Board of Managers shall have the sole power to bind the Company.

8. Indemnification. The Company shall indemnify, defend, and hold harmless the Member and any director, officer, or employee of the Member, each member of the Board of Managers, and any person serving at the request of the Company as a director, officer, employee, partner, trustee, or independent contractor of another corporation, partnership, limited liability company, joint venture, trust, or other enterprise (all of the foregoing persons being referred to collectively as "Indemnified Parties" and individually as an "Indemnified Party") from any liability, loss, or damage incurred by the Indemnified Party by reason of any act performed or omitted to be performed by the Indemnified Party in connection with the business of the Company and from liabilities or obligations of the Company imposed on such Indemnified Party by virtue of such Indemnified Party's position with the Company, including reasonable attorneys' fees and costs and any amounts expended in the settlement of any such claims of liability, loss, or damage; *provided, however*, that if the liability, loss, damage, or claim arises out of any action or inaction of an Indemnified Party, indemnification shall be available only if (a) either (i) the Indemnified Party, at the time of such action or inaction, determined in good faith that its, his, or her course of conduct was in, or not opposed to, the best interests of the Company or (ii) in the case of inaction by the Indemnified Party, the Indemnified Party did not intend its, his, or her inaction to be harmful or opposed to the best interests of the Company and (b) the action or inaction did not constitute fraud, gross negligence, or willful misconduct by the Indemnified Party; *provided, further, however*, that the indemnification provided herein shall be recoverable only from the assets of the Company and not from any assets of the Member. Unless the Board of Managers determines in good faith that the Indemnified Party is unlikely to be entitled to indemnification as provided herein, the Company shall pay or reimburse reasonable attorneys' fees of an Indemnified Party as incurred, provided that such Indemnified Party executes an undertaking, with appropriate security if requested by the Board of Managers, to repay the amount so paid or reimbursed in the event that a final nonappealable determination by

a court of competent jurisdiction that such Indemnified Party is not entitled to indemnification as provided herein. The Company may pay for insurance covering liability of the Indemnified Party for negligence in operation of the Company's affairs.

No Indemnified Party shall be liable, in damages or otherwise, to the Company or to the Member for any loss that arises out of any act performed or omitted to be performed by it, him, or her pursuant to the authority granted by this Agreement if (a) either (i) the Indemnified Party, at the time of such action or inaction, determined in good faith that such Indemnified Party's course of conduct was in, or not opposed to, the best interests of the Company or (ii) in the case of inaction by the Indemnified Party, the Indemnified Party did not intend such Indemnified Party's inaction to be harmful or opposed to the best interests of the Company and (b) the conduct of the Indemnified Party did not constitute fraud, gross negligence, or willful misconduct by such Indemnified Party.

Any person who is within the definition of "Indemnified Party" at the time of any action or inaction in connection with the business of the Company shall be entitled to the benefits provided herein as an "Indemnified Party" with respect thereto, regardless whether such person continues to be within the definition of "Indemnified Party" at the time of such Indemnified Party's claim for indemnification or exculpation hereunder.

The Company may in its discretion indemnify any of its officers, authorized agents, employees, consultants, and counsel, each as if an "Indemnified Party." The Company may enter into an agreement with any Indemnified Party setting forth procedures consistent with applicable law for implementing the indemnities provided herein; however, the Company's failure to enter into any such agreement shall not limit the indemnities provided herein.

9. Reliance by Third Parties. Any person or entity dealing with the Company may rely upon a certificate signed by the Member or the Board of Managers as to: (a) the identity of the Member or the members of the Board of Managers; (b) the existence or non-existence of any fact or facts which constitute a condition precedent to acts by the Member or the Board of Managers or are in any other manner germane to the affairs of the Company; (c) the persons who or entities that are authorized to execute and deliver any instrument or document of or on behalf of the Company; and (d) any act or failure to act by the Company or as to any other matter whatsoever involving the Company, the Member, or the Board of Managers.

10. Capital Contributions. The Member has previously allocated up to one million three hundred thousand dollars (\$1,300,000) as its initial capital contribution to the Company. In its sole discretion, the Member may make, but shall not be required to make, additional capital contributions to the Company.

11. Taxation. The Company shall take steps to be treated as other than a corporation for federal tax purposes.

As set forth herein, the Company shall not undertake any activity that would jeopardize the Member's status as a tax-exempt organization under the Internal Revenue Code. If, in its sole discretion, the Member determines that any activity in which the Company is or proposed to be engaged may jeopardize the Company's status as a tax-exempt organization, the Member may

require the Company immediately to modify or terminate such activity in order to preserve the Company's status as a tax-exempt organization.

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14. Dissolution. The Company shall have perpetual existence unless it shall be dissolved and its affairs shall have been wound up upon (a) the vote of the Member or (b) the entry of a decree of judicial dissolution under Section 17351 of the Act. The Member shall have the right to vote to dissolve the Company at any time, in its sole discretion, and without approval of the Board of Managers. The existence of the Company as a separate legal entity shall continue until the cancellation of the Articles as provided in the Act.

15. Assignments. The Member may assign its limited liability company interest to any person, which assignee shall become a Member when the assignee becomes a party to the Agreement.

16. Amendments. This Agreement may be amended or restated from time to time by the Member.

17. Liability of Member. The Member shall not have any liability for any obligations or liabilities of the Company except to the extent provided in the Act.

18. Governing Law. This Agreement shall be governed by, and construed under, the laws of the State of California all rights and remedies being governed by said laws.

* * *

IN WITNESS WHEREOF, the undersigned sole member of Silicon Valley Medical Development, LLC, intending to be legally bound hereby, has duly executed this Amended and Restated Limited Liability Company Operating Agreement as of the date and year first above written.

El Camino Hospital,
a California nonprofit public benefit corporation

By: _____

Name: Dan Woods

Title: Chief Executive Officer, El Camino Hospital

ECH BOARD MEETING AGENDA ITEM COVER SHEET

Item:	Medical Staff Report – Open Session El Camino Hospital Board of Directors January 10, 2018
Responsible party:	Rebecca Fazilat, MD, Chief of Staff Mountain View
Action requested:	Approval
Background: The Medical Executive Committee met on November 30, 2017. We received the following reports:	
<ol style="list-style-type: none"> 1. Implementation of Timely Record Keeping Policy 2. CEO Report on FY 2018 Organizational Goal Status, Review of ECMA physicians hired, and Awards and Re-certifications. 3. CMO Report on Hospital Acquired Infections 4. CMIO Report on Protocols and Standardized Procedures for MD orders. 5. CNO Report on plans to manage impending flu season and ECH Foundation grants to implement education for advanced care planning and expanded telehealth program. 6. Patient Care Policies and Procedures - Approved 	
Board Advisory Committee(s) that reviewed the issue and recommendation, if any: None.	
Summary and session objectives: To obtain approval of the Medical Staff Report	
Proposed Board motion: To approve the Medical Staff Report	
LIST OF ATTACHMENTS:	
<ol style="list-style-type: none"> 1. Patient Care Policy Summary and Policies 	

SUMMARY OF POLICIES/PROTOCOLS FOR REVIEW AND APPROVAL - BOARD

Jan-18

NEW POLICIES/PROCEDURES			
Document Name	Department	Type of Document	Summary of Document Changes
DOCUMENTS WITH MAJOR REVISIONS			
Document Name	Department	Type of Document	Summary of Policy Changes
DOCUMENTS WITH MINOR REVISIONS			
Document Name	Department	Type of Document	Summary of Policy Changes
HIMS HIPAA Restricting use or Disclosure of Protected Health Information	HIMS	Policy	Minor change to procedure
Administrative: Policy & Procedure Formulation, Approval & Distribution (Policy on Policies)	Administration	Policy	Updated definitions for Protocol and Clinical Guidelines
DOCUMENTS WITH NO REVISIONS			
Document Name	Department	Type of Document	No Revisions
DOCUMENTS FOR INFORMATION ONLY			
Document Name	Department	Type of Document	Summary of Policy Changes



POLICY/PROCEDURE TITLE: HIMS - HIPAA Restricting use or Disclosure of Protected Health Information

CATEGORY: Administrative

LAST APPROVAL DATE: 10/12

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

SUB-CATEGORY: ADMINISTRATIVE

ORIGINAL DATE: 4/03

I. COVERAGE:

All El Camino Hospital staff

II. PURPOSE:

Patients will be provided the right to request restriction of certain uses and disclosures of their protected health information that is contained within the designated record set. This may include restriction on the information released to family and friends. While the law does not require the hospital to comply with the patient's request, El Camino Hospital will consider each request.

III. STATEMENT:

It is the policy of El Camino Hospital to comply with all mandatory reporting requirements for health insurance portability and accountability act (HIPAA).

IV. DEFINITIONS: The definitions below are in compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

A. Designated Record Set: Medical records, behavioral health records (including psychiatric, alcohol and drug treatment records), and billing records about an individual patient maintained by the hospital and used to make decisions in the process of healthcare delivery. Medical records created by another provider filed with records of El Camino Hospital are included. Peer review, quality assurance, and information created and maintained for business purposes of the hospital not used to make decisions about an individual patient in the process of healthcare delivery are *not* considered part of the designated record set and are not subject to inspection or correction by the patient or legal representative.

POLICY/PROCEDURE TITLE: HIMS - HIPAA Restricting use or Disclosure of Protected Health Information

B. Health Care Operations: Any of the following activities:

- Internal performance improvement activities, excluding research
- Reviewing the competence or qualifications of health care professionals
- Underwriting, premium rating, and other activities related to health insurance contracting
- Medical review, legal services, and auditing
- Business planning and development
- Business management and general administrative activities

C. Individually Identifiable Health Information: Information that identifies an individual (or could reasonably be used to identify an individual) that:

- Is created or received by ECH;
- Relates to the past, present, or future physical or mental health or condition of an individual;
- Relates to the provision of health care to an individual;
- Relates to the past, present, or future payment for the provision of health care to an individual.

