

**AGENDA**  
**FINANCE COMMITTEE MEETING**  
**OF THE EL CAMINO HOSPITAL BOARD**

**Wednesday, January 30, 2019 – 5:30 pm**

Medical Staff Conference Room (in Administration)

El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

William Hobbs will be participating via teleconference from 99 Degaris Avenue Dartmouth, MA 02748

**MISSION:** To provide oversight, information sharing and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital Board of Directors. In carrying out its review, advisory and oversight responsibilities, the Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<b>1. CALL TO ORDER / ROLL CALL</b>	John Zoglin, Chair		<b>5:30 – 5:32 pm</b>
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	John Zoglin, Chair		<b>5:32 – 5:33</b>
<b>3. PUBLIC COMMUNICATION</b> a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	John Zoglin, Chair		<b>5:33 – 5:36</b>
<b>4. CONSENT CALENDAR</b> <i>Any Committee Member may remove an item for discussion before a motion is made.</i> <b>Approval</b> a. <a href="#">Minutes of the Open Session of the Finance Committee Meeting (November 26, 2018)</a> b. <a href="#">FY19 Period 5 Financials</a> <b>Information</b> c. <a href="#">Progress Against Committee Goals</a> d. <a href="#">Article Of Interest</a> e. <a href="#">Review Capital Projects in Progress</a>	John Zoglin, Chair	<i>public comment</i>	<b>motion required</b> <b>5:36 – 5:38</b>
<b>5. REPORT ON BOARD ACTIONS</b> <b><a href="#">ATTACHMENT 5</a></b>	John Zoglin, Chair		<b>information</b> <b>5:38 – 5:43</b>
<b>6. FY19 PERIOD 6 FINANCIALS</b> <b><a href="#">ATTACHMENT 6</a></b>	Iftikhar Hussain, CFO	<i>public comment</i>	<b>possible motion</b> <b>5:43 – 5:53</b>
<b>7. CAPITAL FUNDING REQUESTS</b> a. <a href="#">Woman's Hospital Expansion</a> b. <a href="#">SVMD Clinic Site</a> c. <a href="#">Interventional Equipment Replacement</a> d. <a href="#">Imaging Equipment Replacement</a> e. <a href="#">MV Emergency waste Water Storage Project</a> f. <a href="#">Purchase of Davinci Surgical Robot</a>	Ken King, CASO      Iftikhar Hussain, CFO	<i>public comment</i>	<b>motions required</b> <b>5:53 – 6:33</b>

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<b>8. ADJOURN TO CLOSED SESSION</b>	John Zoglin, Chair		<b>motion required 6:33 – 6:34</b>
<b>9. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	John Zoglin, Chair		<b>6:34 – 6:35</b>
<b>10. CONSENT CALENDAR</b> <i>Any Committee Member may remove an item for discussion before a motion is made.</i>  <b>Approval</b> Gov't Code Section 54957.2: a. Meeting Minutes of the Closed Session of the Finance Committee (November 26, 2018) <b>Information</b> b. Hospitalist Panel Agreement – LG c. Unassigned Newborn Panel Agreement - MV	John Zoglin, Chair       Mark Adams, MD, CMO		<b>motion required 6:35 – 6:40</b>
<b>11. Real Estate Negotiator Code 54956.8</b> regarding property at 973 University Ave. Los Gatos - SVMD Administration Space Lease	Bruce Harrison, President SVMD Ken King, CASO		<b>motion 6:40 – 6:45</b>
<b>12. Health and Safety Code 32106(b)</b> for a report involving health care facility trade secrets: - SVMD Acquisition	Bruce Harrison, President SVMD		<b>discussion 6:45 – 7:25</b>
<b>13. EXECUTIVE SESSION</b>	John Zoglin, Chair		<b>discussion 7:25 – 7:30</b>
<b>14. ADJOURN TO OPEN SESSION</b>	John Zoglin, Chair		<b>motion required 7:30 – 7:31</b>
<b>15. RECONVENE OPEN SESSION / REPORT OUT</b>	John Zoglin, Chair		<b>7:31 - 7:32</b>
To report any required disclosures regarding permissible actions taken during Closed Session.			
<b>16. APPROVAL OF PHYSICIAN CONTRACTS</b> a. Hospitalist Panel Agreement – LG b. Unassigned Newborn Panel Agreement - MV	John Zoglin, Chair	<i>public comment</i>	<b>motion required 7:32 – 7:35</b>
<b>17. FY19 PACING PLAN</b> <a href="#">ATTACHMENT 17</a>	John Zoglin, Chair	<i>public comment</i>	<b>possible motion 7:35 – 7:38</b>
<b>18. ADJOURNMENT</b>	John Zoglin, Chair		<b>motion required 7:38 – 7:39 pm</b>

**Upcoming Finance Committee Meetings in FY19:**

- March 25, 2019
- April 22, 2019
- April 24, 2019 (*Board & Committee Educational Gathering*)
- May 28, 2019 (*Joint Meeting w/ECH Board then separate Finance meeting*)



**Minutes of the Open Session of the Finance Committee**  
**Monday, November 26, 2018**  
**El Camino Hospital | Conference Rooms A & B (ground floor)**  
**2500 Grant Road, Mountain View, CA 94040**

**Members Present**

Joseph Chow  
 Boyd Faust (By phone)  
 William Hobbs (By phone)  
 Richard Juelis  
 Gary Kalbach  
 Dave Reeder  
 John Zoglin, Chair

**Members Absent**

**Others Present**

Agenda Item	Comments/Discussion	Approvals/Action
<b>1. CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 5:30pm by Chair John Zoglin. Mr. Hobbs participated by phone and Mr. Faust joined by phone at 5:40 pm during agenda item 6 FY19 Period 4 Financials. All other Committee members were present at roll call.	
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Chair Zoglin asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
<b>3. PUBLIC COMMUNICATION</b>	There were no comments from the public.	
<b>4. CONSENT CALENDAR</b>	<p>Chair Zoglin asked if any member of the Committee or the public wished to remove an item from the consent calendar.</p> <p><b>Motion:</b> To approve the consent calendar: Minutes of Open Session of Finance Committee Meeting (September 24, 2018); and FY 19 Period 3 Financials.</p> <p><b>Movant:</b> Chow  <b>Second:</b> Kalbach  <b>Ayes:</b> Chow, Hobbs, Juelis, Kalbach, Reeder, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Faust  <b>Recused:</b> None</p>	<b><i>Consent calendar approved</i></b>
<b>5. REPORT ON BOARD ACTIONS</b>	Chair Zoglin briefly reviewed the Report on Board Actions as further detailed in the packet.	
<b>6. FY19 PERIOD 4 FINANCIALS</b>	<p>Iftikhar Hussain, CFO, reviewed the FY19 Period 4 Financials with the Committee members. Overall ECH had a profitable October during which the IP volumes improved in the MCH, HVI, and Ortho/Neuro Spine Service Lines. YTD IP volume remained below budget by 3.2% and below prior year by 5.6%.</p> <p>October deliveries also improved, but YTD deliveries remain below budget by 4.7% and below prior year by 8.0%. YTD Operating income was favorable to budget by 9.7% (\$3.0M) YTD. Capitalized interest for the month is low due to true-up for completed projects. Investment income variance due to market decline. Commercial payor mix has decreased slightly due to decline in deliveries. The overall balance sheet reflects the AR is 46.6 days which is 1.4 days favorable to budget.</p> <p><b>Motion:</b> To recommend the Board approve the FY19 Period 4 Financials.</p>	<p><b><i>Report on increased expenses in Los Gatos that were not related to volume, to the January meeting.</i></b></p> <p><b><i>FY 19 Period 4 Financials were approved</i></b></p>

	<p><b>Movant:</b> Kalbach  <b>Second:</b> Chow  <b>Ayes:</b> Chow, Faust, Hobbs, Juelis, Kalbach, Reeder, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<p><b>7. POST IMPLEMENTATION PROJECT REVIEW</b></p>	<p>Ifthikhar Hussain, CFO, reviewed the Post Implementation Project Review with the Committee members. Mr. Hussain stated since purchasing the two surgical robot models Xi in 2017 the volume for robotic procedures has increased, the cost has lowered, and length of stay for patients has decreased.</p> <p>In response to Mr. Faust's two part question, Dr. Adams stated that surgeons are attracted to using the Xi because they can sit down, it improves their vision, and increases their ability to work longer in their career. Surgeons would leave if we didn't have the Xi which is a state of the art machine.</p> <p><i>Chair Zoglin requested to add Post Implementation Review to the pacing plan 12-18 months after implementation of major requests.</i></p>	<p><b>Add Post Implementation Review to the pacing plan every 12-18 months.</b></p>
<p><b>8. PROPOSED POLICY REVISIONS</b></p>	<p>Cindy Murphy, Director of Governance Services stated to the Committee there are three items proposed for revision. The "Draft Revised Signature Authorization Policy"; the "Proposed Revisions to Corporate Compliance: Physician Financial Arrangements Policy"; and the "Draft Revised Finance Committee Charter."</p> <ol style="list-style-type: none"> <li>Signature Authorization Policy: Mr. Hussain stated there are two changes: We're suggesting budgeted and unbudgeted amounts for Capital Projects between \$1M -5M require only Finance Committee approval and over \$5M will still require Board approval.</li> </ol> <p><i>Mr. Faust stated that item #4 <u>Building Leases</u> needs to be clarified for authority or just signature execution only for CEO.</i></p> <ol style="list-style-type: none"> <li>Proposed Revisions to Corporate Compliance: Physician Financial Arrangements Policy: Ms. Murphy explained the proposed revisions to the Policy And noted that the Board will receive summary reports of the Finance Committee and Compliance Committee approvals.</li> <li>.</li> </ol> <p><b>Motion:</b> To recommend the Proposed Policy Revisions and Revised Finance Committee Charter be approved by the Board</p> <p><b>Movant:</b> Juelis  <b>Second:</b> Chow  <b>Ayes:</b> Chow, Faust, Hobbs, Juelis, Kalbach, Reeder, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><b>Signature Authorization Policy #4 <u>Building Leases</u> needs to be clarified</b></p> <p><b>Proposed Policy Revisions approved</b></p>
<p><b>9. ADJOURN TO CLOSED SESSION</b></p>	<p><b>Motion:</b> To adjourn to closed session at 6:16pm pursuant to Gov't Code Section 54957.2 for approval of the Minutes of Closed Session of Finance Committee Meeting (September 24, 2018).</p> <p><b>Movant:</b> Chow  <b>Second:</b> Kalbach  <b>Ayes:</b> Chow, Faust, Hobbs, Juelis, Kalbach, Reeder, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><b>Adjourned to closed session at 6:16 pm</b></p>

<b>10. AGENDA ITEM 19: RECONVENE OPEN SESSION/ REPORT OUT</b>	<p>Open session was reconvened at 7:57pm. Agenda items 10-17 were covered in closed session. During the closed session the committee approved the Minutes of the Closed Session of the Finance Committee (September 24, 2018).</p> <p>By a unanimous vote in favor by all present Committee Members (Chow, Juelis, Kalbach, Reeder and Zoglin) and Faust by phone. Mr. Hobbs was absent.</p>	
<b>11. AGENDA ITEM 20: APPROVAL OF CONTRACTS</b>	<p><b>Motion:</b> To recommend that the Board approve; MV Perinatal Diagnostic Center Professional Services Agreement Renewal; Enterprise Radiology Professional Services Agreement Renewal; MV &amp; LG ASPIRE Program Medical Director Renewal Agreement; MV Gastroenterology Call Panel Renewal; MV Orthopedic Surgery Call Panel Renewal; MV Hospitalist Professional Service Agreement Renewal; and Enterprise Orthopedic Co-Management Agreement contracts.</p> <p><b>Movant:</b> Chow  <b>Second:</b> Kalbach  <b>Ayes:</b> Chow, Faust, Hobbs, Juelis, Kalbach, Reeder, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><i>Physician Contracts approved</i></p>
<b>12. AGENDA ITEM 21: CAPITAL FUNDING</b>	<p>The Women’s Hospital Capital Funding request will be forward to the Board for review and approval at its January 16, 2019 meeting.</p> <p><b>Motion:</b> To recommend that the Board approve Los Gatos Cancer Center Funding and not to exceed \$6.4 million.</p> <p><b>Movant:</b> Chow  <b>Second:</b> Kalbach  <b>Ayes:</b> Chow, Faust, Hobbs, Juelis, Kalbach, Reeder, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><i>Los Gatos Cancer Center funding approved</i></p>
<b>13. AGENDA ITEM 22: APPOINTMENT OF AD HOC</b>	<p><b>Motion:</b> To Appoint an Ad Hoc Committee composed of John Zoglin, Gary Kalbach and Boyd Faust to oversee management’s due diligence process and plan to acquire the assets and enter into a Professional Service Agreement with a multi-specialty medical group during December 2018 and January 2019.</p> <p><b>Movant:</b> Chow  <b>Second:</b> Faust  <b>Ayes:</b> Chow, Faust, Hobbs, Juelis, Kalbach, Reeder, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><i>Appointment of AD HOC approved</i></p>
<b>14. AGENDA ITEM 23: FY19 COMMITTEE PACING PLAN</b>	<p>Chair Zoglin requested adding Post Implementation Review of major capital requests every 12 – 18 months to the pacing plan.</p>	
<b>15. AGENDA ITEM 16: CLOSING COMMENTS</b>	<p>None</p>	

<b>16. AGENDA ITEM 17: ADJOURNMENT</b>	<b>Motion:</b> To adjourn at 8:21pm <b>Movant:</b> Chow <b>Second:</b> Juelis <b>Ayes:</b> Chow, Faust, Hobbs, Juelis, Kalbach, Reeder, Zoglin <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None	<b><i>Meeting adjourned at 8:21 pm</i></b>
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**Attest as to the approval of the foregoing minutes by the Finance Committee of El Camino Hospital:**

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John Zoglin  
Chair, Finance Committee



**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2019 – Period 5  
7/1/2018 to 11/30/2018

# Financial Overview

## **Volume:**

- YTD adjusted discharges are favorable to budget (165 cases or 1.2% favorable) driven by high outpatient volume. YTD IP volume remained below budget by 3.0% (251 cases) and below prior year by 5.2% (436 cases) due to lower flu cases (gen med) and MCH.
- OP cases YTD favorable to budget (613 cases or 1.0%) and prior year by 0.1% (39 cases). YTD favorability continue to be driven by HVI, Surgeries, Rehab and Imaging activity.

## **Financial Performance:**

- Operating income is favorable to budget by 15.1% (\$6.2M) YTD and 30.2% (\$20.3M) below prior year.
- Net Patient Revenue is favorable to budget by 2.0% (\$7.3M) YTD and above prior year by 0.8% (\$2.8M) driven primarily from OP volumes.
- YTD Operating Expense is slightly favorable to budget 0.2% (\$700k). YTD Salaries & Wages YTD continues to stay positive due to flexing of labor reduction to volumes in prior months and vacancies in support areas. YTD, non labor expenses are unfavorable to budget by 0.39% (528K).

## **Payor Mix:**

- Small decline in commercial mix due to lower MCH volume

## **Cost:**

- Prod FTEs were favorable to target for November by 0.6% and on target YTD.

## **Balance Sheet:**

- Net days in AR was 47.3 which was .7 days favorable to budget.



# Dashboard - ECH combined as of November 30, 2018

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
<b>Volume</b>								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	246	240	246	(6)	238	228	234	(6)
Utilization MV	67%	66%	67%	-1%	66%	63%	65%	-2%
Utilization LG	31%	29%	32%	-3%	29%	28%	28%	0%
Utilization Combined	56%	54%	56%	-1%	54%	51%	53%	-1%
Adjusted Discharges	2,991	2,969	2,949	20	14,764	14,627	14,398	229
Total Discharges (Excl NNB)	1,725	1,641	1,687	(46)	8,420	7,966	8,236	(270)
<b>Inpatient Cases</b>								
MS Discharges	1,179	1,153	1,160	(7)	5,822	5,509	5,722	(213)
Deliveries	401	352	388	(36)	1,972	1,803	1,914	(111)
BHS	99	89	94	(5)	452	445	427	18
Rehab	46	47	46	1	174	209	174	35
<b>Outpatient Cases</b>								
ED	12,125	12,439	12,032	407	61,754	61,785	61,180	605
Procedural Cases	3,752	3,760	3,687	73	19,677	19,346	19,349	(3)
OP Surg	424	440	421	19	1,968	2,063	1,964	99
Endo	184	216	186	30	983	1,067	994	73
Interventional	165	207	177	30	862	952	912	40
All Other	7,600	7,816	7,562	254	38,264	38,357	37,961	396
<b>Financial Perf.</b>								
Net Patient Revenues	78,331	77,826	73,360	4,467	372,076	374,884	367,627	7,257
Total Operating Revenue	83,180	82,576	78,104	4,473	385,900	387,389	381,921	5,468
Operating Expenses	65,099	69,460	68,168	1,292	318,713	340,480	341,177	(697)
Operating Income \$	18,081	13,116	9,935	3,181	67,187	46,909	40,744	6,166
Operating Margin	21.7%	15.9%	12.7%	3.2%	17.4%	12.1%	10.7%	1.4%
EBITDA \$	22,823	17,811	14,761	3,051	89,346	70,294	64,495	5,799
EBITDA %	27.4%	21.6%	18.9%	2.7%	23.2%	18.1%	16.9%	1.3%
<b>Payor Mix</b>								
Medicare	46.3%	49.3%	46.3%	3.0%	46.1%	46.9%	46.4%	0.5%
Medi-Cal	7.8%	7.9%	7.8%	0.1%	8.0%	8.0%	7.8%	0.2%
Commercial IP	22.6%	20.7%	22.6%	-1.9%	22.7%	21.4%	22.6%	-1.2%
Commercial OP	20.9%	20.6%	20.8%	-0.2%	20.6%	21.3%	20.4%	0.8%
Total Commercial	43.4%	41.3%	43.3%	-2.1%	43.3%	42.7%	43.1%	-0.4%
Other	2.5%	1.6%	2.6%	-1.0%	2.6%	2.4%	2.7%	-0.3%
<b>Cost</b>								
Total FTE	2,566.2	2,672.1	2,672.9	(1)	2,564.0	2,616.0	2,631.1	(15)
Productive Hrs/APD	29.8	30.5	31.0	(1)	30.5	31.0	32.2	(1)
<b>Balance Sheet</b>								
Net Days in AR	50.7	47.3	48.0	(1)	50.7	47.3	48.0	(0.7)
Days Cash	505	494	449	45	505	494	449	45
<b>Affiliates - Net Income (\$000s)</b>								
Hosp	27,017	13,785	10,392	3,394	100,227	29,639	43,026	(13,386)
Concern	43	41	97	(56)	945	913	377	537
ECSC	(2)	(11)	0	(11)	(18)	(25)	0	(25)
Foundation	493	660	172	487	1,216	765	754	11
SVMD	389	(656)	2	(658)	564	696	(248)	944

# Budget Variances

## Fiscal Year 2019 YTD (7/1/2018-11/30/2018) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Op Income	% Net Revenue
<b>Budgeted Hospital Operations FY2019</b>	<b>40,744</b>	<b>10.7%</b>
<b>Net Revenue</b> - YTD IP days are behind budget by 2.5%. Both deliveries and IP surgeries are down over 5%. OP is up by 6.4% making total positive. OP surgeries up by 3.5%, Rehab up 8%, Psych 5%	5,468	1.4%
<b>Labor and Benefit Expense Change</b> - Flexing staff and vacancies in support departments. Offset with purchased services.	1,225	0.3%
<b>Professional Fees &amp; Purchased Services</b> - JACHO readiness and purchased services (in place of FTE) are the biggest drivers	(1,265)	-0.3%
<b>Supplies</b> - Medical and Non Medical Supplies are over budget, but savings in Drugs offset the variance	167	0.0%
<b>Other Expenses</b>	204	0.1%
<b>Depreciation &amp; Interest</b>	366	0.1%
<b>Actual Hospital Operations FY2019</b>	<b>46,909</b>	<b>12.1%</b>

# El Camino Hospital (\$000s)

Period ending 11/30/2018

Period 5 FY 2018	Period 5 FY 2019	Period 5 Budget 2019	Variance Fav (Unfav)	Var%		YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					\$000s					
					OPERATING REVENUE					
278,325	297,755	286,592	11,163	3.9%	Gross Revenue	1,370,889	1,418,920	1,419,691	(770)	(0.1%)
(199,994)	(219,929)	(213,232)	(6,696)	(3.1%)	Deductions	(998,813)	(1,044,036)	(1,052,064)	8,027	0.8%
<b>78,331</b>	<b>77,826</b>	<b>73,360</b>	<b>4,467</b>	<b>6.1%</b>	Net Patient Revenue	<b>372,076</b>	<b>374,884</b>	<b>367,627</b>	<b>7,257</b>	<b>2.0%</b>
4,849	4,750	4,744	6	0.1%	Other Operating Revenue	13,824	12,505	14,294	(1,788)	(12.5%)
<b>83,180</b>	<b>82,576</b>	<b>78,104</b>	<b>4,473</b>	<b>5.7%</b>	Total Operating Revenue	<b>385,900</b>	<b>387,389</b>	<b>381,921</b>	<b>5,468</b>	<b>1.4%</b>
					OPERATING EXPENSE					
38,238	41,275	40,755	(521)	(1.3%)	Salaries & Wages	194,133	204,212	205,437	1,225	0.6%
10,453	11,361	11,366	5	0.0%	Supplies	49,780	55,091	55,258	167	0.3%
9,147	9,592	8,664	(928)	(10.7%)	Fees & Purchased Services	41,282	45,544	44,280	(1,265)	(2.9%)
2,519	2,537	2,558	21	0.8%	Other Operating Expense	11,359	12,249	12,453	204	1.6%
647	438	323	(115)	(35.5%)	Interest	2,150	2,128	1,617	(511)	(31.6%)
4,095	4,257	4,502	245	5.4%	Depreciation	20,009	21,257	22,134	877	4.0%
<b>65,099</b>	<b>69,460</b>	<b>68,168</b>	<b>(1,292)</b>	<b>(1.9%)</b>	Total Operating Expense	<b>318,713</b>	<b>340,480</b>	<b>341,177</b>	<b>697</b>	<b>0.2%</b>
<b>18,081</b>	<b>13,116</b>	<b>9,935</b>	<b>3,181</b>	<b>32.0%</b>	Net Operating Income/(Loss)	<b>67,187</b>	<b>46,909</b>	<b>40,744</b>	<b>6,166</b>	<b>15.1%</b>
8,936	669	456	213	46.7%	Non Operating Income	33,041	(17,270)	2,282	(19,552)	(856.8%)
<b>27,017</b>	<b>13,785</b>	<b>10,392</b>	<b>3,394</b>	<b>32.7%</b>	Net Income(Loss)	<b>100,227</b>	<b>29,639</b>	<b>43,026</b>	<b>(13,386)</b>	<b>(31.1%)</b>
					EBITDA	23.2%	18.1%	16.9%	1.3%	
27.4%	21.6%	18.9%	2.7%		Operating Margin	17.4%	12.1%	10.7%	1.4%	
21.7%	15.9%	12.7%	3.2%		Net Margin	26.0%	7.7%	11.3%	(3.6%)	
32.5%	16.7%	13.3%	3.4%							

