



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 3

7/1/2017 to 9/30/2017

Dashboard - ECH combined as of September 30, 2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	242	239	236	240	233	236	237	230	234	232
Adjusted Discharges	32,324	33,837	34,914	34,080	2,627	2,772	2,817	8,165	8,728	8,516
Total Discharges (Excl NNB)	19,171	19,649	19,908	19,695	1,548	1,597	1,627	4,732	4,977	4,914
Inpatient Cases										
MS Discharges	13,026	13,624	13,844	13,544	1,036	1,105	1,111	3,166	3,461	3,338
Deliveries	4,717	4,656	4,672	4,752	421	388	400	1,207	1,168	1,219
BHS	928	908	1,036	902	52	82	75	228	259	229
Rehab	500	461	356	497	39	22	41	131	89	127
Outpatient Cases										
ED	139,935	145,960	146,892	147,485	11,743	12,056	12,072	35,714	36,723	36,293
Procedural Cases	48,609	48,631	47,404	48,975	3,816	3,834	4,009	11,850	11,851	12,054
OP Surg	6,070	4,487	4,548	4,595	337	406	376	1,031	1,137	1,130
Endo	2,324	2,366	2,420	2,134	206	185	175	578	605	525
Interventional	2,021	2,134	2,068	2,130	179	159	175	550	517	524
All Other	80,911	88,342	90,452	89,651	7,205	7,472	7,338	21,705	22,613	22,060
Financial Perf.										
Net Patient Revenues	772,020	832,263	848,624	832,066	66,069	71,716	67,399	198,091	212,156	208,053
Total Operating Revenue	795,657	858,347	874,928	855,195	67,896	73,452	69,964	203,534	218,732	214,301
Operating Expenses	743,044	746,171	751,370	778,105	59,445	62,304	63,523	177,437	187,842	191,896
Operating Income \$	52,613	112,176	123,559	77,090	8,451	11,148	6,441	26,097	30,890	22,406
Operating Margin	6.6%	13.1%	14.1%	9.0%	12.4%	15.2%	9.2%	12.8%	14.1%	10.5%
EBITDA \$	108,554	161,811	174,978	138,862	13,012	15,468	11,403	39,702	43,744	37,146
EBITDA %	13.6%	18.9%	20.0%	16.2%	19.2%	21.1%	16.3%	19.5%	20.0%	17.3%
IP Margin ¹	-9.8%	5.8%	7.1%	-10.2%	5.8%	7.1%	-10.2%	5.8%	7.1%	-10.2%
OP Margin ¹	35.9%	37.0%	39.4%	31.7%	37.0%	39.4%	31.7%	37.0%	39.4%	31.7%
Payor Mix										
Medicare	46.6%	47.7%	45.9%	47.4%	47.7%	45.0%	47.4%	48.2%	45.9%	47.4%
Medi-Cal	7.4%	7.3%	7.7%	7.2%	7.0%	8.8%	7.2%	6.8%	7.7%	7.2%
Commercial IP	24.0%	22.3%	23.0%	22.6%	22.2%	23.0%	22.6%	22.4%	23.0%	22.6%
Commercial OP	19.3%	20.2%	20.6%	20.3%	20.6%	20.5%	20.3%	20.5%	20.6%	20.3%
Total Commercial	43.3%	42.5%	43.6%	42.9%	42.9%	43.6%	42.9%	42.8%	43.6%	42.9%
Other	2.7%	2.5%	2.8%	2.5%	2.5%	2.7%	2.5%	2.3%	2.8%	2.5%
Cost										
Total FTE	2,509.5	2,506.7	2,548.9	2,529.6	2,473.8	2,548.9	2,524.3	2,470.2	2,548.9	2,524.3
Productive Hrs/APD	30.7	30.3	30.9	31.2	31.0	31.2	30.8	30.5	30.9	31.2
Balance Sheet										
Net Days in AR	53.7	44.8	49.0	48.0	44.8	49.0	48.0	44.8	49.0	48.0
Days Cash	361	444	459	266	444	459	266	444	459	266
Affiliates - Net Income (\$000s)										
Hosp	43,043	169,576	190,462	79,793	7,376	19,024	6,666	40,937	47,616	40,937
Concern	1,823	1,556	2,898	1,430	(43)	302	134	461	725	387
ECSC	(282)	(105)	(28)	0	(40)	(2)	0	(43)	(7)	0
Foundation	982	2,420	2,038	737	(84)	334	13	556	510	402
SVMD	156	209	918	(0)	(43)	379	1	100	229	1

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

Volume:

- For the year, overall volume, measured in adjusted discharges is 2.4% higher than budget.
- IP cases are 3.6% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 3.2% and 4.4% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Financial Performance:

- Septembers operating income is \$4.7M over budget, due to favorable revenue and higher volume. Operating margin for the year is \$8.5 million ahead of target

Payor Mix:

- Commercial insurance is 0.7% more of the Payor Mix in September than budget.

Cost:

- Prod Hrs/APD for September is 31.2 and slightly worse than budget . YTD we are slightly better than budget

Balance Sheet:

- Net days in AR is 49.0 which is 1 day more than budget.

