



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2014 – Period 4
7/1/2013 to 10/31/2013

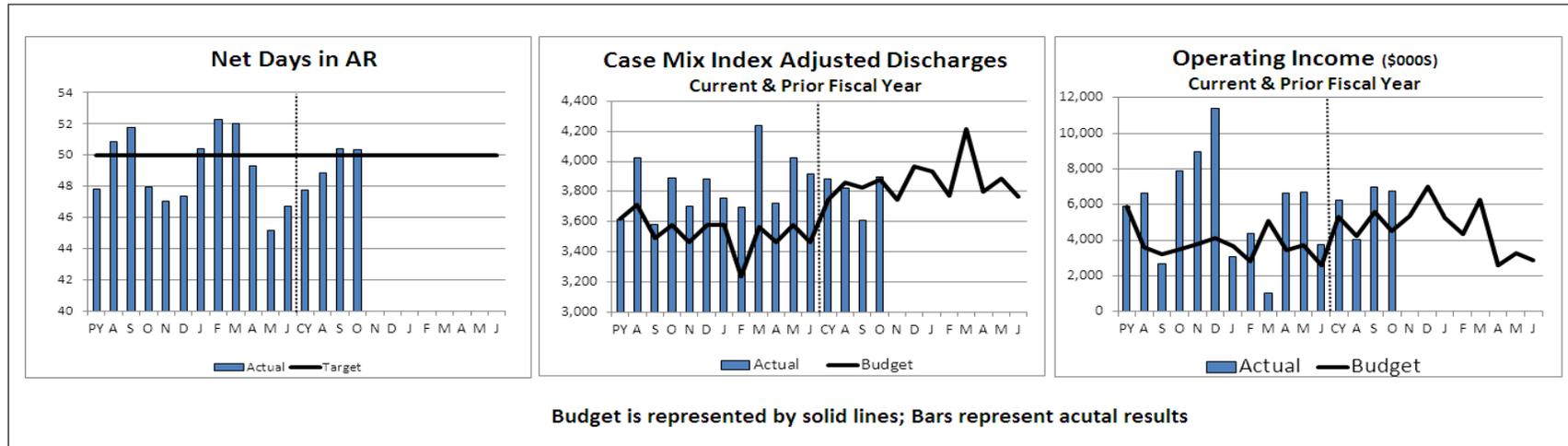
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending October 31, 2013

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)				BALANCE SHEET (\$000s)		
	Actual	Budget	Var F(U)		October 31, 2013	Oct 31, 2012
Gross Revenue	\$811,146	\$810,280	\$866	Cash and Investments	605,072	492,580
Deductions from Revenue	(574,496)	(578,484)	3,987	Non Cash Current Assets	159,072	137,846
Net Patient Revenue	236,650	231,796	4,854	Property, Plant & Equipment (Net)	626,775	650,081
Other Operating Revenue	6,836	5,377	1,459	Other Assets	37,817	34,686
Total Operating Revenue	243,486	237,173	6,312	Total Assets	1,428,737	1,315,193
Salaries & Wages	128,337	126,369	(1,968)	Current Liabilities	102,576	94,388
Supplies	34,499	34,865	367	Long-Term Debt	231,540	234,442
Fees & Purchased Services	26,678	25,369	(1,309)	Fund Balance/Capital Accounts	1,094,621	986,363
Other Operating Expense	11,331	11,295	(36)	Total Liabilities & Equity	1,428,737	1,315,193
Total Non Capital Operating Expense	200,845	197,899	(2,946)	KEY ECH STATISTICS - YTD		
OPERATING EBITDA	42,641	39,274	3,366	Balance Sheet	Actual	Target ⁽¹⁾
Interest, Depreciation & Amortization	18,590	19,651	1,062	Debt Service Coverage Ratio (MADS)	8.8	1.2
NET OPERATING SURPLUS	24,051	19,623	4,428	Debt to Capitalization	13.4%	37.5%
Non Operating Income	22,665	6,587	16,077	Days of Cash	366	225
TOTAL NET SURPLUS	46,716	26,210	20,505	Net AR Days	50.3	48.9
Yield Percent (NPR / Gross Revenue)	29.2%	28.6%	0.6%	Other	Actual	Budget
EBITDA Margin	17.5%	16.6%	1.0%	Acute Discharges	6,132	6,388
Operating Margin	9.9%	8.3%	1.6%	Acute Average Daily Census	226	228
Total Margin	19.2%	11.1%	8.1%	Deliveries	1,771	1,678
				Emergency Department Visits	19,217	18,525
				Surgical Cases	3,678	3,532
				Full Time Equivalent Employees	2,393	2,410
				Worked Hrs/CMI Adjusted Discharge	96.68	95.77

⁽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 \$3.5 million between September and October, but net patient revenue increased \$4.2 million. Consequently, net days in A/R dropped slightly to 50.3 days (from 50.4 days). For the most recent 12-month period, A/R days averaged 449 days or 1 day favorable to the 50-day target.

CMI Adjusted Discharges Case mix in September was 2% below budget and discharges were 1.6% short; these unfavorable variances were largely offset by outpatient revenues which exceeded budget by 10%, resulting in CMI Adjusted Discharges which were 3% favorable to budget. Fiscal year to date CMI Adjusted Discharges are 0.8% unfavorable to budget.

