



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2014 – Period 6

7/1/2013 to 12/31/2013

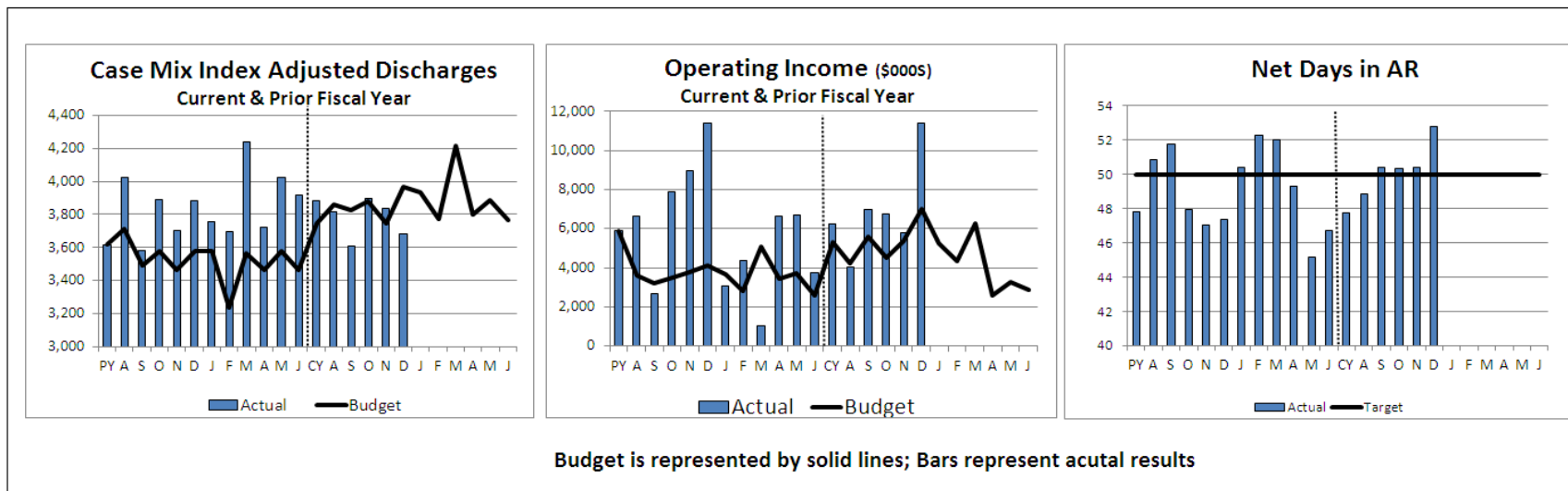
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending December 31, 2013

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)				BALANCE SHEET (\$000s)		
	Actual	Budget	Var F(U)		December 31, 2013	Dec 31, 2012
Gross Revenue	\$1,231,180	\$1,218,558	\$12,623	Cash and Investments	618,269	514,342
Deductions from Revenue	(872,499)	(871,260)	(1,239)	Non Cash Current Assets	164,812	142,444
Net Patient Revenue	358,682	347,298	11,384	Property, Plant & Equipment (Net)	624,638	644,839
Other Operating Revenue	9,767	7,905	1,863	Other Assets	38,525	35,252
Total Operating Revenue	368,449	355,203	13,246	Total Assets	1,446,245	1,336,877
Salaries & Wages	193,037	187,735	(5,303)	Current Liabilities	95,854	87,393
Supplies	50,775	52,260	1,485	Long-Term Liabilities	231,329	233,796
Fees & Purchased Services	38,659	37,466	(1,192)	Fund Balance/Capital Accounts	1,119,062	1,015,688
Other Operating Expense	16,804	16,623	(181)	Total Liabilities & Equity	1,446,245	1,336,877
Total Non Capital Operating Expense	299,275	294,084	(5,191)	KEY ECH STATISTICS - YTD		
OPERATING EBITDA	69,174	61,119	8,055	Balance Sheet	Actual	Target ⁽¹⁾
Interest, Depreciation & Amortization	27,911	29,100	1,189	Debt Service Coverage Ratio (MADS)	8.8	1.2
NET OPERATING SURPLUS	41,263	32,019	9,244	Debt to Capitalization	13.1%	37.5%
Non Operating Income	29,895	9,696	20,199	Days of Cash	375	225
TOTAL NET SURPLUS	71,159	41,715	29,444	Net AR Days	52.8	48.9
Yield Percent (NPR / Gross Revenue)	29.1%	28.5%	0.6%	Other	Actual	Budget
EBITDA Margin	18.8%	17.2%	1.6%	Acute Discharges	9,104	9,622
Operating Margin	11.2%	9.0%	2.2%	Acute Average Daily Census	228	229
Total Margin	19.3%	11.7%	7.6%	Deliveries	2,558	2,527
				Emergency Department Visits	28,376	27,901
				Surgical Cases	5,545	5,320
				Full Time Equivalent Employees	2,412	2,410
				Worked Hrs/CMI Adjusted Discharge	96.87	94.99

⁽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 Case mix in December was less than 1% below budget and discharges were 12% short; these unfavorable variances were offset by outpatient revenues which exceeded budget by 12%, resulting in CMI Adjusted Discharges which were 7% unfavorable to budget. Fiscal year to date CMI Adjusted Discharges are 1.4% unfavorable to budget.

