El Camino Health

AGENDA

FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD

Wednesday, June 3, 2020 – 5:30 pm

El Camino Hospital | 2500 Hospital Drive, Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 Dated March 18, 2020, El CAMINO HEALTH WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT 1-866-365-4406 MEETING CODE 9407053#.

MISSION: To provide oversight, information sharing and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital Board of Directors. In carrying out its review, advisory and oversight responsibilities, the Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1.	**CALL TO ORDER / ROLL CALL**	John Zoglin, Chair		**5:30 – 5:31 pm**
2.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	John Zoglin, Chair		**information 5:31 – 5:32**
3.	**PUBLIC COMMUNICATION** a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	John Zoglin, Chair		**information 5:32 – 5:35**
4.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.*	John Zoglin, Chair	*public comment*	**motion required 5:35 – 5:37**
	Approval a. Minutes of the Open Session of the Finance Committees (04/27/2020) b. Massimo Agreement ***Information*** c. FY20 Committee Pacing Plan d. Major Capital Projects in Progress e. Progress Against FY20 Committee Goals f. Articles of Interest g. Siemens Services Agreement			
5.	**REPORT ON BOARD ACTIONS** **ATTACHMENT 5**	John Zoglin, Chair		**information 5:37 – 5:42**
6.	**COMMITTEE RECRUITMENT**	John Zoglin, Chair	*public comment*	**possible motion 5:42 – 5:52**
7.	**PERIOD 10 FINANCIALS** **ATTACHMENT 7**	Michael Moody, Interim CFO		**information 5:52 – 6:07**
8.	**FY21 BUDGET PROCESS & TIMELINE** **ATTACHMENT 8**	Michael Moody, Interim CFO		**information 6:07 – 6:22**
9.	**ADJOURN TO CLOSED SESSION**	John Zoglin, Chair		**motion required 6:22 – 6:23**
10.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	John Zoglin, Chair		**information 6:23 – 6:24**

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
11.	**CONSENT CALENDAR** *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2*: - Minutes of the Closed Session of the Finance Committees (04/27/2020)	John Zoglin, Chair		**motion required** **6:24 – 6:25**
12.	*Health and Safety Code Section 32106(b)* – for a report and discussion involving healthcare facility trade secrets: - Updated FY20 and FY21 Forecast	Michael Moody, Interim CFO		**information** **6:25 – 7:10**
13.	*Health and Safety Code Section 32106(b)* – for a report involving health care facility trade secrets: **PHYSICIAN CONTRACTS** a. Ophthalmology Professional Services Renewal Agreements (Enterprise) b. Anatomic Pathology and Laboratory Medical Director Renewal Agreement (Enterprise) c. Cancer Program Medical Director Renewal Agreement (Enterprise) d. Respiratory Care Services Medical Director Renewal Agreement (MV) e. Radiation Oncology Medical Director Renewal Agreement (MV) f. NICU Medical Director Renewal Agreement (MV) g. New Inpatient Perinatal Program Medical Director Agreement (MV) h. Cardiac Cath Lab Medical Director Renewal Agreement (MV) i. Echocardiography Medical Director Renewal Agreement (MV)	Mark Adams, MD, CMO		**information** **7:10 – 7:40**
14.	*Gov't Code Sections 54957* for report and discussion on personnel matters – Senior Management: Executive Session	John Zoglin, Chair		**information** **7:40 – 7:45**
15.	**ADJOURN TO OPEN SESSION**	John Zoglin, Chair		**motion required** **7:45 – 7:46**
16.	**RECONVENE OPEN SESSION / REPORT OUT**	John Zoglin, Chair		**information** **7:46 – 7:47**
	To report any required disclosures regarding permissible actions taken during Closed Session.			
17.	**APPROVE/RECOMMEND PHYSICIAN CONTRACTS** a. Ophthalmology Professional Services Renewal Agreements (Enterprise) b. Anatomic Pathology and Laboratory Medical Director Renewal Agreement (Enterprise) c. Cancer Program Medical Director Renewal	Mark Adams, CMO	*public comment*	**required motion** **7:47 – 7:49**

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
	Agreement (Enterprise) d. Respiratory Care Services Medical Director Renewal Agreement (MV) e. Radiation Oncology Medical Director Renewal Agreement (MV) f. NICU Medical Director Renewal Agreement (MV) g. New Inpatient Perinatal Program Medical Director Agreement (MV) h. Cardiac Cath Lab Medical Director Renewal Agreement (MV) i. Echocardiography Medical Director Renewal Agreement (MV)			
18.	**FY21 COMMITTEE PLANNING** a. Proposed FY21 Committee Meeting Dates b. Proposed FY21 Committee Goals c. Proposed FY21 Committee Pacing Plan	John Zoglin, Chair	*public comment*	**possible motion 7:49 – 7:59**
19.	**PROPOSED FY21 PERFORMANCE INCENTIVE GOALS (FINANCE AND GROWTH)** **ATTACHMENT 19**	Michael Moody, Interim CFO		**possible motion 7:59 – 8:09**
20.	**CLOSING COMMENTS**	John Zoglin, Chair		**information 8:09 – 8:10**
21.	**ADJOURNMENT**	John Zoglin, Chair	*public comment*	**motion required 8:10 – 8:11**

Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, April 27, 2020
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

Members Present	Members Absent
John Zoglin, Chair**	
Joseph Chow**	
Boyd Faust**	
Gary Kalbach**	
Don Watters**	
Richard Juelis**	

**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30pm by Chair John Zoglin. A verbal roll call was taken. All members were present and participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
2. POTENTIAL CONFLICT OF INTEREST	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	Chair Zoglin asked if any member of the Committee wished to remove an item from the consent calendar. Boyd Faust requested a minor change to Section 4 in the Minutes of the Open Session of the Finance Committee Meeting (03/23/2020). Mr. Faust also requested for Item (b) Committee Pacing Plan be pulled to be discussed in closed session. Motion: To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee Meeting (03/23/2020), and for information: (b) Committee Pacing Plan (c) Article of Interest. **Movant:** Kalbach **Second:** Watters **Ayes:** Chow, Faust, Juelis, Kalbach, Watters, and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Consent Calendar was approved.***
5. REPORT ON BOARD ACTIONS	Chair Zoglin asked the Committee for any questions or feedback on the Report on Board Actions as further detailed in the packet. There was none reported.	
6. POST IMPLEMENTATION REVIEW – PAC/RIS	Deb Muro, CIO, presented the highlights of the Post Implementation Review for PACS/RIS. She stated that a PACS system is a system to acquire, store, and share radiology images. Some benefits include, but are not limited to, improved reading capabilities, access to peer review, and the ability for remote access. She stated there have also been improvements to the new software on image archival and the ability to store from multiple sources that is currently being enhanced to be shared	

	between other healthcare systems. In response to committee members' questions, Ms. Muro explained that the PACS system does improve quality; however, image quality is subjective. Advanced Visualization provides the ability for deeper diagnosis and comparison to images overtime. She also explained that previously, radiologists experienced down time and not being able to view remotely to do readings, which this system will fix.	
7. DISCUSS AND RECOMMEND FY21 COMMITTEE GOALS	Michael Moody, Interim CFO, discussed the FY21 Committee Goals. He stated that there were some goals set regarding reviewing strategies, business affiliates and service lines. The evaluation and monitoring of the COVID-19 Recovery Plan will be an important role for the Committee. Mr. Faust suggested that some of these, such as budget, forecasting and planning, need to be with us throughout the foreseeable future. Chair Zoglin asked the Committee members to send all thoughts on the goals to Cindy Murphy and he will work with Mr. Moody on revising the FY21 Committee Goals to bring back to the next meeting.	
8. FY21 PERIOD 9 FINANCIALS	Mr. Moody presented the FY21 Period 9 Financials. Some highlights included: - The organization experienced a $9.7M loss from Operations and a Net Loss of $81.5M due to a significant drop in the value of investments. - The sharp reduction in volumes due to the COVID-19 pandemic reduced revenues by 20% in the month of March and is expected to continue in April. - Management is focused on a recovery plan that includes increasing volumes and reducing expenses in April. - There is a focus on building up our operating cash through the Medicare Advance funding program and CARES Act distributions. - The payer mix improved slightly with a higher weighting to patents with Commercial coverage (HMO & PPO). In response to committee members' questions, Mr. Moody and Mr. Griffith explained that management is focusing on expense reduction through salaries and wages, flexing departments, and supplies. Also, any capital expenses will need to be re-visited and approved by Senior Management. Mr. Moody will come back with a point of view on capital reserves (bookkeeping) for catastrophic reserves and also will include cash flows in future presentations. **Motion**: To approve the FY21 Period 9 Financials. **Movant:** Kalbach **Second:** Chow **Ayes:** Chow, Faust, Juelis, Kalbach, Watters, and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***FY21 Period 9 Financials were approved.***
9. ADJOURN TO CLOSED SESSION	**Motion:** To adjourn to closed session at 6:31pm. **Movant:** Faust	***Adjourned to closed session***

	Second: Zoglin **Ayes:** Chow, Faust, Juelis, Kalbach, Watters, and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***at 6:31pm***
10. AGENDA ITEM 16: RECONVENE OPEN SESSION/ REPORT OUT	The open session reconvened at 7:59 pm. Agenda Items 10-15 were covered in closed session. During the closed session, the Committee approved Meeting Minutes of the Closed Session of the Finance Committee (03/23/2020) by a unanimous vote of all members present (Chow, Faust, Juelis, Kalbach, Watters, and Zoglin).	
11. AGENDA ITEM 17: COMMITTEE RECRUITMENT	Chair Zoglin discussed the Committee Recruitment noting there are three possible candidates who will be interviewed next week. Chair Zoglin stated that it is still not clear whether they are bringing in a unique set of skills not already present on the Committee. He discussed the possibility of waiting longer or considering the benefits of working with a recruiter. This would all depend on how anxious the committee is to get a 7th member. Chair Zoglin stated that the background of the current three candidates include a union banker, a broker, and a real estate professional. Chair Zoglin stipulated that the Committee will discuss at a later time after the three candidates have been interviewed. Multiple members opined that it would not be beneficial to bring in a recruiter given the cost of doing so at this time.	
12. AGENDA ITEM 18: CLOSING COMMENTS	None noted.	
13. AGENDA ITEM 19: ADJOURNMENT	**Motion:** To adjourn at 8:29pm **Movant**: Kalbach **Second**: Faust **Ayes**: Chow, Faust, Juelis, Kalbach, Watters, and Zoglin **Noes**: None **Abstentions**: None **Absent**: None **Recused**: None	***Meeting adjourned at 8:29pm***

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

_____
John Zoglin
Chair, Finance Committee

EL CAMINO HOSPITAL
FINANCE COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee
From: Ken King, CAO
Date: June 3, 2020
Subject: Masimo Equipment Use & Sensor Supply Agreement

Recommendation(s): Management recommends that the Finance Committee approve the sixty-three (63) month Masimo Equipment Use and Supply Sensor Agreement at a total estimated cost of $3.1 million.

Summary:

1. Situation: For the past five and half years we have had a contract for pulse oximetry equipment and sensor supplies with Medtronic/Nellcor. The existing agreement expired in the fall of 2019. A clinical assessment of current pulse oximetry equipment and sensor offerings was conducted by physicians, nurses, respiratory therapists and clinical engineering and the unanimous recommendation was to obtain the equipment and sensors from Masimo. The proposed five year equipment and sensor supply agreement provides $1.8 million of capital equipment, along with training and installation support valued at $325,000 at no cost, with a commitment to purchase the sensors a minimum cost of $603,599 annually for a period of five (5) years which are operating expenses. Our estimated annual spend is $620,000 for these sensors.

2. Authority: Policy requires Finance Committee Approval due to the total cost commitment over the term of the agreement.

3. Background: It is a common practice for this type of equipment and supply item to enter into a multi-year agreement where the equipment is provided at no cost and the purchase of supplies is guaranteed for a five (5) year period. A thorough assessment was conducted and the Masimo equipment monitors were determined to be easily integrated with our Phillips monitoring platform and to provide a greater number of clinical indicators then the previous monitors.

4. Assessment: The total annual cost of the Masimo agreement is estimated at $620,000, which includes the sensor pricing. The sensor pricing is at the lowest price tier for our GPO, Premier. At the negotiated price points achieved, the savings from the previous agreement is $175,000 annually. These costs are included in the approved annual operating budget and there is no capital outlay required.

5. Other Reviews: The cost negotiations were led by the Director of Supply Chain and the Director of Clinical Engineering. This agreement recommendation comes from a committee that consisted of physicians, nurses, respiratory therapists and clinical engineers and is supported by executive management. No other reviews were conducted.

6. Outcomes: The equipment and sensors will be integrated with other technology to ensure that physicians and other clinicians obtain accurate patient monitoring information that guides the care and treatment of our patients.

List of Attachments: None.

Suggested Finance Committee Discussion Questions: None.

FY20 Finance Committee Pacing Plan – Updated May 20, 2020

FY20 FC Pacing Plan – Q1		
July 29, 2019	August 2019	**September 23, 2019**
- Meeting Minutes (May 2019), any policies - Financial Report (FY19 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Year-End Financial Report - Review of Patient Billings (FC Committee Goal) - Executive Session - Long Term Financial Forecast - Medical Staff Development Plan -	No scheduled meeting	- Meeting Minutes (July 2019), any policies - Financial Report (FY20 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – Ortho Neuro Spine - Executive Session - Post Implementation Review - Per attached schedule - Continued Review of Patient Billings
FY20 FC Pacing Plan – Q2		
October 21, 2019	**November 25, 2019**	December 2019
- Propose Hedge Related to 2015 Revenue Bonds and Possible Issuance of New Debt	- Tour New MV Campus Buildings - Meeting Minutes (September 2019), any policies - Financial Report (FY20 Period 3,4) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review - MCH - Post implementation Review – Per attached Schedule - Payor Update - Executive Session - Continued Review of Patient Billings (Integrated Billing and PFAC Review) - In-Patient Rehab Opportunity	No scheduled meeting

FY20 Finance Committee Pacing Plan – Updated May 20, 2020

FY20 FC Pacing Plan – Q3		
January 27, 2020	February 2020	**March 23, 2020**
****Joint Meeting with the Investment Committee** - **Long Term Financial Forecast** - Meeting Minutes (November 2019), any policies - Financial Report (FY20 Period 5,6) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Executive Session - Post Implementation Review – Per attached schedule - Service Line Report SVMD - Satellite Dialysis Performance	No scheduled meeting	- Meeting Minutes (January 2020), any policies - Financial Report (FY20 Period 7,8) - Physician Contracts ~~- Capital Funding Requests – Radiation Oncology~~ - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Preview FY21 Budget Part # 1 ~~- Discuss and recommend FY21 Committee Goals~~ ~~- Discuss FY21 Committee Dates~~ ~~- Payor Update~~ - Executive Session ~~- Service Line Report – HVI~~ - Summary of Physician Financial Arrangements (Year-End) ~~- Post Implementation Review – PACS/RIS~~ - In Patient Rehab Opportunity
FY20 FC Pacing Plan – Q4		
April 27, 2020	~~**May 26, 2020**~~**June 3, 2020**	June 2020
- FY21 Budget Review (+COVID-19 Response and Recovery)– Part 2 - Discuss and recommend FY 21 Committee Goals - Discuss FY21 Committee Dates - Post Implementation Review – PAC/RIS - Service Line Report – HVI - Committee Recruitment	~~****Joint Meeting with the Hospital Board on the Operating & Capital Budget**~~ - Meeting Minutes (April 2020), any policies - Financial Report (FY20 Period 9,10) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Review and Recommend FY21 Budget Process Timeline, and Forecast - Review FY20 Budget Forecast ~~- FY21 Organizational Goals~~ ~~Post Implementation Review – Per attached schedule~~ (Paced on July 27 FC meeting) - Executive Session - Committee Recruitment - Discuss and Review FY21 Committee Goals, Pacing Plan and Meeting Dates	No scheduled meeting

Last 18 Months Capital Project Approvals
February 2018 - October 2019

APPROVAL DATE	APPROVING BODY	PROJECT NAME	APPROVED AMOUNT	PROPOSED FC POST-IMPLEMENTATION REVIEW DATE
9/13/2017	ECH Board	Increase BHS Building Budget	Additional $4.6 M	Update each meeting
9/13/2017	ECH Board	Increase Sobrato Pavilion Budget	Additional $27.1 M	Update each meeting
1/16/2019	ECH Board	Los Gatos Cancer Center Funding	$6.4 M	7/2020
1/30/2019	Finance Committee	Waste Water Storage Project	$3.9 M	7/2020
1/30/2019	Finance Committee	Purchase Da Vinci Robot Xi Model	$1,550,000 (Net)	N/A < $2 M
2/13/2019	ECH Board	Women's Hospital Planning	$10 M (Total Now $16M)	9/2020
2/13/2019	ECH Board	SVMD Clinic Site Tenant Improvements	$8 M	9/2020
2/13/2019	ECH Board	Interventional Equipment Replacement	$13 M	9/2020
2/13/2019	ECH Board	Imaging Equipment Replacement	$16.9 M	9/2020
2/13/2019	ECH Board	SVMD Asset Acquisition	$1.2 M	1/2020
3/13/2019		None		
3/25/2019	Finance Committee	SVMD Clinic IT Infrastructure	$4.6 M	9/2020
5/28/2019	Finance Committee	MV Campus Signage	$1.1 M	N/A < $2 M
8/21/2019	ECH Board	Medical Staff Development Plan	$6.1 M	1/2021
8/21/2019	ECH Board	Radiation Oncology Replacement Equipment	$6.75M	1/2021
8/21/2019	ECH Board	ED Remodel	$6.75M	1/2021
10/10/19	ECH Board	MV Campus Completion (Old Main Demo)	$24.9M	3/2021
1/25/20*	Finance Committee	Satellite Dialysis*	No approval on /1/25/20 – presented only	7/2021

El Camino Health

Hospital Campuses

2500 Grant Road
Mountain View, CA 94040
650-940-7000

815 Pollard Road
Los Gatos, CA 95032
408-378-6131

elcaminohealth.org

Memorandum

To: **Board Finance Committee**
From: **Ken King, CASO**
Date: **June 3, 2020**
Subject: **Major Projects Update – For Information**

1. **Purpose:**

   To keep the Finance Committee informed on the progress of major capital projects in process.