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-9/30/2017) Waterfall

(in thousands)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	22,406	10.5%
Net Revenue - Favorable due to higher volume a favorable payor mix	4,431	2.0%
Labor and Benefit Expense Change - Labor is close to budget after adjusting for higher volume	(435)	-0.2%
Professional Fees & Purchased Services -Recruiting costs in HVI, Admin, Pathology, IT and Medical Staff in combination with savings from IS Contracts	693	0.3%
Supplies - Favorable due to savings in Spine and Heart valves offsetting Robotics and Medical capital supplies	853	0.4%
Other Expenses - Favorable due quarterly BETA (insurance) rebate, reduction in property taxes due to common area correction, and no strategic fund expenses.	1,057	0.5%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as some LG projects	1,886	0.9%
Actual Hospital Operations FY2018	30,890	14.1%

El Camino Hospital (\$000s)

3 months ending 9/30/2017

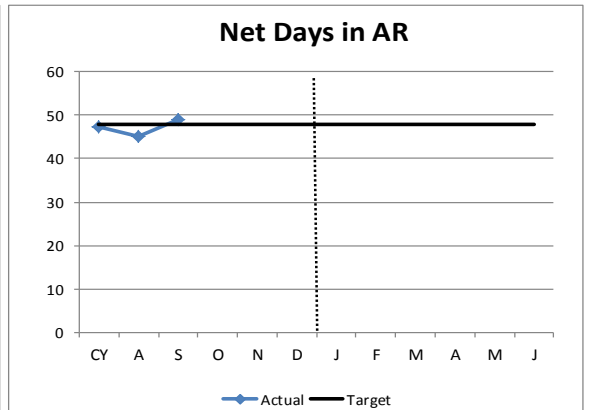
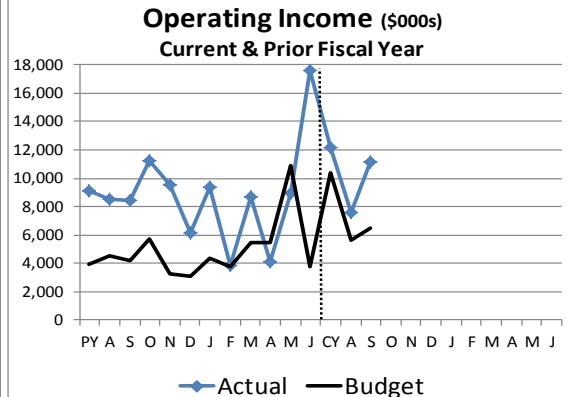
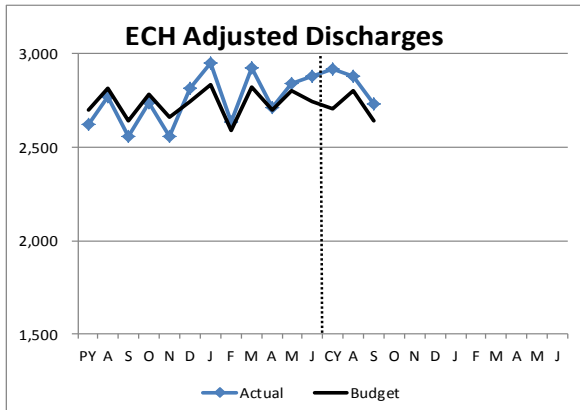
Period 3 FY 2017	Period 3 FY 2018	Period 3 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
241,002	270,383	261,191	9,192	3.5%	Gross Revenue	715,849	796,950	784,309	12,641	1.6%
(174,932)	(198,667)	(193,793)	(4,875)	1.0%	Deductions	(517,758)	(584,794)	(576,255)	(8,538)	1.5%
66,069	71,716	67,399	4,317	6.4%	Net Patient Revenue	198,091	212,156	208,053	4,103	2.0%
1,827	1,736	2,565	(830)	-32.3%	Other Operating Revenue	5,443	6,576	6,248	328	5.3%
67,896	73,452	69,964	3,488	5.0%	Total Operating Revenue	203,534	218,732	214,301	4,431	2.1%
OPERATING EXPENSE										
35,569	38,311	38,129	(182)	-0.5%	Salaries & Wages	106,838	116,127	115,692	(435)	-0.4%
9,320	9,362	9,986	624	6.2%	Supplies	27,598	29,032	29,885	853	2.9%
8,197	7,949	8,077	128	1.6%	Fees & Purchased Services	22,658	23,316	24,009	693	2.9%
1,798	2,361	2,369	7	0.3%	Other Operating Expense	6,737	6,513	7,570	1,057	14.0%
468	298	725	427	58.9%	Interest	1,389	1,050	2,176	1,127	51.8%
4,093	4,022	4,237	215	5.1%	Depreciation	12,217	11,805	12,564	759	6.0%
59,445	62,304	63,523	1,219	1.9%	Total Operating Expense	177,437	187,842	191,896	4,053	2.1%
8,451	11,148	6,441	4,707	73.1%	Net Operating Income/(Loss)	26,097	30,890	22,406	8,484	37.9%
(1,076)	7,875	225	7,650	3395.6%	Non Operating Income	14,841	16,726	676	16,050	2374.7%
7,376	19,024	6,666	12,357	185.4%	Net Income(Loss)	40,937	47,616	23,081	24,534	106.3%
19.2%	21.1%	16.3%	4.8%		EBITDA	19.5%	20.0%	17.3%	2.7%	
12.4%	15.2%	9.2%	6.0%		Operating Margin	12.8%	14.1%	10.5%	3.7%	
10.9%	25.9%	9.5%	16.4%		Net Margin	20.1%	21.8%	10.8%	11.0%	

