

AGENDA
JOINT MEETING OF THE EL CAMINO HOSPITAL
BOARD OF DIRECTORS AND THE FINANCE COMMITTEE

Thursday, May 26, 2021 – 5:30 pm

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

PURSUANT TO GOVERNMENT CODE SECTION 54953(e)(1), EL CAMINO HEALTH WILL NOT BE PROVIDING A PHYSICAL LOCATION TO THE PUBLIC 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: 916-1676-0739#. No participant code. Just press #.

To watch the meeting Livestream, please visit: <https://www.elcaminohealth.org/about-us/leadership/board-meeting-stream>

Please note that the Livestream is for **meeting viewing only**, and there is a slight delay; to provide public comment, please use the phone number listed above.

ECH BOARD MISSION: To heal, relieve suffering, and advance wellness as your publicly accountable health partner.

FINANCE COMMITTEE PURPOSE: 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 to best define financial strategies that react to changing conditions.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER/ROLL CALL	Bob Rebitzer, Board Vice-Chair		5:30 – 5:31pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Rebitzer, Board Vice-Chair		information 5:31 – 5:32
3. PUBLIC COMMUNICATION a. Oral Comments <i>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.</i> b. Written Correspondence	Bob Rebitzer, Board Vice-Chair		information 5:32 -5:34
4. <u>FY2023 OPERATING & CAPITAL BUDGET</u>	Dan Woods, Chief Executive Officer Carlos Bohorquez, Chief Financial Officer	<i>public comment</i>	motion required 5:34 - 5:54
5. ADJOURN TO CLOSED SESSION	Bob Rebitzer, Board Vice-Chair	<i>public comment</i>	motion required 5:54 - 5:55
6. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Rebitzer, Board Vice-Chair		information 5:55 - 5:56
7. Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets: FY2023 STRATEGIC ASSUMPTIONS	Dan Woods, Chief Executive Officer Carlos Bohorquez, Chief Financial Officer		discussion 5:56 - 6:21
8. ADJOURN TO OPEN SESSION	Bob Rebitzer, Board Vice-Chair		motion required 6:21 - 6:22
9. RECONVENE OPEN SESSION / REPORT OUT <i>To report any required disclosures regarding permissible actions taken during Closed Session.</i>	Bob Rebitzer, Board Vice-Chair		information 6:22 - 6:23
10. CLOSING COMMENTS	Bob Rebitzer, Board Vice-Chair		information 6:23 - 6:24
11. ADJOURNMENT	Bob Rebitzer, Board Vice-Chair	<i>public comment</i>	motion required 6:24 – 6:25pm

Upcoming Regular ECH Board Meetings: June 8, 2022

A copy of the agenda for the Regular Board 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.

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
BOARD OF DIRECTORS MEETING MEMO**

To: El Camino Hospital Board of Directors & Finance Committee
From: Carlos Bohorquez, Chief Financial Officer
Date: May 26, 2022
Subject: Open Session: FY2023 Operating and Capital Budget for Approval

Purpose:

The purpose is to provide the Board & Finance Committee with an overview of the FY2023 operating and capital budget for review and approval.

Summary:

Budget FY2023 lays out a plan for the coming year that maintains El Camino Health’s strong performance while making investments across the health system:

- Approved additional FTEs / funding for important needs: Cybersecurity, Clinical Education, Human Resources, High-Reliability Organization initiative, Service Line Support, and Performance Improvement
- Includes funds for Phase I - 2027 Strategic Plan
- Maintains sufficient funding to continue our commitment to provide the best quality and patient experience to the residents of Silicon Valley and Santa Clara County
- Continues deployment of capital to support the sustainability of core business and fund facility and strategic needs of the organization
- Maintains revenue cycle initiatives to ensure collections are consistent with expected reimbursement
- Reflects management efforts to manage inflation through effective cost management and driving efficiency throughout the organization
- Supports investment in supply chain initiatives to mitigate disruptions and supply shortages

In developing the FY2023 budget, the following operating assumptions were used:

