



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2015 – Period 6
7/1/2014 to 12/31/2014

Date Issue: January 20, 2014

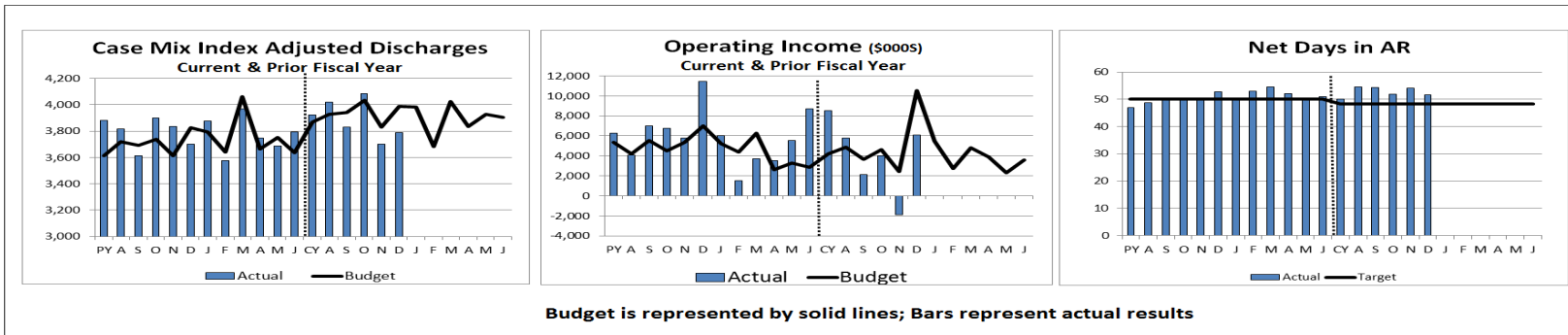
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending December 31, 2014

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)					BALANCE SHEET (\$000s)			
	Prior Year	Actual	Budget	Var F(U)		December 31, 2014	Jun 30, 2014	
Gross Revenue	\$1,231,180	\$1,268,583	\$1,265,180	\$3,403	Cash and Investments	673,261	651,709	
Deductions from Revenue	(872,499)	(914,831)	(900,165)	(14,666)	Non Cash Current Assets	158,261	161,295	
Net Patient Revenue	358,682	353,752	365,015	(11,263)	Property, Plant & Equipment (Net)	659,403	651,573	
Other Operating Revenue	9,767	9,949	10,363	(414)	Other Assets	37,548	35,972	
Total Operating Revenue	368,449	363,702	375,378	(11,677)	Total Assets	1,528,474	1,500,549	
Salaries & Wages	193,037	201,685	205,267	3,581	Current Liabilities	97,823	108,045	
Supplies	50,775	54,447	54,461	14	Long-Term Liabilities	232,852	228,867	
Fees & Purchased Services	38,659	37,577	38,663	1,086	Fund Balance/Capital Accounts	1,197,799	1,163,637	
Other Operating Expense	16,804	19,159	20,623	1,464	Total Liabilities & Equity	1,528,474	1,500,549	
Total Non Capital Operating Expense	299,275	312,868	319,014	6,146	KEY ECH STATISTICS - YTD			
OPERATING EBITDA	69,174	50,834	56,365	(5,531)	Balance Sheet	Actual	Target ⁽¹⁾	
Interest, Depreciation & Amortization	27,911	26,198	26,130	(67)	Debt Service Coverage Ratio (MADS)	7.8	1.2	
NET OPERATING SURPLUS	41,263	24,636	30,235	(5,598)	Debt to Capitalization	12.5%	29.0%	
Non Operating Income	29,895	1,253	8,251	(6,998)	Days of Cash	391	236	
TOTAL NET SURPLUS	71,159	25,889	38,485	(12,596)	Net AR Days	51.7	48.3	
EBITDA Margin	18.8%	14.0%	15.0%	-1.0%	Other	Prior Year	Actual	Budget
Operating Margin	11.2%	6.8%	8.1%	-1.3%	Acute Discharges	9,104	9,451	9,363
Total Margin	19.3%	7.1%	10.3%	-3.1%	Acute Average Daily Census	228	237	234
					Deliveries	2,558	2,604	2,461
					Emergency Department Visits	28,376	29,455	28,597
					Surgical Cases	5,545	5,504	5,733
					Full Time Equivalent Employees	2,412	2,424	2,430
					Worked Hrs/Adjusted Patient Day	30.14	29.53	30.89

⁽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 Stand-Alone Hospital Medians

⁽¹⁾ Hospital entity only, excludes controlled affiliates

Management Commentary⁽¹⁾



Gross Rev Mix	PY Actual		Year to Date		CY Budget	
			CY Actual			
Medicare	541,184,856	44.0%	576,871,742	45.5%	582,538,737	46.0%
Medi Cal	64,640,980	5.3%	81,180,114	6.4%	62,623,682	4.9%
HMO/PPO/Indemnity	576,282,413	46.8%	568,960,151	44.9%	568,761,235	45.0%
Industrial	18,119,545	1.5%	20,478,052	1.6%	19,821,962	1.6%
Self Pay	30,952,502	2.5%	21,093,421	1.7%	31,434,819	2.5%
Gross Revenue	1,231,180,295	100%	1,268,583,481	100%	1,265,180,437	100%

