



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2017 – Period 12
7/1/2016 to 6/30/2017

	Annual				Month			YTD		
	2015	2016	2017 Proj.	2017 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	246	242	239	245	248	245	242	243	239	245
Adjusted Discharges	22,342	22,499	23,446	22,992	1,723	2,057	1,845	21,960	23,446	22,993
Total Discharges	19,637	19,367	19,646	19,781	1,548	1,680	1,583	19,169	19,660	19,790
Inpatient Cases										
MS Discharges	13,114	13,344	13,616	13,499	1,020	1,175	1,080	13,024	13,616	13,500
Deliveries	5,067	4,717	4,660	4,810	401	388	385	4,717	4,660	4,810
BHS	901	806	909	901	79	77	73	928	923	910
Rehab	555	500	461	570	48	40	46	500	461	570
Outpatient Cases										
ED	128,110	139,935	145,927	147,053	11,755	12,461	11,459	139,926	145,927	143,255
Procedural Cases	49,106	48,609	48,648	51,258	4,135	4,070	4,087	44,764	48,648	51,095
OP Surg	6,488	6,070	6,666	6,427	535	542	497	6,076	6,666	6,211
Endo	2,520	2,324	2,159	2,479	184	197	190	2,324	2,159	2,378
Interventional	1,998	2,021	1,963	2,323	165	112	182	2,023	1,963	2,281
All Other	67,998	80,911	86,491	84,566	6,736	7,540	6,503	84,739	86,491	81,290
Financial Perf.										
Net Patient Revenues	746,645	772,020	832,279	789,585	73,165	87,372	64,432	772,020	832,279	789,585
Total Operating Revenue	767,751	795,657	858,363	814,645	76,986	89,212	66,519	795,657	858,363	814,645
Operating Expenses	689,631	743,044	752,786	764,828	65,534	71,600	62,775	743,044	752,786	756,360
Operating Income \$	78,120	52,613	105,578	49,817	11,451	17,612	3,743	52,613	105,578	58,285
Operating Margin	10.2%	6.6%	12.3%	6.1%	14.9%	19.7%	5.6%	6.6%	12.3%	7.2%
EBITDA \$	128,002	108,554	157,631	109,890	17,319	21,766	8,560	108,554	157,631	116,511
EBITDA %	16.7%	13.6%	18.4%	13.5%	22.5%	24.4%	12.9%	13.6%	18.4%	14.3%
IP Margin ¹	-3.9%	-8.7%	-4.7%	-6.1%	-6.3%	7.3%	-6.1%	-9.4%	-4.7%	-6.1%
OP Margin ¹	26.7%	26.7%	34.0%	26.4%	26.3%	33.3%	26.4%	25.3%	34.0%	26.4%
Payor Mix										
Medicare	46.2%	46.6%	47.7%	46.4%	46.1%	47.7%	46.4%	46.6%	47.7%	46.4%
Medi-Cal	6.6%	7.4%	7.3%	6.5%	8.4%	7.0%	6.5%	7.4%	7.3%	6.5%
Commercial IP	24.2%	23.2%	22.3%	24.0%	23.9%	22.4%	24.0%	24.0%	22.3%	24.0%
Commercial OP	18.7%	18.7%	20.2%	19.0%	19.0%	20.6%	19.0%	19.3%	20.2%	19.0%
Total Commercial	42.9%	41.9%	42.5%	43.0%	42.8%	43.0%	43.0%	43.3%	42.5%	43.0%
Other	4.3%	4.1%	2.5%	4.1%	2.6%	2.4%	4.1%	2.8%	2.5%	4.1%
Cost										
Employees	2,452.4	2,542.8	2,510.0	2,549.8	2,524.2	2,585.3	2,527.8	2,584.9	2,510.0	2,549.8
Hrs/APD	30.5	30.4	30.3	30.6	29.8	30.1	30.6	29.2	30.3	30.6
Balance Sheet										
Net Days in AR	43.6	53.7	44.8	48.0	53.7	44.8	48.0	53.7	44.8	48.0
Days Cash	401	361	444	266	361	444	266	361	444	266
Affiliates - Net Income (\$000s)										
Hosp	94,787	43,043	246,038	67,032	14,336	19,942	4,472	43,043	164,026	67,032
Concern	1,202	1,823	2,087	2,604	(114)	142	233	1,823	1,391	2,604
ECSC	(41)	(282)	(158)	0	29	(14)	0	(282)	(105)	0
Foundation	710	982	3,645	(450)	62	253	27	982	2,430	(450)
SVMD	106	156	293	0	68	190	1	156	195	0

Volume

- Very strong volume in June. Combined volume, measured in adjusted discharges, was 11.5% higher than budget and 19% higher than prior year.
- For the year, combined volume was 2% higher than budget with the growth coming primarily from OP services.
- The OP volume growth is in Behavioral Health 33.3%, Oncology 26.7%, Rehab Services 11.6% and HVI 9.4%.
- The inpatient growth is mainly in general medicine, HVI, general surgery and spine surgery.

Financial Performance:

- June's operating income was very strong driven by high volume and \$8.1M in IGT and Medi-Cal supplemental funding.
- For the year, net income is \$97 million ahead of target; \$47M from operations and \$50M in investment income. Operating income includes two years of IGT, strong volume and expense efficiencies.

Payor Mix:

- Commercial mix is at budget for the month of June and within a percent for the year.

Cost:

- YTD FTEs are under budget by 39.8 FTEs.

Balance Sheet:

- Net days in AR are ahead of target and improved further in June to 44.8 from 47.5 in May. Total cash on hand is still at an all time high of 444 days in June.
- AR will climb during the next 3 months due to Anthem claims hold in July (required due to charge increase) and Nuance transcription malware disruption.

Green - Equal to or better than budget; Yellow - Unfav by up to 5%; Red - Greater than 5% unfav
FY2017 budget presented excludes 2016 and 2017 bonds cost of issuance and interest expense

