



**El Camino Hospital**

THE HOSPITAL OF SILICON VALLEY

Summary Financial Report to the Board  
Report

Fiscal Year 2018 – Period 4  
7/1/2017 to 10/31/2017

# Summary Financial Report

## Dashboard - ECH combined as of October 31, 2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
<b>Volume</b>										
ADC	242	239	239	240	230	244	230	230	236	231
Total Discharges (Excl NNB)	19,171	19,649	20,091	19,695	1,626	1,724	1,660	6,358	6,697	6,574
Outpatient Cases	139,935	145,957	148,950	147,485	11,923	12,909	12,440	47,637	49,650	48,733
<b>Financial Perf.</b>										
Total Operating Revenue	795,657	858,347	908,160	855,195	74,302	83,988	71,897	277,836	302,720	286,198
Operating Income \$	52,613	112,176	147,318	77,090	11,243	18,216	7,820	37,340	49,106	30,223
Operating Margin	6.6%	13.1%	16.2%	9.0%	15.1%	21.7%	10.9%	13.4%	16.2%	10.6%
EBITDA \$	108,554	161,811	199,566	138,862	15,788	22,778	12,927	55,490	66,522	50,069
EBITDA %	13.6%	18.9%	22.0%	16.2%	21.2%	27.1%	18.0%	20.0%	22.0%	17.5%
<b>Payor Mix</b>										
Medicare	46.6%	47.7%	46.1%	47.4%	46.3%	46.7%	47.4%	46.8%	46.1%	47.4%
Medi-Cal	7.4%	7.3%	8.0%	7.2%	8.4%	8.9%	7.2%	7.3%	8.0%	7.2%
Total Commercial	43.3%	42.5%	43.2%	42.9%	43.1%	42.1%	42.9%	43.5%	43.2%	42.9%
Other	2.7%	2.5%	2.6%	2.5%	2.2%	2.2%	2.5%	2.5%	2.6%	2.5%
<b>Cost</b>										
Total FTE	2,509.5	2,506.7	2,580.3	2,529.6	2,480.3	2,580.3	2,494.0	2,472.8	2,580.3	2,494.0
Productive Hrs/APD	30.7	30.3	30.7	31.1	31.3	30.2	31.0	30.7	30.7	31.1
<b>Balance Sheet</b>										
Net Days in AR	53.7	44.8	49.3	48.0	44.8	49.3	48.0	44.8	49.3	48.0
Days Cash	361	444	463	266	444	463	266	444	463	266
<b>Affiliates - Net Income (\$000s)</b>										
Hosp	43,043	169,576	219,633	79,793	4,807	25,595	8,046	45,745	73,211	45,745
Concern	1,823	1,556	2,706	1,430	18	178	124	480	902	512
ECSC	(282)	(105)	(48)	0	(7)	(9)	0	(50)	(16)	0
Foundation	982	2,420	2,171	737	(32)	214	157	524	724	265
SVMD	156	209	528	(0)	(38)	(54)	21	62	176	22

Green - Equal to or better than budget; Yellow - Unfav by up to 5%; Red - Greater than 5% unfav  
 FY2017 budget presented excludes 2016 and 2017 bonds cost of issuance and interest expense

### Financial Performance:

- Oct op income is \$10.4M over budget, due to favorable revenue and higher volume. Rev for the month include \$4.7 million in unusual items. For the year op margin is \$18.9M ahead of target

### Cost:

- Prod Hrs/APD for October is 30.2 and slightly better than budget . YTD we are slightly better than budget

### Balance Sheet:

- Net days in AR is 49.3 which is 1.3 days more than budget.

### Volume:

- For the year, overall volume, measured in adjusted discharges is 3.1% higher than budget.
- IP cases are 1.9% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 2.6% and 3.3% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

### Payor Mix:

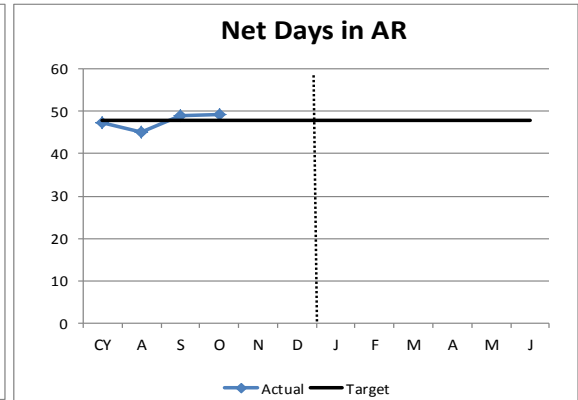
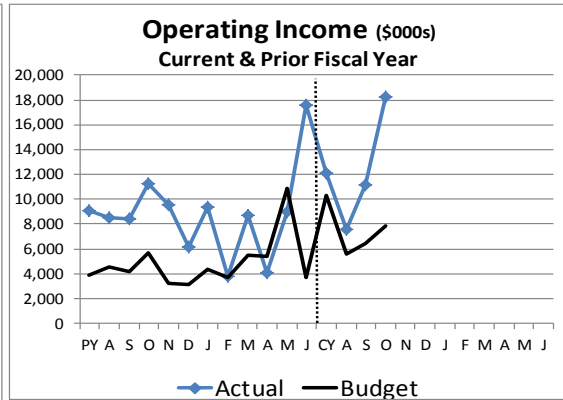
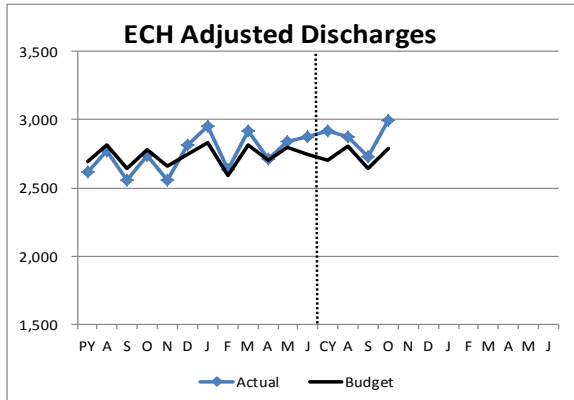
- Commercial insurance is 0.4% more of the Payor Mix in October than budget.

# El Camino Hospital (\$000s)

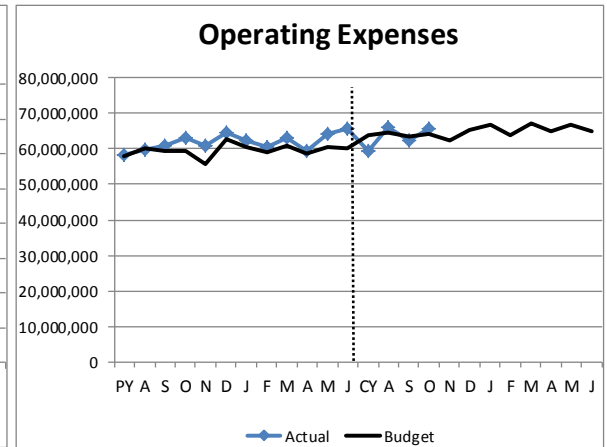
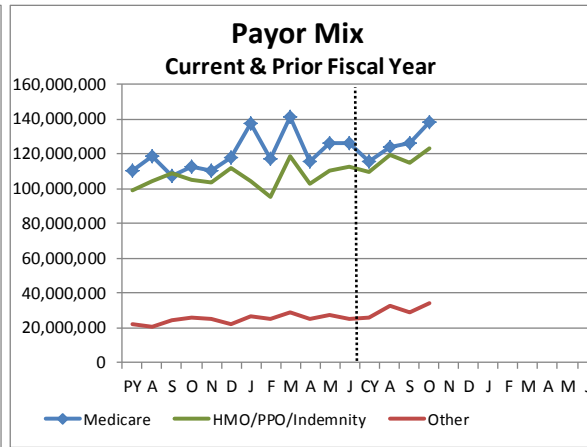
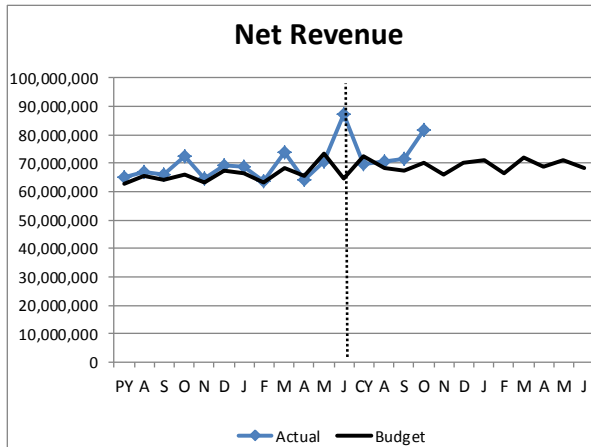
4 months ending 10/31/2017

Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
243,805	295,615	266,372	29,242	11.0%	<b>Gross Revenue</b>	959,654	1,092,564	1,050,681	41,883	4.0%
(171,205)	(214,025)	(196,339)	(17,686)	1.0%	<b>Deductions</b>	(688,964)	(798,819)	(772,595)	(26,224)	3.4%
<b>72,600</b>	<b>81,589</b>	<b>70,033</b>	<b>11,556</b>	<b>16.5%</b>	<b>Net Patient Revenue</b>	<b>270,690</b>	<b>293,745</b>	<b>278,086</b>	<b>15,659</b>	<b>5.6%</b>
1,702	2,398	1,864	534	28.7%	<b>Other Operating Revenue</b>	7,145	8,974	8,112	863	10.6%
<b>74,302</b>	<b>83,988</b>	<b>71,897</b>	<b>12,091</b>	<b>16.8%</b>	<b>Total Operating Revenue</b>	<b>277,836</b>	<b>302,720</b>	<b>286,198</b>	<b>16,522</b>	<b>5.8%</b>
<b>OPERATING EXPENSE</b>										
39,353	39,768	38,589	(1,179)	-3.1%	<b>Salaries &amp; Wages</b>	146,192	155,895	154,284	(1,611)	-1.0%
8,442	10,295	10,084	(211)	-2.1%	<b>Supplies</b>	36,040	39,327	39,969	642	1.6%
8,016	8,819	7,995	(824)	-10.3%	<b>Fees &amp; Purchased Services</b>	30,674	32,135	32,004	(131)	-0.4%
2,703	2,327	2,301	(26)	-1.1%	<b>Other Operating Expense</b>	9,440	8,840	9,872	1,032	10.4%
498	453	725	273	37.6%	<b>Interest</b>	1,887	1,502	2,902	1,399	48.2%
4,046	4,108	4,381	273	6.2%	<b>Depreciation</b>	16,263	15,914	16,945	1,031	6.1%
<b>63,059</b>	<b>65,771</b>	<b>64,077</b>	<b>(1,695)</b>	<b>-2.6%</b>	<b>Total Operating Expense</b>	<b>240,496</b>	<b>253,614</b>	<b>255,975</b>	<b>2,362</b>	<b>0.9%</b>
<b>11,243</b>	<b>18,216</b>	<b>7,820</b>	<b>10,396</b>	<b>132.9%</b>	<b>Net Operating Income/(Loss)</b>	<b>37,340</b>	<b>49,106</b>	<b>30,223</b>	<b>18,884</b>	<b>62.5%</b>
(6,436)	7,379	225	7,153	3175.1%	<b>Non Operating Income</b>	8,404	24,105	901	23,204	2574.8%
<b>4,807</b>	<b>25,595</b>	<b>8,046</b>	<b>17,550</b>	<b>218.1%</b>	<b>Net Income(Loss)</b>	<b>45,745</b>	<b>73,211</b>	<b>31,124</b>	<b>42,087</b>	<b>135.2%</b>
21.2%	27.1%	18.0%	9.1%		<b>EBITDA</b>	20.0%	22.0%	17.5%	4.5%	
15.1%	21.7%	10.9%	10.8%		<b>Operating Margin</b>	13.4%	16.2%	10.6%	5.7%	
6.5%	30.5%	11.2%	19.3%		<b>Net Margin</b>	16.5%	24.2%	10.9%	13.3%	

# Monthly Financial Trends

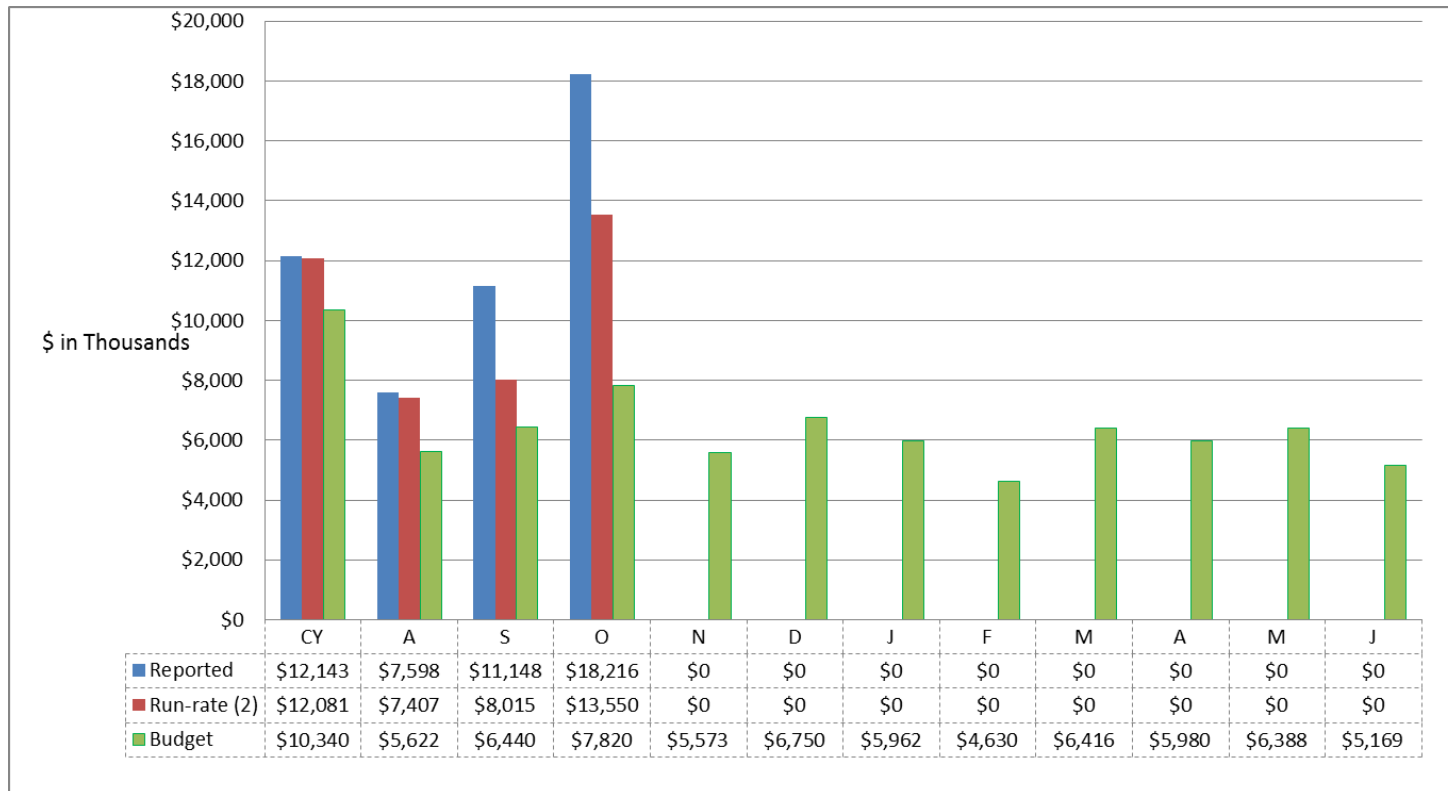


Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.



# 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	YTD
Insurance (Payment Variance)	-	-	-	611	611
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	1,168
Hospital Fee	-	-	-	712	712
Credit Balance Quarterly Review	-	-	2,201	-	2,201
Late Charge Accrual	-	-	-	3,283	3,283
Various Adjustments under \$250k	9	36	27	6	78
<b>Total</b>	<b>63</b>	<b>191</b>	<b>3,134</b>	<b>4,667</b>	<b>8,054</b>

## El Camino Hospital Investment Committee Scorecard September 30, 2017

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
<b>Investment Performance</b>									
		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash balance & op. cash (millions)*		\$1,158.2	--	--	--	--	--	\$1,262.5	--
Surplus cash return	Green	2.7%	2.7%	2.7%	2.7%	5.7%	5.6%	1.9%	5.7%
Cash balance plan balance (millions)		\$250.4	--	--	--	--	--	\$257.1	--
Cash balance plan return	Green	3.1%	3.1%	3.1%	3.1%	8.2%	7.6%	6.0%	6.1%
403(b) plan balance (millions)		\$411.2	--	--	--	--	--	--	--
<b>Risk vs. Return</b>									
		3-year				4y 11m Since Inception (annualized)			2017
Surplus cash Sharpe ratio	Green	1.08	1.13	--	--	1.36	1.33	--	0.46
Net of fee return	Green	5.0%	5.3%	--	--	5.7%	5.6%	--	5.7%
Standard deviation	Green	4.4%	4.4%	--	--	4.0%	4.1%	--	7.2%
Cash balance Sharpe ratio	Green	1.08	1.07	--	--	1.45	1.39	--	0.43
Net of fee return	Green	6.3%	6.0%	--	--	8.2%	7.6%	--	6.1%
Standard deviation	Green	5.6%	5.3%	--	--	5.4%	5.2%	--	8.7%
<b>Asset Allocation</b>									
		3Q 2017							
Surplus cash absolute variances to target	Green	8.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target	Green	6.2%	< 10%	--	--	--	--	--	--
<b>Manager Compliance</b>									
		3Q 2017							
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	Green	19	< 20 Green < 25 Yellow	--	--	--	--	--	--

\*Includes Debt Reserve funds, excludes District assets, Foundation assets, and Concern.