This includes demographic information (such as name, address, date of birth, sex, and race) collected from an individual.

D. Payment: Activities undertaken to obtain or provide reimbursement for health care services, including:

- Billing, claims management, and collection activities;
- Review of health care services for medical necessity, coverage, appropriateness, or charge justification
- Utilization review activities

E. Protected Health Information: Individually identifiable health information that is transmitted or maintained by electronic or any other medium.

F. Treatment: Provision, coordination, or management of health care and related services by one or more health care providers, including:

- Management of care by a provider with a third party;
- Consultation between health care providers relating to a patient;
- Referral of a patient from one provider to another

POLICY/PROCEDURE TITLE: HIMS - HIPAA Restricting use or Disclosure of Protected Health Information

PROCEDURE:

A. Policy for restriction of use or disclosure of protected health information:

1. Legal Requirement

Under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), patients have the right to request restrictions on use or disclosure of their protected health information, but covered entities (including hospitals) are not required to agree to those restrictions. El Camino Hospital will consider each request for restriction and agree to those that it can reasonably accommodate.

2. Allowable restrictions

A patient may request restrictions on use or disclosure of protected health information in a designated record set at El Camino Hospital. Such restrictions may include withholding of information from family or friends. A determination to restrict uses or disclosures must be made very carefully to ensure the request can be met.

3. Request in Writing

All requests for restrictions must be in writing, using the form “Request to restrict use or disclosure for Special Restriction on Use or Disclosure of Protected Health Information.”

4. Employees permitted to approve special requests for restriction

Requests for restrictions must be addressed by the Privacy Officer, or designee. No other member of the workforce may agree to such a request unless specifically authorized by the Privacy Officer.

5. Providing the restriction

The Privacy Officer must ensure that the request can be met and that the designated record set is flagged per hospital procedure. The hospital may inform others of the existence of a restriction, when appropriate, so long as it does not result in the disclosure of the restricted information. A patients

POLICY/PROCEDURE TITLE: HIMS - HIPAA Restricting use or Disclosure of Protected Health Information

request to restrict disclosure cannot be applied towards protect health information released prior to the date of the request.

6. Denial of request

If the Privacy Officer determines that the hospital is not able to meet the request and provide the level of restriction requested by the patient, he/she must notify the patient of the denial in writing.

7. Required documentation and retention

The hospital must document the request and response and file the following information with the patient's medical record:

- The designated record sets that are subject to restriction;
- The titles of the persons responsible for receiving and processing requests for access by individuals; and
- All correspondence and associated documentation related to the patient's request.
- All documentation related to the request will be retained in accordance with the hospital's policy on "Record Retention and Destruction."

8. Terminating a restriction

The hospital may terminate its agreement to a restriction, if:

- The individual agrees to or requests the termination in writing;
- The individual orally agrees to the termination and such agreement is documented; or
- The hospital informs the individual that it is terminating its agreement to a restriction, except that such termination is only effective with respect to protected health information created or received after it has so informed the individual.

9. Medical emergencies

An agreed-upon restriction may only be broken in a medical emergency. If restricted information is given to another provider for use in emergency treatment, the other provider must be asked not to further use or disclose the information.

POLICY/PROCEDURE TITLE: HIMS - HIPAA Restricting use or Disclosure of Protected Health Information

10. An agreement for restriction does not prevent uses or disclosures made for the following purposes:
- Inclusion in the facility directory
 - For certain public health activities
 - For reporting abuse, neglect, domestic violence or other crimes
 - For health agency oversight activities or law enforcement investigations
 - For judicial or administrative proceedings
 - For identifying deceased persons to coroners and medical examiners or determining a cause of death
 - For organ procurement
 - For certain research activities
 - For worker's compensation programs
 - For uses or disclosures otherwise required by law

B. Procedure for restriction of use or disclosure of protected health information:

1. The hospital must permit a patient to request restrictions on the use and disclosure of protected health information as contained in the designated record set. Requests for restriction must be presented in writing.
1. The written request must be presented to the Privacy Officer, or designee, immediately. The Privacy Officer, or designee, are the only members of the workforce who may agree to any restriction.
2. The right to request restrictions and the process for making the request are outlined in the Notice of Privacy Practices.
3. The hospital is not required to act immediately and will investigate its ability to meet the request prior to agreeing to any restriction.
4. The patient's request and letter notifying the patient of the Privacy Officer's decision will be filed with the medical record.

POLICY/PROCEDURE TITLE: HIMS - HIPAA Restricting use or Disclosure of Protected Health Information

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	
_____ Medical Committee (if applicable):	
ePolicy Committee:	12/2016
Pharmacy and Therapeutics (if applicable):	
Medical Executive Committee:	
Board of Directors:	

Historical Approvals: 4/03, 03/05, 10/06, 06/09, 10/12

REFERENCES: (as applicable)

“The California Patient Privacy Manual,” California Healthcare Association, October 2002, Second Edition.

Title 45, Code of Federal Regulations, Parts 160 and 164, August 14, 2002.



POLICY/PROCEDURE TITLE: Policy & Procedure Formulation, Approval & Distribution (Policy on Policies)

CATEGORY: Administration
LAST APPROVAL DATE: 2/2017

Policy Procedure Protocol Standardized Procedure Scope of Service
 Clinical Guidelines

SUB-CATEGORY: Administration
ORIGINAL DATE: 06/98

I. COVERAGE:

All El Camino Hospital Employees, Medical Staff

II. PURPOSE:

It is the policy of El Camino Hospital to monitor and control the development, review, revision, modification, approval, and distribution of policies, procedure, plans, protocols, and standardized procedures.

III. STATEMENT:

- A. It is the policy of El Camino Hospital to provide a process for the development and implementation of policies and other related documents.
- B. All policies and other documents as defined below must be developed with the review and input of all affected policy owners, approved by leadership of the organization and routinely reviewed. This review must be minimally every three years unless required more frequently as defined by Title 22 or other regulatory bodies, when there is accreditation or regulatory changes, or when operations or patient care practices change.
- C. The Board of Directors shall approve policies, plans and scopes of services as outlined in the Administrative policy-Board of Director Approval of Hospital Policies.
- D. ECH reserves the right to change or eliminate policies and other documents as defined below as needed to comply with regulatory changes or changes in practice. ECH will be responsible for communicating any such actions to the policy owner.

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



POLICY/PROCEDURE TITLE: Policy & Procedure Formulation, Approval & Distribution (Policy on Policies)

CATEGORY: Administration

LAST APPROVAL DATE: 2/2017

- Policy Procedure Protocol Standardized Procedure Scope of Service
- Clinical Guidelines

IV. DEFINITIONS

1. **Policy:** A policy is defined as a brief written statement of intent or principle that determines actions or decisions. Generally, a policy is based on law, regulations, accreditation standards, or leadership decisions.
2. **Plan:** A single document that provides detailed description of provision of particular program or scope of service, often required by regulation. Ex. Disaster Plan, Pandemic Plan, Plan for Provision of Care Procedure.
3. **Procedure:** A step-by-step written outline detailing how something is to be accomplished. Procedures answer the "what" and "How do I do it" questions. Ex: Chemotherapy, Administration of.

4. **Protocol:** Defines care and management of a patient care issue as outlined in the protocol document. A medical staff member must order the activation of a specific protocol. Subsequent orders of the protocol may be entered by the licensed staff into EHR. Example "Pharmacy to Manage TPN" or "Wound/Ostomy Evaluate and Treat Protocol"

~~4. Defines care and management of a broad patient care issue. A prescriptive, detailed definition of what is to be implemented using precise, sequential steps, preferably evidenced based. Examples include Alcohol Withdrawal, Management of.~~

5. Clinical Guideline: Guidelines describe the hospital approved care approach for a given diagnosis or condition. Guidelines must be evidenced based and are often listed in evidence based databases. Includes a prescriptive, detailed definition of what is to be implemented using precise, sequential steps. Examples include: Care of the Bariatric Patient.

~~5. **Guideline.** Guidelines describe the recommended care approach for a given diagnosis or condition. Guidelines must be evidenced based and are often listed in evidence based data bases.~~

6. **6. Standardized Procedure.** The legal mechanism for nurses and nurse practitioners to perform specific functions which would otherwise be considered the practice of medicine. Standardized procedures are developed collaboratively by nursing, medical staff, and administration at the hospital. By approval of standardized

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POLICY/PROCEDURE TITLE: Policy & Procedure Formulation, Approval & Distribution (Policy on Policies)

CATEGORY: Administration

LAST APPROVAL DATE: 2/2017

Policy Procedure Protocol Standardized Procedure Scope of Service
 Clinical Guidelines

procedures, Medical Staff authorize specific tasks to be performed by specific nurses in specific circumstances for the care of the patient.

~~7-~~ **7. Scope of Service:** A document that describes the provision of service of a particular program or department of the hospital.

