



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2014 – Period 9
7/1/2013 to 3/31/2014

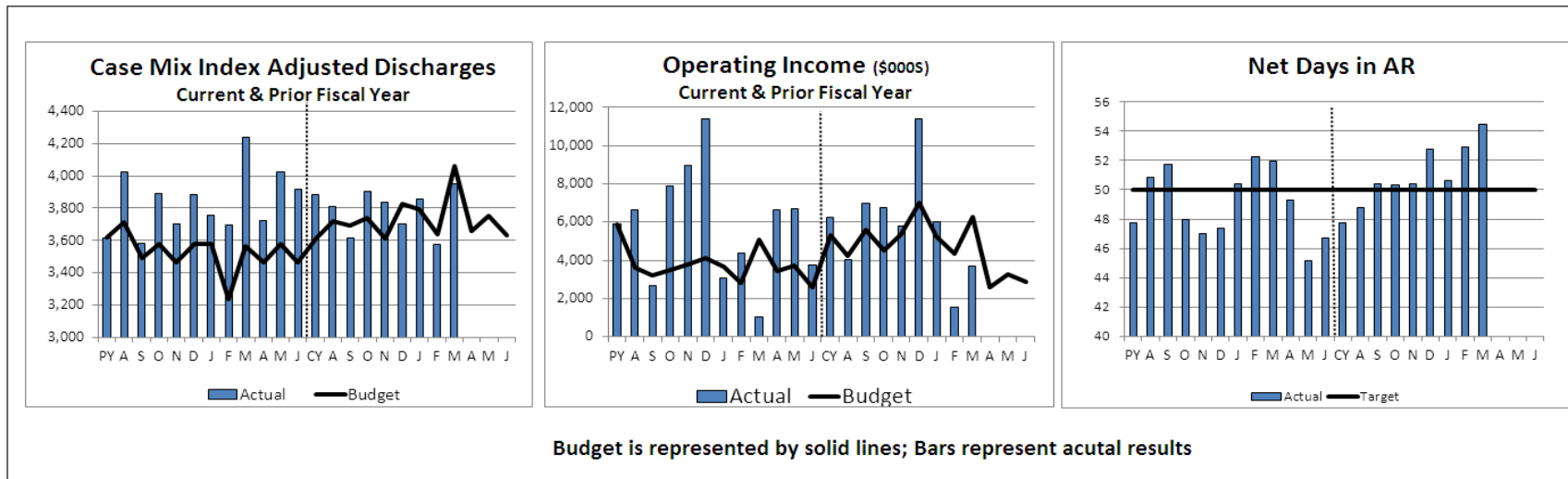
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending March 31, 2014

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)				BALANCE SHEET (\$000s)		
	Actual	Budget	Var F(U)		March 31, 2014	Mar 31, 2013
Gross Revenue	\$1,870,429	\$1,849,411	\$21,019	Cash and Investments	635,657	524,761
Deductions from Revenue	(1,334,895)	(1,327,121)	(7,775)	Non Cash Current Assets	160,407	148,335
Net Patient Revenue	535,534	522,290	13,244	Property, Plant & Equipment (Net)	627,705	640,478
Other Operating Revenue	14,072	11,743	2,329	Other Assets	39,452	35,864
Total Operating Revenue	549,606	534,033	15,573	Total Assets	1,463,221	1,349,437
Salaries & Wages	294,517	283,264	(11,253)	Current Liabilities	95,395	83,576
Supplies	76,500	78,976	2,476	Long-Term Liabilities	229,661	231,127
Fees & Purchased Services	58,702	55,725	(2,976)	Fund Balance/Capital Accounts	1,138,165	1,034,735
Other Operating Expense	25,759	24,717	(1,042)	Total Liabilities & Equity	1,463,221	1,349,437
Total Non Capital Operating Expense	455,478	442,683	(12,795)	KEY ECH STATISTICS - YTD		
OPERATING EBITDA	94,128	91,351	2,777	Balance Sheet	Actual	Target ⁽¹⁾
Interest, Depreciation & Amortization	41,599	43,456	1,857	Debt Service Coverage Ratio (MADS)	8.8	1.2
NET OPERATING SURPLUS	52,529	47,895	4,634	Debt to Capitalization	12.8%	37.5%
Non Operating Income	37,731	14,423	23,308	Days of Cash	378	225
TOTAL NET SURPLUS	90,260	62,317	27,942	Net AR Days	54.5	48.9
Yield Percent (NPR / Gross Revenue)	28.6%	28.2%	0.4%	Other	Actual	Budget
EBITDA Margin	17.1%	17.1%	0.0%	Acute Discharges	13,832	14,656
Operating Margin	9.6%	9.0%	0.6%	Acute Average Daily Census	237	235
Total Margin	16.4%	11.7%	4.8%	Deliveries	3,882	3,849
				Emergency Department Visits	43,019	42,497
				Surgical Cases	8,178	8,104
				Full Time Equivalent Employees	2,429	2,410
				Worked Hrs/CMI Adjusted Patient Day	29.67	30.49