# Non Operating Items and Net Income by Affiliate

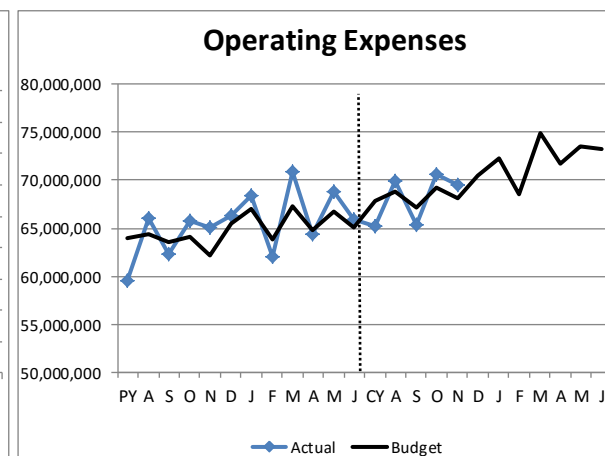
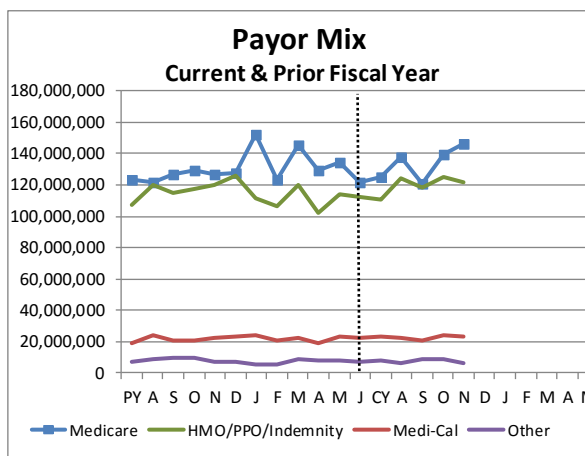
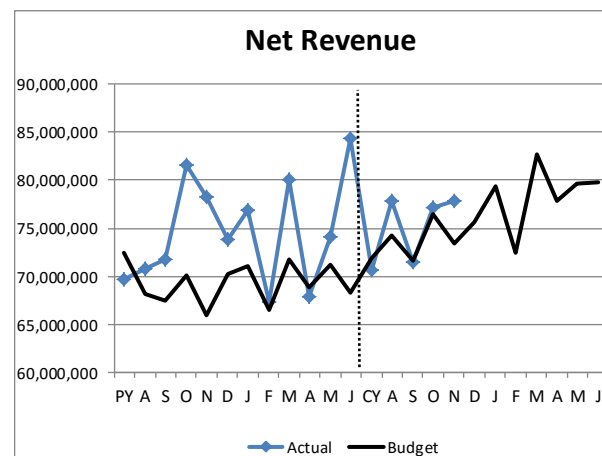
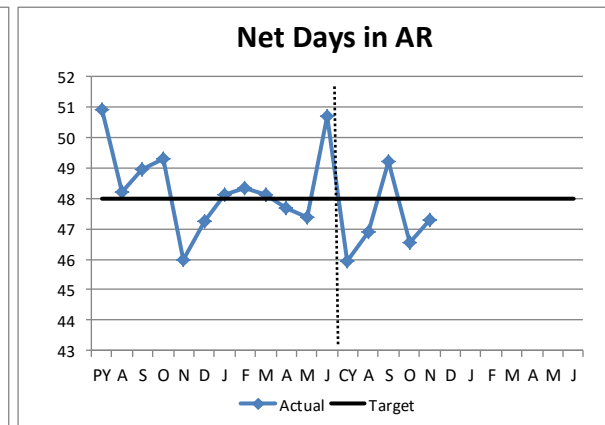
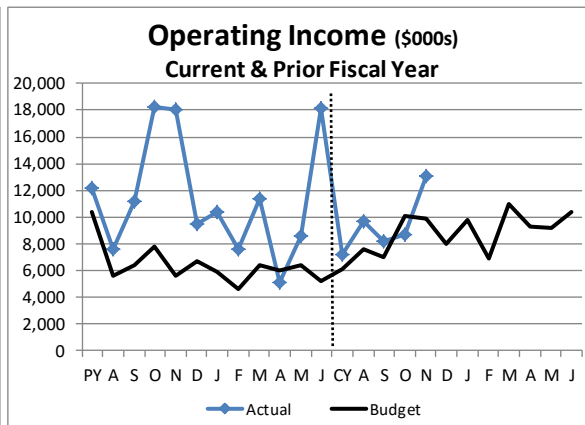
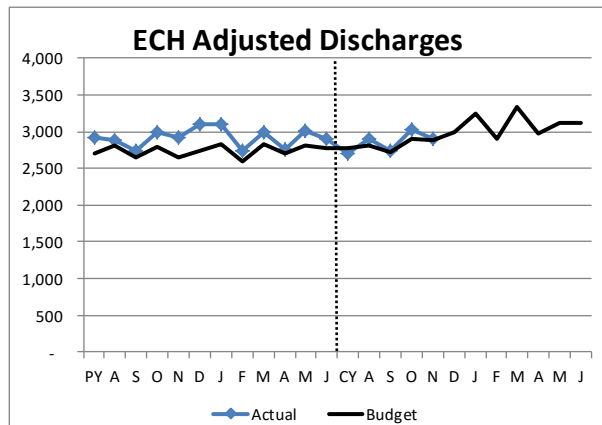
## \$ in thousands

	Period 5 - Month			Period 5 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Income (Loss) from Operations</b>						
Mountain View	11,752	8,276	3,476	43,579	33,390	10,189
Los Gatos	1,364	1,660	(295)	3,330	7,354	(4,024)
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>13,116</b>	<b>9,935</b>	<b>3,181</b>	<b>46,909</b>	<b>40,744</b>	<b>6,166</b>
<b>Operating Margin %</b>	<b>15.9%</b>	<b>12.7%</b>		<b>12.1%</b>	<b>10.7%</b>	
<b>El Camino Hospital Non Operating Income</b>						
Investments <sup>2</sup>	2,738	2,478	260	(9,827)	12,389	(22,216)
Swap Adjustments	(446)	(100)	(346)	231	(500)	731
Community Benefit	42	(300)	342	(2,531)	(1,500)	(1,031)
Pathways	(1,109)	0	(1,109)	(1,203)	0	(1,203)
Satellite Dialysis	18	(25)	43	204	(125)	329
Community Connect	0	(53)	53	0	(265)	265
SVMD Funding <sup>1</sup>	(511)	(1,219)	708	(2,856)	(6,095)	3,239
Other	(61)	(324)	263	(1,288)	(1,621)	333
<b>Sub Total - Non Operating Income</b>	<b>669</b>	<b>456</b>	<b>213</b>	<b>(17,270)</b>	<b>2,282</b>	<b>(19,552)</b>
<b>El Camino Hospital Net Income (Loss)</b>	<b>13,785</b>	<b>10,392</b>	<b>3,394</b>	<b>29,639</b>	<b>43,026</b>	<b>(13,386)</b>
<b>ECH Net Margin %</b>	<b>16.7%</b>	<b>13.3%</b>		<b>7.7%</b>	<b>11.3%</b>	
Concern	41	97	(56)	913	377	537
ECSC	(11)	0	(11)	(25)	0	(25)
Foundation	660	172	487	765	754	11
Silicon Valley Medical Development	(656)	2	(658)	696	(248)	944
<b>Net Income Hospital Affiliates</b>	<b>33</b>	<b>271</b>	<b>(239)</b>	<b>2,349</b>	<b>882</b>	<b>1,467</b>
<b>Total Net Income Hospital &amp; Affiliates</b>	<b>13,818</b>	<b>10,663</b>	<b>3,155</b>	<b>31,989</b>	<b>43,908</b>	<b>(11,919)</b>

<sup>1</sup>Favorable variances for SVMD and Community Connect are due to delayed implementation

<sup>2</sup>Equity markets experienced a massive selloff during October, a small portion of which has been recouped so far in November

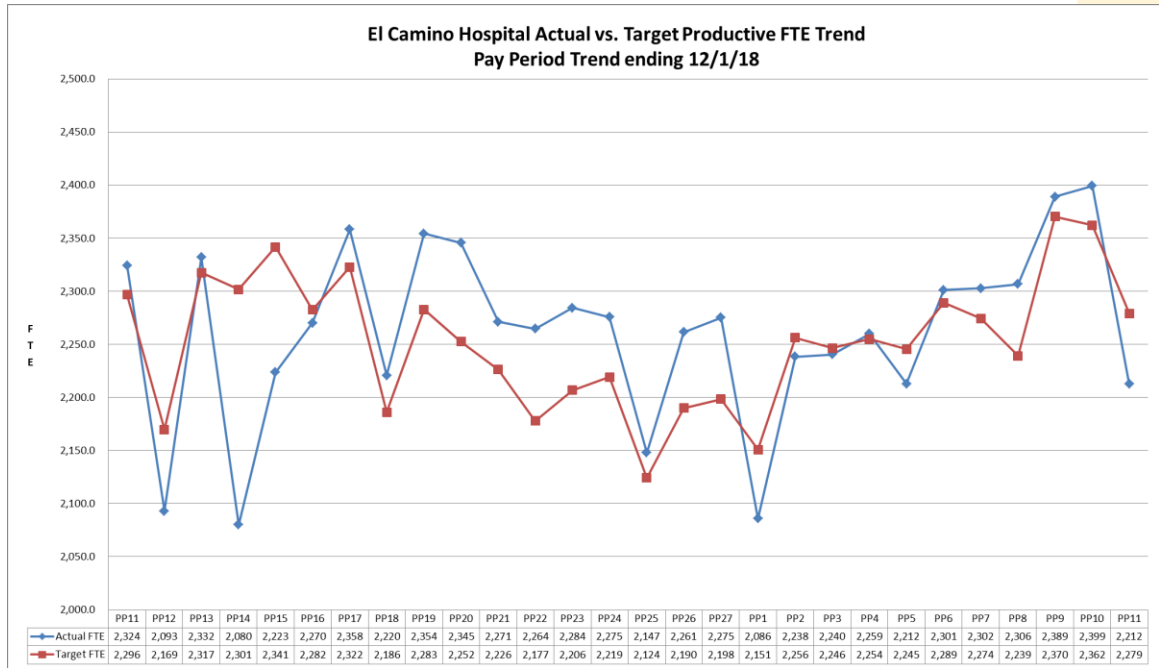
# Monthly Financial Trends



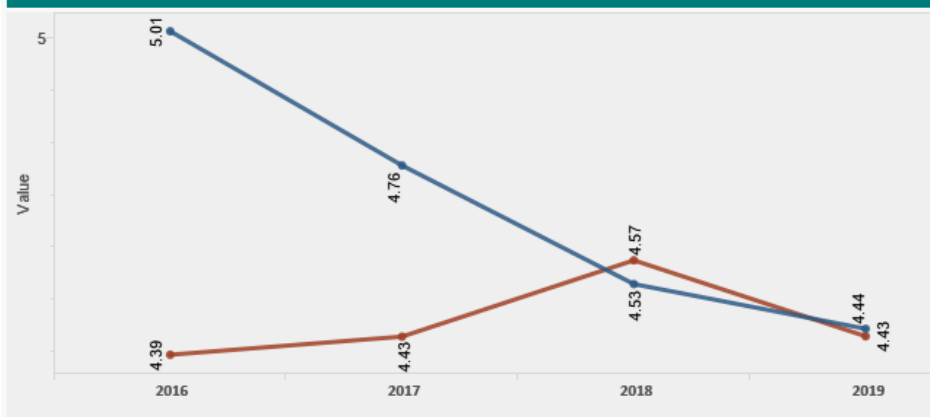
# Productivity and Medicare Length of Stay

At or below FTE target for the first six pay periods of the year. Uptick end of Sept due to mandatory training for all employees. YTD we are on budget (adjusted for volume)

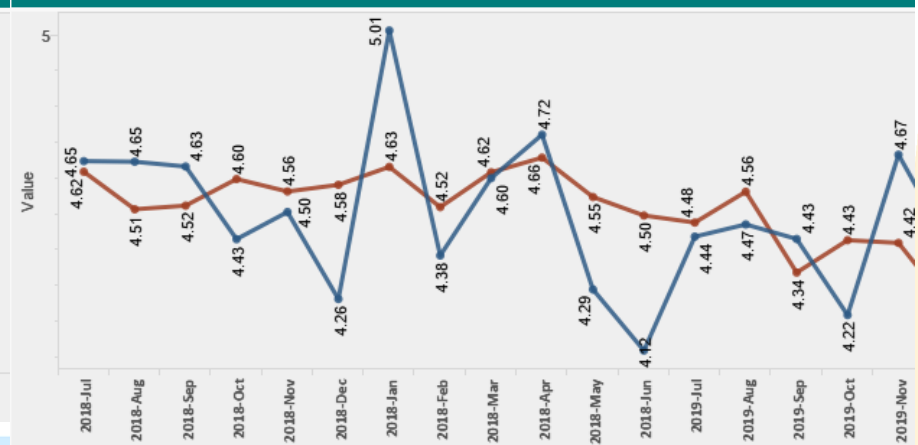
ALOS vs Milliman well-managed benchmark. Trend shows steady improvement with FY 2019 below benchmark (blue). Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



**AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR**



**AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR**



# El Camino Hospital Volume Annual Trends

		ANNUAL TREND					FY19 Bud vs FY18		5	MONTH					(Multiple values)	YEAR				
		2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var	
IP	Behavioral Health	1,012	1,052	928	924	1,098	1,062	-36	-3.2%	101	92	95	-3	-9	459	470	433	37	11	
	General Medicine & ...	4,165	4,592	4,459	4,961	5,286	5,325	39	0.7%	433	403	406	-3	-30	2,101	1,925	1,964	-39	-176	
	General Surgery	1,243	1,150	1,311	1,318	1,305	1,344	39	3.0%	108	113	112	1	5	536	585	555	30	49	
	GYN	390	313	293	270	243	255	12	4.9%	15	18	12	6	3	103	90	91	-1	-13	
	Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,445	73	3.1%	188	197	182	15	9	955	880	927	-47	-75	
	MCH	6,695	6,371	5,953	5,822	5,719	5,764	45	0.8%	500	458	484	-26	-42	2,458	2,266	2,378	-112	-192	
	Neurosciences	667	672	677	688	870	907	37	4.3%	61	65	66	-1	4	355	329	398	-69	-26	
	Oncology	606	564	652	594	633	726	93	14.7%	58	52	60	-8	-6	270	291	274	17	21	
	Orthopedics	1,695	1,773	1,746	1,690	1,705	1,819	114	6.7%	164	141	171	-30	-23	729	699	752	-53	-30	
	Rehab Services	547	555	500	461	441	436	-5	-1.1%	46	47	46	1	1	174	209	174	35	35	
	Spine Surgery	377	429	417	474	375	465	90	24.0%	38	28	40	-12	-10	186	132	195	-63	-54	
	Urology	172	169	234	257	254	274	20	7.9%	15	30	15	15	15	101	115	101	14	14	
Total		19,428	19,638	19,171	19,662	20,301	20,823	522	2.6%	1,727	1,644	1,689	-45	-83	8,427	7,991	8,242	-251	-436	
OP	Behavioral Health	911	886	2,395	3,262	3,152	3,417	265	8.4%	260	259	245	14	-1	1,391	1,156	1,335	-179	-235	
	Dialysis	1,060	154	7			0					0					0			
	Emergency	46,005	49,077	48,576	48,615	49,417	49,122	-295	-0.6%	3,752	3,756	3,687	69	4	19,677	19,339	19,349	-10	-338	
	General Medicine & ...	6,633	6,634	7,198	7,083	7,295	7,457	162	2.2%	579	657	544	113	78	3,027	3,249	3,031	218	222	
	General Surgery	1,840	1,854	1,798	1,843	2,006	2,068	62	3.1%	165	170	165	5	5	796	831	794	37	35	
	GYN	1,221	1,308	1,018	1,080	1,097	1,171	74	6.7%	115	131	112	19	16	476	574	466	108	98	
	Heart and Vascular	2,575	2,719	3,811	4,371	4,366	4,410	44	1.0%	361	402	369	33	41	1,776	1,959	1,827	132	183	
	Imaging Services	19,549	20,077	17,801	17,244	18,508	18,744	236	1.3%	1,570	1,655	1,552	103	85	7,767	8,147	7,613	534	380	
	Laboratory Services	30,595	29,710	29,028	29,137	28,562	29,071	509	1.8%	2,363	2,283	2,364	-81	-80	12,034	11,636	11,985	-349	-398	
	MCH	5,038	4,830	5,092	5,582	5,645	5,928	283	5.0%	461	448	462	-14	-13	2,401	2,261	2,381	-120	-140	
	Neurosciences	110	61	127	125	114	155	41	36.0%	8	8	14	-6	0	52	30	67	-37	-22	
	Oncology	4,002	4,174	14,306	18,578	19,275	22,037	2,762	14.3%	1,655	1,813	1,701	112	158	8,045	8,293	8,265	28	248	
	Orthopedics	866	776	584	616	642	714	72	11.2%	49	50	56	-6	1	258	284	297	-13	26	
	Outpatient Clinics	1,817	1,706	1,681	1,304	1,890	1,517	-373	-19.7%	178	154	141	13	-24	983	744	646	98	-239	
	Rehab Services	1,732	1,747	3,951	4,518	4,928	4,900	-28	-0.6%	383	432	382	50	49	2,023	2,211	2,011	200	188	
	Sleep Center	160	223	499	368	211	300	89	42.2%	13	26	25	1	13	63	103	121	-18	40	
	Spine Surgery	325	401	309	324	310	326	16	5.2%	25	23	24	-1	-2	135	123	133	-10	-12	
	Urology	1,758	1,773	1,740	1,898	2,052	2,058	6	0.3%	188	177	190	-13	-11	850	845	859	-14	-5	
Total		126,197	128,110	139,921	145,948	149,470	153,395	3,925	2.6%	12,125	12,444	12,033	412	319	61,754	61,785	61,180	605	31	

# ECH Operating Margin

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



## FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

### Revenue Adjustments

	J	A	S	O	N	YTD
Insurance (Payment Variance)	-	-	3	-	-	3
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	137	558
IGT Supplemental	-	-	-	-	2,672	2,672
AB 915	-	-	2,875	-	-	2,875
Various Adjustments under \$250k	4	5	148	8	11	176
<b>Total</b>	<b>145</b>	<b>116</b>	<b>3,118</b>	<b>84</b>	<b>2,820</b>	<b>6,283</b>



## El Camino Hospital Investment Committee Scorecard

September 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		3Q 2018		Fiscal Year-to-date		5y 11m Since Inception (annualized)		2018	
Surplus cash balance*		\$994.7	--	--	--	--	--	\$886.6	--
Surplus cash return		2.3%	2.0%	2.3%	2.0%	5.8%	5.5%	3.2%	5.3%
Cash balance plan balance (millions)		\$274.7	--	--	--	--	--	\$276.9	--
Cash balance plan return		2.8%	2.5%	2.8%	2.5%	8.3%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		\$481.7	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 11m Since Inception (annualized)		2018	
Surplus cash Sharpe ratio		1.59	1.52	--	--	1.34	1.27	--	0.43
Net of fee return		7.5%	7.1%	--	--	5.8%	5.5%	--	5.3%
Standard deviation		4.1%	4.0%	--	--	4.0%	4.0%	--	6.7%
Cash balance Sharpe ratio		1.64	1.55	--	--	1.45	1.34	--	0.40
Net of fee return		9.4%	8.5%	--	--	8.3%	7.4%	--	5.7%
Standard deviation		5.1%	4.8%	--	--	5.3%	5.1%	--	8.1%
Asset Allocation		3Q 2018							
Surplus cash absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Manager Compliance		3Q 2018							
Surplus cash manager flags		20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		23	< 27 Green < 34 Yellow	--	--	--	--	--	--

\*Excludes debt reserve funds (~\$160 mm), District assets (~\$31 mm), and balance sheet cash not in investable portfolio (~\$94 mm).

Includes Foundation (~\$28 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.