Non Operating Items and Net Income by Affiliate

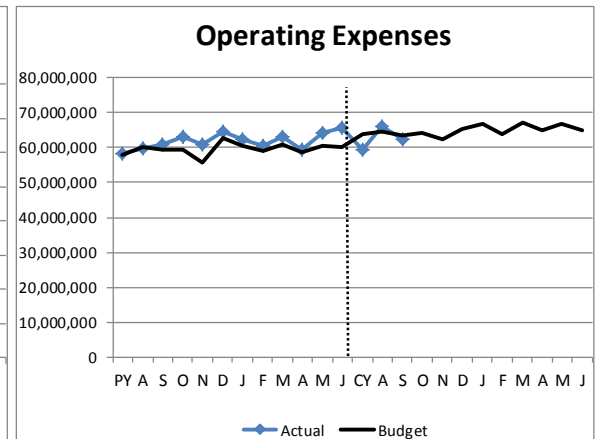
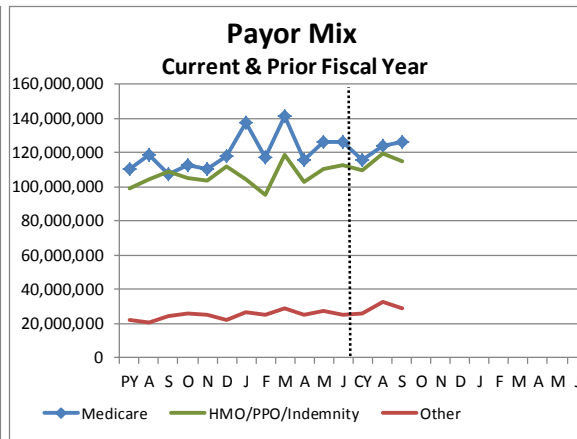
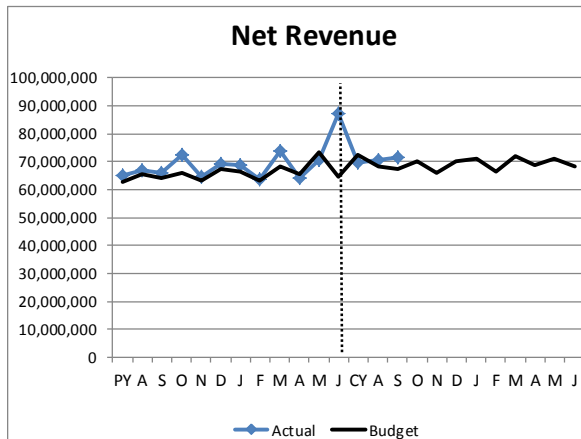
\$ in thousands

	Period 3 - Month			Period 3 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
	El Camino Hospital Income (Loss) from Operations					
Mountain View	9,122	5,078	4,045	27,991	18,583	9,409
Los Gatos	2,026	1,363	662	2,898	3,823	(924)
Sub Total - El Camino Hospital, excl. Affiliates	11,148	6,441	4,707	30,890	22,406	8,484
Operating Margin %	15.2%	9.2%		14.1%	10.5%	
El Camino Hospital Non Operating Income						
Investments	7,693	1,516	6,177	19,696	4,547	15,150
Swap Adjustments	614	0	614	95	0	95
Community Benefit	(32)	(283)	251	(2,036)	(850)	(1,186)
Other (Affiliate Funding/Dialysis/Pathways)	(399)	(1,007)	608	(1,029)	(3,021)	1,991
Sub Total - Non Operating Income	7,875	225	7,650	16,726	676	16,050
El Camino Hospital Net Income (Loss)	19,024	6,666	12,357	47,616	23,081	24,534
ECH Net Margin %	25.9%	9.5%		21.8%	10.8%	
Concern	302	134	167	725	387	337
ECSC	(2)	0	(2)	(7)	0	(7)
Foundation	334	13	321	510	108	402
Silicon Valley Medical Development	379	149	230	229	1	229
Net Income Hospital Affiliates	1,013	149	864	1,456	496	960
Total Net Income Hospital & Affiliates	20,037	6,815	13,221	49,072	23,577	25,495

Monthly Financial Trends

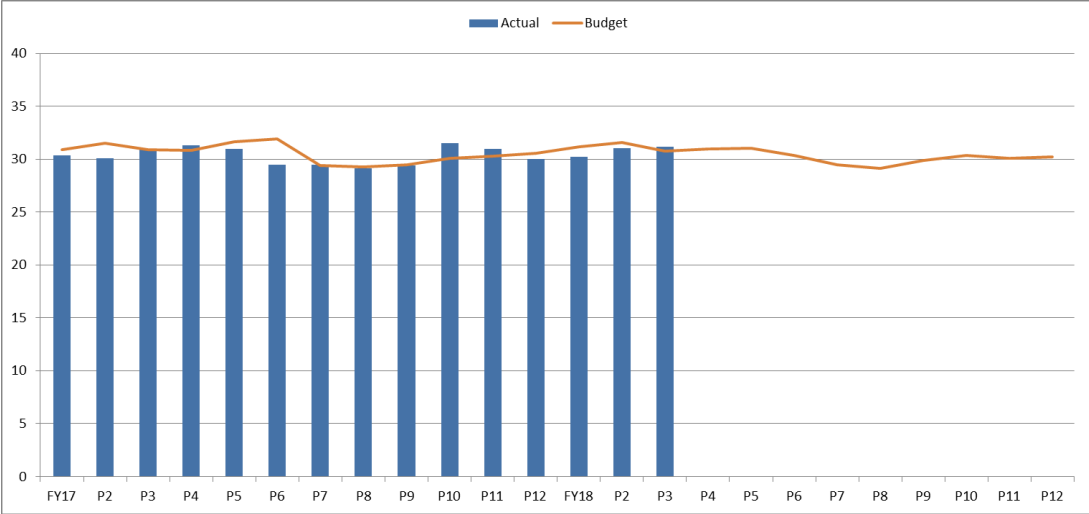


Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.