Budget Variances

Fiscal Year 2017 YTD (7/1/2016-6/30/2017) Waterfall

(in thousands)	Month to Date (MTD)			Year to Date (YTD)		
	Detail	Net Income Impact	% Net Revenue	Detail	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2017		3,743	5.6%		58,285	7.2%
Net Revenue		22,693	25.4%		43,718	5.1%
* Volume and Payor Mix	14,022			14,667		
* Rev cycle improvements	500			10,000		
* Insurance Payment Variances	579			1,698		
* Mcare Settlement	81			3,379		
* BPCI Settlement				(2,092)		
* Medi-Cal Supplemental				1,510		
* IGT Supplemental	6,823			13,358		
* AB 915 (Medi-Cal OP Supplemental payment)	880			880		
* Various Adjustments under \$250k	(192)			318		
Labor and Benefit Expense Change		759	0.9%		10,467	1.2%
* Benefits - No accrual in Pension and WC due low actuarial estimates	548			(855)		
* Accrued Time Off - Repricing PRN PTO.				1,146		
* Productivity, vacancies and volume mix	211			13,256		
* WC Reserve Update based on Favorable Exp				2,524		
* Pay for performance bonus				(3,204)		
* Ratification bonus				(2,400)		
Professional Fees & Purchased Services		(5,614)	-6.3%		(8,483)	-1.0%
* Physician Fees - Bonus Paid & VMOC 5 month reserve	(317)			1,243		
* Consulting Fee - Various Administration, Legal, FP&A and HR consultants	(2,058)			(6,834)		
* Purchased Services - Outside Labor (Informatics offset by lower labor from vacancies)	(2,895)			(6,992)		
* Maintenance Fees (Annual service contract renewals)	(344)			4,100		
Supplies		(4,262)	-4.8%		(4,204)	-0.5%
* Drug Expense - Offset by revenue	(1,353)			(4,112)		
* Medical Supplies - Year end inventory adjustment	(2,259)			(833)		
* Non Med Supplies - \$422k due to patient TV replacement.	(650)			741		
Other Expenses		(369)	-0.4%		(378)	0.0%
* Leases & Rental Fees (mainly mobile CT at LG during upgrade)	4			(268)		
* Bad Debt Expense	(73)			(73)		
* Utilities & Telephone	62			473		
* Other G&A	(362)			(511)		
Depreciation & Interest		662	0.7%		6,173	0.7%
* Depreciation (Under budget in Facilities Dev and Real Estate & ICARE depreciation and equipment)	492			4,923		
* Interest Expense - 2017 bonds & Capital Interest 2015 bonds	170			1,250		
Actual Hospital Operations FY2017		17,612	19.7%		105,578	12.3%

El Camino Hospital (\$000s)

12 months ending 6/30/2017

PERIOD 12 FY 2016	PERIOD 12 FY 2017	PERIOD 12 Budget 2017	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
234,757	263,963	238,936	25,027	10.5%	Gross Revenue	2,755,387	3,018,494	2,900,812	117,682	4.1%
(161,592)	(176,591)	(174,504)	(2,086)	1.0%	Deductions	(1,983,367)	(2,186,216)	(2,111,227)	(74,989)	3.6%
73,165	87,372	64,432	22,940	35.6%	Net Patient Revenue	772,020	832,279	789,585	42,693	5.4%
3,820	1,840	2,087	(247)	-11.8%	Other Operating Revenue	23,636	26,085	25,059	1,025	4.1%
76,986	89,212	66,519	22,693	34.1%	Total Operating Revenue	795,657	858,363	814,645	43,718	5.4%
OPERATING EXPENSE										
38,368	37,480	38,239	759	2.0%	Salaries & Wages	435,988	448,696	459,163	10,467	2.3%
11,037	14,036	9,774	(4,262)	-43.6%	Supplies	117,988	122,290	118,085	(4,204)	-3.6%
7,664	13,420	7,806	(5,614)	-71.9%	Fees & Purchased Services	98,019	102,292	93,809	(8,483)	-9.0%
2,598	2,509	2,140	(369)	-17.3%	Other Operating Expense	35,109	27,455	27,077	(378)	-1.4%
1,618	278	448	170	38.0%	Interest	7,193	4,128	5,379	1,250	23.2%
4,249	3,876	4,368	492	11.3%	Depreciation	48,748	47,925	52,848	4,923	9.3%
65,534	71,600	62,775	(8,824)	-14.1%	Total Operating Expense	743,044	752,786	756,360	3,574	0.5%
11,451	17,612	3,743	13,869	370.5%	Net Operating Income/(Loss)	52,613	105,578	58,285	47,293	81.1%
2,885	2,330	729	1,601	219.7%	Non Operating Income	(9,570)	58,448	8,747	49,701	568.2%
14,336	19,942	4,472	15,470	345.9%	Net Income(Loss)	43,043	164,026	67,032	96,994	144.7%
22.5%	24.4%	12.9%	11.5%		EBITDA	13.6%	18.4%	14.3%	4.1%	
14.9%	19.7%	5.6%	14.1%		Operating Margin	6.6%	12.3%	7.2%	5.1%	
18.6%	22.4%	6.7%	15.6%		Net Margin	5.4%	19.1%	8.2%	10.9%	

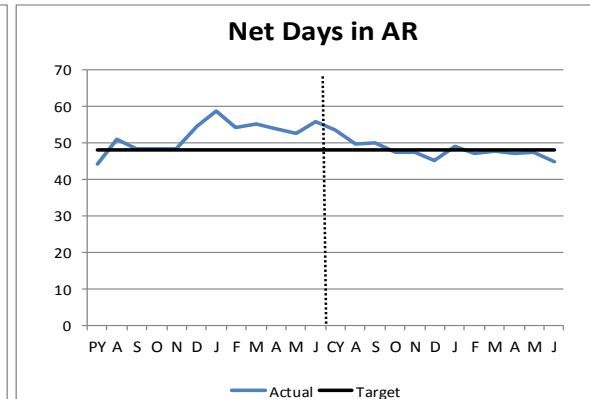
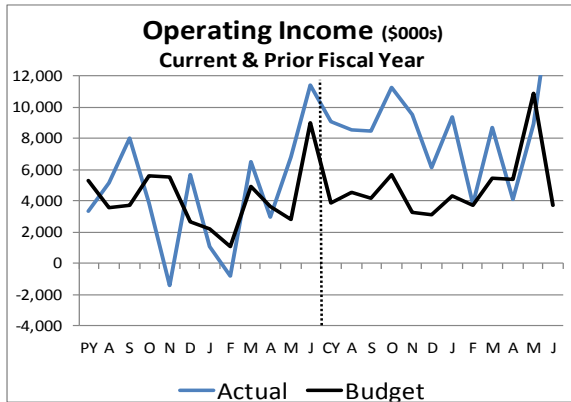
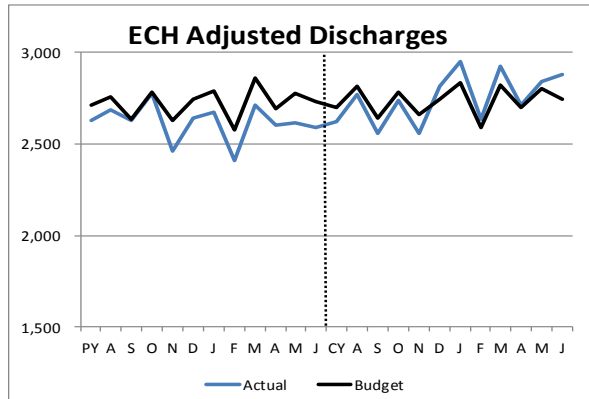
Non Operating Items and Net Income by Affiliate