# El Camino Hospital

## Capital Spending (in millions)

Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY19 Budget	FY 19 YTD Spent
<b>ERP Implementation</b>				9.6	1.2	9.6	1.2
<b>IT Hardware, Software, Equipment &amp; Imaging</b>				10.1	1.3	10.1	1.3
<b>Medical &amp; Non Medical Equipment FY 18</b>				5.6	9.1	0.0	3.0
<b>Medical &amp; Non Medical Equipment FY 19</b>				11.2	2.5	11.2	2.5
<b>Facility Projects</b>							
	1245 Behavioral Health Bldg	FY16	96.1	96.1	57.4	45.0	11.5
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.3	0.0	0.0
	1414 Integrated MOB	FY15	302.1	302.1	176.6	150.0	56.1
	1422 CUP Upgrade	FY16	9.0	9.0	7.8	0.8	0.2
	1430 Women's Hospital Expansion	FY16	135.0	135.0	4.5	10.0	1.2
	Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.0
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0
	1525 New Main Lab Upgrades		3.1	3.1	2.5	0.3	0.3
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.0
	1503 Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0
	1602 JW House (Patient Family Residence)		6.5	6.5	0.3	6.0	0.0
	Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.0
	1707 Imaging Equipment Replacement ( 5 or 6 rooms)		20.7	0.3	0.0	6.0	0.0
	1708 IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	0.2
	Flooring Replacement		1.6	1.6	0.0	1.5	0.0
	1219 LG Spine OR	FY13	0.0	0.0	3.9	0.0	0.1
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.1
	1307 LG Upgrades	FY13	19.3	19.3	18.7	0.8	0.9
	1507 LG IR Upgrades		1.3	0.0	0.0	1.3	0.0
	1603 LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0
	1711 Emergency Sanitary & Water Storage		1.5	1.5	0.2	1.3	0.0
	LG Modular MRI & Awning		3.9	3.9	0.1	3.5	0.0
	LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.0
	LG Observation Unit (Conversion of ICU 2)		0.0	0.0	0.0	0.0	0.0
	1712 LG Cancer Center		5.0	5.0	0.3	4.8	0.0
	Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0
	Primary Care Clinic Development (2 @ \$3 Million Ea		6.0	6.0	0.0	5.0	0.0
	Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	0.0
	Willow SC Upgrades ( 35,000 @ \$50)		1.8	1.8	0.0	1.8	0.0
	New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.0
	80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0
	Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0
	All Other Projects		7.2	6.6	59.6	7.8	0.7
<b>GRAND TOTAL</b>			755.9	728.4	377.3	279.5	71.6
				764.9	391.4	310.4	79.6



# Balance Sheet (in thousands)

## ASSETS

	Audited	
	November 30, 2018	June 30, 2018
<b>CURRENT ASSETS</b>		
Cash	110,546	118,992
Short Term Investments	156,079	150,664
Patient Accounts Receivable, net	117,721	124,427
Other Accounts and Notes Receivable	5,645	3,402
Intercompany Receivables	2,616	2,090
(1) Inventories and Prepaids	79,490	75,594
<b>Total Current Assets</b>	<b>472,097</b>	<b>475,171</b>
<b>BOARD DESIGNATED ASSETS</b>		
Plant & Equipment Fund	157,995	153,784
(2) Women's Hospital Expansion	13,967	9,298
(3) Operational Reserve Fund	139,057	127,908
Community Benefit Fund	18,251	18,675
Workers Compensation Reserve Fund	21,140	20,263
Postretirement Health/Life Reserve Fund	29,462	29,212
PTO Liability Fund	24,751	24,532
Malpractice Reserve Fund	1,831	1,831
Catastrophic Reserves Fund	19,254	18,322
<b>Total Board Designated Assets</b>	<b>425,709</b>	<b>403,826</b>
(4) <b>FUNDS HELD BY TRUSTEE</b>	<b>135,991</b>	<b>197,620</b>
<b>LONG TERM INVESTMENTS</b>	<b>337,873</b>	<b>345,684</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>32,571</b>	<b>32,412</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,271,394	1,261,854
Less: Accumulated Depreciation	(598,867)	(577,959)
Construction in Progress	296,430	220,991
<b>Property, Plant &amp; Equipment - Net</b>	<b>968,957</b>	<b>904,886</b>
<b>DEFERRED OUTFLOWS</b>	<b>20,927</b>	<b>21,177</b>
<b>RESTRICTED ASSETS - CASH</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>2,394,124</b>	<b>2,380,776</b>

## LIABILITIES AND FUND BALANCE

	Audited	
	November 30, 2018	June 30, 2018
<b>CURRENT LIABILITIES</b>		
(5) Accounts Payable	34,486	49,925
(6) Salaries and Related Liabilities	24,461	26,727
Accrued PTO	24,751	24,532
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,240	10,068
Intercompany Payables	616	125
Malpractice Reserves	1,831	1,831
Bonds Payable - Current	3,850	3,850
(7) Bond Interest Payable	9,692	12,975
Other Liabilities	9,822	8,909
<b>Total Current Liabilities</b>	<b>122,048</b>	<b>141,242</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	29,462	29,212
Worker's Comp Reserve	18,840	17,963
Other L/T Obligation (Asbestos)	3,907	3,859
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	517,274	517,781
<b>Total Long Term Liabilities</b>	<b>569,484</b>	<b>568,815</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	<b>629</b>	<b>528</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>22,835</b>	<b>22,835</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	1,253,419	1,243,529
Board Designated	425,709	403,825
Restricted	0	0
(8) <b>Total Fund Bal &amp; Capital Accts</b>	<b>1,679,128</b>	<b>1,647,355</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>2,394,124</b>	<b>2,380,776</b>

## November 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.
- (2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.
- (3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.
- (4) Decrease is due to draws from the 2015A/2017 Bond Project funds for the on-going IMOB and BHS construction.
- (5) Decrease is due to the yearend accruals that were paid out in July and August.
- (6) Decrease is due a lesser number of days of payroll expenses and payroll taxes for October opposed to a full 14 day pay period that was needed for June 30.
- (7) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in August.
- (8) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.

## 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. At the end of fiscal year 2018 another \$6.2 million was added to this fund.

**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 the current 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 \$500,000 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, in fiscal year it generated over \$1.1 million of 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. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.

**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)

Period ending 11/30/2018

Period 5 FY 2018	Period 5 FY 2019	Period 5 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
225,175	245,512	233,633	11,879	5.1%	<b>Gross Revenue</b>	1,121,492	1,167,193	1,166,265	928	0.1%
(160,793)	(181,191)	(174,238)	(6,953)	(4.0%)	<b>Deductions</b>	(814,375)	(857,300)	(865,970)	8,670	1.0%
<b>64,382</b>	<b>64,321</b>	<b>59,395</b>	<b>4,926</b>	<b>8.3%</b>	<b>Net Patient Revenue</b>	<b>307,117</b>	<b>309,893</b>	<b>300,295</b>	<b>9,598</b>	<b>3.2%</b>
4,681	4,460	4,506	(46)	(1.0%)	<b>Other Operating Revenue</b>	13,013	11,106	13,144	(2,038)	(15.5%)
<b>69,063</b>	<b>68,781</b>	<b>63,901</b>	<b>4,880</b>	<b>7.6%</b>	<b>Total Operating Revenue</b>	<b>320,130</b>	<b>320,999</b>	<b>313,439</b>	<b>7,560</b>	<b>2.4%</b>
<b>OPERATING EXPENSE</b>										
31,787	34,528	34,053	(475)	(1.4%)	<b>Salaries &amp; Wages</b>	161,538	170,191	172,591	2,400	1.4%
8,357	9,392	9,286	(107)	(1.1%)	<b>Supplies</b>	40,171	44,763	45,109	346	0.8%
7,667	8,068	7,248	(820)	(11.3%)	<b>Fees &amp; Purchased Services</b>	34,754	38,469	37,632	(838)	(2.2%)
534	1,095	973	(122)	(12.6%)	<b>Other Operating Expense</b>	3,241	4,337	4,659	322	6.9%
647	438	323	(115)	(35.5%)	<b>Interest</b>	2,150	2,128	1,617	(511)	(31.6%)
3,516	3,508	3,742	234	6.3%	<b>Depreciation</b>	17,369	17,532	18,441	910	4.9%
<b>52,509</b>	<b>57,030</b>	<b>55,625</b>	<b>(1,404)</b>	<b>(2.5%)</b>	<b>Total Operating Expense</b>	<b>259,222</b>	<b>277,420</b>	<b>280,049</b>	<b>2,629</b>	<b>0.9%</b>
<b>16,554</b>	<b>11,752</b>	<b>8,276</b>	<b>3,476</b>	<b>42.0%</b>	<b>Net Operating Income/(Loss)</b>	<b>60,908</b>	<b>43,579</b>	<b>33,390</b>	<b>10,189</b>	<b>30.5%</b>
8,936	669	456	213	46.7%	<b>Non Operating Income</b>	33,085	(17,270)	2,282	(19,552)	(856.8%)
<b>25,489</b>	<b>12,421</b>	<b>8,732</b>	<b>3,689</b>	<b>42.2%</b>	<b>Net Income(Loss)</b>	<b>93,993</b>	<b>26,309</b>	<b>35,672</b>	<b>(9,363)</b>	<b>(26.2%)</b>
30.0%	22.8%	19.3%	3.5%		<b>EBITDA</b>	25.1%	19.7%	17.1%	2.6%	
24.0%	17.1%	13.0%	4.1%		<b>Operating Margin</b>	19.0%	13.6%	10.7%	2.9%	
36.9%	18.1%	13.7%	4.4%		<b>Net Margin</b>	29.4%	8.2%	11.4%	(3.2%)	



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

Period ending 11/30/2018

Period 5 FY 2018	Period 5 FY 2019	Period 5 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
53,150	52,243	52,959	(716)	(1.4%)	<b>Gross Revenue</b>	249,397	251,728	253,426	(1,699)	(0.7%)
(39,201)	(38,738)	(38,995)	257	0.7%	<b>Deductions</b>	(184,438)	(186,736)	(186,094)	(643)	(0.3%)
<b>13,949</b>	<b>13,505</b>	<b>13,965</b>	<b>(459)</b>	<b>(3.3%)</b>	<b>Net Patient Revenue</b>	<b>64,959</b>	<b>64,991</b>	<b>67,332</b>	<b>(2,341)</b>	<b>(3.5%)</b>
169	290	238	52	21.8%	<b>Other Operating Revenue</b>	811	1,399	1,149	250	21.7%
<b>14,117</b>	<b>13,795</b>	<b>14,202</b>	<b>(407)</b>	<b>(2.9%)</b>	<b>Total Operating Revenue</b>	<b>65,770</b>	<b>66,390</b>	<b>68,482</b>	<b>(2,092)</b>	<b>(3.1%)</b>
<b>OPERATING EXPENSE</b>										
6,451	6,747	6,701	(46)	(0.7%)	<b>Salaries &amp; Wages</b>	32,595	34,021	32,846	(1,175)	(3.6%)
2,095	1,968	2,080	112	5.4%	<b>Supplies</b>	9,609	10,328	10,149	(179)	(1.8%)
1,480	1,524	1,416	(107)	(7.6%)	<b>Fees &amp; Purchased Services</b>	6,528	7,075	6,648	(427)	(6.4%)
1,985	1,442	1,585	143	9.0%	<b>Other Operating Expense</b>	8,118	7,912	7,793	(119)	(1.5%)
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
579	749	760	11	1.4%	<b>Depreciation</b>	2,640	3,725	3,692	(32)	(0.9%)
<b>12,590</b>	<b>12,430</b>	<b>12,543</b>	<b>112</b>	<b>0.9%</b>	<b>Total Operating Expense</b>	<b>59,490</b>	<b>63,060</b>	<b>61,128</b>	<b>(1,932)</b>	<b>(3.2%)</b>
<b>1,527</b>	<b>1,364</b>	<b>1,660</b>	<b>(295)</b>	<b>(17.8%)</b>	<b>Net Operating Income/(Loss)</b>	<b>6,279</b>	<b>3,330</b>	<b>7,354</b>	<b>(4,024)</b>	<b>(54.7%)</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	(45)	0	0	0	0.0%
<b>1,527</b>	<b>1,364</b>	<b>1,660</b>	<b>(295)</b>	<b>(17.8%)</b>	<b>Net Income(Loss)</b>	<b>6,235</b>	<b>3,330</b>	<b>7,354</b>	<b>(4,024)</b>	<b>(54.7%)</b>
14.9%	15.3%	17.0%	(1.7%)		<b>EBITDA</b>	13.6%	10.6%	16.1%	(5.5%)	
10.8%	9.9%	11.7%	(1.8%)		<b>Operating Margin</b>	9.5%	5.0%	10.7%	(5.7%)	
10.8%	9.9%	11.7%	(1.8%)		<b>Net Margin</b>	9.5%	5.0%	10.7%	(5.7%)	

## Expense variances - YTD

- Salary variance due to increased ED coverage determined after 6/2018 incident and in combination with decreased ED volumes. Lower volumes in Mother/Baby also contributing to salary variances.
- High purchased services due to higher rehab volume (paid per case) and TJC preparation
- Other expense variance due to timing difference that will normalize through the year.

## Capital Spend Trend & FY 19 Budget

Capital Spending (in 000's)	Actual FY2016	Actual FY2017	Actual FY2018	Budget 2019
EPIC	20,798	2,755	1,114	-
IT Hardware / Software Equipment	6,483	2,659	1,108	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	11,206
Non CIP Land, Land I , BLDG, Additions	4,189	-	2,070	-
Facilities	48,137	82,953	137,364	279,450
<b>GRAND TOTAL</b>	<b>96,740</b>	<b>97,923</b>	<b>157,435</b>	<b>310,388</b>
*Includes 2 robot purchases in FY2017				

## El Camino Hospital Capital Spending (in thousands) FY 2014 – FY 2018

Category	2014	2015	2016	2017	2018	Category	2014	2015	2016	2017	2018
<b>EPIC</b>	<b>6,838</b>	<b>29,849</b>	<b>20,798</b>	<b>2,755</b>	<b>1,114</b>	<b>Facilities Projects CIP cont.</b>					
<b>IT Hardware/Software Equipment</b>	<b>2,788</b>	<b>4,660</b>	<b>6,483</b>	<b>2,659</b>	<b>1,108</b>	1415 - Signage & Wayfinding	-	-	106	58	136
<b>Medical/Non Medical Equipment</b>	<b>12,891</b>	<b>13,340</b>	<b>17,133</b>	<b>9,556</b>	<b>15,780</b>	1416 - MV Campus Digital Directories	-	-	34	23	95
<b>Non CIP Land, Land I, BLDG, Additions</b>	<b>22,292</b>	<b>-</b>	<b>4,189</b>	<b>-</b>	<b>2,070</b>	1423 - MV MOB TI Allowance	-	-	588	369	-
<b>Facilities Projects CIP</b>						1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
<b>Mountain View Campus Master Plan Projects</b>						1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676	1430 - Women's Hospital Expansion	-	-	-	464	2,763
1413 - North Drive Parking Structure Exp	-	167	1,266	18,120	4,670	1432 - 205 South Dr BHS TI	-	8	15	-	52
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319	1501 - Women's Hospital NPC Comp	-	4	-	223	320
1422 - CUP Upgrade	-	-	896	1,245	5,428	1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
<b>Sub-Total Mountain View Campus Master Plan</b>	<b>1,257</b>	<b>5,950</b>	<b>12,426</b>	<b>62,493</b>	<b>114,093</b>	1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
<b>Mountain View Capital Projects</b>						1504 - Equipment Support Infrastructure	-	61	311	-	60
9900 - Unassigned Costs	470	3,717	-	-	-	1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
0906 - Slot Build-Out	1,576	15,101	1,251	294	-	1525 - New Main Lab Upgrades	-	-	-	464	1,739
1109 - New Main Upgrades	393	2	-	-	-	1526 - CONCERN TI	-	-	37	99	10
1111 - Mom/Baby Overflow	29	-	-	-	-	<b>Sub-Total Mountain View Projects</b>	<b>7,219</b>	<b>26,744</b>	<b>5,588</b>	<b>5,535</b>	<b>7,948</b>
1204 - Elevator Upgrades	30	-	-	-	-	<b>Los Gatos Capital Projects</b>					
0800 - Womens L&D Expansion	1,531	269	-	-	-	0904 - LG Facilities Upgrade	-	-	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-	0907 - LG Imaging Masterplan	774	1,402	17	-	-
1227 - New Main eICU	21	-	-	-	-	1210 - Los Gatos VOIP	89	-	-	-	-
1230 - Fog Shop	80	-	-	-	-	1116 - LG Ortho Pavillion	24	21	-	-	-
1315 - 205 So. Drive TI's	500	2	-	-	-	1124 - LG Rehab BLDG	458	-	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961	1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1125 - Will Pav Fire Sprinkler	39	-	-	-	-	1308 - LG Infrastructure	114	-	-	-	-
1216 - New Main Process Imp Office	1	16	-	-	-	1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-	1219 - LG Spine OR	214	323	633	2,163	447
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-	1221 - LG Kitchen Refrig	85	-	-	-	-
1301 - Desktop Virtual	13	-	-	-	-	1248 - LG - CT Upgrades	26	345	197	6,669	1,673
1304 - Rehab Wander Mgmt	87	-	-	-	-	1249 - LG Mobile Imaging	146	-	-	-	-
1310 - Melchor Cancer Center Expansion	44	13	-	-	-	1328 - LG Ortho Canopy FY14	255	209	-	-	-
1318 - Women's Hospital TI	48	48	29	2	-	1345 - LG Lab HVAC	112	-	-	-	-
1327 - Rehab Building Upgrades	-	15	20	-	22	1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-	1347 - LG Central Sterile Upgrades	-	181	43	66	-
1340 - New Main ED Exam Room TVs	8	193	-	-	-	1421 - LG MOB Improvements	-	198	65	303	356
1341 - New Main Admin	32	103	-	-	-	1508 - LG NICU 4 Bed Expansion	-	-	-	207	-
1344 - New Main AV Upgrd	243	-	-	-	-	1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1400 - Oak Pav Cancer Center	-	5,208	666	52	156	1603 - LG MOB Improvements	-	-	-	285	4,593
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-	<b>Sub-Total Los Gatos Projects</b>	<b>5,276</b>	<b>6,246</b>	<b>6,116</b>	<b>14,780</b>	<b>12,306</b>
1404 - Park Pav HVAC	64	7	-	-	-	1550 - Land Acquisition	-	-	24,007	-	-
1405 - 1 - South Accessibility Upgrades	-	-	168	95	-	1701 - 828 S Winchester Clinic TI	-	-	-	145	3,018
1408 - New Main Accessibility Upgrades	-	7	46	501	12	<b>Sub-Total Other Strategic Projects</b>	<b>-</b>	<b>-</b>	<b>24,007</b>	<b>145</b>	<b>3,018</b>
						<b>Subtotal Facilities Projects CIP</b>	<b>13,753</b>	<b>38,940</b>	<b>48,137</b>	<b>82,953</b>	<b>137,364</b>
						<b>Grand Total</b>	<b>58,561</b>	<b>86,789</b>	<b>96,740</b>	<b>97,923</b>	<b>157,435</b>

## FY19 COMMITTEE GOALS

### Finance Committee

#### PURPOSE

The purpose of the Finance Committee (the "Committee") is to provide oversight, information sharing, and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital (ECH) Hospital Board of Directors ("Board"). In carrying out its review, advisory, and oversight responsibilities, the Finance Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

**STAFF:**      **Iftikhar Hussain**, Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Review major capital projects	Each regular meeting	Update on major capital projects in progress
2. Review two education topics: 1) Medicare Loss and 2) Inpatient and Outpatient Margins	Q1	Presentation at the July meeting <b>COMPLETED</b>
3. Post-Implementation review	Q2	Review results of major investments after their first year of implementation <b>COMPLETED</b>
4. Review the top three (3) service lines: 1) Heart & Vascular Institute (HVI), 2) Oncology, and 3) Behavioral Health Services (BHS)	- HVI (Q1) - Oncology (Q2) - BHS (Q3)	Presentations in September, November, and March. BHS moved to March from Jan to allow review of Ad Hoc Committee work

#### SUBMITTED BY:

**Chair:** John Zoglin



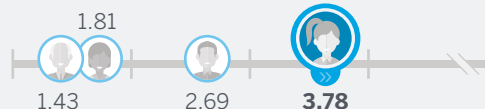


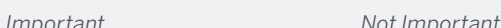











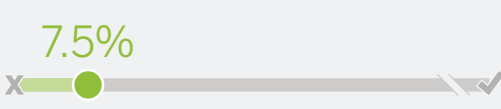

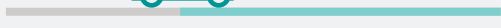



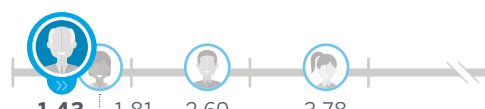




**Executive Sponsor:** Iftikhar Hussain

Approved by the El Camino Hospital Board on June 13, 2018

# How Consumers' Health Care Preferences Vary by Age

Millennials, Gen X, Baby Boomers, the Silent Generation—you know they all consume care differently, but what exactly do each of these groups want? And how can you become their provider of choice?

We surveyed thousands of consumers across the United States to better understand their care expectations and found that **some of the most significant variations fell across age groups**. Here, we've segmented each of our five consumer choice surveys by age to help you tailor your messages and target your investments to different generations across the care continuum.

