



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

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

Date Issue: February 18, 2015

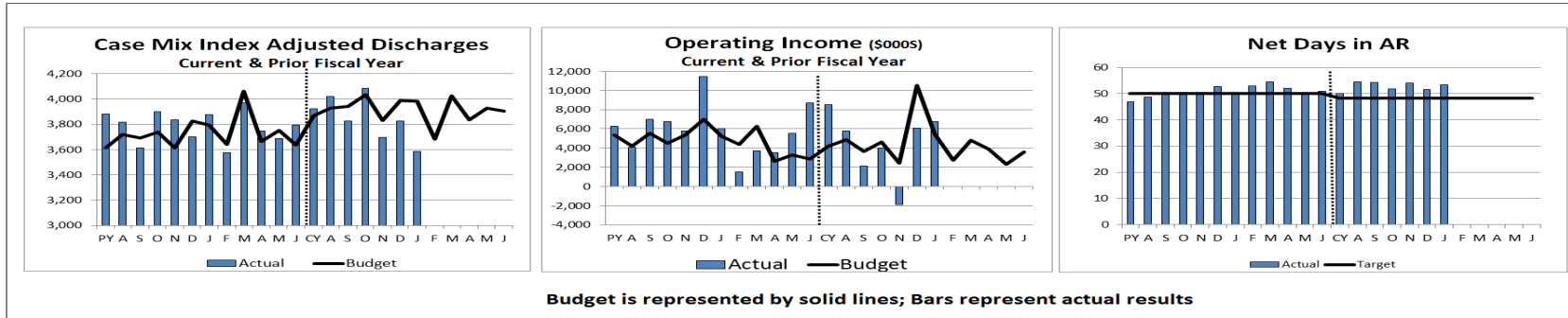
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending January 31, 2015

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)					BALANCE SHEET (\$000s)			
	Prior Year	Actual	Budget	Var F(U)		January 31, 2015	Jun 30, 2014	
Gross Revenue	\$1,451,870	\$1,490,325	\$1,480,317	\$10,008	Cash and Investments	648,348	651,709	
Deductions from Revenue	(1,030,090)	(1,073,775)	(1,052,683)	(21,092)	Non Cash Current Assets	173,886	161,295	
Net Patient Revenue	421,780	416,550	427,634	(11,084)	Property, Plant & Equipment (Net)	665,503	651,573	
Other Operating Revenue	11,205	11,484	12,210	(726)	Other Assets	37,600	35,972	
Total Operating Revenue	432,986	428,035	439,844	(11,810)	Total Assets	1,525,336	1,500,549	
Salaries & Wages	227,964	237,462	241,028	3,566	Current Liabilities	90,779	108,045	
Supplies	59,830	63,550	63,311	(239)	Long-Term Liabilities	231,264	228,867	
Fees & Purchased Services	45,607	43,396	44,908	1,512	Fund Balance/Capital Accounts	1,203,293	1,163,637	
Other Operating Expense	19,676	21,791	24,154	2,364	Total Liabilities & Equity	1,525,336	1,500,549	
Total Non Capital Operating Expense	353,077	366,198	373,401	7,203	KEY ECH STATISTICS - YTD			
OPERATING EBITDA	79,909	61,836	66,443	(4,607)	Balance Sheet	Actual	Target ⁽¹⁾	
Interest, Depreciation & Amortization	32,624	30,427	30,734	307	Debt Service Coverage Ratio (MADS)	7.7	1.2	
NET OPERATING SURPLUS	47,285	31,410	35,710	(4,300)	Debt to Capitalization	12.4%	29.0%	
Non Operating Income	30,097	(25)	9,997	(10,022)	Days of Cash	376	236	
TOTAL NET SURPLUS	77,382	31,384	45,707	(14,322)	Net AR Days	53.5	48.3	
EBITDA Margin	18.5%	14.4%	15.1%	-0.7%	Other	Prior Year	Actual	Budget
Operating Margin	10.9%	7.3%	8.1%	-0.8%	Acute Discharges	10,754	11,098	10,982
Total Margin	17.9%	7.3%	10.4%	-3.1%	Acute Average Daily Census	233	241	237
					Deliveries	2,978	3,044	2,877
					Emergency Department Visits	33,774	35,018	33,978
					Surgical Cases	6,451	6,381	6,632
					Full Time Equivalent Employees	2,418	2,429	2,439
					Worked Hrs/Adjusted Patient Day	29.86	29.30	30.65

⁽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	Year to Date					
	PY Actual		CY Actual		CY Budget	
Medicare	642,425,794	44.2%	684,268,846	45.9%	681,717,985	46.1%
Medi Cal	78,376,217	5.4%	96,913,064	6.5%	73,251,908	4.9%
HMO/PPO/Indemnity	673,830,252	46.4%	663,109,385	44.5%	665,429,566	45.0%
Industrial	21,436,193	1.5%	21,979,729	1.5%	23,176,495	1.6%
Self Pay	35,801,379	2.5%	24,053,990	1.6%	36,740,715	2.5%
Gross Revenue	1,451,869,835	100%	1,490,325,014	100%	1,480,316,669	100%