Category	Item Description	FY2023 Budget Assumption
Volume: Inpatient	Inpatient discharges	Flat to FY2022 Annualized
Volume: Outpatient	Outpatient encounters	2.6% above FY2022 Annualized, excluding laboratory \$4.0% growth
Workforce	Salaries, Wages and Benefits Increase	Total Salaries, Wages, Contract Labor, and Benefits are increasing by \$44.1M, or 6.9%
Revenue	Increase In Total Net Patient Revenue	<ul style="list-style-type: none"> • 5.75% overall effective rate increase • FY2022 bad debt and uncompensated care 0.21%; FY2023 Budget = 0.21% • Medicare and Commercial PPO account for 84% of total net patient revenue
Expenses: Unit Increase Percent	Pharmacy	6.0%
Expenses: Unit Increase Percent	Supplies	5.0% - 7.0%
Investments	Return on Investment portfolio	3.0%

Consolidated Enterprise: FY2023 Operating Budget

- FY2023 shows a slight deterioration over FY2022 performance which is attributed to workforce challenges, inflation and funding important operational needs / 2027 strategic plan

	FY2023 Budget				
	Hospitals	ECMHN	CONCERN	FOUNDATION	ENTERPRISE TOTAL
Total Operating Revenue	1,340,084,349	58,704,208	8,865,180	-	1,407,653,737
Total Operating Expense	1,155,097,011	96,623,813	8,271,340	3,832,966	1,263,825,129
Operating Margin	184,987,338	(37,919,604)	593,840	(3,832,966)	143,828,608
Operating Margin %	13.8%	-64.6%	6.7%		10.2%
Operating EBIDA	271,113,582	(34,839,670)	774,712	(3,832,966)	233,215,658
Operating EBIDA %	20.2%	-59.3%	8.7%		16.6%

Recommendation:

- To approve and adopt the Fiscal Year 2023 operating and capital budget as recommended by management

List of Attachments:

- FY2023 Operating and Capital Budget Joint Board & Finance Committee Meeting - PowerPoint presentation



El Camino Health

FY2023 Operating and Capital Budget Joint Board & Finance Committee Meeting

Dan Woods, Chief Executive Officer

Carlos Bohorquez, Chief Financial Officer

May 26, 2022

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The purpose of this presentation is to provide the Board an overview of the key assumptions and final FY2023 budget

1. Introduction
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3. FY2023 Budget Income Statements: Hospital Division, ECHMN and Consolidated Enterprise and Sensitivity Analysis
4. FY2023 Budget: Capital Allocation
5. Summary and Proposed Motion



1. Introduction

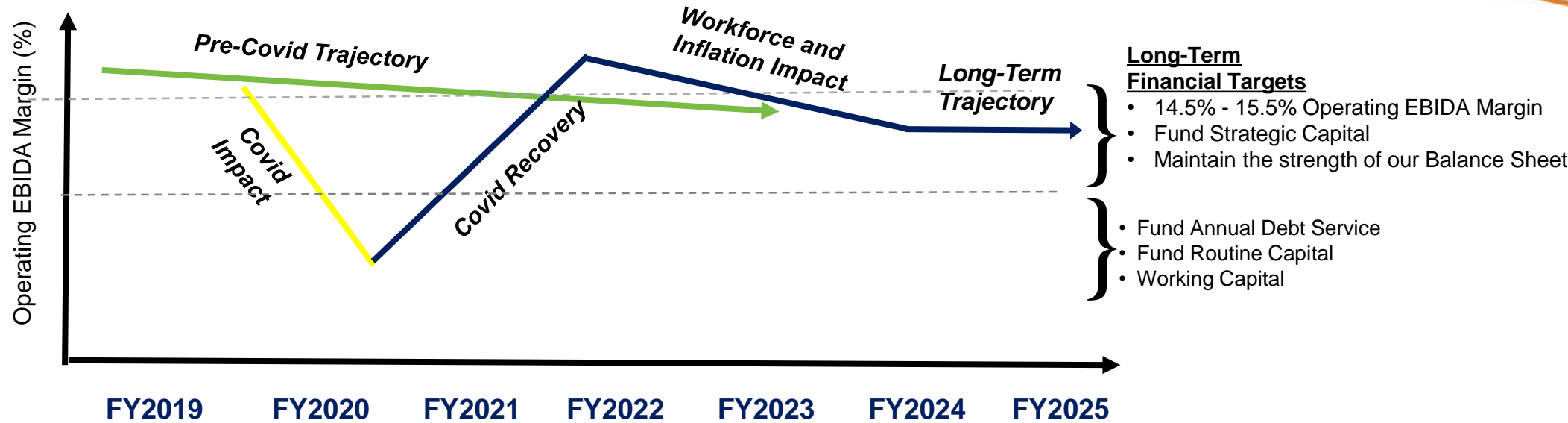
Executive Summary – FY2023 Operating and Capital Budget

