



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Financial Report to the Board

Fiscal Year 2018 – Period 11
7/1/2017 to 05/31/2018

Financial Overview

- **Volume:**

- For the year, overall volume, measured in adjusted discharges is 5.3% higher than budget. Medical and ER cases were high due to the flu season. Strong service line growth in Neurosciences, HVI, BHS, Oncology. Deliveries are lower than prior year and 4.6% below budget primarily due to the decline in birth rate.
- OP cases also show strong service line growth in General Surgery, General Medicine, Orthopedics, Imaging Services, MCH and Rehab.

- **Financial Performance:**

- For the month, operating income is \$2.2M better than budget due to \$1.3 million in Medic-Cal outpatient supplemental funding(AB915) and \$1.1 million in PRIME funding. For the year operating margin is \$47.8M ahead of target due to higher volume, \$17 million in unusual items and strong revenue cycle operations.
- Strong investment results for the month and the year

- **Payor Mix:**

- Medicare Mix is higher due to growth in HVI and general medicine which have a high Medicare mix.

- **Cost:**

- YTD productivity is ahead of budget but recent months show a decline as volume has eased.

- **Balance Sheet:**

- Net days in AR is 47.4 which is 0.6 days better than budget.

Dashboard - ECH combined as of May 31, 2018

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licenced Beds	443	443	443	-	443	443	443	-
ADC	235	219	241	(22)	239	240	240	(0)
Utilization MV	66%	60%	66%	-6%	66%	66%	66%	0%
Utilization LG	25%	26%	29%	-3%	29%	30%	29%	1%
Utilization Combined	53%	49%	54%	-5%	54%	54%	54%	0%
Total Discharges (Excl NNB)	1,664	1,683	1,682	1	17,964	18,649	18,088	561
Financial Perf.								
Total Operating Revenue	74,454	77,398	73,068	4,329	769,151	839,262	784,979	54,283
Operating Income \$	8,947	8,566	6,388	2,178	87,965	119,715	71,921	47,794
Operating Margin	12.0%	11.1%	8.7%	2.3%	11.4%	14.3%	9.2%	5.1%
EBITDA %	17.7%	17.0%	16.1%	0.9%	17.7%	20.3%	16.3%	3.9%
Payor Mix								
Medicare	47.8%	48.6%	47.4%	1.2%	47.7%	47.7%	47.4%	0.3%
Medi-Cal	8.0%	7.6%	7.2%	0.4%	7.3%	7.7%	7.2%	0.5%
Total Commercial	42.0%	41.1%	42.9%	-1.7%	42.5%	42.0%	42.9%	-0.9%
Other	2.3%	2.6%	2.5%	0.1%	2.5%	2.5%	2.5%	0.0%
Cost								
Total FTE	2,534.9	2,564.2	2,539.3	25	2,500.3	2,578.2	2,529.9	48
Productive Hrs/APD	31.0	31.3	30.1	1	30.4	30.3	30.4	(0)
Balance Sheet								
Net Days in AR	44.8	47.4	48.0	(1)	44.8	47.4	48.0	(1)
Days Cash	444	500	266	234	444	500	266	234
Affiliates - Net Income (\$000s)								
Hosp	18,137	17,733	6,613	11,120	144,084	172,204	74,399	97,805
Concern	(108)	(139)	115	(254)	1,249	801	1,304	(503)
ECSC	(9)	(31)	0	(31)	(92)	(91)	0	(91)
Foundation	37	22	105	(83)	2,177	1,738	602	1,137
SVMD	(85)	557	(23)	581	5	1,397	7	1,390

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-05/31/2018) Waterfall

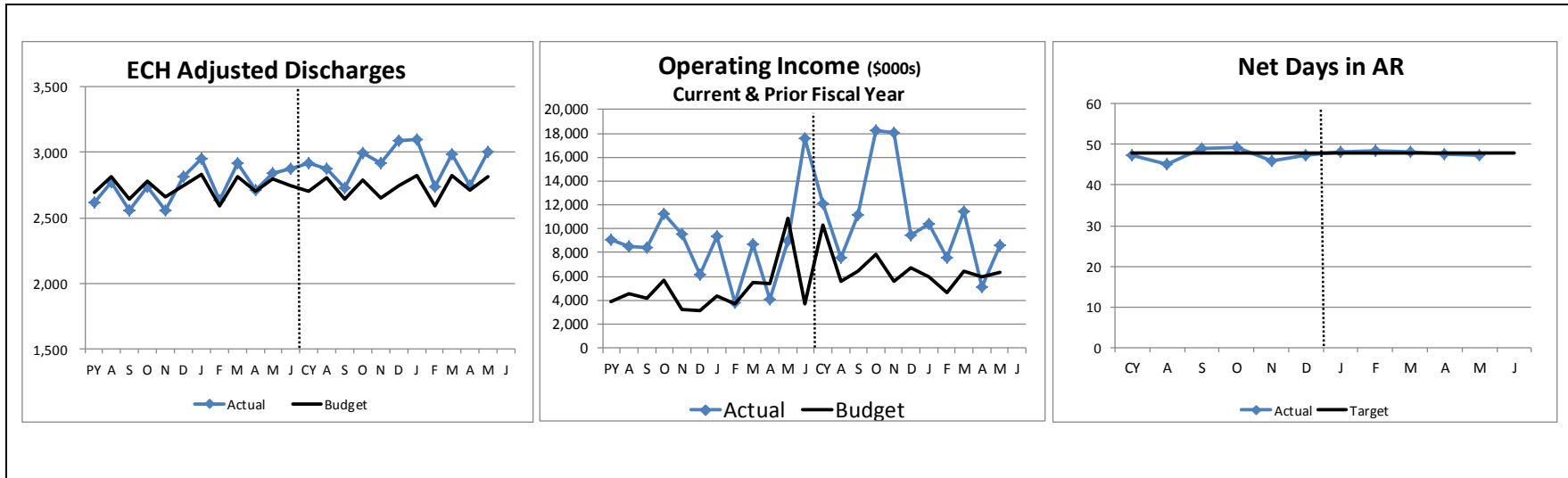
(in thousands; \$000s)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	71,921	9.2%
Net Revenue - Favorable due higher volume, revenue cycle operations and \$14 million unusual items	54,283	6.5%
Labor and Benefit Expense Change - Labor favorable vs budget after adjusting for volume	(1,836)	-0.2%
Professional Fees & Purchased Services - Recruiting costs for several key positions in the organization and backfill for vacant positions, repairs for survey readiness	(7,228)	-0.9%
Supplies - unfavorable due to increase in surgical and other general supplies, offset by savings in Spine supplies as well as Drugs. Higher volumes also driving increase and net positive to volume adjusted budget	(4,615)	-0.5%
Other Expenses - primarily due strategic fund expenses not spent	1,349	0.2%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as LG projects	5,842	0.7%
Actual Hospital Operations FY2018	119,715	14.3%