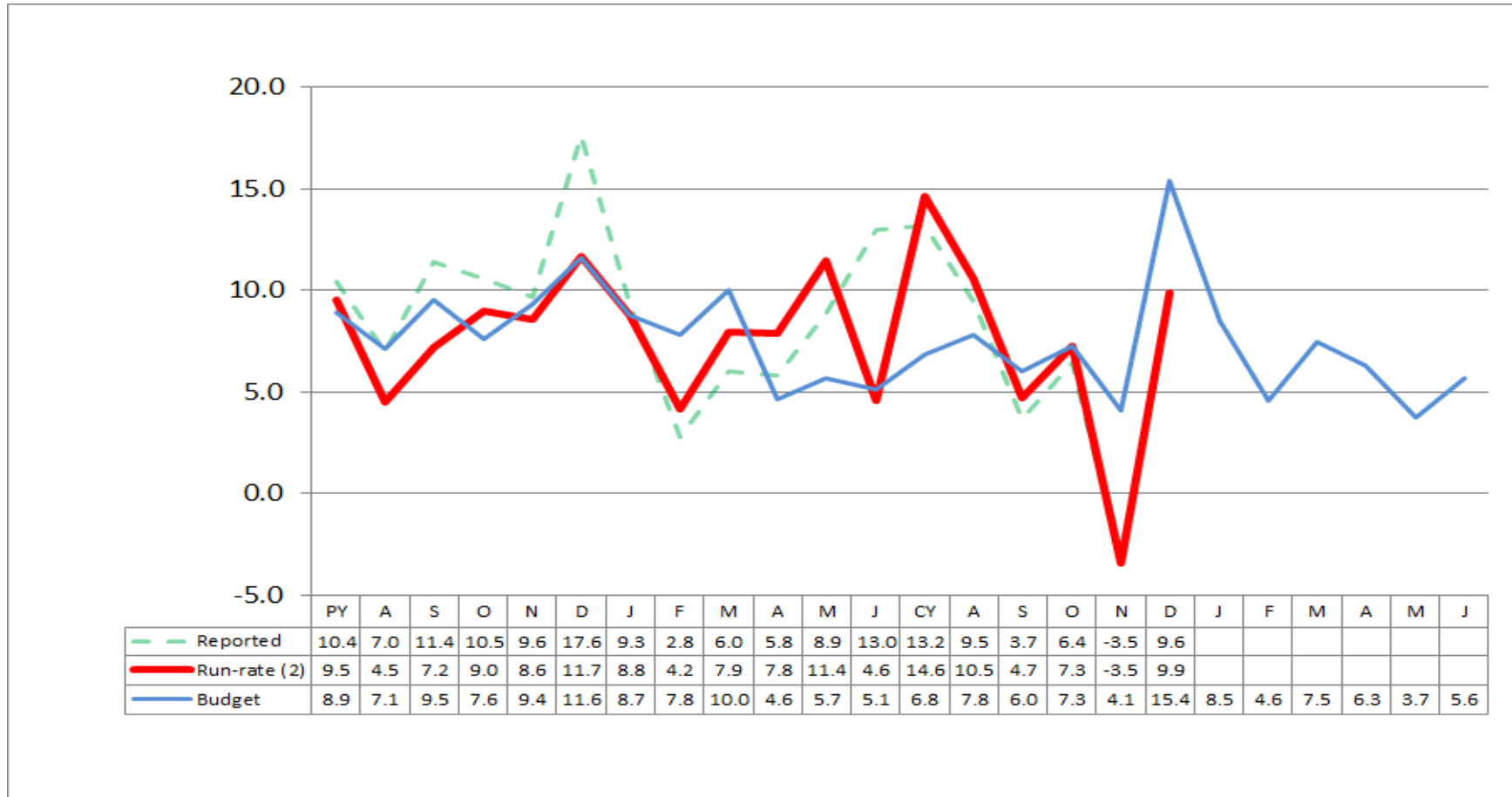
Volume – Discharges recovered from the November low; MV deliveries were very strong. For the year, discharges were 3.8% above prior and deliveries are 1.8% higher.

Operating Margin December operating margin was at budget with the exception of \$5 million IGT payment that was delayed to January. For the year, excluding IGT, operating margin is \$500,000 below budget. The loss is driven by lower revenues due to unfavorable payor mix. Expenses remain favorable compared to budget.

Net Days in AR The AR plan is to get the 48.3 target by April 2015. In December, receivables decreased by \$4.5 million and net days in A/R decreased by 3 days to 51.7

(1) Hospital entity only, excludes controlled affiliates

ECH Operating Margin ⁽¹⁾



Run rate is booked operating income adjusted for material non-recurring transactions

(1) Hospital entity only, excludes controlled affiliates

(2) Run rate exclusions of cost report settlements, EPIC expenses, and pay for performance bonuses

Key Hospital Indicators⁽¹⁾

Statistic	FYE 2012	FYE 2013	FYE 2014	FYTD 2015	Annual Target (2)	+/-
Operating Margin	10.5%	9.9%	9.5%	6.8%	7.1%	
EBITDA Margin	19.4%	17.8%	16.9%	14.0%	14.3%	
Days of Cash	321	350	382	391	236	
Debt Service Coverage Ratio (MADS)	7.2	7.9	9.5	7.8	4.3	
Debt to Capitalization	15.8%	14.0%	12.6%	12.5%	29.0%	
Net AR Days	48.1	48.3	50.9	51.7	48.3	

