



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2014 – Period 8
7/1/2013 to 2/28/2014

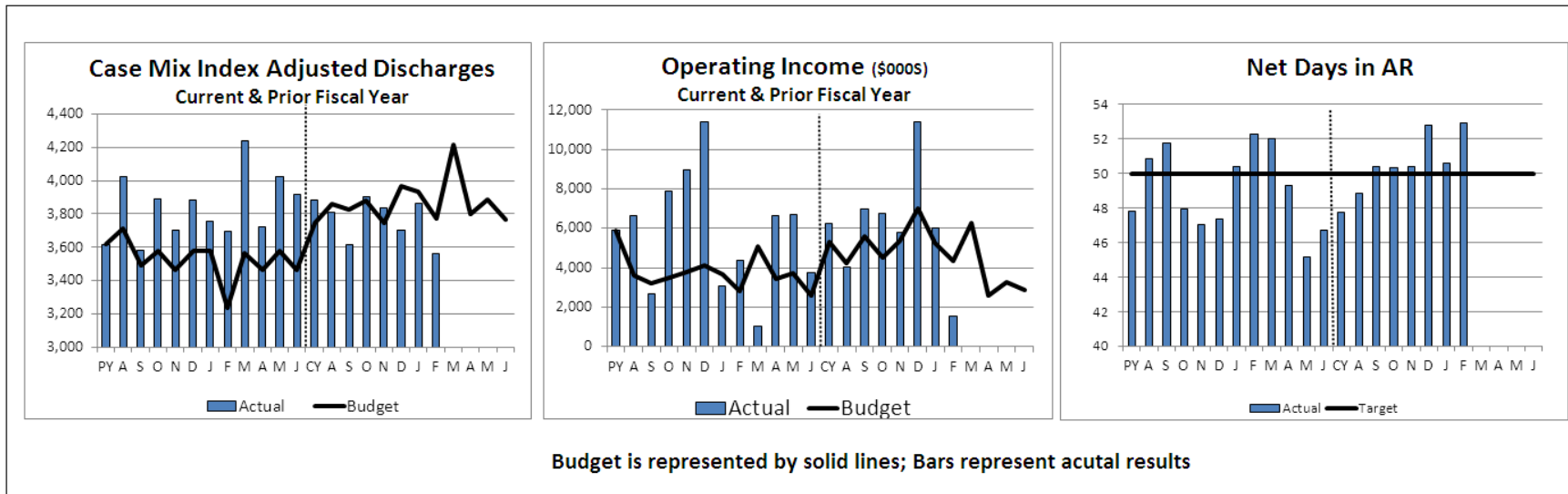
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending February 28, 2014

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)				BALANCE SHEET (\$000s)		
	Actual	Budget	Var F(U)		February 28, 2014	Feb 28, 2013
Gross Revenue	\$1,654,405	\$1,626,491	\$27,914	Cash and Investments	630,511	516,665
Deductions from Revenue	(1,179,104)	(1,165,449)	(13,655)	Non Cash Current Assets	161,150	148,744
Net Patient Revenue	475,301	461,042	14,259	Property, Plant & Equipment (Net)	621,575	642,067
Other Operating Revenue	12,724	10,422	2,302	Other Assets	39,189	35,712
Total Operating Revenue	488,025	471,464	16,561	Total Assets	1,452,425	1,343,188
Salaries & Wages	260,035	250,142	(9,893)	Current Liabilities	88,537	86,216
Supplies	67,386	69,611	2,225	Long-Term Liabilities	229,858	228,866
Fees & Purchased Services	51,658	49,515	(2,143)	Fund Balance/Capital Accounts	1,134,030	1,028,106
Other Operating Expense	23,014	21,931	(1,083)	Total Liabilities & Equity	1,452,425	1,343,188
Total Non Capital Operating Expense	402,093	391,199	(10,894)	KEY ECH STATISTICS - YTD		
OPERATING EBITDA	85,932	80,266	5,667	Balance Sheet	Actual	Target ⁽¹⁾
Interest, Depreciation & Amortization	37,114	38,620	1,506	Debt Service Coverage Ratio (MADS)	9.0	1.2
NET OPERATING SURPLUS	48,818	41,646	7,172	Debt to Capitalization	12.9%	37.5%
Non Operating Income	37,306	12,795	24,511	Days of Cash	376	225
TOTAL NET SURPLUS	86,124	54,441	31,683	Net AR Days	52.9	48.9
Yield Percent (NPR / Gross Revenue)	28.7%	28.3%	0.4%	Other	Actual	Budget
EBITDA Margin	17.6%	17.0%	0.6%	Acute Discharges	12,207	12,870
Operating Margin	10.0%	8.8%	1.2%	Acute Average Daily Census	236	232
Total Margin	17.6%	11.5%	6.1%	Deliveries	3,410	3,380
				Emergency Department Visits	38,228	37,321
				Surgical Cases	7,258	7,116
				Full Time Equivalent Employees	2,424	2,410
				Worked Hrs/CMI Adjusted Discharge	97.27	94.51

⁽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 February was 2% above budget and discharges were 9.2% lower; these variances were adjusted by outpatient revenues which exceeded budget by 10%, resulting in CMI Adjusted Discharges which were 2% unfavorable to budget. Daily census in February was 3% higher than budget. Fiscal year to date CMI Adjusted Discharges are 1.7% favorable to budget.