2. **Summary:**

   a. Situation/Status

   Taube Pavilion (aka BHS): The project team is completing all of the final details necessary to obtain occupancy approval from OSHPD on June 1st. Due to the COVID-19 State Emergency Orders, CDPH will not conduct an inspection and once the OSPHD occupancy approval is received we can begin using the building for patient care. The clinical staff are preparing for moving patients into the new building on June 10th, with a fall back date of June 17th should any new issues come up. The project team will complete the life safety improvements while the building is occupied with the longest lead item completing in mid-August. The cost of the life safety improvements have come in less than $200,000 and more than half of the costs will be offset by reductions in payments to the architect.

   We continue the process of negotiating the contract close out change order requests and pending the resolution of schedule delay change order requests we may have a slight overrun of the project budget. In order to avoid this we have engaged a scheduling consultant to assist us in the evaluation of the project schedule issues to determine the cause of the delays that occurred.

   Sobrato Pavilion (aka IMOB) has two remaining elements to be completed. They are the final phase of the OSHPD Connector construction activity on the 1st floor and the Grant Road turn lane. The Connector construction activity has been progressing slowly over the past several weeks due to the "Shelter in Place" impacts, but is on track to be completed by the end of August. The work on the Grant Road turn lane will restart on May 28th and will also be completed by the end of August.

   Pending receipt of compliance certification documents that require the approval of the Mountain View Building Official and Fire Marshall we will have everything in order to move the clinical departments into the building. A target date of June 24th has been set to begin moving the clinical departments into their new locations. Tenant moves that were disrupted by the "Shelter in Place" are being scheduled to move in over the next two to three months.

   Final contract change orders continue being negotiated and we expect to complete the project within the approved budget.

Women's Hospital construction documents labeled OSHPD Back Check #1 were returned with comments and the project team has been busy preparing the Back Check #2 construction documents which will be resubmitted on June 1st. Due to the COVID-19 issues and the most current construction cost estimate we have decided to delay the bidding and buy-out process until we go through another round of OSHPD review. We anticipate a third and hopefully final back check that we will use to bid and buy-out the construction. We anticipate that the post COVID-19 construction market to be impacted and this may have a favorable impact on construction pricing in the Bay Area. The expected timeline will have us bidding the trade contracts in the fall with a GMP proposal and final budget request coming to the Finance Committee in November and the Board in December. Once approvals are obtained the construction would begin in January 2021.

M.V. Campus Completion Project (Phases 1 and 2) which includes the demolition of the old main hospital is still in the OSHPD review and approval process. We anticipate having plan approval in July, however due to the COVID-19 impacts we have decided to delay the start of this work until the early spring of 2021. In addition to slowing spend of capital dollars, this will allow for more time to explore and consider the Phase 3 development options.

b. Authority

This memo is to keep the Finance Committee informed of the progress towards completion of the major development projects within the Mountain View Campus Development Plan.

c. Background

The Board of Directors approved the Mountain View Campus Development Projects which consist of the following:

Step I:	Status
North Parking Garage Expansion -	Complete
Behavioral Health Services Building -	Substantially Complete – Not Occupied
Integrated Medical Office Building -	Substantially Complete - Occupied
Central Plant Upgrades -	Complete
Step II:	
Women's Hospital Expansion -	Plan Review/Permit
Demolition of Old Main Hospital -	Plan Review/Permit Phases 1&2

d. Assessment

In addition to the construction activities all impacted departments are working on the activation, training, move planning and budgeting for the future state of operations.

e. Other Reviews

None

f. Outcomes

The primary objective continues to be completing the projects within the approved budgets and to safely transition into the new building environments. Additionally the plan adjustments communicated herein will delay the start of construction activities until the beginning of 2021.

El Camino Health

FY20 COMMITTEE GOALS

Finance Committee

PURPOSE

The purpose of the Finance Committee (the "Committee") is to provide oversight, information sharing, and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital (ECH) Hospital Board of Directors ("Board"). In carrying out its review, advisory, and oversight responsibilities, the Finance Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Review major capital projects	Each regular meeting	Update on major capital projects in progress - Ongoing
2. Evaluate consumer-facing bills for ease of understanding, including patient portal (MyChart)	Q1	Review 5 – 10 bills with common/usual diagnoses/procedures and make recommendations to staff and Board – 7/29/19, 9/23/19 and 11/25/19
3. Review the top three (3) service lines: 1) Heart & Vascular Institute (HVI), 2) Ortho, Neuro and Spine, and 3) MCH	- HVI (Q3) - Ortho, Neuro and Spine (Q1) - MCH (Q2)	Presentations in September, November, and March Ortho, Neuro and Spine 9/23/19; MCH 11/25/19; HVI 3/23/20

SUBMITTED BY:

Chair: John Zoglin

Approved by the ECH Board of Directors 6/12/2019

Modern Healthcare

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Financially devastated hospitals and health systems face an uncertain future

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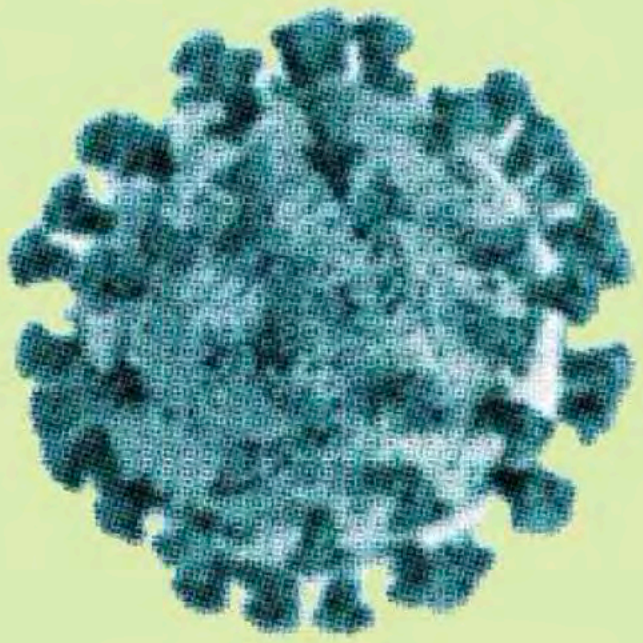
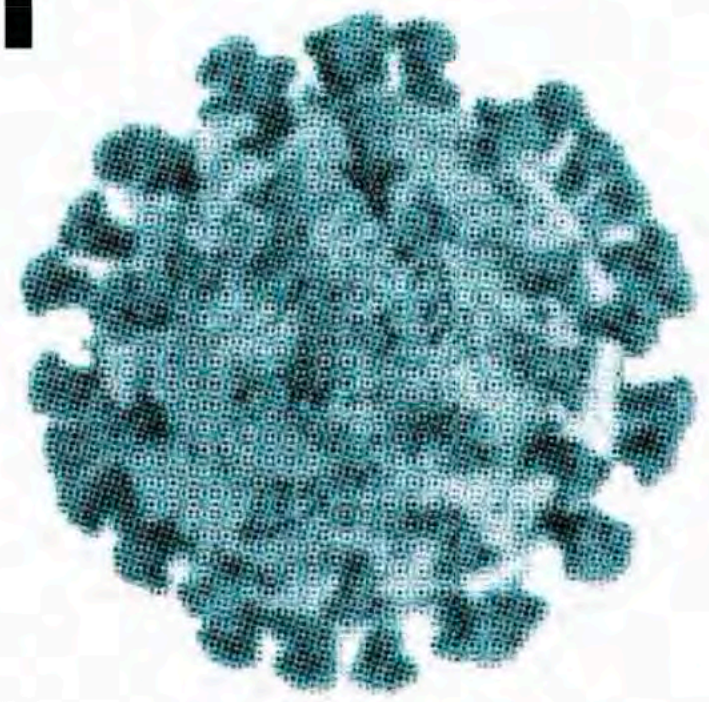


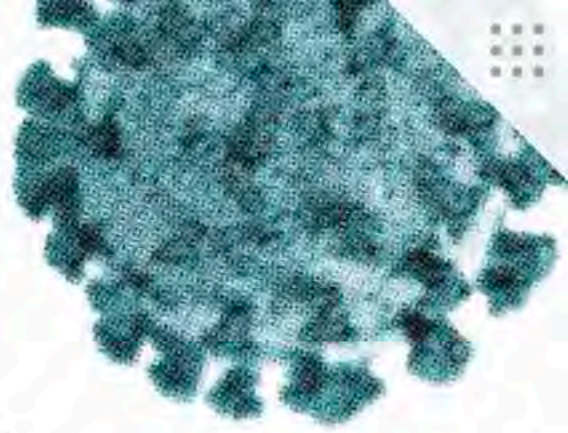
CMS keeps up the pressure on price transparency / Page 14

Pandemic prompts closer look at flexible building designs / Page 20

Financially devastated hospitals and health systems face an uncertain future



By Tara Bannow



WHEN IT COMES TO KEEPING Wilmington Health afloat, every option is on the table.

CEO Jeff James said he might eventually need to sell the North Carolina multispecialty practice's properties and lease them back. Worst-case scenario: He might eventually need to sell the practice.

"We plan on surviving this," he said. "We just don't know what it's going to look like on the other side. We're going to keep our doors open as long as we possibly can."

Once they stopped performing elective procedures in mid-March, providers of all types and sizes liken their revenue trajectory to a car going off a cliff. The damage came swiftly, and even their best cost-cutting efforts and billions in government aid weren't enough to stop the bleeding.

"It's really stunning and remarkable how quickly the revenue flow dissipated over the course of just several days, frankly," said Tim Weir, CEO of Olmsted Medical Center, a one-hospital system in Rochester, Minn., that anticipates a $25 million revenue decline over the months of April, May and June.

The sharp revenue decline coupled with the higher costs of labor, supplies and treatment for COVID-19 patients will culminate in hospitals losing a collective $202.6 billion from March 1 to June 30, according to an estimate from the American Hospital Association.

Revenue was more than halved for 40% of health systems that responded to an American Medical Group Association survey conducted in mid-April. Another 55% of respondents had less than six months cash on hand. More than 80% of systems had furloughed employees and three-quarters had cut physician salaries.

Among independent medical groups, like Wilmington Health, things are even more dire. Almost half told the AMGA they'd lost more than half of their monthly revenue in the first quarter, and almost all had cut physician pay. Sixty percent said their cash reserves will run out within two months.

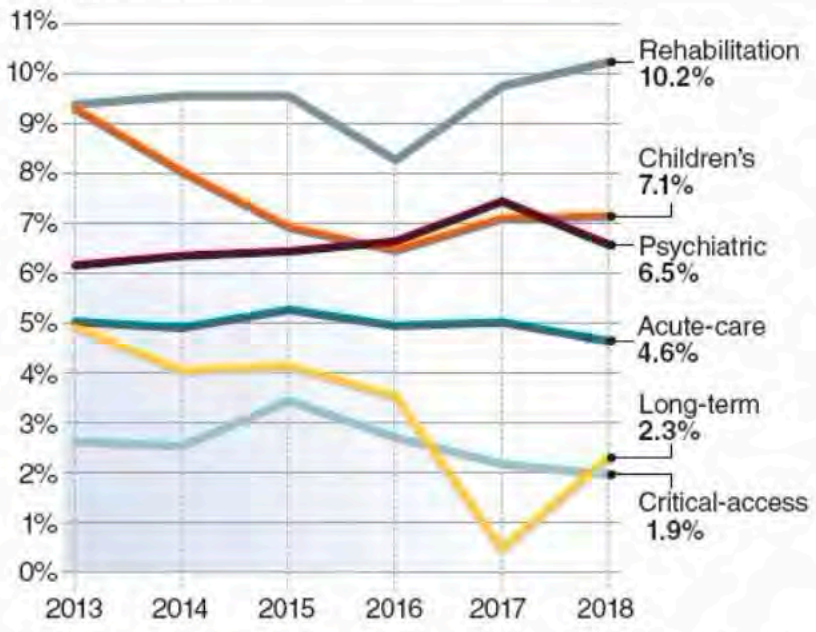
Wilmington Health, North Carolina's largest multispecialty physician group, saw revenue drop 53% from the outbreak's onset through mid-April, James said. At that time, the practice had about eight weeks of reserves.

Grant funds that Wilmington Health received from the CARES Act worked out to about $12,000 per physician, which James said doesn't even come close to covering the cost of overhead.

"Twelve thousand dollars per doctor is literally nothing," he said.

Average profit margins

By hospital type



Note: Data excludes outliers and comes from the most recently filed Medicare cost reports with complete fiscal years, which are self-reported by the hospitals or system.

Source: CMS cost reports

Big unknowns

The full extent of the damage depends on several unknowns. The most important is how long it will take to ramp up elective procedures to their pre-pandemic volumes. Some healthcare providers are banking on a wave of pent-up demand and are rolling out marketing campaigns aimed at ensuring patients it's safe to come back. Dallas-based Tenet Healthcare Corp., which operates 65 hospitals, is focusing its messaging on the safety of its emergency departments. The for-profit company said as its surgery centers resume procedures, they're seeing about 40% of their pre-pandemic cases.

Leaders with fellow for-profit hospital chain Community Health Systems said they were similarly encouraged by early volumes as they resume elective procedures.

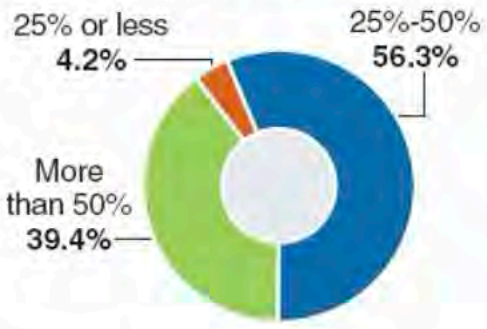
That's welcome news, as CHS' surgeries dropped 70%

THE TAKEAWAY

Whether providers recover from the COVID-19 pandemic depends on a number of unknowns, including how long it takes to ramp up elective procedures and what their future payer mix will be.

COVID-19's impact on hospital systems' finances

Estimated monthly revenue loss since the COVID-19 outbreak

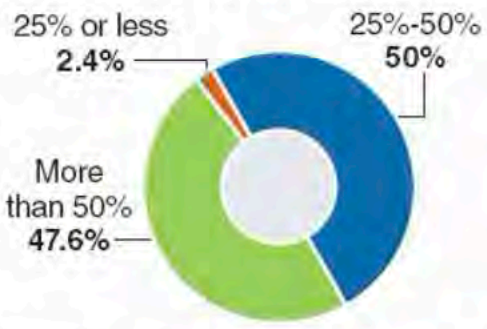


How much of your reserves do you anticipate you will have depleted by June 15 due to the COVID-19 crisis?

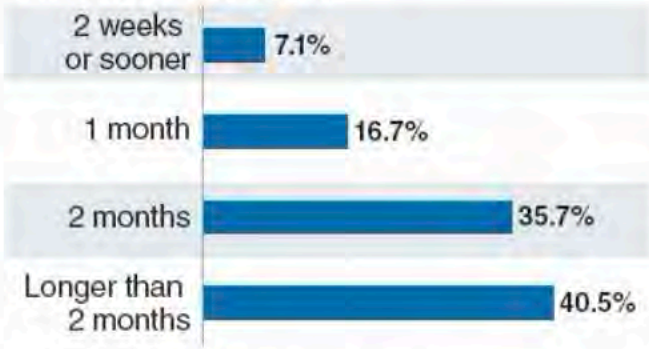
How many days of lost revenue did your payment from the $30 billion in Congress' third CARES Act package make up for?

COVID-19's impact on independent medical group finances

Estimated monthly revenue loss since the COVID-19 outbreak



What is the estimated time until reserves run out?



Which of the following have you implemented?

Source: AMGA surveys Note: Percentages may not equal 100% due to rounding.

year-over-year in April.