⁽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⁾



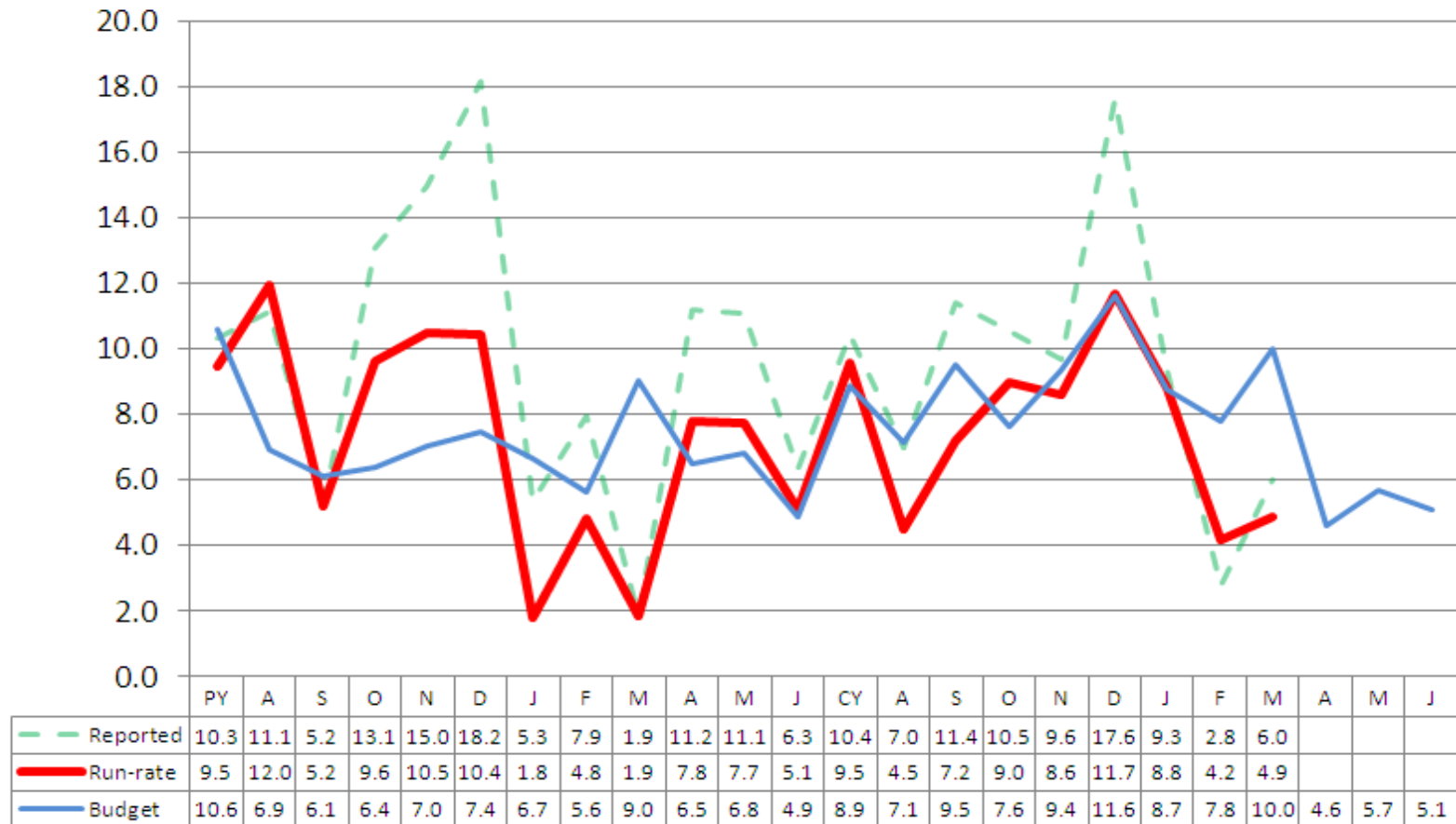
CMI Adjusted Discharges Case mix in March was 3% below budget and discharges were 9% lower; these variances were adjusted by outpatient revenues which exceeded budget by 10%, resulting in CMI adjusted discharges which were 3% unfavorable to budget. Daily census in March was 3% lower than budget. Fiscal year to date CMI adjusted discharges are 1.2% favorable to budget.

Operating Margin March's gross charges were \$6.9 million unfavorable to budget so, excluding a \$1.4 million favorable Medi-Cal supplemental cost report filing, net revenues were \$2.4 million unfavorable to budget. Ignoring unbudgeted bonuses and Epic costs, expenses were \$0.9 million unfavorable to budget, so run-rate hospital operations were \$3.2 million unfavorable to budget and reported operating margin was \$2.5 million unfavorable. Investment performance was modest - \$0.9 million in March; \$39.7 million YTD. Operating margin YTD is \$4.6 million favorable to budget, and total net surplus YTD is \$28 million favorable.

Net Days in AR Net outstanding receivables increased by \$0.5 million between February and March and average daily revenue fell a little. Consequently, net days in A/R increased to 54.5 days (from 52.9 days).

(1) Hospital entity only, excludes controlled affiliates

ECH Operating Margin⁽¹⁾



⁽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%	9.0%	
EBITDA Margin	16.6%	19.4%	17.8%	17.1%	17.1%	
Days of Cash	250	321	350	378	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%	12.8%	30.3%	
Net AR Days	48.6	48.1	48.3	54.5	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

