El Camino Health

AGENDA

FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD

Monday, August 9, 2021 – 5:30 pm

El Camino Hospital | 2500 Grant Road, 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:

Dial-In: 1-669-900-9128. Meeting Code: 934 8134 9165. No participant code. Just press #.

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 – 5:31pm**
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.* ***Approval*** a. Minutes of the Open Session of the Finance Committee (05/24/2021) b. Minutes of the Open Session of the Joint Hospital Board and Finance Committee (05/24/2021) c. FY 21 Period 11 Financials ***Information*** d. FY 2022 Pacing Plan e. Article of Interest	John Zoglin, Chair	*public comment*	**motion required 5:35 – 5:38**
5. REPORT ON BOARD ACTIONS	John Zoglin, Chair		**information 5:38 – 5:43**
6. FY 21 PERIOD 12 FINANCIALS PRE-AUDIT FY 2021 FINANCIAL RESULTS	Carlos Bohorquez, CFO	*public comment*	**motion required 5:43– 5:58**
7. ADHOC COMMITTEE UPDATE ON FINANCE COMMITTEE MEMBER RECRUITMENT	John Zoglin, Chair		**information 5:58- 6:08**
8. MEDICAL DEVELOPMENT PLAN	Mark Adams, MD, CMO		**motion required 6:08 – 6:28**
9. CAPTIAL REQUESTS a. Cath Lab Project	Jim Griffith, COO Ken King, CASO		**motion required 6:28-6:48**

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 650-988-8483 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
b. ECHMN Clinic Relocation c. Pyxis Replacement Project	Carlos Bohorquez, CFO		
10. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		**motion required 6:48 – 6:49**
11. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		**information 6:49 – 6:50**
12. CONSENT CALENDAR *Any Committee Member may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2*: a. Minutes of the Closed Session of the Finance Committee (05/24/2021) ***Information*** *Health and Safety Code Section 32106(b):* Physician Contracts b. MV Daytime Intensivist Professional Services Renewal Agreement c. Enterprise Quality and Physician Services Medical Director Renewal Agreement d. MV Emergency and Inpatient Professional Services Renewal Agreement for On-call Cardiothoracic Surgery Panel Services	John Zoglin, Chair		**motion required 6:50-6:51**
13. *Health and Safety Code Section 32106(b)*- for a report and discussion involving healthcare facility trade secrets **INPATIENT REHABILITATION BUSINESS DEVELOPMENT**	Dan Woods, CEO Carlos Bohorquez, CFO Andreu Real1, Senior Director Strategy		**motion required 6:51-7:11**
14. *Health and Safety Code Section 32106(b)*- for a report and discussion involving healthcare facility trade secrets **SERVICE LINE/ BUSINESS AFFLIATE REVIEW: INVESTMENT IN NEW JV CENTER WITH SATELLITE HEALTHCARE**	Carlos Bohorquez, CFO Jim Griffith, COO		**motion required 7:11-7:26**
15. *Gov't Code Sections 54957* for report and discussion on personnel matters – Senior Management: - Executive Session	John Zoglin, Chair		**information 7:26-7:31**
16. ADJOURN TO OPEN SESSION	John Zoglin, Chair		**motion required 7:31-7:32**
17. RECONVENE OPEN SESSION / REPORT OUT	John Zoglin, Chair		**information 7:32-7:33**
To report any required disclosures regarding permissible actions taken during Closed Session.			

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
18. CONTRACTS & AGREEMENTS ***Approval*** a. Enterprise Quality and Physician Services Medical Director Renewal Agreement b. MV Emergency and Inpatient Professional Services Renewal Agreement On-call Cardiothoracic Surgery Panel Services ***Recommended for Board Approval*** a. MV Daytime Intensivist Professional Services Renewal Agreement b. Inpatient Rehabilitation Business Development c. Investment in New JV Center with Satellite Healthcare	Mark Adams, CMO		**motion required 7:33-7:38**
19. CLOSING COMMENTS	John Zoglin, Chair		**information 7:38-7:43**
20. ADJOURNMENT	John Zoglin, Chair	*public comment*	**motion required 7:43-7:44pm**

Upcoming Meetings:
Regular Meetings: September 27, 2021, November 22, 2021, January 31, 2022 (Joint FC-IC), March 28, 2022, April 25, 2022, May 20, 2022 (Joint ECHB-FC)

Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, May 24, 2021
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

Members Present	Members Absent
John Zoglin, Chair**	
Boyd Faust**	
Carol Somersille, MD**	
Don Watters**	
Joseph Chow**	**via teleconference
Wayne Doiguchi**	

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 6:15 pm by Chair John Zoglin. A verbal roll call was taken. All other 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	**Motion**: To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee meeting (04/26/2021) for information: (b) FY2021 Pacing Plan (c) Article of Interest **Movant:** Faust **Second:** Doiguchi **Ayes:** Chow, Doiguchi, Faust, Somersille, 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.	
6. FY21 PERIOD 10 FINANCIALS	Carlos Bohorquez, Chief Financial Officer presented the FY2021 Period 10 Financials as of April 30, 2021, and highlighted the following. • Both top line revenue and operating margin were strong for April. This is primarily attributed to procedural departments experiencing a significant increase in volume because of pent up demand from the 3rd Covid-19 wave which we experienced in December 2020 to February 2021. • Mr. Bohorquez stated slight concern with net days A/R (accounts receivable) compared to budget which is 5.5 % unfavorable. He stated, we have a good understanding of the root cause and the team is in the process of implementing a solution. He expects net A/R days to be back in line with target by the end of the fiscal year.	

- From an overall volume and activity perspective, we're pleased that the actions taken by management have resulted in a strong rebound in volumes across the organization, the only real exception has been the Emergency Room as previously mentioned. We believe the decision to maintain our Los Gatos Campus Covid-19 free, actions to test / vaccinate our staff / physicians / patients and secure sufficient quantities of PPE are all contributing factors to the strong rebound in volumes.
- Productive hours per adjusted patient discharge and cost per discharge are favorable to budget and favorable to the prior fiscal year.
- From a bottom-line standpoint through the first ten months of the fiscal year, $55M of operating income is $27M better than the prior fiscal year. It's important to note that last March and April were significantly impacted by the first wave of Covid-19.
- YTD operating margin of 5.8% and operating EBIDA margin of 13.3% demonstrate that management's efforts to mitigate the financial impact of Covid-19 and manage the overall cost structure of the organization are yielding the intended results.
- Mr. Bohorquez referred to slide 7 and stated FY2021's budget included $20M towards routine capital. The items listed on this slide have already have been approved and in most cases already have been purchased. This allocation is significant, but necessary to ensure we're replacing equipment which has or is nearing end-of-life and providing our clinical staff with the tools / latest technology necessary to deliver the highest level of care to our community.

<u>Questions and Discussion:</u>

Mr. Chow asked, the net days in A/R calculation presented on slide 3, what is the reasoning behind the calculation and when will it come in-line with target? In response, Mr. Bohorquez stated, that in addition to net days in A/R, he and his team review a number of indicators to understand the root cause of any slow down in cash collections. One of this is the percentage of accounts which are older than 90 days by payor, in review of the most recent ATB, we identified a payer which has 28.7% of their AR is over 90 days. Mr. Bohorquez stated that he and our managed care department escalate claims issues when the percentage of claims over 90 days exceeds 20-21% or there are other claims denials / underpayments which our revenue cycle department can't resolve.

Mr. Doiguchi asked the question if we don't have the earnings to support capital and our capital numbers are not as high, what happens to some of the projects, do we cut back on them? In response, Mr. Bohorquez stated that moving forward large capital projects will have an identified funding source. He also added that because a significant percentage of our capital projects are funded using cash generated from operations, any downturn in the operating performance of the organization would result in a reduction in capital available for equipment and other capital projects.

Motion: To approve the FY2021 Period 10 Financials.

Movant: Doiguchi
Second: Watters
Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin

	Noes: None **Abstentions:** None **Absent:** None **Recused:** None	
7. ECHMN QUARTERLY FINANCIAL REPORT	Vince Manoogian, Interim ECHMN President, and David Neapolitan, ECHMN Vice President of Finance presented the ECHMN Quarterly Financial Report. • Vince Manoogian, Interim ECHMN President began the discussion and highlighted the following: • Opened Vaccination Clinic at 1st Street site in January and second site opened in Sunnyvale; subsequently closed 1st Street Vaccination Clinic • Consolidation of Willow Glen clinic infusion program to our Los Gatos Campus • Transfer of Nuclear Medicine services to our Los Gatos Campus • Improved patient access through redesign of scheduling process to maximize template utilization • Real-Time Eligibility (RTE) plan code mapping completed improving the efficiency of insurance plan selection and reduction of registration errors and eligibility denials • Monthly Denials Avoidance forum created to monitor, review and remediate payer denial trends. Mr. Manoogian continued the discussion and presented ECHMN FY2021 financials results as of April 30th. David Neapolitan, ECHMN Vice President of Finance continued the discussion and presented the Period 10 and YTD FY2021 Financial Report and highlighted the following: • Net income is unfavorable to budget by $2.3M or 8.1% for the ten months ended April 30, 2021, of FY2021, and $4.1M or 12.1% favorable to the prior year. • Improvements in the revenue cycle metrics demonstrate that initiatives which been implemented over the past 12 months are yielding positive results. • Net loss is unfavorable to budget by $2.3M and favorable by $4.2M or 12.1% better than last fiscal year. • Total visits per business day are 14.7% favorable to the budget. Total visits are 16.1% greater than the prior year excluding urgent care visits. <u>Questions and Discussion:</u> Mr. Faust referred to slide 13 (ECHMN New vs. Established Patients) and asked if there any efforts on bringing back patients and making them part of the ECH Health Family and tie them into primary care? Mr. Manoogian responded by stating we have tried and will continue our focus on developing long-term between patients and primary care physicians. Mr. Zoglin suggested for next year's year-over-year results separate the COVID-based visits, testing, and vaccination from the core base. Mr. Chow stated the operating summary presented a lot of favorable items, was wondering if any of the operational improvements were a	

	result of the outsourcing efforts? Or independent of each other? In response to Mr. Chow's question, Mr. Bohorquez stated that we manage the revenue cycle process in-house, what was outsourced were the MSO services associated for the professional capitated lives we manage. Mr. Faust referred to page 10 and ask if there are any write-offs that are making them look better. In response, Mr. Bohorquez stated it is primarily attributed to the improved revenue cycle process, but does include some write-offs for aged accounts which are no longer collectable.	
8. REVISED POLICY & PROCEDURE FOR ENTERPRISE CAPITAL DEPLOYMENT	Carlos Bohorquez, CFO presented the Revised Policy & Procedure for Enterprise Capital Deployment. Throughout the presentation Mr. Bohorquez will be discussing 1) Annual Capital Capacity Analysis and 2) Capital Allocation Process including the: guiding principles, Executive Capital Committee, and the annual capital review and approval process. Mr. Bohorquez began the discussing by highlighting the key points from the Capital Capacity Analysis: • Mr. Bohorquez stated that before we start allocating dollars, we need to analyze our capital capacity based on current performance and projected performance for the next fiscal year. The calculated capital capacity will dictate how much capital can be deployed over the next 12, 18, and 24 months. • As we develop and finalize the capital plan for the next 3-5-10 years, we don't believe it can be funded solely from operating cash flow, so we'll need to secure funding from philanthropy, new long-term debt and other sources. Mr. Bohorquez continued the discussion by outlining the guiding principles and highlighted of the updated capital deployment policy: • 5-10 year capital plan needs to be consistent with our financial capacity and preserves the long-term financial strength of the organization. • Mr. Bohorquez stated we need to find a balanced level of capital deployment, one which is consistent with our operating performance and also sufficient to ensure we remain competitive with other organizations in the market. • The capital plan will address the following: replace routine equipment to ensure our physicians / clinical staff have what they need, investing in new technology, deploying dollars to ensure we continue to grow and expand services that are consist the needs of our community. Mr. Bohorquez continued by discussing updates to the capital allocation process and discussed the following: • For FY2022, Mr. Bohorquez stated we categorized capital into three important: routine, strategic, and facilities. • The process started in January when leaders in the organization were asked to submit their capital request by category. Once the requests were received, they were reviewed and analyzed by the finance department. • Mr. Bohorquez stated, that for FY2022 the total amount approved for routine capital was $20M, but the initial total in requests was more than $30M. All the capital requests were assessed based	

on need and priority, which resulted in an organized process which included review by leaders in the organization to ensure the approved plan met the needs of the organization and stayed within the approved budget total.

- The goal for FY2023 is to present to the Finance Committee and the Board with not only routine capital amount, but also the strategic and facilities. Mr. Bohorquez stated that he's pleased with the progress made this year in reviewing all the routine capital requests, but that the development and finalization of the 5-10 year capital plan including the strategic and facilities totals is very much a work in-progress.
- Mr. Bohorquez stated that as part of the new process, the Executive Capital Committee was created which includes Dan, Carlos, Jim, Mark Adams, MD, and Omar. The primary goal of this committee is to review / manage large strategic and facility capital requests.

<u>Questions & Discussion:</u>

Mr. Zoglin asked the question, apart from the allocation calculation what are the two main changes to this year compared to the past? Mr. Bohorquez stated the process for review of requests is more rigorous, organized and in-line with industry standards.

Mr. Zoglin asked: will there be a capital project dashboard? Mr. Bohorquez stated yes the intent for FY2022 is to have a quarterly basis dashboard and it will indicate how much has been approved and how much has been spent through Q1-Q4.

Mr. Zoglin also asked if we will be able to project the capital needs? In response, Mr. Bohorquez stated we will try to project as much as possible. Also in response to Mr. Zoglin's question, Mr. Woods stated in the past for capital allocation projects, the tracking was on a cash basis of reporting on capital projects, but with this process, we are going to allocate this amount of capital for a particular project and then an update would be how are we progressing on this project and managing the cash flow associated with a particular project. Mr. Bohorquez added that we are in the process of modifying the process to ensure that each project which is brought to the finance committee / Board for approval has been completely vetted by the executive team and includes the total cost of the project instead of a small funding percentage.

Mr. Zoglin also stated in the past we have only spent about two-thirds of what we had planned to spend, so being able to explore if and when we will be underspending versus our planned.

In response, Mr. King stated the issue with the difference of what we project and what we spent had to do with that we were projecting spend on projects that were not yet funded, so the beginning of the year we make a projection that we were going to proceed with something and then projects didn't get approved in a timeline that was originally projected and therefore the gap was larger. So in this last year, Mr. King stated we changed that to only projecting spending against on projects that have approved funds, and then if additional funds have been approved we would then increase the projection.

	Mr. Watters asked if there is a way to estimate our borrowing capabilities so we have some idea of what we could theoretically lay our hands on from external sources and if we needed to sort of have a ballpark? In response Mr. Bohorquez stated that he has spoken with Ponder & Co. our financial advisors and I have had several discussions with them in the last 6 months, it is dependent on the performance of the Organization, but on the low end about $200M and if we were to put a little pressure on our balance sheet and credit ratings it would be closer to the $350M range.	
9. CAPITAL FUNDING REQUEST: MV WIRELESS UPGRADE PROJECT	Ken King, Chief Administrative Services Officer and Deb Muro, Chief Information Officer presented the Capital Funding Request: MV Wireless Upgrade Project. Mr. King and Ms. Muro are requesting the Finance Committee to approve funding not to exceed $3.3M for the installation of Wi-Fi and update the Distributed Antenna System (DAS) Network within the MV hospital Building, details further discussed in the slide deck. <u>Questions & Discussion:</u> Dr. Somersille asked, is it cheaper to complete the upgrade all at once versus allocating this amount now for the main hospital, shouldn't we do all of our buildings now for security and cost purposes? In response, Mr. King stated our new building Taube and Sobrato Pavilions already have this new technology the main hospital is the most deficient at this point so that is where we are investing, but we are investing head in so we can distribute to other buildings the Women's Hospital will have the new technology as part of the upgrades that just began. Mr. Chow asked how long will the project last before the project is fully operational and how do we anticipate keeping pace with the evolution of technology as there are discussions of 6G coming along? In response, Mr. King stated we are anticipating a 6-8 month deployment to get everything installed and tested, and as far as how long will it last, Mr. King stated part of the benefit of what we are doing by separating these networks. Once we complete the CVRS and private LTE network a year or two down the road that will give us four levels of wireless infrastructure and the new LTE network is the one that creates the path forward and the traditional WiFi network will last longer because we will not be using it as much, as we have other radio frequencies to use. Mr. King stated so it will be operationally efficient in terms of how we spread the signal around the buildings and the campus. Mr. Chow asked, does $3.3 M include maintenance? Mr. King stated that maintenance cost is not included in the funding request. **Motion:** To approve the MV Wireless Upgrade Project **Movant:** Watters **Second:** Somersille **Ayes:** Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
10. FY22 COMMITTEE GOALS, PACING PLAN & MEETING DATES	Mr. Zoglin discussed recommendations to add the following goals to FY2022 current goals:	

	• Review of Medical Directorships- benchmark analysis for ECH compared to similar health systems • Marketing- correlation of plan with service line development • Add Managed Care update to current goal #3 **Motion:** To Approve Finance Committee FY2022 Committee Goals, Pacing Plan & Meetings Dates **Movant:** Watters **Second:** Doiguchi **Ayes:** Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
11. FY22 ECH COMMUNITY BENEFIT GRANT PROGRAM	Barbara Avery, Director of Community Benefits presented the FY2022 ECH Community Benefit Grant Program. Finance Committee to approve the FY2022 ECH Community Benefit Plan and Implementation Strategy. Ms. Avery highlighted: • Recommending total $3,541,000 including grants ($3,236,000). Sponsorships ($85K) and Placeholder ($220k), or an amend Plan per Committee motions up to available funds of $3,776,000. • The FY 2022 grant cycle spans July 1, 2021-June 30, 2022 • The proposal process includes the following steps: • Proposal was received in Feb 2021, staff reviewed the proposal and recommendations, proposal was then sent to the (HCBC) Hospital Community Benefit Committee for review, and now presenting to the Finance Committee • Ms. Avery stated we are recommending 44 proposals which is a total of $3,236,00 <u>Questions & Discussions:</u> Mr. Chow asked, for the projects that didn't make it to the list or that didn't receive enough funding, what happens to those? Do they somehow become prioritized in subsequent years or does everything get reshuffled? In response, Ms. Avery stated for the organizations that were recommended as 'do not fund' they can reapply next year and they usually do, but generally if they are not funded it's usually because they do not meet the funding criteria. Dr. Somersille requested Ms. Avery to send the names of Hospital Board Ad Hoc Committee members as Dr. Somersille stated she would like to know the length of term, how often are they rotated and what's the criteria for choosing this committee. Jonathan Cowan, responded to Dr. Somersille's question by stating that individuals were selected individually with the mindset of these key leaders internally who know the hospitals and whose work reaches out to the community. Mr. Cowan stated all committee members are new and they serve a three-term. Dr. Somersille asked the guiding principles for evaluating some of the newer programs? For example, Dr. Somersille stated that when looking at the School Nurse Program, are we picking School Nurse programs that are outside of our district where the income level of the community is the lowest? Or is it given to whoever has applied? In response, Ms. Avery stated many areas are assessed and looked at to ensure they meet community health needs. We are looking for a program that can have	

	strong metrics and can be evaluated and have good potential of being successful. **Motion:** To approve the FY2022 ECH Community Benefits Plan Implementation Strategy. **Movant:** Watters **Second:** Boyd **Ayes:** Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
12. APPOINTMENT OF AD HOC SEARCH COMMITTEE	Chair Zoglin appointed himself, Dr. Somersille, and Mr. Doiguchi to the Ad Hoc Committee to recruit for a new Committee Member as Mr. Faust will be departing from the Finance Committee. **Motion:** To appoint John Zoglin, Carol Somersille, MD, and Wayne Doiguchi to the Finance Ad Hoc Committee **Movant:** Zoglin **Second:** Watters **Ayes:** Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
13. ADJOURN TO CLOSED SESSION	**Motion:** To adjourn to closed session at 8:08 pm **Movant:** Faust **Second:** Somersille **Ayes:** Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
14. AGENDA ITEM 19: RECONVENE OPEN SESSION/REPORT OUT	Agenda Items 15-17 were covered in the closed session and the Committee approved the consent calendar by a unanimous vote of all members present *(Chow, Doiguchi, Faust, Somersille, and Zoglin)*."	
15. AGENDA ITEM 20: PHYSICIAN CONTRACTS	**Motion:** To approve Physician contracts: Los Gatos Associate Chief Medical Officer Renewal Agreement and Enterprise Infection Control Medical Director Renewal Agreement **Movant:** Watters **Second:** Chow **Ayes:** Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
16. AGENDA ITEM 21: CLOSING COMMENTS	No closing comments	
17. AGENDA ITEM 22: ADJOURNMENT	**Motion:** to adjourn at 8:42 pm.	

	Movant: Watters **Second:** Somersille **Ayes:** Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	

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

_____
John Zoglin
Chair, Finance Committee

Prepared by: Samreen Salehi, Executive Assistant, Administration

El Camino Health

Minutes of the Open Session of the
Joint Meeting of the Finance Committee
El Camino Hospital Board of Directors
Monday, May 24, 2021

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present	Board Members Absent	Members Excused
Hospital Board Members: **Lanhee Chen,** Chair** **Carol Somersille, MD** **Peter C. Fung, MD**** **Julie Kliger, MPA, BSN**** **Julia E. Miller****, Secretary/Treasurer **Jack Po, MD, PhD**** **Bob Rebitzer**** **George O. Ting, MD**** **Don Watters**** **John Zoglin**, Vice Chair** *Finance Committee Members:* **Joseph Chow**** **Boyd Faust**** **Wayne Doiguchi****	None ****via teleconference**	None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Joint Meeting of the Finance Committee and the Board of Directors of El Camino Hospital (the "Board") was called to order at 5:30 pm by Chair Chen. A verbal roll call was taken. Chair Chen reviewed the logistics for the meeting. All Board and Committee members were present except for Director Peter Fung was absent and participated via teleconference and videoconference pursuant to Santa Clara County's shelter in place order. 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 CONFLICTS OF INTEREST DISCLOSURES	Chair Chen asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	Chair Chen asked if there were any public communication, no public communication was reported.	
4. FY2022 OPERATING & CAPITAL BUDGET	*Dan Woods*, Chief Executive Officer, *Carlos Bohorquez*, Chief Financial Officer, and *Jim Griffith*, Chief Operating Officer presented the FY2022 Operating and Capital Budget. Mr. Woods began the discussion with an executive summary highlighting that the FY2022 budget plan for the coming year and he stated the budget will put ECH on a pathway toward recovery from the impact of the Covid-19 pandemic and achieve strong year-over-year growth. Mr. Woods and Mr. Bohorquez continued the discussion by presenting the five-year trajectory of the hospital operations compared to the proposed FY2022 budget and highlighted: • The consolidated FY2022 budget yields continued financial recovery from the Covid-19 pandemic as evident by Operating	

margin of 6.7% and Operating EBIDA margin of 13.7%. Support for ECHMN for FY2022 is not exceeding a total of $33M.

Mr. Bohorquez stated we need a stable financial trajectory from a bottom-line perspective to maintain local control and governance, support our commitment to quality, fund sufficient capital to meet the strategic needs of the organization, and finish redevelopment projects in Mountain View.

Mr. Jim Griffith continued the discussion by discussing the FY2022 Budget volume assumptions in detail and the key expense categories: salary, wages and benefits, and labor. Mr. Griffith highlighted the following key points:

- FY2022 total Salaries, Wages, Contract Labor, and Benefits are increasing 7.1%. This is primarily attributed to the high cost and shortage of clinical staff. The organization spends significant resources on external labor, OT / Premium pay and recruitment to ensure that we're adequately staffed and have sufficient resources to meet the needs of our community.
- Group Health Insurance premiums increased by 7%, which is offset by savings from benefit management initiatives.
- FICA, Pension, and Worker's Compensation are all increasing in proportion to salaries.

Mr. Bohorquez then presented a summary of the non-labor summary and highlighted the following:

- The impact of Covid on the total use of supplies and cost per unit has been significant in FY2021 in most cases the cost of PPE and other supplies has increased 2X-4X from pre-Covid levels. Mr. Bohorquez stated that as the pandemic eases we anticipate a gradual reduction in the cost per unit.
- Overall Non-labor expense is decreasing by (1.1%) on a per-adjusted discharge basis, primarily driven by normalization of PPE and Lab related supply costs due to COVID-19 in FY2021.
- Supplies, Mr. Bohorquez stated is the second largest expense category. Mr. Bohorquez highlighted, one continued challenge is pharmaceuticals. He stated we are looking to address through an analysis of our GPO relationship and it is a continued area of focus and concern year over year inflation increase of pharmaceuticals.
- Purchased services, Mr. Bohorquez stated FY2022 will include a significant reduction. The focus will be on less use of external vendors, he stated we are looking into what we can do internally versus externally and we are reviewing all external relationships and see if we have an opportunity to have competitive bidding as far as our services.
- Depreciation and Interest Expense, Mr. Bohorquez stated significant increase in depreciation and interest expenses starting in FY2021 are associated with Sobrato and Taube Pavilion.

Mr. Bohorquez stated we have done a walkthrough of all key assumptions that are driving revenue, expenses, and volume and he stated as Mr. Woods and Mr. Griffith indicated we are confident in the trajectory that FY2022 budget lays out, it is continued recovery from the impact of Covid and we do anticipate that it will be very hard to reach the levels of FY2019. From an operating and operating EBIDA margin standpoint, we are projecting FY2022 to be stable with a continued path to recovery from the pandemic impact. This assumes there isn't a forth or fifth wave which significantly

	increases the number of Covid patients in our hospitals or limits our ability to fully operate our procedural suites. The estimated support for the Physician Network was presented and Mr. Bohorquez stated in FY2020 the subsidy from an operating margin standpoint is a little over $40M, we project the annualized support for FY2021 to be $36M which would be $4M year-over-year improvement. Our goal is to continue to manage the support level with an additional improvement of $3M-$5M over the next 12-18 months. Mr. Bohorquez stated there is still a lot of work to be done, and we have acknowledged it is a big number, but it is a strategy that we strongly believe in and the level of support / commitment for our physician network is equally strong. From a consolidated standpoint, Mr. Bohorquez stated roughly about $1.2B of total operating revenue, operating margin 6.7%, and operating EBIDA 13.7%. FY2020 Capital Capacity range is at $86M-$153M and the remaining capital capacity for FY2022 is about $79M. FY2022 capital budget includes $20M towards the replacement/ acquisition of clinical, IT, and other equipment to support quality, patient satisfaction, and growth throughout the organization. **Motion**: To approve the FY2022 Operating and Capital Budget **Movant:** Ting **Second:** Watters **Ayes:** Chen, Miller, Kliger, Po, Rebitzer, Somersille, Ting, Watters, Zoglin, Chow, Doiguchi, Faust **Noes:** None **Abstentions:** None **Absent:** Fung **Recused:** None	
5. AGENDA ITEM 5: ADJOURNMENT	**Motion**: To adjourn at 6:12 pm **Movant:** Miller **Second:** Ting **Ayes:** Chen, Miller, Kliger, Po, Rebitzer, Somersille, Ting, Watters, Zoglin, Chow, Doiguchi, Faust **Noes:** None **Abstentions:** None **Absent:** Fung **Recused:** None	***Meeting adjourned at 6:12 pm***

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

_____
Lanhee Chen
Chair, ECH Board of Directors

_____
Julia E. Miller
Secretary, ECH Board of Directors

_____

John Zoglin
Chair, ECH Finance Committee

Prepared by: Samreen Salehi, Executive Assistant II

El Camino Health

Summary of Financial Operations

Fiscal Year 2021 – Period 11

7/1/2020 to 05/31/2021

Executive Summary - Overall Commentary for Period 11

- Total gross charges, a surrogate for volume, were favorable to budget by $72.5M / 23.4% and $128.4M / 50.6% lower than the same period last year
- Net patient revenue was favorable to budget by $14.8M / 18.4% and $24.6M / 34.7% higher than the same period last year
- Operating expenses were $5.5M / 6.5% unfavorable to budget, which is primarily attributed to higher than expected volume versus budget and significant number of procedural cases performed in May
- Operating margin was favorable to budget by $10.3M / 623.5% and $13.9M / 700.6% higher than the same period last year
- Operating EBIDA was favorable to budget by $10.0M / 124.3% and $15.6M / 609.4% higher than the same period last year

Operational / Financial Results: Period 11 – May 2021 (as of 5/31/2021)

($ thousands)

