



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2014 – Period 10
7/1/2013 to 4/30/2014

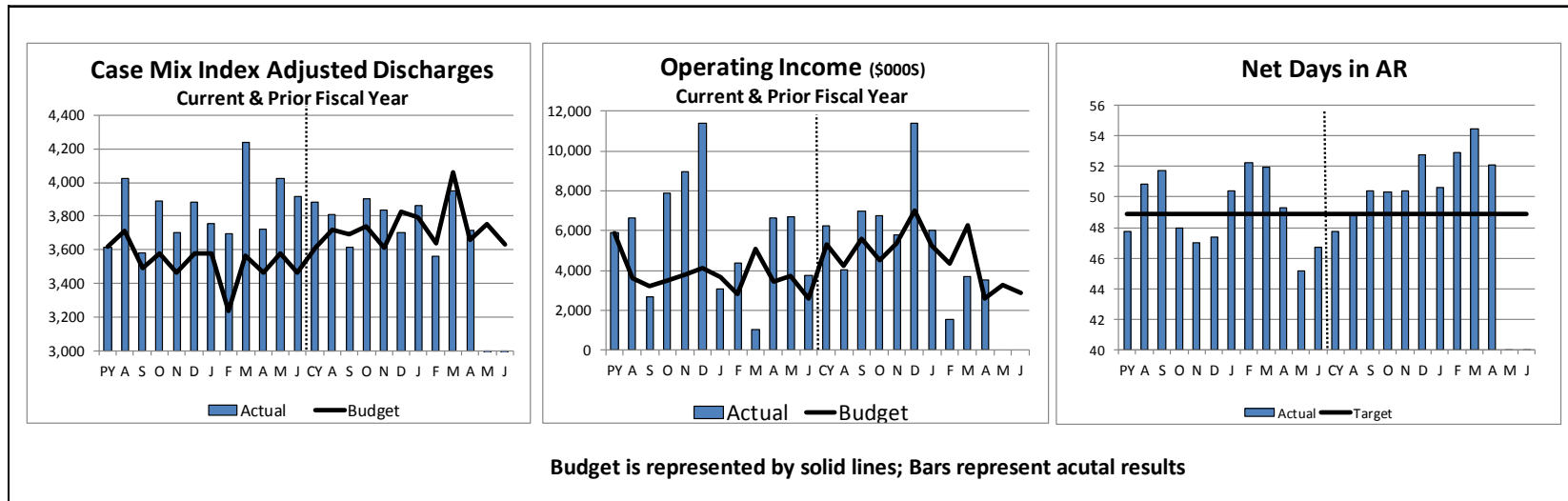
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending April 30, 2014

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)				BALANCE SHEET (\$000s)		
	Actual	Budget	Var F(U)		April 30, 2014	Apr 30, 2013
Gross Revenue	\$2,085,525	\$2,050,403	\$35,121	Cash and Investments	621,151	555,300
Deductions from Revenue	(1,490,421)	(1,472,890)	(17,531)	Non Cash Current Assets	161,067	143,560
Net Patient Revenue	595,103	577,513	17,590	Property, Plant & Equipment (Net)	646,252	638,894
Other Operating Revenue	15,563	13,072	2,491	Other Assets	39,775	36,486
Total Operating Revenue	610,666	590,586	20,081	Total Assets	1,468,245	1,374,241
Salaries & Wages	327,878	314,639	(13,239)	Current Liabilities	101,753	95,649
Supplies	86,023	87,589	1,566	Long-Term Liabilities	229,914	232,199
Fees & Purchased Services	65,488	61,960	(3,527)	Fund Balance/Capital Accounts	1,136,577	1,046,393
Other Operating Expense	29,128	27,519	(1,609)	Total Liabilities & Equity	1,468,245	1,374,241
Total Non Capital Operating Expense	508,516	491,707	(16,809)	KEY ECH STATISTICS - YTD		
OPERATING EBITDA	102,151	98,879	3,272	Balance Sheet	Actual	Target ⁽¹⁾
Interest, Depreciation & Amortization	46,071	48,374	2,303	Debt Service Coverage Ratio (MADS)	8.1	1.2
NET OPERATING SURPLUS	56,079	50,505	5,575	Debt to Capitalization	12.8%	37.5%
Non Operating Income	32,588	16,060	16,528	Days of Cash	367	225
TOTAL NET SURPLUS	88,667	66,564	22,103	Net AR Days	52.1	48.9
Yield Percent (NPR / Gross Revenue)	28.5%	28.2%	0.4%	Other	Actual	Budget
EBITDA Margin	16.7%	16.7%	0.0%	Acute Discharges	15,413	16,266
Operating Margin	9.2%	8.6%	0.6%	Acute Average Daily Census	238	235
Total Margin	14.5%	11.3%	3.2%	Deliveries	4,297	4,271
				Emergency Department Visits	47,560	47,165
				Surgical Cases	9,157	8,994
				Full Time Equivalent Employees	2,434	2,410
				Worked Hrs/CMI Adjusted Patient Day	29.70	30.53

⁽¹⁾ For Debt Service Coverage Ratio and Debt to Capitalization, Target represents Bond Covenants
For Days Cash and Net AR Days, Target represents S&P A Rated Hospital Medians

⁽¹⁾ Hospital entity only, excludes controlled affiliates

Management Commentary⁽¹⁾



CMI Adjusted Discharges Inpatient revenue exceeded budget by 1.7% for services delivered in the month of April. Case mix was 5% below budget, discharges were 2% below budget but days exceeded budget by 4.5. Outpatient revenues exceeded budget by 15%. CMI adjusted discharges for the month and for the year to date were unfavorable by 2%. Surgical cases were favorable to budget by 10% for the month; favorable by 5% year to date.

