El Camino Health

AGENDA
FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Monday, January 30, 2023 – 5:30 pm

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

PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1), El CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION TO THE PUBLIC FOR THIS MEETING**. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

Dial-In: 1-669-900-9128. Meeting Code: 936 3711 1717#. No participant code. Just press #.

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
1. CALL TO ORDER / ROLL CALL	Don Watters, Chair		**5:30 – 5:31 pm**
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Don Watters, Chair		**information** **5:31– 5:32**
3. PUBLIC COMMUNICATION a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	Don Watters, Chair		**information** **5:32 – 5:35**
4. CONSENT CALENDAR *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** a. Minutes of the Open Session of the Finance Committee (11/21/2022) b. FY2023 Period 5 Financial Report ***Information*** c. FY2023 Pacing Plan d. Progress Against FY2023 FC Goals e. Article (s) of Interest	Don Watters, Chair		**motion required** **5:35-5:40**
5. REPORT ON BOARD ACTIONS	Don Watters, Chair		**information** **5:40 – 5:45**
6. FY2023 PERIOD 6 FINANCIAL REPORT	Carlos Bohorquez, CFO	*public comment*	**motion required** **5:45-6:00**
7. COMMUNITY BENEFIT BUDGET OVERVIEW	Jon Cowan, Senior Director, Government Relations & Community Partnerships		**discussion** **6:00 – 6:10**
8. CAPITAL PROJECTS a. MV & LG Pharmacy Upgrades	Meenesh Bhimani, MD, COO Ken King, CASO		**motion required** **6:10-6:20**
9. ADJOURN TO CLOSED SESSION	Don Watters, Chair	*public comment*	**motion required** **6:20 – 6:21**

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 650-988-8483 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
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Don Watters, Chair		**information 6:21-6:22**
11. CONSENT CALENDAR *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2*: a. Minutes of the Closed Session of the Finance Committee (11/21/2022) ***Information*** *Health and Safety Code Section 32106(b):* Physician Contracts b. Hospitalist Professional Services Agreement (LG) c. Hospitalist Professional Services Agreement (MV) d. Plastic Surgery Per Activation Professional Services Agreement (LG) e. Psychiatric Telehealth Services Renewal Agreement f. Anesthesia Services Agreement	Don Watters, Chair		**motion required 6:22-6:24**
12. *Health and Safety Code Section 32106(b)* – for a report and discussion involving healthcare facility trade secrets: **MANAGED CARE UPDATE**	Carlos Bohorquez, CFO Joan Kezic, VP of Payor Relations		**discussion 6:24-6:44**
13. *Health and Safety Code Section 32106(b)* – for a report and discussion involving healthcare facility trade secrets: **STRATEGIC/ FACILITIES CAPITAL ALLOCATION PROCESS UPDATE**	Carlos Bohorquez, CFO		**information 6:44-7:04**
14. *Health and Safety Code Section 32106(b)* – for a report and discussion involving healthcare facility trade secrets: **ECHMN QUARTERLY FINANCIAL REPORT**	Shahab Dadjou, President of ECHMN David Neapolitan, ECHMN VP of Finance		**discussion 7:04-7:24**
15. *Health and Safety Code Section 32106(b)* – for a report and discussion involving healthcare facility trade secrets: **MARKET SHARE/ SERVICE LINE OVERVIEW**	Omar Chughtai, CGO Carlos Bohorquez, CFO		**discussion 7:24-7:39**
16. *Gov't Code Sections 54957* for report and discussion on personnel matters – Senior Management: - Executive Session	Don Watters, Chair		**discussion 7:39-7:44**
17. ADJOURN TO OPEN SESSION	Don Watters, Chair		**motion required 7:44-7:45**
18. RECONVENE OPEN SESSION / REPORT OUT	Don Watters, Chair		**information 7:45-7:46**
To report any required disclosures regarding permissible actions taken during the Closed Session.			

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
19. CONTRACTS & AGREEMENTS ***Approval*** a. Hospitalist Professional Services Renewal Agreement (LG) b. Hospitalist Professional Services Agreement (MV) c. Plastic Surgery Per Activation Professional Services Agreement (LG) d. Anesthesia Services Agreement ***Recommended for Board Approval*** e. Psychiatric Telehealth Services Renewal Agreement (Enterprise)	Mark Adams, MD, CMO		**motion required** **7:46-7:50**
20. CLOSING COMMENTS	Don Watters, Chair		**information** **7:50 –7:54**
21. ADJOURNMENT	Don Watters, Chair	*public comment*	**motion required** **7:54 pm**

Upcoming Meetings:
Regular Meetings: February 27, 2023 (Joint FC-IC), March 27, 2023, May 22, 2023

Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, November 21, 2022
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

Members Present	**Members Absent**
Don Watters, Chair	**Joseph Chow**
Wayne Doiguchi	
Peter Fung, MD	
Bill Hooper	
Cynthia Stewart	**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30 pm by Chair Don Watters. A verbal roll call was taken and all members were present at roll call except for Joseph Chow who was absent. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020, and N-29-20 dated March 18, 2020.	
2. POTENTIAL CONFLICT OF INTEREST	Chair Watters asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	**Motion**: To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee meeting (09/27/2022) (b) FY2023 Period 3 Financial Report (c) FY2023 Pacing Plan (d) Progress Against FY2023 Goals (e) Article(s) of Interest. **Movant:** Hooper **Second:** Fung **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	***Consent Calendar was approved.***
5. REPORT ON BOARD ACTIONS	Chair Watters asked the Committee for any questions or feedback on the Report on Board Actions, as further detailed in the packet.	
6. FY2023 PERIOD 4 FINANCIAL REPORT	Carlos Bohorquez, Chief Financial Officer presented the FY2023 Period 4 Financial Report through October 31,2022, and highlighted the following: • Mr. Bohorquez began the discussing by stating that workforce challenges and inflation are starting to have a material impact on the financial performance of the organization. • ADC (average daily census), was strong for October, mainly driven by general medicine which was more than 10% favorable to budget. This activity was driven by an early start of the flu season and resurgence of Covid. ADC of 301 compared to budget of 257, about 17% better than budget and 7% better than last fiscal year. • Higher ADC has resulted in increased utilization of OT and contract labor which has increased the total labor expense and is impacting financial results.	

	• Another factor negatively impacting financial performance is lower commercial payor mix which is driven by higher general medical cases which are typically Medicare. • For the outpatient procedural cases, we are unfavorable to budget by 14.4% which is not an area of concern as this is attributed to the decrease in Covid testing and vaccinations. • One area that we are continuously focusing on and managing is net days in A/R. The current year is at 60.8 versus a budget of 54.0. This is driven by the following (1) an increase in unresolved claim issues related to us being out of contract with one specific payor (2) denial rates across the organization have increased (3) and the additional activity across the organization puts an additional burden on the revenue cycle as they are experiencing some staffing challenges and the built up with our collectibles. There is plan in place to reduce net days in A/R which has been implemented, so the expectation is that by Q1 of CY2023 net days in A/R will be closer to the target. • Operating EBIDA was unfavorable to budget by $880K and $3.9 million lower than the same period last year. **<u>Operational/ Financial Results: YTD FY2023 as of October 31 , 2022</u>** • YTD ADC is 298 which is 20% favorable to budget and 10% higher than last fiscal year is driven by general medicine. • Gross charges are better than budget by 9.3% and 13.3% better than last fiscal year. • Overall Operating Revenue is better than budget by 2.7% and 8.6% better than last fiscal year. • Operating EBIDA is favorable to budget by $5.4 million, but about $5.1 million lower than the same period of last fiscal year. **Motion**: To approve the FY2023 Period 4 Financial Report. **Movant:** Fung **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	
7. FY2024 COMMUNITY BENEFIT GRANT APPLICATION GUIDING PRINCIPLES AND PROCESS	Jon Cowan, Senior Director, Government Relations & Community Partnerships presented the FY2024 Community Benefit (CB) Grant Application Guiding Principles and Process and highlighted the following as further detailed in the materials: Mr. Cowan stated Guiding Principles" are a list of 6-10 policy statements that set the parameters and guardrails which guide Community Benefit's philosophy for health improvement. **<u>FY2024 Grant review and Timeline & Process</u>** • Applications Released: December 15, 2022 • Applications Due: February 24, 2023 • Staff Review of Proposals: February-April 2023	

	• Hospital Community Benefit Committee (HCBC) meets in April • HCBC's recommendations for funding are provided to the Finance Committee (FC) as part of CB Annual Plan & Implementation Strategy • FC approves grant funding through the FY2024 ECH Implementation Strategy Report and Community Benefit Plan • FY2023 Plan presented to the Finance Committee: May 2023 • Notification of Award or Denial: June 2023 **FY2023 Progress Update: Grantee Acknowledgment** • FY2023 grant agreements include guidelines for acknowledging El Camino Health funds through a variety of channels, including building signage for grants ≥ $200K and mobile van signage for grants ≥ $50K. ECH grant partners will begin implementing signage in January 2023. • Grant partners will be required to report on their acknowledgments in midyear reports. • Grant managers are reinforcing the guidelines and ensuring that grant partners follow through in FY2023.	
8. ADJOURN TO CLOSED SESSION	**Motion**: To adjourn to closed session at 5:55 pm. **Movant:** Hooper **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	***Adjourned to closed session at 5:55 pm***
9. AGENDA ITEM 18: RECONVENE OPEN SESSION/REPORT OUT	During the Closed Session, the Finance Committee approved the following item: Closed Session Minutes of the September 27, 2022 Finance Committee Meeting by a unanimous vote of all Committee Members present (Mr. Doiguchi, Dr. Fung, Mr. Hooper, Ms. Stewart, Mr. Watters) except for Mr. Chow who was absent.	
10. AGENDA ITEM 16: PHYSICIAN CONTRACTS & AGREEMENTS	**Motion:** To approve physician contracts recommend for board approval. **Movant:** Fung **Second:** Doiguchi, **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	
11. AGENDA ITEM 17: CLOSING COMMENTS	None	
12. AGENDA ITEM 18: ADJOURNMENT	**Motion:** To adjourn at 8:43 pm. **Movant:** Fung **Second:** Hooper **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None	***Meeting adjourned at 8:43 pm***

	Absent: Chow **Recused:** None	

Attest as to the approval of the foregoing minutes by the Finance Committee of El Camino Hospital:

____

Don Watters
Chair, Finance Committee

Prepared by: Samreen Salehi, Executive Assistant II, Administrative Services

El Camino Health

Summary of Financial Operations

Fiscal Year 2023 – Period 5

7/1/2022 to 11/30/2022

Executive Summary - Overall Commentary for Period 5

- **Mixed financial results for Period 5:**
  - Overall Revenue Favorable to budget by $13.7M / 3.1%
    - Driven primarily by Inpatient activity
      - Inpatient Charges $12.1M / 5.7% favorable to budget
      - Inpatient General Medicine activity 11% over budget, driving higher Medicare utilization
    - Outpatient activity in the Emergency Room and Orthopedic Surgery areas remain strong
  - Cost Management
    - When adjusted for volume, overall operating expense continues to be favorable to budget
    - Labor: Contract Labor and Overtime remain at high levels
- Gross charges were favorable to budget by $13.7M / 3.1% and $39.5M / 9.4% higher than the same period last year.
- Net patient revenue was favorable to budget by $1.6M / 1.4% and $6.3M / 5.8% higher than the same period last year.
- Operating margin was unfavorable to budget by $1.1M / 8.9% and $4.0M / 26.3% lower than the same period last year.
- Operating EBIDA was unfavorable to budget by $857K / 4.3% and $4.1M / 17.9% lower than the same period last year.
- Net income was favorable to budget by $51.9M and $73.2M above the same period last year.