⁽¹⁾ Hospital Only - Excludes Affiliates

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

Target source: S&P 2013 A Rated Hospital Medians for all others published 8/2014

*Prior Year numbers represent full year

⁽¹⁾ Hospital entity only, excludes controlled affiliates

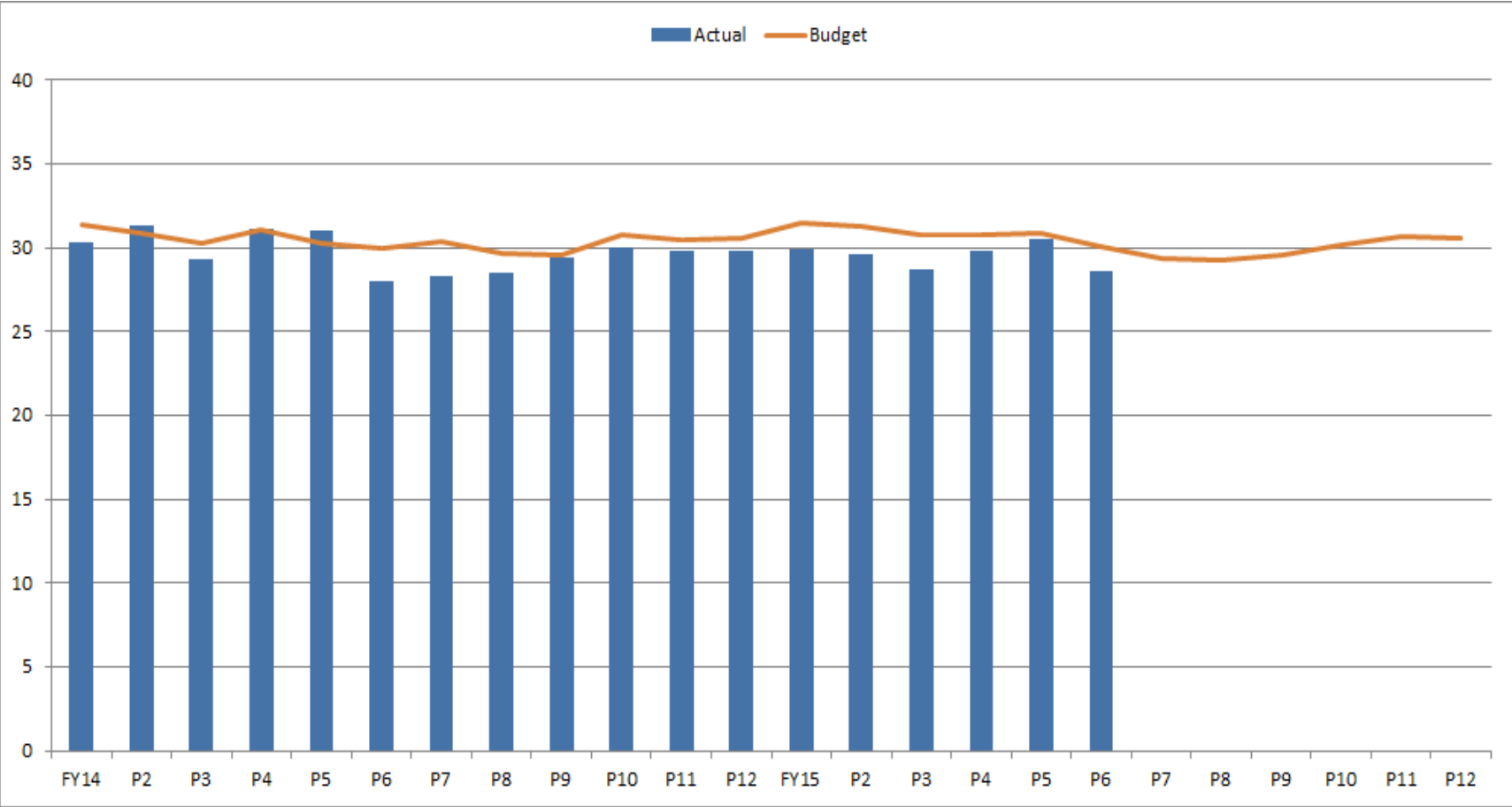
Summary of Financial Results

\$ in Thousands

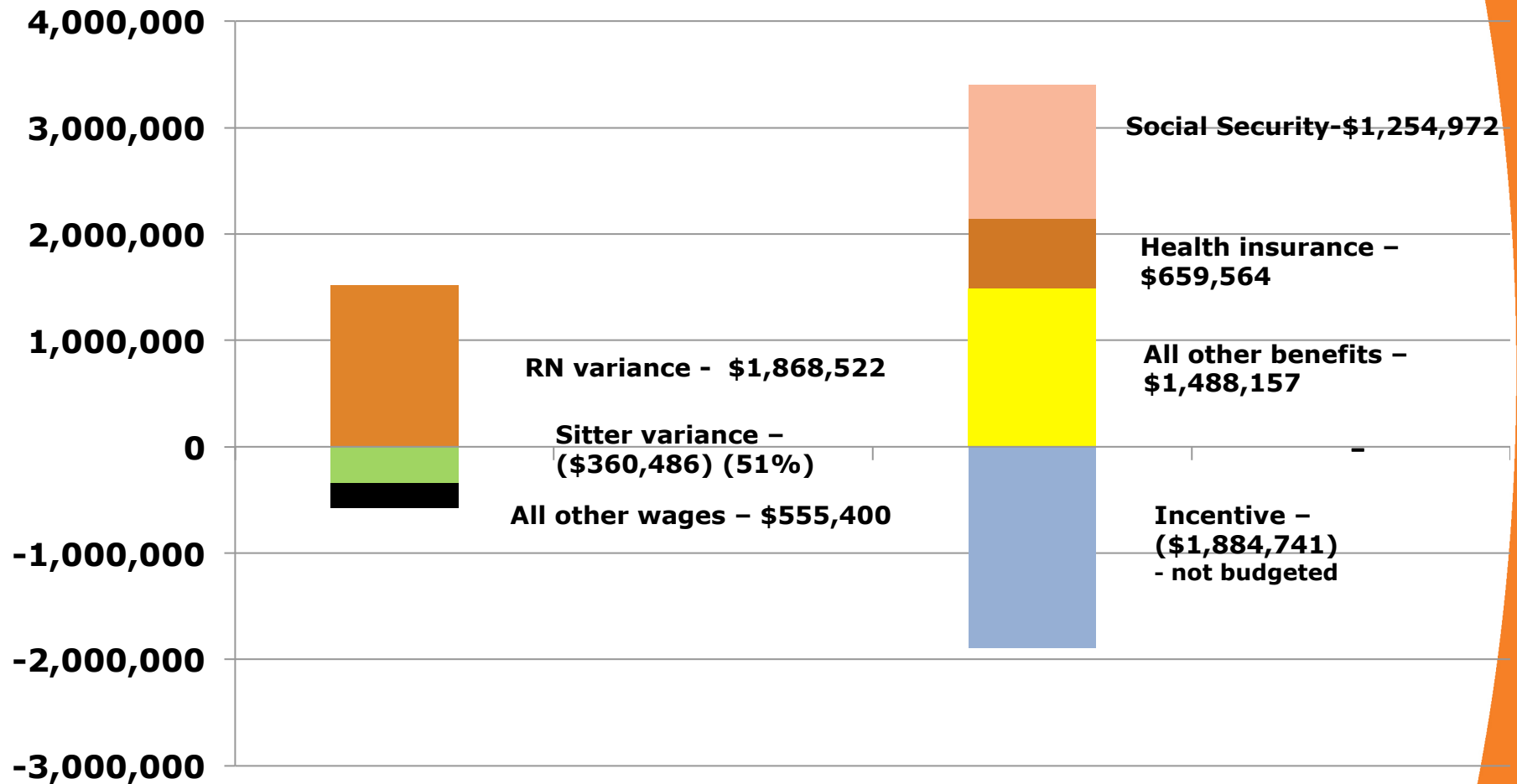
	Period 6 - Month			Period 6 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	4,019	8,512	(4,492)	17,135	19,266	(2,131)
Los Gatos	2,069	2,010	59	7,501	10,969	(3,467)
Sub Total - El Camino Hospital, excl. Affiliates	6,089	10,522	(4,433)	24,636	30,235	(5,598)
Operating Margin %	9.6%	15.4%		6.8%	8.1%	
El Camino Hospital Non Operating Income						
Investments	(1,837)	2,008	(3,846)	6,168	11,351	(5,182)
Swap Adjustments	(394)	0	(394)	(1,739)	0	(1,739)
Community Benefit	(43)	(16)	(27)	(1,161)	(713)	(448)
Other	(167)	(192)	25	(2,016)	(2,388)	372
Sub Total - Non Operating Income	(2,442)	1,800	(4,242)	1,253	8,251	(6,998)
El Camino Hospital Net Income (Loss)	3,647	12,322	(8,675)	25,889	38,485	(12,596)
ECH Net Margin %	5.8%	18.0%		7.1%	10.3%	
Concern	(36)	77	(113)	456	223	234
ECSC	1	0	1	(7)	0	(7)
Foundation	106	308	(203)	825	1,176	(351)
Silicon Valley Medical Development	(60)	(104)	44	86	5	81
Net Income Hospital Affiliates	11	281	(270)	1,360	1,403	(43)
Total Net Income Hospital & Affiliates	3,658	12,603	(8,945)	27,249	39,888	(12,639)

Actual to Budget Variance for hospital affiliates primarily due to lower operating expenses and unrealized gain.