Operating Margin February's gross charges were \$2.7 million favorable to budget, but because of shifts in payor mix, deductions were a full percentage point higher than budget, so net revenues were \$1.3 million unfavorable to budget. Ignoring unbudgeted bonuses and catch-up health insurance costs, expenses were \$1 million unfavorable to budget, so run-rate hospital operations were \$2 million unfavorable to budget and reported operating margin was \$2.8 million unfavorable. Investment performance rebounded - \$8 million in February; \$39 million YTD. Operating margin YTD is \$7 million favorable to budget, and total net surplus YTD is \$32 million favorable.

Net Days in AR Net outstanding receivables increased by \$0.8 million between January and February and average daily revenue fell a little. Consequently, net days in A/R decreased to 52.9 days (from 50.6 days).

(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%	10.0%	8.8%	
EBITDA Margin	16.6%	19.4%	17.8%	17.6%	17.0%	
Days of Cash	250	321	350	376	225	
Debt Service Coverage Ratio (MADS)	7.5	7.2	7.9	9.0	4.5	
Debt to Capitalization	17.1%	15.8%	14.0%	12.9%	30.3%	
Net AR Days	48.6	48.1	48.3	52.9	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

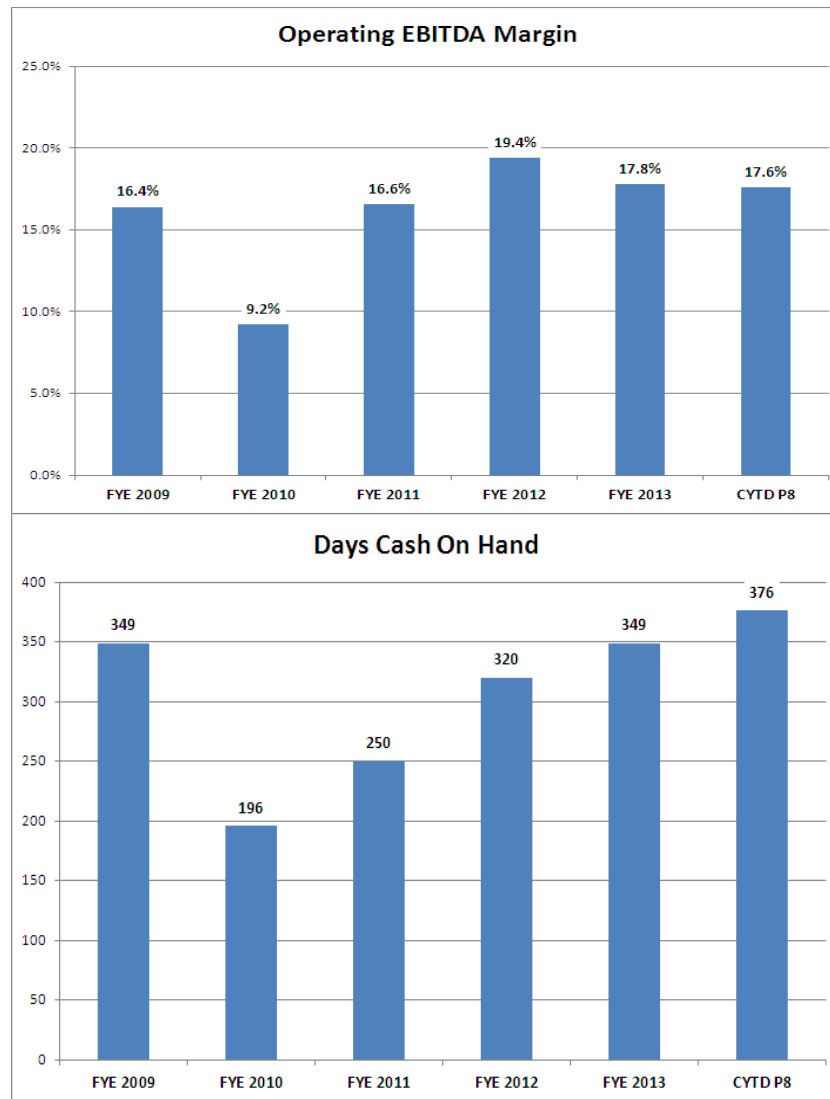
*Prior Year numbers represent full year

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital Financial Metrics Trend ⁽¹⁾