El Camino Health

Operational / Financial Results: Period 5 – November 2022 (as of 11/30/2022)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	288	268	21	7.7%	259	30	11.4%	---	---	---
	Total Acute Discharges	1,742	1,732	10	0.6%	1,665	77	4.6%	---	---	---
	Adjusted Discharges	3,468	3,529	(60)	(1.7%)	3,385	83	2.5%	---	---	---
	Emergency Room Visits	6,895	5,126	1,769	34.5%	5,525	1,370	24.8%	---	---	---
	OP Procedural Cases	11,591	13,468	(1,877)	(13.9%)	13,075	(1,484)	(11.3%)	---	---	---
	Gross Charges ($)	458,709	445,006	13,703	3.1%	419,177	39,532	9.4%	---	---	---
Operations	Total FTEs	3,289	3,273	16	0.5%	3,041	248	8.2%	---	---	---
	Productive Hrs. / APD	28.1	29.6	(1.5)	(4.9%)	28.5	(0.4)	(1.4%)	---	---	---
	Cost Per CMI AD	17,633	18,036	(403)	(2.2%)	16,172	1,461	9.0%	---	---	---
	Net Days in A/R	60.1	54.0	6.1	11.4%	58.8	1.3	2.3%	47.7	49.7	
Financial Performance	Net Patient Revenue ($)	113,525	111,911	1,614	1.4%	107,257	6,268	5.8%	138,547	82,105	
	Total Operating Revenue ($)	117,881	116,463	1,418	1.2%	110,857	7,024	6.3%	152,743	109,602	
	Operating Margin ($)	**11,267**	**12,368**	**(1,101)**	(8.9%)	**15,297**	**(4,029)**	(26.3%)	**1,915**	**3,836**	
	Operating EBIDA ($)	**19,006**	**19,863**	**(857)**	(4.3%)	**23,156**	**(4,150)**	(17.9%)	**11,188**	**10,741**	
	Net Income ($)	67,238	15,322	51,916	338.8%	(5,935)	73,173	1232.9%	8,124	7,343	
	Operating Margin (%)	**9.6%**	**10.6%**	**(1.1%)**	(10.0%)	**13.8%**	**(4.2%)**	(30.7%)	**1.9%**	**3.5%**	
	Operating EBIDA (%)	**16.1%**	**17.1%**	**(0.9%)**	(5.5%)	**20.9%**	**(4.8%)**	(22.8%)	**8.3%**	**9.8%**	
	DCOH (days)	255	325	(70)	(21.4%)	328	(73)	(22.2%)	306	355	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2021. Dollar amounts have been adjusted to reflect monthly averages.
S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021. Dollar amounts have been adjusted to reflect monthly averages.
DCOH total includes cash, short-term and long-term investments.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Operational / Financial Results: YTD FY2023 (as of 11/30/2022)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	296	252	44	17.5%	267	28	10.6%	---	---	---
	Total Acute Discharges	9,039	8,476	563	6.6%	8,748	291	3.3%	---	---	---
	Adjusted Discharges	17,558	17,210	348	2.0%	17,139	419	2.4%	---	---	---
	Emergency Room Visits	30,236	26,252	3,984	15.2%	27,086	3,150	11.6%	---	---	---
	OP Procedural Cases	60,497	67,384	(6,887)	(10.2%)	63,709	(3,212)	(5.0%)	---	---	---
	Gross Charges ($)	2,338,906	2,165,176	173,730	8.0%	2,078,281	260,625	12.5%	---	---	---
Operations	Total FTEs	3,266	3,266	0	0.0%	3,008	258	8.6%	---	---	---
	Productive Hrs. / APD	28.3	30.9	(2.6)	(8.4%)	28.6	(0.4)	(1.3%)	---	---	---
	Cost Per CMI AD	17,679	18,036	(358)	(2.0%)	16,211	1,467	9.1%	---	---	---
	Net Days in A/R	60.1	54.0	6.1	11.4%	58.8	1.3	2.3%	47.7	49.7	
Financial Performance	Net Patient Revenue ($)	568,396	553,446	14,949	2.7%	524,922	43,474	8.3%	692,736	410,523	
	Total Operating Revenue ($)	587,377	573,704	13,673	2.4%	543,368	44,009	8.1%	759,547	548,010	
	Operating Margin ($)	**59,234**	**55,799**	**3,436**	6.2%	**70,371**	**(11,137)**	(15.8%)	**9,574**	**19,180**	
	Operating EBIDA ($)	**98,198**	**93,715**	**4,483**	4.8%	**107,487**	**(9,289)**	(8.6%)	**55,942**	**53,705**	
	Net Income ($)	89,914	70,208	19,706	28.1%	65,344	24,570	37.6%	40,622	36,717	
	Operating Margin (%)	**10.1%**	**9.7%**	**0.4%**	3.7%	**13.0%**	**(2.9%)**	(22.1%)	**1.9%**	**3.5%**	
	Operating EBIDA (%)	**16.7%**	**16.3%**	**0.4%**	2.3%	**19.8%**	**(3.1%)**	(15.5%)	**8.3%**	**9.8%**	
	DCOH (days)	255	325	(70)	(21.4%)	328	(73)	(22.2%)	306	355	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2021.
S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021
DCOH total includes cash, short-term and long-term investments.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Consolidated Balance Sheet (as of 11/30/2022)

($000s)

ASSETS

CURRENT ASSETS	November 30, 2022	Audited June 30, 2022
Cash	210,463	196,067
Short Term Investments	133,587	138,654
Patient Accounts Receivable, net	225,752	209,668
Other Accounts and Notes Receivable	17,322	9,927
Intercompany Receivables	11,334	13,998
Inventories and Prepaids	38,189	36,476
Total Current Assets	**636,646**	**604,789**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	23,569	18,721
Plant & Equipment Fund	342,195	310,367
Women's Hospital Expansion	30,401	30,261
Operational Reserve Fund	207,898	182,907
Community Benefit Fund	17,613	18,299
Workers Compensation Reserve Fund	14,029	14,029
Postretirement Health/Life Reserve Fund	30,235	29,783
PTO Liability Fund	35,330	33,709
Malpractice Reserve Fund	1,865	1,906
Catastrophic Reserves Fund	27,981	24,668
Total Board Designated Assets	**731,115**	**664,651**
FUNDS HELD BY TRUSTEE	**-**	**0**
LONG TERM INVESTMENTS	**454,775**	**499,483**
CHARITABLE GIFT ANNUITY INVESTMENTS	**959**	**940**
INVESTMENTS IN AFFILIATES	**29,585**	**30,376**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,901,262	1,872,501
Less: Accumulated Depreciation	(810,088)	(778,427)
Construction in Progress	128,031	96,603
Property, Plant & Equipment - Net	**1,219,205**	**1,190,676**
DEFERRED OUTFLOWS	19,071	19,474
RESTRICTED ASSETS	32,586	31,200
OTHER ASSETS	219,342	138,632
TOTAL ASSETS	3,343,285	3,180,222

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	November 30, 2022	Audited June 30, 2022
Accounts Payable	62,006	51,286
Salaries and Related Liabilities	49,248	46,502
Accrued PTO	35,395	34,449
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	12,935	14,942
Intercompany Payables	8,675	13,489
Malpractice Reserves	2,096	2,096
Bonds Payable - Current	9,905	9,905
Bond Interest Payable	6,477	8,096
Other Liabilities	12,779	15,739
Total Current Liabilities	**201,815**	**198,804**
LONG TERM LIABILITIES		
Post Retirement Benefits	30,235	29,783
Worker's Comp Reserve	14,029	14,029
Other L/T Obligation (Asbestos)	38,081	5,073
Bond Payable	465,638	466,838
Total Long Term Liabilities	**547,983**	**515,723**
DEFERRED REVENUE-UNRESTRICTED	**12,002**	**12,864**
DEFERRED INFLOW OF RESOURCES	**104,214**	**51,133**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,228,839	2,154,900
Board Designated	207,892	210,197
Restricted	40,540	36,601
Total Fund Bal & Capital Accts	**2,477,271**	**2,401,698**
TOTAL LIABILITIES AND FUND BALANCE	**3,343,285**	**3,180,222**

El Camino Health

Finance Committee												
AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	8/15	9/27	OCT	11/21	DEC	1/31	FEB	3/27	APR	5/22	JUN
STANDING AGENDA ITEMS												
Standing Consent Agenda Items		✓	✓		✓		✓		✓		✓	
Minutes		✓	✓		✓		✓		✓		✓	
Period Financials Report (Approval)		✓	✓		✓		✓		✓		✓	
Board Actions		✓	✓		✓		✓		✓		✓	
Executive Session		✓	✓		✓		✓		✓		✓	
APPROVAL ITEMS												
Candidate Interviews & Recommendation to Appoint (If required to add / replace committee member)												
Financial Report Year End Results			✓									
Next FY Committee Goals, Dates, Plan									✓		✓	
Next FY Org. Goals											✓	
Next FY Community Benefit Grant Program									✓		✓	
Physician Contracts		✓	✓		✓		✓		✓		✓	
DISCUSSION ITEMS												
Financial Report (Pre-Audit Year End Results)		✓										
Service Line Review			✓		✓		✓		✓		✓	
Progress on Opportunities/ Risks					✓							
Medical Staff Development Plan (every 2 years)		✓										
Progress Against Committee Goals & Pacing Plan (Quarterly)					✓				✓			

Finance Committee

AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	8/15	9/27	OCT	11/21	DEC	1/31	2/27	3/27	APR	5/22	JUN
Foundation Update					✓							
ECHMN Update			✓				✓				✓	
Community Benefit Grant Application Process					✓				✓			
Progress Against Strategic Plan					✓				✓		✓	
Managed Care Update							✓					
Long Range Financial Forecast							~~✓~~	✓				
Revenue Cycle Update									✓			
Next FY Budget process and Preliminary Assumptions Review									✓			
Review FY Operational / Capital Budget for Recommendation to Board											✓	
Community Benefit Grant Program Update									✓			
Summary Physician Financial Arrangements									✓			
Committee Planning (goals, dates, plan)									✓			
Post Implementation Review (as needed)												
Other Updates[1] (as needed)												

1: Includes updates on special projects/joint ventures/real estate, ad-hoc updates

FY2023 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: **Carlos Bohorquez**, 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 Progress Against Strategic Plan	Q2, Q3 and Q4	**November 2022**, March 2023, May 2023
2. Summary of Physician Financial Agreements	Q3	March 2023
3. Review Progress on Opportunities / Risks identified by Management for FY2023 and Managed Care Update	Q2, Q3	**Progress on Opportunities / Risks (November 2022**), Managed Care update (January 2023)
4. Review strategy, goals, and performance of business affiliates and service lines: 1) Joint Venture – Satellite Healthcare, 2) Orthopedics, 3) Cardiology, 4) ECHMN, 5) CONCERN, 6) Hospital Community Benefits Program, 7) Foundation Performance to Target and 3-5 year strategic plan 8) Urology 9) Oncology	Q1	Service Line Overview: CONCERN (2022), **In Progress** **Urology (September 2022), ECHMN (September 2022)**
	Q2	Service Line Overview: **Orthopedics (November 2022), Hospital Community Benefits Program (November 2022), Philanthropy Foundation (November 2022)**
	Q3	Service Line Overview: ECHMN (January 2023) **In Progress**, **Cardiology (May 2022)**, Hospital Community Benefits Program (March 2023), Oncology (March 2023)
	Q4	ECHMN (May 2023)
5. Review and evaluate ongoing customer service/patient experience tactics / metrics and use of AI to improve the process and customer experience for the Revenue Cycle	Q3	Monitor customer service and patient satisfaction metrics (March 2023)

SUBMITTED BY: **Chair**: Don Watters | **Executive Sponsor**: Carlos Bohorquez, CFO

BECKER'S HOSPITAL REVIEW

6 headwinds, 2 tailwinds affecting hospital finances in 2023: KPMG

Alan Condon - Wednesday, January 11th, 2023

Declining margins, decreasing patient volumes and strained payer relationships are among the core challenges facing hospitals and health systems as the labor crisis exacerbates operational issues and inflation drives up the cost of drugs, equipment and supplies.

These macroeconomic pressures are expected to remain in place for a while to come, pushing health systems to explore innovative ways to improve their financial footing, including mergers and acquisitions, joint ventures and non-traditional partnerships, according to KPMG's "2023 Healthcare and Life Sciences Investment Outlook," published Jan. 9:

In the report, KPMG outlined six headwinds and two tailwinds that will be top of mind for hospital and health system decision-makers this year:

Headwinds

- **Margin pressures.** Challenges will include inflation, high supply and labor costs, and limited availability of clinical and nonclinical staff.