\$ in thousands

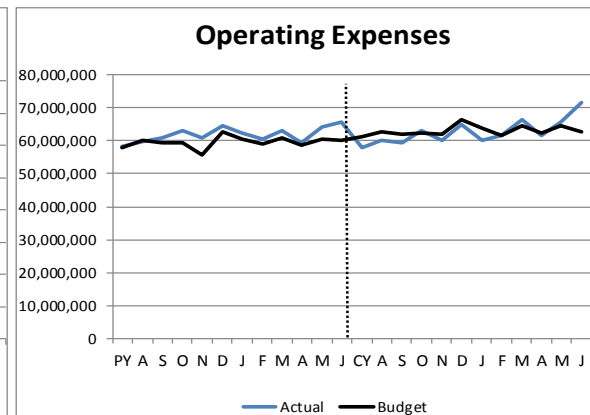
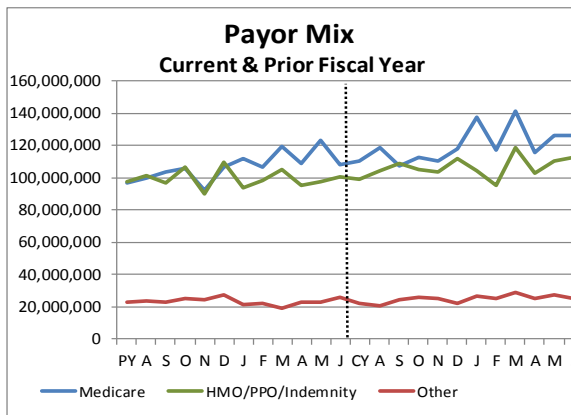
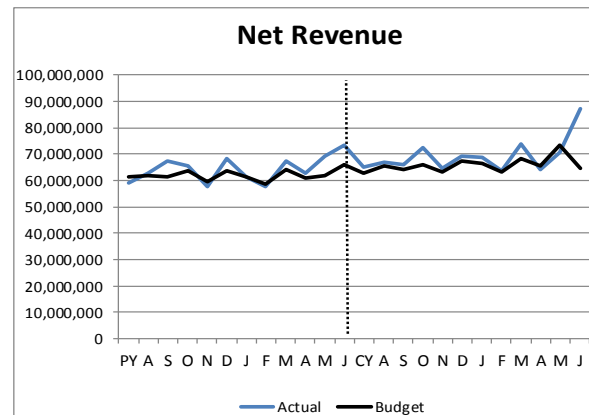
	Period 12 - Month			Period 12 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	15,586	2,820	12,765	100,039	46,483	53,555
Los Gatos	2,026	923	1,103	5,539	11,801	(6,262)
Sub Total - El Camino Hospital, excl. Affiliates	17,612	3,743	13,869	105,578	58,285	47,293
Operating Margin %	19.7%	5.6%		12.3%	7.2%	
El Camino Hospital Non Operating Income						
Investments	3,014	1,512	1,502	62,919	18,140	44,779
Swap Adjustments	399	0	399	3,429	0	3,429
Community Benefit	(50)	(283)	234	(3,131)	(3,400)	269
Other (IPECH / Foundation)	(1,033)	(499)	(533)	(4,769)	(5,993)	1,224
Sub Total - Non Operating Income	2,330	729	1,601	58,448	8,747	49,701
El Camino Hospital Net Income (Loss)	19,942	4,472	15,470	164,026	67,032	96,994
ECH Net Margin %	22.4%	6.7%		19.1%	8.2%	
Concern	142	233	(91)	1,391	2,604	(1,213)
ECSC	(14)	0	(14)	(105)	0	(105)
Foundation	253	27	226	2,430	(450)	2,880
Silicon Valley Medical Development	190	1	188	195	(0)	195
Net Income Hospital Affiliates	571	262	310	3,911	2,155	1,756
Total Net Income Hospital & Affiliates	20,513	4,734	15,779	167,936	69,186	98,750

- Investments favorable for June and YTD
- Swap gain for the year due to rise in interest rates.
- Favorable other due to lower SVMD loss and Pathways investment income.
- Concern unfavorable - \$800 from ops and \$400 in investment due to requirement to invest in fixed income.
- Foundation favorable both June and YTD due to investment income.

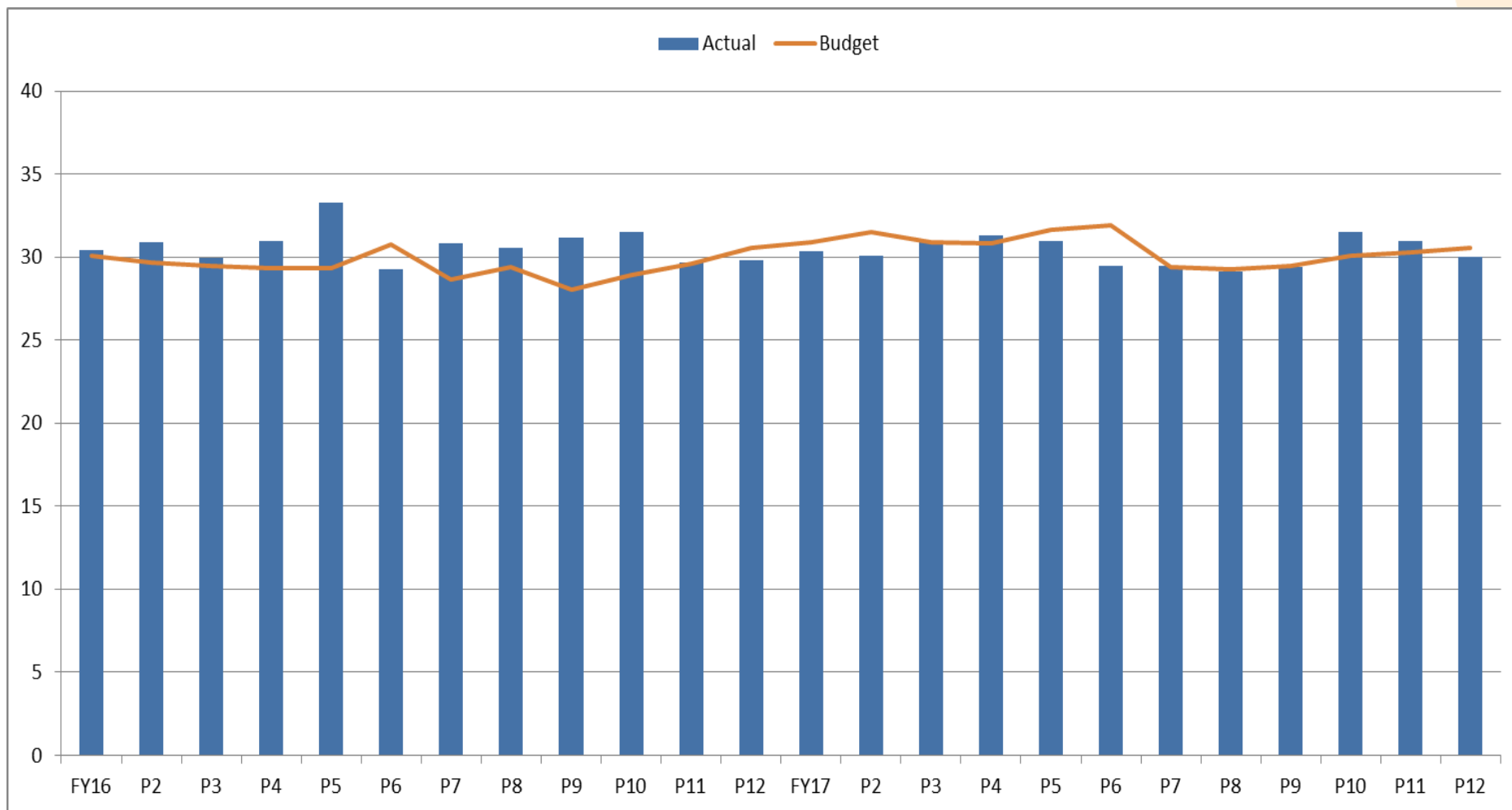
Monthly Financial Trends



June volume is higher than budgeted for the month by 4.9% and slightly higher YTD at 0.5%. Operating expenses are higher than budgeted in June due to higher volume and is \$3.6M favorable to budget YTD.

