



**Minutes of the Open Session of the  
Finance Committee of the  
El Camino Hospital Board of Directors  
Tuesday, September 27, 2022**

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

**Members Present**

**Don Watters, Chair  
Joseph Chow  
Wayne Doiguchi  
Peter Fung, MD  
Bill Hooper  
Cynthia Stewart**

**Members Absent**

**\*\*via teleconference**

<b>Agenda Item</b>	<b>Comments/Discussion</b>	<b>Approvals/ Action</b>
<b>1. CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30 pm by Chair Don Watters. A verbal roll call was taken and all members were present at roll call. 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.	
<b>2. POTENTIAL CONFLICT OF INTEREST</b>	Chair Watters asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
<b>3. PUBLIC COMMUNICATION</b>	There were no comments from the public.	
<b>4. CONSENT CALENDAR</b>	<p><b>Motion:</b> To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee meeting (08/15/2022) (b) Minutes of the Open Session of the Special Education Session of the Finance Committee Meeting (08/10/2022) (c) FY2023 Period 1 Financial Report (d) Article(s) of Interest.</p> <p><b>Movant:</b> Hooper <b>Second:</b> Doiguchi <b>Ayes:</b> Chow, Doiguchi, Fung, Hooper, Stewart, Watters <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None</p>	<b>Consent Calendar was approved.</b>
<b>5. REPORT ON BOARD ACTIONS</b>	Chair Watters asked the Committee for any questions or feedback on the Report on Board Actions, as further detailed in the packet.	
<b>6. COMMITTEE PLANNING</b> (a) FY2023 Pacing Plan (b) FY2023 Committee Goals	<p>Chair Watters presented the FY2023 Pacing Plan and Goals and began the discussion by stating the Governance Committee has asked all Committee Chairs to review the committee pacing plans and goals with the Executive Sponsor of the committee to ensure they both align with the strategic framework and our value proposition. The pacing plans and goals will then be submitted to the Governance Committee for review during their October meeting.</p> <p>Carlos Bohorquez, Chief Financial Officer continued the discussion and shared that progress against the strategic plan has been added to the pacing plan and will be presented to the Finance Committee on a quarterly cadence. This was the only change to the FY2023 pacing plan and goals from last the last time it was presented to the Finance Committee.</p>	

**7. FY2023 PERIOD 2  
FINANCIAL  
REPORT**

Mr. Bohorquez presented the FY2023 Period 2 Financial Report through August 31, 2022, and highlighted the following:

- Average Daily Census (ADC) for August was 304 versus a budget of 245. This is attributed to an uptick of additional medical cases in addition to strong procedural volumes. Compared to the same period last fiscal year ADC was 12.2% higher. Gross charges which reflect total patient activity for August were \$57M / 13.1% favorable to budget and 17.1% better than the same period last year.
- Outpatient cases were 6.9% unfavorable to budget and flat versus the same period last year. This is attributed to lower Covid testing and activity, so not an area of concern. Outpatient surgical cases were 39.7% favorable to budget and 9.2% better than the same period last year.

**Operational/ Financial Results**

- One item to note is, the cost per adjusted discharge CMI adjusted (case mix index) is better than budget, but is 10.8% higher than in the same period last year. This is attributed to higher use of premium pay and contract labor. This is an area of focus for the operations team. The use of contract labor is 3x times higher over the same period 2 years ago.
- Total operating revenue for August was \$121.6M which is favorable to budget by \$7.0M / 6.1% and \$13.3M / 12.3% better than the same period last year. This is attributed to efforts to improve unit-level revenue and strong patient activity as previously described.
- Payor mix showed some deterioration as indicated by the increase in Medicare and decrease in commercial. Medicare budget was 47.2% vs. 49.3% actual and commercial budget was 42.7% vs. 40.7% actual. A continued shift in this mix will have a material impact on revenue and margins.
- Operating EBIDA was favorable to budget by \$3.3M and \$493K lower than the same period last year. Given the strong year-over-year revenue, the expectation would be that operating results would be better, but relatively flat because of the increase in year-over-year cost per unit of service.
- Net income was negative (\$8.5M) and unfavorable to budget by \$22.1M and lower than the same period last fiscal year by \$36.2M. This is attributed to the unrealized losses on our investment portfolio and continued capital market instability.
- Days cash on hand (DCOH) which is a measure of total liquidity, August results was 58 DCOH / 17.8% unfavorable to budgeted and 104 DCOH / 28.0% lower than the same period last year. This is attributed to negative net income and significant capital expenditures.