- **Reimbursement growth could continue to trail cost increases.** The rising costs of supplies and labor may continue to squeeze hospital margins.

- **Some safety-net systems will struggle.** Unemployment may rise in some communities, with associated rises in poverty and the numbers of uninsured.

- **Pricing pressures.** Hospital price transparency went into full effect in 2022, yielding data that may ignite consumer pricing demands and change their behavior.

- **Federal support weakens.** The return of sequestration and the potential end of the public health emergency in April could eradicate revenue sources that helped many hospitals and health systems tackle financial hurdles during the pandemic.

- **Balance sheet concerns.** Interest income and investment portfolio gains will be subject to interest rates and market return volatility.

<u>Tailwinds</u>

- **Demographics.** Aging populations will need more care.

- **Respect.** More consumers and policymakers now recognize that hospitals are critical to protect against public health threats such as pandemics.

Briefing for California Hospitals
CHA News | California Hospital Association

January 12, 2023

Proposed Budget Fails to Address Patient Crisis as Hospitals Struggle

CEO Message
Carmela Coyle

Despite some scattered investments in health care amid an estimated $23 billion shortfall for the state, Gov. Newsom's **proposed 2023-24 budget** comes up short for California's patients and communities as hospitals struggle to cope with record losses, crippling inflation, and a nationwide workforce shortage.

Most notably, the proposed **budget fails to include any relief for hospitals**, which have lost more than $12 billion because of the pandemic and are now straining to provide care as labor expenses have spiked by 16%, the costs of life-saving pharmaceuticals have grown by 41%, and medical supply costs have jumped by 19%.

State leaders need only look as far back as the beginning of January to understand the gravity of the situation. **California's Medi-Cal program, underfunded for more than two decades**, was a significant factor that led to the closure of Madera County's only hospital. Now, **Madera residents will have to travel** as far away as Fresno, nearly 30 miles away, for emergency services, surgeries, and other critical health needs.

If Madera is the proverbial canary in the coal mine, then attention will now turn to the Legislature's role in amending the budget, where all lawmakers must prioritize the health care needs of those most at risk through an immediate, one-time infusion of funds to hospitals caring for Medi-Cal patients. Without this additional funding, more patients in more communities will find themselves in peril.

Beyond the need for these funds, following is an early analysis of health care issues included in the budget.

Cuts/Delays and Revenue Enhancements

- ***Reinstatement of the Managed Care Organization (MCO) Tax*** — The state's tax on MCOs, which most recently generated about $1.5 billion annually, expired at the end of 2022. This proposal would renew the tax for three years beginning in 2024, raising about $6.5 billion over its lifespan. The budget states an intent to explore opportunities to increase revenues to "support the Medi-Cal program," which could include relief for hospitals.
- ***Delay in Health Care Workforce Funding*** — Last year, the budget approved $1.5 billion for health care workforce investments. This proposal would delay nearly $400 million in spending, including $130 million for community health worker workforce development.
- ***Delay in Medi-Cal Checkwrite Buyback*** — Last year's budget provided funding to eliminate, at the end of 2022-23, a two-week delay in Medi-Cal fee-for-service provider payments that occurs at the end of each fiscal year. This proposal would delay this elimination to 2024-25, meaning about $1.1 billion in provider payments will continue to be delayed by two weeks until at least June 2025.
- ***Delay in Behavioral Health Infrastructure Spending*** — This proposal delays $731 million in planned spending on behavioral health clinical and housing infrastructure.
- ***Borrows from the Health Care Affordability Reserve Fund*** — Some $330 million from a reserve fund that had been created to support coverage subsidies through Covered California would be tapped to help balance the budget.

Other Key Features

- ***Medi-Cal Budget Reflects Scheduled Federal Reductions in Hospital Payments*** — Federal disproportionate share hospital (DSH) payments are scheduled to decrease under federal law. The Medi-Cal budget reflects this scheduled reduction in federal funding, estimated to result in $864 million in reduced Medi-Cal payments for hospitals in 2023-24. More than $790 million of this reflects DSH reductions scheduled under federal law which have been deferred by the federal government in the past. If deferred again, this funding reduction in 2023-24 would be eliminated.
- ***Recent Health Care Augmentations Maintained*** — The budget does not propose cuts or delays to major health care policy initiatives such as California Advancing and Innovating Medi-Cal (CalAIM) or the scheduled expansion in 2024 of Medi-Cal coverage to undocumented immigrants ages 26-49.
- ***Assumes Approval of Additional Federal Waiver Funding and Reflects Associated Provider Rate Increases in Medi-Cal*** — An 1115 federal waiver request for $646 million in federal funding (over multiple years) is pending. To receive federal approval, the state must increase Medi-Cal reimbursements rates to 80% of Medicare rates for certain providers. The

budget includes $23 million to increase rates for primary care and obstetric care (including for doulas).

- *Data Exchange Framework Resources* — The budget proposes to establish an office with 18 staff to oversee the work of the health care data exchange framework.
- *Adds New CalAIM Benefit* — The budget proposes to add six months of transitional rent for individuals who are or are at risk of experiencing homelessness as an additional community support benefit.

CHA is still analyzing the budget and its implications for advocacy as the 2023 legislative session kicks into high gear. For now, one thing is certain: At the forefront will remain a singular focus on securing financial support for hospitals — so the people who rely on you for life-saving and life-changing care can feel secure that their hospitals will continue to be there whenever they are needed.

Outlook For U.S. Not-For-Profit Acute Health Care: A Long Road Ahead

December 1, 2022

Sector View: Negative

We have revised our not-for-profit health care sector view to negative given persistent operating pressures coupled with investment market volatility that has eroded much of the balance sheet cushion built during the pandemic. Margins and cash flow recently have at best demonstrated limited sustainability of a post-pandemic recovery and at worst have accelerated to uncharacteristically high losses. We do not expect full margin recovery in 2023 and will likely see continued operating losses, albeit at lower levels than 2022, for many institutions. Meaningful improvement will likely take multiple years.

U.S. Not-For-Profit Acute Health Care: What We're Watching

Labor challenges
We expect labor expenses to be the largest driver of operating challenges and a drag on earnings

Revenue and demand
With staffing-related capacity challenges and volume uncertainty, predictions have become more difficult

Cash flow compression
Performance improvement initiatives are important credit considerations but we anticipate weak margins and some covenant breaches

Balance sheet flexibility
Market volatility has eroded much of the cushion gained during the pandemic. Balance sheet trends will inform rating stability

Length and depth of a recession
A recession could exacerbate cash flow challenges and pressure investment earnings

Governmental funding and policy
The end of COVID-19 relief funding along with broader scrutiny on providers remain risks

Event risks
Increased cybersecurity and weather events could further reduce flexibility at a time of operating stress

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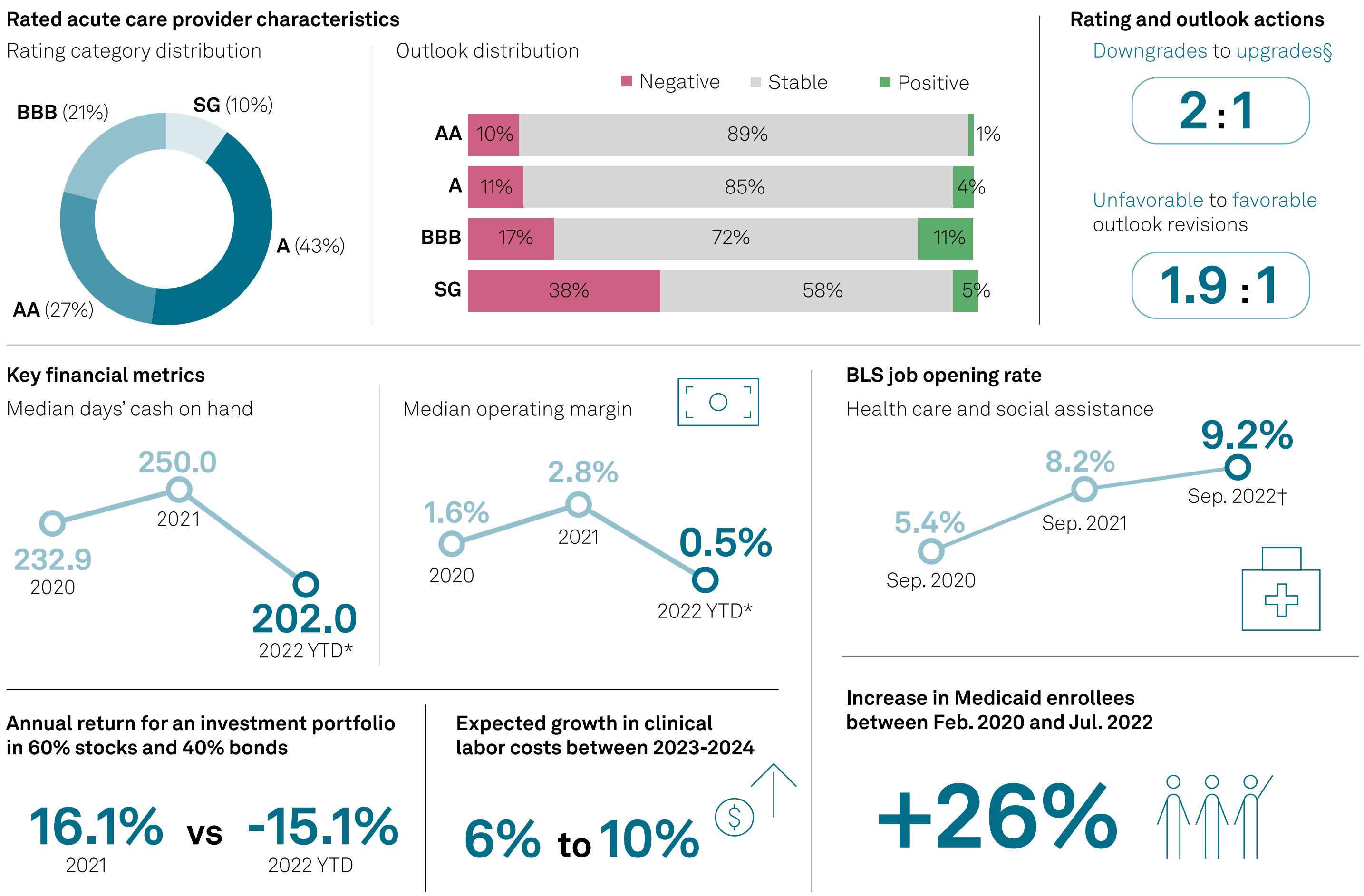
See complete contact list at end of article.

Chart 1

U.S. Not-For-Profit Acute Health Care: By The Numbers



Data as of Oct. 31, 2022. *Includes only available audits and full year unaudited statements (S&P Global data). §Excludes upgrades related to merger & acquisition activity. †September is preliminary data. SG--speculative grade. Sources: S&P Global Ratings Data; Wall Street Journal, Leuthold Group, Nov. 12, 2022; McKinsey & Company analysis ("The gathering storm: The transformative impact of inflation on the healthcare sector," Sept. 19, 2022); U.S. Bureau of Labor Statistics (seasonally adjusted data); Kaiser Family Foundation.