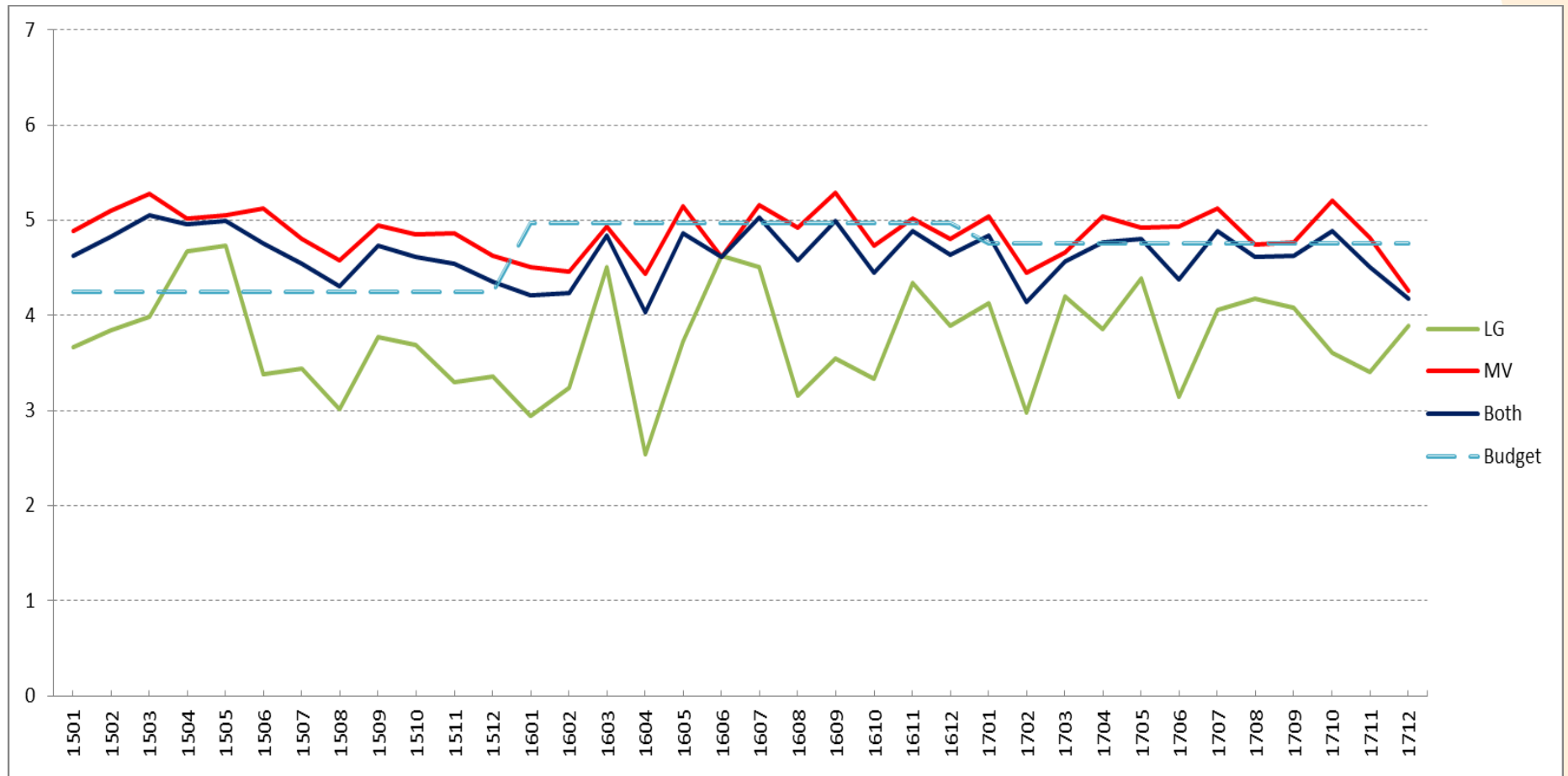


Worked Hours per Adjusted Patient Day



Work hours per adjusted patient day decreased in June, with a decrease in both IT and sitter hours. Overall the month of June is 30.1 worked hours per adjusted patient day and 30.3 average YTD.

