



**El Camino Hospital<sup>®</sup>**

THE HOSPITAL OF SILICON VALLEY

**El Camino Hospital and Affiliates  
FY19 Operating & Capital Budget**

El Camino Hospital Board

June 13, 2018

Iftikhar Hussain, CFO

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# Strategic Goals and Objectives

## Themes *Differentiators*

**1**  
**High-Performance  
Operating Model**

**2**  
**Consumer, Payer,  
Employer Alignment**

**3**  
**Physician  
Integration**

## Goals *What you will achieve to make strategy a success*

**1.**  
Create  
innovative  
sites of care  
across Silicon  
Valley

**2.**  
Create  
Operational  
Efficiency to  
manage cost  
and increase  
scale

**3.**  
Enable a  
value based  
network of  
care in Silicon  
Valley

**4.**  
Exceed  
patient,  
payer and  
employer  
expectations

**5.**  
Provide  
world class  
programs and  
physician  
support

**6.**  
Align with a  
clinically and  
financially  
integrated  
physician  
network

## Objectives *Specific outcomes with targets and deadlines*

**1.1a** Facility Plan  
**1.1b** Ambulatory / Clinic Plan  
**1.2a** Embed Lean Management  
**1.2b** Reduce preventable  
admissions, readmissions

**2.1a** Know consumer, payers, employers  
**2.1b** Silicon Valley Post Acute Network  
**2.2a** Best patient centered quality, safety  
& experience  
**2.2b** Nationally renowned innovative  
care delivery

**3.1a** Centers of Excellence  
**3.1b** Best environment for  
physicians  
**3.2a** ECH employed network  
**3.2b** Aligned diverse network

# High-Performing Operating Model

## 1.1

### Create innovative sites of care across Silicon Valley

**Initiative 1.1a:** Execute campus plan for all three sites and beyond, within the context of growth and informed by rationalization of services

#### FY19 Tactics

1. Achieve Heart Valve Center of Excellence designation from American College of Cardiology by year end
2. Increase patient capacity through cardiac cath and electrophysiology lab equipment & facilities to allow growth/new physicians in Mountain View, phased throughout year
3. Implement Comprehensive Spine Program in Mountain View
4. Open expanded Behavioral Health Services facility by year end
5. Expand pre-/post-surgical services at Los Gatos by year-end to accommodate more growth
6. Assess opportunity to develop medical oncology program development at Los Gatos by end of FY19

**Initiative 1.1b:** Create a beyond-campus provider network of at least four ambulatory care sites supporting population health management, digital channels and the delivery of care at the right place and time

#### FY19 Tactics

1. Operate six (6) ambulatory locations by year end, including SVMD and Urgent Care centers

# High-Performing Operating Model

## 1.2

### Create operational efficiency to manage cost and increase scale

**Initiative 1.2a:** Embed a Lean management culture that focuses on performance analytics and accountability

#### FY19 Tactics

1. Align work of organization to achieve strategic goals
2. Demonstrate improvement on patient Emergency Department throughput, facilities/equipment, operating room efficiency value streams
3. Use focused Lean Management System training/"Train-the-Trainer" for future facilitators
4. Execute leader Standard Work at all levels of leadership (Managers -> Executives)

**Initiative 1.2b:** Reduce preventable admissions and readmissions, and support effective, efficient care transitions along the continuum

#### FY19 Tactics

1. Continue Clinical Documentation Improvement (CDI) initiative
2. Assess clinical variation opportunities and execute to reduce cost and improve outcomes

# Consumer, Payer & Employer Alignment

## 2.1

### Enable a value-based network of care in Silicon Valley

**Initiative 2.1a:** Know our employers, payers, and consumers better than any other health system in Silicon Valley

#### **FY19 Tactics**

1. Address 1-2 operational concerns from payers
2. Address 1-2 concerns of employers found in the employer preference study
3. Conduct 1-2 additional focus groups to better understand our consumers

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**Initiative 2.1b:** Establish a Silicon Valley post-acute care network along the continuum capable of supporting value-based payment (VBP) arrangements

#### **FY19 Tactics**

1. Align additional post-acute providers to increase percent of eligible patients discharged to a network provider to 58%

# Consumer, Payer & Employer Alignment

## 2.2

### Exceed patient, payer & employer expectations

**Initiative 2.2a:** Provide Silicon Valley's best patient centered experience via high quality, convenient care across the entire care continuum

#### **FY19 Tactics**

1. Develop ECH's 3-year Patient Experience Roadmap
2. Execute on Patient Experience Roadmap priorities for FY19 to improve HCAHPS performance
3. Improve participation in MyChart to 50% by December 31, 2018
4. Implement MyChart Bedside in specified units by December 31, 2018
5. Integrate 1-2 technologies (e.g., Chatbot or app) to support patient experience
6. Attain improvement on quality metrics (mortality AMI, CABG and readmission AMI, HF)
7. Implement navigation system in pilot Center(s) of Excellence

**Initiative 2.2b:** Create and support a nationally renowned innovation center focused on bringing Silicon Valley's innovation to clinical processes and care delivery

#### **FY19 Tactics**

1. Use design thinking processes to develop and test "Patient Room of the Future"

# Physician Integration

## 3.1

### Provide world-class programs and physician support

**Initiative 3.1a:** Invest in and expand Centers of Excellence to foster ECH's market distinction and deliver standard of care

#### FY19 Tactics

1. Establish 1-2 partnerships with local health systems that achieve retention and growth for key service lines and support Initiatives 1.1a and 1.1b

**Initiative 3.1b:** Offer physicians the best health care environment in which to work

#### FY19 Tactics

1. Implement focused operations plans based on input from physicians and demonstrate improvement
2. Implement voice recognition software for physician staff
3. Establish a highly effective Medical Staff onboarding and credentialing process
4. Improve Medical Staff engagement through exceptional physician relations



# Physician Integration

## 3.2

### Align with a clinically and financially integrated physician network

**Initiative 3.2a:** Invest in and expand ECH's own physician network via 1206(g), evolving to 1206(l)

#### **FY19 Tactics**

1. Establish medical group and practice management infrastructure
2. Growth to 25 providers by the end of FY19

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**Initiative 3.2b:** Align with a distributed, clinically integrated physician network and Foundation with one or more partners

#### **FY19 Tactics**

1. Add El Camino Hospital and members of its independent Medical Staff to 1-2 payer networks and/or products

# FY19 Organizational Goals: Draft

Organizational Goals FY19	Benchmark	Baseline	Minimum	Target	Maximum	Weight	Performance Timeframe
<b>Organizational Goals</b>							
<b>Patient Throughput</b> ED Door to Patient Floor - LG & MV	Internal Benchmark <i>Based on CMS Core Measure Data</i>	Minutes - 339	306	280	270	30%	Q4
<b>HCAHPS Service Metric</b> Nurse Communication 10% Responsiveness 10% Cleanliness 10%	External Benchmark <i>PG-HCAHPS Adjusted/Received</i>	Nurse Comm - 80 Responsiveness - 65.1 Cleanliness - 74.5	80.5 65.6 75	81 67 76	82 68.5 77	30%	Q4
<b>Quality Metrics</b> Mortality Index - All Patients 10% Readmissions Index - All Patients 10%	External Benchmark <i>Premier Quality Advisor Top Quartile</i>	Mortality 1.02 Readmission 1.08	1.00 1.07	0.95 1.05	0.90 1.03	20%	FY
<b>People</b> Employee Engagement	External Benchmark <i>Press Ganey</i>	4.09	4.09	4.14	4.17	20%	FY
<b>Threshold Goals</b>							
<b>Budgeted Operating Margin</b>	Internal <i>95% Threshold</i>	Achieved FY18 Budget	95% of Budgeted Operating Margin			Threshold	FY

# FY19 Proposed Operating Budget

# FY19 Revenue, Volume and Expense Inflation Assumptions

Category	Description
Charges	5% increase. Combined IP and OP prices are at 35 <sup>th</sup> percentile based on OSHPD data
Net Revenue	Medicare 1.4% increase Average commercial 3% to maintain mid market position.
Growth	2.5% measured in adjusted discharges
Commercial Payer Mix	Increase by 1.6% to 42.8%
Wages	Non contractual at 3%
Pharmacy	3.5%
Supplies	3%
All other	2 - 3%