Operating Margin October's gross charges were \$7 million favorable to budget; excluding a \$1.1 million gain on sale of Premier stock, net revenues were \$3.5 million favorable to budget. Excluding a \$1.1 million "catch-up" accrual for bonuses (because YTD we are now ahead of budget), expenses were \$1.3 million unfavorable to budget. So hospital operations were \$2.3 million favorable to budget. Investment performance continued strong - \$8.5 million in October; \$24 million YTD. Total net surplus for the quarter is 78% 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%	9.9%	8.3%	
EBITDA Margin	16.6%	19.4%	17.8%	17.5%	16.6%	
Days of Cash	250	321	350	366	225	
Debt Service Coverage Ratio (MADS)	7.5	7.2	7.9	8.8	4.5	
Debt to Capitalization	17.1%	15.8%	14.0%	13.4%	30.3%	
Net AR Days	48.6	48.1	48.3	50.3	48.9	

⁽¹⁾ Hospital Only - Excludes Affiliates

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

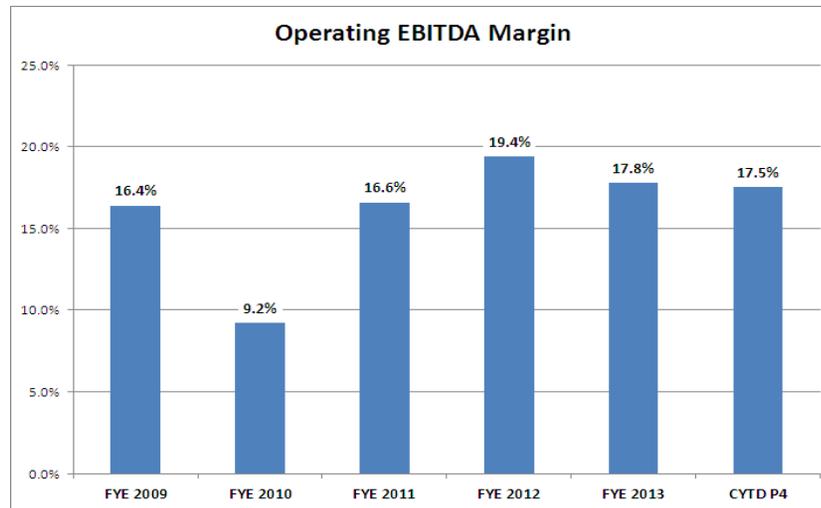
Target source: S&P 2013 A Rated Hospital Medians for all others

*Prior Year numbers represent full year

⁽¹⁾ Hospital entity only, excludes controlled affiliates

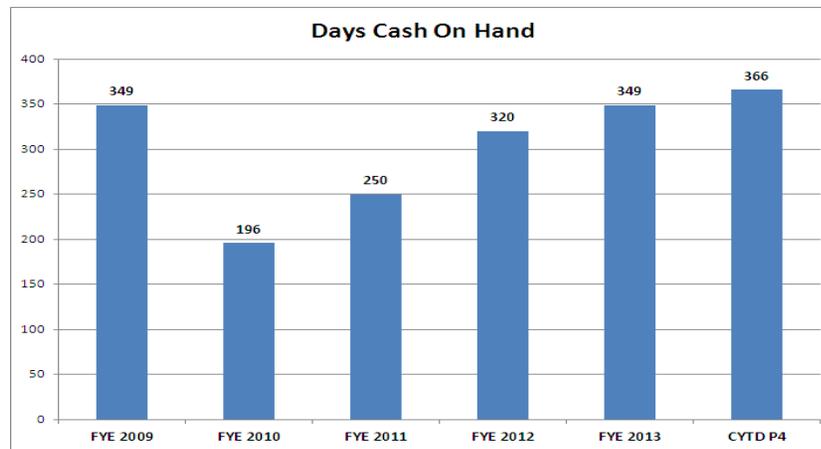
El Camino Hospital Financial Metrics Trend ⁽¹⁾

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**1.0%
Favorable to
Budget**