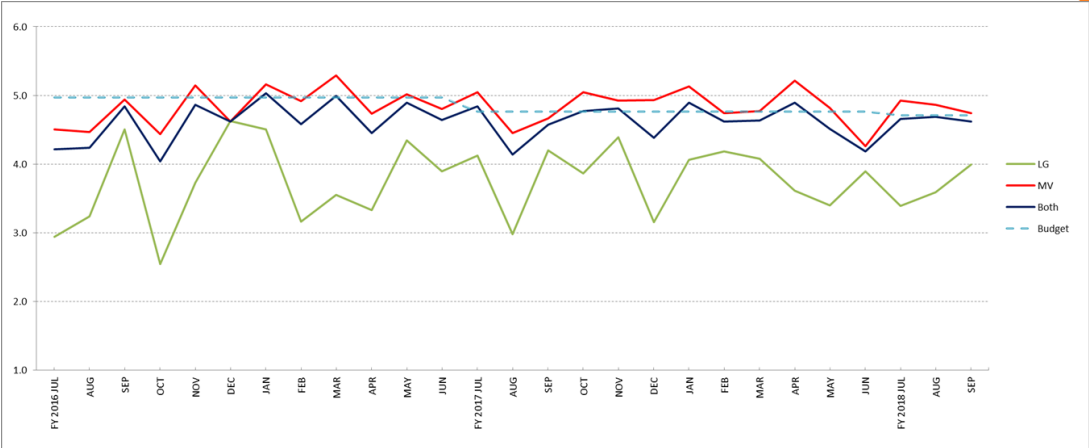


Productivity and Medicare Length of Stay

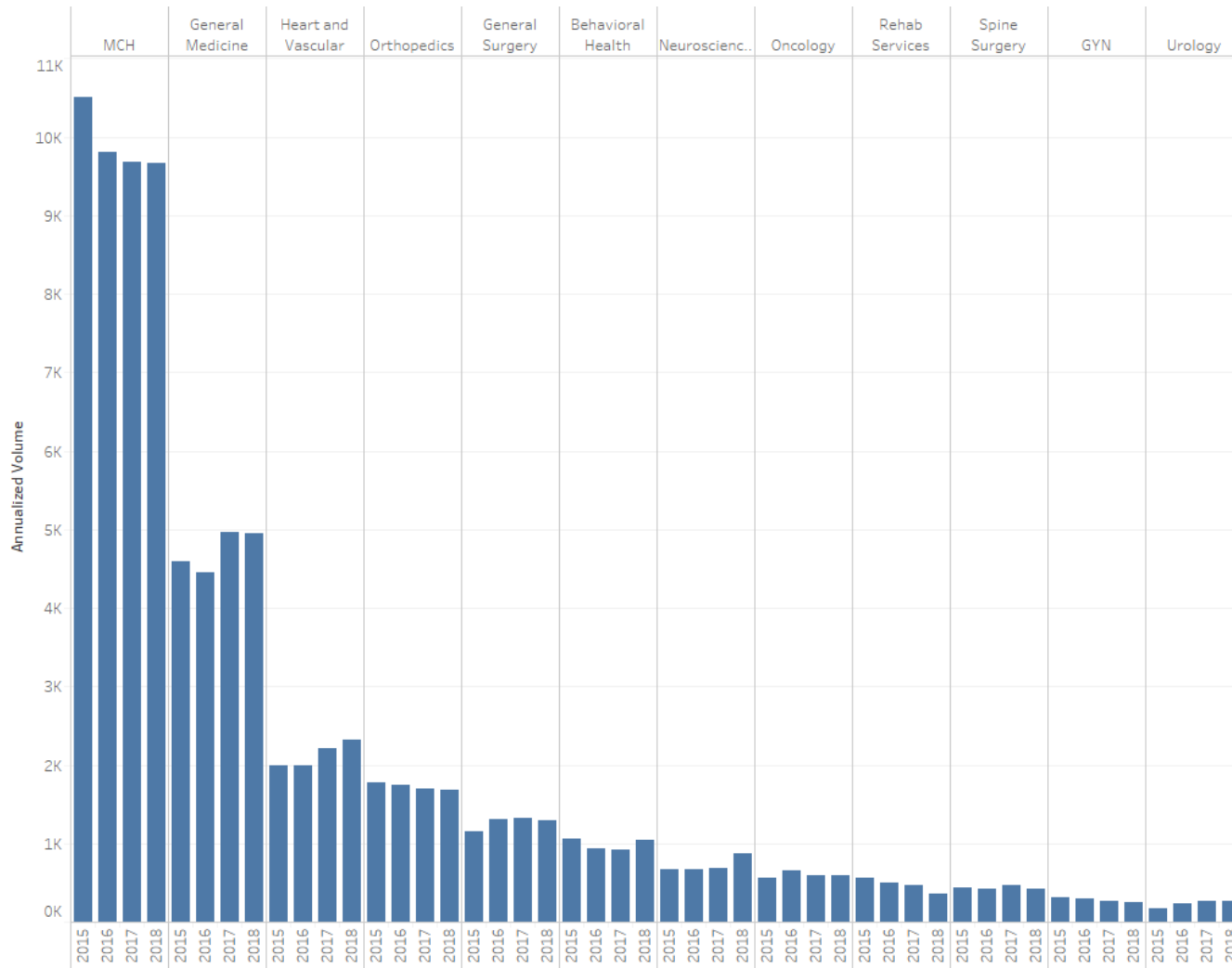
Work hours per adjusted patient day increased in September by 0.2. Overall the month of September is 31.2 worked hours per adjusted patient day.



