



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2015 – Period 8
7/1/2014 to 2/28/2015

Date Issue: March 18, 2015

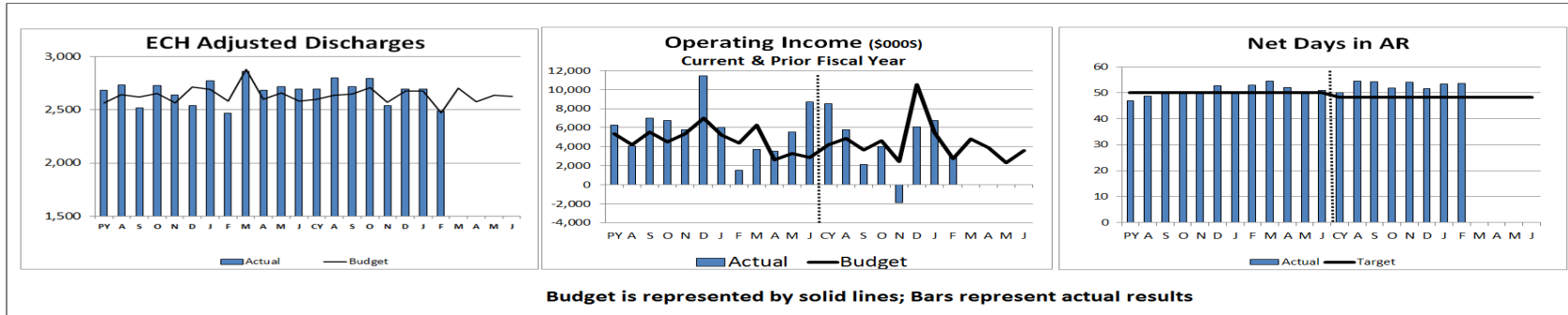
EL CAMINO HOSPITAL
(Excludes Controlled Affiliates)
EXECUTIVE FINANCIAL SUMMARY
Period Ending February 28, 2015

YTD STATEMENT OF REVENUE AND EXPENSES (\$000s)					BALANCE SHEET (\$000s)			
	Prior Year	Actual	Budget	Var F(U)		February 28, 2015	Jun 30, 2014	
Gross Revenue	\$1,654,405	\$1,695,461	\$1,681,241	\$14,220	Cash and Investments	656,865	651,709	
Deductions from Revenue	(1,179,104)	(1,223,232)	(1,196,524)	(26,708)	Non Cash Current Assets	170,410	161,295	
Net Patient Revenue	475,301	472,230	484,718	(12,488)	Property, Plant & Equipment (Net)	669,409	651,573	
Other Operating Revenue	12,724	13,434	14,069	(635)	Other Assets	40,861	35,972	
Total Operating Revenue	488,025	485,664	498,787	(13,123)	Total Assets	1,537,546	1,500,549	
Salaries & Wages	260,035	270,447	274,262	3,815	Current Liabilities	89,804	108,045	
Supplies	67,386	71,845	71,711	(134)	Long-Term Liabilities	230,408	228,867	
Fees & Purchased Services	51,658	49,485	50,937	1,452	Fund Balance/Capital Accounts	1,217,334	1,163,637	
Other Operating Expense	23,014	24,860	28,147	3,287	Total Liabilities & Equity	1,537,546	1,500,549	
Total Non Capital Operating Expense	402,093	416,636	425,056	8,420	KEY ECH STATISTICS - YTD			
OPERATING EBITDA	85,932	69,028	73,730	(4,703)	Balance Sheet	Actual	Target ⁽¹⁾	
Interest, Depreciation & Amortization	37,114	34,673	35,315	642	Debt Service Coverage Ratio (MADS)	8.2	1.2	
NET OPERATING SURPLUS	48,818	34,355	38,415	(4,061)	Debt to Capitalization	12.2%	29.0%	
Non Operating Income	37,306	14,361	10,601	3,760	Days of Cash	379	236	
TOTAL NET SURPLUS	86,124	48,716	49,016	(300)	Net AR Days	53.7	48.3	
EBITDA Margin	17.6%	14.2%	14.8%	-0.6%	Other	Prior Year	Actual	Budget
Operating Margin	10.0%	7.1%	7.7%	-0.6%	Acute Discharges	12,207	12,595	12,481
Total Margin	17.6%	10.0%	9.8%	0.2%	Acute Average Daily Census	236	244	240
					Deliveries	3,401	3,422	3,265
					Emergency Department Visits	38,228	40,000	38,712
					Surgical Cases	7,258	7,214	7,523
					Full Time Equivalent Employees	2,424	2,435	2,449
					Worked Hrs/Adjusted Patient Day	29.70	29.25	30.48

⁽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	736,706,642	44.5%	782,908,808	46.2%	774,339,583	46.1%
Medi Cal	92,543,234	5.6%	111,132,772	6.6%	83,175,997	4.9%
HMO/PPO/Indemnity	761,405,462	46.0%	749,868,266	44.2%	755,723,395	45.0%
Industrial	24,259,942	1.5%	24,599,644	1.5%	26,309,284	1.6%
Self Pay	39,489,824	2.4%	26,951,541	1.6%	41,692,973	2.5%
Gross Revenue	1,654,405,104	100%	1,695,461,031	100%	1,681,241,232	100%

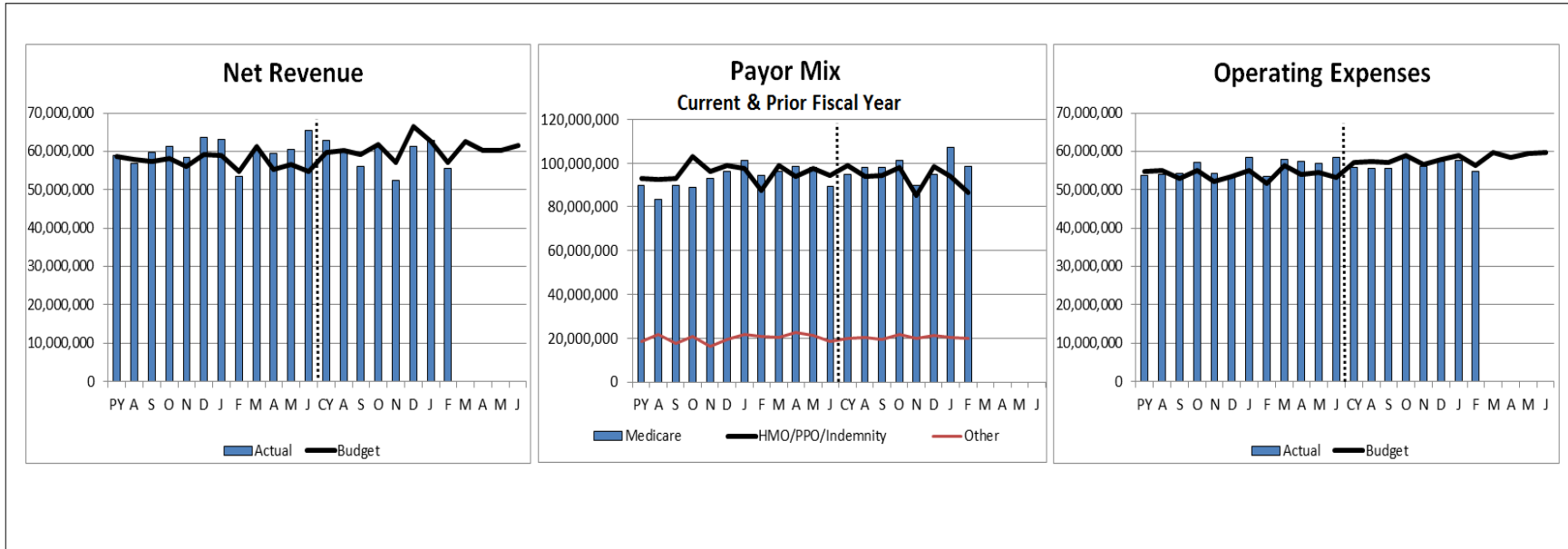
Volume: Volumes were consistent with budget, with a 3% increase over prior year for the same time frame. Surgeries is 4% less than budget but less than 1% from prior year. Higher Medicare mix continues through February.