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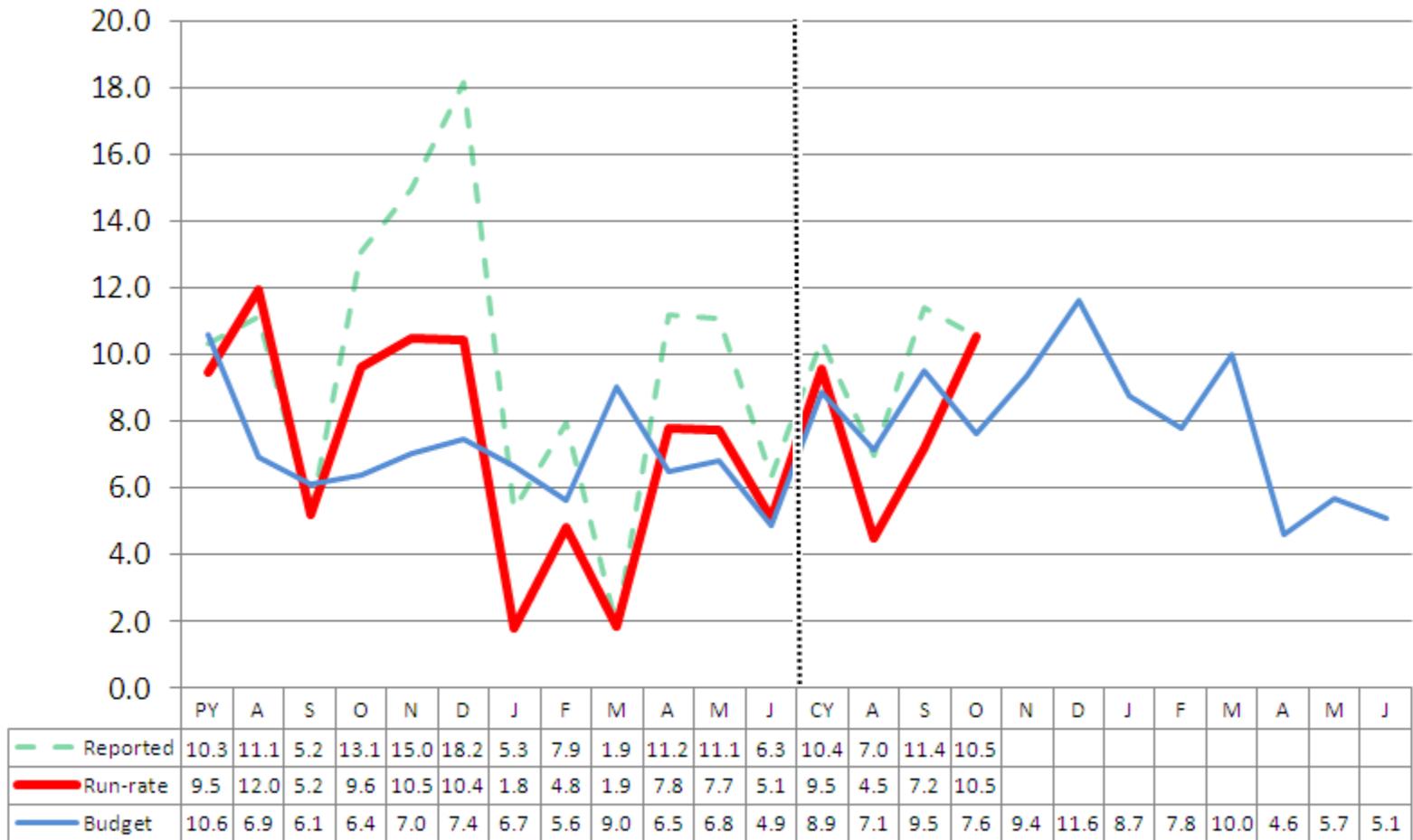


**3 Days
Favorable to
Budget**

**Represents
cash of \$605
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 Oct, 2013		
Act	Bud	Var%
1,315	1,339	-1.8%
189	189	-0.1%
404	362	11.5%
3,729	3,739	-0.3%
612	566	8.2%

MOUNTAIN VIEW

Year to Date			Prior Year	
Act	Bud	Var%	Act	Var%
4,988	5,263	-5.2%	5,279	-5.5%
182	187	-2.7%	181	0.3%
1,517	1,424	6.6%	1,611	-5.8%
15,025	14,694	2.3%	14,350	4.7%
2,220	2,223	-0.1%	2,108	5.3%

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

Month of Oct, 2013		
Act	Bud	Var
284	286	-0.8%
43	41	4.0%
71	65	9.8%
997	975	2.3%
386	333	15.8%

LOS GATOS

Year to Date			Prior Year	
Act	Bud	Var	Act	Var%
1,144	1,126	1.6%	1,122	2.0%
44	41	6.5%	40	8.7%
254	254	0.0%	255	-0.4%
4,192	3,831	9.4%	3,827	9.5%
1,458	1,310	11.3%	1,461	-0.2%

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

Month of Oct, 2013		
Act	Bud	Var
1,599	1,625	-1.6%
232	230	0.7%
475	427	11.3%
4,726	4,714	0.3%
998	899	11.0%