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V. PROCEDURE:

A. Document Development and Format

1. Documents should be written by the individuals most closely related to the issues with input by persons who have special expertise on the subject matter.
2. Documents should reflect what is considered to be the professional standard of care and match practice. There must be a realistic expectation that compliance with the document can be met.
3. Documents, as defined above, should be concise, and words and phrases not universally understood should be defined.
4. All documents will be developed and revised in the template available on the toolbox in the Policy Tech site, and contain the following elements:
 - a. Purpose section: a clear and concise purpose to educate readers on what the policy/procedure entails.
 - b. Statement section
 - c. Definitions
 - d. Procedure: This section contains a clear and concise step-by-step methodology to be followed for compliance with the purpose and statement.
 - e. Approval Box: The approvals section will list any committees that are required to approve the policy and the date(s) when they approved it. This section will also list the Board of Directors and the date when it approved the policy. The minutes of these various groups will reflect approval of the policy. Only the most recent date

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POLICY/PROCEDURE TITLE: Policy & Procedure Formulation, Approval & Distribution (Policy on Policies)

CATEGORY: Administration

LAST APPROVAL DATE: 2/2017

Policy Procedure Protocol Standardized Procedure Scope of Service
 Clinical Guidelines

will be reflected in the box. The previous dates will be listed under Historical.

5. For nursing procedures, ECH uses Lippincott, available on the Toolbox. The resource is updated periodically by Lippincott.

B. Approval Matrix for ECH Manuals

1. Documents which involve accreditation, state and federal statutory requirements shall be reviewed by the Director of Accreditation and/or Risk Management.
2. Documents which involve compliance with HIPAA and privacy concerns shall be reviewed with the Privacy Officer.
3. In addition to the approval matrix below, nursing related documents require approval as follows:
 - a. All applicable unit based practice councils and Patient Care Leadership committees
 - b. For broad based changes enterprise changes to nursing practice, Central Partnership Council approval is required.
 - c. For approval of standardized procedures, Interdisciplinary Practice Committee is required.
4. Medical Staff collaboration and approval through the appropriate medical staff committee is required when the content of the policies, procedures, or protocols involves care of the patient.

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5. Any policies, procedures, or protocols that will apply to a Mountain View and Los Gatos location must have approval from department managers and medical staff committees from each campus before the policy is sent through the final approval processes.
6. Department documents shall be approved by the department manager or designee, and apply to only one department. Approval shall be by department leadership along in accordance with the matrix below.

	Administrative	Clinical/Patient Care Services	Emergency/Disaster Management	Human Resources	Infection Prevention	Support Services (Non Clinical Departments)	Safety/Environment of Care
Department/VP Approval	X	X	X	X	X	X	X
Central Safety Committee			X				X
Infection Control Committee ** Any document relating to cleaning, prevention of infection across the		** Any document relating to cleaning, prevention of infection across the organization			X	** Any document relating to cleaning, prevention of infection across the organization	

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organization							
Pharmacy and Therapeutics ** Any document concerning administration of medication		** Any document concerning administration of medication			** Any document concerning administration of medication		
E Policy Committee	X	X	X	X	X	X	X
Medical Executive Committee **Review required for any document relating to care of patient		X			X		
Board of Directors (only policies/scope of services/plans)							

C. Distribution:

- a. Documents defined in this policy will be available on the hospital network to all staff, physicians and volunteers.

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- b. A copy of the organization's policies will be stored on a USB device that will be maintained in the hospital supervisor office at each campus.

D. Policy, Procedure, Protocol Maintenance:

- a. The original electronic copy of current hospital-wide policies and procedures will be centralized on the hospital network file directory.
- b. To meet legal requirements, all documents in PolicyTech that have been deleted or revised will be archived for a minimum of seven years.
- c. Maternal Child Health documents in PolicyTech will be retained for 25 years.

E. Process for Document Updates in Policy Tech

- a. All El Camino Hospital staff covered by policies, procedures, or protocols will have "Read Only" access to currently approved documents through the hospital network via Policy Tech. Any new policy or updates made to documents in Policy Tech are to be made through the following process:
 - i. For new documents, the document owner shall use the identified template available in Policy Tech. For revisions to existing documents, the document owner shall begin revisions within Policy Tech in the document itself.
 - a) If desired, the document owner can collaborate with other writers to complete the first draft.
 - b) The document owner then submits the document to review, where each reviewer can accept, revise, or decline the document.
 - c) If all reviewers accept it, the document is automatically moved to the approval status.
 - d) If revised or declined by one or more reviewers, the document is placed back in draft status, and a task email is sent to the document owner to review the revised or declined document,

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- make the necessary changes, and then resubmit the document for review.
- e) The document goes back to draft status only after all reviewers have accepted, revised, or declined it.
- f) This part of the process can be repeated as many times as necessary to create an acceptable document.
- ii. Once all reviewers approve a subsequent draft, the document is moved automatically to approval status.
 - a) Approvers have the same options as reviewers for dealing with the document (accept, revise, and decline).
 - b) If one or more approvers revise or decline the document, it again goes back to draft status where the document owner can again make needed changes and resubmit the document for review or directly to approval.
- iii. If an approved document is a new version of an existing document, the previous version is automatically archived when the new version is published.
- iv. After these steps are completed via Policy Tech for the departmental approval and any other committees that need to approve the policy, please see matrix above for approval process.
 - v. Once approved by the Board and/or MEC, the Policy and Procedure Specialist will be notified and will make the final approval via Policy Tech and publish the document.

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POLICY/PROCEDURE TITLE: (Inserted PolicyTech field)

APPROVAL	APPROVAL DATES
Originating Committee or UPC Committee:	
_____ Medical Committee (if applicable):	N/A
ePolicy Committee:	11/2017
Corporate Compliance:	
Board of Directors:	

Historical Approvals:

06/98, 08/99, 05/03, 01/04, 03/02/05, 11/06, 09/07, 05/08, 05/09, 08/12, 4/2015, 10/15, 2/2017

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El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Proposed Summary Financial Report to
the Board

Fiscal Year 2018 – Period 5
7/1/2017 to 11/30/2017

Dashboard - ECH combined as of November 30, 2017

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	222	246	231	15	229	238	231	7
Total Discharges (Excl NNB)	1,504	1,728	1,575	153	7,862	8,422	8,149	273
Financial Perf.								
Total Operating Revenue	69,728	83,180	67,781	15,399	347,564	385,900	353,979	31,920
Operating Income \$	9,570	18,081	5,573	12,507	46,910	67,187	35,796	31,391
Operating Margin	13.7%	21.7%	8.2%	13.5%	13.5%	17.4%	10.1%	7.3%
EBITDA %	20.2%	27.4%	15.7%	11.7%	20.0%	23.2%	17.2%	6.0%
Payor Mix								
Medicare	46.2%	46.3%	47.4%	-1.1%	46.7%	46.1%	47.4%	-1.3%
Medi-Cal	7.9%	7.8%	7.2%	0.6%	7.4%	8.0%	7.2%	0.7%
Total Commercial	43.4%	43.4%	42.9%	0.6%	43.5%	43.3%	42.9%	0.4%
Other	2.5%	2.5%	2.5%	0.0%	2.5%	2.6%	2.5%	0.1%
Cost								
Total FTE	2,458.7	2,566.2	2,487.8	78	2,470.0	2,563.9	2,498.0	66
Productive Hrs/APD	31.0	29.8	31.1	(1)	30.8	30.5	31.1	(1)
Balance Sheet								
Net Days in AR	44.8	46.0	48.0	(2)	44.8	46.0	48.0	(2)
Days Cash	444	477	266	211	444	477	266	211
Affiliates - Net Income (\$000s)								
Hosp	8,449	27,017	5,799	21,218	54,193	100,227	54,193	46,034
Concern	(254)	43	137	(94)	226	945	649	296
ECSC	(1)	(2)	0	(2)	(51)	(18)	0	(18)
Foundation	361	493	105	388	884	1,216	371	846
SVMD	(31)	389	(7)	395	31	564	15	549

Volume:

- For the year, overall volume, measured in adjusted discharges is 2.3% higher than budget.
- IP cases are 3.4% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 2.6% and 3.3% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Financial Performance:

- Operating income is \$12.5M over budget, due to favorable revenue and higher volume. Rev for the month include \$4.1 million in unusual items. For the year op margin is \$31.4M ahead of target. The margin for the year includes \$9.3 million in unusual items

Payor Mix:

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

Cost:

- Productivity and cost are close to budget.

Balance Sheet:

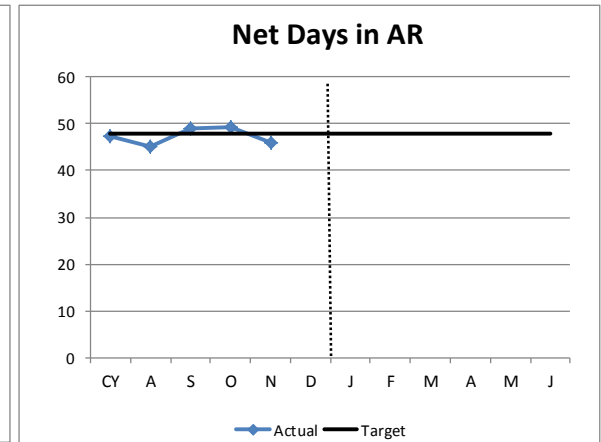
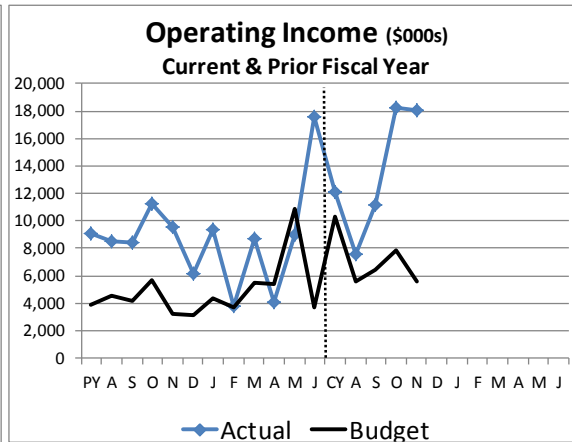
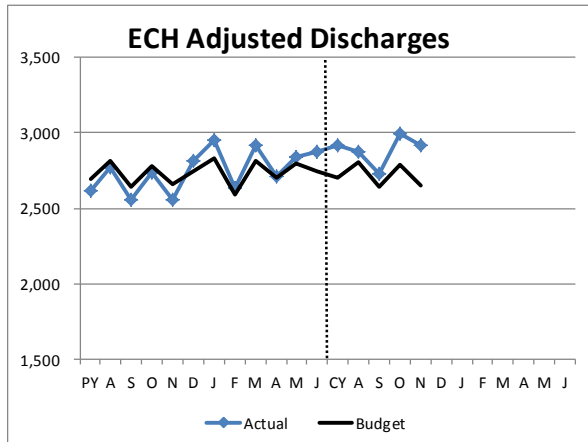
- Net days in AR is 46.0 which is 1.0 days less than budget.