Operating Margin. Operating margin for the year is \$4.1 million behind budget due to delay in \$5 million IGT payment. The payment is expected in March 2015. Expenses continue to remain favorable compared to budget, as indicated by the positive \$9.1 million variance.

Net Days in AR. In February, receivables increased by \$1.6 million from January, and net days in A/R increased to 53.7 due to system problems that have been corrected.

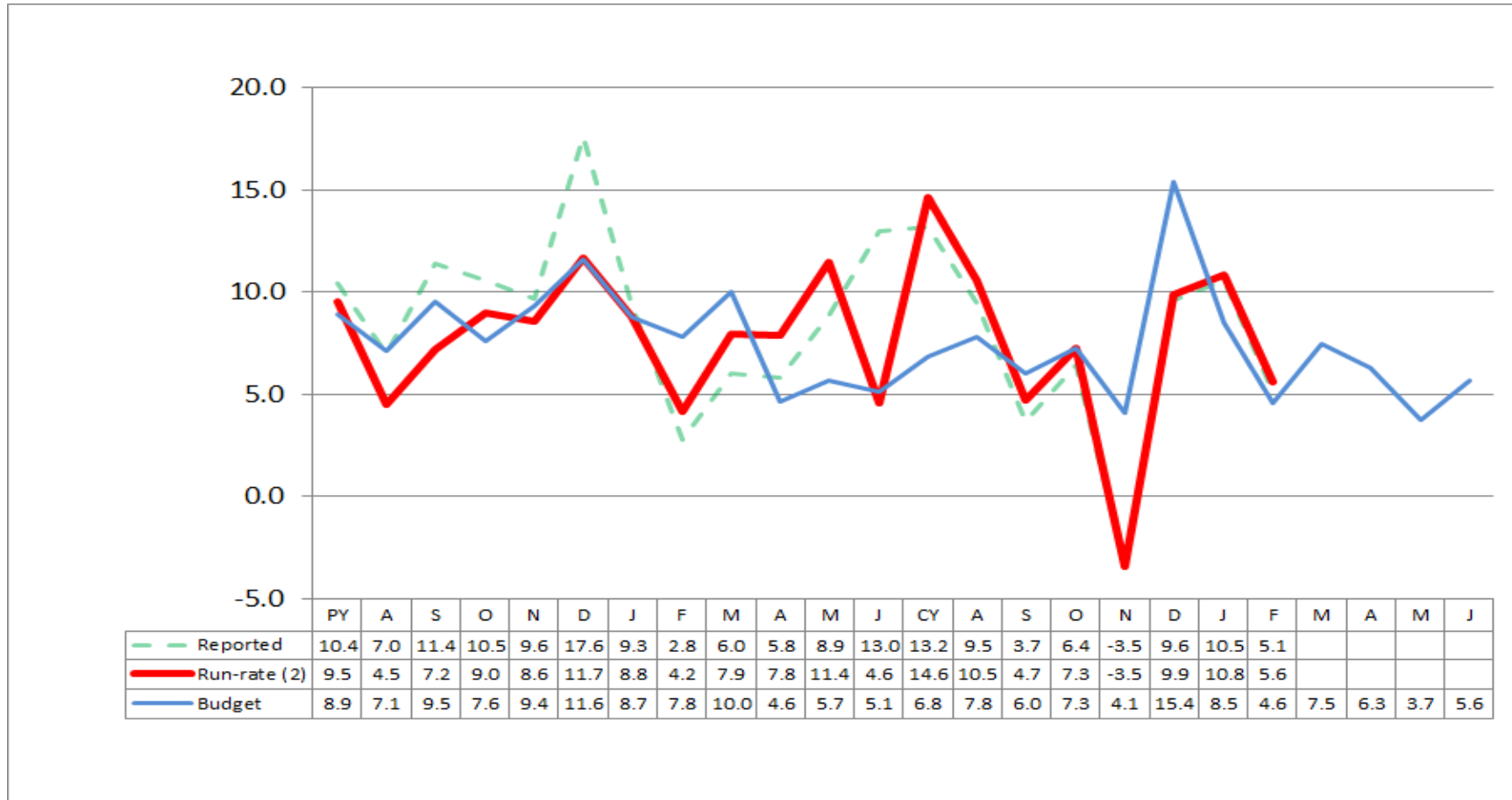
(1) Hospital entity only, excludes controlled affiliates

Financial Trends



(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%	7.1%	7.1%	Yellow
EBITDA Margin	19.4%	17.8%	16.9%	14.2%	14.3%	Red
Days of Cash	321	350	382	379	236	Green
Debt Service Coverage Ratio (MADS)	7.2	7.9	9.5	8.2	4.3	Green
Debt to Capitalization	15.8%	14.0%	12.6%	12.2%	29.0%	Green
Net AR Days	48.1	48.3	50.9	53.7	48.3	Red