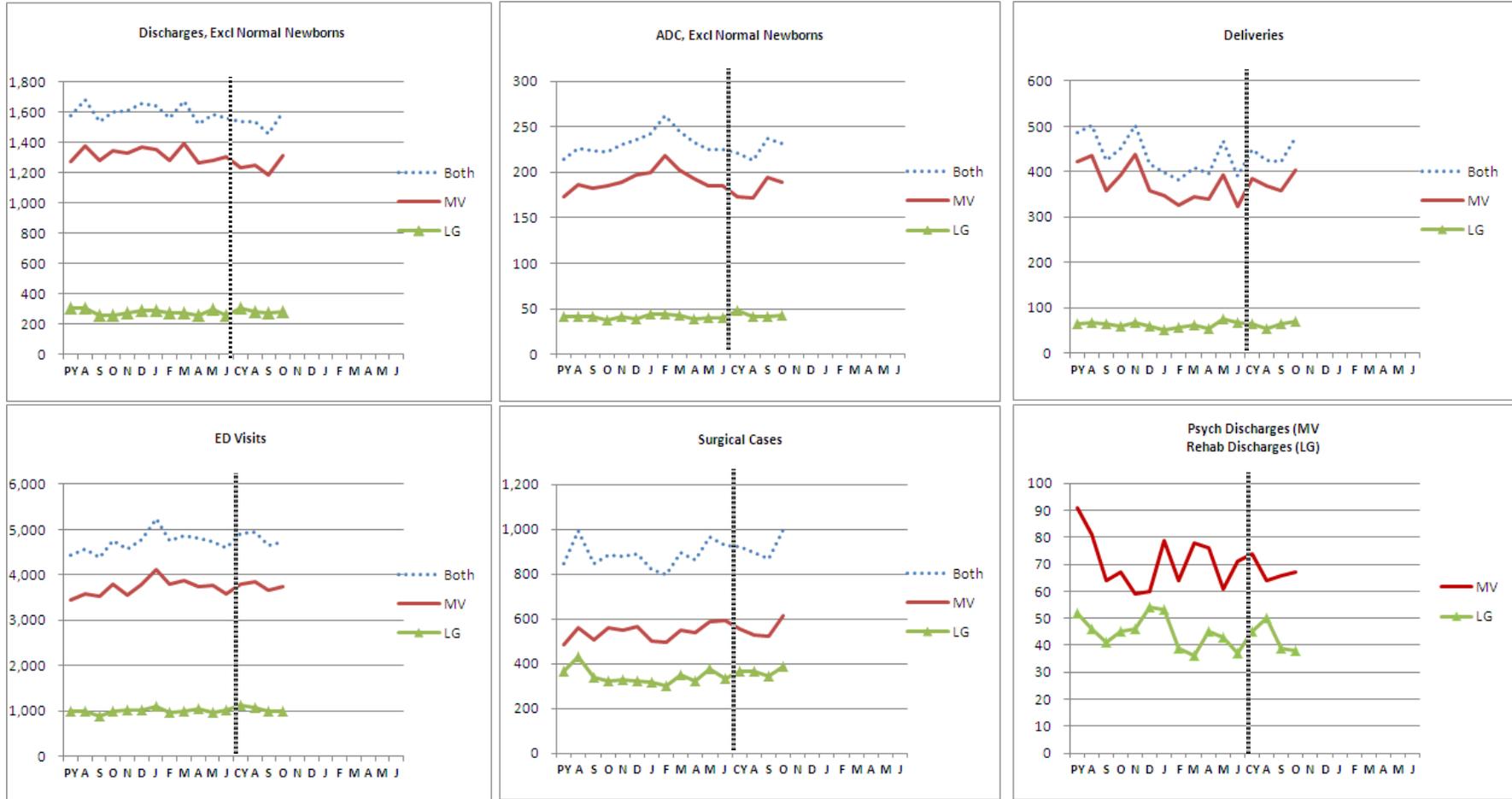
ECH

Year to Date			Prior Year	
Act	Bud	Var	Act	Var%
6,132	6,388	-4.0%	6,401	-4.2%
226	228	-1.0%	222	1.8%
1,771	1,678	5.6%	1,866	-5.1%
19,217	18,525	3.7%	18,177	5.7%
3,678	3,532	4.1%	3,569	3.1%

