



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2014 – Period 3
7/1/2013 to 9/30/2013

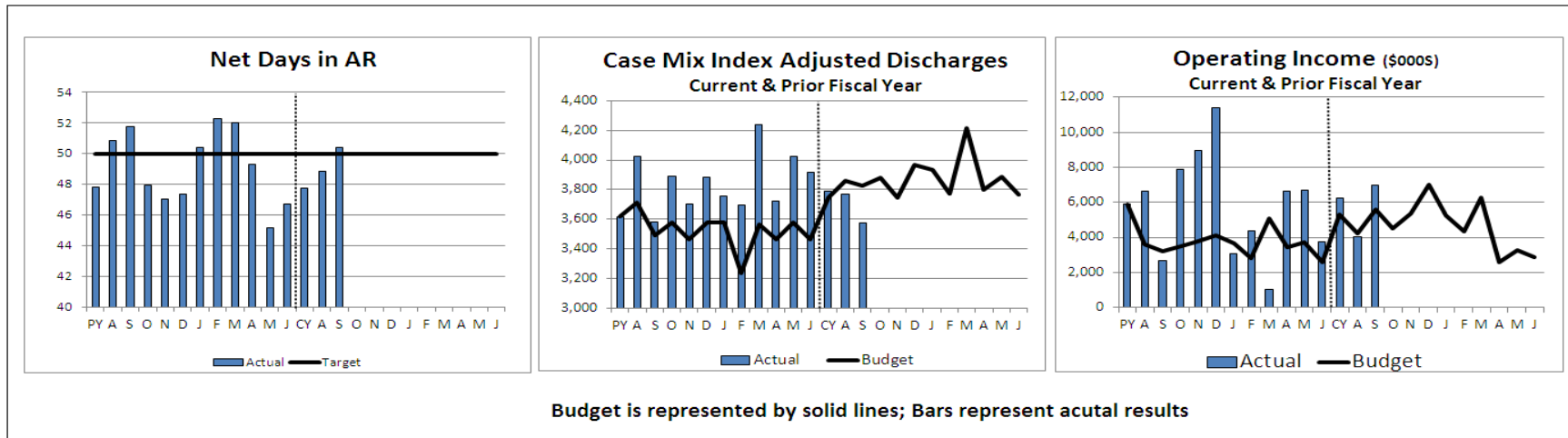
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending September 30, 2013

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)				BALANCE SHEET (\$000s)		
	Actual	Budget	Var F(U)		September 30, 2013	Sep 30, 2012
Gross Revenue	\$598,809	\$605,045	(\$6,236)	Cash and Investments	594,527	476,962
Deductions from Revenue	(423,509)	(431,301)	7,792	Non Cash Current Assets	152,884	140,762
Net Patient Revenue	175,299	173,744	1,555	Property, Plant & Equipment (Net)	626,126	650,181
Other Operating Revenue	4,198	3,995	203	Other Assets	37,140	34,558
Total Operating Revenue	179,497	177,739	1,759	Total Assets	1,410,678	1,302,463
Salaries & Wages	94,390	94,642	252	Current Liabilities	99,526	88,516
Supplies	25,345	26,024	679	Long-Term Debt	231,069	234,993
Fees & Purchased Services	19,956	18,949	(1,007)	Fund Balance/Capital Accounts	1,080,083	978,954
Other Operating Expense	8,544	8,380	(164)	Total Liabilities & Equity	1,410,678	1,302,463
Total Non Capital Operating Expense	148,234	147,995	(239)	KEY ECH STATISTICS - YTD		
OPERATING EBITDA	31,263	29,743	1,520	Balance Sheet	Actual	Target ⁽¹⁾
Interest, Depreciation & Amortization	13,956	14,642	685	Debt Service Coverage Ratio (MADS)	8.5	1.2
NET OPERATING SURPLUS	17,307	15,102	2,205	Debt to Capitalization	13.5%	37.5%
Non Operating Income	14,701	4,887	9,814	Days of Cash	364	225
TOTAL NET SURPLUS	32,008	19,988	12,019	Net AR Days	50.4	48.9
Yield Percent (NPR / Gross Revenue)	29.3%	28.7%	0.6%	Other	Actual	Budget
EBITDA Margin	17.4%	16.7%	0.7%	Acute Discharges	4,533	4,763
Operating Margin	9.6%	8.5%	1.1%	Acute Average Daily Census	223	227
Total Margin	17.8%	11.2%	6.6%	Deliveries	1,296	1,251
				Emergency Department Visits	14,491	13,811
				Surgical Cases	2,680	2,634
				Full Time Equivalent Employees	2,380	2,410
				Worked Hrs/CMI Adjusted Discharge	97.79	95.62

⁽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⁾



Net Days in AR Net outstanding receivables increased by \$5.4 million between August and September, due to some month-end billing delays and slow cash payments. Consequently, net days in A/R are now unfavorable to goal, increasing to 50.4 days. For the most recent 12-month period, A/R days averaged 48.9 days or 1.1 day favorable to the 50-day target.