	<p><b><u>Operational/ Financial Results: YTD FY2023</u></b></p> <p>Mr. Bohorquez continued the discussion by presenting the YTD FY2023 results as of August 31, 2022, and highlighted the following:</p> <ul style="list-style-type: none"> <li>• From a bottom line standpoint, operating EBIDA is better than budget by \$7.2M and better than last fiscal year by \$2.4M. Despite the challenges the various challenges impacting hospitals across the country / CA, the organization is performing well. That said, we expect these challenges to begin to have a greater impact for the remainder of the fiscal year.</li> <li>• From a margin standpoint, operating EBIDA is 18.4%, this is slightly lower compared to the same period last fiscal year as operating EBIDA was at 19.1%.</li> </ul> <p><b>Motion:</b> To approve the FY2023 Period 2 Financial Report.</p> <p><b>Movant:</b> Fung  <b>Second:</b> Doiguchi  <b>Ayes:</b> Chow, Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<p><b>8. ECHMN QUARTERLY FINANCIAL REPORT</b></p>	<p>Shahab Dadjou, Interim President of El Camino Health Medical Network, and David Neapolitan, Vice President of Finance of El Camino Health Medical Network presented the ECHMN Quarterly Financial report and discussed the financial performance of ECHMN for the twelve months ended June 30, 2022.</p> <p>Mr. Dadjou opened the discussion by discussing by highlighting the following:</p> <ul style="list-style-type: none"> <li>• Medical network’s priorities: <ul style="list-style-type: none"> <li>• Priorities for this fiscal year include both structural and operational augmentations which point to three specific target areas: People, Process and Systems</li> </ul> </li> <li>• Operating initiatives in progress: <ul style="list-style-type: none"> <li>• Completion of the PSA</li> <li>• Physician/provider engagement</li> <li>• Comprehensive operational improvement supported by an external consulting firm.</li> </ul> </li> </ul> <p>David Neapolitan, continued the discussion and presented the financial performance as of June 30, 2022:</p> <ul style="list-style-type: none"> <li>• Year-over-year improvement in operating EBIDA, finished FY2022 with favorable variance to budget and improvement compared to FY2021.</li> <li>• Overall investment in the physician enterprise at \$34M compared to \$40M in FY2020 – representing a nearly \$6M reduction.</li> <li>• Total wRVUs were 8.9% favorable to budget.</li> <li>• Increased number of active providers above the P50 threshold in FY2022 to 38.8% over FY2021’s 31.1%.</li> </ul>	