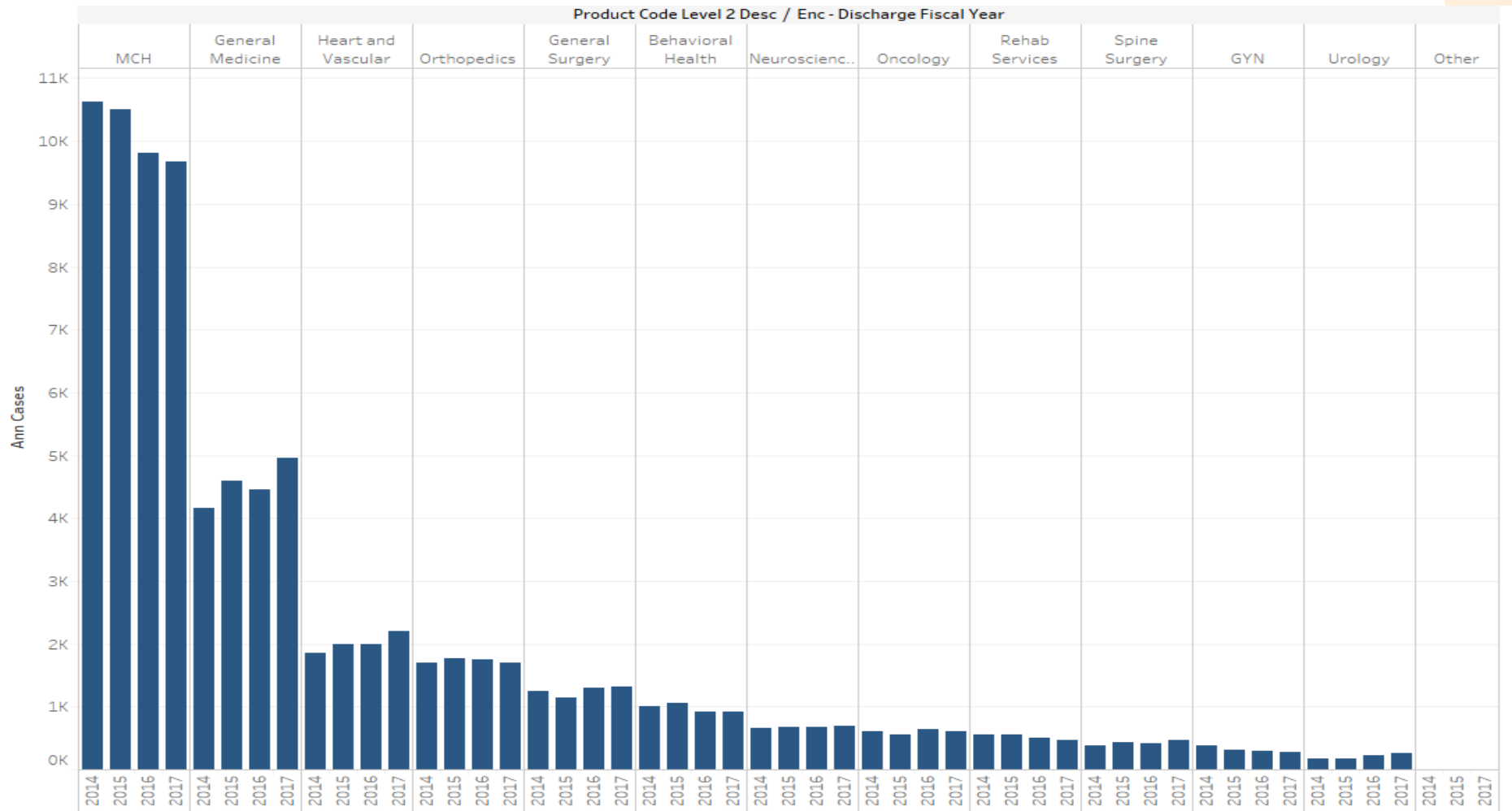
Medicare ALOS



•ALOS is ahead of target as of June. YTD ALOS (4.60) is below budget (4.76) by .16.

El Camino Hospital Volume Annual Trends – Inpatient

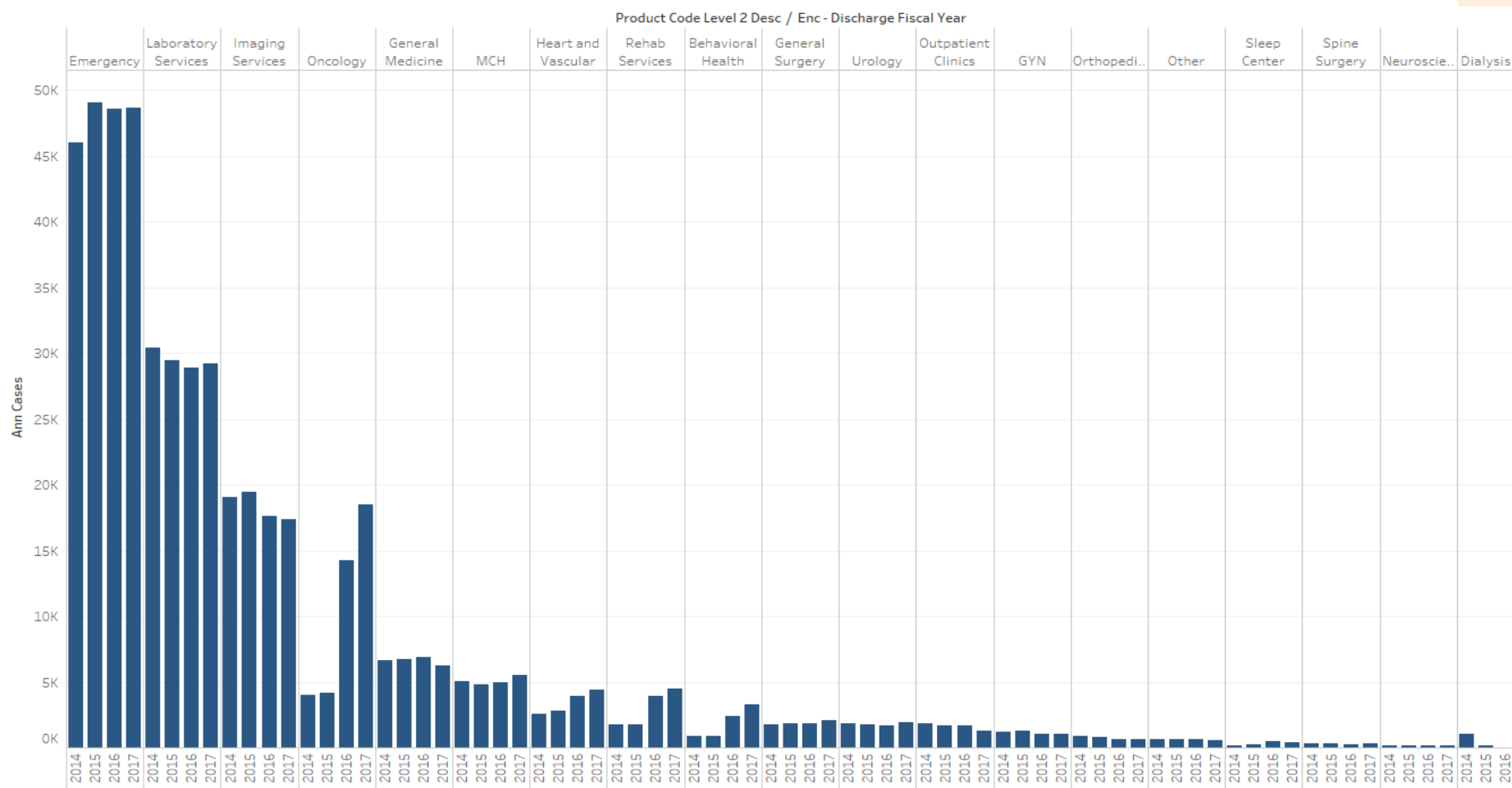
FY 2017 is annualized



- MCH volume shows a decreasing trend year-over-year and is currently at 96.8% YTD of budget.
- Both HVI, General Surgery, Neuroscience and Spine Surgery show an increasing trend year-over-year. HVI is ahead of budget by 8.5% YTD, General Surgery is ahead of budget by 3.1%, Neuroscience is slightly behind budget by 0.7% and Spine Surgery is ahead by 11.9%.