# Proposed Hospital & Affiliates Consolidated Budget

	2015	2016	2017	2018 Ann	BUD 2019		Bud19 vs 18	% Var
<b>Revenue</b>								
Total Gross Revenue	2,573,881	2,755,722	3,020,408	3,300,093	3,564,266		264,173	8.0%
Deductions	1,827,236	1,983,549	2,187,761	2,414,245	2,647,094		232,849	9.6%
Net Patient Revenue	746,645	772,173	832,647	885,848	917,172		31,324	3.5%
Other Operating Revenue	34,805	39,407	42,910	44,737	51,621		6,884	15.4%
Total Revenue	781,451	811,580	875,556	930,586	968,793		38,208	4.1%
<b>Expenses</b>								
Salaries, Contract Labor	319,671	339,551	346,486	369,813	401,610		31,797	8.6%
Benefits	97,387	103,707	106,879	107,833	114,958		7,125	6.6%
Drugs	24,181	28,797	31,623	34,355	45,751		11,395	33.2%
Supplies	85,962	89,386	90,358	93,342	95,385		2,043	2.2%
Professional Fees	30,417	32,124	37,693	38,071	45,856		7,785	20.4%
Purchased Services	69,936	75,093	74,340	75,968	85,508		9,540	12.6%
Other Operating Expenses	28,146	36,057	28,490	28,937	31,813		2,875	9.9%
Depreciation	44,707	48,803	47,970	49,478	53,244		3,766	7.6%
Interest Expense	5,256	7,193	1,709	5,831	7,686		1,855	31.8%
Total Operating Expense	705,663	760,712	765,548	803,630	881,811		78,181	9.7%
Operating Income	75,788	50,869	110,008	126,956	86,982		(39,973)	-31.5%
Investments	19,020	1,094	64,035	56,433	30,064		(26,369)	-46.7%
Community Benefit	(2,397)	(2,724)	(3,076)	(3,412)	(3,600)		(188)	5.5%
Other	4,355	(3,517)	2,688	7,113	(981)		(8,094)	-113.8%
Non-Operating	20,979	(5,147)	63,648	60,134	25,484		(34,651)	-57.6%
Net Income	96,766	45,722	173,656	187,090	112,466		(74,624)	-39.9%
EBIDTA	125,751	106,865	159,688	182,265	147,913		(34,353)	-18.8%
EBIDTA Margin %	16.1%	13.2%	18.2%	19.6%	15.3%			
Operating Margin %	9.7%	6.3%	12.6%	13.6%	9.0%			
Net Margin %	12.4%	5.6%	19.8%	20.1%	11.6%			

# Proposed Hospital Budget

	2015	2016	2017	2018 Ann	BUD 2019	Bud19 vs 18	% Var
<b>Revenue</b>							
Total Gross Revenue	2,573,881	2,755,387	3,019,083	3,299,422	3,558,402	258,981	7.8%
Deductions	1,827,236	1,983,367	2,186,820	2,413,746	2,643,492	229,746	9.5%
Net Patient Revenue	746,645	772,020	832,263	885,675	914,910	29,235	3.3%
Other Operating Revenue	21,105	23,636	26,085	28,562	36,360	7,798	27.3%
Total Revenue	767,751	795,657	858,347	914,237	951,269	37,032	4.1%
<b>Expenses</b>							
Salaries, Contract Labor & P	314,406	334,140	341,137	364,273	396,612	32,339	8.9%
Benefits	95,666	101,849	104,948	105,860	113,297	7,437	7.0%
Drugs	24,136	28,770	31,617	34,349	45,689	11,340	33.0%
Supplies	85,825	89,218	90,209	93,172	94,970	1,797	1.9%
Professional Fees	29,721	31,421	36,845	36,769	38,239	1,470	4.0%
Purchased Services	62,653	66,597	64,277	66,124	67,502	1,378	2.1%
Other Operating Expenses	27,340	35,109	27,503	27,752	29,079	1,327	4.8%
Depreciation	44,627	48,748	47,925	49,284	52,857	3,572	7.2%
Interest Expense	5,256	7,193	1,709	5,831	7,686	1,855	31.8%
Total Operating Expense	689,629	743,044	746,171	783,414	845,930	62,517	8.0%
<b>Operating Income</b>	78,122	52,613	112,176	130,823	105,339	(25,484)	-19.5%
Non Operating							
Investments	18,194	(155)	62,259	55,451	29,072	(26,379)	-47.6%
Community Benefit	(2,397)	(2,716)	(3,076)	(3,431)	(3,600)	(169)	4.9%
Other	871	(6,699)	(1,783)	247	(20,655)	(20,903)	-8452.9%
Non-Operating Revenue and I	16,668	(9,570)	57,400	52,267	4,817	(47,450)	-90.8%
Net Income	94,790	43,043	169,576	183,091	110,156	(72,935)	-39.8%
EBIDTA	128,005	108,554	161,811	185,939	165,882	(20,057)	(0)
EBIDTA Margin %	16.7%	13.6%	18.9%	20.3%	17.4%	-2.9%	
Operating Margin %	10.2%	6.6%	13.1%	14.3%	11.1%	-3.2%	
FTEs	2,451	2,510	2,507	2,579	2,709	130	5.0%
FTEs per AOB	5.85	6.14	6.09	6.07	6.24		
Adj Discharges	32,507	31,379	33,052	34,888	35,771	883	2.5%

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# Reconciliation FY18 to Hospital Budget FY19 (000's)

	FY 2018 Projected/ Actual	Volume & Access	Inflation	Strategic	Operations Improvement	Other	Increase / (Decrease)	FY 2019 Budget
Collectible Patient Revenue:	885,675	16,312	22,108			-9,186	29,235	914,910
<i>Yield</i>	<i>26.8%</i>						<i>-1.1%</i>	<i>25.7%</i>
Other Revenue:	28,562	7,100			500	198	7,798	36,360
<b>TOTAL NET OPERATING REVENUE</b>	<b>914,237</b>	<b>23,412</b>	<b>22,108</b>		<b>500</b>	<b>-8,989</b>	<b>37,032</b>	<b>951,269</b>
Salaries, Contract Labor & PTO	364,273	7,276	17,236	2,781	4,546	500	32,339	396,612
Total Benefits:	105,860	1,673	3,964	640	1,046	114	7,437	113,297
DRUGS	34,349	10,044	1,202			94	11,340	45,689
SUPPLIES	93,172	1,324	2,795	309	-2,200	-432	1,797	94,970
PROFESSIONAL FEES	36,769			2,128	363	-1,021	1,470	38,239
PURCHASED SERVICES	66,124	616		2,743	-1,306	-674	1,378	67,502
OTHER OPERATING EXPENSE	27,752	750		120	-507	965	1,327	29,079
DEPRECIATION	49,284					3,572	3,572	52,857
INTEREST EXPENSE	5,831					1,855	1,855	7,686
<b>TOTAL OPERATING EXPENSE</b>	<b>783,414</b>	<b>21,683</b>	<b>25,198</b>	<b>8,720</b>	<b>1,942</b>	<b>4,973</b>	<b>62,517</b>	<b>845,930</b>
<b>OPERATING MARGIN</b>	<b>130,823</b>	<b>1,730</b>	<b>-3,090</b>	<b>-8,720</b>	<b>-1,442</b>	<b>-13,962</b>	<b>-25,484</b>	<b>105,339</b>

- Strategic items mapped to strategy on the following page
- Operations improvement includes staffing to improve quality and safety funded with offsetting efficiencies