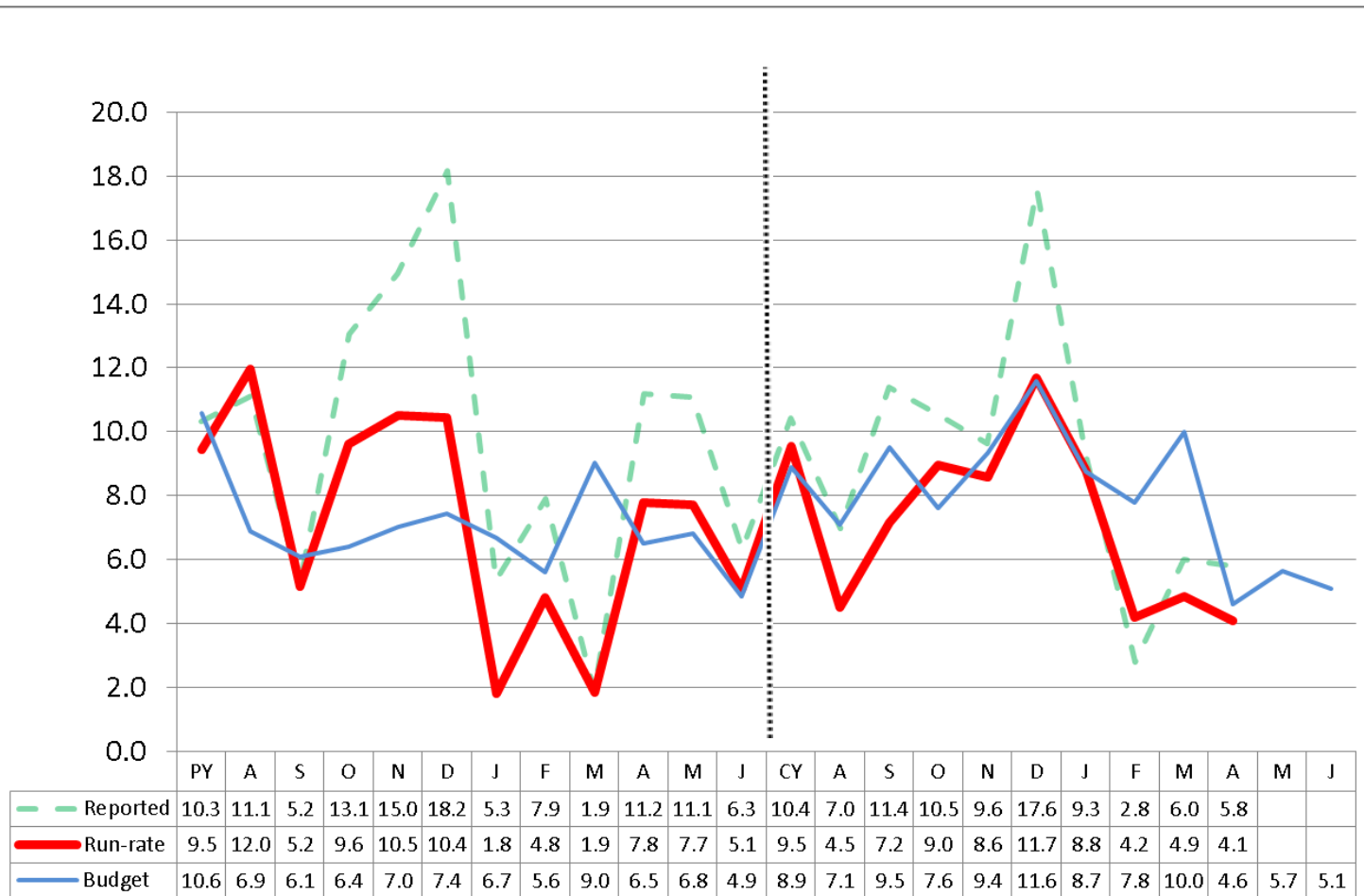
Operating Margin The operating margin for service in the month of April was \$3.55 million compared to a budget of \$2.61 million. Net revenues were \$2.71 million favorable to budget, excluding the favorable meaningful use payment from CMS of \$1.6 million. Labor costs were \$1.677 unfavorable to budget. The operating margin year to date was favorable to budget by \$5.57 million (11.0%). The run rate was slightly unfavorable to budget.

Net Days in AR Net outstanding receivables increased by \$0.5 million between March and April. Net days in A/R decreased from 54.5 days to 52.1 days. This exceeds the targeted A/R of 50.0 days.

Non Operating Income Non operating income was unfavorable to budget by \$6.8 million, primarily due to unrealized losses on investments.

(1) Hospital entity only, excludes controlled affiliates

ECH Operating Margin ⁽¹⁾



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

⁽¹⁾ Hospital entity only, excludes controlled affiliates

Key Hospital Indicators⁽¹⁾

Statistic	FYE 2011	FYE 2012	FYE 2013	FYTD 2014	Target (2)	+/-
Operating Margin	7.9%	10.5%	9.9%	9.2%	8.6%	
EBITDA Margin	16.6%	19.4%	17.8%	16.7%	16.7%	
Days of Cash	250	321	350	367	225	
Debt Service Coverage Ratio (MADS)	7.5	7.2	7.9	8.1	4.5	
Debt to Capitalization	17.1%	15.8%	14.0%	12.8%	30.3%	
Net AR Days	48.6	48.1	48.3	52.1	48.9	

