

AGENDA

REGULAR MEETING OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Wednesday, December 5, 2018 – 6:15pm

El Camino Hospital | Conference Rooms A&B, F&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		6:15 – 6:16pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Lanhee Chen, Board Chair		information 6:16 – 6:17
3. 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 6:17 – 6:20
4. ADJOURN TO CLOSED SESSION	Lanhee Chen, Board Chair		motion required 6:20 – 6:26
5. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Lanhee Chen, Board Chair		information 6:26 – 6:27
6. 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 14, 2018) Reviewed and Recommended for Approval by the Executive Compensation Committee b. Minutes of the Closed Session of the Executive Compensation Committee Meeting (September 20, 2018)	Lanhee Chen, Board Chair		motion required 6:27 – 6:29
7. Health & Safety Code Section 32155 for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters: - Medical Staff Report	Imtiaz Qureshi, MD, Mountain View Chief of Staff; Linda Teagle, MD, Los Gatos Chief of Staff		motion required 6:29 – 6:39
8. Health and Safety Code Section 32106(b) for a report and discussion involving health care facility trade secrets; <i>Gov't Code Section 54956.9(d)(2)</i> – conference with legal counsel – pending or threatened litigation: - CEO Report on New Services and Programs, and Legal Matters	Dan Woods, CEO		discussion 6:39 – 6:49
9. Report involving Gov't Code Section 54957 for discussion and report on personnel performance matters – Senior Management: - Executive Session	Lanhee Chen, Board Chair		discussion 6:49 – 6:54

A copy of the agenda for the Regular Board Meeting will be posted and distributed at least seventy two (72) hours prior to the meeting.

In observance of the Americans with Disabilities Act, please notify us at (650) 988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
10. ADJOURN TO OPEN SESSION	Lanhee Chen, Board Chair		motion required 6:54 – 6:55
11. RECONVENE OPEN SESSION/ REPORT OUT	Lanhee Chen, Board Chair		6:55 – 6:56
To report any required disclosures regarding permissible actions taken during Closed Session.			
12. CONSENT CALENDAR ITEMS: <i>Any Board Member or member of the public may remove an item for discussion before a motion is made.</i>	Lanhee Chen, Board Chair	<i>public comment</i>	motion required 6:56 – 6:59
Approval a. Minutes of the Open Session of the Hospital Board Meeting (November 14, 2018) <i>Reviewed and Recommended for Approval by the Executive Compensation Committee</i> b. Minutes of the Open Session of the Executive Compensation Committee Meeting (September 20, 2018) c. Letters of Rebuttable Presumption of Reasonableness <i>Reviewed and Recommended for Approval by the Finance Committee</i> d. FY19 Period 3 Financials e. Professional Services Agreement, Perinatal Diagnostic Center (PDC) (MV) f. Professional Services Agreement, Radiology (Enterprise) g. Medical Director, ASPIRE Program (MV & LG) h. Gastroenterology Call Panel (MV) i. Orthopedic Surgery Call Panel (MV) j. Professional Services Agreement, Hospitalists (MV) k. Orthopedic Co-Management Agreement (Enterprise) <i>Reviewed and Recommended for Approval by the Medical Executive Committee</i> l. Medical Staff Report			
13. ADJOURNMENT	Lanhee Chen, Board Chair	<i>public comment</i>	motion required 6:59 – 7:00pm

Upcoming Meetings: January 16, 2019 | February 13, 2019 | March 13, 2019 | April 10, 2019 | May 8, 2019 | June 12, 2019 || **Retreat:** February 27, 2019 || **Board & Committee Education:** April 24, 2019



**Minutes of the Open Session of the
El Camino Hospital Board of Directors
Wednesday, November 14, 2018
2500 Grant Road, Mountain View, CA 94040
Conference Rooms F&G (ground floor)**

Board Members Present

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

Board Members Absent

Lanhee Chen, Chair

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 Vice Chair Zoglin. A silent roll call was taken. Director Davis joined the meeting at 5:41pm during Agenda Item 5: Quality Goal Setting. Board Chair Chen was absent. 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 reported.	
3. BOARD RECOGNITION	<p>Motion: To approve <i>Resolution 2018-11</i>.</p> <p>Movant: Kalbach</p> <p>Second: Fung</p> <p>Ayes: Davis, Fligor, Fung, Kalbach, Kliger, Miller, Rebitzer, Reeder, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: Chen</p> <p>Recused: None</p> <p>Mark Adams, MD, CMO, recognized Ganesh Krishna, MD, Medical Director of Interventional Pulmonology, for his forward thinking and his leadership in the field of Interventional Pulmonology, a subspecialty of pulmonary medicine that uses advanced diagnostic and therapeutic interventions to care for patients with lung conditions.</p> <p>Dr. Krishna thanked the Board for the recognition and described interventional pulmonology programmatic developments.</p>	<i>Resolution 2018-11 approved</i>
4. QUALITY COMMITTEE REPORT	<p>Director Kliger, Chair of the Quality Committee, reported that the Committee discussed:</p> <ul style="list-style-type: none"> - The zero Central Line Associated Blood Stream Infections (CLABSIs), Catheter Associated Urinary Tract Infections (CAUTIs), and C. Difficile Infections in September, a noteworthy achievement; - Physician quality improvement efforts, with a presentation from Daniel Shin, MD, Medical Director of Quality and Physician Services; - "What is Quality," an overarching conversation in the spirit of continuous improvement. <p>Mark Adams, MD, CMO noted that the Board materials were updated to</p>	

	include the October 2018 data on the quality dashboard.	
5. QUALITY GOAL SETTING PROCESS	<p>Dr. Adams described the methodology for setting the quality organizational goals related to mortality and readmissions including 1) criteria for consideration (alignment with mission, impact on patients, level of employee engagement, financial impact, reliable measurements, national benchmarks); 2) use of ECH's data partner, Premier, to align performance with top tier members; and 3) incremental goals over multiple years.</p> <p>In response to Director Miller's question, Dr. Adams described the integration of LEAN processes in working toward quality goals.</p> <p>In response to Board questions, Dr. Adams described various industry definitions and measurements of quality. He noted that the organization should be thinking about what those varying definitions mean to ECH.</p> <p>In response to Director Zoglin's questions, Dr. Adams noted 1) that alignment with the organization's strategy was a consideration in quality goal setting and 2) that staff have increased use of indices for mortality and readmissions goals due to their stability.</p> <p>Dr. Adams thanked Director Miller for her recent rounding with staff.</p>	
6. GOVERNANCE COMMITTEE REPORT	<p>Director Fung provided an overview of the Board Orientation Plan and the Annual Board Self-Assessment, which the Governance Committee had recommended be facilitated by Via Healthcare Consulting.</p> <p>Director Fung described the improvements in efficiency of Board materials and discussion. He noted that next steps will focus on issue-focused agendas and generative governance.</p> <p>The Board discussed the proposal to have quality and finance reporting on a quarterly basis, including 1) the appropriate frequency for quality reporting, 2) overall meeting length, 3) interest in best practices of other boards, 4) reporting out versus in-depth discussion, 5) the percentage of Board time that should be spent on quality, 6) having philosophical dialogue on quality at the Board level, and 7) transparency with the community.</p> <p>Director Reeder suggested that the Governance Committee review the closed session agenda items/materials for opportunities to improve efficiency.</p> <p>Director Fung noted that an efficient, effective meeting should have 1) less reporting and more discussion, 2) balance between governance and management, and 3) collaboration between the Board and its Committees.</p> <p>Motion: 1) To delegate to the Finance Committee the same authority to approve physician financial arrangements that is currently reserved to the Board in accordance with the Physician Financial Arrangements Policy, but that do not exceed the 75th percentile of fair market value and 2) to delegate authority to review and approve the Annual Report of Physician Financial Arrangements to the Compliance and Audit Committee and Finance Committee.</p> <p>Movant: Fung Second: Kalbach</p> <p>In response to Director Kliger's question, Director Rebitzer, Governance Committee member, noted that delegations of authority establish well-defined parameters for Committee work to better rely on Committee expertise and reduce duplicated efforts at the Board level.</p> <p>Director Davis noted that Committee time could be included in the calculation of Board time spent on quality.</p>	<i>Delegations of Authority approved</i>

	<p>Ayes: Davis, Fligor, Fung, Kalbach, Kliger, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: Chen Recused: None</p> <p>Director Fung noted that the January 22, 2019 El Camino Healthcare District Board meeting will include discussion regarding delegation of authority to committees.</p>	
7. PUBLIC COMMUNICATION	<p>Ms. Judy van Dyck thanked Director Reeder for his service on the Hospital Board.</p> <p>Mr. Alex Kobayashi representing State Senator Jerry Hill and Assembly Member Marc Berman presented a resolution from the California State Legislature for Director Reeder recognizing his years of public service.</p>	
8. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 6:17pm pursuant to <i>Gov't Code Section 54957.2</i> for approval of the Minutes of the Closed Session of the Hospital Board Meeting (October 10, 2018) and the Minutes of the Closed Session of the Special Meeting to Conduct a Study Session of the Hospital Board (October 24, 2018); pursuant to <i>Gov't Code Section 54956.8</i> – conference with real estate negotiator Ken King regarding property (APN 406-26-017): Real Estate Opportunity Update; pursuant to <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; pursuant to <i>Gov't Code Section 54956.8</i> – conference with real estate negotiators Bruce Harrison and Ken King regarding lease of space at 4150 N. First Street, San Jose: SVMMD Clinic Site Real Estate Lease; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: FY19 Strategy Deployment Metrics Update; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: Market Development/New Services and Programs; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: SVMMD Physician Practice Acquisition Update; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets and <i>Gov't Code Section 54956.9(d)(2)</i> – conference with legal counsel – pending or threatened litigation: CEO Report on New Services and Program and Legal Matters; and pursuant to <i>Gov't Code Section 54957</i> for discussion and report on personnel performance matters – Senior Management: Executive Session.</p> <p>Movant: Miller Second: Fung Ayes: Davis, Fligor, Fung, Kalbach, Kliger, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: Chen Recused: None</p>	<i>Adjourned to closed session at 6:17pm</i>
9. AGENDA ITEM 19: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 8:47pm by Vice Chair Zoglin. Agenda items 9-18 were addressed in closed session.</p> <p>During the closed session, the Board approved the Minutes of the Closed Session of the Hospital Board Meeting (October 10, 2018), the Minutes of the Closed Session of the Special Meeting to Conduct a Study Session (October 24, 2018), and the Medical Staff Report, including the credentials and privileges report, by a unanimous vote in favor of all members present</p>	

	(Directors Davis, Fligor, Fung, Kalbach, Kliger, Miller, Rebitzer, and Zoglin). Director Chen was absent.	
10. AGENDA ITEM 20: CONSENT CALENDAR	<p>Chair Chen asked if any member of the Board or the public wished to remove an item from the consent calendar. Director Miller requested that Agenda Item 22c (Proposed Revised Quality, Patient Care and Patient Experience Committee Charter) be removed for discussion.</p> <p>Agenda Item 20c: Proposed Revised Quality, Patient Care and Patient Experience Committee Charter</p> <p>Director Miller expressed concerns about non-Board members serving as Chair of the Quality Committee.</p> <p>Director Fung noted that the District Board will be discussing delegation of authority at its January 2019 meeting.</p> <p>Cindy Murphy, Director of Governance Services, explained that all of the Hospital Board Committee Charters allow for Board and non-Board Committee members to serve as Chair of each Committee, except for the Governance Committee, which must be chaired by a Board member. She also noted that this feature is already included in the Quality Committee Charter and is not part of the proposed changes for the Board's consideration at this time.</p> <p>The Board discussed the current slate of Committee Chairs, which includes two non-Board Committee members, and the responsibility of the Hospital Board Chair in overseeing Committee appointments.</p> <p>Director Reeder suggested that the Board approve the proposed changes and send the question regarding Board member/non-Board member Chairs to the Quality and Governance Committee.</p> <p>Motion: To approve the consent calendar: Proposed Revised Quality, Patient Care and Patient Experience Committee Charter (as presented) and to send the question regarding the Committee Chair service to the Governance Committee for consideration; Minutes of the Open Session of the Hospital Board Meeting (October 10, 2018); Minutes of the Open Session of the Special Meeting to Conduct a Study Session of the Hospital Board (October 24, 2018); Board and Committee Education Policy; Medical Staff Report; FY19 Period 1 Financials.</p> <p>Movant: Miller Second: Fligor Ayes: Davis, Fligor, Fung, Kalbach, Kliger, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: Chen Recused: None</p>	<p><i>Consent calendar approved</i></p> <p><i>Governance Committee to review Committee Chair service</i></p>
11. AGENDA ITEM 21: LEADERSHIP UPDATE	<p>Dan Woods, CEO, described the improvement in hospital safety grades from Leapfrog, the work of the opioid epidemic task force, and participation rates/engagement scores in the Culture of Safety, Engagement Pulse, and Employee Engagement Surveys.</p> <p>Mr. Woods welcomed, Jim Griffith, ECH's new Chief Operating Officer. He also highlighted CONCERN: EAP's pilot of online employee assistance program services.</p> <p>He also acknowledged the Foundation's recent fundraising efforts and Auxiliary's contribution of 6,391 volunteer hours in October.</p>	