El Camino Hospital (\$000s)

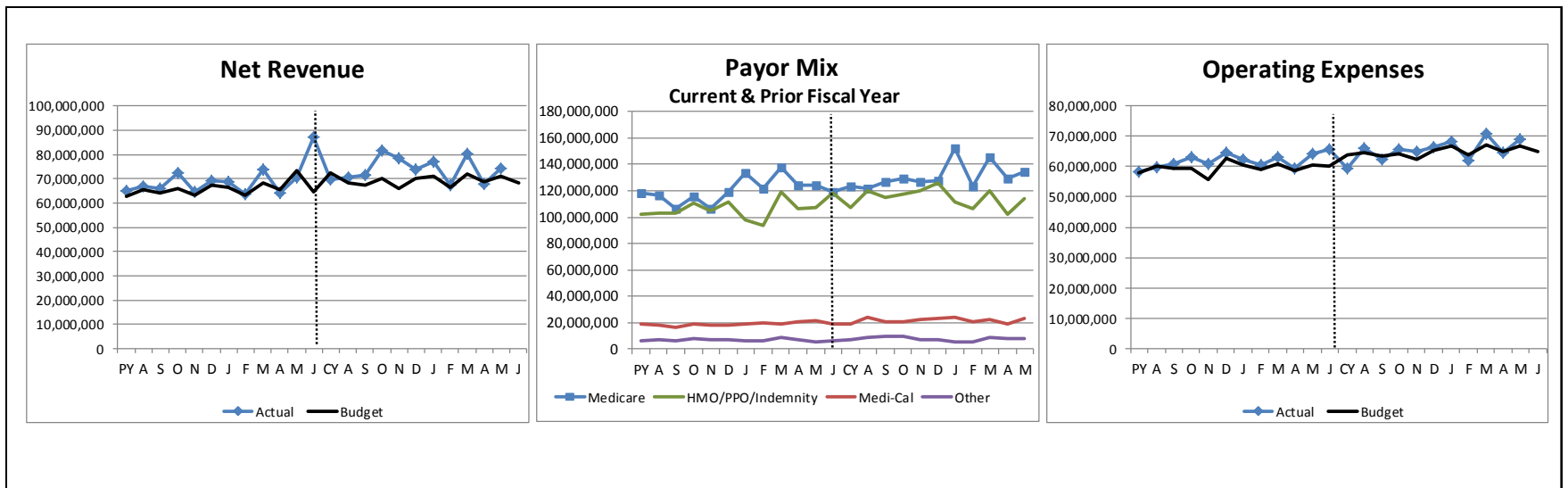
11 months ending 05/31/2018

Period 11 FY 2017	Period 11 FY 2018	Period 11 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
264,096	277,853	275,712	2,141	0.8%	Gross Revenue	2,754,532	3,027,371	2,928,875	98,496	3.4%
(193,442)	(203,761)	(204,515)	754	1.0%	Deductions	(2,009,625)	(2,215,216)	(2,165,164)	(50,053)	2.3%
70,653	74,092	71,197	2,895	4.1%	Net Patient Revenue	744,907	812,155	763,712	48,443	6.3%
3,800	3,305	1,871	1,435	76.7%	Other Operating Revenue	24,245	27,107	21,268	5,839	27.5%
74,454	77,398	73,068	4,329	5.9%	Total Operating Revenue	769,151	839,262	784,979	54,283	6.9%
OPERATING EXPENSE										
38,903	40,884	40,631	(253)	-0.6%	Salaries & Wages	411,216	432,661	430,825	(1,836)	-0.4%
11,455	11,556	10,437	(1,119)	-10.7%	Supplies	108,254	116,771	112,157	(4,615)	-4.1%
8,764	9,404	7,815	(1,589)	-20.3%	Fees & Purchased Services	88,872	94,299	87,071	(7,228)	-8.3%
2,149	2,368	2,392	24	1.0%	Other Operating Expense	24,946	25,265	26,614	1,349	5.1%
292	431	725	295	40.6%	Interest	3,851	5,290	7,980	2,689	33.7%
3,944	4,189	4,680	491	10.5%	Depreciation	44,049	45,259	48,411	3,152	6.5%
65,507	68,832	66,681	(2,151)	-3.2%	Total Operating Expense	681,186	719,547	713,058	(6,488)	-0.9%
8,947	8,566	6,388	2,178	34.1%	Net Operating Income/(Loss)	87,965	119,715	71,921	47,794	66.5%
9,191	9,167	225	8,942	3969.1%	Non Operating Income	56,118	52,489	2,478	50,011	2018.0%
18,137	17,733	6,613	11,120	168.2%	Net Income(Loss)	144,084	172,204	74,399	97,805	131.5%
17.7%	17.0%	16.1%	0.9%		EBITDA	17.7%	20.3%	16.3%	3.9%	
12.0%	11.1%	8.7%	2.3%		Operating Margin	11.4%	14.3%	9.2%	5.1%	
24.4%	22.9%	9.1%	13.9%		Net Margin	18.7%	20.5%	9.5%	11.0%	