# Funding for Strategic Initiatives

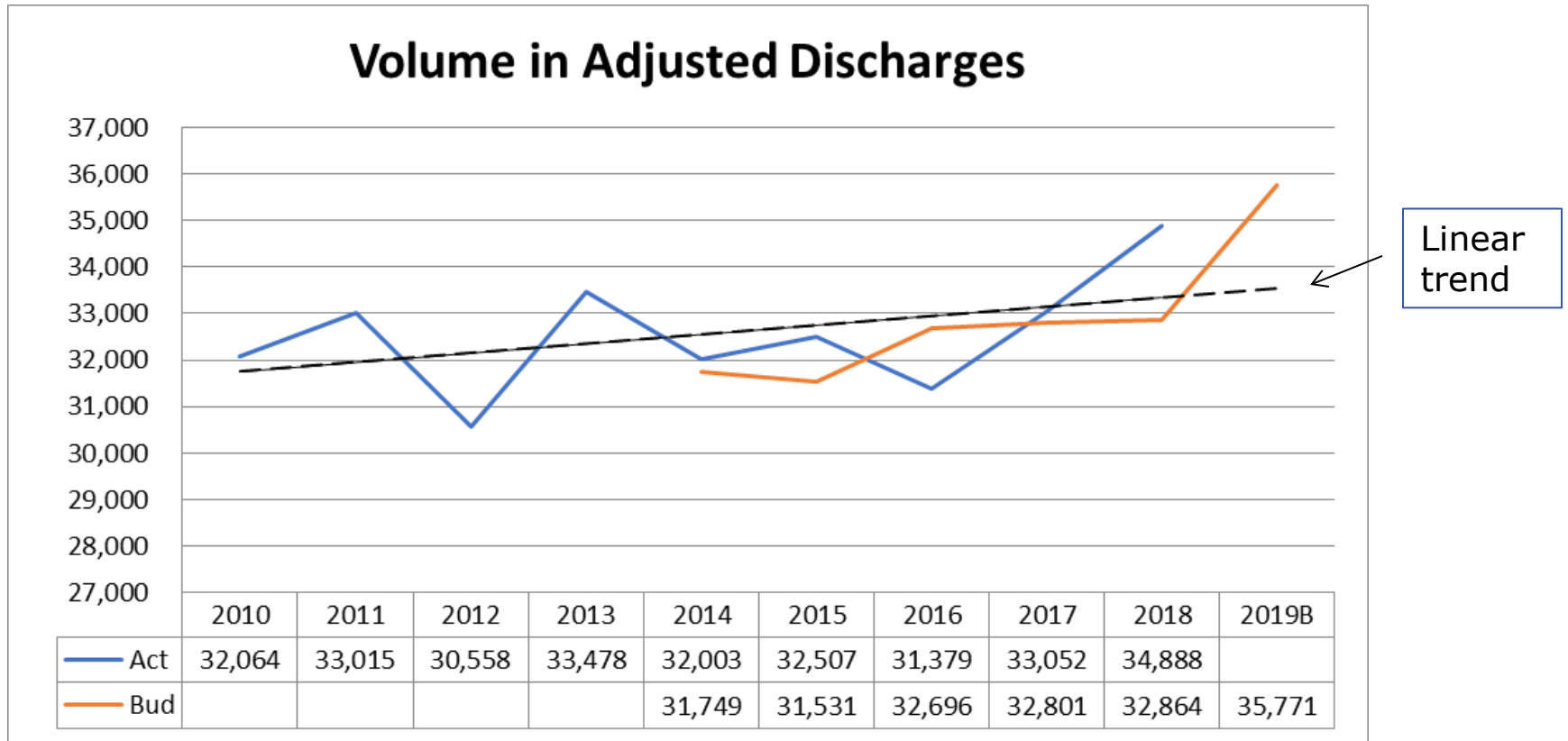
\$ in 000's

	Strategic Costs	Strategic Initiative(s)
<b>Salaries, Contract Labor &amp; PTO</b>	<b>2,781</b>	
Strategic Programs	987	1.2a, 1.2b, 2.2a, 2.1b
Physician Integration	1,794	3.2a
<b>Total Benefits:</b>	<b>640</b>	
Benefit costs driven by increase in salaries	640	Various
<b>SUPPLIES</b>	<b>309</b>	
8330 Retail Café Supplies	309	2.2a
<b>PROFESSIONAL FEES</b>	<b>2,128</b>	
iCare Strategic Objective iCare Voice Recognition Dictation & Transcription project	1,000	3.1b
Consulting Engagements: - LEAN Culture - Market Surveys - Digital Technologies	828	1.2a, 2.1a
Guest Services Implement Patient Experience Roadmap	300	2.2a
<b>PURCHASED SERVICES</b>	<b>2,743</b>	
IS SW CONTRACT - New ERP	987	1.2a
IS Business Systems - New ERP Training	683	1.2a
Marketing Strategic Initiatives	833	2.1a
Press Gainey Culture of Safety engagement	240	2.2a
<b>OTHER OPERATING EXPENSE</b>	<b>120</b>	
Marketing Strategic Initiatives	120	2.1a
<b>TOTAL OPERATING EXPENSE</b>	<b>8,720</b>	



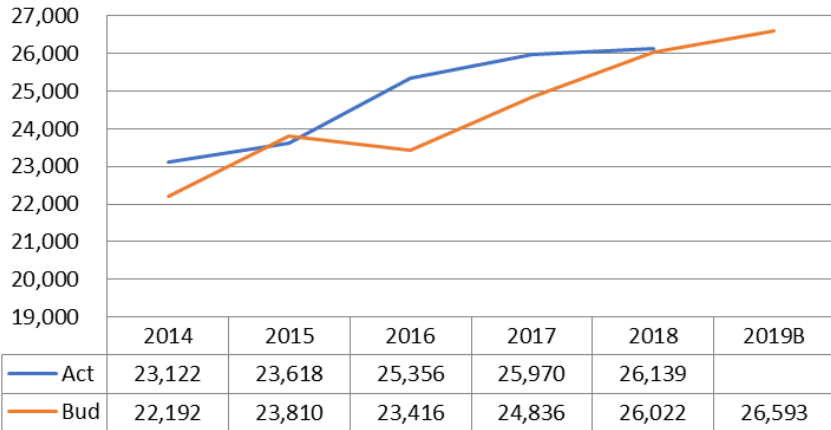
# Patient Volume

Adjusted Discharges metric measures combined inpatient and outpatient volume

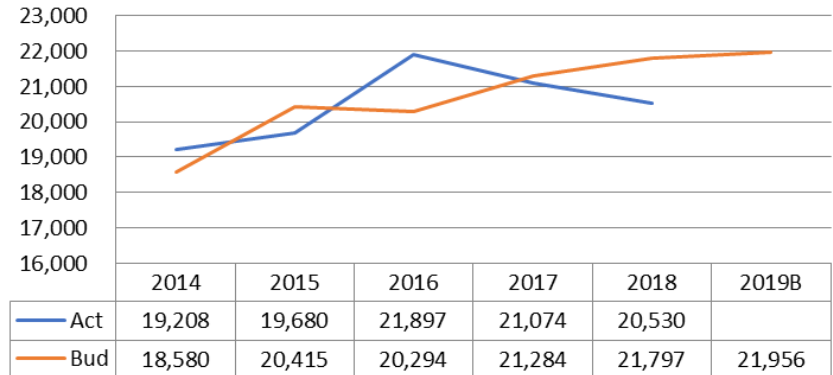


# Revenues and Expenses: Historical Performance

## Revenue per Adjusted Discharge

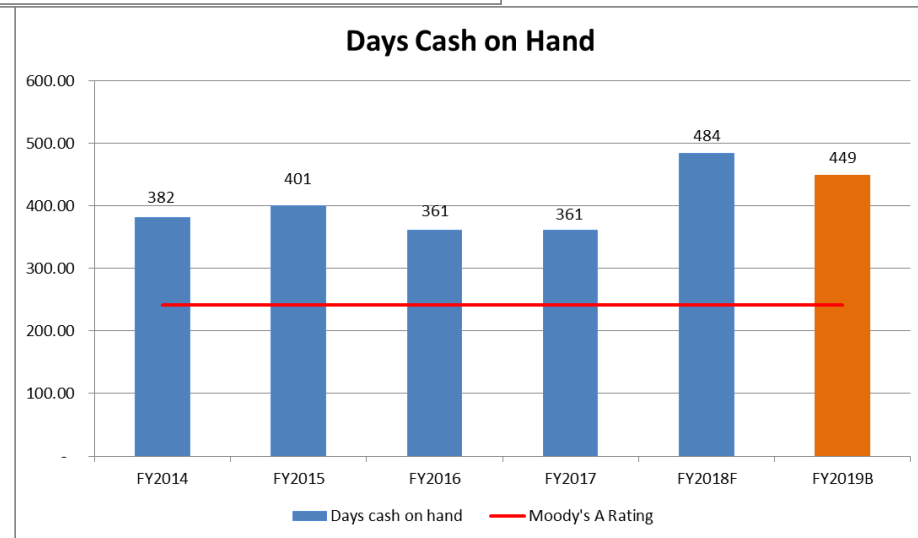
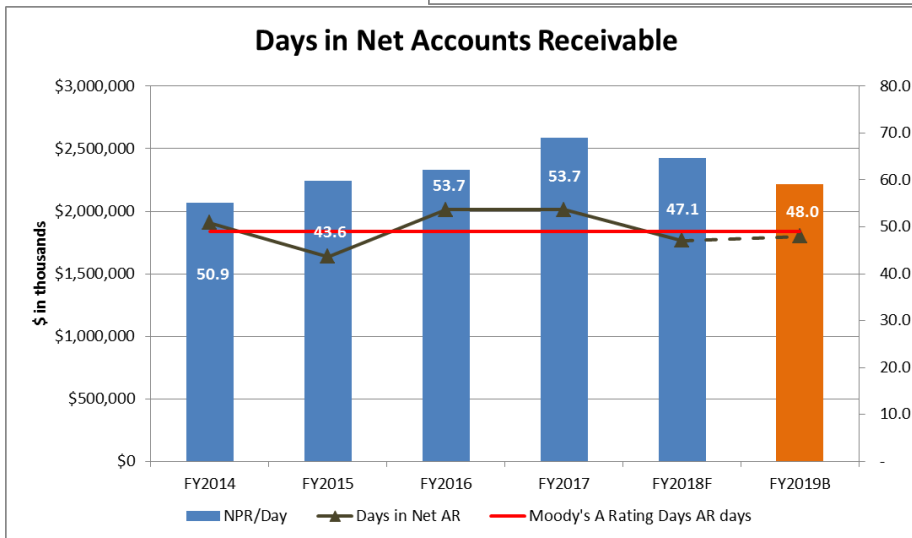
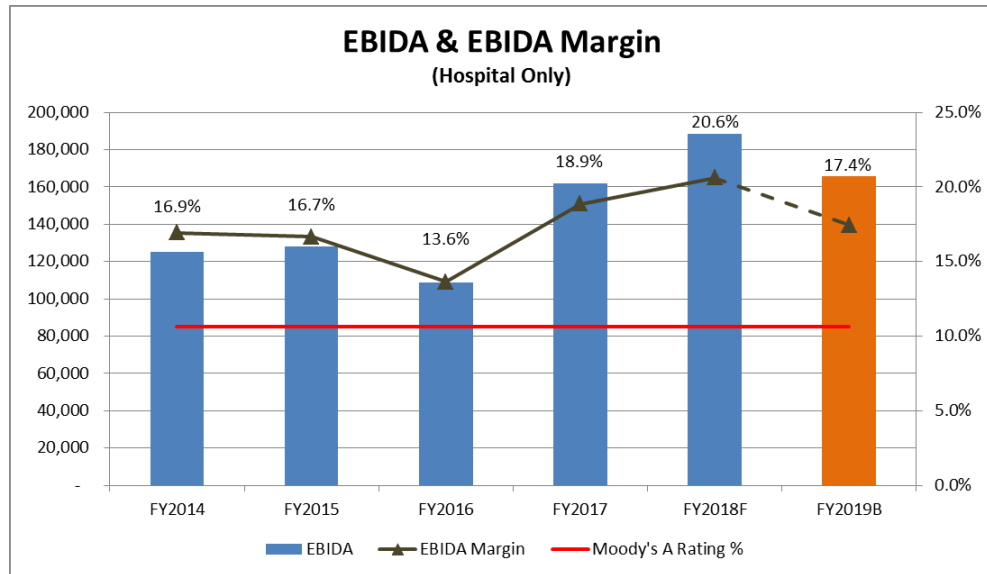