12. AGENDA ITEM 22: BOARD COMMENTS	Director Reeder commended ECH for its culture focused on compassionate care for patients, its independence, and success. He suggested that Board members participate in rounding with the executive leadership team. The Board and staff thanked Director Reeder for his service.	
13. AGENDA ITEM 23: ADJOURNMENT	Motion: To adjourn at 9:08pm. Movant: Kalbach Second: Reeder Ayes: Davis, Fligor, Fung, Kalbach, Kliger, Miller, Rebitzer, Reeder, Zoglin Noes: None Abstentions: None Absent: Chen Recused: None	<i>Meeting adjourned at 9:08pm</i>

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 E. Miller
Secretary, ECH Board of Directors

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



**Minutes of the Open Session of the
Executive Compensation Committee**

Thursday, September 20, 2018

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

Members Present

Teri Eyre
Neysa Fligor
Jaison Layney
Julie Kliger
Bob Miller, Chair
Pat Wadors
John Zoglin

Members Absent

None

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 3:58pm by Chair Bob Miller. A silent roll call was taken. All Committee members were present. Ms. Fligor arrived at 4:01pm during Agenda Item 5: Report on Board Actions. Mr. Zoglin arrived at 4:16pm during Agenda Item 7: Ad Hoc Committee Report.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Miller asked if any Committee members had 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 24, 2018), and for information: Article of Interest.</p> <p>Movant: Eyre Second: Wadors Ayes: Eyre, Layney, Kliger, Miller, Wadors Noes: None Abstentions: None Absent: Fligor, Zoglin Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	<p>Chair Miller reported that the Board approved the Revised Executive Compensation Policies and Committee Charter in accordance with the Delegation of Authority to the Committee. He also reported that the Board approved the FY19 CMO Base Salary and FY19 CEO Salary Range and Base Salary.</p> <p>In response to Ms. Eyre’s question, Mr. Woods noted that the executive salary ranges are appropriate and allow ECH to attract the type of talent that the organization needs.</p>	
6. FY18 ORGANIZATIONAL SCORE	<p>Dan Woods, CEO, described the organizational goal score as further detailed in the packet:</p> <p>- Average LOS: 1.08</p>	

	<ul style="list-style-type: none"> - Patient Experience (Rate the Hospital): 78.7% - Standardized Infection Ratio (CAUTI, CLABSI, C. Diff): Mr. Woods noted 1) the difficulty in measuring this goal, 2) improvement for all three infection rates, and 3) that the achievement for one of the three infection rates carried the overall achievement of this goal. <p>Chair Miller noted ECH organizational scores date back to 2010. The Committee discussed the use of historical scores to evaluate how the incentive plan is performing.</p> <p>The Committee and Julie Johnston, Director of Total Rewards, discussed goal scoring, noting that maximum achievement on goal scores for both the organization and individual executives is 100%.</p>	
7. AD HOC COMMITTEE REPORT	<p>Ms. Eyre and Mr. Layney described the Ad Hoc Committee's process to review Mercer's engagement. Ms. Eyre thanked Mercer for their work and reported that Mercer is meeting and exceeding expectations. The Ad Hoc Committee recommended extending Mercer's contract through December 2020.</p> <p>In response to Ms. Fligor's question, Ms. Eyre noted that there are opportunities for continued improvement in the workflow between ECH and Mercer. The Ad Hoc Committee recommended that the involved parties meet and clearly map out workflows (for all points of origin for work) and set clear expectations about materials and their due dates.</p> <p>In response to Ms. Kliger's question, the Committee discussed RFPs conducted historically and best practices for exploring other compensation consultants in the market every three years. Ms. Wadors suggested that ECH conduct an annual performance evaluation with Mercer and use a dashboard to manage and evaluate work. The Committee discussed the compensation consultant market, including 1) players in the market, 2) the importance of access to sufficient market data, and 3) experience in and knowledge of healthcare.</p> <p>Motion: To authorize Kathryn Fisk, CHRO, to take action on behalf of the Committee and extend the contract with Mercer through December 2020.</p> <p>Movant: Wadors Second: Fligor Ayes: Eyre, Fligor, Layney, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p> <p>Mr. Miller thanked the Ad Hoc Committee for their work. Mr. Pollack thanked the Committee for its continued confidence in Mercer.</p> <p>The Committee requested that a discussion regarding annual review for Mercer be paced for its November meeting. The Committee also requested that Mercer provide samples of a consultant performance dashboard so the Committee can select metrics to use in evaluating support levels.</p>	<i>Mercer engagement extension authorized; evaluation dashboard to be discussed at the November meeting</i>
8. FY18 CEO EVALUATION PROCESS REVIEW	<p>Chair Miller described the development of the FY18 CEO Evaluation Process facilitated by Mercer, including the development a questionnaire and the consolidation of Hospital and District Board processes.</p> <p>He commended Mercer for their work and solicited feedback from the Board members on the Committee. The participants expressed their comfort with</p>	

	<p>the process and its efficiency.</p> <p>Bruce Barge from Mercer joined the meeting via teleconference.</p> <p>Mr. Barge noted that considerations for the FY19 process can include: 1) whether or not to use metrics and/or a dashboard; and 2) conducting a 180 review related to the CEO's working relationship with the Senior Leadership team to enhance feedback and overall collaboration.</p> <p>Chair Miller noted that a discussion regarding the FY19 process is paced for the Committee's November meeting.</p> <p>Mr. Barge discontinued participation in the meeting.</p>	
9. EXECUTIVE BENEFIT PLAN POLICY	<p>Kathryn Fisk, CHRO, described the proposed policy changes as further detailed in the packet, including:</p> <ol style="list-style-type: none"> 1. Eligibility for health and welfare plan: from the first of the month 30 days/on after hire to the first of the month after the date of hire. Ms. Fisk noted recruitment has been challenging under the current policy. This proposed change is intended to align the policies for executives and employees. 2. Guaranteed issue amount and the maximum cap on life insurance: This proposed change is intended to match market practice and to carry out the intent of the policy (3x salary). <p>Motion: To recommend that the Board approve the proposed policy changes.</p> <p>Movant: Layney Second: Eyre Ayes: Eyre, Fligor, Layney, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<i>Executive Benefit Plan policy</i>
10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 4:44pm.</p> <p>Movant: Fligor Second: Kliger Ayes: Eyre, Fligor, Layney, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<i>Adjourned to closed session at 4:44pm</i>
11. AGENDA ITEM 20: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 5:32pm. Agenda items 11-19 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 (May 24, 2018), the Proposed FY19 CMO Incentive Goals, the FY18 Individual Executive Incentive Goal Scores, and the FY18 CHRO Incentive Goal Score by a unanimous vote in favor of all members present (Eyre, Fligor, Layney, Kliger, Miller, Wadors, Zoglin).</p>	
12. AGENDA ITEM 21: FY19 COO BASE SALARY	<p>Motion: To approve the proposed FY19 COO Base Salary of \$550,000.</p> <p>Movant: Layney Second: Kliger Ayes: Eyre, Fligor, Layney, Kliger, Miller, Wadors, Zoglin Noes: None</p>	<i>FY19 COO Base Salary approved</i>

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	Abstentions: None Absent: None Recused: None																					
13. AGENDA ITEM 22: FY18 INDIVIDUAL EXECUTIVE INCENTIVE PAYOUT AMOUNTS	Motion: To approve the proposed FY18 Individual Executive Incentive Payout Amounts as follows: <table><tr><th>Position</th><th>Payout</th></tr><tr><td>President, Foundation</td><td>\$57,144</td></tr><tr><td>VP, Corporate & Community Health Services</td><td>\$74,992</td></tr><tr><td>Chief Financial Officer</td><td>\$135,637</td></tr><tr><td>Chief Human Resources Officer</td><td>\$99,029</td></tr><tr><td>VP, Payor Relations</td><td>\$76,138</td></tr><tr><td>Chief Administrative Services Officer</td><td>\$72,803</td></tr><tr><td>Chief Information Officer</td><td>\$64,026</td></tr><tr><td>Chief Nursing Officer</td><td>\$85,709</td></tr><tr><td>General Counsel</td><td>\$103,425</td></tr></table> Movant: Fligor Second: Kliger Ayes: Eyre, Fligor, Layney, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: None Recused: None	Position	Payout	President, Foundation	\$57,144	VP, Corporate & Community Health Services	\$74,992	Chief Financial Officer	\$135,637	Chief Human Resources Officer	\$99,029	VP, Payor Relations	\$76,138	Chief Administrative Services Officer	\$72,803	Chief Information Officer	\$64,026	Chief Nursing Officer	\$85,709	General Counsel	\$103,425	FY18 Individual Executive Incentive Payouts approved
Position	Payout																					
President, Foundation	\$57,144																					
VP, Corporate & Community Health Services	\$74,992																					
Chief Financial Officer	\$135,637																					
Chief Human Resources Officer	\$99,029																					
VP, Payor Relations	\$76,138																					
Chief Administrative Services Officer	\$72,803																					
Chief Information Officer	\$64,026																					
Chief Nursing Officer	\$85,709																					
General Counsel	\$103,425																					
14. AGENDA ITEM 23: FY19 PACING PLAN	The Committee summarized the pacing requests from the meeting including discussions at the November meeting on 1) the Performance Incentive Plan structure and 2) a consultant dashboard to evaluate Mercer’s performance.																					
15. AGENDA ITEM 24: CLOSING COMMENTS	There were no additional comments from the Committee.																					
16. AGENDA ITEM 25: ADJOURNMENT	Motion: To adjourn at 5:34pm. Movant: Eyre Second: Wadors Ayes: Eyre, Fligor, Layney, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: None Recused: None	Meeting adjourned at 5:34pm																				

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 E. Miller
Secretary, ECH Board of Directors

Prepared by: 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

November 26, 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”) or the Executive Compensation Committee (acting as a “body authorized by state law following procedures specified by the governing body”) (the “Committee”). The Board approves the Chief Executive Officer’s compensation and may approve other Executive’s compensation. The compensation of the remaining Executives is approved by the Committee. The Board and the Committee are to each act without the participation of any individual who has a conflict of interest with respect to the matter under consideration. In addition, the Board has also delegated to the Committee the authority to take other actions or to provide advice to the Board with respect to executive compensation as provided in the Committee’s charter. The Board and the Committee (so long as it is following the specified procedures described above) are each an authorized body as defined by Section 4958. Further, the Board and the Committee has each relied upon comparability data when acting as an authorized body: specifically, for example, data provided by Mercer analyzing the

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Los Angeles
Napa Valley
Orange County
Sacramento
San Diego
San Francisco
Scottsdale
Seattle

Lanhee J. Chen, J.D., Ph.D.

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amount of compensation organizations in El Camino Hospital's peer group pay executives in similar positions.

In the two letters attached (one related to the Chief Executive Officer and one related to certain other executives, each letter is dated November 15, 2018) (the "Letters"), Mercer concludes that the total compensation El Camino Hospital will pay its executives (who are specified in the Letters) during fiscal year 2019 "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 include a summary of its interactions with the Committee and the Board (prior to the December 5, 2018 meeting) and a summary of the information considered by the Board or the Committee prior to the actions of the Board or the Committee 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

November 15, 2018

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, 2019 (“FY 2019”). This letter outlines the study’s objectives, Mercer’s evaluation process, findings, and our opinion that the approved FY 2019 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 2018 Committee and June 2018 Board meetings 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 the level of 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 August 2018 based on the comparability data Mercer provided to the Committee in May 2018 and the Board in August 2018.

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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 Hospital's mission is to heal, relieve suffering, and advance wellness as a publicly accountable partner. 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 operating revenue for FY 2017 was \$870.5 million.¹

Executive Compensation Philosophy²

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 Source: El Camino FY18 Financial Audit.

² This is extracted from El Camino's official stated philosophy, as last approved at the February 14, 2018 Board meeting.