Still others who watch the industry predict it'll take some time for appointments to rebound. Reopening healthcare is not like reopening beaches in Florida, said Ash Shehata, KPMG's national sector leader for healthcare and life sciences. "The fact that we're going to open our outpatient facilities doesn't mean we're going to see people flooding back to outpatient facilities like they flood to the beach," he said.

Wilmington Health's James also doesn't expect a flood of patients right away. "I think people will be a little bit timid for a long time," he said.

As time goes on, though, Shehata thinks the pandemic might result in more reliance on outpatient facilities in the long term. The industry was already trending that way, but the newfound perception that inpatient care poses a higher risk will likely accelerate the shift. The challenge for providers then becomes how to shift costs from inpatient to outpatient, including redistributing staff to outpatient facilities, Shehata said.

Another unintended consequence of the pandemic was that accountable care organizations and other systems with more risk-based contracts were at a disadvantage, Shehata said. Fifty-six percent of risk-bearing ACOs said in a survey released in April that they were very or somewhat likely to drop out of the Medicare program by the end of May. Providers who have just emerged from recent acquisition cycles were also at a disadvantage, because they had just gone through a major financial transaction, but ended up with few elective procedures. "Essentially the cash went out the door, but you don't have the productivity on the back end," Shehata said. "There's probably a handful of clients in that category as well."

The big unknowns

Other big unknowns include what health systems' payer mix will look like in the future. With so many people having lost job-based health insurance, hospitals are likely to see higher proportions of patients without insurance or on Medicaid.

Another factor is whether, in the longer term, commercial insurers pay providers more for healthcare services, given the increased cost of care delivery. Shehata predicts that will be the case, but the impact won't come until next year when those higher rates take effect.

A look at the stocks of the largest publicly traded health insurers and hospital chains shows payers are performing well, while providers have been weakened. The four largest publicly traded hospital chains saw their share value drop 33% between Feb. 3 and May 1. Share value of the four largest publicly traded health insurers, by contrast, dropped by about 2% in that time.

The country's biggest for-profit hospital chains pulled their previously announced 2020 guidance, while for-profit insurers have either reaffirmed their full-year guidance or raised their revenue outlooks.

"There is an issue longer term as to what happens to value and who bears the responsibility of care risk," said David Johnson, head of healthcare consultancy 4sight Health. "I think that will be a part of the post-COVID world in a big way." To that end, some payers have begun prepaying for services to providers, he said.

The pandemic may be stoking lingering resentment between the two healthcare segments, as illustrated by comments from hospital leaders. "The managed-care companies have so much money, we're hopeful for a rate increase here," Wayne Smith, CEO of Community Health Systems, said during the company's first-quarter earnings call.

There are winners and losers in any financial crisis, Mike Allen, chief financial officer of Peoria, Ill.-based OSF HealthCare, told Modern Healthcare in an April 10 interview. Premium money is still flowing to insurance companies, "but our patients are not coming in to see us anymore," he said. "Suddenly the insurance companies will have all the money and we won't because we won't be busy."

'Cash is king'

Providers that emerge the strongest from the pandemic will share a couple attributes. Perhaps the most important is high liquidity, which helps them react quickly and aggressively.

"What you are seeing is everybody recognizing cash is king," Johnson said, "and those with more liquidity are going to be able to navigate this period of turmoil much better than those that don't."

Historically the big for-profit systems have operated more efficiently with less cash and more dependence on lines of credit, Johnson said. Moving forward, he said it'll become more important to build a "war chest" to fund short-term needs like higher supply costs from more expensive personal protective equipment, ventilators and other needs and higher staffing costs as workers fall ill and need to be replaced.

The government is providing what could be the most significant form of liquidity in the form of accelerated Medicare payments under the CARES Act, said Matthew Gillmor, a senior research analyst with Baird. Even though the money will have to be repaid, it could be the biggest cash offset providers will see during the pandemic, he said.

The most important characteristics to help hospitals weather the current crisis are strong balance sheets and being a part of a health system, said Kevin Holloran, a senior director with Fitch Ratings. Systems tend to perform better than stand-alone hospitals because they can control resources better. "If one hospital starts to get overloaded with the surge and another hospital maybe was spared, it can reallocate staff, equipment and ventilators to another hospital very easily—and it all stays in-house," he said.

Fitch placed 15 hospitals on rating watch negative in April. The biggest factors that landed them on the list were being small and light on liquidity and days cash on hand, Holloran said. Of the 15, more than half had negative outlooks already. Their median days cash on hand was below 90, he said.

"If you're going to get dislocated for a couple months, you're going to burn into that," Holloran said.

In the end, Holloran predicts health systems' operating margins will fall between 3 to 6 percentage points in 2020, likely closer to 6. In other words, a 3% margin would become a 3% loss margin.

Weir, of Olmsted Medical, said the biggest challenges ahead will be having enough PPE and ensuring a safe clinical environment for patients.

"It's been impressive all the hard work people have done in incredibly uncertain times," he said. "In the end we'll be fine. It's going to be a bumpy road, but we'll come through the other end." ●

Cushion likely gone

Large provider organizations entered the pandemic in strong shape, but those margins are predicted to go negative.

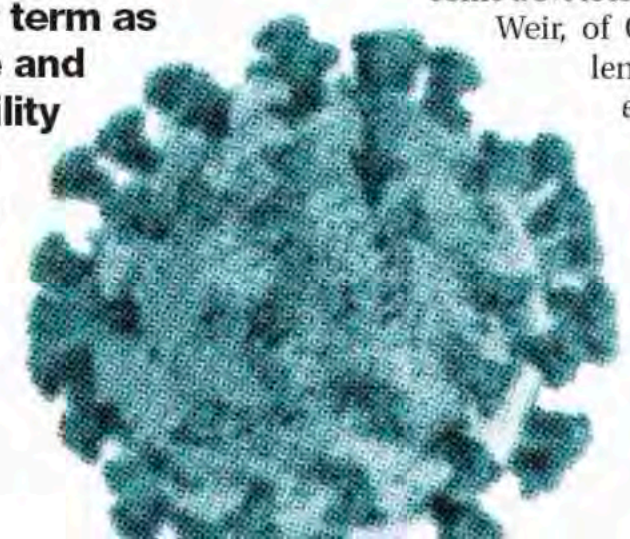
Fiscal 2019	($ in billions)
Revenue	$621.9
Net income	$47.1
Margin	7.6%
Operating revenue	$591.6
Operating income	$22.3
Operating margin	3.8%
Cash and cash equivalents	$26.1

Note: For the 50 largest systems that reported fiscal 2019 results as of May 8.

Source: Modern Healthcare's System Financials Database

"There is an issue longer term as to what happens to value and who bears the responsibility of care risk. I think that will be a part of the post-COVID world in a big way."

David Johnson, head of healthcare consultancy 4sight Health



The New York Times https://nyti.ms/3cBp2PZ

Hospitals Knew How to Make Money. Then Coronavirus Happened.

Surgeries are canceled. Business models are shifting. Some of the hardest-hit hospitals may close, leaving patients with fewer options for care.

By Sarah Kliff

May 15, 2020, 5:00 a.m. ET

When the top-ranked Mayo Clinic stopped all nonemergency medical care in late March, it began to lose millions of dollars a day.

The clinic, a Minnesota-based hospital system accustomed to treating American presidents and foreign dignitaries, saw revenue plummet as it postponed lucrative surgeries to make way for coronavirus victims. The hospital network produced $1 billion in net operating revenue last year, but now expects to lose $900 million in 2020 even after furloughing workers, cutting doctors' pay and halting new construction projects.

The future offers little relief, at least until the pandemic subsides and the economy recovers. The Mayo Clinic will have to rely more heavily on low-income patients enrolled in the Medicaid program, as others will be hesitant to travel across the country, or the world, for care. "It's uncontrollable," said Dennis Dahlen, the clinic's chief financial officer.

Dennis Dahlen, the Mayo Clinic's chief financial officer, describe a shift toward more local patients as foreign visitors drop. Gage Skidmore

The American health care system for years has provided many hospitals with a clear playbook for turning a profit: Provide surgeries, scans and other well-reimbursed services to privately insured patients, whose plans pay higher prices than public programs like Medicare and Medicaid.

The Covid-19 outbreak has shown the vulnerabilities of this business model, with procedures canceled, tests postponed and millions of newly unemployed Americans expected to lose the health coverage they received at work.

“Health care has always been viewed as recession-proof, but it’s not pandemic-proof,” said Dr. David Blumenthal, president of the Commonwealth Fund, a health research organization. “The level of economic impact, plus the fear of coronavirus, will have a more dramatic impact than any event we’ve seen in the health care system weather in my lifetime.”

The disruption to hospital operations may ultimately leave Americans with less access to medical care, according to financial analysts, health economists and policy experts. Struggling hospitals may close or shut down unprofitable departments. Some may decide to merge with nearby competitors or sell to larger hospital chains. “There is a huge threat to our capability to provide basic services,” Dr. Blumenthal said.

Hospitals are losing an estimated $50 billion a month now, according to the American Hospital Association. And 134,000 hospital employees were among the estimated 1.4 million health care workers who lost their jobs last month, data from the Bureau of Labor Statistics shows. Across the country, hospitals reported seeing between 40 and 70 percent fewer patients from late March through early May, many of them scheduled for profitable services like orthopedic surgery and radiological scans.

The decline affects large, elite hospital systems like Mayo Clinic and Johns Hopkins — which estimates a loss of nearly $300 million into next year and has adopted cost reductions — as well as suburban hospitals and small rural facilities that were already financially stressed.

Health workers with a patient at the Johns Hopkins Hospital, which estimates a loss of nearly $300 million into 2021. Carlos Barria/Reuters

Lifespan Health, a five-hospital system in Rhode Island, has put off planned construction of a new spine health center. In rural Wyoming, the 12-bed Weston County Health Services hospital has only enough cash available to get through 16 days, half of what it typically kept, and executives are considering closing the emergency room.

Hospitals that treated high numbers of coronavirus patients say they have been hit especially hard, as they had to spend heavily on protective equipment and increased staffing just as their most profitable services were halted. These patients often had long stays in intensive care units, requiring expensive equipment like ventilators and treatment from multiple specialists.

“We began ordering everything at a feverish pace,” said Kenneth Raske, president of the Greater New York Hospital Association. “The costs were sometimes 10 or 20 times normal. We were scrounging all over the world for supplies.”

His organization estimates that, across New York City, large academic medical centers lost between $350 million and $450 million each last month. Unlike hospitals fighting smaller coronavirus outbreaks, they could not furlough workers to offset the decline.

“In terms of taking care of patients, our hospitals did the right thing,” Mr. Raske said. “But the right thing has challenged their ability to continue sustaining themselves.”

The decline in revenue is expected to be especially high among hospitals that have commanded high prices from private health plans, like the Mayo Clinic. Though coronavirus patients make up a small fraction of its patients — about 1,500 in a health system that sees more than a million annually — the global pandemic is upending its finances.

Last year, the clinic generated 60 percent of its $11.6 billion annual patient revenue from privately insured patients and 3 percent from those on Medicaid, according to its annual financial statement. The rest were either were covered by Medicare or paid their own costs.

Other hospitals, including those in low-income areas or with less recognizable brands, rely more heavily on Medicaid funds. This includes many academic medical centers in large cities that see a high number of patients from their surrounding neighborhoods.

At the Johns Hopkins Hospital, a quarter of patient revenue comes from the public program, according to data provided by the nonprofit RAND Corporation. At NewYork-Presbyterian, it accounts for 16 percent of insurer payments.

A nonprofit database shows that Minnesota's private insurers pay the Mayo Clinic $566 for each obstetric ultrasound, approximately five times the Medicaid price. For an echocardiogram, the difference is tenfold. At Mayo Clinic centers in Florida and Wisconsin, according to RAND estimates, insurers pay three to four times the Medicare prices for outpatient care. Similar data for inpatient prices is not publicly available.

The Minnesota-based hospital system promotes its services to well-off patients, delivering quality health care alongside luxury amenities such as hotel-like suites with fluffy bathrobes, private dining rooms and access to chef-cooked meals.

"They've really made a conscious effort to bolster their commercial contracts, and it's a survival strategy," said Lynn Blewett, a professor of health policy and management at the University of Minnesota. "To maintain the quality and the research and the excellence they're known for, they've got to bring in revenue. There isn't a lot of margin, if any, with Medicaid."

More so than most other hospitals, the 131-year-old Mayo Clinic sees a significant number of patients from afar. In a typical year, more than a million patients travel to the system's 21 hospitals from all 50 states and 140 countries. Many are seen at its 2,000-bed Rochester, Minn. campus. International patients generally account for 1.3 percent of hospital patients but closer to 3 percent of revenue because of the complex care they receive, a spokeswoman said.

The clinic has used its past strong earnings to expand services abroad, opening a facility in London last fall, and now building a 741-bed for-profit institution in Abu Dhabi, in the United Arab Emirates.

During the last recession of 2008, nonprofit hospitals saw their Medicaid revenue increase 17 percent, according to the credit ratings firm Moody's, a possible preview of the changes to come in the present downturn.

Minnesota expects to enroll an additional 100,000 residents in Medicaid next year. Nationally, the nonprofit Urban Institute projects between 8 and 15 million new Medicaid enrollments among those losing the private insurance they had through employers. An additional five to 10 million Americans who lose such plans are expected to become uninsured, and four to eight

million will transition to the Affordable Care Act's individual market plans or other sources of private insurance.

The Mayo Clinic expects to see more publicly insured patients in the second half of 2020, although it has not recorded an uptick yet. Mr. Dahlen, the chief financial officer, said, "We'll probably see a richer mix of locals and people coming from within 100 miles."

Like other large successful health systems, the clinic has strong cash reserves and access to credit markets. It plans to convert its shortfall by dipping into the $10.6 billion reserve of cash and investments it has built up over decades of profitability.

Independent hospitals that already teetered on the edge have less of a financial cushion and are at greater risk of shutting down services or closing altogether.

Kalispell Regional Medical Center in northwest Montana has already seen a 1 percent increase in Medicaid enrollees as patients begin to trickle back into the hospital last month. That shift from private insurance to public insurance represents a loss of $600,000 because of lower reimbursements, said Craig Boyer, the hospital's chief financial officer.

The hospital has experienced steep revenue declines after canceling most surgeries and seeing a 34 percent drop in emergency room visits. Kalispell treated a small number of coronavirus patients, including 37 who tested positive and four admitted to the hospital.

"If you are a patient who was scheduled for a total knee replacement, you might say, 'My knee hurts but I'm still going to put it off while I see what happens,'" Mr. Boyer said. "We know there is a backlog, but we don't know how many people are going to decide this isn't the right time."

Kalispell Regional Medical Center in northwest Montana has seen revenues plummet after canceling surgeries. Hunter D'Antuono | Flathead Beacon

He also worries that a lull in summer travel will depress revenue. His hospital typically sees more patients then as visitors flock to Glacier National Park, 30 miles away. The hospital has received $10.3 million in federal stimulus plans but does not expect that to cover its losses.

In neighboring Wyoming, the 90-bed Campbell County Memorial Hospital, which treated 29 coronavirus cases with no deaths, has also been hit hard.

"The last six weeks have been disastrous for us," said Andy Fitzgerald, the chief executive. "We've taken a 50 percent haircut on our revenue, and it's the best 50 percent: elective surgery, radiology, all the outpatient care that pays for the other services we provide."

Local coal-mining companies, long a pillar of the economy, recently laid off hundreds of workers as global energy demands have declined. Mr. Fitzgerald expects that will mean a surge in the uninsured, who already account for 12 percent of the hospital's patients. Wyoming is among 14 states that do not participate in the Affordable Care Act's Medicaid expansion, which provides coverage to low-income Americans.

“My concern is that there is more of this in our future,” Mr. Fitzgerald said of the layoffs. “The global economy isn’t going to bounce back to full employment. The demand for what we produce here in northeastern Wyoming will probably be depressed for a while.”

His hospital has received $10.1 million from the $72 billion in federal stimulus funds distributed so far to hospitals across the country, which he estimates will offset losses from the past two months but not the higher number of uninsured patients he expects to see in the future.

The Trump administration has earmarked $12 billion in relief funds for hospitals that treated 100 or more coronavirus cases, meant to offset the high costs of caring for patients whose hospital stays could last weeks. Some of that funding will go to Providence Health Systems, which owns 51 hospitals, including the Seattle-area facility that treated the first confirmed coronavirus patient in the United States.

The hospital system has treated 1,200 coronavirus patients, and executives do not yet know whether it will break even on that care. They estimate that, even after accounting for federal stimulus dollars, Providence still lost $400 million in April.

“We have been in this situation much longer, because of Seattle being on the forefront of the pandemic,” said Ali Santore, the hospital system’s vice president for government affairs. “We canceled elective surgeries before there was a government order. We had to see so many patients who required more supplies, isolation and nursing. Our labor costs were through the roof.”

Sarah Kliff is an investigative reporter for The New York Times. Her reporting focuses on the American health care system and how it works for patients.