⁽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

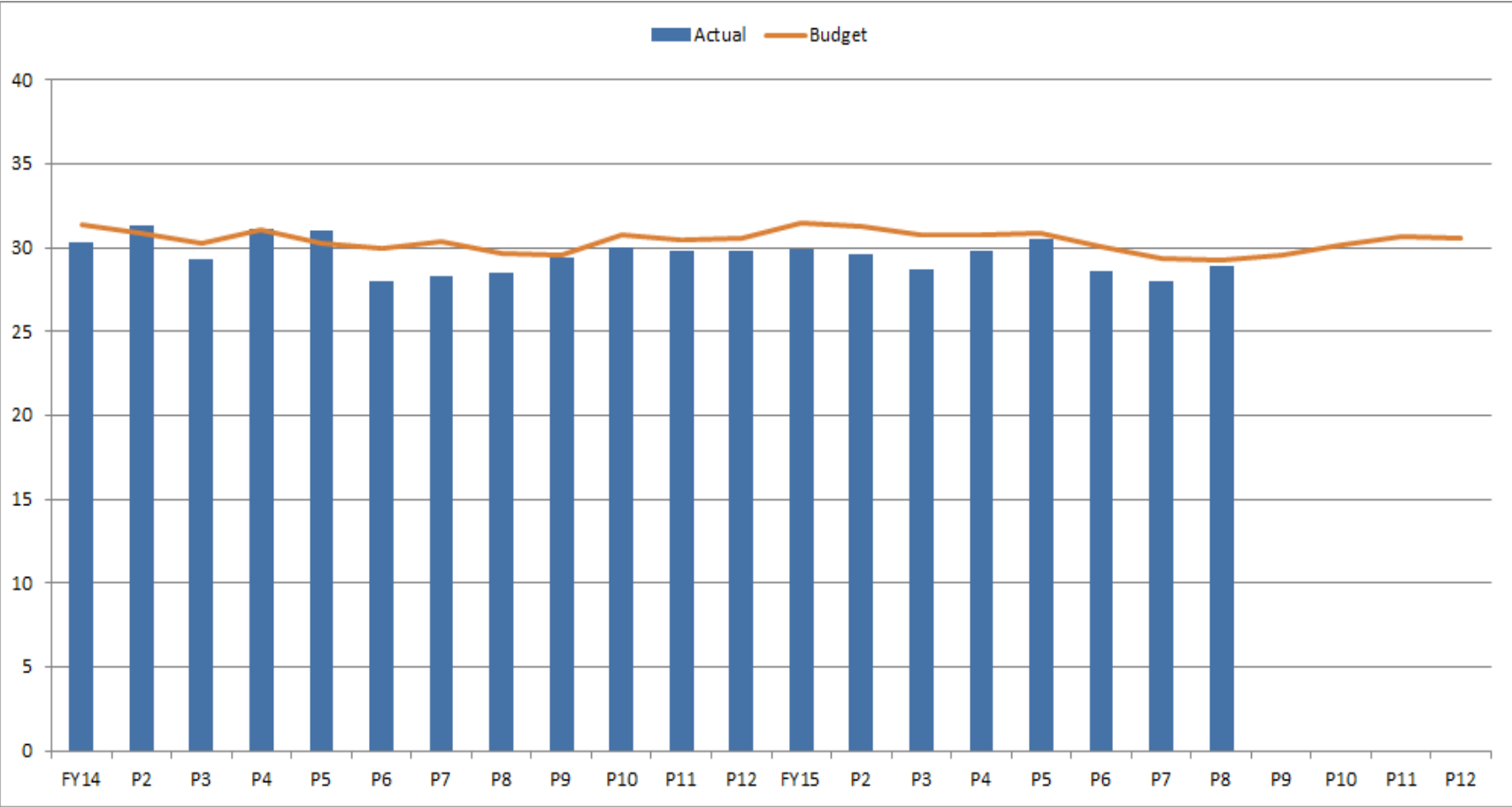
Summary of Financial Results

\$ in Thousands

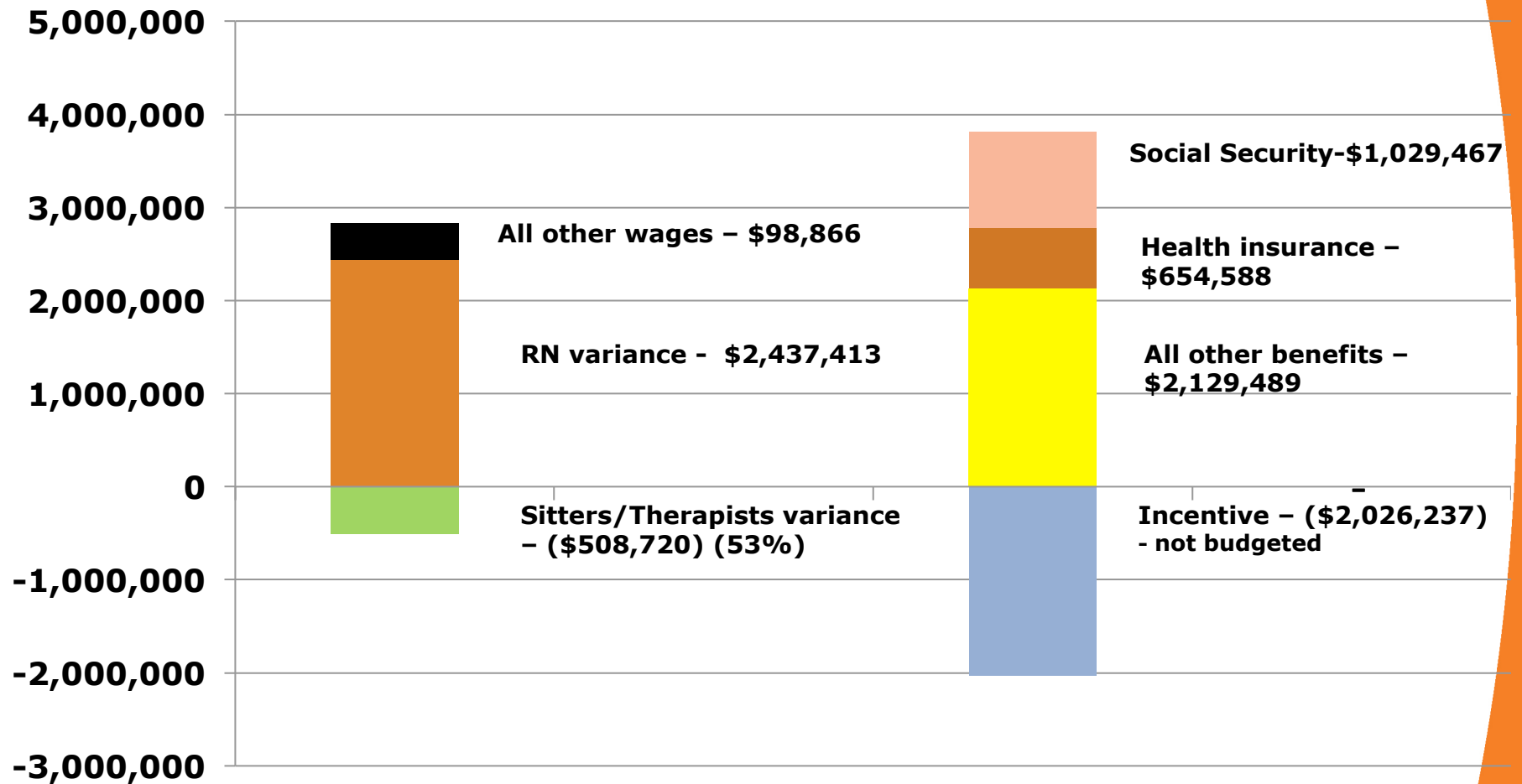
	Period 8 - Month			Period 8 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	2,986	1,298	1,689	24,750	24,311	439
Los Gatos	(41)	1,408	(1,449)	9,605	14,104	(4,499)
Sub Total - El Camino Hospital, excl. Affiliates	2,945	2,706	239	34,355	38,415	(4,061)
Operating Margin %	5.1%	4.6%		7.1%	7.7%	
El Camino Hospital Non Operating Income						
Investments	8,392	1,659	6,734	14,844	15,018	(174)
Swap Adjustments	1,052	0	1,052	(2,009)	0	(2,009)
Community Benefit	(538)	(814)	275	(1,761)	(1,581)	(181)
Other	5,481	(241)	5,721	3,288	(2,836)	6,125
Sub Total - Non Operating Income	14,387	604	13,782	14,361	10,601	3,760
El Camino Hospital Net Income (Loss)	17,332	3,310	14,022	48,716	49,016	(300)
ECH Net Margin %	30.1%	5.6%		10.0%	9.8%	
Concern	292	75	216	1,260	429	831
ECSC	(5)	0	(5)	(18)	0	(18)
Foundation	480	54	425	1,162	1,561	(398)
Silicon Valley Medical Development	38	(98)	136	118	61	57
Net Income Hospital Affiliates	804	31	773	2,524	2,051	473
Total Net Income Hospital & Affiliates	18,136	3,341	14,795	51,240	51,067	173