CMI Adjusted Discharges Case Mix in September was 3% below budget and discharges were 9% short, these unfavorable variances were largely offset by outpatient revenues which exceeded budget by 7%, resulting in CMI Adjusted Discharges which were 6.6% unfavorable to budget. Fiscal year to date CMI Adjusted Discharges are 2.7 unfavorable to budget.

Operating Margin July's gross charges were \$2.5 million unfavorable to budget; except for an unbudgeted \$3.3 million favorable settlement on prior-year Medicare appeals, net revenues would have been \$0.5 million unfavorable to budget. Expenses were \$1.2 million unfavorable to budget (\$0.5 million of which was related to a contingent fee on the Medicare cost report settlements), resulting in hospital operations which were \$1.4 million favorable to budget. Investment performance continued strong - \$9 million in September; \$15 million YTD. Total net surplus for the quarter is 60% favorable to budget.

⁽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%	9.6%	8.5%	
EBITDA Margin	16.6%	19.4%	17.8%	17.4%	16.7%	
Days of Cash	250	321	350	364	225	
Debt Service Coverage Ratio (MADS)	7.5	7.2	7.9	8.5	4.5	
Debt to Capitalization	17.1%	15.8%	14.0%	13.5%	30.3%	
Net AR Days	48.6	48.1	48.3	50.4	48.9	

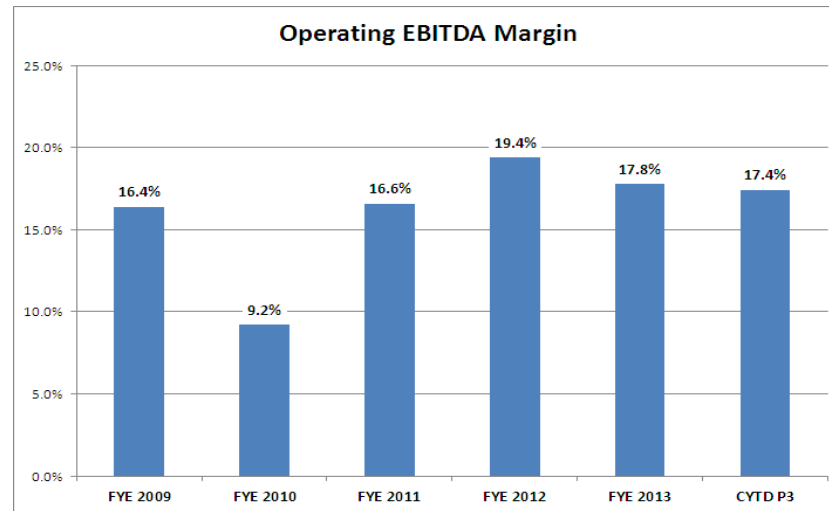
⁽¹⁾ Hospital Only - Excludes Affiliates

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

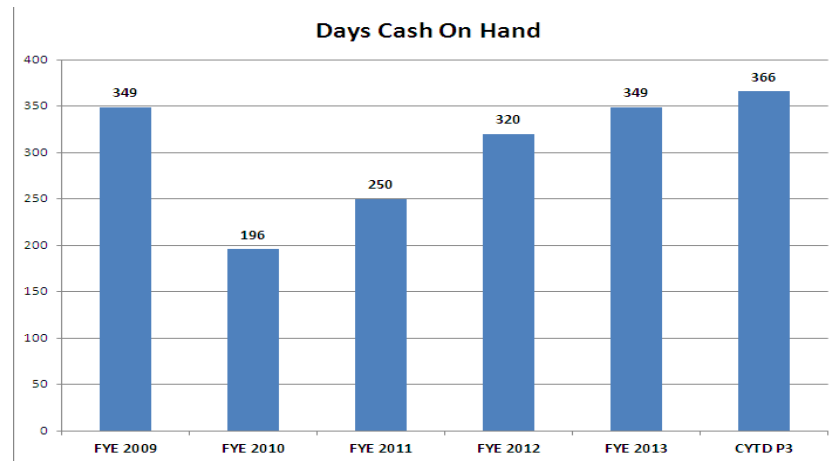
Target source: S&P 2013 A Rated Hospital Medians for all others