Some Hospitals Prepared for Coronavirus Cases That Never Came

San Francisco center was one of dozens around the country that readied but have seen far fewer cases than expected

A makeshift treatment tent, shown on March 7, was set up outside the University of California, San Francisco Medical Center to prepare for an influx of Covid-19 patients.
PHOTO: NOAH BERGER/UCSF

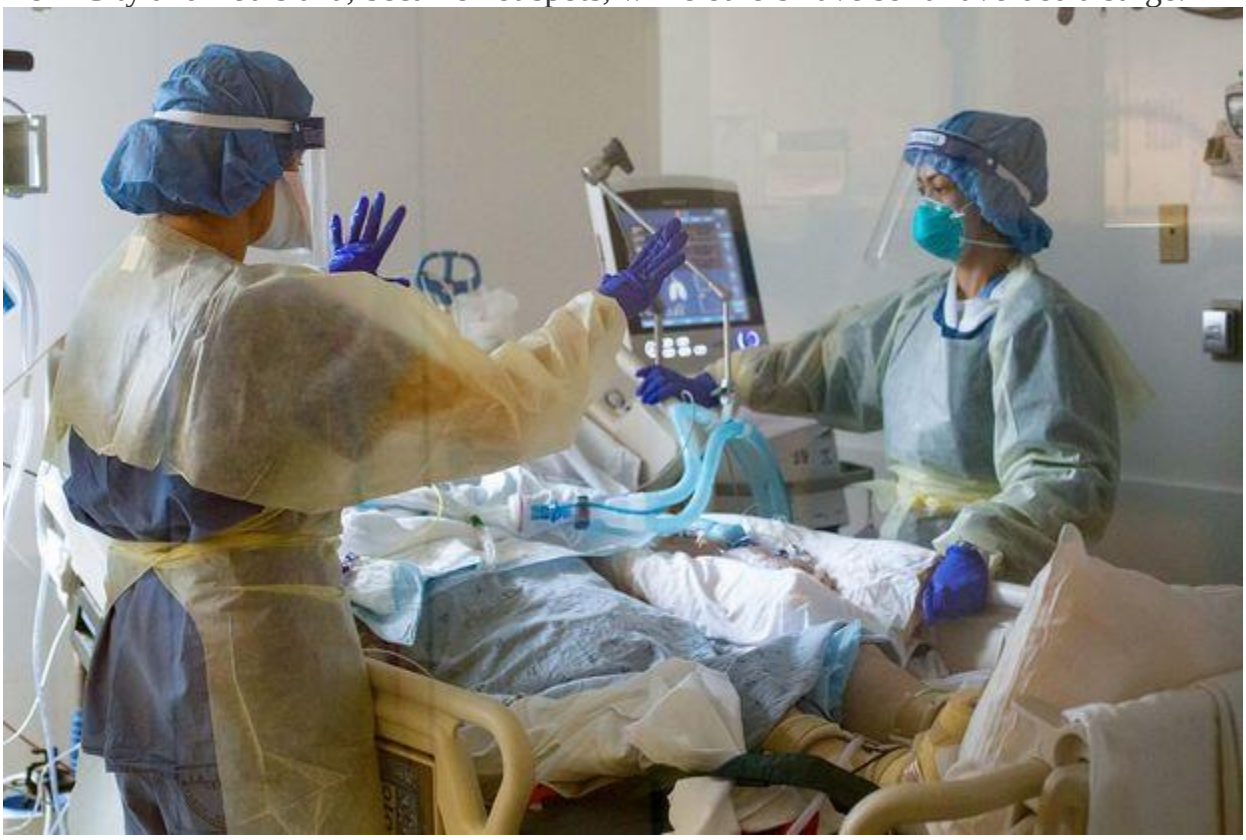
By
Jim Carlton, WSJ
May 19, 2020 5:30 am ET

SAN FRANCISCO—As the coronavirus pandemic swept from China into Europe last winter, the University of California, San Francisco Medical Center began preparing for the worst.

A triage tent was brought in. An entire floor was cleared for Covid-19 cases. A satellite campus was converted to take the overflow. Health screenings started for everyone from doctors to cafeteria workers.

But the onslaught that UCSF prepared for ended up arriving as a modest number of cases. The facility was one of dozens of health centers around the country that prepared for a surge in patients but have so far seen far fewer than expected.

The extensive preparation shows the lengths to which the nation's hospital system went in hopes of avoiding the fate of facilities elsewhere around the world, as in Italy, where hospitals had to treat patients in hallways and limit those admitted to intensive-care units. It also underscores the unpredictable nature of the novel virus: Some areas, like New York City and Louisiana, became hot spots, while others have so far avoided a surge.



A coronavirus patient being treated in an isolation room at UCSF. The medical center laid the groundwork for its response in late January, hoping to avoid a crisis like those at facilities overseas.

PHOTO: SUSAN MERRELL/UCSF

Christus St. Vincent Hospital in Santa Fe, N.M., cleared a critical-care unit and reassigned staff, and the Cleveland Clinic in Ohio converted part of a local medical-college campus into a 1,006-bed surge hospital for a rush of Covid-19 patients. But those facilities, and some field hospitals set up in places like New York and

So far, hospital officials aren't voicing regret for overpreparing.

"With viruses with which we have some experience…our expectations about the worst-case scenario can be better informed. But this pandemic is caused by a novel virus, which we had very little knowledge about earlier this year," said Tom Nickels, executive vice president of the American Hospital Association. "Based on the world's limited experience of the virus earlier this year, we anticipated what could have happened and prepared for it."

All the preparation has come at a cost, including in lost business from canceled elective procedures and sick people afraid to come in. Hospitals now face sharp falls in revenue; the AHA puts losses expected at health-care facilities from those canceled surgeries, and the costs associated with Covid-19 treatment, at about $202.6 billion so far.

UCSF, which nearly tripled the number of beds for Covid-19 patients to 84 from 31, said it doesn't regret the measures.

"We're still not out of the woods," said UCSF surgical nurse Maureen Dugan, referring to a potential second wave of infections that many epidemiologists say might yet come.

In addition, other UCSF officials said the extensive preparation freed staff to help hard-hit facilities elsewhere in the country. After it became clear in early April that UCSF was unlikely to see a surge of coronavirus patients, it deployed teams of doctors and nurses to New York, the Navajo reservation in Arizona and New Mexico and other hot spots to help out.

San Francisco saw fewer cases than expected partly because of earlier lockdowns in the Bay Area, health-care workers and epidemiologists say. The city has reported just 2,131

cases so far and 36 confirmed deaths as of Monday. Of those, UCSF had treated 86 patients, including four who died.

That contrasts with the hot spots such as New York City, which has seen at least 190,408 cases and 15,888 deaths since March 1.

UCSF laid the groundwork for its response in late January, when the hospital activated its emergency-planning system—a protocol many medical institutions use in disasters—and after seeing what had occurred in China and Italy, said Adrienne Green, UCSF's chief medical officer and leader of its Covid-19 response team. Her team brought in a triage tent outside UCSF's main Parnassus Heights campus and designated all 31 rooms on the 15th floor to handle the initial influx.

Just days later, in early February, UCSF received its first two coronavirus patients: a couple from San Benito County, Calif., whose confirmed infections were among the first in the country.

"We were ready for them, and it gave us some practice," Dr. Green said.

Medical professionals working in a triage tent at UCSF. Hospital officials said their preparations freed staff to help hard-hit facilities elsewhere in the country.
PHOTO: SUSAN MERRELL/UCSF

In the ensuing weeks, UCSF made more changes to deal with an expected surge. It opened 53 acute-care beds in the Mount Zion campus—a satellite hospital that operated mainly on an outpatient basis before the virus hit—to take an overflow of coronavirus cases and instituted new procedures such as requiring all employees to be screened at the front door for Covid-19 symptoms and potential exposures.

The hospital also required all staff to wear masks, although that rule didn't go into effect until late March after UCSF was able to make sure there were enough supplies, said Dan Henroid, director of nutrition and food services for the hospital.

The food area swiftly took other steps such as eliminating the salad bar at the Moffitt Cafe in the Parnassus Heights campus. Hamburgers and other items are still made to order, although the gold pencils customers had used to write orders have been ditched indefinitely.

“Anything self-service was eliminated, including soup,” Mr. Henroid said.

With bans on visitors buying food and on scheduled surgeries, UCSF officials expect a drop in revenue, though they say it is too soon to know by how much. UCSF’s total revenue last fiscal year was $4.37 billion.

The University of California has ruled out any layoffs of career employees related to Covid-19 for the rest of the fiscal year that ends in June. The hospital is trying to offset some losses through strategies such as selling employees harder-to-get items like bags of flour, milk and pasta sauces.

Meanwhile, UCSF has resumed some elective surgeries, and officials said they have time to hone safety protocols and stock up on necessary gear.

“We are not complacent,” Dr. Green said.

Write to Jim Carlton at jim.carlton@wsj.com

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Deb Muro, CIO
Ken King, CAO
Date: June 3, 2020
Subject: Siemens Imaging Equipment – Service Agreements

Purpose:

To inform the Finance Committee that on May 20, 2020, the Board approved funding for the renewal of the five (5) year Siemens Integrated Service Agreement for existing equipment along with a new seven (7) year beyond warranty service agreement for the New Replacement Imaging Equipment once it is installed at a total cost not to exceed $12.6 million for services to be provided over the next nine (9) years. The request was not brought to the Finance Committee due to timing issues related to expiration of the current agreement.

Summary:

1. Situation: There are two operating expense agreements that both provide for routine maintenance and repair coverage for all Siemens imaging equipment and various software packages. There are currently 36 Equipment Items throughout all ECH locations. Over the life of the agreements the number of Equipment Items will increase, decrease and/or be eliminated.

The current five (5) year Siemens Integrated Service Agreement for existing imaging equipment expires on May 30, 2020 and needs to be renewed. Note that as equipment is replaced by equipment from a different manufacturer, the equipment item comes off the Siemens Integrated Service Agreement.

The Replacement Equipment Service Agreement will go into effect on a room by room basis as the replacement of existing equipment occurs. Once the new room is in place there will be a one (1) year no cost warranty period and then a new seven (7) year service agreement for each new room. These new rooms will then be blended into the Integrated Service Agreement which will be renewed at the end of the five (5) year term.

Equipment List Summary	Years									Siemens Agreement Term
	1	2	3	4	5	6	7	8	9	
14 Items - Existing										5 years only
12 Items - Replaced with New										Existing until New then 1 yr warrenty + 7 yrs
10 Items - Replaced with Different Manf.										Existing until replaced then cancelled.
	Five (5) Year Integrated Service Agreement 06/01/20 - 05/31/25					Service Agreement 12 New Items Only				Total Cost Commitment for Both Agreements
Annual Cost in $000,000	2	0.8	1.7	1.7	1.7	1.2	1.2	1.2	1.2	**$12.6**

2. Authority: The total cost commitment over the life of the agreements requires Board Approval.

3. Background: An agreement for the maintenance and repair coverage for imaging equipment is a standard practice for healthcare providers and has always been in place at ECH. Modifications to the standard terms and conditions have been negotiated to ensure improved system performance guarantees and security measures.

4. Assessment: Consistent with standards in the hospital industry; we have had the Original Equipment Manufacturer (OEM) provide maintenance and repair services for our imaging equipment for the past thirty years. The costs of these services are based on each specific room, its configuration and software. The agreements were negotiated to benefit our use and needs as the new replacement equipment is installed.

The costs of these agreements have been reviewed by ECRI, a subscription service that provides us with cost proposal evaluations. The total cost proposed is at or below average of agreements signed by other hospitals across the country, despite the higher wages paid to California-based technicians. The costs of the agreements are included in the annual operating budget each year and are necessary to ensure that our imaging equipment is properly maintained.

The overall value of these new agreements is that that they come with much improved terms and conditions that provide a System Performance Guarantee, a Response Time Guarantee, and an Uptime Guarantee that provides discounts for not maintaining Guaranteed Uptime. These discounts are calculated on a quarterly uptime calculation, where a standard agreement is based on an annual calculation.

5. Other Reviews: This agreement has been thoroughly reviewed by management and legal counsel; however, due to unforeseen circumstances related to the COVID-19 pandemic, these agreements have not been reviewed with the Finance Committee in accordance with standard practice. The information provided herein will be provided to the Finance Committee for information at their upcoming meeting.

6. Outcomes: The equipment and software covered by this agreement can be adjusted as items are added, deleted or replaced. The costs are adjusted accordingly. The anticipated outcome is that our imaging equipment will perform at the levels established in the guarantees provided in the agreements.

List of Attachments: None

Suggested Committee Discussion Questions: None; this is a consent calendar item.

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: June 3, 2020
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. Situation: It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.

2. Authority: This is being brought to the Committees at the request of the Board and the Committees.

3. Background: Since the last Finance Committee meeting, the Hospital Board has met once and the District Board has met once. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee those approvals are also noted in this report.

Board/Committee	**Meeting Date**	**Actions** (Approvals unless otherwise noted)
ECH Board	May 20, 2020	FY20 Period 9 Financials Medical Staff Report Imaging Equipment Service Agreements Revised Investment Policy
ECHD Board	May 19, 2020	FY20 YTD Financials Proposed Budget Expense Allocations to ECHD for FY21 (Community Benefit Staff SW&B and Association Memberships) Resolution 2020-04 Requesting for and Consenting to Consolidation of Election Funding for District to Provide COVID-19 Community Testing

Board/Committee	**Meeting Date**	**Actions** (Approvals unless otherwise noted)
Finance Committee		- None since last report (Meeting 6/3/20)
Compliance and Audit Committee		- None since last report (Meeting 5/21/20)
Exec. Comp Committee		- None since last report (Meeting 5/28/20)

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None.

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Michael Moody, Interim CFO
Date: June 3, 2020
Subject: Period 10 Financials

Purpose:

The purpose of this agenda item is to present both the month and year-to-date operating results through Period 10 and a balance sheet as of the end of Period 10.

Summary: At each meeting the Finance Committee reviews the latest financial results for the organization on a consolidated basis. The goal of the discussion is to understand the drivers of the current results and what is driving those results. This will allow the Committee to assess the current initiatives with management and measure their success financially.

1. Situation: The financial results will be used to assess the ongoing financial health of the organization and the effectiveness of the business.

2. Authority: This is the role of the Finance Committee.

3. Background: None

4. Assessment: The Period 10 financial statements reflect the operations as impacted by the COVID 19 Shelter In Place

5. Other Reviews: No other Committees or departments have reviewed this material. The approved financial statements will be forwarded to the Board for approval at their next meeting.

6. Outcomes: Approval of the Period 10 financial statements.

List of Attachments:

1. Period 10 Financial Statement Summary

Suggested Committee Discussion Questions:

1. How is management approaching and developing the financial recovery plan given the current situation?
2. How will the current situation impact the FY21 budget preparation and completion?

El Camino Health

Summary of Financial Operations

Fiscal Year 2020 – Period 10

7/1/2019 to 4/30/2020

The Story of April

The COVID 19 impact continues in April with Shelter in Place and a significant reduction in volumes associated with this.

- Volumes were down significantly,
  - ECH – Adjusted Discharges were below budget by 1,065, or 36%
  - SVMD - Visits were below Pre Covid Levels by 255, or 33%
- The reduced volume is the drive of the significant reduction in revenue of $30M or 35% and an Operating Loss of $24.5M
  - This includes $2.7M of COVID related expenses and forgiveness of rental income from physicians of $976K. Once these are expenses are excluded the pro-forma loss is $20.8 in April.
  - Operating Expenses, after pro-forma adjustment for COVID expenses were favorable by $3.4M or 4%

Consolidated Statement of Operations ($000s)

Period ending 04/30/2020

Period 10 FY 2019	Period 10 FY 2020	Period 10 Budget 2020	Variance Fav (Unfav)	Var%	$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
325,298	200,859	309,975	(109,116)	(35.2%)	**Gross Revenue**	2,942,101	3,086,435	3,184,343	(97,908)	(3.1%)
(238,813)	(146,932)	(227,203)	80,271	35.3%	**Deductions**	(2,164,419)	(2,275,414)	(2,353,540)	78,126	3.3%
86,485	**53,927**	**82,771**	**(28,844)**	**(34.8%)**	**Net Patient Revenue**	**777,682**	**811,020**	**830,803**	**(19,783)**	**(2.4%)**
3,793	3,138	4,454	(1,317)	(29.6%)	**Other Operating Revenue**	34,362	44,220	44,627	(407)	(0.9%)
90,278	**57,065**	**87,226**	**(30,161)**	**(34.6%)**	**Total Operating Revenue**	**812,044**	**855,240**	**875,430**	**(20,190)**	**(2.3%)**
					OPERATING EXPENSE					
44,804	43,382	46,007	2,625	5.7%	**Salaries & Wages**	425,709	461,924	462,929	1,005	0.2%
12,446	10,228	11,836	1,608	13.6%	**Supplies**	112,580	131,198	121,105	(10,093)	(8.3%)
13,119	17,397	13,342	(4,055)	(30.4%)	**Fees & Purchased Services**	106,701	144,185	130,886	(13,299)	(10.2%)
3,271	3,432	3,556	124	3.5%	**Other Operating Expense**	27,243	37,564	38,800	1,236	3.2%
141	1,413	1,428	15	1.1%	**Interest**	3,682	6,632	9,083	2,451	27.0%
4,406	5,688	5,263	(425)	(8.1%)	**Depreciation**	43,374	46,432	49,030	2,598	5.3%
78,188	**81,540**	**81,432**	**(108)**	**(0.1%)**	**Total Operating Expense**	**719,289**	**827,934**	**811,833**	**(16,102)**	**(2.0%)**
12,090	**(24,476)**	**5,793**	**(30,269)**	**(522.5%)**	**Net Operating Margin**	**92,755**	**27,306**	**63,598**	**(36,292)**	**(57.1%)**
16,592	55,667	3,300	52,367	1586.9%	**Non Operating Income**	42,164	8,316	31,596	(23,280)	(73.7%)
28,682	**31,191**	**9,093**	**22,098**	**243.0%**	**Net Margin**	**134,919**	**35,622**	**95,194**	**(59,572)**	**(62.6%)**
18.4%	-30.4%	14.3%	(44.8%)		**EBITDA**	17.2%	9.4%	13.9%	(4.5%)	
13.4%	-42.9%	6.6%	(49.5%)		**Operating Margin**	11.4%	3.2%	7.3%	(4.1%)	
31.8%	54.7%	10.4%	44.2%		**Net Margin**	16.6%	4.2%	10.9%	(6.7%)	

Financial Overview - April

Financial Performance

- Operating Loss was $24.5M, compared to a budgeted Operating Gain of $5.8M. The drivers are:
  - The Shelter In Place and CDC order cancelling all elective procedures effective March 16th that continued through April
  - This caused an unprecedented reduction in Volumes and Revenues
    - Patient Revenue is $30.2M lower than the budget which is a 35% negative variance
  - Operating Expenses approximate the budget in April
    - After adjusting for direct COVID related costs, Operating Expenses were favorable in comparison to the budget by $2.6M or 3%
- Non Operating Income includes:
  - A mark-to-market positive adjustment of approximately $36.8M due to unrealized gains in equity and fixed income positions during the month.
  - CARES Act distributions from the Federal Government of $19.2M

Financial Overview – April cont.