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

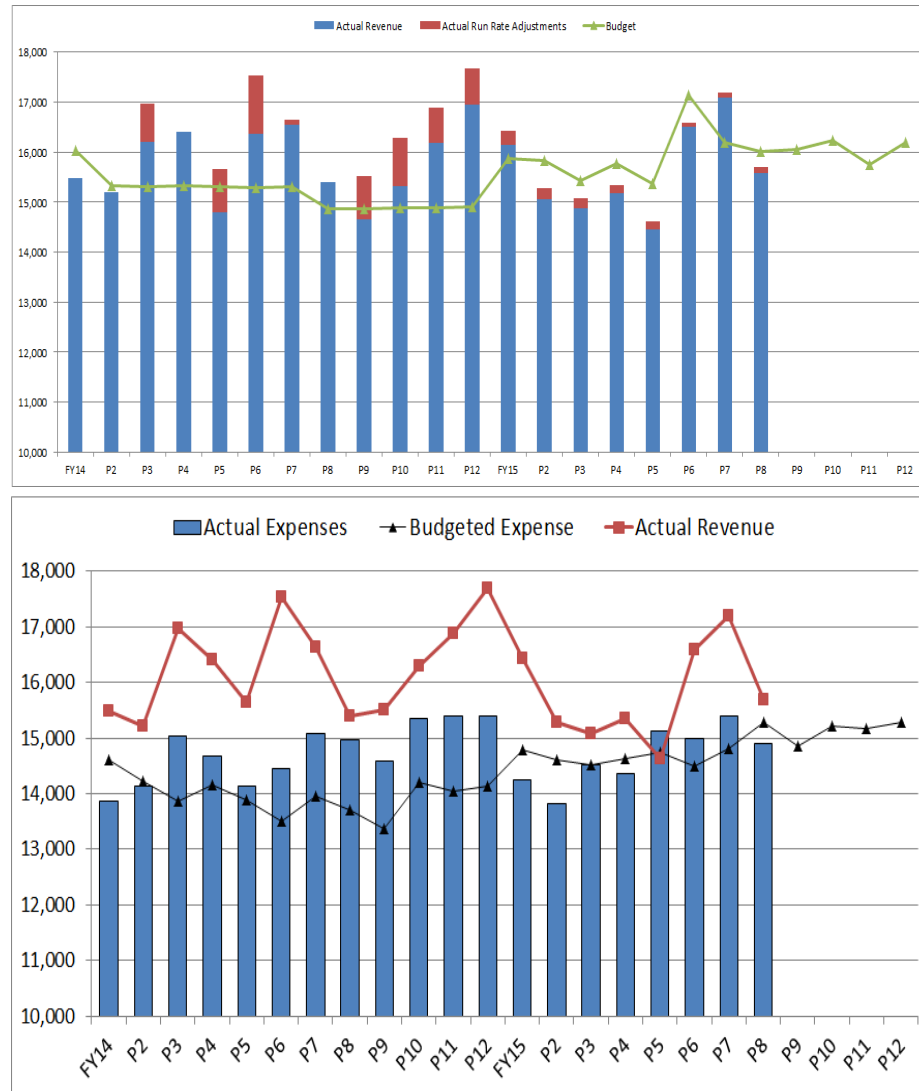


Year to date Labor Variance: \$3,815,000 Favorable to Fixed Budget



* 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 Feb, 2015			Year to Date			Prior Year	
	Act	Bud	Var%	Act	Bud	Var%	Act	Var%
Discharges ⁽²⁾	1,233	1,221	1.0%	10,313	10,154	1.6%	9,982	3.3%
ADC ⁽²⁾	215	213	1.2%	199	193	3.0%	193	3.0%
Deliveries	329	330	-0.3%	2,960	2,780	6.5%	2,892	2.4%
ED Visits	4,010	3,713	8.0%	31,990	30,361	5.4%	30,066	6.4%
Surgical Cases	531	544	-2.3%	4,421	4,593	-3.7%	4,475	-1.2%

LOS GATOS

	Month of Feb, 2015			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges ⁽²⁾	264	278	-5.0%	2,282	2,327	-1.9%	2,225	2.6%
ADC ⁽²⁾	45	50	-10.2%	45	47	-4.6%	43	5.1%
Deliveries	49	57	-14.8%	462	485	-4.6%	509	-9.2%
ED Visits	972	1,021	-4.8%	8,010	8,351	-4.1%	8,162	-1.9%
Surgical Cases	302	347	-12.9%	2,793	2,930	-4.7%	2,783	0.4%