⁽¹⁾ Hospital Only - Excludes Affiliates

⁽²⁾ Target source: FYTD Budget for Operating Margin and EBITDA Margin

Target source: S&P 2013 A Rated Hospital Medians for all others

*Prior Year numbers represent full year

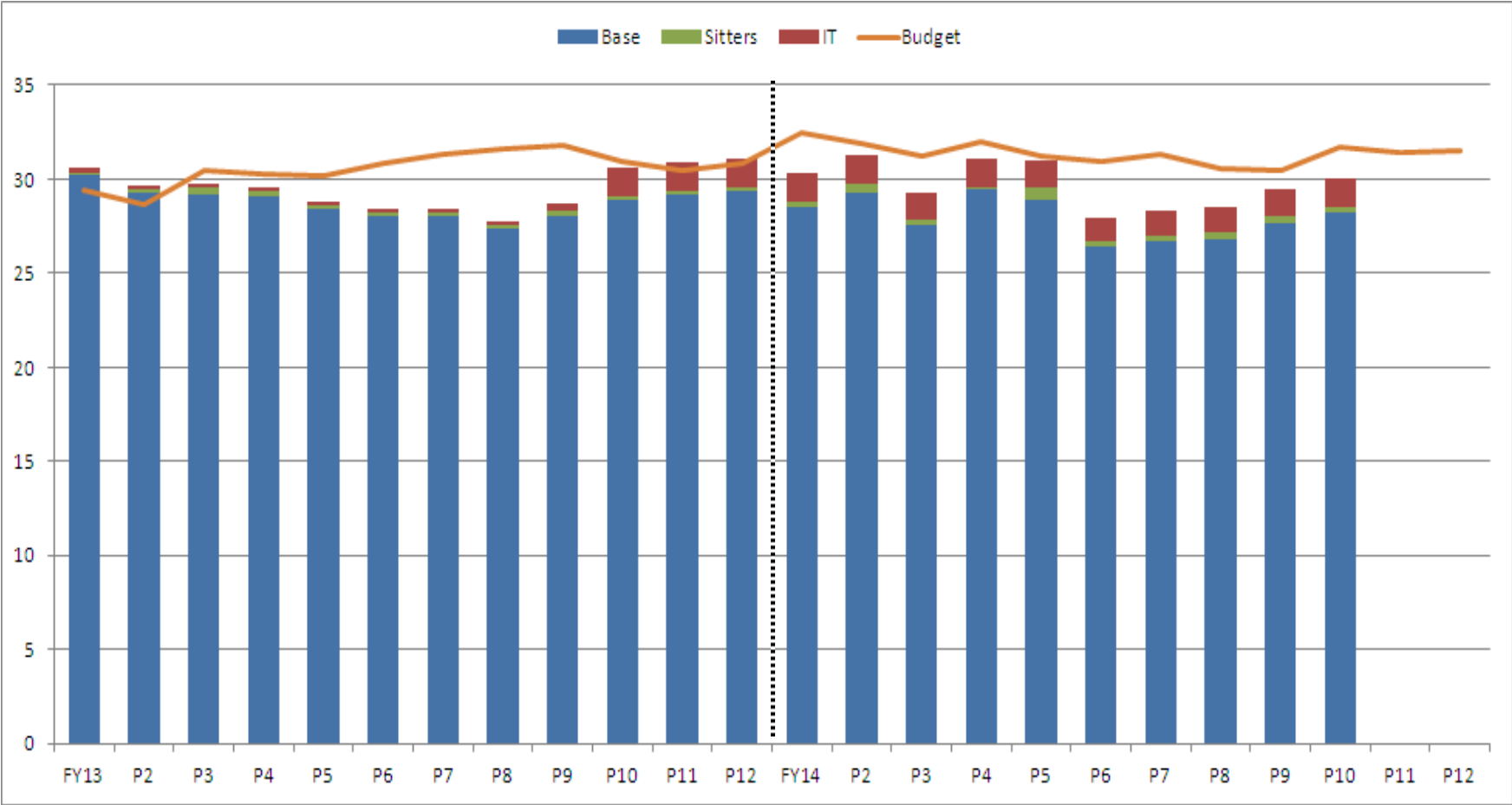
⁽¹⁾ Hospital entity only, excludes controlled affiliates

Summary of Financial Results

\$ in Thousands

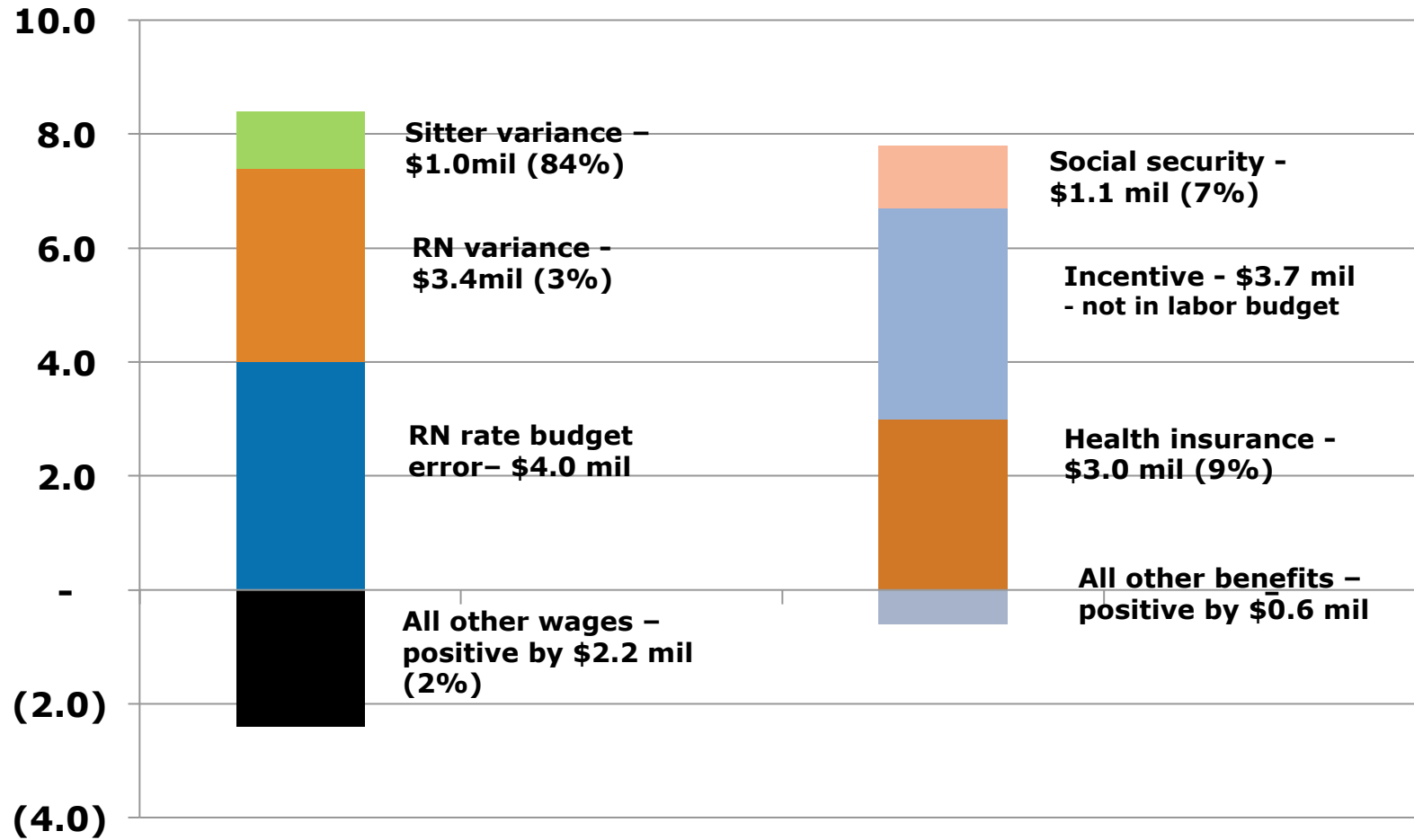
	Period 10 - Month			Period 10 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	3,627	1,467	2,160	43,823	37,533	6,290
Los Gatos	(76)	1,143	(1,219)	12,256	12,972	(716)
Sub Total - El Camino Hospital, excl. Affiliates	3,551	2,610	941	56,079	50,505	5,575
Operating Margin %	5.8%	4.6%		9.2%	8.6%	
El Camino Hospital Non Operating Income						
Investments	(4,574)	1,984	(6,558)	35,095	19,457	15,638
Swap Adjustments	(426)	0	(426)	156	0	156
Community Benefit	(4)	0	(4)	(1,440)	0	(1,440)
Other	(138)	(346)	208	(1,224)	(3,397)	2,173
Sub Total - Non Operating Income	(5,143)	1,637	(6,780)	32,588	16,060	16,528
El Camino Hospital Net Income (Loss)	(1,592)	4,247	(5,839)	88,667	66,564	22,103
ECH Net Margin %	-2.6%	7.5%		14.5%	11.3%	
Net Income Hospital Affiliates	420	237	183	4,494	1,859	2,636
Total Net Income Hospital & Affiliates	(1,172)	4,485	(5,657)	93,162	68,423	24,739