Financial Performance

Hospital

- Adjusted Discharges (AD) were unfavorable to budget by 1,065 ADs (36%) and unfavorable to prior year by 1,185 AD's
- This lower volume is the driver of lower revenues at the hospitals of $27.5 million
    - Mountain View: Unfavorable to budget by 863 ADs (36%) and unfavorable to prior year by 936 AD's
    - Los Gatos: Unfavorable to budget by 202 ADs (37%) and unfavorable to prior year by 249 AD's
- Operating Expense Per Adjusted Discharge was $34,850 which is 56% greater than the budget
- Discussion on SWB to come later in the presentation
- Purchased Services are unfavorable versus the budget by $4.1 million. This variance includes the following components:
    - $210,000 of consulting expenses from prior periods – invoices received in April
    - $214,000 unfavorable legal expenses due to invoices from prior periods
    - Various renewals of agreements totaling approximately of $700,000
    - $745,000 of repairs and maintenance costs

Financial Overview – April cont.

Financial Performance

Silicon Valley Medical Group

- Visits, including Telehealth, were 255 or 33% lower than the average monthly visit volume prior to the COVID pandemic
- Operating Expenses approximated the budget in April and included a true-up of depreciation expense of $250K due to the Workday implementation. Additionally, April includes expenses in Purchased Services from previous months of $640,000 for IBNR and Urgent Care costs.

Pro Forma w. COVID direct costs pulled out

	ECH	SVMD	Total
Misc Operating Income - Rent	$ 976	$ -	$ 976
Salaries & Wages	1,604	13	$ 1,617
Supplies	701	4	$ 705
Fees & Purchased Services	334		$ 334
Other Operating Expenses			$ -
Subtotal	$ 3,615	$ 17	$ 3,632
Total Operating Expenses w.o COVID costs	$ 69,099	$ 7,817	$ 76,916
Budgeted Operating Costs	72,575	7,768	80,343
Variance	$ 3,476	$ (49)	$ 3,427
Variance Percentage	5%	(1%)	4%

El Camino Health

Covid-19 Impact to Staffing: April Salaries, Wages, & Benefits

Part 1: Ensuring safety of staff, patients, and physicians

- First community acquired Covid-19 positive patient on February 22, but did not know community acquired until February 27
- March 16, Shelter in place, initial timeline was May 4th and then extended through May 31
- Volumes drop throughout health system
- Initial thinking to protect and preserve staff that have lost hours and pay due to closed or shuttered departments or drops in volume.
  - Previous reality, did not want to lose staff due to difficulty of recruiting and general shortage of healthcare workers
  - Set up pandemic pay code so staff could use ESL if PTO depleted
  - Set up labor pool to provide work for displaced staff due to close units or outpatient operations
- ECH staff of 78 nurses and respiratory care therapists sent home for 1-2 weeks of quarantine due to exposure in March
- Added expensive temporary nursing & respiratory care labor in March and continued through April to backfill staff in quarantine and provide added staff for surge

Covid-19 Impact to Staffing: April Salaries, Wages, & Benefits

Part 2: Ensuring safety of staff, patients, and physicians

- State and County asked Hospital Systems to double inpatient and ventilator capacity to prepare for surge and ECH complies with surge plan to add additional 250 beds and ability to staff
- Command Center 24/7 set up on February 28 at 7 AM. Up to 50 FTE's attributed to running incident command center for answering phone calls, managing PPE, staff entrances, patient and family inquiries, County and State reporting, labor pool, etc.
- Volunteers were replaced by paid staff at all entrances at both hospitals and Women's Hospital and other key outpatient departments (Breast Center and LG / Pollard)
- Hit high of Covid-19 positive patients on March 29. For all of April, ECH had three nursing units dedicated to Covid-19 positive patients and persons under investigation.
- Covid-19 surge predicted for Santa Clara County in second or third week of April.
- Additional time and complexity throughout the organization with respect to donning and doffing of PPE, infection control and room cleaning
- Opened Emergency Department Accelerated care sites (tents) at both facilities in late March and included additional staffing to set up and run through the month of April

Covid-19 Impact to Staffing: April Salaries, Wages, & Benefits

Part 3: Ensuring safety of staff, patients, and physicians

- Dedicated two FTE's to Santa Clara County Public Health to bring Covid-19 Respite Center online at the Santa Clara Convention Center
- Increased costs associated with treating Covid-19+ patients and persons under investigation: 1:1 nursing care and more time with respiratory care treatments
- Increased PPE costs throughout the system
- Received Board of Director's guidance at April 15 Hospital Board Meeting on potential Covid-19 effect on volume decline and impact to ECH Staff
- Restarted elective surgeries on April 27 but process started a week earlier with additional drive-through lab Covid-19 testing of all patients, staff, and physicians.
    - Additional staff (costs)for Employee Health and Lab Department to administer hundreds of tests. Plan to test all staff by end of June. ECH continues to test all surgery patients and absorb related staff costs. Additional staff to schedule and perform Covid-19 test remain. Additional expense of test itself at $200 per test.

Covid-19 Impact to Staffing: April Salaries, Wages, & Benefits

Part 4: Ensuring safety of staff, patients, and physicians

- Management took action - balancing the organizational culture and ensuring safety of staff and patients and physicians with the financial impact to the enterprise.
  - Early April, froze all open positions and implemented hiring freeze
  - Initiated flexing of fixed departments in addition to the variable departments
  - Plan to eliminate unnecessary overtime was implemented
  - Combined nursing units to reduced labor costs
  - Identified $9.2 million per month of savings in the labor and purchased services areas and began implementation.
  - Formed Operational Excellence Steering Committee to monitor and report on savings achieved of $9.2 million per month.
  - Productivity variances due to volume reduction hit a negative 474 FTE's in early April. Management reduced that variance to negative 200 FTE's by the pay period ending May 2 and achieved a further reduction to negative 112 FTE's for the pay period ending May 16. Management anticipates further improvements in productivity as actions / plans are realized.

Statement of Cash Flows

	MTD	YTD
Cash from Operations		
Net Income	$ 31,191	$ 35,622
add Depreciation	5,328	46,160
(Increase) decrease in working capital:		
Accounts Receivable	31,227	27,168
Inventory & Prepaids	791	(3,325)
Other AR and Notes Receivable	(914)	(4,858)
Accounts Payable	(7,467)	(18,999)
Payroll, PTO and Related Liabilities	2,188	(5,466)
Third Party Settlements	26	(921)
Short Term Leases	(298)	(2,979)
Bonds Current & Interest Payable	1,585	(3,733)
Net Cash Flows From Operations	27,138	(13,112)
Net Cash Provided by (used in) Operations	63,657	68,670
Investing Cash flows		
Board Designated Assets & Investments	(17,257)	(30,354)
Investment in Affiliates	217	8,769
Property Plant & Equipment	(6,748)	(116,090)
Other Assets	104	(6,938)
Net Cash Provided by (used in) Investing	(23,685)	(144,613)
Financing Cash Flows		
Deferred Revenues / Income	75,690	75,888
Increase (decrease) in Debt	1,170	(5,027)
Deferred Inflows of Resources	-	
Fund Balance Transfers	1,308	5,882
Net Cash Provided by (used in) Financing	78,168	76,743
Total Cash Increase (Decrease)	$ 118,140	$ 800
Starting Cash Balance	$ 261,098	$ 378,437
Total Cash Increase (Decrease)	118,140	800
Ending Cash Balance	$ 379,237	$ 379,237

Government Funding Sources Accessed

- The organization received $19,173,000 from the first two CARES Act distributions broken down as follows:
  - ECH: $18,881,000
  - SVMD/ECMA: $292,000
- Based on the current regulations we have met the criteria and these funds will not be subject to claw-back or repayment

- The organization has also received $76.2M from the Medicare Advance program, repayment of these funds will begin in July
  - These funds are classified as Deferred Revenue on the balance sheet

Financial Overview – Year to Date April

Financial Performance

- The Operating Margin is $27.3M thru April. This is unfavorable to the budget by $36.3M

- The unfavorable variance is due to the losses incurred in March of $9.7M and April of $24.5M
  - The reasons for these losses have been presented previously

- Non Operating Income is unfavorable due to the material mark-to-market adjustment for the investment portfolio in March, partially offset by the April investment performance and CARES Act distributions received in April

Consolidated Balance Sheet

(in thousands)

ASSETS

CURRENT ASSETS	April 30, 2020	Audited June 30, 2019
Cash	210,354	124,912
Short Term Investments	168,884	177,165
Patient Accounts Receivable, net	105,026	132,198
Other Accounts and Notes Receivable	8,497	5,058
Intercompany Receivables	66,870	8,549
Inventories and Prepaids	67,394	64,093
Total Current Assets	**627,024**	**511,976**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	14,810	16,895
Plant & Equipment Fund	186,899	171,304
Women's Hospital Expansion	22,430	15,472
Operational Reserve Fund	148,917	139,057
Community Benefit Fund	17,974	18,260
Workers Compensation Reserve Fund	18,300	20,732
Postretirement Health/Life Reserve Fund	30,385	29,480
PTO Liability Fund	26,723	26,149
Malpractice Reserve Fund	1,905	1,831
Catastrophic Reserves Fund	16,791	19,678
Total Board Designated Assets	**485,134**	**458,857**
FUNDS HELD BY TRUSTEE	**28,549**	**83,073**
LONG TERM INVESTMENTS	**359,957**	**375,729**
CHARITABLE GIFT ANNUITY INVESTMENTS	**546**	**602**
INVESTMENTS IN AFFILIATES	**29,763**	**38,532**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,339,558	1,692,693
Less: Accumulated Depreciation	(668,986)	(622,877)
Property, Plant & Equipment - Net	**1,155,709**	**1,069,816**
DEFERRED OUTFLOWS	33,301	33,876
RESTRICTED ASSETS	29,440	24,279
OTHER ASSETS	3,388	1,036
TOTAL ASSETS	**2,752,811**	**2,597,775**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	April 30, 2020	Audited June 30, 2019
(Accounts Payable	35,480	38,390
Salaries and Related Liabilities	23,999	30,296
Accrued PTO	27,334	26,502
Third Party Settlements	10,235	11,331
Intercompany Payables	65,374	8,464
Bonds Payable - Current	9,020	8,630
Bond Interest Payable	5,078	12,775
Other Liabilities	596	14,577
Total Current Liabilities	**181,216**	**150,966**
LONG TERM LIABILITIES		
Post Retirement Benefits	30,385	29,480
Worker's Comp Reserve	18,300	18,432
Other L/T Obligation (Asbestos)	4,074	3,975
Bond Payable	512,292	507,531
Total Long Term Liabilities	**565,051**	**559,417**
DEFERRED REVENUE-UNRESTRICTED	77,002	1,113
DEFERRED INFLOW OF RESOURCES	13,268	13,715
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,698,263	1,389,510
Board Designated	188,554	458,839
Restricted	29,457	24,215
Total Fund Bal & Capital Accts	**1,916,274**	**1,872,563**
TOTAL LIABILITIES AND FUND BALANCE	**2,752,811**	**2,597,775**

El Camino Health

Investment Portfolio

- The investment portfolio balance at April 30, 2020 is $1,029 million and the portfolio had a 5% gain in the month of April

- For the month performance was as follows:
  - Equities were up 11%
  - Fixed Income was up 2.4%
  - Alternatives were up 0.4%

- The portfolio is within the asset allocation ranges as of April 30th

- The Investment Committee evaluated the current asset classes in the Investment policy and recommended additional asset classes to the Board to potentially take advantage of the current investment opportunities