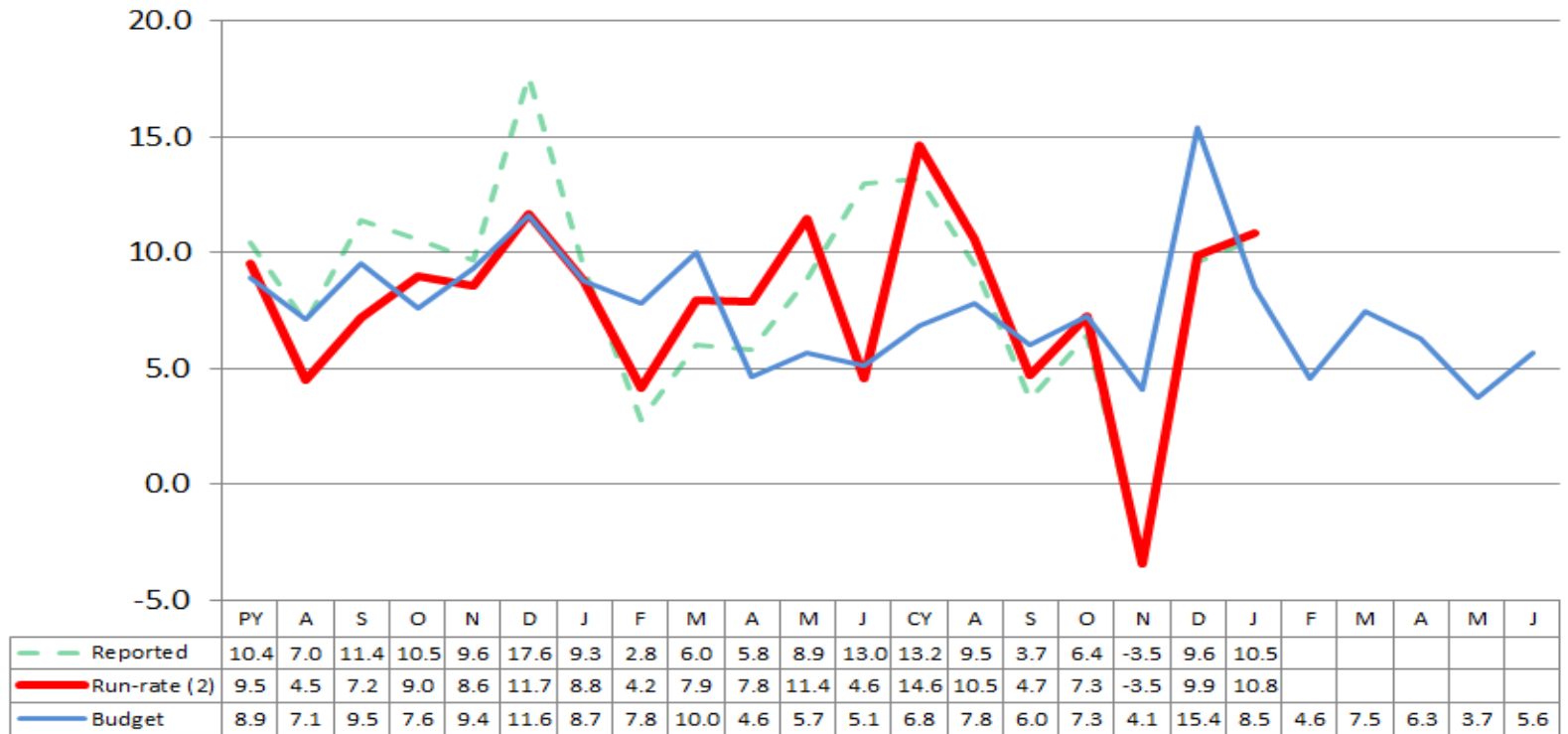
Volume Volume is strong. Inpatient discharges for the year have grown 3% over prior year. However, there is a greater mix of medical patients and higher Medicare mix

Operating Margin. Operating margin for the year is \$4.3 million behind budget due to delay in \$5 million IGT payment. The payment is expected in March 2015. The higher mix of medical (non-surgical) and Medicare patients is leading to lower revenues that are offset with lower expenses. Expenses continue to remain favorable compared to budget, as indicated by the positive \$7.5 million variance.

Net Days in AR. Receivables increased in January due to system problems that were corrected in mid February. Collections after the fixes have been strong so AR improvement will begin again in March.

(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%	7.3%	7.1%	
EBITDA Margin	19.4%	17.8%	16.9%	14.4%	14.3%	
Days of Cash	321	350	382	376	236	
Debt Service Coverage Ratio (MADS)	7.2	7.9	9.5	7.7	4.3	
Debt to Capitalization	15.8%	14.0%	12.6%	12.4%	29.0%	
Net AR Days	48.1	48.3	50.9	53.5	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