Worked Hours per Adjusted Patient Day: Favorable to Budget

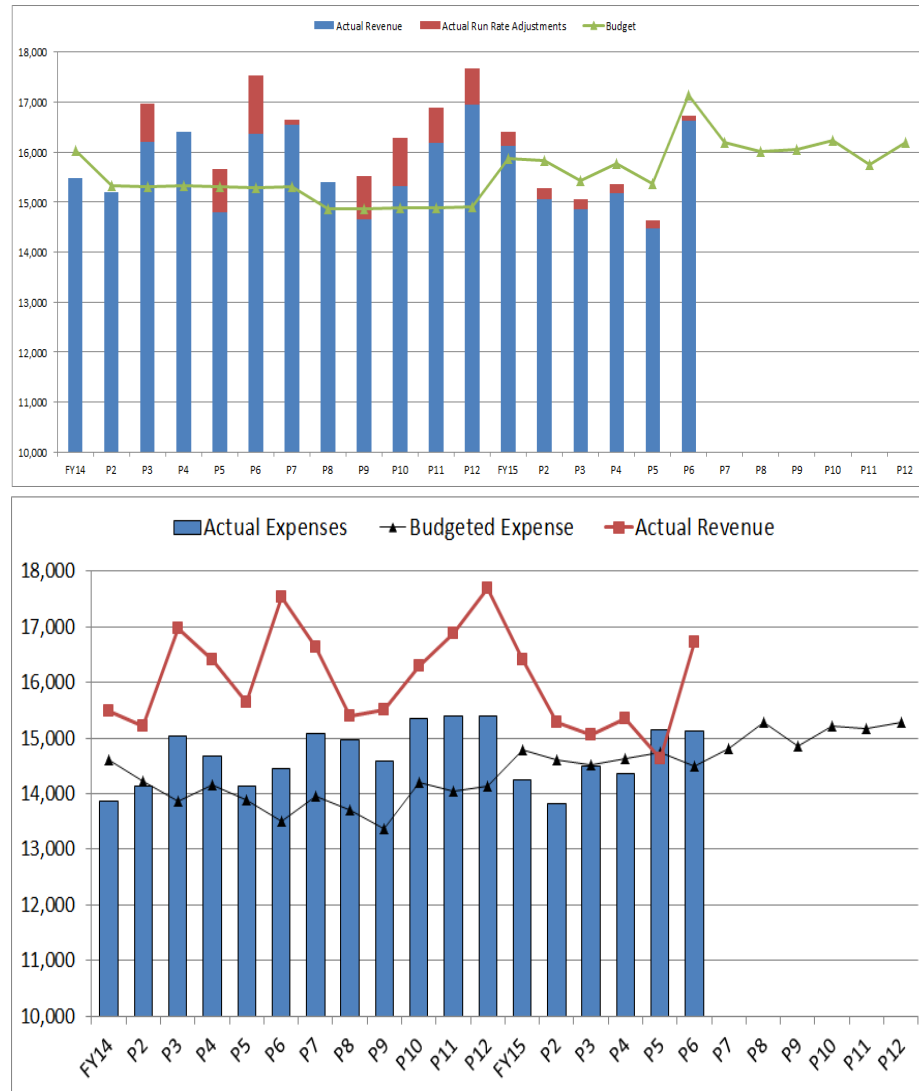


Year to date Labor Variance: \$3,581,000 Favorable to Fixed Budget



* Positive number = Favorable to budget

Revenue per CMI adjusted discharge was lower than budget while expense per CMI adjusted discharge is favorable



(1) Hospital entity only, excludes controlled affiliates

ECH Volume Statistics ⁽¹⁾

MOUNTAIN VIEW

	Month of Dec, 2014		
	Act	Bud	Var%
Discharges ⁽²⁾	1,283	1,293	-0.8%
ADC ⁽²⁾	190	196	-3.0%
Deliveries	388	330	17.7%
ED Visits	4,074	3,864	5.4%
Surgical Cases	610	611	-0.1%

	Year to Date			Prior Year	
	Act	Bud	Var%	Act	Var%
	7,743	7,617	1.7%	7,422	4.3%
	193	187	3.0%	185	4.0%
	2,263	2,096	8.0%	2,183	3.6%
	23,520	22,428	4.9%	22,251	5.7%
	3,356	3,500	-4.1%	3,399	-1.3%

LOS GATOS

	Month of Dec, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	306	298	2.7%
ADC ⁽²⁾	44	48	-8.1%
Deliveries	58	57	1.0%
ED Visits	1,062	1,063	-0.1%
Surgical Cases	352	390	-9.7%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	1,708	1,746	-2.2%	1,682	1.5%
	44	46	-5.0%	43	2.3%
	342	365	-6.5%	375	-8.9%
	5,935	6,169	-3.8%	6,125	-3.1%
	2,148	2,233	-3.8%	2,146	0.1%