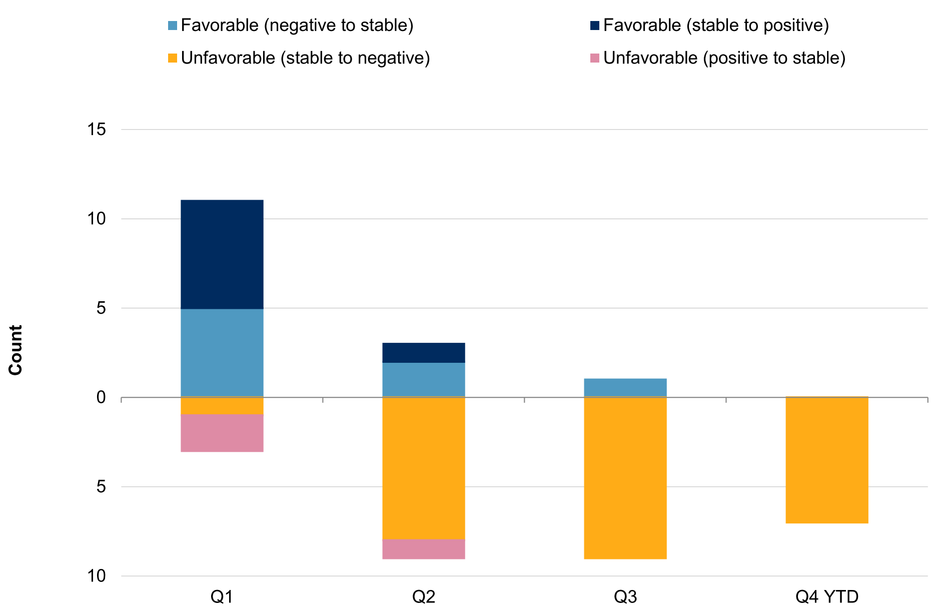
Sector View Is Driven By Expectation For Sustained Operating Pressures

Uncertainty about near-term performance is even greater than in prior years. The level of uncertainty tied to both expenses and revenues is much more than in previous years with management teams having difficulty even forecasting 2023 performance. In addition to the challenges around expenses, the pace of revenue and volume recovery has many elements of unpredictability. Will lower stimulus funds be offset by patient revenue growth or will patients continue to delay and avoid care? With the ending of the public health emergency likely in 2023, will there be material shifts in the payer mix on top of the historical migration to Medicare given the aging population? Will the heightened case mix index remain permanently higher? Will patients continue to seek lower cost care sites such as urgent care and telehealth or will old patterns emerge, bumping up emergency department volumes again? These questions are unanswered for now, but we do not believe revenue growth or reimbursement rates will fully offset expense inflation in the near term.

Outlook revisions and recent rating changes point to a challenged 2023. Further supporting our sector view is an acceleration of unfavorable outlook revisions that span the rating scale and affect both stand-alone hospitals and health care systems (two-thirds of unfavorable outlook revisions have occurred since June) (see chart 2). In addition, we have seen increased rating downgrades (14 since June compared to nine in the first half of the year), including four multi-notch transitions from 'BBB-' into speculative grade, although the number of downgrades at the higher end of the rating scale is limited (see chart 3). We expect these trends will continue through 2023 with weakened financial results leading to more covenant challenges, including violations and increased waiver requests. While a covenant breach alone would not necessarily result in a rating or outlook change, it could cause more rating stress, particularly if it requires collateral posting or triggers an event of default leading to an acceleration of debt.

Chart 2

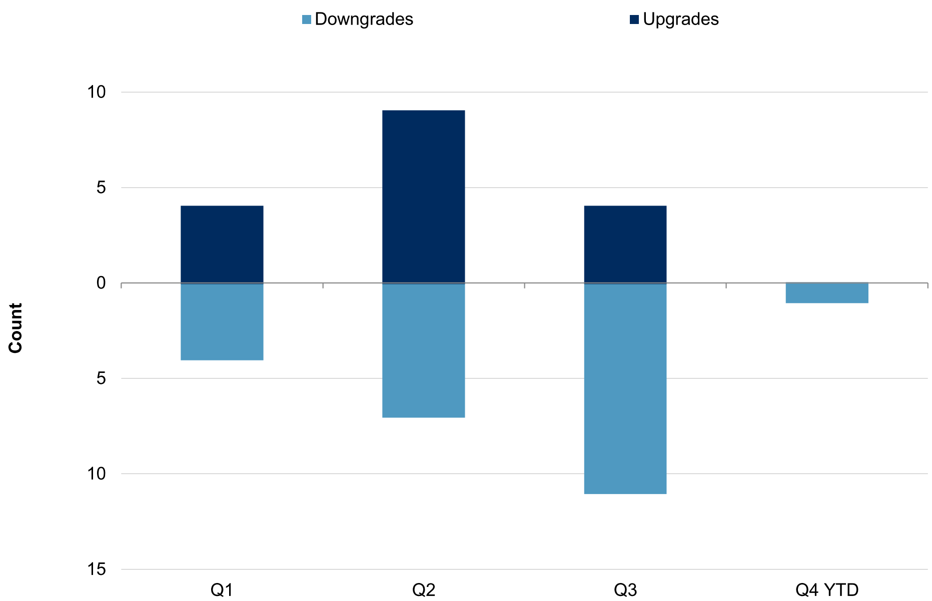
U.S. Not-For-Profit Acute Health Care Outlook Revisions - 2022



As of Oct. 31, 2022. Includes outlook changes unaccompanied by a rating change. Excludes one outlook revised to developing.

Chart 3

U.S. Not-For-Profit Acute Health Care Rating Actions - 2022



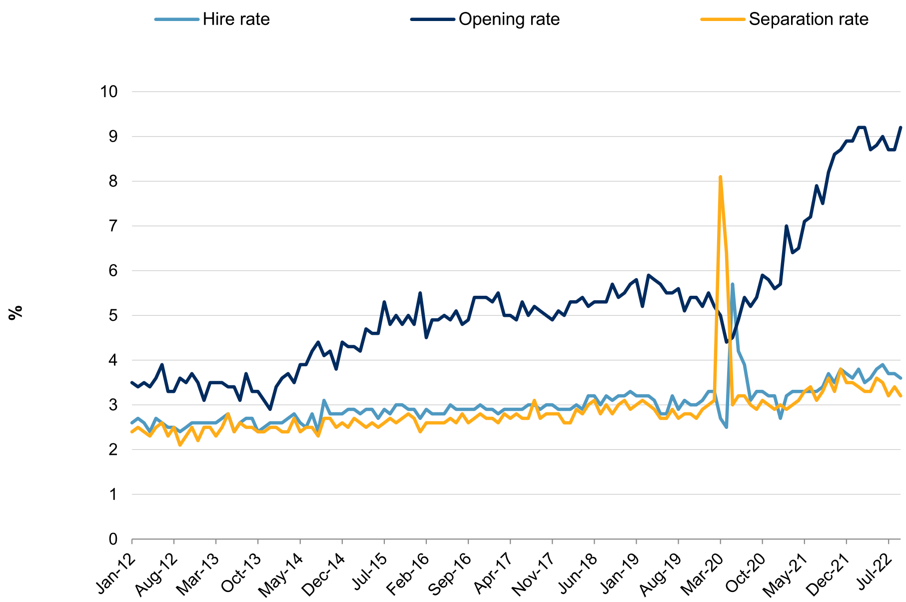
As of Oct. 31, 2022. Data represents all ratings reviewed including some with multiple rating actions.
Rating actions may include those accompanied by an outlook revision.

Top Sector Trends For 2023

Margin compression is likely but duration and magnitude are key questions. Availability of labor (see chart 4) and the effect on labor-related expenses remain the biggest challenge for health care entities and while we have seen some improvement in terms of lower agency use and lower rates, labor costs remain stubbornly high relative to pre-pandemic levels. Turnover and vacancy rates have also improved, but remain generally uneven across providers and still higher than pre-pandemic levels heading into what we expect to be a busy winter flu and respiratory illness season which could demand even greater labor needs. These labor pressures, while not accelerating, are also not improving at the rate initially expected and will likely be one of the biggest factors impeding cash flow and margins in 2023 and beyond. Even as temporary labor costs decline, providers have increased pay and enhanced benefit packages that will long remain part of the expense base. Organizations are employing near-, medium-, and long-term solutions, so while we expect some improvement in 2023, we recognize that there is a longer runway to return to near pre-pandemic margins. Ongoing challenges that could reduce flexibility for individual credits at a time of operating stress include inflation in the cost (and disruption in availability) of supplies, including drugs; cyberattacks; and an increase in weather-related events.

Chart 4

U.S. Health Care and Social Assistance Job Opening, Hire, And Quit Rates



Source: U.S. Bureau of Labor Statistics

Good demand, but revenue trends may be mixed. Revenue has been rising compared with 2020's low and there appears to be generally good demand for health care services due in part to virus surges, particularly at the start of 2022, and patients feeling more comfortable returning to receive care. However, for some credits revenue has been constrained by an inability to staff beds and operating rooms due to labor shortages, throughput issues stemming from difficulty discharging patients to lower care settings, and in certain parts of the country continued reluctance to seek health care. In addition, a continued shift in treatment patterns has resulted in more virtual and ambulatory care that is reimbursed at lower rates and third-party insurance companies have generally been reluctant to reopen contracts or consider additional rate increases for acute care providers, in some cases denying payments per our discussion with management teams. We expect management's ability to secure meaningful rate increases from insurance companies to remain difficult as their employer customers are concerned about keeping their own benefit costs low. Revenues are further constrained by government payers which often account for 50% or more of revenues. Finally, the reduction in COVID-19 relief funds and resumption of sequestration have left big holes in many budgets and will further unveil some of the underlying operating challenges for certain providers. The upcoming winter will be a test of how COVID-19 related illnesses and other respiratory illnesses will be managed along other health care needs. With all of this, the pace of revenue and volume recovery has emerged with many elements of unpredictability that contribute to difficulties in forecasting performance.

Extraordinary government support is coming to an end. With COVID-19 stimulus funds and other related reimbursement coming to an end, and more governmental and external scrutiny on providers, we don't expect additional material support to providers despite ongoing pressures. We view requests for one-time support from FEMA and potentially state American Rescue Plan Act funds as providing short-term relief but won't offset the broader structural mismatch of revenues and expenses.

Broader strategies to generate financial improvement will be critical to maintain rating stability. While management teams address labor challenges, organizations are also identifying other ways to generate cash flow improvement including personnel cuts in non-clinical areas, revenue cycle opportunities often using external resources, throughput improvements and length of stay reductions, and renegotiated supply and payer contracts--although the latter has not yielded significant benefits for most. Other strategic efforts include closure of service lines and facilities, revenue diversification, strategic investments into higher margin businesses such as specialty pharmacy business, lab services and other related business services, as well as longer-term care delivery model redesigns using technology and data to lower costs of care. With a higher number of covenant defaults, many organizations are relying on consultants to both serve as a cure under bond documents for a rate covenant violation, and to help accelerate improvement initiatives and provide a clearer lens on industry standards. While we have always viewed management teams as an important credit factor, we have seen heightened executive turnover since the start of the pandemic, creating some challenges with developing and implementing strategic and financial improvement plans.

Balance sheets will remain critical for credit stability given expected uneven operating performance over the next year. The significant improvement in reserves during 2020 and 2021 have helped support credit quality despite declines in the investment markets through 2022 as reserves are generally still consistent with 2019 levels. Unrestricted reserves are still providing some, albeit more limited cushion during this period of operating volatility. In the year ahead we may see the following:

- There could be erosion of this cushion depending on investment market performance, prolonged inflationary pressure, effects from a possible recession, and cash flow and capital expenditure trends. While there was ample debt issuance during the pandemic associated with historically low interest rates, some of the borrowing replenished balance sheet reserves and in general did not materially impact leverage, especially given the continued rise in capitalization driven by the benefit of stimulus funds and market returns.
- Investment market returns could help improve balance sheet flexibility over time; however, we do not expect material improvement in unrestricted reserves over the next year due to likely weaker cash flow and potentially pent-up capital spending needs after two years of relatively thin spending by many organizations coupled with higher construction costs due to inflation.
- Capital needs persist given the capital-intensive nature of the sector, competition, and the fact that many strategic growth initiatives have a capital requirement; however, addressing these needs will be especially challenging given a focus on preserving unrestricted reserves in the current environment. A renewed focus on fundraising or issuing debt to support capital needs could be options, although higher interest rates for the latter could make that more difficult.

A recession could make things worse. Our chief U.S. economist has indicated a recession is likely in 2023 (see "Business Cycle Barometer: Worsening Near-Term Growth Prospects," published Oct. 24, 2022, on RatingsDirect), which could complicate efforts by hospitals to improve financial performance. On the one hand, a recession could improve labor conditions, but we also recognize that other factors such as bad debt, volume shifts due to higher deductible plans, and payer mix changes could negatively influence volumes and revenue for many providers, although these latter indicators generally lag and will depend on the extent and duration of any recession if it happens. Further, investment markets could continue to move sideways, potentially resulting in more pressure to credit quality as reduced cash flow, likely slower fundraising, and capital demands slow unrestricted reserve growth.