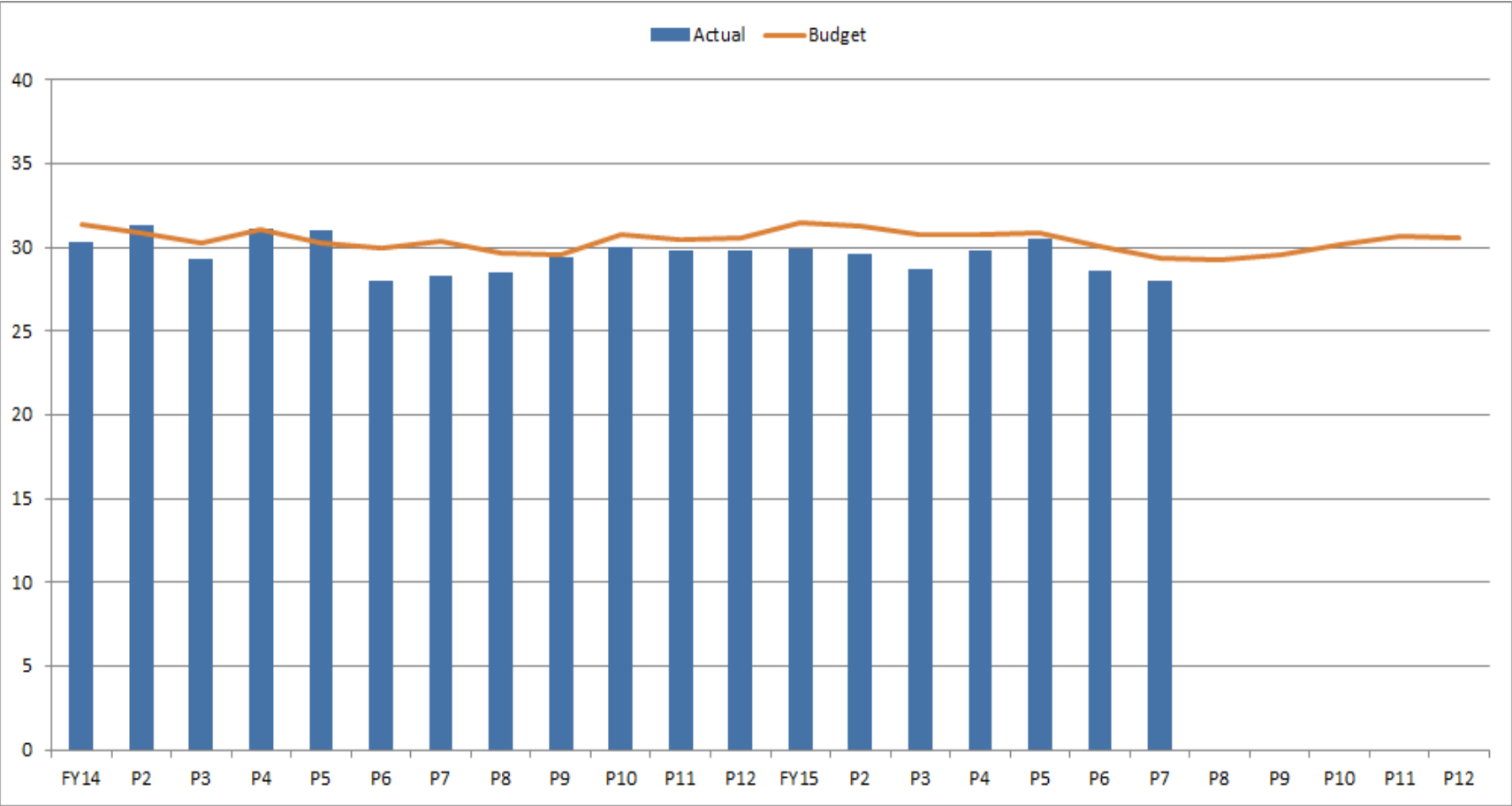
Summary of Financial Results

\$ in Thousands

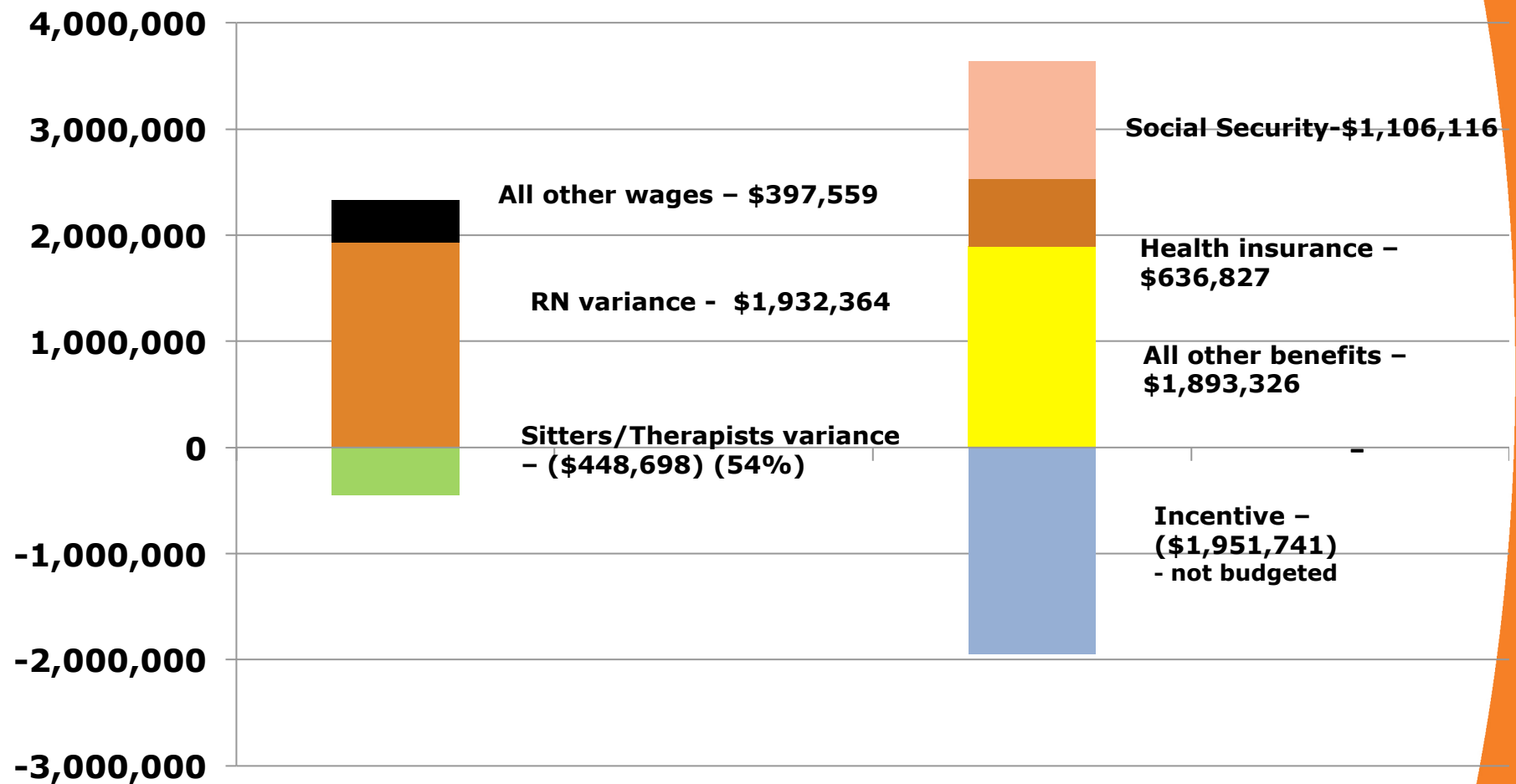
	Period 7 - Month			Period 7 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	4,629	3,748	881	21,764	23,014	(1,250)
Los Gatos	2,145	1,727	418	9,646	12,696	(3,050)
Sub Total - El Camino Hospital, excl. Affiliates	6,774	5,475	1,299	31,410	35,710	(4,300)
Operating Margin %	10.5%	8.5%		7.3%	8.1%	
El Camino Hospital Non Operating Income						
Investments	283	2,008	(1,725)	6,452	13,359	(6,908)
Swap Adjustments	(1,322)	0	(1,322)	(3,061)	0	(3,061)
Community Benefit	(63)	(55)	(8)	(1,223)	(767)	(456)
Other	(176)	(208)	31	(2,192)	(2,595)	403
Sub Total - Non Operating Income	(1,278)	1,746	(3,024)	(25)	9,997	(10,022)
El Camino Hospital Net Income (Loss)	5,495	7,221	(1,726)	31,384	45,707	(14,322)
ECH Net Margin %	8.5%	11.2%		7.3%	10.4%	
Concern	512	131	381	969	354	615
ECSC	(6)	0	(6)	(13)	0	(13)
Foundation	(142)	331	(473)	683	1,506	(823)
Silicon Valley Medical Development	(6)	155	(160)	80	159	(79)
Net Income Hospital Affiliates	359	616	(257)	1,719	2,019	(300)
Total Net Income Hospital & Affiliates	5,854	7,838	(1,983)	33,104	47,726	(14,622)