Operating Margin December's gross charges were \$5 million favorable to budget; excluding a \$4.4 million gain from the MediCal Intergovernmental Transfer (IGT) program, net revenues were \$0.1 million unfavorable to budget, as volume shifted to less favorable payors. Expenses were \$0.1 million favorable to budget. So reported hospital operations were \$4.4 million favorable to budget. Investment performance moderated - \$1.5 million in December; \$30 million YTD. Operating margin YTD is \$9.2 million favorable to budget, and total net surplus YTD is \$29 million favorable.

Net Days in AR Net outstanding receivables increased by \$6.6 million between November and December, the result of software problems with the Medicare intermediary, which didn't get resolved until mid-January, and a delay in United processing claims under new contract terms. Consequently, net days in A/R increased to 52.8 days (from 50.4 days). We anticipate receivables will not be back to normal until February.

(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%	11.2%	9.0%	
EBITDA Margin	16.6%	19.4%	17.8%	18.8%	17.2%	
Days of Cash	250	321	350	375	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%	13.1%	30.3%	
Net AR Days	48.6	48.1	48.3	52.8	48.9	

⁽¹⁾ Hospital Only - Excludes Affiliates

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

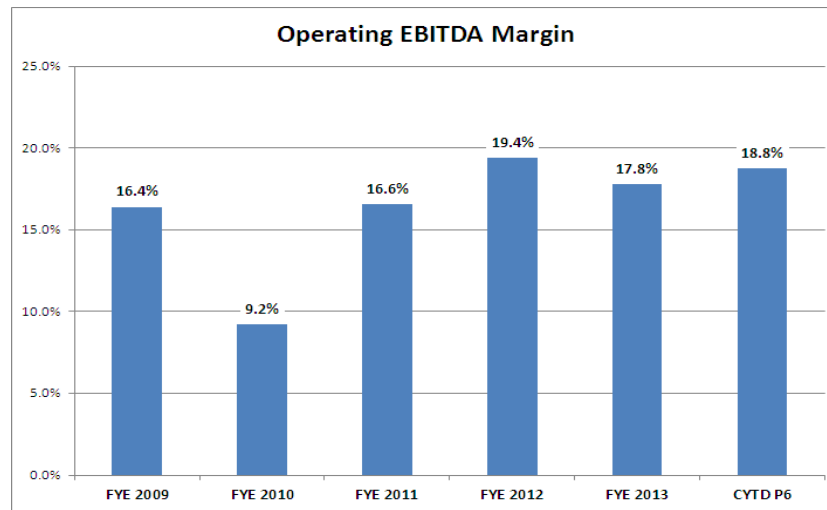
Target source: S&P 2013 A Rated Hospital Medians for all others

*Prior Year numbers represent full year

⁽¹⁾ Hospital entity only, excludes controlled affiliates

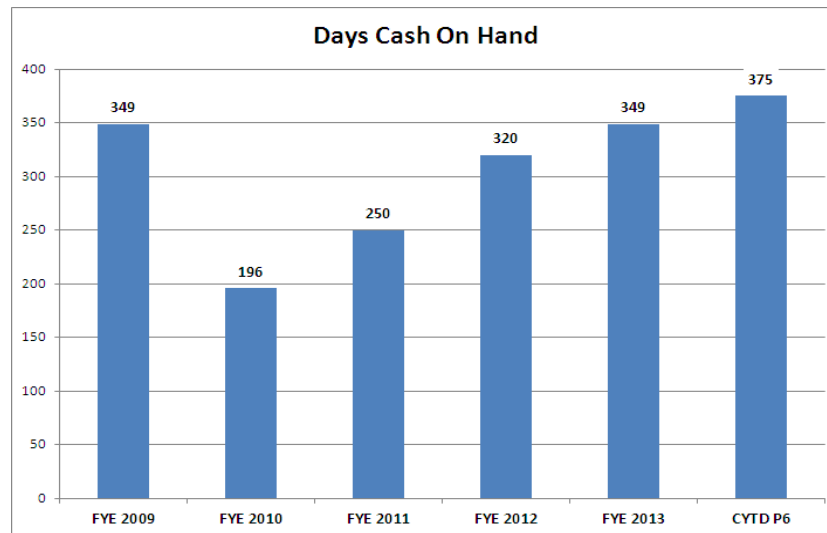
El Camino Hospital Financial Metrics Trend ⁽¹⁾