Budget FY2023 lays out a plan for the coming year that maintains El Camino Health's strong performance, while making investments across the health system

The plan includes the following:

1. Approved additional FTEs / funding for important needs: Cybersecurity, Clinical Education, Human Resources, High Reliability Organization initiative, Service Line Support and Performance Improvement
2. Includes funds for Phase I - 2027 Strategic Plan
3. Maintains sufficient funding to continue our commitment to provide the best quality and patient experience to the residents of Silicon Valley and Santa Clara County
4. Continues deployment of capital to support sustainability of core business and fund facility and strategic needs of the organization
5. Maintains revenue cycle initiatives to ensure collections are consistent with expected reimbursement
6. Reflects management efforts to manage inflation through effective cost management and driving efficiency throughout the organization
7. Supports investment in supply chain initiatives to mitigate disruptions and supply shortages

Covid-19 Impact to our Financial Trajectory



El Camino Health needs a stable financial trajectory in order to:


- Maintain local control and governance
- Investment in our workforce and support our commitment to quality & strong customer service
- Fund the 2027 Strategic Plan
- Fund routine, facility, strategic capital and Los Gatos replacement project by 2030



2. FY2023 Budget Hospital Division: Key Assumptions

FY2023 Key Volume, Revenue and Expenses Drivers

Category	Item Description	FY2023 Budget Assumption
Volume: Inpatient	Inpatient discharges	Flat to FY2022 Annualized
Volume: Outpatient	Outpatient encounters	2.6% above FY2022 Annualized, excluding laboratory \$4.0% growth
Workforce	Salaries, Wages and Benefits Increase	Total Salaries, Wages, Contract Labor, and Benefits are increasing by \$44.1M, or 6.9%
Revenue	Increase In Total Net Patient Revenue	<ul style="list-style-type: none"> • 5.75% overall effective rate increase • FY2022 bad debt and uncompensated care 0.21%; FY2023 Budget = 0.21% • Medicare and Commercial PPO account for 84% of total net patient revenue
Expenses: Unit Increase Percent	Pharmacy	6.0%
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Investments	Return on Investment portfolio	3.0%



3. FY2023 Budget Income Statements - Hospital Division, ECHMN, Consolidated Enterprise and Sensitivity Analysis

Hospital Division: FY2018 – FY2022 & FY2023 Operating Budget

- Projected FY2022 performance demonstrates a full recovery to pre-covid levels
- FY2023 shows a slight deterioration attributed to workforce challenges, inflation and important investments

	Actual				Projected	Budget	
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	% Change
Revenue							
Charges	\$ 3,297,555,552	\$ 3,524,993,076	\$ 3,564,365,196	\$ 4,199,942,407	\$ 4,891,465,000	\$ 5,230,319,531	6.9%
Deductions	\$ 2,396,687,164	\$ 2,580,945,022	\$ 2,606,991,665	\$ 3,128,765,827	\$ 3,661,096,445	\$ 3,915,155,685	6.9%
Net Patient Revenue	\$ 900,868,388	\$ 944,048,054	\$ 957,373,531	\$ 1,071,176,580	\$ 1,230,368,555	\$ 1,315,163,846	6.9%
Other Operating Revenue	\$ 29,717,640	\$ 29,302,942	\$ 27,408,607	\$ 24,111,696	\$ 23,937,013	\$ 24,920,503	4.1%
Total Revenue	\$ 930,586,028	\$ 973,350,997	\$ 984,782,138	\$ 1,095,288,277	\$ 1,254,305,567	\$ 1,340,084,349	6.8%
Yield	27.3%	26.8%	26.9%	25.5%	25.2%	25.1%	-0.01%
Expense							
Salaries, Wages, and Benefits	\$ 465,264,794	\$ 499,813,080	\$ 516,964,416	\$ 563,173,495	\$ 637,214,004	\$ 681,399,757	6.9%
Supplies and Drugs	\$ 127,894,777	\$ 136,854,864	\$ 147,356,982	\$ 166,451,416	\$ 178,061,942	\$ 198,619,990	11.5%
All Other Expenses	\$ 137,590,220	\$ 142,871,900	\$ 159,538,533	\$ 160,413,973	\$ 165,368,486	\$ 188,951,019	14.3%
Depreciation	\$ 49,477,262	\$ 51,587,273	\$ 51,921,957	\$ 63,343,851	\$ 69,326,294	\$ 69,448,220	0.2%
Interest Expense	\$ 5,227,159	\$ 4,239,805	\$ 9,449,117	\$ 16,959,584	\$ 16,969,214	\$ 16,678,024	-1.7%
Total Operating Expense	\$ 785,454,213	\$ 835,366,921	\$ 885,231,004	\$ 970,342,318	\$ 1,066,939,940	\$ 1,155,097,011	8.3%
Operating Margin	\$ 145,131,816	\$ 137,984,076	\$ 99,551,133	\$ 124,945,959	\$ 187,365,628	\$ 184,987,338	-1.3%
Operating Margin %	15.6%	14.2%	10.1%	11.4%	14.9%	13.8%	-1.1%
Operating EBIDA	\$ 199,836,237	\$ 193,811,153	\$ 160,922,207	\$ 205,249,394	\$ 273,661,135	\$ 271,113,582	-0.9%
Operating EBIDA %	21.5%	19.9%	16.3%	18.7%	21.8%	20.2%	-1.6%