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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	<ul style="list-style-type: none"> Primarily national, not-for-profit, independent hospitals/health systems of comparable revenue size and complexity to ECH. Data increased by a 25% geographic salary differential to account for the salary differences in the Bay Area (reviewed annually to verify accuracy).
Base Salary	<ul style="list-style-type: none"> Salary range midpoints are based on the 50th percentile of market data. The salary range will be from 20% below to 20% above the salary range midpoint, and will be updated annually. Actual salary will reflect market range, performance, and incumbent competence, credentials, and experience. Pay at 80% to 90% of market 50th percentile may be appropriate for individuals with limited experience in a comparable position. Pay at 90% to 110% of market 50th percentile for fully experienced individuals with demonstrated records of successful performance. 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 in roles which are particularly critical for the achievement of strategic objectives or roles with a particularly competitive labor market. 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. Actual total cash compensation will reflect individual and organizational performance.
Benefits	<ul style="list-style-type: none"> Executive benefits and severance target competitiveness, compliance, and cost-effectiveness. Perquisites should only be provided when supported by specific business reasons. ECH's practice is to minimize the use of perquisites.

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El Camino Chief Executive Officer

Mercer reviewed the FY 2019 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.
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's FY 2019 target opportunity is 30% of base salary, with maximum opportunity of 45% of base salary.</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>

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ELEMENT	OVERVIEW
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 \$2 million) with no required medical underwriting.³</p> <p>The Chief Executive Officer is eligible to receive salary continuation 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 is eligible to receive long-term disability equal to 60% of base salary up to a monthly maximum of \$15,000, effective January 1, 2019.</p>
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>The Chief Executive Officer was provided a relocation allowance of up to \$100,000. El Camino offered to make an interest-free loan to the Chief Executive Officer of up to \$400,000.</p>
Severance	<p>Executive employment agreement provides up to 12 months of base salary and health benefits.</p>

Table 3 summarizes the approved target and maximum FY 2019 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 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 upon sign-on (\$100,000 relocation allowance amortized over 2 years (\$50,000 for 2019), and a \$400,000 interest-free loan with a 30-year fixed mortgage rate (\$18,320 for 2018).

³ Policy effective 1/1/2019. FY 2019 CEO Total Remuneration reflects life insurance values based on ECH's prior life insurance benefit policy. Differences between the life insurance values are minimal.

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Table 3: El Camino's Chief Executive Officer FY 2019 Target and Maximum Total Remuneration Opportunity (Compensation Data in \$000s)

	Base Salary	Total Cash Compensation				Total Remuneration		
		Target Bonus	Target TCC ⁽¹⁾	Max Bonus	Max TCC ⁽¹⁾	Benefits	Target TR ⁽²⁾	Max TR ⁽²⁾
Excluding One-Time Awards	\$890	30%	\$1,157	45%	\$1,291	\$190	\$1,347	\$1,481
Including One-Time Awards	\$890	30%	\$1,157	45%	\$1,291	\$258	\$1,415	\$1,549

(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.

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 (2017): Integrated Health Networks (IHN) Compensation Survey;
 - Integrated Healthcare Strategies (2017): National Healthcare Leadership Compensation Survey; and
 - Sullivan, Cotter and Associates, Inc. (2017): 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 \$870 million.

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- All data sources were trended to January 1, 2019 by 3.0%, the expected annual increase for executives at healthcare organizations according to Mercer's 2017/2018 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.

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 2019 total remuneration program relative to market composite levels.

Table 4: FY 2019 Annualized Base Salary, Target Total Cash Compensation, and Total Remuneration versus Market (Compensation Data in \$000s)

	ECH FY2019		Market			Market Ratio	
	Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Base Salary	\$890	--	\$939	\$1,095	\$1,231	81%	--
Total Cash Compensation ⁽¹⁾	\$1,157	\$1,291	\$1,073	\$1,317	\$1,577	88%	82%
Total Remuneration (exc. relocation/loan assistance) ⁽²⁾	\$1,347	\$1,481	\$1,194	\$1,457	\$1,734	92%	85%
Total Remuneration (inc. relocation/loan assistance) ⁽²⁾	\$1,397	\$1,531	\$1,194	\$1,457	\$1,734	96%	88%

(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 relocation bonus and offered loan assistance.

(3) Market Total Remuneration calculated as Total Cash Compensation + one-time and ongoing benefits (employer cost of all benefits).

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Base Salary

As shown in Table 4, the Chief Executive Officer's base salary is positioned at 81% of market 50th percentile, which is within El Camino's pay guidelines for newly-hired individuals.

Annual Incentives and Total Cash Compensation

The Chief Executive Officer's FY 2019 target total cash compensation (i.e., base salary + target bonus) is positioned within 15% of the 50th percentile, in accordance with El Camino's stated compensation 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.

- 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 (\$2,000,000 maximum) with a guaranteed issue of the full basic benefit, effective January 1, 2019. Because of the cap, the total coverage level is ~225%, which is between the market median and 75th percentile. The Chief Executive Officer receives salary continuation 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

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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 Chief Executive Officer's 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 2019 target total remuneration (excluding relocation and sign on) value (base salary + target annual incentives + benefits) is positioned within 10% of the 50th percentile. Inclusive of the special one-time awards given to Mr. Woods, FY 2019 target total remuneration is positioned at approximately the 50th percentile. 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. This value has been included; however, it does not represent target go-forward compensation and appears to be part of an initial contract exemption (and therefore reasonable).

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 2019 *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 2019, is within 15% of 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.

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- 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 within 10% of 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: The relocation award and loan assistance offered to Mr. Woods do not raise 2019 total remuneration above the 50th percentile at target levels. Furthermore, these are temporary payments that are not indicative of the go-forward compensation program for the Chief Executive Officer. We believe that these would meet the definition under the initial contract exemption and are therefore deemed reasonable.

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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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,

A handwritten signature in dark ink that reads "Stephen S. Pollack". The signature is fluid and cursive, with the first name "Stephen" and last name "Pollack" clearly legible.

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

APPENDIX B: INCENTIVE PLAN PAYOUT (COMPENSATION DATA IN 000S)

Table 7: Actual FY 2018 Incentive Plan Payout

Incumbent	Title	FY18 Base Salary	FY2018 Incentive Plan Payout			
			Target	Maximum	Actual (\$)	Actual (% Tgt)
Daniel Woods	Chief Executive Officer	\$850	\$255	\$383	\$307	120%

APPENDIX C: 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 years of pension: <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 <p>For-Profit¹</p> <ul style="list-style-type: none"> 40% provide a supplemental plan Median total contribution from all employer-provided sources is 4% 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

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 \$2 million; no medical underwriting required Previous plan allowed for 3x salary, up to a maximum of \$1.25 million, with amounts over \$350k subject to medical underwriting 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"> Adjustments made to the plan ensure that life insurance remains very competitive and provides equitable benefits for higher-paid executives Elimination of medical underwriting requirement (guaranteed issue) reduces administrative burden on covered employees and organization
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

	El Camino	Market Practice	Comments
Salary continuance	<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 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 	

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 6 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"> Relocation allowance up to \$100,000 that vests over 2 years (the annual value is \$50,000) Interest-free loan up to \$400,000 (compensatory value of interest included in total remuneration of \$18,320)¹ <p>¹ This perquisite was offered to the CEO but was not taken</p>	<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 Perquisites are slightly more prevalent among for-profit companies, with ~67% providing at least one perquisite to the CEO Relocation allowances are common for executives Interest-free loans are less common 	<ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent The CEO's perquisites were intended to assist with relocation expenses associated with his recruitment at the time of hire and have little impact on market positioning

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 in like positions 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 ⁴	SILICON VALLEY ⁵	MOUNTAIN VIEW
Average Differential	23%	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.

Per the executive compensation philosophy, the application of a geographic differential recognizes the significantly higher cost of labor in Silicon Valley.

⁴ Bay Area includes Silicon Valley (see below for Silicon Valley definition), San Francisco, Oakland, Berkeley, Piedmont, Lafayette, Walnut Creek, Alameda, and Marin County.

⁵ Silicon Valley includes Mountain View, Palo Alto, Cupertino, Sunnyvale, Los Altos, and Los Gatos.

Private & Confidential

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

November 15, 2018

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 1 for the fiscal year ending June 30, 2018 (FY 2018). 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 2019 compensation and benefits. This letter outlines the study’s objectives, Mercer’s evaluation process, findings, and our opinion that the approved FY 2019 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 2018 Committee and June 2018 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 2018, 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 2018.

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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 Hospital's mission is to heal, relieve suffering, and advance wellness as a publicly accountable partner. 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 to develop further, and today El Camino Hospital consists of two campuses: Los Gatos and Mountain View. Net operating revenue for FY 2017 was \$870.5 million.¹

El Camino Executives

Table 1 details the list of incumbents included in Mercer's review of FY 2019 total remuneration. See Appendix C for detailed biographies of each incumbent.

Table 1: Executives Reviewed

Incumbent	Title
Mark Adams, MD	Chief Medical Officer
James Griffith	Chief Operating Officer
Bruce Harrison	President, SVMd
Iftikhar Hussain	Chief Financial Officer
Mary Rotunno	General Counsel
Deborah Muro	Chief Information Officer
Kathryn Fisk	Chief Human Resource Officer
Cheryl Reinking	Chief Nursing Officer
Ken King	Chief Administrative Services Officer
Joan Kezic	VP, Payor Relations
Cecile Currier	VP, Corp./ Comm. Health Svcs
Jodi Barnard	President of ECH Foundation
<i>Open Position</i>	<i>Chief Strategy Officer</i>

¹ Source: El Camino FY18 Financial Audit.

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Executive Compensation Philosophy²

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 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 2 – 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 revenue size and complexity to ECH. Data increased by a 25% geographic salary differential to account for the salary differences in the Bay Area (reviewed annually to verify accuracy).
Base Salary	<ul style="list-style-type: none"> Salary range midpoints are based on the 50th percentile of market data. The salary range will be from 20% below to 20% above the salary range midpoint, and will be updated annually. Actual salary will reflect market range, performance, and incumbent competence, credentials, and experience. Pay at 80% to 90% of market 50th percentile may be appropriate for individuals with limited experience in a comparable position. Pay at 90% to 110% of market 50th percentile for fully experienced individuals with demonstrated records of successful performance.

² This is extracted from El Camino's official stated philosophy, as approved at the February 14, 2018 Board meeting.

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	<ul style="list-style-type: none"> 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 in roles which are particularly critical for the achievement of strategic objectives or roles with a particularly competitive labor market. 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. Actual total cash compensation will reflect individual and organizational performance.
Benefits	<ul style="list-style-type: none"> Executive benefits and severance target competitiveness, compliance, and cost-effectiveness. Perquisites should only be provided when supported by specific business reasons. ECH's practice is to minimize the use of perquisites.

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 2019, approved base salary increases ranged from 1 – 10%, 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, patient satisfaction, and operational efficiency metrics. For FY 2019, 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 \$2 million); no medical underwriting required.³

³ Policy effective January 1, 2019. FY 2019 Total Remuneration reflects life insurance values based on ECH's prior life insurance benefit policy. Differences between the life insurance values are minimal.

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Element	Overview
	<ul style="list-style-type: none"> Executives are eligible to receive salary continuation if disabled: 100% of base salary for six months (offset for state disability insurance, worker's compensation, paid time off, extended sick leave) Executives are eligible for 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 continuation benefits.

Table 4 summarizes the approved target and maximum FY 2019 total remuneration 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 (30% of base salary) and is paid for attainment of stretch performance under the annual incentive plan.

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Table 4: El Camino's FY 2019 Target and Maximum Total Remuneration Opportunity (Compensation 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⁾
Adams, Mark	\$575	20%	\$690	30%	\$748	\$131	\$821	\$878
Griffith, James	\$550	20%	\$660	30%	\$715	\$128	\$788	\$843
Harrison, Bruce	\$508	20%	\$609	30%	\$660	\$122	\$731	\$782
Hussain, Iftikhar	\$494	20%	\$593	30%	\$643	\$116	\$709	\$759
Rotunno, Mary	\$393	20%	\$471	30%	\$511	\$104	\$575	\$614
Muro, Deborah	\$361	20%	\$433	30%	\$469	\$99	\$531	\$568
Fisk, Kathryn	\$351	20%	\$421	30%	\$457	\$92	\$514	\$549
Reinking, Cheryl	\$354	20%	\$425	30%	\$460	\$105	\$529	\$565
King, Ken	\$303	20%	\$364	30%	\$394	\$93	\$457	\$487
Kezic, Joan	\$273	20%	\$328	30%	\$355	\$85	\$412	\$440
Currier, Cecile	\$267	20%	\$321	30%	\$347	\$87	\$408	\$434
Barnard, Jodi	\$260	20%	\$311	30%	\$337	\$86	\$397	\$423
Open Position	--	--	--	--	--	--	--	--

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

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

*Market data has been discounted to reflect incumbent's FTE status: 0.9 for Kezic.