## Expenses per Adjusted Discharge excluding Depreciation and Interest



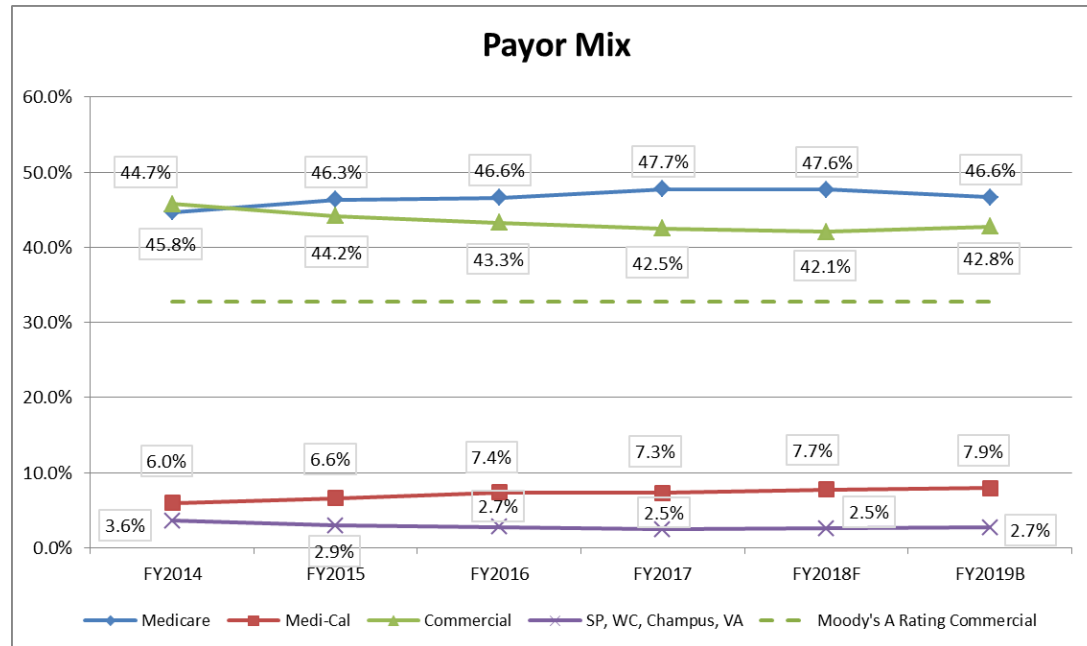
- Revenue per adjusted discharge climbed in 2016 due to revenue cycle improvements as a result of EPIC.
- Post implementation, Revenue per adjusted discharge has grown modestly: 2.4% in FY17 and 0.7% in FY18. FY18 revenue per adjusted discharge is at budget.
- Expenses per adjusted discharge declined in FY17 and FY18 due to patient volume increase and leveraging fixed cost structure.

# Key Financial Metrics

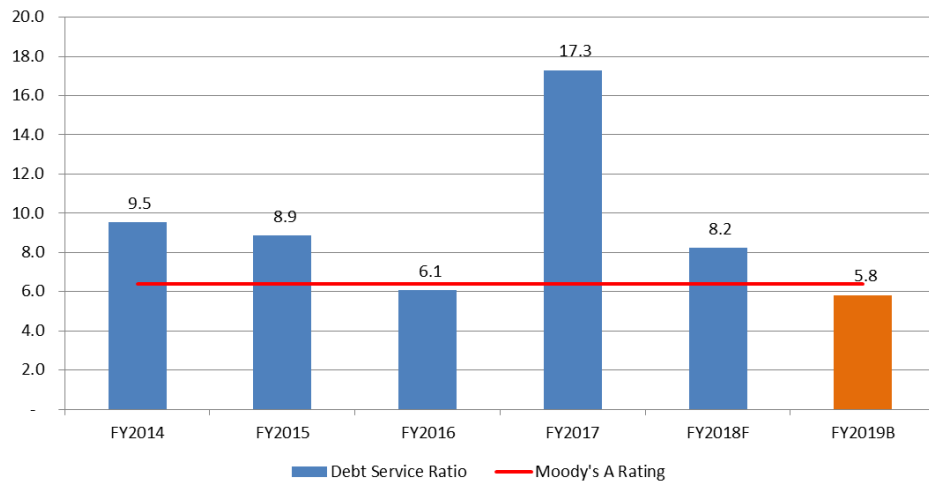


# Key Financial Metrics

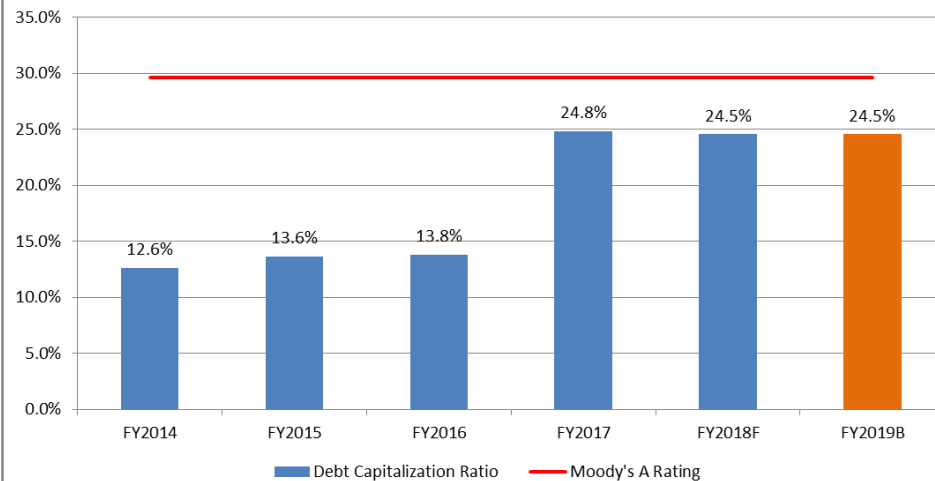
- Payer mix trend shows growth in Medicare and Medi-Cal
- FY 19 growth initiative provide the commercial volume to stabilize the payer mix
- Commercial mix is above Moody's median



### Debt Service Ratio



### Debt Capitalization Ratio



# Proposed Capital Budget FY19

## FY19 Capital Spending Trend by Category

Capital Spending (in 000's)	Actual FY2014	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2018	Projected FY2018	Budget FY2019
EPIC	6,838	29,849	20,798	2,755	1,922	1,922	-
IT Hardware / Software Equipment	2,788	4,660	6,483	2,659	12,238	12,238	19,732
Medical / Non Medical Equipment*	12,891	13,340	17,133	9,556	5,635	14,275	11,206
Facilities	36,044	38,940	52,326	82,953	211,886	128,030	279,450
<b>GRAND TOTAL</b>	<b>58,561</b>	<b>86,789</b>	<b>96,740</b>	<b>97,923</b>	<b>231,681</b>	<b>156,465</b>	<b>310,388</b>

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- FY19 Facility plan includes completion of IMOB and Behavioral projects
- IT budget includes ERP project
- Detail of IT and Equipment presented in appendix

# FY 2019 Capital Request Detail (in thousands)

## Facilities MV – Page 1/2

	Total Project Cost	Spent Through FY18	FY -19 Proj Spend	Cumulative thru FY 19
<b>Mountain View Campus Master Plan Projects</b>				
Integrated Medical Office Building	302,100	110,279	150,000	260,279
North Dr Parking Structure Expansion	24,500	23,937		23,937
BHS Replacement	96,100	43,081	45,000	88,081
Womens Hosp Expansion	135,000	3,371	10,000	13,371
Demo Old Main & Related Site Work	30,000		2,000	2,000
CUP Upgrades	9,000	8,170	800	8,970
<b>Sub-Total Mountain View Master Plan Projects</b>	<b>596,700</b>	<b>188,839</b>	<b>207,800</b>	<b>396,639</b>
<b>Mountain View Other Capital Projects</b>				
Womens Hosp NPC Closeout	627	585		585
Patient Family Residence	6,500	500	6,000	6,500
Imaging Equipment Replacement (Imaging Dept. Only)	20,700		6,000	6,000
IR / Cath Lab Equipment Replacement (5 or 6 Rooms)	19,400		5,000	5,000
Facilities Planning Allowance	500			
ED Remodel Triage / Psych Observation	5,000	249	4,600	4,849
Nurse Call System Upgrade	2,400		2,400	2,400
Workstation Inventory replacement	2,000		2,000	2,000
Flooring Replacement	1,600	100	1,500	1,600
Emergency Sanitary & Water Storage	1,500	223	1,250	1,473
Willow Pavilion FA Sys and Equip Upgrades	1,000		1,000	1,000
Site Signage & Other Improvements	1,250	250	1,000	1,250
Various Relocation Projects	800		800	800
CT Equipment Replacement @ Radiation Oncology	815	20	780	800
MOB Upgrades (MV Campus) FY-19	1,000		700	700
New Main Lab Upgrades	3,100	2,800	300	3,100
MV Equipment & Infrastructure Upgrades (19)	600		250	250
<b>Sub-Total Mountain View Other Capital Projects</b>	<b>68,793</b>	<b>4,727</b>	<b>33,580</b>	<b>38,307</b>