Monthly Financial Trends

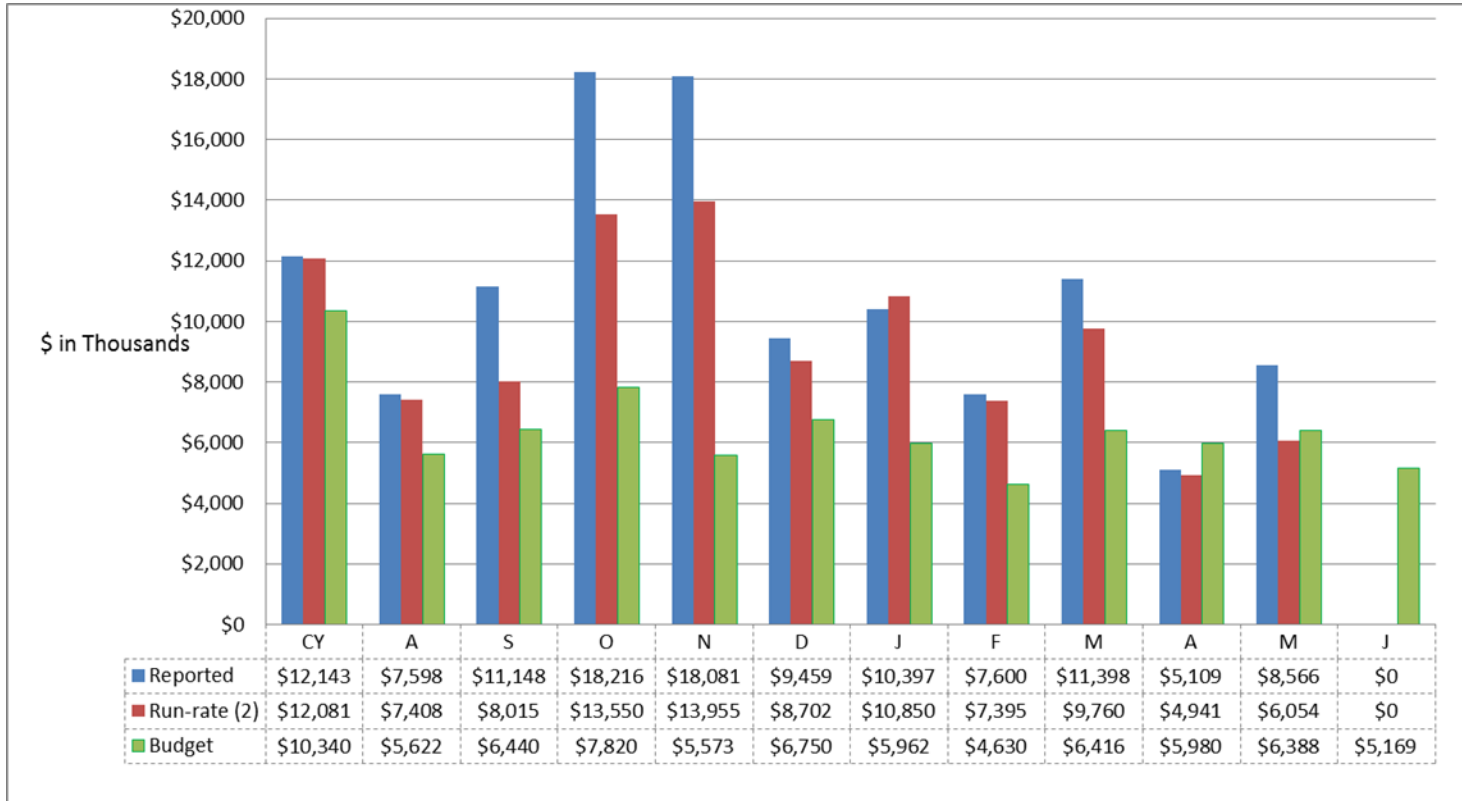


Higher inpatient volume occurring in Inpatient Behavioral Health, HVI, Neurosciences, Oncology and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Orthopedics, Outpatient Clinics, General Surgery and Rehab.



ECH Operating Margin

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



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

Revenue Adjustments	J	A	S	O	N	D	J	F	M	A	M	YTD
Insurance (Payment Variance)	-	-	-	611	-	669	28	-	603	-	-	1,912
Mcare Settmt/ Appeal/ Tent Settmt/PIP	54	155	905	54	184	81	396	92	92	224	92	2,328
BPCI Settlement	-	-	-	-	-	-	-	-	-	-	-	-
Medi-Cal Supplemental	-	-	-	-	-	-	-	-	-	0	-	0
IGT Supplemental	-	-	-	-	-	-	-	-	-	-	-	-
AB 915	-	-	-	-	-	-	-	103	926	-	1,302	2,332
Hospital Fee	-	-	-	712	1,024	-	-	-	-	-	-	1,736
PRIME Incentive	-	-	-	-	2,902	-	-	-	-	-	1,108	4,010
Credit Balance Quarterly Review	-	-	2,201	-	-	-	-	-	-	-	-	2,201
Late Charge Accrual	-	-	-	3,283	-	-	-	-	-	-	-	3,283
Various Adjustments under \$250k	9	35	27	6	16	8	(878)	10	17	(56)	9	(797)
Total	63	190	3,134	4,667	4,126	757	(453)	205	1,638	169	2,511	17,005

El Camino Hospital Investment Committee Scorecard March 31, 2018

Key Performance Indicator	Status	El Camino		Benchmark		El Camino		Benchmark		FY18 Year-end Budget	Expectation Per Asset Allocation
		1Q 2018	Benchmark	Fiscal Year-to-date	Benchmark	5y 5m Since Inception (annualized)	Benchmark	5y 5m Since Inception (annualized)	Benchmark		
Investment Performance											
Surplus cash balance*		\$875.2	--	--	--	--	--	--	--	\$926.1	--
Surplus cash return	Green	0.1%	-0.6%	5.5%	4.9%	5.7%	5.5%	5.7%	5.5%	1.9%	5.3%
Cash balance plan balance (millions)		\$260.0	--	--	--	--	--	--	--	\$257.1	--
Cash balance plan return	Green	0.4%	-0.7%	6.7%	6.0%	8.1%	7.4%	8.1%	7.4%	6.0%	5.7%
403(b) plan balance (millions)		\$455.1	--	--	--	--	--	--	--	--	--
Risk vs. Return											
3-year											
Surplus cash Sharpe ratio	Green	0.93	0.91	--	--	1.29	1.26	1.29	1.26	--	0.43
Net of fee return	Green	4.9%	4.7%	--	--	5.7%	5.5%	5.7%	5.5%	--	5.3%
Standard deviation	Green	4.8%	4.7%	--	--	4.1%	4.1%	4.1%	4.1%	--	6.7%
Cash balance Sharpe ratio	Green	0.95	0.92	--	--	1.39	1.32	1.39	1.32	--	0.40
Net of fee return	Green	6.0%	5.6%	--	--	8.1%	7.4%	8.1%	7.4%	--	5.7%
Standard deviation	Green	5.9%	5.6%	--	--	5.5%	5.3%	5.5%	5.3%	--	8.1%
Asset Allocation											
1Q 2018											
Surplus cash absolute variances to target	Green	6.4%	< 10%	--	--	--	--	--	--	--	--
Cash balance absolute variances to target	Green	4.9%	< 10%	--	--	--	--	--	--	--	--
Manager Compliance											
1Q 2018											
Surplus cash manager flags	Yellow	29	< 24 Green < 30 Yellow	--	--	--	--	--	--	--	--
Cash balance plan manager flags	Yellow	32	< 27 Green < 34 Yellow	--	--	--	--	--	--	--	--