*Prior Year numbers represent full year

El Camino Hospital Financial Metrics Trend ⁽¹⁾



**0.7%
Favorable to
Budget**

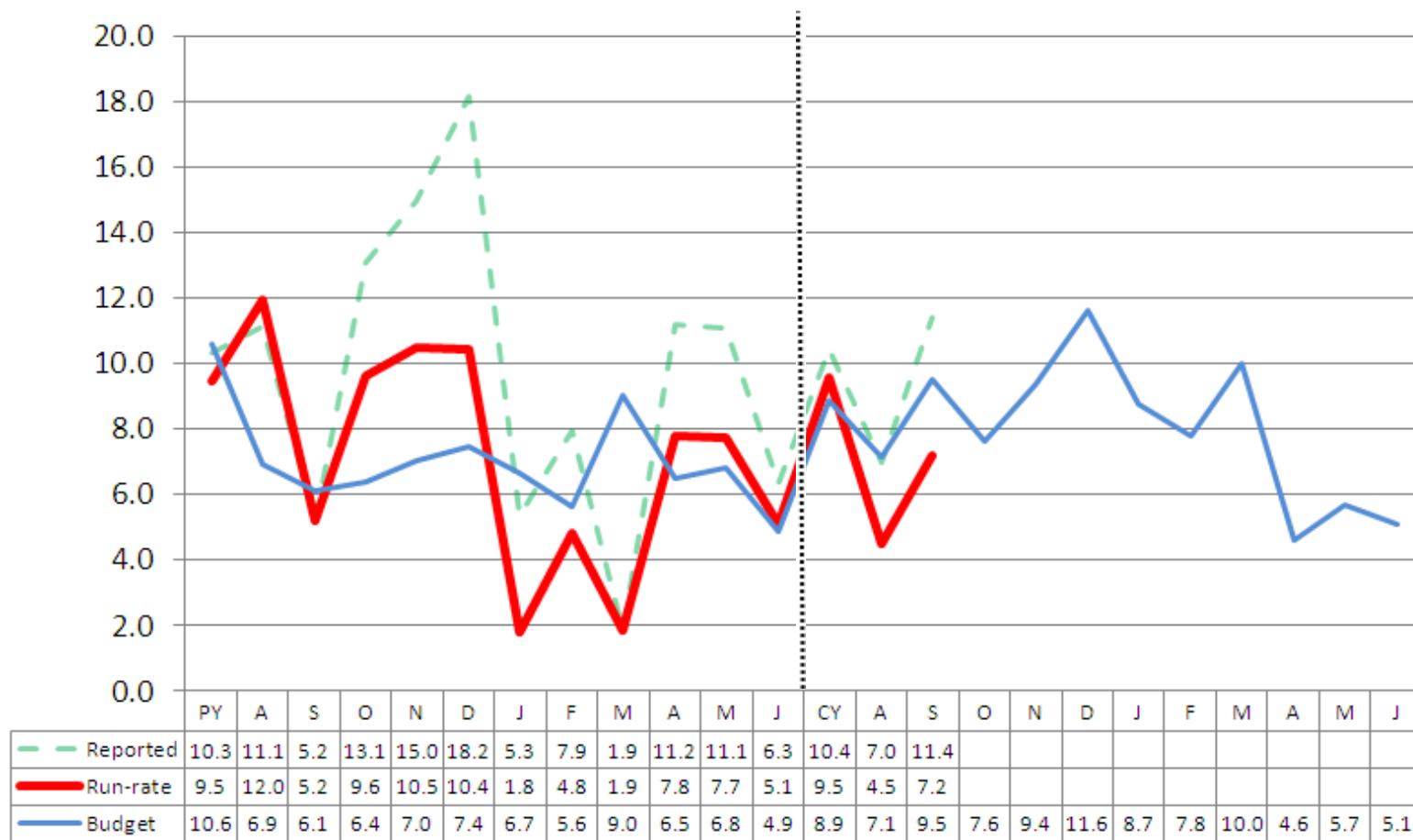


**7 Days
Favorable to
Budget**

**Represents
cash of \$593
million**

⁽¹⁾ Hospital entity only, excludes controlled affiliates

ECH Operating Margin⁽¹⁾



⁽¹⁾ Hospital entity only, excludes controlled affiliates

ECH Volume Statistics ⁽¹⁾

Discharges ⁽²⁾
ADC ⁽²⁾
Deliveries
ED Visits
Surgical Cases

Month of Sep, 2013		
Act	Bud	Var%
1,185	1,321	-10.3%
195	192	1.3%
357	357	-0.1%
3,657	3,689	-0.9%
523	558	-6.3%

MOUNTAIN VIEW

Year to Date			Prior Year	
Act	Bud	Var%	Act	Var%
3,673	3,924	-6.4%	3,936	-6.7%
180	186	-3.6%	180	-0.4%
1,113	1,061	4.9%	1,218	-8.6%
11,296	10,955	3.1%	10,567	6.9%
1,608	1,657	-3.0%	1,549	3.8%

Discharges ⁽²⁾
ADC ⁽²⁾
Deliveries
ED Visits
Surgical Cases

Month of Sep, 2013		
Act	Bud	Var
271	283	-4.1%
42	42	-0.5%
64	64	0.3%
993	962	3.2%
344	329	4.6%

LOS GATOS

Year to Date			Prior Year	
Act	Bud	Var	Act	Var%
860	839	2.5%	866	-0.7%
44	41	7.4%	41	6.8%
183	189	-3.4%	196	-6.6%
3,195	2,856	11.9%	2,843	12.4%
1,072	976	9.8%	1,137	-5.7%

Discharges ⁽²⁾
ADC ⁽²⁾
Deliveries
ED Visits
Surgical Cases

Month of Sep, 2013		
Act	Bud	Var
1,456	1,604	-9.2%
237	235	1.0%
421	421	0.0%
4,650	4,651	0.0%
867	887	-2.2%