		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's Medians 'A1'	Moody's Medians 'Aa3'	Performance to 'A1' Medians
Activity / Volume	ADC	254	223	31	13.7%	197	57	29.2%	---	---	---
	Total Discharges	1,724	1,562	162	10.4%	1,359	365	26.9%	---	---	---
	Adjusted Discharges	3,270	2,883	387	13.4%	2,455	814	33.2%	---	---	---
	Emergency Room Visits	4,601	4,319	282	6.5%	3,036	1,565	51.5%	---	---	---
	OP Procedural Cases	13,397	8,282	5,115	61.8%	7,199	6,198	86.1%	---	---	---
	Gross Charges ($)	381,888	309,389	72,498	23.4%	253,514	128,374	50.6%	---	---	---
Operations	Total FTEs	2,919	2,692	227	8.4%	2,625	294	11.2%	---	---	---
	Productive Hrs. / APD	30.9	32.8	(1.9)	(5.7%)	36.3	(5.4)	(14.8%)	---	---	---
	Cost Per CMI Adjusted Discharge	15,165	17,507	(2,343)	(13.4%)	19,528	(4,363)	(22.3%)	---	---	---
	Net Days in A/R	51.7	49.0	2.7	5.6%	51.1	0.6	1.2%	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	95,542	80,704	14,838	18.4%	70,930	24,612	34.7%	106,723	257,000	
	Total Operating Revenue ($)	100,927	85,201	15,726	18.5%	74,480	26,447	35.5%	116,864	314,648	
	Operating Income ($)	**11,921**	**1,648**	**10,273**	623.5%	**(1,985)**	**13,906**	700.6%	**3,948**	**10,135**	
	Operating EBIDA ($)	**18,130**	**8,082**	**10,047**	124.3%	**2,556**	**15,574**	609.4%	**11,301**	**27,969**	
	Net Income ($)	28,588	4,981	23,606	473.9%	22,981	5,607	24.4%	8,219	18,726	
	Operating Margin (%)	**11.8%**	**1.9%**	**9.9%**	510.7%	**(2.7%)**	**14.5%**	543.2%	**2.9%**	**3.6%**	
	Operating EBIDA (%)	**18.0%**	**9.5%**	**8.5%**	89.4%	**3.4%**	**14.5%**	423.5%	**9.7%**	**8.9%**	
	DCOH (days)	580	435	144	33.1%	498	82	16.4%	254	264	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2020. Dollar amounts have been adjusted to reflect monthly averages.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Operational / Financial Results: YTD FY2021 (as of 5/31/2021)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's Medians 'A1'	Moody's Medians 'Aa3'	Performance to 'A1' Medians
Activity / Volume	ADC	242	209	34	16.3%	228	14	6.4%	---	---	---
	Total Discharges	17,368	15,765	1,603	10.2%	17,541	(173)	(1.0%)	---	---	---
	Adjusted Discharges	32,789	29,232	3,557	12.2%	32,535	254	0.8%	---	---	---
	Emergency Room Visits	46,439	40,762	5,677	13.9%	52,328	(5,889)	(11.3%)	---	---	---
	OP Procedural Cases	147,978	95,074	52,904	55.6%	106,245	41,733	39.3%	---	---	---
	Gross Charges ($)	3,901,178	3,112,958	788,220	25.3%	3,339,949	561,230	16.8%	---	---	---
Operations	Total FTEs	2,834	2,609	225	8.6%	2,771	63	2.3%	---	---	---
	Productive Hrs. / APD	31.2	33.9	(2.7)	(8.0%)	32.6	(1.4)	(4.2%)	---	---	---
	Cost Per CMI Adjusted Discharge	16,876	18,300	(1,424)	(7.8%)	17,379	(503)	(2.9%)	---	---	---
	Net Days in A/R	51.7	49.0	2.7	5.6%	51.1	0.6	1.2%	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	995,673	811,065	184,608	22.8%	881,951	113,722	12.9%	1,173,948	2,826,998	
	Total Operating Revenue ($)	1,039,398	861,459	177,939	20.7%	929,721	109,677	11.8%	1,285,504	3,461,129	
	Operating Income ($)	**66,580**	**(27,369)**	**93,950**	343.3%	**25,321**	**41,259**	162.9%	**43,433**	**111,480**	
	Operating EBIDA ($)	**142,919**	**45,771**	**97,148**	212.2%	**82,925**	**59,993**	72.3%	**124,306**	**307,655**	
	Net Income ($)	287,378	4,802	282,577	5884.6%	58,603	228,776	390.4%	90,404	205,984	
	Operating Margin (%)	**6.4%**	**(3.2%)**	**9.6%**	301.6%	**2.7%**	**3.7%**	135.2%	**2.9%**	**3.6%**	
	Operating EBIDA (%)	**13.8%**	**5.3%**	**8.4%**	158.8%	**8.9%**	**4.8%**	54.2%	**9.7%**	**8.9%**	
	DCOH (days)	580	435	144	33.1%	498	82	16.4%	254	264	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2020. Dollar amounts have been adjusted to reflect 11 month totals.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Key Statistics: Period 11 and YTD (as of 05/31/2021)

	Month to Date			Variance (%)		Year to Date			Variance (%)	
Key Statistics	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**
ADC	197	254	223	29.2%	13.7%	228	242	209	6.4%	16.3%
Utilization MV	50%	66%	59%	31.0%	11.0%	62%	63%	55%	2.7%	16.2%
Utilization LG	32%	34%	27%	7.2%	26.4%	30%	32%	27%	6.0%	16.7%
Utilization Combined	44%	56%	49%	26.0%	13.7%	51%	53%	46%	3.7%	16.2%
Adjusted Discharges	2,455	3,270	2,883	33.2%	13.4%	32,535	32,811	29,232	0.8%	12.2%
Total Discharges (Exc NB)	1,358	1,726	1,562	27.1%	10.5%	17,543	17,374	15,763	(1.0%)	10.2%
Total Discharges	1,740	2,065	1,921	18.7%	7.5%	21,334	20,939	19,528	(1.9%)	7.2%
Inpatient Activity										
MS Discharges	807	1,198	991	48.5%	20.8%	11,970	11,907	9,848	(0.5%)	20.9%
Deliveries	402	392	379	(2.5%)	3.3%	4,004	3,850	3,977	(3.8%)	(3.2%)
BHS	98	99	147	1.0%	(32.7%)	1,072	1,173	1,458	9.4%	(19.5%)
Rehab	51	37	44	(27.5%)	(15.9%)	497	444	481	(10.7%)	(7.6%)
Outpatient Activity										
Total Outpatient Cases	9,511	17,008	11,585	78.8%	46.8%	136,058	182,118	117,522	33.9%	55.0%
ED	2,312	3,611	3,303	56.2%	9.3%	40,102	34,140	30,801	(14.9%)	10.8%
OP Surg	394	579	359	47.0%	61.3%	4,905	5,835	3,745	19.0%	55.8%
Endo	116	242	172	108.6%	41.1%	2,100	2,358	1,657	12.3%	42.3%
Interventional	128	178	145	39.1%	22.6%	1,812	1,948	1,270	7.5%	53.4%
All Other	6,561	12,398	7,606	89.0%	63.0%	87,139	137,837	80,049	58.2%	72.2%
Hospital Payor Mix										
Medicare	46.9%	49.0%	48.8%	4.5%	0.2%	48.7%	48.6%	48.6%	(0.1%)	0.1%
Medi-Cal	7.5%	8.8%	7.6%	16.9%	13.8%	7.5%	8.2%	7.5%	9.7%	9.0%
Commercial	43.0%	39.9%	41.2%	-7.3%	(3.4%)	41.4%	40.9%	41.5%	-1.4%	(1.7%)
Other	2.6%	2.4%	2.4%	-8.9%	1.2%	2.4%	2.3%	2.4%	(3.9%)	(4.8%)

Income Statement: Current Fiscal Year Monthly Trend *($000s)*

	Period 1 Jul-20	Period 2 Aug-20	Period 3 Sep-20	Period 4 Oct-20	Period 5 Nov-20	Period 6 Dec-20	Period 7 Jan-21	Period 8 Feb-21	Period 9 Mar-21	Period 10 Apr-21	Period 11 May-21	Period 12 Jun-21	YTD FY2021	YTD Monthly Average
Operating Revenues:														
Gross Revenue	333,228	339,121	357,838	366,453	341,648	367,494	335,788	314,620	387,620	375,480	381,888	-	3,901,178	354,653
Deductions from Revenue	(247,360)	(253,449)	(267,829)	(275,898)	(253,051)	(275,206)	(245,993)	(229,347)	(290,449)	(280,577)	(286,346)	-	(2,905,506)	(264,137)
Net Patient Revenue	85,868	85,672	90,009	90,554	88,597	92,289	89,795	85,273	97,171	94,903	95,542	-	995,673	90,516
Other Operating Revenue	4,667	4,331	3,996	4,024	3,234	3,079	4,427	3,352	3,537	3,692	5,385	-	43,725	3,975
Total Operating Revenue	**90,535**	**90,003**	**94,005**	**94,578**	**91,831**	**95,368**	**94,222**	**88,625**	**100,708**	**98,595**	**100,927**	**-**	**1,039,398**	**94,491**
Operating Expenses:														
Salaries, Wages and Benefits	46,431	47,739	48,136	49,061	47,222	48,774	53,636	48,592	52,025	50,616	48,138	-	540,369	49,124
Supplies	12,820	16,893	12,798	13,496	13,641	14,519	13,888	13,587	15,421	14,256	15,241	-	156,558	14,233
Fees & Purchased Services	12,918	14,366	14,949	12,982	14,264	14,035	15,825	14,770	15,139	15,761	15,923	-	160,931	14,630
Other Operating Expenses	3,583	3,596	4,498	3,721	3,512	4,100	3,819	1,097	3,536	3,662	3,496	-	38,620	3,511
Interest	1,428	1,431	1,428	1,429	1,428	1,428	1,428	1,392	1,399	1,400	1,400	-	15,592	1,417
Depreciation	5,231	5,328	5,795	5,798	6,068	5,591	5,689	5,903	4,931	5,606	4,808	-	60,746	5,522
Total Operating Expenses	**82,411**	**89,352**	**87,604**	**86,487**	**86,136**	**88,446**	**94,284**	**85,341**	**92,450**	**91,301**	**89,006**	**-**	**972,817**	**88,438**
Operating Margin	**8,124**	**651**	**6,401**	**8,091**	**5,695**	**6,922**	**(62)**	**3,285**	**8,258**	**7,294**	**11,921**	**-**	**66,580**	**6,053**
Non-Operating Income	27,718	28,642	(9,557)	(27,499)	64,968	57,357	39	14,349	18,965	29,151	16,666	-	220,798	20,073
Net Margin	**35,842**	**29,293**	**(3,156)**	**(19,408)**	**70,663**	**64,279**	**(23)**	**17,633**	**27,223**	**36,445**	**28,588**	**-**	**287,378**	**26,125**
Operating EBIDA	**14,783**	**7,410**	**13,624**	**15,318**	**13,192**	**13,940**	**7,055**	**10,580**	**14,588**	**14,301**	**18,130**	**-**	**142,919**	**12,993**
Operating Margin (%)	9.0%	0.7%	6.8%	8.6%	6.2%	7.3%	-0.1%	3.7%	8.2%	7.4%	11.8%		6.4%	
Operating EBIDA Margin (%)	**16.3%**	**8.2%**	**14.5%**	**16.2%**	**14.4%**	**14.6%**	**7.5%**	**11.9%**	**14.5%**	**14.5%**	**18.0%**		**13.8%**	

El Camino Health

Financial Overview: Period 11 – May 2021

Period ending 5/31/2021

Financial Performance

- May operating income was $11.9M compared to a budget of $1.6M, resulting in a favorable variance of $10.3M. The primary drivers continue to be; volume, which remains a strong rebound from the third wave of the pandemic, pent up demand of surgical cases, and continued management of variable expenses

- May volumes and revenues continue to be stronger than budget as demonstrated by:
  - Adjusted discharges were favorable to budget by 387 cases / 13.4% and 814 cases / 33.2% above the same period last year
  - Favorable variance of gross charges of $72.7M was split as follows:
    - Inpatient gross charges: Favorable to budget by $34M / 21% variance primarily driven by surgery, critical care, cath lab, and ancillary services
    - Outpatient gross charges: Favorable to budget by $38.7M / 28% variance primarily driven by surgery, cath. lab, and ancillary services
  - Operating Expenses were unfavorable to budget by $5.5M / 6.5%, primarily due to patient activity, increased use / cost of PPE associated with Covid-19 and other Covid-19 associated expenses
    - SWB were unfavorable by $1.1M / 2%
    - Supplies were unfavorable by $2.5M / 30%
    - All other discretionary non-volume driven expenses were un favorable to budget by $1.9M
    - Additional expenses attributed to Covid-19 were $600K in May and $15.5M YTD
- Non Operating Income includes:
  - Favorable variance of $13.3M primarily due to unrealized gains on investments

Financial Overview: Period 11 – May 2021 (cont.)

Period ending 5/31/2021

Financial Performance

Hospital Operations:

- Adjusted Discharges (AD): Favorable to budget by 387 ADs / 13% and above prior year by 814 ADs / 33%:
  - Mountain View: Favorable to budget by 155 ADs / 7% and above prior year by 575 ADs/ 31%
  - Los Gatos: Favorable to budget by 232 ADs / 41% and above prior year by 239 ADs / 42%
- Operating Expense Per CMI Adjusted Discharge: $15,165 which is 13.4% favorable to budget

Note: Excludes depreciation and interest

El Camino Health Medical Network (ECHMN) Operations:

- May's total visits of 26,724 down from the prior month's 33,240 visits, driven primarily by a decrease in COVID vaccination visits (8,533 in May vs 13,295 in April)
- Net Income was favorable to budget by $36K in May and $519K favorable to May of 2020
- YTD May ECHMN Net Income is unfavorable to budget by $2.2M / 7%, but favorable to prior year by $4.7M / 13%

Financial Overview: YTD FY2021 (as of 5/31/2021)

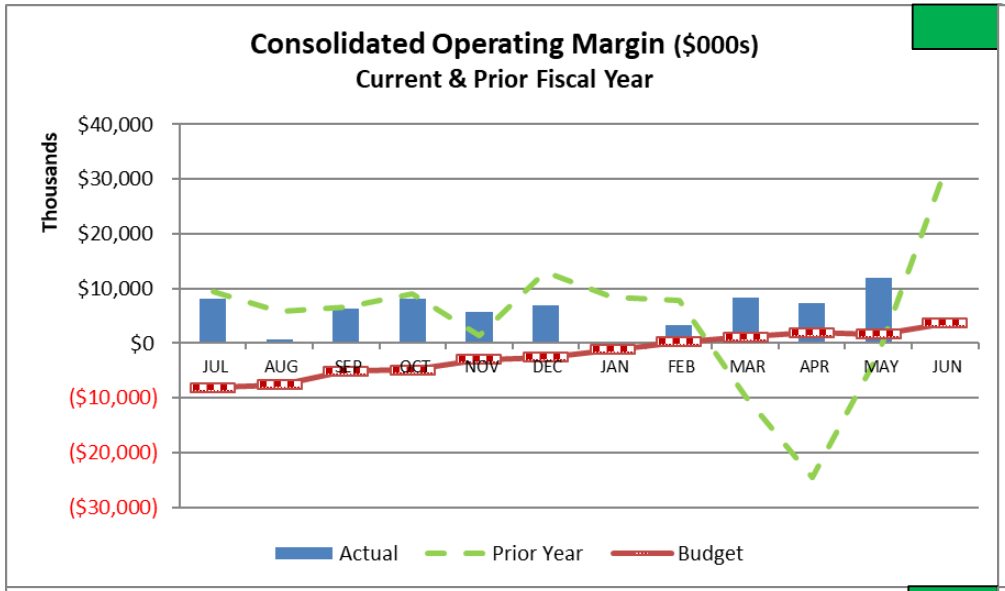
Consolidated Financial Performance

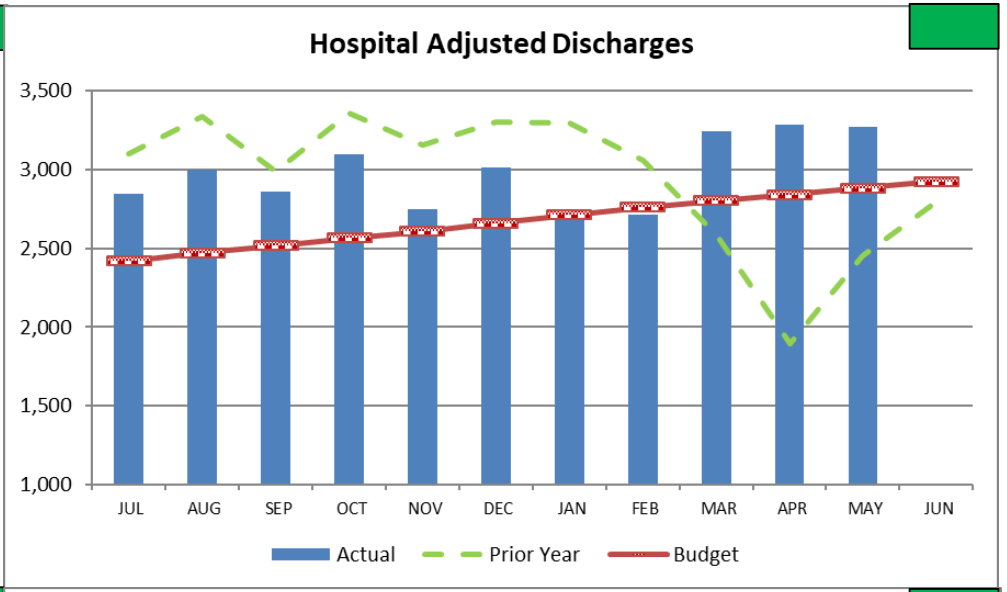
- YTD FY2021 net operating margin of $66.6M compared to the budget of -$27.4M
- Year-over-year operating margin is $41.3M higher than the same period last year, which is primarily due to the initial significant Covid-19 impact in FY20
- Strong volume recovery from the first waves of Covid-19, continues to be the primary driver of favorable performance to budget
  - Adjusted discharges are 3,555 /12% favorable to budget and 286 / 1% higher than the same period last year
- Operating expenses are $84.0M / 9.5% unfavorable to budget
  - Unfavorability driven higher than budgeted volumes and expenses associated with Covid-19 pandemic
  - Operating expense per CMI adjusted discharge of $16.876 is 8% favorable to budget which demonstrates consistent management of variable expenses

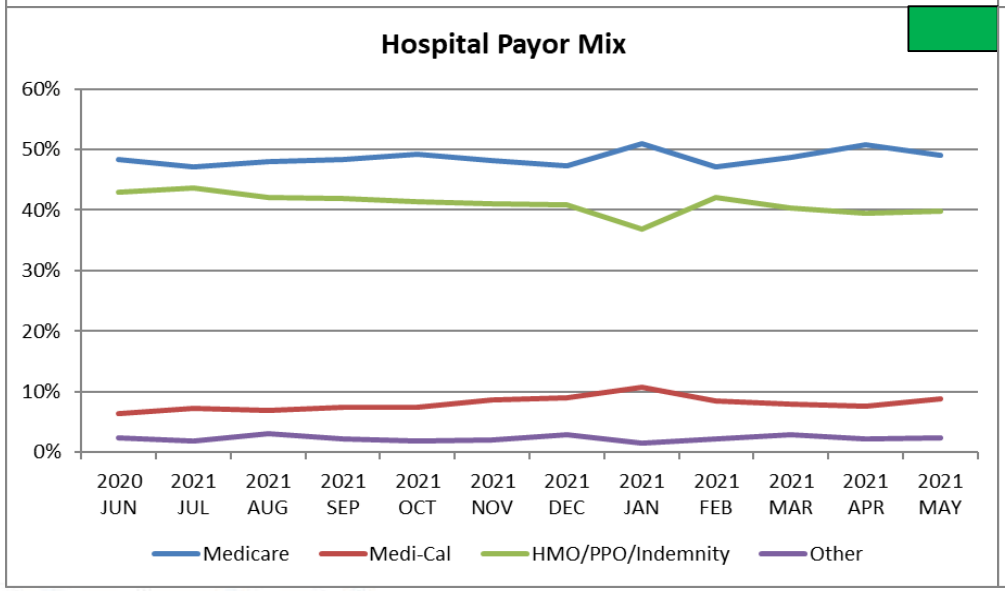
Note: Excludes depreciation and interest expense

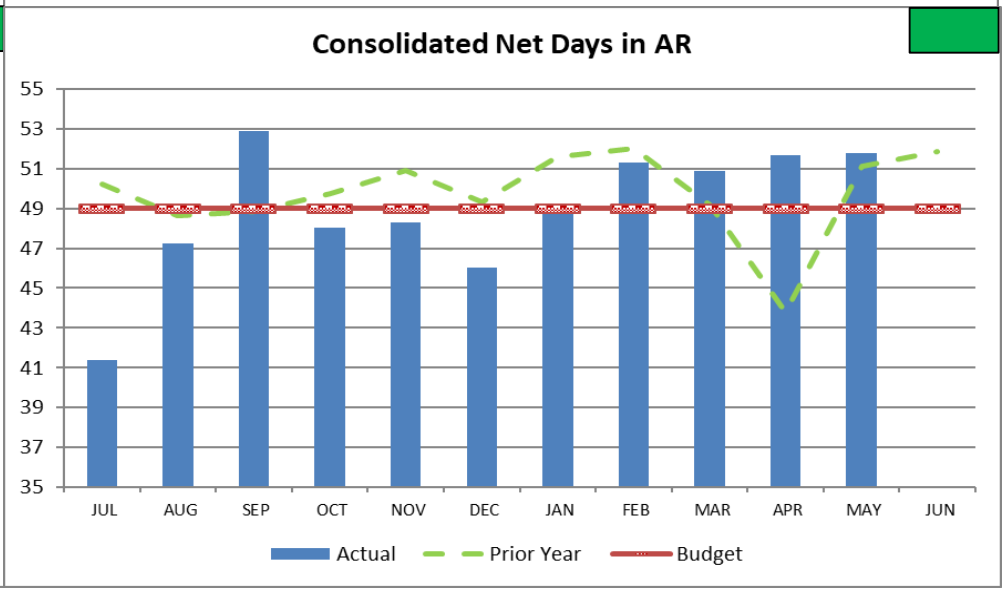
APPENDIX

YTD FY2021 Financial KPIs – Monthly Trends









El Camino Health

Investment Scorecard (as of 3/31/2021)

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY21 Budget	Expectation Per Asset Allocation
Investment Performance		CY 1Q 2021 / FY 3Q 2021		Fiscal Year-to-Date 2021		8y 5m Since Inception (annualized)		FY 2021	2019
Surplus cash balance*		$1,326.9	--	--	--	--	--	--	--
Surplus cash return		1.7%	1.6%	15.1%	14.2%	6.7%	6.5%	4.0%	5.6%
Cash balance plan balance (millions)		$344.0	--	--	--	--	--	--	--
Cash balance plan return		2.0%	2.3%	19.6%	17.1%	8.9%	8.0%	6.0%	6.0%
403(b) plan balance (millions)		$689.6	--	--	--	--	--	--	--
Risk vs. Return		3-year				8y 5m Since Inception (annualized)			2019
Surplus cash Sharpe ratio		0.78	0.79	--	--	0.94	0.94	--	0.34
Net of fee return		8.4%	8.2%	--	--	6.7%	6.5%	--	5.6%
Standard deviation		8.8%	8.4%	--	--	6.2%	6.0%	--	8.7%
Cash balance Sharpe ratio		0.80	0.77	--	--	1.01	0.98	--	0.32
Net of fee return		10.4%	9.1%	--	--	8.9%	8.0%	--	6.0%
Standard deviation		11.2%	10.0%	--	--	8.0%	7.3%	--	10.3%
Asset Allocation		CY 1Q 2021 / FY 3Q 2021							
Surplus cash absolute variances to target		12.3%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target		10.6%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Manager Compliance		CY 1Q 2021 / FY 3Q 2021							
Surplus cash manager flags		17	< 24 Green < 30 Yellow	--	--	--	--	--	--
Cash balance plan manager flags		20	< 27 Green < 34 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~$9 mm), District assets (~$42 mm), and balance sheet cash not in investable portfolio ($200 mm). Includes Foundation (~$40 mm) and Concern (~$14 mm) assets.

El Camino Health

Consolidated Balance Sheet (as of 05/31/2021)

($000s)

ASSETS

CURRENT ASSETS	May 31, 2021	Audited June 30, 2020
Cash	124,049	228,464
Short Term Investments	296,066	221,604
Patient Accounts Receivable, net	161,773	128,564
Other Accounts and Notes Receivable	3,744	13,811
Intercompany Receivables	20,565	72,592
Inventories and Prepaids	23,528	101,267
Total Current Assets	**629,725**	**766,303**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	19,868	15,364
Plant & Equipment Fund	245,596	166,859
Women's Hospital Expansion	30,401	22,563
Operational Reserve Fund	123,838	148,917
Community Benefit Fund	19,683	17,916
Workers Compensation Reserve Fund	16,482	16,482
Postretirement Health/Life Reserve Fund	31,728	30,731
PTO Liability Fund	32,007	27,515
Malpractice Reserve Fund	1,964	1,919
Catastrophic Reserves Fund	25,249	17,667
Total Board Designated Assets	**546,815**	**465,933**
FUNDS HELD BY TRUSTEE	**7,083**	**23,478**
LONG TERM INVESTMENTS	**585,321**	**372,175**
CHARITABLE GIFT ANNUITY INVESTMENTS	**734**	**680**
INVESTMENTS IN AFFILIATES	**33,928**	**29,065**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,785,242	1,342,012
Less: Accumulated Depreciation	(737,181)	(676,535)
Construction in Progress	101,904	489,848
Property, Plant & Equipment - Net	**1,149,965**	**1,155,326**
DEFERRED OUTFLOWS	21,175	21,416
RESTRICTED ASSETS	29,241	28,547
OTHER ASSETS	87,530	3,231
TOTAL ASSETS	**3,091,517**	**2,866,153**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	May 31, 2021	Audited June 30, 2020
Accounts Payable	24,350	35,323
Salaries and Related Liabilities	47,147	35,209
Accrued PTO	32,725	28,124
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	12,077	10,956
Intercompany Payables	20,582	70,292
Malpractice Reserves	1,565	1,560
Bonds Payable - Current	9,430	9,020
Bond Interest Payable	6,634	8,463
Other Liabilities	11,279	3,222
Total Current Liabilities	**168,091**	**204,469**
LONG TERM LIABILITIES		
Post Retirement Benefits	31,728	30,731
Worker's Comp Reserve	16,482	16,482
Other L/T Obligation (Asbestos)	6,294	4,094
Bond Payable	484,373	513,602
Total Long Term Liabilities	**538,876**	**564,908**
DEFERRED REVENUE-UNRESTRICTED	**72,199**	**77,133**
DEFERRED INFLOW OF RESOURCES	**28,009**	**30,700**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,059,433	1,771,854
Board Designated	193,881	188,457
Restricted	31,027	28,631
Total Fund Bal & Capital Accts	**2,284,342**	**1,988,942**
TOTAL LIABILITIES AND FUND BALANCE	**3,091,517**	**2,866,153**

El Camino Health

Period 11 and YTD Operating Income, Non-Operating Income and Net Income by Affiliate (as of 5/31/2021)

($000s)

	Period 11- Month			Period 11- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Operating Margin						
Mountain View	13,283	3,125	10,158	71,298	(9,770)	81,068
Los Gatos	1,410	1,427	(17)	29,950	16,177	13,773
Sub Total - El Camino Hospital, excl. Afflilates	**14,694**	**4,552**	**10,142**	**101,248**	**6,407**	**94,841**
Operating Margin %	**15.4%**	**5.7%**		**10.3%**	**0.8%**	
El Camino Hospital Non Operating Income						
Sub Total - Non Operating Income	**15,649**	**3,028**	**12,621**	**212,390**	**28,829**	**183,560**
El Camino Hospital Net Margin	**30,343**	**7,580**	**22,763**	**313,637**	**35,236**	**278,401**
ECH Net Margin %	**31.7%**	**9.6%**		**31.9%**	**4.4%**	
Concern	(79)	26	(104)	395	333	62
ECSC	0	0	0	(3)	0	(3)
Foundation	808	(104)	911	6,157	(189)	6,346
El Camino Health Medical Network	(2,484)	(2,521)	36	(32,808)	(30,578)	(2,231)
Net Margin Hospital Affiliates	**(1,755)**	**(2,599)**	**843**	**(26,259)**	**(30,434)**	**4,175**
Total Net Margin Hospital & Affiliates	**28,588**	**4,981**	**23,606**	**287,378**	**4,802**	**282,577**

Consolidated Statement of Operations *($000s)*

Period 11 ending 05/31/2021

Period 11 FY 2020	Period 11 FY 2021	Period 11 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
253,514	381,888	309,389	72,498	23.4%	**Gross Revenue**	3,339,949	3,901,178	3,112,958	788,220	25.3%
(182,584)	(286,346)	(228,686)	(57,660)	(25.2%)	**Deductions**	(2,457,998)	(2,905,506)	(2,301,893)	(603,612)	(26.2%)
70,930	**95,542**	**80,704**	**14,838**	**18.4%**	**Net Patient Revenue**	**881,951**	**995,673**	**811,065**	**184,608**	**22.8%**
3,550	5,385	4,497	888	19.7%	**Other Operating Revenue**	47,770	43,725	50,394	(6,669)	(13.2%)
74,480	**100,927**	**85,201**	**15,726**	**18.5%**	**Total Operating Revenues**	**929,721**	**1,039,398**	**861,459**	**177,939**	**20.7%**
					OPERATING EXPENSE					
45,971	48,138	47,030	(1,108)	(2.4%)	**Salaries & Wages**	507,895	540,369	493,155	(47,214)	(9.6%)
9,881	15,241	11,871	(3,370)	(28.4%)	**Supplies**	141,079	156,558	123,638	(32,920)	(26.6%)
12,870	15,923	14,568	(1,354)	(9.3%)	**Fees & Purchased Services**	157,055	160,931	158,588	(2,343)	(1.5%)
3,203	3,496	3,649	154	4.2%	**Other Operating Expense**	40,767	38,620	40,307	1,687	4.2%
1,419	1,400	916	(485)	(53.0%)	**Interest**	8,050	15,592	10,142	(5,450)	(53.7%)
3,122	4,808	5,519	711	12.9%	**Depreciation**	49,554	60,746	62,998	2,252	3.6%
76,465	**89,006**	**83,553**	**(5,453)**	**(6.5%)**	**Total Operating Expenses**	**904,399**	**972,817**	**888,828**	**(83,989)**	**(9.4%)**
(1,985)	**11,921**	**1,648**	**10,273**	**623.5%**	**Net Operating Margin**	**25,321**	**66,580**	**(27,369)**	**93,950**	**(343.3%)**
24,966	16,666	3,334	13,333	399.9%	**Non Operating Income**	33,281	220,798	32,171	188,627	586.3%
22,981	**28,588**	**4,981**	**23,606**	**473.9%**	**Net Margin**	**58,603**	**287,378**	**4,802**	**282,577**	**5884.6%**
2,556	**18,130**	**8,082**	**10,047**	**124.3%**	**Operating EBIDA**	**82,925**	**142,919**	**45,771**	**97,148**	212.2%
3.4%	18.0%	9.5%	8.5%		**Operating EBIDA Margin**	8.9%	13.8%	5.3%	8.4%	
-2.7%	11.8%	1.9%	9.9%		**Operating Margin**	2.7%	6.4%	-3.2%	9.6%	
30.9%	28.3%	5.8%	22.5%		**Net Margin**	6.3%	27.6%	0.6%	27.1%	