(1) Hospital entity only, excludes controlled affiliates

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

El Camino Hospital Volume Trends Prior and Current Fiscal Years



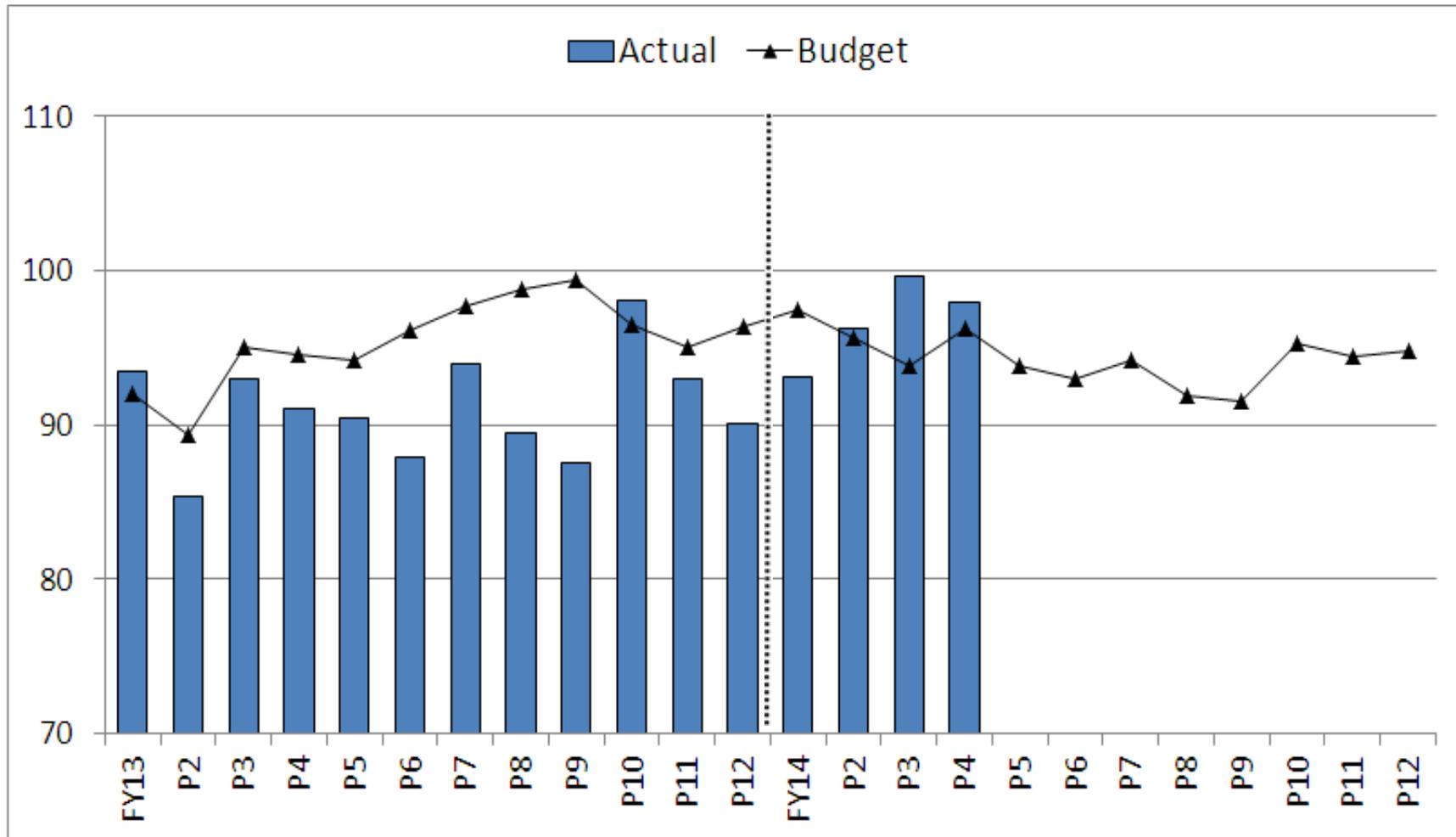
APPENDIX

Summary of Financial Results

\$ in Thousands

	Period 4 - Month			Period 4 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	4,017	3,335	682	18,273	15,148	3,126
Los Gatos	2,728	1,186	1,542	5,778	4,475	1,303
Sub Total - El Camino Hospital, excl. Affiliates	6,744	4,521	2,223	24,051	19,623	4,428
Operating Margin %	10.5%	7.6%		9.9%	8.3%	
El Camino Hospital Non Operating Income						
Investments **	8,514	2,061	6,453	23,703	7,981	15,722
Swap Adjustments	(3)	0	(3)	550	0	550
Community Benefit	(74)	0	(74)	(775)	0	(775)
Other	(473)	(360)	(113)	(813)	(1,393)	581
Sub Total - Non Operating Income	7,964	1,701	6,263	22,665	6,587	16,077
El Camino Hospital Net Income (Loss)	14,708	6,222	8,486	46,716	26,210	20,505
ECH Net Margin %	23.0%	10.5%		19.2%	11.1%	
Net Income Hospital Affiliates	543	223	320	1,854	828	1,026
Total Net Income Hospital & Affiliates	15,251	6,445	8,806	48,570	27,039	21,532