On balance, legislative and administrative actions likely to be less favorable to providers. There are no signature pieces of health care legislation that we believe will materially affect providers over the next year. That said, in that it is a highly regulated sector and with heightened focus on health care costs and operating policies, we expect continued debate at the federal and state level, although providers will likely have less upside in the near term.

- We continue to monitor such areas as the 340b program revenue as that has become an increasingly meaningful portion of revenue and earnings; the impact of sequestration; and Medicare PAYGO payment cuts. While Medicare provided better rate increases this year, they don't offset the higher expenses. Price transparency has also become an increasing area of discussion, particularly as affordability remains a focus and governments support an increasing portion of the health care costs.
- The continued scrutiny of mergers and acquisitions by federal and state regulators could afford fewer options for struggling providers. While many of the recently announced transactions are more strategic in nature, we believe broader efficiency opportunities will rise in importance given the current operating climate. Separately, some health care systems may try to divest of certain facilities to better focus resources, but with sector challenges, some of those divestitures could be slower.
- The end of the public health emergency may lower the number of individuals covered by Medicaid, partially offset by a few states that recently expanded or will expand Medicaid. However, if those individuals do not re-enroll for health insurance on the individual exchanges, or the plans they enroll in have higher deductibles, hospitals could see less demand for services as well as higher bad debt and charity care expense that will incrementally pressure finances.
- One bright spot has been the additional funding support from enhanced state supplemental funding programs in states such as Kentucky and Florida and the continued adoption of Medicaid expansion in certain states.

How Will Credit Quality Be Affected?

We take an individualized approach. We expect to review our portfolio credit-by-credit but may prioritize organizations that appear to be weakening at a more rapid pace than others and may no longer be in line with their current rating. If possible, and given increased financial uncertainty, we would prefer to take an outlook action first, which affords us time to see results of management's operational improvement and strategic initiatives as well as a longer period of directional trends. However, there will be situations with rapid financial deterioration, particularly at the lower rating levels or for credits already at the precipice of a lower rating, when an immediate downgrade is appropriate. Over time and depending on the duration and extent of the current challenges, we could see average credit quality for the sector decrease. While we always review with a fresh perspective, we do not expect to see a meaningful number of favorable outlooks or rating actions given that the sector's challenges appear to be widespread. In the past we also had a significant number of positive actions related to mergers and acquisitions, but the pace has slowed given increased regulatory scrutiny.

Monthly and quarterly trends will likely remain more relevant. While the timing of reviews could matter given the unstable environment, we look at quarterly and monthly performance trends to better understand the trajectory and incorporate these details as well as management's forward-looking expectations into our credit rating and outlook decisions. In addition, while we view medians as an important rating tool, we recognize that drawing clear comparisons in a rapidly deteriorating credit environment is more challenging.

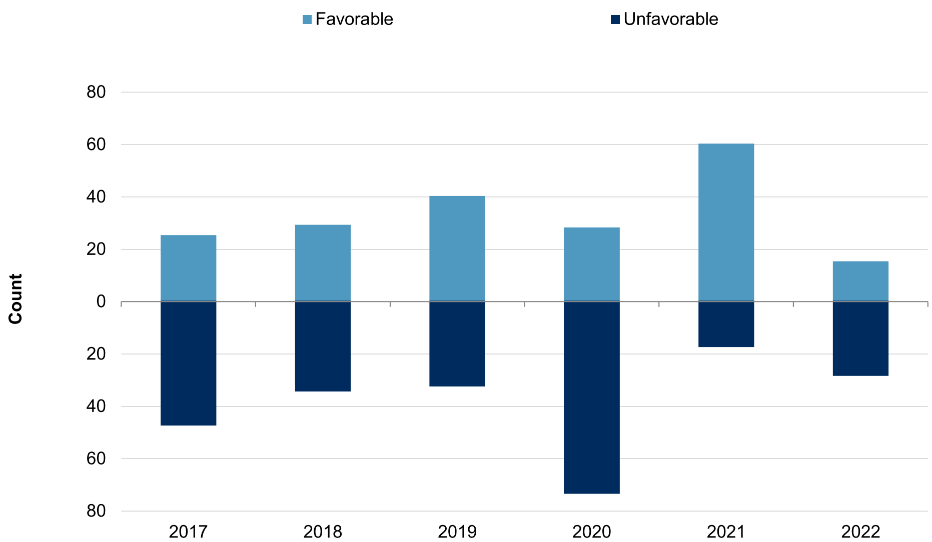
Determining flexibility at a particular credit rating. We also look at how well credits are sitting at their specific rating, both the enterprise and financial profiles, as those that have been lighter or are less balanced in their overall credit profile, may experience more pressure. Those credits that were more reliant on their exceptional financial performance to offset a lighter balance sheet, for example, may be more vulnerable to rating pressure. At a particular rating, some providers may have some flexibility to generate lower margins than historic levels given our criteria and our holistic review of credit characteristics.

Not all credits are under the same operating stress. There are credits that continue to perform well and in line with rating expectations by generating good operating and cash flow margins that support still healthy balance sheets albeit likely weaker than the peaks in 2021. We believe these credits have room within their ratings to withstand a certain amount of financial weakness depending on other aspects of their enterprise profiles and strategic initiatives. Furthermore, we believe there are certain organizations that may be better positioned to recover from financial weakness that may not warrant an immediate downgrade or outlook change. These may include health care providers that have uniquely strong enterprise strengths, such as a dominant market share, favorable service area economic fundamentals, or operate an integrated delivery and financing system, that we believe are sufficient to support the rating through multiple years of financial difficulties. In addition, organizations that have already been downgraded during the pandemic probably have a longer runway to a second rating change or negative outlook given much of the weakness would have likely already been incorporated into the prior rating change.

Quality of management will remain key. Along with the service area and competitive position, the quality of management and the organization's culture can play a strong role in financial recovery. While the sector and management teams have exhibited resilience in tackling problems over the last several years, we believe the next two years could be a true test. We view positively those teams that are able to make meaningful and transformational organizational changes to better manage under the current stress and to position their organization for future success by accelerating the shift to outpatient and lower cost centers, adopting a customer orientation, embracing data and technology, and transforming care models. This is particularly critical given growing stakeholder concerns regarding affordability, medical debt, and collection practices.

Chart 5

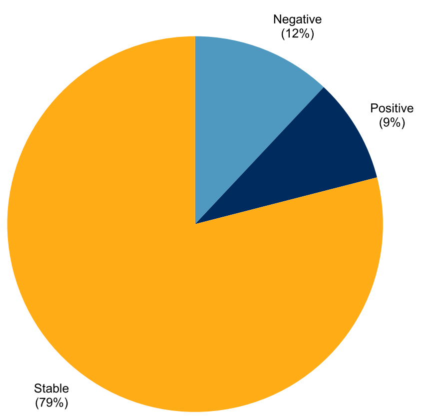
U.S. Not-For-Profit Acute Health Care Outlook Revisions



Data as of Dec. 31 for 2017-2021. Data as of Oct. 31 for 2022. Data is for all outlook changes unaccompanied by a rating change. Favorable outlook revisions include stable to positive and negative to stable. Unfavorable outlook revisions include positive to stable and stable to negative. 2022 excludes one developing outlook.

Chart 6A

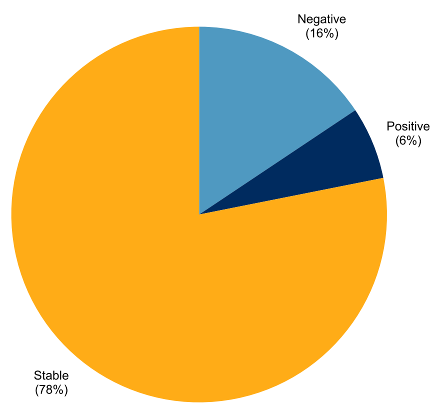
U.S. Not-For-Profit Stand-Alone Hospital 2021 Outlook Distribution



As of Dec. 31, 2021. Excludes three credits with developing outlook.

Chart 6B

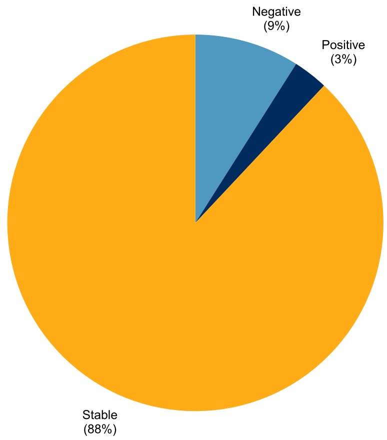
U.S. Not-For-Profit Stand-Alone Hospital 2022 Outlook Distribution



As of Oct. 31, 2022. Excludes one credit with developing outlook

Chart 7A

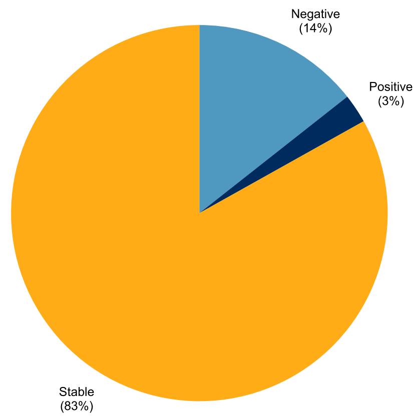
U.S. Not-For-Profit Health Care System 2021 Outlook Distribution



As of Dec. 31, 2021.

Chart 7B

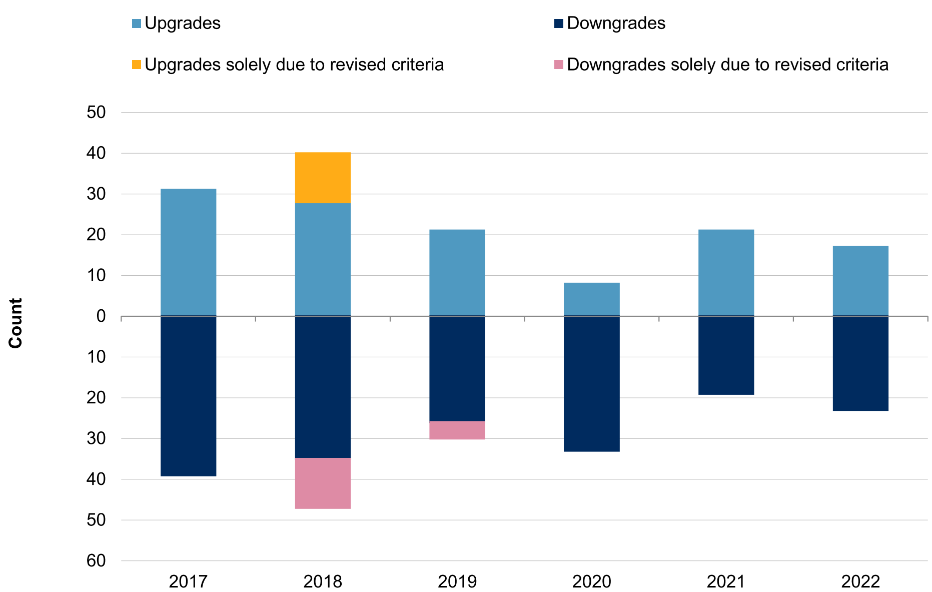
U.S. Not-For-Profit Health Care System 2022 Outlook Distribution



As of Oct. 31, 2022.

Chart 8

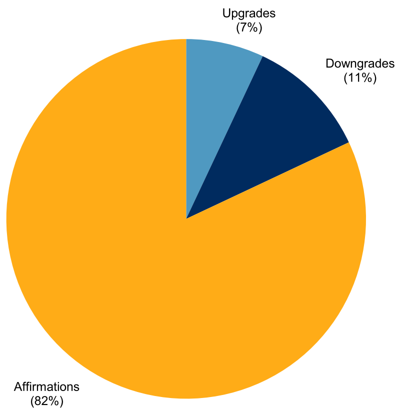
U.S. Not-For-Profit Acute Health Care Rating Actions



Data as of Dec. 31 for 2017-2020. Data as of Oct. 31 for 2022. Data represents all ratings reviewed including some with multiple rating actions. Criteria actions in 2018 and 2019 relate to "U.S. And Canadian Not-For-Profit Acute-care Health Care Organizations" criteria, published March 19, 2018.