El Camino Health

El Camino Hospital – Mountain View
Statement of Operations *($000s)*

Period 11 ending 05/31/2021

Period 11 FY 2020	Period 11 FY 2021	Period 11 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
192,753	285,630	240,907	44,722	18.6%	**Gross Revenue**	2,646,735	2,971,653	2,383,534	588,119	24.7%
(137,874)	(211,919)	(178,426)	(33,493)	(18.8%)	**Deductions**	(1,941,463)	(2,209,248)	(1,765,632)	(443,616)	(25.1%)
54,879	**73,710**	**62,481**	**11,229**	**18.0%**	**Net Patient Revenue**	**705,272**	**762,406**	**617,902**	**144,504**	**23.4%**
1,318	3,335	1,610	1,725	107.1%	**Other Operating Revenue**	17,911	18,200	18,441	(241)	(1.3%)
56,196	**77,045**	**64,091**	**12,954**	**20.2%**	**Total Operating Revenues**	**723,183**	**780,606**	**636,343**	**144,263**	**22.7%**
					OPERATING EXPENSES					
36,161	37,319	37,559	240	0.6%	**Salaries & Wages**	402,276	425,133	391,249	(33,884)	(8.7%)
7,656	10,786	9,032	(1,755)	(19.4%)	**Supplies**	112,201	116,815	92,857	(23,958)	(25.8%)
5,790	8,421	6,727	(1,695)	(25.2%)	**Fees & Purchased Services**	77,063	79,309	74,441	(4,869)	(6.5%)
2,168	2,228	2,280	52	2.3%	**Other Operating Expense**	28,430	24,622	26,387	1,765	6.7%
1,419	1,400	916	(485)	(53.0%)	**Interest**	8,050	15,592	10,142	(5,450)	(53.7%)
2,962	3,607	4,453	847	19.0%	**Depreciation**	38,842	47,837	51,039	3,201	6.3%
56,157	**63,762**	**60,966**	**(2,796)**	**(4.6%)**	**Total Operating Expenses**	**666,862**	**709,308**	**646,114**	**(63,195)**	**(9.8%)**
40	**13,283**	**3,125**	**10,158**	**325.1%**	**Net Operating Margin**	**56,321**	**71,298**	**(9,770)**	**81,068**	**(829.7%)**
23,713	15,649	3,028	12,621	416.8%	**Non Operating Income**	28,391	212,390	28,829	183,560	636.7%
23,753	**28,933**	**6,153**	**22,779**	**370.2%**	**Net Margin**	**84,713**	**283,687**	**19,059**	**264,628**	1388.5%
4,420	**18,290**	**8,494**	**9,797**	**115.3%**	**Operating EBIDA**	**103,213**	**134,727**	**51,411**	**83,317**	162.1%
7.9%	23.7%	13.3%	10.5%		**Operating EBIDA Margin**	14.3%	17.3%	8.1%	9.2%	
0.1%	17.2%	4.9%	12.4%		**Operating Margin**	7.8%	9.1%	-1.5%	10.7%	
42.3%	37.6%	9.6%	28.0%		**Net Margin**	11.7%	36.3%	3.0%	33.3%	

El Camino Health

El Camino Hospital – Los Gatos
Statement of Operations *($000s)*
Period 11 ending 05/31/2021

Period 11 FY 2020	Period 11 FY 2021	Period 11 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
54,346	86,414	58,362	28,052	48.1%	**Gross Revenue**	617,160	830,154	630,070	200,084	31.8%
(40,479)	(68,064)	(43,453)	(24,611)	(56.6%)	**Deductions**	(462,334)	(629,967)	(469,336)	(160,632)	(34.2%)
13,867	**18,350**	**14,909**	**3,441**	**23.1%**	**Net Patient Revenue**	**154,826**	**200,187**	**160,734**	**39,452**	**24.5%**
367	276	273	3	1.0%	**Other Operating Revenue**	3,746	3,589	2,988	601	20.1%
14,234	**18,626**	**15,182**	**3,444**	**22.7%**	**Total Operating Revenue**	**158,573**	**203,776**	**163,722**	**40,053**	**24.5%**
					OPERATING EXPENSE					
7,924	8,624	7,327	(1,297)	(17.7%)	**Salaries & Wages**	82,266	92,030	78,446	(13,584)	(17.3%)
1,934	4,154	2,411	(1,743)	(72.3%)	**Supplies**	24,306	35,019	25,962	(9,057)	(34.9%)
2,883	3,123	2,678	(445)	(16.6%)	**Fees & Purchased Services**	30,217	32,592	29,352	(3,240)	(11.0%)
272	365	537	171	31.9%	**Other Operating Expense**	3,735	4,150	4,727	576	12.2%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
71	949	802	(147)	(18.3%)	**Depreciation**	8,975	10,035	9,059	(976)	(10.8%)
13,084	**17,216**	**13,755**	**(3,460)**	**(25.2%)**	**Total Operating Expense**	**149,499**	**173,826**	**147,546**	**(26,280)**	**(17.8%)**
1,150	**1,410**	**1,427**	**(17)**	**(1.2%)**	**Net Operating Margin**	**9,074**	**29,950**	**16,177**	**13,773**	**85.1%**
0	0	0	0	0.0%	**Non Operating Income**	0	0	0	0	0.0%
1,150	**1,410**	**1,427**	**(17)**	**(1.2%)**	**Net Margin**	**9,074**	**29,950**	**16,177**	**13,773**	**85.1%**
1,221	**2,360**	**2,229**	**131**	**5.9%**	**Operating EBIDA**	**18,049**	**39,985**	**25,236**	**14,749**	58.4%
8.6%	12.7%	14.7%	(2.0%)		**Operating EBIDA Margin**	11.4%	19.6%	15.4%	4.2%	
8.1%	7.6%	9.4%	(1.8%)		**Operating Margin**	5.7%	14.7%	9.9%	4.8%	
8.1%	7.6%	9.4%	(1.8%)		**Net Margin**	5.7%	14.7%	9.9%	4.8%	

El Camino Health

El Camino Health Medical Network
Statement of Operations *($000s)*
Period 11 ending 05/31/2021

Period 11 FY 2020	Period 11 FY 2021	Period 11 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
6,415	9,844	10,120	(276)	(2.7%)	**Gross Revenue**	76,053	99,371	99,354	17	0.0%
(4,231)	(6,363)	(6,807)	444	6.5%	**Deductions**	(54,201)	(66,291)	(66,925)	635	0.9%
2,185	**3,482**	**3,314**	**168**	**5.1%**	**Net Patient Revenue**	**21,852**	**33,081**	**32,429**	**652**	**2.0%**
1,233	910	1,890	(981)	(51.9%)	**Other Operating Revenue**	18,373	12,858	21,002	(8,144)	(38.8%)
3,418	**4,391**	**5,204**	**(813)**	**(15.6%)**	**Total Operating Revenues**	**40,225**	**45,938**	**53,431**	**(7,493)**	**(14.0%)**
					OPERATING EXPENSES					
1,432	1,754	1,622	(132)	(8.1%)	**Salaries & Wages**	18,334	18,469	17,873	(596)	(3.3%)
288	298	417	119	28.6%	**Supplies**	4,476	4,621	4,697	75	1.6%
3,900	3,750	4,661	911	19.5%	**Fees & Purchased Services**	45,705	43,901	50,138	6,237	12.4%
713	835	764	(71)	(9.3%)	**Other Operating Expense**	7,787	9,251	8,428	(823)	(9.8%)
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
88	239	261	22	8.4%	**Depreciation**	1,710	2,733	2,873	141	4.9%
6,421	**6,876**	**7,725**	**849**	**11.0%**	**Total Operating Expenses**	**78,012**	**78,975**	**84,009**	**5,033**	**6.0%**
(3,003)	**(2,484)**	**(2,521)**	**36**	**(1.4%)**	**Net Operating Margin**	**(37,787)**	**(33,037)**	**(30,578)**	**(2,459)**	**8.0%**
0	0	0	0	0.0%	**Non Operating Income**	292	229	0	229	0.0%
(3,003)	**(2,484)**	**(2,521)**	**36**	**(1.4%)**	**Net Margin**	**(37,495)**	**(32,808)**	**(30,578)**	**(2,231)**	**7.3%**
(2,915)	**(2,245)**	**(2,259)**	**14**	**(0.6%)**	**Operating EBIDA**	**(36,077)**	**(30,304)**	**(27,704)**	**(2,600)**	9.4%
-85.3%	-51.1%	-43.4%	(7.7%)		**Operating EBIDA Margin**	-89.7%	-66.0%	-51.9%	(14.1%)	
-87.9%	-56.6%	-48.4%	(8.1%)		**Operating Margin**	-93.9%	-71.9%	-57.2%	(14.7%)	
-87.9%	-56.6%	-48.4%	(8.1%)		**Net Margin**	-93.2%	-71.4%	-57.2%	(14.2%)	

El Camino Health

El Camino Health

FY2022 Finance Committee Pacing Plan

FY2022 FC Pacing Plan – Q1		
July 2021	**August 9, 2021**	**September 27, 2021**
No Scheduled Finance Committee Meeting	**Approval Items** • Standing Consent Agenda Items • Minutes (motion) • Candidate Interviews and Recommendation to Appoint • Financial Report (FY2021 Periods 11 and 12) **Discussion Items** • Financial Report (Pre-Audit Fiscal Year End 2021 Results) • Service Line / Business Affiliate Review: JV Satellite Healthcare • Update on Kindred IP Rehab JV • Medical Staff Development Plan • Report on Board Actions • Other Standing Agenda Items • Executive Session • Post Implementation Review ("PIR") Per Attached Schedule	**Approval Items** • Standing Consent Agenda Items • Minutes (motion) • Financial Report (FY2022 Periods 1 and 2) • Financial Report Fiscal Year End 2021 Results **Discussion Items** • Service Line / Business Affiliate Review: ECHMN • Progress Against FY2022 Committee Goals & Pacing Plan • Project Update: Women's and Newborn Hospital Project • PIR • Report on Board Actions • Other Standing Agenda Items • Executive Session
FY2022 FC Pacing Plan – Q2		
October 2021	**November 22, 2021**	**December 2021**
No Scheduled Finance Committee Meeting	**Approval Items** • Standing Consent Agenda Items • Minutes (motion) • Financial Report (FY2022 Periods 3 and 4) **Discussion Items** • Service Line Review: Orthopedics • Review Progress on Opportunities / Risks Identified for FY2022 • PIR • Report on Board Actions • Other Standing Agenda Items • Executive Session	**No Scheduled Finance Committee Meeting**

Updated 8/3/21

El Camino Health

FY2022 Finance Committee Pacing Plan

FY2022 FC Pacing Plan – Q2		
January 31, 2022	**February 2022**	**March 28, 2022**
5:30pm **Joint Meeting with the Investment Committee:** **Topic: Long Term Financial Forecast** **6:30pm** **Approval Items** • Standing Consent Agenda Items • Minutes (motion) • Financial Report (FY2022 Periods 5 and 6) **Discussion** • Service Line / Business Affiliate Review: Cardiology and ECHMN • Managed Care Update • PIR • MV Campus Completion Plan • Report on Board Actions • Other Standing Agenda Items • Executive Session	**No Scheduled Finance Committee Meeting**	**Approval Items** • Standing Consent Agenda Items • Minutes (motion) • Financial Report (FY2022 Periods 7 and 8) **Discussion Items** • FY2023 Budget Part # 1 Process and Assumptions • Service Line Review: CONCERN • Community Benefit Grant Program Update • Review Cycle Progress Report • Summary Physician Financial Arrangements (Year-End) • FY2023 Committee Planning: Goals, Pacing Plan and Meeting Dates • PIR • Report on Board Actions • Other Standing Agenda Items • Executive Session
FY2022 FC Pacing Plan – Q4		
April 25, 2022	**May 30, 2022**	**June 2022**
Approval Items • Standing Consent Agenda Items • Minutes (motion) • Financial Report (FY2022 Period 9) **Discussion Items** • FY2023 Budget Preview Part 2 • Service Line Report – ECHMN • Progress Against FY2022 Committee Goals & Pacing Plan • FY2023 Committee Planning: Goals, Pacing Plan and Meeting Dates • PIR • Report on Board Actions • Other Standing Agenda Items • Executive Session	**5:30pm** **Joint Meeting with the Hospital Board** **Approval Items: FY2023 Operating & Capital Budget** **6:15pm** **Approval Items** • Financial Report (FY2022 Period 10) • FY2023 Organizational Goals • FY2023 Committee Planning: Goals, Pacing Plan and Meeting Dates • FY2023 El Camino Hospital Community Benefit Grant Program **Discussion Items** • Service Line Report: Pathways JV • PIR • Report on Board Actions • Other Standing Agenda Items • Executive Session	**No Scheduled Finance Committee Meeting**

Updated 8/3/21

El Camino Health

FY2022 Finance Committee Pacing Plan

Last 30 Months Capital Project Approvals

January 2019 – June 2021

APPROVAL DATE	APPROVING BODY	PROJECT NAME	APPROVED AMOUNT	PROPOSED FC POST-IMPLEMENTATION REVIEW DATE
2/13/2019	ECH Board	Women's Hospital Planning	$10M (Total Now $16M)	9/2020
2/13/2019	ECH Board	SVMD Clinic Site Tenant Improvements	$8M	9/2020
2/13/2019	ECH Board	Interventional Equipment Replacement	$13M	9/2020
2/13/2019	ECH Board	Imaging Equipment Replacement	$16.9M	9/2020
2/13/2019	ECH Board	SVMD Asset Acquisition	$1.2M	11/2020 (w/SVMD Financials)
3/13/2019				
3/25/2019	Finance Committee	SVMD Clinic IT Infrastructure	$4.6M	11/2020 (w/SVMD Financials)
5/28/2019	Finance Committee	MV Campus Signage	$1.1M	N/A < $2 M
8/21/2019	ECH Board	Medical Staff Development Plan	$6.1M	1/2021
8/21/2019	ECH Board	ED Remodel	$6.75M	1/2021
10/10/2020	ECH Board	MV Campus Completion (Old Main Demo)	$24.9M	3/2021
1/25/2020*	Finance Committee	Satellite Dialysis*	*No approval on /1/25/2020 presented only	7/2021
7/27/2020	Finance Committee	Sterile Processing Equipment	$1.85M	N/A < $2 M
8/12/2020	ECH Board	Radiation Oncology Replacement Equipment	$10,300,000 (add'l $3.55 M)	1/2022
11/23/2020		None		
1/25/2021	Finance Committee	Real Estate Transaction	$1.875M	9/2021
1/25/2021	Finance Committee	Cardiopulmonary Wellness Center (CPWC) Relocation	$5.0M	3/2022
2/10/2021	ECH Board	Women's Hospital Expansion Project	$149M	TBD
3/29/2021		None		
4/26/2021		None		
5/24/2021	Finance Committee	MV Wireless / DAS Network Upgrades	$3.3M	3/2022

Updated 8/3/21

McKinsey & Company

Healthcare Systems and Services Practice

Understanding the hidden costs of COVID-19's potential impact on US healthcare

While the direct impact of COVID-19 has already been substantial, additional layers of delayed or indirect impact have the potential to dwarf the immediate effects. These additional layers of impact related to COVID-19 could result in $125 billion to $200 billion in incremental annual US health system cost.

Erica Hutchins Coe, Kana Enomoto, Patrick Finn, John Stenson, and Kyle Weber

September 2020

COVID-19 has already taken a staggering toll in the United States, with more than 178,000 lives lost as of mid-August 2020.[1] In the coming months, more deaths will undoubtedly occur as a direct result of the virus. However, there will likely be additional layers of delayed or indirect impact that result from deferred or canceled treatment, longer-term and unknown health impacts of those who recover from COVID-19, the physical and behavioral health impact of sheltering in place, and the tertiary health effects stemming from an economic downturn.

In this article, we examine two independent and potential drivers of delayed or indirect impact: exacerbations of certain chronic and episodic conditions that result from deferred or canceled treatment, and new and worsening behavioral health conditions.

The immediate and direct impact of COVID-19

The immediate and direct potential impact of COVID-19 has already resulted in thousands of lives lost and significant incremental cost to the healthcare system. However, as has already been reported,[2,3] a distinct possibility exists that the number of lives lost has been understated. In any given year, the number of people that die in the United States follows a relatively stable curve that varies predictably over the course of the year. In 2020, the United States has deviated noticeably from this curve.

In a typical year, approximately 953,000 Americans would have been expected to die from any cause from March 1 to the end of June. This year, roughly 163,000 "extra deaths" have occurred during this same time period, an increase of 17 percent.[4] While a portion of this excess can be connected to reported COVID-19 fatalities, roughly 35,000 "extra deaths" are unexplained. This gap could be the result of randomness in the data, an unknown source of increased death rate, or deaths that have resulted directly or indirectly from COVID-19 but have not yet been included in official counts because of data lags or underreporting (Exhibit 1).

In addition to the human toll, treating patients with COVID-19 has a financial impact. While the true number of individuals that have contracted COVID-19 is difficult to quantify given certain limitations in testing, the number of people seeking treatment for COVID-19 is better understood. Of individuals seeking care, roughly 76 percent receive testing and basic treatment or services. Seventeen percent are hospitalized with mild to moderate conditions. The remaining 7 percent are treated for severe conditions.[5] For every million people that seek treatment, the US health system will incur roughly $5.3 billion in direct cost (Exhibit 2).[6]

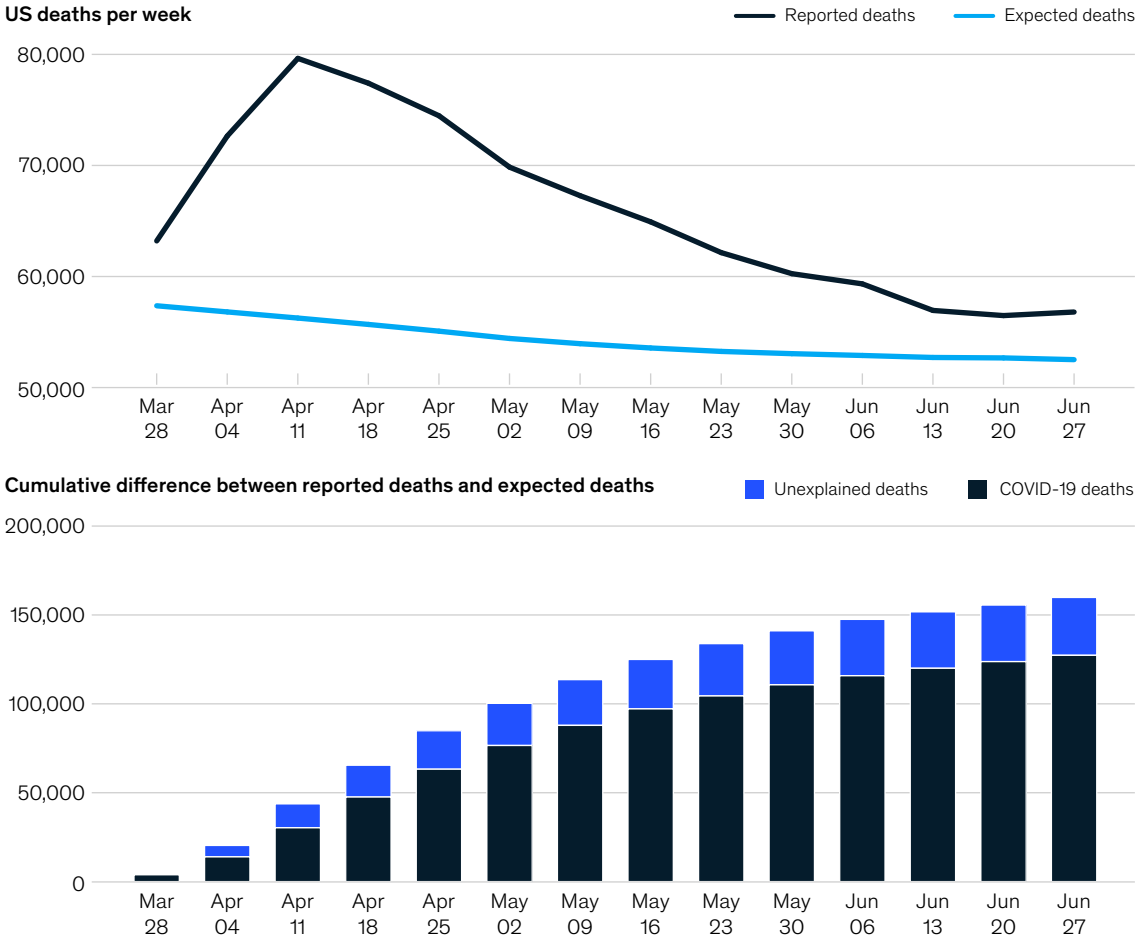
The impact of deferred or canceled treatment on chronic and episodic conditions

Once the immediate and direct impact of COVID-19 in a particular geography has passed, the effects from deferred care will likely create new challenges for individuals and the healthcare system that could increase annual costs in the United States between $30 billion and $65 billion.[7] In a recent McKinsey Consumer Healthcare Insights

1 Coronavirus Resource Center, "COVID-19 Dashboard by the Center for Systems Science and Engineering at Johns Hopkins University," Johns Hopkins University, 2020, coronavirus.jhu.edu.
2 Wu J et al., "60,000 missing deaths: Tracking the true toll of the coronavirus outbreak," *New York Times*, May 6, 2020, nytimes.com.
3 Brown E, Tran A, and Thebault R, "Excess U.S. deaths hit estimated 37,100 in pandemic's early days, far more than previously known," *Washington Post*, May 2, 2020, washingtonpost.com.
4 National Center for Health Statistics, "Excess deaths associated with COVID-19," Centers for Disease Control and Prevention, updated August 5, 2020, cdc.gov.
5 National Center for Immunization and Respiratory Diseases, "Coronavirus disease 2019 (COVID-19)," Centers for Disease Control and Prevention, updated July 31, 2020, cdc.gov.
6 This calculation reflects the direct reimbursable costs incurred by providers and health systems. It does not include additional costs incurred by providers and health systems to respond to COVID-19 (for example, investments in reconfiguring facilities).
7 The increase in costs in the United States of $30 billion to $65 billion does not take into account the reduction in costs that has resulted from decrease in utilization while care was being delayed or canceled.

Exhibit 1

Unexplained deaths have continued to rise through May and June.



Source: Centers for Disease Control and Prevention

Exhibit 2

Of individuals seeking care for COVID-19, roughly 76% receive testing and basic treatment or services.

Category	Percent who seek treatment	Cost per individual, $	Cost per 1 million that seek treatment, $
Basic services	76	~250	~0.2 billion
Mild and moderate conditions	17	~15,000	~2.5 billion
Severe	7	~34,000	~2.6 billion
Total	**100**		**~5.3 billion**

Source: Centers for Disease Control and Prevention

survey,[8] 40 percent of individuals stated they have canceled upcoming appointments (for example, routine checkups, treatment for chronic conditions) and an additional 12 percent reported that they needed care but have not scheduled or received care (Exhibit 3). Furthermore, physicians may anticipate that capacity at health systems could be constrained in the future as a result of incoming COVID-19 patients and therefore may elect to defer commencing treatment because of legitimate concerns that a treatment regimen may need to be discontinued. For patients with chronic and episodic conditions, this delay could lead to harmful exacerbations of their conditions.

The impact of deferred care across different conditions will likely vary. For example, a patient with diabetes may rely more heavily on prescription medication. A cancer patient, however, may need to receive chemotherapy or radiation treatment at an acute care facility while also being immunocompromised. Even small delays or variations in oncology or radiation treatment regimens could impact the outcome of the cancer, yet patients must balance that with concerns of contracting COVID-19. Ultimately the impact on patients is expected to depend on the likelihood that treatment is canceled or delayed and how much a cancellation or delay could exacerbate a condition (Exhibit 4).

If the impact of delayed or canceled treatments is extrapolated across the types of common conditions, it becomes clear that the resulting cost to the health system could be substantial. For example, the average cost of treating a patient with chronic obstructive pulmonary disease has the potential to increase by between 7 and 11 percent, going

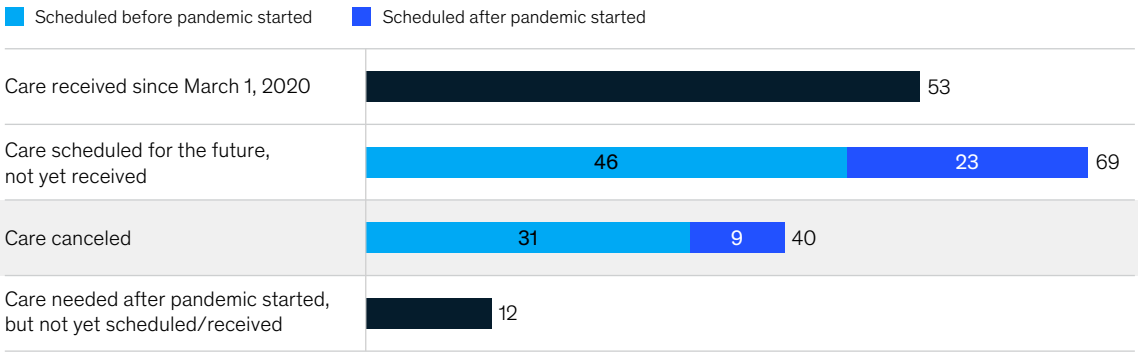
[8] Cordina J, Stein G, and Levin E, "Helping US healthcare stakeholders understand the human side of the COVID-19 crisis: McKinsey Consumer Healthcare Insights," July 27, 2020, McKinsey.com.

Exhibit 3

Cancellations or intent to cancel upcoming healthcare appointments.

Breakdown of respondents' receiving, scheduling, and canceling care

Percent of respondents that reported that status (n = 1,297)



Questions asked:
Care type 1: Which, if any, of the following types of care have you received since March 1, 2020?
Care type 2: For which, if any, of the following types of care do you have an appointment scheduled in the future that you plan to keep and are not considering canceling?
APPT1_CV: For each of the following types of care below for appointments you scheduled in the future that you plan to keep and are not considering canceling, indicate when you first decided to seek care for the medical condition you experienced.
S19_NEW: As a result of the coronavirus/COVID-19, have you had appointments canceled or do you anticipate a cancellation of any upcoming appointments with a doctor, mental health, or other medical professional?
APPT1_CV2: For each of the following types of care below, indicate when you first decided to seek care for the medical condition you experienced.
S23: Since the coronavirus/COVID-19 pandemic began (March 1, 2020), have you developed any new medical conditions or symptoms for which you would ordinarily seek treatment by visiting a medical professional in person but decided to not get or postpone getting care?
QCARETYPE1: Which, if any, of the following types of care have you received since March 1, 2020?

Source: McKinsey COVID-19 consumer survey, June 8, 2020

from approximately $38,000 per patient per year to approximately $41,000 per patient per year (Exhibit 5). This increase in cost is largely driven by an expected increase in the severity of a patient's symptoms due to care deferral. A different story emerges for patients with diabetes, where the impact could be relatively modest: the average cost of treating a patient has the potential to increase by just 1 to 4 percent. This relatively low impact is projected because of enhanced ability to manage diabetes costs using pharmaceutical and lifestyle interventions.

The long-term impact of behavioral health exacerbations

Longer-term effects of COVID-19 are already beginning to emerge: the behavioral health toll of anxiety and depression related to the virus itself, the extended lockdown, and the ensuing economic downturn. Additionally, the rates of anxiety and depression for all populations have continued to rise since early June, reaching all-time highs from July 16–21, with Latinx, Asian, Black, and multi-racial groups expressing higher levels of symptoms than

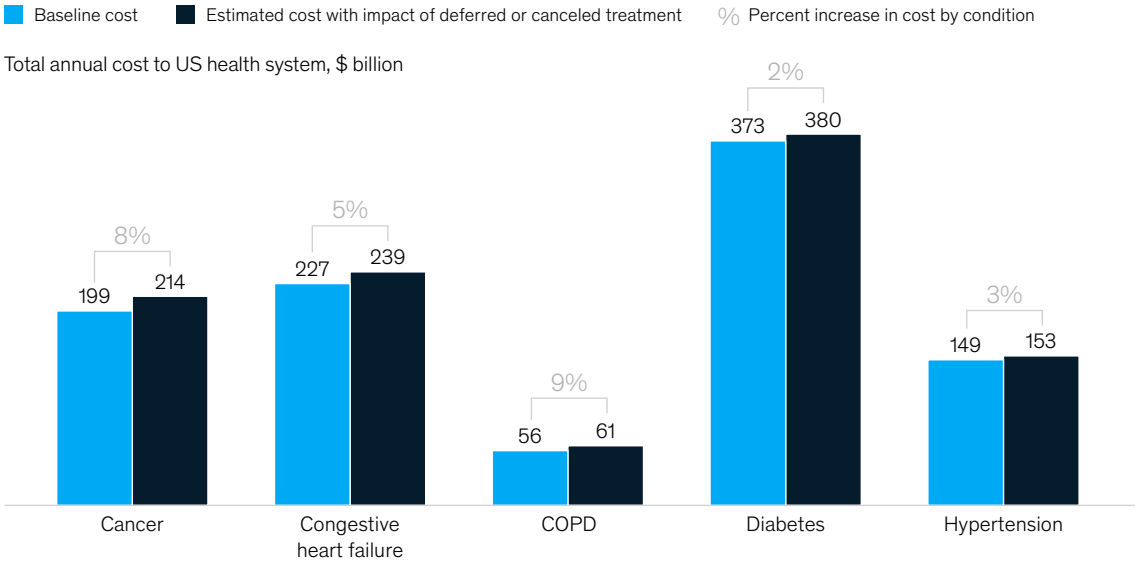
Exhibit 4

The qualitative impact of deferred or canceled treatment on total US spend by condition type varies in severity.

Condition	Likelihood of delaying or canceling treatment	Consequences of delaying or canceling treatment	Total impact
Cancer	Low	Very high	High
Congestive heart failure	Medium	High	Medium
Chronic obstructive pulmonary disease	Medium	High	High
Diabetes	Low	Medium	Low
Hypertension	Low	Medium	Low

Exhibit 5

Deferred treatment for COPD could make the condition 9% costlier to treat.



COPD, chronic obstructive pulmonary disease.