# FY 2019 Capital Request Detail (in thousands)

## Facilities LG – Page 2/2

	Total Project Cost	Spent Through FY18	FY -19 Proj Spend	Cumulative thru FY 19
<b>Los Gatos Capital Projects</b>				
LG Cancer Center	5,000	243	4,750	4,993
LG Modular MRI & Awning	3,900	400	3,500	3,900
LG Undefined Annual Forecast			2,000	2,000
LG MOB Improvements (17)	5,000	5,036		5,036
LG Imaging Phase II (CT & Gen Rad) & Sterile Processing	8,990	8,965		8,965
LG IR Upgrades	1,250		1,250	1,250
LG Upgrades - Major	19,300	18,490	800	19,290
LG Nurse Call System Upgrade	800		500	500
MOB Upgrades (LG Campus) FY-19	800		500	500
LG Men's Health Clinic	480	10	470	480
LG Facilities Planning Allowance	600		400	400
LG Security System	400		400	400
LG Equipment & Infrastructure Upgrades	600		300	300
<b>Sub-Total Los Gatos Projects</b>	<b>52,120</b>	<b>33,144</b>	<b>14,870</b>	<b>48,014</b>
<b>Other Strategic Capital Facility Projects</b>				
Primary Care Clinic Development (2 @ \$3 Million Ea.) FY-19	6,000		5,000	5,000
Other Strategic Capital FY-19	15,000		15,000	15,000
Willow SC Upgrades ( 35,000 @ \$50)	1,750		1,750	1,750
New 28k MOB (Courthouse Prop)	22,400		1,200	1,200
Primary Care Clinic (TI's Only) FY 17 (828 Winchester)	3,600	3,201	250	3,451
<b>Sub-Total Other Strategic Projects</b>	<b>48,750</b>	<b>3,201</b>	<b>23,200</b>	<b>26,401</b>
<b>Total Facilities Projects</b>	<b>766,362</b>	<b>229,910</b>	<b>279,450</b>	<b>509,360</b>

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# Board Designated Community Benefit Endowment Fund

- In FY16, the Board established an endowment to provide investment income to fund community benefit.
- We agreed to evaluate whether the fund should be increased during the annual budget cycle.
- Recommendation
  - Endowment funding earnings available for FY19 community benefit to be \$900k increasing from \$500K in FY18
  - Endowment fund balance to remain \$15 million since FY19 capital plan exceeds EBITDA by \$164 million

# Appendix

# Affiliates

# CONCERN

	2015	2016	2017	2018 Ann	BUD 2019	Bud19 vs 18	% Var 19 vs 18
Other Operating Revenue	13,690	15,755	16,825	16,126	13,025	(3,101)	-19.2%
Total Revenue	13,690	15,755	16,825	16,126	13,025	(3,101)	-19.2%
Expenses							
Salaries, Contract Labor & P	4,004	4,266	3,887	3,966	3,659	(307)	-7.8%
Benefits	1,332	1,488	1,422	1,408	1,249	(159)	-11.3%
Drugs	45	27	-	0	-	(0)	
Supplies	96	104	75	61	79	18	29.8%
Professional Fees	566	554	672	486	441	(45)	-9.3%
Purchased Services	6,115	7,271	8,573	8,261	6,386	(1,875)	-22.7%
Other Operating Expenses	504	731	705	678	782	103	15.3%
Depreciation	67	42	30	33	33	(0)	-0.6%
Total Operating Expense	12,730	14,483	15,363	14,894	12,629	(2,265)	-15.2%
Operating Income	960	1,273	1,462	1,232	396	(836)	-67.9%
Investments	249	593	54	(217)	500	717	-330.3%
Community Benefit	-	(8)	-	19	-	(19)	-100.0%
Other	(7)	(35)	40	-	(3)	(3)	0.0%
Non-Operating Revenue and	242	550	94	(198)	497	694	-351.3%
Net Income	1,202	1,823	1,556	1,035	893	(142)	-13.7%
EBIDTA	1,027	1,315	1,492	1,266	429	(836)	-66.1%
EBIDTA Margin %	7.5%	8.3%	8.9%	7.8%	3.3%		
Operating Margin %	7.0%	8.1%	8.7%	7.6%	3.0%		
Net Margin %	8.8%	11.6%	9.2%	6.4%	6.9%		

# CONCERN Commentary – 1/2

## Revenue Changes

- FY 18 was budgeted before we knew about the loss of a large customer in January 2018. The customer went out to bid and another EAP under bid us by 42%.
  - This represented a loss in headcount of 81,000 Domestic and 52,000 headcount for International
  - This created a loss in revenue for several line items, the most significant reflected in Per Employee Per Month (PEPM) which includes domestic and international lives, enhanced support and onsite counseling.
    - 598-593 = PEPM and International
    - Projected Revenue in FY 18 of \$3,159,000 for PEPM
    - Projected Revenue in FY 18 of \$1,778,400 for International – this is a “pass through” because we paid a global partner for the services.
- This is why revenue went down from the FY 18 budget of \$15,537,828 to the FY19 budget of \$10,853,198

# CONCERN Commentary – 2/2

## Expense Changes

- Reduced Payroll in FY19 by 5.5 positions from FY18
  - 4 admin support positions (3 did not replace, 1 to reduce)
  - 1 senior clinical manager (retired, did not replace)
  - .5 clinical supervisor ( left, did not replace)
- Variable Expenses
  - Reduced Medical Outside line item 716-610 by \$1,477,530 in FY19 from FY18
  - Reduced Other Purchased Services line item 716-660 by \$2,013,735 in FY19 from FY18
- FY18 Overall Budget reduced by \$4,223,959 in FY19 with a 5.1% Operating Margin

# Foundation - FY18 Budget Financial

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018 P</b>	<b>BUD 2019</b>	<b>Bud19 vs 18</b>
Expenses						
Salaries, Contract Labor & PT	1,076	1,071	1,171	1,273	1,339	67
Benefits	342	359	400	337	407	71
Supplies	41	45	60	63	83	20
Professional Fees	92	72	52	74	58	(16)
Purchased Services	1,084	1,133	1,060	1,183	1,246	64
Other Operating Expenses	292	240	222	347	341	(6)
Depreciation	13	13	13	13	13	-
Total Operating Expense	2,939	2,933	2,977	3,289	3,488	199
Operating Income	(2,939)	(2,933)	(2,977)	(3,289)	(3,488)	(199)
Investments	577	655	1,722	1,197	492	(705)
Other	3,072	3,260	3,675	4,463	4,413	(50)
Non-Operating Revenue and	3,650	3,915	5,397	4,102	4,905	803
Net Income	710	982	2,420	813	1,417	605
EBIDTA	(2,926)	(2,920)	(2,964)	(3,276)	(3,475)	(199)

FY18 fundraising goal is low pending organizational strategic plan

# Foundation Budget Highlights – 1/2

## **FUNDRAISING EVENTS: Budget increase of \$85,000**

- South Asian Heart Center Ball – annual fundraising event
  - At the onset of an event for the SAHC, the expenses were set up to be reflected and managed by the Center’s executive director
  - Now the Center’s event has become one of the four signature fundraising events for the foundation and the financial model should mirror the other events that the Foundation supports
  - Expense budget transitioned from the Center to the Foundation

## **ANNUAL AUDIT: Budget decrease of \$17,500**

- 2017 stand-alone audit for the Foundation was \$51,000 which would have increased to \$52,500 for this year.
- With the approval to move away from doing a standalone audit for the Foundation, the new audit expense will be \$32,500 per Moss Adams
- The Foundation will be part of the Hospital’s annual consolidated audit.



# Foundation Budget Highlights - 2/2

## **STEWARDSHIP EVENTS: Budget neutral**

- Program-focused salon series
- With our ongoing strategy to cultivate new prospects and steward current donors, the Foundation budget has included an expense line for these events. Due to the generosity of the salon hosts, we have had to now pay for the majority of salon expenses. For FY19, we will revamp the focus of these salons to creating more of a Salon Series that would highlight 3-4 clinical programs with dates throughout the year to engage donor interest.
- Behavior Health Pavilion Ribbon-cutting
- With the opening of the mental health pavilion in Q3 of 2019, the Foundation will be allocating a portion of its major gift cultivation/salon budget for a special donor event around the opening

## **ANNUAL GIVING: Budget neutral**

- Focus on personalized message to support mid-level donor program
- More segmentation by clinical program for targeted message to acquire new donors/grateful patients
- I.e. message to give to HVI targeted to all TAVR, MitraClip, Watchman patients who feel immediately better after the procedure and one day inpatient; this is a more timely approach to capture gratefulness

# Foundation – FY19 Fundraising Detail

FY19 ECH Foundation		FY19 Goals	Unrestricted	Restricted	Gift Focus
<b>Major &amp; Planned Gifts</b>		\$3,750,000	\$1,500,000	\$2,250,000	Restricted outright gifts; restricted irrevocable planned gift commitments; unrestricted gifts from matured estates; APS sponsorships
<b>Special Events</b>	<b>Spring Forward</b>	\$450,000	\$300,000	\$150,000	Event Expense; beneficiary: Mental Health & Addiction Services
	<b>Golf</b>	\$300,000	\$260,000	\$40,000	Event Expense; beneficiary: Norma Melchor Heart & Vascular Institute
	<b>SAHC</b>	\$300,000	\$200,000	\$100,000	9858 SAHC Event then transfer proceeds to SAHC Restricted Fund
	<b>NLL</b>	\$150,000	\$150,000	\$0	9860 Special Events Expense then transfer net proceeds to determined beneficiary
<b>Annual Giving</b>		\$550,000	\$220,000	\$330,000	El Camino Fund (unrestricted gifts) and restricted gifts for specific service line/departmental needs
<b>Investment Income</b>		\$500,000	\$500,000	\$0	El Camino Fund (unrestricted)
<b>TOTAL</b>		<b>\$6,000,000</b>	<b>\$3,130,000</b>	<b>\$2,870,000</b>	