Chart 9A

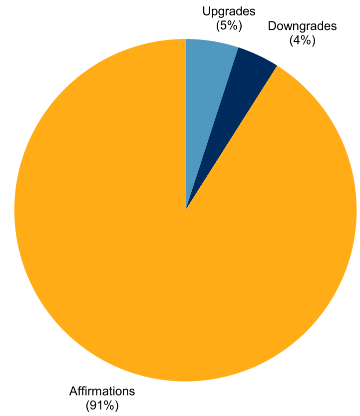
U.S. Not-For-Profit Stand-Alone Hospital 2022 Rating Actions



As of Oct. 31, 2022. Data represents all ratings reviewed including some with multiple rating actions.
Rating actions may include those accompanied by an outlook revision.

Chart 9B

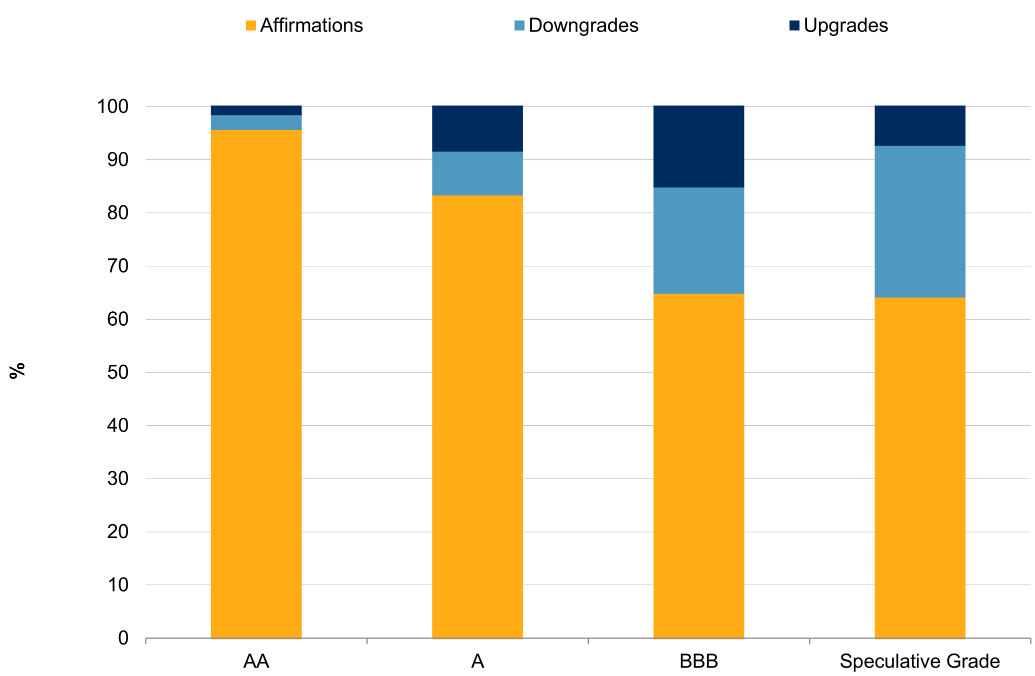
U.S. Not-For-Profit Health Care System 2022 Rating Actions



As of Oct. 31, 2022. Data represents all ratings reviewed including some with multiple rating actions.
Rating actions may include those accompanied by an outlook revision. Excludes two ratings placed on CreditWatch Negative.

Chart 10

U.S. Not-For-Profit Acute Health Care 2022 Rating Actions By Rating Category



As of Oct. 31, 2022. Rating catgory is based on rating prior to rating action.

Related Research

- U.S. Not-For-Profit Health Care Rating Actions, October 2022, Nov. 16, 2022
- U.S. Not-For-Profit Health Care Outstanding Ratings And Outlooks As Of Sept. 30, 2022, Oct. 18, 2022
- U.S. Not-For-Profit Acute Health Care 2021 Medians: Peak Performance Highlights Cushion As Sector Encounters A Challenging Period, Aug. 24, 2022

This report does not constitute a rating action.

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El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Tracy Fowler, Director Governance Services
Date: January 30, 2023
Subject: Report on Board Actions

Purpose: To keep the Committee informed regarding actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. Situation: It is essential to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive; still, it includes agenda items the Board voted on that are most likely to be of interest to or pertinent to 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 time we provided this report to the Finance Committee, the Hospital Board has met twice and the District Board met once. In addition, since the Board has delegated specific authority to the Executive Compensation Committee, the Compliance and Audit Committee, those approvals are also noted in this report.

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECH Board	November 9, 2022	- Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Credentialing and Privileges Report - Physician Services Agreement - Capital Project Request – MV Imaging Equipment Replacement and Expansion
	December 7, 2022	- Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Credentialing and Privileges Report - Orthopedic Co-Management Agreement - Annual Safety Report for the Environment of Care - Affiliate Covered Entity (ACE) Policy

Board/Committee	Meeting Date	**Actions** (Approvals unless otherwise noted)
ECHD Board	October 18, 2022	- Community Benefits Spotlight Resolution 2022-11: Day worker center of mountain view - Continuation of Resolution 2021-10; AB361 - Resolution 2022-08: Appointment of FY23 El Camino Hospital Board Member Ad Hoc Committee Advisory Members - FY22 Year-End Community Benefit Report - Community Benefit Sponsorship Report - Report on Covid-19 Community Program - FY23 Pacing Plan - Board Educational Activity Report – Director Zoglin - Board Educational Activity Report – Director Somersille - ECHD FY2022 Financials - Annual Adoption of Community Benefit Grants Policy - FY24 Community Benefit Board Policy Guidance and FY23 Update - FY2022 Audited Financial Report
	December 5, 2022	- Santa Clara County Board of Supervisor Appointments of September 13, 2022 - Election of District Board Members Fung and Ting to Hospital Board of Directors
Executive Compensation Committee	November 3, 2022	- FY2022 CEO Performance Review Process and FY2023 Recommendations
Compliance and Audit Committee	November 30, 2022	- Affiliate Covered Entity (ACE) Policy - Modification to Physician Financial Arrangement Review and Approval Policy

List of Attachments: None.

Suggested Committee Discussion Questions: None.

El Camino Health

Summary of Financial Operations

Fiscal Year 2023 – Period 6

7/1/2022 to 12/31/2022

Executive Summary - Overall Commentary for Period 6

- **Challenging financial results for Period 6:**
  - Overall Revenue Favorable to budget by $25.5M / 5.6%
    - Driven primarily by both Inpatient and Outpatient activity
      - Inpatient Charges $12.8M / 5.6% favorable to budget
      - Outpatient Charges $13.8M / 6.3% favorable to budget
    - Outpatient activity in the Emergency Room and Orthopedic Surgery areas remain strong
  - SWB Expense Challenges
    - Labor: Utilization of contract labor and overtime remain at significant high levels above budget
- Gross charges were favorable to budget by $25.5M / 5.6% and $52.0M / 12.0% higher than the same period last year.
- Net patient revenue was favorable to budget by $256K / 0.2% and $2.4M / 2.1% higher than the same period last year.
- Operating margin was unfavorable to budget by $3.0M / 22.8% and $7.7M / 42.7% lower than the same period last year.
- Operating EBIDA was unfavorable to budget by $2.6M / 12.6% and $7.4M / 28.9% lower than the same period last year.
- Net income was unfavorable to budget by $18.7M and $37.8M below the same period last year.

Operational / Financial Results: Period 6 – December 2022 (as of 12/31/2022)

	($ thousands)	Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	309	277	32	11.4%	255	53	20.9%	---	---	---
	Total Acute Discharges	1,917	1,872	45	2.4%	1,744	173	9.9%	---	---	---
	Adjusted Discharges	3,757	3,657	100	2.7%	3,576	181	5.1%	---	---	---
	Emergency Room Visits	8,730	5,858	2,872	49.0%	6,281	2,449	39.0%	---	---	---
	OP Procedural Cases	10,541	12,795	(2,254)	(17.6%)	13,693	(3,152)	(23.0%)	---	---	---
	Gross Charges ($)	485,023	459,515	25,508	5.6%	433,046	51,977	12.0%	---	---	---
Operations	Total FTEs	3,319	3,353	(34)	(1.0%)	3,061	258	8.4%	---	---	---
	Productive Hrs. / APD	26.8	30.0	(3.2)	(10.6%)	28.7	(1.8)	(6.4%)	---	---	---
	Cost Per CMI AD	16,800	18,036	(1,236)	(6.9%)	16,698	102	0.6%	---	---	---
	Net Days in A/R	56.3	54.0	2.3	4.2%	50.7	5.6	11.1%	47.7	49.7	
Financial Performance	Net Patient Revenue ($)	115,427	115,171	256	0.2%	113,033	2,394	2.1%	138,547	82,105	
	Total Operating Revenue ($)	119,881	119,756	125	0.1%	116,681	3,200	2.7%	152,743	109,602	
	Operating Margin ($)	**10,322**	**13,362**	**(3,040)**	(22.8%)	**18,016**	**(7,694)**	(42.7%)	**1,915**	**3,836**	
	Operating EBIDA ($)	**18,196**	**20,824**	**(2,628)**	(12.6%)	**25,608**	**(7,412)**	(28.9%)	**11,188**	**10,741**	
	Net Income ($)	(2,285)	16,376	(18,661)	(114.0%)	35,596	(37,882)	(106.4%)	8,124	7,343	
	Operating Margin (%)	**8.6%**	**11.2%**	**(2.5%)**	(22.8%)	**15.4%**	**(6.8%)**	(44.2%)	**1.9%**	**3.5%**	
	Operating EBIDA (%)	**15.2%**	**17.4%**	**(2.2%)**	(12.7%)	**21.9%**	**(6.8%)**	(30.8%)	**8.3%**	**9.8%**	
	DCOH (days)	246	325	(79)	(24.3%)	337	(91)	(27.0%)	306	355	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2021. Dollar amounts have been adjusted to reflect monthly averages.
S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021. Dollar amounts have been adjusted to reflect monthly averages.
DCOH total includes cash, short-term and long-term investments.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Operational / Financial Results: YTD FY2023 (as of 12/31/2022)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	298	256	42	16.4%	265	33	12.3%	---	---	---
	Total Acute Discharges	10,956	10,348	608	5.9%	10,492	464	4.4%	---	---	---
	Adjusted Discharges	21,314	20,867	448	2.1%	20,715	600	2.9%	---	---	---
	Emergency Room Visits	38,966	32,110	6,856	21.4%	33,367	5,599	16.8%	---	---	---
	OP Procedural Cases	71,039	80,179	(9,140)	(11.4%)	77,402	(6,363)	(8.2%)	---	---	---
	Gross Charges ($)	2,823,929	2,624,691	199,238	7.6%	2,511,327	312,602	12.4%	---	---	---
Operations	Total FTEs	3,275	3,283	(8)	(0.2%)	3,017	258	8.5%	---	---	---
	Productive Hrs. / APD	28.0	30.7	(2.7)	(8.8%)	28.6	(0.6)	(2.2%)	---	---	---
	Cost Per CMI AD	17,523	18,036	(513)	(2.8%)	16,291	1,233	7.6%	---	---	---
	Net Days in A/R	56.3	54.0	2.3	4.2%	50.7	5.6	11.1%	47.7	49.7	
Financial Performance	Net Patient Revenue ($)	683,822	668,618	15,205	2.3%	637,954	45,868	7.2%	831,284	492,628	
	Total Operating Revenue ($)	707,258	693,460	13,798	2.0%	660,049	47,209	7.2%	911,456	657,613	
	Operating Margin ($)	**69,556**	**69,160**	**396**	0.6%	**88,387**	**(18,831)**	(21.3%)	**11,489**	**23,016**	
	Operating EBIDA ($)	**116,394**	**114,539**	**1,855**	1.6%	**133,095**	**(16,701)**	(12.5%)	**67,130**	**64,446**	
	Net Income ($)	87,628	86,583	1,045	1.2%	100,940	(13,312)	(13.2%)	48,747	44,060	
	Operating Margin (%)	**9.8%**	**10.0%**	**(0.1%)**	(1.4%)	**13.4%**	**(3.6%)**	(26.6%)	**1.9%**	**3.5%**	
	Operating EBIDA (%)	**16.5%**	**16.5%**	**(0.1%)**	(0.4%)	**20.2%**	**(3.7%)**	(18.4%)	**8.3%**	**9.8%**	
	DCOH (days)	246	325	(79)	(24.3%)	337	(91)	(27.0%)	306	355	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2021.
S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021
DCOH total includes cash, short-term and long-term investments.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Consolidated Balance Sheet (as of 12/31/2022)