ECH

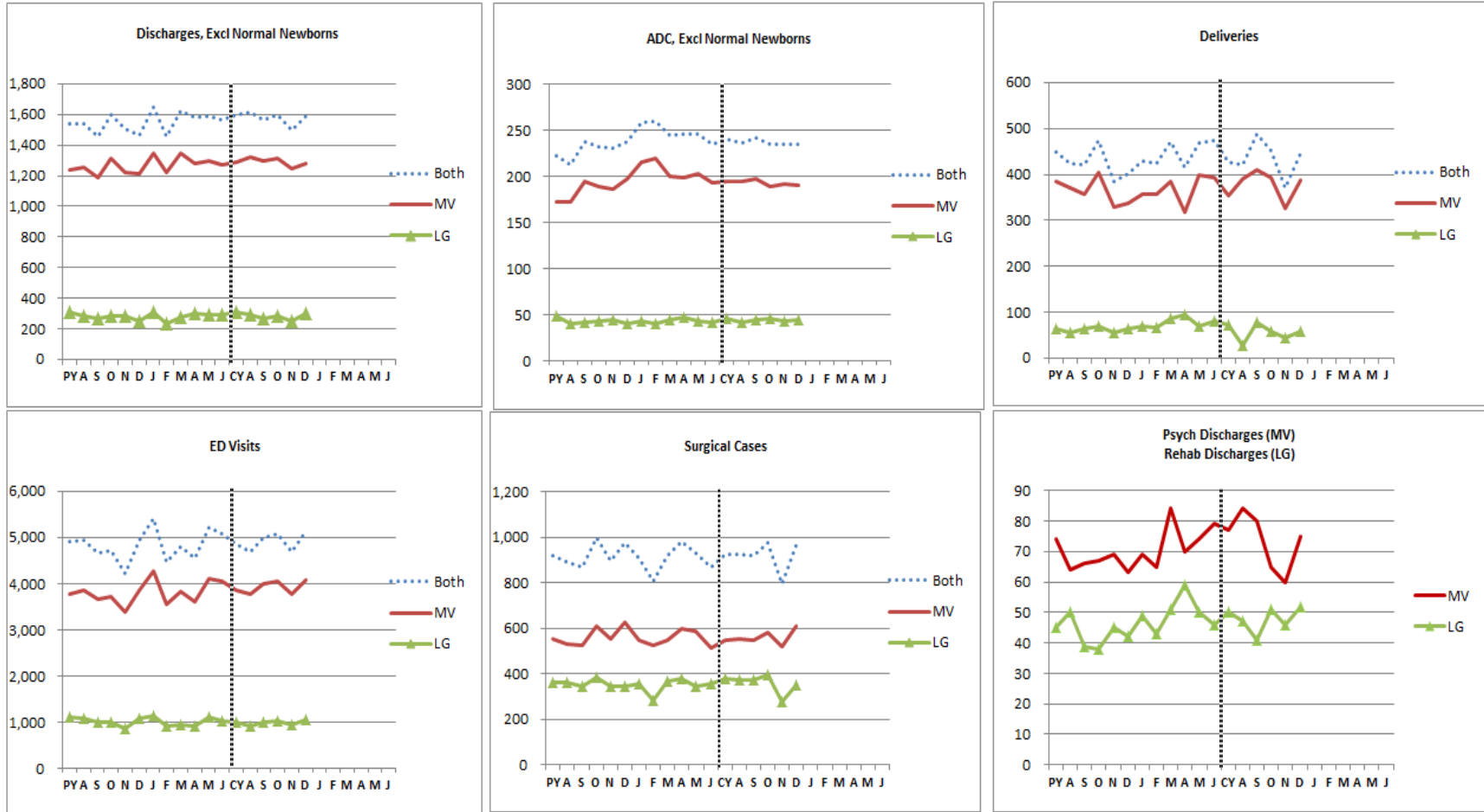
	Month of Dec, 2014		
	Act	Bud	Var
Discharges ⁽²⁾	1,589	1,591	-0.1%
ADC ⁽²⁾	234	244	-4.0%
Deliveries	446	387	15.2%
ED Visits	5,136	4,926	4.3%
Surgical Cases	962	1,000	-3.8%

	Year to Date			Prior Year	
	Act	Bud	Var	Act	Var%
	9,451	9,363	0.9%	9,104	3.8%
	237	234	1.4%	228	3.7%
	2,604	2,461	5.8%	2,558	1.8%
	29,455	28,597	3.0%	28,376	3.8%
	5,504	5,733	-4.0%	5,545	-0.7%

(1) Hospital entity only, excludes controlled affiliates

(2) Excludes normal newborns, includes discharges from L&D

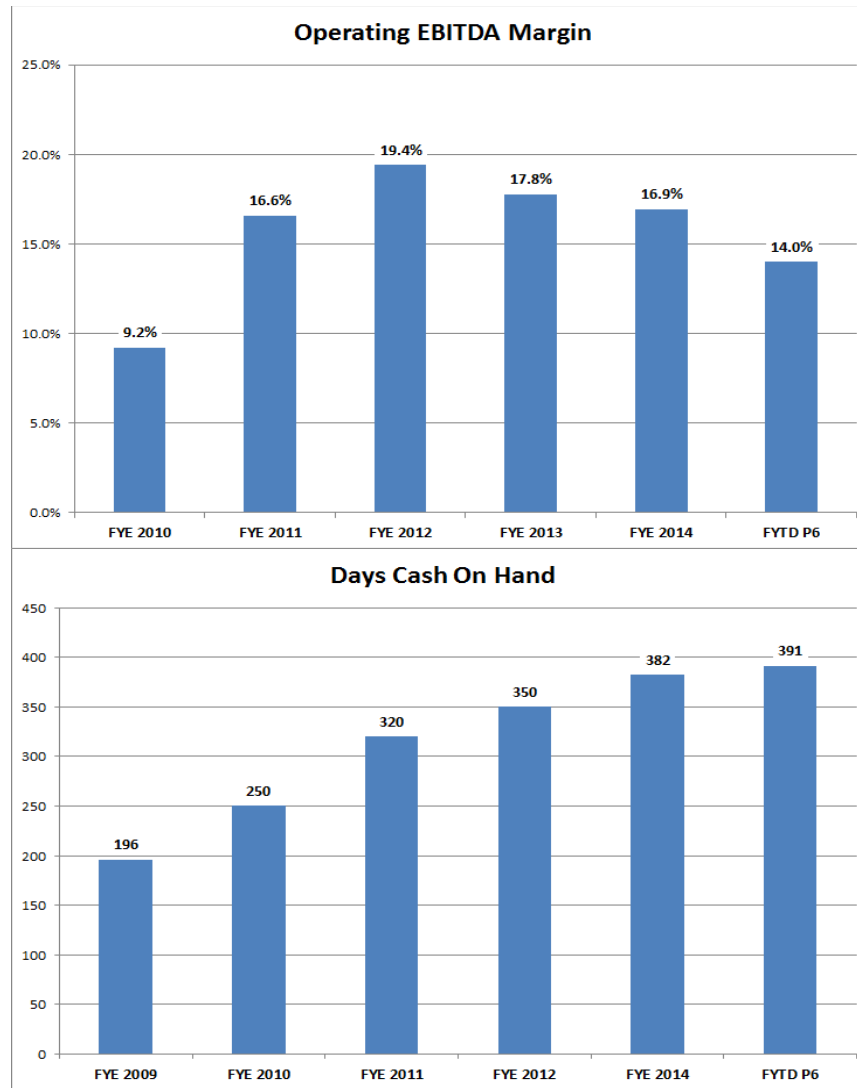
El Camino Hospital Volume Trends Prior and Current Fiscal Years



El Camino Hospital Financial Metrics Trend ⁽¹⁾

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Operating EBITDA lower than FYE 2014