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1.6% Favorable to Budget

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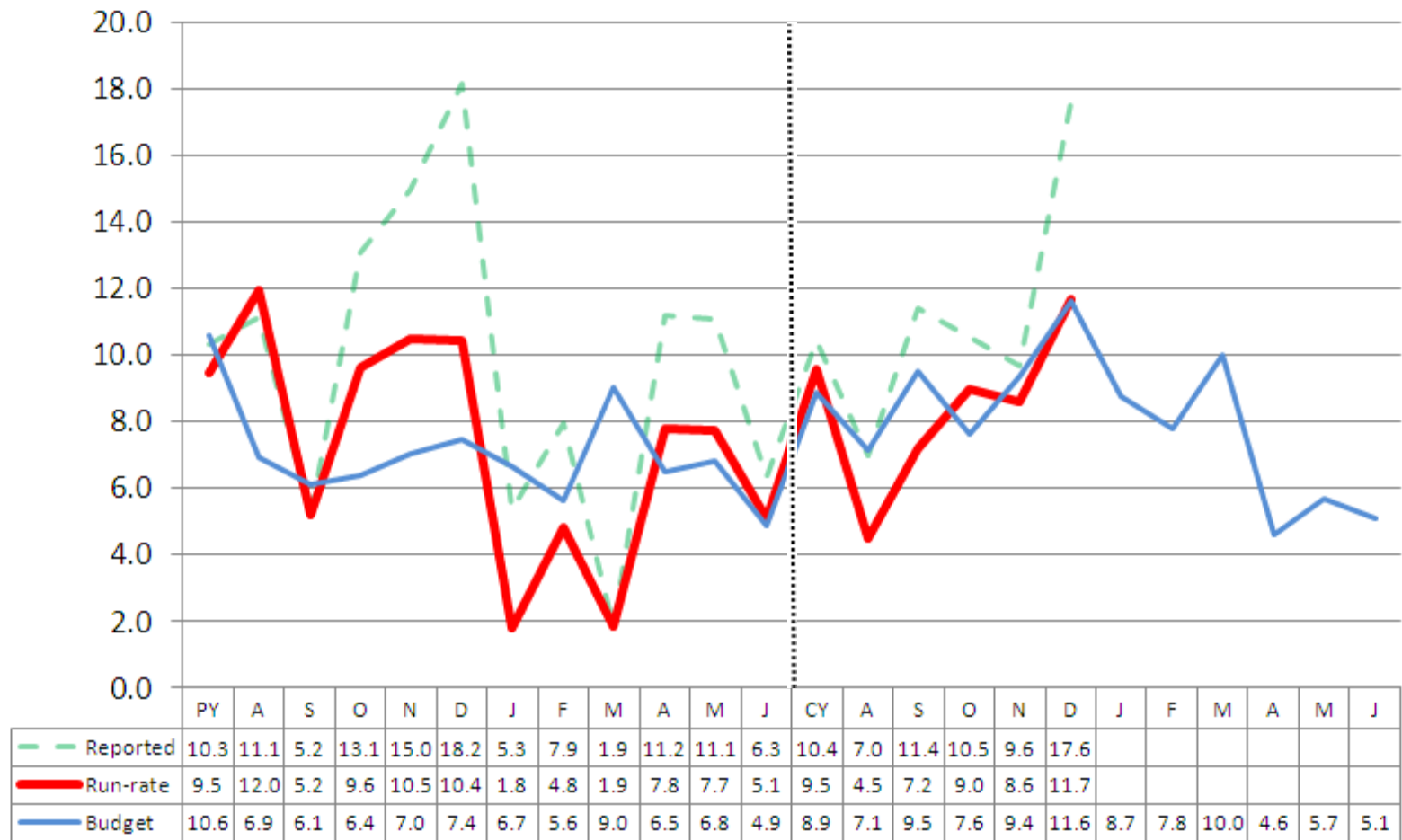


5 Day Favorable to Budget

Represents cash of \$618 million

⁽¹⁾ Hospital entity only, excludes controlled affiliates

ECH Operating Margin ⁽¹⁾



⁽¹⁾ Hospital entity only, excludes controlled affiliates

ECH Volume Statistics ⁽¹⁾

MOUNTAIN VIEW

	Month of Dec, 2013			Year to Date			Prior Year	
	Act	Bud	Var%	Act	Bud	Var%	Act	Var%
Discharges ⁽²⁾	1,212	1,369	-11.5%	7,422	7,926	-6.4%	7,978	-7.0%
ADC ⁽²⁾	197	193	2.0%	185	188	-1.7%	185	-0.1%
Deliveries	337	370	-9.0%	2,183	2,144	1.8%	2,405	-9.2%
ED Visits	3,855	3,824	0.8%	22,251	22,131	0.5%	21,686	2.6%
Surgical Cases	628	578	8.6%	3,399	3,348	1.5%	3,227	5.3%

LOS GATOS

	Month of Dec, 2013			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges ⁽²⁾	252	293	-14.0%	1,682	1,696	-0.8%	1,690	-0.5%
ADC ⁽²⁾	40	42	-4.2%	43	41	4.8%	40	7.9%
Deliveries	64	66	-3.2%	375	383	-2.0%	381	-1.6%
ED Visits	1,073	997	7.6%	6,125	5,770	6.2%	5,849	4.7%
Surgical Cases	345	341	1.2%	2,146	1,972	8.8%	2,111	1.7%