	<ul style="list-style-type: none"> <li>Operating expenses are unfavorable to budget by \$69K, and favorable to the prior year by \$7.6M.</li> </ul> <p><b><u>YTD FY2023 Financials Results (as of 8/31/2022):</u></b></p> <p>Mr. Neapolitan continued the discussion by presenting YTD financial results:</p> <ul style="list-style-type: none"> <li>YTD operating EBIDA and net income are favorable to budget by \$567K and \$514K respectively.</li> <li>Total visits are 6.1% unfavorable to budget.</li> <li>Total wRVUs are 6.3% unfavorable to budget.</li> <li>Active providers above the P50 threshold based on two months of annualized FY2023 activity is 35.2%.</li> <li>Operating expenses were favorable to budget by \$1.5M, including lower-than-expected capitation claims expense, and favorable to the prior year by \$526K.</li> </ul>																												
<p><b>9. WOMEN'S &amp; NEWBORN HOSPITAL PROJECT UPDATE</b></p>	<p>Ken King, Chief Administrative Services Officer presented an update to the Finance Committee on the progress of Phase I of the Women's &amp; Newborn Hospital Project and highlighted the following:</p> <ul style="list-style-type: none"> <li>Construction activity for phase I have focused on the parking garage, the ground floor lobby, and the 2<sup>nd</sup> / 3<sup>rd</sup> floors,</li> <li>However the construction completion date for Phase I is currently projected to be ten to twelve weeks beyond schedule.</li> <li>The delay is caused by the following factors:             <ol style="list-style-type: none"> <li>Delays in equipment manufacturing, receipt of materials, workforce shortages, and unforeseen building conditions.</li> </ol> </li> </ul>																												
<p><b>10. CAPTIAL PROJECT REVIEW/ APPROVAL (a) MV</b> Imaging Equipment Replacement Project</p>	<p>Meenesh Bhimani, Chief Operating Officer, and Ken King, Chief Administrative Services Officer presented the imagining equipment replacement project at the Mountain View campus.</p> <p>The initial request for this project was made on February 19, 2019, for \$16.9M. Due to cost escalation, this request will be for an additional \$18.7M. Total project costs is \$35.6M, which are broken out as follows:</p> <table border="1" data-bbox="451 1335 1024 1577"> <tr> <td>Imaging Equipment</td> <td>\$12,747,715</td> <td></td> </tr> <tr> <td>Construction / Installation</td> <td>\$17,130,000</td> <td></td> </tr> <tr> <td>Other FF&amp;E</td> <td>\$240,000</td> <td></td> </tr> <tr> <td>Soft Costs</td> <td>\$4,478,804</td> <td>15%</td> </tr> <tr> <td>Contingency @ 3 %</td> <td>\$1,037,896</td> <td></td> </tr> <tr> <td><b>Total Project Cost</b></td> <td><b>\$35,634,415</b></td> <td></td> </tr> <tr> <td></td> <td><b>Rounded</b></td> <td><b>\$35,600,000</b></td> </tr> <tr> <td>Less Prior Approved Funding</td> <td></td> <td><b>(\$16,900,000)</b></td> </tr> <tr> <td></td> <td><b>Requested Final Funding</b></td> <td><b>\$18,700,000</b></td> </tr> </table>	Imaging Equipment	\$12,747,715		Construction / Installation	\$17,130,000		Other FF&E	\$240,000		Soft Costs	\$4,478,804	15%	Contingency @ 3 %	\$1,037,896		<b>Total Project Cost</b>	<b>\$35,634,415</b>			<b>Rounded</b>	<b>\$35,600,000</b>	Less Prior Approved Funding		<b>(\$16,900,000)</b>		<b>Requested Final Funding</b>	<b>\$18,700,000</b>	
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<p><b>11. ADJOURN TO CLOSED SESSION</b></p>	<p><b>Motion:</b> To adjourn to closed session at 6:49 pm.</p> <p><b>Movant:</b> Fung  <b>Second:</b> Hooper  <b>Ayes:</b> Chow, Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><i>Adjourned to closed session at 6:49 pm</i></p>																											
<p><b>12. AGENDA ITEM 18: RECONVENE OPEN</b></p>	<p>During the Closed Session, the Finance Committee approved the following items: Closed Session Minutes of the August 15<sup>th</sup>, 2022</p>																												

<b>SESSION/REPORT OUT</b>	Finance Committee Meeting and the Closed Session Minutes of the August 10 <sup>th</sup> , 2022 Special Education Session of the Finance Committee by a unanimous vote of all Committee Members present: Mr. Chow, Mr. Doiguchi, Dr. Fung, Mr. Hooper, Ms. Stewart, Mr. Watters.	
<b>13. AGENDA ITEM 16: PHYSICIAN CONTRACTS &amp; AGREEMENTS</b>	<p><b>Motion:</b> To approve physician contracts and recommend for board approval.</p> <p><b>Movant:</b> Hooper  <b>Second:</b> Fung  <b>Ayes:</b> Chow, Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<b>14. AGENDA ITEM 17: CLOSING COMMENTS</b>	None	
<b>15. AGENDA ITEM 18: ADJOURNMENT</b>	<p><b>Motion:</b> To adjourn at 8:05 pm.</p> <p><b>Movant:</b> Fung  <b>Second:</b> Doiguchi  <b>Ayes:</b> Chow, Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<i>Meeting adjourned at 8:05 pm</i>

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

DocuSigned By:



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Don Watters

Chair, Finance Committee

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