	ON-DEMAND PRIMARY CARE	PRIMARY CARE PHYSICIAN (PCP) LOYALTY	SPECIALTY CARE	SURGICAL CARE	VIRTUAL VISITS	THE BOTTOM LINE		
 18–29	<b>Cost-Conscious</b> A <b>free visit ranked #1</b> out of 56 clinic attributes.  Access Preference _____  <b>54%</b> prefer <b>after-hours</b> access over weekend access	<b>Option Seekers</b> Likelihood to Switch PCPs in Next Year Scale: 0 (not at all likely) to 10 (extremely likely)  This group is the <b>least loyal</b> —they were the most likely to switch PCPs and the most likely to be enticed to leave for a new competitor's offering.	<b>Referral Rebels + Online Shoppers</b> Likelihood to Break a Referral  33.9% of self-referrers in this group said they broke a referral to see a specialist of their choosing. They were also the <b>most likely to find a provider online</b> .	<b>Most Likely to Travel for Quality</b>  <b>15.9%</b> of decision determined by travel time  This age group is the <b>least concerned</b> about traveling for surgery. Perceived surgeon quality, hospital affiliation, and a referral determine more of their surgical decisions than other groups'.	<b>Ready for Virtual</b> <b>67%</b> would consider a virtual visit if in-person care is unavailable that day <b>20%</b> would consider a virtual visit if it was less expensive than in-person care  Ranking of Virtual Channels _____ 	<p>This digitally fluent group is the <b>most socially connected generation</b>—they're the most likely to read reviews and compare prices to find providers offering maximum convenience at the lowest cost.</p> <p>They're also the most likely to shop for providers and write reviews online.</p>		
 30–49	<b>Cost-Conscious</b> A <b>free visit topped</b> this group's list of priorities.  Access Preference _____  <b>51%</b> prefer <b>after-hours</b> access over weekend access	<b>Price Beats Quality</b>  This group was <b>more likely to leave</b> their PCP <b>because of a \$250/year care cost increase</b> than experiencing a medical error.	<b>Willing to Break a Referral</b> Likelihood to Break a Referral  17.9% of self-referrers in this age group received a specialist referral but <b>shopped for care</b> instead of following it.	<b>Local Over Top Quality</b>  <b>17.3%</b> of decision determined by travel time  <b>Travel is not make-or-break</b> for this group—it factored less in their decisions than costs, but was still nearly 3x more important than perceived surgeon quality.	<b>Prime Virtual Visit Targets</b> <b>73%</b> would consider a virtual visit if in-person care is unavailable that day <b>47%</b> would consider a virtual visit if it was less expensive than in-person care  Ranking of Virtual Channels _____ 		<p>These are the <b>health care decision influencers</b>—they often direct not only their own care, but also that of their partners, children, and aging parents. They want care to fit into their busy lives—during nontraditional hours and through virtual options.</p>	
 50–64	<b>Access Seekers</b> This group <b>might pay more for access and convenience</b> : time to first available appointment and ancillaries on site outranked a free visit.  Access Preference _____  <b>57%</b> prefer <b>weekend</b> access over after-hours access	<b>Quality Over Price</b>  <b>Experiencing a medical error was more likely to make this group leave</b> their PCP than a \$250/year care cost increase.	<b>Unlikely Referral Breakers</b> Likelihood to Break a Referral  7.5% of self-referrers in this age group did not follow their doctor's referral for a specialist but instead <b>shopped for a specialist</b> of their choice.	<b>Cost Sensitive</b>  <b>18.9%</b> of decision determined by travel time  This group is <b>disinterested</b> in traveling for care and was the most cost-sensitive of the age cohorts when it comes to surgical care.	<b>Receptive to Virtual Visits</b> <b>62%</b> would consider a virtual visit if in-person care is unavailable that day <b>32%</b> would consider a virtual visit if it was less expensive than in-person care  Ranking of Virtual Channels _____ 			<p>Increasingly delaying retirement, this group is <b>staying active</b> and <b>engaged in personal wellness</b> longer than before.</p> <p>Often managing multiple chronic care conditions, these consumers expect timely access to in-person care.</p>
 65+	<b>Physician-Centric</b> Provider <b>continuity and credentials</b> were more important than a free visit.  Access Preference _____  <b>61%</b> prefer <b>weekend</b> access over after-hours access	<b>Most Loyal</b> Likelihood to Switch PCPs in Next Year Scale: 0 (not at all likely) to 10 (extremely likely)  The 65+ cohort is the <b>most loyal</b> —they were the least likely to leave their PCPs and also the most likely to recommend their providers.	<b>Affiliation Influences Choice</b> Likelihood to Break a Referral  Only 7% of these self-referrers reported breaking a referral to see a provider of their choosing. <b>Hospital affiliation was most important</b> in this cohort's specialist selection.	<b>Travel Avoiders</b>  <b>20.3%</b> of decision determined by travel time  This age group <b>doesn't want to travel</b> for care—travel time was more than twice as important as following a referral or hospital affiliation to this group.	<b>Most Resistant to Virtual</b> <b>58%</b> would consider a virtual visit if in-person care is unavailable that day <b>20%</b> would consider a virtual visit if it was less expensive than in-person care  Ranking of Virtual Channels _____ 			

EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee  
From: Ken King, CASO  
Date: January 30, 2019  
Subject: Report on Major Capital Projects in Process

**1. Purpose:**

To keep the Finance Committee informed on the progress of major capital projects in process.

**2. Summary:**

a. Situation/Status

The construction of the Mental Health and Addiction Services (aka BHS) building is progressing well and is 77% complete and projected to be within budget. The target schedule for completing construction, furniture and equipment installation, activation planning and training along with the required licensing inspection is in the process of being refined to reflect expected timelines for all activities. The construction completion date is projected to be six to eight weeks beyond the original target date due to multiple factors including weather, timeliness of OSHPD reviews and manpower shortages in various trades.

The construction of the IMOB is also progressing well and is 67% complete projected to be within budget. Final tenant improvement plans for the leased areas are in process and the offsite improvements are underway. The target schedule for all elements of this project is also being refined and will be updated to include the staged completion of Tenant spaces and final approvals from the City of Mountain View.

The recommended plan and additional funding request for the Women's Hospital Expansion Project will be reviewed by the Finance Committee under a separate agenda item at the January 30<sup>th</sup> meeting.

The initial funding request for the Demolition of Old Main Hospital project will be initiated under the CEO's authority so that the project scoping and approach can be developed. In addition to the demolition of the old main hospital, the major elements of this project include maintaining or reconstructing the "Lab/Laundry Building Addition", constructing a connecting corridor from the main hospital to the new Mental Health and Addiction Services Building, installation of

emergency water storage tanks, installation of on-site energy cells and all associated site work for the new service yard and landscaping.

b. Authority

This memo is to keep the Finance Committee informed of the progress towards completion of the major development projects within the Mountain View Campus Development Plan.

c. Background

The Board of Directors approved the Mountain View Campus Development Projects which consist of the following:

Step I:

Status

North Parking Garage Expansion -	Complete
Behavioral Health Services Building -	Construction
Integrated Medical Office Building -	Construction
Central Plant Upgrades -	Complete

Step II:

Women's Hospital Expansion -	Design
Demolition of Old Main Hospital -	Programming

d. Assessment

In addition to the construction activities all impacted departments are working on the activation, training, move planning and budgeting for the future state of operations.

e. Other Reviews

None

f. Outcomes

As stated in the status update the target dates for completing construction, furniture and equipment installation, activation planning and training along with the required licensing inspection is in the process of being refined. The primary objective is to complete the projects within the approved budgets and to safely transition into the new building environments.

**3. List of Attachments:**

Contract and Project Cost Update

**4. Suggested Board Discussion Questions:**

None



**EL CAMINO HOSPITAL  
COMMITTEE MEETING COVER MEMO**

**To:** Finance Committee  
**From:** Cindy Murphy, Director of Governance Services  
**Date:** January 30, 2019  
**Subject:** Report on Board Actions

**Purpose:**

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

**Summary:**

1. Situation: It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. Authority: This is being brought to the Committees at the request of the Board and the Committees.
3. Background: Since the last Finance Committee Meeting the Hospital Board has met twice and the District Board has met twice.

**A. ECH Board Actions**

- December 5, 2018
  - Approved Period 3 Financial Report
  - Approved Letters of Rebuttable Presumption of Reasonableness
  - Approved Professional Services Agreements for the Perinatal Diagnostic Center, Radiology, and the Hospitalists for the Mountain View Campus
  - Approved Medical Director Agreement for the Aspire Program
  - Approved Orthopedic Co-Management Agreement
  - Approved Gastroenterology and Orthopedic Surgery Call Panel Agreements
- January 16, 2019
  - Approved Period 4 Financial Report
  - Appointed George Ting, MD to the Investment Committee and Quality, Patient Care, and Patient Experience Committee,
  - Appointed Julia Miller as Co-Liaison to the El Camino Hospital Foundation Board
  - Approved funding for the Los Gatos Cancer Center Construction not to exceed \$6.4 million.
  - Revised Policies: Signature Authority; Corporate Compliance; Physician Financial Arrangements; Board of Director Approval of Hospital Policies



Report on Board Actions  
November 26, 2018

- Approved Acquisition of Interests in El Camino Ambulatory and Capital Improvements not to exceed \$9.2 million in total.

**B. ECHD Board Actions**

- December 5, 2018
  - Revised Community Benefits Grants Policy to comply with new statutory requirements
  - Appointed John Zoglin as a member of the District's ECH Board Member Election Ad Hoc Committee
  - Appointed Julia Miller as the District's Liaison to the CBAC
- December 7, 2018
  - Re-Elected Peter C. Fung, MD and elected George O. Ting, MD to four year terms on the ECH

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

**List of Attachments:**

None.

**Suggested Committee Discussion Questions:**

None.



**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2019 – Period 6

7/1/2018 to 12/31/2018

# Financial Overview

## Volume:

- YTD adjusted discharges are favorable to budget 0.9% (150 adjusted discharges) driven by favorable outpatient volume. YTD IP volume remain below budget by 3.0% (297 cases) and below prior year by 5.2% (536 cases) due to lower MCH (deliveries) related to general decline in birth rates and General Medicine related to decline in flu.
- OP cases YTD favorable to budget (306 cases or 0.4%) and below prior year by 0.4% (320 cases). For December, ED Visits are below budget by 6% due to lower level of flu activity than prior year. YTD favorability is driven by Oncology, HVI, Rehab and Imaging activity.

## Financial Performance:

- Operating income is favorable to budget by 19.7% (\$9.6M) YTD and 24.0% (\$18.3M) below prior year.
- Net Patient Revenue is favorable to budget by 2.0% (\$8.6M) YTD and above prior year by 1.0% (\$6.0M) driven primarily from OP volumes.
- YTD Operating Expense is favorable to budget 0.9% (\$3.5M). YTD Salaries & Wages are favorable to budget by 0.7% (\$1.6M). YTD Non Labor expenses are also favorable to budget by 1.2% (\$1.9M).

## Payor Mix:

- YTD, Medicare and Commercial Payor mix is slightly unfavorable to budget, within 1%

## Cost:

- Prod FTEs were favorable to target for December by 4.1% and 1.7% YTD.

**Balance Sheet** – cash position remains strong and revenue cycle operation consistently ahead of targets and benchmarks

# Dashboard - ECH combined as of December 31, 2018

	Month					YTD			
	PY	CY	Bud/Target	Variance CY vs Bud		PY	CY	Bud/Target	Variance CY vs Bud
Volume									
Licenced Beds	443	443	443	-		443	443	443	-
ADC	257	242	253	(10)		241	230	237	(7)
Utilization MV	70%	67%	69%	-2%		66%	63%	65%	-2%
Utilization LG	33%	30%	32%	-3%		29%	28%	28%	0%
Utilization Combined	58%	55%	57%	-2%		55%	52%	53%	-2%
Adjusted Discharges	3,164	3,033	3,048	(15)		17,929	17,664	17,447	217
Total Discharges (Excl NNB)	1,822	1,721	1,769	(48)		10,242	9,687	10,005	(318)
Inpatient Cases									
MS Discharges	1,283	1,204	1,247	(43)		7,105	6,713	6,969	(256)
Deliveries	398	377	385	(8)		2,370	2,180	2,298	(118)
BHS	98	102	93	9		550	547	520	28
Rehab	43	38	44	(6)		217	247	218	29
Outpatient Cases	12,676	12,341	12,625	(284)		74,430	74,126	73,805	321
ED	4,506	4,163	4,438	(275)		24,183	23,503	23,788	(285)
Procedural Cases									
OP Surg	421	442	418	24		2,382	2,506	2,382	124
Endo	229	227	231	(4)		1,218	1,294	1,225	69
Interventional	153	152	157	(5)		1,014	1,103	1,069	34
All Other	7,367	7,357	7,381	(24)		45,633	45,720	45,341	379
Financial Perf.									
Net Patient Revenues	73,810	77,023	75,586	1,437		445,886	451,907	443,213	8,694
Total Operating Revenue	75,792	79,104	78,468	635		461,692	466,493	460,390	6,103
Operating Expenses	66,333	67,682	70,488	(2,806)		385,046	408,163	411,666	(3,503)
Operating Income \$	9,459	11,421	7,980	3,441		76,646	58,330	48,724	9,606
Operating Margin	12.5%	14.4%	10.2%	4.3%		16.6%	12.5%	10.6%	1.9%
EBITDA \$	14,133	15,787	12,759	3,028		103,478	86,081	77,254	8,827
EBITDA %	18.6%	20.0%	16.3%	3.7%		22.4%	18.5%	16.8%	1.7%
Payor Mix									
Medicare	46.2%	46.4%	46.5%	-0.1%		46.1%	46.8%	46.5%	0.4%
Medi-Cal	6.6%	8.3%	7.9%	0.4%		7.7%	8.1%	7.8%	0.3%
Commercial IP	24.6%	21.5%	22.7%	-1.2%		23.0%	21.4%	22.7%	-1.2%
Commercial OP	21.6%	21.4%	20.3%	1.1%		20.8%	21.3%	20.4%	0.9%
Total Commercial	46.2%	42.9%	43.0%	-0.1%		43.8%	42.7%	43.1%	-0.3%
Other	1.0%	2.4%	2.6%	-0.2%		2.4%	2.4%	2.7%	-0.3%
Cost									
Total FTE	2,595.0	2,695.9	2,713.4	(17)		2,569.2	2,629.5	2,644.9	(15)
Productive Hrs/APD	28.2	30.4	31.1	(1)		30.1	30.9	32.0	(1)
Balance Sheet									
Net Days in AR	50.7	46.9	48.0	(1)		50.7	46.9	48.0	(1.1)
Days Cash	505	491	449	42		505	491	449	42
Affiliates - Net Income (\$000s)									
Hosp	7,461	(9,325)	8,437	(17,761)		107,688	20,315	51,462	(31,148)
Concern	83	351	98	253		1,028	1,265	475	790
ECSC	(1)	(4)	0	(4)		(19)	(29)	0	(29)
Foundation	373	(887)	109	(996)		1,589	(122)	863	(985)
SVMD	(99)	653	7	646		466	1,348	(242)	1,590

# El Camino Hospital (\$000s)

Period ending 12/31/2018

Period 6 FY 2018	Period 6 FY 2019	Period 6 Budget 2019	Variance Fav (Unfav)	Var%		YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
					\$000s					
					<b>OPERATING REVENUE</b>					
279,885	285,155	295,163	(10,009)	(3.4%)	Gross Revenue	1,650,774	1,704,075	1,714,854	(10,779)	(0.6%)
(206,075)	(208,132)	(219,578)	11,445	5.2%	Deductions	(1,204,889)	(1,252,168)	(1,271,641)	19,473	1.5%
<b>73,810</b>	<b>77,023</b>	<b>75,586</b>	<b>1,437</b>	<b>1.9%</b>	Net Patient Revenue	<b>445,886</b>	<b>451,907</b>	<b>443,213</b>	<b>8,694</b>	<b>2.0%</b>
1,982	2,081	2,883	(802)	(27.8%)	Other Operating Revenue	15,806	14,586	17,176	(2,590)	(15.1%)
<b>75,792</b>	<b>79,104</b>	<b>78,468</b>	<b>635</b>	<b>0.8%</b>	Total Operating Revenue	<b>461,692</b>	<b>466,493</b>	<b>460,390</b>	<b>6,103</b>	<b>1.3%</b>
					<b>OPERATING EXPENSE</b>					
39,831	42,829	43,232	403	0.9%	Salaries & Wages	233,964	247,041	248,669	1,628	0.7%
11,550	10,120	11,331	1,210	10.7%	Supplies	61,330	65,211	66,588	1,377	2.1%
7,553	8,077	8,813	735	8.3%	Fees & Purchased Services	48,835	53,621	53,092	(529)	(1.0%)
2,726	2,289	2,334	45	1.9%	Other Operating Expense	14,085	14,538	14,786	249	1.7%
456	100	323	223	68.9%	Interest	2,606	2,228	1,940	(288)	(14.8%)
4,218	4,266	4,456	190	4.3%	Depreciation	24,227	25,522	26,589	1,067	4.0%
<b>66,333</b>	<b>67,682</b>	<b>70,488</b>	<b>2,806</b>	<b>4.0%</b>	Total Operating Expense	<b>385,046</b>	<b>408,163</b>	<b>411,666</b>	<b>3,503</b>	<b>0.9%</b>
<b>9,459</b>	<b>11,421</b>	<b>7,980</b>	<b>3,441</b>	<b>43.1%</b>	Net Operating Income/(Loss)	<b>76,646</b>	<b>58,330</b>	<b>48,724</b>	<b>9,606</b>	<b>19.7%</b>
(1,998)	(20,746)	456	(21,202)	(4645.3%)	Non Operating Income	31,042	(38,016)	2,739	(40,754)	(1488.2%)
<b>7,461</b>	<b>(9,325)</b>	<b>8,437</b>	<b>(17,761)</b>	<b>(210.5%)</b>	Net Income(Loss)	<b>107,688</b>	<b>20,315</b>	<b>51,462</b>	<b>(31,148)</b>	<b>(60.5%)</b>
18.6%	20.0%	16.3%	3.7%		EBITDA	22.4%	18.5%	16.8%	1.7%	
12.5%	14.4%	10.2%	4.3%		Operating Margin	16.6%	12.5%	10.6%	1.9%	
9.8%	-11.8%	10.8%	(22.5%)		Net Margin	23.3%	4.4%	11.2%	(6.8%)	

# Non Operating Items and Net Income by Affiliate

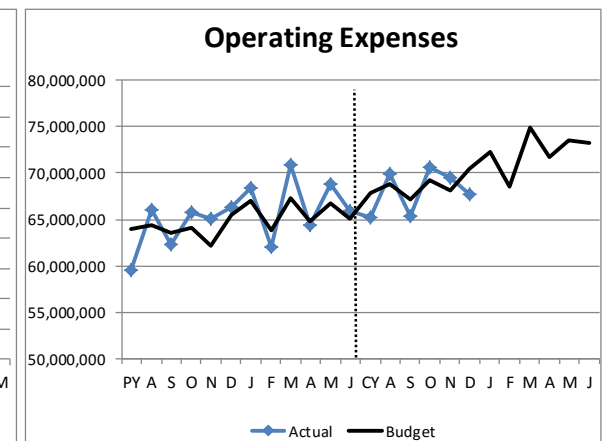
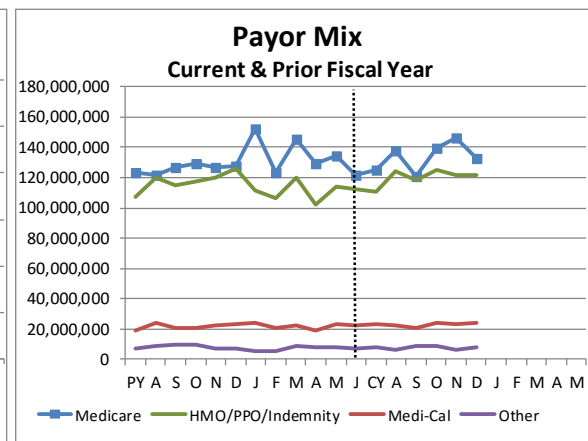
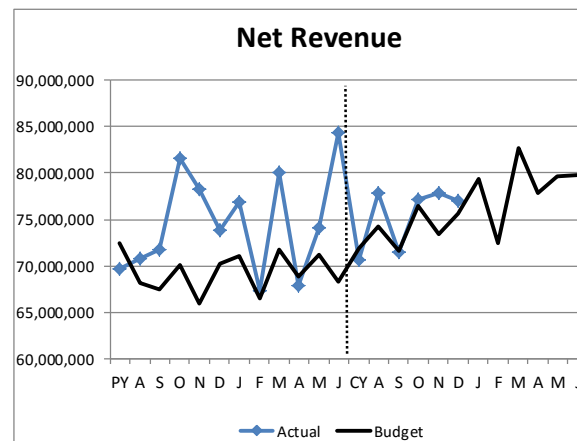
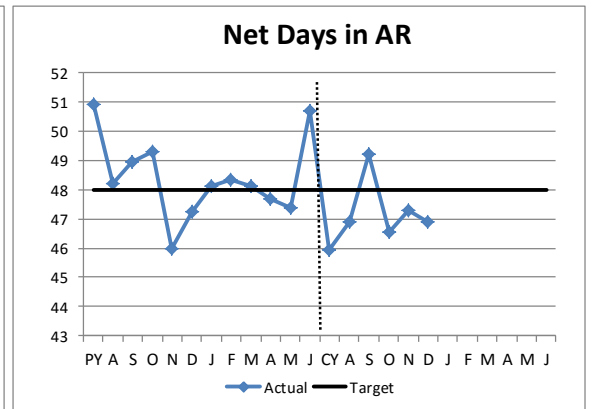
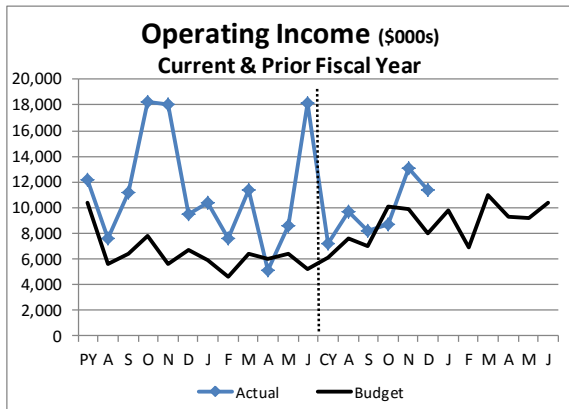
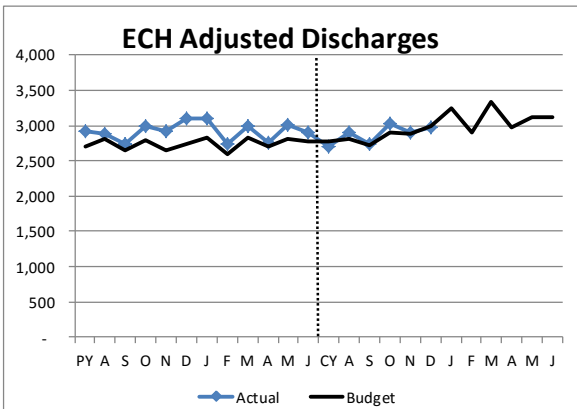
\$ in thousands