ECH

	Month of Dec, 2013			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges ⁽²⁾	1,464	1,662	-11.9%	9,104	9,622	-5.4%	9,668	-5.8%
ADC ⁽²⁾	237	235	0.9%	228	229	-0.5%	225	1.3%
Deliveries	401	437	-8.1%	2,558	2,527	1.2%	2,786	-8.2%
ED Visits	4,928	4,821	2.2%	28,376	27,901	1.7%	27,535	3.1%
Surgical Cases	973	919	5.9%	5,545	5,320	4.2%	5,338	3.9%

⁽¹⁾ Hospital entity only, excludes controlled affiliates

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

El Camino Hospital Volume Trends Prior and Current Fiscal Years



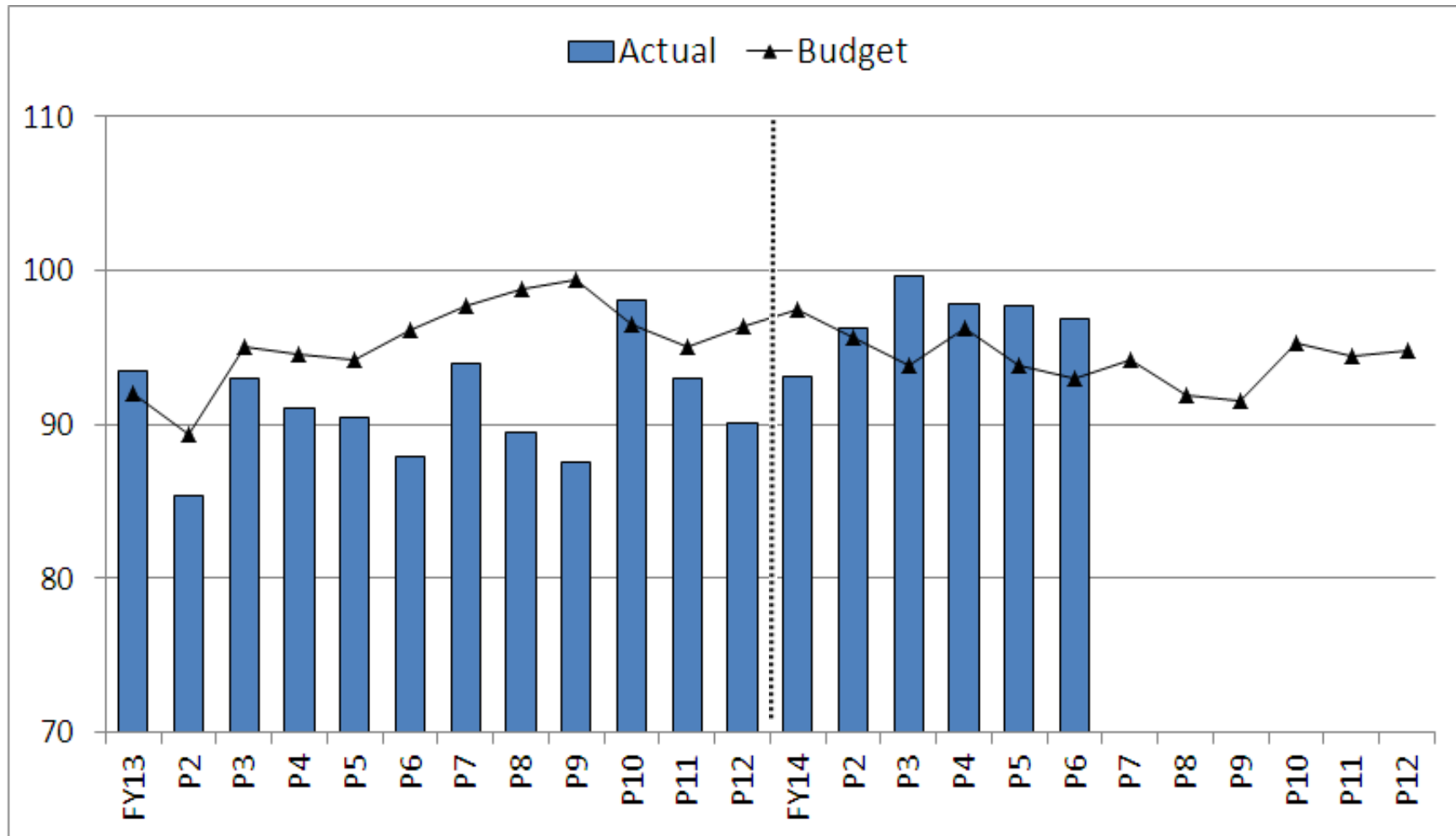
APPENDIX

Summary of Financial Results

\$ in Thousands

	Period 6 - Month			Period 6 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	9,696	5,454	4,242	31,670	24,720	6,950
Los Gatos	1,725	1,573	152	9,593	7,299	2,295
Sub Total - El Camino Hospital, excl. Affiliates	11,421	7,027	4,394	41,263	32,019	9,244
Operating Margin %	17.6%	11.6%		11.2%	9.0%	
El Camino Hospital Non Operating Income						
Investments	1,533	1,916	(383)	29,905	11,747	18,158
Swap Adjustments	814	0	814	1,462	0	1,462
Community Benefit	(18)	0	(18)	(797)	0	(797)
Other	231	(334)	565	(675)	(2,051)	1,376
Sub Total - Non Operating Income	2,560	1,581	979	29,895	9,696	20,199
El Camino Hospital Net Income (Loss)	13,981	8,609	5,372	71,159	41,715	29,444
ECH Net Margin %	21.5%	14.2%		19.3%	11.7%	
Net Income Hospital Affiliates	163	141	21	2,522	1,195	1,328
Total Net Income Hospital & Affiliates	14,144	8,750	5,394	73,681	42,910	30,771