# Foundation - Fundraising Trend

ECH FOUNDATION		FY19 Goal	FY18 as of 3/31	FY17 Actual	FY16 Actual	FY15 Actual
<b>Major &amp; Planned Gifts</b>		3,750,000	3,056,296	4,213,319	4,059,779	6,402,194
<b>Special Events</b>	<b>Spring Forward</b>	450,000	26,000	788,360	936,240	627,386
	<b>Golf Tournament</b>	300,000	353,650	273,100	326,205	326,650
	<b>Scarlet Ball</b>	300,000	271,071	315,295	292,180	283,776
	<b>Norma's Luncheon</b>	150,000	209,075	153,300	245,106	126,577
<b>Annual Giving</b>		550,000	546,595	587,582	507,745	567,820
<b>Grants</b>					64,833	514,080
<b>Investment Income</b>		500,000	496,478	1,138,296	1,319,905	1,067,770
<b>TOTAL</b>			<b>4,959,165</b>	<b>7,469,252</b>	<b>7,751,993</b>	<b>9,916,253</b>
<b>Annual Goal</b>		<b>6,000,000</b>	<b>6,150,000</b>	<b>6,170,000</b>	<b>7,300,000</b>	<b>6,690,000</b>

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# Capital Budget Detail

# FY19 Capital Request Detail Information Technology

Facility	Cost Center	Cost Center_1 Desc	Request Item Name	Amount
1	8480	INFO SVS AND TELECOMM	IS Baseline: Network - Baseline Replacement and Maint. Parts	6,331,620
			IS Baseline: Storage - Baseline Primary & Backup Storage Replacement and Growth	1,408,380
			IS Baseline: Server - Baseline Replacement, Upgrades & Growth	715,000
			IS Baseline: Software Upgrades - Existing Systems	400,000
			IS Baseline: Devices - Baseline Cart Replacements & Growth and eTime Badge Readers	295,000
			PROJECT: Mobility for Care Providers	250,000
			IS Baseline: Telecom - Baseline Replacement, Growth, and Maint. Parts	200,000
	8485	IT SECURITY	IS Security Program	500,000
<b>1 Total</b>				<b>10,100,000</b>
<b>Grand Total</b>				<b>10,100,000</b>
<b>ERP Implementation</b>				<b>9,632,000</b>
<b>TOTAL Information Technology</b>				<b>19,732,000</b>

# FY19 Capital Request Detail

## Medical/Non-Medical Equipment Items > \$25K

### MV – Page 1/2

Facility	Cost Center	Cost Center_1 Desc	Request Item Name	Amount
1	6015	CCU 3A; ICU	Cardiac Output Monitor - Vigilance	151,580
			Zolls Defibrillator	107,919
			Ultrasound	100,000
			X2 Transport Monitor	52,568
	6150	PROGRESSIVE CARE UNIT-PCU 3A	Intellivue Multi Measurement Server X2 (transport monitor)	26,284
	6175	SURG PEDS 4A; ORTHO SPINE	Bedside vital sign monitoring	291,232
			New Bariatric Beds (Mattresses & Pumps purch. FY18)	168,100
	6176	MEDICAL - 2C	Philips NIBP	291,253
	6900	PRE-OP SHORT STAY; OPS	B450 + Networking	374,587
	7400	LABOR DELIVERY	Gurneys that can weigh patients	57,000
			GE Anesthesia Patient monitoring module	29,013
			Valley Lab Bovie	500,000
	7420	OPERATING ROOM	EPIQ 7C Ultrasound System	203,484
			HEMOSPHERE ADVANCED MONITORING PLATFORM	151,580
			Cell Saver	58,605
			GE Carescape Patient Data Module	48,355
			Data Management System - Perfusion	44,882
			Microdebrider(inst) and Endoscrub(console)	41,162
			LCD MONITOR 55 INCH W/O CABLES	40,214
	Cyberwand (shockpulse)	39,900		

# FY19 Capital Request Detail

## Medical/Non-Medical Equipment Items > \$25K

### MV – Page 2/2

Facility	Cost Center	Cost Center_1 Desc	Request Item Name	Amount
	7501	CLIN LAB-HEMATOLOGY	Vitek II Microbiology System w/ Interface	187,675
			Blood Bank System w/ Interface	113,000
			Coagulation Instruments w/ interface x2	101,800
			BioMerieux BioFire PCR system	90,000
	7520	ANATOMIC PATHOLOGY	Tissue Processor	154,500
			Cryostat	73,000
	7570	INTERVENTIONAL SERVICES	Valley Lab Bovie	50,000
	7590	ECG	Replace EKG Fleet	197,200
	7720	RESPIRATORY CARE SVCS	ERBE Cart Cryo	45,000
			ERBE Cart for Argon Plasma	45,000
			High Definition Medical Grade Monitors (21)"	44,000
	7761	ENDOSCOPY	Endo flip Manometry	57,500
			Olympus Pedi Scope Trade In	32,113
			Glide Scope Endf of Life Replacements	26,420
	8340	NUTRITION SERVICES	CBORD Room Service Choice Upgrade	41,000
	8370	ANCILLARY UNIT SUPPORT	Staxi Wheelchairs	30,846
	8380	STERILE PROCESSING	Amsco Prevacuum Steam Sterilizer	148,007
			Reliance Vision Washer/Disinfectior	120,458
	8381	CENTRAL DISTRIBUTION	Equipment Tracking System (Aero Scout, Stanley Healthcare	150,000
	8440	ENVIRONMENTAL SVCS	Xenex Refurbished UV Disinfection Robot	85,000
	8484	EPIC PATHWAYS	MyChart Bedside	500,000
	8514	REVENUE INTEGRITY	Denial Management Reporting System (Implementation Fee)	60,000
<b>1 Total</b>				<b>5,130,236</b>

# FY19 Capital Request Detail

## Medical/Non-Medical Equipment Items > \$25K LG & Total

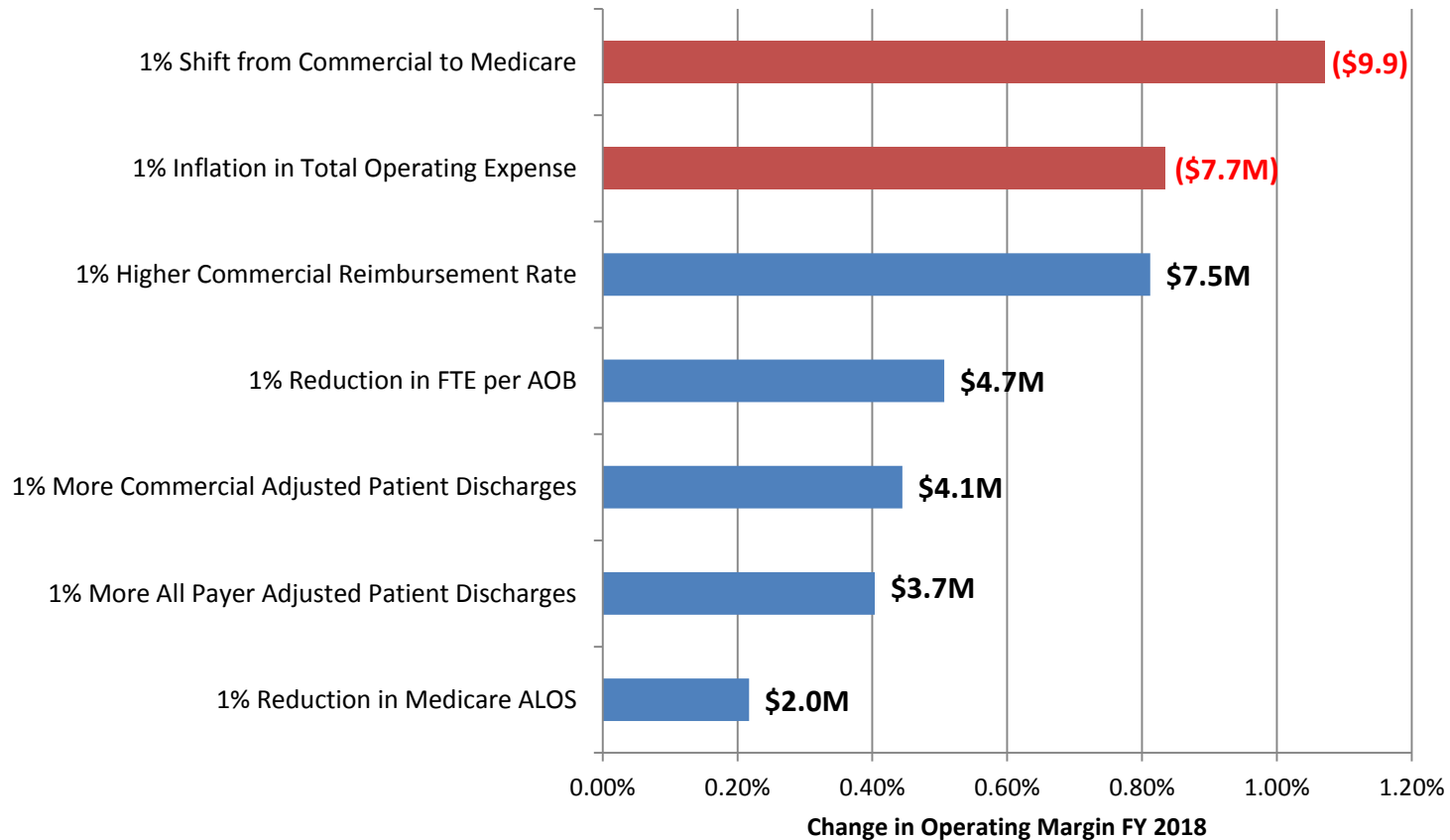
Facility	Cost Center	Cost Center_1 Desc	Request Item Name	Amount
11	6015	CCU 3A; ICU	MindRay Ultrasound (ICU)	49,500
	6177	MED SURG ONC 4B; MED SURG	Supply Room Shelving/Cart	32,000
	6900	PRE-OP SHORT STAY; OPS	Prime Electric Big Wheel gurney	27,957
	7400	LABOR DELIVERY	Anesthesia carts	102,034
			Surgical lights	25,867
	7420	OPERATING ROOM	Medtronic O-arm/Stealth/Midas	1,372,632
			Stryker Video Upgrade	1,284,474
			GE Module Upgrade for Anesthesia Machines	696,318
			NuVasive LessRay	232,230
			AquaBeam System	192,000
			Dornier MedTech Table (Urology)	64,987
			Storz Cysto/Resection Set	44,307
			ConMed AirSeal	35,235
			Storz Monopolar/Bipolar Generator	27,656
	7501	CLIN LAB-HEMATOLOGY	Coagulation Instrument	90,875
	7520	ANATOMIC PATHOLOGY	Renovate LG Histology Lab	100,000
	7639	IMAGING - MAMMOGRAPHY	Hologic Tomosynthesis with Affirm Biopsy	539,050
			SaviScout Wire-Free Technology for Breast	81,850
	7650	IMAGING - NUC MED	Nuclear Medicine Equipment Replacement, Siemens Evo	293,992
	7761	ENDOSCOPY	olympus dual chamber gastroscope	43,401
	7770	THERAPY SERVICES - IP	BTE Upper Extremity	42,000
	8381	CENTRAL DISTRIBUTION	LogicQuip Shelving	32,044
	8440	ENVIRONMENTAL SVCS	Xenex Refurbished Robot	85,000
<b>11 Total</b>				<b>5,495,409</b>
<b>Grand Total</b>				<b>10,625,645</b>
Items < \$25K				<b>580,082</b>
<b>TOTAL Medical &amp; Non-Medical Equipment</b>				<b>11,205,727</b>