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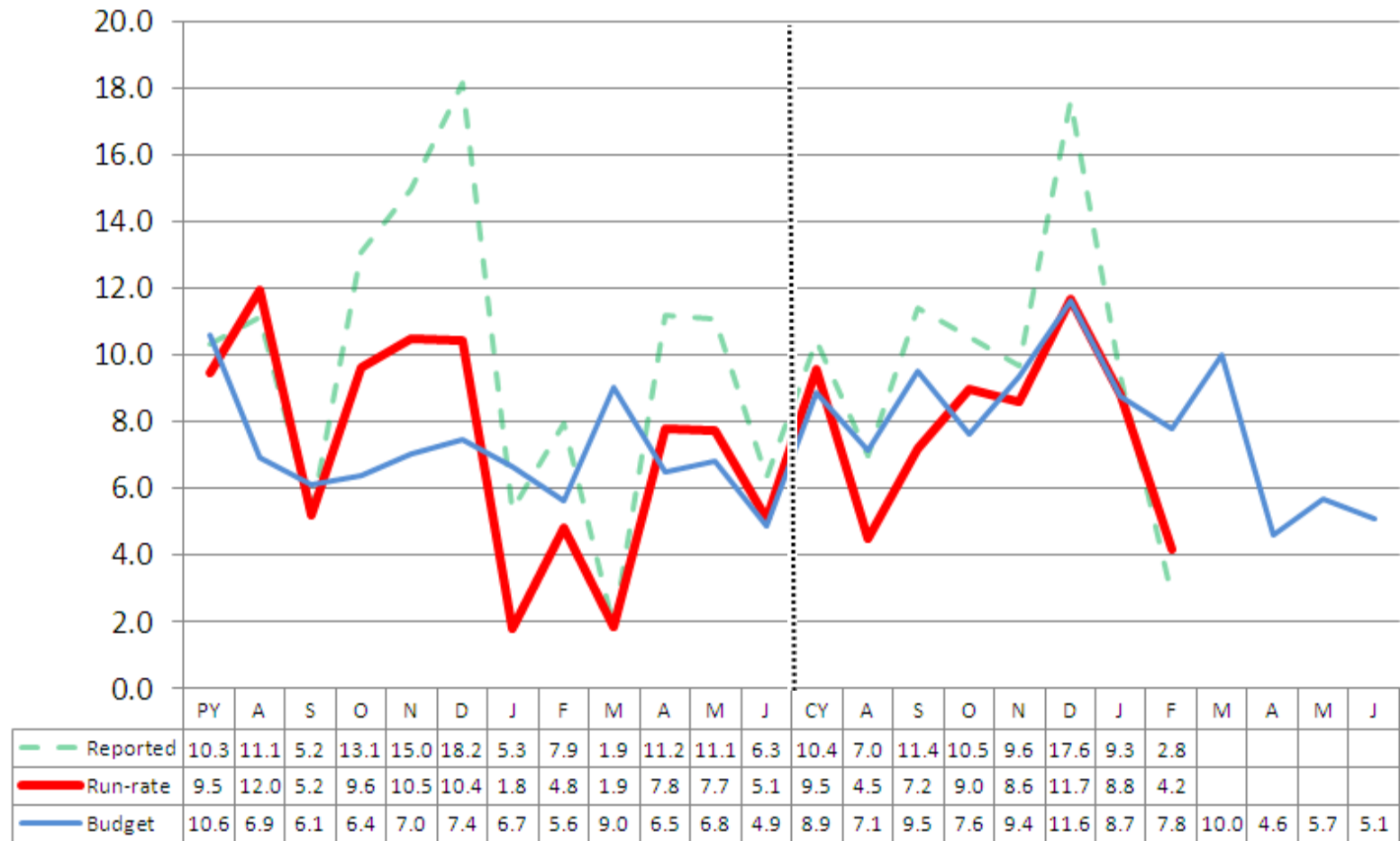


**0.6%
Favorable to
Budget**

**Represents
cash of \$631
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 Feb, 2014		
	Act	Bud	Var%
Discharges ⁽²⁾	1,217	1,318	-7.7%
ADC ⁽²⁾	219	206	6.3%
Deliveries	358	357	0.4%
ED Visits	3,544	3,680	-3.7%
Surgical Cases	526	557	-5.5%

	Year to Date			Prior Year	
	Act	Bud	Var%	Act	Var%
	9,982	10,602	-5.9%	10,622	-6.0%
	193	191	1.1%	191	1.0%
	2,898	2,868	1.0%	3,078	-5.8%
	30,066	29,603	1.6%	29,619	1.5%
	4,475	4,478	-0.1%	4,227	5.9%

LOS GATOS

	Month of Feb, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	236	282	-16.3%
ADC ⁽²⁾	40	45	-10.3%
Deliveries	66	64	3.7%
ED Visits	910	959	-5.1%
Surgical Cases	281	328	-14.3%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	2,225	2,268	-1.9%	2,254	-1.3%
	43	42	2.8%	41	4.9%
	512	512	0.0%	488	4.9%
	8,162	7,718	5.8%	7,912	3.2%
	2,783	2,638	5.5%	2,726	2.1%

ECH

	Month of Feb, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	1,453	1,600	-9.2%
ADC ⁽²⁾	259	251	3.3%
Deliveries	424	420	0.9%
ED Visits	4,454	4,639	-4.0%
Surgical Cases	807	885	-8.8%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	12,207	12,870	-5.2%	12,876	-5.2%
	236	232	1.4%	232	1.7%
	3,410	3,380	0.9%	3,566	-4.4%
	38,228	37,321	2.4%	37,531	1.9%
	7,258	7,116	2.0%	6,953	4.4%