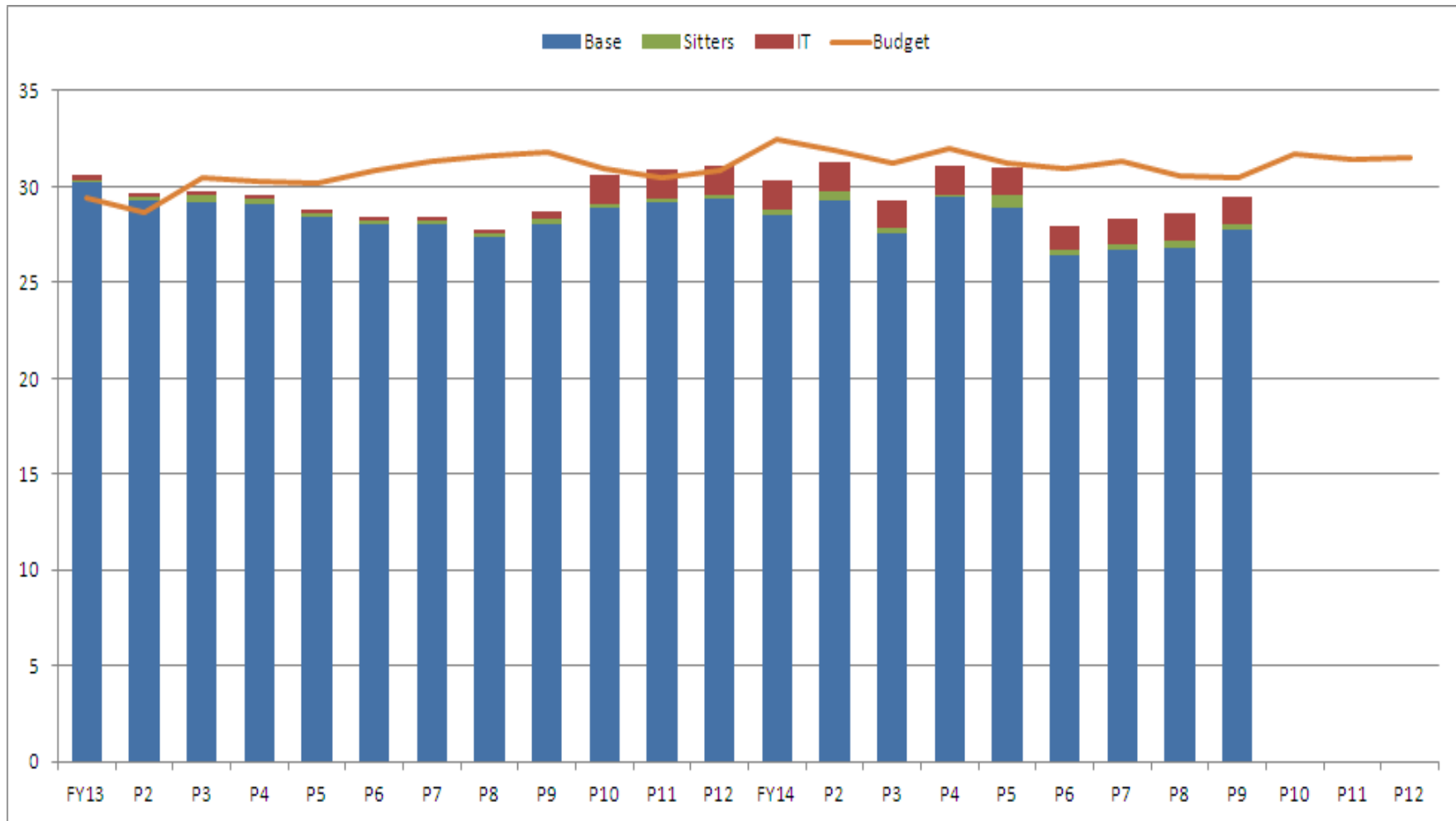
⁽¹⁾ Hospital entity only, excludes controlled affiliates