# Sensitivity Analysis, Benchmarks, and Historical Trends

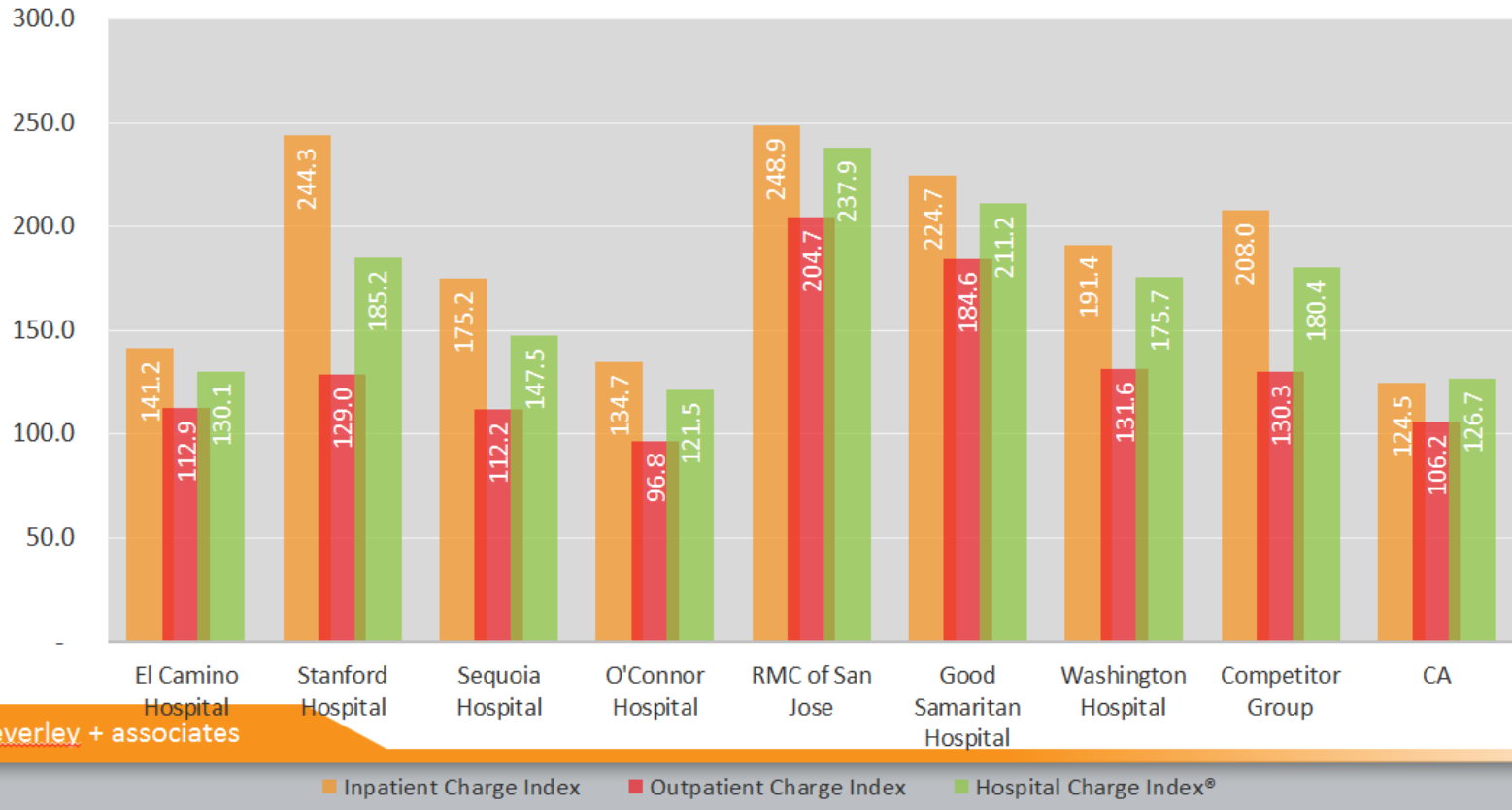
# Sensitivity Analysis

## Single Year Change in Operating Margin



# Charge Master Pricing Comparison with Benchmark Data

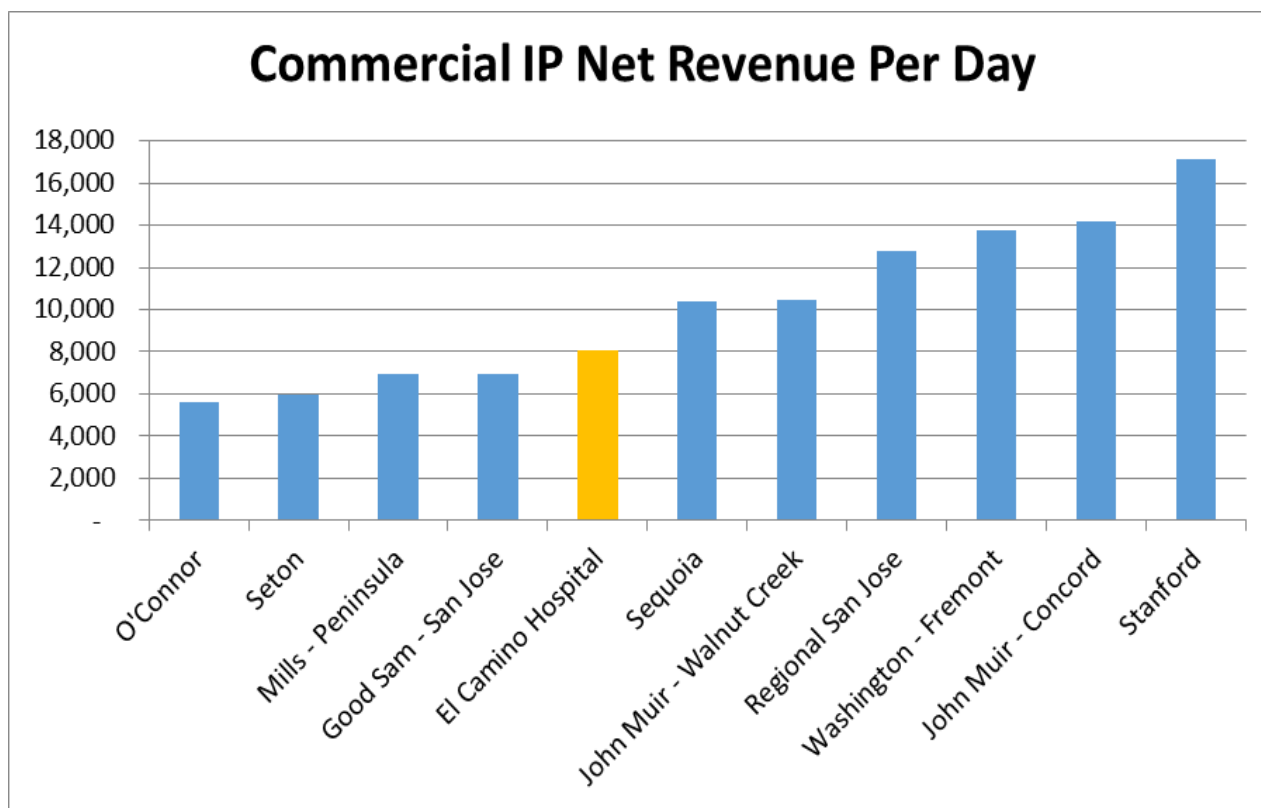
Hospital Charge Index®



## Charge Master Pricing Comparison with Benchmark Data (cont.)

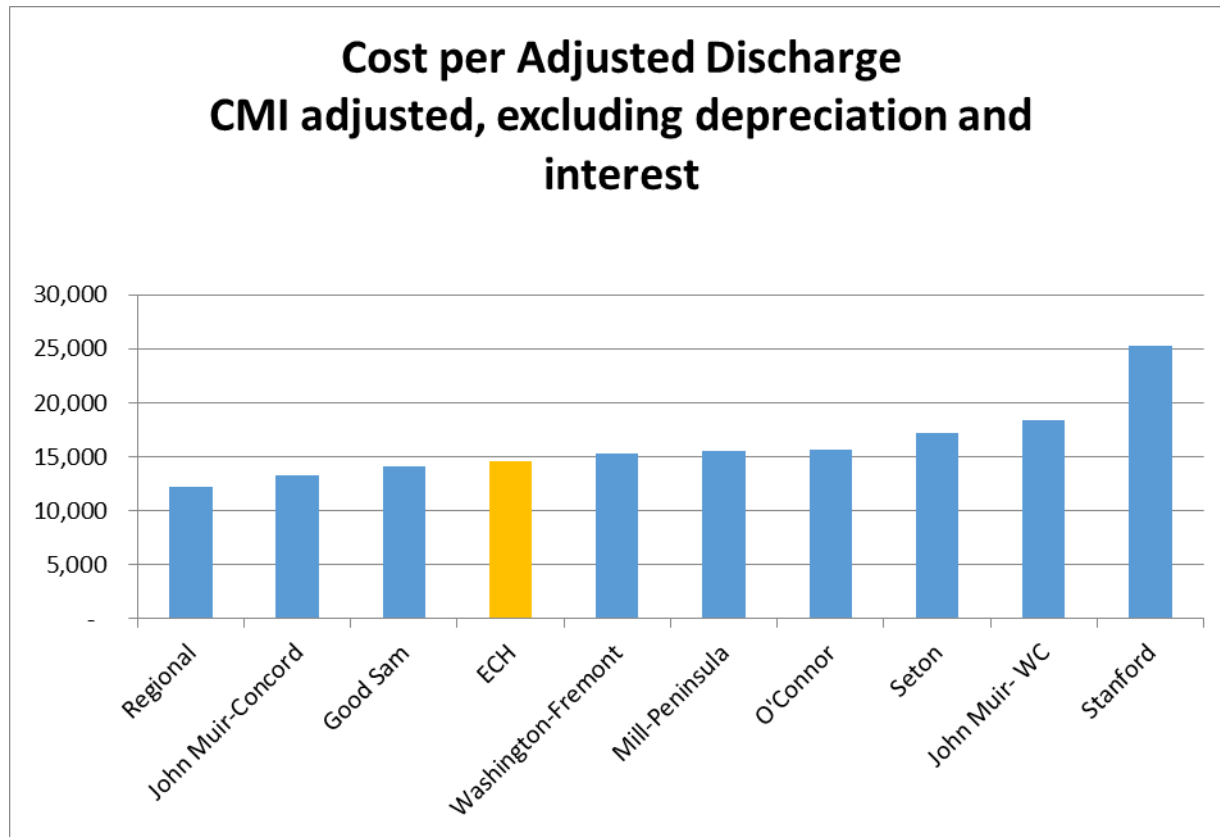
- According to hospital industry pricing experts at Cleverley & Associates, Medicare claims level data shows El Camino Hospital prices below mid-market level compared to its local peer group, which includes Good Samaritan Hospital, Regional Medical Center, O'Connor Hospital, Stanford Hospital, Sequoia Hospital, and Washington Hospital.
- A score of 100 on the Hospital Charge Index represents the national average. Our local peer (“competitor”) group’s blended Hospital Charge Index is 180.4 (i.e. 80.4% higher than the national average) – a reflection of the higher cost of living and prices in the Bay Area.
- In comparison, El Camino Hospital’s blended Hospital Charge Index is much lower at 130.1.
- Even with the 5.0% price increase in FY18, our overall charges remain below the mid-market level of our peer group.
- 5.0% charge increase is proposed in the FY19 budget

# Commercial Rates



- ECH Commercial contract rates are mid market

# Cost Benchmarks



ECH costs are mid market

Source: 2017 OSHPD data

# Historical Performance and Budget Variances

	2014	2015	2016	2017	2018	CAGR	Change from PY						
							2015	2016	2017	2018			
<b>Actual</b>													
Gross Charges	2,504,515	2,573,881	2,755,387	3,019,083	3,302,261	7.2%	2.8%	7.1%	9.6%	9.4%			
Charges per AD	78,258	79,179	87,809	91,344	94,319	4.8%	1.2%	10.9%	4.0%	3.3%			
Total operating Revenue	739,985	767,751	795,657	858,347	915,155	5.5%	3.8%	3.6%	7.9%	6.6%			
Rev per AD	23,122	23,618	25,356	25,970	26,139	3.1%	2.1%	7.4%	2.4%	0.7%			
Expenses	669,680	689,629	743,044	746,171	773,191	3.7%	3.0%	7.7%	0.4%	3.6%			
Exp per AD	20,925	21,215	23,679	22,576	22,084	1.4%	1.4%	11.6%	-4.7%	-2.2%			
Expenses ex Depr and Int	614,730	639,746	687,103	696,537	718,782	4.0%	4.1%	7.4%	1.4%	3.2%			
Exp ex Depr and int per AD	19,208	19,680	21,897	21,074	20,530	1.7%	2.5%	11.3%	-3.8%	-2.6%			
Operating margin	70,305	78,122	52,613	112,176	141,964	19.2%	11.1%	-32.7%	113.2%	26.6%			
IP Discharges	18,567	19,081	18,618	19,205	20,010	1.9%	2.8%	-2.4%	3.2%	4.2%			