Represents cash of \$673 million

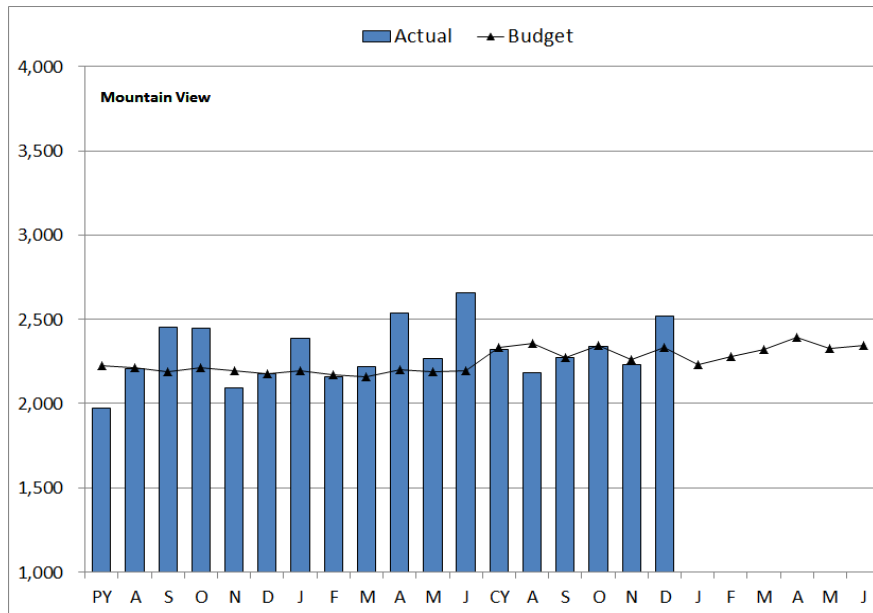
⁽¹⁾ Hospital entity only, excludes controlled affiliates