ECHMN: FY2018 – FY2022 & FY2023 Operating Budget

- From FY2020 to projected FY2022 ECHMN's Operating EBIDA has improved by \$8.7M
- FY2023 budget includes funding to support improved access / quality / patient satisfaction, IPA operations and 2 new PCP offices

	Actual				Projected	Budget	
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	% Change
Revenue							
Charges	\$ 559,730	\$ 27,087,586	\$ 83,958,328	\$ 109,314,206	\$ 106,281,467	\$ 125,877,060	18.4%
Deductions	\$ 404,844	\$ 19,314,934	\$ 58,635,695	\$ 72,579,689	\$ 71,211,263	\$ 83,122,769	16.7%
Net Patient Revenue	\$ 154,886	\$ 7,772,652	\$ 25,322,633	\$ 36,734,517	\$ 35,070,204	\$ 42,754,290	21.9%
Other Operating Revenue	\$ 47,284	\$ 5,297,131	\$ 19,849,921	\$ 14,141,498	\$ 11,259,672	\$ 15,949,918	41.7%
Total Revenue	\$ 202,170	\$ 13,069,783	\$ 45,172,554	\$ 50,876,015	\$ 46,329,875	\$ 58,704,208	26.7%
Yield	27.7%	28.7%	30.2%	33.6%	33.0%	34.0%	1.0%
Expense							
Salaries, Wages, and Benefits	\$ 768,130	\$ 6,100,213	\$ 19,966,847	\$ 20,117,262	\$ 18,794,472	\$ 27,659,757	47.2%
Supplies and Drugs	\$ 95,762	\$ 1,560,945	\$ 5,012,723	\$ 5,109,582	\$ 3,928,387	\$ 3,949,632	0.5%
All Other Expenses	\$ 2,985,098	\$ 27,068,605	\$ 58,528,209	\$ 58,496,226	\$ 53,275,775	\$ 61,934,490	16.3%
Depreciation	\$ 185,658	\$ 555,016	\$ 2,019,830	\$ 2,988,134	\$ 3,359,960	\$ 3,079,934	-8.3%
Interest Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intra-organization Allocation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Operating Expense	\$ 4,034,648	\$ 35,284,778	\$ 85,527,609	\$ 86,711,205	\$ 79,358,594	\$ 96,623,813	21.8%
Operating Margin	\$ (3,832,478)	\$ (22,214,994)	\$ (40,355,055)	\$ (35,835,190)	\$ (33,028,718)	\$ (37,919,604)	14.8%
Operating Margin %	-1895.7%	-170.0%	-89.3%	-70.4%	-71.3%	-64.6%	6.7%
Operating EBIDA	\$ (3,646,820)	\$ (21,659,979)	\$ (38,335,224)	\$ (32,847,056)	\$ (29,668,759)	\$ (34,839,670)	17.4%
Operating EBIDA %	-1803.8%	-165.7%	-84.9%	-64.6%	-64.0%	-59.3%	4.7%