El Camino Hospital Volume Annual Trends – Outpatient

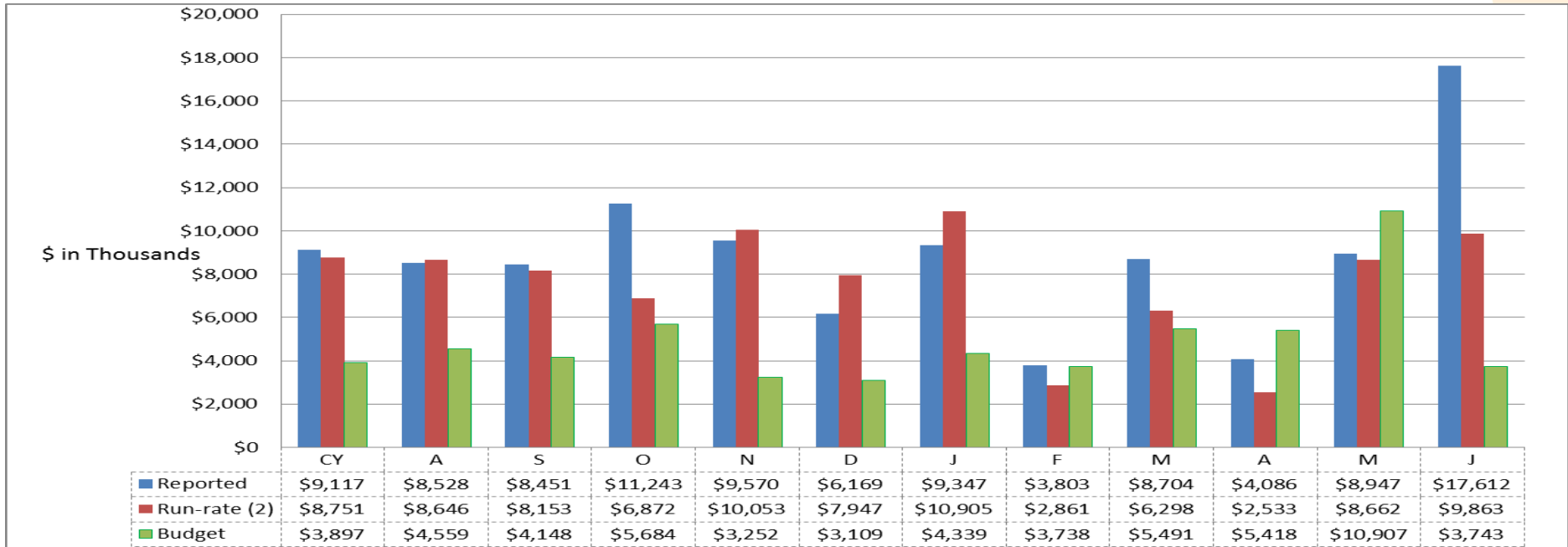
FY 2017 is annualized



- Comparing year-over-year, Emergency, Oncology, MCH, HVI, Behavioral Health and General Surgery shows an increasing trend in volume and Behavioral Health, Emergency, General Surgery, Heart & Vascular, Laboratory Service, MCH, Oncology, Orthopedics, Rehab Services and Urology are all ahead of budget YTD.

ECH Operating Margin

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



FY 2017 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>														
Revenue Adjustments		J	A	S	O	N	D	J	F	M	A	M	J	YTD
	Insurance (Payment Variance)	335	-	61	145	36	-	-	-	544	-	-	579	1,698
	Mcare Settltmt/Appeal/Tent Settltmt/PIP	100	(158)	74	67	67	100	67	947	27	1,953	54	81	3,379
	BPCI Settlement	-	-	-	-	-	-	(2,167)	-	-	-	76	-	(2,092)
	Medi-Cal Supplemental	-	-	-	-	-	312	814	240	-	-	144	-	1,510
	IGT Supplemental	-	-	-	6,535	-	-	-	-	-	-	-	6,823	13,358
	AB 915	-	-	-	-	-	-	-	-	-	-	-	880	880
	Various Adjustments under \$250k	(69)	40	164	25	12	9	131	157	12	19	11	(192)	318
	Total	366	(118)	299	6,771	115	421	(1,155)	1,344	582	1,972	284	8,171	19,052
Expense Adjustments		J	A	S	O	N	D	J	F	M	A	M	J	YTD
	Pay-For-Performance Bonus	-	-	-	-	-	(2,400)	(403)	(401)	-	-	-	-	(3,204)
	Ratification Bonus	-	-	-	(2,400)	-	-	-	-	-	-	-	-	(2,400)
	Purchases Below Capital Threshold	-	-	-	-	(598)	-	-	-	-	-	-	-	(598)
	WC Reserve Updates Based on Fav. Experience	-	-	-	-	-	700	-	-	1,824	-	-	-	2,524
	Other Purchased Services (Clinical Informatics)	-	-	-	-	-	(500)	-	-	-	-	-	-	(500)
	Other Minor Equipment (TV replacements)	-	-	-	-	-	-	-	-	-	-	-	(422)	(422)
	Accrued Time Off (Repricing of PRN PTO)	-	-	-	-	-	-	-	-	-	(419)	-	-	(419)
	Total	-	-	-	(2,400)	(598)	(2,200)	(403)	(401)	1,824	(419)	-	(422)	(5,019)

El Camino Hospital Investment Committee Scorecard

June 30, 2017

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY17 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		2Q 2017		Fiscal Year-to-date		4y 8m Since Inception (annualized)		May 2016	
Surplus cash balance & op. cash (millions)		\$900.5	--	--	--	--	--	\$657.2	--
Surplus cash return		2.4%	2.1%	8.9%	8.7%	5.4%	5.3%	4.0%	5.2%
Cash balance plan balance (millions)		\$243.8	--	--	--	--	--	\$220.6	--
Cash balance plan return		3.1%	2.4%	11.2%	10.3%	7.9%	7.2%	6.0%	5.8%
403(b) plan balance (millions)		\$406.6	--	--	--	--	--	--	--
Risk vs. Return		3-year				4y 8m Since Inception (annualized)		May 2016	
Surplus cash Sharpe ratio		0.83	0.86	--	--	1.26	1.24	--	0.55
Net of fee return		3.9%	4.1%	--	--	5.4%	5.3%	--	5.2%
Standard deviation		4.5%	4.5%	--	--	4.1%	4.1%	--	8.6%
Cash balance Sharpe ratio		0.84	0.79	--	--	1.37	1.31	--	0.49
Net of fee return		4.9%	4.5%	--	--	7.9%	7.2%	--	5.8%
Standard deviation		5.7%	5.6%	--	--	5.6%	5.3%	--	10.7%
Asset Allocation		2Q 2017							
Surplus cash absolute variances to target		9.6%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		9.4%	< 10%	--	--	--	--	--	--
Manager Compliance		2Q 2017							
Surplus cash manager flags		19	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		20	< 20 Green < 25 Yellow	--	--	--	--	--	--

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY 17 YTD Spent
CIP	EPIC Upgrade		6.1	2.3	2.8
IT Hardware, Software, Equipment*			5.4	2.7	2.7
Medical & Non Medical Equipment FY 16**			4.3	4.2	4.2
Medical & Non Medical Equipment FY 17***			10.3	5.4	5.4
Facility Projects					
	1245 Behavioral Health Bldg	91.5	91.5	16.4	10.3
	1413 North Drive Parking Expansion	24.5	24.5	17.3	18.1
	1414 Integrated MOB	275.0	275.0	42.0	32.8
	1422 CUP Upgrade	9.0	9.0	2.1	1.2
	1430 Women's Hospital Expansion	91.0	6.0	0.4	0.5
	1425 IMOB Preparation Project - Old Main	3.0	3.0	2.6	1.9
	1502 Cabling & Wireless Upgrades	2.8	2.8	2.4	0.4
	1525 New Main Lab Upgrades	1.6	3.1	0.4	0.5
	1515 ED Remodel Triage/Psych Observation	1.6	0.0	0.0	0.0
	1503 Willow Pavilion Tomosynthesis	1.3	1.3	0.3	0.3
	1602 JW House (Patient Family Residence)	2.5	0.0	0.0	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.0
	IR Room #6 Development	2.6	0.0	0.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.0
	1707 Imaging Equipment Replacement (5 or 6	20.7	0.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.0
	1709 ED Remodel / CT Triage - Other	5.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.0	0.0	0.0
	1219 LG Spine OR	4.1	4.1	3.3	2.2
	1313 LG Rehab HVAC System & Structural	3.7	3.7	3.7	1.9
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	7.1	6.7
	1307 LG Upgrades	19.3	19.3	13.4	3.1
	1519 LG Electrical Systems Upgrade	1.2	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.5	0.2	0.2
	1507 LG IR Upgrades	1.1	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	1.5	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	0.2	0.3
	All Other Projects under \$1M	26.4	4.8	40.4	2.7
		627.6	462.3	152.1	83.0
GRAND TOTAL			488.4	166.6	97.9