Benefit values are estimated for James Griffith pending enrollment on 1/1/2019.

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

- Market Composite - Healthcare Surveys:
 - Mercer (2017): *Integrated Health Networks (IHN) Compensation Survey*;
 - Integrated Healthcare Strategies (2017): *National Healthcare Leadership Compensation Survey*; and
 - Sullivan, Cotter and Associates, Inc. (2017): *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 \$870 million).
 - All data sources were trended to January 1, 2019 by 3.0%, the expected annual increase for executives at health care organizations according to Mercer's 2017/2018 US Compensation Planning Survey.

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- 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 shows each El Camino executive's compensation element as a percentage of 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). 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.

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 2019 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 at just below the 50th percentile in aggregate. Target total remuneration (base salary + target bonus + benefits) is generally within 10% of market 50th percentile, with a few exceptions 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.

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Base Salary

As shown in Table 5, in aggregate, FY 2019 base salary levels fall at or below the 50th percentile of the not-for-profit healthcare market for nine of twelve executives.

Table 5: FY 2019 Approved Base Salary versus Market (Compensation Data in \$000s)

Incumbent	Title	ECH FY2019	Market Base Salary			Market Ratio P50
			P25	P50	P75	
Adams	Chief Medical Officer	\$575	\$513	\$576	\$661	100%
Griffith	Chief Operating Officer	\$550	\$511	\$599	\$676	92%
Harrison	President, SVMD	\$508	\$359	\$443	\$581	115%
Hussain	Chief Financial Officer	\$494	\$545	\$602	\$664	82%
Rotunno	General Counsel	\$393	\$403	\$446	\$503	88%
Muro	Chief Information Officer	\$361	\$390	\$426	\$475	85%
Fisk	Chief Human Resource Officer	\$351	\$331	\$377	\$423	93%
Reinking	Chief Nursing Officer	\$354	\$349	\$391	\$442	91%
King	Chief Administrative Services Officer	\$303	\$231	\$270	\$329	112%
Kezic	VP, Payor Relations	\$273	\$198	\$232	\$288	118%
Currier	VP, Corp./ Comm. Health Svcs	\$267	\$276	\$304	\$363	88%
Barnard	President of ECH Foundation	\$260	\$228	\$272	\$334	95%
<i>Open Position</i>	<i>Chief Strategy Officer</i>	--	\$323	\$382	\$422	--
Aggregate						95%

*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 total cash compensation (base salary + target bonus) to market composite total cash compensation. In aggregate, El Camino's FY 2019 target total cash compensation is positioned just above the 50th percentile. Most executives are positioned within 15% of the 50th percentile, with the exception of the President, SVMD, Chief Administrative Services Officer and VP of Payor Relations.

Table 6: FY 2019 Approved Target and Maximum Total Cash Compensation versus Market (Compensation Data in \$000s)

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Incumbent	Title	ECH TCC FY2019		Market Actual Total Cash Compensation			Market Ratio	
		Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Adams	Chief Medical Officer	\$690	\$748	\$557	\$670	\$777	103%	96%
Griffith	Chief Operating Officer	\$660	\$715	\$522	\$655	\$803	101%	89%
Harrison	President, SVMD	\$609	\$660	\$378	\$492	\$683	124%	97%
Hussain	Chief Financial Officer	\$593	\$643	\$583	\$669	\$780	89%	82%
Rotunno	General Counsel	\$471	\$511	\$424	\$502	\$566	94%	90%
Muro	Chief Information Officer	\$433	\$469	\$403	\$469	\$535	92%	88%
Fisk	Chief Human Resource Officer	\$421	\$457	\$354	\$418	\$489	101%	93%
Reinking	Chief Nursing Officer	\$425	\$460	\$379	\$440	\$494	96%	93%
King	Chief Administrative Services Officer	\$364	\$394	\$258	\$308	\$382	118%	103%
Kezic	VP, Payor Relations	\$328	\$355	\$207	\$239	\$313	137%	113%
Currier	VP, Corp./ Comm. Health Svcs	\$321	\$347	\$331	\$350	\$388	92%	90%
Barnard	President of ECH Foundation	\$311	\$337	\$242	\$306	\$372	102%	91%
Open Position	Chief Strategy Officer	--	--	\$348	\$425	\$527	--	--
Aggregate							102%	93%

*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 disability salary continuation and long-term disability coverages are consistent with market practice. 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.

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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 four executives (President, SVMD, Chief Administrative Services Officer, VP of Payor Relations, and President of ECH Foundation). 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. In aggregate, executive maximum total remuneration (Table 7) is positioned just below the 75th percentile, in alignment with philosophy.

Table 7: FY 2019 Approved Target and Maximum Total Remuneration versus Market (Data in \$000s)

Incumbent	Title	ECH TR FY2019		Market Total Remuneration			Market Ratio	
		Target	Max	P25	P50	P75	Target/ P50	Max/ P75
Adams	Chief Medical Officer	\$821	\$878	\$636	\$757	\$875	108%	100%
Griffith	Chief Operating Officer	\$788	\$843	\$601	\$745	\$902	106%	93%
Harrison	President, SVMD	\$731	\$782	\$439	\$563	\$771	130%	101%
Hussain	Chief Financial Officer	\$709	\$759	\$667	\$759	\$878	93%	86%
Rotunno	General Counsel	\$575	\$614	\$491	\$574	\$644	100%	95%
Muro	Chief Information Officer	\$531	\$568	\$468	\$538	\$610	99%	93%
Fisk	Chief Human Resource Officer	\$514	\$549	\$411	\$480	\$557	107%	99%
Reinking	Chief Nursing Officer	\$529	\$565	\$439	\$505	\$565	105%	100%
King	Chief Administrative Services Officer	\$457	\$487	\$303	\$358	\$440	128%	111%
Kezic	VP, Payor Relations	\$412	\$440	\$242	\$279	\$360	148%	122%
Currier	VP, Corp./ Comm. Health Svcs	\$408	\$434	\$382	\$404	\$449	101%	97%
Barnard	President of ECH Foundation	\$397	\$423	\$286	\$357	\$430	111%	98%
Open Position	Chief Strategy Officer	--	--	\$405	\$489	\$596	--	--
Aggregate							109%	99%

*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

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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 within 10% of the 50th percentile for target compensation across compensation elements and in alignment with the compensation philosophy. Four 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 four executives.

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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

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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

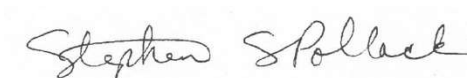
Mercer has relied on the information and data provided to us without any independent review or verification and we assume all data provided to us is accurate, factual and complete. This does not constitute an opinion regarding the underlying business decisions.

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,



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

Table 8: President, SVMD Market Data

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				23		\$307	\$358	\$454	\$332	\$448	\$638	\$349	\$448	\$638
_US-HLTH-MER4A-17 - 4125A - Top Physician Practices Executive - Total Net Revenue: 350M to less than 1.5B USD	1.0		\$1000M		7	7	\$331	\$421	\$581	\$331	\$421	\$581	\$331	\$421	\$581
US-HLTH-SUL-17 - 7145 - Top Physician Practices Management Executive - Systems: \$400M to \$900M Net Revenue	1.0		\$675.1M		17		\$222	\$284	\$359	\$245	\$313	\$421	\$245	\$313	\$421
Survey Composite							\$287	\$355	\$465	\$303	\$394	\$547	\$309	\$394	\$547
Survey Composite with 25% Geographic Differential							\$359	\$443	\$581	\$378	\$492	\$683	\$386	\$492	\$683

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Table 9: Chief Financial Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4230A - Chief Financial Officer (CFO) - Total Net Revenue: 350M to less than 1.5B USD	1	\$1B		25	25	\$458	\$502	\$562	\$496	\$565	\$636	\$496	\$565	\$636
US-HLTH-IHS-17 - 425 - Independent Chief Financial Officer - Systems: Net Rev \$500M-\$1.0B	1	\$752.8M		47		\$413	\$456	\$496	\$439	\$486	\$583	\$450	\$504	\$610
US-HLTH-SUL-17 - 7015-1 - Chief Financial Officer, All - Systems: \$400M to \$900M Net Revenue	1	\$651.4M	+10% for Size	82		\$437	\$488	\$537	\$465	\$554	\$653	\$475	\$555	\$653
Survey Composite						\$436	\$482	\$531	\$467	\$535	\$624	\$473	\$541	\$633
Survey Composite with 25% Geographic Differential						\$545	\$602	\$664	\$583	\$669	\$780	\$592	\$677	\$791

Table 10: General Counsel Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4280A - Chief Legal Counsel/Top Legal Services Executive - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.4B	-10% for Size	12	12	\$311	\$342	\$369	\$325	\$362	\$434	\$325	\$362	\$434
US-HLTH-IHS-17 - 590 - Top Executive, Legal Services (General Counsel) - Systems: Net Rev \$500M-\$1.0B	1	\$753M		37		\$311	\$338	\$399	\$316	\$384	\$418	\$316	\$384	\$418
US-HLTH-SUL-17 - 7075 - Top Legal Services Executive (General Counsel) - Systems: \$400M to \$900M Net Revenue	1	\$647.9M	+10% for Size	53		\$344	\$390	\$438	\$378	\$459	\$506	\$378	\$471	\$508
Survey Composite						\$322	\$357	\$402	\$340	\$402	\$452	\$340	\$406	\$453
Survey Composite with 25% Geographic Differential						\$403	\$446	\$503	\$424	\$502	\$566	\$424	\$507	\$566

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Table 11: Chief Information Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4165A - Chief Information Officer (CIO) - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.1B		19	19	\$317	\$355	\$396	\$332	\$409	\$450	\$332	\$409	\$450
US-HLTH-IHS-17 - 550 - Chief Information Officer - Systems: Net Rev \$500M-\$1.0B	1	\$765.9M		48		\$295	\$318	\$342	\$301	\$336	\$383	\$301	\$339	\$387
US-HLTH-SUL-17 - 7030 - Chief Information Officer - Systems: \$400M to \$900M Net Revenue	1	\$649.6M	+10% for Size	60		\$324	\$349	\$402	\$335	\$381	\$452	\$335	\$381	\$452
Survey Composite						\$312	\$341	\$380	\$322	\$375	\$428	\$322	\$376	\$430
Survey Composite with 25% Geographic Differential						\$390	\$426	\$475	\$403	\$469	\$535	\$403	\$471	\$537

Table 12: Chief Human Resource Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4260A - Top Human Resources Executive - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.1B		25	25	\$272	\$316	\$355	\$292	\$353	\$408	\$292	\$353	\$408
US-HLTH-IHS-17 - 500 - Top Executive, Human Resources - Systems: Net Rev \$500M-\$1.0B	1	\$722M		59		\$239	\$278	\$316	\$257	\$302	\$359	\$257	\$302	\$360
US-HLTH-SUL-17 - 7055 - Top Human Resources Executive - Systems: \$400M to \$900M Net Revenue	1	\$647.5M	+10% for Size	78		\$284	\$311	\$344	\$301	\$348	\$406	\$301	\$351	\$425
Survey Composite						\$265	\$302	\$339	\$283	\$334	\$391	\$284	\$335	\$397
Survey Composite with 25% Geographic Differential						\$331	\$377	\$423	\$354	\$418	\$489	\$355	\$419	\$497

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Table 13: Chief Nursing Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4380A - Top Nursing Executive - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.2B		9	9	\$269	\$333	\$367	\$278	\$336	\$408	\$278	\$336	\$408
_US-HLTH-MER4A-17 - 4381A - Top Patient Care Executive - Total Net Revenue: 500M or More USD	0	\$1.6B	-15% for Size	7	7	\$218	\$283	\$343	\$233	\$343	\$366	\$233	\$343	\$366
US-HLTH-IHS-17 - 120 - Top Executive, Patient Care - Systems: Net Rev \$500M-\$1.0B	0	\$799.4M		14		\$224	\$245	\$330	\$244	\$266	\$344	\$244	\$266	\$344
US-HLTH-IHS-17 - 122 - Top Executive, Nursing/CNO (Strategy) - Systems: Net Rev \$500M-\$1.0B	1	\$686M		5		\$277	\$280	\$334	\$315	\$358	\$359	\$315	\$358	\$359
US-HLTH-SUL-17 - 7046 - Chief Nursing Officer/Top Patient Care Executive - Systems: \$400M to \$900M Net Revenue	1	\$649.1M	+10% for Size	74		\$291	\$324	\$361	\$316	\$362	\$419	\$320	\$362	\$419
Survey Composite						\$279	\$312	\$354	\$303	\$352	\$395	\$304	\$352	\$395
Survey Composite with 25% Geographic Differential						\$349	\$391	\$442	\$379	\$440	\$494	\$381	\$440	\$494