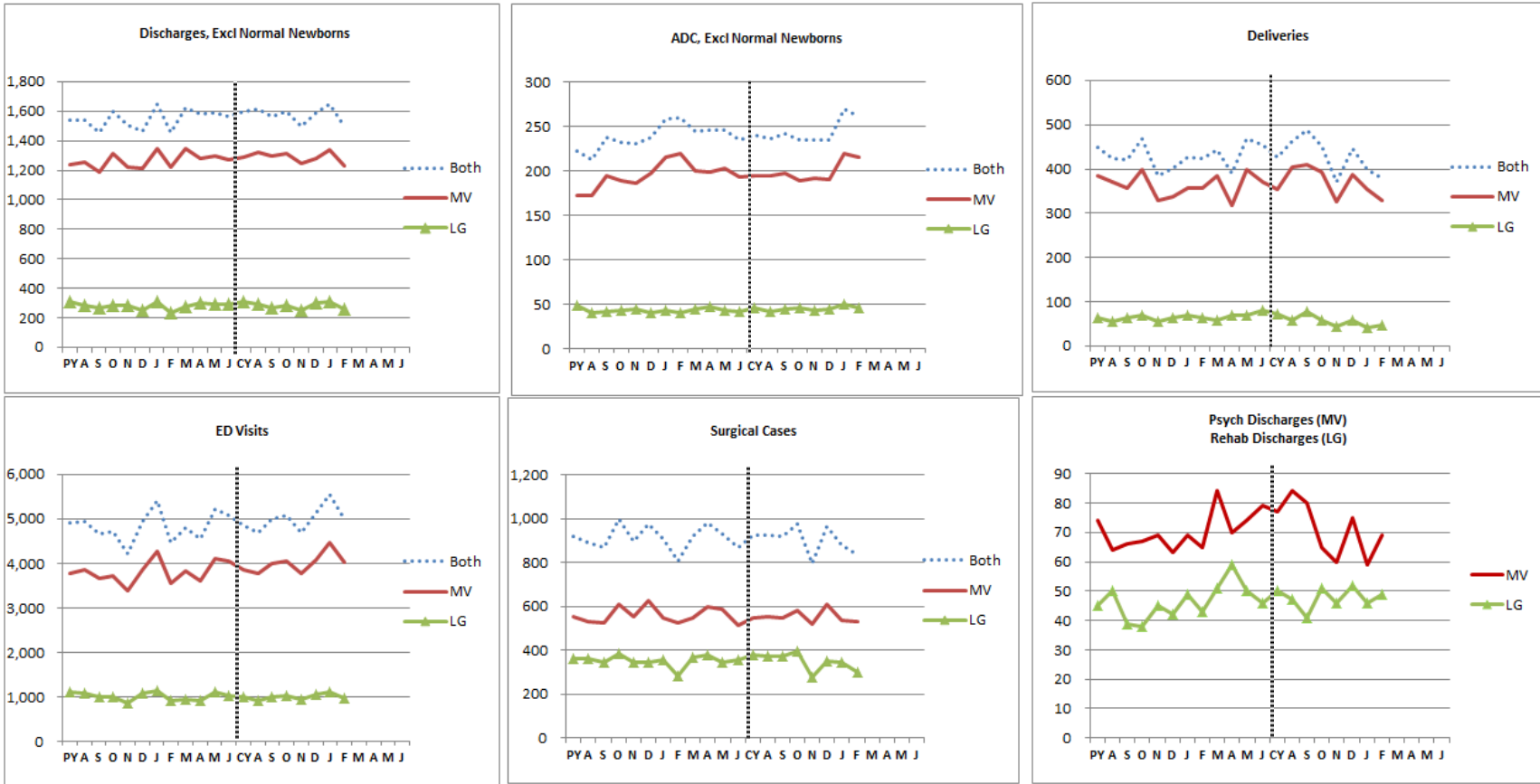
ECH

	Month of Feb, 2015			Year to Date			Prior Year	
	Act	Bud	Var	Act	Bud	Var	Act	Var%
Discharges ⁽²⁾	1,497	1,499	-0.1%	12,595	12,481	0.9%	12,207	3.2%
ADC ⁽²⁾	261	263	-1.0%	244	240	1.5%	236	3.4%
Deliveries	378	387	-2.4%	3,422	3,265	4.8%	3,401	0.6%
ED Visits	4,982	4,734	5.2%	40,000	38,712	3.3%	38,228	4.6%
Surgical Cases	833	890	-6.4%	7,214	7,523	-4.1%	7,258	-0.6%

(1) Hospital entity only, excludes controlled affiliates

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

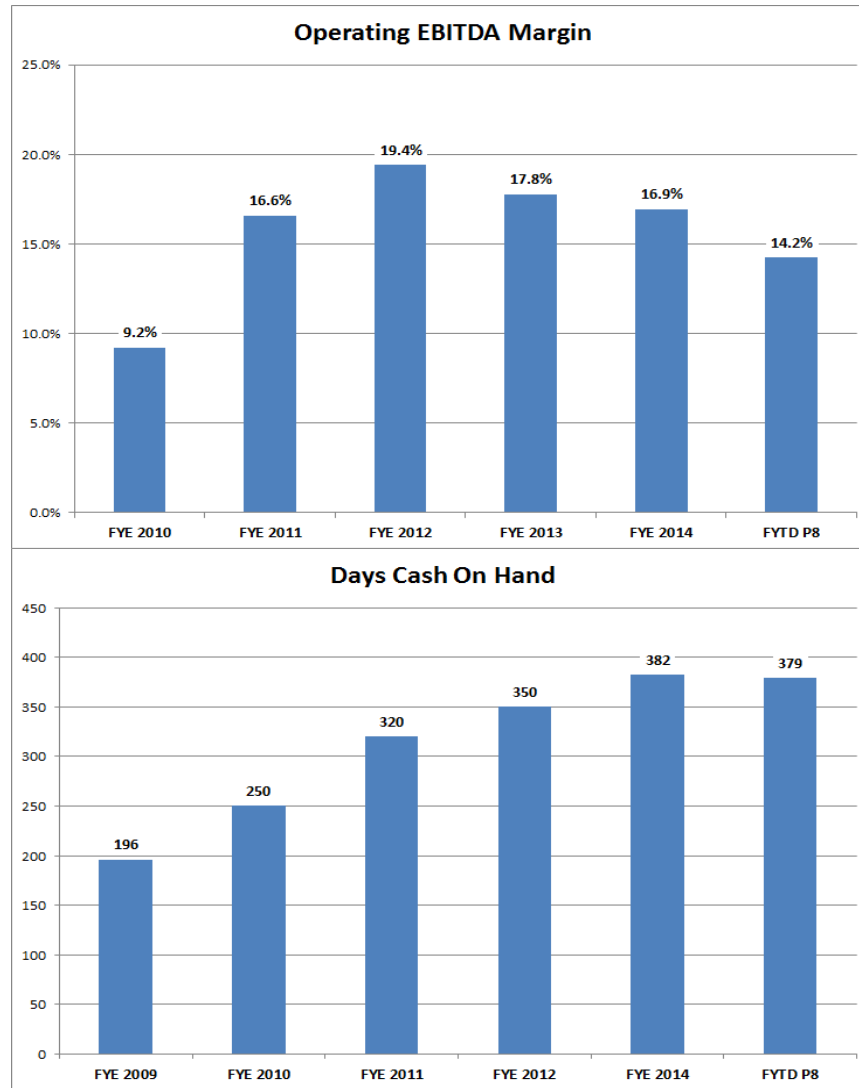
El Camino Hospital Volume Trends Prior and Current Fiscal Years



El Camino Hospital Financial Metrics Trend ⁽¹⁾

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Operating EBITDA lower than FYE 2014