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

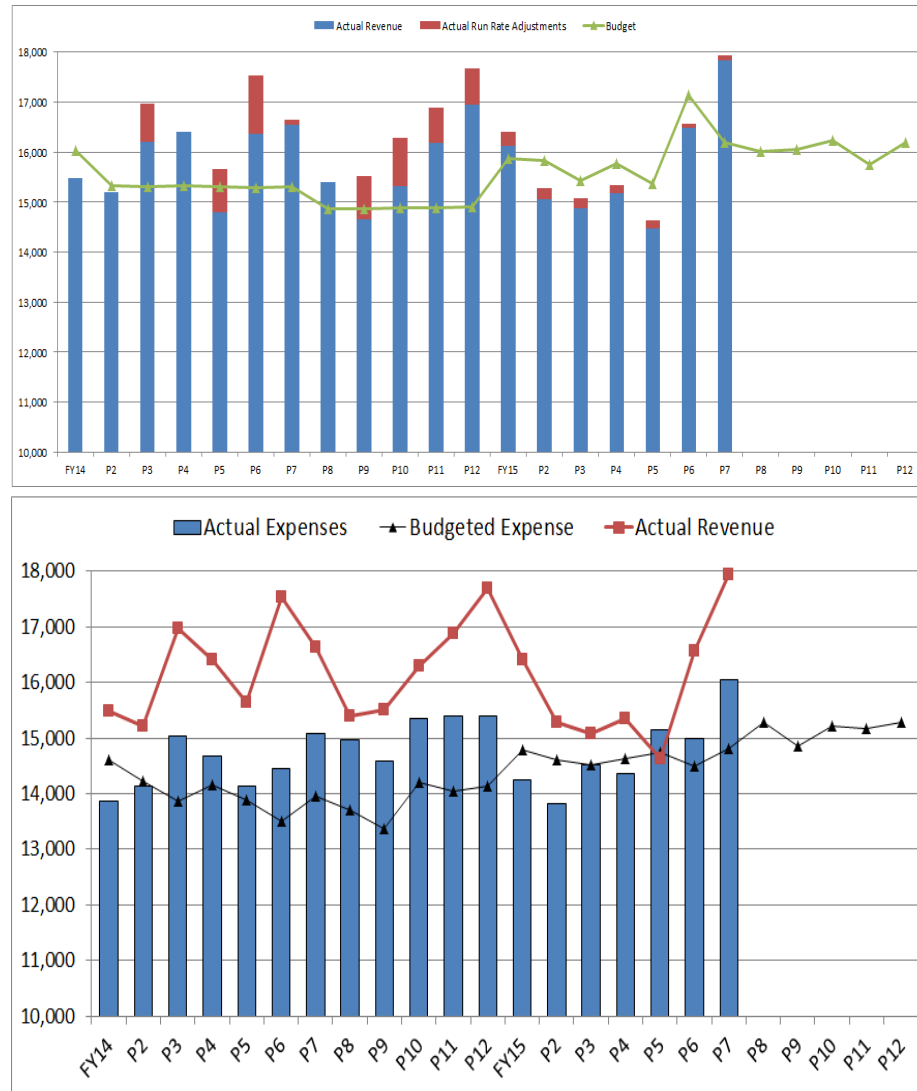


Year to date Labor Variance: \$3,566,000 Favorable to Fixed Budget



* Positive number = Favorable to budget

Revenue per CMI adjusted discharge was higher than budget while expense per CMI adjusted discharge is unfavorable.



(1) Hospital entity only, excludes controlled affiliates

ECH Volume Statistics ⁽¹⁾

MOUNTAIN VIEW

	Month of Jan, 2015			Year to Date			Prior Year	
	Act	Bud	Var%	Act	Bud	Var%	Act	Var%
Discharges ⁽²⁾	1,337	1,316	1.6%	9,080	8,933	1.6%	8,765	3.6%
ADC ⁽²⁾	219	209	4.8%	196	190	3.3%	189	3.6%
Deliveries	355	355	0.0%	2,631	2,450	7.4%	2,534	3.8%
ED Visits	4,460	4,220	5.7%	27,980	26,648	5.0%	26,522	5.5%
Surgical Cases	534	549	-2.8%	3,890	4,049	-3.9%	3,949	-1.5%

LOS GATOS

	Month of Jan, 2015			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges ⁽²⁾	310	303	2.3%	2,018	2,049	-1.5%	1,989	1.5%
ADC ⁽²⁾	50	49	2.3%	45	47	-3.9%	43	4.3%
Deliveries	43	62	-30.4%	413	427	-3.3%	444	-7.0%
ED Visits	1,103	1,161	-5.0%	7,038	7,330	-4.0%	7,252	-3.0%
Surgical Cases	343	350	-2.1%	2,491	2,583	-3.6%	2,502	-0.4%