ALOS remains better than target



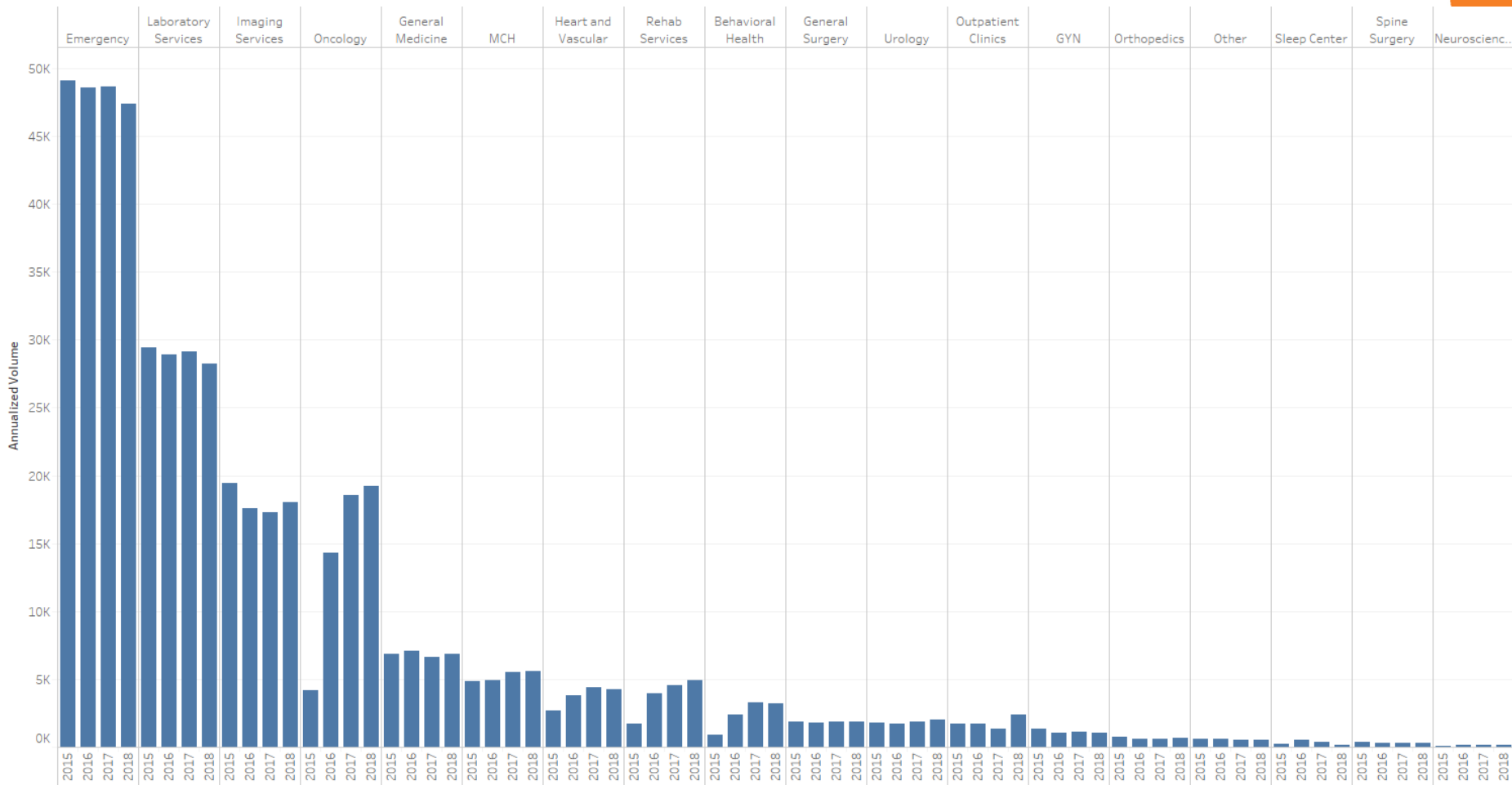
El Camino Hospital Volume Annual Trends – Inpatient FY 2018 is annualized



- MCH, General Medicine, HVI, Orthopedics, Behavioral Health , Neuroscience and Urology display an increasing trend year to year.
- Conversely, General Surgery, Oncology, Rehab Services, Spine Surgery and GYN show a decreasing trend year to year.