ECH

Year to Date			Prior Year	
Act	Bud	Var	Act	Var%
4,533	4,763	-4.8%	4,802	-5.6%
223	227	-1.6%	221	0.9%
1,296	1,251	3.6%	1,414	-8.3%
14,491	13,811	4.9%	13,410	8.1%
2,680	2,634	1.8%	2,686	-0.2%

⁽¹⁾ Hospital entity only, excludes controlled affiliates

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

El Camino Hospital Volume Trends Prior and Current Fiscal Years



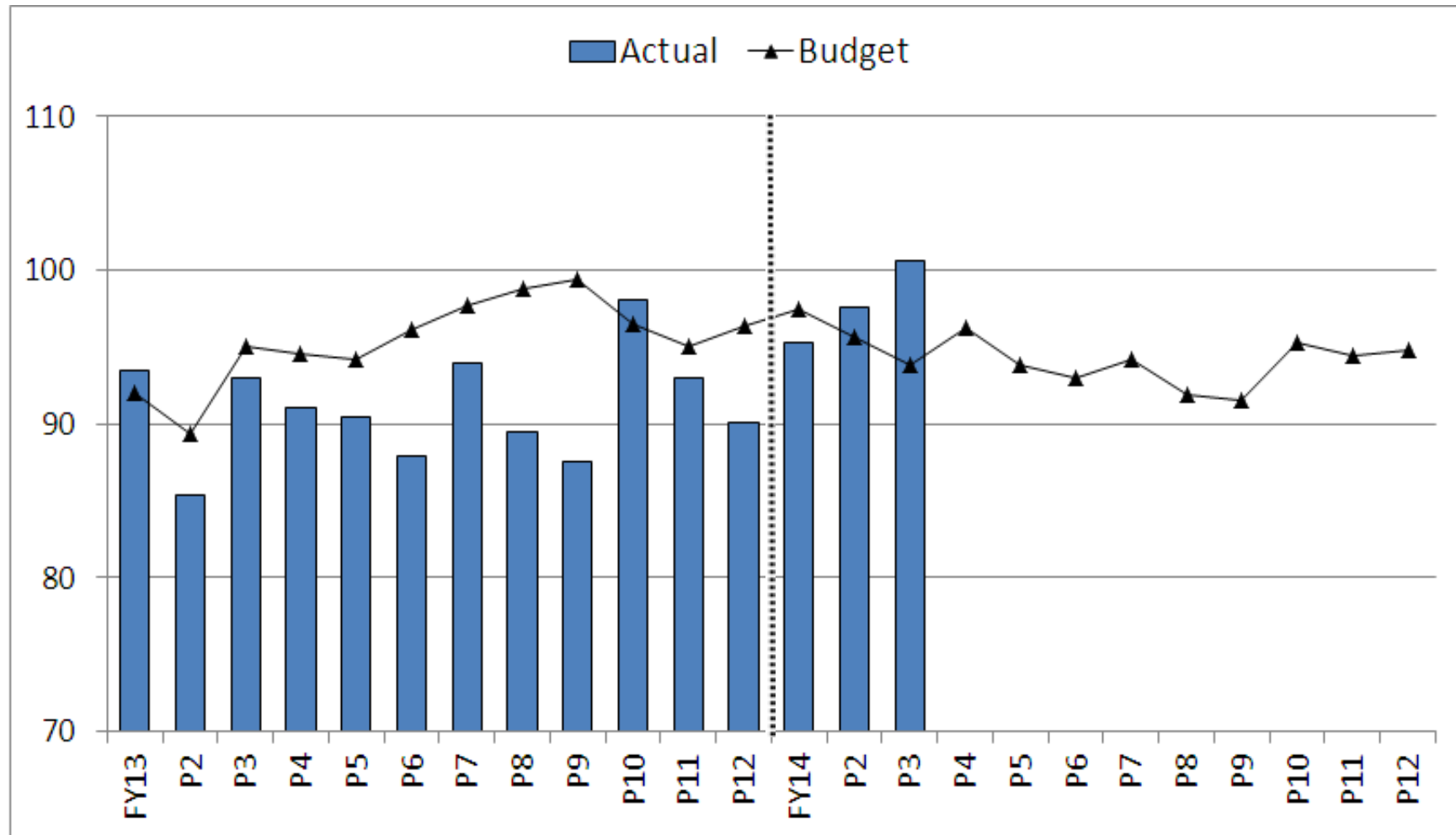
APPENDIX

Summary of Financial Results

\$ in Thousands

	Period 3 - Month			Period 3 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	6,300	4,263	2,037	14,257	11,813	2,444
Los Gatos	699	1,304	(605)	3,050	3,289	(239)
Sub Total - El Camino Hospital, excl. Affiliates	6,999	5,567	1,432	17,307	15,102	2,205
Operating Margin %	11.4%	9.5%		9.6%	8.5%	
El Camino Hospital Non Operating Income						
Investments **	9,041	1,892	7,149	15,189	5,920	9,269
Swap Adjustments	(350)	0	(350)	553	0	553
Community Benefit	(192)	0	(192)	(702)	0	(702)
Other	(201)	(330)	129	(340)	(1,034)	694
Sub Total - Non Operating Income	8,298	1,562	6,736	14,701	4,887	9,814
El Camino Hospital Net Income (Loss)	15,297	7,129	8,168	32,008	19,988	12,019
ECH Net Margin %	24.9%	12.2%		17.8%	11.2%	
Net Income Hospital Affiliates	758	174	585	1,311	605	706
Total Net Income Hospital & Affiliates	16,055	7,303	8,752	33,319	20,594	12,725