Worked Hours per CMI Adjusted Discharge⁽¹⁾

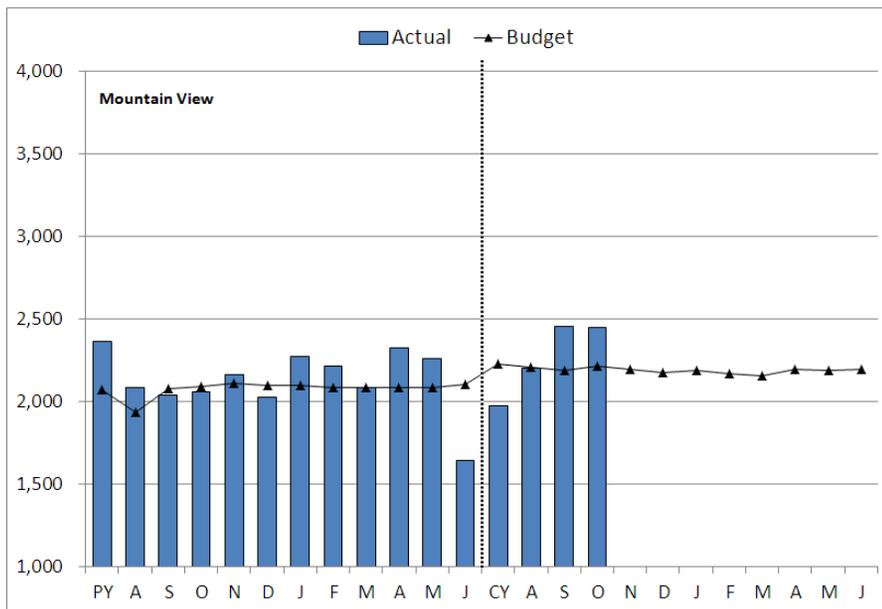


⁽¹⁾ Hospital entity only, excludes controlled affiliates

Supply Cost per CMI Adjusted Discharges ⁽¹⁾

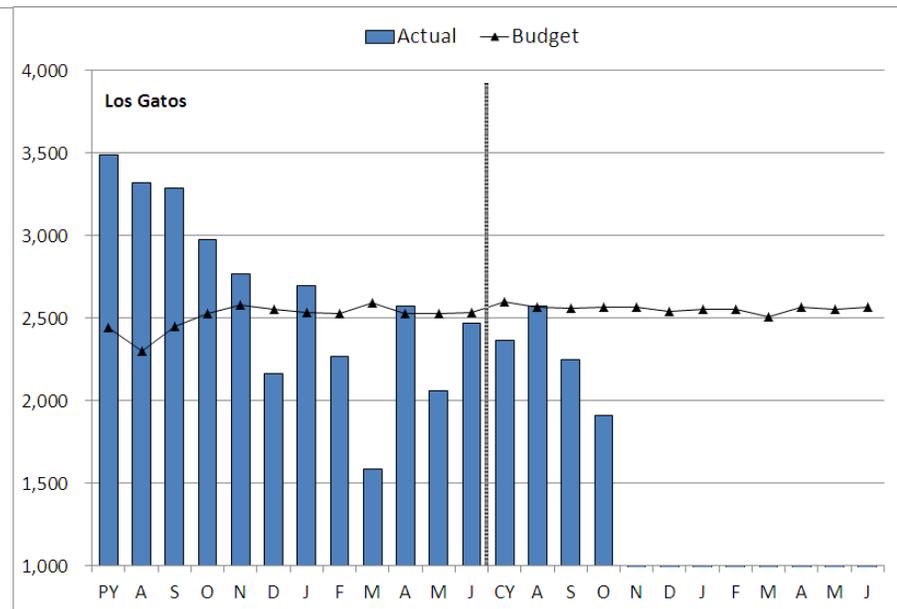
YTD: 2.7% over budget

Mountain View



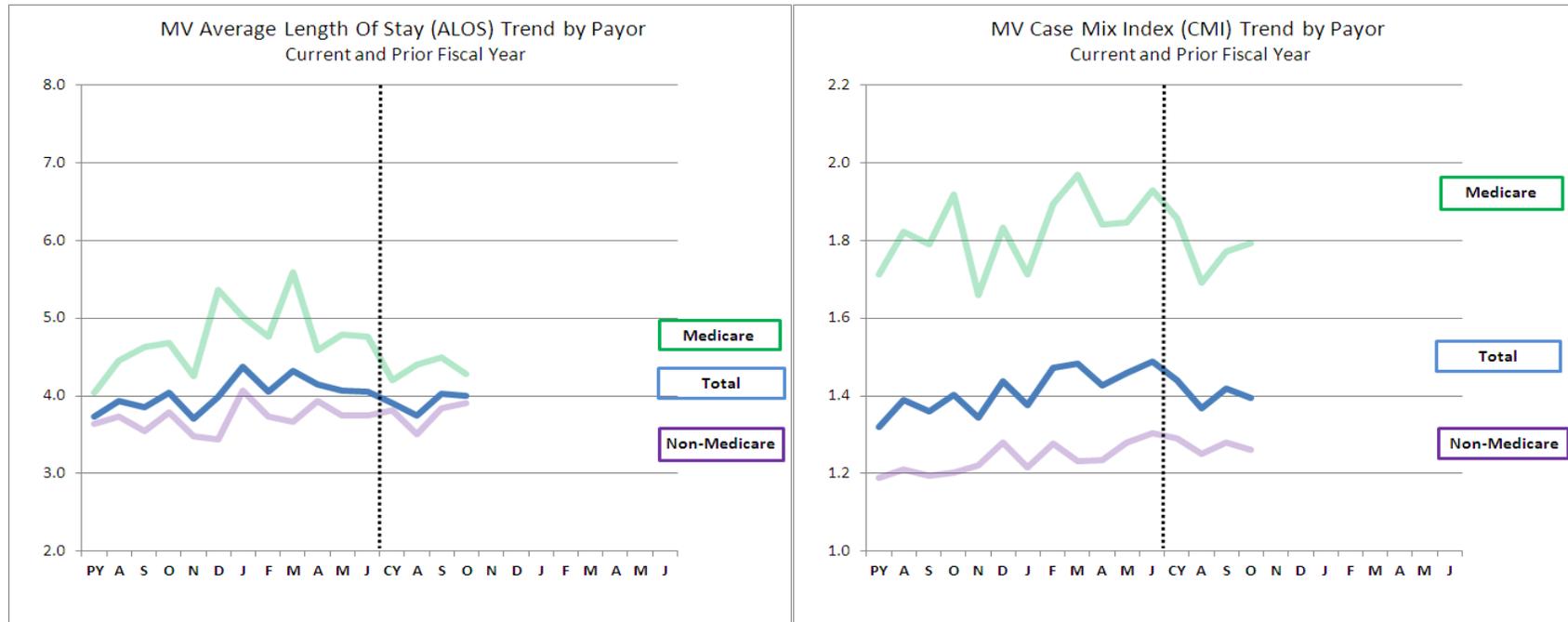
YTD: -11.6% under budget

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend⁽¹⁾

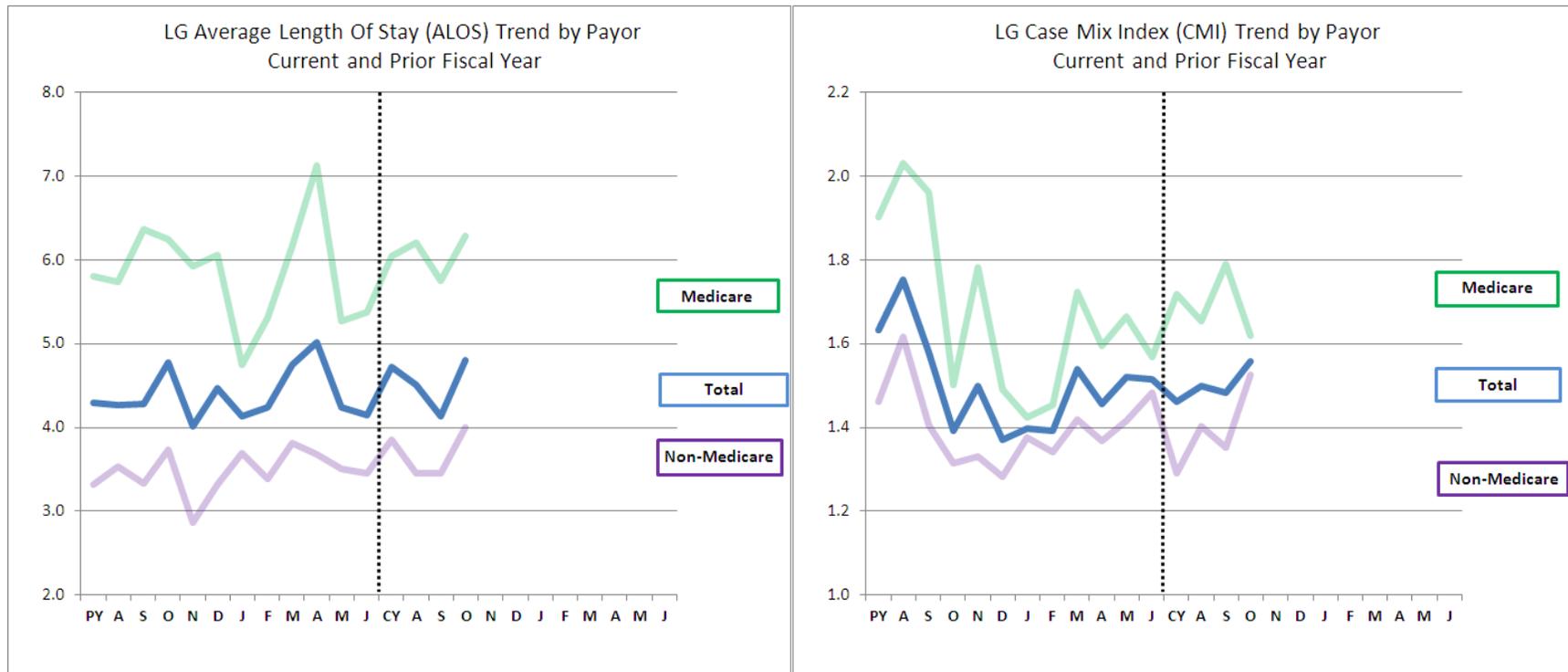


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

⁽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
4 months ending 10/31/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	811,146	808,701	2,445	0.3%
Deductions	(574,496)	(584,704)	10,208	-1.7%
Net Patient Revenue	236,650	223,997	12,653	5.6%
Other Operating Revenue	6,836	5,130	1,706	33.2%
Total Operating Revenue	243,486	229,127	14,359	6.3%
OPERATING EXPENSE:				
Salaries & Wages	128,337	116,144	(12,193)	-10.5%
Supplies	34,499	35,576	1,077	3.0%
Fees & Purchased Services	26,678	28,048	1,370	4.9%
Other Operating Expense	29,921	26,248	(3,673)	-14.0%
Total Operating Expense	219,434	206,016	(13,418)	-6.5%
Net Operating Income/(Loss)	24,051	23,110	941	4.1%
Non Operating Income	22,665	7,187	15,478	215.4%
Net Income(Loss)	46,716	30,297	16,418	54.2%
Collection Rate	29.2%	27.7%	1.5%	
Operating Margin	9.9%	10.1%	-0.2%	
Net Margin	19.2%	13.2%	6.0%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year
4months ending 10/31/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	655,171	645,487	9,685	1.5%
Deductions	(463,265)	(465,944)	2,679	-0.6%
Net Patient Revenue	191,906	179,542	12,364	6.9%
Other Operating Revenue	6,656	4,945	1,710	34.6%
Total Operating Revenue	198,562	184,488	14,074	7.6%
OPERATING EXPENSE:				
Salaries & Wages	106,917	96,382	(10,534)	-10.9%
Supplies	27,986	26,049	(1,937)	-7.4%
Fees & Purchased Services	21,777	23,434	1,657	7.1%
Other Operating Expense	23,609	20,123	(3,486)	-17.3%
Total Operating Expense	180,289	165,989	(14,300)	-8.6%