	Period 6 - Month			Period 6 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Income (Loss) from Operations</b>						
Mountain View	9,328	6,328	3,000	52,907	39,718	13,189
Los Gatos	2,093	1,652	441	5,424	9,006	(3,583)
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>11,421</b>	<b>7,980</b>	<b>3,441</b>	<b>58,330</b>	<b>48,724</b>	<b>9,606</b>
<b>Operating Margin %</b>	<b>14.4%</b>	<b>10.2%</b>		<b>12.5%</b>	<b>10.6%</b>	
<b>El Camino Hospital Non Operating Income</b>						
Investments <sup>2</sup>	(18,731)	2,478	(21,209)	(28,558)	14,866	(43,425)
Swap Adjustments	(848)	(100)	(748)	(617)	(600)	(17)
Community Benefit	(13)	(300)	287	(2,544)	(1,800)	(744)
Pathways	111	0	111	(1,091)	0	(1,091)
Satellite Dialysis	128	(25)	153	332	(150)	482
Community Connect	0	(53)	53	0	(318)	318
SVMD Funding <sup>1</sup>	(1,156)	(1,219)	63	(4,012)	(7,314)	3,302
Other	(356)	(324)	(32)	(1,645)	(1,945)	300
<b>Sub Total - Non Operating Income</b>	<b>(20,746)</b>	<b>456</b>	<b>(21,202)</b>	<b>(38,016)</b>	<b>2,739</b>	<b>(40,754)</b>
<b>El Camino Hospital Net Income (Loss)</b>	<b>(9,325)</b>	<b>8,437</b>	<b>(17,761)</b>	<b>20,315</b>	<b>51,462</b>	<b>(31,148)</b>
<b>ECH Net Margin %</b>	<b>-11.8%</b>	<b>10.8%</b>		<b>4.4%</b>	<b>11.2%</b>	
Concern	351	98	253	1,265	475	790
ECSC	(4)	0	(4)	(29)	0	(29)
Foundation	(887)	109	(996)	(122)	863	(985)
Silicon Valley Medical Development	653	7	646	1,348	(242)	1,590
<b>Net Income Hospital Affiliates</b>	<b>113</b>	<b>214</b>	<b>(100)</b>	<b>2,463</b>	<b>1,096</b>	<b>1,367</b>
<b>Total Net Income Hospital &amp; Affiliates</b>	<b>(9,211)</b>	<b>8,650</b>	<b>(17,862)</b>	<b>22,777</b>	<b>52,558</b>	<b>(29,781)</b>

<sup>1</sup>Favorable variances for SVMD and Community Connect are due to delayed implementation

<sup>2</sup>Equity markets experienced a massive selloff during October, and volatility is continuing

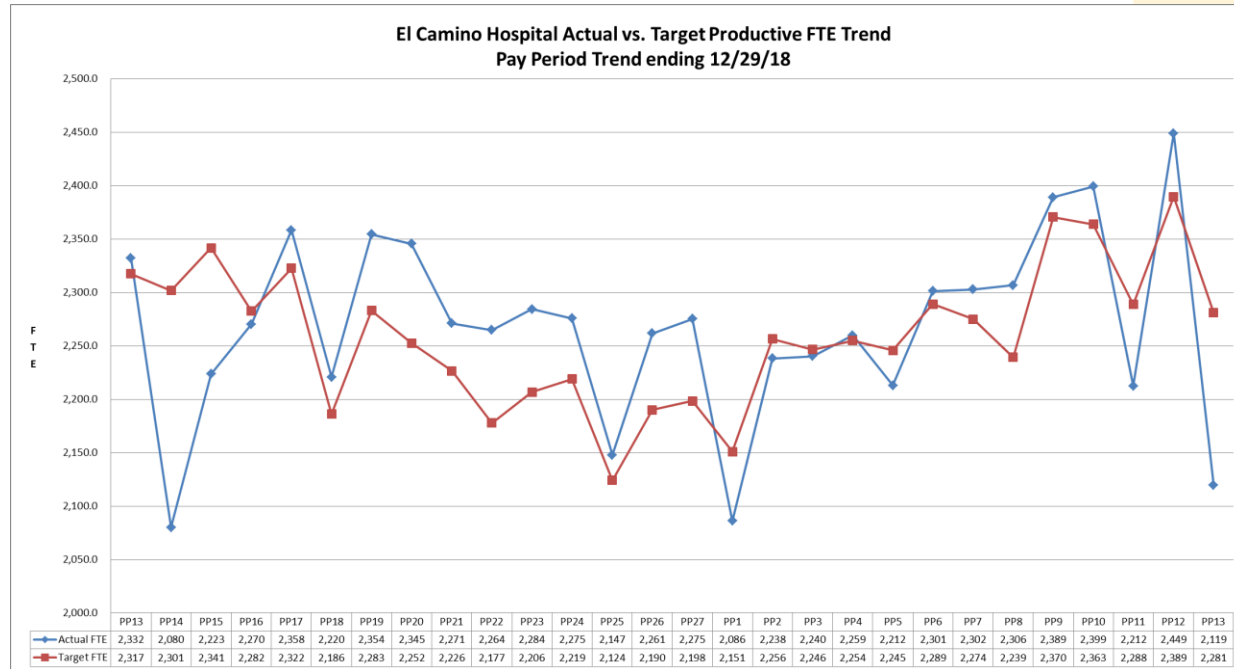
# Monthly Financial Trends



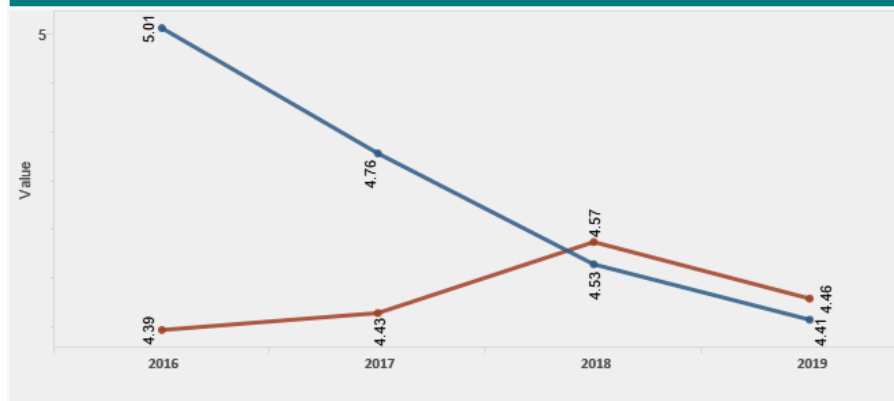
# Productivity and Medicare Length of Stay

At or below FTE target for the first six pay periods of the year. Uptick end of Sept due to mandatory training for all employees. YTD we are on budget (adjusted for volume)

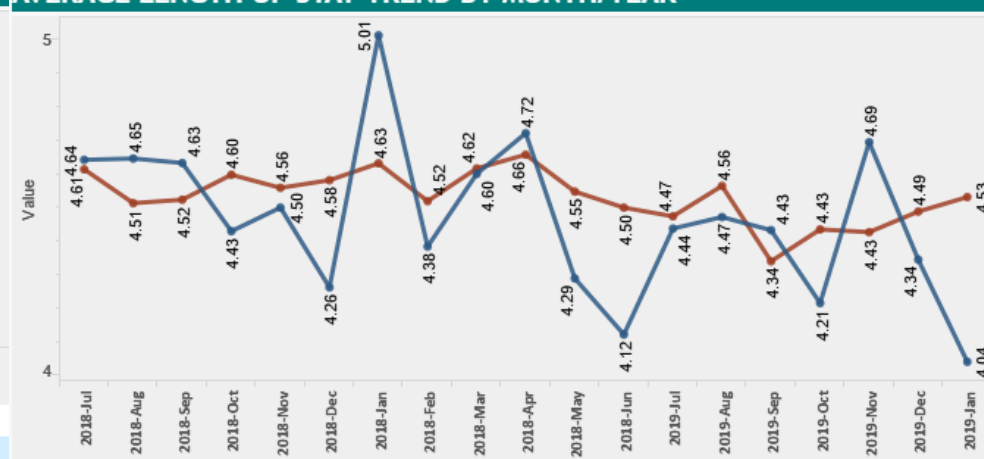
ALOS vs Milliman well-managed benchmark. Trend shows steady improvement with FY 2019 below benchmark (blue). Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



## AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR




## AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR





# El Camino Hospital Volume Annual Trends

<div> VOLUME BY SERVICE LINE</div>		PROCEDURAL?													FACILITY				LEVEL OF DETAIL	
		(All)													(All)				Service Line	
		ANNUAL TREND						FY19 Bud vs FY18		6 MONTH					(Multiple values) YEAR					
		2014	2015	2016	2017	2018	2019(b)	Cases	Percent	PY	CY	Bud	Bud Var	PY Var	PY	CY	Bud	Bud Var	PY Var	
IP	Behavioral Health	1,012	1,052	928	924	1,098	1,062	-36	-3.2%	101	105	95	10	4	560	575	528	47	15	
	General Medicine & ..	4,165	4,592	4,459	4,961	5,286	5,325	39	0.7%	482	426	455	-29	-56	2,583	2,351	2,419	-68	-232	
	General Surgery	1,243	1,150	1,311	1,318	1,305	1,344	39	3.0%	106	118	109	9	12	642	703	665	38	61	
	GYN	390	313	293	270	243	255	12	4.9%	25	22	21	1	-3	128	112	113	-1	-16	
	Heart and Vascular	1,859	1,998	2,001	2,203	2,372	2,445	73	3.1%	206	201	198	3	-5	1,161	1,081	1,125	-44	-80	
	MCH	6,695	6,371	5,953	5,822	5,719	5,764	45	0.8%	501	472	485	-13	-29	2,959	2,738	2,863	-125	-221	
	Neurosciences	667	672	677	688	870	907	37	4.3%	83	105	82	23	22	438	434	480	-46	-4	
	Oncology	606	564	652	594	633	726	93	14.7%	65	57	65	-8	-8	335	348	340	8	13	
	Orthopedics	1,695	1,773	1,746	1,690	1,705	1,819	114	6.7%	159	135	160	-25	-24	888	834	913	-79	-54	
	Rehab Services	547	555	500	461	441	436	-5	-1.1%	43	38	44	-6	-5	217	247	218	29	30	
	Spine Surgery	377	429	417	474	375	465	90	24.0%	34	24	35	-11	-10	220	156	230	-74	-64	
	Urology	172	169	234	257	254	274	20	7.9%	20	22	20	2	2	121	137	121	16	16	
Total		19,428	19,638	19,171	19,662	20,301	20,823	522	2.6%	1,825	1,725	1,771	-46	-100	10,252	9,716	10,013	-297	-536	
OP	Behavioral Health	911	886	2,394	3,260	3,151	3,417	266	8.4%	236	216	224	-8	-20	1,627	1,372	1,558	-186	-255	
	Dialysis	1,060	154	6			0					0					0			
	Emergency	46,005	49,077	48,587	48,625	49,418	49,122	-296	-0.6%	4,506	4,159	4,438	-279	-347	24,183	23,499	23,788	-289	-684	
	General Medicine & ..	6,633	6,634	7,196	7,129	7,300	7,457	157	2.2%	621	657	599	58	36	3,655	3,904	3,630	274	249	
	General Surgery	1,840	1,854	1,799	1,836	2,004	2,068	64	3.2%	178	159	196	-37	-19	973	990	991	-1	17	
	GYN	1,221	1,308	1,018	1,080	1,097	1,171	74	6.7%	101	144	93	51	43	577	717	559	158	140	
	Heart and Vascular	2,575	2,719	3,796	4,361	4,363	4,410	47	1.1%	338	339	336	3	1	2,112	2,298	2,164	134	186	
	Imaging Services	19,549	20,077	17,808	17,249	18,504	18,744	240	1.3%	1,566	1,598	1,540	58	32	9,332	9,744	9,154	590	412	
	Laboratory Services	30,595	29,710	29,004	29,153	28,570	29,071	501	1.8%	2,343	2,127	2,349	-222	-216	14,379	13,760	14,334	-574	-619	
	MCH	5,038	4,830	5,092	5,577	5,644	5,928	284	5.0%	444	467	446	21	23	2,845	2,727	2,827	-100	-118	
	Neurosciences	110	61	127	125	115	155	40	34.8%	15	8	16	-8	-7	67	38	83	-45	-29	
	Oncology	4,002	4,174	14,329	18,541	19,278	22,037	2,759	14.3%	1,593	1,669	1,621	48	76	9,636	9,966	9,886	80	330	
	Orthopedics	866	776	584	615	642	714	72	11.2%	51	57	58	-1	6	309	341	355	-14	32	
	Outpatient Clinics	1,817	1,706	1,681	1,288	1,884	1,517	-367	-19.5%	107	129	112	17	22	1,087	873	759	115	-214	
	Rehab Services	1,732	1,747	3,953	4,518	4,926	4,900	-26	-0.5%	384	406	382	24	22	2,407	2,617	2,393	224	210	
	Sleep Center	160	223	498	368	211	300	89	42.2%	15	15	29	-14	0	78	118	150	-32	40	
	Spine Surgery	325	401	309	324	310	326	16	5.2%	33	27	32	-5	-6	168	150	165	-15	-18	
	Urology	1,758	1,773	1,740	1,898	2,052	2,058	6	0.3%	145	151	151	0	6	995	996	1,010	-14	1	
Total		126,197	128,110	139,921	145,947	149,469	153,395	3,926	2.6%	12,676	12,328	12,625	-297	-348	74,430	74,110	73,804	306	-320	

# ECH Operating Margin

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



## FY 2019 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	N	D	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	141	112	92	76	137	443	1,000
IGT Supplemental	-	-	-	-	2,672	-	2,672
AB 915	-	-	2,875	-	-	-	2,875
RAC Release	-	-	161	-	-	(305)	(144)
Credit Balance Quarterly Review	-	-	(19)	-	-	3,858	3,839
Various Adjustments under \$250k	4	5	(13)	8	11	12	27
<b>Total</b>	<b>145</b>	<b>116</b>	<b>3,118</b>	<b>84</b>	<b>2,820</b>	<b>4,313</b>	<b>10,291</b>

# El Camino Hospital Investment Committee Scorecard September 30, 2018

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY19 Year-end Budget	Expectation Per Asset Allocation
<b>Investment Performance</b>		3Q 2018		Fiscal Year-to-date		5y 11m Since Inception (annualized)		2018	
Surplus cash balance*		\$994.7	--	--	--	--	--	\$886.6	--
Surplus cash return		2.3%	2.0%	2.3%	2.0%	5.8%	5.5%	3.2%	5.3%
Cash balance plan balance (millions)		\$274.7	--	--	--	--	--	\$276.9	--
Cash balance plan return		2.8%	2.5%	2.8%	2.5%	8.3%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		\$481.7	--	--	--	--	--	--	--
<b>Risk vs. Return</b>		3-year				5y 11m Since Inception (annualized)		2018	
Surplus cash Sharpe ratio		1.59	1.52	--	--	1.34	1.27	--	0.43
Net of fee return		7.5%	7.1%	--	--	5.8%	5.5%	--	5.3%
Standard deviation		4.1%	4.0%	--	--	4.0%	4.0%	--	6.7%
Cash balance Sharpe ratio		1.64	1.55	--	--	1.45	1.34	--	0.40
Net of fee return		9.4%	8.5%	--	--	8.3%	7.4%	--	5.7%
Standard deviation		5.1%	4.8%	--	--	5.3%	5.1%	--	8.1%
<b>Asset Allocation</b>		3Q 2018							
Surplus cash absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target		6.2%	< 10%	--	--	--	--	--	--
<b>Manager Compliance</b>		3Q 2018							
Surplus cash manager flags		20	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		23	< 27 Green < 34 Yellow	--	--	--	--	--	--

\*Excludes debt reserve funds (~\$160 mm), District assets (~\$31 mm), and balance sheet cash not in investable portfolio (~\$94 mm).

Includes Foundation (~\$28 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



## Capital Spend Trend & FY 19 Budget

Capital Spending (in 000's)	Actual FY2016	Actual FY2017	Actual FY2018	Projected FY2019	Budget 2019
EPIC	20,798	2,755	1,114	-	-
IT Hardware / Software Equipment**	6,483	2,659	1,108	19,732	19,732
Medical / Non Medical Equipment*	17,133	9,556	15,780	11,206	11,206
Non CIP Land, Land I , BLDG, Additions	4,189	-	2,070	-	-
Facilities	48,137	82,953	137,364	205,451	279,450
<b>GRAND TOTAL</b>	<b>96,740</b>	<b>97,923</b>	<b>157,435</b>	<b>236,389</b>	<b>310,388</b>
*Includes 2 robot purchases in FY2017					
**Includes ERP Implementation					

### Facilities

- Projected facilities spend is lower than forecast in the budget primarily due to timing of project activity.
  - \$27M for iMOB
  - \$6M Patient Family Residence
  - \$5M Women's Hospital Expansion
  - \$3M Behavioral Health Hospital replacement

# El Camino Hospital

## Capital Spending (in millions)

Category	Detail	Approved	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY19 Budget	FY 19Proj Spend	Variance Projected vs Budget*	FY 19 YTD Spent
<b>IT Hardware, Software, Equipment &amp; Imaging</b>				19.7	2.5	19.7	19.7	0.0	2.5
<b>Medical &amp; Non Medical Equipment FY 18</b>				5.6	9.4	0.0	0.0	0.0	3.3
<b>Medical &amp; Non Medical Equipment FY 19</b>				11.2	3.3	11.2	11.2	0.0	3.3
<b>Facility Projects</b>									
	1245 Behavioral Health Bldg	FY16	96.1	96.1	59.7	45.0	41.7	-3.3	13.7
	1413 North Drive Parking Expansion	FY15	24.5	24.5	24.3	0.0	0.7	0.7	0.0
	1414 Integrated MOB	FY15	302.1	302.1	183.7	150.0	123.3	-26.7	63.3
	1422 CUP Upgrade	FY16	9.0	9.0	7.9	0.8	1.4	0.6	0.3
	1430 Women's Hospital Expansion	FY16	135.0	135.0	5.0	10.0	4.8	-5.2	1.8
	Demo Old Main & Related Site Work		30.0	30.0	0.0	2.0	0.6	-1.4	0.0
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.8	0.0	0.0	0.0	0.0
	1525 New Main Lab Upgrades		3.1	3.1	2.6	0.3	0.0	-0.3	0.4
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	5.0	0.0	4.6	0.3	-4.3	0.0
	1503 Willow Pavilion Tomosynthesis	FY16	1.0	0.0	0.4	1.0	0.0	-1.0	0.0
	1602 JW House (Patient Family Residence)		6.5	6.5	0.3	6.0	0.1	-5.9	0.0
	Site Signage and Other Improvements		1.3	0.0	0.0	1.0	0.3	-0.7	0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	2.4	0.2	-2.2	0.0
	1707 Imaging Equipment Replacement ( 5 or 6 rooms)		20.7	0.3	0.0	6.0	6.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement		19.4	19.4	0.0	5.0	1.0	-4.0	0.6
	Flooring Replacement		1.6	1.6	0.0	1.5	0.4	-1.1	0.0
	1219 LG Spine OR	FY13	0.0	0.0	4.0	0.0	0.0	0.0	0.2
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	9.0	9.0	9.0	0.0	0.0	0.0	0.1
	1307 LG Upgrades	FY13	19.3	19.3	18.7	0.8	0.0	-0.8	0.9
	1507 LG IR Upgrades		1.3	0.0	0.0	1.3	1.3	0.1	0.0
	1603 LG MOB Improvements (17)		5.0	5.0	5.0	0.5	0.0	-0.5	0.0
	1711 Emergency Sanitary & Water Storage		1.5	1.5	0.2	1.3	1.5	0.3	0.0
	LG Modular MRI & Awning		3.9	3.9	0.1	3.5	0.6	-2.9	0.1
	LG Nurse Call System Upgrade		0.8	0.0	0.0	0.5	0.4	-0.1	0.0
	LG Observation Unit (Conversion of ICU 2)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1712 LG Cancer Center		5.0	5.0	0.3	4.8	3.7	-1.1	0.1
	Workstation Inventory Replacement		2.0	2.0	0.0	0.0	0.0	0.0	0.0
	Primary Care Clinic Development (2 @ \$3 Million Ea		6.0	6.0	0.0	5.0	4.0	-1.0	0.0
	Other Strategic Capital FY-19		5.0	5.0	0.0	15.0	9.0	-6.0	0.0
	Willow SC Upgrades ( 35,000 @ \$50)		1.8	1.8	0.0	1.8	0.0	-1.8	0.0
	New 28k MOB (Courthouse Prop)		22.4	22.4	0.0	1.2	0.2	-1.0	0.0
	80 Great Oaks Upgrades		4.5	4.5	0.0	0.0	0.0	0.0	0.0
	Primary Care Clinic (TI's Only) FY 17 (828 Wincheste		3.6	3.6	0.0	0.3	0.0	-0.3	0.0
	All Other Projects		7.2	6.6	70.3	7.8	3.9	-3.9	0.8
			755.9	728.4	398.2	279.5	205.5	-74.0	82.4
<b>GRAND TOTAL</b>				<b>759.3</b>	<b>413.4</b>	<b>310.4</b>	<b>236.4</b>	<b>-74.0</b>	<b>91.5</b>