El Camino Hospital (\$000s)

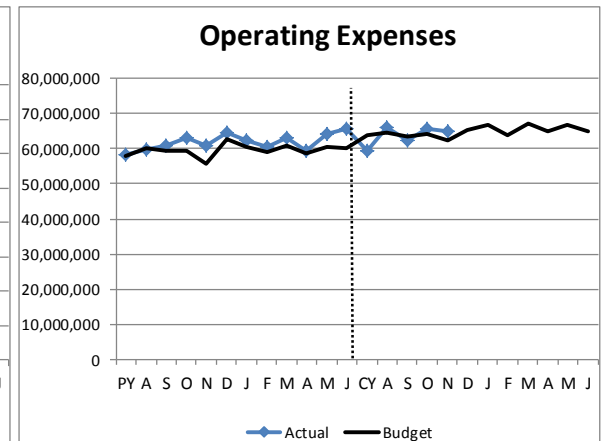
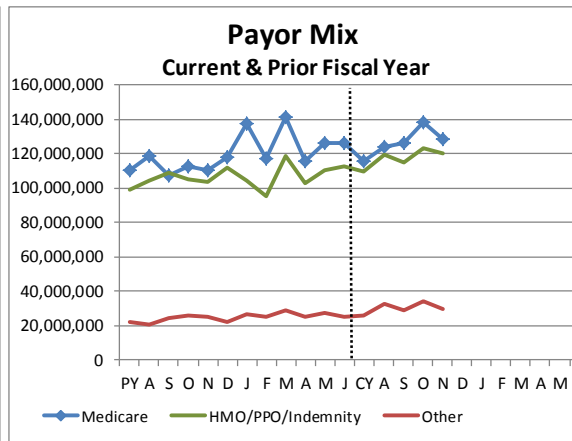
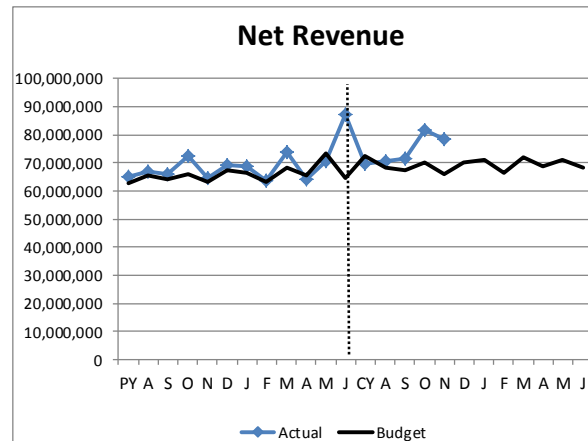
5 months ending 11/30/2017

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

Monthly Financial Trends

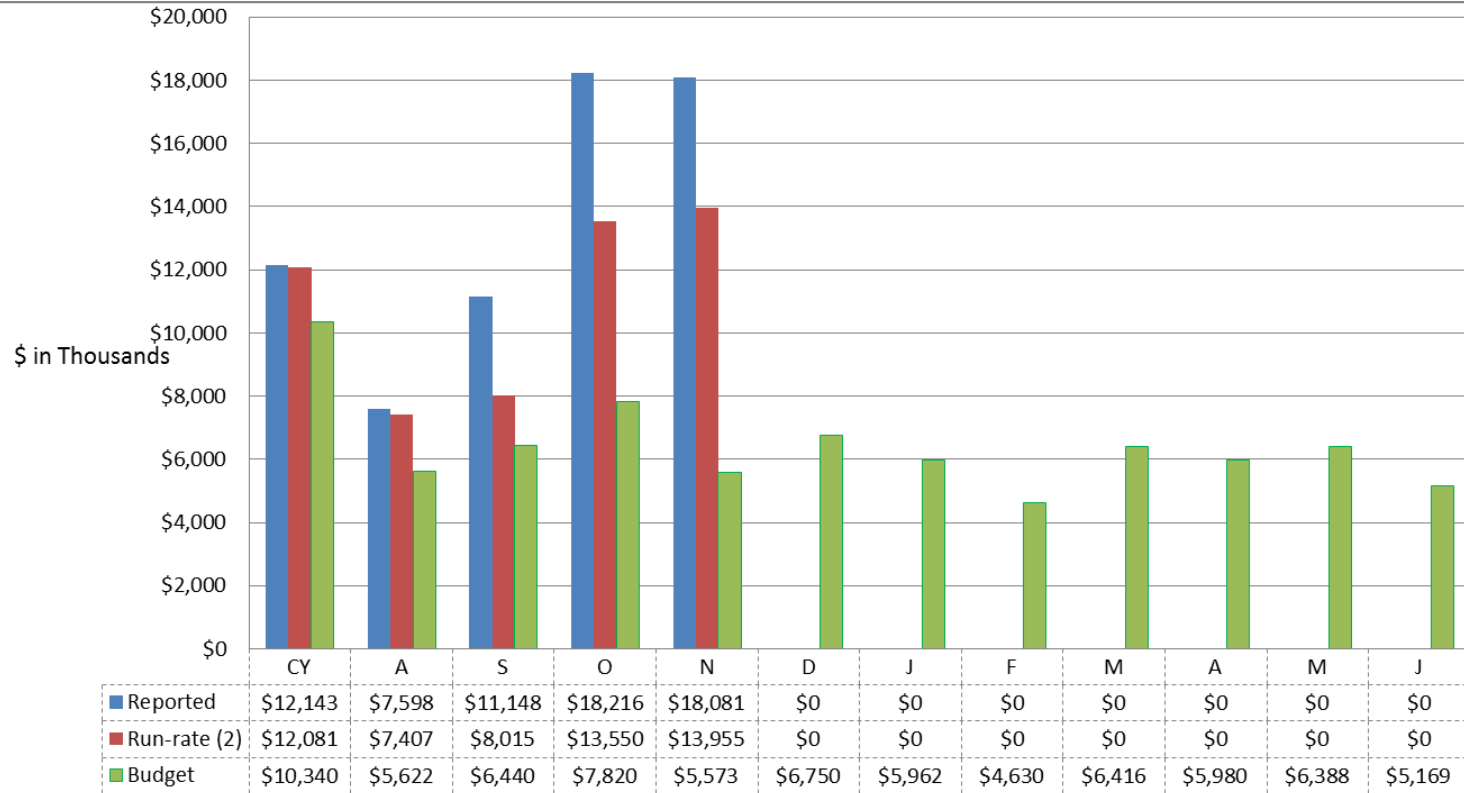


Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient HVI and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics and Rehab.



ECH Operating Margin

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



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

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

El Camino Hospital Investment Committee Scorecard September 30, 2017

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

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

El Camino Hospital

Capital Spending (in millions)

As of November 2017

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

GRAND TOTAL

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases

Balance Sheet (in thousands)

ASSETS			LIABILITIES AND FUND BALANCE		
	Audited			Audited	
	November 30, 2017	June 30, 2017		November 30, 2017	June 30, 2017
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	125,574	125,551	(7) Accounts Payable	30,489	38,457
Short Term Investments	141,908	140,284	(8) Salaries and Related Liabilities	22,562	25,109
Patient Accounts Receivable, net	117,039	109,089	Accrued PTO	23,609	23,409
Other Accounts and Notes Receivable	2,542	2,628	Worker's Comp Reserve	2,300	2,300
Intercompany Receivables	1,616	1,495	Third Party Settlements	10,001	10,438
(1) Inventories and Prepaids	57,059	50,657	Intercompany Payables	105	84
Total Current Assets	445,738	429,705	Malpractice Reserves	1,634	1,634
BOARD DESIGNATED ASSETS			Bonds Payable - Current	3,735	3,735
(2) Plant & Equipment Fund	142,671	131,153	(9) Bond Interest Payable	9,333	11,245
Women's Hospital Expansion	9,298	9,298	Other Liabilities	5,921	4,889
(3) Operational Reserve Fund	127,908	100,196	Total Current Liabilities	109,690	121,299
(4) Community Benefit Fund	18,463	12,237	LONG TERM LIABILITIES		
Workers Compensation Reserve Fund	20,839	20,007	Post Retirement Benefits	19,425	19,218
Postretirement Health/Life Reserve Fund	19,425	19,218	Worker's Comp Reserve	18,539	17,707
PTO Liability Fund	23,609	23,409	Other L/T Obligation (Asbestos)	3,793	3,746
Malpractice Reserve Fund	1,634	1,634	Other L/T Liabilities (IT/Medl Leases)	-	-
Catastrophic Reserves Fund	17,809	16,575	Bond Payable	526,872	527,371
Total Board Designated Assets	381,657	333,727	Total Long Term Liabilities	568,629	568,042
(5) FUNDS HELD BY TRUSTEE	250,375	287,052	DEFERRED REVENUE-UNRESTRICTED	412	567
LONG TERM INVESTMENTS	283,017	256,652	DEFERRED INFLOW OF RESOURCES	10,666	10,666
INVESTMENTS IN AFFILIATES	33,426	32,451	FUND BALANCE/CAPITAL ACCOUNTS		
PROPERTY AND EQUIPMENT			Unrestricted	1,180,329	1,132,525
(6) Fixed Assets at Cost	1,246,793	1,192,047	Board Designated	381,657	333,726
Less: Accumulated Depreciation	(548,570)	(531,785)	Restricted	0	0
Construction in Progress	130,235	138,017	(10) Total Fund Bal & Capital Accts	1,561,986	1,466,251
Property, Plant & Equipment - Net	828,458	798,279	TOTAL LIABILITIES AND FUND BALANCE	2,251,382	2,166,825
DEFERRED OUTFLOWS	28,710	28,960			
RESTRICTED ASSETS - CASH	0	0			
TOTAL ASSETS	2,251,382	2,166,825			

November 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to two quarterly pension fundings of \$2.6M in July and October.
- (2) The increase is due 5 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains \$14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds.
- (3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.
- (4) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (5) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (6) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (7) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (8) Primarily the decrease in current year is due to the Management incentives and "Thank You" bonuses paid to all staff in appreciation of the outcomes of fiscal year 2017 in October. These amounts were accrued during the 2017 fiscal year
- (9) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (10) The increase is attributable to the first five periods of financial performance producing an operating income of \$67 million and non-operating of \$33 million (mostly from unrealized gains on investments).