Summary of Financial Results

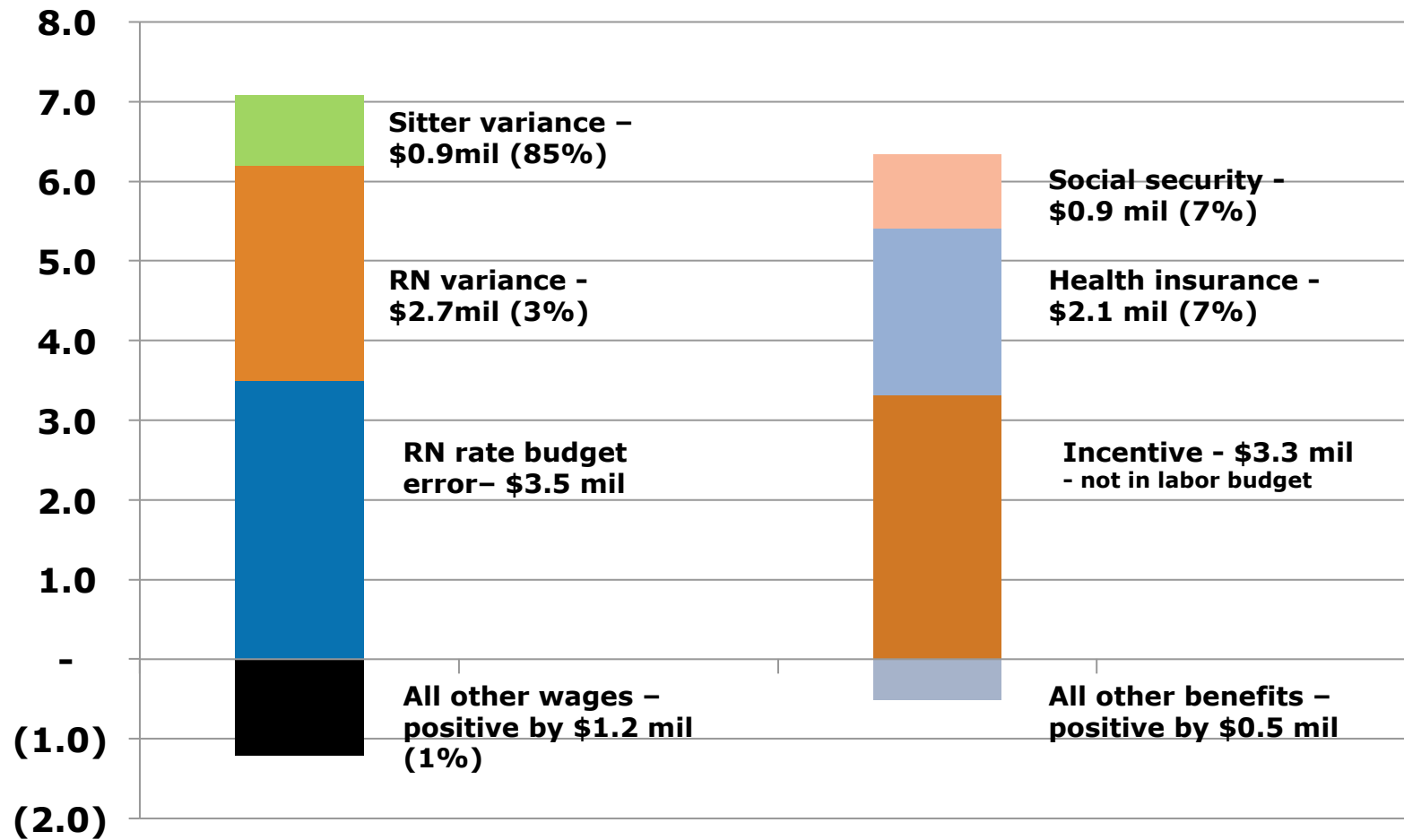
\$ in Thousands

	Period 9 - Month			Period 9 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	2,282	4,382	(2,100)	40,196	36,066	4,131
Los Gatos	1,429	1,867	(438)	12,332	11,829	503
Sub Total - El Camino Hospital, excl. Affiliates	3,711	6,249	(2,538)	52,529	47,895	4,634
Operating Margin %	6.0%	10.0%		9.6%	9.0%	
El Camino Hospital Non Operating Income						
Investments	830	1,972	(1,142)	39,670	17,473	22,196
Swap Adjustments	90	0	90	582	0	582
Community Benefit	(552)	0	(552)	(1,435)	0	(1,435)
Other	57	(344)	401	(1,086)	(3,051)	1,965
Sub Total - Non Operating Income	425	1,628	(1,203)	37,731	14,423	23,308
El Camino Hospital Net Income (Loss)	4,135	7,876	(3,741)	90,260	62,317	27,942
ECH Net Margin %	6.7%	12.6%		16.4%	11.7%	
Net Income Hospital Affiliates	297	186	111	4,074	1,621	2,453
Total Net Income Hospital & Affiliates	4,432	8,062	(3,630)	94,334	63,939	30,395

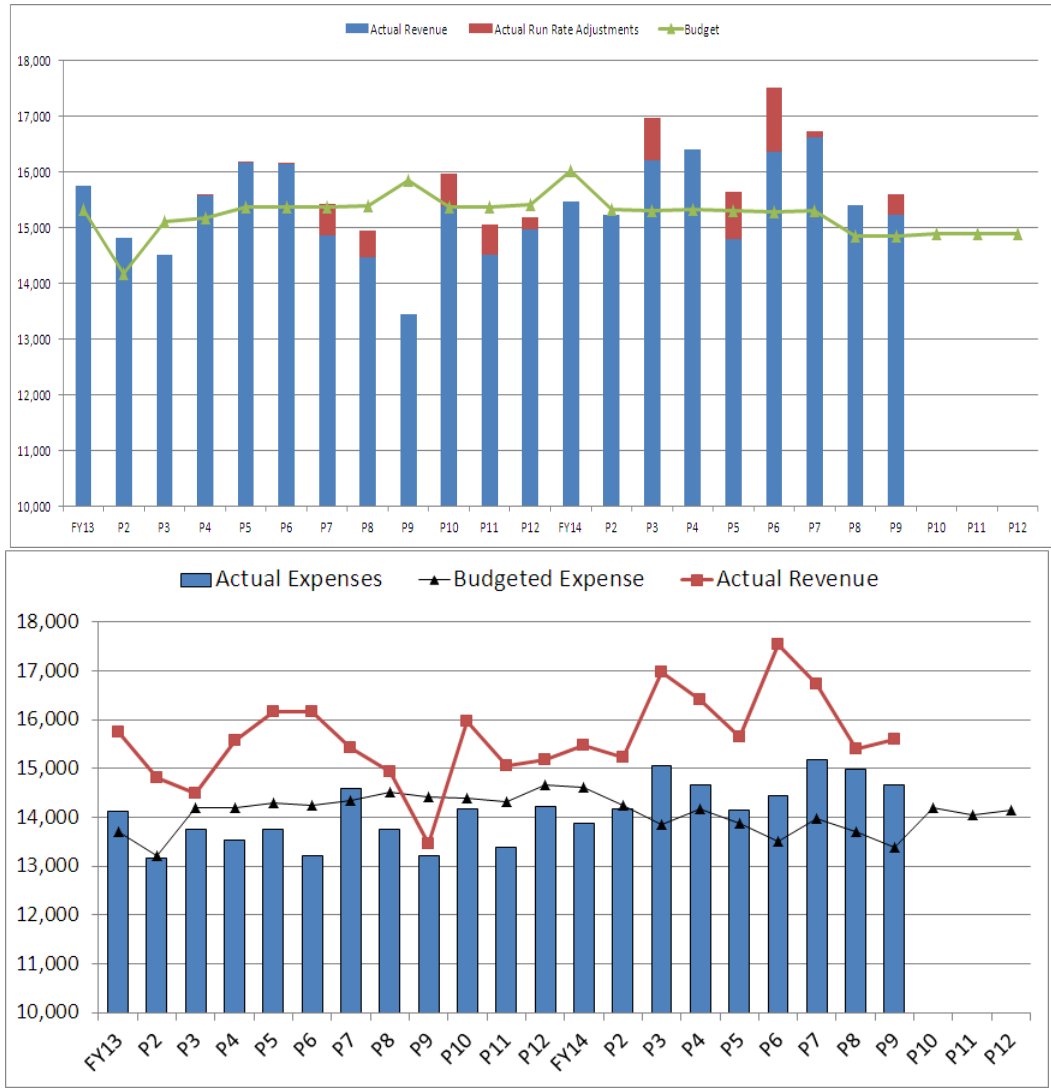
Worked hours per adjusted patient day are running favorable to budget



FY2014 YTD dollar \$11.3 unfavorable variance from fixed labor budget is multi-factorial



Revenue and expenses per CMI adjusted discharge are higher than budget most months



(1) Hospital entity only, excludes controlled affiliates

ECH Volume Statistics ⁽¹⁾

MOUNTAIN VIEW

	Month of Mar, 2014		
	Act	Bud	Var%
Discharges ⁽²⁾	1,347	1,471	-8.4%
ADC ⁽²⁾	200	207	-3.7%
Deliveries	384	398	-3.5%
ED Visits	3,838	4,106	-6.5%
Surgical Cases	550	621	-11.5%

	Year to Date			Prior Year	
	Act	Bud	Var%	Act	Var%
	11,329	12,073	-6.2%	12,019	-5.7%
	194	193	0.5%	192	0.6%
	3,282	3,266	0.5%	3,424	-4.1%
	33,904	33,709	0.6%	33,496	1.2%
	5,025	5,099	-1.5%	4,776	5.2%