(1) Hospital entity only, excludes controlled affiliates

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

El Camino Hospital Volume Trends Prior and Current Fiscal Years



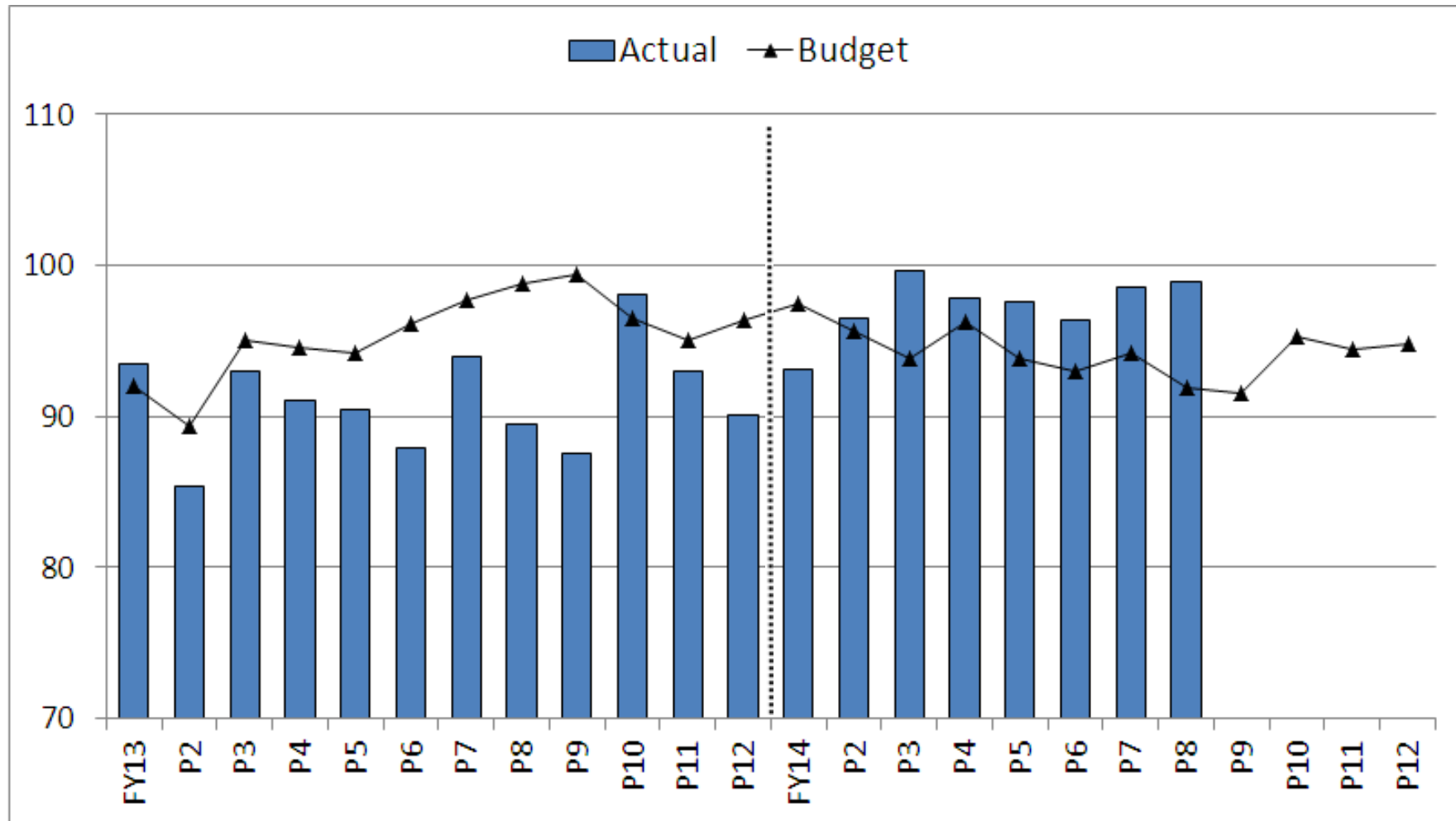
APPENDIX

Summary of Financial Results

\$ in Thousands

	Period 8 - Month			Period 8 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	1,814	2,990	(1,176)	37,914	31,684	6,231
Los Gatos	(281)	1,374	(1,655)	10,904	9,962	942
Sub Total - El Camino Hospital, excl. Affiliates	1,533	4,364	(2,831)	48,818	41,646	7,172
Operating Margin %	2.8%	7.8%		10.0%	8.8%	
El Camino Hospital Non Operating Income						
Investments	7,958	1,785	6,173	38,840	15,502	23,339
Swap Adjustments	(108)	0	(108)	492	0	492
Community Benefit	(26)	0	(26)	(884)	0	(884)
Other	(615)	(312)	(303)	(1,143)	(2,707)	1,564
Sub Total - Non Operating Income	7,209	1,473	5,736	37,306	12,795	24,511
El Camino Hospital Net Income (Loss)	8,742	5,837	2,905	86,124	54,441	31,683
ECH Net Margin %	15.9%	10.4%		17.6%	11.5%	
Net Income Hospital Affiliates	887	122	765	3,778	1,436	2,342
Total Net Income Hospital & Affiliates	9,629	5,959	3,670	89,902	55,877	34,025