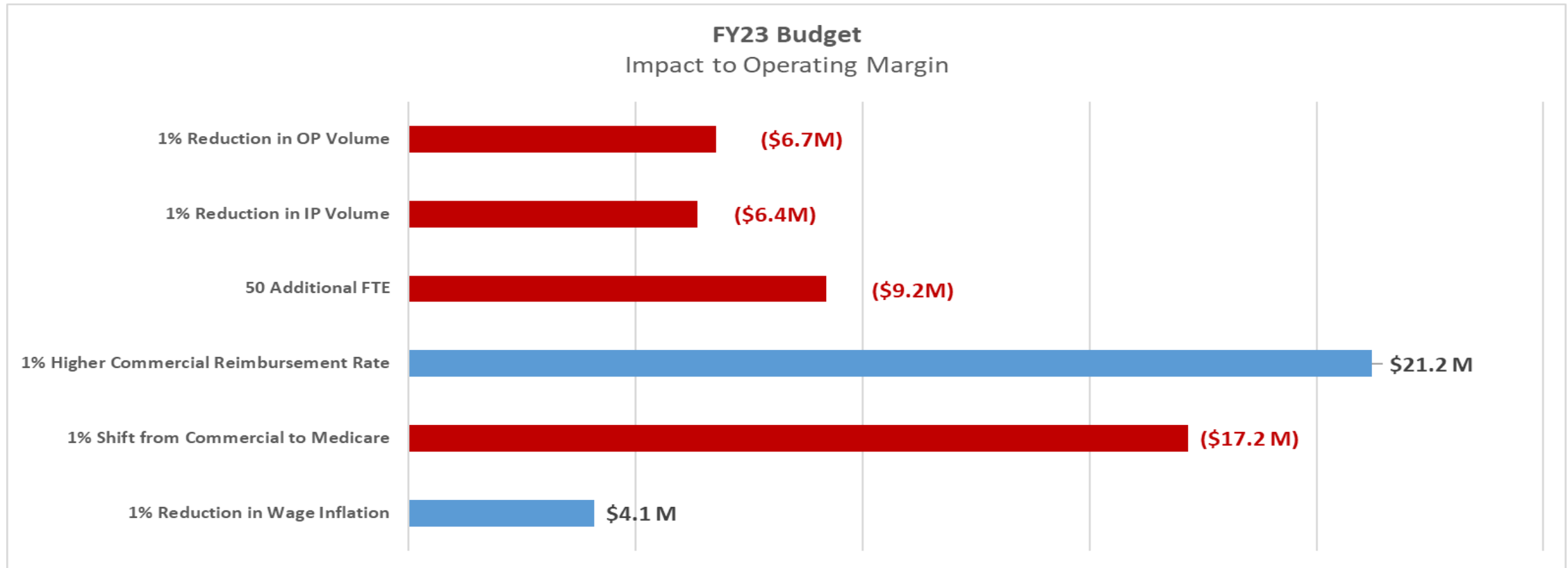
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FY2023 Budget – Sensitivity Analysis

- Sensitivity scenarios include assumptions identified by management most at risk
- Analysis demonstrates that payor mix, additional FTEs have the most significant impact to operating margins
- Sensitivity analysis assumes no management intervention to manage the impact of changes to assumptions





4. FY2023 Budget: Capital Allocation

Approved FY2023 Routine Capital

- FY2023 capital budget includes \$20M towards the replacement / acquisition of clinical, IT and other equipment to support quality, patient satisfaction and growth throughout the organization