# Balance Sheet (in thousands)

## ASSETS

	Audited	
	December 31, 2018	June 30, 2018
<b>CURRENT ASSETS</b>		
Cash	120,014	118,992
Short Term Investments	141,540	150,664
Patient Accounts Receivable, net	118,342	124,427
Other Accounts and Notes Receivable	2,555	3,402
Intercompany Receivables	2,284	2,090
(1) Inventories and Prepaids	78,462	75,594
<b>Total Current Assets</b>	<b>463,198</b>	<b>475,171</b>
<b>BOARD DESIGNATED ASSETS</b>		
Plant & Equipment Fund	158,460	153,784
(2) Women's Hospital Expansion	15,472	9,298
(3) Operational Reserve Fund	139,057	127,908
Community Benefit Fund	18,732	18,675
Workers Compensation Reserve Fund	21,232	20,263
Postretirement Health/Life Reserve Fund	29,512	29,212
PTO Liability Fund	23,877	24,532
Malpractice Reserve Fund	1,831	1,831
Catastrophic Reserves Fund	17,258	18,322
<b>Total Board Designated Assets</b>	<b>425,431</b>	<b>403,826</b>
(4) <b>FUNDS HELD BY TRUSTEE</b>	<b>128,230</b>	<b>197,620</b>
<b>LONG TERM INVESTMENTS</b>	<b>334,002</b>	<b>345,684</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>33,147</b>	<b>32,412</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,284,344	1,261,854
Less: Accumulated Depreciation	(598,914)	(577,959)
Construction in Progress	308,401	220,991
<b>Property, Plant &amp; Equipment - Net</b>	<b>993,831</b>	<b>904,886</b>
<b>DEFERRED OUTFLOWS</b>	20,877	21,177
<b>RESTRICTED ASSETS - CASH</b>	0	0
<b>TOTAL ASSETS</b>	<b>2,398,716</b>	<b>2,380,776</b>

## LIABILITIES AND FUND BALANCE

	Audited	
	December 31, 2018	June 30, 2018
<b>CURRENT LIABILITIES</b>		
(5) Accounts Payable	40,028	49,925
(6) Salaries and Related Liabilities	30,715	26,727
Accrued PTO	23,877	24,532
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,580	10,068
Intercompany Payables	165	125
Malpractice Reserves	1,831	1,831
Bonds Payable - Current	3,850	3,850
(7) Bond Interest Payable	11,117	12,975
Other Liabilities	8,031	8,909
<b>Total Current Liabilities</b>	<b>132,494</b>	<b>141,242</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	29,512	29,212
Worker's Comp Reserve	18,932	17,963
Other L/T Obligation (Asbestos)	3,917	3,859
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	518,076	517,781
<b>Total Long Term Liabilities</b>	<b>570,437</b>	<b>568,815</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	663	528
<b>DEFERRED INFLOW OF RESOURCES</b>	22,835	22,835
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	1,246,855	1,243,529
Board Designated	425,431	403,825
Restricted	0	0
(8) <b>Total Fund Bal &amp; Capital Accts</b>	<b>1,672,286</b>	<b>1,647,355</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>2,398,716</b>	<b>2,380,776</b>

## December 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to annual insurance premiums for D&O, Property and Auto that are paid in July and amortized throughout the fiscal year. Also a quarterly pension funding was paid.
- (2) The increase is due to the District making a transfer from its Capital Appropriation Fund in support of the upcoming renovation to the Women's Hospital.
- (3) The increase is due to annual resetting of the 60 day Operational Reserve based on the new FY2019 budget that has started.
- (4) Decrease is due to draws from the 2015A/2017 Bond Project funds for the on-going IMOB and BHS construction.
- (5) Decrease is due to the yearend accruals that were paid out in July and August.
- (6) Decrease is due a lesser number of days of payroll expenses and payroll taxes for October opposed to a full 14 day pay period that was needed for June 30.
- (7) Semi-annual bond payments of interest and principal were made on the 2015A and 2017 Bonds in August.
- (8) Increase in total Fund Balance is driven by y-t-d net income and that Capital Appropriate Fund transfer by District, discussed in item #2 above.

## 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. At the end of fiscal year 2018 another \$6.2 million was added to this fund.

**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 the current 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 \$500,000 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, in fiscal year it generated over \$1.1 million of 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. At the end of fiscal year 2018, GASB #75 was implemented that now represents the full actuarially determined liability.

**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)

Period ending 12/31/2018

Period 6	Period 6	Period 6	Variance			YTD	YTD	YTD	Variance	
FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%	\$000s	FY 2018	FY 2019	Budget 2019	Fav (Unfav)	Var%
OPERATING REVENUE										
226,462	231,745	240,649	(8,905)	(3.7%)	Gross Revenue	1,347,954	1,398,938	1,406,914	(7,976)	(0.6%)
(167,977)	(169,502)	(179,463)	9,961	5.6%	Deductions	(982,352)	(1,026,802)	(1,045,433)	18,631	1.8%
58,485	62,243	61,187	1,056	1.7%	Net Patient Revenue	365,602	372,136	361,481	10,654	2.9%
1,777	1,802	2,600	(798)	(30.7%)	Other Operating Revenue	14,790	12,908	15,744	(2,836)	(18.0%)
60,262	64,045	63,786	259	0.4%	Total Operating Revenue	380,392	385,044	377,225	7,818	2.1%
OPERATING EXPENSE										
33,124	35,496	35,949	453	1.3%	Salaries & Wages	194,662	205,687	208,540	2,853	1.4%
9,253	8,105	9,268	1,163	12.5%	Supplies	49,424	52,868	54,377	1,509	2.8%
6,214	6,727	7,404	677	9.1%	Fees & Purchased Services	40,969	45,196	45,035	(161)	(0.4%)
1,206	787	817	30	3.7%	Other Operating Expense	4,448	5,124	5,476	353	6.4%
456	100	323	223	68.9%	Interest	2,606	2,228	1,940	(288)	(14.8%)
3,524	3,503	3,698	196	5.3%	Depreciation	20,893	21,034	22,140	1,105	5.0%
53,778	54,717	57,458	2,742	4.8%	Total Operating Expense	313,001	332,137	337,508	5,371	1.6%
6,484	9,328	6,328	3,000	47.4%	Net Operating Income/(Loss)	67,392	52,907	39,718	13,189	33.2%
(1,998)	(20,746)	456	(21,202)	(4645.3%)	Non Operating Income	31,087	(38,016)	2,739	(40,754)	(1488.2%)
4,486	(11,418)	6,784	(18,202)	(268.3%)	Net Income(Loss)	98,478	14,891	42,456	(27,565)	(64.9%)
17.4%	20.2%	16.2%	4.0%		EBITDA	23.9%	19.8%	16.9%	2.9%	
10.8%	14.6%	9.9%	4.6%		Operating Margin	17.7%	13.7%	10.5%	3.2%	
7.4%	-17.8%	10.6%	(28.5%)		Net Margin	25.9%	3.9%	11.3%	(7.4%)	

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

Period ending 12/31/2018

Period 6 FY 2018	Period 6 FY 2019	Period 6 Budget 2019	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2018	YTD FY 2019	YTD Budget 2019	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
53,424	53,410	54,514	(1,104)	(2.0%)	<b>Gross Revenue</b>	302,820	305,137	307,940	(2,803)	(0.9%)
(38,099)	(38,630)	(40,115)	1,485	3.7%	<b>Deductions</b>	(222,536)	(225,366)	(226,208)	842	0.4%
<b>15,325</b>	<b>14,780</b>	<b>14,399</b>	<b>381</b>	<b>2.6%</b>	<b>Net Patient Revenue</b>	<b>80,284</b>	<b>79,771</b>	<b>81,732</b>	<b>(1,961)</b>	<b>(2.4%)</b>
205	279	283	(4)	(1.4%)	<b>Other Operating Revenue</b>	1,016	1,678	1,432	246	17.1%
<b>15,530</b>	<b>15,059</b>	<b>14,682</b>	<b>377</b>	<b>2.6%</b>	<b>Total Operating Revenue</b>	<b>81,299</b>	<b>81,449</b>	<b>83,164</b>	<b>(1,715)</b>	<b>(2.1%)</b>
<b>OPERATING EXPENSE</b>										
6,707	7,334	7,284	(50)	(0.7%)	<b>Salaries &amp; Wages</b>	39,302	41,354	40,129	(1,225)	(3.1%)
2,297	2,016	2,063	47	2.3%	<b>Supplies</b>	11,906	12,343	12,212	(132)	(1.1%)
1,338	1,351	1,409	58	4.1%	<b>Fees &amp; Purchased Services</b>	7,866	8,425	8,057	(369)	(4.6%)
1,519	1,503	1,517	15	1.0%	<b>Other Operating Expense</b>	9,637	9,414	9,310	(104)	(1.1%)
0	0	0	0	0.0%	<b>Interest</b>	0	0	0	0	0.0%
694	763	757	(6)	(0.8%)	<b>Depreciation</b>	3,334	4,488	4,450	(38)	(0.9%)
<b>12,555</b>	<b>12,966</b>	<b>13,030</b>	<b>64</b>	<b>0.5%</b>	<b>Total Operating Expense</b>	<b>72,045</b>	<b>76,026</b>	<b>74,158</b>	<b>(1,868)</b>	<b>(2.5%)</b>
<b>2,975</b>	<b>2,093</b>	<b>1,652</b>	<b>441</b>	<b>26.7%</b>	<b>Net Operating Income/(Loss)</b>	<b>9,254</b>	<b>5,424</b>	<b>9,006</b>	<b>(3,583)</b>	<b>(39.8%)</b>
0	0	0	0	0.0%	<b>Non Operating Income</b>	(45)	0	0	0	0.0%
<b>2,975</b>	<b>2,093</b>	<b>1,652</b>	<b>441</b>	<b>26.7%</b>	<b>Net Income(Loss)</b>	<b>9,210</b>	<b>5,424</b>	<b>9,006</b>	<b>(3,583)</b>	<b>(39.8%)</b>
23.6%	19.0%	16.4%	2.6%		<b>EBITDA</b>	15.5%	12.2%	16.2%	(4.0%)	
19.2%	13.9%	11.3%	2.6%		<b>Operating Margin</b>	11.4%	6.7%	10.8%	(4.2%)	
19.2%	13.9%	11.3%	2.6%		<b>Net Margin</b>	11.3%	6.7%	10.8%	(4.2%)	

## Expense variances - YTD

- Salary variance due to increased ED coverage determined after 6/2018 incident and in combination with decreased ED volumes. Lower volumes in Mother/Baby also contributing to salary variances.
- Supply variance mostly due to minor equipment purchases for LG Observation unit. Will be reversed and capitalized in P7.
- High purchased services due to higher rehab volume (paid per case) and TJC preparation
- Other expense variance due to timing difference that will normalize through the year.

## El Camino Hospital Capital Spending (in thousands) FY 2014 – FY 2018

Category	2014	2015	2016	2017	2018	Category	2014	2015	2016	2017	2018
<b>EPIC</b>	<b>6,838</b>	<b>29,849</b>	<b>20,798</b>	<b>2,755</b>	<b>1,114</b>	<b>Facilities Projects CIP cont.</b>					
<b>IT Hardware/Software Equipment</b>	<b>2,788</b>	<b>4,660</b>	<b>6,483</b>	<b>2,659</b>	<b>1,108</b>	1415 - Signage & Wayfinding	-	-	106	58	136
<b>Medical/Non Medical Equipment</b>	<b>12,891</b>	<b>13,340</b>	<b>17,133</b>	<b>9,556</b>	<b>15,780</b>	1416 - MV Campus Digital Directories	-	-	34	23	95
<b>Non CIP Land, Land I, BLDG, Additions</b>	<b>22,292</b>	<b>-</b>	<b>4,189</b>	<b>-</b>	<b>2,070</b>	1423 - MV MOB TI Allowance	-	-	588	369	-
<b>Facilities Projects CIP</b>						1425 - IMOB Preparation Project - Old Main	-	-	711	1,860	215
<b>Mountain View Campus Master Plan Projects</b>						1429 - 2500 Hospital Dr Bldg 8 TI	-	101	-	-	-
1245 - Behavioral Health Bldg Replace	1,257	3,775	1,389	10,323	28,676	1430 - Women's Hospital Expansion	-	-	-	464	2,763
1413 - North Drive Parking Structure Exp	-	167	1,266	18,120	4,670	1432 - 205 South Dr BHS TI	-	8	15	-	52
1414 - Integrated MOB	-	2,009	8,875	32,805	75,319	1501 - Women's Hospital NPC Comp	-	4	-	223	320
1422 - CUP Upgrade	-	-	896	1,245	5,428	1502 - Cabling & Wireless Upgrades	-	-	1,261	367	984
<b>Sub-Total Mountain View Campus Master Plan</b>	<b>1,257</b>	<b>5,950</b>	<b>12,426</b>	<b>62,493</b>	<b>114,093</b>	1503 - Willow Pavillion Tomosynthesis	-	-	53	257	31
<b>Mountain View Capital Projects</b>						1504 - Equipment Support Infrastructure	-	61	311	-	60
9900 - Unassigned Costs	470	3,717	-	-	-	1523 - Melchor Pavillion Suite 309 TI	-	-	10	59	392
0906 - Slot Build-Out	1,576	15,101	1,251	294	-	1525 - New Main Lab Upgrades	-	-	-	464	1,739
1109 - New Main Upgrades	393	2	-	-	-	1526 - CONCERN TI	-	-	37	99	10
1111 - Mom/Baby Overflow	29	-	-	-	-	<b>Sub-Total Mountain View Projects</b>	<b>7,219</b>	<b>26,744</b>	<b>5,588</b>	<b>5,535</b>	<b>7,948</b>
1204 - Elevator Upgrades	30	-	-	-	-	<b>Los Gatos Capital Projects</b>					
0800 - Womens L&D Expansion	1,531	269	-	-	-	0904 - LG Facilities Upgrade	-	-	-	-	-
1225 - Rehab BLDG Roofing	241	4	-	-	-	0907 - LG Imaging Masterplan	774	1,402	17	-	-
1227 - New Main eICU	21	-	-	-	-	1210 - Los Gatos VOIP	89	-	-	-	-
1230 - Fog Shop	80	-	-	-	-	1116 - LG Ortho Pavillion	24	21	-	-	-
1315 - 205 So. Drive TI's	500	2	-	-	-	1124 - LG Rehab BLDG	458	-	-	-	-
0908 - NPCR3 Seismic Upgrds	1,224	1,328	240	342	961	1307 - LG Upgrades	2,979	3,282	3,511	3,081	4,551
1125 - Will Pav Fire Sprinkler	39	-	-	-	-	1308 - LG Infrastructure	114	-	-	-	-
1216 - New Main Process Imp Office	1	16	-	-	-	1313 - LG Rehab HVAC System/Structural	-	-	1,597	1,904	550
1217 - MV Campus MEP Upgrades FY13	181	274	28	-	-	1219 - LG Spine OR	214	323	633	2,163	447
1224 - Rehab Bldg HVAC Upgrades	202	81	14	6	-	1221 - LG Kitchen Refrig	85	-	-	-	-
1301 - Desktop Virtual	13	-	-	-	-	1248 - LG - CT Upgrades	26	345	197	6,669	1,673
1304 - Rehab Wander Mgmt	87	-	-	-	-	1249 - LG Mobile Imaging	146	-	-	-	-
1310 - Melchor Cancer Center Expansion	44	13	-	-	-	1328 - LG Ortho Canopy FY14	255	209	-	-	-
1318 - Women's Hospital TI	48	48	29	2	-	1345 - LG Lab HVAC	112	-	-	-	-
1327 - Rehab Building Upgrades	-	15	20	-	22	1346 - LG OR 5, 6, and 7 Lights Replace	-	285	53	22	127
1320 - 2500 Hosp Dr Roofing	75	81	-	-	-	1347 - LG Central Sterile Upgrades	-	181	43	66	-
1340 - New Main ED Exam Room TVs	8	193	-	-	-	1421 - LG MOB Improvements	-	198	65	303	356
1341 - New Main Admin	32	103	-	-	-	1508 - LG NICU 4 Bed Expansion	-	-	-	207	-
1344 - New Main AV Upgrd	243	-	-	-	-	1600 - 825 Pollard - Aspire Phase II	-	-	-	80	10
1400 - Oak Pav Cancer Center	-	5,208	666	52	156	1603 - LG MOB Improvements	-	-	-	285	4,593
1403 - Hosp Drive BLDG 11 TI's	86	103	-	-	-	<b>Sub-Total Los Gatos Projects</b>	<b>5,276</b>	<b>6,246</b>	<b>6,116</b>	<b>14,780</b>	<b>12,306</b>
1404 - Park Pav HVAC	64	7	-	-	-	1550 - Land Acquisition	-	-	24,007	-	-
1405 - 1 - South Accessibility Upgrades	-	-	168	95	-	1701 - 828 S Winchester Clinic TI	-	-	-	145	3,018
1408 - New Main Accessibility Upgrades	-	7	46	501	12	<b>Sub-Total Other Strategic Projects</b>	<b>-</b>	<b>-</b>	<b>24,007</b>	<b>145</b>	<b>3,018</b>
						<b>Subtotal Facilities Projects CIP</b>	<b>13,753</b>	<b>38,940</b>	<b>48,137</b>	<b>82,953</b>	<b>137,364</b>
						<b>Grand Total</b>	<b>58,561</b>	<b>86,789</b>	<b>96,740</b>	<b>97,923</b>	<b>157,435</b>

**EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING COVER MEMO**

**To:** El Camino Hospital Board Finance Committee  
**From:** Ken King, CASO  
 Jim Griffith, COO  
**Date:** January 30, 2019  
**Subject:** Women's Hospital Expansion Project – Funding Request

**Recommendation(s):**

To recommend that the Board of Directors approve the Women's Hospital Expansion Project Plan as revised, and increase the project funding by \$10 million for a total authorized amount of \$16 million.

**Summary:**

- Situation:** The feasibility cost estimate for this project was approximately \$91 million. In early 2018 we received a design development construction cost estimate that pushed the total project cost estimate to \$138 million. This cost was not deemed reasonable by the Executive Leadership Team. Additionally, the projected four year schedule and operational impact of the construction phasing created an unacceptable level of risk. Over the past several months we worked to reduce the cost of the project while preserving the basic elements of the project plan. Despite our efforts we were not able to substantially reduce the cost or risk until we considered changing the final outcome of the project plan. It is a revised unit configuration that we are now recommending in order to achieve the goals of providing expansion space for Labor & Delivery, 100% private rooms for Mom's and Babies and additional beds in the Neonatal Intensive Care Unit (NICU). The estimated project cost of the revised plan is \$111 million with a three year overall construction timeline with minimal disruption to operations.

## Unit Configuration

Floor	Existing	Original Plan	Revised Plan
1 <sup>st</sup> - N	Mother/Baby 36 Rooms	31 Bed NICU	Mother/Baby 26 Beds
	12 LDR's 3 Delivery Rooms 20 Bed NICU 6 OB/ED - Recovery	14 LDR's 6 LDRP's, 3 Delivery Rooms 8 OB/ED-Recovery	14 LDR's 6 LDRP's 3 Delivery Rooms 8 OB/ED-Recovery
2 <sup>nd</sup>	Medical Offices	Mother/Baby 26 Beds	24 Bed NICU
3 <sup>rd</sup>	Medical Offices	Mother/Baby 26 Beds	Mother/Baby 26 Beds

Women's Hospital Expansion Project – Funding Request  
November 26, 2018

The revised plan changes the unit configuration and reduces the amount of major reconstruction required, it eliminates the need for the temporary relocation of L&D and NICU that the original plan required and it reduces the overall duration of construction. Most importantly it dramatically reduces the risks to patient care during construction. This plan does reduce the number of NICU beds from the planned 31 to 24.

2. Authority: Policy requires that expenditures exceeding \$1 million require the Boards approval.
3. Background: The expansion of the Women's Hospital was identified in the approved Facilities Master Plan in 2008. Following the acquisition of the Los Gatos campus in 2009 the Women's Hospital Expansion project was put on hold.

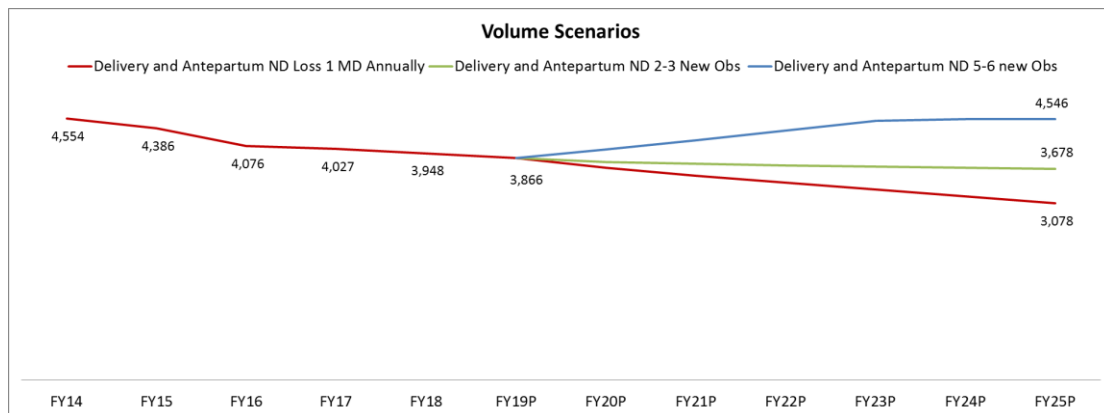
The Mountain View Campus Development Plan, approved October 2014 was partially driven by the need to expand space for the Women's Hospital. The following steps have been taken since the initiation of the project:

- A. June 2016 – Board Authorized \$1 million to develop the programming and feasibility to expand the Women's Hospital
  - B. April 2017 – Board approved additional \$5 million to continue the development through the Design Development phase.
  - C. January 2018 – Design Development Construction Cost Estimate caused us to re-evaluate the why, how and how much should be invested for this expansion.
  - D. November 2018 – Revised project plan with updated cost estimate of \$111 million presented for approval. **CURRENT FUNDING REQUEST - \$10 million.**
4. Assessment: The key drivers for this project continue to be the fact that without expanding the amount of space for the Women's Hospital services we cannot guarantee private post-partum rooms for moms and babies. We currently have 10 licensed medical/surgical beds in the New Main Hospital converted into an 8 bed mother/baby post-partum unit so that we can more often ensure a private room environment. Our total private room capacity (community standard) is 36 postpartum beds in the Women's Hospital and 8 in the Main Hospital. Renovation will add 8 beds moving the total to 52 postpartum rooms in the Women's Hospital and 6 labor-delivery-postpartum rooms. NICU capacity will expand from 20 to 24. This will free the space in the main hospital to allow growth in other service lines and improve patient flow through addition of 6 anti-partum rooms and 8 OB-ED beds.