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases

2017 projected spend includes items to be presented for approval during the fiscal year

Balance Sheet (in thousands)

ASSETS

		Audited
	June 30, 2017	June 30, 2016
CURRENT ASSETS		
(1) Cash	125,547	59,169
Short Term Investments	138,303	105,284
(2) Patient Accounts Receivable, net	109,443	120,960
Other Accounts and Notes Receivable	2,628	4,369
(3) Intercompany Receivables	1,519	2,200
(4) Inventories and Prepaids	41,583	39,678
Total Current Assets	419,023	331,660
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	131,153	119,650
(5) Women's Hospital Expansion	9,298	-
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	12,237	13,037
Workers Compensation Reserve Fund	21,434	22,309
Postretirement Health/Life Reserve Fund	19,880	18,256
PTO Liability Fund	23,268	22,984
Malpractice Reserve Fund	1,634	1,800
Catastrophic Reserves Fund	16,575	14,125
Total Board Designated Assets	335,675	312,358
(6) FUNDS HELD BY TRUSTEE	287,006	30,841
LONG TERM INVESTMENTS	257,391	207,597
INVESTMENTS IN AFFILIATES	32,864	31,627
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,188,826	1,171,372
Less: Accumulated Depreciation	(531,785)	(485,856)
Construction in Progress	121,031	46,009
Property, Plant & Equipment - Net	778,072	731,525
DEFERRED OUTFLOWS	29,213	29,814
RESTRICTED ASSETS - CASH	0	-
TOTAL ASSETS	2,139,245	1,675,422

LIABILITIES AND FUND BALANCE

		Audited
	June 30, 2017	June 30, 2016
CURRENT LIABILITIES		
(7) Accounts Payable	25,886	28,519
Salaries and Related Liabilities	24,989	22,992
Accrued PTO	23,268	22,984
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,776	11,314
Intercompany Payables	84	105
Malpractice Reserves	1,634	1,936
Bonds Payable - Current	3,735	3,635
Bond Interest Payable	7,462	5,459
Other Liabilities	4,831	10,478
Total Current Liabilities	104,965	106,830
LONG TERM LIABILITIES		
Post Retirement Benefits	19,880	18,256
Worker's Comp Reserve	19,134	20,009
Other L/T Obligation (Asbestos)	3,746	3,637
Other L/T Liabilities (IT/Medl Leases)	-	-
(8) Bond Payable	527,311	225,857
Total Long Term Liabilities	570,071	267,759
DEFERRED REVENUE-UNRESTRICTED	567	
DEFERRED INFLOW OF RESOURCES	2,892	2,892
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,125,075	985,583
Board Designated	335,675	312,358
Restricted	0	-
(9) Total Fund Bal & Capital Accts	1,460,750	1,297,941
TOTAL LIABILITIES AND FUND BALANCE	2,139,245	1,675,422

El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase in cash is due allowing for immediate cash to be available for the recent significant construction projects that have started in MV campus. Note that we have in place a routine to seek repayment from the 2017 bond proceeds, we will be reducing this balance by at least \$40M and transfer it into various investments given upcoming recommendations from our investment consultant.
- (2) The decrease is primarily due to the significant cash payments the Patient Accounts team has brought in during the nine months, four months were in excess of \$70M where the projected budgeted was approximately \$63M per month.
- (3) The decrease is just a timing issue of intercompany payments from one quarter to another. Normally at a fiscal year end, they are higher due to the books being held open for a longer period of time in preparation for audit.
- (4) The increase is principally due to three quarterly pension contributions of \$2.6M each since July 1, 2016, less reserves for pension expense.
- (5) A new item, the District allocated its FY 2014 and FY 2015 Capital Appropriation Funds in support of future renovations to the Women's Hospital when the IMOB is completed and those floors become for patient care.
- (6) This reflects the 2017 Revenue Bonds that were issued in March. The total amount now reflects this new issue of \$292M, the bond premium on it of \$21M, less paybacks to the hospital of \$36M for prior construction costs on the 4 major MV projects. Also there still exists \$21M in the LG Project Fund from the 2015A proceeds.
- (7) The decrease is due to significant General Contractor payments being accrued at year end, that were subsequently relieved during the first quarter of fiscal year 2017.
- (8) The increase is due to the new 2017 debt added as of March 2017, along with the associated bond premium that will be amortized over the life of the new debt.
- (9) The increase is to this year's financial performance (\$105M from Operations and \$58M in Non-Operations income - primarily driven by significant incomes from unrealized investment gains).

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (1 OF 2)

Plant & Equipment Fund – original established by the District Board in the early 1960's to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District's Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.

Women's Hospital Expansion – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women's Hospital upon the completion of Integrated Medical Office Building currently under construction.

Operational Reserve Fund – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on projected budget) and only be used in the event of a major business interruption event and/or cash flow.

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn't granted tax exempt status), that generates an amount of \$800,000 or more a year. \$10 million within this fund is board designated endowment fund formed in 2015 to generate investment income to be used for grants and sponsorships, currently generating approximately \$400,000 a year.

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (2 OF 2)

Workers Compensation Reserve Fund – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.

Postretirement Health/Life Reserve Fund – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.

PTO (Paid Time Off) Liability Fund – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.

Malpractice Reserve Fund – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.

Catastrophic Loss Fund – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

El Camino Hospital – Mountain View (\$000s)