Worked Hours per Adjusted Patient Day: Favorable to Budget

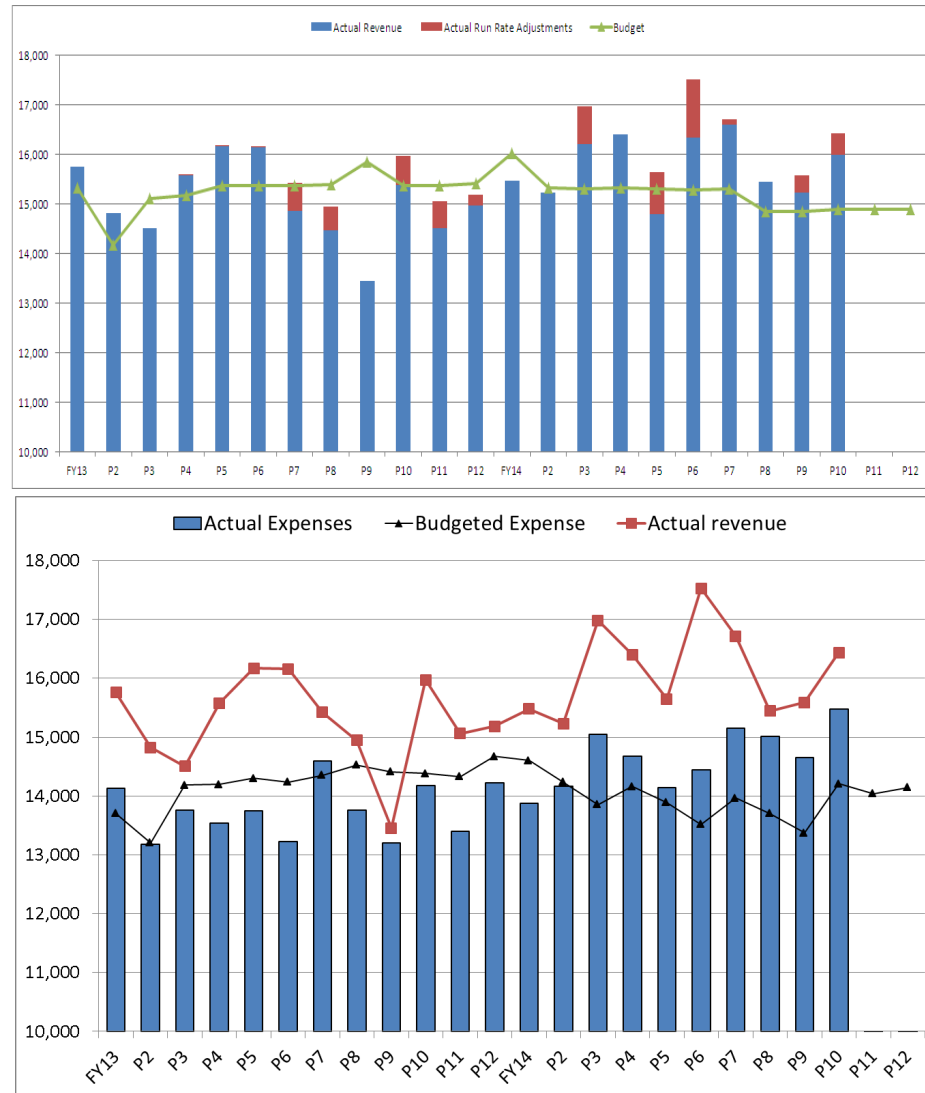


(1)

Year to date Labor Variance: \$13.2m Unfavorable to Fixed Budget



Revenue and expenses per CMI adjusted discharge are higher than budget most months; but on track per day



(1) Hospital entity only, excludes controlled affiliates

ECH Volume Statistics ⁽¹⁾

MOUNTAIN VIEW

	Month of Apr, 2014		
	Act	Bud	Var%
Discharges ⁽²⁾	1,279	1,326	-3.6%
ADC ⁽²⁾	199	193	3.1%
Deliveries	319	359	-11.1%
ED Visits	3,619	3,703	-2.3%
Surgical Cases	598	560	6.8%

	Year to Date			Prior Year	
	Act	Bud	Var%	Act	Var%
	12,608	13,399	-5.9%	13,284	-5.1%
	194	193	0.8%	192	0.9%
	3,601	3,624	-0.6%	3,764	-4.3%
	37,523	37,412	0.3%	37,251	0.7%
	5,623	5,659	-0.6%	5,313	5.8%