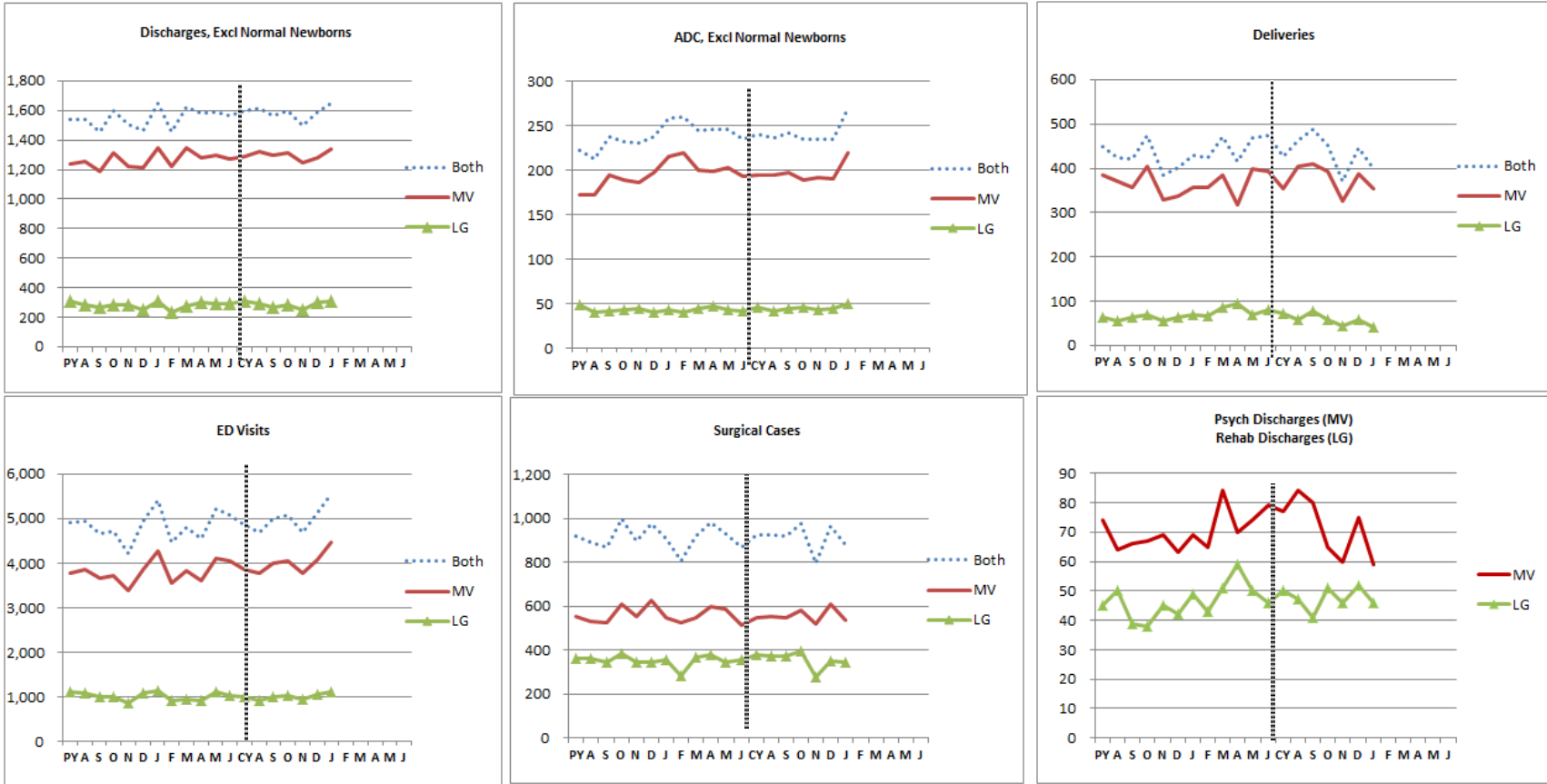
ECH

	Month of Jan, 2015			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges ⁽²⁾	1,647	1,619	1.7%	11,098	10,982	1.1%	10,754	3.2%
ADC ⁽²⁾	269	258	4.3%	241	237	1.9%	233	3.8%
Deliveries	398	416	-4.4%	3,044	2,877	5.8%	2,978	2.2%
ED Visits	5,563	5,381	3.4%	35,018	33,978	3.1%	33,774	3.7%
Surgical Cases	877	899	-2.5%	6,381	6,632	-3.8%	6,451	-1.1%

(1) Hospital entity only, excludes controlled affiliates

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

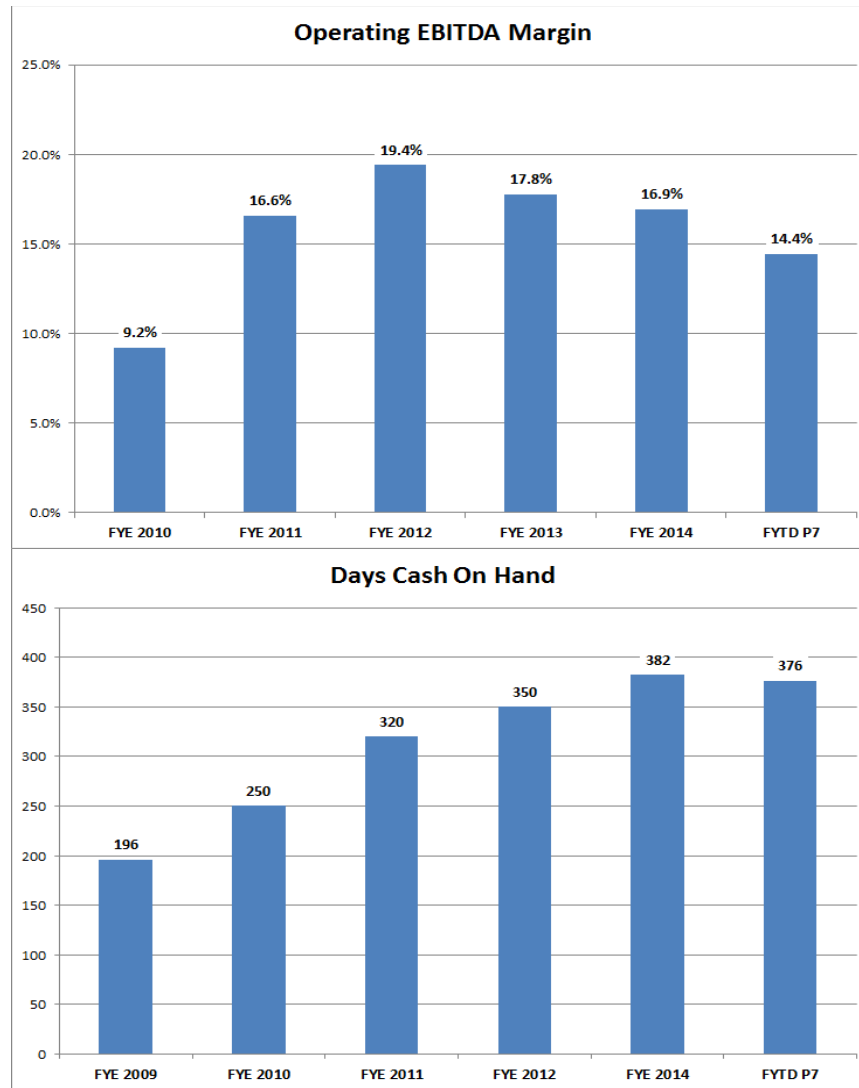
El Camino Hospital Volume Trends Prior and Current Fiscal Years



El Camino Hospital Financial Metrics Trend ⁽¹⁾

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Operating EBITDA lower than FYE 2014

Represents cash of \$648 million

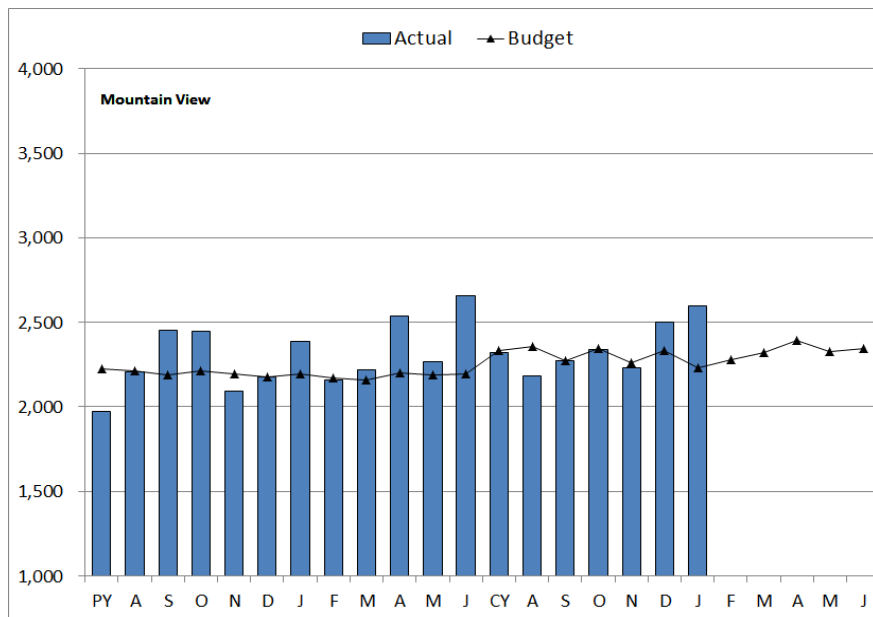
⁽¹⁾ Hospital entity only, excludes controlled affiliates