OP cases	na	na	148,528	145,958	150,588	0.7%			-1.7%	3.2%			
Adj Discharges	32,003	32,507	31,379	33,052	35,012	2.3%	1.6%	-3.5%	5.3%	5.9%			
Charge price increase	1%	5%	6%	5%	5%								
Salaries and benefits	395,286	410,072	435,988	446,085	468,551	4.3%	3.7%	6.3%	2.3%	5.0%			
Interest and Depreciation	54,949	54,949	55,941	49,634	54,409	-0.2%	0.0%	1.8%	-11.3%	9.6%			
Other Exp	219,445	224,608	251,115	250,452	250,231	3.3%	2.4%	11.8%	-0.3%	-0.1%			
<b>Budget</b>													
Gross Charges	2,455,800	2,536,132	2,713,439	2,900,812	3,193,505								
Charges per AD	77,350	80,432	82,991	88,436	97,173								
Total operating Revenue	704,587	750,748	765,618	814,645	855,195								
Rev per AD	22,192	23,810	23,416	24,836	26,022								
Expenses	647,944	697,728	715,481	756,360	778,105								
Exp per AD	20,408	22,128	21,883	23,059	23,676								
Expenses ex Depr and Int	589,898	643,726	663,544	698,134	716,333								
Exp ex Depr and int per AD	18,580	20,415	20,294	21,284	21,797								
Operating margin	56,642	53,020	50,138	58,285	77,090								
IP Discharges	19,512	18,771	19,262	19,271	19,003								
OP cases					146,306								
Adj Discharges	31,749	31,531	32,696	32,801	32,864								
Charge price increase	1%	5%	6%	5%	5%								
Salaries and benefits	377,614	413,521	432,011	459,163	470,357								
Interest and Depreciation	58,047	54,002	51,936	58,226	61,772								
Other Exp	212,284	230,204	231,534	238,971	245,976								
<b>Bud to Act Variance - Fav/(unfav)</b>													
Gross Charges	48,715	37,749	41,948	118,271	108,755								
Charges per AD	908	(1,253)	4,818	2,908	(2,854)								
Total operating Revenue	35,398	17,003	30,039	43,703	59,960								
Rev per AD	930	(192)	1,940	1,134	117								
Expenses	(21,735)	8,099	(27,563)	10,189	4,914								
Exp per AD	(517)	913	(1,796)	483	1,593								
Expenses ex Depr and Int	(24,833)	3,980	(23,559)	1,597	(2,449)								
Exp ex Depr and int per AD	(629)	735	(1,602)	210	1,267								
Operating margin	13,663	25,102	2,475	53,892	64,875								
IP Discharges	(945)	310	(644)	(66)	1,007								
OP cases					4,282								
Adj Discharges	254	976	(1,316)	251	2,147								
Charge price increase													
Salaries and benefits	(17,672)	3,449	(3,978)	13,078	1,806								
Interest and Depreciation	3,098	(947)	(4,005)	8,592	7,364								
Other Exp	(7,161)	5,597	(19,581)	(11,481)	(4,255)								