Worked Hours per CMI Adjusted Discharge⁽¹⁾

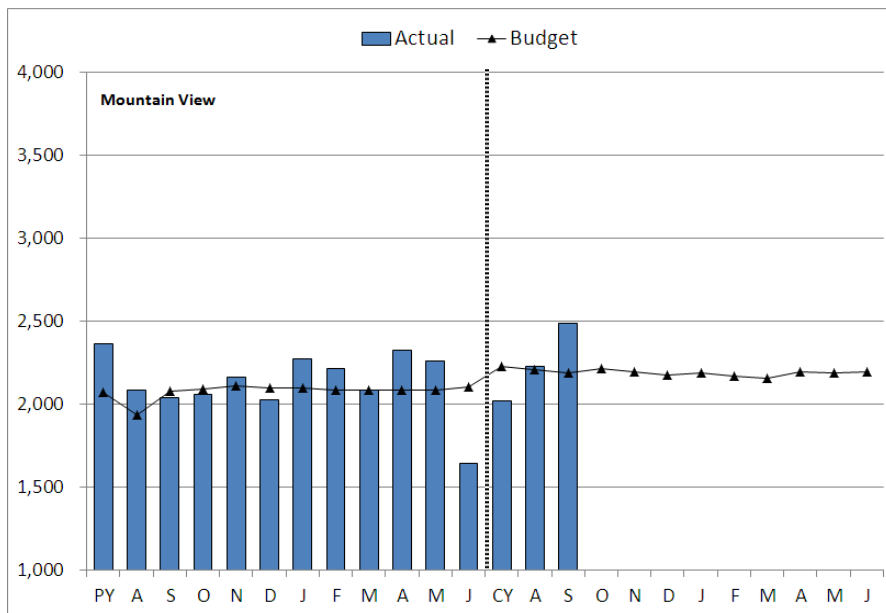


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Supply Cost per CMI Adjusted Discharges ⁽¹⁾