El Camino Hospital Volume Annual Trends – Outpatient

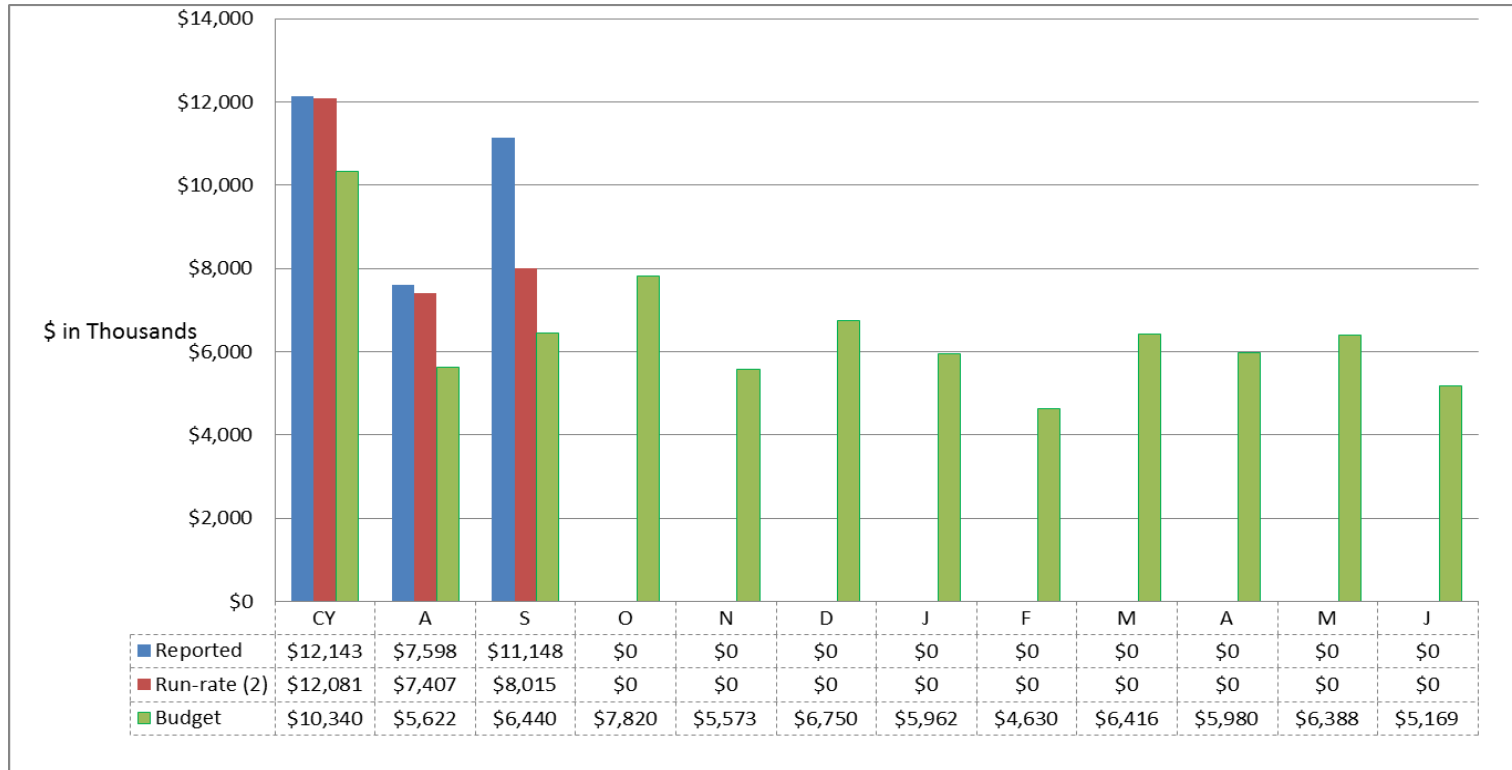
FY 2018 is annualized



- Comparing year-over-year Imaging Services, Oncology, General Medicine, MCH, Rehab Services, Behavioral Health, Urology, General Surgery, and Outpatient Clinics are all increasing in volume.

ECH Operating Margin

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



FY 2018 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments

	J	A	S	YTD
Insurance (Payment Variance)	-	-	-	-
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	1,114
Hospital Fee	-	-	-	-
Credit Balance Quarterly Review	-	-	2,201	2,201
Late Charge Accrual	-	-	-	-
Various Adjustments under \$250k	9	36	27	72
Total	63	191	3,134	3,387

El Camino Hospital Investment Committee Scorecard September 30, 2017

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance									
		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash balance & op. cash (millions)*		\$1,158.2	--	--	--	--	--	\$1,262.5	--
Surplus cash return	Green	2.7%	2.7%	2.7%	2.7%	5.7%	5.6%	1.9%	5.7%
Cash balance plan balance (millions)		\$250.4	--	--	--	--	--	\$257.1	--
Cash balance plan return	Green	3.1%	3.1%	3.1%	3.1%	8.2%	7.6%	6.0%	6.1%
403(b) plan balance (millions)		\$411.2	--	--	--	--	--	--	--
Risk vs. Return									
		3-year				4y 11m Since Inception (annualized)			2017
Surplus cash Sharpe ratio	Green	1.08	1.13	--	--	1.36	1.33	--	0.46
Net of fee return	Green	5.0%	5.3%	--	--	5.7%	5.6%	--	5.7%
Standard deviation	Green	4.4%	4.4%	--	--	4.0%	4.1%	--	7.2%
Cash balance Sharpe ratio	Green	1.08	1.07	--	--	1.45	1.39	--	0.43
Net of fee return	Green	6.3%	6.0%	--	--	8.2%	7.6%	--	6.1%
Standard deviation	Green	5.6%	5.3%	--	--	5.4%	5.2%	--	8.7%
Asset Allocation									
		3Q 2017							
Surplus cash absolute variances to target	Green	8.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target	Green	6.2%	< 10%	--	--	--	--	--	--
Manager Compliance									
		3Q 2017							
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	Green	19	< 20 Green < 25 Yellow	--	--	--	--	--	--

*Includes Debt Reserve funds, excludes District assets, Foundation assets, and Concern.