*Excludes debt reserve funds (~\$223 mm), District assets (~\$33 mm), and balance sheet cash not in investable portfolio (~\$133 mm).
Includes Foundation (~\$26 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



El Camino Hospital

Capital Spending (in millions)

Category	Detail	Approved	Total	Total	Spent from Inception	2018 Current Proj Spend	FY18 Orig Proj Spend	Variance	FY 18 YTD Spent	
			Estimated Cost of Project	Authorized Active				Between Current Proj Spend and Orig Proj Spend		
CIP	EPIC Upgrade			1.9	1.0	1.9	1.9	0.0	1.0	
	IT Hardware, Software, Equipment & Imaging*			12.2		12.2	12.2	0.0	1.2	
	Medical & Non Medical Equipment FY 17**			14.0	12.9	8.6	0.0	8.6 ²	7.5	
	Medical & Non Medical Equipment FY 18***			5.6	4.2	5.6	5.6	0.0	4.2	
Facility Projects										
	1245 Behavioral Health Bldg	FY16	96.1	96.1	39.4	27.0	51.4	-24.4 ¹	21.8	
	1413 North Drive Parking Expansion	FY15	24.5	24.5	23.9	2.6	3.4	-0.8	4.1	
	1414 Integrated MOB	FY15	302.1	302.1	104.5	72.0	130.1	-58.1 ¹	58.6	
	1422 CUP Upgrade	FY16	9.0	9.0	6.6	5.5	4.0	1.5	4.4	
	1430 Women's Hospital Expansion	FY16	120.0	6.0	3.2	3.6	7.0	-3.4	2.7	
	1425 IMOB Preparation Project - Old Main	FY16	20.0	0.0	2.8	0.0	0.0	0.0	0.2	
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.6	0.0	0.0	0.0	0.2	
	1525 New Main Lab Upgrades		3.1	3.1	2.2	2.5	0.0	2.5	1.7	
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	0.3	0.0	0.4	0.0	0.4	0.0	
	1503 Willow Pavilion Tomosynthesis	FY16	0.8	0.0	0.3	0.0	0.0	0.0	0.0	
	1602 JW House (Patient Family Residence)		6.5	0.5	0.2	0.5	0.5	0.0	0.2	
	Site Signage and Other Improvements		1.0	0.0	0.0	0.3	1.0	-0.8	0.0	
	Nurse Call System Upgrades		2.4	0.0	0.0	0.1	0.0	0.1	0.0	
	1707 Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	0.3	0.1	0.2	0.0	
	1708 IR/ Cath Lab Equipment Replacement		19.4	0.0	0.0	0.3	2.0	-1.8	0.0	
	Flooring Replacement		1.6	0.3	0.0	0.4	0.0	0.4	0.0	
	1219 LG Spine OR	FY13	0.0	0.0	3.8	0.0	0.0	0.0	0.4	
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0	0.4	
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	8.8	9.0	8.9	0.6	0.7	-0.1	1.6	
	1307 LG Upgrades	FY13	19.3	19.3	17.8	4.9	5.0	-0.1	3.9	
	1508 LG NICU 4 Bed Expansion	FY16	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	1507 LG IR Upgrades		1.3	0.0	0.0	0.0	0.0	0.0	0.0	
	1603 LG MOB Improvements (17)		5.0	5.0	4.9	3.5	3.5	0.0	4.6	
	1711 Emergency Sanitary & Water Storage		1.4	0.3	0.1	0.2	3.2	-3.0	0.1	
	LG Modular MRI & Awning		3.9	3.9	0.0	0.4	0.0	0.4	0.0	
	LG Nurse Call System Upgrade		2.8	0.0	0.0	0.0	0.0	0.0	0.0	
	LG Observation Unit (Conversion of ICU 2)		1.8	0.0	0.0	0.8	0.0	0.8	0.0	
	1712 LG Cancer Center		2.4	0.3	0.2	0.4	0.0	0.4	0.2	
	All Other Projects under \$1M		5.6	0.1	69.1	1.8	0.0	1.8	4.0	
GRAND TOTAL			684.4	479.6	294.6	128.0	211.9	-83.9	109.2	

* Excluding EPIC

** Unspent Prior Year routine used as contingency

*** Includes 2 robot purchases

¹ Variance due to delay in MV campus plan

² Initial assumption was to spend all FY17 in FY17

Balance Sheet (in thousands)