Source: Centers for Disease Control and Prevention

non-Hispanic whites, according to the Census Bureau and the Centers for Disease Control and Prevention's National Center for Health Statistics.[9]

This culminating impact is likely to extend far beyond that of the acute effects of COVID-19-related hospital and other medical care. In addition to significantly more people reporting symptoms of depression and anxiety, data also indicate higher rates of binge drinking and insomnia with a large pharmacy benefit management organization reporting a 21 percent increase in prescriptions for medications to treat depression, anxiety, and insomnia.[10,11,12] COVID-19 has not only interrupted the treatment of people already managing mental or substance use disorders, but also placed broader segments of the population at risk for developing conditions such as depression, anxiety, alcohol use disorder, and post-traumatic stress disorder (PTSD).

This surge of people experiencing acute behavioral health problems—both those with new symptoms and those with existing conditions—has the potential to further impact the healthcare system for years to come. Analysis shows that people with behavioral health diagnoses have around four times the average healthcare spending of those without, due to factors such as medical complications, reduced access to preventive care, and challenges with illness management. Although this analysis is a correlation and does not imply causation, individuals with behavioral health conditions consistently have higher spending for physical healthcare than individuals without behavioral health conditions (Exhibit 6).

While national events such as Hurricane Katrina or the Great Recession provide some sense of the long-term impact of traumatic stress on behavioral health, COVID-19 is in its own category. Across different segments of the population (for example, frontline healthcare workers, people who become unemployed), the likelihood of developing a mental or substance use disorder could be influenced by current or past traumatic stress exposure as well as by preexisting health and social vulnerability. Taking these factors into consideration, along with analysis of studies of the behavioral health impact from natural disasters, quarantines, and economic downturns, we estimate that some 35 million people could develop a new behavioral health condition due to the COVID-19 pandemic (Exhibit 7).

This estimate is conservative and does not include the disproportionate impact of COVID-19 on already vulnerable or at-risk populations, areas with concentrated pandemic impact may see even higher rates of behavioral health need. For example, 35 percent of US deaths to COVID-19 have occurred in long-term care facilities.[13] While data on race and ethnicity

9 National Center for Health Statistics, "Mental health: Household Pulse Survey," Centers for Disease Control and Prevention, reviewed July 29, 2020, cdc.com.
10 Coe E and Enomoto K, "Returning to resilience: The impact of COVID-19 on mental health and substance use," April 2, 2020, McKinsey.com.
11 National Center for Health Statistics, "Mental health: Household Pulse Survey," Centers for Disease Control and Prevention, reviewed July 29, 2020, cdc.com.
12 "America's state of mind report," Express Scripts, April 16, 2020, express-scripts.com.
13 National Center for Immunization and Respiratory Diseases, "Preparing for COVID-19 in nursing homes," Centers for Disease Control and Prevention, updated June 25, 2020, cdc.com.

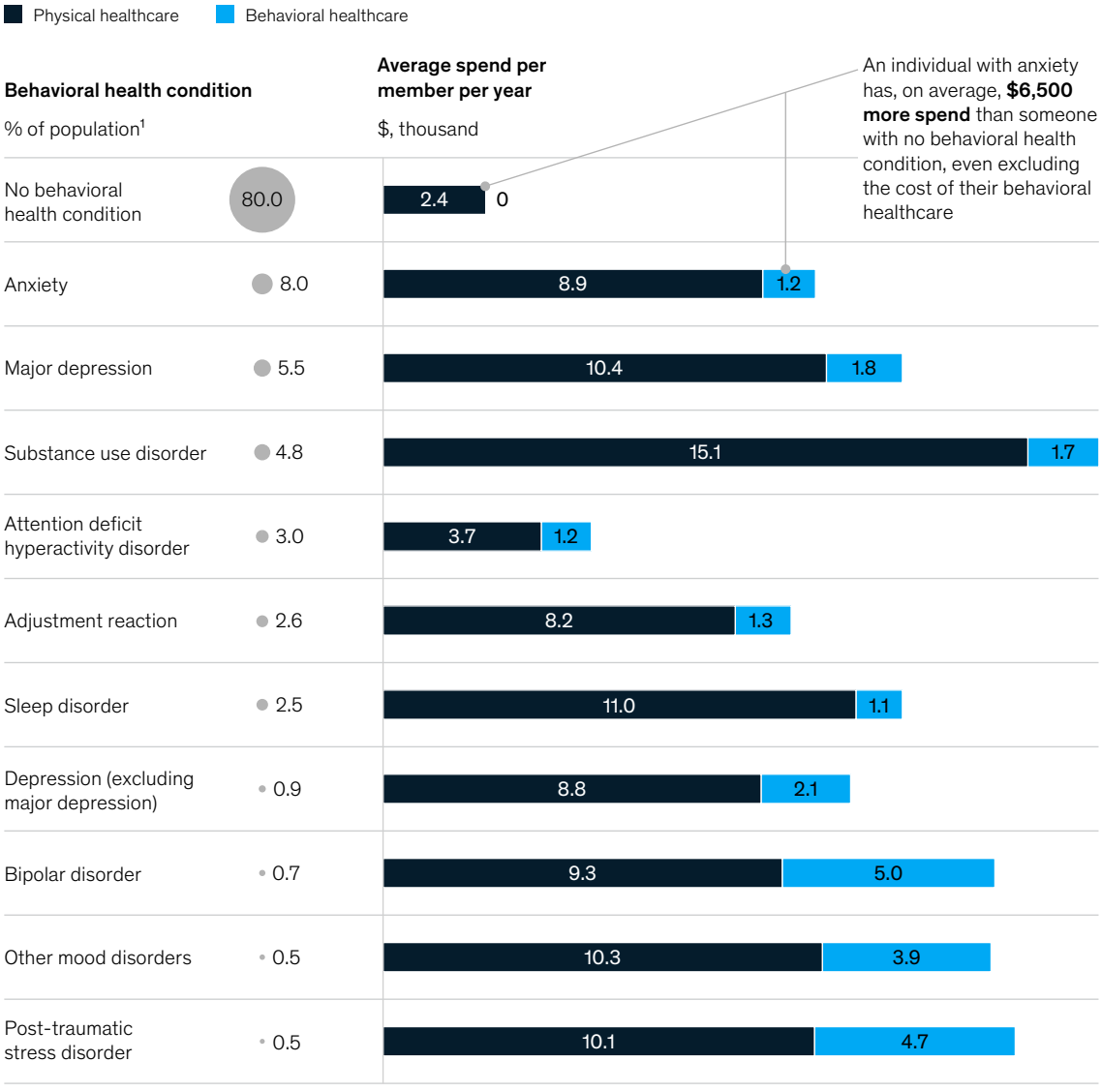
This surge of people experiencing acute behavioral health problems...has the potential to further impact the healthcare system for years to come.

are not yet complete, early studies indicate dramatic disparities in mortality relative to white Americans for Black, Latinx, and some Native American populations.[14,15] In addition, there may be adverse impact from other confounding factors, such as natural disasters or civil unrest. Finally, the influence of COVID-19 on the behavioral health of children and adolescents isolated at home for extended periods is not yet known, but questions

[14] National Center for Immunization and Respiratory Diseases, "Health equity considerations and racial and ethnic minority groups," Centers for Disease Control and Prevention, updated July 24, 2020, cdc.com.
[15] "Dikos Ntsaaígíí-19 (COVID-19)," Navajo Department of Health, updated August 06, 2020, ndoh.navajo-nsn.gov.

Exhibit 6

Physical healthcare costs tend to increase when individuals have behavioral healthcare needs.



[1] These percentages are not additive—individuals with more than one behavioral health condition appear in every row for which they qualify. Behavioral health condition includes mental or substance use disorders.

Source: International Business Machines Corporation's Truven MarketScan Commercial Database. Any analysis, interpretation, or conclusion based on these data is solely that of the authors and not International Business Machines Corporation

arise about their educational and social development. Youth in isolation may also face more serious risks of psychological traumatic stress known to lead to negative behavioral and physical health outcomes as an adult.[16]

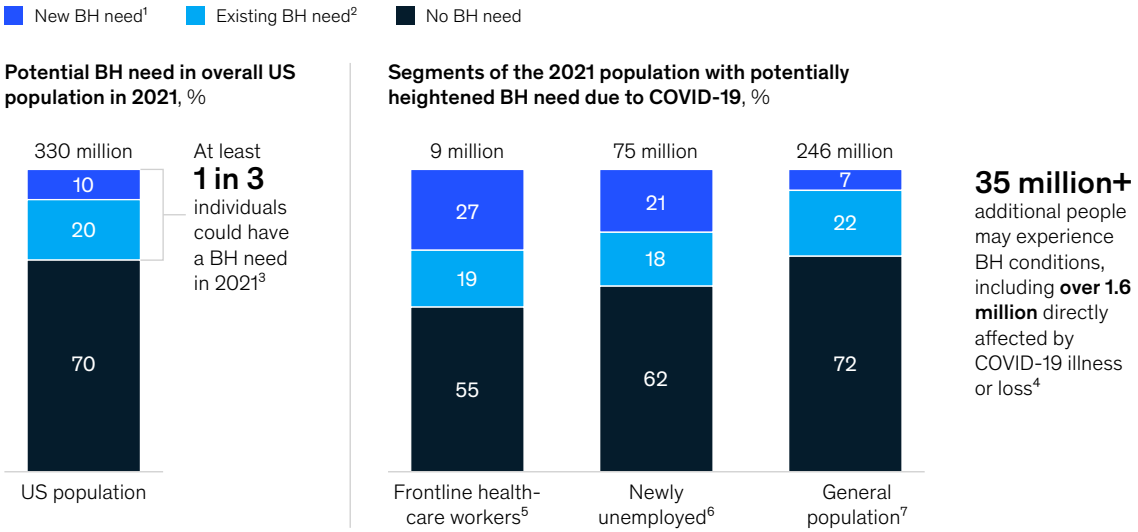
When we extrapolate the known cost impact of having a mental or substance use disorder across this striking increase in the number of people experiencing a behavioral health need, the result is significant: a potential 50 percent increase in the prevalence of behavioral health conditions could lead to $100 billion to $140 billion of additional spend in the first 12 months post-onset of the COVID-19 pandemic (Exhibit 8). (See methodology in the appendix for further detail.)

Finally, it is important to consider that the behavioral health impact of the pandemic is likely to last well beyond 2020. Some conditions, such as sleep–wake disorders, may resolve quickly, but others, such as PTSD, may not even appear until 2021 and may last for a number of years beyond. Unless rapid and far-reaching action is taken to address

[16] Felitti VJ et al., "Relationship of childhood abuse and household dysfunction to many of the leading causes of death in adults: The Adverse Childhood Experiences (ACE) Study," *American Journal of Preventive Medicine*, 1998, Volume 14, Number 4, pp. 245–58, ajpmonline.org.

Exhibit 7

Impact of COVID-19 on behavioral health across different population segments.



BH, behavioral health; PTSD, post-traumatic stress disorder.
Figures may not sum to 100%, because of rounding.

[1] Individuals with new onset of a BH condition (~6% increase in BH population) as a result of experiences related to COVID-19 pandemic (eg, depression, anxiety, PTSD).

[2] Existing BH need extrapolated to total US population based upon Medicare limited data set, blinded state Medicaid data, and Truven Commercial data. Assumes ~51.1 million existing low BH needs and ~1.7 million existing high BH needs.

[3] Likely an underestimate, as current reports of BH need in overall population as high as 25% (see Substance Abuse and Mental Health Services Administration, *Key substance use and mental health indicators in the United States: Results from the 2018 National Survey on Drug Use and Health*, Center for Behavioral Health Statistics and Quality, Substance Abuse and Mental Health Services Administration, August 2019, samhsa.gov). The percentages here are based upon extrapolating BH condition prevalence for populations for whom we have claims data to the general population.

[4] Includes increased BH prevalence (~1.5–1.9X) among those hospitalized due to COVID-19 or those that had a close family member die from COVID-19.

[5] Increase in BH condition prevalence (~1.5–1.9X) among hospital and residential care facility healthcare workers primarily driven by PTSD, anxiety, and depression.

[6] Assumes ~24% unemployment rate in 2021 (total unemployment of ~75 million) due to economic impact of COVID-19 and ~1.3X increase in BH prevalence for this population.

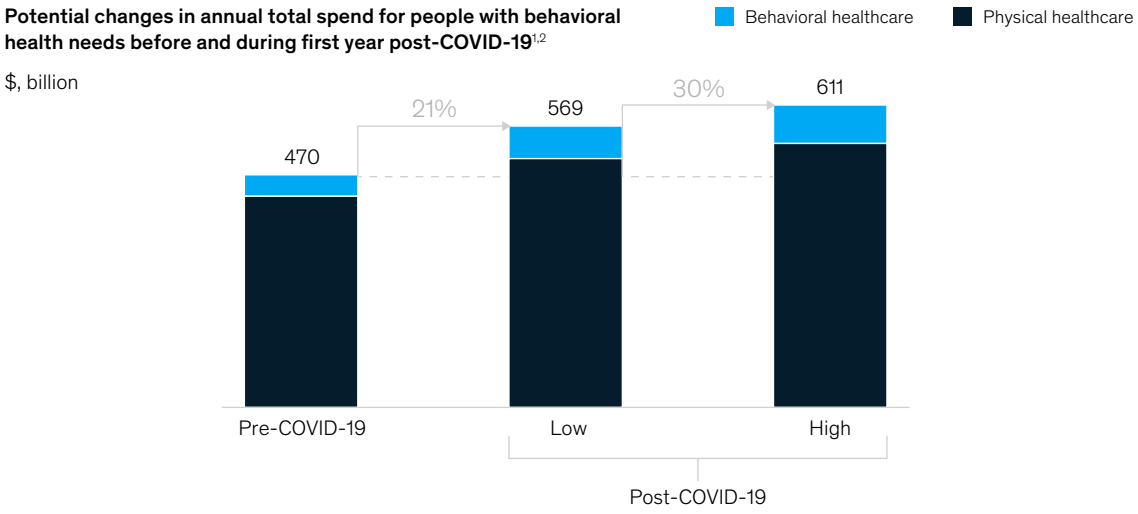
[7] Individuals with existing or new BH needs that are not either newly unemployed or frontline healthcare workers (eg, individuals and families sheltering in place, essential workers).

Source: Analysis includes claims data from the Medicare fee-for-service limited data set from the Centers for Medicare & Medicaid Services, deidentified Medicaid data, and the International Business Machines Corporation's Truven MarketScan Commercial Database. Any analysis, interpretation, or conclusion based on these data is solely that of the authors and not International Business Machines Corporation

Exhibit 8

Current and potential healthcare spending for people with behavioral health conditions is expected to rise.

Potential changes in annual total spend for people with behavioral health needs before and during first year post-COVID-19[1,2]



[1] This does not include Tricare, individual market, or uninsured populations.
[2] Accounts for reduction in spend for people losing employment and not gaining Medicaid coverage.

Source: Analysis includes claims data from the Medicare fee-for-service limited data set from the Centers for Medicare & Medicaid Services, deidentified Medicaid data, and the International Business Machines Corporation's Truven MarketScan Commercial Database. Any analysis, interpretation, or conclusion based on these data is solely that of the authors and not International Business Machines Corporation

behavioral health at a population level, negative psychological effects of the COVID-19 pandemic, including deaths by overdose and suicide, are likely to persist for more than 24 months, contributing not only to increased healthcare spending but also to substantial economic and social cost.[17]

The direct impact COVID-19 is having on mortality and cost to the healthcare system is significant. For those individuals who have suffered and recovered from this life-threatening condition, the effects of the physical disease may resolve in a matter of weeks. Unfortunately, however, the ripple effects for physical and behavioral health will continue long after the immediate crisis has subsided. Healthcare organizations and leaders can consider taking action now to understand, quantify, and prepare for these additional layers of impact to support their members, patients, own employees, and the broader communities they serve. Specifically, organizations may consider the following steps:

- Developing virtual health offerings and capabilities beyond the traditional "tele-urgent" that are better able to care for chronic patients
- Increasing virtual, remote, and home health capacity to treat patients with chronic or episodic conditions
- Developing an approach (often involving collaboration between payers and providers) for prioritizing high-risk individuals to traditional facilities deemed safe and appropriate

[17] Spending estimates shown here account for growth in US unemployment from 20 to 25 percent and a migration to Medicaid of roughly 11 million to 14 million new members. Estimates of behavioral health (BH) service utilization were based on findings from the disaster literature or current population rates (for example, one out of nine people with a substance use disorder or two out of three people with depression). Time horizon for service utilization was also drawn from longitudinal studies of 9/11, the Great Recession, and the Deepwater Horizon Gulf Oil Spill of 2010, which showed that these kinds of stresses and BH service utilization as well as adverse outcomes such as suicide can remain elevated for up to three years following the index (disaster) event.

— Strengthening community prevention of behavioral health conditions through risk-stratified crisis counseling support and broader outreach to promote resilience

— Leveraging data and technology through predictive analytics to direct prevention and clinical resources to those most at risk for behavioral health issues and unmet basic needs

— Integrating behavioral and physical health services, including expanding behavioral health capacity through increased behavioral health competency of primary care providers and expanded use of peer counselors, implementing universal screening for mental and substance use disorders, and initiating or accelerating efforts to reduce stigma

Despite a desire to return to "normal" life, COVID-19 will clearly continue to shape a next normal. Healthcare stakeholders may first prioritize addressing urgent cases related to delayed care, such as those with cardiac or oncology conditions. However, a robust framework for addressing behavioral health concerns will be necessary to manage demand on the system, acknowledging that the full healthcare impact of COVID-19 may not be known for years to come.

For questions about the methodology used for the calculations in this article, see the appendix and contact the authors for further detail.

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Appendix

Methodology

Methodology for determining cost increases for direct COVID-19 care spending

The direct COVID-19 care spending estimates provided in this paper are from our analysis of the populations that have sought care. The percentage of patients that fall into each category is based upon the emerging experience of those who directly sought care in the United States. The average cost for those who seek basic services is a national average reimbursement estimate for an average provider encounter that includes diagnostic lab services. The average costs for mild and moderate and intensive services are based upon national average reimbursements for the following Diagnosis Related Groups (DRGs):

— 177 RESPIRATORY INFECTIONS AND INFLAMMATIONS WITH MCC

— 207 RESPIRATORY SYSTEM DIAGNOSIS WITH VENTILATOR SUPPORT >96 HOURS

— 208 RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR SUPPORT ≤96 HOURS

(continued)

Methodology *(continued)*

Methodology for determining cost increases for chronic condition patients

The cost estimates of the impact of care deferral on the cost of chronic care condition patients is based upon analyzing the different conditions and estimating the costs of needed additional episodes because of care disruption during the crisis.

We assumed the cost impact from care deferral would be more significant for the higher cost quintiles than the lower cost quintiles. Using input from clinical experts, we estimated ranges of additional care needs for each quintile, for each chronic care condition, over the 12-month period once care access was restored. The range of additional service needs includes those members that would require additional emergency room services, diagnostic testing, inpatient care, and potential intensive care unit and coronary care unit services.

We used traditional Hierarchical Care Condition (HCC) risk adjustment techniques to identify the chronic care condition groups that we selected for analysis. Once the patient populations were identified, we aggregated all their claims to develop average over and under age 65 annual cost estimates. We then segmented these cohorts into quintiles, from lowest cost to highest cost. For the populations under age 65, we used the International Business Machines Corporation's Truven MarketScan Commercial Database. For populations over age 65, we used Medicare fee-for-service limited data set.

Methodology for determining increase in behavioral health condition prevalence and spend

The behavioral health condition prevalence and spend estimates provided in this paper derive from our analysis of populations potentially affected by the COVID-19 pandemic, academic literature regarding past similar events and their impacts on populations, and medical and pharmacy claims data.

Populations potentially affected. We divided the US population into distinct groups of individuals who are likely to experience the COVID-19 pandemic in different ways based on the behavioral health literature concerning disasters. We modeled the impact on these groups separately, and considered individuals as falling into only one of the groups, although overlap between populations could exist. Furthermore, some groups, such as essential workers, did not have independent estimates and were subsumed in the other groups to which they belong. For modeling purposes, we used the following hierarchy:

— *Frontline healthcare workers:* We used publicly available estimates of the number of healthcare practitioners in US hospitals and residential facilities. This approach may slightly overestimate the true number of frontline healthcare workers, although all hospital and residential facility workers may experience fear and anxiety regarding potential infection at work and grief or loss of their colleagues on the frontlines. Additionally, a significant number of volunteers and/or retirees reentered the frontline work-

Methodology *(continued)*

force during the height of the COVID-19 outbreak. We arrived at a conservative estimate of impacted frontline workers, as many essential workers (for example, cafeteria workers, maintenance staff, security) also experience heightened distress about taking the virus home to their families.

— *Newly unemployed individuals:* The COVID-19 pandemic has led to historic rates of unemployment in the United States already. We assumed an approximately 25 percentage point increase above the roughly 5 percent unemployment rate pre-COVID-19, in line with current estimates as of July 2020. For purposes of our analysis, we used current economic projections to divide this segment into: (1) individuals enrolling in Medicaid and (2) individuals not enrolling in Medicaid.[1]

— *Individuals with existing behavioral health needs:* Individuals who already have a behavioral health condition may experience exacerbations in their conditions and/or new onset of another behavioral health condition. These exacerbations could be due to, among other things, delays in seeking care during the pandemic, heightened symptoms, or new COVID-19-related feelings of distress, including fear, grief, or anxiety. For modeling purposes, we considered individuals with high behavioral health needs (for example, history of serious mental illness, overdose, suicide attempt, emergency department/inpatient utilization) distinct from individuals without high behavioral health needs (for example, dysthymia). This modeling is derived from spend profiles and potential exacerbations for these high health needs individuals based upon our claims analyses and published research.

— *Individuals who experience severe COVID-19 or death of a loved one due to COVID-19:* For this group, we considered that individuals hospitalized due to COVID-19 (about 20 percent of cases) and individuals who have lost a loved one from COVID-19 would be at increased risk of PTSD, persistent complex bereavement, or other behavioral health conditions. We assumed a low end and high end for these numbers, using the COVID-19 case and death rates as of August 4, 2020, as a low end and projections for the end of 2020 as a high end, based upon the University of Basel Epi Model estimates that assume the virus and some intervention measures (for example, use of masks, distancing in public places) are sustained until the end of the year.

— *Individuals sheltering in place:* The COVID-19 pandemic brought about sweeping shelter-in-place orders for the US population, which can lead to isolation, fear, anxiety, and depression.[2,3]

1 McKinsey projections.
2 Lai J et al., "Factors associated with mental health outcomes among health care workers exposed to coronavirus disease 2019," *JAMA Open Network*, 2020, Volume 3, Number 3, e203976, jamanetwork.com.
3 Mihashi M et al., "Predictive factors of psychological disorder development during recovery following SARS outbreak," *Health Psychology*, 2009, Volume 28, Number 1, pp. 91–100.

Methodology *(continued)*

Research literature. To determine how the COVID-19 pandemic might lead to an onset of new mental or substance use disorders and/or exacerbation of existing behavioral health conditions for these populations, we reviewed the relevant behavioral health literature concerning disasters. Referenced events included infectious disease outbreaks (for example, prior SARS outbreaks, early COVID-19), natural disasters (for example, Hurricane Katrina), and economic downturns (for example, the Great Recession). Based on these studies, we estimated timing of symptom onset, service use, and persistence of conditions across population segments. Examples include:

- *Frontline healthcare workers:* Increases in depression, anxiety, and PTSD prevalence
- *Newly unemployed individuals:* Increases in mental and substance use disorders, binge drinking, and suicidal behavior (which may be influenced by the duration of federal unemployment supplements and growth in income inequality)[4]
- *Individuals with pre-disaster behavioral health needs:* Increases in inpatient stays for schizophrenia, addiction, and suicidal ideation, while those without high behavioral health needs see onset of PTSD and increased outpatient utilization of behavioral health services
- *Individuals directly impacted by severe COVID-19 or loss due to COVID-19:* This group is similar to the frontline healthcare workers, experiencing increases in persistent complex bereavement, depression, anxiety, substance use, and PTSD prevalence
- *Individuals sheltering in place:* There is a slight increase in behavioral health condition prevalence, mostly due to increases in depression and anxiety

Medical and pharmacy claims data. Once we estimated condition prevalence changes in the population segments, we used medical and pharmacy claims data to model potential changes in spend for these population segments. We used 2017 data to provide a baseline for behavioral healthcare utilization and level of spend for people with behavioral health conditions, applying weighted averages across data sets as required for population segments including individuals from multiple data sets. We looked at spend directly for treating behavioral health conditions as well as spend for treating physical health conditions in these individuals (non-behavioral health spend). Additionally, for individuals with new behavioral health conditions, we performed a longitudinal analysis to determine how spend ramps up for individuals with a new condition compared with steady-state spend for individuals with existing conditions. Finally, we applied utilization assumptions[5] to account for the ramp-up of needs over the

[4] Ganong P, Noel P, and Vavra JS, "US unemployment insurance replacement rates during the pandemic," Becker Friedman Institute for Economics, May 14, 2020, bfi.uchicago.edu.

[5] Based upon phases of psychological reactions to disasters, adapted from Zunin & Myers as cited in DeWolfe, 2000 and appearing in SAMHSA 2015 report "Traumatic stress and suicide after disasters."

Methodology *(continued)*

first 12 months, and assumed a sufficient supply of practitioners available to meet the increased demand. The specific claims data sources we used include:

— *Medicare fee-for-service limited data set:* We applied this data set to the following segments: individuals with existing behavioral health needs, those impacted by severe COVID-19 or loss due to COVID-19, and the general population sheltering in place.

— *International Business Machines Corporation's Truven MarketScan Commercial Database:* For all population segments, we calculated baseline per-member-per-month spend using this data set, and when we recalculated spend for those who are newly unemployed, we did not include data from this data set, as they would no longer have commercial coverage. Note, this data set does not include all individuals in the Commercial market.

— *Blinded Medicaid data from one state:* We applied this data set to all population segments except frontline healthcare workers. When we recalculated spend for newly unemployed individuals, we included only those individuals projected to enroll in Medicaid from McKinsey's Payer Economics Model. Note, this data set provides Medicaid claims data for one state, and we used it as a proxy for all new Medicaid enrollees who are recently unemployed, extrapolating the number of lives covered and spend to represent all new potential Medicaid enrollees and assuming similar profiles. This calculation does not account for population and utilization differences between states, which may exist due to managed care policies, enrollment eligibility, etc.

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Stephanie Iljin, Supervisor of Executive Administration
Date: August 9, 2021
Subject: Report on Board Actions

Purpose: To keep the Committee informed regarding actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. Situation: It is essential to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive; still, it 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 time we provided this report to the Finance Committee, the Hospital Board has met once, and the District Board has met twice. In addition, since the Board has delegated specific authority to the Executive Compensation Committee, the Compliance and Audit Committee, and the Finance Committee, those approvals are also noted in this report.

Board/Committee	**Meeting Date**	**Actions** (Approvals unless otherwise noted)
ECH Board	June 23, 2021	- FY 2021 Period 10 Financials - FY 2022 Individual Executive Performance Incentive Goals - Medical Staff Credentials and Privileges Report - Quality Council Minutes - Amendment to the CEO Employment Agreement - Executive Performance Incentive and Benefit Plan Design - New Enterprise Anesthesia Services Agreement, MV Nightime Intersivist Servies Agreement, and Line of Credit Agreement - FY 2022 Master Calendar - FY 2022 Committee Goals - FY 2022 Committee Liaisons Appointments - FY 2022 Community Benefit Plan - FY 2022 Organizational Performance Incentive Plan Goals - FY 2021 Period 9 Financials - Infection Control Medical Director Agreement - Medical Staff Report - MV Major Projects Update
ECHD Board	June 17, 2021	- FY22 Community Benefit Plan Study Session

Board/Committee	**Meeting Date**	**Actions** (Approvals unless otherwise noted)
	June 29, 2021	- ECH FY 2022 Budget - ECHD FY 2022 Budget - ECHD FY 2022 Pacing Plan - District Capital Outlay Funds - Resolution 2021-08 FY 2022 Regular Meeting Dates - Resolution 2021-09 Granting Utility Easement for EV Charging Stations - Resolution 2021-10 Establishing Tax Appropriation Limit for FY 2022 (Gann Limit) - ECHD Covid-19 Community Testing Program - FY 2022 Community Benefits Plan - FY 2022 Community Benefits Advisory Liaison Appointment - District Board Officers Election: o Chair – Miller, Vice-Chair- Fung, Secretary/Treasurer - Somersille
Executive Compensation Committee	N/A	
Compliance Committee	N/A	
Finance Committee	N/A	

List of Attachments: None.

Suggested Committee Discussion Questions: None.