Represents cash of \$657 million

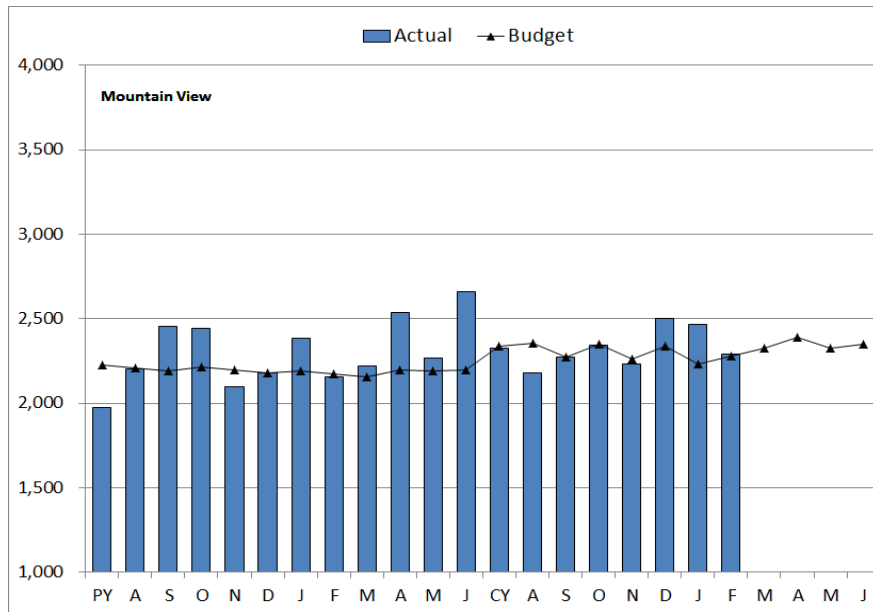
⁽¹⁾ Hospital entity only, excludes controlled affiliates