APPENDIX

Supply Cost per CMI Adjusted Discharges ⁽¹⁾

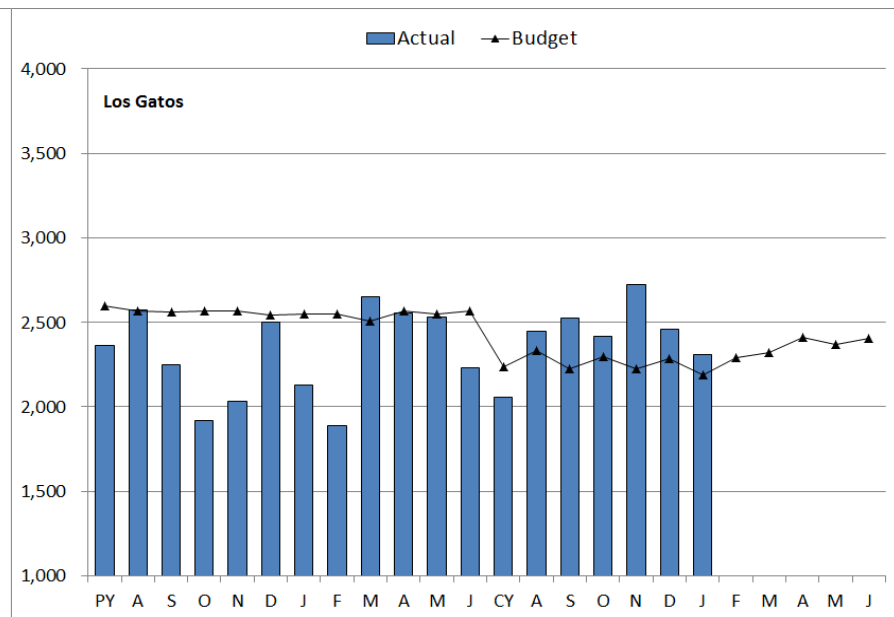
YTD: 1.9% over budget

Mountain View



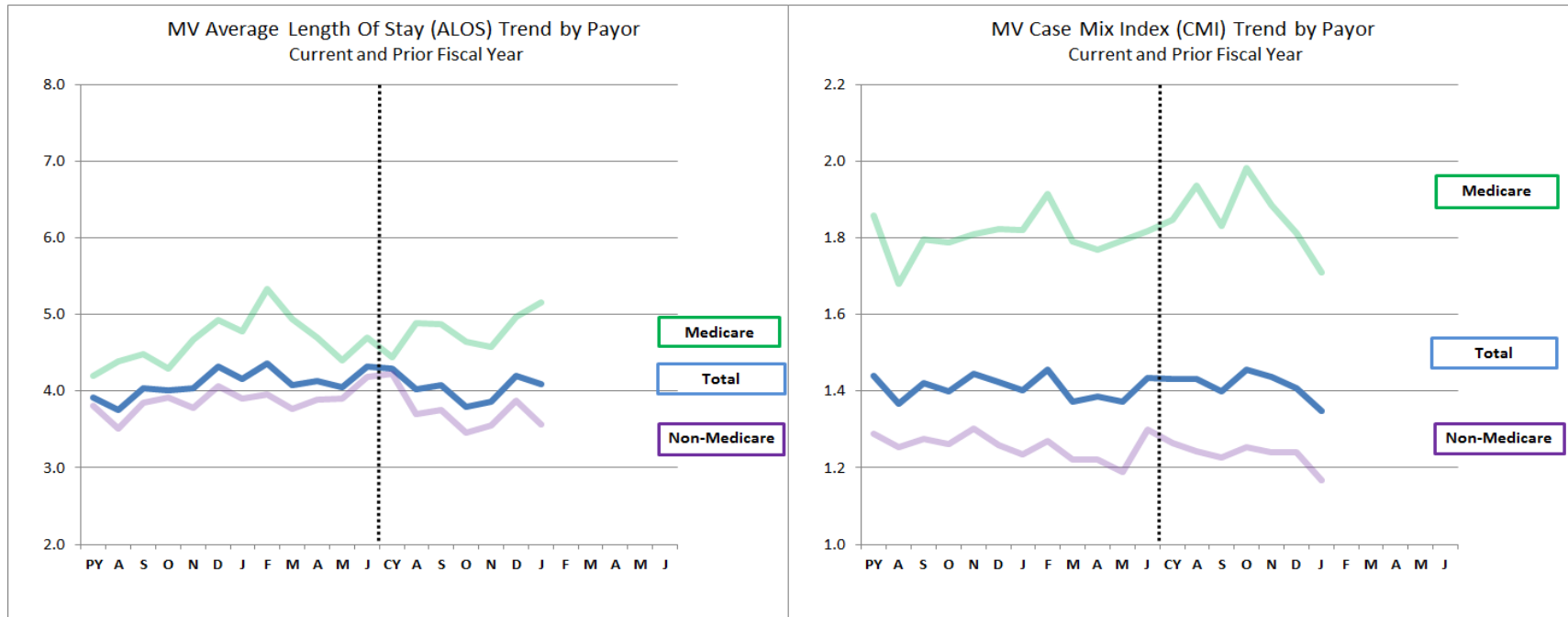
YTD: 7.2% over budget

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend ⁽¹⁾

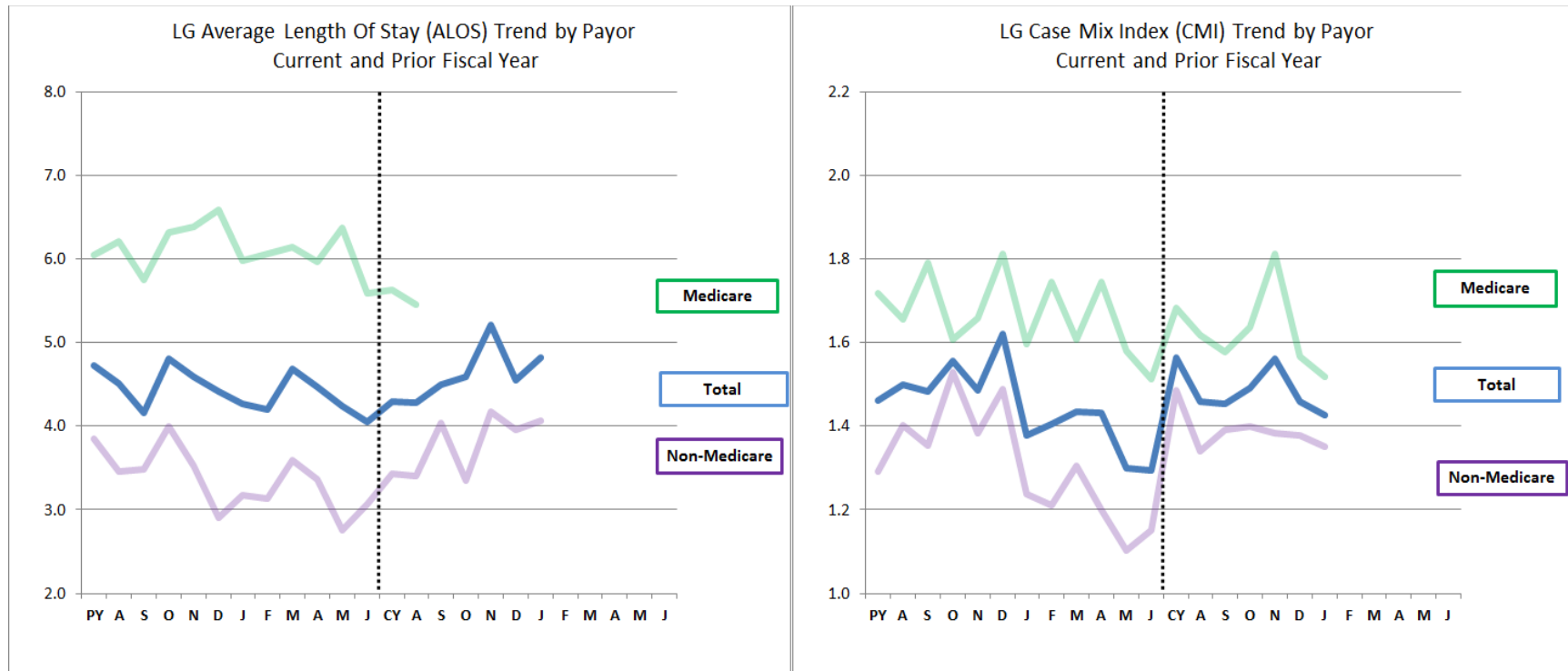


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

(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
7 months ending 1/31/2015

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,490,325	1,451,870	38,455	2.6%
Deductions	(1,073,775)	(1,030,090)	(43,685)	4.2%
Net Patient Revenue	416,550	421,780	(5,230)	-1.2%
Other Operating Revenue	11,484	11,205	279	2.5%
Total Operating Revenue	428,035	432,986	(4,951)	-1.1%
OPERATING EXPENSE:				
Salaries & Wages	237,462	227,964	(9,498)	-4.2%
Supplies	63,550	59,830	(3,719)	-6.2%
Fees & Purchased Services	43,396	45,607	2,211	4.8%
Other Operating Expense	52,217	52,299	82	0.2%
Total Operating Expense	396,625	385,700	(10,924)	-2.8%
Net Operating Income/(Loss)	31,410	47,285	(15,875)	-33.6%
Non Operating Income	(25)	30,097	(30,122)	-100.1%
Net Income(Loss)	31,384	77,382	(45,997)	-59.4%
Collection Rate	28.0%	29.1%	-1.1%	
Operating Margin	7.3%	10.9%	-3.6%	
Net Margin	7.3%	17.9%	-10.5%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year

7 months ending 1/31/2015

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,216,466	1,180,347	36,119	3.1%
Deductions	(881,528)	(838,051)	(43,476)	5.2%
Net Patient Revenue	334,938	342,295	(7,357)	-2.1%