# El Camino Hospital

## Capital Spending (in millions)

Capital Spending  
As of October 2017

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
<b>CIP</b>	EPIC Upgrade		1.9	0.8	1.1	0.8
<b>IT Hardware, Software, Equipment &amp; Imaging*</b>			12.2	0.0	12.2	0.0
<b>Medical &amp; Non Medical Equipment FY 17**</b>			10.3	7.2	3.1	7.2
<b>Medical &amp; Non Medical Equipment FY 18***</b>			5.6	0.9	4.8	0.9
<b>Facility Projects</b>						
	1245 Behavioral Health Bldg	96.1	96.1	27.1	27.0	9.5
	1413 North Drive Parking Expansion	24.5	24.5	22.3	2.6	2.5
	1414 Integrated MOB	302.1	302.1	64.1	72.0	18.2
	1422 CUP Upgrade	9.0	9.0	2.9	5.5	0.6
	1430 Women's Hospital Expansion	120.0	6.0	1.3	3.6	0.9
	1425 IMOB Preparation Project - Old Main	20.0	0.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	0.0	0.0	2.4	0.0	0.0
	1525 New Main Lab Upgrades	3.1	3.1	1.1	2.5	0.7
	1515 ED Remodel Triage/Psych Observation	5.0	0.3	0.0	0.4	0.0
	1503 Willow Pavilion Tomosynthesis	0.8	0.0	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	6.5	0.5	0.0	0.5	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.3	0.0
	IR Room #6 Development	0.0	0.0	0.0	0.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.1	0.0
	1707 Imaging Equipment Replacement ( 5 or 6)	20.7	0.0	0.0	0.3	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.3	0.0
	1709 ED Remodel / CT Triage - Other	0.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.3	0.0	0.4	0.0
	1219 LG Spine OR	0.0	0.0	3.7	0.0	0.3
	1313 LG Rehab HVAC System & Structural	0.0	0.0	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.6	0.7
	1307 LG Upgrades	19.3	19.3	14.6	4.9	0.7
	1519 LG Electrical Systems Upgrade	0.0	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.0	0.2	0.0	0.0
	1507 LG IR Upgrades	1.3	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	0.0	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	2.5	3.5	2.2
	Emergency Sanitary & Water Storage	1.4	0.3	0.0	0.2	0.0
	LG Modular MRI & Awning	3.9	3.9	0.0	0.4	0.0
	LG Nurse Call System Upgrade	2.8	0.0	0.0	0.0	0.0
	LG Observation Unit (Conversion of ICU)	1.8	0.0	0.0	0.8	0.0
	LG Cancer Center	2.4	0.0	0.0	0.4	0.0
	All Other Projects under \$1M	5.6	0.6	0.3	1.8	1.6
		<b>684.4</b>	<b>479.6</b>	<b>157.1</b>	<b>128.0</b>	<b>37.8</b>
			<b>509.7</b>	<b>166.0</b>	<b>149.3</b>	<b>46.6</b>

**GRAND TOTAL**

\*Excluding EPIC

\*\* Unspent Prior Year routine used as contingency

\*\*\*Includes 2 robot purchases



# Balance Sheet (in thousands)

## ASSETS

	Audited	
	October 31, 2017	June 30, 2017
<b>CURRENT ASSETS</b>		
(1) Cash	97,574	125,551
Short Term Investments	125,211	140,284
Patient Accounts Receivable, net	120,043	109,089
Other Accounts and Notes Receivable	2,624	2,628
Intercompany Receivables	2,178	1,495
(2) Inventories and Prepays	55,621	50,657
<b>Total Current Assets</b>	<b>403,252</b>	<b>429,705</b>
<b>BOARD DESIGNATED ASSETS</b>		
(3) Plant & Equipment Fund	141,336	131,153
Women's Hospital Expansion	9,298	9,298
(4) Operational Reserve Fund	127,908	100,196
(5) Community Benefit Fund	18,438	12,237
Workers Compensation Reserve Fund	20,671	20,007
Postretirement Health/Life Reserve Fund	19,629	19,218
PTO Liability Fund	23,905	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	17,194	16,575
<b>Total Board Designated Assets</b>	<b>380,014</b>	<b>333,727</b>
(6) FUNDS HELD BY TRUSTEE	255,396	287,052
<b>LONG TERM INVESTMENTS</b>	292,648	256,652
<b>INVESTMENTS IN AFFILIATES</b>	32,821	32,451
(7) <b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,228,420	1,192,047
Less: Accumulated Depreciation	(544,474)	(531,785)
Construction in Progress	138,205	138,017
<b>Property, Plant &amp; Equipment - Net</b>	<b>822,150</b>	<b>798,279</b>
<b>DEFERRED OUTFLOWS</b>	28,760	28,960
<b>RESTRICTED ASSETS - CASH</b>	0	0
<b>TOTAL ASSETS</b>	<b>2,215,041</b>	<b>2,166,825</b>

## LIABILITIES AND FUND BALANCE

	Audited	
	October 31, 2017	June 30, 2017
<b>CURRENT LIABILITIES</b>		
(8) Accounts Payable	22,441	38,457
(9) Salaries and Related Liabilities	19,171	25,109
Accrued PTO	23,905	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,446	10,438
Intercompany Payables	197	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
(10) Bond Interest Payable	7,529	11,245
Other Liabilities	5,913	4,889
<b>Total Current Liabilities</b>	<b>97,272</b>	<b>121,299</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	19,629	19,218
Worker's Comp Reserve	18,371	17,707
Other L/T Obligation (Asbestos)	3,784	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	527,195	527,371
<b>Total Long Term Liabilities</b>	<b>568,980</b>	<b>568,042</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	526	567
<b>DEFERRED INFLOW OF RESOURCES</b>	10,666	10,666
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	1,157,583	1,132,525
Board Designated	380,014	333,726
Restricted	0	0
(11) <b>Total Fund Bal &amp; Capital Accts</b>	<b>1,537,597</b>	<b>1,466,251</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>2,215,041</b>	<b>2,166,825</b>

## October 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July as currently having the 2017 Project Bond monies available for payments of the major construction projects. A. Even with this transfer to investments in early July, overall cash receipts have exceeded budgets in a number months in FY2018, thus adding to the cash balance.
- (2) The increase is due to two quarterly pension fundings of \$2.6M in July and October.
- (3) The increase is due 4 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.
- (4) 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. To increase this Operational Reserve, some of the needed amount was taken from the Short Term Investments in the Current Assets above.
- (5) 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.
- (6) 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.
- (7) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (8) 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.
- (9) Primarily the decrease in current year is due to the Management incentives and "Thank You" bonuses paid to all staff in appreciation of the outcomes of fiscal year 2017 in October. These amounts were accrued during the 2017 fiscal year
- (10) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (11) The increase is attributable to the first four periods of financial performance producing an operating income of \$52 million and non-operating of \$24 million (mostly from unrealized gains on investments).

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

## 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.

# Full Financial Report



# El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

## Summary of Financial Operations

Fiscal Year 2018 – Period 4  
7/1/2017 to 10/31/2017

## Dashboard - ECH combined as of October 31, 2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
<b>Volume</b>										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	242	239	239	240	230	244	230	230	236	231
Adjusted Discharges	32,324	33,837	35,331	34,080	2,807	3,054	2,895	10,972	11,777	11,412
Total Discharges (Excl NNB)	19,171	19,649	20,091	19,695	1,626	1,724	1,660	6,358	6,697	6,574
<b>Inpatient Cases</b>										
MS Discharges	13,026	13,624	13,911	13,544	1,090	1,178	1,127	4,256	4,637	4,464
Deliveries	4,717	4,656	4,737	4,752	414	411	413	1,621	1,579	1,633
BHS	928	908	1,059	902	82	96	77	310	353	307
Rehab	500	461	384	497	40	39	42	171	128	169
<b>Outpatient Cases</b>										
ED	139,935	145,957	148,950	147,485	11,923	12,909	12,440	47,637	49,650	48,733
Procedural Cases	48,609	48,631	47,811	48,975	3,883	4,085	4,131	15,733	15,937	16,185
OP Surg	6,070	4,488	4,626	4,595	371	403	387	1,402	1,542	1,517
Endo	2,324	2,366	2,397	2,134	193	195	180	771	799	705
Interventional	2,021	2,134	2,076	2,130	194	176	179	744	692	704
All Other	80,911	88,338	92,040	89,651	7,282	8,050	7,563	28,987	30,680	29,623
<b>Financial Perf.</b>										
Net Patient Revenues	772,020	832,263	881,236	832,066	72,600	81,589	70,033	270,690	293,745	278,086
Total Operating Revenue	795,657	858,347	908,160	855,195	74,302	83,988	71,897	277,836	302,720	286,198
Operating Expenses	743,044	746,171	760,841	778,105	63,059	65,771	64,077	240,496	253,614	255,975
Operating Income \$	52,613	112,176	147,318	77,090	11,243	18,216	7,820	37,340	49,106	30,223
Operating Margin	6.6%	13.1%	16.2%	9.0%	15.1%	21.7%	10.9%	13.4%	16.2%	10.6%
EBITDA \$	108,554	161,811	199,566	138,862	15,788	22,778	12,927	55,490	66,522	50,069
EBITDA %	13.6%	18.9%	22.0%	16.2%	21.2%	27.1%	18.0%	20.0%	22.0%	17.5%
IP Margin <sup>1</sup>	-9.8%	5.8%	10.6%	-10.2%	5.8%	10.6%	-10.2%	5.8%	10.6%	-10.2%
OP Margin <sup>1</sup>	35.9%	37.0%	40.8%	31.7%	37.0%	40.8%	31.7%	37.0%	40.8%	31.7%
<b>Payor Mix</b>										
Medicare	46.6%	47.7%	46.1%	47.4%	46.3%	46.7%	47.4%	46.8%	46.1%	47.4%
Medi-Cal	7.4%	7.3%	8.0%	7.2%	8.4%	8.9%	7.2%	7.3%	8.0%	7.2%
Commercial IP	24.0%	22.3%	22.7%	22.6%	23.1%	21.9%	22.6%	23.4%	22.7%	22.6%
Commercial OP	19.3%	20.2%	20.5%	20.3%	20.0%	20.3%	20.3%	20.1%	20.5%	20.3%
Total Commercial	43.3%	42.5%	43.2%	42.9%	43.1%	42.1%	42.9%	43.5%	43.2%	42.9%
Other	2.7%	2.5%	2.6%	2.5%	2.2%	2.2%	2.5%	2.5%	2.6%	2.5%
<b>Cost</b>										
Total FTE	2,509.5	2,506.7	2,580.3	2,529.6	2,480.3	2,580.3	2,494.0	2,472.8	2,580.3	2,494.0
Productive Hrs/APD	30.7	30.3	30.7	31.1	31.3	30.2	31.0	30.7	30.7	31.1
<b>Balance Sheet</b>										
Net Days in AR	53.7	44.8	49.3	48.0	44.8	49.3	48.0	44.8	49.3	48.0
Days Cash	361	444	463	266	444	463	266	444	463	266
<b>Affiliates - Net Income (\$000s)</b>										
Hosp	43,043	169,576	219,633	79,793	4,807	25,595	8,046	45,745	73,211	45,745
Concern	1,823	1,556	2,706	1,430	18	178	124	480	902	512
ECSC	(282)	(105)	(48)	0	(7)	(9)	0	(50)	(16)	0
Foundation	982	2,420	2,171	737	(32)	214	157	524	724	265
SVMD	156	209	528	(0)	(38)	(54)	21	62	176	22

### Volume:

- For the year, overall volume, measured in adjusted discharges is 3.1% higher than budget.
- IP cases are 1.9% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are lower than prior year by 2.6% and 3.3% below budget
- OP discharges are higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

### Financial Performance:

- Oct op income is \$10.4M over budget, due to favorable revenue and higher volume. Rev for the month include \$4.7 million in unusual items. For the year op margin is \$18.9M ahead of target

### Payor Mix:

- Commercial insurance is 0.4% more of the Payor Mix in October than budget

### Cost:

- Prod Hrs/APD for October is 30.2 and slightly better than budget . YTD we are slightly better than budget

### Balance Sheet:

- Net days in AR is 49.3 which is 1.3 days more than budget.