Worked Hours per CMI Adjusted Discharge⁽¹⁾



⁽¹⁾ Hospital entity only, excludes controlled affiliates

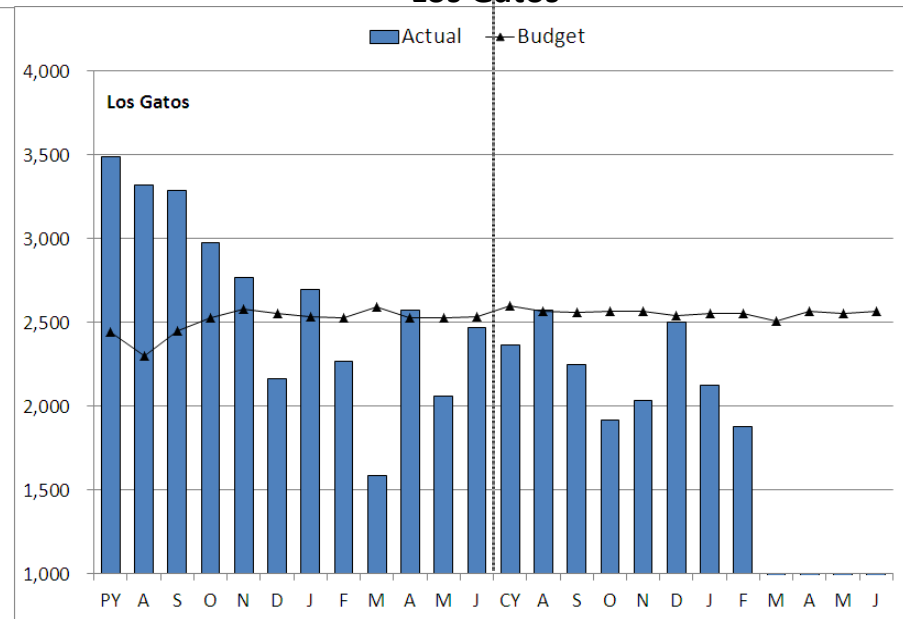
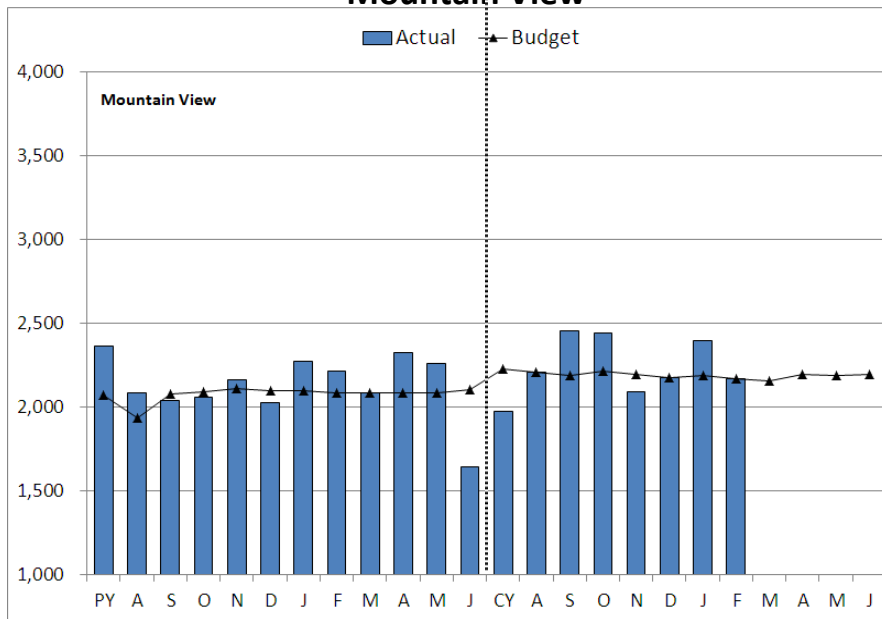
Supply Cost per CMI Adjusted Discharges ⁽¹⁾