Worked Hours per CMI Adjusted Discharge⁽¹⁾

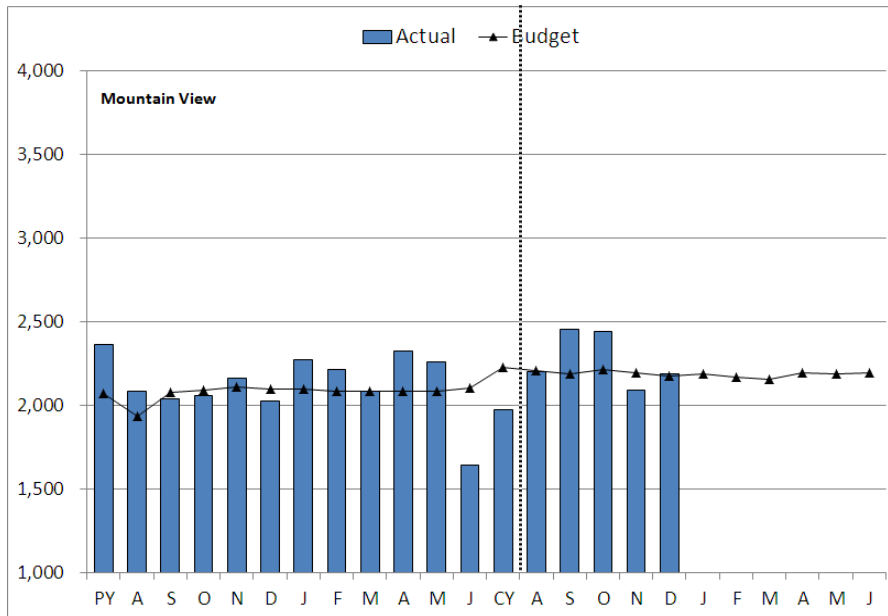


⁽¹⁾ Hospital entity only, excludes controlled affiliates

Supply Cost per CMI Adjusted Discharges ⁽¹⁾

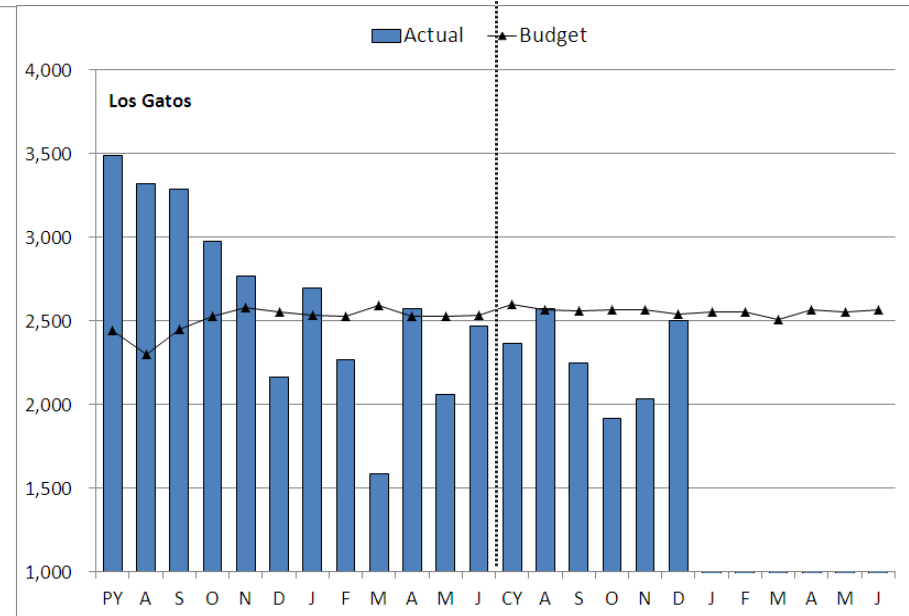
YTD: 1.1% over budget

Mountain View



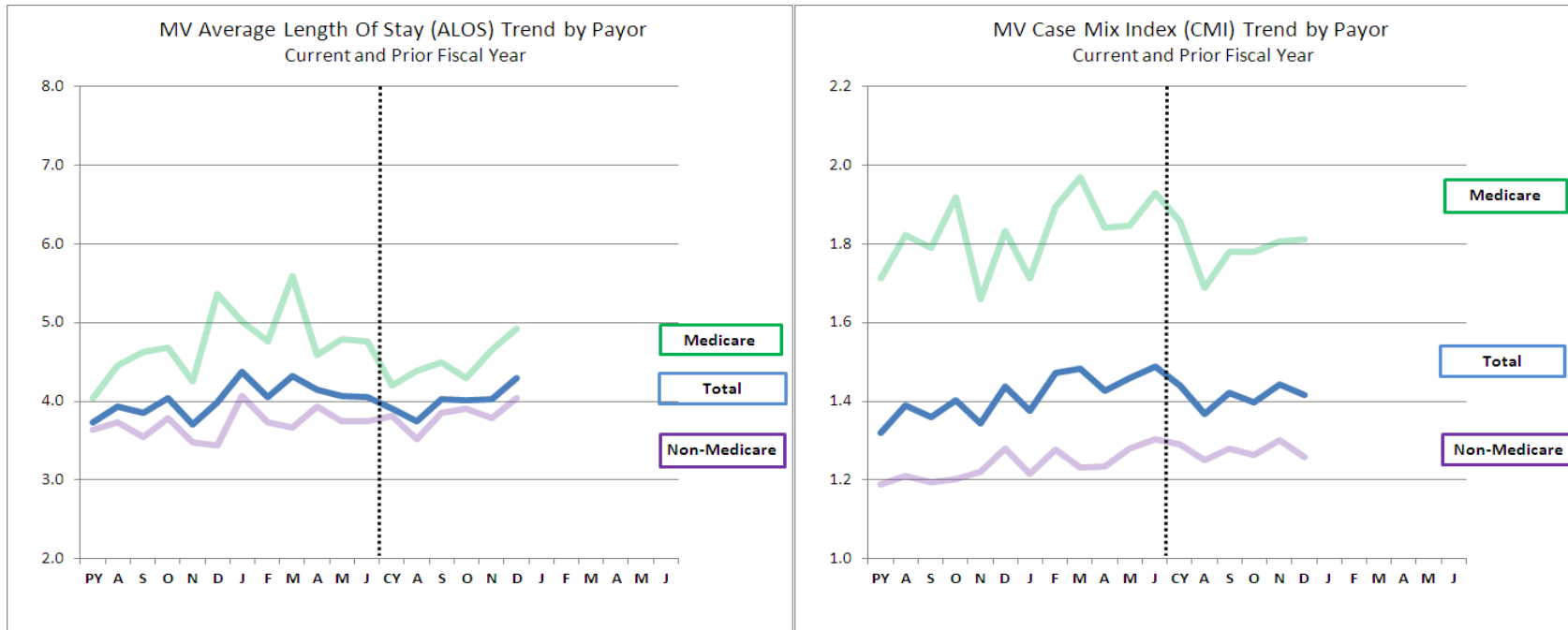
YTD: -11.4% under budget

Los Gatos



(1) Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend ⁽¹⁾

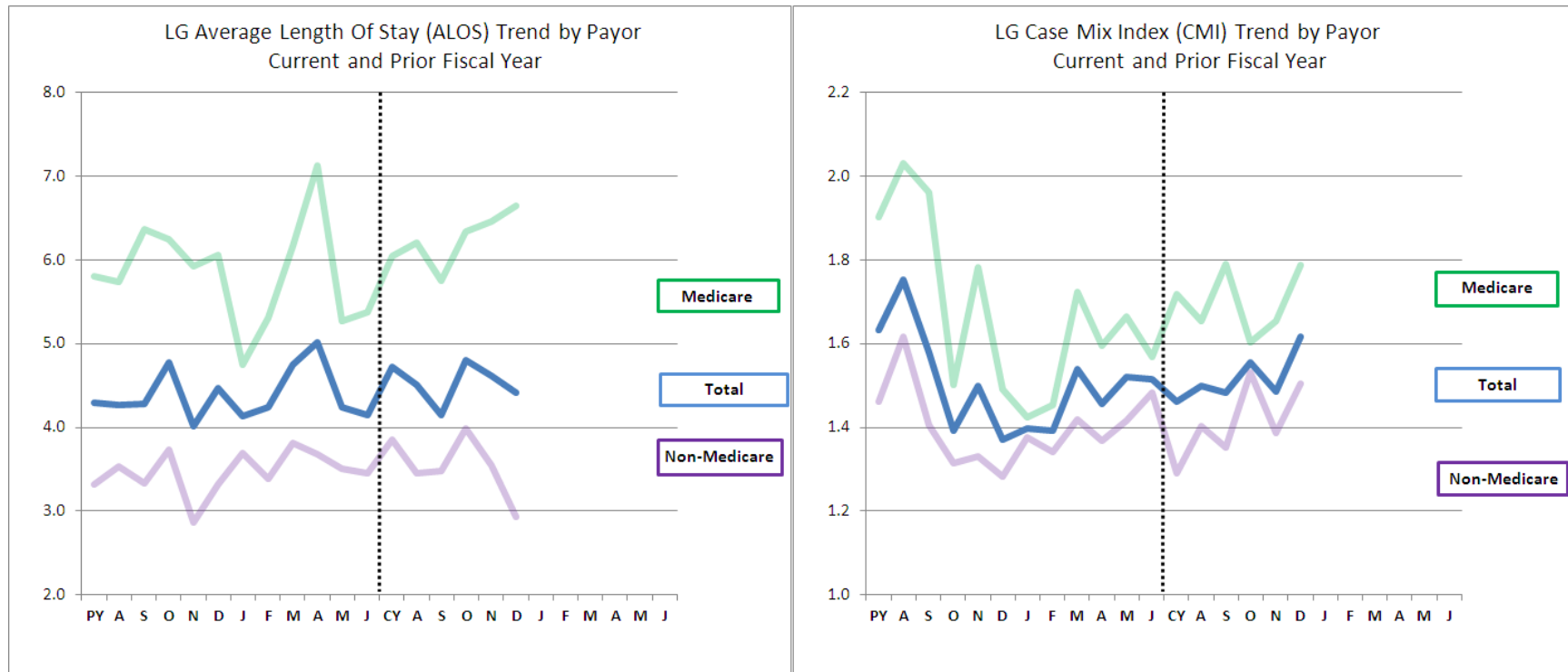


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

(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
6 months ending 12/31/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,231,180	1,215,117	16,063	1.3%
Deductions	(872,499)	(870,913)	(1,586)	0.2%
Net Patient Revenue	358,682	344,204	14,478	4.2%
Other Operating Revenue	9,767	7,552	2,215	29.3%
Total Operating Revenue	368,449	351,756	16,693	4.7%
OPERATING EXPENSE:				
Salaries & Wages	193,037	174,742	(18,296)	-10.5%
Supplies	50,775	51,966	1,191	2.3%
Fees & Purchased Services	38,659	42,639	3,981	9.3%
Other Operating Expense	44,715	38,948	(5,767)	-14.8%
Total Operating Expense	327,185	308,295	(18,891)	-6.1%
Net Operating Income/(Loss)	41,263	43,462	(2,198)	-5.1%
Non Operating Income	29,895	10,892	19,004	174.5%
Net Income(Loss)	71,159	54,353	16,806	30.9%
Collection Rate	29.1%	28.3%	0.8%	
Operating Margin	11.2%	12.4%	-1.2%	
Net Margin	19.3%	15.5%	3.9%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year
6 months ending 12/31/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	998,480	980,940	17,540	1.8%
Deductions	(707,778)	(702,196)	(5,582)	0.8%