# Budget Variances

## Fiscal Year 2018 YTD (7/1/2017-10/31/2017) Waterfall

(in thousands; \$000s)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
<b>Budgeted Hospital Operations FY2018</b>	<b>30,223</b>	<b>10.6%</b>
<b>Net Revenue</b> - Favorable due to higher volume, favorable payor mix and \$8.0 million unusual items	16,522	5.5%
<b>Labor and Benefit Expense Change</b> - Labor is close to budget after adjusting for higher volume	(1,611)	-0.5%
<b>Professional Fees &amp; Purchased Services</b> -Recruiting costs in HVI, Imaging Admin, Pathology, IT, Employee Health, and Clinical Education in combination with Consulting fee increases net to a lower amount due to savings in IT purchased services	(131)	0.0%
<b>Supplies</b> - Favorable due to savings in Spine and Heart valves offsetting Robotics and Medical capital supplies as well as a positive variance in our Drug supplies	642	0.2%
<b>Other Expenses</b> - Favorable due to reduction in property taxes due to common area correction, and no strategic fund expenses.	1,032	0.3%
<b>Depreciation &amp; Interest</b> - Favorable due to delay in Parking Structure as well as some LG projects	2,431	0.8%
<b>Actual Hospital Operations FY2018</b>	<b>49,106</b>	<b>16.2%</b>



# El Camino Hospital (\$000s)

4 months ending 10/31/2017

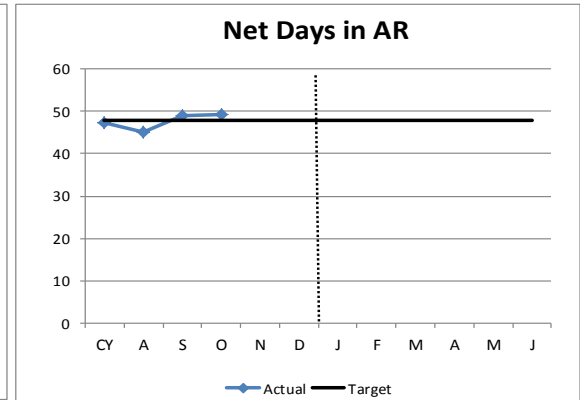
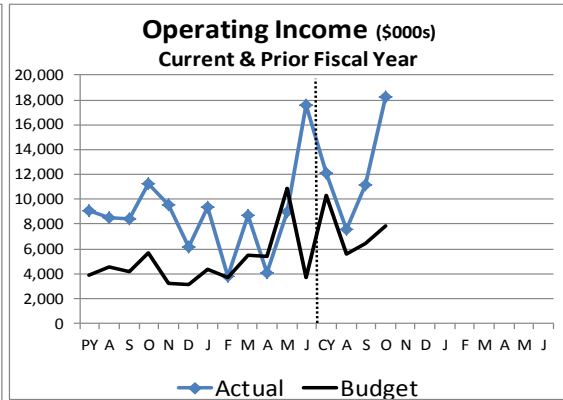
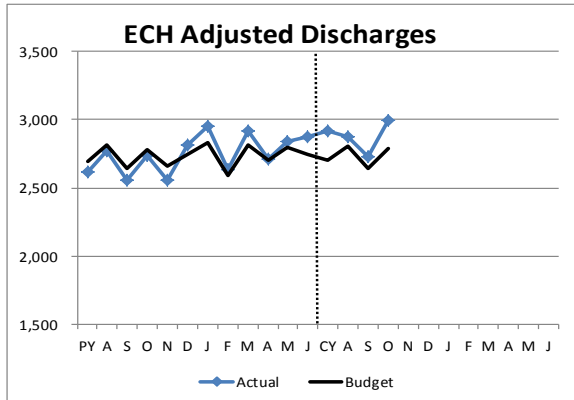
Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
<b>OPERATING REVENUE</b>										
243,805	295,615	266,372	29,242	11.0%	<b>Gross Revenue</b>	959,654	1,092,564	1,050,681	41,883	4.0%
(171,205)	(214,025)	(196,339)	(17,686)	1.0%	<b>Deductions</b>	(688,964)	(798,819)	(772,595)	(26,224)	3.4%
<b>72,600</b>	<b>81,589</b>	<b>70,033</b>	<b>11,556</b>	<b>16.5%</b>	<b>Net Patient Revenue</b>	<b>270,690</b>	<b>293,745</b>	<b>278,086</b>	<b>15,659</b>	<b>5.6%</b>
1,702	2,398	1,864	534	28.7%	<b>Other Operating Revenue</b>	7,145	8,974	8,112	863	10.6%
<b>74,302</b>	<b>83,988</b>	<b>71,897</b>	<b>12,091</b>	<b>16.8%</b>	<b>Total Operating Revenue</b>	<b>277,836</b>	<b>302,720</b>	<b>286,198</b>	<b>16,522</b>	<b>5.8%</b>
<b>OPERATING EXPENSE</b>										
39,353	39,768	38,589	(1,179)	-3.1%	<b>Salaries &amp; Wages</b>	146,192	155,895	154,284	(1,611)	-1.0%
8,442	10,295	10,084	(211)	-2.1%	<b>Supplies</b>	36,040	39,327	39,969	642	1.6%
8,016	8,819	7,995	(824)	-10.3%	<b>Fees &amp; Purchased Services</b>	30,674	32,135	32,004	(131)	-0.4%
2,703	2,327	2,301	(26)	-1.1%	<b>Other Operating Expense</b>	9,440	8,840	9,872	1,032	10.4%
498	453	725	273	37.6%	<b>Interest</b>	1,887	1,502	2,902	1,399	48.2%
4,046	4,108	4,381	273	6.2%	<b>Depreciation</b>	16,263	15,914	16,945	1,031	6.1%
<b>63,059</b>	<b>65,771</b>	<b>64,077</b>	<b>(1,695)</b>	<b>-2.6%</b>	<b>Total Operating Expense</b>	<b>240,496</b>	<b>253,614</b>	<b>255,975</b>	<b>2,362</b>	<b>0.9%</b>
<b>11,243</b>	<b>18,216</b>	<b>7,820</b>	<b>10,396</b>	<b>132.9%</b>	<b>Net Operating Income/(Loss)</b>	<b>37,340</b>	<b>49,106</b>	<b>30,223</b>	<b>18,884</b>	<b>62.5%</b>
(6,436)	7,379	225	7,153	3175.1%	<b>Non Operating Income</b>	8,404	24,105	901	23,204	2574.8%
<b>4,807</b>	<b>25,595</b>	<b>8,046</b>	<b>17,550</b>	<b>218.1%</b>	<b>Net Income(Loss)</b>	<b>45,745</b>	<b>73,211</b>	<b>31,124</b>	<b>42,087</b>	<b>135.2%</b>
21.2%	27.1%	18.0%	9.1%		<b>EBITDA</b>	20.0%	22.0%	17.5%	4.5%	
15.1%	21.7%	10.9%	10.8%		<b>Operating Margin</b>	13.4%	16.2%	10.6%	5.7%	
6.5%	30.5%	11.2%	19.3%		<b>Net Margin</b>	16.5%	24.2%	10.9%	13.3%	

# Non Operating Items and Net Income by Affiliate

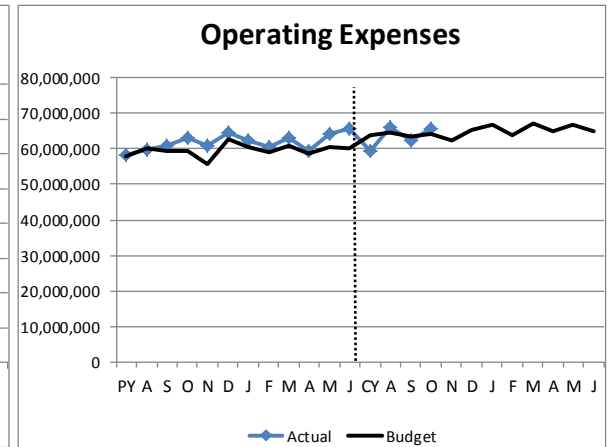
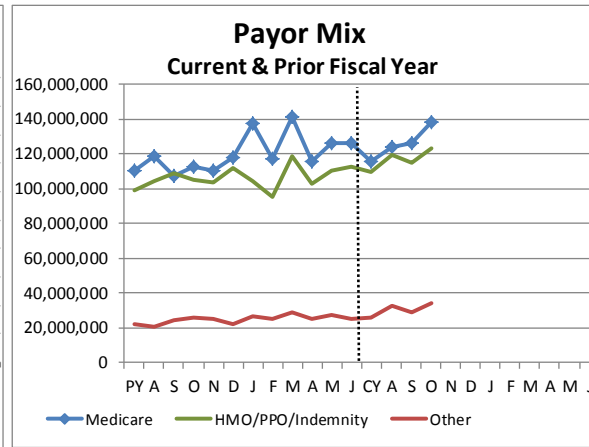
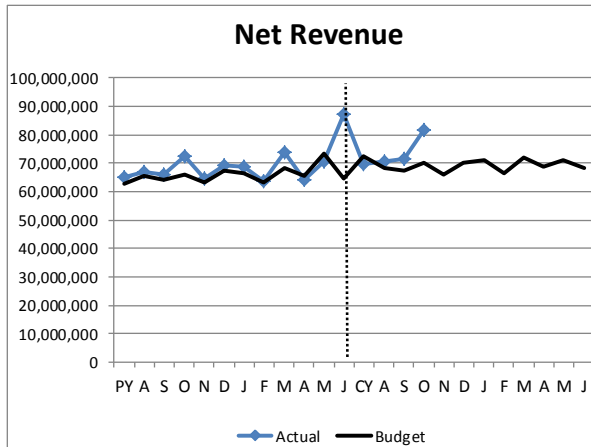
\$ in thousands