APPENDIX

Supply Cost per CMI Adjusted Discharges ⁽¹⁾

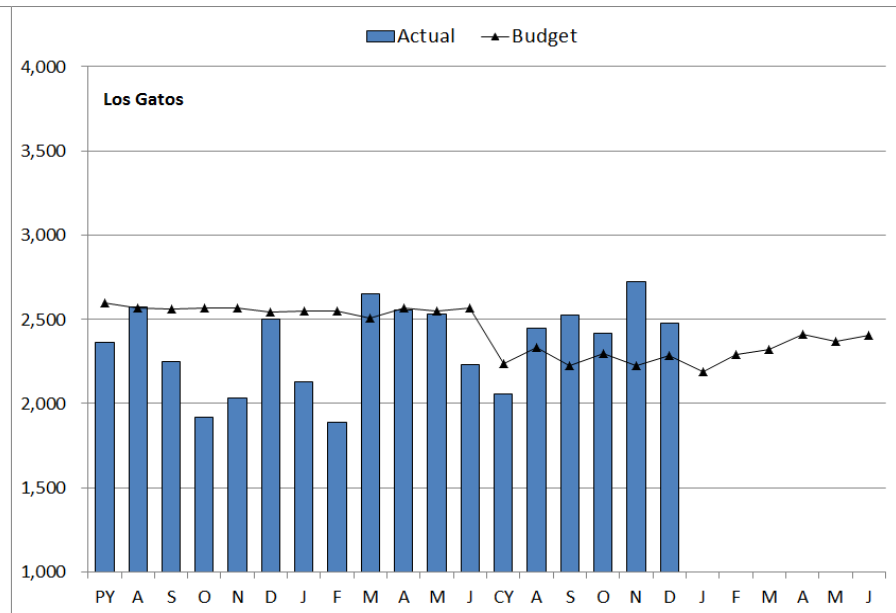
YTD: 0.3% under budget

Mountain View



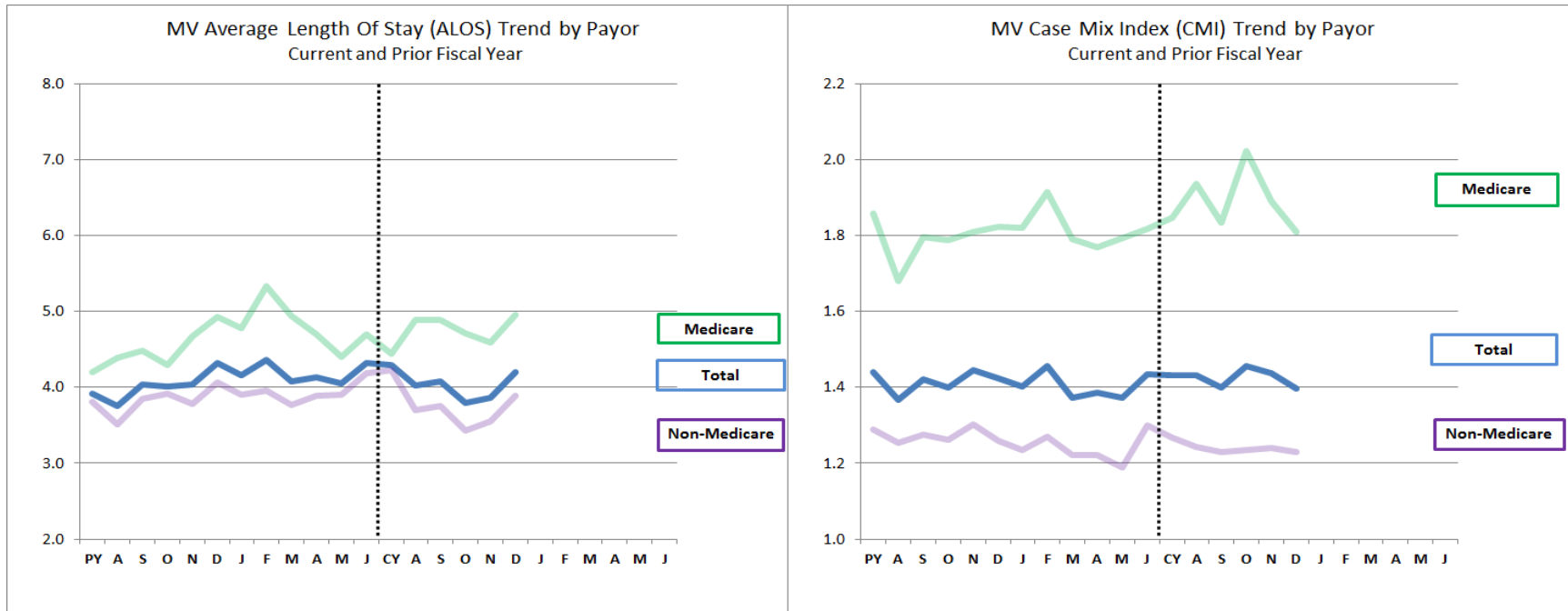
YTD: 7.7% over budget

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend ⁽¹⁾

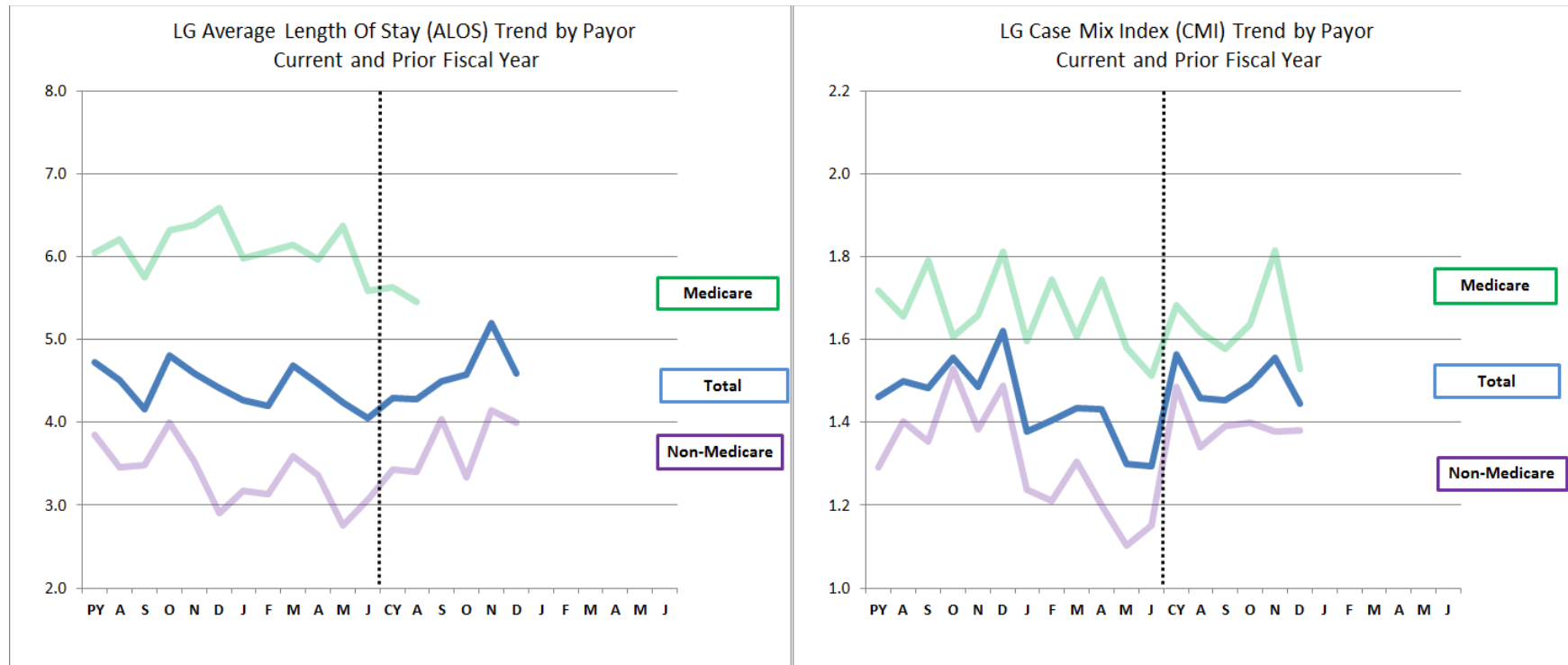


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

(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 12/31/2014

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,268,583	1,231,180	37,403	3.0%
Deductions	(914,831)	(872,499)	(42,333)	4.9%
Net Patient Revenue	353,752	358,682	(4,929)	-1.4%
Other Operating Revenue	9,949	9,767	182	1.9%
Total Operating Revenue	363,702	368,449	(4,747)	-1.3%
OPERATING EXPENSE:				
Salaries & Wages	201,685	193,037	(8,648)	-4.5%
Supplies	54,447	50,775	(3,672)	-7.2%
Fees & Purchased Services	37,577	38,659	1,081	2.8%
Other Operating Expense	45,356	44,715	(642)	-1.4%
Total Operating Expense	339,066	327,185	(11,880)	-3.6%
Net Operating Income/(Loss)	24,636	41,263	(16,627)	-40.3%
Non Operating Income	1,253	29,895	(28,643)	-95.8%
Net Income(Loss)	25,889	71,159	(45,270)	-63.6%
Collection Rate	27.9%	29.1%	-1.2%	
Operating Margin	6.8%	11.2%	-4.4%	
Net Margin	7.1%	19.3%	-12.2%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year

6 months ending 12/31/2014

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,035,622	998,480	37,142	3.7%
Deductions	(750,802)	(707,778)	(43,024)	6.1%
Net Patient Revenue	284,820	290,702	(5,883)	-2.0%
Other Operating Revenue	8,883	9,496	(613)	-6.5%
Total Operating Revenue	293,703	300,199	(6,495)	-2.2%
OPERATING EXPENSE:				
Salaries & Wages	167,350	160,791	(6,559)	-4.1%
Supplies	43,921	41,019	(2,901)	-7.1%
Fees & Purchased Services	30,123	31,558	1,435	4.5%
Other Operating Expense	35,175	35,160	(14)	0.0%
Total Operating Expense	276,568	268,529	(8,039)	-3.0%
Net Operating Income/(Loss)	17,135	31,670	(14,535)	-45.9%
Non Operating Income	1,253	29,898	(28,645)	-95.8%
Net Income(Loss)	18,388	61,568	(43,180)	-70.1%
Collection Rate	27.5%	29.1%	-1.6%	
Operating Margin	5.8%	10.5%	-4.7%	
Net Margin	6.3%	20.5%	-14.2%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year
6 months ending 12/31/2014

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	232,962	232,700	262	0.1%
Deductions	(164,029)	(164,721)	692	-0.4%
Net Patient Revenue	68,933	67,979	953	1.4%
Other Operating Revenue	1,066	271	795	293.4%
Total Operating Revenue	69,998	68,250	1,748	2.6%
OPERATING EXPENSE:				
Salaries & Wages	34,335	32,247	(2,088)	-6.5%
Supplies	10,526	9,756	(771)	-7.9%
Fees & Purchased Services	7,454	7,100	(354)	-5.0%
Other Operating Expense	10,182	9,554	(628)	-6.6%
Total Operating Expense	62,497	58,657	(3,841)	-6.5%
Net Operating Income/(Loss)	7,501	9,593	(2,092)	-21.8%
Non Operating Income	0	(2)	2	-100.0%
Net Income(Loss)	7,501	9,591	(2,090)	-21.8%
Collection Rate	29.6%	29.2%	0.4%	
Operating Margin	10.7%	14.1%	-3.3%	
Net Margin	10.7%	14.1%	-3.3%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget

6 months ending 12/31/2014

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,268,583	1,265,180	3,403	0.3%
Deductions	(914,831)	(900,165)	(14,666)	1.6%
Net Patient Revenue	353,752	365,015	(11,263)	-3.1%
Other Operating Revenue	9,949	10,363	(414)	-4.0%
Total Operating Revenue	363,702	375,378	(11,677)	-3.1%
OPERATING EXPENSE:				
Salaries & Wages	201,685	205,267	3,581	1.7%
Supplies	54,447	54,461	14	0.0%
Fees & Purchased Services	37,577	38,663	1,086	2.8%
Other Operating Expense	45,356	46,753	1,397	3.0%
Total Operating Expense	339,066	345,144	6,078	1.8%
Net Operating Income/(Loss)	24,636	30,235	(5,598)	-18.5%
Non Operating Income	1,253	8,251	(6,998)	-84.8%
Net Income(Loss)	25,889	38,485	(12,596)	-32.7%
Collection Rate	27.9%	28.9%	-1.0%	
Operating Margin	6.8%	8.1%	-1.3%	
Net Margin	7.1%	10.3%	-3.1%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget
6 months ending 12/31/2014

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,035,622	1,026,331	9,291	0.9%
Deductions	(750,802)	(734,872)	(15,930)	2.2%
Net Patient Revenue	284,820	291,459	(6,639)	-2.3%
Other Operating Revenue	8,883	9,242	(359)	-3.9%
Total Operating Revenue	293,703	300,701	(6,998)	-2.3%
OPERATING EXPENSE:				
Salaries & Wages	167,350	169,580	2,230	1.3%
Supplies	43,921	44,074	154	0.3%
Fees & Purchased Services	30,123	30,833	710	2.3%
Other Operating Expense	35,175	36,948	1,773	4.8%
Total Operating Expense	276,568	281,435	4,867	1.7%
Net Operating Income/(Loss)	17,135	19,266	(2,131)	-11.1%
Non Operating Income	1,253	8,251	(6,998)	-84.8%
Net Income(Loss)	18,388	27,517	(9,129)	-33.2%
Collection Rate	27.5%	28.4%	-0.9%	
Operating Margin	5.8%	6.4%	-0.6%	
Net Margin	6.3%	9.2%	-2.9%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

6 months ending 12/31/2014

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	232,962	238,849	(5,888)	-2.5%
Deductions	(164,029)	(165,293)	1,264	-0.8%
Net Patient Revenue	68,933	73,556	(4,623)	-6.3%
Other Operating Revenue	1,066	1,121	(55)	-4.9%
Total Operating Revenue	69,998	74,677	(4,679)	-6.3%
OPERATING EXPENSE:				
Salaries & Wages	34,335	35,687	1,352	3.8%
Supplies	10,526	10,387	(139)	-1.3%
Fees & Purchased Services	7,454	7,830	375	4.8%
Other Operating Expense	10,182	9,805	(376)	-3.8%
Total Operating Expense	62,497	63,709	1,211	1.9%
Net Operating Income/(Loss)	7,501	10,969	(3,467)	-31.6%
Non Operating Income	0	0	0	0.0%
Net Income(Loss)	7,501	10,969	(3,467)	-31.6%
Collection Rate	29.6%	30.8%	-1.2%	
Operating Margin	10.7%	14.7%	-4.0%	
Net Margin	10.7%	14.7%	-4.0%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital ⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

CURRENT ASSETS	December 31, 2014	June 30, 2014
Cash	55,404	49,226
Short Term Investments	140,877	145,580
Patient Accounts Receivable, net	93,003	102,564
Other Accounts and Notes Receivable	2,861	2,924
Intercompany Receivables	1,099	1,335
Inventories and Prepays	61,299	54,471
Total Current Assets	354,542	356,101
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	112,855	101,265
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	2,865	1,588
Workers Compensation Reserve Fund	27,813	26,337
Postretirement Health/Life Reserve Fund	17,008	16,289
PTO Liability Fund	21,732	20,822
Malpractice Reserve Fund	2,321	2,321
Catastrophic Reserves Fund	13,963	13,614
Total Board Designated Assets	298,753	282,433
FUNDS HELD BY TRUSTEE	9,384	9,384
LONG TERM INVESTMENTS	178,227	174,469
INVESTMENTS IN AFFILIATES	28,157	26,584
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,059,869	1,058,241
Less: Accumulated Depreciation	(451,881)	(431,072)
Construction in Progress	51,416	24,404
Property, Plant & Equipment - Net	659,403	651,573
DEFERRED COSTS/BOND ISSUE COSTS	-	-
RESTRICTED ASSETS - CASH	7	3
TOTAL ASSETS	1,528,474	1,500,549

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	December 31, 2014	June 30, 2014
Accounts Payable	22,830	30,377
Salaries and Related Liabilities	17,792	19,862
Accrued PTO	21,732	20,822
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	20,758	21,944
Intercompany Payables	98	305
Malpractice Reserves	2,321	2,321
Bonds Payable - Current	3,075	3,075
Bond Interest Payable	3,714	3,755
Other Liabilities	3,204	3,284
Total Current Liabilities	97,823	108,045
LONG TERM LIABILITIES		
Post Retirement Benefits	17,008	16,289
Worker's Comp Reserve	25,513	24,037
Other L/T Obligation (Asbestos)	3,480	3,429
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	186,851	185,112
Total Long Term Liabilities	232,852	228,867
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	899,039	881,200
Board Designated	298,753	282,433
Restricted	7	3
Total Fund Bal & Capital Accts	1,197,799	1,163,637
TOTAL LIABILITIES AND FUND BALANCE	1,528,474	1,500,549

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Authorized	As of June 30, 2014	Spent	Capitalized	As of December 30, 2014
CIP	EPIC Installation	73.8	7.5	11.4	0.0	18.8
	Facility Improvement					
	Slot Build-out (06/13)	19.0	2.6	12.2	0.0	14.8
	LG Upgrades (06/14)	13.0	3.3	1.8	-0.4	4.7
	Behavioral Health Bldg (06/14)	9.0	1.2	2.6	0.0	3.7
	NPCR3 Seismic Upgrades (04/13)	6.7	3.0	0.9	-3.5	0.4
	Oak Pavilion Cancer Ctr TI (06/14)	5.9	0.0	0.9	0.0	0.9
	Women's Hospital L&D Exp (05/12)	4.5	4.1	0.3	-4.1	0.3
	LG Imaging Masterplan (06/13)	3.1	1.2	1.0	0.0	2.2
	Integrated MOB (9/14)	3.0	0.0	0.1	0.0	0.1
	New Main Hospital Upgrades (01/12)	1.6	1.4	0.0	-1.4	0.0
	Multi Use/Specialty Building (4/08)	1.5	0.8	0.0	0.0	0.8
	North Drive Parking Expansion (8/14)	1.0	0.0	0.1	0.0	0.1
	All Other	7.1	4.4	1.8	-1.6	4.6
		75.3	21.9	21.5	-10.9	32.6
	IT Hardware, Software, Equipment*	10.5	0.0	1.3		1.3
	Medical & Non Medical Equipment	13.7	0.0	7.0		7.0
	GRAND TOTAL	173.3	29.4	41.2		59.7

*Excluding EPIC

(1) Hospital entity only, excludes controlled affiliates