El Camino Health

Summary of Financial Operations

Fiscal Year 2021 – Period 12

7/1/2020 to 06/30/2021

Executive Summary - Overall Commentary for Period 12

- Strong operating / financial results for Period 12 were attributed to the following:
  - Despite being out-of-network with Anthem, June gross charges were 15.0% higher than the prior 11 month average
  - Strong volume / patient activity was attributed to the start of the new OB group at our Mountain View Campus, significant rebound in ER volumes and continued strong procedural volumes at both campuses
    - ER visits were 33.1% higher than the prior 11 month average
    - Adjusted discharges were 14.8% higher than the prior 11 month average
  - Recognition of one-time revenue for supplemental programs of $8.56M
- Total gross charges, a surrogate for volume, were favorable to budget by $93.5M / 29.7% and $99.7M / 32.3% higher than the same period last year
- Net patient revenue was favorable to budget by $30.2M / 36.8% and $11.5M / 11.4% higher than the same period last year
- Operating expenses were $13.4M /16.2% unfavorable to budget, which is primarily attributed to higher than expected volume versus budget and significant number of procedural cases performed in June
- Operating margin was favorable to budget by $17.0M / 468.5% and $11.0M / 34.8% below the same period last year
- Operating EBIDA was favorable to budget by $17.7M / 176.3% and $9.8M / 26.1% below the same period last year

Operational / Financial Results: Period 12 – June 2021 (as of 6/30/2021)

PERIOD 12 - RESULTS

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's Medians 'A1'	Moody's Medians 'Aa3'	Performance to 'A1' Medians
Activity / Volume	ADC	269	234	35	15.0%	212	57	26.9%	---	---	---
	Total Discharges	1,789	1,586	203	12.8%	1,425	364	25.5%	---	---	---
	Adjusted Discharges	3,415	2,924	491	16.8%	2,791	624	22.4%	---	---	---
	Emergency Room Visits	5,620	4,440	1,180	26.6%	4,006	1,614	40.3%	---	---	---
	OP Procedural Cases	12,733	8,353	4,380	52.4%	10,289	2,444	23.8%	---	---	---
	Gross Charges ($)	408,078	314,599	93,479	29.7%	308,375	99,703	32.3%	---	---	---
Operations	Total FTEs	2,924	2,744	180	6.6%	2,668	256	9.6%	---	---	---
	Productive Hrs. / APD	28.4	31.9	(3.5)	(11.0%)	32.2	(3.8)	(11.8%)	---	---	---
	Cost Per CMI Adjusted Discharge	16,225	17,111	(886)	(5.2%)	15,743	482	3.1%	---	---	---
	Net Days in A/R	50.0	49.0	1.0	2.0%	51.9	(1.9)	(3.6%)	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	112,238	82,074	30,165	36.8%	100,746	11,493	11.4%	106,723	257,000	
	Total Operating Revenue ($)	116,945	86,512	30,432	35.2%	108,768	8,177	7.5%	116,864	314,648	
	Operating Income ($)	**20,664**	**3,635**	**17,029**	468.5%	**31,695**	**(11,032)**	(34.8%)	**3,948**	**10,135**	
	Operating EBIDA ($)	**27,771**	**10,052**	**17,719**	176.3%	**37,522**	**(9,751)**	(26.0%)	**11,301**	**27,969**	
	Net Income ($)	40,705	6,968	33,737	484.2%	50,672	(9,967)	(19.7%)	8,219	18,726	
	Operating Margin (%)	**17.7%**	**4.2%**	**13.5%**	320.6%	**29.1%**	**(11.5%)**	(39.4%)	**2.9%**	**3.6%**	
	Operating EBIDA (%)	**23.7%**	**11.6%**	**12.1%**	104.4%	**34.5%**	**(10.8%)**	(31.2%)	**9.7%**	**8.9%**	
	DCOH (days)	388	264	124	47.0%	313	75	24.0%	254	264	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2020. Dollar amounts have been adjusted to reflect monthly averages.
DCOH total includes cash, short-term and long-term investments.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Operational / Financial Results: Pre-Audit YTD FY2021 (as of 6/30/2021)

YTD FY2021 - RESULTS

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's Medians 'A1'	Moody's Medians 'Aa3'	Performance to 'A1' Medians
Activity / Volume	ADC	245	211	34	16.2%	227	18	7.9%	---	---	---
	Total Discharges	19,157	17,351	1,806	10.4%	18,966	191	1.0%	---	---	---
	Adjusted Discharges	36,226	32,156	4,070	12.7%	35,326	900	2.5%	---	---	---
	Emergency Room Visits	52,059	45,202	6,857	15.2%	56,334	(4,275)	(7.6%)	---	---	---
	OP Procedural Cases	160,728	95,074	65,654	69.1%	106,245	54,483	51.3%	---	---	---
	Gross Charges ($)	4,309,257	3,427,558	881,699	25.7%	3,648,324	660,933	18.1%	---	---	---
Operations	Total FTEs	2,841	2,620	221	8.4%	2,763	79	2.8%	---	---	---
	Productive Hrs. / APD	31.0	33.7	(2.8)	(8.2%)	32.6	(1.6)	(4.9%)	---	---	
	Cost Per CMI Adjusted Discharge	16,815	18,201	(1,385)	(7.6%)	17,243	(428)	(2.5%)	---	---	
	Net Days in A/R	50.0	49.0	1.0	2.0%	51.9	(1.9)	(3.6%)	47.7	47.1	
Financial Performance	Net Patient Revenue ($)	1,107,911	893,139	214,772	24.0%	982,696	125,215	12.7%	1,280,670	3,083,998	
	Total Operating Revenue ($)	1,156,342	947,971	208,371	22.0%	1,038,489	117,854	11.3%	1,402,368	3,775,777	
	Operating Income ($)	**87,244**	**(23,735)**	**110,979**	467.6%	**57,017**	**30,227**	53.0%	**47,381**	**121,614**	
	Operating EBIDA ($)	**170,690**	**55,823**	**114,867**	205.8%	**120,447**	**50,243**	41.7%	**135,606**	**335,624**	
	Net Income ($)	328,083	11,770	316,313	2687.4%	109,274	218,809	200.2%	98,622	224,710	
	Operating Margin (%)	**7.5%**	**(2.5%)**	**10.0%**	401.3%	**5.5%**	**2.1%**	37.4%	**2.9%**	**3.6%**	
	Operating EBIDA (%)	**14.8%**	**5.9%**	**8.9%**	150.7%	**11.6%**	**3.2%**	27.3%	**9.7%**	**8.9%**	
	DCOH (days)	388	264	124	47.0%	313	75	24.0%	254	264	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2020.
DCOH total includes cash, short-term and long-term investments.

El Camino Health

Unfavorable Variance < 0.99%
Unfavorable Variance 1.00% - 4.99%
Unfavorable Variance > 5.00%

Key Statistics: Period 12 and YTD (as of 06/30/2021)

	Month to Date			Variance (%)		Year to Date			Variance (%)	
Key Statistics	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**
ADC	212	269	234	26.9%	15.0%	227	245	211	7.9%	16.2%
Utilization MV	54%	72%	62%	34.1%	16.0%	61%	64%	55%	5.0%	16.2%
Utilization LG	31%	31%	28%	(0.1%)	10.4%	30%	32%	27%	5.5%	16.2%
Utilization Combined	47%	59%	52%	26.9%	15.0%	51%	54%	46%	5.5%	16.1%
Adjusted Discharges	2,791	3,415	2,924	22.4%	16.8%	35,326	36,226	32,156	2.5%	12.7%
Total Discharges (Exc NB)	1,426	1,785	1,586	25.2%	12.6%	18,969	19,156	17,349	1.0%	10.4%
Total Discharges	1,741	2,142	1,948	23.0%	9.9%	23,075	23,107	21,477	0.1%	7.6%
Inpatient Activity										
MS Discharges	963	1,253	1,011	30.1%	24.0%	12,933	13,155	10,859	1.7%	21.1%
Deliveries	336	386	383	14.9%	0.8%	4,340	4,235	4,360	(2.4%)	(2.9%)
BHS	82	110	148	34.1%	(25.6%)	1,154	1,286	1,605	11.4%	(19.9%)
Rehab	45	36	44	(20.0%)	(18.2%)	542	480	525	(11.4%)	(8.5%)
Outpatient Activity										
Total Outpatient Cases	13,032	16,489	11,757	26.5%	40.2%	149,090	198,626	129,279	33.2%	53.6%
ED	2,743	3,756	3,404	36.9%	10.3%	42,845	37,898	34,205	(11.5%)	10.8%
OP Surg	511	605	363	18.4%	66.7%	5,416	6,441	4,108	18.9%	56.8%
Endo	195	290	176	48.7%	65.1%	2,295	2,648	1,833	15.4%	44.5%
Interventional	178	207	151	16.3%	36.9%	1,990	2,155	1,421	8.3%	51.6%
All Other	9,405	11,631	7,663	23.7%	51.8%	96,544	149,484	87,712	54.8%	70.4%
Hospital Payor Mix										
Medicare	48.4%	50.5%	48.9%	4.4%	3.2%	48.6%	48.8%	48.6%	0.3%	0.4%
Medi-Cal	6.3%	8.1%	7.7%	27.4%	5.1%	7.4%	8.2%	7.5%	10.9%	8.7%
Commercial	42.9%	39.8%	41.1%	-7.1%	(3.2%)	41.5%	40.8%	41.5%	-1.9%	(1.8%)
Other	2.4%	1.6%	2.4%	-33.9%	(47.2%)	2.4%	2.2%	2.4%	(6.4%)	(7.4%)

Pre-Audit Income Statement: Current Fiscal Year Monthly Trend *($000s)*

	Period 1 Jul-20	Period 2 Aug-20	Period 3 Sep-20	Period 4 Oct-20	Period 5 Nov-20	Period 6 Dec-20	Period 7 Jan-21	Period 8 Feb-21	Period 9 Mar-21	Period 10 Apr-21	Period 11 May-21	Period 12 Jun-21	YTD FY2021	YTD Monthly Average
Operating Revenues:														
Gross Revenue	333,228	339,121	357,838	366,453	341,648	367,494	335,788	314,620	387,620	375,480	381,888	408,078	4,309,257	359,105
Deductions from Revenue	(247,360)	(253,449)	(267,829)	(275,898)	(253,051)	(275,206)	(245,993)	(229,347)	(290,449)	(280,577)	(286,346)	(295,840)	(3,201,346)	(266,779)
Net Patient Revenue	85,868	85,672	90,009	90,554	88,597	92,289	89,795	85,273	97,171	94,903	95,542	112,238	1,107,911	92,326
Other Operating Revenue	4,667	4,331	3,996	4,024	3,234	3,079	4,427	3,352	3,537	3,692	5,385	4,706	48,431	4,036
Total Operating Revenue	**90,535**	**90,003**	**94,005**	**94,578**	**91,831**	**95,368**	**94,222**	**88,625**	**100,708**	**98,595**	**100,927**	**116,945**	**1,156,342**	**96,362**
Operating Expenses:														
Salaries, Wages and Benefits	46,431	47,739	48,136	49,061	47,222	48,774	53,636	48,592	52,025	50,616	48,138	48,101	588,470	49,039
Supplies	12,820	16,893	12,798	13,496	13,641	14,519	13,888	13,587	15,421	14,256	15,241	15,156	171,714	14,310
Fees & Purchased Services	12,918	14,366	14,949	12,982	14,264	14,035	15,825	14,770	15,139	15,761	15,923	19,915	180,846	15,070
Other Operating Expenses	3,583	3,596	4,498	3,721	3,512	4,100	3,819	1,097	3,536	3,662	3,496	6,002	44,622	3,718
Interest	1,428	1,431	1,428	1,429	1,428	1,428	1,428	1,392	1,399	1,400	1,400	1,367	16,960	1,413
Depreciation	5,231	5,328	5,795	5,798	6,068	5,591	5,689	5,903	4,931	5,606	4,808	5,740	66,486	5,541
Total Operating Expenses	**82,411**	**89,352**	**87,604**	**86,487**	**86,136**	**88,446**	**94,284**	**85,341**	**92,450**	**91,301**	**89,006**	**96,281**	**1,069,098**	**89,091**
Operating Margin	**8,124**	**651**	**6,401**	**8,091**	**5,695**	**6,922**	**(62)**	**3,285**	**8,258**	**7,294**	**11,921**	**20,664**	**87,244**	**7,270**
Non-Operating Income	27,718	28,642	(9,557)	(27,499)	64,968	57,357	39	14,349	18,965	29,151	16,666	20,041	240,839	20,070
Net Margin	**35,842**	**29,293**	**(3,156)**	**(19,408)**	**70,663**	**64,279**	**(23)**	**17,633**	**27,223**	**36,445**	**28,588**	**40,705**	**328,083**	**27,340**
Operating EBIDA	**14,783**	**7,410**	**13,624**	**15,318**	**13,192**	**13,940**	**7,055**	**10,580**	**14,588**	**14,301**	**18,130**	**27,771**	**170,690**	**14,224**
Operating Margin (%)	9.0%	0.7%	6.8%	8.6%	6.2%	7.3%	-0.1%	3.7%	8.2%	7.4%	11.8%	17.7%	7.5%	
Operating EBIDA Margin (%)	**16.3%**	**8.2%**	**14.5%**	**16.2%**	**14.4%**	**14.6%**	**7.5%**	**11.9%**	**14.5%**	**14.5%**	**18.0%**	**23.7%**	**14.8%**	

2nd Wave of Pandemic

3rd Wave of Pandemic

El Camino Health

Financial Overview: Period 12 – June 2021

Period ending 6/30/2021

Financial Performance

- June operating income was $20.7M compared to a budget of $3.6M, resulting in a favorable variance of $17M. The primary drivers continue to be; one-time revenue associated with supplemental programs (IGT, PRIME) volume, which remains very strong, pent up demand of surgical cases, and continued management of variable expenses
- June volumes and revenues continue to be stronger than budget as demonstrated by:
  - Adjusted discharges were favorable to budget by 491 cases / 16.8% and 624 cases / 22.4% above the same period last year
  - Favorable variance of gross charges of $93.5M was split as follows:
    - Inpatient gross charges: Favorable to budget by $44M / 25.8% variance primarily driven by surgery, cath. lab, imaging, and corresponding ancillary services
    - Outpatient gross charges: Favorable to budget by $50M / 36.1% variance primarily driven by surgery, radiation oncology, cath. lab, Emergency Services, and corresponding ancillary services
  - Operating Expenses were unfavorable to budget by $13.4M / 16.2%, primarily due to high level of patient activity and year-end expenses
    - SWB were unfavorable by $1.6M / 3.5%
    - Supplies were unfavorable by $3.1M / 25.5%
    - Purchased Services were unfavorable by $5.5M / 38.1%
    - All other discretionary non-volume driven expenses were un favorable to budget by $2.5M / 71.5%
    - Additional expenses attributed to Covid-19 were $400K in June and $15.9M YTD
- Non Operating Income includes:
  - Favorable variance in non-operating revenue is primarily attributed to continued strong performance of our investment portfolio. Majority of investment income for Period 12 and FY2021 is unrealized gains on investments.

Financial Overview: Period 12 – June 2021 (cont.)

Period ending 6/30/2021

Financial Performance

Hospital Operations:

- Adjusted Discharges (AD): Favorable to budget by 491 ADs / 16.8% and above prior year by 624 ADs / 22.4%:
  - Mountain View: Favorable to budget by 346 ADs / 14% and above prior year by 506 ADs/ 30%
  - Los Gatos: Favorable to budget by 145 ADs / 25% and above prior year by 118 ADs / 19%
- Operating Expense Per CMI Adjusted Discharge: $16,225 which is 5.2% favorable to budget

Note: Excludes depreciation and interest

El Camino Health Medical Network (ECHMN) Operations:

- June's total visits of 22,699 was down from the prior month's 26,274 visits, driven by a decrease in COVID-19 vaccination visits (2,421 in June vs. 8,533 in May)
- June's Net Income was unfavorable to budget by 495K in June and $230K unfavorable to June 2020
- For FY2021 ECHMN had 284,535 total visits which exceeded budget by 14.4% and included 44,866 vaccination visits
- YTD FY2021 ECHMN Net Income was unfavorable to budget by $2.7M / 8.2%, and favorable to prior year by $4.4M / 11.1%

Financial Overview: Pre-Audit YTD FY2021 (as of 6/30/2021)

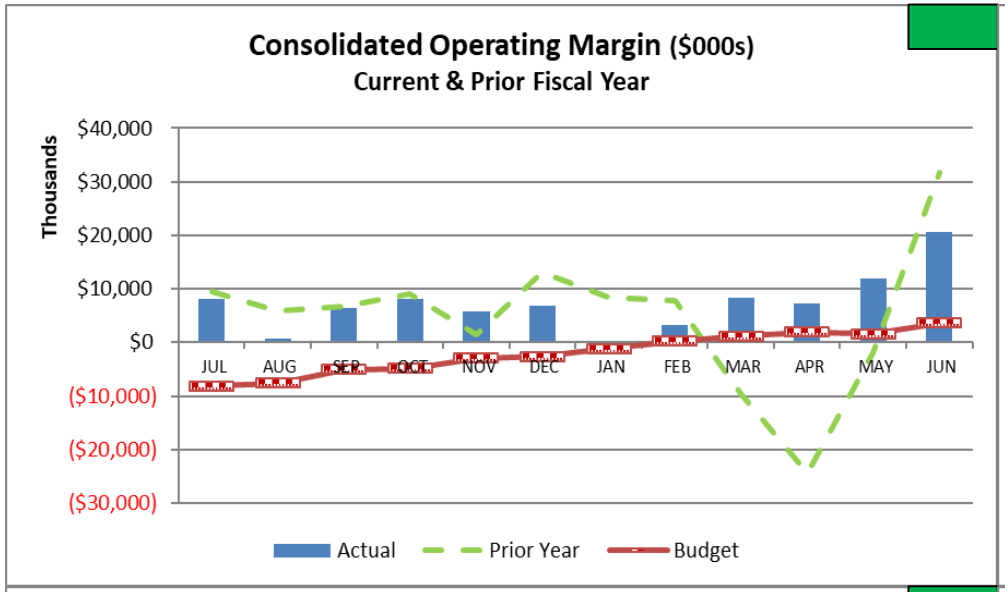
Consolidated Financial Performance

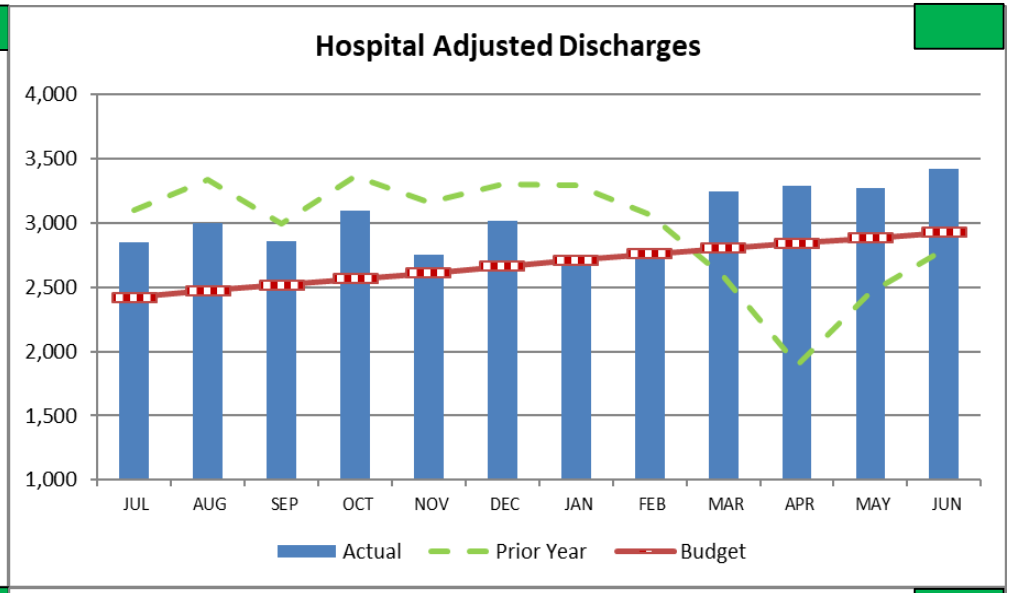
- Pre-Audit YTD FY2021 operating margin of $87.2M compared to the budget of -$23.7M
- Year-over-year operating margin is $30.2M higher than the same period last year, which is primarily due to the initial significant Covid-19 impact in FY2020 and management's initiatives to manage expenses and ensure the organization was prepared to accommodate volume as Covid-19 restrictions were relaxed after the 1st, 2nd and 3rd waves of the pandemic.
- Strong volume recovery from the first waves of Covid-19, continues to be the primary driver of favorable performance to budget
  - Adjusted discharges are 4,070 /12.7% favorable to budget and 900 / 2.5% higher than the same period last year
- Operating expenses are $97.4M / 10.0% unfavorable to budget
  - Unfavorability driven by higher than budgeted volumes and expenses associated with Covid-19 pandemic
  - Operating expense per CMI adjusted discharge: $16,815 which is 7.6% favorable to budget. This demonstrates consistent management of variable expenses

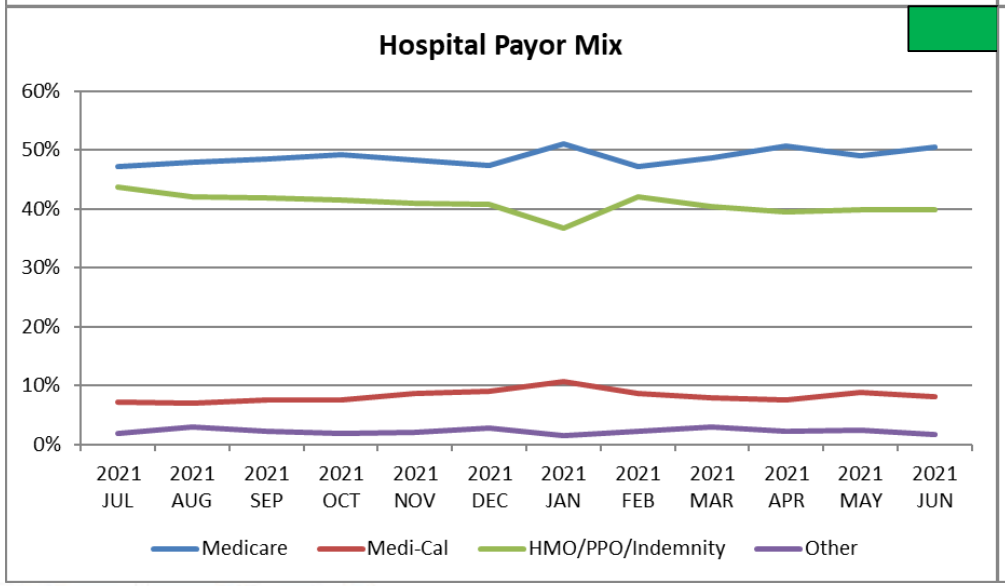
Note: Excludes depreciation and interest expense

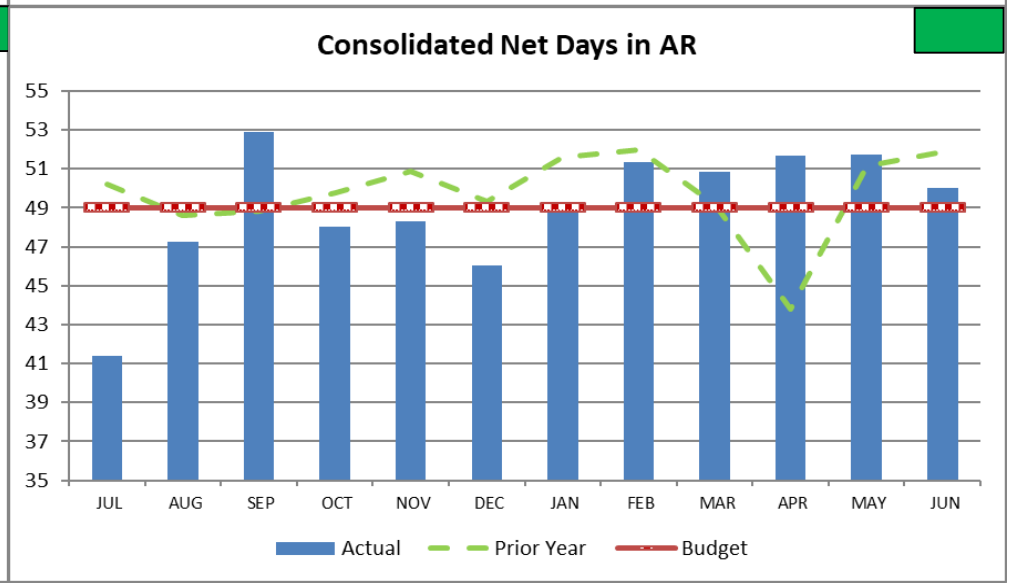
APPENDIX

YTD FY2021 Financial KPIs – Monthly Trends









El Camino Health

Investment Scorecard (as of 6/30/2021)

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY21 Budget	Expectation Per Asset Allocation
Investment Performance		**CY 2Q 2021 / FY 4Q 2021**		**Fiscal Year-to-Date 2021**		**8y 8m Since Inception (annualized)**		**FY 2021**	**2019**
Surplus cash balance*		$1,453.0	–	--	--	--	–	–	--
Surplus cash return		3.7%	3.7%	19.4%	18.5%	6.9%	6.7%	4.0%	5.6%
Cash balance plan balance (millions)		$358.9	–	--	--	--	–	–	--
Cash balance plan return		4.5%	4.3%	25.2%	22.3%	9.2%	8.3%	6.0%	6.0%
403(b) plan balance (millions)		$731.5	–	--	--	--	–	–	--
Risk vs. Return		**3-year**				**8y 8m Since Inception (annualized)**			**2019**
Surplus cash Sharpe ratio		0.88	0.92	--	--	0.99	1.00	–	0.34
Net of fee return		9.3%	9.2%	--	--	6.9%	6.7%	–	5.6%
Standard deviation		8.8%	8.4%	--	--	6.2%	6.0%	–	8.7%
Cash balance Sharpe ratio		0.88	0.90	--	--	1.06	1.03	–	0.32
Net of fee return		11.3%	10.4%	--	--	9.2%	8.3%	–	6.0%
Standard deviation		11.2%	10.1%	--	--	7.9%	7.3%	–	10.3%
Asset Allocation		**CY 2Q 2021 / FY 4Q 2021**							
Surplus cash absolute variances to target		5.6%	< 10% Green < 20% Yellow	--	--	--	–	–	--
Cash balance absolute variances to target		4.7%	< 10% Green < 20% Yellow	--	--	--	–	–	--
Manager Compliance		**CY 2Q 2021 / FY 4Q 2021**							
Surplus cash manager flags		22	< 24 Green < 30 Yellow	--	--	--	–	–	--
Cash balance plan manager flags		24	< 27 Green < 34 Yellow	--	--	--	–	–	--

*Excludes debt reserve funds (~$6 mm), District assets (~$42 mm), and balance sheet cash not in investable portfolio (~$160 mm). Includes Foundation (~$42 mm) and Concern (~$15 mm) assets.

El Camino Health

Period 12 and Pre-Audit YTD Operating Income, Non-Operating Income and Net Income by Affiliate (as of 6/30/2021)

($000s)

	Period 12- Month			Period 12- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Operating Margin						
Mountain View	19,736	4,538	15,198	91,033	(5,232)	96,266
Los Gatos	3,963	1,675	2,287	33,913	17,852	16,060
Sub Total - El Camino Hospital, excl. Afflilates	**23,698**	**6,213**	**17,485**	**124,946**	**12,620**	**112,326**
Operating Margin %	**21.4%**	**7.7%**		**11.4%**	**1.4%**	
El Camino Hospital Non Operating Income						
Sub Total - Non Operating Income	**18,886**	**3,028**	**15,858**	**231,276**	**31,858**	**199,418**
El Camino Hospital Net Margin	**42,584**	**9,242**	**33,343**	**356,222**	**44,478**	**311,744**
ECH Net Margin %	**38.4%**	**11.5%**		**32.5%**	**5.1%**	
Concern	90	36	54	485	369	116
ECSC	0	0	0	(3)	0	(3)
Foundation	829	30	799	6,986	(159)	7,145
El Camino Health Medical Network	(2,798)	(2,339)	(459)	(35,607)	(32,917)	(2,689)
Net Margin Hospital Affiliates	**(1,879)**	**(2,273)**	**394**	**(28,138)**	**(32,707)**	**4,569**
Total Net Margin Hospital & Affiliates	**40,705**	**6,968**	**33,737**	**328,083**	**11,770**	**316,313**

Pre-Audit Consolidated Balance Sheet (as of 06/30/2021)

($000s)

ASSETS

CURRENT ASSETS	June 30, 2021	Audited June 30, 2020
Cash	151,641	228,464
Short Term Investments	284,262	221,604
Patient Accounts Receivable, net	166,283	128,564
Other Accounts and Notes Receivable	9,540	13,811
Intercompany Receivables	15,116	72,592
Inventories and Prepaids	23,079	101,267
Total Current Assets	**649,921**	**766,303**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	20,932	15,364
Plant & Equipment Fund	258,191	166,859
Women's Hospital Expansion	30,401	22,563
Operational Reserve Fund	123,838	148,917
Community Benefit Fund	18,412	17,916
Workers Compensation Reserve Fund	16,482	16,482
Postretirement Health/Life Reserve Fund	30,658	30,731
PTO Liability Fund	32,498	27,515
Malpractice Reserve Fund	1,977	1,919
Catastrophic Reserves Fund	24,874	17,667
Total Board Designated Assets	**558,264**	**465,933**
FUNDS HELD BY TRUSTEE	**5,694**	**23,478**
LONG TERM INVESTMENTS	**603,211**	**372,175**
CHARITABLE GIFT ANNUITY INVESTMENTS	**728**	**680**
INVESTMENTS IN AFFILIATES	**34,170**	**29,065**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,799,463	1,342,012
Less: Accumulated Depreciation	(742,921)	(676,535)
Construction in Progress	94,236	489,848
Property, Plant & Equipment - Net	**1,150,778**	**1,155,326**
DEFERRED OUTFLOWS	21,444	21,416
RESTRICTED ASSETS	29,332	28,547
OTHER ASSETS	86,764	3,231
TOTAL ASSETS	**3,140,306**	**2,866,153**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	June 30, 2021	Audited June 30, 2020
Accounts Payable	39,762	35,323
Salaries and Related Liabilities	50,039	35,209
Accrued PTO	33,197	28,124
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	12,990	10,956
Intercompany Payables	14,704	70,292
Malpractice Reserves	1,670	1,560
Bonds Payable - Current	9,430	9,020
Bond Interest Payable	8,293	8,463
Other Liabilities	16,953	3,222
Total Current Liabilities	**189,338**	**204,469**
LONG TERM LIABILITIES		
Post Retirement Benefits	30,658	30,731
Worker's Comp Reserve	17,002	16,482
Other L/T Obligation (Asbestos)	6,227	4,094
Bond Payable	479,621	513,602
Total Long Term Liabilities	**533,509**	**564,908**
DEFERRED REVENUE-UNRESTRICTED	**67,576**	**77,133**
DEFERRED INFLOW OF RESOURCES	**28,009**	**30,700**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,097,010	1,771,854
Board Designated	193,782	188,457
Restricted	31,082	28,631
Total Fund Bal & Capital Accts	**2,321,874**	**1,988,942**
TOTAL LIABILITIES AND FUND BALANCE	**3,140,306**	**2,866,153**