Net Patient Revenue	290,702	278,744	11,958	4.3%
Other Operating Revenue	9,496	7,290	2,206	30.3%
Total Operating Revenue	300,199	286,035	14,164	5.0%
OPERATING EXPENSE:				
Salaries & Wages	160,791	145,220	(15,570)	-10.7%
Supplies	41,019	39,037	(1,982)	-5.1%
Fees & Purchased Services	31,558	35,361	3,803	10.8%
Other Operating Expense	35,160	29,864	(5,296)	-17.7%
Total Operating Expense	268,529	249,483	(19,046)	-7.6%
Net Operating Income/(Loss)	31,670	36,551	(4,882)	-13.4%
Non Operating Income	29,898	10,880	19,017	174.8%
Net Income(Loss)	61,568	47,432	14,136	29.8%
Collection Rate	29.1%	28.4%	0.7%	
Operating Margin	10.5%	12.8%	-2.2%	
Net Margin	20.5%	16.6%	3.9%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year
6 months ending 12/31/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	232,700	234,177	(1,477)	-0.6%
Deductions	(164,721)	(168,717)	3,996	-2.4%
Net Patient Revenue	67,979	65,460	2,519	3.8%
Other Operating Revenue	271	262	9	3.5%
Total Operating Revenue	68,250	65,722	2,528	3.8%
OPERATING EXPENSE:				
Salaries & Wages	32,247	29,522	(2,725)	-9.2%
Supplies	9,756	12,929	3,173	24.5%
Fees & Purchased Services	7,100	7,278	178	2.4%
Other Operating Expense	9,554	9,083	(471)	-5.2%
Total Operating Expense	58,657	58,811	155	0.3%
Net Operating Income/(Loss)	9,593	6,910	2,683	38.8%
Non Operating Income	(2)	11	(13)	-119.2%
Net Income(Loss)	9,591	6,921	2,670	38.6%
Collection Rate	29.2%	28.0%	1.3%	
Operating Margin	14.1%	10.5%	3.5%	
Net Margin	14.1%	10.5%	3.5%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget
6 months ending 12/31/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,231,180	1,218,558	12,623	1.0%