12 months ending 6/30/2017

PERIOD 12 FY 2016	PERIOD 12 FY 2017	PERIOD 12 Budget 2017	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
191,795	215,092	194,124	20,968	10.8%	Gross Revenue	2,261,921	2,477,374	2,362,401	114,973	4.9%
(130,619)	(142,084)	(142,067)	(17)	0.0%	Deductions	(1,629,121)	(1,788,602)	(1,721,776)	(66,826)	3.9%
61,176	73,008	52,057	20,951	40.2%	Net Patient Revenue	632,800	688,772	640,625	48,147	7.5%
3,639	1,676	1,872	(197)	-10.5%	Other Operating Revenue	21,332	24,080	22,483	1,596	7.1%
64,815	74,684	53,929	20,754	38.5%	Total Operating Revenue	654,131	712,851	663,108	49,743	7.5%
OPERATING EXPENSE										
31,699	30,922	31,825	904	2.8%	Salaries & Wages	362,688	372,813	382,275	9,462	2.5%
9,134	11,885	8,000	(3,885)	-48.6%	Supplies	96,500	99,976	96,619	(3,357)	-3.5%
6,405	11,778	6,562	(5,216)	-79.5%	Fees & Purchased Services	81,907	85,753	78,865	(6,888)	-8.7%
996	854	584	(270)	-46.2%	Other Operating Expense	16,267	8,341	7,849	(492)	-6.3%
1,618	278	448	170	38.0%	Interest	7,193	4,128	5,379	1,250	23.2%
3,732	3,382	3,690	308	8.4%	Depreciation	42,659	41,801	45,638	3,837	8.4%
53,584	59,098	51,109	(7,989)	-15.6%	Total Operating Expense	607,214	612,813	616,625	3,812	0.6%
11,231	15,586	2,820	12,765	452.6%	Net Operating Income/(Loss)	46,918	100,039	46,483	53,555	115.2%
2,885	2,330	729	1,601	219.7%	Non Operating Income	(9,544)	58,459	8,747	49,712	568.3%
14,116	17,916	3,549	14,366	404.8%	Net Income(Loss)	37,374	158,498	55,231	103,267	187.0%
25.6%	25.8%	12.9%	12.9%		EBITDA	14.8%	20.5%	14.7%	5.8%	
17.3%	20.9%	5.2%	15.6%		Operating Margin	7.2%	14.0%	7.0%	7.0%	
21.8%	24.0%	6.6%	17.4%		Net Margin	5.7%	22.2%	8.3%	13.9%	

El Camino Hospital – Los Gatos(\$000s)

12 months ending 6/30/2017

PERIOD 12 FY 2016	PERIOD 12 FY 2017	PERIOD 12 Budget 2017	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
42,962	48,870	44,811	4,059	9.1%	Gross Revenue	493,466	541,121	538,411	2,710	0.5%
(30,973)	(34,506)	(32,437)	(2,069)	6.4%	Deductions	(354,245)	(397,614)	(389,451)	(8,163)	2.1%
11,989	14,364	12,375	1,989	16.1%	Net Patient Revenue	139,221	143,507	148,960	(5,454)	-3.7%
181	164	215	(51)	-23.5%	Other Operating Revenue	2,305	2,005	2,576	(571)	-22.2%
12,171	14,528	12,589	1,939	15.4%	Total Operating Revenue	141,526	145,512	151,536	(6,025)	-4.0%
OPERATING EXPENSE										
6,669	6,559	6,414	(145)	-2.3%	Salaries & Wages	73,300	75,883	76,888	1,005	1.3%
1,903	2,151	1,774	(377)	-21.3%	Supplies	21,488	22,314	21,467	(847)	-3.9%
1,259	1,642	1,244	(398)	-32.0%	Fees & Purchased Services	16,112	16,539	14,944	(1,595)	-10.7%
1,602	1,655	1,556	(99)	-6.4%	Other Operating Expense	18,842	19,114	19,227	114	0.6%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
517	495	678	184	27.1%	Depreciation	6,089	6,124	7,209	1,086	15.1%
11,950	12,502	11,666	(835)	-7.2%	Total Operating Expense	135,830	139,973	139,735	(238)	-0.2%
220	2,026	923	1,103	119.6%	Net Operating Income/(Loss)	5,695	5,539	11,801	(6,262)	-53.1%
(0)	0	0	0	0.0%	Non Operating Income	(26)	(10)	0	(10)	0.0%
220	2,026	923	1,103	119.6%	Net Income(Loss)	5,669	5,528	11,801	(6,273)	-53.2%
6.1%	17.4%	12.7%	13.0%		EBITDA	8.3%	8.0%	12.5%	-4.5%	
1.8%	13.9%	7.3%	6.6%		Operating Margin	4.0%	3.8%	7.8%	-4.0%	
1.8%	13.9%	7.3%	6.6%		Net Margin	4.0%	3.8%	7.8%	-4.0%	

* Due to a 5.8% lower in cases and 9.4% lower in patient days comparing to budget and a requirement to maintain core staffing, LG generated a less favorable operating margin (4% below budget) in FY17.

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2014	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2017	Budget FY2018
EPIC	6,838	29,849	20,798	2,755	6,137	1,922
IT Hardware / Software Equipment	2,788	4,660	6,483	2,659	5,391	12,238
Medical / Non Medical Equipment*	12,891	13,340	17,133	9,556	10,254	5,635
Non CIP Land, Land I , BLDG, Additions	22,292	-	4,189	-	-	-
Facilities	13,753	38,940	48,137	82,953	204,477	98,160
GRAND TOTAL	58,561	86,789	96,740	97,923	226,259	117,955
*Includes 2 robot purchases in projected FY 2017 & FY16 Medical/Non Medical Equipment spent in FY17						

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2016

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556	1404 - Park Pav HVAC	0	64	7	0	0
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
						1408 - New Main Accessibility Upgrades	0	0	7	46	501
						1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
Facilities Projects CIP						1423 - MV MOB TI Allowance	0	0	0	588	369
Mountain View Campus Master Plan Projects						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1430 - Women's Hospital Expansion	0	0	0	0	464
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1432 - 205 South Dr BHS TI	0	0	8	15	0
1422 - CUP Upgrade	0	0	0	896	1,245	1501 - Women's Hospital NPC Comp	0	0	4	0	223
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
						1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
Mountain View Capital Projects						1504 - Equipment Support Infrastructure	0	0	61	311	0
9900 - Unassigned Costs	734	470	3,717	0	0	1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
1108 - Cooling Towers	450	0	0	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1120 - BHS Out Patient TI's	66	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1129 - Old Main Card Rehab	9	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
0817 - Womens Hosp Upgrds	645	1	0	0	0	Los Gatos Capital Projects					
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0904 - LG Facilities Upgrade	2	0	0	0	0
1109 - New Main Upgrades	423	393	2	0	0	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1225 - Rehab BLDG Roofing	7	241	4	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1227 - New Main eICU	96	21	0	0	0	1308 - LG Infrastructure	0	114	0	0	0
1230 - Fog Shop	339	80	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1315 - 205 So. Drive TI's	0	500	2	0	0	1219 - LG Spine OR	0	214	323	633	2,163
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1221 - LG Kitchen Refrig	0	85	0	0	0
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1248 - LG - CT Upgrades	0	26	345	197	6,669
1211 - SIS Monitor Install	215	0	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1345 - LG Lab HVAC	0	112	0	0	0
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1301 - Desktop Virtual	0	13	0	0	0	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1304 - Rehab Wander Mgmt	0	87	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1318 - Women's Hospital TI	0	48	48	29	2	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1327 - Rehab Building Upgrades	0	0	15	20	0	1603 - LG MOB Improvements	0	0	0	0	285
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1340 - New Main ED Exam Room TVs	0	8	193	0	0	1550 - Land Acquisition	0	0	0	24,007	0
1341 - New Main Admin	0	32	103	0	0	1701 - 828 S Winchester Clinic TI	0	0	0	0	145
1344 - New Main AV Upgrd	0	243	0	0	0	Sub-Total Other Strategic Projects	0	0	0	24,007	145
1400 - Oak Pav Cancer Center	0	0	5,208	666	52	Subtotal Facilities Projects CIP	9,294	13,753	38,940	48,137	82,953
						Grand Total	27,598	58,561	86,789	96,740	97,923
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000