ASSETS

	Audited	
	May 31, 2018	June 30, 2017
CURRENT ASSETS		
Cash	134,334	125,551
Short Term Investments	155,866	140,284
Patient Accounts Receivable, net	114,340	109,089
Other Accounts and Notes Receivable	2,926	2,628
Intercompany Receivables	1,829	1,495
(1) Inventories and Prepaids	54,990	50,657
Total Current Assets	464,285	429,705
BOARD DESIGNATED ASSETS		
(2) Plant & Equipment Fund	154,352	131,153
Women's Hospital Expansion	9,298	9,298
(3) Operational Reserve Fund	127,908	100,196
(4) Community Benefit Fund	18,656	12,237
Workers Compensation Reserve Fund	21,949	20,007
Postretirement Health/Life Reserve Fund	19,736	19,218
PTO Liability Fund	23,916	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	18,105	16,575
Total Board Designated Assets	395,554	333,727
(5) FUNDS HELD BY TRUSTEE	204,759	287,052
LONG TERM INVESTMENTS	319,741	256,652
INVESTMENTS IN AFFILIATES	32,956	32,451
PROPERTY AND EQUIPMENT		
(6) Fixed Assets at Cost	1,259,134	1,192,047
Less: Accumulated Depreciation	(573,741)	(531,785)
Construction in Progress	189,276	138,017
Property, Plant & Equipment - Net	874,669	798,279
DEFERRED OUTFLOWS	28,410	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,320,372	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	May 31, 2018	June 30, 2017
CURRENT LIABILITIES		
(7) Accounts Payable	30,048	38,457
Salaries and Related Liabilities	28,191	25,109
Accrued PTO	23,916	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	9,522	10,438
Intercompany Payables	125	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,850	3,735
(8) Bond Interest Payable	7,896	11,245
Other Liabilities	7,702	4,889
Total Current Liabilities	115,184	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,736	19,218
Worker's Comp Reserve	19,649	17,707
Other L/T Obligation (Asbestos)	3,849	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	521,631	527,371
Total Long Term Liabilities	564,865	568,042
DEFERRED REVENUE-UNRESTRICTED	552	567
DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,233,552	1,132,525
Board Designated	395,554	333,726
Restricted	0	0
(9) Total Fund Bal & Capital Accts	1,629,106	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,320,372	2,166,825

May 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to two quarterly pension fundings of \$2.6M in October and January.
- (2) The increase is due to 11 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains \$14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds, item (5).
- (3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.
- (4) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (5) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (6) The increase is due to the capitalization of the Parking Structure expansion in August, CT upgrades at LG in September and the MOB upgrades also at LG.
- (7) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (8) The significant decrease is due to semi-annual 2015A and 2017 Bond interest payments having been paid in January.
- (9) The increase is mostly attributable to the first eleven periods of financial performance producing an operating income of \$120 million and non-operating of \$52 million (mostly from unrealized gains on investments).

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

- **Plant & Equipment Fund** – original established by the District Board in the early 1960’s to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District’s Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.
- **Women’s Hospital Expansion** – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.
- **Operational Reserve Fund** – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on projected budget) and only be used in the event of a major business interruption event and/or cash flow.
- **Community Benefit Fund** – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

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

- **Workers Compensation Reserve Fund** – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.
- **Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.
- **PTO (Paid Time Off) Liability Fund** – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.
- **Malpractice Reserve Fund** – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.
- **Catastrophic Loss Fund** – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

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

11 months ending 05/31/2018

Period 11 FY 2017	Period 11 FY 2018	Period 11 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
220,897	227,364	224,335	3,029	1.4%	Gross Revenue	2,262,281	2,483,199	2,403,144	80,055	3.3%
(160,805)	(167,004)	(167,203)	200	-0.1%	Deductions	(1,646,517)	(1,814,077)	(1,783,361)	(30,716)	1.7%
60,092	60,361	57,132	3,229	5.7%	Net Patient Revenue	615,764	669,122	619,783	49,339	8.0%
3,630	3,084	1,656	1,427	86.2%	Other Operating Revenue	22,404	25,071	18,913	6,158	32.6%
63,722	63,444	58,788	4,656	7.9%	Total Operating Revenue	638,168	694,193	638,696	55,497	8.7%
OPERATING EXPENSE										
32,622	34,026	33,908	(118)	-0.3%	Salaries & Wages	341,891	360,079	360,450	371	0.1%
9,510	9,573	8,370	(1,203)	-14.4%	Supplies	88,091	95,287	90,319	(4,968)	-5.5%
7,405	7,962	6,514	(1,447)	-22.2%	Fees & Purchased Services	73,975	79,538	72,975	(6,563)	-9.0%
744	831	780	(50)	-6.4%	Other Operating Expense	7,488	8,135	9,473	1,338	14.1%
292	431	725	295	40.6%	Interest	3,851	5,290	7,980	2,689	33.7%
3,453	3,496	3,838	342	8.9%	Depreciation	38,419	38,466	40,124	1,658	4.1%
54,027	56,318	54,135	(2,183)	-4.0%	Total Operating Expense	553,715	586,795	581,320	(5,475)	-0.9%
9,695	7,127	4,653	2,473	53.2%	Net Operating Income/(Loss)	84,453	107,398	57,376	50,023	87.2%
9,191	9,167	225	8,942	3969.1%	Non Operating Income	56,129	52,534	2,478	50,056	2019.8%
18,885	16,294	4,878	11,416	234.0%	Net Income(Loss)	140,582	159,932	59,854	100,078	167.2%
21.1%	17.4%	15.7%	1.7%		EBITDA	19.9%	21.8%	16.5%	5.3%	
15.2%	11.2%	7.9%	3.3%		Operating Margin	13.2%	15.5%	9.0%	6.5%	
29.6%	25.7%	8.3%	17.4%		Net Margin	22.0%	23.0%	9.4%	13.7%	

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

11 months ending 05/31/2018

Period 11 FY 2017	Period 11 FY 2018	Period 11 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
43,198	50,489	51,377	(888)	-1.7%	Gross Revenue	492,251	544,172	525,731	18,441	3.5%
(32,637)	(36,757)	(37,312)	554	-1.5%	Deductions	(363,108)	(401,140)	(381,803)	(19,337)	5.1%
10,562	13,732	14,065	(334)	-2.4%	Net Patient Revenue	129,143	143,033	143,929	(896)	-0.6%
170	222	215	7	3.3%	Other Operating Revenue	1,841	2,036	2,355	(319)	-13.5%
10,732	13,953	14,280	(327)	-2.3%	Total Operating Revenue	130,984	145,069	146,283	(1,215)	-0.8%
OPERATING EXPENSE										
6,280	6,858	6,723	(135)	-2.0%	Salaries & Wages	69,324	72,582	70,375	(2,207)	-3.1%
1,945	1,983	2,067	84	4.1%	Supplies	20,163	21,485	21,838	353	1.6%
1,359	1,442	1,301	(142)	-10.9%	Fees & Purchased Services	14,897	14,761	14,096	(665)	-4.7%
1,404	1,538	1,612	75	4.6%	Other Operating Expense	17,458	17,130	17,141	11	0.1%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
491	693	843	150	17.8%	Depreciation	5,629	6,793	8,288	1,495	18.0%
11,480	12,514	12,545	31	0.2%	Total Operating Expense	127,471	132,752	131,738	(1,014)	-0.8%
(748)	1,439	1,734	(295)	-17.0%	Net Operating Income/(Loss)	3,512	12,317	14,545	(2,229)	-15.3%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
(748)	1,439	1,734	(295)	-17.0%	Net Income(Loss)	3,502	12,272	14,545	(2,273)	-15.6%
-2.4%	15.3%	18.0%	-2.8%		EBITDA	7.0%	13.2%	15.6%	-2.4%	
-7.0%	10.3%	12.1%	-1.8%		Operating Margin	2.7%	8.5%	9.9%	-1.5%	
-7.0%	10.3%	12.1%	-1.8%		Net Margin	2.7%	8.5%	9.9%	-1.5%	

Month and YTD unfav variance due to loss of surgical volume due to MD shift and unexpected retirements. Plan in place to replace lost volume by June.