Deductions	(872,499)	(871,260)	(1,239)	0.1%
Net Patient Revenue	358,682	347,298	11,384	3.3%
Other Operating Revenue	9,767	7,905	1,863	23.6%
Total Operating Revenue	368,449	355,203	13,246	3.7%
OPERATING EXPENSE:				
Salaries & Wages	193,037	187,735	(5,303)	-2.8%
Supplies	50,775	52,260	1,485	2.8%
Fees & Purchased Services	38,659	37,466	(1,192)	-3.2%
Other Operating Expense	44,715	45,723	1,009	2.2%
Total Operating Expense	327,185	323,184	(4,002)	-1.2%
Net Operating Income/(Loss)	41,263	32,019	9,244	28.9%
Non Operating Income	29,895	9,696	20,199	208.3%
Net Income(Loss)	71,159	41,715	29,444	70.6%
Collection Rate	29.1%	28.5%	0.6%	
Operating Margin	11.2%	9.0%	2.2%	
Net Margin	19.3%	11.7%	7.6%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget
6 months ending 12/31/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	998,480	990,032	8,449	0.9%
Deductions	(707,778)	(707,618)	(160)	0.0%
Net Patient Revenue	290,702	282,414	8,289	2.9%
Other Operating Revenue	9,496	7,643	1,853	24.2%
Total Operating Revenue	300,199	290,057	10,142	3.5%
OPERATING EXPENSE:				
Salaries & Wages	160,791	157,502	(3,288)	-2.1%
Supplies	41,019	41,236	217	0.5%
Fees & Purchased Services	31,558	30,117	(1,441)	-4.8%
Other Operating Expense	35,160	36,481	1,321	3.6%
Total Operating Expense	268,529	265,337	(3,192)	-1.2%
Net Operating Income/(Loss)	31,670	24,720	6,950	28.1%
Non Operating Income	29,898	9,696	20,202	208.3%
Net Income(Loss)	61,568	34,416	27,151	78.9%
Collection Rate	29.1%	28.5%	0.6%	
Operating Margin	10.5%	8.5%	2.0%	
Net Margin	20.5%	11.9%	8.6%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