($000s)

ASSETS		
		Audited
CURRENT ASSETS	December 31, 2022	June 30, 2022
Cash	207,912	196,067
Short Term Investments	124,088	125,816
Patient Accounts Receivable, net	212,749	209,668
Other Accounts and Notes Receivable	17,958	21,044
Intercompany Receivables	12,658	13,998
Inventories and Prepaids	37,358	36,476
Total Current Assets	**612,723**	**603,068**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	22,972	18,721
Plant & Equipment Fund	349,578	310,045
Women's Hospital Expansion	30,455	30,261
Operational Reserve Fund	207,898	182,907
Community Benefit Fund	17,733	18,299
Workers Compensation Reserve Fund	14,029	14,029
Postretirement Health/Life Reserve Fund	30,326	29,783
PTO Liability Fund	34,952	33,709
Malpractice Reserve Fund	1,886	1,906
Catastrophic Reserves Fund	27,115	24,668
Total Board Designated Assets	**736,945**	**664,329**
FUNDS HELD BY TRUSTEE	**-**	**0**
LONG TERM INVESTMENTS	**443,405**	**495,751**
CHARITABLE GIFT ANNUITY INVESTMENTS	**922**	**940**
INVESTMENTS IN AFFILIATES	**30,996**	**30,376**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,906,308	1,872,501
Less: Accumulated Depreciation	(816,476)	(778,427)
Construction in Progress	134,526	96,603
Property, Plant & Equipment - Net	**1,224,358**	**1,190,676**
DEFERRED OUTFLOWS	19,021	19,474
RESTRICTED ASSETS	33,079	31,200
OTHER ASSETS	209,749	216,842
TOTAL ASSETS	**3,311,198**	**3,252,657**

LIABILITIES AND FUND BALANCE		
		Audited
CURRENT LIABILITIES	December 31, 2022	June 30, 2022
Accounts Payable	48,427	51,286
Salaries and Related Liabilities	31,714	46,502
Accrued PTO	35,765	34,449
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	11,653	14,942
Intercompany Payables	9,034	13,489
Malpractice Reserves	2,096	2,096
Bonds Payable - Current	9,905	9,905
Bond Interest Payable	8,096	8,096
Other Liabilities	12,523	20,955
Total Current Liabilities	**171,513**	**204,021**
LONG TERM LIABILITIES		
Post Retirement Benefits	30,326	29,783
Worker's Comp Reserve	14,029	14,029
Other L/T Obligation (Asbestos)	38,167	37,944
Bond Payable	465,342	466,838
Total Long Term Liabilities	**547,864**	**548,593**
DEFERRED REVENUE-UNRESTRICTED	**12,334**	**12,312**
DEFERRED INFLOW OF RESOURCES	**104,214**	**104,367**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,225,780	2,136,565
Board Designated	208,659	210,197
Restricted	40,834	36,601
Total Fund Bal & Capital Accts	**2,475,273**	**2,383,363**
TOTAL LIABILITIES AND FUND BALANCE	**3,311,198**	**3,252,657**

El Camino Health

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Jon Cowan, Senior Director, Government Relations & Community Partnerships
Date: January 30, 2023
Subject: FY2024 Community Benefit (CB) Budget Overview

Purpose:

To respond to the Finance Committee's request to understand how El Camino Health's grants and sponsorships annual investment compares to our peers in the region. To share management's proposed FY2024 Community Benefit budget, which will then be brought back to the Finance Committee in May 2023 for approval along with the recommended FY2024 grant allocations.

Summary:

1. Situation: In FY2022, the Finance Committee asked to better understand how El Camino Health's grants and sponsorships annual investment compares to our peers in the region. At the November 21, 2022 Finance Committee meeting, the members were told that the total size of the proposed FY2024 Community Benefit budget would be shared at the January 30, 2023 meeting.

2. Background:
- The attached comparison analysis looks at locally headquartered peers plus a local data point hospital which is part of a much larger health system (Sequoia Hospital)
- For FY2022, estimates had to be used as final fiscal year audited financials and public Community Benefit totals were not fully available
- El Camino Health's Community Benefit budget has been funded by a hospital annual contribution, interest income from a Community Benefit endowment, and 40% of CONCERN's operating margin
- El Camino Hospital is the legal and funding entity for El Camino Health's Community Benefit program. El Camino Health is used in the name of the program for brand consistency

3. Assessment: Management and the Finance Committee approved additional funds from operations to support El Camino Health's historic Community Benefit commitment in FY2023, and management proposes to continue this for FY2024.

4. Outcomes: Management and staff will review grant applications which are received by the February 24, 2023 deadline, and bring a recommended FY2024 plan with grant allocations back to the Finance Committee for approval in May 2023.

List of Attachments:

1. El Camino Health's FY2024 Community Benefit Budget Overview Presentation

Suggested Committee Discussion Questions:

1. Does the Finance Committee have any questions about the peer comparison analysis?

2. Does the Finance Committee have any questions about the proposed total FY24 Community Benefit budget?

El Camino Health

El Camino Health's FY2024 Community Benefit Budget Overview

Finance Committee

Jon Cowan, Senior Director, Government Relations and Community Partnerships

January 30, 2023

Objectives

- Respond to the Finance Committee’s request as to how ECH’s grants and sponsorships annual investment compares to our peers in the region
- Share management’s proposed FY24 Community Benefit Budget, which will then be brought back to the Finance Committee in May for approval along with the recommended FY24 grant allocations

Grants & Sponsorships Peer Comparison Analysis

El Camino Health (w/o ECHD)	FY20	FY21	FY22*
Total Operating Revenue (in thousands)	$1,031,046	$1,150,032	$1,346,079
Grants/Sponsorships (in thousands)	$3,562	$3,533	$3,239
Grants/Sponsorships as % of Total Operating Revenue	0.35%	0.31%	0.24%
Stanford Health Care			
Total Operating Revenue (in thousands)	$5,567,576	$6,772,208	$7,412,467
Grants/Sponsorships (in thousands)	$3,395	$4,134	$4,134
Grants/Sponsorships as % of Total Operating Revenue	0.06%	0.06%	0.06%
Lucile Packard Children's Hospital			
Total Operating Revenue (in thousands)	$2,064,584	$2,259,218	$2,363,175
Grants/Sponsorships (in thousands)	$1,663	$1,706	$1,706
Grants/Sponsorships as % of Total Operating Revenue	0.08%	0.08%	0.07%
John Muir Health			
Total Operating Revenue (in thousands)	$1,913,696	$2,088,571	$2,088,571
Grants/Sponsorships (in thousands)	$2,197	$3,236	**
Grants/Sponsorships as % of Total Operating Revenue	0.11%	0.15%	0.19%
Sequoia Hospital			
Total Operating Revenue (in thousands)	$273,527	$273,173	$273,173
Grants/Sponsorships (in thousands)	$138	$138	$133
Grants/Sponsorships as % of Total Operating Revenue	0.05%	0.05%	0.05%
Washington Township Health Care District			
Total Operating Revenue (in thousands)	$512,919	$533,613	$533,613
Grants/Sponsorships (in thousands)	**	**	**
Grants/Sponsorships as % of Total Operating Revenue	0.02%	0.01%	0.01%

- Despite ranking #4 in Total Operating Revenue, ECH ranks #1 in the percentage of grant/sponsorship dollars invested in the community

	CB grants/sponsorships investment as % of total operating revenue		
	FY20	FY21	FY22*
El Camino Health (w/o ECHD)	0.35%	0.31%	0.24%
Stanford Health Care	0.06%	0.06%	0.06%
Lucile Packard Children's Hospital	0.08%	0.08%	0.07%
John Muir Health	0.11%	0.15%	0.19%
Sequoia Hospital	0.05%	0.05%	0.05%
Washington Township Health Care District	0.02%	0.01%	0.01%

El Camino Health

*Estimate as final FY audited financials and public CB numbers not available, except for ECH and ECHD

**Not publicly available, estimate shared verbally

Proposed FY24 Community Benefit Budget

Hospital Community Benefit Budget	FY20	FY21	FY22	FY23	FY24
Grants Plan	$ 3,399,948	$ 3,396,000	$ 3,236,000	$ 3,310,000	$ 3,310,000
Sponsorships Plan	$ 200,000	$ 100,000	$ 85,000	$ 75,000	$ 85,000
Placeholder Plan	$ 100,000	$ 200,000	$ 220,000	$ 25,000	$ 15,000
	$ 3,699,948	**$ 3,696,000**	**$ 3,541,000**	**$ 3,410,000**	**$ 3,410,000**

Hospital Community Benefit Revenue Sources	FY20	FY21	FY22	FY23	FY24
Hospital Annual Contribution	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
Interest Income from Endowment	$ 872,060	$ 936,262	$ 1,743,237	$ 1,051,769	$ 400,000
CONCERN 40% Operating Margin	$ 1,113,787	$ 724,508	$ 139,744	$ 454,441	$ 250,000
Approved Additional Funds from Hospital Operations				$ 403,790	$ 1,260,000
	$ 3,485,847	**$ 3,160,770**	**$ 3,382,981**	**$ 3,410,000**	**$ 3,410,000**

$500k additonal approved by CONCERN BOD

$600k additonal approved by CONCERN BOD

- Management devoted additional funds from operations to support ECH's historic Community Benefit commitment in FY23, and proposes to continue this for FY24

El Camino Health

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To:	Finance Committee
From:	Meenesh Bhimani, COO
	Ken King, CAO
Date:	January 30, 2023
Subject:	Capital Project Requests – MV & LG Pharmacy Upgrades

Recommendation:

To recommend for Board approval, two regulatory compliance projects, the MV Pharmacy Upgrades Project not to exceed $7.32 million and the LG Pharmacy/Pathology Upgrades Project not to exceed $5.42 million.

Summary:

1. Situation: El Camino Health has 4 pharmacy locations where sterile and hazardous drug compounding takes place and only one of these locations meets all of the new United States Pharmacopoeia, USP 797 (Sterile Compounding) & USP po800 (Hazardous Compounding) Standards. The deadline for compliance with these standards was delayed several times over the past three years, however the November 1, 2022 Final Revisions indicate that compliance becomes official by November 1, 2023.

MV Main Pharmacy	Non-Compliant	Upgrades Required
LG Main Pharmacy	Non-Compliant	Upgrades Required
MV Cancer Center	Partially-Compliant	Upgrades Required (Future Project)
LG Cancer Center	Compliant	

The standards ensure that the process of compounding drugs is safe for pharmacists and patients. Capital funding to support the reconstruction and equipment installations is necessary to create compliant compounding environments, which are similar to "Clean Room" environments.

2. Authority: Funding exceeding $5 million requires Board Approval with a recommendation from the Board Finance Committee.

3. Background: Compounding sterile and hazardous medications in California hospitals requires a license issued by the California Board of Pharmacy, which is regulated by the California Department of Public Health. The California Board of Pharmacy has adopted the USP 797 & USP 800 standards established by the United States Pharmacopoeia. These standards include specific requirements for engineered and constructed environments where sterile and hazardous compounding is performed.

We began evaluating our existing environments for compliance with these evolving standards in the summer of 2019. The impacts of the COVID-19 pandemic caused regulators to extend the compliance deadline, which allowed us time to exhaust all possible options for compliance.