Non Operating Items and Net Income by Affiliate

\$ in thousands

	Period 11 - Month			Period 11 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	7,127	4,653	2,473	107,398	57,376	50,023
Los Gatos	1,439	1,734	(295)	12,317	14,545	(2,229)
Sub Total - El Camino Hospital, excl. Affiliates	8,566	6,388	2,178	119,715	71,921	47,794
Operating Margin %	11.1%	8.7%		14.3%	9.2%	
El Camino Hospital Non Operating Income						
Investments	10,314	1,516	8,798	56,523	16,671	39,853
Swap Adjustments	(982)	0	(982)	1,087	0	1,087
Community Benefit	(27)	(283)	256	(3,121)	(3,117)	(4)
Pathways	(202)	42	(243)	(345)	458	(803)
Satellite Dialysis	7	(35)	42	183	(390)	573
Community Connect	0	(141)	141	0	(1,546)	1,546
SVMD Funding ¹	(506)	(448)	(58)	(2,247)	(4,932)	2,684
Premier Investment ²	0	0	0	3,695	0	3,695
Other	563	(424)	987	(3,287)	(4,667)	1,380
Sub Total - Non Operating Income	9,167	225	8,942	52,489	2,478	50,011
El Camino Hospital Net Income (Loss)	17,733	6,613	11,120	172,204	74,399	97,805
ECH Net Margin %	22.9%	9.1%		20.5%	9.5%	
Concern	(139)	115	(254)	801	1,304	(503)
ECSC	(31)	0	(31)	(91)	0	(91)
Foundation	22	105	(83)	1,738	602	1,137
Silicon Valley Medical Development	557	(23)	581	1,397	7	1,390
Net Income Hospital Affiliates	410	197	213	3,845	1,913	1,932
Total Net Income Hospital & Affiliates	18,143	6,810	11,333	176,050	76,312	99,737

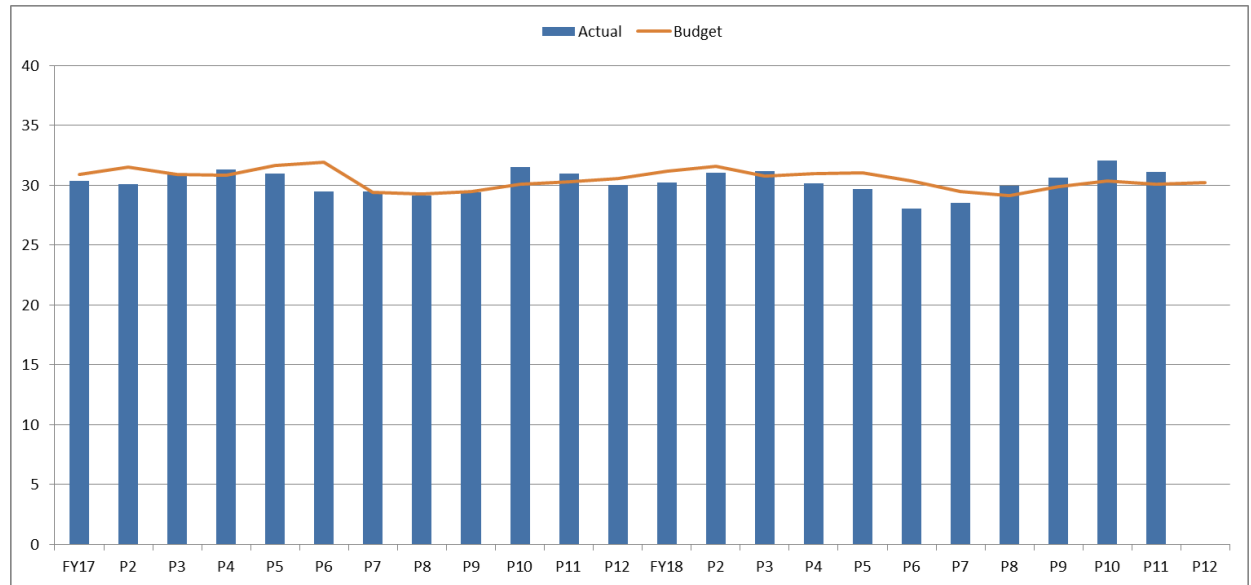
¹Favorable variances for SVMD and Community Connect are due to delayed implementation

²Gain on Premier stock sale of shares eligible were sold with proceeds going to pooled investments. No impact on vendor relationships.

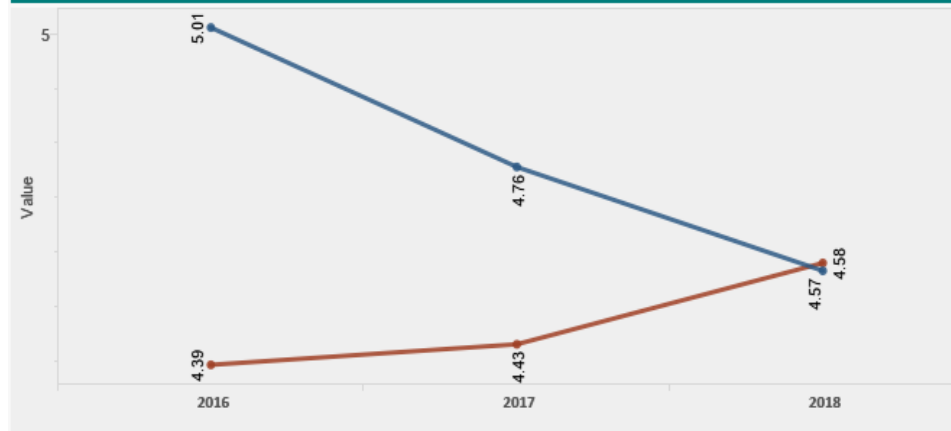
Productivity and Medicare Length of Stay