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Table 14: Chief Administrative Services Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4530A - Head of Support Services - Total Net Revenue: More than 0 USD	1	\$1.6B	-15% for Size	8	8	\$159	\$168	\$238	\$186	\$209	\$292	\$186	\$209	\$292
US-HLTH-IHS-17 - 215 - Top Executive, Support Services - Systems: Net Rev \$500M-\$1.0B	1	\$762M		15		\$201	\$255	\$294	\$222	\$270	\$332	\$222	\$270	\$342
US-HLTH-SUL-17 - 7061 - Top Support Services Executive - Systems: \$400M to \$900M Net Revenue	1	\$676.8M		9		\$195	\$225	\$257	\$211	\$261	\$293	\$211	\$261	\$293
Survey Composite						\$185	\$216	\$263	\$206	\$247	\$306	\$206	\$247	\$309
Survey Composite with 25% Geographic Differential						\$231	\$270	\$329	\$258	\$308	\$382	\$258	\$308	\$386

Table 15: Vice President of Payor Relations Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4330A - Head of Managed Care - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.1B	-10% for reduced FTE status	8	8	\$173	\$202	\$224	\$185	\$219	\$253	\$185	\$219	\$253
US-HLTH-IHS-17 - 800 - Head of Managed Care - Systems: Net Rev \$500M-\$1.0B	1	\$753M	-10% for Reduced FTE Status	15		\$121	\$141	\$204	\$126	\$142	\$205	\$126	\$143	\$205
US-HLTH-SUL-17 - 7229 - Top Managed Care Executive - Systems: \$400M to \$900M Net Revenue	1	\$682.5M	-10% for Reduced FTE Status	11		\$182	\$214	\$263	\$185	\$214	\$294	\$185	\$214	\$294
Survey Composite						\$159	\$186	\$230	\$165	\$192	\$251	\$165	\$192	\$251
Survey Composite with 25% Geographic Differential						\$198	\$232	\$288	\$207	\$239	\$313	\$207	\$240	\$313

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Table 16: Vice President of Corporate and Community Health Services; President, Employee Assistance Program Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4600A - Head of Product/Service Line - Total Net Revenue: 350M to less than 1.5B USD	0	\$889.9M	+20% for org level	6	29	-	\$197	-	-	\$200	-	-	\$200	-
US-HLTH-IHS-17 - 325 - Head of Service Line (with Nursing) - Systems: All Systems	1		+20% for org level	6		\$201	\$214	\$266	\$242	\$245	\$285	\$242	\$245	\$285
US-HLTH-SUL-17 - 7260 - Top Service Line/Institute Executive - Other - Systems: All Health Systems	1		+20% for Org Level	14		\$240	\$272	\$315	\$287	\$315	\$335	\$287	\$315	\$335
Survey Composite						\$220	\$243	\$291	\$265	\$280	\$310	\$265	\$280	\$310
Survey Composite with 25% Geographic Differential						\$276	\$304	\$363	\$331	\$350	\$388	\$331	\$350	\$388

Table 17: President of El Camino Hospital Foundation Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4240A - Head of Foundation - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.1B		13	13	\$180	\$211	\$258	\$192	\$253	\$294	\$192	\$253	\$294
US-HLTH-IHS-17 - 735 - Head of Foundation/Fund Development - Systems: Net Rev \$500M-\$1.0B	1	\$761.6M		44		\$169	\$203	\$260	\$176	\$215	\$266	\$176	\$215	\$266
US-HLTH-SUL-17 - 7090 - Top Foundation/Fund Development Executive - Systems: \$400M to \$900M Net Revenue	1	\$667.7M		37		\$198	\$240	\$284	\$212	\$267	\$334	\$212	\$267	\$334
Survey Composite						\$183	\$218	\$267	\$193	\$245	\$298	\$193	\$245	\$298
Survey Composite with 25% Geographic Differential						\$228	\$272	\$334	\$242	\$306	\$372	\$242	\$306	\$372

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Table 19: Chief Medical Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4320A - Chief Medical Officer (CMO) - Total Net Revenue: 350M to less than 1.5B USD	1	\$1B		22	22	\$372	\$447	\$548	\$424	\$547	\$687	\$424	\$569	\$705
US-HLTH-IHS-17 - 650 - Independent Chief Medical Officer (MD/DO) - Systems: Net Rev \$500M-\$1.0B	1	\$761.1M		45		\$431	\$459	\$511	\$436	\$534	\$584	\$436	\$534	\$584
US-HLTH-SUL-17 - 7010-1 - Chief Medical Officer, All - Systems: \$400M to \$900M Net Revenue	1	\$636.4M	+10% for Size	66		\$428	\$477	\$527	\$476	\$526	\$595	\$476	\$526	\$597
Survey Composite						\$410	\$461	\$529	\$445	\$536	\$622	\$445	\$543	\$629
Survey Composite with 25% Geographic Differential						\$513	\$576	\$661	\$557	\$670	\$777	\$557	\$679	\$786

Table 20: Chief Operating Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4102A - Chief Operating Officer (COO) - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.1B		14	14	\$464	\$552	\$605	\$464	\$619	\$711	\$464	\$619	\$711
US-HLTH-IHS-17 - 100 - Independent Chief Operating Officer (with Nursing) - Systems: Net Rev \$500M-\$1.0B	1	\$737.5M		26		\$381	\$437	\$494	\$385	\$453	\$607	\$385	\$453	\$607
US-HLTH-SUL-17 - 7005-1 - Chief Operating Officer, All - Systems: \$400M to \$900M Net Revenue	1	\$654.9M		62		\$382	\$448	\$523	\$403	\$501	\$609	\$418	\$501	\$632
Survey Composite						\$409	\$479	\$541	\$417	\$524	\$642	\$422	\$524	\$650
Survey Composite with 25% Geographic Differential						\$511	\$599	\$676	\$522	\$655	\$803	\$528	\$655	\$812

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Table 21: Chief Strategy Officer Market Data

Benchmark Match Information	Wgt	Median Scope	Adj	# of Cos	# of Incs	Base			TCC			TDC		
						25th	50th	75th	25th	50th	75th	25th	50th	75th
_US-HLTH-MER4A-17 - 4391A - Top Planning Executive - Total Net Revenue: 350M to less than 1.5B USD	1	\$1.2B		7	7	\$192	\$245	\$273	\$230	\$245	\$392	\$230	\$245	\$392
US-HLTH-IHS-17 - 790 - Top Executive, Strategic Planning - Systems: Net Rev \$500M-\$1.0B	1	\$757.5M		18		\$269	\$312	\$352	\$284	\$350	\$415	\$284	\$375	\$455
US-HLTH-SUL-17 - 7027 - Chief Strategy Officer - Systems: \$400M to \$900M Net Revenue	1	\$621.7M	+10% for Size	18		\$314	\$359	\$387	\$321	\$426	\$459	\$321	\$433	\$509
Survey Composite						\$258	\$305	\$338	\$279	\$340	\$422	\$279	\$351	\$452
Survey Composite with 25% Geographic Differential						\$323	\$382	\$422	\$348	\$425	\$527	\$348	\$439	\$565

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APPENDIX B: INCENTIVE PLAN PAYOUT DETAILS (COMPENSATION DATA IN 000S)

Table 22: FY 2018 Incentive Plan Payouts

Incumbent	Title	FY18 Base Salary	FY2018 Incentive Plan Payout			
			Target	Maximum	Actual (\$)	Actual (% Tgt)
Iftikhar Hussain	Chief Financial Officer	\$480	\$96	\$144	\$136	141%
Mary Rotunno	General Counsel	\$357	\$71	\$107	\$103	145%
Deborah Muro ²	Chief Information Officer	\$350	\$44	\$66	\$64	146%
Kathryn Fisk	Chief Human Resource Officer	\$341	\$68	\$102	\$99	145%
Cheryl Reinking	Chief Nursing Officer	\$334	\$67	\$100	\$86	128%
Ken King	Chief Administrative Services Officer	\$295	\$59	\$88	\$73	124%
Joan Kezic	VP, Payor Relations	\$265	\$53	\$80	\$76	144%
Cecile Currier	VP, Corp./ Comm. Health Svcs & Pres, EAP	\$257	\$51	\$77	\$75	146%
Jodi Barnard	President of ECH Foundation	\$252	\$50	\$76	\$57	113%

¹ This table reflects incumbents who participated in the FY18 annual incentive plan.

² Deborah Muro became eligible for the executive annual incentive plan on 2/25/18, and her targets and payout calculation reflect a blend of the Management Performance Incentive Plan and the Executive Performance Incentive Plan; because the Market Total Remuneration assessment assumed participation in the executive plan for the entire year, the target and maximum figures for Muro in the assessment are higher than the figures presented in the above table.

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APPENDIX C: 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 <p>For-Profit</p> <ul style="list-style-type: none"> 40% provide a nonqualified plan to top executives Median total employer contribution from all sources is 4% 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 and above 75th percentile of for-profits Because El Camino does not have an offset SERP, the retirement contribution as a percentage of compensation is higher for lower-paid executives than for higher-paid executives

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.

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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 For-Profit <ul style="list-style-type: none"> 50% allow additional deferrals into a nonqualified 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.

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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 \$2 million; no medical underwriting required (effective 1/1/2019) Previous plan allowed for 3x salary, up to a maximum of \$1.25 million, with amounts over \$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%-45% provide supplemental coverage to top executives Median coverage is 100%-150% of salary (200%-300% at the 75th percentile) 	<ul style="list-style-type: none"> Adjustments made to the plan ensure that life insurance remains very competitive and provides equitable benefits for higher-paid executives Elimination of medical underwriting requirement (guaranteed issue) reduces administrative burden on covered employees and organization
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

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Health & Welfare Plans Summary, continued

	El Camino	Market Practice	Comments
Salary Continuance	<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%-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 executives <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"> – 20%-35% for 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

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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 in like positions 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	23%	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.
- Per the executive compensation philosophy, the application of a geographic differential recognizes the significantly higher cost of labor in Silicon Valley.



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

**Summary of Financial Operations
Fiscal Year 2019 – Period 3**

7/1/2018 to 9/30/2018

El Camino Hospital Board of Directors

Iftikhar Hussain, CFO

October 10, 2018

Financial Overview

Volume:

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

Financial Performance:

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

Payor Mix:

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

Cost:

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

Balance Sheet:

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

Dashboard - ECH combined as of September 30, 2018

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	236	228	220	8	234	223	228	(5)
Utilization MV	67%	63%	62%	0%	65%	61%	64%	-3%
Utilization LG	25%	28%	23%	5%	27%	28%	26%	2%
Utilization Combined	53%	52%	50%	2%	53%	50%	52%	-1%
Adjusted Discharges	2,765	2,798	2,783	15	8,714	8,570	8,511	59
Total Discharges (Excl NNB)	1,593	1,530	1,558	(28)	4,969	4,677	4,860	(183)
Inpatient Cases								
MS Discharges	1,103	1,058	1,085	(27)	3,463	3,229	3,400	(171)
Deliveries	387	347	375	(28)	1,160	1,060	1,129	(69)
BHS	81	83	77	6	257	264	243	21
Rehab	22	42	22	20	89	124	89	35
Outpatient Cases	12,058	11,589	11,960	(371)	36,721	36,391	36,371	20
ED	3,830	3,790	3,769	21	11,849	11,697	11,654	43
Procedural Cases								
OP Surg	408	379	407	(28)	1,141	1,188	1,143	45
Endo	184	184	186	(2)	602	599	609	(10)
Interventional	158	184	167	17	518	555	544	11
All Other	7,478	7,052	7,432	(380)	22,611	22,352	22,421	(69)
Financial Perf.								
Net Patient Revenues	71,716	71,453	71,653	(200)	212,156	219,855	217,816	2,039
Total Operating Revenue	73,452	73,523	74,118	(594)	218,732	225,577	224,496	1,081
Operating Expenses	62,304	65,337	67,085	(1,748)	187,842	200,445	203,762	(3,316)
Operating Income \$	11,148	8,186	7,032	1,154	30,890	25,132	20,734	4,398
Operating Margin	15.2%	11.1%	9.5%	1.6%	14.1%	11.1%	9.2%	1.9%
EBITDA \$	15,468	12,611	11,887	724	43,744	38,308	34,809	3,499
EBITDA %	21.1%	17.2%	16.0%	1.1%	20.0%	17.0%	15.5%	1.5%
Payor Mix								
Medicare	46.7%	45.2%	45.9%	-0.7%	45.9%	46.0%	46.4%	-0.4%
Medi-Cal	7.4%	7.5%	7.6%	-0.1%	7.7%	8.1%	7.8%	0.3%
Commercial IP	22.8%	22.1%	22.4%	-0.3%	23.0%	21.9%	22.7%	-0.8%
Commercial OP	20.3%	22.2%	21.1%	1.1%	20.6%	21.4%	20.4%	1.0%
Total Commercial	43.1%	44.3%	43.5%	0.8%	43.6%	43.2%	43.1%	0.2%
Other	2.8%	3.0%	2.9%	0.1%	2.8%	2.6%	2.7%	-0.1%
Cost								
Total FTE	2,548.9	2,609.1	2,605.5	4	2,557.7	2,589.8	2,613.5	(24)
Productive Hrs/APD	31.2	31.2	33.1	(2)	30.9	31.2	32.6	(1)
Balance Sheet								
Net Days in AR	47.7	49.2	48.0	1	47.7	49.2	48.0	1.2
Days Cash	505	511	449	62	505	511	449	62
Affiliates - Net Income (\$000s)								
Hosp	19,024	8,096	7,489	608	47,616	41,451	22,103	19,348
Concern	302	80	137	(57)	725	775	103	672
ECSC	(2)	(10)	0	(10)	(7)	(12)	0	(12)
Foundation	334	18	102	(83)	510	956	355	602
SVMD	379	467	(30)	497	229	1,363	(214)	1,578