El Camino Health

Pre-Audit Consolidated Statement of Operations *($000s)*

Period 12 ending 06/30/2021

Period 12 FY 2020	Period 12 FY 2021	Period 12 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
308,375	408,078	314,599	93,479	29.7%	**Gross Revenue**	3,648,324	4,309,257	3,427,558	881,699	25.7%
(207,629)	(295,840)	(232,526)	(63,314)	(27.2%)	**Deductions**	(2,665,627)	(3,201,346)	(2,534,419)	(666,927)	(26.3%)
100,746	**112,238**	**82,074**	**30,165**	**36.8%**	**Net Patient Revenue**	**982,696**	**1,107,911**	**893,139**	**214,772**	**24.0%**
8,022	4,706	4,439	268	6.0%	**Other Operating Revenue**	55,792	48,431	54,832	(6,401)	(11.7%)
108,768	**116,945**	**86,512**	**30,432**	**35.2%**	**Total Operating Revenues**	**1,038,489**	**1,156,342**	**947,971**	**208,371**	**22.0%**
					OPERATING EXPENSE					
34,523	48,101	46,463	(1,638)	(3.5%)	**Salaries & Wages**	542,418	588,470	539,618	(48,852)	(9.1%)
11,412	15,156	12,074	(3,082)	(25.5%)	**Supplies**	152,490	171,714	135,713	(36,002)	(26.5%)
16,877	19,915	14,423	(5,492)	(38.1%)	**Fees & Purchased Services**	173,932	180,846	173,011	(7,835)	(4.5%)
8,434	6,002	3,500	(2,501)	(71.5%)	**Other Operating Expense**	49,201	44,622	43,807	(815)	(1.9%)
1,399	1,367	916	(452)	(49.4%)	**Interest**	9,449	16,960	11,058	(5,902)	(53.4%)
4,428	5,740	5,502	(238)	(4.3%)	**Depreciation**	53,982	66,486	68,500	2,014	2.9%
77,072	**96,281**	**82,878**	**(13,403)**	**(16.2%)**	**Total Operating Expenses**	**981,472**	**1,069,098**	**971,706**	**(97,392)**	**(10.0%)**
31,695	**20,664**	**3,635**	**17,029**	**468.5%**	**Net Operating Margin**	**57,017**	**87,244**	**(23,735)**	**110,979**	**(467.6%)**
18,976	20,041	3,334	16,707	501.2%	**Non Operating Income**	52,257	240,839	35,505	205,334	578.3%
50,672	**40,705**	**6,968**	**33,737**	**484.2%**	**Net Margin**	**109,274**	**328,083**	**11,770**	**316,313**	**2687.4%**
37,522	**27,771**	**10,052**	**17,719**	**176.3%**	**Operating EBIDA**	**120,447**	**170,690**	**55,823**	**114,867**	205.8%
34.5%	23.7%	11.6%	12.1%		**Operating EBIDA Margin**	11.6%	14.8%	5.9%	8.9%	
29.1%	17.7%	4.2%	13.5%		**Operating Margin**	5.5%	7.5%	-2.5%	10.0%	
46.6%	34.8%	8.1%	26.8%		**Net Margin**	10.5%	28.4%	1.2%	27.1%	

El Camino Health

El Camino Hospital – Mountain View
Pre-Audit Statement of Operations *($000s)*
Period 12 ending 06/30/2021

Period 12 FY 2020	Period 12 FY 2021	Period 12 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
238,825	310,647	245,613	65,034	26.5%	**Gross Revenue**	2,885,561	3,282,301	2,629,147	653,153	24.8%
(160,336)	(223,732)	(181,908)	(41,824)	(23.0%)	**Deductions**	(2,101,799)	(2,432,979)	(1,947,540)	(485,439)	(24.9%)
78,490	**86,916**	**63,706**	**23,210**	**36.4%**	**Net Patient Revenue**	**783,762**	**849,321**	**681,607**	**167,714**	**24.6%**
5,296	2,063	1,606	457	28.5%	**Other Operating Revenue**	23,207	20,264	20,047	217	1.1%
83,786	**88,979**	**65,311**	**23,668**	**36.2%**	**Total Operating Revenues**	**806,969**	**869,585**	**701,655**	**167,930**	**23.9%**
					OPERATING EXPENSES					
25,311	37,566	37,167	(398)	(1.1%)	**Salaries & Wages**	427,587	462,699	428,416	(34,282)	(8.0%)
8,346	10,996	9,140	(1,856)	(20.3%)	**Supplies**	120,547	127,811	101,997	(25,814)	(25.3%)
9,346	11,065	6,834	(4,231)	(61.9%)	**Fees & Purchased Services**	86,409	90,375	81,274	(9,100)	(11.2%)
7,165	4,533	2,275	(2,258)	(99.3%)	**Other Operating Expense**	35,595	29,155	28,661	(494)	(1.7%)
1,399	1,367	916	(452)	(49.4%)	**Interest**	9,449	16,960	11,058	(5,902)	(53.4%)
3,213	3,715	4,441	726	16.3%	**Depreciation**	42,055	51,553	55,480	3,927	7.1%
54,780	**69,243**	**60,774**	**(8,470)**	**(13.9%)**	**Total Operating Expenses**	**721,642**	**778,552**	**706,887**	**(71,665)**	**(10.1%)**
29,006	**19,736**	**4,538**	**15,198**	**334.9%**	**Net Operating Margin**	**85,327**	**91,033**	**(5,232)**	**96,266**	**(1839.8%)**
18,368	18,886	3,028	15,858	523.6%	**Non Operating Income**	46,759	231,276	31,858	199,418	626.0%
47,374	**38,622**	**7,566**	**31,055**	**410.4%**	**Net Margin**	**132,087**	**322,309**	**26,625**	**295,684**	1110.5%
33,618	**24,818**	**9,895**	**14,924**	**150.8%**	**Operating EBIDA**	**136,831**	**159,546**	**61,305**	**98,240**	160.2%
40.1%	27.9%	15.2%	12.7%		**Operating EBIDA Margin**	17.0%	18.3%	8.7%	9.6%	
34.6%	22.2%	6.9%	15.2%		**Operating Margin**	10.6%	10.5%	-0.7%	11.2%	
56.5%	43.4%	11.6%	31.8%		**Net Margin**	16.4%	37.1%	3.8%	33.3%	

El Camino Health

El Camino Hospital – Los Gatos
Pre-Audit Statement of Operations *($000s)*
Period 12 ending 06/30/2021

Period 12 FY 2020	Period 12 FY 2021	Period 12 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
61,644	87,488	58,533	28,955	49.5%	**Gross Revenue**	678,804	917,642	688,603	229,039	33.3%
(42,859)	(65,819)	(43,583)	(22,236)	(51.0%)	**Deductions**	(505,193)	(695,787)	(512,919)	(182,868)	(35.7%)
18,785	**21,669**	**14,950**	**6,719**	**44.9%**	**Net Patient Revenue**	**173,612**	**221,855**	**175,684**	**46,171**	**26.3%**
455	259	273	(14)	(5.1%)	**Other Operating Revenue**	4,201	3,848	3,260	587	18.0%
19,240	**21,927**	**15,222**	**6,705**	**44.1%**	**Total Operating Revenue**	**177,813**	**225,703**	**178,944**	**46,759**	**26.1%**
					OPERATING EXPENSE					
7,112	8,445	7,220	(1,225)	(17.0%)	**Salaries & Wages**	89,378	100,475	85,666	(14,808)	(17.3%)
2,504	3,621	2,471	(1,150)	(46.5%)	**Supplies**	26,810	38,640	28,433	(10,207)	(35.9%)
3,272	3,674	2,664	(1,009)	(37.9%)	**Fees & Purchased Services**	33,489	36,265	32,016	(4,249)	(13.3%)
310	469	394	(75)	(19.0%)	**Other Operating Expense**	4,046	4,619	5,120	501	9.8%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
891	1,756	797	(959)	(120.4%)	**Depreciation**	9,867	11,791	9,856	(1,935)	(19.6%)
14,090	**17,965**	**13,547**	**(4,418)**	**(32.6%)**	**Total Operating Expense**	**163,589**	**191,791**	**161,092**	**(30,698)**	**(19.1%)**
5,150	**3,963**	**1,675**	**2,287**	**136.5%**	**Net Operating Margin**	**14,224**	**33,913**	**17,852**	**16,060**	**90.0%**
0	0	0	0	0.0%	**Non Operating Income**	0	0	0	0	0.0%
5,150	**3,963**	**1,675**	**2,287**	**136.5%**	**Net Margin**	**14,224**	**33,913**	**17,852**	**16,060**	**90.0%**
6,042	**5,719**	**2,472**	**3,246**	**131.3%**	**Operating EBIDA**	**24,091**	**45,704**	**27,708**	**17,996**	64.9%
31.4%	26.1%	16.2%	9.8%		**Operating EBIDA Margin**	13.5%	20.2%	15.5%	4.8%	
26.8%	18.1%	11.0%	7.1%		**Operating Margin**	8.0%	15.0%	10.0%	5.0%	
26.8%	18.1%	11.0%	7.1%		**Net Margin**	8.0%	15.0%	10.0%	5.0%	

El Camino Health

El Camino Health Medical Network *($000s)*
Pre-Audit Statement of Operations *($000s)*
Period 12 ending 06/30/2021

Period 12 FY 2020	Period 12 FY 2021	Period 12 Budget 2021	Variance Fav (Unfav)	Var%	$000s	YTD FY 2020	YTD FY 2021	YTD Budget 2021	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
7,905	9,943	10,453	(510)	(4.9%)	**Gross Revenue**	83,958	109,314	109,807	(493)	(0.4%)
(4,435)	(6,289)	(7,034)	745	10.6%	**Deductions**	(58,636)	(72,580)	(73,960)	1,380	1.9%
3,470	**3,654**	**3,419**	**235**	**6.9%**	**Net Patient Revenue**	**25,323**	**36,735**	**35,848**	**887**	**2.5%**
1,477	1,284	1,836	(552)	(30.1%)	**Other Operating Revenue**	19,850	14,141	22,838	(8,697)	(38.1%)
4,948	**4,938**	**5,255**	**(317)**	**(6.0%)**	**Total Operating Revenues**	**45,173**	**50,876**	**58,686**	**(7,810)**	**(13.3%)**
					OPERATING EXPENSES					
1,633	1,648	1,569	(79)	(5.0%)	**Salaries & Wages**	19,967	20,117	19,442	(675)	(3.5%)
536	488	451	(37)	(8.2%)	**Supplies**	5,013	5,110	5,148	38	0.7%
4,155	4,419	4,551	132	2.9%	**Fees & Purchased Services**	49,860	48,320	54,689	6,369	11.6%
881	925	762	(163)	(21.4%)	**Other Operating Expense**	8,668	10,176	9,190	(986)	(10.7%)
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
310	255	261	6	2.2%	**Depreciation**	2,020	2,988	3,135	147	4.7%
7,516	**7,736**	**7,594**	**(142)**	**(1.9%)**	**Total Operating Expenses**	**85,528**	**86,711**	**91,603**	**4,892**	**5.3%**
(2,568)	**(2,798)**	**(2,339)**	**(459)**	**19.6%**	**Net Operating Margin**	**(40,355)**	**(35,835)**	**(32,917)**	**(2,918)**	**8.9%**
0	0	0	0	0.0%	**Non Operating Income**	292	229	0	229	0.0%
(2,568)	**(2,798)**	**(2,339)**	**(459)**	**19.6%**	**Net Margin**	**(40,063)**	**(35,607)**	**(32,917)**	**(2,689)**	**8.2%**
(2,258)	**(2,543)**	**(2,078)**	**(465)**	**22.4%**	**Operating EBIDA**	**(38,335)**	**(32,847)**	**(29,783)**	**(3,065)**	10.3%
-45.6%	-51.5%	-39.5%	(12.0%)		**Operating EBIDA Margin**	-84.9%	-64.6%	-50.7%	(13.8%)	
-51.9%	-56.7%	-44.5%	(12.2%)		**Operating Margin**	-89.3%	-70.4%	-56.1%	(14.3%)	
-51.9%	-56.7%	-44.5%	(12.2%)		**Net Margin**	-88.7%	-70.0%	-56.1%	(13.9%)	

El Camino Health

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: John Zoglin, Ad Hoc Committee Chair
Date: August 9, 2021
Subject: Ad Hoc Committee Update on Finance Committee Member Recruitment

Purpose: To update the Finance Committee on the status of the recruitment for the vacant Finance Committee Member position(s).

Summary: The Ad Hoc Committee was appointed at the May 24th, 2021 Finance Committee meeting.

Since the appointment, the Ad Hoc Committee has met four times and the following actions were taken:

- Recruitment/ Outreach Campaign July 7th - July 16th
  - Print Ads:
    - Los Altos Town Crier
    - Palo Alto Weekly
    - Los Gatos
  - Digital Ads:
    - LinkedIn
    - Banners in MV-Voice
  - Other Outreach
    - CBAC Groups
- Application deadline - July 23rd
  - 7 applications received
- Applicant Review / Finalist Selection - July 27th
  - Ad Hoc Committee reviewed applicant qualifications and selected 5 finalists
- Next Steps
  - Finalist Interviews:
    - 1st Round Interviews with AdHoc Committee- August 11th
  - Finalist 2nd Round Interviews, Applicant Review, and Selection with FC: TBD
  - Recommendation & FC Approval: September 27th
  - Recommendation & Approval ECH Board: October 2021
  - Notification of Candidates: October 2021

List of Attachments: N/A

Suggested Committee Discussion Questions: N/A

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Mark Adams CMO
Date: August 9, 2021
Subject: 2021 Medical Staff Development Plan

Purpose:

Present the biennial medical staff development plan and proposed maximum recruitment expenditure for approval by the committee.

Recommendation:

To approve the requested funding for the next two year period. (FY22/23)

Summary:

1. Situation: It is vitally important that El Camino Health maintain a complete and well-balanced medical staff to provide appropriate medical care. To support this requirement, El Camino Health traditionally provides for income guarantee recruitment of physicians who can fulfill a community need and are willing to commit to relocate to our community to serve our patients.

2. Authority: This program requires sufficient funding which must be approved by the Finance Committee of the Board.

3. Background: Every two years a thorough physician community needs assessment is obtained by a third party with expertise in this area. As in the past, ECG was contracted for this purpose. Based on this community needs assessment, a list of potential physician recruitment targets are identified with a corresponding estimate of the costs associated with those targets. The costs are determined by the fair market value of the particular specialists' compensation needed to recruit them to our market. The previous FY 20/21 plan approved by the finance committee included 17 physicians for a total maximum recruitment support of $6,120,000.

4. Assessment: Based on our analysis the proposal being submitted includes a potential maximum of 19 physician income guarantee recruitment to include the following:

- Primary Care: 5
- Ob/Gyn: 2
- Psychiatry: 2
- Neurology: 1
- ENT: 1
- General Surgery: 3
- Orthopedic Surgery: 3
- Other: 2

This represents a total of 19 with an estimated cost of $6,950,000.

5. Outcomes: This will provide flexibility to be able to successfully recruit out of area physicians to fulfill a community need as opportunities arise.

List of Attachments:

1. Complete 2021 Medical Staff Development Plan

Suggested Committee Discussion Questions:

Does this approach meet the expectations of the Board to maintain a balance between large organized medical groups such as PAMF and independent physicians?

Does the committee recognize the value of meeting community physician needs with this type of plan?

Any suggestions or guidance to improve the plan?

El Camino Health

2021 Medical Staff Development Plan

Physician Relations Department

The Purpose of this Document

- Review the Income Guarantee Recruitment Plan; and differentiate this plan from the ECHMN Recruitment Plan
- Provide a summary of the 2021 ECH Medical Staff Development Analysis
- Present an Income Guarantee Recruitment Plan Request for FY22 and FY23

Physician Recruitment Strategies

1. Shift Local Physician Preference to ECH: Local Recruitment
2. Income Guarantee Recruitment: Non-Local Recruitment
   - Bring physicians into the ECH Market in order to meet community and programmatic needs.
3. Employment: Grow El Camino Medical Network
   - Acquire physicians through ECMA employment at SVMD Clinic sites
4. Alliances and Affiliations
   - Create opportunities through certain arrangements that facilitate a closer relationship with independent physicians such as the El Camino Health Alliance.

Project Methodology and Goals

Baseline Federal requirements to prove community need (one or more needed):

1) That there are not enough physicians in the community overall (not hospital specific) by use of comparative ratios
2) Inadequate access – inappropriate wait times across the community (not just one practice) or specific payor access issues that cannot be remedied with current resources
3) Potential loss of an essential community program (such as a trauma program or critical service line) – again, not hospital specific
4) Substantial community demographic change within the next three years (36 months) that would require addition of physicians to meet community needs
5) Risk of loss of community services within the next three years (36 months) due to departures or retirement of physicians

Service Area Geography - ECH

Legend

Service Area

- Eastern Primary
- Los Gatos Primary
- Mountain View Primary

Locations

1. El Camino Health: Mountain View
2. El Camino Health: Los Gatos

Projected Five-Year Population Growth

Service Area	2020 Population	2025 Population	Projected Five-Year Growth
Mountain View	299,800	312,143	4.1%
Los Gatos	538,954	557,528	3.4%
Eastern	394,728	414,027	4.9%
Total Service Area	**1,233,482**	**1,283,698**	**4.1%**

Projected Five-Year Population Growth by Age Cohort

Service Area	0–14	15–24	25–44	45–64	65+
Mountain View	0.0%	10.4%	-3.0%	4.5%	16.7%
Los Gatos	-0.5%	4.2%	-1.0%	1.7%	17.9%
Eastern	0.2%	20.6%	-7.4%	11.5%	19.4%
Total Service Area	**-0.2%**	**10.6%**	**-3.8%**	**5.3%**	**18.0%**

El Camino Health

Recommendations:

- **Current Needs** – Those specialties identified as immediate needs based upon current staffing levels and accessibility within the service area as well as anticipated three-year growth projections for the market.
- **Growth Needs** – Those specialties identified as growth related needs for the next three years.
- **Succession Planning Risks** – Those specialties which include staff physicians at or above the age of 55
  - *It is permissible to recruit proactively for any specialty in which there is a reasonable belief there will be a loss of the equivalent value of FTEs over the next three years (and age is not the sole determinant)*

Community Need – Enterprise

Specialty	Current Need	Growth Need	Succession Risk	Aggregate Potential Need	Lengthy New Patient Wait Times
Addiction Medicine	1	-	-	1	
Allergy/Immunology	-	-	3	3	
Cardiac/Thoracic Surgery	3	-	4	7	
Cardiology	-	3	9	12	
Dermatology	-	3	7	10	
Endocrinology	1	-	5	6	Yes
Family Medicine	-	12	25	37	
Gastroenterology	-	3	8	11	Yes
General Surgery	12	3	11	26	Yes
Gynecologic Oncology	1	-	-	1	
Hematology/Oncology	-	3	1	4	
Hepatology	-	-	-	-	
Infectious Disease	-	-	4	4	
Internal Medicine	-	12	27	39	
Interventional Radiology	3	-	1	4	
Maternal/Fetal Medicine	-	-	1	1	
Nephrology	-	-	6	6	Yes
Neurology	-	3	8	11	Yes
Neurosurgery	2	-	1	3	Yes

Specialty	Current Need	Growth Need	Succession Risk	Aggregate Potential Need	Lengthy New Patient Wait Times
Obstetrics/Gynecology	-	6	17	23	Yes
Occupational Medicine	1	-	-	1	
Ophthalmology	-	3	10	13	Yes
Orthopedic Surgery	6	3	16	25	Yes
Otolaryngology	2	3	3	8	
Pain Management	4	-	-	4	Yes
Palliative Medicine	3	-	-	3	
Pediatrics	10	9	23	42	
Physical Medicine/Rehabilitation	-	-	6	6	Yes
Plastic Surgery	-	-	4	4	Yes
Psychiatry	-	6	20	26	Yes
Pulmonology/Critical Care Medicine	-	-	3	3	Yes
Radiation Oncology	5	-	-	5	
Reproductive Endocrinology	-	-	2	2	Yes
Rheumatology	-	-	1	1	Yes
Urogynecology	-	-	-	-	
Urology	7	3	6	16	
Vascular Surgery	-	-	1	1	
Total Primary Care	**10**	**33**	**75**	**118**	

Notes:

- Succession risk is based on physician FTEs age 65+.
- Aggregate potential need is the total of current need, growth need, and succession risk.

El Camino Health

Community Need – Mountain View

Specialty	Current Need	Growth Need	Succession Risk	Aggregate Potential Need	Lengthy New Patient Wait Times
Addiction Medicine	-	-	-	-	
Allergy/Immunology	-	-	-	-	
Cardiac/Thoracic Surgery	2	-	-	2	
Cardiology	-	1	4	5	
Dermatology	-	1	4	5	
Endocrinology	-	-	3	3	Yes
Family Medicine	-	4	8	12	
Gastroenterology	-	1	3	4	
General Surgery	5	1	4	10	
Gynecologic Oncology	-	-	-	-	
Hematology/Oncology	-	1	-	1	
Hepatology	-	-	-	-	
Infectious Disease	-	-	1	1	
Internal Medicine	-	4	8	12	Yes
Interventional Radiology	1	-	1	2	
Maternal/Fetal Medicine	-	-	-	-	
Nephrology	-	-	1	1	
Neurology	-	1	2	3	
Neurosurgery	-	-	1	1	
Obstetrics/Gynecology	-	2	6	8	
Occupational Medicine	-	-	-	-	
Ophthalmology	-	1	2	3	Yes
Orthopedic Surgery	-	1	3	4	
Otolaryngology	-	1	1	2	
Pain Management	2	-	-	2	Yes
Palliative Medicine	1	-	-	1	
Pediatrics	-	3	7	10	
Physical Medicine/Rehabilitation	-	-	1	1	Yes
Plastic Surgery	-	-	2	2	
Psychiatry	-	2	11	13	Yes
Pulmonology/Critical Care Medicine	-	-	1	1	
Radiation Oncology	1	-	-	1	
Reproductive Endocrinology	-	-	1	1	Yes
Rheumatology	-	-	-	-	
Urogynecology	-	-	-	-	
Urology	2	1	-	3	Yes
Vascular Surgery	-	-	-	-	-
Total Primary Care	-	11	23	34	

Notes:

- Succession risk is based on physician FTEs age 65+.
- Aggregate potential need is the total of current need, growth need, and succession risk.
- Total primary care is an aggregation of family medicine, internal medicine, and pediatrics.

El Camino Health

Community Need – Los Gatos

Specialty	Current Need	Growth Need	Succession Risk	Aggregate Potential Need	Lengthy New Patient Wait Times
Addiction Medicine	-	-	-	-	
Allergy/Immunology	-	-	3	3	
Cardiac/Thoracic Surgery	-	-	3	3	
Cardiology	-	1	2	3	
Dermatology	-	1	3	4	Yes
Endocrinology	-	-	2	2	
Family Medicine	-	4	15	19	
Gastroenterology	-	1	4	5	Yes
General Surgery	-	1	7	8	Yes
Gynecologic Oncology	-	-	-	-	
Hematology/Oncology	-	1	1	2	
Hepatology	-	-	-	-	
Infectious Disease	-	-	3	3	
Internal Medicine	-	4	16	20	Yes
Interventional Radiology	-	-	-	-	
Maternal/Fetal Medicine	-	-	1	1	
Nephrology	-	-	3	3	Yes
Neurology	-	1	5	6	Yes
Neurosurgery	-	-	-	-	Yes
Obstetrics/Gynecology	-	2	8	10	Yes
Occupational Medicine	1	-	-	1	
Ophthalmology	-	1	7	8	Yes
Orthopedic Surgery	-	1	11	12	Yes
Otolaryngology	-	1	2	3	Yes
Pain Management	-	-	-	-	Yes
Palliative Medicine	2	-	-	2	
Pediatrics	-	3	14	17	
Physical Medicine/Rehabilitation	-	-	4	4	Yes
Plastic Surgery	-	-	2	2	Yes
Psychiatry	-	2	9	11	Yes
Pulmonology/Critical Care Medicine	-	-	-	-	Yes
Radiation Oncology	1	-	-	1	
Reproductive Endocrinology	-	-	1	1	Yes
Rheumatology	-	-	1	1	Yes
Urogynecology	-	-	-	-	
Urology	-	1	6	7	Yes
Vascular Surgery	-	-	1	1	-
Total Primary Care	-	11	44	55	

Notes:

- Succession risk is based on physician FTEs age 63+.
- Aggregate potential need is the total of current need, growth need, and succession risk.
- Total primary care is an aggregation of family medicine, internal medicine, and pediatrics.

El Camino Health

Community Need – Eastern Primary Service Area

Specialty	Current Need	Growth Need	Succession Risk	Aggregate Potential Need	Lengthy New Patient Wait Times
Addiction Medicine	1	-	-	1	
Allergy/Immunology	-	-	-	-	
Cardiac/Thoracic Surgery	1	-	1	2	
Cardiology	-	1	3	4	
Dermatology	-	1	-	1	
Endocrinology	1	-	-	1	Yes
Family Medicine	-	4	3	7	
Gastroenterology	-	1	1	2	Yes
General Surgery	7	1	-	8	Yes
Gynecologic Oncology	1	-	-	1	
Hematology/Oncology	-	1	-	1	
Hepatology	-	-	-	-	
Infectious Disease	-	-	-	-	
Internal Medicine	-	4	3	7	
Interventional Radiology	2	-	-	2	
Maternal/Fetal Medicine	-	-	-	-	
Nephrology	-	-	2	2	Yes
Neurology	-	1	1	2	Yes
Neurosurgery	2	-	-	2	Yes

Specialty	Current Need	Growth Need	Succession Risk	Aggregate Potential Need	Lengthy New Patient Wait Times
Obstetrics/Gynecology	-	2	3	5	Yes
Occupational Medicine	-	-	-	-	
Ophthalmology	-	1	1	2	Yes
Orthopedic Surgery	6	1	1	8	Yes
Otolaryngology	2	1	-	3	
Pain Management	2	-	-	2	Yes
Palliative Medicine	-	-	-	-	
Pediatrics	10	3	2	15	
Physical Medicine/Rehabilitation	-	-	1	1	Yes
Plastic Surgery	-	-	-	-	Yes
Psychiatry	-	2	-	2	Yes
Pulmonology/Critical Care Medicine	-	-	2	2	Yes
Radiation Oncology	3	-	-	3	
Reproductive Endocrinology	-	-	-	-	Yes
Rheumatology	-	-	-	-	Yes
Urogynecology	-	-	-	-	
Urology	5	1	-	6	
Vascular Surgery	-	-	-	-	-
Total Primary Care	10	11	8	29	

Notes:

- Succession risk is based on physician FTEs age 65+.
- Aggregate potential need is the total of current need, growth need, and succession risk.
- Total primary care is an aggregation of family medicine, internal medicine, and pediatrics.

El Camino Health

Income Guarantee Recruitment Plan FY22-23

Based on the ECG Medical Staff Development Analysis, we request authorization for the following potential recruitments for FY22 and FY23

Income Guarantee Request (Specialty)	ECG Current Need	ECG Succession Risk	Max 2 Year Authorization Request	Estimated Support per Physician	Max Estimated Support
Primary Care	43	75	5	$300,000	$1,500,000
Obstetrics/Gynecology	6	17	2	$350,000	$700,000
Psychiatry	6	20	2	$290,000	$580,000
Neurology	3	8	1	$320,000	$320,000
Otolaryngology	5	3	1	$450,000	$450,000
General Surgery	15	11	3	$400,000	$1,200,000
Orthopedic Surgery	9	16	3	$500,000	$1,500,000
Other Unspecified TBD			2	$350,000	$700,000
TOTAL	**87**	**150**	**19**		**$6,950,000**

El Camino Health

EL CAMINO HOSPITAL
FINANCE COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee
From: Jim Griffith, Chief Operating Officer, Carlos Bohorquez, Chief Financial Officer
Date: August 9, 2021
Subject: Interventional Equipment (Cath Lab) Replacement including Addition of 6th Room

1. **Recommendation:**

   The Finance Committee is requested to recommend that the Hospital Board approve funding not to exceed $19.5 million to complete the construction and installation of interventional equipment in order to allow operation of six (6) interventional labs on the Mountain View campus.

2. **Summary:**

   a. Situation: The Board approved purchase of equipment for five existing and one new interventional room on the Mountain View campus in February of 2019. Initial funding covered the expected cost of equipment ($12 million) plus initial planning and design ($1 million.)

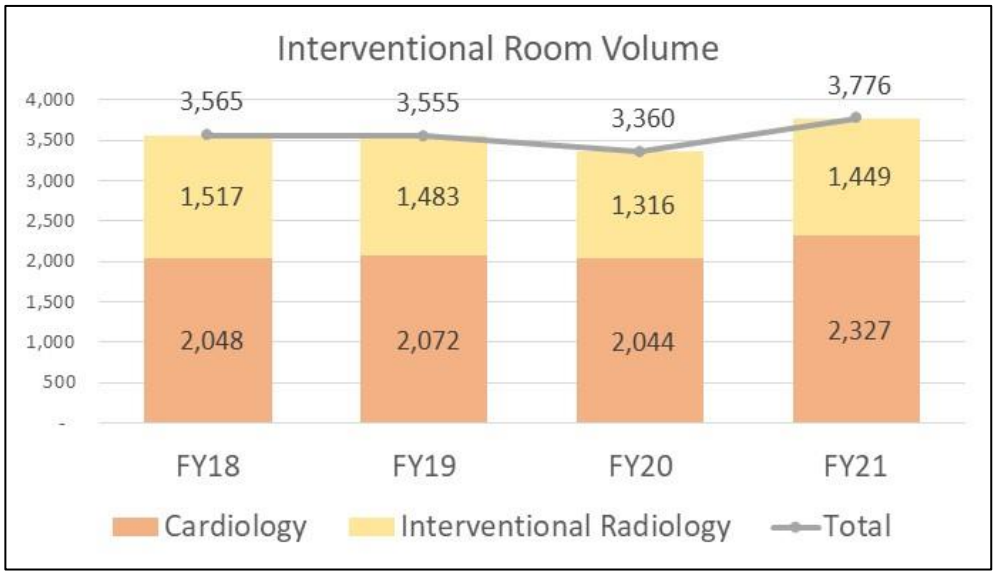
   This request is for the funds needed to complete the project. The detailed assessment has resulted in an updated total cost of $32.5 million (including equipment and construction). The cost reflects the need for additional building renovation to address new code requirements, and equipment modifications to optimize the configuration of the additional lab (#6.) Construction costs reflect a competitive bidding process with several bidders at the trade level. The table below shows the current cost estimate. The remaining expenditure is $19.5 million.