⁽¹⁾ Hospital entity only, excludes controlled affiliates

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

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

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

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

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

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

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

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

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

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

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

APPENDIX

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

5 months ending 11/30/2017

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

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

5 months ending 11/30/2017

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

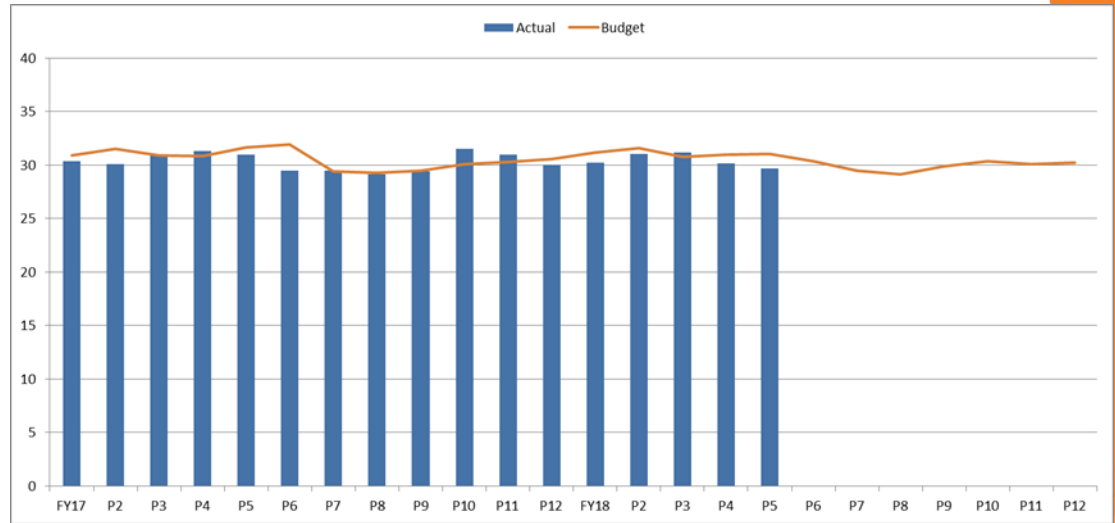
Non Operating Items and Net Income by Affiliate

\$ in thousands

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

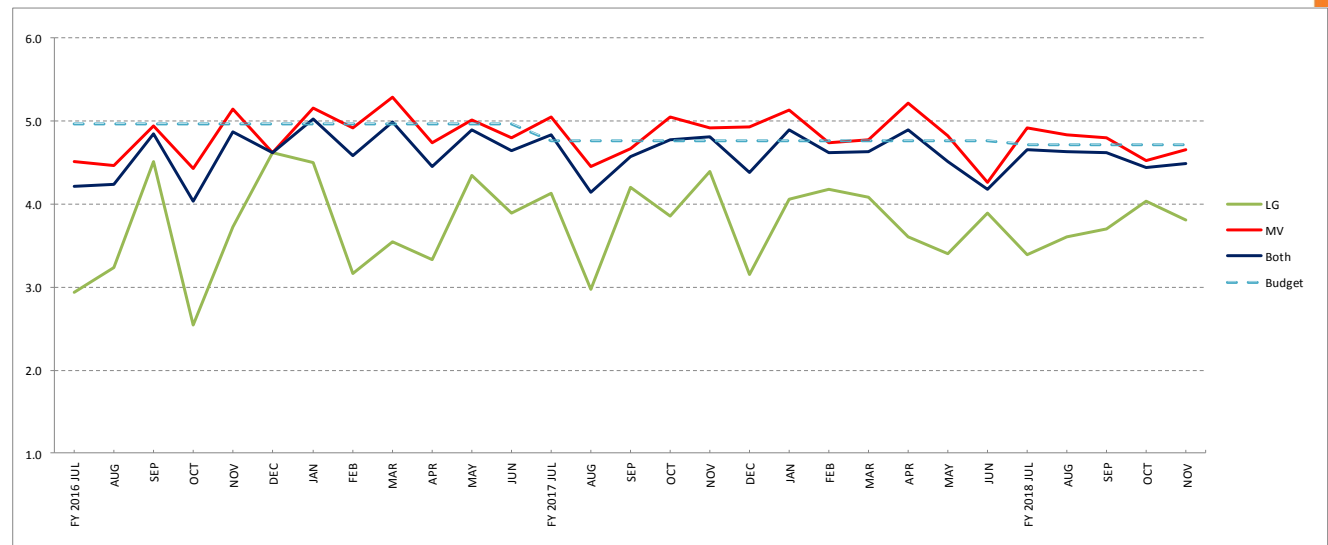
Productivity and Medicare Length of Stay