Budget Variances

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

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

El Camino Hospital (\$000s)

Period ending 09/30/2018

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

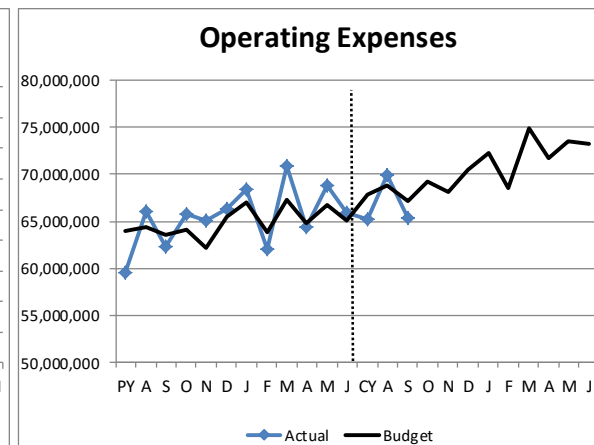
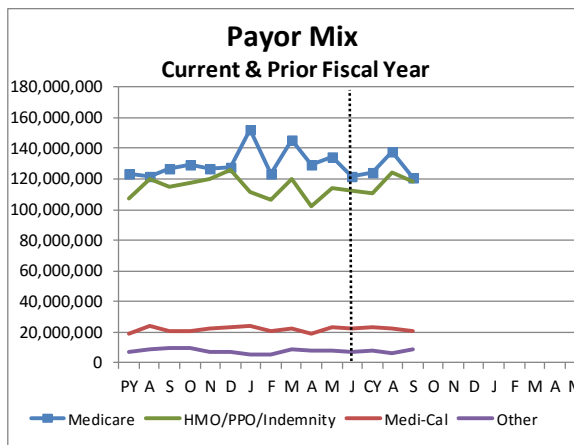
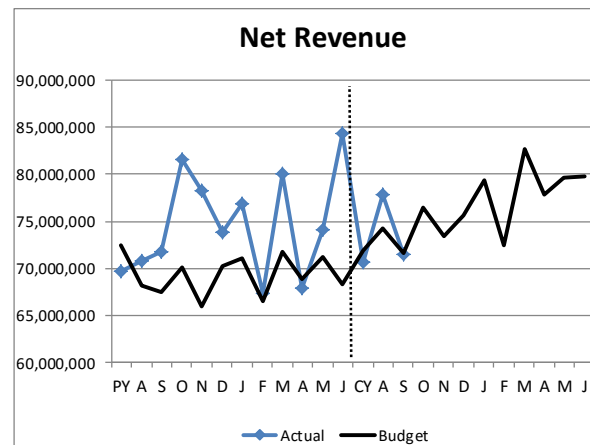
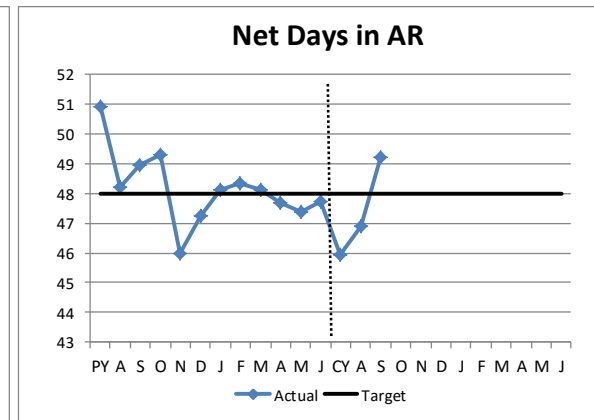
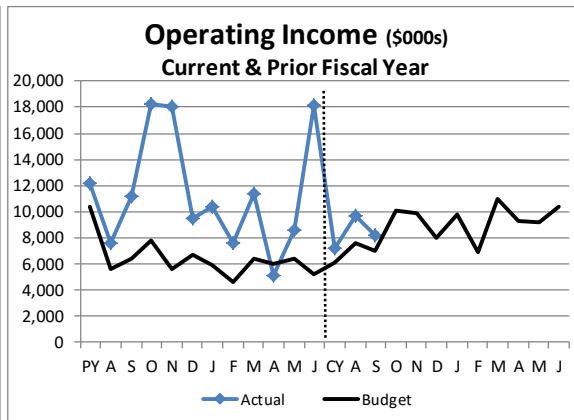
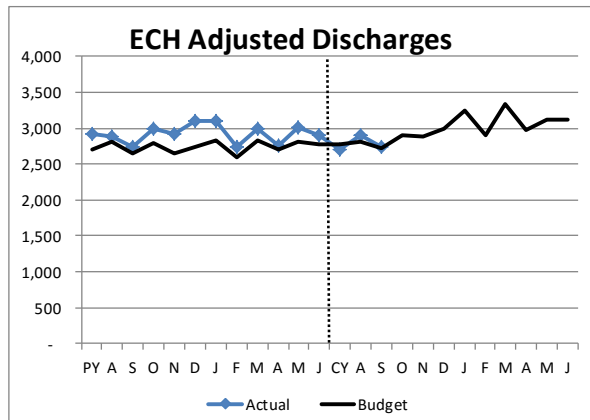
Non Operating Items and Net Income by Affiliate

\$ in thousands

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

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

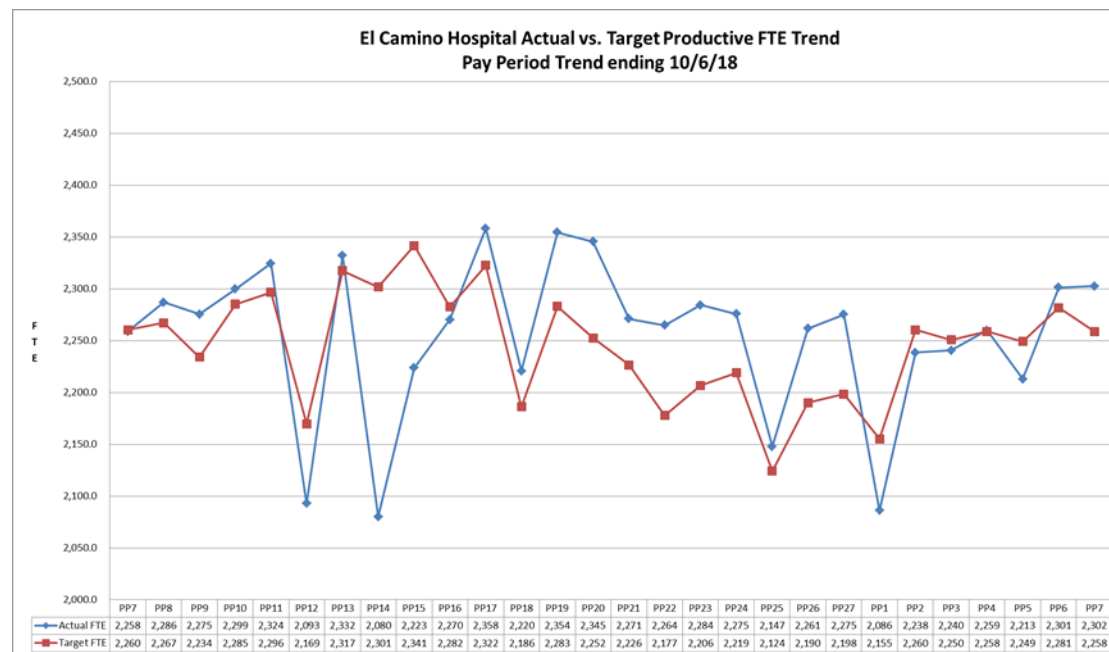
Monthly Financial Trends



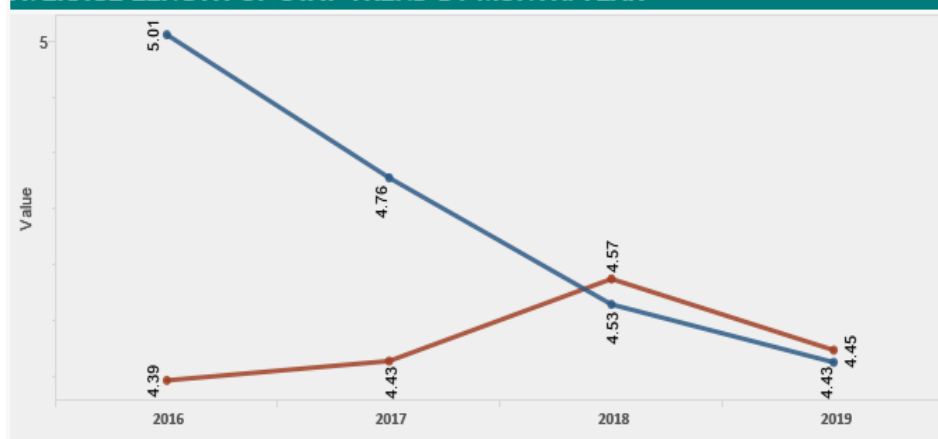
Productivity and Medicare Length of Stay

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

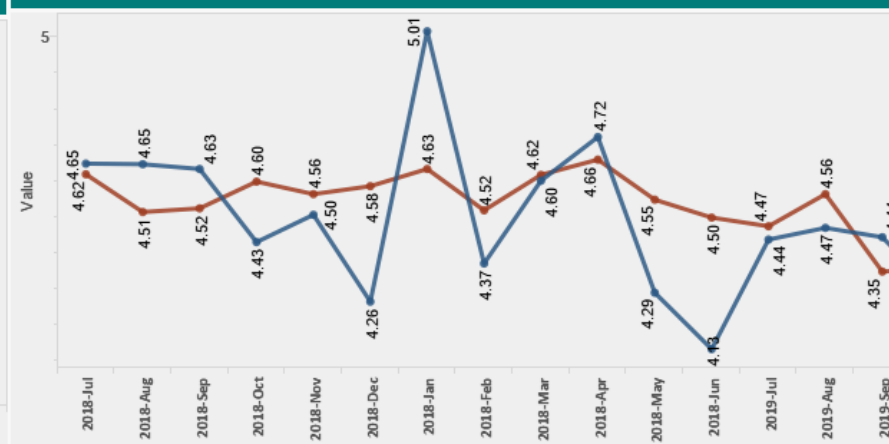
ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2019 below benchmark (blue). Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