Mountain View Interventional Lab Upgrade	
Construction	$13.53 million
Equipment	$13.99 million
Soft Costs	$ 4.10 million
Contingency	$ 0.88 million
Total	**$32.50 million**
Amount Funded in FY19	$13.00 million
Remaining Request	**$19.50 million**
Soft Costs set at 15% construction and equipment cost	
Contingency set at 5% costs, excluding equipment cost	

   b. Authority: Policy dictates that expenditures exceeding $1 million require Finance Committee and Board approval.

   c. Background: ECH purchased the existing Siemens equipment between 2008 and 2009. The equipment is at the end of its useful life. Service calls and downtime disrupt operations, causing patient and physician dissatisfaction, as well as increased use of overtime staffing in order to complete cases during evening hours. Evening procedures prevent timely discharge, increasing the overall length of stay.

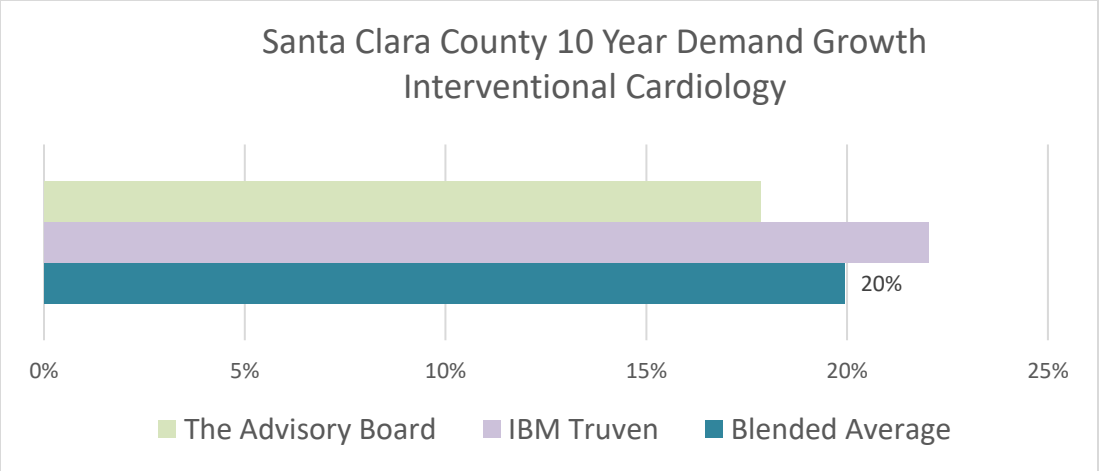
Common procedures that require interventional rooms include cardiac catheterization, valve repair and replacement, electrophysiology, and interventional radiology. These procedures sustain our heart and vascular program. Consistent with market projections, interventional volume increased from 3,360 to 3,776 in FY2021.



An outside firm, AZDirectImaging, validated the capacity limits of the current rooms. The review indicates that most rooms are already operating at or over capacity. Based on 3 years of data, ECH completes an average of 3-5 cases a day per room. The average time per case per room was 2 hours. This results in an average of 6-10 hours of just room time per day. The additional time needed for transportation, scheduling or complex / unexpected clinical situations results in demand that cannot be met during business hours and leaves no room for growth unless a new, fully equipped 6th room is added.

Three new interventional cardiologists (2 electrophysiologists and 1 structural heart MD) joined ECH's medical staff in July of 2021. The projected volume with the addition of these physicians is 3% higher in FY22 than in FY21. These physicians have joined ECH's medical staff because of the superb quality of ECH's nursing and technical staff. The heart and vascular medical staff expects that ECH will address the current issues with down-time and capacity constraint with this project.

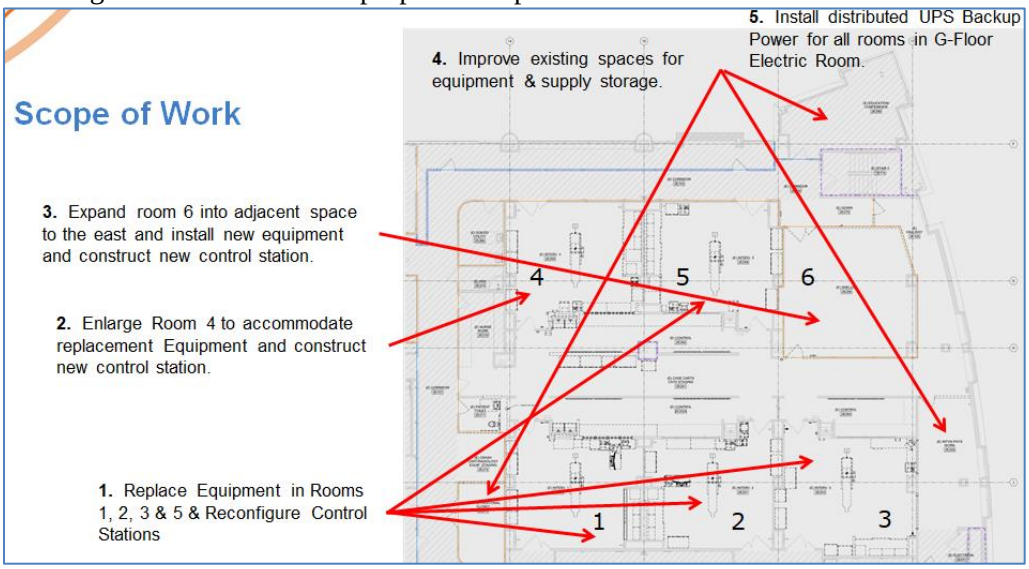
The proposed upgrade will support the growth in cardiovascular services and interventional radiology (*i.e.*, valve replacements, aortic aneurysm repairs, coronary artery repair, peripheral vascular repair, and therapies for stroke repair and prevention). Demand for these procedures are projected to increase by 20% over the next 10 years. In addition, ECH expects to recruit additional interventional physicians into its heart and vascular program as it extends its centers of excellence.



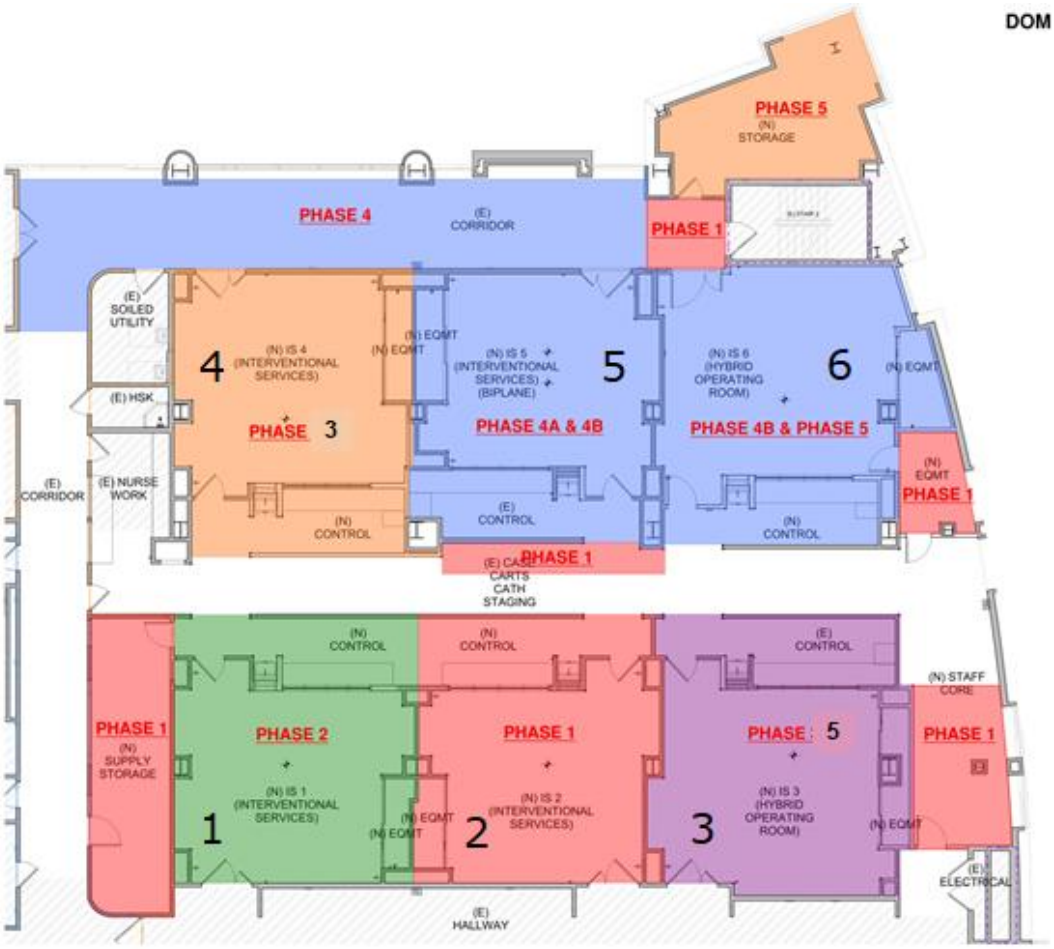
Lower acuity services are moving to ambulatory sites. The projections shown above reflect the hospital based demand based on the underlying patient need. The Advisory Board and IBM Truven projections are trended to reflect demographic shifts, treatment pattern changes, and site-of-service shifts. We confirmed the findings with our interventional cardiologists who agree that the key services projected to increase are PCI, PVI and EP – services that pose a safety risk unless done with the surgical back up available in a hospital setting. The ECH's interventional rooms are "hybrid" rooms that allow conversion to an open procedure if needed.

The proposed equipment will have improved dose-reducing strategies that include more sensitive image receptors, better image reconstruction techniques, dose alerts and post-processing software. The dangers of excessive radiation exposure are well documented and all of these strategies will reduce the length of time fluoroscopy is used during the case.

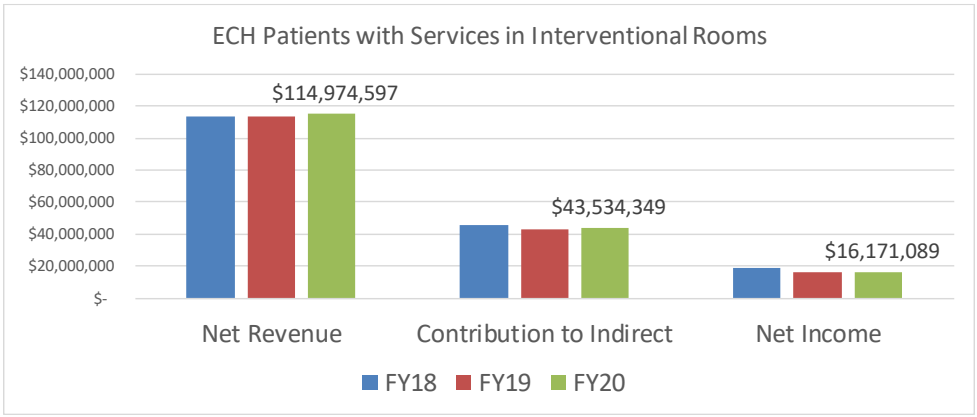
The diagram below shows the proposed scope of work.



The final configuration and phase plan is shown below.

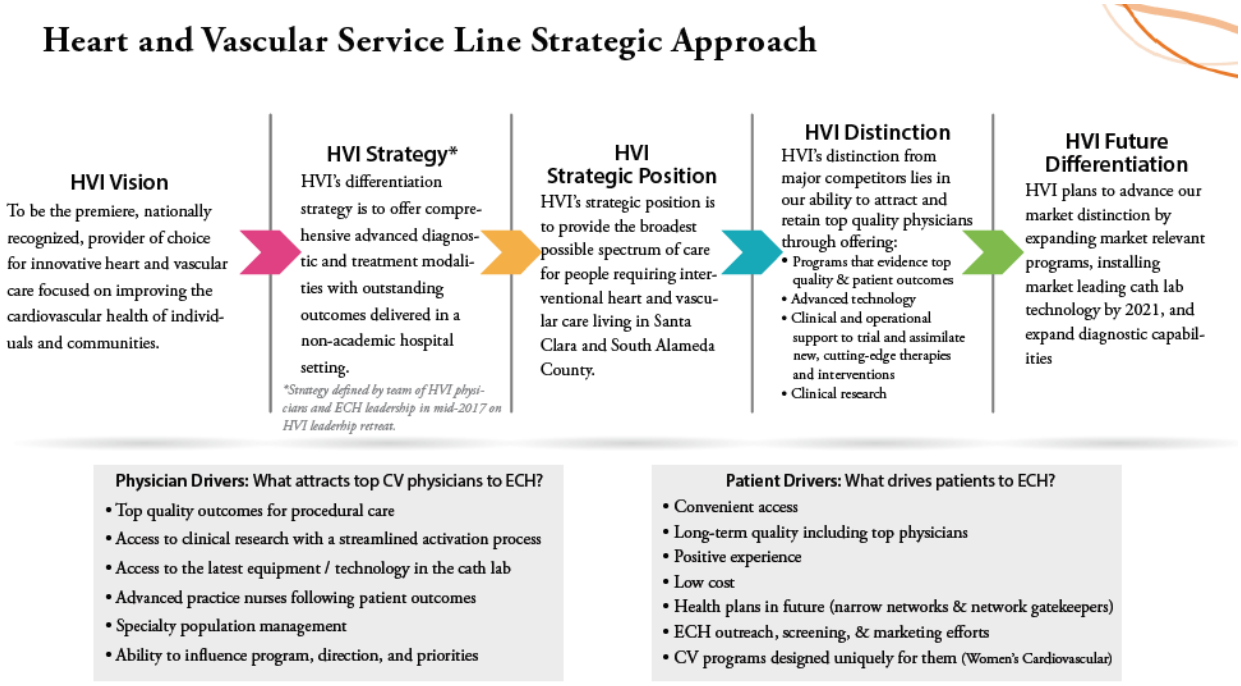


d. <u>Assessment</u>: ECH patients with services delivered in the interventional rooms generated over $114m in net revenue in FY20, contribution over $16m in net income. This is a core service requiring re-investment.



e. Other Reviews:

Service Line Strategy. Support for this project has been unanimous among ECH-aligned cardiologists, neurologists, interventional radiologists and electro physiology providers. Continued development of ECH's interventional services is key to the HVI's strategic approach to the market. ECH has successfully recruited top interventional physicians based on its adoption of start-of-the-art technology, support of cutting- edge programs and participation if center of excellence programs.



Equipment Upgrade Planning. We engaged the services of an Interventional Imaging Equipment planner as a subject matter expert to determine the appropriate equipment and operational strategies to accommodate future growth in interventional care. A task force consisting of staff and medical directors for Interventional Cardiology, Electrophysiology, Interventional Radiology, Vascular Interventional, and Anesthesia have been actively involved in vetting the equipment needs and the three potential vendors. Task force members have conducted site visits to the Miami Heart in Florida, the UCSF Hybrid OR and Cath Lab, and the Stanford Cath Lab.

f. Outcomes: Updated equipment and rooms to allow growth in interventional services and improve operational efficiency. The construction and installation process is projected to take approximately 5 months per phase, with three weeks to obtain approvals for each of the five phases. Before each room is put into service OSHPD, the Radiation Safety Board and CDPH must approve it. Work on subsequent rooms will not commence until all approvals are received. The total duration of the project is targeted to be completed 27 months from the start of construction activities.

3. List of Attachments:

a. None

4. **Suggested Board Discussion Questions:**

a. Will there be a financial impact of down time as equipment is replaced?
b. Do we currently have the physician base to support the growth or will new physicians be needed?

El Camino Health

Interventional Services Equipment Replacement Plan

Jim Griffith, Chief Operating Officer
Carlos Bohorquez, Chief Financial Officer
August 9, 2021

Summary

Equipment

- The MV Interventional equipment is past its “extended useful life” based on industry standard & repair history
- An outside consulting firm, AZDirectImaging, confirmed the need for a 6th room in order to accommodate growth
- Physicians at Stanford and PAMF physicians are interested in bringing additional cases to ECH but breakdowns, obsolete equipment and capacity constraints inhibit growth despite moving cases to evening hours
- The proposed solution is to upgrade current equipment and add one additional room to accommodate growth

Replacement

- Approved funding is $13 million for equipment and design; $19.5 million is requested for construction to complete the project
- Total project cost are not to exceed $32.5 million including the new, 6th interventional room
- Construction costs are based on a competitive bidding process with several bidders at the trade level

The equipment in the Interventional Rooms requires excessive repair and capacity constraints are limiting ECH's interventional heart and radiology programs

IS Systems	Placed in Service	End of Clinically Useful Life	Current Replacement Index (Clinical Engineering)	Work Orders Last 3 Years
IS 1	2009	2018	4 out of 6	44 / Obsolete Components
IS 2	2009	2018	4 out of 6	36 / Obsolete Components
IS 3	2009	2018	4 out of 6	46 / Obsolete Components
IS 4	2009	2018	2 out of 6	43 / Obsolete Components
IS 5	2009	2018	3 out of 6	39 / Obsolete Components
IS 6		Proposed		

All rooms are 12 years old with life expectancy of 9 years. Technology is mature and some components in each lab are obsolete; Systems surpass national MTBF work order repair average with exception of IS 4. IS 6 is to be devoted to structural heart cases in order to accommodate growth and MD recruitment;

An outside consulting firm confirmed the need for a 6th room

AZ DIRECT IMAGING

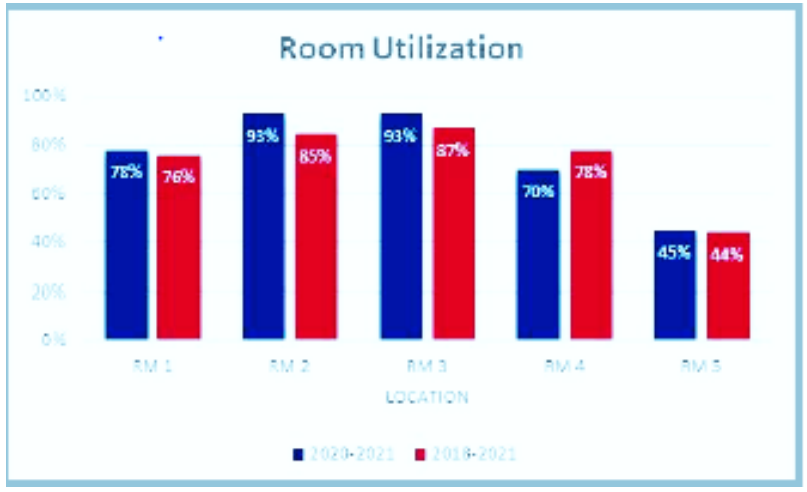
ECH CAPITAL EQUIPMENT PURCHASE CONSIDERATIONS – CATH/IR

El Camino Health (ECH) cath/IR procedure volumes appear to be constant which can be a result of being at room capacity and the inability to expand the business due to space/room limitations.

Most rooms, except for RM 5 are operating at or over capacity and within the typical utilization ratio standards.

With the average cost of labor for overtime procedures estimated at $2,800 per case, ECH has been spending over $1M per year which is the approximate cost of a new room.

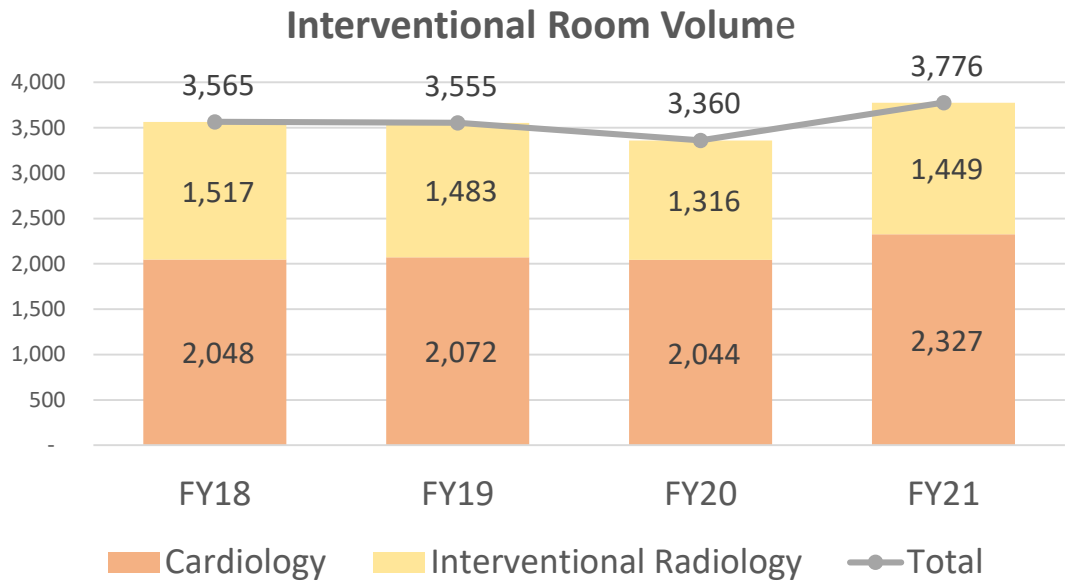
The average case load for the 3 years of data provided shows an average of 3-5 cases per room/day room with an average time per case/room of 2 hrs. This provides you with an average of 6-10 hrs a day of just room time per case, excluding any transportation, scheduling, or clinical situations that may arise and cause a delay. With scheduling and staffing from 7am - 4pm, it will be extremely difficult to accommodate the projected 7-9% annual growth without the addition of a new lab.

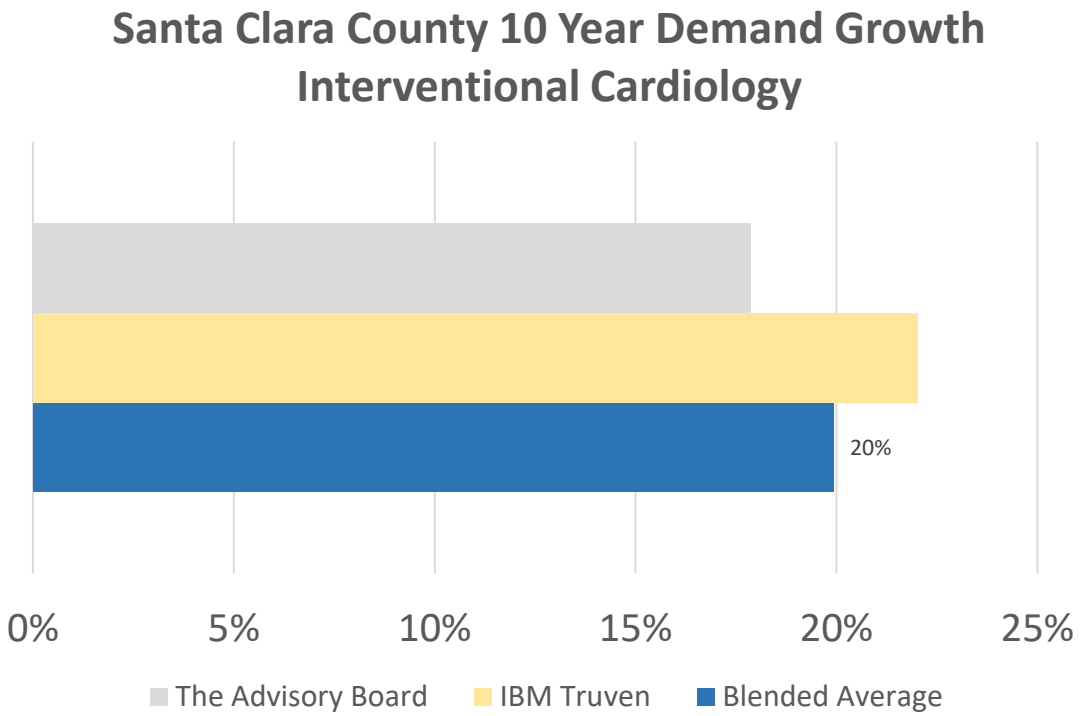


El Camino Health

Report May 2021

With the recommended upgrades ECH can handle expected growth in demand over the next 10 years





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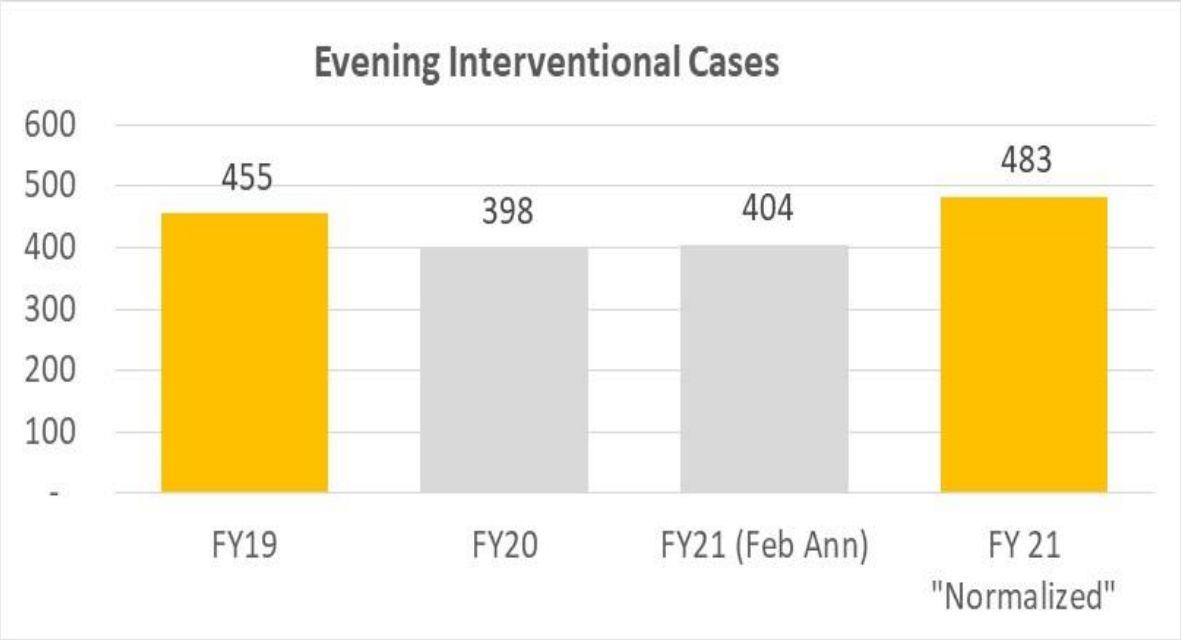
ECH has moved cases into evening hours but such accommodation has reached its limit; Replacement will allow more interventional cases to be completed during business hours



Over time the delays are likely to hard patient and physician referral to ECH for these services

Over Capacity

- We prioritize cardiovascular interventional cases / structural heart / EP cases during the day because they require multiple dedicated providers / staff
- Interventional radiology cases are often pushed into the evening – often up to 11 pm – as shown to the left
- The current cost of premium and overtime to accommodate the late schedules is approx. $2,800 per evening case

The scope of the replacement work is extensive

Scope of Work

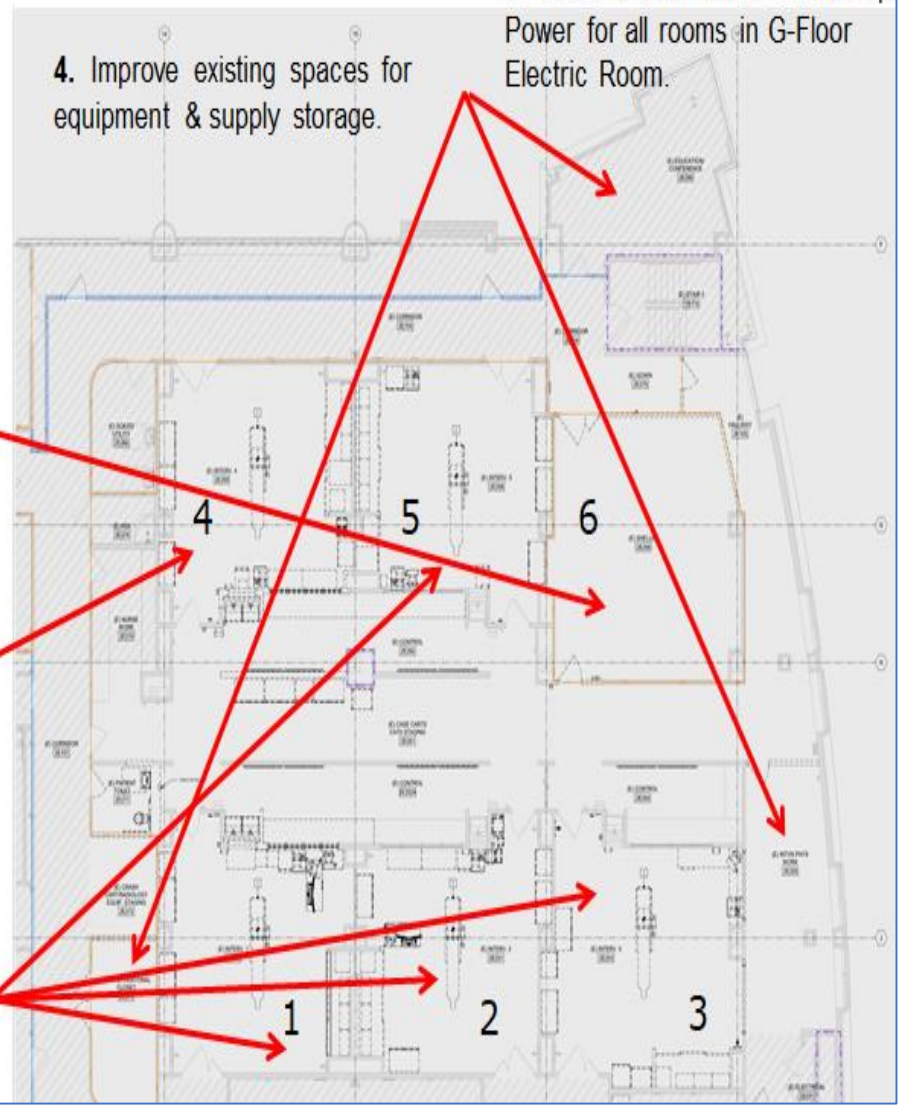
5. Install distributed UPS Backup Power for all rooms in G-Floor Electric Room.