	Period 4 - Month			Period 4 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
<b>El Camino Hospital Income (Loss) from Operations</b>						
Mountain View	16,363	6,269	10,094	44,354	24,852	19,502
Los Gatos	1,854	1,552	302	4,752	5,371	(619)
<b>Sub Total - El Camino Hospital, excl. Affiliates</b>	<b>18,216</b>	<b>7,820</b>	<b>10,396</b>	<b>49,106</b>	<b>30,223</b>	<b>18,884</b>
<b>Operating Margin %</b>	<b>21.7%</b>	<b>10.9%</b>		<b>16.2%</b>	<b>10.6%</b>	
<b>El Camino Hospital Non Operating Income</b>						
Investments	7,991	1,516	6,475	27,687	6,062	21,625
Swap Adjustments	81	0	81	175	0	175
Community Benefit	(28)	(283)	256	(2,063)	(1,133)	(930)
Pathways	135	42	93	177	167	11
Satellite Dialysis	0	(35)	35	(78)	(142)	64
Other	(800)	(1,013)	213	(1,794)	(4,053)	2,258
<b>Sub Total - Non Operating Income</b>	<b>7,379</b>	<b>225</b>	<b>7,153</b>	<b>24,105</b>	<b>901</b>	<b>23,204</b>
<b>El Camino Hospital Net Income (Loss)</b>	<b>25,595</b>	<b>8,046</b>	<b>17,550</b>	<b>73,211</b>	<b>31,124</b>	<b>42,087</b>
<b>ECH Net Margin %</b>	<b>30.5%</b>	<b>11.2%</b>		<b>24.2%</b>	<b>10.9%</b>	
Concern	178	124	53	902	512	390
ECSC	(9)	0	(9)	(16)	0	(16)
Foundation	214	157	57	724	265	458
Silicon Valley Medical Development	(54)	303	(357)	176	22	154
<b>Net Income Hospital Affiliates</b>	<b>329</b>	<b>303</b>	<b>26</b>	<b>1,786</b>	<b>799</b>	<b>987</b>
<b>Total Net Income Hospital &amp; Affiliates</b>	<b>25,924</b>	<b>8,349</b>	<b>17,576</b>	<b>74,996</b>	<b>31,923</b>	<b>43,074</b>

# Monthly Financial Trends

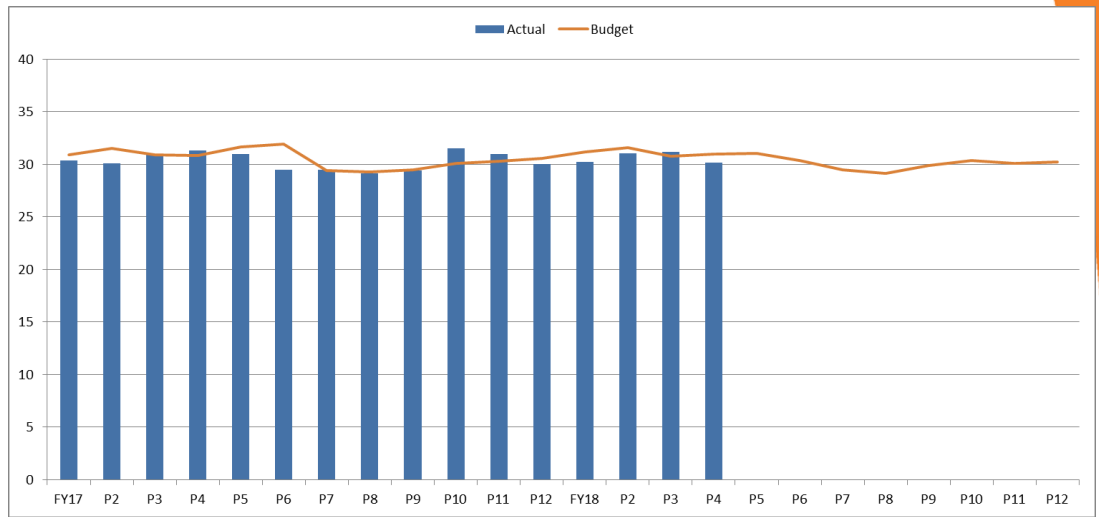


Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.



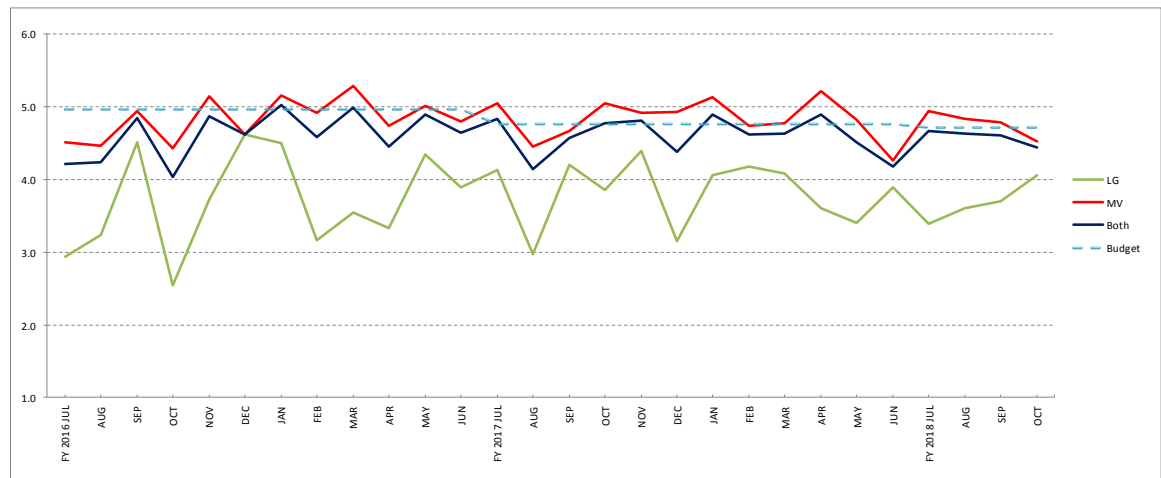
# Productivity and Medicare Length of Stay

Work hours per adjusted patient day decreased in October over budget by 0.8. Overall the month of October is 30.2 worked hours per adjusted patient day.