LOS GATOS

	Month of Mar, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	278	315	-11.6%
ADC ⁽²⁾	45	45	-0.5%
Deliveries	88	71	23.9%
ED Visits	953	1,070	-10.9%
Surgical Cases	370	366	1.1%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	2,503	2,583	-3.1%	2,528	-1.0%
	43	42	2.4%	41	5.1%
	600	583	2.9%	551	8.9%
	9,115	8,788	3.7%	8,909	2.3%
	3,153	3,004	4.9%	3,074	2.6%

ECH

	Month of Mar, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	1,625	1,785	-9.0%
ADC ⁽²⁾	245	253	-3.1%
Deliveries	472	469	0.7%
ED Visits	4,791	5,176	-7.4%
Surgical Cases	920	987	-6.8%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	13,832	14,656	-5.6%	14,547	-4.9%
	237	235	0.9%	233	1.4%
	3,882	3,849	0.9%	3,975	-2.3%
	43,019	42,497	1.2%	42,405	1.4%
	8,178	8,104	0.9%	7,850	4.2%

(1) Hospital entity only, excludes controlled affiliates

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

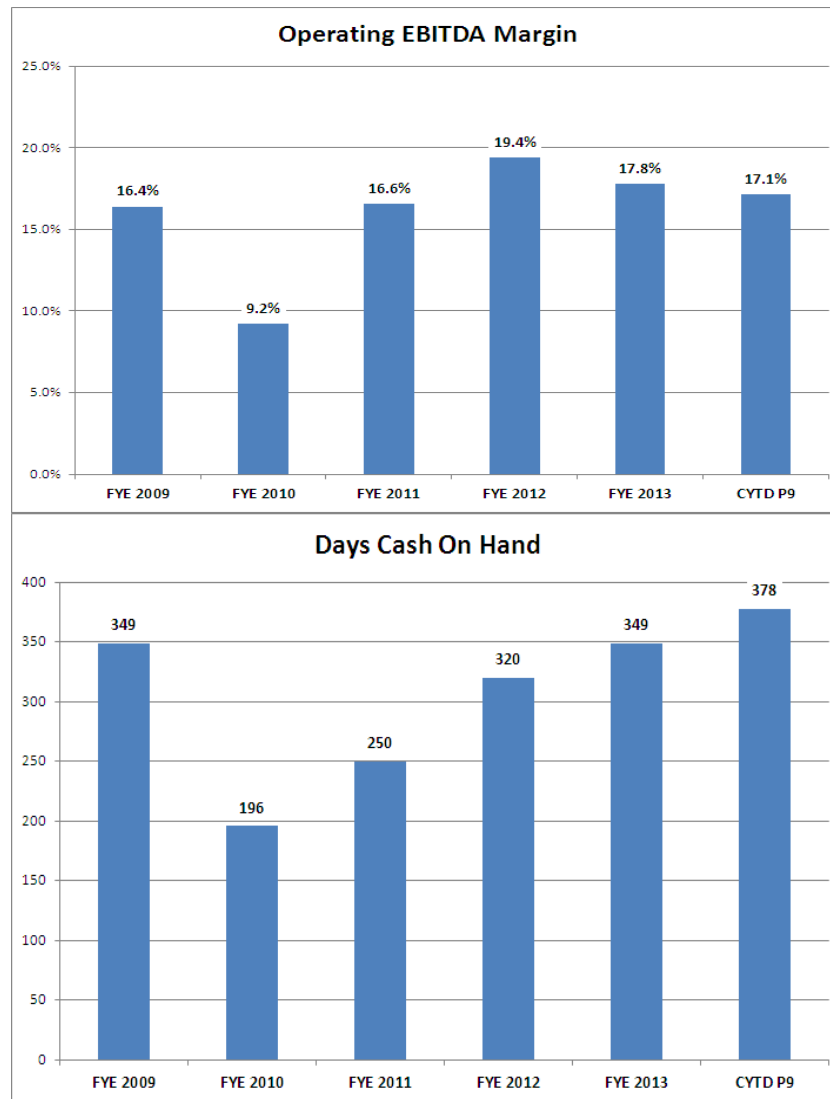
El Camino Hospital Volume Trends Prior and Current Fiscal Years



El Camino Hospital Financial Metrics Trend ⁽¹⁾

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Operating EBITDA equal to Budget

Represents cash of \$636 million

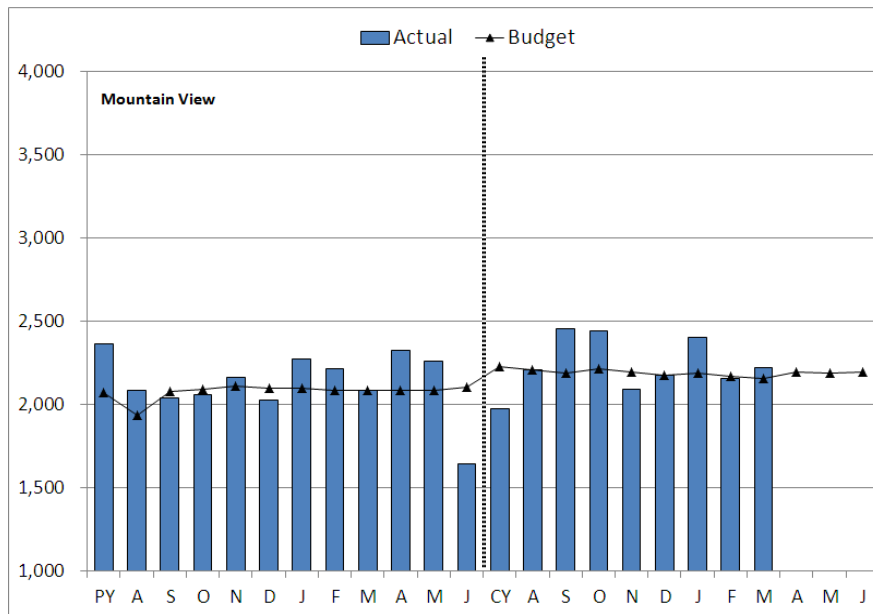
⁽¹⁾ Hospital entity only, excludes controlled affiliates