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade		1.9	0.0	1.9	0.8
IT Hardware, Software, Equipment & Imaging*			12.2	0.0	12.2	0.0
Medical & Non Medical Equipment FY 17**			10.3	7.0	3.3	7.0
Medical & Non Medical Equipment FY 18***			5.6	0.8	4.9	0.8
Facility Projects						
	1245 Behavioral Health Bldg	96.1	96.1	25.6	51.4	8.0
	1413 North Drive Parking Expansion	24.5	24.5	21.6	3.4	1.9
	1414 Integrated MOB	302.1	302.1	60.1	130.1	14.2
	1422 CUP Upgrade	9.0	9.0	2.7	4.0	0.5
	1430 Women's Hospital Expansion	91.0	6.0	1.3	7.0	0.8
	1425 IMOB Preparation Project - Old Main	3.0	3.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	2.8	2.8	2.4	0.0	0.0
	1525 New Main Lab Upgrades	1.6	3.1	1.0	0.5	0.5
	1515 ED Remodel Triage/Psych Observation	1.6	0.0	0.0	1.0	0.0
	1503 Willow Pavilion Tomosynthesis	1.3	1.3	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	2.5	0.0	0.0	0.0	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.1	0.0
	IR Room #6 Development	2.6	0.0	0.0	2.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.0	0.0
	1707 Imaging Equipment Replacement (5 or 6)	20.7	0.0	0.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.0	0.0
	1709 ED Remodel / CT Triage - Other	5.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.0	0.0	0.0	0.0
	1219 LG Spine OR	4.1	4.1	3.6	0.0	0.2
	1313 LG Rehab HVAC System & Structural	3.7	3.7	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.7	0.7
	1307 LG Upgrades	19.3	19.3	14.4	5.0	0.5
	1519 LG Electrical Systems Upgrade	1.2	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.5	0.2	0.0	0.0
	1507 LG IR Upgrades	1.1	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	1.5	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	1.5	3.5	1.2
	All Other Projects under \$1M	26.4	4.8	6.3	3.2	0.9
		659.3	494.0	155.4	211.9	29.4
GRAND TOTAL			524.1	163.1	234.2	37.9

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases

Balance Sheet (in thousands)

ASSETS		Audited		LIABILITIES AND FUND BALANCE		Audited	
		September 30, 2017	June 30, 2017			September 30, 2017	June 30, 2017
CURRENT ASSETS				CURRENT LIABILITIES			
(1) Cash		89,101	125,551	(8) Accounts Payable		22,116	38,457
Short Term Investments		116,332	140,284	Salaries and Related Liabilities		19,135	25,109
Patient Accounts Receivable, net		112,881	109,089	Accrued PTO		23,394	23,409
Other Accounts and Notes Receivable		2,448	2,628	Worker's Comp Reserve		2,300	2,300
Intercompany Receivables		1,226	1,495	Third Party Settlements		11,136	10,438
(2) Inventories and Prepaids		53,854	50,657	Intercompany Payables		74	84
Total Current Assets		375,842	429,705	Malpractice Reserves		1,634	1,634
BOARD DESIGNATED ASSETS				Bonds Payable - Current		3,735	3,735
(3) Plant & Equipment Fund		142,254	131,153	(9) Bond Interest Payable		7,141	11,245
Women's Hospital Expansion		9,298	9,298	Other Liabilities		5,935	4,889
(4) Operational Reserve Fund		127,908	100,196	Total Current Liabilities		96,601	121,299
(5) Community Benefit Fund		18,426	12,237	LONG TERM LIABILITIES			
Workers Compensation Reserve Fund		20,550	20,007	Post Retirement Benefits		19,526	19,218
Postretirement Health/Life Reserve Fund		19,526	19,218	Worker's Comp Reserve		18,250	17,707
PTO Liability Fund		23,394	23,409	Other L/T Obligation (Asbestos)		3,775	3,746
Malpractice Reserve Fund		1,634	1,634	Other L/T Liabilities (IT/Medl Leases)		-	-
Catastrophic Reserves Fund		17,014	16,575	Bond Payable		527,276	527,371
Total Board Designated Assets		380,005	333,727	Total Long Term Liabilities		568,827	568,042
(6) FUNDS HELD BY TRUSTEE		262,236	287,052	DEFERRED REVENUE-UNRESTRICTED		483	567
LONG TERM INVESTMENTS		293,494	256,652	DEFERRED INFLOW OF RESOURCES		10,666	10,666
INVESTMENTS IN AFFILIATES		32,840	32,451	FUND BALANCE/CAPITAL ACCOUNTS			
(7) PROPERTY AND EQUIPMENT				Unrestricted		1,133,448	1,132,525
Fixed Assets at Cost		1,227,200	1,192,047	Board Designated		380,005	333,726
Less: Accumulated Depreciation		(540,366)	(531,785)	Restricted		0	0
Construction in Progress		129,969	138,017	(10) Total Fund Bal & Capital Accts		1,513,452	1,466,251
Property, Plant & Equipment - Net		816,802	798,279	TOTAL LIABILITIES AND FUND BALANCE		2,190,030	2,166,825
DEFERRED OUTFLOWS		28,810	28,960				
RESTRICTED ASSETS - CASH		0	0				
TOTAL ASSETS		2,190,030	2,166,825				

September 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July as currently having the 2017 Project Bond monies available for payments of the major construction projects. The acquisition of Bldg 3E as well as "thank you's" paid out in September added to the decrease.
- (2) The increase is due a quarterly \$2.6M pension contribution was made in July. Also at the beginning of every July a number of significant annual insurance premiums (D&O, Property, Cyber, and Auto) were paid and classified as a Prepaid Expense that subsequently are amortized over the upcoming fiscal year.
- (3) The increase over the 2017 fiscal year end is principally due a transfer into the 60-day Operational Reserve within the Board Designated Assets to adjust the balance to needed reserve for the 2018 fiscal. Note this balance hadn't been reset for a couple of years.
- (4) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years. See #3 above
- (5) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (6) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (7) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (8) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (9) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (10) The increase is attributable to the first two periods of financial performance producing an operating income of \$30 million and non-operating of \$17 million (mostly from unrealized gains on investments).