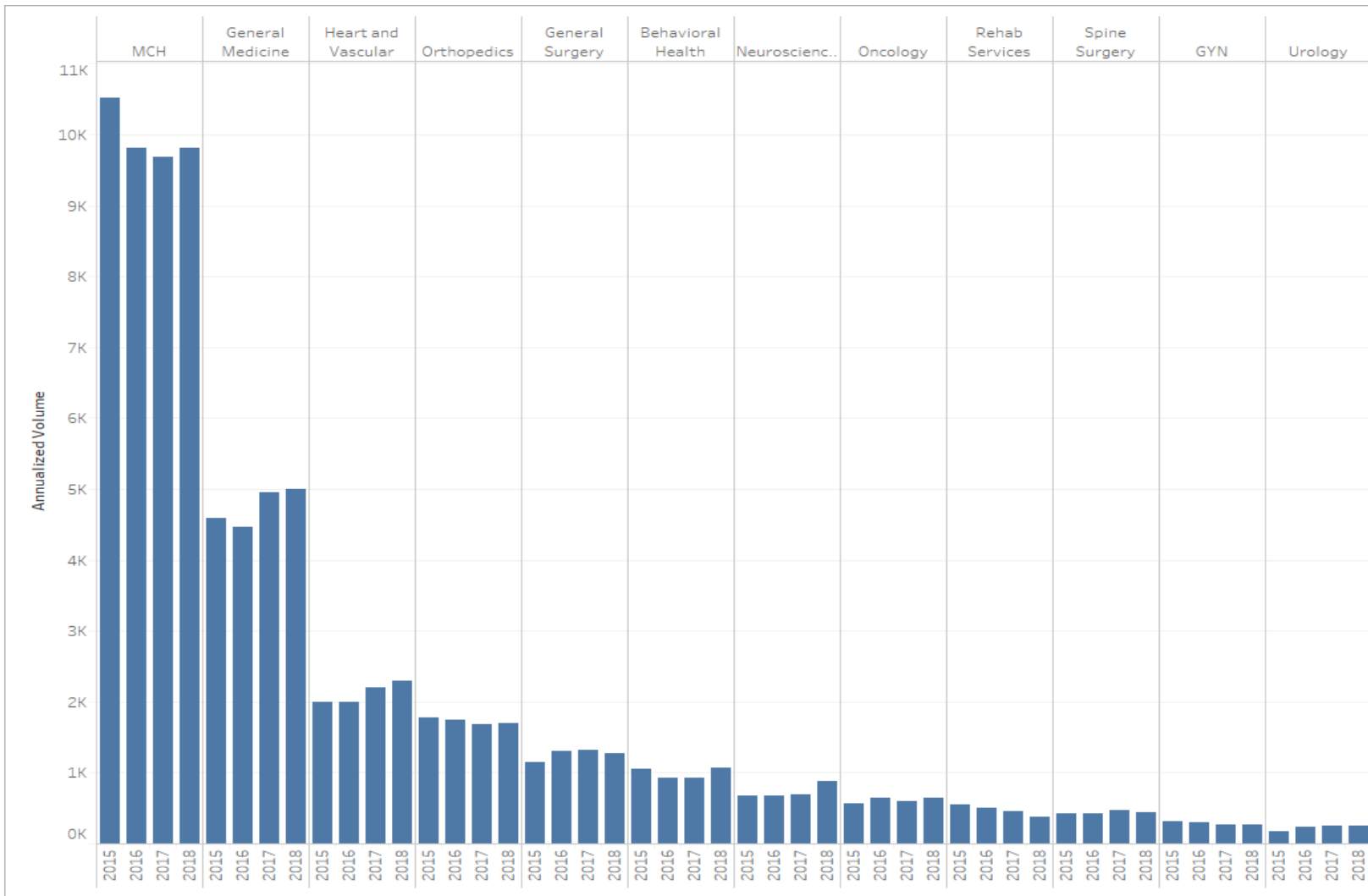


ALOS remains better than target

Medicare ALOS

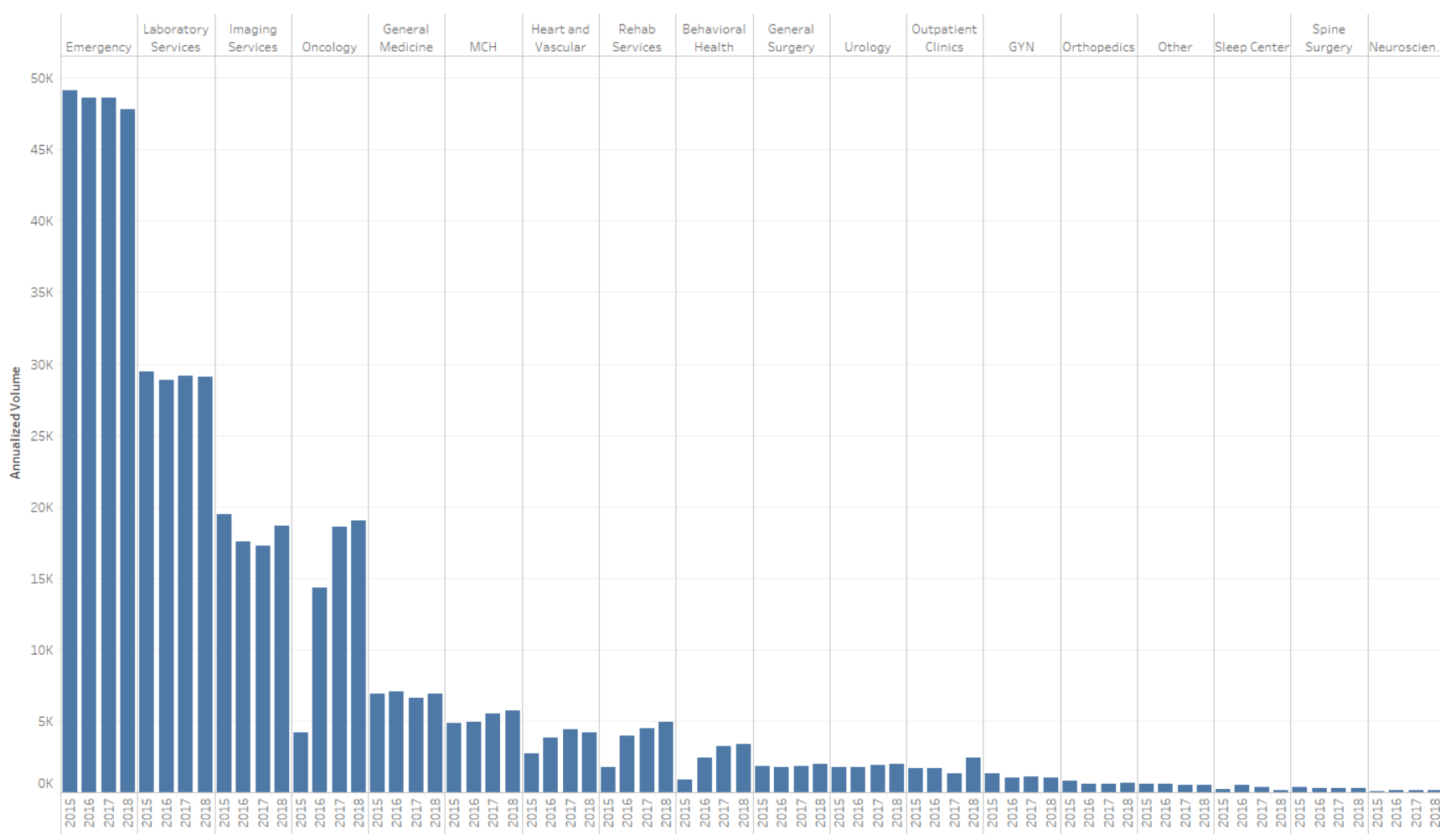


# El Camino Hospital Volume Annual Trends – Inpatient



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

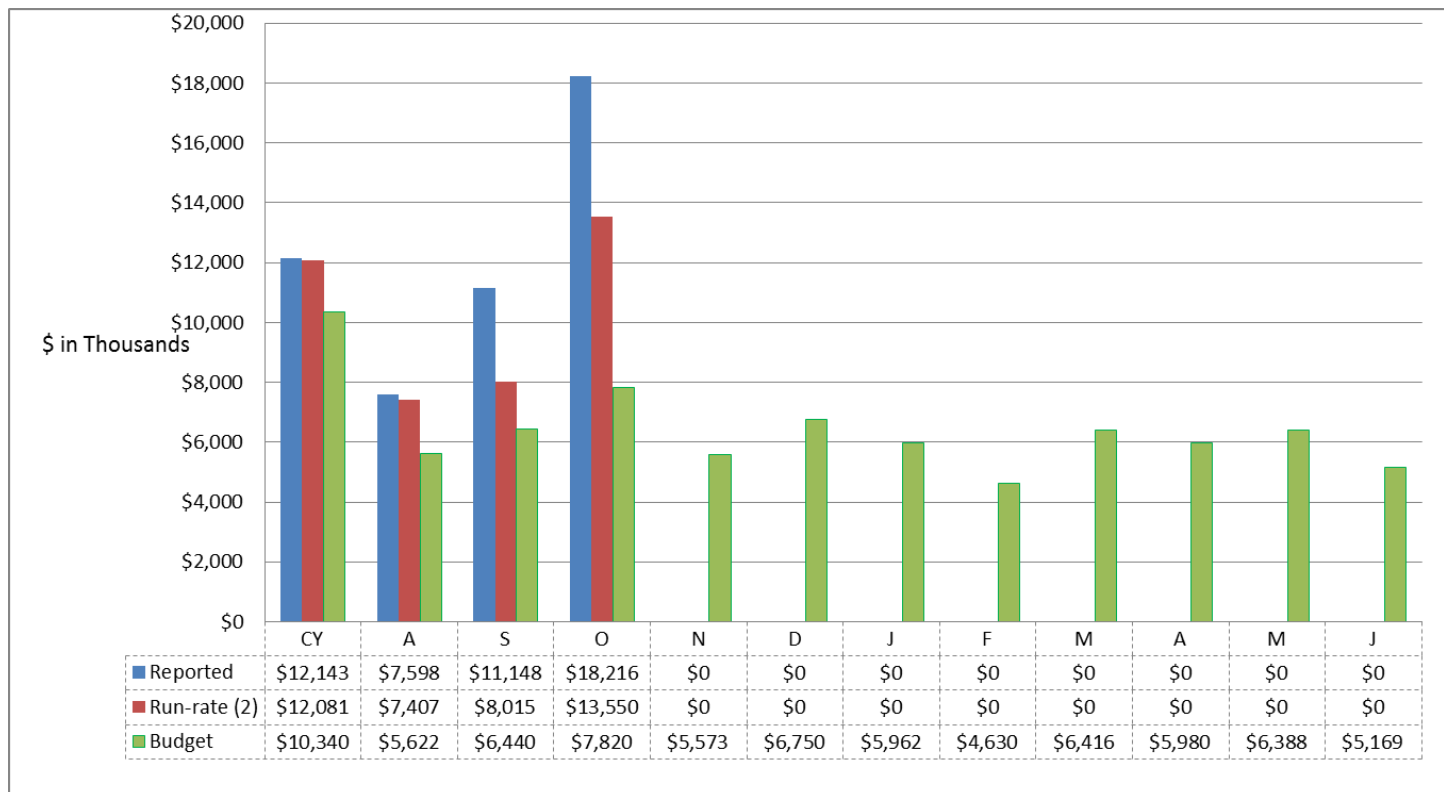
## El Camino Hospital Volume Annual Trends – Outpatient FY 2018 is annualized



- Comparing year-over-year Oncology, MCH, Rehab Services, Behavioral Health, General Surgery, and Outpatient Clinics are all increasing in volume.