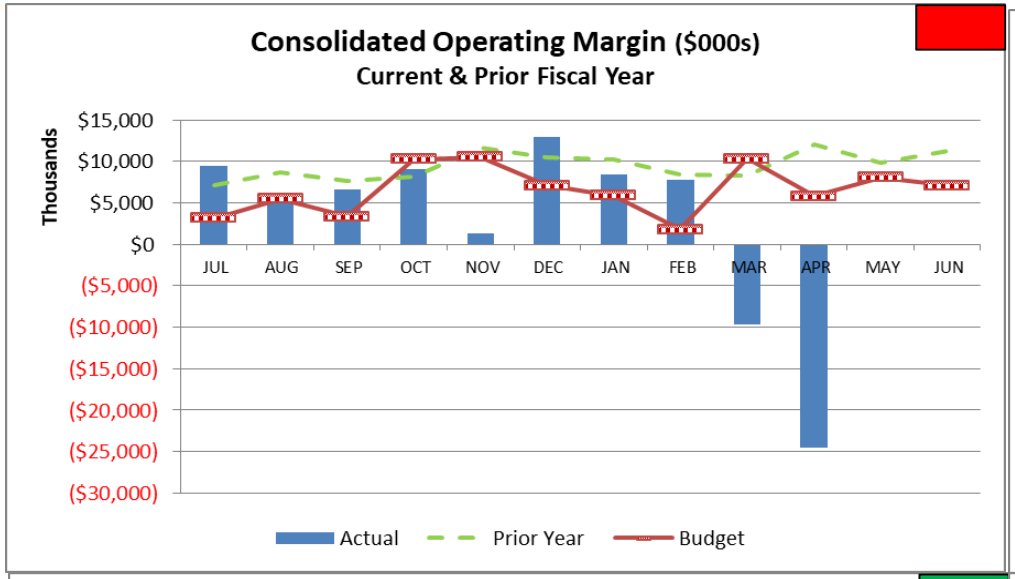
Dashboard - as of April 30, 2020

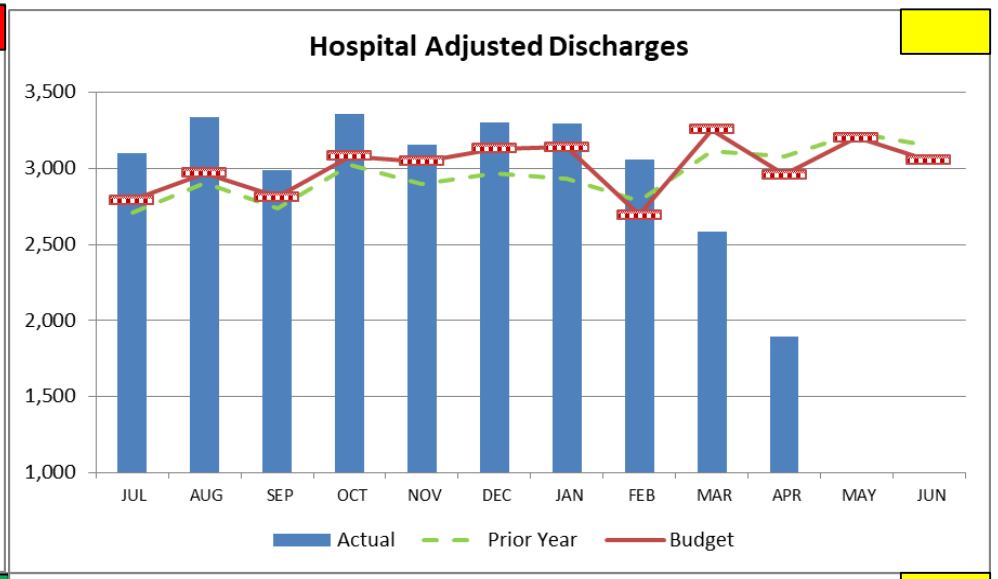
	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Consolidated Financial Perf.								
Total Operating Revenue	90,278	57,065	87,226	(30,161)	812,044	855,240	875,430	(20,190)
Operating Expenses	78,188	81,540	81,432	(108)	719,289	827,934	811,833	(16,102)
Operating Margin $	12,090	(24,476)	5,793	(30,269)	92,755	27,306	63,598	(36,292)
Operating Margin %	13.4%	(42.9%)	6.6%	(49.5%)	11.4%	3.2%	7.3%	(4.1%)
EBIDA $	16,638	(17,375)	12,485	(29,859)	139,811	80,370	121,711	(41,341)
EBIDA %	18.4%	(30.4%)	14.3%	(44.8%)	17.2%	9.4%	13.9%	(4.5%)
Hospital Volume								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	265	174	239	(65)	243	231	241	(9)
Utilization MV	72%	47%	66%	(18.9%)	67%	63%	65%	(2.2%)
Utilization LG	34%	24%	29%	(5.5%)	30%	30%	32%	(2.1%)
Utilization Combined	60%	39%	54%	(14.6%)	55%	52%	54%	(2.1%)
Adjusted Discharges	3,079	1,894	2,959	(1,065)	29,159	30,080	29,873	207
Total Discharges (Excl NNB)	1,739	1,124	1,586	(462)	16,251	16,180	16,379	(199)
Total Discharges	2,070	1,432	1,920	(488)	19,592	19,589	19,760	(171)
Inpatient Cases								
MS Discharges	1,235	704	1,077	(373)	11,330	11,159	11,215	(56)
Deliveries	351	322	341	(19)	3,544	3,600	3,555	45
BHS	110	57	123	(66)	956	975	1,126	(151)
Rehab	43	41	45	(4)	421	446	483	(37)
Outpatient Cases	13,108	5,820	13,254	(7,434)	124,706	126,571	130,262	(3,691)
ED	4,181	1,778	3,918	(2,140)	40,164	37,799	39,738	(1,939)
Procedural Cases				-				-
OP Surg	408	149	425	(276)	4,145	4,130	4,219	(89)
Endo	212	25	202	(177)	2,174	1,984	2,301	(317)
Interventional	207	91	175	(84)	1,834	1,681	1,872	(191)
All Other	8,100	3,777	8,534	(4,757)	76,389	80,977	82,132	(1,155)
Hospital Payor Mix								
Medicare	50.9%	48.5%	48.7%	(0.1%)	48.9%	48.9%	48.6%	0.2%
Medi-Cal	7.4%	7.7%	8.0%	(0.2%)	8.1%	7.5%	8.1%	(0.6%)
Commercial IP	19.3%	22.9%	20.0%	3.0%	20.0%	20.1%	20.5%	(0.4%)
Commercial OP	19.7%	18.1%	21.0%	(2.8%)	20.6%	21.2%	20.5%	0.7%
Total Commercial	39.0%	41.1%	40.9%	0.1%	40.6%	41.3%	41.0%	0.3%
Other	2.7%	2.6%	2.4%	0.2%	2.4%	2.4%	2.3%	0.0%
Hospital Cost								
Total FTE	2,755.8	2,619.8	2,385.5	(234.3)	2,669.6	2,786.0	2,740.5	(45.5)
Productive Hrs/APD	29.8	43.5	31.2	(12.3)	30.5	32.3	31.6	(0.6)
Consolidated Balance Sheet								
Net Days in AR	49.4	44.8	49.0	4.2	49.4	44.8	49.0	4.2
Days Cash	508	486	435	50	508	486	435	50

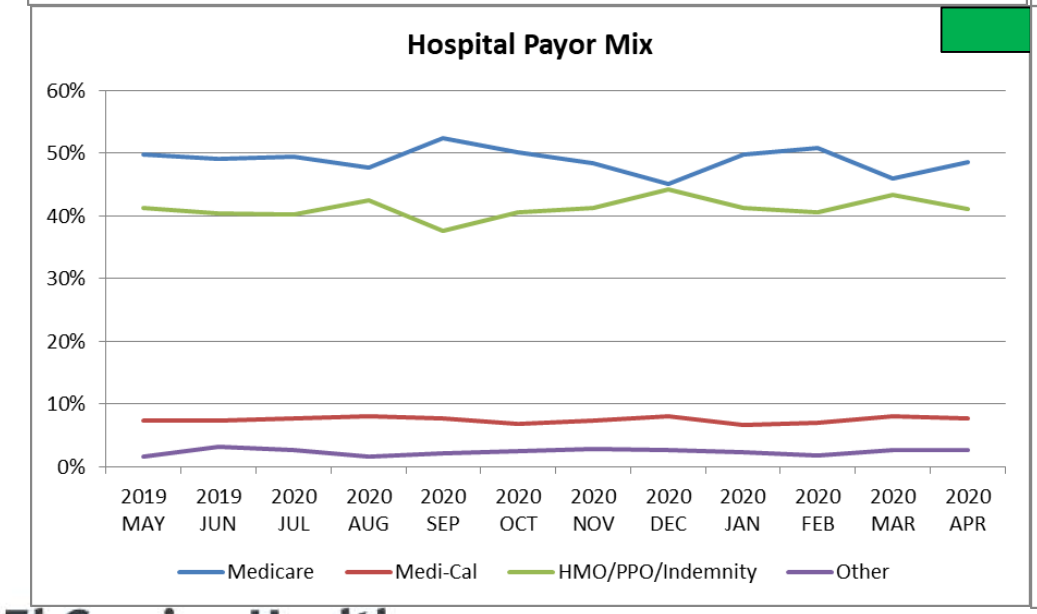
*Beginning with the June FY 19 report, the Dashboard and the financial report has been updated to show the ECH consolidated results instead of just the Hospitals. The descriptions of the metrics indicate whether the data is hospital only.

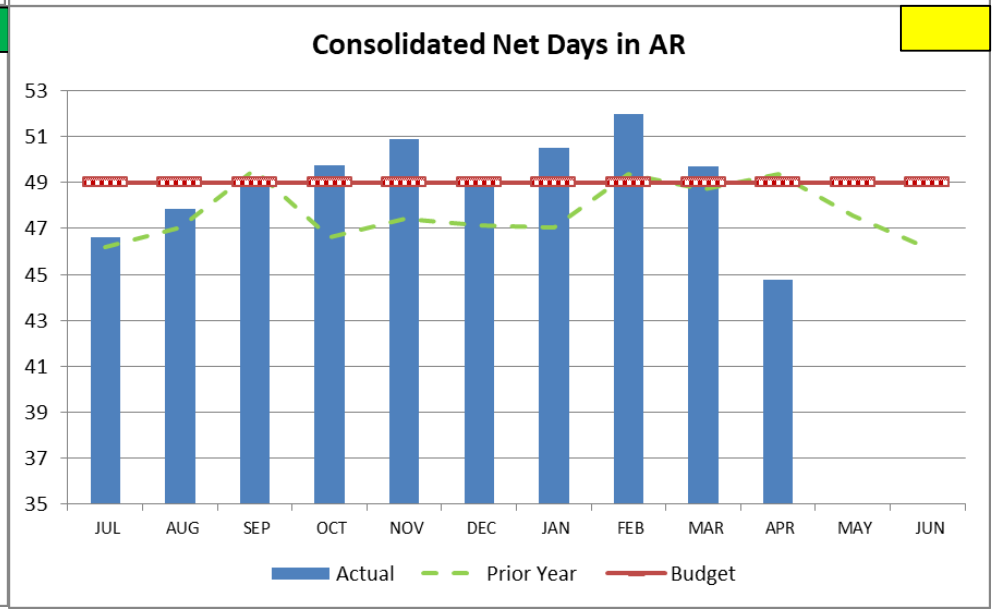
El Camino Health

Monthly Financial Trends





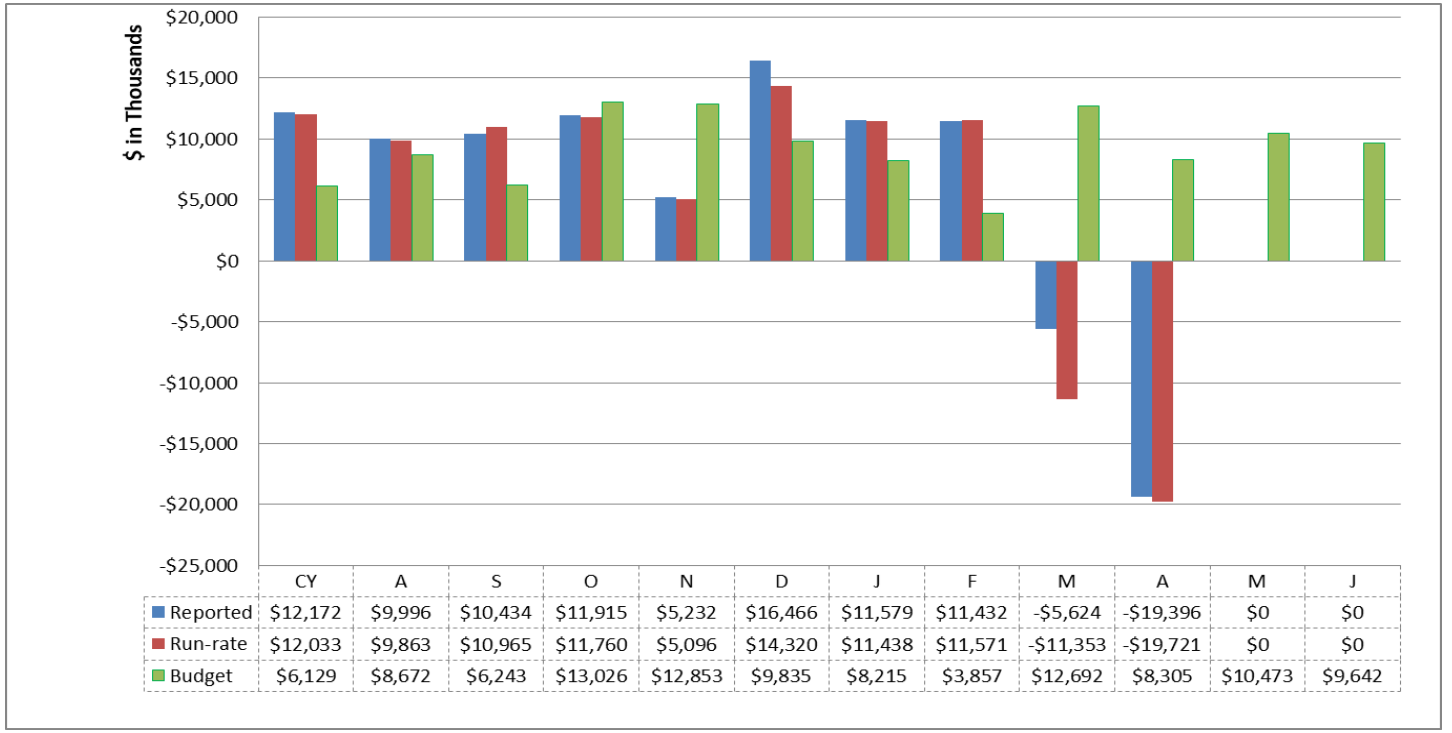




El Camino Health

ECH Hospital Operating Margin

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



	CY	A	S	O	N	D	J	F	M	A	M	J
Reported	$12,172	$9,996	$10,434	$11,915	$5,232	$16,466	$11,579	$11,432	-$5,624	-$19,396	$0	$0
Run-rate	$12,033	$9,863	$10,965	$11,760	$5,096	$14,320	$11,438	$11,571	-$11,353	-$19,721	$0	$0
Budget	$6,129	$8,672	$6,243	$13,026	$12,853	$9,835	$8,215	$3,857	$12,692	$8,305	$10,473	$9,642

FY 2020 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>											
Revenue Adjustments	J	A	S	O	N	D	J	F	M	A	YTD
Insurance (Payment Variance)	-	-	-	-	-	-	-	(269)	-	22	(247)
Mcare Settlmt/Appeal/Tent Settlmt/PIP	129	129	210	137	129	194	129	129	164	291	1,643
IGT Supplemental	-	-	-	-	-	-	-	-	757	-	757
RAC Release	-	-	(746)	-	-	-	-	-	2,298	-	1,552
Hospital Fee	-	-	-	-	-	-	-	-	2,499	-	2,499
PRIME Incentive	-	-	-	-	-	1,944	-	-	-	-	1,944
Various Adjustments under $250k	9	4	5	18	6	8	12	-	11	12	85
Total	**138**	**133**	**(531)**	**155**	**136**	**2,146**	**141**	**(139)**	**5,729**	**325**	**8,233**

APPENDIX

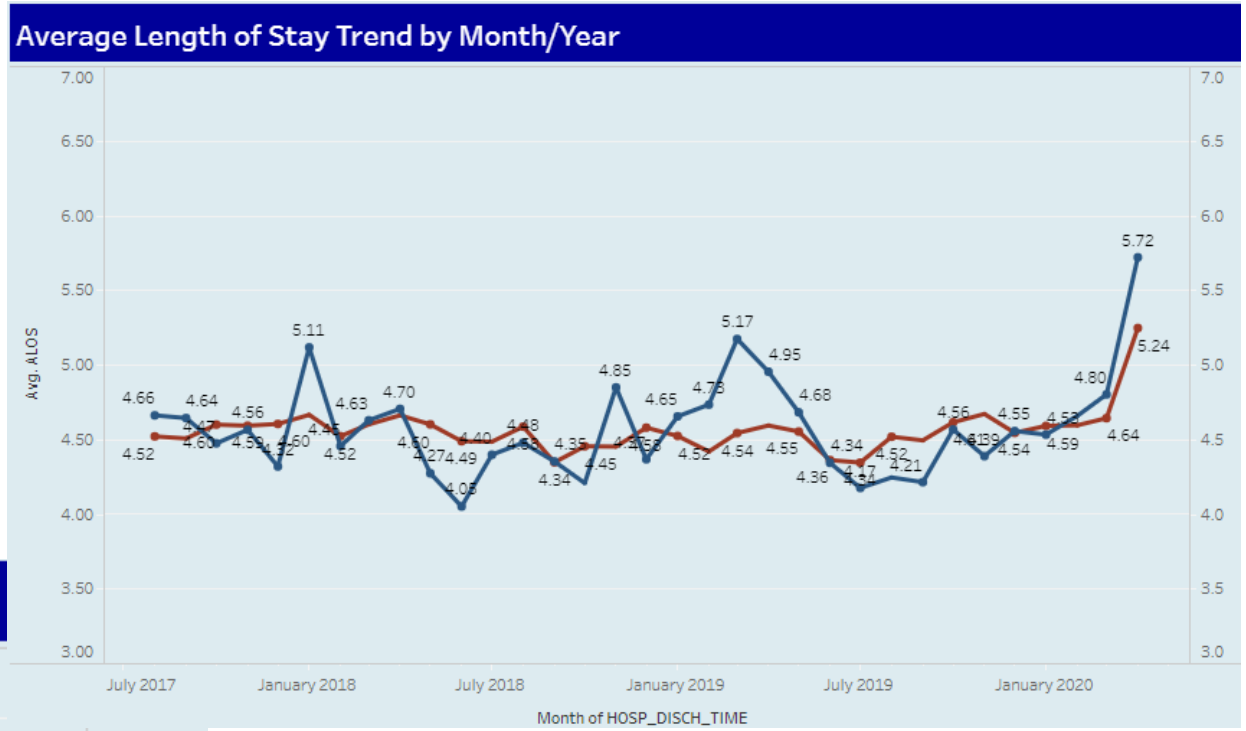
INVESTMENT SCORECARD AS OF MARCH 31, 2020