6 months ending 12/31/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	232,700	228,526	4,174	1.8%
Deductions	(164,721)	(163,642)	(1,079)	0.7%
Net Patient Revenue	67,979	64,884	3,095	4.8%
Other Operating Revenue	271	262	9	3.6%
Total Operating Revenue	68,250	65,146	3,104	4.8%
OPERATING EXPENSE:				
Salaries & Wages	32,247	30,232	(2,015)	-6.7%
Supplies	9,756	11,023	1,268	11.5%
Fees & Purchased Services	7,100	7,349	249	3.4%
Other Operating Expense	9,554	9,242	(312)	-3.4%
Total Operating Expense	58,657	57,847	(810)	-1.4%
Net Operating Income/(Loss)	9,593	7,299	2,295	31.4%
Non Operating Income	(2)	0	(2)	0.0%
Net Income(Loss)	9,591	7,299	2,292	31.4%
Collection Rate	29.2%	28.4%	0.8%	
Operating Margin	14.1%	11.2%	2.9%	
Net Margin	14.1%	11.2%	2.8%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

	Period Ending Dec 31	
	FY 2014	FY 2013
CURRENT ASSETS		
Cash	56,317	51,789
Short Term Investments	149,856	160,597
Patient Accounts Receivable, net	103,523	89,686
Other Accounts and Notes Receivable	6,303	3,629
Intercompany Receivables	1,149	1,079
Inventories and Prepays	53,837	48,050
Total Current Assets	370,986	354,830
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	91,212	69,484
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	1,565	7,122
Workers Compensation Reserve Fund	27,383	21,373
Postretirement Health/Life Reserve Fund	16,251	15,402
PTO Liability Fund	19,650	17,167
Malpractice Reserve Fund	2,002	2,318
Catastrophic Reserves Fund	16,623	12,336
Total Board Designated Assets	274,882	245,398
FUNDS HELD BY TRUSTEE	9,384	9,385
LONG TERM INVESTMENTS	137,214	56,558
INVESTMENTS IN AFFILIATES	24,476	21,112
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,020,608	1,002,804
Less: Accumulated Depreciation	(408,692)	(366,394)
Construction in Progress	12,722	8,429
Property, Plant & Equipment - Net	624,638	644,839
DEFERRED COSTS/BOND ISSUE COSTS	4,662	4,753
RESTRICTED ASSETS - CASH	2	2
TOTAL ASSETS	1,446,245	1,336,877

LIABILITIES AND FUND BALANCE

	Period Ending Dec 31	
	FY 2014	FY 2013
CURRENT LIABILITIES		
Accounts Payable	22,304	15,427
Salaries and Related Liabilities	19,325	17,667
Accrued PTO	19,650	17,167
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	17,546	18,556
Intercompany Payables	72	314
Malpractice Reserves	2,002	2,318
Bonds Payable - Current	3,000	2,850
Bond Interest Payable	3,728	3,816
Other Liabilities	5,927	6,977
Total Current Liabilities	95,854	87,393
LONG TERM LIABILITIES		
Post Retirement Benefits	16,251	15,402
Worker's Comp Reserve	25,083	19,073
Other L/T Obligation (Asbestos)	3,329	3,216
Other L/T Liabilities (IT/Medl Leases)	-	2,263
Bond Payable	186,666	193,842
Total Long Term Liabilities	231,329	233,796
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	844,150	770,288
Board Designated	274,882	245,398
Restricted	30	2
Total Fund Bal & Capital Accts	1,119,062	1,015,688
TOTAL LIABILITIES AND FUND BALANCE	1,446,245	1,336,877

(1) Hospital entity only, excludes controlled affiliates