In MV, we initially believed that we needed to run new exhaust ducts from the basement to the roof in order to accommodate the exhaust requirements of the safety hoods. Upon detailed analysis and research, we discovered that the single B2 classified safety hood we currently use, could be replaced with two A2 classified safety hoods without new exhaust duct runs. A technical study confirmed that the airflow demand of the B2 classified hood is not required for the quantities of hazardous compounding typically performed in a hospital pharmacy. This resulted in a significant reduction to the project cost and operational impact.

In LG, we are severely constrained for space to accommodate a compliant compounding environment in the existing pharmacy, therefore necessitating the relocation of the pathology functions to space across the hall. The result being that both the pharmacy and pathology functions will be in safer, more efficient environments.

OSHPD has reviewed and approved both projects and permits are pending.

4. Assessment: These two projects require demolition and reconstruction of space within and adjacent to the existing pharmacies. The furniture, fixtures and equipment (FF&E) includes the safety hoods and miscellaneous systems furniture. The capital spend for both projects is included in the FY-23 project spend forecast.

The not to exceed cost of these two projects is as follows:

MV Pharmacy 797/800 Upgrades	
Construction	$5,355,000
FF&E	$492,000
Soft Costs	$1,124,704
Contingency @ 5 %	$349,860
Total Project Cost	$7,321,564
Rounded	**$7,320,000**

1922 - LG Pharmacy 797/800 & Pathology Upgrades	
Construction	$3,982,292
FF&E	$345,881
Soft Costs	$833,873
Contingency @ 5 %	$258,102
Total Project Cost	$5,420,149
Rounded	**$5,420,000**

The cash flow projection for these two projects is as follows:

	CASH FLOW PROJECTION		
	Spend to Date	Projected FY-23 Spend	Projected FY-24 Spend
MV Project	$227,000	$1,106,000	$5,900,000
LG Project	$280,000	$981,000	$4,100,000

5. Other Reviews: Pharmacy Department leadership and the Executive Capital Committee have reviewed and approved both of these project requests.

6. Outcomes: The target completion date of both projects is 12 months from the start of construction, which will be finalized upon the approval of funding. The critical element being the projected delivery of new safety hoods, which currently have a 6-month lead-time from the date of order. Upon completion of these two projects, we will have compliant compounding environments in both the MV and LG main pharmacies.

List of Attachments:

1. Power Point Presentation

Suggested Committee Discussion Questions:

1. Question 1

MV & LG Pharmacy Upgrade Projects

Finance Committee

Meenesh Bhimani, COO
Ken King, CAO

January 30, 2023

The Request

To recommend Board approval of capital funding for the following two regulatory compliance projects:

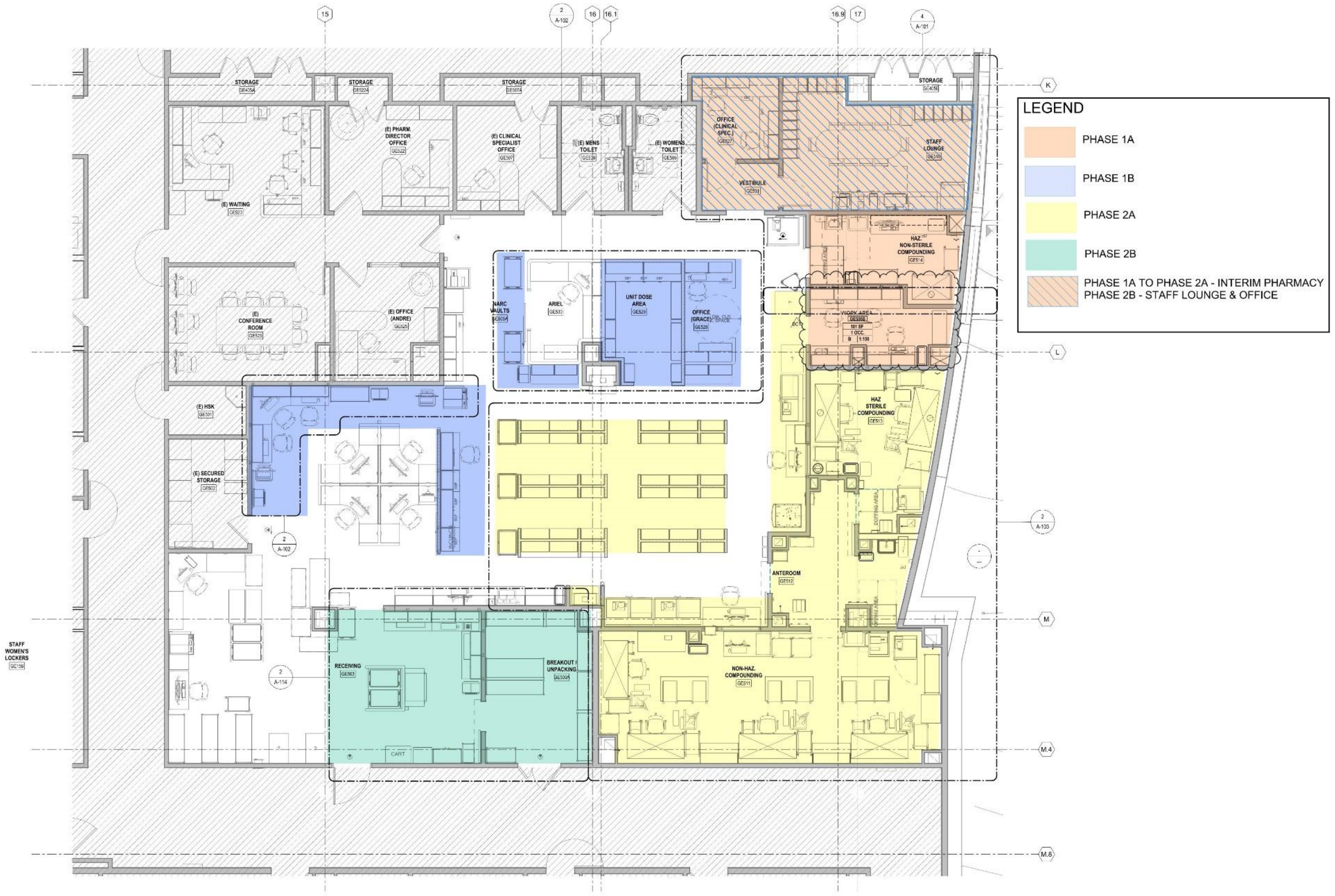
- MV Pharmacy Upgrades Project not to exceed $7.32 million
- LG Pharmacy/Pathology Upgrades Project not to exceed $5.42 million

Background

- United States Pharmacopoeia – USP 787 & USP 800 Standards require pharmacies that compound Sterile and Hazardous drugs to be in compliance with the standards, which become official on November 1, 2023.
- Compliance is regulated by the California Board of Pharmacy and the California Department of Public Health.
- The standards have been contemplated for the past few years, but due to the pandemic, compliance dates were extended.
- We began evaluating and planning to implement compliance solutions in the summer of 2019.
- Final solutions involve the installation of certified bio-safety hoods in “Clean Room” environments that must meet very specific specifications.

MV Pharmacy Project Plan

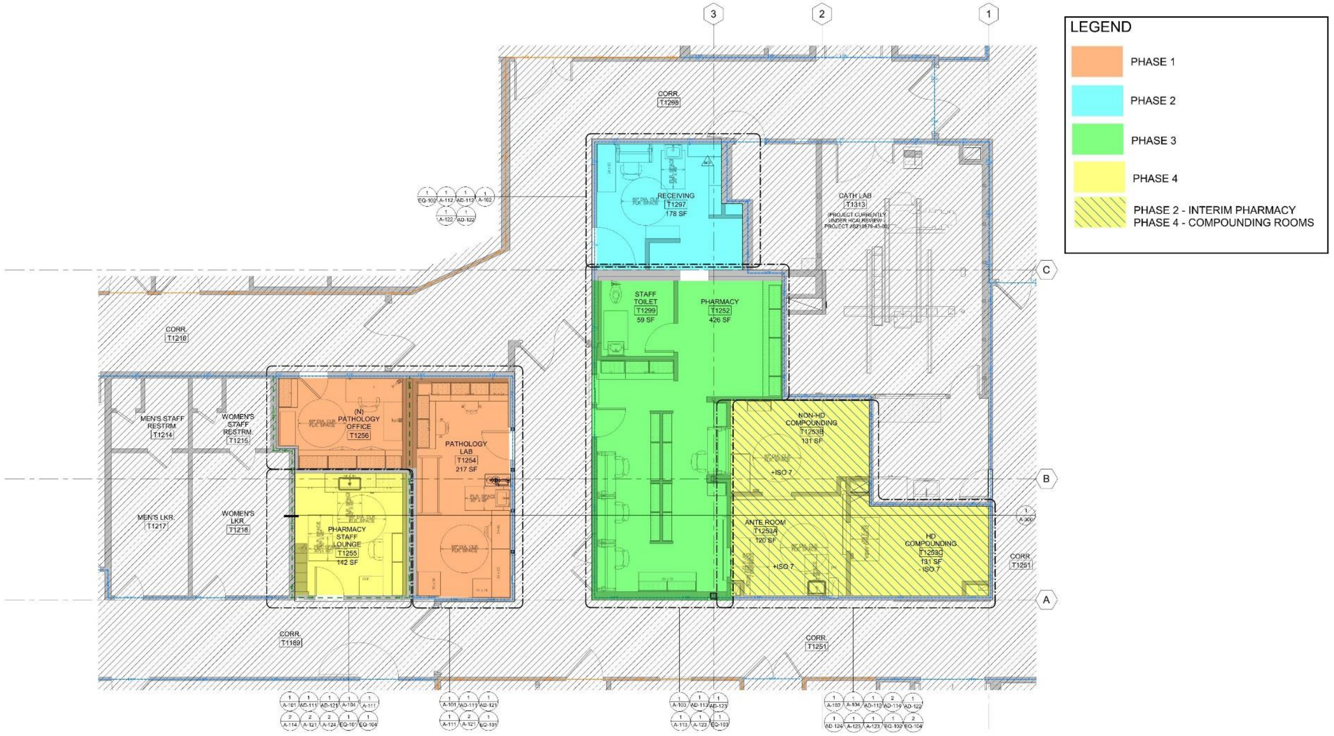
- 4 Phases of Construction & Installation while maintaining safe operations of pharmacy services.



El Camino Health

LG Pharmacy Project Plan

- 4 Phases of Construction & Installation while maintaining safe operations of pharmacy services.
- Initial phase is the required relocation of the pathology lab in order to gain area needed to meet the pharmacy requirements.



Project Costs

MV Pharmacy 797/800 Upgrades	
Construction	$5,355,000
FF&E	$492,000
Soft Costs	$1,124,704
Contingency @ 5 %	$349,860
Total Project Cost	$7,321,564
Rounded	$7,320,000
1922 - LG Pharmacy 797/800 & Pathology Upgrades	
Construction	$3,982,292
FF&E	$345,881
Soft Costs	$833,873
Contingency @ 5 %	$258,102
Total Project Cost	$5,420,149
Rounded	$5,420,000

	CASH FLOW PROJECTION		
	Spend to Date	Projected FY2023 Spend	Projected FY2024 Spend
MV Project	$227,000	$1,106,000	$5,900,000
LG Project	$280,000	$981,000	$4,100,000

- These projects will create a safer environment for compounding drugs as required by licensing standards.
- There is no ROI other maintaining our licensed status.

El Camino Health

Strategic Questions or Implications

- What if we did not implement the upgrades?
  - Risk losing license to compound sterile and hazardous drugs.

- How will the upgrades impact pharmacy operations?
  - Both projects have been designed to maintain pharmacy operations while the upgrades are in process.
  - Once completed pharmacists will have a safe and more efficient environment for compounding drugs.

The Request

To recommend Board approval of capital funding for the following two regulatory compliance projects:

- MV Pharmacy Upgrades Project not to exceed $7.32 million
- LG Pharmacy/Pathology Upgrades Project not to exceed $5.42 million

Q & A