Request Name	Approved Amount	Request Name	Approved Amount
IS Baseline: Network - Baseline Growth, Replacement & Maintenance Parts (23-8480003)	1,500,000	IS Baseline: Telecom - Baseline Replacement, Upgrade, Growth & Maintenance Parts (23-848006)	125,000
Anesthesia Machines	1,201,240	Epic Program: Licenses, Hardware, and Implementation (23-8486001)	125,000
Innovation Program: PROTF at LG; RTLS; Remote Patient Monitoring	975,000	Hillrom ICU beds	120,000
IS Baseline: Software Upgrades and Expansion: Existing Software (23-8480004)	837,500	AMSCO 53 Reprocessing Sink 106' Triple Bay	119,394
Arjo Patient Lift	815,564	Trident HD Specimen Radiography System	111,310
GE OEC C-arm Fleet Replacement (LG)	811,348	GEM HEMOCHRON 100	102,963
Hologic 3Dimensions Mammography system 3D US	765,110	EHS EMR System	102,600
Philips Monitoring	734,212	HUSH SLUSH UNIT	100,590
IS Baseline: Storage - Baseline Replacement & Maintenance Parts (23-848002)	617,500	Automated Urinalysis Analyzer - DxU 840 Workcell	95,595
Carestream DRX Portables with newer model	579,800	COBAS LIAT	93,352
Philips VS 30 Vital Sign Monitor	475,200	IS Baseline: Server - Baseline Replacement & Maintenance Parts (23-848001)	87,500
Digital Engagement Platform	414,000	Philips Monitoring MX 500's	85,527
Olympus Nasal Endoscopy & Laryngoscopy / Integrated Endoscopy Processor	314,202	Philips VS 30 Vital Sign Monitors	81,600
Philips Epiq CVx Ultrasound System and Transesophageal probes	312,551	Paint and flooring at Mckee Clinic	80,000
Aloka Arietta 850 Ultrasound Machine & Two Replacement through the Scope U/S Probes & One Slim Colonosco	303,152	Ablation System	80,000
IS Cybersecurity Program (23-8485001)	300,000	Volara	76,500
Philips IR Monitoring	248,490	Dexa Unit - Hologic Horizon-W	74,000
Pulmonary Function Equipment & Body Box (replacing Medgraphics at both campuses)	228,653	SIPAP	63,968
Philips VS 30 Vital Signs Monitor	216,000	CELL SAVER ELITE BLOOD RECOVERY SYSTEM	60,000
Siemens X-ray: MULTIX Impact C for SmartOrtho Ready VA20	213,549	Chairs	58,625
Siemens X-ray: MULTIX Impact for routing X-ray VA21	205,724	Duodenovideoscopes	57,232
Olympus Bronchoscopes	183,000	Avasure Visual Monitor Camera	56,474
Philips Epic X5-1C transducers with software updates	170,000	HMS PLUS	53,704
Trios Table	160,856	IS Baseline: Devices - Baseline Cart Replacement & Growth (23-8480005)	50,000
BK 3000 Ultrasound	156,265	Items below \$50,000	1,054,340
P500 ICE Ultrasound	155,127	Contingency	3,717,880
Aesculap Containers	140,920		
STERIS 4095 OR BEDS	131,883		

Anticipated 2023 - Routine, Facility and Other Capital Requests FY2023

Capital Type	FY2023
Routine	
- Routine Approved	\$ 16,500,000
- Contingency	\$ 3,500,000
Sub-Total Routine	\$ 20,000,000
Approved - Facilities / Strategic	
- New Women's Hospital	\$ 42,000,000
- Cath. Lab Replacement	\$ 12,000,000
- MV Old Tower Demolition	\$ 16,000,000
- LG IR Upgrades, Pyxis Replacement	\$ 7,090,222
Sub-Total Fully Approved	\$ 77,090,222
TOTAL COMMITTED CAPITAL FY2023	\$ 97,090,222
REMAINING CAPITAL CAPACITY FOR FY2023	\$ 52,779,778

- FY2023 Capital Capacity: \$149.8M
- Total Committed Capital: \$97.1M
- **Remaining Capital Capacity: \$52.8M**

Expected Projects for FC/Board Approval:

- MV Imaging Replacement
- MV Cancer Center Expansion
- LG Sleep Study Relocation
- Ambulatory Network Development
- LG & MV Nurse Call Center Replacement



5. Summary and Proposed Motion

Summary

- Despite the various COVID waves, workforce challenges and inflation, we have experienced a strong recovery to pre-COVID levels
- Management has prepared a budget which includes realistic operating assumptions, as well as strategic initiatives which supports consistent inpatient volumes, strong year-over-year outpatient growth and continued financial stability
- The sensitivity analysis includes a number of identified risks over the next 6-12 months which may impact operations and financial results
- Additional Questions & Comments
- THANK YOU!!!

Proposed Motion

- To approve and adopt the Fiscal Year 2023 operating and capital budget as recommended by management