LOS GATOS

	Month of Apr, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	302	284	6.5%
ADC ⁽²⁾	47	42	10.8%
Deliveries	96	64	50.0%
ED Visits	922	965	-4.5%
Surgical Cases	381	330	15.5%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	2,805	2,866	-2.1%	2,786	0.7%
	44	42	3.2%	41	6.5%
	696	647	7.6%	606	14.9%
	10,037	9,753	2.9%	9,958	0.8%
	3,534	3,334	6.0%	3,398	4.0%

ECH

	Month of Apr, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	1,581	1,610	-1.8%
ADC ⁽²⁾	246	235	4.5%
Deliveries	415	423	-1.8%
ED Visits	4,541	4,668	-2.7%
Surgical Cases	979	890	10.0%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	15,413	16,266	-5.2%	16,070	-4.1%
	238	235	1.2%	233	1.8%
	4,297	4,271	0.6%	4,370	-1.7%
	47,560	47,165	0.8%	47,209	0.7%
	9,157	8,994	1.8%	8,711	5.1%

(1) Hospital entity only, excludes controlled affiliates

(2) Excludes normal newborns (MS-DRG 795)

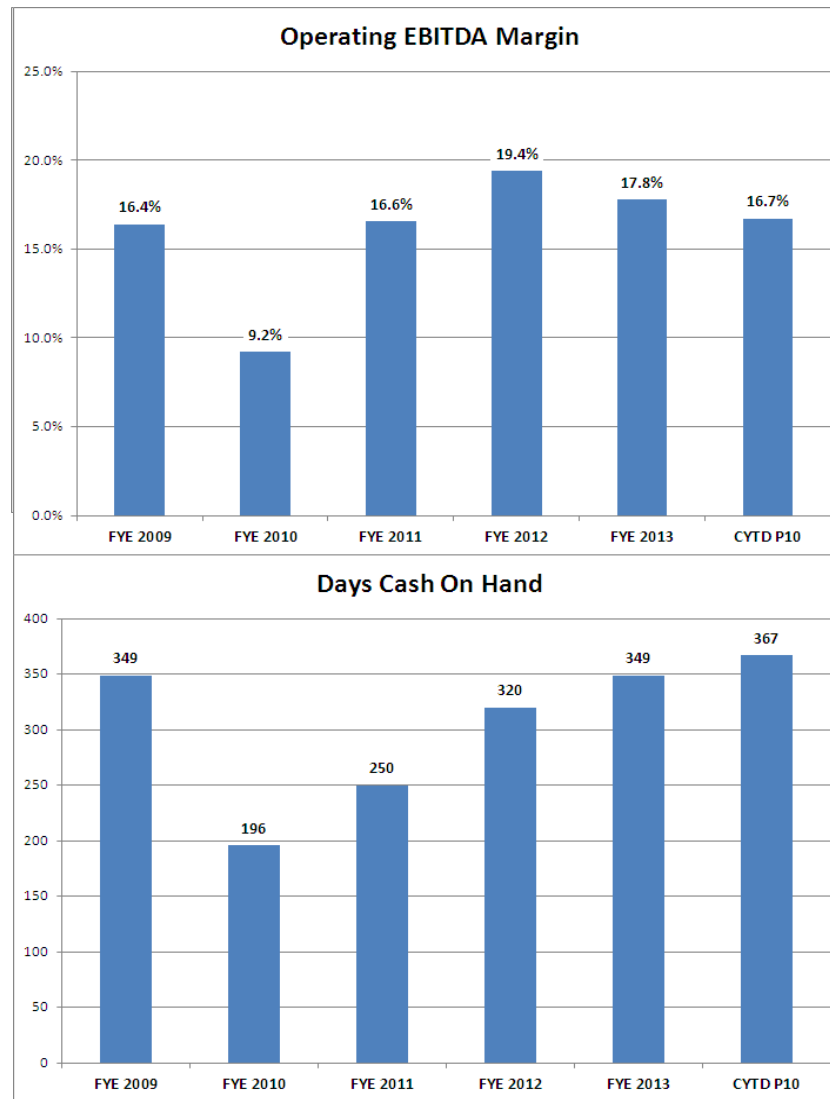
El Camino Hospital Volume Trends Prior and Current Fiscal Years



El Camino Hospital Financial Metrics Trend ⁽¹⁾

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Operating EBITDA equal to Budget

Represents cash of \$621 million

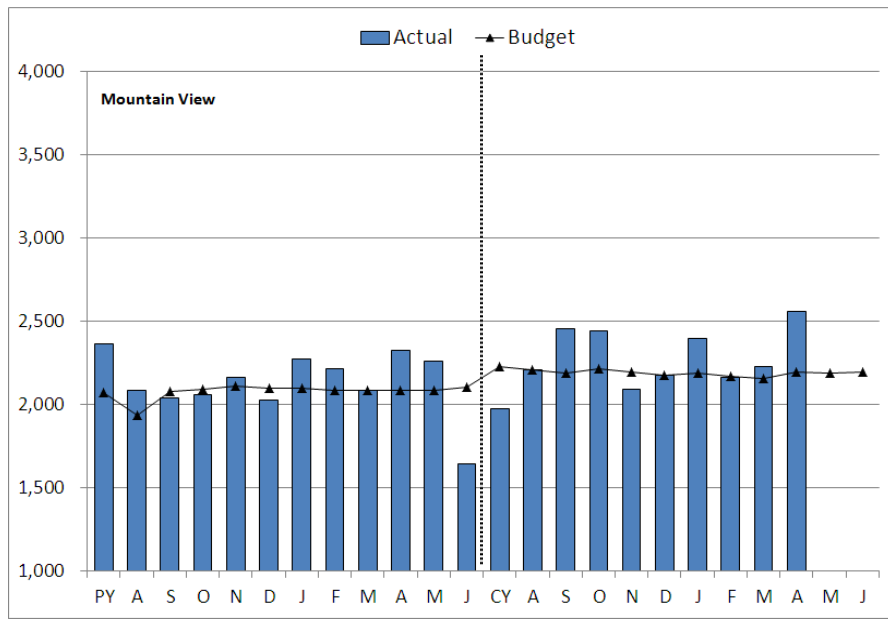
⁽¹⁾ Hospital entity only, excludes controlled affiliates