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

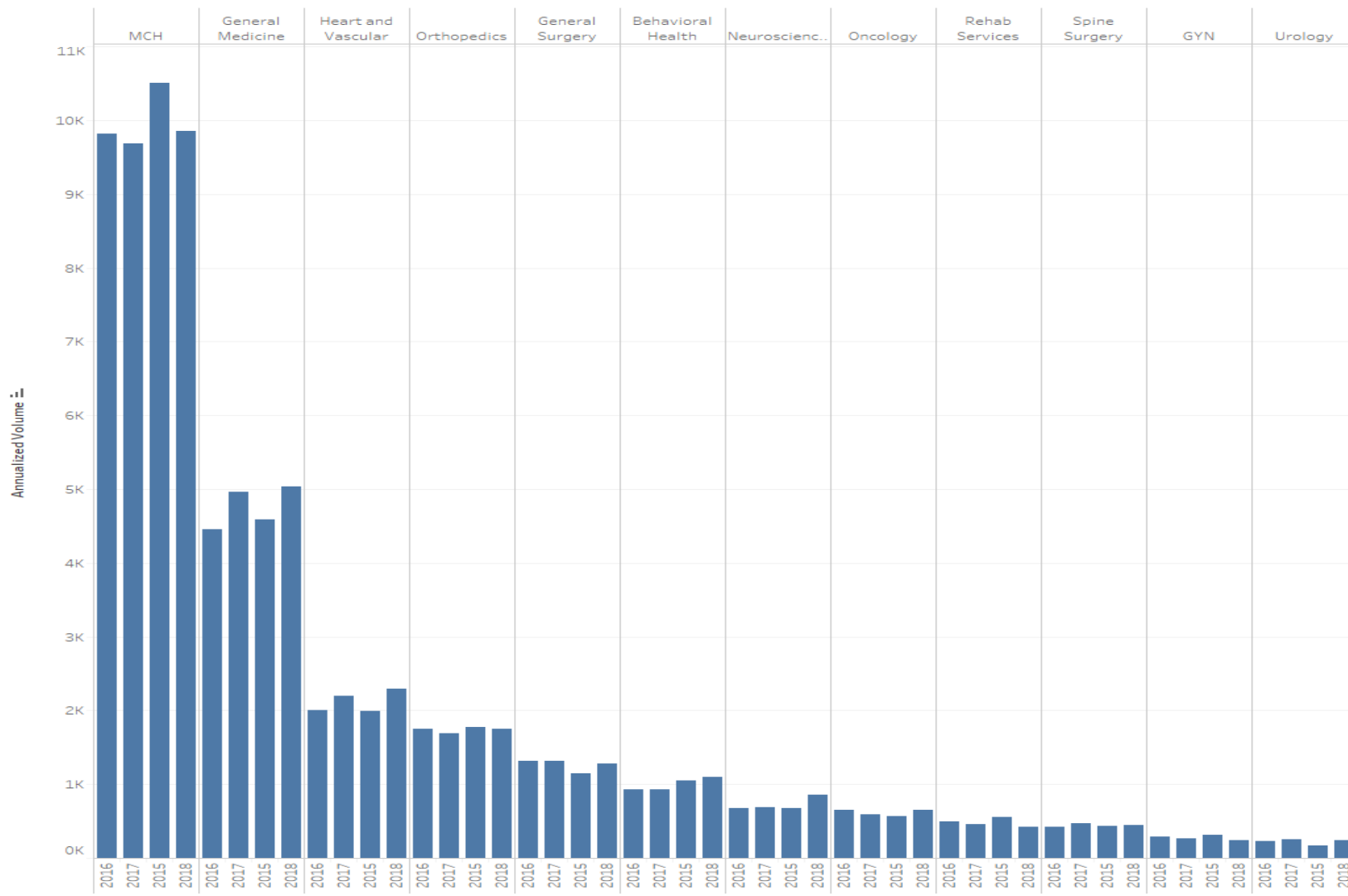


Medicare ALOS

ALOS remains better than target



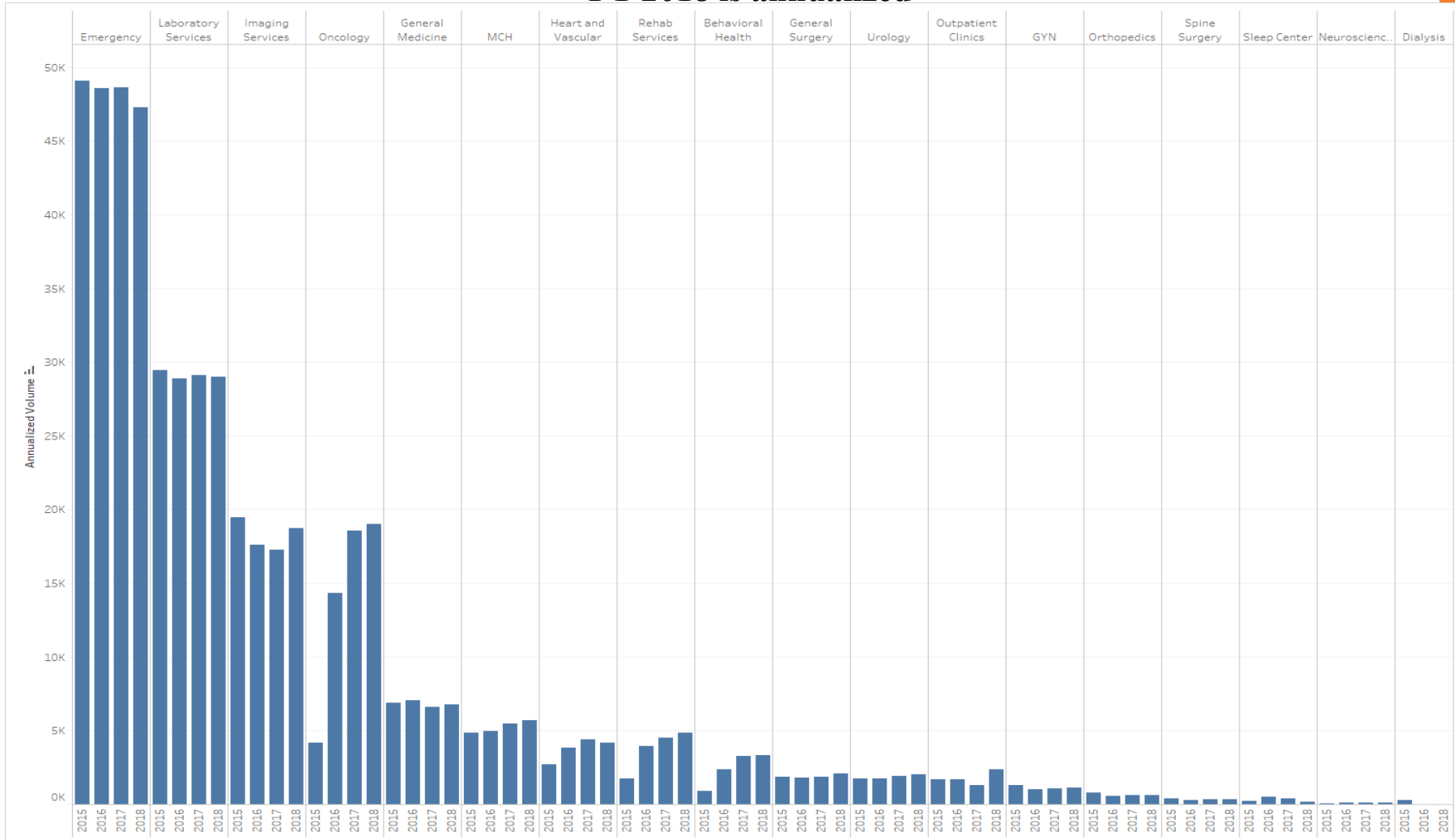
El Camino Hospital Volume Annual Trends – Inpatient



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

El Camino Hospital Volume Annual Trends – Outpatient

FY 2018 is annualized



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

Memorandum

Appendix B

DATE: January 10, 2018
TO: El Camino Hospital Board of Directors
FROM: Neysa Fligor, Board Member
SUBJECT: Report on Educational Activity
BOARD ACTION: For Information

Conference Title: Health Care at a Historic Crossroad

Sponsoring Organization: The Estes Park Institute

Key Educational Points, Lessons Learned:

1. Board Fundamentals: As a new Board member, the fundamentals related to a Board Member's role
2. Digital Healthcare: Better understand the pros/cons of electronic health records today and what we can do to prepare for the future
3. Strategic Planning: Factors to consider and tools to utilize to plan for the short and long term
4. Human Resources: The importance of investing in staff to reduce professional burnout.

Has the conference improved your ability to fulfill your obligations as a member of the ECH Board? If so, how?

Yes. I have a better understanding of my role as a Board member and specific areas of focus in order to ensure the continued success of ECH.

Were there speakers that ECH should consider inviting? If so, who and why?

Anna Lembke, MD -- She spoke on the Opioid Crisis and what hospitals and medical staff can do. She is an associate professor at Stanford, so she is local and already familiar with ECH.

Do you recommend this conference to other members of the Board? Yes

Memorandum

Appendix B

DATE: January 10, 2018
TO: El Camino Hospital Board of Directors
FROM: Julia Miller, Board Secretary
SUBJECT: Report on Educational Activity
BOARD ACTION: For Information

Conference Title: Health Care at a Historic Crossroad

Sponsoring Organization: The Estes Park Institute

Key Educational Points, Lessons Learned:

There is always room for continuing improvement in patient care. Hospitals must keep up with technology. Board member expertise needs to be valued. Follow up from staff would be helpful. Two years ago, I attended and learned about the Blue Zones Project and passed on all the information but did not receive any feedback.

Has the conference improved your ability to fulfill your obligations as a member of the ECH Board? If so, how?

There were several issues discussed that aren't done at ECH. Some are worth discussion and implementation but there have been no formal reports back through the appropriate channel. Follow up would be important considering the dollars spent to equal value gained.

Were there speakers that ECH should consider inviting? If so, who and why?

None to recommend at this time. Dr. Lembke would be interesting and of value.

Do you recommend this conference to other members of the Board? Yes.

Memorandum

Appendix B

DATE: January 10, 2018
TO: El Camino Hospital Board of Directors
FROM: John Zoglin, Board Vice Chair
SUBJECT: Report on Educational Activity
BOARD ACTION: For Information

Conference Title: Health Care at a Historic Crossroad

Sponsoring Organization: The Estes Park Institute

Key Educational Points, Lessons Learned:

1. Independent Hospitals

Discussion covered physician practices, value and risk-based contracting, and ways to improve physician engagement. Strategies included helping physicians develop new competencies, requiring active participation, and sharing a purpose. The speakers noted that early on and in medical school, physicians are data driven, but strategic planning is often missing. Hospitals should focus on accountability (showing how doctors perform) and shared responsibility (between hospitals, physicians, and payors). Recommended techniques included looking at other hospitals' readmission data and using student health coaches.

2. Pitfalls of Independent Hospitals

Areas of risk include: 1) limited data analytics, 2) decision making difficulties, 3) not considering broad outcome sets, 4) overestimating the ability to control random events, and 5) overestimating the likelihood of positive outcomes. Hospitals must evaluate options for future.

3. Board Members – Best Practices (presented by John Tiscornia)

Highlights of this presentation included: Quality process measures are not appropriate for boards; outcomes (e.g., readmission rates, infection rates) are appropriate. The foundation of reporting dashboards has to be real-time data, which cannot lag too much. Work plan goals for boards can help board members hold each other accountable. Each organization and its board should ask themselves, "What value is the board contributing?"

The speaker also discussed how to include physician input in strategy development and implementation in a meaningful way. He noted that physicians join an organization for the compensation, but stay for the culture.

4. Physician Integration/Practice Purchase (presented by Jim Knopf)

The presenter described physician assumptions and motivations when their practices are purchased or engaged, noting that physicians must understand that they give up something when they join a

bigger system. Organizations should: 1) hardwire explicit leadership development and on-boarding for physicians; 2) compensate physicians for their time as they join a foundation; and 3) solicit interest in clinical leadership (including younger physicians). Discussion also touched on differing strategies for primary care physicians and a primarily ambulatory medical staff.

Of all physicians, surgeons are often last and hardest to integrate, even though 11 times as much is spent throughout the system as compared to primary care physicians (average \$1.5m per year/physician). Primary care physicians who move to concierge and/or cash only gives them what they often desire, more time with their patients. Hospitals should consider allowing ambulatory only physicians to vote on hospital staff issues even if don't admit.

5. Practice Redesign

This session reviewed various ways to update a physician practice to provide appropriate care at reduced costs. The speakers emphasized that customers are looking for advanced, open access. Suggestions included: 1) programs for physicians to learn from each other; 2) scheduling appointments/services sooner, not waiting days or weeks; 3) capturing patient data and engaging them from the first call or website use; 4) technological advancements including Alexa (asking health care questions), urgent care apps, remote visits (*e.g.*, Kaiser), patientslikeme.com (crowdsourcing, but also includes healthcare professionals). Discussion also covered paying for out-of-office engagements, salary and scheduling flexibility, and balancing complicated cases.