APPENDIX

Supply Cost per CMI Adjusted Discharges ⁽¹⁾

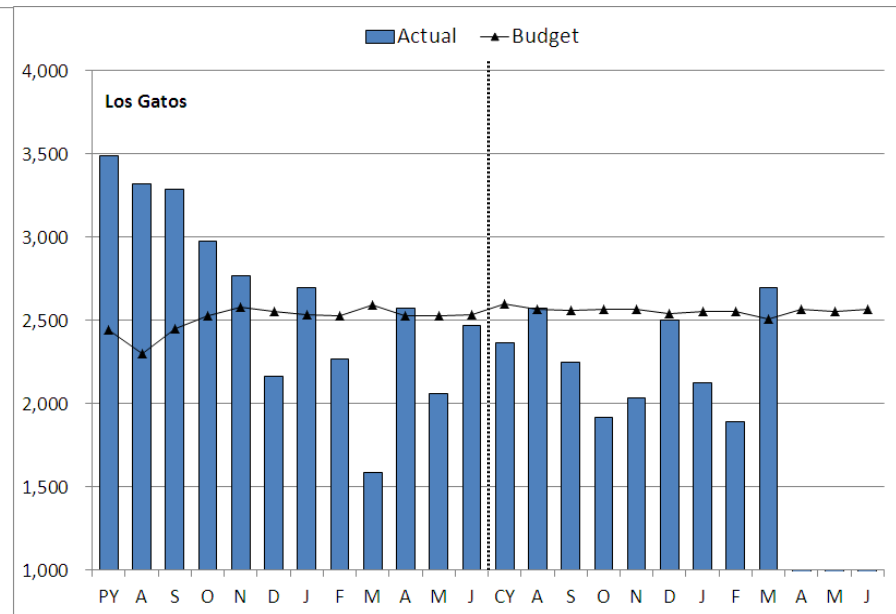
YTD: 2.0% over budget

Mountain View



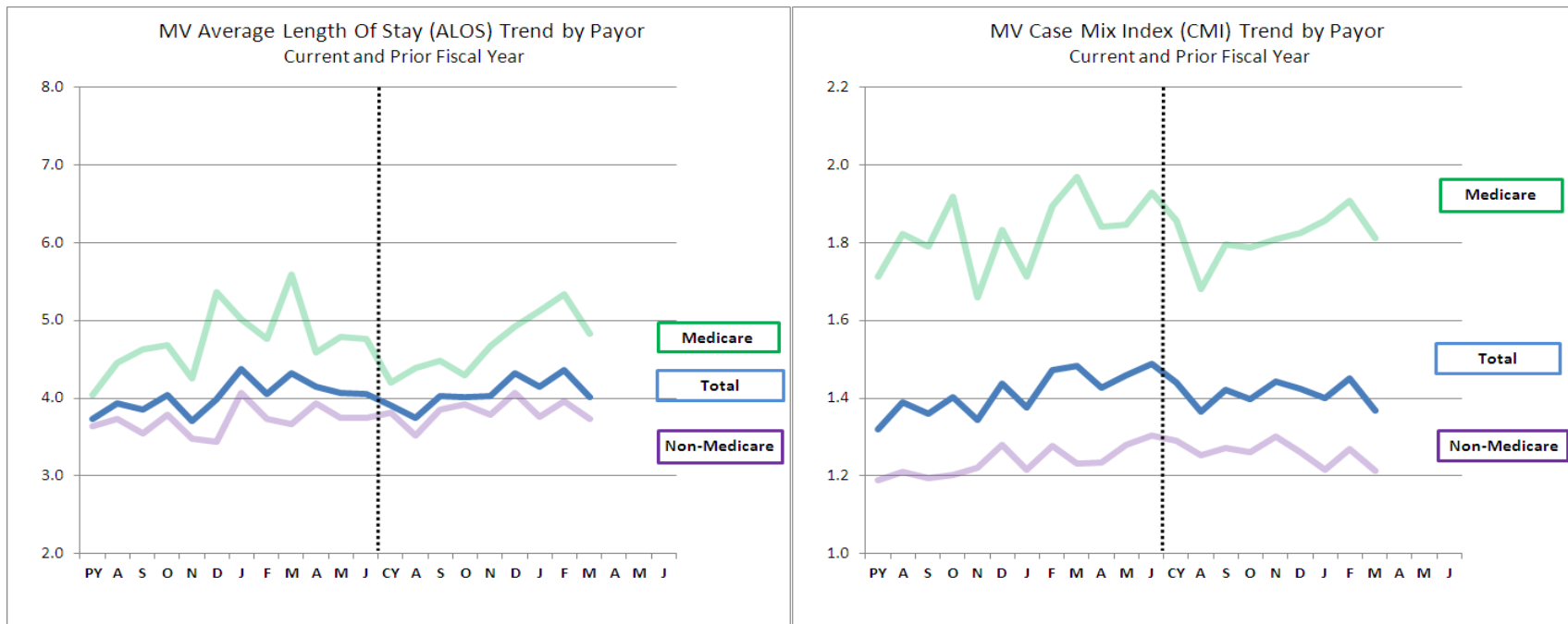
YTD: -11.5% under budget

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend⁽¹⁾

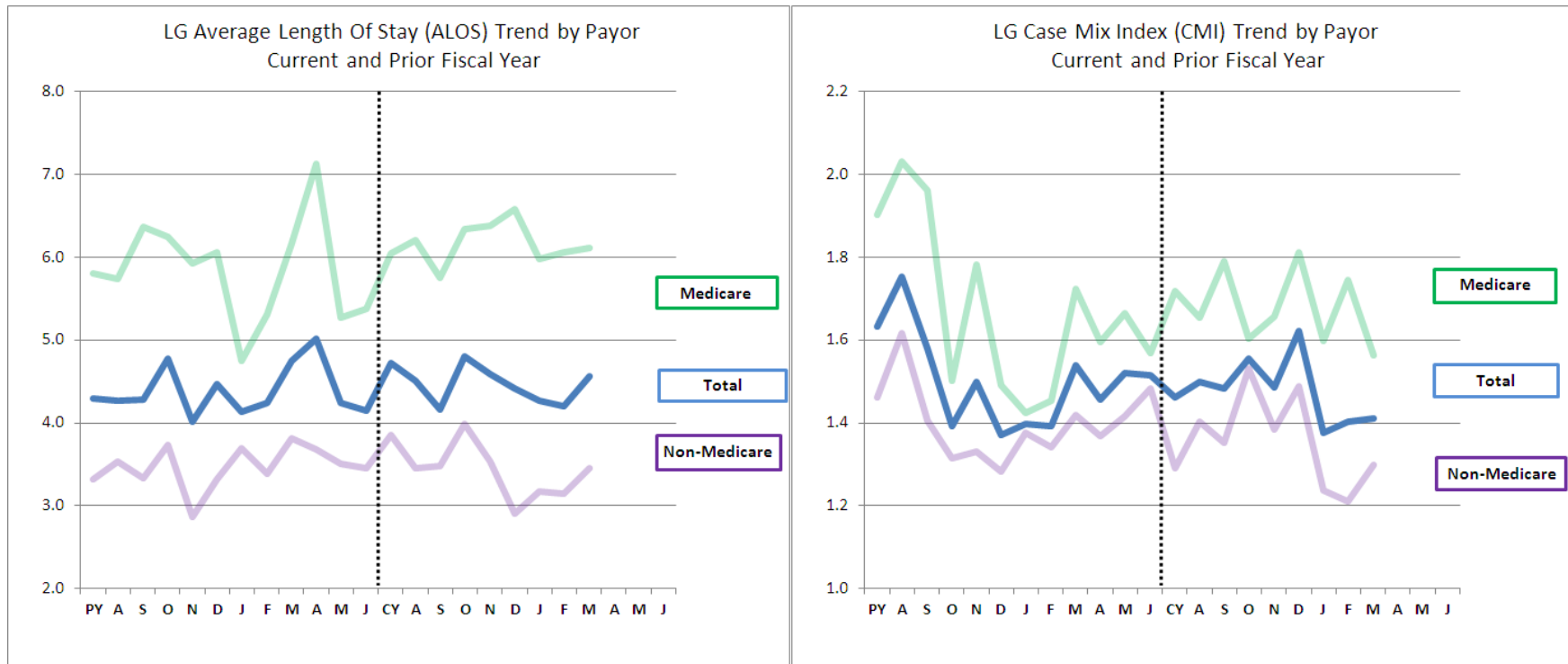


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

⁽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

⁽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
9 months ending 3/31/2014

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,870,429	1,841,848	28,581	1.6%
Deductions	(1,334,895)	(1,331,465)	(3,430)	0.3%
Net Patient Revenue	535,534	510,383	25,151	4.9%
Other Operating Revenue	14,072	11,607	2,465	21.2%
Total Operating Revenue	549,606	521,990	27,615	5.3%
OPERATING EXPENSE:				
Salaries & Wages	294,517	269,730	(24,787)	-9.2%
Supplies	76,500	77,480	980	1.3%
Fees & Purchased Services	58,702	62,977	4,275	6.8%
Other Operating Expense	67,358	59,813	(7,545)	-12.6%
Total Operating Expense	497,077	470,001	(27,076)	-5.8%
Net Operating Income/(Loss)	52,529	51,989	539	1.0%
Non Operating Income	37,731	21,323	16,408	76.9%
Net Income(Loss)	90,260	73,312	16,947	23.1%
Collection Rate	28.6%	27.7%	0.9%	
Operating Margin	9.6%	10.0%	-0.4%	
Net Margin	16.4%	14.0%	2.4%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year
9 months ending 3/31/2014

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,526,689	1,501,575	25,114	1.7%
Deductions	(1,091,251)	(1,086,169)	(5,082)	0.5%
Net Patient Revenue	435,438	415,405	20,032	4.8%