APPENDIX

Supply Cost per CMI Adjusted Discharges ⁽¹⁾

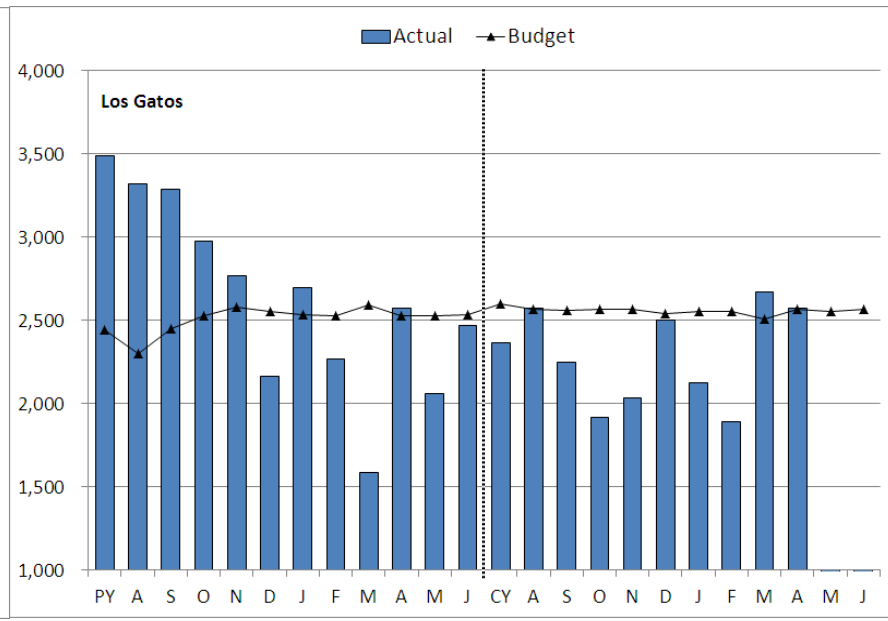
YTD: 3.5% over budget

Mountain View



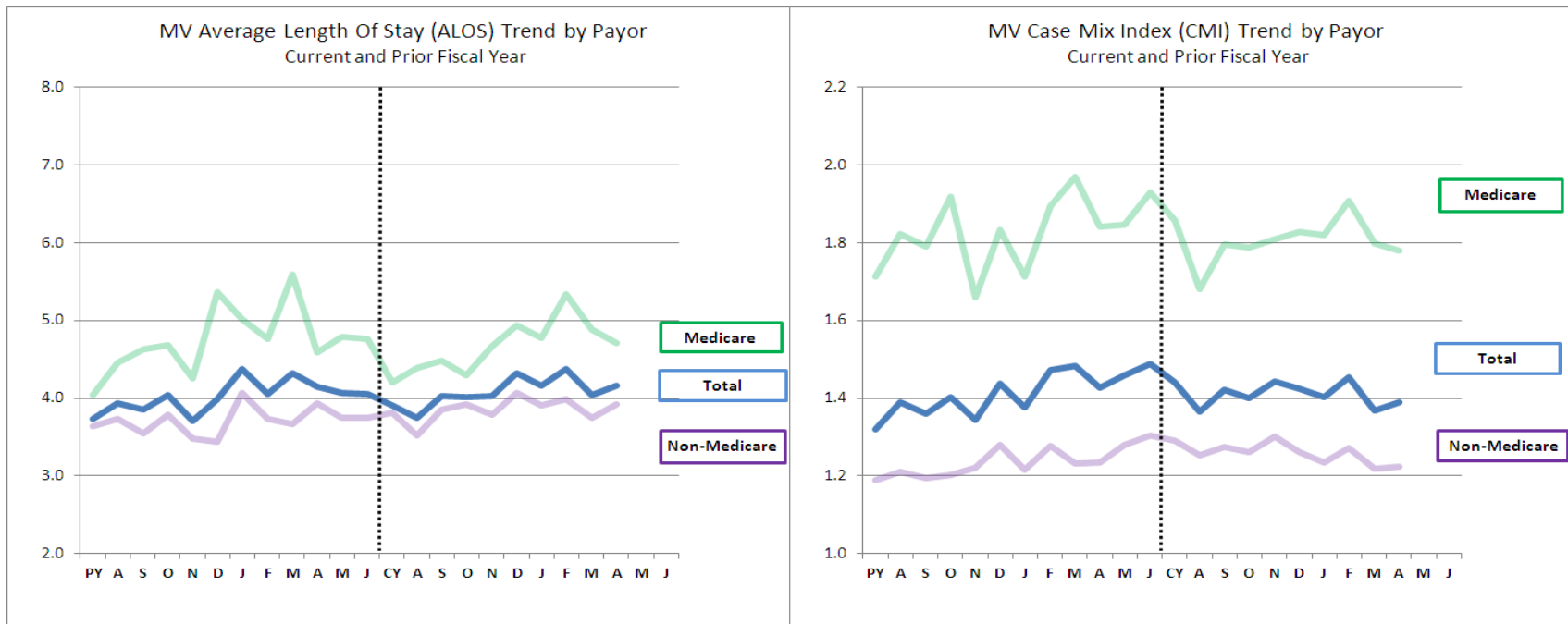
YTD: -10.5% under budget

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend⁽¹⁾

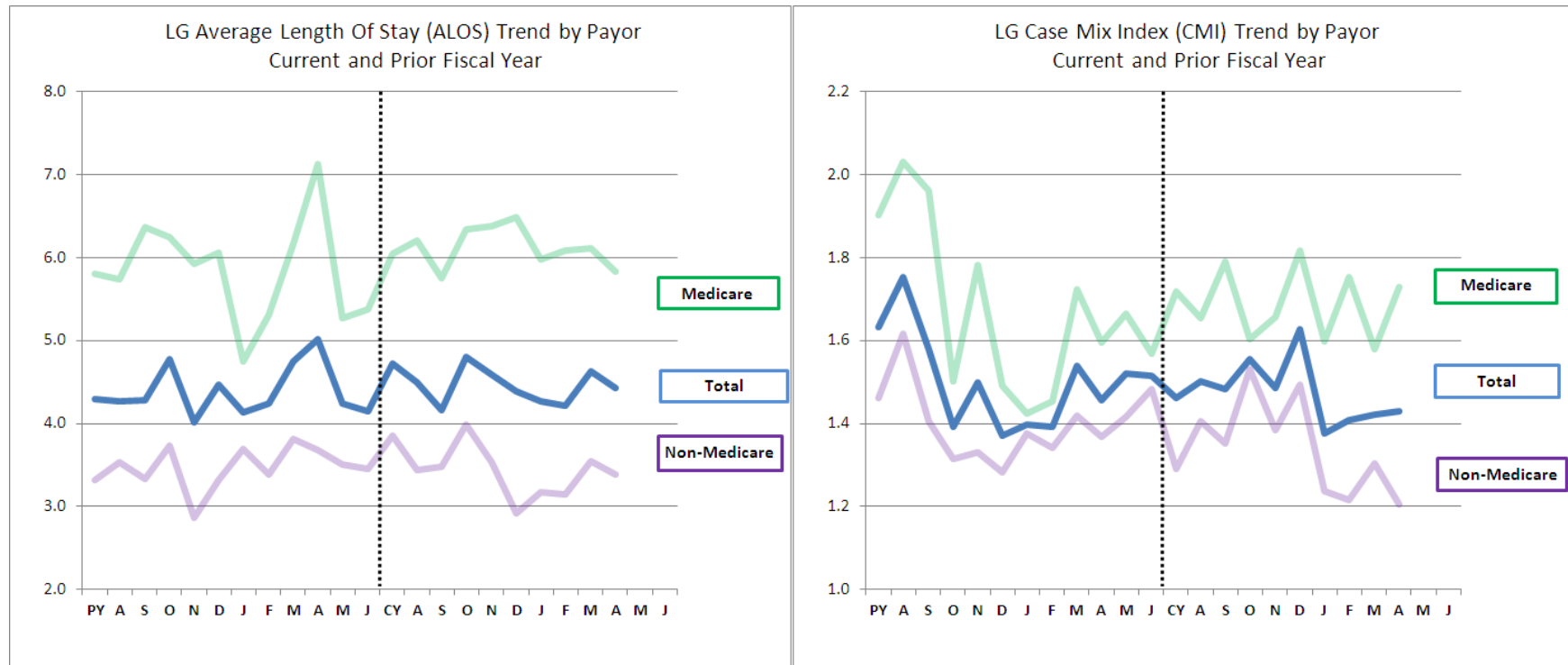


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

⁽¹⁾ Hospital entity only, excludes controlled affiliates

All data excludes normal newborns (MS-DRG=795), Medicare data excludes Medicare HMOs and PPOs

Los Gatos LOS & CMI Trend ⁽¹⁾



- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

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All data excludes normal newborns (MS-DRG=795), Medicare data excludes Medicare HMOs and PPOs

El Camino Hospital ⁽¹⁾

Results from Operations vs. Prior Year
10 months ending 4/30/2014

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	2,085,525	2,049,379	36,146	1.8%
Deductions	(1,490,421)	(1,480,683)	(9,738)	0.7%
Net Patient Revenue	595,103	568,695	26,408	4.6%
Other Operating Revenue	15,563	12,734	2,828	22.2%
Total Operating Revenue	610,666	581,430	29,237	5.0%
OPERATING EXPENSE:				
Salaries & Wages	327,878	300,907	(26,970)	-9.0%
Supplies	86,023	86,305	282	0.3%
Fees & Purchased Services	65,488	68,992	3,504	5.1%
Other Operating Expense	75,199	66,579	(8,620)	-12.9%
Total Operating Expense	554,587	522,784	(31,803)	-6.1%
Net Operating Income/(Loss)	56,079	58,646	(2,567)	-4.4%
Non Operating Income	32,588	26,000	6,588	25.3%
Net Income(Loss)	88,667	84,646	4,022	4.8%
Collection Rate	28.5%	27.7%	0.8%	
Operating Margin	9.2%	10.1%	-0.9%	
Net Margin	14.5%	14.6%	0.0%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year

10 months ending 4/30/2014