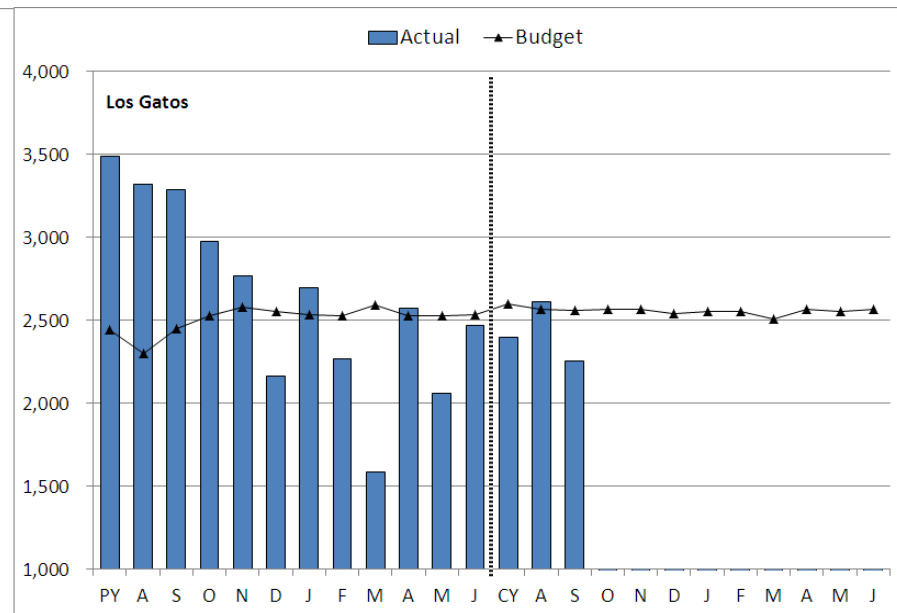
YTD: 1.8% over budget

Mountain View



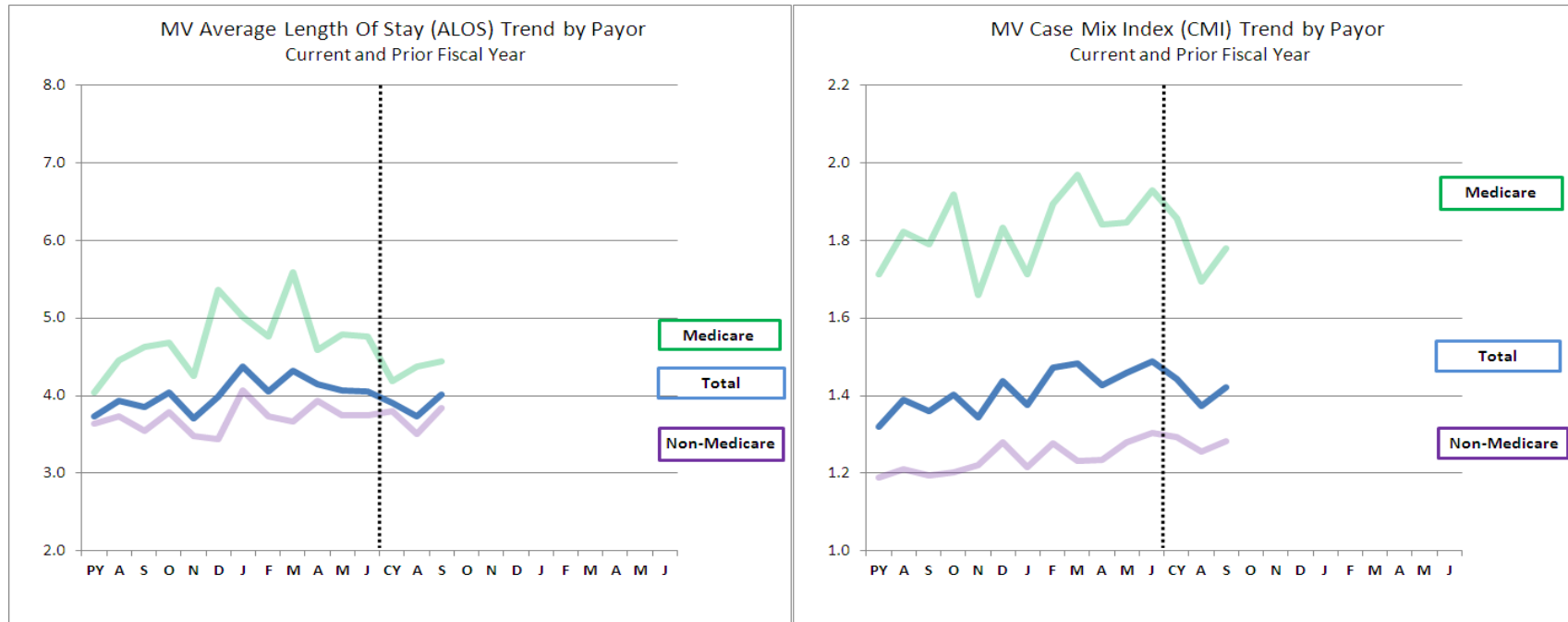
YTD: -5.9% under budget

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend⁽¹⁾

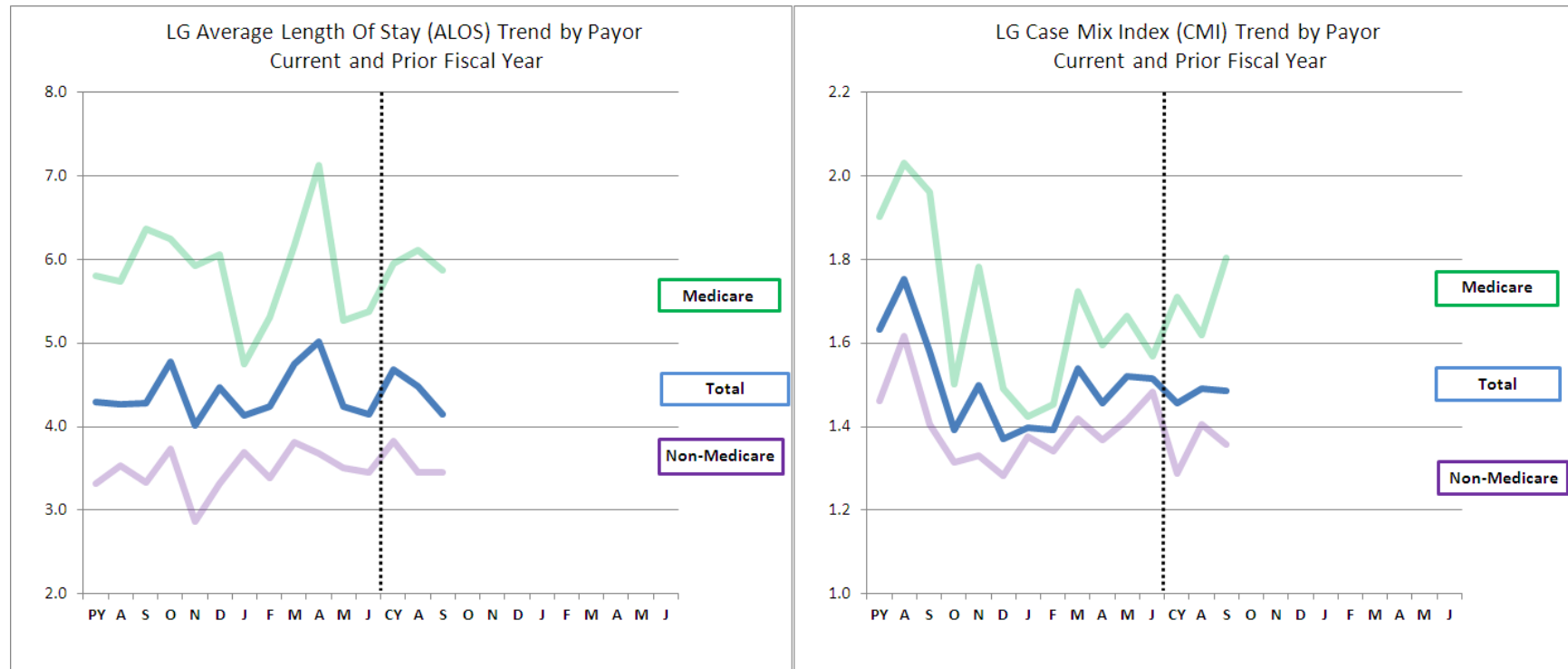


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

(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

(1) Hospital entity only, excludes controlled affiliates

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
3 months ending 9/30/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	598,809	604,392	(5,583)	-0.9%
Deductions	(423,509)	(439,932)	16,423	-3.7%
Net Patient Revenue	175,299	164,460	10,840	6.6%
Other Operating Revenue	4,198	4,094	104	2.5%
Total Operating Revenue	179,497	168,554	10,944	6.5%
OPERATING EXPENSE:				
Salaries & Wages	94,390	85,969	(8,420)	-9.8%
Supplies	25,345	26,997	1,652	6.1%
Fees & Purchased Services	19,956	21,214	1,258	5.9%
Other Operating Expense	22,500	19,171	(3,329)	-17.4%
Total Operating Expense	162,191	153,351	(8,840)	-5.8%
Net Operating Income/(Loss)	17,307	15,203	2,104	13.8%
Non Operating Income	14,701	7,274	7,427	102.1%
Net Income(Loss)	32,008	22,476	9,531	42.4%
 Collection Rate	 29.3%	 27.2%	 2.1%	
Operating Margin	9.6%	9.0%	0.6%	
Net Margin	17.8%	13.3%	4.5%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year

3 months ending 9/30/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	484,430	476,210	8,221	1.7%
Deductions	(341,354)	(345,526)	4,172	-1.2%
Net Patient Revenue	143,076	130,684	12,393	9.5%
Other Operating Revenue	4,032	3,919	113	2.9%
Total Operating Revenue	147,109	134,603	12,506	9.3%
OPERATING EXPENSE:				
Salaries & Wages	78,643	71,206	(7,437)	-10.4%
Supplies	20,226	19,345	(880)	-4.6%
Fees & Purchased Services	16,301	17,631	1,330	7.5%
Other Operating Expense	17,682	14,448	(3,234)	-22.4%
Total Operating Expense	132,852	122,631	(10,221)	-8.3%
Net Operating Income/(Loss)	14,257	11,972	2,285	19.1%
Non Operating Income	14,703	7,262	7,441	102.5%
Net Income(Loss)	28,960	19,235	9,725	50.6%
 Collection Rate	 29.5%	 27.4%	 2.1%	
Operating Margin	9.7%	8.9%	0.8%	
Net Margin	19.7%	14.3%	5.4%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year

3 months ending 9/30/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	114,378	128,182	(13,804)	-10.8%
Deductions	(82,155)	(94,406)	12,251	-13.0%