YTD: 1.9% over budget

YTD: -13.9% under budget

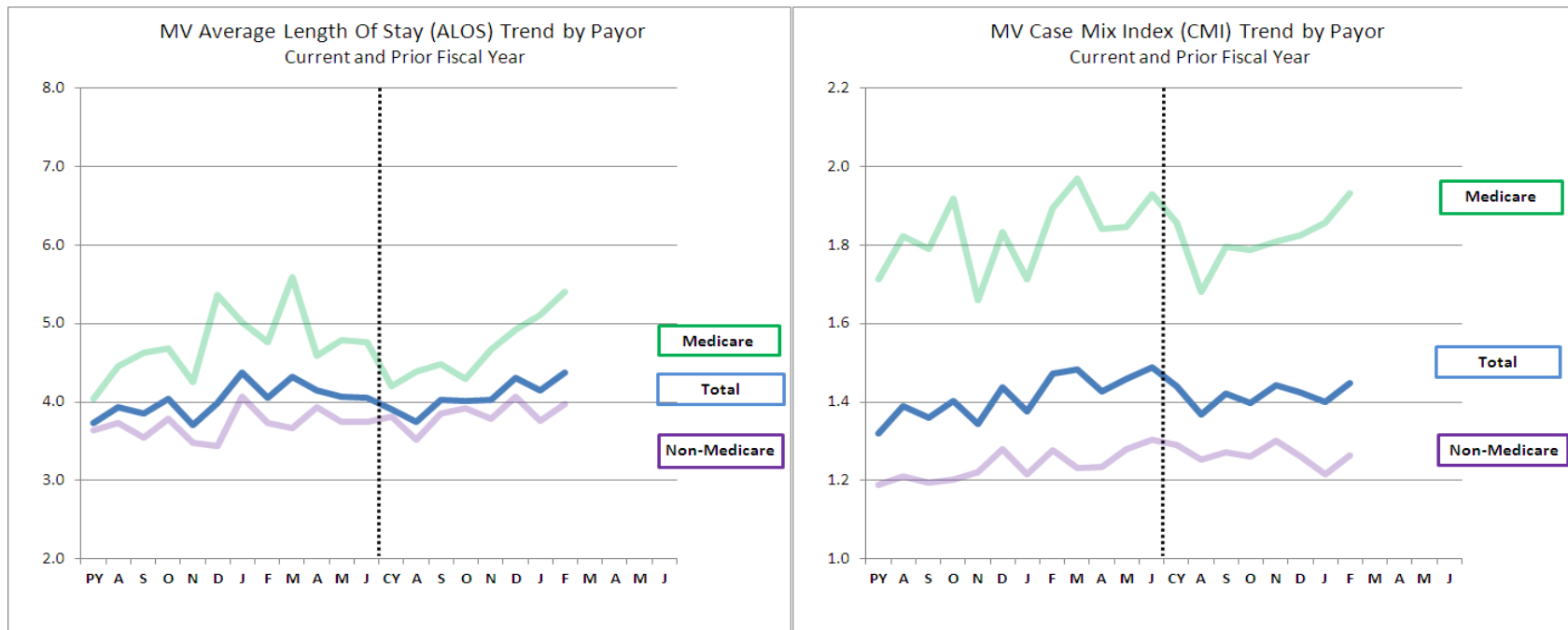
Mountain View

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend ⁽¹⁾

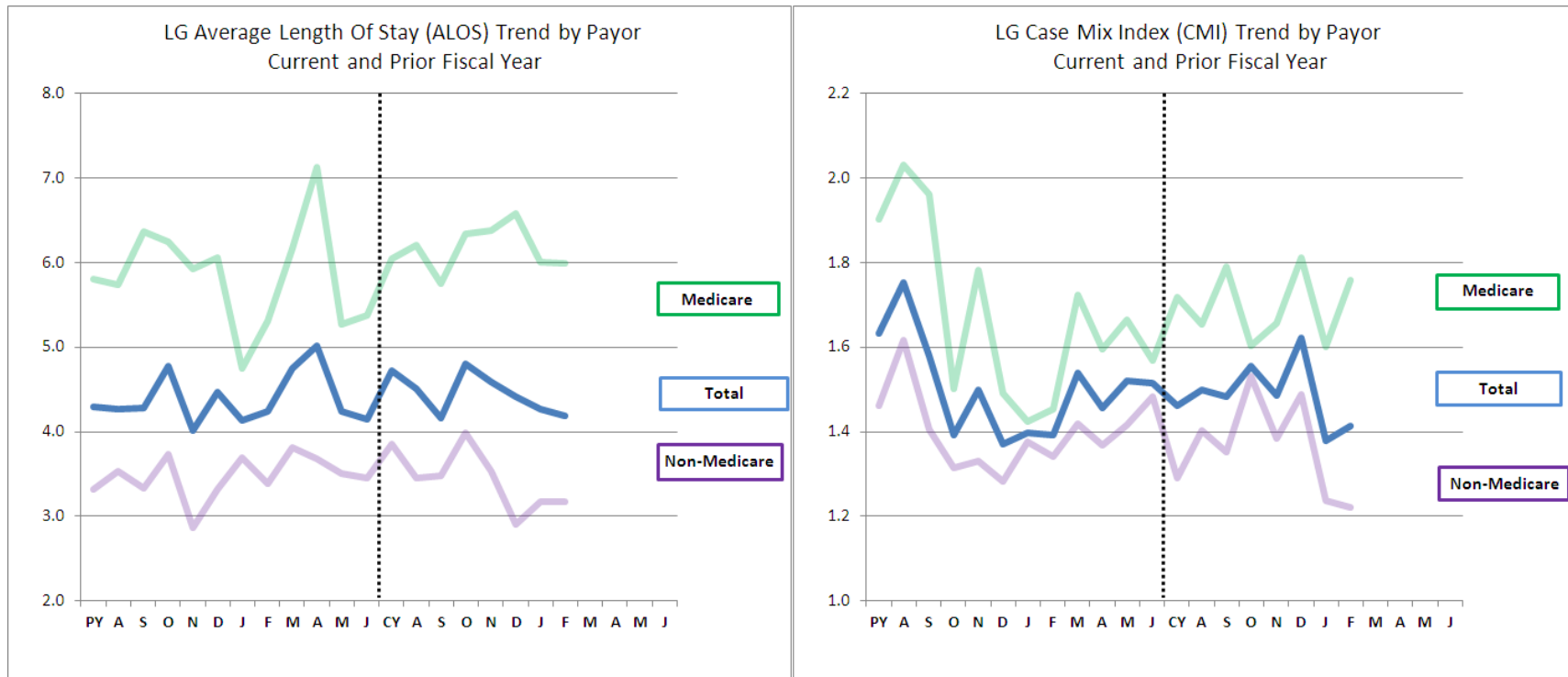


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

(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
8 months ending 2/28/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,654,405	1,624,560	29,845	1.8%
Deductions	(1,179,104)	(1,169,960)	(9,144)	0.8%
Net Patient Revenue	475,301	454,600	20,701	4.6%
Other Operating Revenue	12,724	10,358	2,366	22.8%
Total Operating Revenue	488,025	464,958	23,067	5.0%
OPERATING EXPENSE:				
Salaries & Wages	260,035	235,771	(24,263)	-10.3%
Supplies	67,386	69,005	1,618	2.3%
Fees & Purchased Services	51,658	56,731	5,074	8.9%
Other Operating Expense	60,128	52,518	(7,611)	-14.5%
Total Operating Expense	439,207	414,025	(25,182)	-6.1%
Net Operating Income/(Loss)	48,818	50,933	(2,115)	-4.2%
Non Operating Income	37,306	15,752	21,554	136.8%
Net Income(Loss)	86,124	66,685	19,439	29.1%
Collection Rate	28.7%	28.0%	0.7%	
Operating Margin	10.0%	11.0%	-1.0%	
Net Margin	17.6%	14.3%	3.3%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year

8 months ending 2/28/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,350,163	1,321,039	29,124	2.2%
Deductions	(962,990)	(951,276)	(11,714)	1.2%
Net Patient Revenue	387,173	369,763	17,410	4.7%
Other Operating Revenue	12,314	9,997	2,317	23.2%
Total Operating Revenue	399,486	379,760	19,726	5.2%
OPERATING EXPENSE:				
Salaries & Wages	217,010	196,270	(20,740)	-10.6%
Supplies	54,936	52,825	(2,112)	-4.0%
Fees & Purchased Services	42,272	46,942	4,670	9.9%
Other Operating Expense	47,353	40,539	(6,814)	-16.8%
Total Operating Expense	361,572	336,576	(24,996)	-7.4%
Net Operating Income/(Loss)	37,914	43,184	(5,270)	-12.2%
Non Operating Income	37,308	15,741	21,567	137.0%
Net Income(Loss)	75,222	58,925	16,298	27.7%
Collection Rate	28.7%	28.0%	0.7%	
Operating Margin	9.5%	11.4%	-1.9%	
Net Margin	18.8%	15.5%	3.3%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year
8 months ending 2/28/2013

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	304,242	303,521	721	0.2%
Deductions	(216,114)	(218,684)	2,570	-1.2%
Net Patient Revenue	88,128	84,837	3,291	3.9%
Other Operating Revenue	410	361	49	13.6%