6. Generative Role of Board (presented by John Tiscornia)

Mr. Tiscornia encouraged organizations to use a core strategy, look at adjacent industries for transformational opportunities, and keep an eye on industry trends. He suggested that groups build contingency plans, identify new growth opportunities, and separate growth/personnel planning from core strategic planning.

7. Practices

The speakers emphasized the need for a charismatic primary care physician as a leader. They outlined RAF (risk adjustment factors), the growth of Medicaid (shifting risk from the state to organizations/providers), and working with social institutions like skilled nursing facilities (SNFs).

8. Closing

The closing presentation provided an analysis of one organization, highlighting rates of physician and nurse turnover, building trust in the physician/patient relationship, and variables of leadership and management. These variables are crucial to all employees for increased productivity and job/organization satisfaction.

Has the conference improved your ability to fulfill your obligations as a member of the ECH Board? If so, how? See answer to the question below regarding conference recommendation.

Were there speakers that ECH should consider inviting? If so, who and why? No.

Do you recommend this conference to other members of the Board? No.

I believe these conferences are valuable both for the content and the ability to extend relationships to other Board Members and to ECH Committee Members. It could also be valuable for some executives to participate as well. However, I believe that if another organization hosts a similar conference in the SF Bay Area in the next 2-3 years, that alternative could be valuable just to receive different points of view and engage with different participants.



OPEN SESSION CEO Report
January 10, 2018

Dan Woods, CEO

Organizational Goal Update Through November (SIR) December (Others) 2017

Organizational Goals FY18	Benchmark	2017 ECH Baseline	Minimum	Target	Maximum	Weight	Performance Timeframe	FY18 through Dec
Threshold Goals								
Budgeted Operating Margin*	95% Threshold	Achieved Budget	95% of Budgeted			Threshold	FY 18	Met
Quality, Patient Safety & iCare								
Arithmetic Observed LOS Average / Geometric LOS Expected for Medicare Population (ALOS /GMLOS)	External: Expected via Epic Methodology	FY 2016: 1.21 (ALOS 4.86/GMLOS 4.00) FY 2017 YTD April: 1.18 (4.81/4.08)	1.12	1.11	1.09	34%	4Q FY18	1.10
HCHAPS Service Metric: Rate Hospital	External Benchmark	HCAHPs Baseline: 10/2016-12/2016: 75.5% 1/2017-3/2017: 75.1%	77%	78%	79%	33%	4Q FY18	78%
Standardized Infection Ratio (SIR)* Observed HAIs/Predicted HAIs (Hospital Acquired Infections)	External Benchmark	July- Dec 2016L CAUTI 1.37, CLABSI 0.25, C.DIFF 0.59 Avg: 0.738	0.670	0.602	0.534	33%	FY18	Total Number of Infections: CAUTI: 8 CLABSI: 2 C.Diff: 5

* These metrics are available through November 2017 only

Financial Division

In November, we achieved cash collections of more than \$80 million, breaking all previous monthly records. Our website-enabled price estimator tool is experiencing great success with more than 1,590 consumers having run price estimates since launching a few months ago. We also went live with an on-line Maternity Pre-Registration Tool available now on our website.

In October 2017, El Camino partnered with an outside vendor for reprocessing of single use devices. The annual savings is projected at \$ 1.4 million with an annual waste reduction to landfill of an estimated 25,000 pounds. By the end of November, we were able to capture \$100,000 in savings. In addition, Purchasing has been renegotiating contracts and partnering with several service lines to improve pricing and move toward standardization while ensuring quality and best patient outcomes. To date, we have been able to implement \$3.7 million out of our \$4.8 million FY18 goal.

Corporate Health Services

CONCERN has responded to an unusually high demand for critical incident response as it relates to natural disasters and traumatic events, using a combination of electronic newsletters with location specific emergency information with psycho-educational mental health articles, immediate telephonic support, onsite crisis counselors, and access to FEMA specialists to meet the varied needs of our client base. Twenty-two new accounts and 12,000 employees have begun or will begin by January 1, 2018.



To inform future Community Benefit grant-making decisions and advance our role as a convener of community health dialogues, staff hosted school nurse and school mental health affinity group meetings. These meetings yielded insights on emerging trends and strategies to addressing critical health needs; partners highly valued the opportunity to gather with colleagues at El Camino Hospital. Our new online grants management system is on schedule to launch in January 2018 for the start of the FY19 grant cycle.

In collaboration with Cupertino Senior Center, the Chinese Health Initiative (CHI) organized a diabetes prevention workshop. The 65 community members in attendance learned ways to evaluate their risks for diabetes/ pre-diabetes and how to apply lifestyle changes to delay or prevent diabetes. In collaboration with the Silicon Valley Chinese School, CHI also organized a Hepatitis B and Liver Cancer Prevention workshop for the parents of the Chinese school on November 3rd.

In February 2017, the Health Library Resource Center worked with Marketing to distribute an online survey to 9,464 existing library members. Based on the survey results, we implemented the following new outreach initiatives:

- E-mail spotlighting library services to community members, employees and physicians;
- Engaging new community members through new Instagram and Twitter library accounts;
- Advertising (through CHI) specific new books in our Chinese language collection on Facebook; and
- Creating employee, RN and MD specific bookmarks to highlight library services relevant to each group.

RoadRunners started supplementing its rides with on-demand service provided by Lyft starting August 2016. We saw a near tripling of Lyft rides between August and November 2017 compared to the same period in 2016. Lyft now comprises 25% of all RoadRunners rides and we continue our efforts to advertise the availability of this service.

The South Asian Heart Center (SAHC) is partnering with Bristlecone to enroll all US members in **the South Asian Heart Center's AIM to Prevent program and conducted its first donation Tele-A-Thon in Center's history raising \$10,000 through 84 donors. 80% of participants in SAHC's "STOP-D- "Stop Diabetes Before It Starts" program reported 3-5% weight loss and 100% reported improvement in HbA1c numbers.**

Operations

We experienced high volumes in December in the majority of our clinical departments and key service lines. Leadership continually monitors and evaluates our patient experiences—primarily through HCAHPS scores--and we make course corrections as necessary by implementing various initiatives to ensure that we have best practices provided throughout our hospitals. Senior leadership meets regularly with our service line directors to focus on opportunities to grow market share by further developing our centers of excellence.

We continue our focus on quality, service, innovation, access, and greater affordability:

- Joint Commission readiness – Ensuring consistency with best practice: intra-cycle assessments are taking place this month.



- The average length of stay (ALOS) at Mountain View has gradually dropped from 4.7 days in July to 4.5 days in December. Each day, leaders encourage staff to focus on the individual patient and ensure that patient safety and quality are not compromised in any way—*especially* during the busy times when managing multiple priorities.
- We are becoming more efficient in our scheduling and overall workflow in the Operating Rooms at both hospitals, reducing the time it takes to turn or prepare a room between surgical procedures. Our LEAN management efforts have really focused on on-time starts, OR standardization of supplies and instrumentation, and ensuring that our equipment, instrumentation, and supplies are in top condition;
- Patient-centered discharge rounds, weekly discharge rounds for outlier patients, **the “discharge by noon” guideline, and other related initiatives are resulting in** reducing improved patient flow and patient satisfaction.

The Interventional Pulmonary Program has been kicked off with Dr. Thomas Lei doing several procedures already at the Los Gatos Campus. Pharmacy is on track to open the retail pharmacy between March and May of 2018. The California pharmacy board is still considering our application for a retail pharmacy. This application process can take several months. The outpatient pharmacy will continue the “meds to beds” program and will also be able to fill our **employees’ prescriptions.**

To prepare for flu season, nursing has implemented a daily 3:30pm huddle to prepare for next day volumes and staffing. **In addition, we added 15.2 FTE’s to the nursing float pool to prepare** for the flu surge that we expect to be severe since the flu vaccine has already proven to be less effective this year.

While the November Patient Care Experience score declined, the first quarter still met goal. The teams are working to continue to make improvements. At long last, the manager of Patient Experience is in place and we are actively developing a short and long term plan for a comprehensive improvement plan for patient centered care experience.

Information Technology

To facilitate the Consumer Alignment Strategic Goal: 1) a new Hologic Brevera Biopsy unit has been installed in Mountain View Mammography to provide real-time specimen imaging and reduced needle biopsy time, 2) a new Radiation Oncology system, Varian Calypso, was implemented to deliver precise tumor tracking and accurate treatment delivery, and 3) a new Stryker Navigation 3 system has been installed on the MV Campus to provide accurate navigation for Neuro and Orthopedic surgeries utilizing a sophisticated high definition camera. Progress towards the High Performance Operating Model Strategic Initiative was achieved by activation of the new Epic data warehouse which provides cost savings and a significant benefit from a more comprehensive and robust data warehouse as well as data visualization tools, data marts and flexible dashboards to enable consistent information for managing departments and ongoing strategies for growth. Other examples include enhancement of the Analytics MD platform to provide predictive analytics for streamlining patient throughput and enable safeguards such as falls prevention.



Marketing

Collaboration with other leaders is underway to roll out the mission, vision, and values across the organization and celebrate employees at the annual Service Awards. An employee/volunteer communications survey will occur in January to help identify preferences and channels. **A storytelling case study about the hospital's creative campaign** was featured in the **Society of Healthcare Strategy and Market Development's** issue of *Spectrum*.

Government and Community Relations

I am pleased to report that Brenda Taussig was elected chair-elect of the statewide California Hospital Association Advocacy Communications Committee and that ECH will be the premier sponsor and partner of the 2018 Adolescent Mental Health Conference hosted by Stanford **Children's Health/Packard Hospital and Stanford Medicine**. The Conference will be held April 27-28, with approximately 500 attendees, and will feature several ECH speakers.