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,700,915	1,674,099	26,816	1.6%
Deductions	(1,216,128)	(1,212,090)	(4,038)	0.3%
Net Patient Revenue	484,787	462,009	22,778	4.9%
Other Operating Revenue	14,980	12,342	2,638	21.4%
Total Operating Revenue	499,767	474,351	25,416	5.4%
OPERATING EXPENSE:				
Salaries & Wages	273,435	251,190	(22,246)	-8.9%
Supplies	69,779	67,227	(2,552)	-3.8%
Fees & Purchased Services	53,610	57,057	3,447	6.0%
Other Operating Expense	59,120	51,294	(7,826)	-15.3%
Total Operating Expense	455,944	426,768	(29,176)	-6.8%
Net Operating Income/(Loss)	43,823	47,584	(3,761)	-7.9%
Non Operating Income	32,590	25,989	6,602	25.4%
Net Income(Loss)	76,413	73,572	2,841	3.9%
Collection Rate	28.5%	27.6%	0.9%	
Operating Margin	8.8%	10.0%	-1.3%	
Net Margin	15.3%	15.5%	-0.2%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year

10 months ending 4/30/2014

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	384,609	375,279	9,330	2.5%
Deductions	(274,293)	(268,593)	(5,700)	2.1%
Net Patient Revenue	110,316	106,686	3,630	3.4%
Other Operating Revenue	583	392	191	48.7%
Total Operating Revenue	110,899	107,078	3,821	3.6%
OPERATING EXPENSE:				
Salaries & Wages	54,442	49,718	(4,725)	-9.5%
Supplies	16,244	19,078	2,834	14.9%
Fees & Purchased Services	11,878	11,935	57	0.5%
Other Operating Expense	16,079	15,285	(794)	-5.2%
Total Operating Expense	98,643	96,016	(2,627)	-2.7%
Net Operating Income/(Loss)	12,256	11,062	1,194	10.8%
Non Operating Income	(2)	11	(13)	-119.2%
Net Income(Loss)	12,254	11,074	1,180	10.7%
Collection Rate	28.7%	28.4%	0.3%	
Operating Margin	11.1%	10.3%	0.7%	
Net Margin	11.0%	10.3%	0.7%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget
10 months ending 4/30/2014