Net Patient Revenue	32,223	33,776	(1,553)	-4.6%
Other Operating Revenue	166	175	(9)	-5.2%
Total Operating Revenue	32,389	33,950	(1,562)	-4.6%
OPERATING EXPENSE:				
Salaries & Wages	15,747	14,763	(984)	-6.7%
Supplies	5,119	7,651	2,532	33.1%
Fees & Purchased Services	3,655	3,583	(72)	-2.0%
Other Operating Expense	4,818	4,723	(96)	-2.0%
Total Operating Expense	29,339	30,720	1,382	4.5%
Net Operating Income/(Loss)	3,050	3,230	(180)	-5.6%
Non Operating Income	(2)	11	(13)	-119.2%
Net Income(Loss)	3,048	3,242	(194)	-6.0%
Collection Rate	28.2%	26.3%	1.8%	
Operating Margin	9.4%	9.5%	-0.1%	
Net Margin	9.4%	9.5%	-0.1%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget
3 months ending 9/30/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	598,809	605,045	(6,236)	-1.0%
Deductions	(423,509)	(431,301)	7,792	-1.8%
Net Patient Revenue	175,299	173,744	1,555	0.9%
Other Operating Revenue	4,198	3,995	203	5.1%
Total Operating Revenue	179,497	177,739	1,759	1.0%
OPERATING EXPENSE:				
Salaries & Wages	94,390	94,642	252	0.3%
Supplies	25,345	26,024	679	2.6%
Fees & Purchased Services	19,956	18,949	(1,007)	-5.3%
Other Operating Expense	22,500	23,022	521	2.3%
Total Operating Expense	162,191	162,637	446	0.3%
Net Operating Income/(Loss)	17,307	15,102	2,205	14.6%
Non Operating Income	14,701	4,887	9,814	200.8%
Net Income(Loss)	32,008	19,988	12,019	60.1%
 Collection Rate	 29.3%	 28.7%	 0.6%	
Operating Margin	9.6%	8.5%	1.1%	
Net Margin	17.8%	11.2%	6.6%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget
3 months ending 9/30/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	484,430	491,917	(7,487)	-1.5%
Deductions	(341,354)	(350,293)	8,939	-2.6%
Net Patient Revenue	143,076	141,624	1,452	1.0%
Other Operating Revenue	4,032	3,863	170	4.4%
Total Operating Revenue	147,109	145,487	1,622	1.1%
OPERATING EXPENSE:				
Salaries & Wages	78,643	79,475	832	1.0%
Supplies	20,226	20,551	325	1.6%
Fees & Purchased Services	16,301	15,256	(1,045)	-6.9%
Other Operating Expense	17,682	18,392	710	3.9%
Total Operating Expense	132,852	133,674	822	0.6%
Net Operating Income/(Loss)	14,257	11,813	2,444	20.7%
Non Operating Income	14,703	4,887	9,816	200.9%
Net Income(Loss)	28,960	16,700	12,260	73.4%
 Collection Rate	 29.5%	 28.8%	 0.7%	
Operating Margin	9.7%	8.1%	1.6%	
Net Margin	19.7%	11.5%	8.2%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