Auxiliary and Philanthropy (detailed reports attached)

The 615 **active members of El Camino Hospital's Auxiliary** contributed **7,363** volunteer hours in November 2017, for a total of 36,749 FYTD.

During the month of October, the El Camino Hospital Foundation secured a total of \$65,000 and 1,086,065 in November for major and planned gifts. We continue to provide tours of the new mental health pavilion construction site to key stakeholders and potential donors. We can be very proud that 766 employees participated in our annual employee giving campaign this year.

El Camino Hospital Auxiliary

Membership Report to the Hospital Board

Combined Data as of October 31, 2017 for Mountain View and Los Gatos Campuses

Membership Data:

Senior Members

Active Members	356	-24 Net change compared to previous month
Dues Paid Inactive	86	(Includes Associates & Patrons)
Leave of Absence	7	
Subtotal	449	

Resigned in Month	6
Deceased in Month	1

Junior Members

Active Members	255	-3 Net Change compared to previous month
Dues Paid Inactive	0	
Leave of Absence	3	
Subtotal	258	

Total Active Members	611
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Total Membership	707
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Combined Auxiliary Hours from Inception (to October 31, 2017): 5,851,849
Combined Auxiliary Hours for FY2017 (to October 31, 2017): 29,348
Combined Auxiliary Hours for October 2017: 7,866

El Camino Hospital Auxiliary
Membership Report to the Hospital Board
Meeting of January 10, 2017

Combined Data as of November 30, 2017 for Mountain View and Los Gatos Campuses

Membership Data:

Senior Members

Active Members	357	+1 Net change compared to previous month
Dues Paid Inactive	86	(Includes Associates & Patrons)
Leave of Absence	10	
Subtotal	453	

Resigned in Month 1
Deceased in Month 1

Junior Members

Active Members	258	+3 Net Change compared to previous month
Dues Paid Inactive	0	
Leave of Absence	0	
Subtotal	258	

Total Active Members 615

Total Membership 711

Combined Auxiliary Hours from Inception (to November 30, 2017): 5,859,250
Combined Auxiliary Hours for FY2017 (to November 30, 2017): 36,749
Combined Auxiliary Hours for November 2017: 7,363

Memorandum

DATE: December 20, 2017

TO: El Camino Hospital Board of Directors

FROM: Lane Melchor, Chair, El Camino Hospital Foundation Board of Directors
Jodi Barnard, President, El Camino Hospital Foundation

SUBJECT: Report on Foundation Activities FY 2018 Periods 4 and 5

ACTION: For Information

During the months of October and November, El Camino Hospital Foundation secured \$1,606,434, bringing the total raised in FY18 by close of period 5 to \$3,613,040, 59% of goal.

FY 18 Period 4 and 5 Fundraising Performance

Major & Planned Gifts

The Foundation received \$65,000 in October and \$1,086,065 in November, for a total of \$1,150,065 in planned and major gifts during periods 4 and 5. The October gifts included a \$15,000 unrestricted major gift and a realized unrestricted planned gift of \$50,000 from the estate of Dr. Robert Lichtenstein, a neurosurgeon who began practicing at El Camino Hospital in 1961. The November major gifts included \$1,000,000 for the patient family residence, donations to the Cancer Center, ASPIRE, and Mental Health & Addiction Services, and an unrestricted contribution in response to the late fall direct mail appeal. Planned gifts received in November include sponsorships and ticket purchases for the Allied Professionals Seminar, which will be held on February 13, 2018.

Fulfilling the Promise for Mental Health & Addiction Services

The Foundation continues to host tours of the mental health pavilion construction site for current and potential stakeholders. Each tour is led by Ken King and followed by lunch and conversation with Michael Fitzgerald in the Foundation conference room.

In September and October the Foundation hosted “Aging with Grace” seminars at The Forum and the Terraces, as part of our outreach for senior mental health services. This led to a \$100,000 gift for the mental health pavilion that will be reflected in the December fundraising report.

In October, the Foundation invited board members, staff, physicians, patients, donors, and community members to sign the last beam. It was filled with well wishes before being permanently placed in the mechanical pavilion on top of the new mental health pavilion.

Special Events

- **El Camino Heritage Golf Tournament** – In periods 4 and 5 the Foundation received \$211,650 in sponsorships, live auction proceeds, raffle sales, and fund in need appeal donations from the tournament, which was held on October 23, 2017. Thus far the Foundation has received \$312,300, 104% of goal, with total gross proceeds projected to exceed \$340,000. Net proceeds are projected to exceed \$200,000, which the Taft Center for Clinical Research has used to hire a new research assistant and engage in additional studies.
- **Norma's Literary Luncheon** – The 6th annual luncheon will be held at Sharon Heights Golf & Country Club on February 8, 2018. The featured speaker will be Jacqueline Winspear, author of the best-selling Maisie Dobbs mystery series. Thanks to a generous gift from the Melchor family to underwrite all expenses for the annual memorial tribute, all other ticket sales and sponsorships will directly benefit a new patient family residence on the Mountain View campus. In October and November the Foundation received \$13,800 in ticket sales and sponsorships, bringing the total received to date to \$83,900.
- **Scarlet Ball** – The annual gala benefit for the South Asian Heart Center will be held on March 17, 2018 at Dolce Hayes Mansion in San Jose. In October and November, the Foundation received \$54,850 in sponsorships and ticket sales, bringing the total raised to date to \$69,350.
- **Spring Forward** – The Foundation is creating a brand new gala, Spring Forward to fulfill the promise, benefiting mental health and addiction services at El Camino Hospital. It will be held at the Morgan Estate, a private mansion in Los Altos Hills, on Saturday evening, May 5, 2018. As we introduce this new concept, and due to the space constraints of the venue, we will be limiting attendance to no more than 225 guests, with a higher per person ticket price. Save the dates will be mailed in January.

Annual Giving

In October and November, the Foundation raised \$103,112 in annual gifts from Hope to Health membership renewals, Circle of Caring, responses from the calendar year-end direct mail appeal, Path of Hope, external fundraising events, online donations, and the Employee Giving Campaign.

- **Path of Hope** - For a gift of \$2,500, donors can inscribe a brick along the walkway into the new mental health pavilion. To date, 37 bricks have been donated for a total of \$92,500.
- **Employee Giving Campaign** – The 2018 Employee Giving Campaign kicked off the last week of October and ended on December 15, 2017. 766 employees participated and donated more than \$150,000 to the Foundation. The period 4 and 5 fundraising reports reflect one-time donations received during October and November. New and continuing payroll donation commitments will be projected out through the next year and included in the Annual Giving totals beginning with the January report.

Memorandum

DATE: December 20, 2017

TO: El Camino Hospital Board of Directors

FROM: David Reeder, Hospital Board Liaison to the Foundation Board of Directors

SUBJECT: Report on Foundation Activities FY 2018 Periods 4 and 5

ACTION: For Information

El Camino Hospital Foundation advances health care through philanthropy by raising funds that support El Camino Hospital's strategic priorities, foster innovation, and support patient and family-centered care.

During periods 4 and 5 of FY18, the Foundation secured \$1,606,434.

In November, the Foundation allocated \$500,000 of unrestricted donations to support the hospital's strategic priorities. Two of the grants will enable the hospital to continue providing Answers in the Aisles at the Los Altos Safeway and improving the obstetric patient experience. Two new programs received funding: promoting advance care planning in the El Camino Hospital Community, and underwriting transportation to medical appointments and activities important to independent living for limited or no-income seniors and community members who are unable to drive. The Foundation allocated the balance to the new patient family residence.

Upcoming Events

Please mark your calendars:

February 8, 2018 – 6th annual Norma's Literary Luncheon featuring mystery writer Jacqueline Winspear, supporting family and patient-centered care at El Camino Hospital.

March 17, 2018 – Scarlet Ball at the Dolce Hayes Mansion, benefiting the South Asian Heart Center.

May 5, 2018- Spring Forward, a brand new gala to fulfill the promise, benefiting mental health and addiction services at El Camino Hospital. Attendance will be limited to 225 guests.

FOUNDATION PERFORMANCE

<u>FY18 Fundraising Report through 11/30/17</u>						
ACTIVITY	FY18 YTD (7/1/17 - 11/30/17)	FY18 Goals	FY18 % of Goal	Difference Period 4 & 5	FY17 YTD (7/1/16 - 11/30/16)	FY16 YTD (7/1/15 - 11/30/15)
Major & Planned Gifts	\$2,726,437	\$3,750,000	73%	\$1,086,065	\$3,489,825	\$1,600,178
Special Events	Spring Event	\$1,000	0%	-	\$6,750	\$31,700
	Golf	\$312,300	104%	\$141,525	\$269,600	\$317,205
	South Asian Heart Center Event	\$69,350	23%	\$38,850	\$3,900	\$21,070
	Norma's Literary Luncheon	\$83,900	56%	\$11,100	\$450	\$83,550
Annual Gifts	\$196,384	\$550,000	36%	\$75,439	\$162,118	\$226,653
Grants*	-	-	-	-	-	\$26,833
Investment Income	\$223,669	\$500,000	45%	\$49,776	\$638,999	\$256,842
TOTALS	\$3,613,040	\$6,150,000	59%	\$1,402,755	\$4,571,642	\$2,564,031

*Beginning in FY17 Grants is no longer an activity line. Any grants received in the future will either be reflected in the Annual Gifts or Major & Planned Gifts activity line pending funding level.

Highlighted Assets through 11/30/17

Board Designated Allocations	\$1,323,742
Donor Endowments	\$3,118,383
Operational Endowments	\$14,845,363
Pledge Receivables	\$5,112,197
Restricted Donations	\$9,152,179
Unrestricted Donations	\$1,113,045

6% Investment Return through 9/30/17