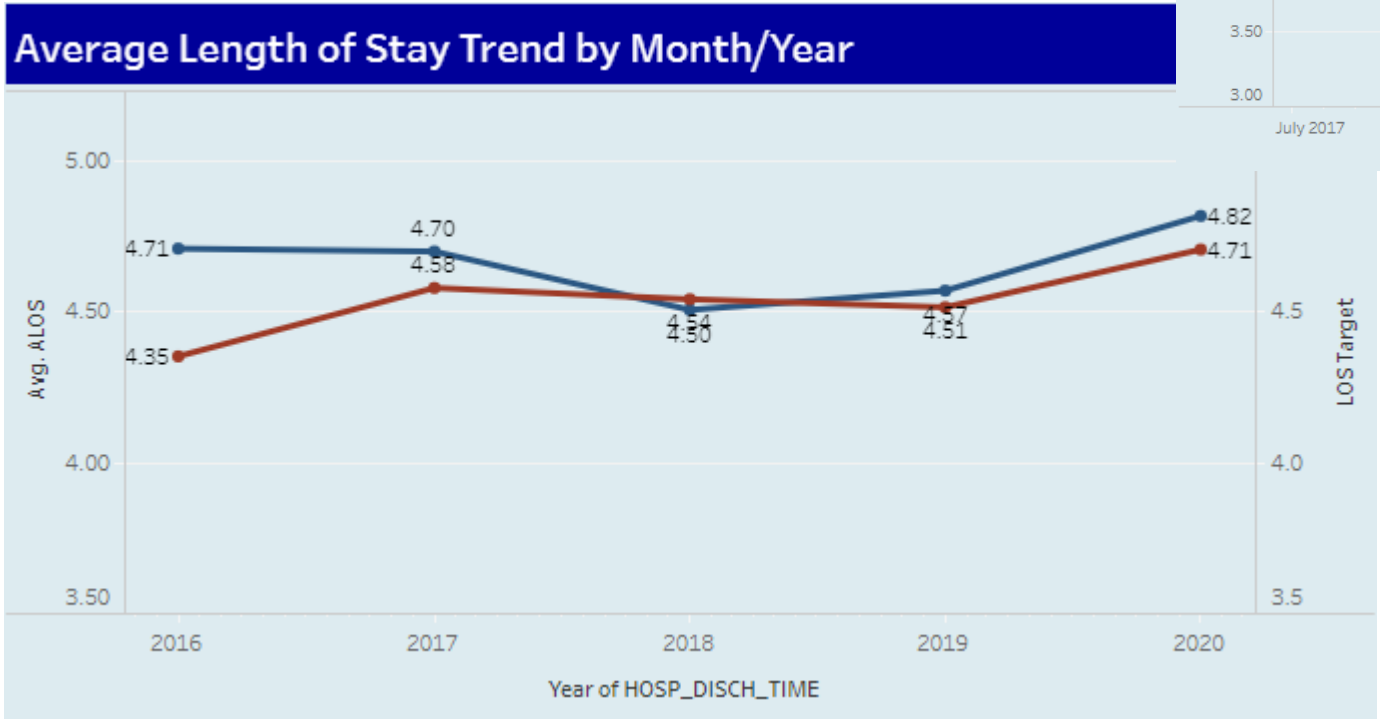
Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY20 Budget	Expectation Per Asset Allocation
Investment Performance		**1Q 2020**		**Fiscal Year-to-date**		**7y 5m Since Inception (annualized)**		**FY 2020**	**2019**
Surplus cash balance*		$977.6	--	--	--	--	--	--	--
Surplus cash return		-10.2%	-9.4%	-5.9%	-5.0%	4.2%	4.2%	4.0%	5.6%
Cash balance plan balance (millions)		$256.5	--	--	--	--	--	--	--
Cash balance plan return		-12.9%	-11.7%	-8.0%	-6.6%	5.8%	5.3%	6.0%	6.0%
403(b) plan balance (millions)		$474.6	--	--	--	--	--	--	--
Risk vs. Return		**3-year**				**7y 5m Since Inception (annualized)**			**2019**
Surplus cash Sharpe ratio		0.17	0.18	--	--	0.61	0.63	--	0.34
Net of fee return		2.9%	2.8%	--	--	4.2%	4.2%	--	5.6%
Standard deviation		7.2%	6.8%	--	--	5.6%	5.4%	--	8.7%
Cash balance Sharpe ratio		0.19	0.16	--	--	0.70	0.68	--	0.32
Net of fee return		3.2%	2.8%	--	--	5.8%	5.3%	--	6.0%
Standard deviation		9.0%	8.2%	--	--	7.2%	6.7%	--	10.3%
Asset Allocation		**1Q 2020**							
Surplus cash absolute variances to target		13.0%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target		9.4%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Manager Compliance		**1Q 2020**							
Surplus cash manager flags		29	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		35	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~$30 mm), District assets (~$39 mm), and balance sheet cash not in investable portfolio ($118 mm). Includes Foundation (~$34 mm) and Concern (~$14 mm) assets.

Medicare Length of Stay

ALOS vs Milliman well-managed benchmark (red line). Medicare is our largest book of business and growing due to aging population. Lower length of stay is a key driver for improving the Medicare margin





Actual Benchmark

El Camino Health

Non Operating Items and Net Margin by Affiliate

$ in thousands

	Period 10- Month			Period 10- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Operating Margin						
Mountain View	(15,746)	6,914	(22,660)	56,181	73,975	(17,794)
Los Gatos	(3,650)	1,391	(5,041)	8,024	15,852	(7,827)
Sub Total - El Camino Hospital, excl. Afflilates	**(19,396)**	**8,305**	**(27,701)**	**64,206**	**89,826**	**(25,621)**
Operating Margin %	**-36.4%**	**10.3%**		**7.9%**	**11.0%**	
El Camino Hospital Non Operating Income						
Sub Total - Non Operating Income	**53,091**	**2,860**	**50,230**	**4,678**	**27,218**	**(22,539)**
El Camino Hospital Net Margin	**33,695**	**11,166**	**22,530**	**68,884**	**117,044**	**(48,160)**
ECH Net Margin %	**63.2%**	**13.8%**		**8.5%**	**14.3%**	
Concern	194	90	104	681	825	(144)
ECSC	(1)	0	(1)	(69)	3	(72)
Foundation	1,815	22	1,793	617	1,308	(691)
Silicon Valley Medical Development	(4,512)	(2,185)	(2,328)	(34,492)	(23,987)	(10,505)
Net Margin Hospital Affiliates	**(2,504)**	**(2,072)**	**(432)**	**(33,262)**	**(21,850)**	**(11,412)**
Total Net Margin Hospital & Affiliates	**31,191**	**9,093**	**22,098**	**35,622**	**95,194**	**(59,572)**

El Camino Hospital – Mountain View ($000s)

Period ending 4/30/2020

Period 10 FY 2019	Period 10 FY 2020	Period 10 Budget 2020	Variance Fav (Unfav)	Var%	$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
261,473	162,647	243,544	(80,896)	(33.2%)	**Gross Revenue**	2,405,373	2,453,882	2,509,830	(55,948)	(2.2%)
(192,571)	(119,050)	(179,360)	60,309	33.6%	**Deductions**	(1,768,441)	(1,803,589)	(1,865,602)	62,013	3.3%
68,902	**43,597**	**64,184**	**(20,587)**	**(32.1%)**	**Net Patient Revenue**	**636,932**	**650,293**	**644,228**	**6,065**	**0.9%**
1,677	577	1,772	(1,195)	(67.4%)	**Other Operating Revenue**	19,286	16,593	19,543	(2,950)	(15.1%)
70,579	**44,173**	**65,956**	**(21,782)**	**(33.0%)**	**Total Operating Revenue**	**656,218**	**666,886**	**663,770**	**3,116**	**0.5%**
					OPERATING EXPENSE					
36,068	34,761	36,579	1,818	5.0%	**Salaries & Wages**	348,766	366,115	366,393	278	0.1%
10,219	8,443	8,932	489	5.5%	**Supplies**	91,492	104,545	92,589	(11,956)	(12.9%)
5,994	9,639	5,724	(3,915)	(68.4%)	**Fees & Purchased Services**	62,658	71,273	58,264	(13,009)	(22.3%)
1,866	2,172	2,120	(52)	(2.4%)	**Other Operating Expense**	21,149	26,262	24,609	(1,653)	(6.7%)
141	1,413	1,428	15	1.1%	**Interest**	3,682	6,632	9,083	2,451	27.0%
3,535	3,491	4,258	767	18.0%	**Depreciation**	35,185	35,880	38,858	2,979	7.7%
57,823	**59,919**	**59,042**	**(877)**	**(1.5%)**	**Total Operating Expense**	**562,931**	**610,705**	**589,796**	**(20,909)**	**(3.5%)**
12,756	**(15,746)**	**6,914**	**(22,660)**	**(327.7%)**	**Net Operating Margin**	**93,286**	**56,181**	**73,975**	**(17,794)**	**(24.1%)**
12,773	53,091	2,860	50,230	1756.0%	**Non Operating Income**	23,119	4,678	27,218	(22,539)	(82.8%)
25,529	**37,345**	**9,775**	**27,570**	**282.1%**	**Net Margin**	**116,406**	**60,860**	**101,193**	**(40,333)**	**(39.9%)**
23.3%	-24.5%	19.1%	(43.6%)		**EBITDA**	20.1%	14.8%	18.4%	(3.6%)	
18.1%	-35.6%	10.5%	(46.1%)		**Operating Margin**	14.2%	8.4%	11.1%	(2.7%)	
36.2%	84.5%	14.8%	69.7%		**Net Margin**	17.7%	9.1%	15.2%	(6.1%)	

El Camino Hospital – Los Gatos ($000s)

Period ending 4/30/2020

Period 10 FY 2019	Period 10 FY 2020	Period 10 Budget 2020	Variance Fav (Unfav)	Var%	$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
58,531	33,975	56,425	(22,450)	(39.8%)	**Gross Revenue**	522,640	562,915	583,177	(20,262)	(3.5%)
(42,608)	(24,776)	(41,773)	16,997	40.7%	**Deductions**	(386,508)	(421,855)	(432,375)	10,520	2.4%
15,923	**9,199**	**14,652**	**(5,453)**	**(37.2%)**	**Net Patient Revenue**	**136,132**	**141,060**	**150,802**	**(9,742)**	**(6.5%)**
385	(53)	272	(325)	(119.7%)	**Other Operating Revenue**	3,113	3,379	2,715	665	24.5%
16,308	**9,146**	**14,924**	**(5,779)**	**(38.7%)**	**Total Operating Revenue**	**139,245**	**144,440**	**153,517**	**(9,077)**	**(5.9%)**
					OPERATING EXPENSE					
7,271	6,497	7,159	662	9.2%	**Salaries & Wages**	69,752	74,342	73,504	(838)	(1.1%)
2,090	1,375	2,486	1,111	44.7%	**Supplies**	20,469	22,372	24,513	2,141	8.7%
2,617	2,711	2,693	(18)	(0.7%)	**Fees & Purchased Services**	26,913	27,334	27,296	(38)	(0.1%)
220	410	385	(25)	(6.5%)	**Other Operating Expense**	3,109	3,463	4,096	632	15.4%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
817	1,802	810	(992)	(122.4%)	**Depreciation**	7,703	8,904	8,257	(647)	(7.8%)
13,016	**12,795**	**13,533**	**738**	**5.5%**	**Total Operating Expense**	**127,947**	**136,415**	**137,665**	**1,250**	**0.9%**
3,292	**(3,650)**	**1,391**	**(5,041)**	**(362.4%)**	**Net Operating Margin**	**11,299**	**8,024**	**15,852**	**(7,827)**	**(49.4%)**
0	0	0	0	0.0%	**Non Operating Income**	0	0	0	0	0.0%
3,292	**(3,650)**	**1,391**	**(5,041)**	**(362.4%)**	**Net Margin**	**11,299**	**8,024**	**15,852**	**(7,827)**	**(49.4%)**
25.2%	-20.2%	14.7%	(35.0%)		**EBITDA**	13.6%	11.7%	15.7%	(4.0%)	
20.2%	-39.9%	9.3%	(49.2%)		**Operating Margin**	8.1%	5.6%	10.3%	(4.8%)	
20.2%	-39.9%	9.3%	(49.2%)		**Net Margin**	8.1%	5.6%	10.3%	(4.8%)	

Silicon Valley Medical Development ($000s)

Period ending 4/30/2020

Period 10 FY 2019	Period 10 FY 2020	Period 10 Budget 2020	Variance Fav (Unfav)	Var%	$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
5,294	4,237	10,006	(5,769)	(57.7%)	**Gross Revenue**	14,088	69,638	91,336	(21,699)	(23.8%)
(3,634)	(3,106)	(6,071)	2,966	48.8%	**Deductions**	(9,470)	(49,970)	(55,563)	5,592	10.1%
1,660	**1,131**	**3,935**	**(2,804)**	**(71.2%)**	**Net Patient Revenue**	**4,618**	**19,667**	**35,773**	**(16,106)**	**(45.0%)**
828	1,898	1,648	250	15.2%	**Other Operating Revenue**	879	17,140	14,747	2,392	16.2%
2,488	**3,030**	**5,583**	**(2,553)**	**(45.7%)**	**Total Operating Revenue**	**5,496**	**36,807**	**50,521**	**(13,714)**	**(27.1%)**
					OPERATING EXPENSE					
1,022	1,679	1,753	75	4.2%	**Salaries & Wages**	2,209	16,901	17,841	939	5.3%
133	406	405	(2)	(0.5%)	**Supplies**	507	4,188	3,878	(310)	(8.0%)
3,899	4,567	4,437	(131)	(2.9%)	**Fees & Purchased Services**	11,434	41,805	41,515	(290)	(0.7%)
1,076	791	980	189	19.3%	**Other Operating Expense**	2,222	7,075	9,384	2,309	24.6%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
51	391	193	(198)	(102.6%)	**Depreciation**	453	1,622	1,890	269	14.2%
6,181	**7,834**	**7,768**	**(67)**	**(0.9%)**	**Total Operating Expense**	**16,823**	**71,591**	**74,507**	**2,917**	**3.9%**
(3,693)	**(4,805)**	**(2,185)**	**(2,620)**	**119.9%**	**Net Operating Margin**	**(11,327)**	**(34,784)**	**(23,987)**	**(10,797)**	**45.0%**
3,000	292	0	292	0.0%	**Non Operating Income**	13,810	292	0	292	0.0%
(693)	**(4,512)**	**(2,185)**	**(2,328)**	**106.5%**	**Net Margin**	**2,483**	**(34,492)**	**(23,987)**	**(10,505)**	**43.8%**
-146.4%	-145.7%	-35.7%	(110.0%)		**EBITDA**	-197.9%	-90.1%	-43.7%	(46.4%)	
-148.4%	-158.6%	-39.1%	(119.4%)		**Operating Margin**	-206.1%	-94.5%	-47.5%	(47.0%)	
-27.8%	-148.9%	-39.1%	(109.8%)		**Net Margin**	45.2%	-93.7%	-47.5%	(46.2%)	

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Michael Moody, Interim CFO
Date: June 3, 2020
Subject: FY21 Budget & Financial Forecast Update

Purpose:

To present a revised calendar for the development of the FY21 budget and the ongoing review of the new Financial Forecast model by the Finance Committee and the ECH Board.

Summary: The COVID 19 pandemic has significantly reduced the volume of activity at El Camino Health. Management is developing a forecast to estimate the financial impact to the organization for the remaining two months of FY20 and the twelve months in FY21. Management will be presenting the revised calendar to achieve the development of an organization budget that meets the required approval of September 1, 2020 for the District.

1. Situation: See Summary.

2. Authority: Both financial stewardship and approval of the FY 21 budget are responsibilities of the Finance Committee and ultimately the Board of Directors. Also the District, by regulation, is required to approve a FY21 budget by September 1, 2020 for FY21.

3. Background: See Summary

4. Assessment: Management is developing a new tool for forecasting and managing the business that will also be utilized to develop the FY21 budget. The ongoing engagement of the Finance Committee in reviewing the forecasted results of the organization are an important Governance role of the Finance Committee.

5. Other Reviews: None

6. Outcomes: The desired outcome is for the Committee to approve the revised calendar for the development and approval of the FY21 budget.

List of Attachments:

1. FY 21 Budget and Financial Forecast Update

Suggested Committee Discussion Questions:

1. Is the Committee comfortable with the revised timeline and new joint meeting date with the ECH Board?

El Camino Health

FY21 Budget & Financial Forecast Update

El Camino Health Finance Committee

Michael Moody, Interim CFO

June 3, 2020

Objectives

- Present a revised approach and timeline for the FY21 budget

Background

- As a result of the COVID 19 pandemic the budgeting process has been revisited and changed
  - With the change in demand for services management has been forced to reevaluate projected volumes for the rest of FY20 and FY21

- The development of a fixed or static budget is not an efficient process to set organizational targets or goals in the near term

- Finance is developing a “rolling” forecast that will be updated monthly based on actual trends
  - This was endorsed by the Finance Committee at their April 27th meeting

Current State

- The initial forecast model has been completed and the assumptions are being revisited along with reviewing the model outputs
  - Most critical assumption is the demand or volume

- Goal is to review the first draft of the forecast model output in closed session tonight

The Revised Budget Timeline

- June 10th Board – Review the first rolling forecast output and recovery plan tactics
- July 27th Finance Committee – ***Joint Board and Finance Committee*** meeting to review an updated forecast and FY21 budget for ECH derived from the forecast
- August 19th (ECHB) – Review and approve the FY21 budget and latest rolling forecast
- August 19th (ECHD) – Review and approve the FY21 budget

Management Recommendation

- Board approval of the new forecast methodology and budget timeline as presented.

El Camino Health

Finance Committee Meetings
Proposed FY21 Dates

RECOMMENDED FC DATE MONDAYS	CORRESPONDING HOSPITAL BOARD DATE
Monday, July 27, 2020 (Joint with ECHB)	Wednesday, August 19, 2020
Tuesday, September 29, 2020	Wednesday, October 14, 2020
Monday, November 23, 2020	Wednesday, December 9, 2020
Monday, January 25, 2021 (Joint with IC)	Wednesday, February 10, 2021
Monday, March 29, 2021	Wednesday, April 7, 2021
Monday, April 26, 2021	Wednesday, May 12, 2021
Monday, May 24, 2021 (Joint with ECHB)	Wednesday, June 9, 2021

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Michael Moody, Interim CFO
Date: June 3, 2020
Subject: Fiscal Year 2021 Committee Goals

Purpose:

The purpose of this agenda item is to finalize the goals for the Finance Committee to achieve in fiscal year 2021.