# 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	YTD
Insurance (Payment Variance)	-	-	-	611	611
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	1,168
Hospital Fee	-	-	-	712	712
Credit Balance Quarterly Review	-	-	2,201	-	2,201
Late Charge Accrual	-	-	-	3,283	3,283
Various Adjustments under \$250k	9	36	27	6	78
<b>Total</b>	<b>63</b>	<b>191</b>	<b>3,134</b>	<b>4,667</b>	<b>8,054</b>

## El Camino Hospital Investment Committee Scorecard September 30, 2017

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
<b>Investment Performance</b>									
		3Q 2017		Fiscal Year-to-date		4y 11m Since Inception (annualized)			2017
Surplus cash balance & op. cash (millions)*		\$1,158.2	--	--	--	--	--	\$1,262.5	--
Surplus cash return	Green	2.7%	2.7%	2.7%	2.7%	5.7%	5.6%	1.9%	5.7%
Cash balance plan balance (millions)		\$250.4	--	--	--	--	--	\$257.1	--
Cash balance plan return	Green	3.1%	3.1%	3.1%	3.1%	8.2%	7.6%	6.0%	6.1%
403(b) plan balance (millions)		\$411.2	--	--	--	--	--	--	--
<b>Risk vs. Return</b>									
		3-year				4y 11m Since Inception (annualized)			2017
Surplus cash Sharpe ratio	Green	1.08	1.13	--	--	1.36	1.33	--	0.46
Net of fee return	Green	5.0%	5.3%	--	--	5.7%	5.6%	--	5.7%
Standard deviation	Green	4.4%	4.4%	--	--	4.0%	4.1%	--	7.2%
Cash balance Sharpe ratio	Green	1.08	1.07	--	--	1.45	1.39	--	0.43
Net of fee return	Green	6.3%	6.0%	--	--	8.2%	7.6%	--	6.1%
Standard deviation	Green	5.6%	5.3%	--	--	5.4%	5.2%	--	8.7%
<b>Asset Allocation</b>									
		3Q 2017							
Surplus cash absolute variances to target	Green	8.4%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target	Green	6.2%	< 10%	--	--	--	--	--	--
<b>Manager Compliance</b>									
		3Q 2017							
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	Green	19	< 20 Green < 25 Yellow	--	--	--	--	--	--

\*Includes Debt Reserve funds, excludes District assets, Foundation assets, and Concern.



# El Camino Hospital

## Capital Spending (in millions)

Capital Spending  
As of October 2017

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
<b>CIP</b>	EPIC Upgrade		1.9	0.8	1.1	0.8
<b>IT Hardware, Software, Equipment &amp; Imaging*</b>			12.2	0.0	12.2	0.0
<b>Medical &amp; Non Medical Equipment FY 17**</b>			10.3	7.2	3.1	7.2
<b>Medical &amp; Non Medical Equipment FY 18***</b>			5.6	0.9	4.8	0.9
<b>Facility Projects</b>						
	1245 Behavioral Health Bldg	96.1	96.1	27.1	27.0	9.5
	1413 North Drive Parking Expansion	24.5	24.5	22.3	2.6	2.5
	1414 Integrated MOB	302.1	302.1	64.1	72.0	18.2
	1422 CUP Upgrade	9.0	9.0	2.9	5.5	0.6
	1430 Women's Hospital Expansion	120.0	6.0	1.3	3.6	0.9
	1425 IMOB Preparation Project - Old Main	20.0	0.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	0.0	0.0	2.4	0.0	0.0
	1525 New Main Lab Upgrades	3.1	3.1	1.1	2.5	0.7
	1515 ED Remodel Triage/Psych Observation	5.0	0.3	0.0	0.4	0.0
	1503 Willow Pavilion Tomosynthesis	0.8	0.0	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	6.5	0.5	0.0	0.5	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.3	0.0
	IR Room #6 Development	0.0	0.0	0.0	0.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.1	0.0
	1707 Imaging Equipment Replacement ( 5 or 6)	20.7	0.0	0.0	0.3	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.3	0.0
	1709 ED Remodel / CT Triage - Other	0.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.3	0.0	0.4	0.0
	1219 LG Spine OR	0.0	0.0	3.7	0.0	0.3
	1313 LG Rehab HVAC System & Structural	0.0	0.0	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.6	0.7
	1307 LG Upgrades	19.3	19.3	14.6	4.9	0.7
	1519 LG Electrical Systems Upgrade	0.0	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.0	0.2	0.0	0.0
	1507 LG IR Upgrades	1.3	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	0.0	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	2.5	3.5	2.2
	Emergency Sanitary & Water Storage	1.4	0.3	0.0	0.2	0.0
	LG Modular MRI & Awning	3.9	3.9	0.0	0.4	0.0
	LG Nurse Call System Upgrade	2.8	0.0	0.0	0.0	0.0
	LG Observation Unit (Conversion of ICU)	1.8	0.0	0.0	0.8	0.0
	LG Cancer Center	2.4	0.0	0.0	0.4	0.0
	All Other Projects under \$1M	5.6	0.6	0.3	1.8	1.6
<b>GRAND TOTAL</b>		<b>684.4</b>	<b>479.6</b>	<b>157.1</b>	<b>128.0</b>	<b>37.8</b>
			<b>509.7</b>	<b>166.0</b>	<b>149.3</b>	<b>46.6</b>

\*Excluding EPIC

\*\* Unspent Prior Year routine used as contingency

\*\*\*Includes 2 robot purchases

# Balance Sheet (in thousands)

## ASSETS

	Audited	
	October 31, 2017	June 30, 2017
<b>CURRENT ASSETS</b>		
(1) Cash	97,574	125,551
Short Term Investments	125,211	140,284
Patient Accounts Receivable, net	120,043	109,089
Other Accounts and Notes Receivable	2,624	2,628
Intercompany Receivables	2,178	1,495
(2) Inventories and Prepays	55,621	50,657
<b>Total Current Assets</b>	<b>403,252</b>	<b>429,705</b>
<b>BOARD DESIGNATED ASSETS</b>		
(3) Plant & Equipment Fund	141,336	131,153
Women's Hospital Expansion	9,298	9,298
(4) Operational Reserve Fund	127,908	100,196
(5) Community Benefit Fund	18,438	12,237
Workers Compensation Reserve Fund	20,671	20,007
Postretirement Health/Life Reserve Fund	19,629	19,218
PTO Liability Fund	23,905	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	17,194	16,575
<b>Total Board Designated Assets</b>	<b>380,014</b>	<b>333,727</b>
(6) FUNDS HELD BY TRUSTEE	255,396	287,052
<b>LONG TERM INVESTMENTS</b>	292,648	256,652
<b>INVESTMENTS IN AFFILIATES</b>	32,821	32,451
(7) <b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	1,228,420	1,192,047
Less: Accumulated Depreciation	(544,474)	(531,785)
Construction in Progress	138,205	138,017
<b>Property, Plant &amp; Equipment - Net</b>	<b>822,150</b>	<b>798,279</b>
<b>DEFERRED OUTFLOWS</b>	28,760	28,960
<b>RESTRICTED ASSETS - CASH</b>	0	0
<b>TOTAL ASSETS</b>	<b>2,215,041</b>	<b>2,166,825</b>

## LIABILITIES AND FUND BALANCE

	Audited	
	October 31, 2017	June 30, 2017
<b>CURRENT LIABILITIES</b>		
(8) Accounts Payable	22,441	38,457
(9) Salaries and Related Liabilities	19,171	25,109
Accrued PTO	23,905	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,446	10,438
Intercompany Payables	197	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
(10) Bond Interest Payable	7,529	11,245
Other Liabilities	5,913	4,889
<b>Total Current Liabilities</b>	<b>97,272</b>	<b>121,299</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	19,629	19,218
Worker's Comp Reserve	18,371	17,707
Other L/T Obligation (Asbestos)	3,784	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	527,195	527,371
<b>Total Long Term Liabilities</b>	<b>568,980</b>	<b>568,042</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	526	567
<b>DEFERRED INFLOW OF RESOURCES</b>	10,666	10,666
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	1,157,583	1,132,525
Board Designated	380,014	333,726
Restricted	0	0
(11) <b>Total Fund Bal &amp; Capital Accts</b>	<b>1,537,597</b>	<b>1,466,251</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>2,215,041</b>	<b>2,166,825</b>

## October 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July as currently having the 2017 Project Bond monies available for payments of the major construction projects. A. Even with this transfer to investments in early July, overall cash receipts have exceeded budgets in a number months in FY2018, thus adding to the cash balance.
- (2) The increase is due to two quarterly pension fundings of \$2.6M in July and October.
- (3) The increase is due 4 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.
- (4) 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. To increase this Operational Reserve, some of the needed amount was taken from the Short Term Investments in the Current Assets above.
- (5) 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.
- (6) 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.
- (7) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (8) 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.
- (9) Primarily the decrease in current year is due to the Management incentives and "Thank You" bonuses paid to all staff in appreciation of the outcomes of fiscal year 2017 in October. These amounts were accrued during the 2017 fiscal year
- (10) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (11) The increase is attributable to the first four periods of financial performance producing an operating income of \$52 million and non-operating of \$24 million (mostly from unrealized gains on investments).