⁽¹⁾ Hospital entity only, excludes controlled affiliates

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. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

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)

3 months ending 9/30/2017

Period 3 FY 2017	Period 3 FY 2018	Period 3 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
198,553	223,244	214,494	8,750	4.1%	OPERATING REVENUE					
(143,154)	(164,377)	(159,880)	(4,497)	2.8%	Gross Revenue	594,217	655,610	642,999	12,612	2.0%
55,399	58,867	54,614	4,253	7.8%	Deductions	(430,302)	(480,493)	(473,632)	(6,861)	1.4%
1,647	1,573	2,347	(774)	-33.0%	Net Patient Revenue	163,915	175,118	169,367	5,751	3.4%
57,045	60,440	56,961	3,478	6.1%	Other Operating Revenue	4,922	6,093	5,616	478	8.5%
					Total Operating Revenue	168,837	181,211	174,983	6,228	3.6%
					OPERATING EXPENSE					
29,596	32,079	31,935	(144)	-0.5%	Salaries & Wages	89,001	96,735	96,794	59	0.1%
7,616	7,795	8,044	249	3.1%	Supplies	22,932	23,645	24,007	362	1.5%
7,010	6,823	6,797	(26)	-0.4%	Fees & Purchased Services	18,696	19,554	20,118	564	2.8%
318	809	840	31	3.6%	Other Operating Expense	2,021	1,913	2,832	919	32.5%
468	298	725	427	58.9%	Interest	1,389	1,050	2,176	1,127	51.8%
3,560	3,513	3,542	29	0.8%	Depreciation	10,606	10,324	10,473	149	1.4%
48,568	51,318	51,884	566	1.1%	Total Operating Expense	144,645	153,220	156,400	3,180	2.0%
8,477	9,122	5,078	4,045	79.7%	Net Operating Income/(Loss)	24,191	27,991	18,583	9,409	50.6%
(1,076)	7,875	225	7,650	3395.6%	Non Operating Income	14,851	16,771	676	16,095	2381.2%
7,401	16,998	5,303	11,695	220.5%	Net Income(Loss)	39,042	44,762	19,259	25,503	132.4%
21.9%	21.4%	16.4%	5.0%		EBITDA	21.4%	21.7%	17.8%	3.9%	
14.9%	15.1%	8.9%	6.2%		Operating Margin	14.3%	15.4%	10.6%	4.8%	
13.0%	28.1%	9.3%	18.8%		Net Margin	23.1%	24.7%	11.0%	13.7%	

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

3 months ending 9/30/2017

Period 3 FY 2017	Period 3 FY 2018	Period 3 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
42,449	47,139	46,697	442	0.9%	Gross Revenue	121,632	141,339	141,310	29	0.0%
(31,778)	(34,290)	(33,913)	(377)	1.1%	Deductions	(87,456)	(104,301)	(102,624)	(1,677)	1.6%
10,671	12,849	12,784	65	0.5%	Net Patient Revenue	34,176	37,038	38,686	(1,648)	-4.3%
180	163	218	(56)	-25.4%	Other Operating Revenue	521	483	632	(149)	-23.6%
10,851	13,012	13,003	9	0.1%	Total Operating Revenue	34,697	37,521	39,318	(1,797)	-4.6%
					OPERATING EXPENSE					
5,973	6,232	6,194	(38)	-0.6%	Salaries & Wages	17,838	19,392	18,898	(494)	-2.6%
1,704	1,567	1,942	375	19.3%	Supplies	4,666	5,387	5,877	490	8.3%
1,187	1,126	1,280	154	12.0%	Fees & Purchased Services	3,962	3,762	3,890	128	3.3%
1,480	1,552	1,529	(23)	-1.5%	Other Operating Expense	4,716	4,600	4,739	138	2.9%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
533	509	695	186	26.7%	Depreciation	1,610	1,482	2,091	610	29.2%
10,876	10,986	11,639	653	5.6%	Total Operating Expense	32,792	34,623	35,496	873	2.5%
(26)	2,026	1,363	662	48.6%	Net Operating Income/(Loss)	1,905	2,898	3,823	(924)	-24.2%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
(26)	2,026	1,363	662	48.6%	Net Income(Loss)	1,895	2,854	3,823	(969)	-25.3%
4.7%	19.5%	15.8%	3.7%		EBITDA	10.1%	11.7%	15.0%	-3.4%	
-0.2%	15.6%	10.5%	5.1%		Operating Margin	5.5%	7.7%	9.7%	-2.0%	
-0.2%	15.6%	10.5%	5.1%		Net Margin	5.5%	7.6%	9.7%	-2.1%	

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	8,199
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	211,886
GRAND TOTAL	86,789	96,740	97,923	234,245
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2017

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