APPENDIX

Supply Cost per CMI Adjusted Discharges ⁽¹⁾

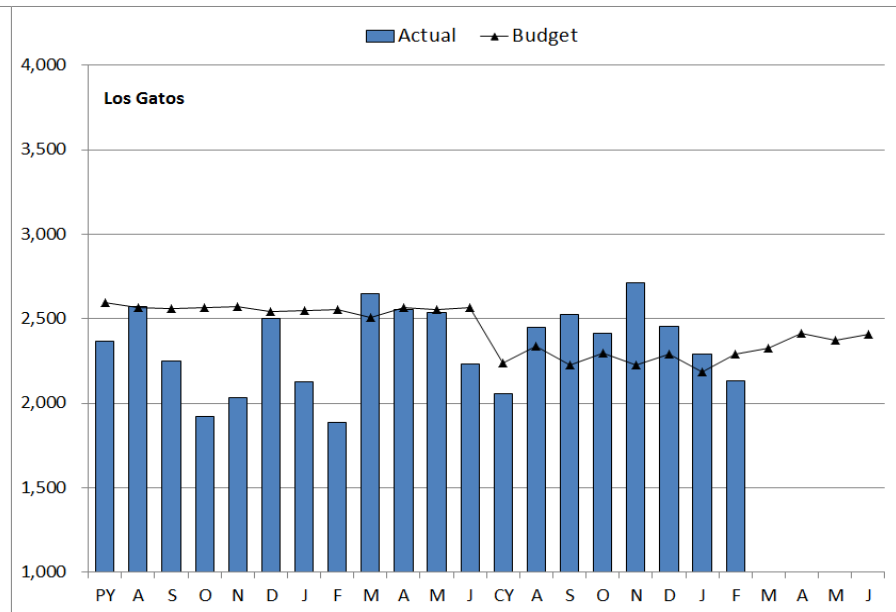
YTD: 1.0% over budget

Mountain View



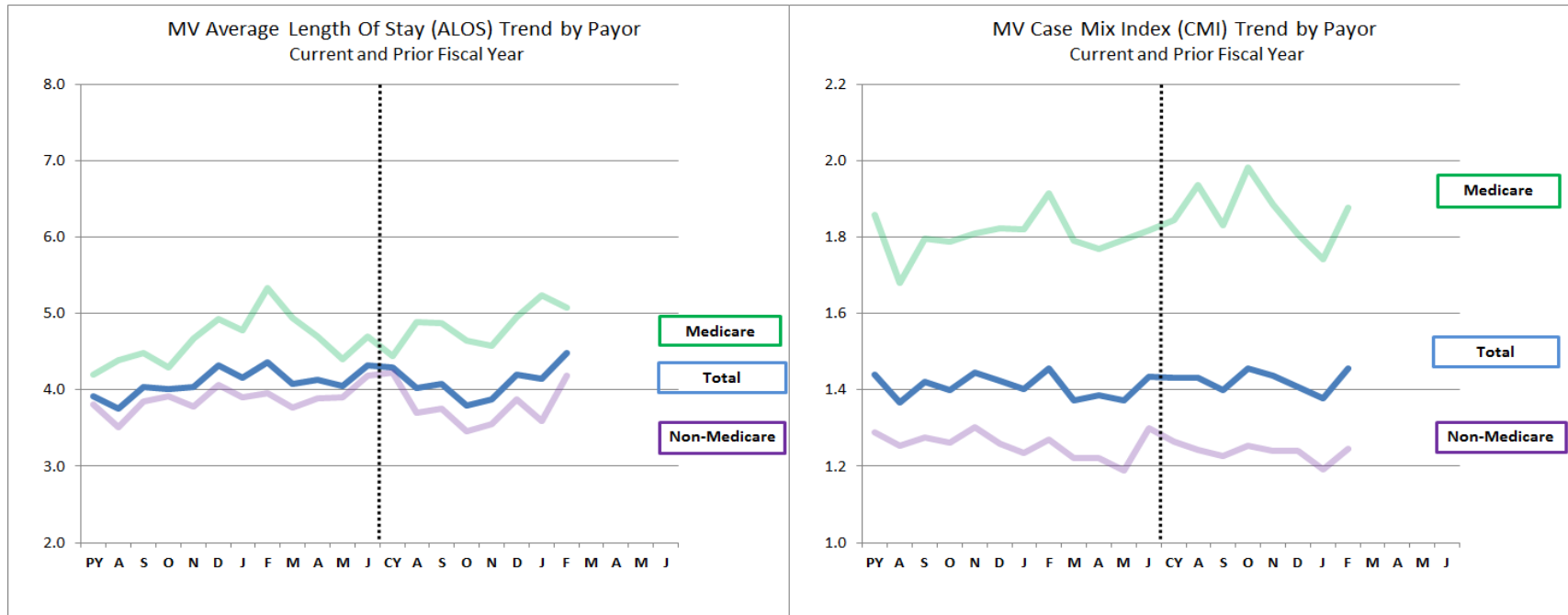
YTD: 5.3% over budget

Los Gatos



⁽¹⁾ Hospital entity only, excludes controlled affiliates

Mountain View LOS & CMI Trend ⁽¹⁾

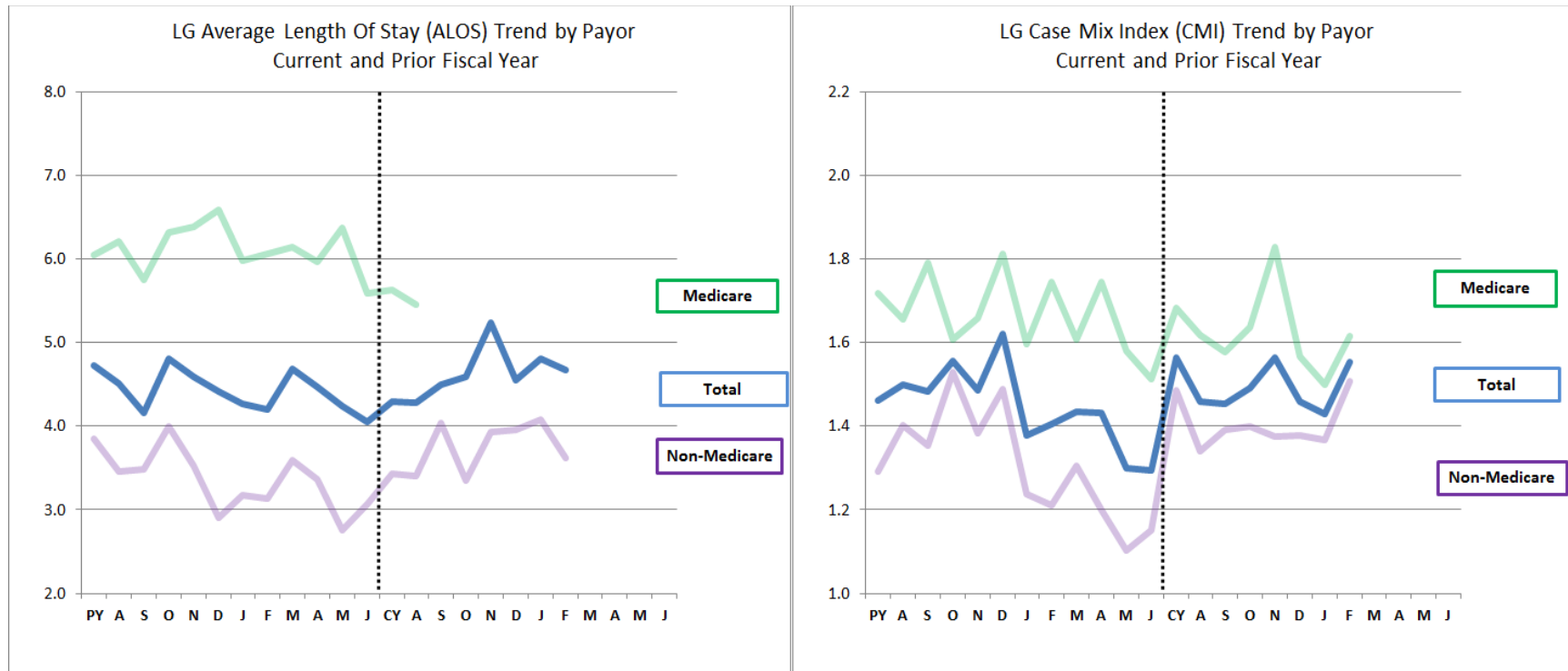


- Medicare: Due to DRG reimbursement, financial results usually improve with decreased LOS and increased CMI
- Non-Medicare: Reimbursement varies; financial results usually improve when both LOS & CMI increase

(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
8 months ending 2/28/2015

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,695,461	1,654,405	41,056	2.5%
Deductions	(1,223,232)	(1,179,104)	(44,127)	3.7%
Net Patient Revenue	472,230	475,301	(3,071)	-0.6%
Other Operating Revenue	13,434	12,724	710	5.6%
Total Operating Revenue	485,664	488,025	(2,361)	-0.5%
OPERATING EXPENSE:				
Salaries & Wages	270,447	260,035	(10,412)	-4.0%
Supplies	71,845	67,386	(4,459)	-6.6%
Fees & Purchased Services	49,485	51,658	2,173	4.2%
Other Operating Expense	59,533	60,128	595	1.0%
Total Operating Expense	451,309	439,207	(12,102)	-2.8%
Net Operating Income/(Loss)	34,355	48,818	(14,463)	-29.6%
Non Operating Income	14,361	37,306	(22,945)	-61.5%
Net Income(Loss)	48,716	86,124	(37,408)	-43.4%
Collection Rate	27.9%	28.7%	-0.9%	
Operating Margin	7.1%	10.0%	-2.9%	
Net Margin	10.0%	17.6%	-7.6%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Prior Year

8 months ending 2/28/2015

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,386,038	1,350,163	35,875	2.7%
Deductions	(1,004,987)	(962,990)	(41,997)	4.4%
Net Patient Revenue	381,051	387,173	(6,122)	-1.6%
Other Operating Revenue	11,903	12,314	(411)	-3.3%
Total Operating Revenue	392,954	399,486	(6,532)	-1.6%
OPERATING EXPENSE:				
Salaries & Wages	224,483	217,010	(7,473)	-3.4%
Supplies	58,211	54,936	(3,275)	-6.0%
Fees & Purchased Services	39,438	42,272	2,834	6.7%
Other Operating Expense	46,071	47,353	1,282	2.7%
Total Operating Expense	368,204	361,572	(6,632)	-1.8%
Net Operating Income/(Loss)	24,750	37,914	(13,164)	-34.7%
Non Operating Income	14,361	37,308	(22,947)	-61.5%
Net Income(Loss)	39,111	75,222	(36,111)	-48.0%
Collection Rate	27.5%	28.7%	-1.2%	
Operating Margin	6.3%	9.5%	-3.2%	
Net Margin	10.0%	18.8%	-8.9%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Prior Year
8 months ending 2/28/2015

\$000s	FY 2015	FY 2014	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	309,423	304,242	5,181	1.7%
Deductions	(218,245)	(216,114)	(2,131)	1.0%
Net Patient Revenue	91,179	88,128	3,050	3.5%
Other Operating Revenue	1,531	410	1,121	273.2%
Total Operating Revenue	92,710	88,539	4,171	4.7%
OPERATING EXPENSE:				
Salaries & Wages	45,964	43,025	(2,939)	-6.8%
Supplies	13,633	12,450	(1,183)	-9.5%
Fees & Purchased Services	10,046	9,385	(661)	-7.0%
Other Operating Expense	13,461	12,775	(687)	-5.4%
Total Operating Expense	83,105	77,635	(5,470)	-7.0%
Net Operating Income/(Loss)	9,605	10,904	(1,299)	-11.9%
Non Operating Income	0	(2)	2	-100.0%
Net Income(Loss)	9,605	10,902	(1,297)	-11.9%
Collection Rate	29.5%	29.0%	0.5%	
Operating Margin	10.4%	12.3%	-2.0%	
Net Margin	10.4%	12.3%	-2.0%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Results from Operations vs. Budget

8 months ending 2/28/2015

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,695,461	1,681,241	14,220	0.8%
Deductions	(1,223,232)	(1,196,524)	(26,708)	2.2%
Net Patient Revenue	472,230	484,718	(12,488)	-2.6%
Other Operating Revenue	13,434	14,069	(635)	-4.5%
Total Operating Revenue	485,664	498,787	(13,123)	-2.6%
OPERATING EXPENSE:				
Salaries & Wages	270,447	274,262	3,815	1.4%
Supplies	71,845	71,711	(134)	-0.2%
Fees & Purchased Services	49,485	50,937	1,452	2.9%
Other Operating Expense	59,533	63,461	3,929	6.2%
Total Operating Expense	451,309	460,371	9,062	2.0%
Net Operating Income/(Loss)	34,355	38,415	(4,061)	-10.6%
Non Operating Income	14,361	10,601	3,760	35.5%
Net Income(Loss)	48,716	49,016	(300)	-0.6%
Collection Rate	27.9%	28.8%	-1.0%	
Operating Margin	7.1%	7.7%	-0.6%	
Net Margin	10.0%	9.8%	0.2%	