To realize the full benefit of the facility investment, we will continue improvements to personalization and “choices” focused on improving the overall patient and family experience. Additionally, we expect to recruit 3-5 new obstetricians to replace retiring physicians in the independent physician community to maintain and increase volume.

The table below shows the added patient volume (blue line versus green line) allowed in the renovated building in comparison to the current un-renovated building. The red line shows current market projection with the expected loss of 1 community MD a year. The building renovations will make recruitment use of ECH more attractive to new obstetricians – and the additional beds plus workflow improvements will allow additional volume to offset the total cost of renovation.

Women's Hospital Expansion Project – Funding Request  
November 26, 2018



5. Other Reviews: This recommendation has been reviewed by the Clinical Leadership, the Women's Hospital Steering Committee and the Executive Team with full support of the recommendation.
6. Outcomes: Once approval to proceed with the plan is obtained, the next step is to complete the construction documents and submit the plans to OSHPD for plan review and permitting. The target date for obtaining a building permit is December 2019, which would allow for construction to begin in January 2020. The final funding request would be presented for Board Approval in November/December 2019.

The construction schedule consists of three major phases over a three year timeline, with a final completion date of December 2022.

**Suggested Board Discussion Questions:**

1. What is the reason for the higher costs?
2. How does the revised plan reduce the cost and impact the unit configuration?



**EL CAMINO HOSPITAL  
FIANCE COMMITTEE MEETING COVER MEMO**

To: El Camino Hospital Finance Committee  
From: Ken King, CASO  
Bruce Harrison, President SVMD  
Date: January 30, 2019  
Subject: SVMD Clinic @ N. 1<sup>st</sup> Street - Tenant Improvements Funding

**1. Recommendation:**

The Finance Committee is requested to recommend that the Board approve the funding for the tenant improvements to build out, fit up and equip a new SVMD Clinic @ N. 1<sup>st</sup> Street, at a cost not to exceed \$8 million.

**2. Summary:**

**a. Situation:**

The Board of Directors has endorsed targeting the eastern market along the 237 corridor for expansion of El Camino Health Primary Care, Specialty Care, Obstetrics/Gynecology, radiology, and lab drawing services.

In November 2018 the Board of Directors authorized management to negotiate a lease for 14,300 square feet of space in the “@ First Shopping Center” located at 4130 North First Street, near Hwy-237 in San Jose and build out an SVMD Clinic Site. A lease has been successfully negotiated and we have begun the planning and design. This budgeted funding request is to provide the complete build out of existing shelled space, fit up and equipment for a fully functional clinical care environment.

The cost of the project breaks down as follows:

Construction -	\$4,060,000 (\$4, 700, 000 less TI Allowance of \$640,000)
Soft Cost -	\$ 810,000
FF&E -	\$2,750,000
Contingency -	\$ 380,000
<b>Total</b>	<b>\$8,000,000</b>

- b. Authority:** Policy requires that expenditures exceeding \$1 million require the Board's approval.

- c. Background:**

The Eastern Market along the 237 corridor was targeted for expansion to include primary care, urgent care, obstetrics/gynecology, radiology, and lab. Several locations in this market were evaluated and a preferred site has been identified. This project was identified in the FY-19 strategic initiatives and will provide for the growth of El Camino Health services.

- d. Assessment:**

This retail location creates a highly visible multi-specialty care location will serve as an entry point for El Camino Health to invest in new models of consumer driven care and outpatient women's services

- e. Other Reviews:** No other reviews have occurred.

- f. Outcomes:** The following target timeline for completing the improvements and fit up is as follows:

1. Funding Approval –	02/13/19
2. Construction Plans & Specs Complete –	03/15/19
3. Over the Counter Plan Review & Permit by –	03/31/19
4. Construction (20 weeks) completed by –	07/20/19
5. Fit Up of FF&E by	08/15/19
6. Staff Training & Activation completed by –	08/30/19
7. Operations begin	09/02/19

- 3. List of Attachments:**

- a.** None

- 4. Suggested Finance Committee Discussion Questions:**

- a.**

**EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING COVER MEMO**

**To:** El Camino Hospital Finance Committee  
**From:** Ken King, CASO  
 Jim Griffith, COO  
**Date:** January 30, 2019  
**Subject:** Interventional Equipment Replacement – Funding Request

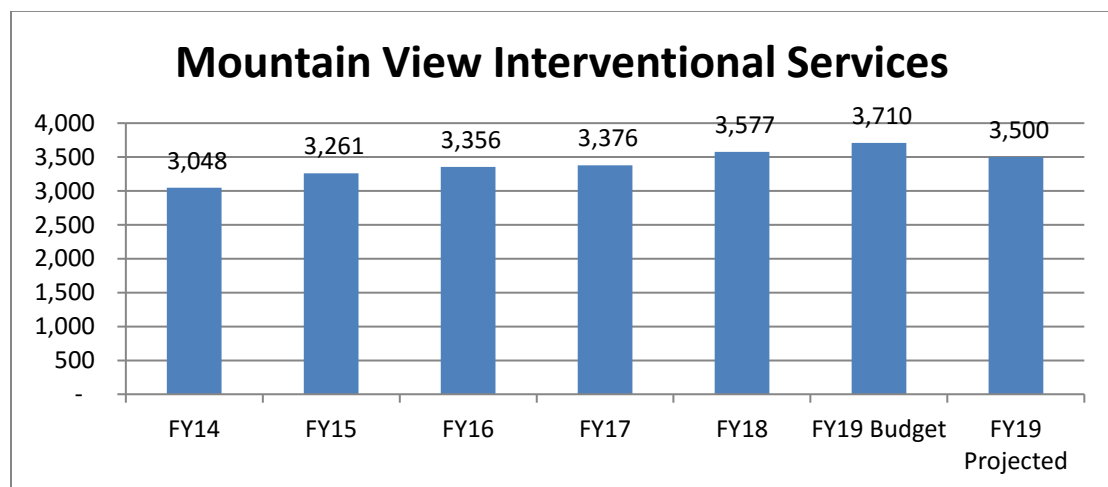
**1. Recommendation:**

The Finance Committee is requested to recommend that the Board approve the purchase of replacement interventional equipment along with project development for installation and for one new additional room a cost not to exceed \$13 million.

**2. Summary:**

- a. Situation:** The El Camino Hospital provides the type of care you would expect to find at a university medical center. We have six different specialties sharing in the use of the five existing Interventional Labs and collaborating in advanced minimally invasive treatments and diagnostics. The Interventional Services department generated over \$ 157million in gross revenue in FY2018 and supports diagnostics and treatment for a wide range of patients including those from our heart and vascular service line.

The existing Siemens equipment was purchased between 2008 and 2009. The equipment is now at the end of its useful life and needs to be replaced. Service calls and downtime has have disrupted operations, resulting in performance below budget for FY2019



We have experienced substantial growth in recent years with a strengthening referral network. Our preference in the community is based upon providing comprehensive advanced diagnostic and treatment modalities with outstanding outcomes delivered in a community hospital setting.

The new Interventional imaging equipment will be upgraded to the latest technology and it will support the increasing numbers and types of procedures our heart and vascular and our stroke programs specialize in ( i.e. valve replacements, aortic aneurysm repairs, coronary artery repair, peripheral vascular repair, and therapies for stroke repair and prevention.) Our expectation is that the equipment upgrades and buildout of the 6<sup>th</sup> Lab will enable us to meet our FY22 growth target of approximately 300 additional HVI diagnostic and interventional cases.

Interventional Equipment Replacement  
January 28, 2019

The new equipment will also have improved dose-reducing strategies that include more sensitive image receptors, better image reconstruction techniques, dose alerts and post-processing software. The dangers of excessive radiation exposure are well documented and all of these strategies will reduce the length of time fluoroscopy is used during the case.

The current projected cost breaks down as follows:

Room 1 – Interventional Imaging Equipment	\$ 1,600,000
Room 2 – Interventional Imaging Equipment	\$ 1,400,000
Room 3 – Interventional Imaging Equipment	\$ 2,000,000
Room 4 – Interventional Imaging Equipment	\$ 1,750,000
Room 5 – Interventional Imaging Equipment	\$ 2,400,000
Room 6 – Interventional Imaging Equipment	\$ 1,900,000
Monitors & Monitor Stands 5 of 6 Rooms ( <i>Completed</i> )	\$ 950,000
<u>Total Estimated Equipment Costs (<i>Tax Included</i>)</u>	<u>\$12,000,000</u>
Initial Development Costs (Design, permits, pre-construction)	\$ 1,000,000
<b><u>Current Funding Request</u></b>	<b><u>\$13,000,000</u></b>
Anticipated Future Funding Request	\$ 7,400,000
<u>Total Estimated Project Cost</u>	<u>\$20,400,000</u>

- b. Authority: Policy requires that expenditures exceeding \$1 million require the Board's approval.
- c. Background: This request is the first of two requests. Approval of this request will allow us to place purchase orders for equipment that requires the manufacturers' participation in the development of detailed plans and specifications that must receive OSHPD review and approval. Once OSHPD review is substantially complete and construction sequence and costs are known, the final request for funding will be presented. Note that the typical payment terms for the equipment are 0% down, 20% upon delivery and the final 80% upon service start up.

This entire project is included in the FY-19 Capital Facilities Project Budget at an estimated cost of \$20.7 million.

The development of this project will run parallel to the 1<sup>st</sup> Floor Imaging Equipment Replacement Project, but will be planned, scheduled and permitted as a separate project that is limited to the 2<sup>nd</sup> Floor sterile environment.

- d. Assessment: The replacement and enhancement of the Interventional equipment is critical to the support of all the Service Line initiatives and the timely diagnosis and treatment of patients, as well as to upgrade to the newest technology and reduce radiation exposure.

See below additional information that supports this request:

### Heart & Vascular Institute Market Differentiation Strategy

Our market differentiation strategy is having comprehensive advanced diagnostic and treatment modalities with outstanding outcomes delivered in a community hospital setting.

To date, this strategy has served us well:

- Volume growth of 2.4% FY17 to FY18; 157 cases
- Net income improvement of \$7.7 million; 82.7% improvement year over year (FY18 = \$17,117,871; FY17 = 9,367,121)

We will continue this differentiation strategy by:

- Investing in our facilities to offer current & new providers the most advanced technologies and the best treatment environment for interventional care
- Offering advanced diagnostic testing with physician interpretation integrated into one office/visit in the new Integrated Medical Office Building
- Continuing to be "early adopters" of new technologies



3

This investment aligns with the HVI market differentiation strategy and is one of its key initiatives as presented in the finance committee report in November.

### Heart & Vascular Tactical Plan FY19

#### Physician Integration

**Strategic Goal #3:** Offer a Panel of Leading Edge Interventionalists

ECH HVI Targets	Measures	Baseline	FY2019
<b>World class programs &amp; physician support</b>	Increase interventional physician base	34 providers*	35 providers
	Upgrade and Expand Interventional Labs	Aged Equipment / Capacity Constraints	Evaluate vendors and submit plan to OSHPD

#### FY19 Tactics

*Deliver services using an integrated approach to treatment planning similar to Tumor Board with a multidisciplinary review by a combined medical/surgical, post acute Heart Team*

*Upgrade & expand interventional lab to allow new physicians to come on staff for leading edge interventional work*

*Partner with leading edge physicians interested in clinical trials, "first to market" and evidence based practice*

\* Meet individual volume requirement for quality



12

The addition of 300 interventional cases is expected to yield \$7 million a year in net revenue resulting in approximately \$4 million a year in additional contribution to fixed expense. This is in addition to the current profitability of the service. Overall net income from HVI is expected to grow from \$17 million annually (FY18) to over \$20 million annually with growth from new capacity.

**Consumer Alignment** – In addition to the expanded types of procedures the newer equipment will reduce the amount of radiation that a patient receives. By reducing radiation dose and improving patient safety we are meeting the consumers' expectations for safer diagnostics.

**Physician Integration** – Cardiologists, Neurologists, Interventional Radiologists and EP physicians and other physicians rely upon accurate images for diagnosis and treatment. High

quality interventional imaging equipment is a foundational element for hospitals and physicians.

- e. Other Reviews: We have engaged the services of an Interventional Imaging Equipment planner who is a subject matter expert on the latest imaging technologies and services. The planner has reviewed our equipment, operations and volumes and supports the recommendation.

Interventional Cardiology, Electrophysiology, Interventional Radiology, Neuro Interventional Radiology, Vascular Interventional, and Anesthesia- HVI Senior Director, Director Neuroscience Institute, Director Interventional Services, Imaging Services Director, and an Interventional Lab Technician have been actively involved in vetting the equipment needs and the three potential vendors. They have made site visits to Miami Heart in Florida, UCSF Hybrid OR and Cath Lab, and Stanford Cath Lab.

The Interventional Services Project Leadership Committee- COO, CAO, CNO, CIO, HVI Senior Director, Neuroscience Institute Director, Director Interventional Services, Imaging Services Director, Clinical Engineering, IT, Facilities Development has met for several months to develop and prepare for this request.

- f. Outcomes: The following sequence and target timeline is indicated below:

1. Funding Approval	02/13/19
2. Finalize Equipment Selection and Negotiation by	03/15/19
3. Purchase Orders Place by	03/30/19
4. Construction Plans & Specs Complete by	09/30/19
5. Final Project Budget Approval by	04/15/20
6. OSHPD Review and Approval by	05/30/20
7. Start of Construction & Installation (1 of 6) by	06/15/20
8. Completion of Final Room (6 of 6) by	06/30/22

3. **List of Attachments:**

- a. None

4. **Suggested Board Discussion Questions:**

- a. Will there be a financial impact of down time as equipment is replaced?  
b. Do we currently have the physician base to support the growth or will new physicians be needed?

**EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING COVER MEMO**

**To:** El Camino Hospital Finance Committee  
**From:** Ken King, CASO  
Jim Griffith, COO  
**Date:** January 30, 2019  
**Subject:** Imaging Equipment Replacement – Funding Request

**1. Recommendation:**

The Finance Committee is requested to recommend that the Board approve the purchase of replacement imaging equipment along with project development for installation and for two new additional rooms a cost not to exceed \$16.9 million

**2. Summary:**

- a. **Situation:** Diagnostic imaging plays a vital role in patient healthcare. It aids in disease prevention, early detection, diagnosis, and treatment. It has become essential for virtually all major medical conditions and diseases. ECH needs to replace end of life equipment (greater than 10 years old) and add capacity to accommodate the projected 19% growth in Imaging Services over the next 10 years.

In 2008-2009 ECH purchased the then-leading edge technologies which included: PET CT, NM SPECT CT, 2 MRI units, 2 CT (including a Dual Source Cardiac) along with Radiology and Fluoroscopy rooms. This equipment is now at the end of its useful life and needs to be replaced. In addition, we have opportunity to improve workflow and decrease patient wait-times through the addition of a third CT scanner and an additional Interventional Radiology procedure room on the first floor. Current utilization of CT is nearly over-capacity, and with very modest growth estimates we will go well into overutilization causing delays in patient care and potential increased length of stays. Our Interventional Radiology program is growing - partially through use of rooms in the radiology department but also through use of rooms in the interventional labs on the second floor. The interventional labs are also capacity constrained. The addition of a dedicated Interventional Radiology procedure room on the first floor will allow growth in this program, and relieve over-crowding in the second floor interventional labs.

The equipment targeted for purchase will continue ECH's tradition of moving to "Low-Dose" technologies. The dangers of excessive radiation exposure are well documented. In fact, CT, Fluoroscopy, and PET scans, which amount to only 25% of annual imaging procedures, make up 90% of medically-related radiation exposure. Equipment vendors have developed dose-reducing strategies that include more sensitive image receptors, better image reconstruction techniques, dose alerts and post-processing software. The El Camino Imaging Department has been noted in the community as dose reducing leader and look forward to providing even greater reduction of harmful radiation patient exposure with the latest technologies available. In addition to reducing radiation in all modalities, we expect to reduce CT dose by 65% with the new Cardiac CT dual source equipment.

The current projected cost breaks down as follows:

CT Scanner # 1	\$ 925,000
CT Scanner # 2	\$ 2,965,000
CT Scanner # 3 (New Room)	\$ 1,765,000
MRI 1.5 T	\$ 2,035,000
MRI 3.0 T (Upgrade)	\$ 1,345,000
Nuclear Med PET CT	\$ 2,526,000

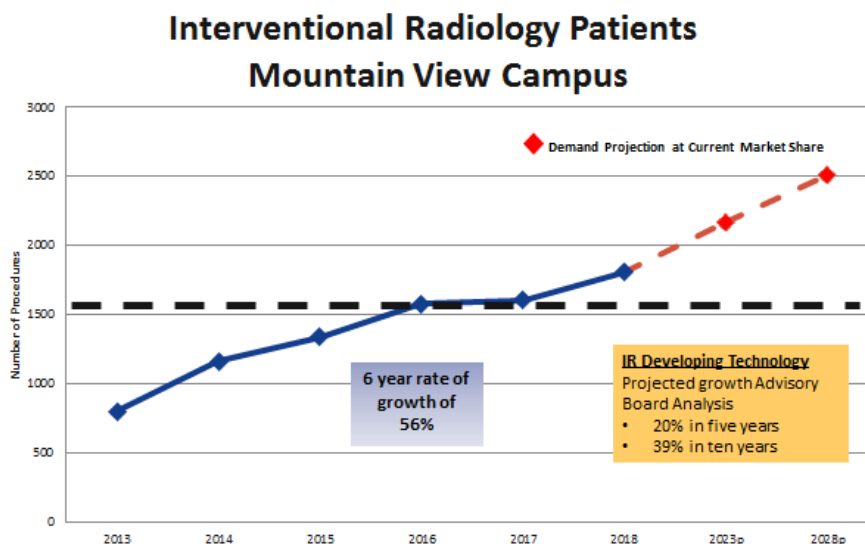
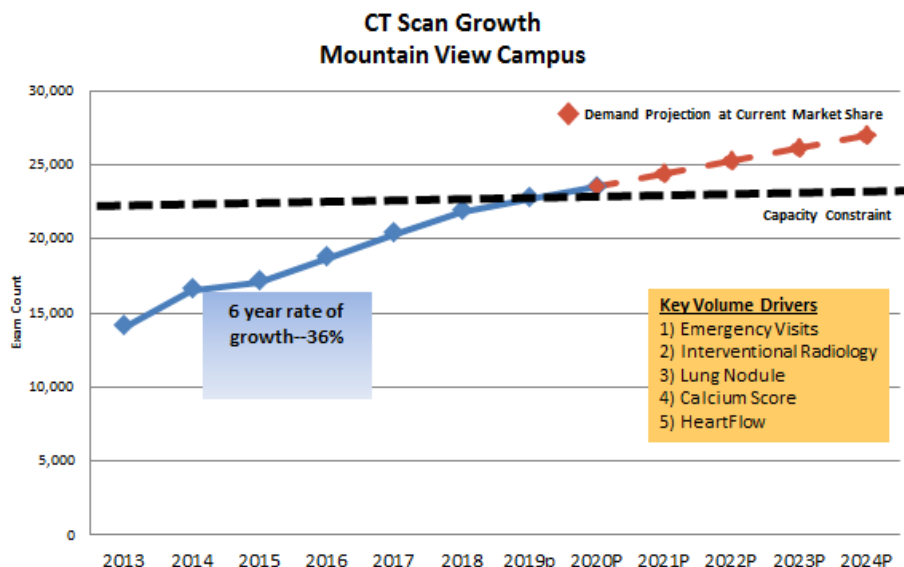
Imaging Equipment Replacement  
January 28, 2019

Nuclear Med SPECT # 1	\$ 710,000
Nuclear Med SPECT # 2	\$ 310,000
Fluoroscopy # 1	\$ 640,000
Fluoroscopy # 2	\$ 649,000
General X-Ray # 1	\$ 370,000
General X-Ray # 2 (Emergency Department)	\$ 315,000
Interventional Radiology (New Room)	\$ 1,345,000
<u>Total Estimated Equipment Costs (Tax Included)</u>	<u>\$15,900,000</u>
Initial Development Costs (Design, permits, pre-construction)	\$ 1,000,000
<b><u>Current Funding Request</u></b>	<b><u>\$16,900,000</u></b>
Anticipated Future Funding Request (Construction & Installation)	\$ 6,400,000
<u>Total Estimated Project Cost</u>	<u>\$23,300,000</u>

- b. Authority: Policy requires that expenditures exceeding \$1 million require the Board's approval.
- c. Background: This request is the first of two requests. Approval of this request will allow us to place purchase orders for equipment that requires the manufacturers' participation in the development of detailed plans and specifications that must receive OSHPD review and approval. Once OSHPD review is substantially complete and construction sequence and costs are known, the final request for funding will be presented. Note that the typical payment terms for the equipment are 0% down, 20% upon delivery and the final 80% upon service start up.  
This entire project is included in the FY-19 Capital Facilities Project Budget at an estimated cost of \$19.4 million.  
  
The development of this project will run parallel to the 2<sup>nd</sup> Floor Interventional Equipment Replacement Project, but will be planned, scheduled and permitted as a separate project that is limited to the 1<sup>st</sup> Floor environment.
- d. Assessment: The primary driver for this investment is the replacement of aging equipment that was fully depreciated within the first seven years of use. The manufacturer and the industry standards are to replace imaging equipment approximately every ten years. The following demonstrates how this investment is supported by the organizations Strategic Framework:

**High Performing Organization** – Service Lines continue to implement their strategic plans for growth in patient volume and these patients requiring diagnosis and treatment that occurs in the Imaging Services Department. The projected growth in CT & Interventional Radiology procedures is indicated in the following graphs:





**Consumer Alignment** – Newer equipment will reduce the amount of radiation that a patient receives. By reducing radiation dose and improving patient safety we are meeting the consumers’ expectations for safer diagnostics.