El Camino Hospital Volume Annual Trends

Inpatient

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

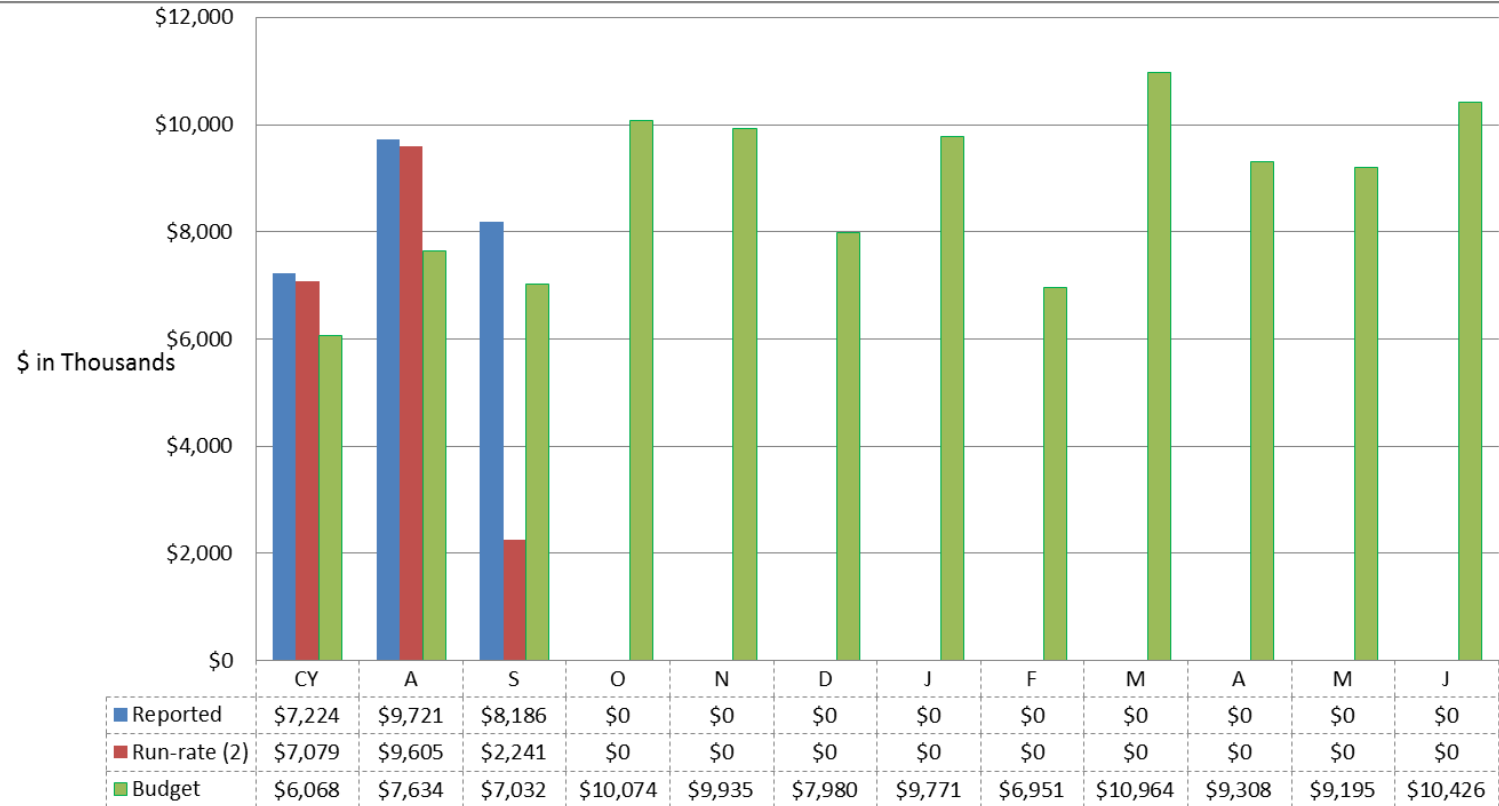
El Camino Hospital Volume Annual Trends

Outpatient

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

ECH Operating Margin

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



FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>				
Revenue Adjustments	J	A	S	YTD
Mcare Settltmt/Appeal/Tent Settltmt/PIP	141	112	92	344
AB 915	-	-	2,875	2,875
Late Charge Accrual	-	-	2,828	2,828
Various Adjustments under \$250k	4	5	148	157
Total	145	116	5,946	6,207

El Camino Hospital Investment Committee Scorecard

September 30, 2018

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

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

Includes Foundation (~\$28 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



El Camino Hospital

Capital Spending (in millions)

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

Balance Sheet (in thousands)

ASSETS

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

LIABILITIES AND FUND BALANCE

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

September 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

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

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

- **Plant & Equipment Fund** – original established by the District Board in the early 1960's to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District's Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.
- **Women's Hospital Expansion** – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women's Hospital upon the completion of Integrated Medical Office Building currently under construction. At the end of fiscal year 2018 another \$6.2 million was added to this fund.
- **Operational Reserve Fund** – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on the current projected budget) and only be used in the event of a major business interruption event and/or cash flow.
- **Community Benefit Fund** – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn't granted tax exempt status), that generates an amount of \$500,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, in fiscal year it generated over \$1.1 million of investment income for the program.

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

- **Workers Compensation Reserve Fund** – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.
- **Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.
- **PTO (Paid Time Off) Liability Fund** – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.
- **Malpractice Reserve Fund** – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.
- **Catastrophic Loss Fund** – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

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

Period ending 09/30/2018

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

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

Period ending 09/30/2018

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

Capital Spend Trend & FY 19 Budget

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

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

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

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mark Adams, MD, CMO
Date: December 5, 2018
Subject: Perinatal Diagnostic Center Renewal Agreement (MV)

Recommendation(s):

To approve delegating to the CEO the authority to execute a five-year renewal agreement with Lucile Packard Children's Hospital ("LPCH") to provide continued exclusive maternal-fetal services necessary for Hospital's operation of the Stanford/El Camino Perinatal Diagnostic Center ("PDC") at Hospital's Mountain View Campus at an increased rate of \$2,403 for one room and \$2,876 for two rooms for each four-hour session, with a required minimum of eight (8) four-hour sessions per week.

Summary:

1. **Situation:** The current arrangement authorizes LPCH to staff the PDC in shifts of four hours, with a minimum of eight (8) shifts per week at a rate of \$2,073 for each four-hour PDC shift. The PDC is open Monday through Friday and closed weekends and holidays. This rate has remained unchanged since 2013.

In 2017, LPCH provided 497 sessions, 18.3% more than the minimum required, and in 2018, 497 sessions are scheduled.

ECH requested to increase services by staffing two rooms instead of one room, which will require an additional ultrasound technician, at an increased rate of \$2,403 for one room and \$2,876 for two rooms for each four hour session, with a required minimum of eight four hour sessions per week, and a maximum of two rooms for ten (10) four-hour sessions per week, for an annual not to exceed \$1,426,496, which is an increase of \$398,288 from the maximum possible compensation in the current arrangement.

\$1,037,825 is budgeted in FY19 for this service. Total annual not-to-exceed cost of proposed increase will be \$1,426,496. The current agreement expires December 31, 2018.

2. **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 are greater than a 10% increase in compensation and exceed \$250,000 in total annual compensation.
3. **Background:** Since 1997, LPCH has exclusively provided specialty physicians, ultrasound technologists and genetic counselors through its arrangement with the Stanford University School of Medicine to provide maternal-fetal services (MFS) for Hospital's operation of the PDC.

The FY18 actual paid amount for this service was \$1,019,916.

4. **Fair Market Value Assessment:** A third party consultant has reviewed the proposed compensation and determined that it is commercially reasonable and within the range of fair market value for comparable services.

5. Other Reviews: The Maternal Child Health Director and Chief Nursing Officer support this renewal. The CEO Cabinet has reviewed this request. Legal and compliance will review the final agreement and compensation terms prior to execution. The Finance Committee recommended this for approval at its November 26, 2018 meeting.
6. Outcomes: The PDC serves our OB population by offering a wide range of diagnostic procedures including genetic counseling, amniocentesis, ultrasound, Doppler blood flow studies and biophysical profile. In addition, they offer consultation for high risk pregnancies from preconception through delivery. In FY17, more than 2,500 ultrasounds and 13 amniocenteses were performed. This service supports our high-risk patients.

List of Attachments: None.

Suggested Board Discussion Questions: None.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mark Adams, MD, CMO
Date: December 5, 2018
Subject: Radiology Professional Services Renewal Agreement (Enterprise)

Recommendation(s):

To approve delegating to the CEO the authority to execute a two-year renewal agreement with Silicon Valley Diagnostic Imaging (“SVDI”) to provide exclusive, 24/7/365 diagnostic imaging services to Hospital patients, including mammography screenings and services to uninsured, indigent women in the Hospital community with the following terms:

- \$525,600 to ensure responsive review and interpretation of radiological images available 24/7/365 so that emergency department and inpatient physicians can make immediate decisions as to appropriate patient care, regardless of the time or day.
- Reimbursement at Medicare rates for Low Dose CT Scan for Lung Cancer Screen and CT Calcium Scoring Screen, with an estimated additional annual cost to the Hospital of \$71,712.
- Continued payment from the El Camino Hospital Foundation to SVDI of approximately \$25,000 per year for mammography screenings.

Summary:

1. **Situation:** SVDI provides exclusive comprehensive imaging services to Hospital patients.

Upon renewal of this arrangement, the SVDI physicians have requested to be reimbursed for the Low Dose CT Scan for Lung Cancer Screen and CT Calcium Scoring Screen at Medicare rates for professional fees for any patients that utilize a self-pay—to bundle the technical and professional together. Low Dose CT Scan for Lung Cancer Screen will be in support of the Lung Nodule Program.

- **CT Calcium Scoring Screen:** There are approximately 1,800 self-pay patients a year for this screen, largely coming from the South Asian Heart Center, for an estimated additional annual cost to the Hospital of \$59,886.
- **Low Dose CT Scan for Lung Cancer Screen:** There are an estimated 200 self-pay patients per year for this screen, for an estimated additional annual cost to the Hospital of \$11,826.

\$529,968 is budgeted in FY19 for this service. Total proposed not to exceed annual estimated cost to Hospital will be \$622,312. This agreement expires December 31, 2018.

2. **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 \$250,000 in total annual compensation and greater than a 10% increase in compensation.
3. **Background:** Since 2009, SVDI has been providing exclusive 24/7/365 diagnostic imaging services to Hospital patients. Continuing this coverage is essential to provide imaging services to

Hospital patients by a group of qualified radiologists. The Hospital paid \$550,600 for these services in FY18.

4. Fair Market Value Assessment: The annual compensation of \$622,312 falls between the 50th percentile (\$300,000) and the 75th percentile (\$625,860) according to 2018 MD Ranger national data for Radiology Hospital-Based Payments excluding Medical Direction.
5. Other Reviews: The Director, Imaging Services is in support of this request. The CEO Cabinet has reviewed this request. Legal and compliance will review the final agreement and compensation terms prior to execution. The Finance Committee recommended this for approval at its November 26, 2018 meeting.
6. Outcomes: Physicians will participate in the peer review process for Imaging Services.

List of Attachments: None.

Suggested Board Discussion Questions: None.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mark Adams, MD, CMO
Date: December 5, 2018
Subject: ASPIRE Medical Director Agreement Renewals (LG & MV)

Recommendation(s):

To approve delegating to the CEO the authority to execute renewals for the After-School Program Interventions and Resiliency Education (“ASPIRE”) Medical Director Agreements at the Los Gatos and Mountain View campuses at the existing compensation of \$170.00/hour and \$71,400.00 per year.

Summary:

1. Situation: Medical Director oversight is required for the success of the ASPIRE Program at the Los Gatos and Mountain View campuses, which helps children, teens and young adults with anxiety, depression or other symptoms related to a mental health condition. Currently, there are two psychiatrists that oversee the ASPIRE Program, one for the Mountain View Campus and the other for the Los Gatos campus. Both agreements expire December 31, 2018.
2. 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.
3. Background: ASPIRE is an intensive after-school outpatient program for teenage youth who are experiencing significant anxiety, depression, or other symptoms related to a mental health condition. The ASPIRE Program was started in 2009 by ECH after a series of tragic events occurred in the Bay Area involving youth who died by suicide.

The positive impact of the ASPIRE program on patients and families encouraged Hospital leaders to collaborate and make the ECH program available to youth beyond the San Francisco Bay Area. As a result, in 2018 ASPIRE grew to become a consortium of hospitals dedicated to improving the quality of life for young people. The consortium is currently comprised of CHOC Children’s, El Camino Hospital, Hoag Memorial Presbyterian Hospital and Mission Hospital.

In 2016, the ASPIRE medical director total annual compensation was listed at the 75th percentile. The benchmarks have since fluctuated and the total annual compensation is now at the 90th percentile.

4. Fair Market Value Assessment: The current hourly rate of \$170.00 is at the 75th percentile and the annual compensation of \$71,400.00 is at the 90th percentile according to 2018 MD Ranger San Francisco Bay Area data for Adolescent Psychiatry Medical Direction.
5. Other Reviews: Behavioral Health Services Leadership is in support of this request. The CEO Cabinet has reviewed this request. Legal and compliance will review the final agreement and compensation terms prior to execution. The Finance Committee recommended this for approval at its November 26, 2018 meeting.

6. Outcomes: FY19 Quality Goals for the ASPIRE Program will be established for each campus upon renewal of the medical director agreements, effective January 1, 2019. We are specifically looking at graduation rates, curriculum development, and patient outcomes.