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital – Mountain View⁽¹⁾

Results from Operations vs. Budget

8 months ending 2/28/2015

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	1,386,038	1,364,612	21,426	1.6%
Deductions	(1,004,987)	(977,383)	(27,604)	2.8%
Net Patient Revenue	381,051	387,229	(6,178)	-1.6%
Other Operating Revenue	11,903	12,541	(638)	-5.1%
Total Operating Revenue	392,954	399,770	(6,816)	-1.7%
OPERATING EXPENSE:				
Salaries & Wages	224,483	226,620	2,137	0.9%
Supplies	58,211	57,944	(268)	-0.5%
Fees & Purchased Services	39,438	40,510	1,072	2.6%
Other Operating Expense	46,071	50,384	4,313	8.6%
Total Operating Expense	368,204	375,458	7,254	1.9%
Net Operating Income/(Loss)	24,750	24,311	439	1.8%
Non Operating Income	14,361	10,601	3,760	35.5%
Net Income(Loss)	39,111	34,912	4,199	12.0%
Collection Rate	27.5%	28.4%	-0.9%	
Operating Margin	6.3%	6.1%	0.2%	
Net Margin	10.0%	8.7%	1.2%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital – Los Gatos⁽¹⁾

Results from Operations vs. Budget

8 months ending 2/28/2015

\$000s	FY 2015	Budget 2015	Variance Fav (Unfav)	Var%
OPERATING REVENUE:				
Gross Revenue	309,423	316,630	(7,206)	-2.3%
Deductions	(218,245)	(219,141)	896	-0.4%
Net Patient Revenue	91,179	97,489	(6,310)	-6.5%
Other Operating Revenue	1,531	1,528	3	0.2%
Total Operating Revenue	92,710	99,017	(6,307)	-6.4%
OPERATING EXPENSE:				
Salaries & Wages	45,964	47,642	1,678	3.5%
Supplies	13,633	13,767	134	1.0%
Fees & Purchased Services	10,046	10,427	380	3.6%
Other Operating Expense	13,461	13,077	(384)	-2.9%
Total Operating Expense	83,105	84,913	1,808	2.1%
Net Operating Income/(Loss)	9,605	14,104	(4,499)	-31.9%
Non Operating Income	0	0	0	0.0%
Net Income(Loss)	9,605	14,104	(4,499)	-31.9%
Collection Rate	29.5%	30.8%	-1.3%	
Operating Margin	10.4%	14.2%	-3.9%	
Net Margin	10.4%	14.2%	-3.9%	

⁽¹⁾ Hospital entity only, excludes controlled affiliates

El Camino Hospital⁽¹⁾

Balance Sheet (\$ Thousands)

ASSETS

CURRENT ASSETS	February 28, 2015	June 30, 2014
Cash	29,859	49,226
Short Term Investments	146,764	145,580
Patient Accounts Receivable, net	104,141	102,564
Other Accounts and Notes Receivable	2,907	2,924
Intercompany Receivables	966	1,335
Inventories and Prepays	62,396	54,471
Total Current Assets	347,033	356,101
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	115,406	101,265
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	2,331	1,588
Workers Compensation Reserve Fund	28,042	26,337
Postretirement Health/Life Reserve Fund	17,247	16,289
PTO Liability Fund	21,040	20,822
Malpractice Reserve Fund	2,321	2,321
Catastrophic Reserves Fund	14,140	13,614
Total Board Designated Assets	300,723	282,433
FUNDS HELD BY TRUSTEE	9,385	9,384
LONG TERM INVESTMENTS	179,519	174,469
INVESTMENTS IN AFFILIATES	31,473	26,584
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,065,573	1,058,241
Less: Accumulated Depreciation	(459,156)	(431,072)
Construction in Progress	62,992	24,404
Property, Plant & Equipment - Net	669,409	651,573
DEFERRED COSTS/BOND ISSUE COSTS	-	-
RESTRICTED ASSETS - CASH	4	3
TOTAL ASSETS	1,537,546	1,500,549

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	February 28, 2015	June 30, 2014
Accounts Payable	21,610	30,377
Salaries and Related Liabilities	14,338	19,862
Accrued PTO	21,040	20,822
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	20,943	21,944
Intercompany Payables	96	305
Malpractice Reserves	2,321	2,321
Bonds Payable - Current	3,200	3,075
Bond Interest Payable	1,302	3,755
Other Liabilities	2,655	3,284
Total Current Liabilities	89,804	108,045
LONG TERM LIABILITIES		
Post Retirement Benefits	17,247	16,289
Worker's Comp Reserve	25,742	24,037
Other L/T Obligation (Asbestos)	3,497	3,429
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	183,922	185,112
Total Long Term Liabilities	230,408	228,867
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	916,607	881,200
Board Designated	300,723	282,433
Restricted	4	3
Total Fund Bal & Capital Accts	1,217,334	1,163,637
TOTAL LIABILITIES AND FUND BALANCE	1,537,546	1,500,549

(1) Hospital entity only, excludes controlled affiliates

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Authorized	Total Spent YTD	Capitalized YTD	CIP Balance
CIP	EPIC Installation	73.8	18.6	0.0	26.1
	Facility Improvement				
	Slot Build-out (06/13)	19.0	12.3	0.0	14.9
	LG Upgrades (06/14)	13.0	2.1	0.4	5.0
	Behavioral Health Bldg (06/14)	9.0	3.0	0.0	4.2
	NPCR3 Seismic Upgrades (04/13)	6.7	1.3	3.5	0.9
	Oak Pavilion Cancer Ctr TI (06/14)	5.9	3.2	0.0	3.2
	Women's Hospital L&D Exp (05/12)	4.5	0.3	4.3	0.0
	LG Spine OR (02/15)	4.1	0.1	0.0	0.3
	LG Imaging Masterplan (06/13)	3.1	1.0	0.0	2.2
	Integrated MOB (09/14)	3.0	0.8	0.0	0.8
	New Main Hospital Upgrades (01/12)	1.6	0.0	1.4	0.0
	Multi Use/Specialty Building (04/08)	1.5	0.0	0.0	0.8
	North Drive Parking Expansion (08/14)	1.0	0.1	0.0	0.1
	All Other	6.7	2.3	1.6	4.5
		79.1	26.5	11.2	36.9
	IT Hardware, Software, Equipment*	10.5	2.0	2.0	0.0
	Medical & Non Medical Equipment	13.7	9.7	9.7	0.0
	GRAND TOTAL	177.1	56.9	22.9	63.0

*Excluding EPIC

⁽¹⁾ Hospital entity only, excludes controlled affiliates
 This page has minor corrections to the version presented at the Finance Committee