Other Operating Revenue	13,627	11,173	2,454	22.0%
Total Operating Revenue	449,065	426,579	22,486	5.3%
OPERATING EXPENSE:				
Salaries & Wages	245,734	224,956	(20,778)	-9.2%
Supplies	62,146	60,095	(2,051)	-3.4%
Fees & Purchased Services	48,051	52,210	4,159	8.0%
Other Operating Expense	52,938	46,137	(6,801)	-14.7%
Total Operating Expense	408,869	383,398	(25,471)	-6.6%
Net Operating Income/(Loss)	40,196	43,181	(2,985)	-6.9%
Non Operating Income	37,733	21,312	16,421	77.1%
Net Income(Loss)	77,929	64,493	13,437	20.8%
Collection Rate	28.5%	27.7%	0.9%	
Operating Margin	9.0%	10.1%	-1.2%	
Net Margin	17.4%	15.1%	2.2%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year
9 months ending 3/31/2014

\$000s	FY 2014	FY 2013	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	343,740	340,273	3,467	1.0%
Deductions	(243,644)	(245,295)	1,651	-0.7%
Net Patient Revenue	100,096	94,978	5,118	5.4%
Other Operating Revenue	445	434	11	2.5%
Total Operating Revenue	100,541	95,412	5,129	5.4%
OPERATING EXPENSE:				
Salaries & Wages	48,783	44,774	(4,009)	-9.0%
Supplies	14,354	17,385	3,031	17.4%
Fees & Purchased Services	10,651	10,768	117	1.1%
Other Operating Expense	14,420	13,677	(744)	-5.4%
Total Operating Expense	88,208	86,603	(1,605)	-1.9%
Net Operating Income/(Loss)	12,332	8,808	3,524	40.0%
Non Operating Income	(2)	11	(13)	-119.2%
Net Income(Loss)	12,330	8,820	3,511	39.8%
Collection Rate	29.1%	27.9%	1.2%	
Operating Margin	12.3%	9.2%	3.0%	
Net Margin	12.3%	9.2%	3.0%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget

9 months ending 3/31/2014

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,870,429	1,849,411	21,019	1.1%
Deductions	(1,334,895)	(1,327,121)	(7,775)	0.6%
Net Patient Revenue	535,534	522,290	13,244	2.5%
Other Operating Revenue	14,072	11,743	2,329	19.8%
Total Operating Revenue	549,606	534,033	15,573	2.9%
OPERATING EXPENSE:				
Salaries & Wages	294,517	283,264	(11,253)	-4.0%
Supplies	76,500	78,976	2,476	3.1%
Fees & Purchased Services	58,702	55,725	(2,976)	-5.3%
Other Operating Expense	67,358	68,173	815	1.2%
Total Operating Expense	497,077	486,139	(10,939)	-2.3%
Net Operating Income/(Loss)	52,529	47,895	4,634	9.7%
Non Operating Income	37,731	14,423	23,308	161.6%
Net Income(Loss)	90,260	62,317	27,942	44.8%
Collection Rate	28.6%	28.2%	0.4%	
Operating Margin	9.6%	9.0%	0.6%	
Net Margin	16.4%	11.7%	4.8%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget
9 months ending 3/31/2014

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,526,689	1,501,315	25,374	1.7%
Deductions	(1,091,251)	(1,077,858)	(13,393)	1.2%
Net Patient Revenue	435,438	423,457	11,981	2.8%
Other Operating Revenue	13,627	11,354	2,273	20.0%
Total Operating Revenue	449,065	434,811	14,254	3.3%
OPERATING EXPENSE:				
Salaries & Wages	245,734	237,394	(8,341)	-3.5%
Supplies	62,146	62,256	110	0.2%
Fees & Purchased Services	48,051	44,760	(3,291)	-7.4%
Other Operating Expense	52,938	54,336	1,399	2.6%
Total Operating Expense	408,869	398,746	(10,123)	-2.5%
Net Operating Income/(Loss)	40,196	36,066	4,131	11.5%
Non Operating Income	37,733	14,423	23,310	161.6%
Net Income(Loss)	77,929	50,488	27,441	54.4%
Collection Rate	28.5%	28.2%	0.3%	
Operating Margin	9.0%	8.3%	0.7%	
Net Margin	17.4%	11.6%	5.7%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

9 months ending 3/31/2014

\$000s	FY 2014	Budget 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	343,740	348,096	(4,355)	-1.3%
Deductions	(243,644)	(249,263)	5,618	-2.3%
Net Patient Revenue	100,096	98,833	1,263	1.3%
Other Operating Revenue	445	389	56	14.3%
Total Operating Revenue	100,541	99,222	1,319	1.3%
OPERATING EXPENSE:				
Salaries & Wages	48,783	45,871	(2,912)	-6.3%
Supplies	14,354	16,720	2,366	14.2%
Fees & Purchased Services	10,651	10,966	315	2.9%
Other Operating Expense	14,420	13,836	(584)	-4.2%
Total Operating Expense	88,208	87,393	(815)	-0.9%
Net Operating Income/(Loss)	12,332	11,829	503	4.3%
Non Operating Income	(2)	0	(2)	0.0%
Net Income(Loss)	12,330	11,829	501	4.2%
Collection Rate	29.1%	28.4%	0.7%	
Operating Margin	12.3%	11.9%	0.3%	
Net Margin	12.3%	11.9%	0.3%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

	Period Ending Mar 31	
	FY 2014	FY 2013
CURRENT ASSETS		
Cash	62,230	37,243
Short Term Investments	129,057	155,110
Patient Accounts Receivable, net	102,130	93,856
Other Accounts and Notes Receivable	2,846	3,350
Intercompany Receivables	1,041	2,305
Inventories and Prepaids	54,391	48,825
Total Current Assets	351,694	340,688
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	95,701	74,907
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	978	5,099
Workers Compensation Reserve Fund	27,481	24,028
Postretirement Health/Life Reserve Fund	16,606	15,687
PTO Liability Fund	20,537	18,314
Malpractice Reserve Fund	2,002	2,318
Catastrophic Reserves Fund	13,136	13,651
Total Board Designated Assets	276,638	254,199
FUNDS HELD BY TRUSTEE	9,384	9,384
LONG TERM INVESTMENTS	167,732	78,209
INVESTMENTS IN AFFILIATES	25,402	21,769
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,034,311	1,006,701
Less: Accumulated Depreciation	(420,425)	(375,585)
Construction in Progress	13,819	9,361
Property, Plant & Equipment - Net	627,705	640,478
DEFERRED COSTS/BOND ISSUE COSTS	4,662	4,708
RESTRICTED ASSETS - CASH	4	3
TOTAL ASSETS	1,463,221	1,349,437

LIABILITIES AND FUND BALANCE

	Period Ending Mar 31	
	FY 2014	FY 2013
CURRENT LIABILITIES		
Accounts Payable	23,968	14,846
Salaries and Related Liabilities	20,303	15,769
Accrued PTO	20,537	18,314
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	17,936	17,662
Intercompany Payables	133	291
Malpractice Reserves	2,002	2,318
Bonds Payable - Current	3,075	3,000
Bond Interest Payable	1,864	1,908
Other Liabilities	3,276	7,167
Total Current Liabilities	95,395	83,576
LONG TERM LIABILITIES		
Post Retirement Benefits	16,606	15,687
Worker's Comp Reserve	25,181	21,728
Other L/T Obligation (Asbestos)	3,404	3,216
Other L/T Liabilities (IT/Medl Leases)	-	79
Bond Payable	184,471	190,417
Total Long Term Liabilities	229,661	231,127
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	861,495	780,533
Board Designated	276,638	254,199
Restricted	32	3
Total Fund Bal & Capital Accts	1,138,165	1,034,735
TOTAL LIABILITIES AND FUND BALANCE	1,463,221	1,349,437

⁽¹⁾ Hospital entity only, excludes controlled affiliates