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	2,085,525	2,050,403	35,121	1.7%
Deductions	(1,490,421)	(1,472,890)	(17,531)	1.2%
Net Patient Revenue	595,103	577,513	17,590	3.0%
Other Operating Revenue	15,563	13,072	2,491	19.1%
Total Operating Revenue	610,666	590,586	20,081	3.4%
OPERATING EXPENSE:				
Salaries & Wages	327,878	314,639	(13,239)	-4.2%
Supplies	86,023	87,589	1,566	1.8%
Fees & Purchased Services	65,488	61,960	(3,527)	-5.7%
Other Operating Expense	75,199	75,893	694	0.9%
Total Operating Expense	554,587	540,081	(14,506)	-2.7%
Net Operating Income/(Loss)	56,079	50,505	5,575	11.0%
Non Operating Income	32,588	16,060	16,528	102.9%
Net Income(Loss)	88,667	66,564	22,103	33.2%
Collection Rate	28.5%	28.2%	0.4%	
Operating Margin	9.2%	8.6%	0.6%	
Net Margin	14.5%	11.3%	3.2%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget

10 months ending 4/30/2014

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,700,915	1,664,074	36,842	2.2%
Deductions	(1,216,128)	(1,196,249)	(19,880)	1.7%
Net Patient Revenue	484,787	467,825	16,962	3.6%
Other Operating Revenue	14,980	12,639	2,341	18.5%
Total Operating Revenue	499,767	480,464	19,303	4.0%
OPERATING EXPENSE:				
Salaries & Wages	273,435	263,643	(9,792)	-3.7%
Supplies	69,779	69,024	(755)	-1.1%
Fees & Purchased Services	53,610	49,759	(3,850)	-7.7%
Other Operating Expense	59,120	60,504	1,384	2.3%
Total Operating Expense	455,944	442,931	(13,013)	-2.9%
Net Operating Income/(Loss)	43,823	37,533	6,290	16.8%
Non Operating Income	32,590	16,060	16,530	102.9%
Net Income(Loss)	76,413	53,592	22,821	42.6%
Collection Rate	28.5%	28.1%	0.4%	
Operating Margin	8.8%	7.8%	1.0%	
Net Margin	15.3%	11.2%	4.1%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

10 months ending 4/30/2014

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	384,609	386,330	(1,721)	-0.4%
Deductions	(274,293)	(276,641)	2,348	-0.8%
Net Patient Revenue	110,316	109,689	628	0.6%
Other Operating Revenue	583	433	150	34.6%
Total Operating Revenue	110,899	110,122	777	0.7%
OPERATING EXPENSE:				
Salaries & Wages	54,442	50,995	(3,447)	-6.8%
Supplies	16,244	18,565	2,321	12.5%
Fees & Purchased Services	11,878	12,201	323	2.6%
Other Operating Expense	16,079	15,389	(690)	-4.5%
Total Operating Expense	98,643	97,150	(1,493)	-1.5%
Net Operating Income/(Loss)	12,256	12,972	(716)	-5.5%
Non Operating Income	(2)	0	(2)	0.0%
Net Income(Loss)	12,254	12,972	(718)	-5.5%
Collection Rate	28.7%	28.4%	0.3%	
Operating Margin	11.1%	11.8%	-0.7%	
Net Margin	11.0%	11.8%	-0.7%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

	<u>Period Ending Apr 30</u>	
	FY 2014	FY 2013
CURRENT ASSETS		
Cash	51,994	50,604
Short Term Investments	128,717	125,410
Patient Accounts Receivable, net	100,526	89,808
Other Accounts and Notes Receivable	2,688	3,228
Intercompany Receivables	1,119	1,354
Inventories and Prepaids	56,734	49,170
Total Current Assets	341,778	319,574
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	96,464	77,378
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	961	4,820
Workers Compensation Reserve Fund	27,181	24,353
Postretirement Health/Life Reserve Fund	16,724	15,782
PTO Liability Fund	21,171	19,329
Malpractice Reserve Fund	2,002	2,318
Catastrophic Reserves Fund	13,105	13,964
Total Board Designated Assets	277,805	258,140
FUNDS HELD BY TRUSTEE	9,384	9,384
LONG TERM INVESTMENTS	162,635	121,147
INVESTMENTS IN AFFILIATES	25,721	22,404
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,056,074	1,008,015
Less: Accumulated Depreciation	(424,282)	(379,516)
Construction in Progress	14,460	10,395
Property, Plant & Equipment - Net	646,252	638,894
DEFERRED COSTS/BOND ISSUE COSTS	4,662	4,693
RESTRICTED ASSETS - CASH	7	6
TOTAL ASSETS	1,468,245	1,374,241

LIABILITIES AND FUND BALANCE

	<u>Period Ending Apr 30</u>	
	FY 2014	FY 2013
CURRENT LIABILITIES		
Accounts Payable	26,134	17,056
Salaries and Related Liabilities	23,167	20,873
Accrued PTO	21,171	19,329
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	18,034	20,988
Intercompany Payables	67	238
Malpractice Reserves	2,002	2,318
Bonds Payable - Current	3,075	3,000
Bond Interest Payable	2,467	2,520
Other Liabilities	3,337	7,028
Total Current Liabilities	101,753	95,649
LONG TERM LIABILITIES		
Post Retirement Benefits	16,724	15,782
Worker's Comp Reserve	24,881	22,053
Other L/T Obligation (Asbestos)	3,412	3,216
Other L/T Liabilities (IT/Medl Leases)	-	74
Bond Payable	184,897	191,074
Total Long Term Liabilities	229,914	232,199
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	858,737	788,247
Board Designated	277,805	258,140
Restricted	35	6
Total Fund Bal & Capital Accts	1,136,577	1,046,393
TOTAL LIABILITIES AND FUND BALANCE	1,468,245	1,374,241

(1) Hospital entity only, excludes controlled affiliates