4. Improve existing spaces for equipment & supply storage.

3. Expand room 6 into adjacent space to the east and install new equipment and construct new control station.

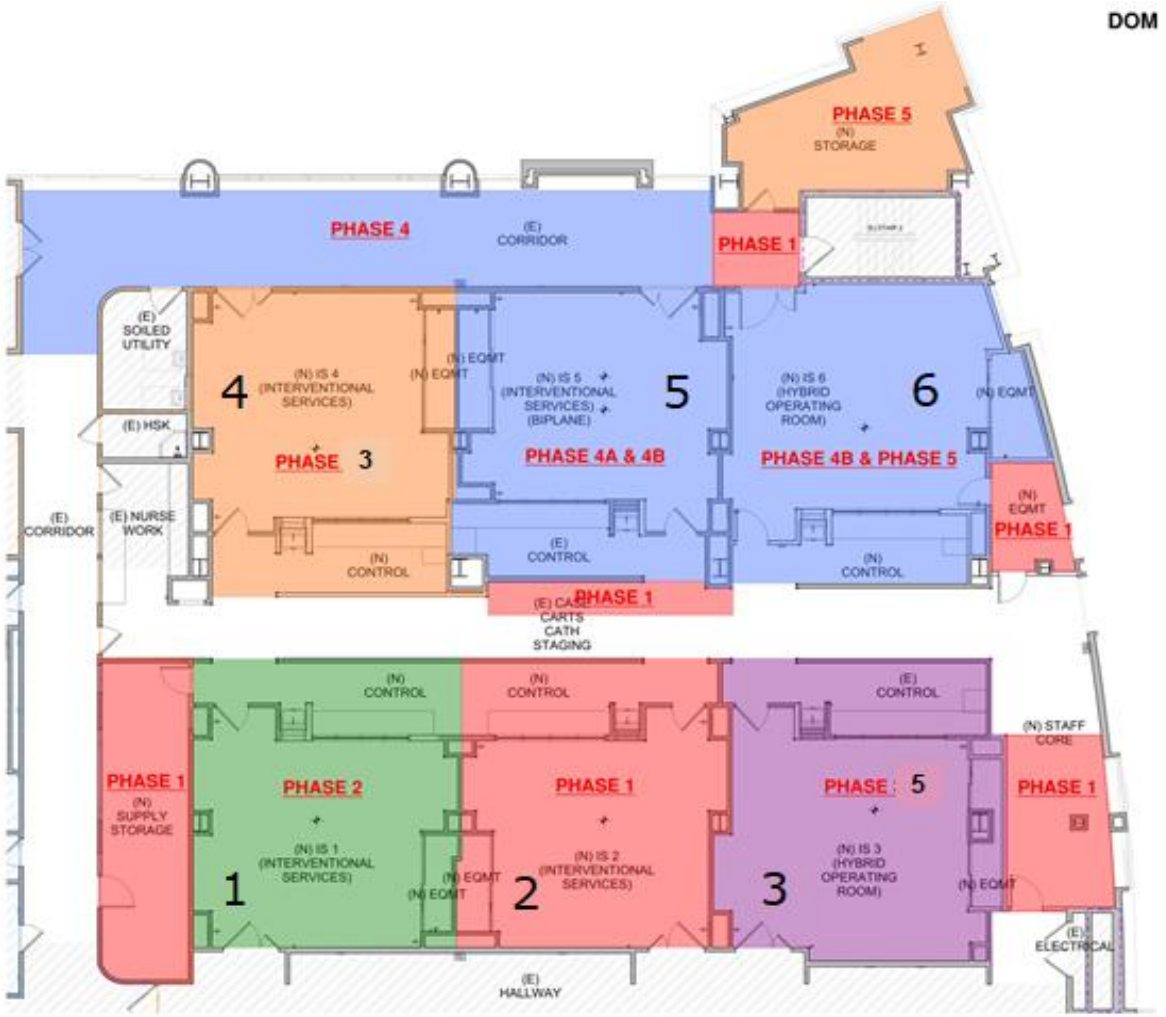
2. Enlarge Room 4 to accommodate replacement Equipment and construct new control station.

1. Replace Equipment in Rooms 1, 2, 3 & 5 & Reconfigure Control Stations



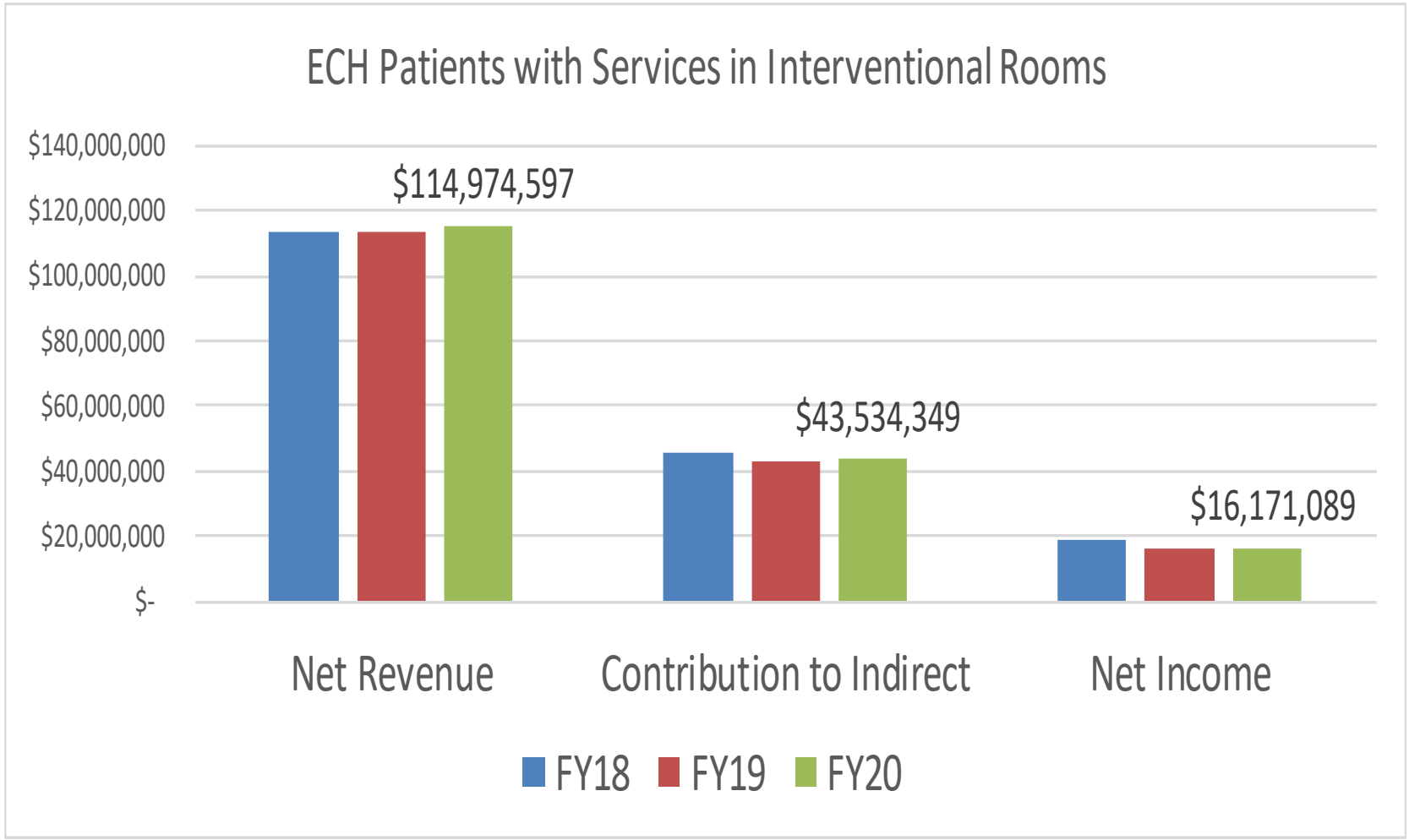
El Camino Health

The final unit will be greatly improved



El Camino Health

The equipment upgrade is needed to retain our income from interventional services



The equipment upgrade is needed to retain our income from interventional services

Mountain View Interventional Lab Upgrade	
Construction	$13.53 million
Equipment	$13.99 million
Soft Costs	$ 4.10 million
Contingency	$ 0.88 million
Total	$32.50 million
Amount Funded in FY19	$13.00 million
Remaining Request	**$19.50 million**

Soft Costs set at 15% construction and equipment cost

Contingency set at 5% costs, excluding equipment cost

Recommendation

The Finance Committee is requested to recommend that the Board approve additional funding not to exceed $19.5 million to complete the construction and installation of interventional equipment in order to allow operation of six (6) interventional labs on the Mountain View campus.

The construction and installation process is projected to take approximately 5 months per phase, with three weeks to obtain approvals for each of the five phases. Before each room is put into service OSHPD, the Radiation Safety Board and CDPH must approve it. Work on subsequent rooms will not commence until all approvals are received. The total duration of the project is targeted to be completed 27 months from the start of construction activities.

Q & A

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To:	Finance Committee
From:	Vince Manoogian, Interim President SVMD Ken King, CAO
Date:	August 9, 2021
Subject:	Facilities Capital Funding Request – ECHMN Medical Offices @ 700 Parr & 2577 Samaritan

Recommendation:

To approve funding for two medical office TI projects. One at 700 Parr Avenue not to exceed $1.33 million and one at 2577 Samaritan Drive not to exceed $1.475 million, in order to facilitate the required relocation of ECHMN physicians from 2585 Samaritan Drive.

Summary:

1. Situation: ECHMN currently subleases 34,319 square feet of medical office space from the Master Tenant which was set to terminate on May 31, 2022, however we received a notice of Early Termination on April 30, 2021. The terms of the sublease require that we vacate the premises within 180 days of the Early Termination notice, which is October 31, 2021. This sublease agreement was negotiated as one element of the SJMG acquisition from Verity in 2019.

There are eighteen (18) physicians that need to be relocated from the existing medical offices at 2585 Samaritan Drive, however there is no single location available that will accommodate all 18. The solution presented herein is to move the six specialty physicians into medical office space at 700 Parr Avenue, and to move the twelve primary care physicians into medical office space at 2577 Samaritan Drive. Both locations have vacant space that requires modifications, upgrades and installation of our networked systems in order for them to be functional.

We have already completed the TI planning for both project locations and we are working with contractors to finalize construction contract agreements for work to commence as soon as possible.

2. Authority: Capital expenditures exceeding $1 million requires the approval of the Finance Committee.

3. Background: We have been looking for approximately 20,000 square feet of medical office space for the past year in anticipation of vacating the existing lease in May of 2022. Upon receipt of the Early Termination notice SMVD collaborated with the Facilities Development and Real Estate Team to identify options for relocating all 18 physicians. The solution for the specialty physicians at 700 Parr Avenue was selected because ECH owns the building and it is adjacent to our hospital in Los Gatos. The solution for the primary care physicians at 2577 Samaritan Drive was selected because it is shares a parking lot with the existing location and it had available vacant space for lease.

4. Assessment: Aside from the fact that we have had to move quickly to relocate the existing physicians, ECHMN will benefit from getting out of the existing lease. The amount of space in the existing lease is more than what is currently needed and the lease costs in the new locations is less per square foot than the existing sublease. However we will be moving the SMVD physicians to space that is in older medical office buildings and as such we see this as a five year solution. Future planning for modern, expandable clinic environment is recommended.

The following is a comparison of the existing lease with the two new leases, including depreciation for the capital TI costs incurred at both project locations:

	Rentable SF	Annual Rent	Annual TI Depreciation (5 years)	Total Annual Cost
Existing Sublease	34,319	$2,405,117	$0	$2,405,117
700 Parr Lease	6,400	$245,760	$266,000	$511,760
2577 Samaritan Lease	10,413	$499,824	$295,000	$794,824
Combined for Comparison	16,813	$745,584	$561,000	$1,306,584
Annual Savings from Existing Lease				$1,098,533

The following is the summary of TI Costs for each of the two projects:

	Project #1			Project #2
700 Parr Avenue TI's			**2577 Samaritan Drive TI's**	
Construction	$896,000		Construction	$1,197,495
Network Infrastructure	$130,000		Network Infrastructure	$280,000
Soft Costs	$197,120		Soft Costs	$239,499
Contingency	$109,312		Contingency	$143,699
TI Allowance	$0		TI Allowance	($385,281)
Total	$1,332,432		Total	$1,475,412
Rounded	**$1,330,000**		**Rounded**	**$1,475,000**

5. Other Reviews: This recommendation has been reviewed by the Executive Capital Committee and is well within the FY-22 Capital and Expense Budget projections.

6. Outcomes: Due to the availability of materials and construction trade workers it will be a significant achievement if we are able to complete the required TI projects in order to vacate the existing leased space by October 31st. We have selected a different contractor for each TI project location and we have provided early releases of demolition and material procurement in order to expedite the outcome.

7. **List of Attachments:**

1. Power Point Presentation

Suggested Committee Discussion Questions:

1. Question 1

El Camino Health

ECHMN Medical Office Relocations

Finance Committee

Vince Manoogian, Interim President SVMD
Ken King, CAO
August 9, 2021

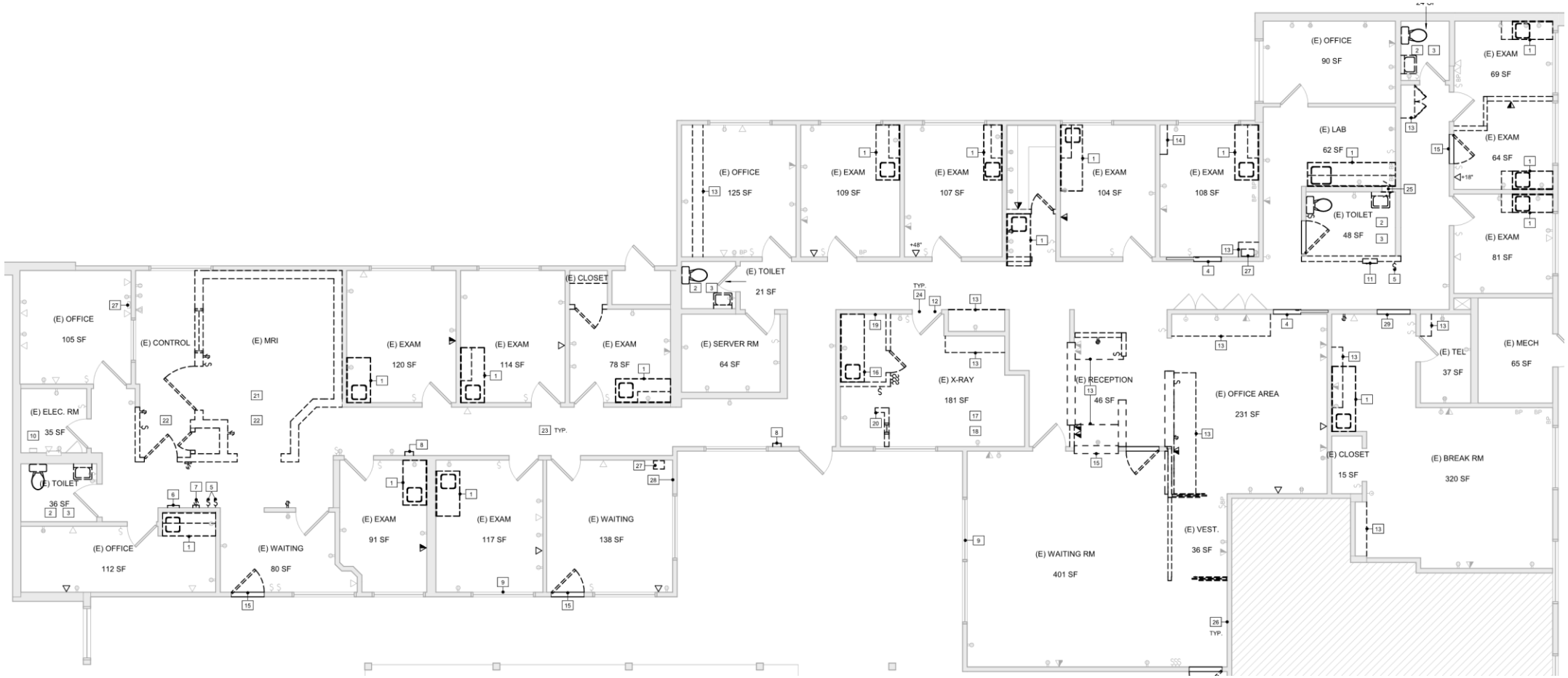
Funding Request

To approve funding for two medical office TI projects. One at 700 Parr Avenue not to exceed $1.33 million and one at 2577 Samaritan Drive not to exceed $1.475 million, in order to facilitate the required relocation of SVMD physicians from 2585 Samaritan Drive.

Background

- Master Tenant exercised Early Termination, requires that SMVD vacate 2585 Samaritan Drive medical offices by 10/31/21
- Requires the relocation of eighteen (18) physicians
- No single space available to accommodate all 18 physicians
- Solution is to move six specialty physicians to space at 700 Parr Avenue and twelve primary care physicians to space at 2577 Samaritan Drive
- TI’s at both locations are required

Project #1 – 700 Parr
Demolition Plan



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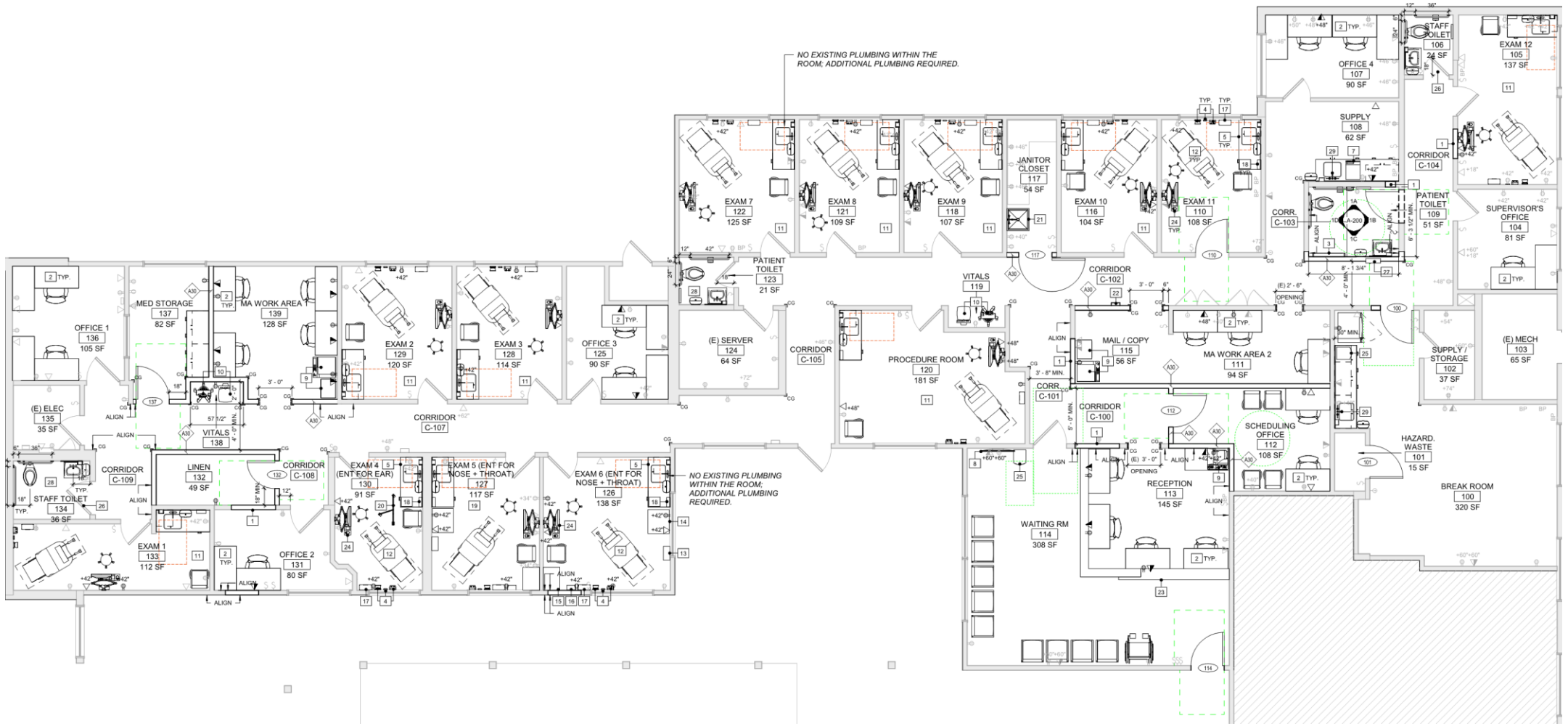
Project #1 – 700 Parr
New Floor Plan



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Project #2 – 2577 Samaritan
Demolition Plan

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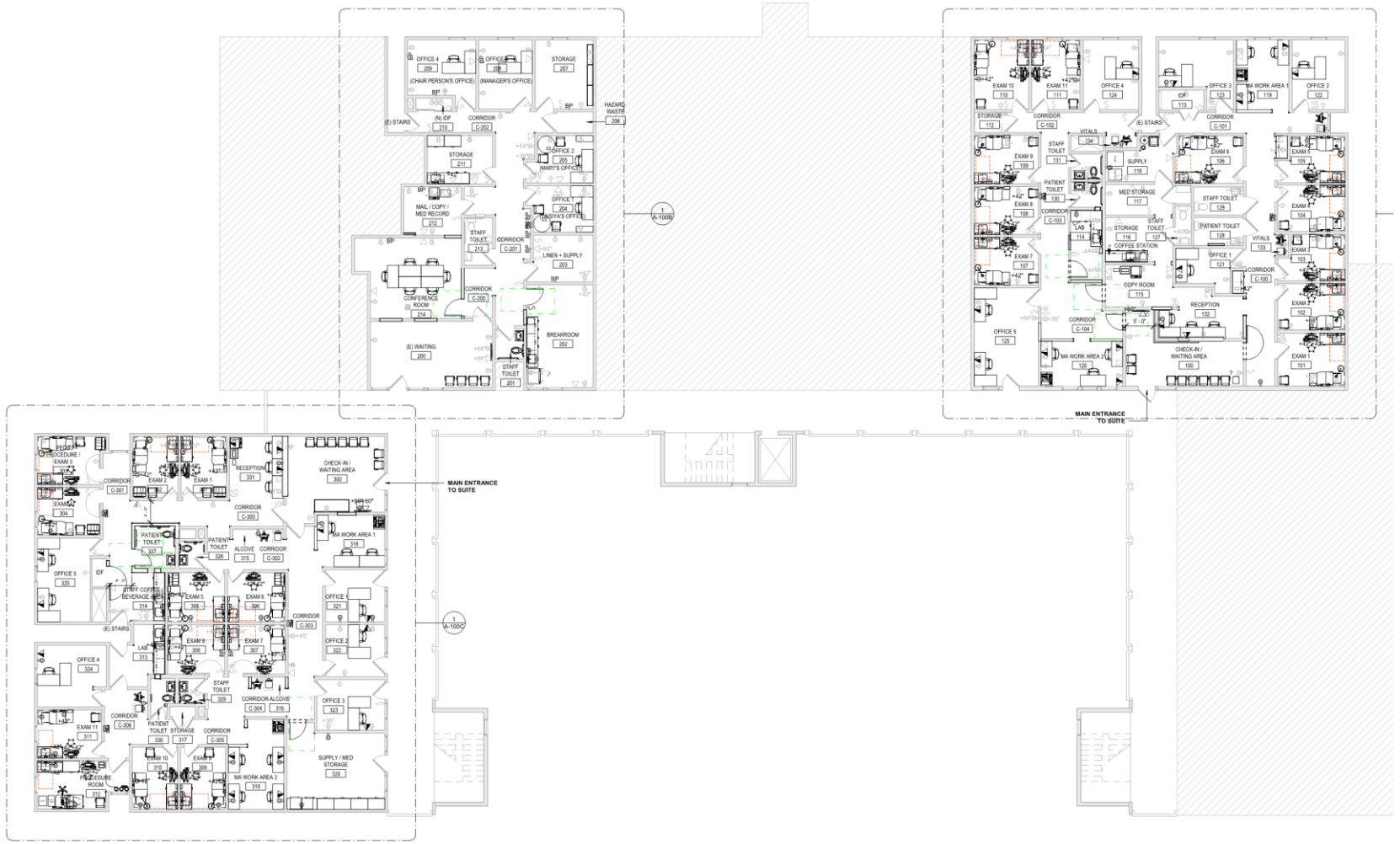
Project #2 – 2577 Samaritan
New Floor Plan



1 (N) OVERALL SECOND FLOOR PLAN
1/8" = 1'-0"

El Camino Health

Project Cost Estimates

	Project #1			Project #2
700 Parr Avenue TI's			**2577 Samaritan Drive TI's**	
Construction	$896,000		Construction	$1,197,495
Network Infrastructure	$130,000		Network Infrastructure	$280,000
Soft Costs	$197,120		Soft Costs	$239,499
Contingency	$109,312		Contingency	$143,699
TI Allowance	$0		TI Allowance	($385,281)
Total	$1,332,432		Total	$1,475,412
Rounded	**$1,330,000**		**Rounded**	**$1,475,000**

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Request

To approve funding for two medical office TI projects. One at 700 Parr Avenue not to exceed $1.33 million and one at 2577 Samaritan Drive not to exceed $1.475 million, in order to facilitate the required relocation of SVMD physicians from 2585 Samaritan Drive.

El Camino Health

EL CAMINO HOSPITAL
FINANCE COMMITTEE MEETING COVER MEMO

To: El Camino Hospital Finance Committee
From: Carlos Bohorquez, Chief Financial Officer
Date: August 9, 2021
Subject: Capital Funding Request: Pyxis MedStations Replacement Project

1. Recommendation:

The Finance Committee is requested to recommend that the Hospital Board approve funding not to exceed $6.64 million for the purchase and installation of 247 Pyxis MedStation machines.

2. Summary:

a. Situation: Current Pyxis MedStations have been leased from the manufacture since 2009 and are now at the end of their useful life.

- Pyxis MedStations are necessary to meet regulatory / compliance for medication safety and inventory control in the medical units and anesthesia
- All MedStations are on Windows 7 platform which is no longer supported and creates IT vulnerabilities
- The updated MedStations will optimize medication inventory and manage pharmacy spend

b. Authority: Policy requires that capital expenditures exceeding $1 million need Finance Committee and Board approval.

c. Background: Management has negotiated the following purchase terms

- Total project cost to purchase 247 replacement Pyxis MedStations is $6.64 million
- Purchase vs. lease is expected to save ECH $5.78 million over the next ten years
- Monthly support and maintenance agreement: $297K per year will begin in year 3

3. List of Attachments:

a. None

4. Suggested Board Discussion Questions:

a. What is the expected completion timeline of the project?

b. Will there be any disruption to patient services as a result of this project?

El Camino Health

Pyxis MedStation Replacement Project

Carlos A. Bohorquez, Chief Financial Officer

August 9, 2021

Summary

Current State

- Pyxis MedStations are necessary to meet regulatory / compliance for medication safety and inventory control in the medical units and anesthesia
- Current Pyxis MedStations have been leased since 2009 at a significant cost to the without any upgrades to the equipment since the inception of the lease
- All machines are at the end of the useful life
- All MedStations are on Windows 7 platform which is no longer supported and creates IT vulnerabilities

Replacement

- Total project cost to purchase 247 replacement Pyxis Medstations is $6.64 million
- Purchase vs. lease is expected to save ECH $5.78 million over the next ten years
- Monthly support and maintenance agreement of $297K per year will begin in year 3
- Replacement project will optimize medication inventory and manage pharmacy spend

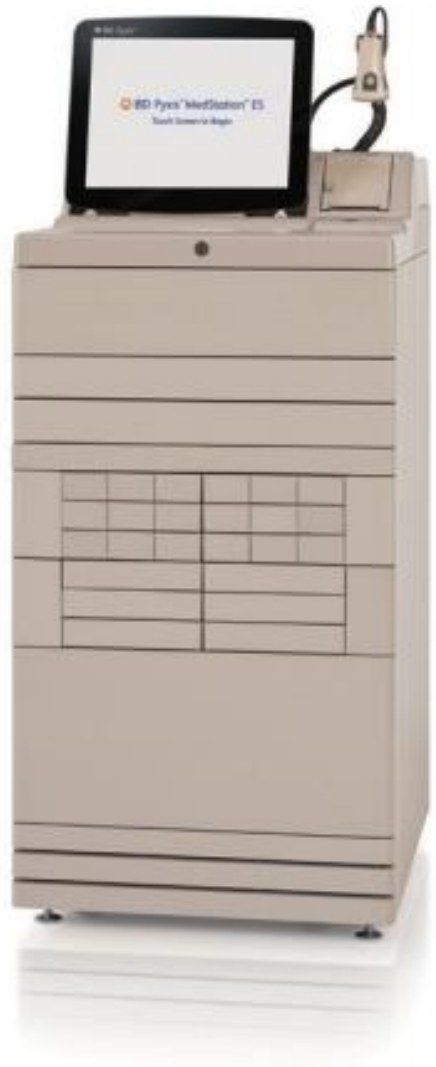
Project Scope and Timeline

Unit Replacement Totals

	MedStation Type						
Campus	MedStation Main	7-Drawer AUX	Tower	Smart / Remote Manager	CII Safe	Pyxis Anesthesia	Total
ECH - Mountain View	65	20	23	49	3	30	**190**
ECH - Los Gatos	17	7	9	13	1	10	**57**
Total by Type	**82**	**27**	**32**	**62**	**4**	**40**	**247**

Project Timeline

- Finalize Purchase / Service Agreement: August 2021
- Project Initiation: October 2021
- Expected Completion: March / April 2022



El Camino Health

Recommendation

The Finance Committee is requested to recommend that the Board approve funding not to exceed $6.34 million to complete the purchase and installation of 247 Pyxis MedStations

The replacement and installation process is projected to take approximately 7 months

Q & A