Other Operating Revenue	10,179	10,852	(673)	-6.2%
Total Operating Revenue	345,117	353,148	(8,031)	-2.3%
OPERATING EXPENSE:				
Salaries & Wages	196,937	190,085	(6,852)	-3.6%
Supplies	51,386	48,474	(2,913)	-6.0%
Fees & Purchased Services	34,567	37,323	2,756	7.4%
Other Operating Expense	40,463	41,165	702	1.7%
Total Operating Expense	323,353	317,047	(6,306)	-2.0%
Net Operating Income/(Loss)	21,764	36,100	(14,337)	-39.7%
Non Operating Income	(25)	30,099	(30,124)	-100.1%
Net Income(Loss)	21,738	66,199	(44,461)	-67.2%
Collection Rate	27.5%	29.0%	-1.5%	
Operating Margin	6.3%	10.2%	-3.9%	
Net Margin	6.3%	18.7%	-12.4%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year

7 months ending 1/31/2015

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	273,859	271,523	2,336	0.9%
Deductions	(192,247)	(192,038)	(209)	0.1%
Net Patient Revenue	81,612	79,485	2,127	2.7%
Other Operating Revenue	1,305	353	952	269.7%
Total Operating Revenue	82,918	79,838	3,080	3.9%
OPERATING EXPENSE:				
Salaries & Wages	40,525	37,879	(2,646)	-7.0%
Supplies	12,163	11,356	(807)	-7.1%
Fees & Purchased Services	8,829	8,283	(546)	-6.6%
Other Operating Expense	11,754	11,134	(620)	-5.6%
Total Operating Expense	73,272	68,653	(4,618)	-6.7%
Net Operating Income/(Loss)	9,646	11,185	(1,539)	-13.8%
Non Operating Income	0	(2)	2	-100.0%
Net Income(Loss)	9,646	11,183	(1,537)	-13.7%
Collection Rate	29.8%	29.3%	0.5%	
Operating Margin	11.6%	14.0%	-2.4%	
Net Margin	11.6%	14.0%	-2.4%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget
7 months ending 1/31/2015