3 months ending 9/30/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	114,378	113,128	1,251	1.1%
Deductions	(82,155)	(81,008)	(1,147)	1.4%
Net Patient Revenue	32,223	32,120	103	0.3%
Other Operating Revenue	166	132	34	25.5%
Total Operating Revenue	32,389	32,252	137	0.4%
OPERATING EXPENSE:				
Salaries & Wages	15,747	15,167	(580)	-3.8%
Supplies	5,119	5,473	354	6.5%
Fees & Purchased Services	3,655	3,693	38	1.0%
Other Operating Expense	4,818	4,630	(188)	-4.1%
Total Operating Expense	29,339	28,963	(376)	-1.3%
Net Operating Income/(Loss)	3,050	3,289	(239)	-7.3%
Non Operating Income	(2)	0	(2)	0.0%
Net Income(Loss)	3,048	3,289	(241)	-7.3%
 Collection Rate	 28.2%	 28.4%	 -0.2%	
Operating Margin	9.4%	10.2%	-0.8%	
Net Margin	9.4%	10.2%	-0.8%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

	Period Ending Sep 30	
	FY 2014	FY 2013
CURRENT ASSETS		
Cash	68,618	45,491
Short Term Investments	127,646	158,696
Patient Accounts Receivable, NET	93,965	87,614
Other Accounts and Notes Receivable	6,300	3,224
Intercompany Receivables	714	1,782
Inventories and Prepaids	51,905	48,142
Total Current Assets	349,149	344,949
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	82,402	61,276
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	693	3,612
Workers Compensation Reserve Fund	26,660	21,007
Postretirement Health/Life Reserve Fund	15,806	15,117
PTO Liability Fund	19,101	16,743
Malpractice Reserve Fund	2,002	2,318
Catastrophic Reserves Fund	15,110	12,655
Total Board Designated Assets	261,970	232,924
FUNDS HELD BY TRUSTEE	9,384	9,384
LONG TERM INVESTMENTS	136,293	39,851
INVESTMENTS IN AFFILIATES	23,130	20,372
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,013,032	999,505
Less: Accumulated Depreciation	(399,221)	(355,979)
Construction in Progress	12,315	6,655
Property, Plant & Equipment - Net	626,126	650,181
DEFERRED COSTS/BOND ISSUE COSTS	4,617	4,798
RESTRICTED ASSETS - CASH	8	3
TOTAL ASSETS	1,410,678	1,302,463

LIABILITIES AND FUND BALANCE

	Period Ending Sep 30	
	FY 2014	FY 2013
CURRENT LIABILITIES		
Accounts Payable	19,480	12,578
Salaries and Related Liabilities	23,492	23,022
Accrued PTO	19,101	16,743
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	22,345	19,639
Intercompany Payables	103	323
Malpractice Reserves	2,002	2,318
Bonds Payable - Current	3,000	2,850
Bond Interest Payable	1,920	1,981
Other Liabilities	5,783	6,762
Total Current Liabilities	99,526	88,516
LONG TERM LIABILITIES		
Post Retirement Benefits	15,806	15,117
Worker's Comp Reserve	24,360	18,707
Other L/T Obligation (Asbestos)	3,329	3,216
Other L/T Liabilities (IT/Medl Leases)	-	2,862
Bond Payable	187,574	195,090
Total Long Term Liabilities	231,069	234,993
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	818,077	746,027
Board Designated	261,970	232,924
Restricted	36	3
Total Fund Bal & Capital Accts	1,080,083	978,954
TOTAL LIABILITIES AND FUND BALANCE	1,410,678	1,302,463

⁽¹⁾ Hospital entity only, excludes controlled affiliates