Total Operating Revenue	88,539	85,198	3,340	3.9%
OPERATING EXPENSE:				
Salaries & Wages	43,025	39,501	(3,524)	-8.9%
Supplies	12,450	16,180	3,730	23.1%
Fees & Purchased Services	9,385	9,789	404	4.1%
Other Operating Expense	12,775	11,978	(796)	-6.6%
Total Operating Expense	77,635	77,449	(186)	-0.2%
Net Operating Income/(Loss)	10,904	7,749	3,154	40.7%
Non Operating Income	(2)	11	(13)	-119.2%
Net Income(Loss)	10,902	7,761	3,141	40.5%
Collection Rate	29.0%	28.0%	1.0%	
Operating Margin	12.3%	9.1%	3.2%	
Net Margin	12.3%	9.1%	3.2%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget
8 months ending 2/28/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,654,405	1,626,491	27,914	1.7%
Deductions	(1,179,104)	(1,165,449)	(13,655)	1.2%
Net Patient Revenue	475,301	461,042	14,259	3.1%
Other Operating Revenue	12,724	10,422	2,302	22.1%
Total Operating Revenue	488,025	471,464	16,561	3.5%
OPERATING EXPENSE:				
Salaries & Wages	260,035	250,142	(9,893)	-4.0%
Supplies	67,386	69,611	2,225	3.2%
Fees & Purchased Services	51,658	49,515	(2,143)	-4.3%
Other Operating Expense	60,128	60,551	423	0.7%
Total Operating Expense	439,207	429,819	(9,388)	-2.2%
Net Operating Income/(Loss)	48,818	41,646	7,172	17.2%
Non Operating Income	37,306	12,795	24,511	191.6%
Net Income(Loss)	86,124	54,441	31,683	58.2%
Collection Rate	28.7%	28.3%	0.4%	
Operating Margin	10.0%	8.8%	1.2%	
Net Margin	17.6%	11.5%	6.1%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget
8 months ending 2/28/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,350,163	1,320,801	29,362	2.2%
Deductions	(962,990)	(946,552)	(16,438)	1.7%
Net Patient Revenue	387,173	374,249	12,923	3.5%
Other Operating Revenue	12,314	10,077	2,237	22.2%
Total Operating Revenue	399,486	384,326	15,160	3.9%
OPERATING EXPENSE:				
Salaries & Wages	217,010	209,718	(7,292)	-3.5%
Supplies	54,936	54,887	(49)	-0.1%
Fees & Purchased Services	42,272	39,780	(2,493)	-6.3%
Other Operating Expense	47,353	48,258	904	1.9%
Total Operating Expense	361,572	352,642	(8,929)	-2.5%
Net Operating Income/(Loss)	37,914	31,684	6,231	19.7%
Non Operating Income	37,308	12,795	24,513	191.6%
Net Income(Loss)	75,222	44,479	30,744	69.1%
Collection Rate	28.7%	28.3%	0.3%	
Operating Margin	9.5%	8.2%	1.2%	
Net Margin	18.8%	11.6%	7.3%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