Work hours per adjusted patient day in May is over budget by 1.2. Overall the month of May is 31.3 worked hours per adjusted patient day

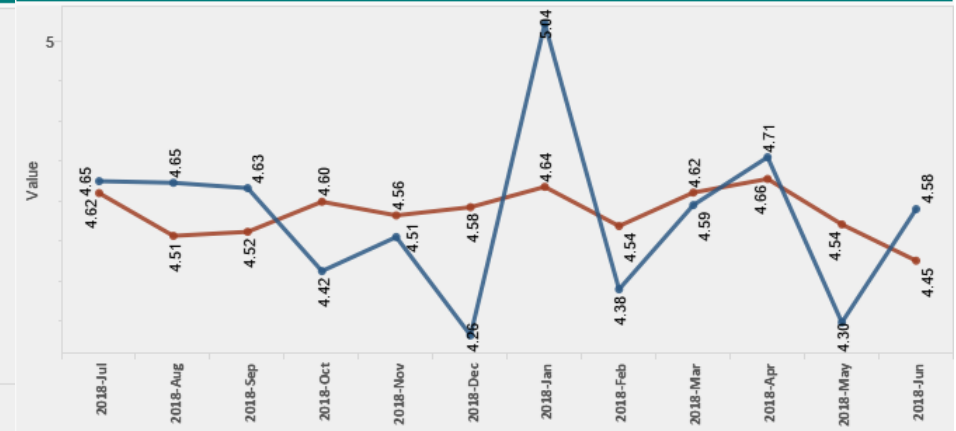
ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY 2018 at benchmark. Increase in benchmark beginning in FY 2017 due to Clinical Documentation Improvement (CDI)



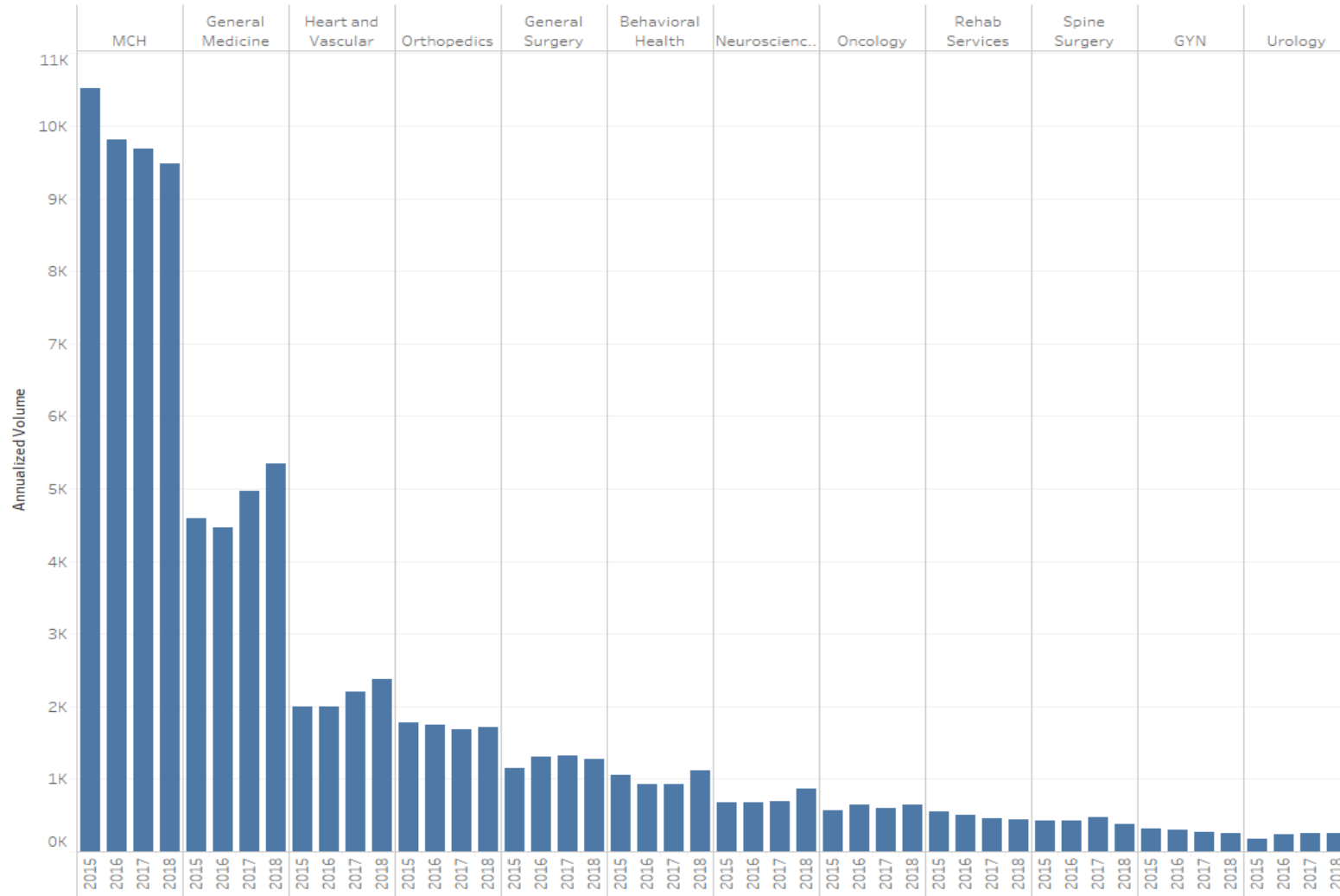
AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR



AVERAGE LENGTH OF STAY TREND BY MONTH/YEAR

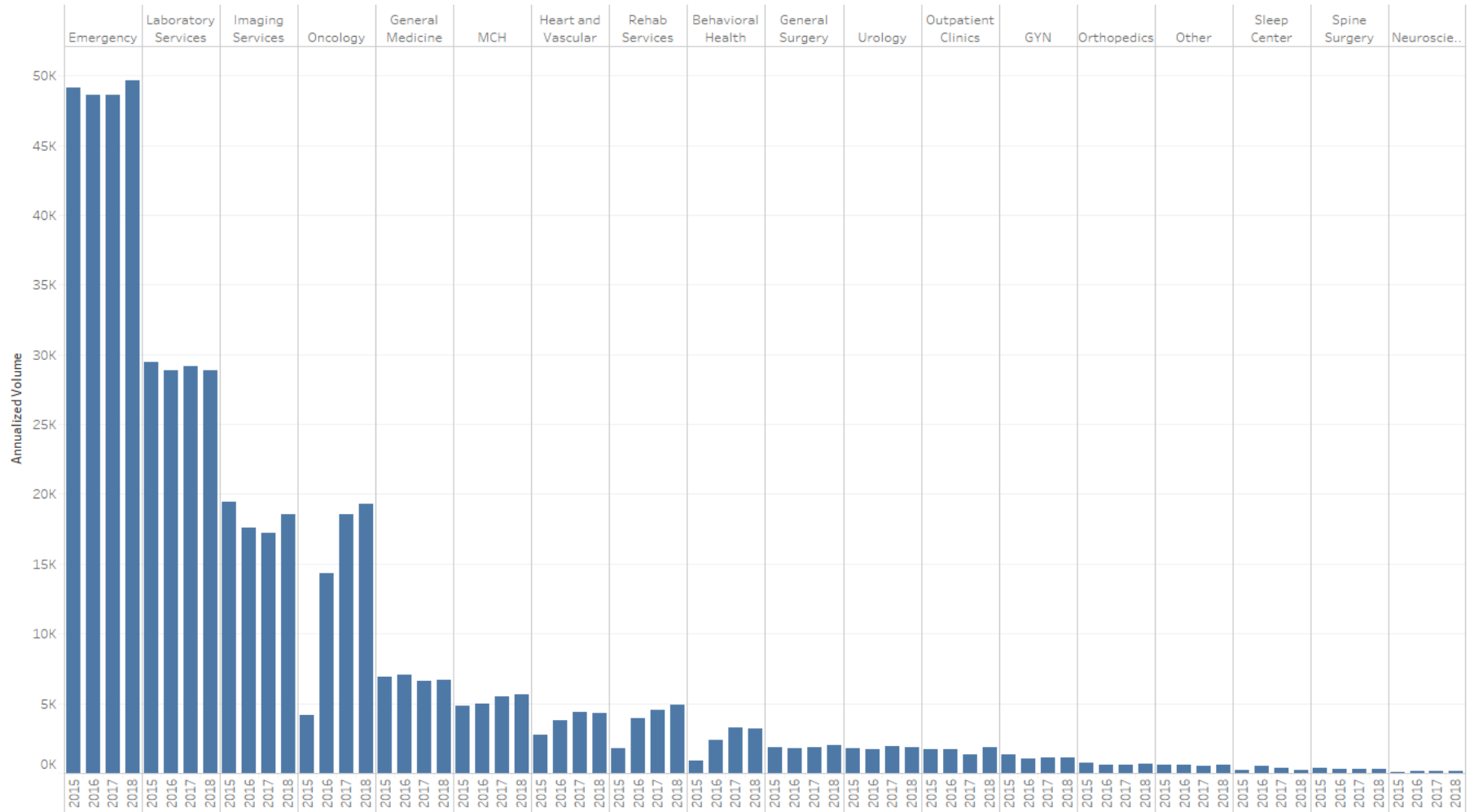


El Camino Hospital Volume Annual Trends – Inpatient FY 2018 is annualized



- General Medicine, HVI, Behavioral Health, and Neuroscience display an increasing trend.
- Conversely, Rehab Services, MCH and GYN show a decreasing trend.
- The remaining service lines are staying flat.

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



- Comparing year-over-year Oncology, MCH, Rehab Services, Emergency and Outpatient Clinics are all increasing in volume. All others are remaining flat or decreasing.

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	14,275
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
GRAND TOTAL	86,789	96,740	97,923	156,465
*Includes 2 robot purchases in FY2017				

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

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556	1404 - Park Pav HVAC	0	64	7	0	0
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
Land Acquisition (1550)	0	0	0	24,007	0	1408 - New Main Accessibility Upgrades	0	0	7	46	501
828 S Winchester Clinic TI (1701)	0	0	0	0	145	1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
						1423 - MV MOB TI Allowance	0	0	0	588	369
						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
						1430 - Women's Hospital Expansion	0	0	0	0	464
						1432 - 205 South Dr BHS TI	0	0	8	15	0
						1501 - Women's Hospital NPC Comp	0	0	4	0	223
						1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
						1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
						1504 - Equipment Support Infrastructure	0	0	61	311	0
						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
						1525 - New Main Lab Upgrades	0	0	0	0	464
						1526 - CONCERN TI	0	0	0	37	99
						Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
						Los Gatos Capital Projects					
						0904 - LG Facilities Upgrade	2	0	0	0	0
						0907 - LG Imaging Masterplan	244	774	1,402	17	0
						1005 - LG OR Light Upgrd	14	0	0	0	0
						1122 - LG Sleep Studies	7	0	0	0	0
						1210 - Los Gatos VOIP	147	89	0	0	0
						1116 - LG Ortho Pavillion	177	24	21	0	0
						1124 - LG Rehab BLDG	49	458	0	0	0
						1247 - LG Infant Security	134	0	0	0	0
						1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
						1308 - LG Infrastructure	0	114	0	0	0
						1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
						1219 - LG Spine OR	0	214	323	633	2,163
						1221 - LG Kitchen Refrig	0	85	0	0	0
						1248 - LG - CT Upgrades	0	26	345	197	6,669
						1249 - LG Mobile Imaging	0	146	0	0	0
						1328 - LG Ortho Canopy FY14	0	255	209	0	0
						1345 - LG Lab HVAC	0	112	0	0	0
						1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
						1347 - LG Central Sterile Upgrades	0	0	181	43	66
						1421 - LG MOB Improvements	0	0	198	65	303
						1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
						1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
						1603 - LG MOB Improvements	0	0	0	0	285
						Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
						Subtotal Facilities Projects CIP	9,294	13,753	38,940	24,130	82,808
						Grand Total	27,598	58,561	86,789	96,740	97,923
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000