List of Attachments: None.

Suggested Board Discussion Questions: None.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mark Adams, MD, CMO
Date: December 5, 2018
Subject: Gastroenterology (GI) Call Coverage Renewal Agreements (MV)

Recommendation(s):

To approve delegating to the CEO the authority to execute two-year renewals for the GI On-Call Coverage agreements at the Mountain View campus at an increased rate of \$1,100/day.

Summary:

1. **Situation:** Currently, five (5) physicians are contracted to provide GI Emergency Department & Inpatient call coverage services at the Mountain View campus for \$1,000/day.

The physicians on the panel requested a 10% increase to \$1,100/day upon renewal. The Hospital negotiated to renew at the current rate and the physicians would not agree.

\$365,000 is budgeted in FY19 for this service. Total annual cost of rate increase will be \$401,500. GI Panel agreements expire December 31, 2018.

2. **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.
3. **Background:** In 2016, the Board approved the implementation of a Gastroenterology Emergency Department & inpatient call coverage services at the Mountain View Campus at a not to exceed rate of \$1,100/day, and the Hospital negotiated the current rate of \$1,000/day.
4. **Fair Market Value Assessment:** The proposed increased rate of \$1,100/day falls between the 75th percentile (\$1,000) and 90th percentile (\$1,310) according to 2018 MD Ranger national data for General Acute Average Daily Census 150 and over.
5. **Other Reviews:** The CEO Cabinet has reviewed this request. Legal and compliance will review the final agreement and compensation terms prior to execution. The Finance Committee recommended this for approval at its November 26, 2018 meeting.
6. **Outcomes:** Physicians will participate in the peer review process for consultations and subsequent procedures related to Gastroenterology call.

List of Attachments: None.

Suggested Board Discussion Questions: None.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mark Adams, MD, CMO
Date: December 5, 2018
Subject: Orthopedic Surgery Call Coverage Renewal Agreements (MV)

Recommendation(s):

To approve delegating to the CEO the authority to execute two-year renewals for the Orthopedic Surgery On-Call Agreements at the Mountain View campus at an increased rate of \$1,400/day and the addition of a \$500 hand-activation fee.

Summary:

1. Situation: Currently, eleven physicians (eight of which are PAMF) are contracted to provide Orthopedic Surgery call coverage services at the Mountain View Campus for \$1,200/day.

The PAMF physicians on the panel initially requested \$1,600/day with the addition of a hand-activation fee upon renewal as the hand orthopedic surgeons, in rare instances, are sometimes asked to come in to the Hospital to see patients even when they are not on call, as there are often hand cases that may be outside the scope of practice of the orthopedic surgeon taking call.

The Hospital negotiated a rate of \$1,400/day with the addition of a \$500 hand-activation fee. \$438,000 is budgeted in FY19 for this service. Total not to exceed cost at increased rate will be approximately \$515,000. Orthopedic Surgery Call Panel Agreements expire December 31, 2018.

2. 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 are greater than a 10% increase in compensation.
3. Background: In 2016, the Board approved an increase in rate from \$920/day to the current rate of \$1,200/day for Orthopedic Surgery call coverage services at the Mountain View Campus.
4. Fair Market Value Assessment: The proposed increased rate of \$1,400/day falls between the 50th percentile (\$1,200) and the 75th percentile (\$1,500) according to 2018 MD Ranger national data for General Acute Care Beds 200 and over. The \$500.00 hand activation fee is at the 50th percentile according to 2018 MD Ranger national data for per activation payment rates for surgical specialties.
5. Other Reviews: The CEO Cabinet has reviewed this request. Legal and compliance will review the final agreement and compensation terms prior to execution. The Finance Committee recommended this for approval at its November 26, 2018 meeting.
6. Outcomes: Physicians will participate in the peer review process for consultations and subsequent procedures related to Orthopedic Surgery call.

List of Attachments: None.

Suggested Board Discussion Questions: None.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mark Adams, MD, CMO
Date: December 5, 2018
Subject: Hospitalist Professional Services Renewal Agreement (MV)

Recommendation(s):

To approve delegating to the CEO the authority to execute a three-year renewal agreement with Quantum Bay Area Hospitalist Medical Group, Inc. ("Quantum") to provide hospitalist services to unassigned patients who are not covered by PAMF or independent hospitalists at a not-to-exceed annual compensation of \$1,777,292 for an additional 10 hours/day of coverage during peak months (Nov-March) This amount includes the at-risk annual incentive payment of \$50,000 if performance measures are met.

Summary:

1. **Situation:** Quantum has proposed an increase of \$294,288 per year to allow for an additional .3 physician FTE and increased physician expenses to cover increased patient volumes during peak months.

\$1,350,000 is budgeted in FY19 for this service. This agreement expires December 31, 2018.

2. **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 \$250,000 in total annual compensation and are greater than a 10% increase in compensation.
3. **Background:** Since 2014, Quantum has provided hospitalist services to unassigned patients who are not covered by PAMF or independent hospitalists.

The current agreement has a not to exceed amount of \$1,483,004, including the at-risk annual incentive payment.

Quantum has been instrumental in efforts to achieve length of stay performance at well-managed benchmarks.

The Hospital paid \$1,406,004 for these services in FY18.

4. **Fair Market Value Assessment:** Total annual cost based on estimated volume and maximum incentive payout is \$1,777,292 falls between the 50th percentile (\$1,096,670) and the 75th percentile (\$1,961,110) based on 2018 MD Ranger national data for Hospitalists.
5. **Other Reviews:** The CEO Cabinet has reviewed this request. Legal and compliance will review the final agreement and compensation terms prior to execution. The Finance Committee recommended this for approval at its November 26, 2018 meeting.

6. Outcomes: The \$50,000 per year quality incentive will remain unchanged. The 2018-19 goals consist of HCAHPS Physician Communication, discharge management, and timely ED consults to facilitate patient flow and support the FY19 Hospital Organization goals.

List of Attachments: None.

Suggested Board Discussion Questions: None.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Mark Adams, MD, CMO
Date: December 5, 2018
Subject: Orthopedic Co-Management Agreement Expansion to LG (Enterprise)

Recommendation(s):

To approve delegating to the CEO the authority to execute a two-year Amended and Restated Co-Management Agreement for the Orthopedic Service Line to expand the current arrangement at the MV campus with the addition of seven (7) physicians at the LG campus with the following terms:

- Base Compensation: Annual equivalent of a maximum of \$214,500 for up to 715 hours
- Payment Formula: \$300/hour allocated among 28 tasks and four subcommittees for the 715 hours
- Incentive Payment: Bonus potential of up to \$112,000 per year, equal to 34% of maximum available payment for achievement of four specific operational measures for each campus.
- Not-To-Exceed Annual Compensation: \$326,500

Summary:

1. Situation: An opportunity exists to expand Orthopedic Co-Management work by: 1) expanding participation to include seven (7) orthopedic surgeons at the Los Gatos campus, which will allow for emphasis on spine surgery, and 2) increasing the annual administrative hours from 600 to 715 for the work of the additional physicians, increasing the total annual payment from \$236,000 to \$326,500, which is an increase of \$90,500.

\$472,000 is budgeted in FY19 for this service.

2. 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 \$250,000 in total annual compensation and are greater than a 10% increase in compensation.
3. Background: In 2017, the Board approved an Orthopedic Co-Management Agreement with an LLC comprised of seven (7) orthopedic physicians to improve quality of care, affordability and efficiency at the Mountain View campus. The current agreement expires May 14, 2019.
4. Fair Market Value Assessment: A third party consultant has reviewed the proposed compensation and determined that the proposed arrangement is commercially reasonable and within fair market value.
5. Other Reviews: Approval of this recommendation is supported by the Chief Executive Officer, Chief Financial Officer, and Director, Ortho/Spine/Neuroscience. The CEO Cabinet has reviewed this request. Legal and compliance will review the final agreement and compensation terms prior to execution. The Finance Committee recommended this for approval at its November 26, 2018 meeting.

6. Outcomes: The Co-Management arrangement at the MV campus resulted in multiple improvements to the cost, quality, and patient experience during year one. The LLC achieved target or maximum for five of the six goals for year one.

Measurable goals have been established for the expanded arrangement at the MV and LG campuses that include improvements in evidence-based disease screening, education, reduced cost of care, and efficiency in operating room turnaround time for surgery.

List of Attachments: None.

Suggested Board Discussion Questions: None.

**EL CAMINO HOSPITAL
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Imtiaz Qureshi, MD, Enterprise Chief of Staff
Linda Teagle, MD Chief of Staff Los Gatos
Date: December 5, 2018
Subject: Medical Staff Report – Open Session

Recommendation:

To approve the Medical Staff Report, including Policies and Scopes of Service identified in the attached list.

Summary:

1. Situation: The Medical Executive Committee met on November 15, 2018.
2. Background: We received informational reports as follows:
 - A. Quality Council – We received the report from the Vice-Chiefs on the activities of the Quality Council. The vice-chiefs emphasized performance in the following performance metrics:
 - i. HCAHPS MD Communication Report – discussed the areas of focus for physician communication. Plan to consult with the Manager of Patient Experience for coaching tips.
 - ii. Patient Safety – reviewed the patient falls and employee injuries. Recommended additional OT/PT staff on weekends to improve ambulation in patients and reduce staff injuries.
 - iii. Transfusion Committee/Blood Product Usage – over the past year, noted decrease in the transfusion of all blood products. New triggers recommended for post-op transfusions in asymptomatic patients. Lab working on initiative to utilize pediatric tubes for routine blood collection.
 - iv. Medical Record Compliance – Informed consent 96%; Discharge Summary 95%; Post –procedure notes 81% (area for improvement). All rates based on random sampling. Providers are sent educational letters outlining areas of documentation that need improvement.
 - B. Leadership Reports –
 - i. CEO – The CEO presented the outcomes of the Employee Engagement Survey and that there was exceptional improvement from 49% to 79% favorable responses. “My Chart Bedside” trial is underway with the mother-baby area.
 - ii. CMO – We were provided an update on the FY19 Organizational Goals for Quality and Safety. There will be an upcoming medical staff leadership retreat on

December 1 for Medical Directors and Medical Staff Officers sponsored by the CMO with a speaker from the Advisory Board.

- iii. CNO – The CNO provided more details on the nurse survey responses and how they improved. They will be utilized in the submission for Magnet Status designation. She further discussed the my Chart Bedside pilot and thanked the medical staff for its support.

3. **Policies and Procedures Review:** The MEC approved the Policies and Scopes of Service identified in the attached list. Two policies were pulled out for detailed discussion.
 - A. The CMO explained the purpose of the new policy, “Controlled Substance Pain Management in the Emergency Department.” The implementation of this policy by the Emergency Department is one strategy being deployed as part of the risk management strategies aimed at addressing the opioid crisis. The ED initiative targets reduction of inappropriate supply of opioids to the community. These efforts will be publicized to the community through marketing efforts and education in the ED.
 - B. The “Infection Control: Seasonal Influenza Procedure” was summarized with the emphasis placed on the visitor restriction activities. The Committee was informed that Visitation Restriction will be implemented in accordance with direction from the Santa Clara Public Health Officer.
4. **Leadership Council** – The Leadership Council presented proposed Bylaws Amendments to be presented to the Organized Medical Staff (OMS) for vote:
 - A. Care Review Committee –criteria for selection of chairperson, number of at-large members and transfer of duties to Credentials Committee;
 - B. Qualifications for Initial Membership – updated language to permit consideration of waivers and equivalent board certifications other than ABMS;
 - C. Credentials Committee – add a Credentials Committee to ensure standardization and more in-depth review of files for appointment, reappointment, clinical privileges and oversight of the credentialing and privileging processes;
 - D. Committees – limit committees listed under Article 11 in the Bylaws to those for medical staff governance and move others to Appendix II following the Rules and Regulations.
5. **2018 Medical Staff Flu Vaccination** – To date, 853 practitioners have complied with documented participation with receipt of the influenza vaccine (822) or agreement to mask (31).

List of Attachments:

1. Spreadsheet showing approved Policy and Scopes of Service

Suggested Board Discussion Questions: None. This is a consent item.

SUMMARY OF POLICIES/PROTOCOLS FOR REVIEW AND APPROVAL - BOARD			
		December	
DOCUMENTS WITH MINOR REVISIONS			
Document Name	Department	Type of Document	Summary of Policy Changes
Scope of Service Emergency Department (ED)	Emergency Department	Scope	Combined to make Enterprise
DOCUMENTS WITH NO REVISIONS			
Document Name	Department	Type of Document	
Scope of Service OB Emergency Department (ED)	MCH	Scope	