Net Operating Income/(Loss)	18,273	18,499	(226)	-1.2%
Non Operating Income	22,667	7,176	15,491	215.9%
Net Income(Loss)	40,940	25,675	15,265	59.5%
Collection Rate	29.3%	27.8%	1.5%	
Operating Margin	9.2%	10.0%	-0.8%	
Net Margin	20.6%	13.9%	6.7%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year

4 months ending 10/31/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	155,975	163,214	(7,239)	-4.4%
Deductions	(111,232)	(118,760)	7,528	-6.3%
Net Patient Revenue	44,743	44,454	289	0.7%
Other Operating Revenue	180	185	(5)	-2.5%
Total Operating Revenue	44,924	44,639	284	0.6%
OPERATING EXPENSE:				
Salaries & Wages	21,420	19,762	(1,658)	-8.4%
Supplies	6,513	9,527	3,014	31.6%
Fees & Purchased Services	4,901	4,614	(287)	-6.2%
Other Operating Expense	6,311	6,125	(187)	-3.0%
Total Operating Expense	39,146	40,028	882	2.2%
Net Operating Income/(Loss)	5,778	4,611	1,166	25.3%
Non Operating Income	(2)	11	(13)	-119.2%
Net Income(Loss)	5,776	4,623	1,153	24.9%
Collection Rate	28.7%	27.2%	1.4%	
Operating Margin	12.9%	10.3%	2.5%	
Net Margin	12.9%	10.4%	2.5%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget
4 months ending 10/31/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	811,146	810,280	866	0.1%
Deductions	(574,496)	(578,484)	3,987	-0.7%
Net Patient Revenue	236,650	231,796	4,854	2.1%
Other Operating Revenue	6,836	5,377	1,459	27.1%
Total Operating Revenue	243,486	237,173	6,312	2.7%
OPERATING EXPENSE:				
Salaries & Wages	128,337	126,369	(1,968)	-1.6%
Supplies	34,499	34,865	367	1.1%
Fees & Purchased Services	26,678	25,369	(1,309)	-5.2%
Other Operating Expense	29,921	30,946	1,026	3.3%
Total Operating Expense	219,434	217,551	(1,884)	-0.9%
Net Operating Income/(Loss)	24,051	19,623	4,428	22.6%
Non Operating Income	22,665	6,587	16,077	244.1%
Net Income(Loss)	46,716	26,210	20,505	78.2%
Collection Rate	29.2%	28.6%	0.6%	
Operating Margin	9.9%	8.3%	1.6%	
Net Margin	19.2%	11.1%	8.1%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget

4 months ending 10/31/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	655,171	658,547	(3,376)	-0.5%
Deductions	(463,265)	(469,832)	6,567	-1.4%
Net Patient Revenue	191,906	188,715	3,191	1.7%
Other Operating Revenue	6,656	5,200	1,456	28.0%
Total Operating Revenue	198,562	193,915	4,647	2.4%
OPERATING EXPENSE:				
Salaries & Wages	106,917	106,079	(838)	-0.8%
Supplies	27,986	27,529	(457)	-1.7%
Fees & Purchased Services	21,777	20,411	(1,366)	-6.7%
Other Operating Expense	23,609	24,748	1,139	4.6%
Total Operating Expense	180,289	178,767	(1,522)	-0.9%
Net Operating Income/(Loss)	18,273	15,148	3,126	20.6%
Non Operating Income	22,667	6,587	16,079	244.1%
Net Income(Loss)	40,940	21,735	19,205	88.4%
Collection Rate	29.3%	28.7%	0.6%	
Operating Margin	9.2%	7.8%	1.4%	
Net Margin	20.6%	11.2%	9.4%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

4 months ending 10/31/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	155,975	151,733	4,242	2.8%
Deductions	(111,232)	(108,652)	(2,579)	2.4%
Net Patient Revenue	44,743	43,081	1,663	3.9%
Other Operating Revenue	180	178	2	1.3%
Total Operating Revenue	44,924	43,258	1,665	3.8%
OPERATING EXPENSE:				
Salaries & Wages	21,420	20,290	(1,130)	-5.6%
Supplies	6,513	7,336	823	11.2%
Fees & Purchased Services	4,901	4,958	58	1.2%
Other Operating Expense	6,311	6,198	(113)	-1.8%
Total Operating Expense	39,146	38,783	(362)	-0.9%
Net Operating Income/(Loss)	5,778	4,475	1,303	29.1%
Non Operating Income	(2)	0	(2)	0.0%
Net Income(Loss)	5,776	4,475	1,301	29.1%
Collection Rate	28.7%	28.4%	0.3%	
Operating Margin	12.9%	10.3%	2.5%	
Net Margin	12.9%	10.3%	2.5%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

	Period Ending Oct 31	
	FY 2014	FY 2013
CURRENT ASSETS		
Cash	49,528	30,503
Short Term Investments	151,082	235,770
Patient Accounts Receivable, NET	97,528	82,408
Other Accounts and Notes Receivable	6,365	3,228
Intercompany Receivables	1,058	1,556
Inventories and Prepaids	54,122	50,654
Total Current Assets	359,683	404,118
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	88,412	14,866
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	1,587	2,520
Workers Compensation Reserve Fund	26,919	21,200
Postretirement Health/Life Reserve Fund	16,014	15,212
PTO Liability Fund	19,913	17,382
Malpractice Reserve Fund	2,002	2,318
Catastrophic Reserves Fund	15,738	12,087
Total Board Designated Assets	270,781	185,781
FUNDS HELD BY TRUSTEE	9,384	9,384
LONG TERM INVESTMENTS	133,681	40,527
INVESTMENTS IN AFFILIATES	23,764	20,518
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,015,816	1,002,536
Less: Accumulated Depreciation	(402,439)	(359,564)
Construction in Progress	13,398	7,108
Property, Plant & Equipment - Net	626,775	650,081
DEFERRED COSTS/BOND ISSUE COSTS	4,662	4,783
RESTRICTED ASSETS - CASH	6	1
TOTAL ASSETS	1,428,737	1,315,193

LIABILITIES AND FUND BALANCE

	Period Ending Oct 31	
	FY 2014	FY 2013
CURRENT LIABILITIES		
Accounts Payable	23,089	17,540
Salaries and Related Liabilities	22,348	20,698
Accrued PTO	19,913	17,382
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	21,854	21,123
Intercompany Payables	292	519
Malpractice Reserves	2,002	2,318
Bonds Payable - Current	3,000	2,850
Bond Interest Payable	2,523	2,592
Other Liabilities	5,256	7,064
Total Current Liabilities	102,576	94,388
LONG TERM LIABILITIES		
Post Retirement Benefits	16,014	15,212
Worker's Comp Reserve	24,619	18,900
Other L/T Obligation (Asbestos)	3,329	3,216
Other L/T Liabilities (IT/Medl Leases)	-	2,246
Bond Payable	187,578	194,869
Total Long Term Liabilities	231,540	234,442
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	823,806	800,581
Board Designated	270,781	185,781
Restricted	34	1
Total Fund Bal & Capital Accts	1,094,621	986,363
TOTAL LIABILITIES AND FUND BALANCE	1,428,737	1,315,193

⁽¹⁾ Hospital entity only, excludes controlled affiliates