<sup>(1)</sup> Hospital entity only, excludes controlled affiliates

## 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)

4 months ending 10/31/2017

Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
197,826	240,707	218,001	22,706	10.4%	<b>OPERATING REVENUE</b>					
(137,459)	(173,090)	(161,211)	(11,879)	7.4%	Gross Revenue	792,043	896,317	861,000	35,318	4.1%
<b>60,366</b>	<b>67,618</b>	<b>56,791</b>	<b>10,827</b>	<b>19.1%</b>	Deductions	(567,762)	(653,582)	(634,842)	(18,740)	3.0%
1,530	2,239	1,648	591	35.9%	Net Patient Revenue	<b>224,281</b>	<b>242,735</b>	<b>226,158</b>	<b>16,578</b>	<b>7.3%</b>
<b>61,896</b>	<b>69,856</b>	<b>58,438</b>	<b>11,418</b>	<b>19.5%</b>	Other Operating Revenue	6,452	8,332	7,264	1,068	14.7%
					Total Operating Revenue	<b>230,733</b>	<b>251,067</b>	<b>233,421</b>	<b>17,646</b>	<b>7.6%</b>
					<b>OPERATING EXPENSE</b>					
33,188	33,016	32,249	(766)	-2.4%	Salaries & Wages	122,188	129,751	129,043	(707)	-0.5%
7,086	8,169	8,102	(67)	-0.8%	Supplies	30,018	31,814	32,109	296	0.9%
6,634	7,534	6,686	(848)	-12.7%	Fees & Purchased Services	25,330	27,088	26,804	(283)	-1.1%
706	794	769	(26)	-3.3%	Other Operating Expense	2,727	2,707	3,600	893	24.8%
498	453	725	273	37.6%	Interest	1,887	1,502	2,902	1,399	48.2%
3,510	3,529	3,638	109	3.0%	Depreciation	14,117	13,852	14,111	259	1.8%
<b>51,623</b>	<b>53,494</b>	<b>52,170</b>	<b>(1,324)</b>	<b>-2.5%</b>	Total Operating Expense	<b>196,268</b>	<b>206,713</b>	<b>208,570</b>	<b>1,856</b>	<b>0.9%</b>
<b>10,274</b>	<b>16,363</b>	<b>6,269</b>	<b>10,094</b>	<b>161.0%</b>	Net Operating Income/(Loss)	<b>34,465</b>	<b>44,354</b>	<b>24,852</b>	<b>19,502</b>	<b>78.5%</b>
(6,436)	7,379	225	7,153	3175.1%	Non Operating Income	8,415	24,149	901	23,248	2579.7%
<b>3,837</b>	<b>23,741</b>	<b>6,494</b>	<b>17,247</b>	<b>265.6%</b>	Net Income(Loss)	<b>42,880</b>	<b>68,503</b>	<b>25,753</b>	<b>42,750</b>	<b>166.0%</b>
23.1%	29.1%	18.2%	10.9%		EBITDA	21.9%	23.8%	17.9%	5.8%	
16.6%	23.4%	10.7%	12.7%		Operating Margin	14.9%	17.7%	10.6%	7.0%	
6.2%	34.0%	11.1%	22.9%		Net Margin	18.6%	27.3%	11.0%	16.3%	

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

4 months ending 10/31/2017

Period 4 FY 2017	Period 4 FY 2018	Period 4 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
45,979	54,907	48,371	6,536	13.5%	<b>OPERATING REVENUE</b>					
(33,746)	(40,936)	(35,129)	(5,807)	16.5%	Gross Revenue	167,611	196,247	189,681	6,566	3.5%
<b>12,233</b>	<b>13,972</b>	<b>13,242</b>	<b>729</b>	<b>5.5%</b>	Deductions	(121,202)	(145,236)	(137,752)	(7,484)	5.4%
172	160	216	(57)	-26.2%	Net Patient Revenue	<b>46,409</b>	<b>51,010</b>	<b>51,929</b>	<b>(919)</b>	<b>-1.8%</b>
<b>12,406</b>	<b>14,131</b>	<b>13,458</b>	<b>673</b>	<b>5.0%</b>	Other Operating Revenue	694	642	848	(206)	-24.3%
					Total Operating Revenue	<b>47,103</b>	<b>51,652</b>	<b>52,777</b>	<b>(1,124)</b>	<b>-2.1%</b>
					<b>OPERATING EXPENSE</b>					
6,166	6,753	6,340	(413)	-6.5%	Salaries & Wages	24,003	26,145	25,241	(904)	-3.6%
1,355	2,127	1,982	(144)	-7.3%	Supplies	6,021	7,514	7,860	346	4.4%
1,382	1,285	1,309	24	1.8%	Fees & Purchased Services	5,344	5,048	5,200	152	2.9%
1,997	1,533	1,533	(0)	0.0%	Other Operating Expense	6,713	6,133	6,272	138	2.2%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
536	580	743	163	22.0%	Depreciation	2,146	2,061	2,834	773	27.3%
<b>11,436</b>	<b>12,277</b>	<b>11,907</b>	<b>(371)</b>	<b>-3.1%</b>	Total Operating Expense	<b>44,228</b>	<b>46,900</b>	<b>47,406</b>	<b>506</b>	<b>1.1%</b>
<b>970</b>	<b>1,854</b>	<b>1,552</b>	<b>302</b>	<b>19.5%</b>	Net Operating Income/(Loss)	<b>2,875</b>	<b>4,752</b>	<b>5,371</b>	<b>(619)</b>	<b>-11.5%</b>
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
<b>970</b>	<b>1,854</b>	<b>1,552</b>	<b>302</b>	<b>19.5%</b>	Net Income(Loss)	<b>2,865</b>	<b>4,708</b>	<b>5,371</b>	<b>(663)</b>	<b>-12.4%</b>
12.1%	17.2%	17.0%	0.2%		EBITDA	10.7%	13.2%	15.5%	-2.4%	
7.8%	13.1%	11.5%	1.6%		Operating Margin	6.1%	9.2%	10.2%	-1.0%	
7.8%	13.1%	11.5%	1.6%		Net Margin	6.1%	9.1%	10.2%	-1.1%	



## Capital Spend Trend & FY 18 Budget

<b>Capital Spending (in 000's)</b>	<b>Actual FY2015</b>	<b>Actual FY2016</b>	<b>Actual FY2017</b>	<b>Projected FY2018</b>
EPIC	29,849	20,798	2,755	1,128
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	7,889
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
<b>GRAND TOTAL</b>	<b>86,789</b>	<b>96,740</b>	<b>97,923</b>	<b>149,286</b>
*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
<b>EPIC</b>	<b>0</b>	<b>6,838</b>	<b>29,849</b>	<b>20,798</b>	<b>2,755</b>	<b>Facilities Projects CIP cont.</b>					
<b>IT Hardware/Software Equipment</b>	<b>8,019</b>	<b>2,788</b>	<b>4,660</b>	<b>6,483</b>	<b>2,659</b>	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
<b>Medical/Non Medical Equipment</b>	<b>10,284</b>	<b>12,891</b>	<b>13,340</b>	<b>17,133</b>	<b>9,556</b>	1404 - Park Pav HVAC	0	64	7	0	0
<b>Non CIP Land, Land I, BLDG, Additions</b>	<b>0</b>	<b>22,292</b>	<b>0</b>	<b>4,189</b>	<b>0</b>	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
						1408 - New Main Accessibility Upgrades	0	0	7	46	501
						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
<b>Facilities Projects CIP</b>						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
<b>Mountain View Campus Master Plan Projects</b>						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1430 - Women's Hospital Expansion	0	0	0	0	464
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1432 - 205 South Dr BHS TI	0	0	8	15	0
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1501 - Women's Hospital NPC Comp	0	0	4	0	223
1422 - CUP Upgrade	0	0	0	896	1,245	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
<b>Sub-Total Mountain View Campus Master Plan</b>	<b>0</b>	<b>1,257</b>	<b>5,950</b>	<b>12,426</b>	<b>62,493</b>	1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
						1504 - Equipment Support Infrastructure	0	0	61	311	0
<b>Mountain View Capital Projects</b>						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
9900 - Unassigned Costs	734	470	3,717	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1108 - Cooling Towers	450	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1120 - BHS Out Patient TI's	66	0	0	0	0	<b>Sub-Total Mountain View Projects</b>	<b>8,145</b>	<b>7,219</b>	<b>26,744</b>	<b>5,588</b>	<b>5,535</b>
1129 - Old Main Card Rehab	9	0	0	0	0	<b>Los Gatos Capital Projects</b>					
0817 - Womens Hosp Upgrds	645	1	0	0	0	0904 - LG Facilities Upgrade	2	0	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1109 - New Main Upgrades	423	393	2	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1225 - Rehab BLDG Roofing	7	241	4	0	0	1308 - LG Infrastructure	0	114	0	0	0
1227 - New Main eICU	96	21	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1230 - Fog Shop	339	80	0	0	0	1219 - LG Spine OR	0	214	323	633	2,163
1315 - 205 So. Drive TI's	0	500	2	0	0	1221 - LG Kitchen Refrig	0	85	0	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1248 - LG - CT Upgrades	0	26	345	197	6,669
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1345 - LG Lab HVAC	0	112	0	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1301 - Desktop Virtual	0	13	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1304 - Rehab Wander Mgmt	0	87	0	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1318 - Women's Hospital TI	0	48	48	29	2	1603 - LG MOB Improvements	0	0	0	0	285
1327 - Rehab Building Upgrades	0	0	15	20	0	<b>Sub-Total Los Gatos Projects</b>	<b>1,150</b>	<b>5,276</b>	<b>6,246</b>	<b>6,116</b>	<b>14,780</b>
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	1550 - Land Acquisition	0	0	0	24,007	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0	1701 - 828 S Winchester Clinic TI	0	0	0	0	145
1341 - New Main Admin	0	32	103	0	0	<b>Sub-Total Other Strategic Projects</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,007</b>	<b>145</b>
1344 - New Main AV Upgrd	0	243	0	0	0	<b>Subtotal Facilities Projects CIP</b>	<b>9,294</b>	<b>13,753</b>	<b>38,940</b>	<b>48,137</b>	<b>82,953</b>
1400 - Oak Pav Cancer Center	0	0	5,208	666	52	<b>Grand Total</b>	<b>27,598</b>	<b>58,561</b>	<b>86,789</b>	<b>96,740</b>	<b>97,923</b>
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000