Summary: Each year the Committee, along with all other Board Committees, establishes Committee goals for the coming fiscal year. The Committee is required to recommend their goals for approval at tonight's meeting.

1. Situation: The Goals will be used to develop the pacing plan and meeting agendas with a focus on achieving the Finance related goals that further the organization in meeting the overall strategic goals of the Company.

2. Authority: It has been the organization's practice for the Board's Committees to develop their own goals and it is within the Governance Committee's Charter, as part of ensuring effective governance, to recommend those goals for approval to the Board.

3. Background: This is the final version of the goals. They were developed based on input from you at the April 27, 2020 meeting. The approved goals will be reviewed, along with all other Board Committee goals, by the Governance Committee and then will be approved by the Board of Directors.

4. Assessment: The goals reflect the organizational goals and were derived based on input from the Committee.

5. Other Reviews: No other Committees or departments have reviewed this material. The goals will be forwarded to the Governance Committee and the Board for adoption.

6. Outcomes: Approval of the Committee goals at tonight's meeting.

List of Attachments:

1. FY21 Finance Committee Goals

Suggested Committee Discussion Questions:

1. How do the Committee members measure the success of the Committee?
2. What criteria is used for this?
3. What are strategic priorities of the company and what should this Committee be focused on as an oversight body in fiscal year 2021?
4. Are there risks that the Committee should be focused on in FY21 that need to be incorporated into these goals?

El Camino Health

FY21 COMMITTEE GOALS

Finance Committee

PURPOSE

The purpose of the Finance Committee (the "Committee") is to provide oversight, information sharing, and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital (ECH) Hospital Board of Directors ("Board"). In carrying out its review, advisory, and oversight responsibilities, the Finance Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

STAFF: **Michael Moody**, Interim Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Capital Deployment Methodology & Reporting	Q1	Receive project completion reports on Taube and Sobrato Pavilions including performance against budget in July
	Q1 and Q3	Review (September) and approve (November) a revised policy and procedure regarding an enterprise wide capital deployment and reporting.
2. Review and evaluate ongoing customer service/patient experience tactics and metrics for the Revenue Cycle – possibly combined statements for SVMD & ECH	Q2 and Q4	Monitor customer service and patient satisfaction metrics
3. Evaluate and monitor COVID-19 Recovery Plan	Q1, Q2, Q3 and Q4	Presentations in July (2020), September (2020), November (2020, January (2021) and March (2021)
4. Review strategy, goals, and performance of business affiliates and service lines: 1) Oncology, 2) Behavioral Health, 3) MCH, 4) SVMD	Q1	SVMD (July), Oncology Service Line (September)
	Q2	Maternal Child Health Service Line and SVMD (November)
	Q3	Behavioral Health Service Line (January), SVMD (March)
	Q4	SVMD (May)

SUBMITTED BY: **Chair**: John Zoglin | **Executive Sponsor**: Michael Moody, Interim CFO

Proposed FY21 Finance Committee Pacing Plan – For Review June 3, 2020

FY21 FC Pacing Plan – Q1

July 27, 2020

5:30pm – Joint Meeting FC/Board

6:30pm –
Approval Items
- Year-End Financial Report (FY20 Periods 11 and 12)
- FY21 Budget/Rolling Forecast

Discussion items
- Project Completion Reports Including Performance Against Budget
  - Taube Pavilion
  - Sobrato Pavilion
- COVID-19 Recovery Plan
- SVMD Financial Report
- PIR
  - LG Cancer Center
  - Waste Water Treatment

August 2020

No Scheduled Finance Committee Meeting

Standing Consent Agenda Items
- Minutes (motion)
- Review Major Capital Projects in Progress
- Progress Against FY21 Committee Goals
- FY21 Pacing Plan
- Article of Interest
- Policies

Other Standing Agenda Items
- Report on Board Actions
- Capital Funding Requests (motion)
- Physician Agreements (motion)
- Executive Session
- Post Implementation Review ("PIR") Per Attached Schedule

September 29, 2020

Approval Items
- Financial Report (FY21 Periods 1 and 2)

Discussion Items
- Service Line Review – Oncology
- Revised Policy and Procedure for Enterprise Wide Capital Deployment and reporting
- COVID-19 Recovery Plan
- PIR
  - Women's Hospital Planning
  - SVMD Clinic Site TI's
  - Interventional Equipment Replacement
  - Imaging Equipment Replacement
  - SVMD Asset Acquisition
  - SVMD Clinic IT Infrastructure

FY21 FC Pacing Plan – Q2

October 2020

No Scheduled Finance Committee Meeting

October 28, 2020 Joint Board/Committee Educational Session

November 23, 2020

Approval Items
- Financial Report (FY21 Periods 3 and 4)

Discussion Items
- Service Line Review – Maternal Child Health
- SVMD Financial Report
- Payor Update
- Revenue Cycle Patient Satisfaction Metrics
- COVID-19 Recovery Plan

December 2020

No Scheduled Finance Committee Meeting

Proposed FY21 Finance Committee Pacing Plan – For Review June 3, 2020

FY21 FC Pacing Plan – Q3		
January 25, 2021	February 2021	**March 29, 2021**

5:30pm
Joint Meeting with the Investment Committee:
Topic: Long Term Financial Forecast
 	
6:30pm
Approval Items
• Financial Report (FY21 Periods 5 and 6)
• Committee Recruitment (Candidate Interviews)
Discussion
• Service Line Report – Behavioral Health
• COVID-19 Recovery Plan
• PIR
  ○ Medical Staff Development Plan
  ○ Radiation Oncology Equipment
  ○ ED Remodel
	No Scheduled Finance Committee Meeting	Approval Items
		• Financial Report (FY21 Periods 7 and 8)
		• FY22 Committee Planning
		  ○ Meeting Dates
		  ○ Committee Goals
		  ○ FY22 Pacing Plan
		Discussion Items
		• Preview FY22 Budget Part # 1 Process and Assumptions)
		• COVID 19 Recovery Plan
		• SVMD Financial Report
		• Summary of Physician Financial Arrangements (Year-End)
		• PIR
		  ○ Mountain View Campus Completion

FY20 FC Pacing Plan – Q4		
April 26, 2021	**May 24, 2021**	June 2021
Discussion Items • FY22 Budget Preview ***April 28, 2021 Joint Board/Committee Educational Session***	**5:30pm** **Joint Meeting with the Hospital Board: FY22 Operating & Capital Budget** 6:30pm Approval Items • Financial Report (FY21 Periods 9 and 10) • Review and Recommend FY22 Capital and Operating Budget • FY22 Organizational Goals • FY22 Committee Goals, Pacing Plan and Meeting Dates (If Necessary) Discussion Items • Payor Update • Revenue Cycle Patient Satisfaction Metrics • SVMD Financial Report	**No Scheduled Finance Committee Meeting**

Proposed FY21 Finance Committee Pacing Plan – For Review June 3, 2020

Last 18 Months Capital Project Approvals
January 2019 – May 2019

APPROVAL DATE	APPROVING BODY	PROJECT NAME	APPROVED AMOUNT	PROPOSED FC POST-IMPLEMENTATION REVIEW DATE
9/13/2017	ECH Board	Increase BHS Building Budget	Additional $4.6 M	Update each meeting
9/13/2017	ECH Board	Increase Sobrato Pavilion Budget	Additional $27.1 M	Update each meeting
1/16/2019	ECH Board	Los Gatos Cancer Center Funding	$6.4 M	7/2020
1/30/2019	Finance Committee	Waste Water Storage Project	$3.9 M	7/2020
1/30/2019	Finance Committee	Purchase Da Vinci Robot Xi Model	$1,550,000 (Net)	N/A < $2 M
2/13/2019	ECH Board	Women's Hospital Planning	$10 M (Total Now $16M)	9/2020
2/13/2019	ECH Board	SVMD Clinic Site Tenant Improvements	$8 M	9/2020
2/13/2019	ECH Board	Interventional Equipment Replacement	$13 M	9/2020
2/13/2019	ECH Board	Imaging Equipment Replacement	$16.9 M	9/2020
2/13/2019	ECH Board	SVMD Asset Acquisition	$1.2 M	9/2020
3/13/2019		None		
3/25/2019	Finance Committee	SVMD Clinic IT Infrastructure	$4.6 M	9/2020
5/28/2019	Finance Committee	MV Campus Signage	$1.1 M	N/A < $2 M
8/21/2019	ECH Board	Medical Staff Development Plan	$6.1 M	1/2021
8/21/2019	ECH Board	Radiation Oncology Replacement Equipment	$6.75M	1/2021
8/21/2019	ECH Board	ED Remodel	$6.75M	1/2021
10/10/19	ECH Board	MV Campus Completion (Old Main Demo)	$24.9M	3/2021
1/25/20*	Finance Committee	Satellite Dialysis*	No approval on /1/25/20 – presented only	7/2021

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO

To: Finance Committee
From: Michael Moody, Interim CFO
Date: June 3, 2020
Subject: Proposed FY21 Performance Incentive Goals (Finance & Growth)

Recommendation:

Management recommends that the methodology and targets for the FY21 Finance and Growth Incentive goals be established using the rolling forecast financial model. The recommended metrics for the targets are Operating EBIDA for the Finance goal and Net Revenue for the Growth goal. The FY21 Finance and Growth goals will be for the period from November, 2020 to June, 2021. The FY21 incentive goals are being presented to the various Board Committees consistent with the annual pace and timing. Therefore, management has brought the methodology discussion to the Finance Committee tonight for discussion in anticipation of a larger discussion around FY21 Incentive goals.

The rolling forecast model includes the results of El Camino Hospital (ECH) and Silicon Valley Medical Development, LLC - (SVMD) while excluding the results for Concern and the Foundation. The recommended methodology and resulting metrics only include the results of ECH and SVMD.

For Operating EBIDA the methodology recommended to establish the target is:

Minimum – 100% of the forecasted Operating EBIDA

Target – 110% of the forecasted Operating EBIDA

Stretch – 120% of the forecasted Operating EBIDA

For Growth the methodology recommended to establish the target is:

Minimum – 90% of the forecasted Net Revenue

Target – 105% of the forecasted Net Revenue

Stretch – 110% of the forecasted Net Revenue

The actual metrics for the Fiscal Year 21 incentive goals will be finalized at the November Finance Committee meeting using the latest financial forecast model that incorporates the actual financial performance through October of 2020. That will allow both the Finance Committee and management to gain a better understanding of how quickly the economic recovery and reopening of Santa Clara County will have taken shape. When the target dollar amounts for Operating EBIDA and Growth (Net Revenue) are established in November they will not be subject to further refinement or change by the rolling forecast model, unless approved by the Board of Directors.

The difference in the two metrics is that operating expenses, excluding depreciation and interest, are included in the Operating EBIDA. Therefore, management is recommending higher percentages for all three levels as they will have more control and tactics to implement and achieve the Operating EBIDA metric.

Proposed FY 21 Performance Incentive Goals (Finance and Growth)
June 3, 2020

The Growth ("Net Revenue") metric is highly dependent on volumes and payer mix, with a higher weighting to volume. This has been demonstrated with the recent sharp drop in volume due to the COVID 19 pandemic. Given the dependence on economic factors that will continue to play out through the year management is recommending that the minimum metric be less than the forecasted Net Revenue in the rolling financial forecast, while to reach target it will require Net Revenue to exceed the rolling financial forecast.

Summary: The purpose of this memorandum is to outline the methodology and how the actual dollar targets for the Operating EBIDA and Net Revenue goals will be determined. The actual dollar targets will be brought back to the Finance Committee for discussion and recommendation to the Board of Directors at the November 23rd meeting once the actual October results are finalized and incorporated into the rolling forecast model.

1. Situation: With the outbreak of the COVID 19 pandemic ECH has had to revisit their financial planning methodology. A key component of the change in methodology is moving away from an annual budget and moving to a rolling forecast model. The rolling forecast model will allow the Board, Finance Committee and management to address the current ambiguity regarding the economic recovery and the related demand for services on an ongoing basis. Therefore, management is proposing to set their incentive targets based on the rolling forecast. The FY21 incentive targets for Finance and Growth will be for the time period of November, 2020 through June, 2021. The methodology will be consistent for both time periods.

2. Authority: It is the policy of El Camino Hospital to have all financial related incentive goals and the underlying methodology be discussed and recommended for approval by the Board of Directors by the Finance Committee.

3. Background: As described above, the organization is moving from an annual budget process to a rolling forecast methodology given the uncertainty due to the COVID 19 pandemic.

- The organization has incurred material losses from Operations in March and April due a significant drop in both inpatient and outpatient volumes.
- The first version of the rolling forecast model is being presented tonight for discussion regarding the approach and process. Management will be updating the model on an ongoing basis and will be bringing it to the Finance Committee each quarter.
- The rolling forecast model is utilizing Operating EBIDA as the metric to measure performance. Operating EBIDA, defined as Earnings Before Interest Depreciation and Amortization, measures the cash being generated by Operations and is a common metric used in industry to measure the financial viability and strength of a company. The cash generated by the Operations can be invested in the current operations or held for future operating investment needs.
- The Recovery goals have been reviewed by the Executive Compensation Committee and are on the Board of Directors agenda at their June 10, 2020 meeting.

4. Assessment: Management has assessed maintaining the annual budget process but given the current situation and ambiguities feel that the rolling forecast methodology allows them manage the organization more effectively. Therefore aligning management's financial incentive goals with this methodology will create consistent behavior.

5. Other Reviews: None

6. Outcomes: Measuring management's financial performance and incentive goals with Operating EBIDA and Net Revenue as previously discussed.

Proposed FY 21 Performance Incentive Goals (Finance and Growth)
June 3, 2020

List of Attachments:

1. Proposed Fiscal Year 21 Incentive Goals

Suggested Committee Discussion Questions:

1. Is Operating EBIDA the right financial metric to measure management's financial performance?
2. Is Net Revenue the right metric to measure the organization's growth?
3. Are the minimum, target and superior percentages fair and supported?
4. Is the Committee supportive of the timing proposed to set the actual dollar targets that incorporates the October actual results?

Proposed Fiscal Year 2021 Incentive Goals

STRATEGY	Weight	GOAL	OBJECTIVES/OUTCOMES	Benchmark		Measurement Defined			Measurement Period
				Internal Benchmarks	External Benchmark	Minimum	Target	Stretch	
Quality and Safety	30.0%	Zero Preventable Harm	Serious Safety Event (SSEs) Rate	FY20 Internal calculation - June 2020 Baseline TBD with >6 mon of SSE classification	External Baseline - best practice is to reduce to zero	Maintain Baseline	Improve by 1/10K adj pt days	Additional 10% improvement over target	FY21
			Risk-Adjusted Readmission Index	FY20 Internal calculation - June 2021	Premier Standard Risk Calculation	FY20 Target or Baseline	Interim target to step up to top performer level in two years		FY21
			Healthcare Effectiveness Data and Information Set (HEDIS) Composite Score	FY20 Internal calculation - April 2020 Aggregate score of the 8-10 selected measures	Internal Calculation; limited external benchmarks	Establish Baseline	10% improvement over baseline	15% improvement over baseline	FY21
Service	30.0%	Exceptional Personalized Experience, Always	Likelihood to Recommend (LTR) – Inpatient	FY 19: 83.4. FY20 YTD Thru April: 82.9	Press Ganey Top 30% of performers: FYTD 85.5	2 of metrics reach 30% of improvers (target)	3 of 4 metrics reach 30% of improvers (target)	4 of 4 metrics reach 30% of improvers (target)	FY21
			LTR – Emergency Department	FY 19: 71.3. FY20 YTD Thru April: 76.8	Press Ganey Top 30% of performers: FYTD 80.8				FY21
			LTR – Outpatient Surgery	FY19: 83.2 OAS CAHPS FY20 YTD Thru April: 84.6	Press Ganey Top 30% of performers: FYTD 86.4				FY21
			LTR – El Camino Health Medical Network	Baseline: 71.9 FY20 Q3: 71.1	NRC Net Promoter 50%ile: 78.8				FY21
People	20.0%	Teams Empowered with Trust and Purpose	Management: Overall employee satisfaction on Employee Engagement Survey for El Camino Hospital	ECH results last two surveys: 4.09 and 4.27.	Press Ganey 4.33 is 90th percentile for FY20	4.24	4.27	4.30	FY21
Finance	10.0%	Sustainable Strength and Vitality	Operating EBIDA	FY19: $160.8M or 16.9%. FY20 YTD P10: $91.7M or 11.7%		100% of rolling forecast model (post Oct '20 update)	110% of rolling forecast model (post Oct '20 update)	120% of rolling forecast model (post Oct '20 update)	Nov 20 – Jun 21
Growth	10.0%	Market Relevance and Access	Net Revenue	FY19 - 35,500 FY20 - TBD	Financial Data	90% of rolling forecast model (post Oct '20 update)	105% of rolling forecast model (post Oct '20 update)	110% of rolling forecast model (post Oct '20 update)	Nov 20 – Jun 21