8 months ending 2/28/2013

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	304,242	305,690	(1,448)	-0.5%
Deductions	(216,114)	(218,897)	2,783	-1.3%
Net Patient Revenue	88,128	86,793	1,335	1.5%
Other Operating Revenue	410	345	65	18.8%
Total Operating Revenue	88,539	87,138	1,400	1.6%
OPERATING EXPENSE:				
Salaries & Wages	43,025	40,424	(2,601)	-6.4%
Supplies	12,450	14,724	2,274	15.4%
Fees & Purchased Services	9,385	9,735	350	3.6%
Other Operating Expense	12,775	12,293	(481)	-3.9%
Total Operating Expense	77,635	77,176	(459)	-0.6%
Net Operating Income/(Loss)	10,904	9,962	942	9.5%
Non Operating Income	(2)	0	(2)	0.0%
Net Income(Loss)	10,902	9,962	939	9.4%
Collection Rate	29.0%	28.4%	0.6%	
Operating Margin	12.3%	11.4%	0.9%	
Net Margin	12.3%	11.4%	0.9%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

	Period Ending Feb 28	
	FY 2014	FY 2013
CURRENT ASSETS		
Cash	58,794	35,753
Short Term Investments	161,131	161,718
Patient Accounts Receivable, net	101,671	94,689
Other Accounts and Notes Receivable	2,803	3,452
Intercompany Receivables	1,616	2,061
Inventories and Prepaids	55,059	48,542
Total Current Assets	381,075	346,215
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	93,712	71,707
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	1,502	6,024
Workers Compensation Reserve Fund	27,781	21,694
Postretirement Health/Life Reserve Fund	16,488	15,592
PTO Liability Fund	19,564	17,240
Malpractice Reserve Fund	2,002	2,318
Catastrophic Reserves Fund	12,787	12,948
Total Board Designated Assets	274,031	247,718
FUNDS HELD BY TRUSTEE	9,384	9,384
LONG TERM INVESTMENTS	136,555	71,476
INVESTMENTS IN AFFILIATES	25,137	21,605
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,023,530	1,005,918
Less: Accumulated Depreciation	(416,664)	(372,358)
Construction in Progress	14,709	8,508
Property, Plant & Equipment - Net	621,575	642,067
DEFERRED COSTS/BOND ISSUE COSTS	4,662	4,723
RESTRICTED ASSETS - CASH	5	0
TOTAL ASSETS	1,452,425	1,343,188

LIABILITIES AND FUND BALANCE

	Period Ending Feb 28	
	FY 2014	FY 2013
CURRENT LIABILITIES		
Accounts Payable	21,257	18,621
Salaries and Related Liabilities	16,396	15,541
Accrued PTO	19,564	17,240
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	19,346	18,552
Intercompany Payables	76	248
Malpractice Reserves	2,002	2,318
Bonds Payable - Current	3,075	3,000
Bond Interest Payable	1,261	1,296
Other Liabilities	3,260	7,100
Total Current Liabilities	88,537	86,216
LONG TERM LIABILITIES		
Post Retirement Benefits	16,488	15,592
Worker's Comp Reserve	25,481	19,394
Other L/T Obligation (Asbestos)	3,329	3,216
Other L/T Liabilities (IT/Medl Leases)	-	56
Bond Payable	184,561	190,609
Total Long Term Liabilities	229,858	228,866
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	859,966	780,387
Board Designated	274,031	247,718
Restricted	33	0
Total Fund Bal & Capital Accts	1,134,030	1,028,106
TOTAL LIABILITIES AND FUND BALANCE	1,452,425	1,343,188

⁽¹⁾ Hospital entity only, excludes controlled affiliates