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,490,325	1,480,317	10,008	0.7%
Deductions	(1,073,775)	(1,052,683)	(21,092)	2.0%
Net Patient Revenue	416,550	427,634	(11,084)	-2.6%
Other Operating Revenue	11,484	12,210	(726)	-5.9%
Total Operating Revenue	428,035	439,844	(11,810)	-2.7%
OPERATING EXPENSE:				
Salaries & Wages	237,462	241,028	3,566	1.5%
Supplies	63,550	63,311	(239)	-0.4%
Fees & Purchased Services	43,396	44,908	1,512	3.4%
Other Operating Expense	52,217	54,888	2,671	4.9%
Total Operating Expense	396,625	404,135	7,510	1.9%
Net Operating Income/(Loss)	31,410	35,710	(4,300)	-12.0%
Non Operating Income	(25)	9,997	(10,022)	-100.3%
Net Income(Loss)	31,384	45,707	(14,322)	-31.3%
Collection Rate	28.0%	28.9%	-0.9%	
Operating Margin	7.3%	8.1%	-0.8%	
Net Margin	7.3%	10.4%	-3.1%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget

7 months ending 1/31/2015

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,216,466	1,201,326	15,140	1.3%
Deductions	(881,528)	(859,596)	(21,932)	2.6%
Net Patient Revenue	334,938	341,730	(6,792)	-2.0%
Other Operating Revenue	10,179	10,868	(689)	-6.3%
Total Operating Revenue	345,117	352,598	(7,481)	-2.1%
OPERATING EXPENSE:				
Salaries & Wages	196,937	199,149	2,213	1.1%
Supplies	51,386	51,206	(181)	-0.4%
Fees & Purchased Services	34,567	35,767	1,200	3.4%
Other Operating Expense	40,463	43,462	2,999	6.9%
Total Operating Expense	323,353	329,584	6,231	1.9%
Net Operating Income/(Loss)	21,764	23,014	(1,250)	-5.4%
Non Operating Income	(25)	9,997	(10,022)	-100.3%
Net Income(Loss)	21,738	33,011	(11,272)	-34.1%
Collection Rate	27.5%	28.4%	-0.9%	
Operating Margin	6.3%	6.5%	-0.2%	
Net Margin	6.3%	9.4%	-3.1%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

7 months ending 1/31/2015

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	273,859	278,991	(5,132)	-1.8%
Deductions	(192,247)	(193,087)	840	-0.4%
Net Patient Revenue	81,612	85,904	(4,292)	-5.0%
Other Operating Revenue	1,305	1,342	(37)	-2.7%
Total Operating Revenue	82,918	87,247	(4,329)	-5.0%
OPERATING EXPENSE:				
Salaries & Wages	40,525	41,878	1,353	3.2%
Supplies	12,163	12,105	(58)	-0.5%
Fees & Purchased Services	8,829	9,141	312	3.4%
Other Operating Expense	11,754	11,426	(328)	-2.9%
Total Operating Expense	73,272	74,551	1,279	1.7%
Net Operating Income/(Loss)	9,646	12,696	(3,050)	-24.0%
Non Operating Income	0	0	0	0.0%
Net Income(Loss)	9,646	12,696	(3,050)	-24.0%
Collection Rate	29.8%	30.8%	-1.0%	
Operating Margin	11.6%	14.6%	-2.9%	
Net Margin	11.6%	14.6%	-2.9%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital ⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

CURRENT ASSETS	January 31, 2015	June 30, 2014
Cash	30,083	49,226
Short Term Investments	140,908	145,580
Patient Accounts Receivable, net	102,526	102,564
Other Accounts and Notes Receivable	3,132	2,924
Intercompany Receivables	1,115	1,335
Inventories and Prepaids	67,112	54,471
Total Current Assets	344,876	356,101
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	116,170	101,265
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	2,836	1,588
Workers Compensation Reserve Fund	27,975	26,337
Postretirement Health/Life Reserve Fund	17,127	16,289
PTO Liability Fund	20,804	20,822
Malpractice Reserve Fund	2,321	2,321
Catastrophic Reserves Fund	13,392	13,614
Total Board Designated Assets	300,821	282,433
FUNDS HELD BY TRUSTEE	9,384	9,384
LONG TERM INVESTMENTS	176,536	174,469
INVESTMENTS IN AFFILIATES	28,210	26,584
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,063,119	1,058,241
Less: Accumulated Depreciation	(455,510)	(431,072)
Construction in Progress	57,893	24,404
Property, Plant & Equipment - Net	665,503	651,573
DEFERRED COSTS/BOND ISSUE COSTS	-	-
RESTRICTED ASSETS - CASH	6	3
TOTAL ASSETS	1,525,336	1,500,549

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	January 31, 2015	June 30, 2014
Accounts Payable	20,813	30,377
Salaries and Related Liabilities	17,018	19,862
Accrued PTO	20,804	20,822
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	20,724	21,944
Intercompany Payables	63	305
Malpractice Reserves	2,321	2,321
Bonds Payable - Current	3,200	3,075
Bond Interest Payable	709	3,755
Other Liabilities	2,827	3,284
Total Current Liabilities	90,779	108,045
LONG TERM LIABILITIES		
Post Retirement Benefits	17,127	16,289
Worker's Comp Reserve	25,675	24,037
Other L/T Obligation (Asbestos)	3,489	3,429
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	184,974	185,112
Total Long Term Liabilities	231,264	228,867
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	902,466	881,200
Board Designated	300,821	282,433
Restricted	6	3
Total Fund Bal & Capital Accts	1,203,293	1,163,637
TOTAL LIABILITIES AND FUND BALANCE	1,525,336	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 January 2015
CIP	EPIC Installation	73.8	7.5	16.5	0.0	23.9
	Facility Improvement					
	Slot Build-out (06/13)	19.0	2.6	12.3	0.0	14.9
	LG Upgrades (06/14)	13.0	3.3	1.9	-0.4	4.8
	Behavioral Health Bldg (06/14)	9.0	1.2	2.6	0.0	3.8
	NPCR3 Seismic Upgrades (04/13)	6.7	3.0	1.0	-3.5	0.5
	Oak Pavilion Cancer Ctr TI (06/14)	5.9	0.0	1.4	0.0	1.4
	Women's Hospital L&D Exp (05/12)	4.5	4.1	0.3	-4.3	0.0
	LG Imaging Masterplan (06/13)	3.1	1.2	1.0	0.0	2.2
	Integrated MOB (9/14)	3.0	0.0	0.5	0.0	0.5
	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	7.3	4.4	2.2	-1.6	5.0
		75.5	21.9	23.2	-11.2	33.9
	IT Hardware, Software, Equipment*	10.5	0.0	1.8		1.8
	Medical & Non Medical Equipment	13.7	0.0	8.8		8.8
	GRAND TOTAL	173.5	29.4	50.2		68.5

*Excluding EPIC

(1) Hospital entity only, excludes controlled affiliates