**Physician Integration** – Radiologists and other physicians rely upon accurate images for diagnosis and treatment. High quality imaging equipment is a foundational element for hospitals and physicians.

- e. Other Reviews: We have engaged the services of an Imaging Equipment planner who is a subject matter expert on the latest imaging technologies and services. The planner has reviewed our equipment, operations and volumes and supports the recommendation. Additional reviews will be conducted during the development of the equipment selection and installation plan. The Radiologists, the Department Leadership and the Executive Leadership support this request.

f. Outcomes: The following sequence and timeline is indicated below.

1. Funding Approval	02/13/19
2. Finalize Equipment Selection and Negotiation by	04/15/19
3. Purchase Orders Place by	04/30/19
4. Construction Plans & Specs Complete by	12/30/19
5. Final Project Budget Approval by	06/15/20
6. OSHPD Review and Approval by	07/30/20
7. Start of Construction & Installation (1 of 13) by	09/01/20
8. Completion of Final Room (13 of 13) by	12/30/22

**3. List of Attachments:**

a. None

**4. Suggested Discussion Questions:**

a. Will there be a financial impact of down time as equipment is replaced?

EL CAMINO HOSPITAL  
FINANCE COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee  
From: Ken King, CASO  
Date: January 30, 2019  
Subject: Waste Water Storage Project – Funding Request

1. **Recommendation:** I recommend that the Finance Committee approve the funding to install code required emergency waste water storage tanks at a cost not to exceed \$3.9 million.

2. **Summary:**

- a. Situation – By 2030 California seismic law requires that hospitals have onsite water and waste water holding tanks for sewage and liquid waste for up to 72 hours. CMS guidelines require hospitals to be capable of safe operations following a disaster for up to 96 hours.

Hospital buildings constructed under the current building codes are required to meet these requirements. As such we determined during the planning for the BHS construction project that the best plan for El Camino Hospital was to install all of our required waste water storage tanks at one time. This requires that we install three emergency holding tanks that will hold up to 80,000 gallons of waste water storage.

We have received plan approval as required from OSHPD for this project and we are ready to proceed so that the work can be completed in time for the BHS project completion. The waste water storage is a building code requirement for new hospital buildings.

- b. Authority – All funding of capital projects between \$1 and \$5 million requires the approval of the Finance Committee.
    - c. Background – All of the sanitary waste water generated by our buildings flows towards Grant Road and connects to the City of Mountain View waste water system. The only logical solution for our campus is to install waste water storage tanks below the parking lot directly in front of the hospital just before the connection to the city system.

The plan we submitted for approval had three tanks installed at an elevation that would allow for the tanks to fill by creating a backup in a

very deep manhole and to drain by gravity. All of this accomplished with control valves.

The OSPHD approved plan requires that the tanks be installed below the level of the existing waste water lines. This means that the tanks need to be nearly 30 feet below finish grade and be anchored to a concrete slab. Under this plan the tanks, if used in an emergency would have to be pumped empty.

The requested funding is to install the tanks as approved, but we are in the process of appealing the requirement to install the tanks below the waste water line elevation.

- d. Assessment – The installation of these tanks is required by law and we must install them. The budgeted cost estimate of \$1.5 million was based on meeting the 72 hour storage requirement with two tanks installed 16 feet below finished grade. The current plan has been designed to meet the CMS 96 hour requirement with the tanks installed at 30 feet below finished grade. The significantly higher cost of \$3.9 million is due to the increased capacity and depth which requires shoring, over excavating for the concrete slab and the installation of multiple manholes needed to meet pump out requirements.

If we are successful in our appeal to install the tanks above the existing waste line with gravity flow we will significantly reduce the cost of the project.

- e. Other Reviews – This project has been developed with civil and mechanical engineers and contractors. No other reviews have occurred.
- f. Outcomes – The following target timeline is indicated below:

1. Funding Approved	01/28/19
2. Tanks Ordered by	01/31/19
3. Resolution of Appeal by	02/28/19
4. Construction / Installation Start by	03/15/19
5. Construction / Installation Complete by	07/01/19
6. OSHPD Sign Off by	07/15/19

**3. List of Attachments:**

None

**4. Suggested Board Discussion Questions:**

- a. What other seismic requirements need to be implemented?
- b. How will parking for patients and visitors be managed while the work is in progress?

EL CAMINO HOSPITAL  
FIANCE COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee  
From: Iftikhar Hussain  
Date: January 30, 2019  
Subject: Purchase of DaVinci Surgical Robot

1. **Recommendation:**

Approve capital purchase of DaVinci Surgical Robot for a net purchase price of \$1,550,000

2. **Summary:**

a. **Situation and Background:**

We have a current fleet of 4 DaVinci Surgical Robots - 3 at the Mountain View Campus 1 at the LG Campus. All but one are the current Xi model and are fully utilized. The older generation Si is not utilized. Replacing the Si with the Xi will allow us to meet the demand for additional volume.

b. **Authority:** Policy requires that expenditures exceeding \$1 million and less than \$5 million require the Finance Committee's approval.

c. **Assessment:**

The surgeons have expressed the need for additional capacity based on the newer model and the program has a solid track record for growth

3. **List of Attachments:**

Presentation about the DaVinci Surgical Robot program



**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

Purchase DaVinci Surgical  
Robot for Mountain View  
Campus

Finance Committee

January 30, 2019

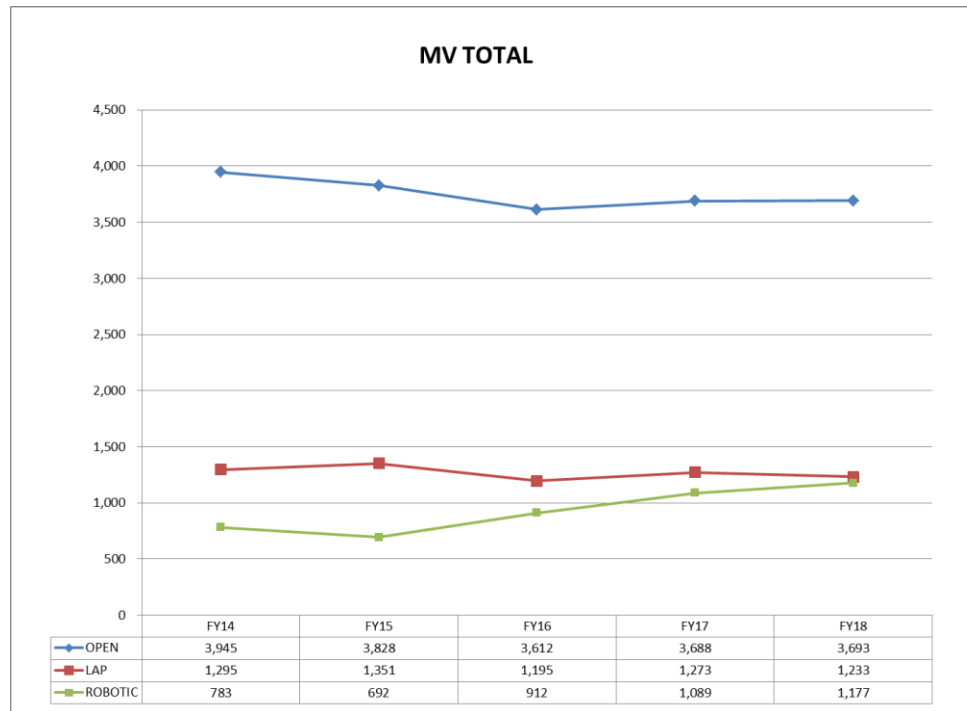
# Da Vinci Surgical Robots Approval Timeline & Detail

- Surgical Robot Fleet:
  - **Prior to** May 2017 –
    - MV – 2 Model Xi (New Gen), 1 Model Si (Older Gen)
    - LG – 1 Model Si
  - **After acquisition** of 2 additional Xi robots in May June 2017
    - MV – 3 Model Xi, 1 Model Si
    - LG – 1 Model Xi (Replaces Si traded in)
- Current proposal to purchase Xi in MV to replace unused Si
- Total Acquisition Cost: \$1.5 million net of trade-in

Acquisition of da Vinci Xi for Mt View Campus						
SUMMARY MODEL						
		INCREMENTAL				
		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Cases		176	176	176	176	176
PATIENT REVENUE		5,674,063	5,674,063	5,674,063	5,674,063	5,674,063
COST						
Direct + Variable Indirect Cost		1,850,663	1,850,663	1,850,663	1,850,663	1,850,663
Service Contract			154,000	154,000	154,000	154,000
Depreciation (5 yrs)		310,000	310,000	310,000	310,000	310,000
		2,160,663	2,314,663	2,314,663	2,314,663	2,314,663
Contribution Margin		3,513,400	3,359,400	3,359,400	3,359,400	3,359,400
Overhead Costs		773,162	773,162	773,162	773,162	773,162
Net Margin		2,740,238	2,586,238	2,586,238	2,586,238	2,586,238
Cash Flow	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Initial Investment	(1,550,000)					
Contrib Margin + Deprec		3,050,238	2,896,238	2,896,238	2,896,238	2,896,238
Cash Flow	(1,550,000)	3,050,238	2,896,238	2,896,238	2,896,238	2,896,238
Cumulative Cash Flow	(1,550,000)	1,500,238	4,396,477	7,292,715	10,188,953	13,085,192
<b>NPV</b>						
\$10,605,584						
<b>IRR</b>						
192.5%						
K:\Finance\FMS_Dept\Business Development\Robotics\Intuitive Surgical\[Robotics_FY2014_FY2018 Analysis VC 12172018.xlsx]Summary Model						
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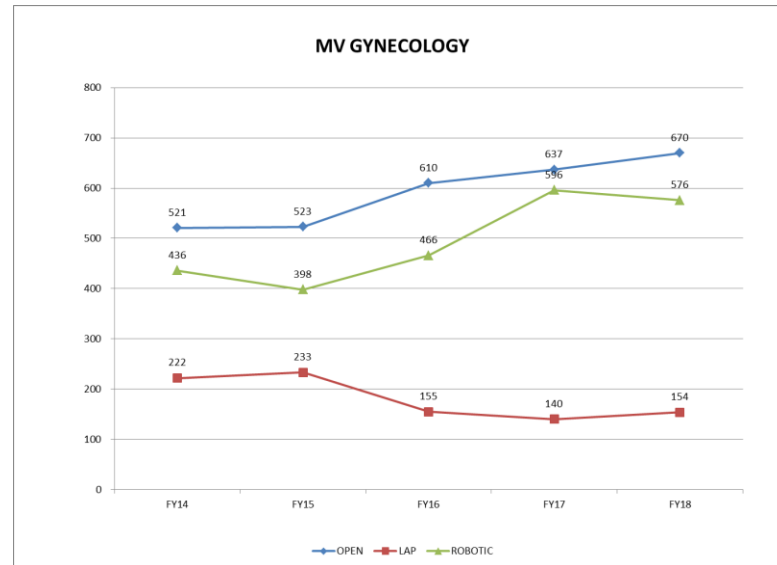
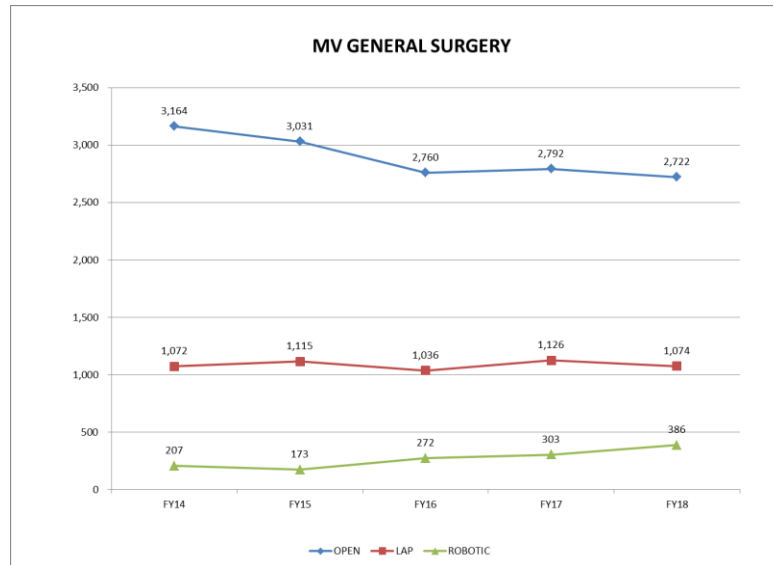
# Mt View – All Surgeries FY2014 – FY2018



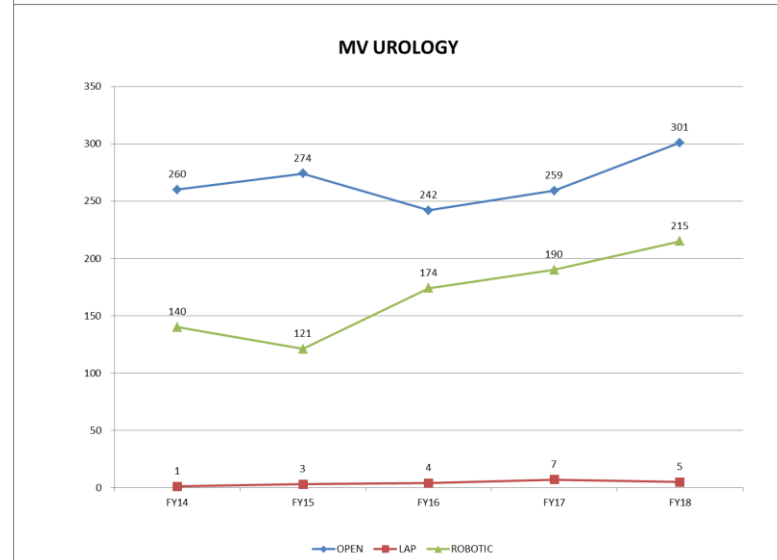
- Xi volume at capacity 392 per machine.
- Si not used
- Robotics cases increased by 177 in FY 17 and another 88 cases in FY 18

# Surgeries by MD Specialty

## Mt View FY2014 – FY2018

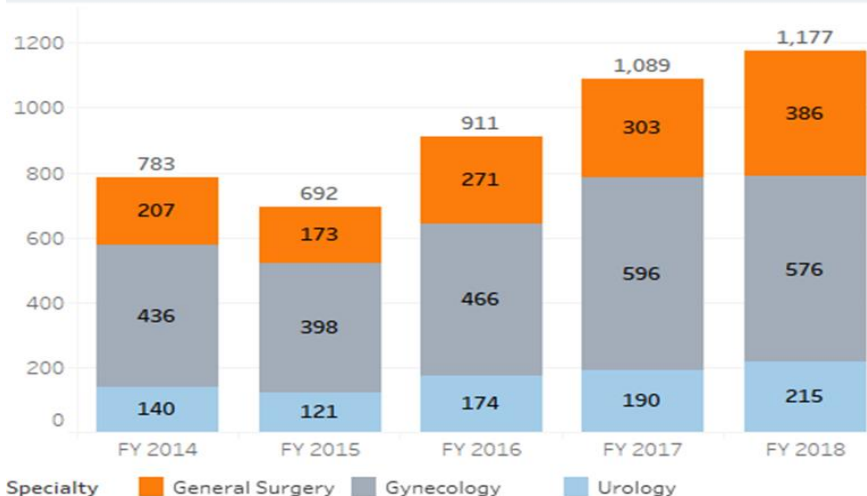


- General surgery and urology robotic cases increased in FY 17 and FY 18 with no drop in lap
- Gyn robotics cases show had small conversion from lap.
- No drop in Gyn lap cases in FY 18

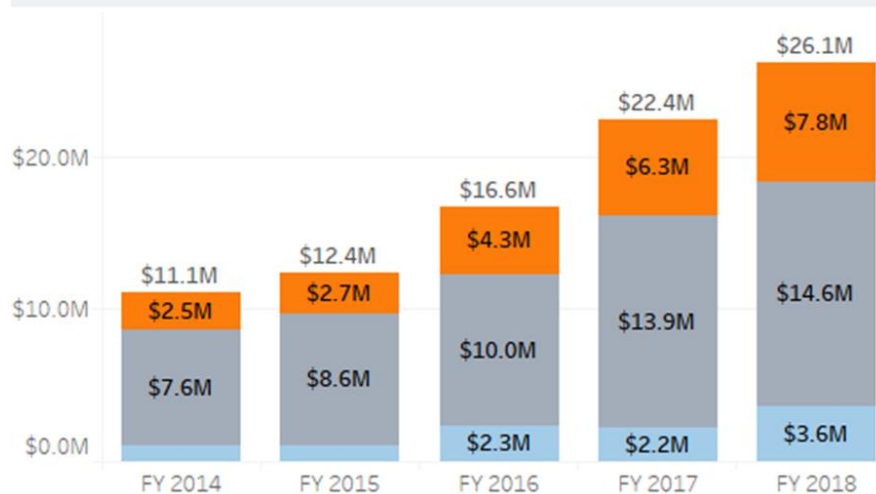


# Robotic Surgery – Mt View FY2014 – FY2018

Case Volume



Contribution to Indirect



# Surgery Category Mappings to Surgeon Specialties

Specialty Grouping	Surgeon Specialty
General Surgery	Bariatrics
General Surgery	Colon and Rectal Surgery
General Surgery	Gastroenterology
General Surgery	General Surgery
General Surgery	Hand Surgery
General Surgery	Interventional Radiology
General Surgery	Neurosurgery
General Surgery	Ophthalmology
General Surgery	Oral Maxillofacial Surgery
General Surgery	Orthopedic Surgery
General Surgery	Otolaryngology
General Surgery	Plastic Surgery
General Surgery	Podiatry
General Surgery	Surgery-Neurological
General Surgery	Surgical Oncology
Gynecology	Female Pelvic and Reconstructi
Gynecology	Gynecologic Oncology
Gynecology	Maternal and Fetal Medicine
Gynecology	Obstetrics and Gynecology
Urology	Nephrology
Urology	Urology

## Finance Committee

Updated January 11, 2019

FY19 FC Pacing Plan – Q1		
July 30, 2018	August 2018	September 24, 2018
<ul style="list-style-type: none"> <li>- Meeting Minutes (May 2018), any policies</li> <li>- Financial Report (FY18 Period 11, 12)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Physician Transaction Compliance Education</li> <li>- Year-End Financial Report</li> <li>- Financial Institutions</li> <li>- Delegation of Authority to the Committee</li> <li>- El Camino Ambulatory Surgery Center JV Purchase</li> <li>- Education Topic: Medicare Loss and IP/OP margins</li> </ul>	<p>No scheduled meeting</p>	<ul style="list-style-type: none"> <li>- Meeting Minutes (July 2018), any policies</li> <li>- Financial Report (FY19 Period 1, 2)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in Progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Service Line Review – HVI</li> </ul>
FY19 FC Pacing Plan – Q2		
October 2018	November 26, 2018	December 2018
<ul style="list-style-type: none"> <li>- <b>October 24, 2018 – Board and Committee Educational Session</b></li> </ul>	<ul style="list-style-type: none"> <li>- Meeting Minutes (September 2018), any policies</li> <li>- Financial Report (FY19 Period 3,4)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests – Woman’s Hospital</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Service Line Review – Oncology</li> <li>- Post implementation Review</li> <li>- Payor Update</li> <li>- HVI (Continue)</li> <li>- Consider Proposed Revisions to Signature Authority Policy</li> <li>- Consider Proposed Revisions to Physician Financial Arrangements Policy</li> <li>- Consider Proposed Revisions to Finance Committee Charter</li> <li>- Executive Session</li> </ul>	<p>No scheduled meeting</p>

## Finance Committee

Updated January 11, 2019

FY19 FC Pacing Plan – Q3		
January 28, 2019	February 2019	March 25, 2019
<b>**Joint Meeting with the Investment Committee</b> <b>- Long Term Forecast</b> <ul style="list-style-type: none"> <li>- Meeting Minutes (November 2018), any policies</li> <li>- Financial Report (FY19 Period 5,6)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- <del>Service Line Review—BHS</del></li> <li>- <del>Summary of Physician Financial Arrangements (Year-End)</del></li> <li>- Executive Session</li> <li>- SVMD Clinic Site Tenant Improvements</li> <li>- <b>Women's Hospital Funding</b></li> </ul>	<p>No scheduled meeting</p>	<ul style="list-style-type: none"> <li>- Meeting Minutes (January 2019), any policies</li> <li>- Financial Report (FY19 Period 7,8)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Preview FY20 Budget Part # 1</li> <li>- Discuss and recommend FY19 Committee Goals</li> <li>- Discuss FY20 Committee Dates</li> <li>- Payor Update</li> <li>- SVMD "Strategies and Execution"</li> <li>- Medical Staff Development Plan</li> <li>- Executive Session</li> <li>- <b>BHS Service Line</b></li> <li>- <b>Summary of Physician Financial Arrangements (Year-End)</b></li> </ul>
FY19 FC Pacing Plan – Q4		
April 22, 2019	May 28, 2019	June 2019
<ul style="list-style-type: none"> <li>- FY20 Budget Review – Part 2</li> <li>- <b>April 24, 2019 – Board and Committee Educational Session</b></li> </ul>	<b>**Joint Meeting with the Hospital Board on the Operating &amp; Capital Budget</b> <ul style="list-style-type: none"> <li>- Meeting Minutes (March 2019), any policies</li> <li>- Financial Report (FY19 Period 9,10)</li> <li>- Physician Contracts</li> <li>- Capital Funding Requests</li> <li>- Review Major Capital Projects in progress</li> <li>- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions</li> <li>- Review and recommend FY20 Budget</li> <li>- Review and recommend FY20 Organizational Goals</li> <li>- Executive Session</li> </ul>	<p>No scheduled meeting</p>

- Post-Implementation Reviews every (15-18 months)