El Camino Health

AGENDA

FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Tuesday, September 27, 2022 – 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: 954 9661 6841#. 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	Don Watters, Chair		**5:30 – 5:31 pm**
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Don Watters, 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	Don Watters, 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 (08/15/2022) b. Minutes of the Open Session of the Special Education Session of the Finance Committee (08/10/2022) c. FY2023 Period 1 Financial Report ***Information*** d. Article(s) of Interest	Don Watters, Chair		**motion required** **5:35-5:40**
5. REPORT ON BOARD ACTIONS	Don Watters, Chair		**information** **5:40 – 5:45**
6. COMMITTEE PLANNING a. FY2023 Pacing Plan b. FY2023 Committee Goals	Don Watters, Chair Carlos Bohorquez, CFO		**discussion** **5:45-5:55**
7. FY2023 PERIOD 2 FINANCIAL REPORT	Carlos Bohorquez, CFO	*public comment*	**motion required** **5:55-6:10**
8. ECHMN QUARTERLY FINANCIAL REPORT	Shahab Dadjou, Interim President of ECHMN, David Neapolitan, VP of Finance ECHMN		**discussion** **6:10 – 6:30**

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
9. WOMEN'S & NEWBORN HOSPITAL PROJECT UPDATE	Ken King, CASO		**information 6:30-6:35**
10. CAPITAL PROJECT REVIEW / APPROVAL a. MV Imaging Equipment Replacement Project	Meenesh Bhimani, COO, Ken King, CASO		**motion required 6:35-6:50**
11. ADJOURN TO CLOSED SESSION	Don Watters, Chair	*public comment*	**motion required 6:50 – 6:51**
12. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Don Watters, Chair		**information 6:51-6:52**
13. 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 (08/15/2022) b. Minutes of the Closed Session of the Special Education Session of the Finance Committee (08/10/2022) ***Information*** *Health and Safety Code Section 32106(b):* Physician Contracts c. Enterprise Neurology/Neurohospitalist Services d. MV Otolaryngology Call Panel e. MV Neurointerventional Call Panel	Don Watters, Chair		**motion required 6:52-6:57**
14. *Health and Safety Code Section 32106(b)* – for a report and discussion involving healthcare facility trade secrets: **STRATEGIC ALIGNMENT-TRANSACTION TERM APPROVAL & FYE BALANCE SHEET OVERVIEW**	Carlos Bohorquez, CFO		**discussion 6:57-7:22**
15. *Health and Safety Code Section 32106(b)* – for a report and discussion involving healthcare facility trade secrets: **SERVICE LINE REPORT: UROLOGY**	Omar Chughtai, CGO, Bido Baines, Executive Dir. Service Lines & Development		**discussion 7:22-7:37**
16. *Gov't Code Sections 54957* for report and discussion on personnel matters – Senior Management: - Executive Session	Don Watters, Chair		**discussion 7:37-7:42**
17. ADJOURN TO OPEN SESSION	Don Watters, Chair		**motion required 7:42-7:43**
18. RECONVENE OPEN SESSION / REPORT OUT	Don Watters, Chair		**information 7:43-7:44**
To report any required disclosures regarding permissible actions taken during Closed Session.			
19. CONTRACTS & AGREEMENTS ***Approval*** a. MV Neurointerventional Call Panel ***Recommended for Board Approval*** b. Enterprise Neurology/Neurohospitalist Services c. MV Otolaryngology Call Panel	Mark Adams, MD, CMO		**motion required 7:44-7:49**

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
20. CLOSING COMMENTS	Don Watters, Chair		**information 7:49 –7:53**
21. ADJOURNMENT	Don Watters, Chair	*public comment*	**motion required 7:54 pm**

Upcoming Meetings:
Regular Meetings: November 21, 2022, January 30, 2023 (Joint FC-IC), March 27, 2023, May 22, 2023

Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, August 15, 2022
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

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

**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30 pm by Chair Don Watters. A verbal roll call was taken. All members were present at roll call, except for Joseph Chow was absent. 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 Watters 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 (05/26/2022) (b) Minutes of the Open Session of the Joint Hospital Board & Finance Committee Meeting (05/26/2022) (c) FY2022 Period 11 Financial Report (d) FY2023 Pacing Plan (e) Article of Interest. **Movant:** Doiguchi **Second:** Hooper **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	***Consent Calendar was approved.***
5. REPORT ON BOARD ACTIONS	Chair Watters asked the Committee for any questions or feedback on the Report on Board Actions, as further detailed in the packet.	
6. PERIOD 12 FINANCIAL REPORT	Carlos Bohorquez, Chief Financial Officer presented the Pre-Audit FY2022 Period 12 financials as of June 30, 2022, and highlighted the following: **Operational/ Financial Results:** • Mr. Bohorquez stated the activity for June continued to be strong as has been the case for the entire fiscal year. ADC (average daily census) was favorable to budget by 8.0% and better than the same period last fiscal year by 4.9%. Adjusted Discharges which is a representation of inpatient and outpatient volume was favorable to budget by 20.3% and better than the same period last fiscal year by 9.4%.	

	• Mr. Bohorquez stated a few service lines which had particularly strong volume were: 1) Outpatient Surgery: better than budget by 39.3% and better than last fiscal year by 3.1%. 2) Emergency Department: better than budget by 50.8% and better than last fiscal year by almost 29.2%. 3) Strong inpatient activity in labor & delivery and NICU volumes. • The executive dashboard indicates that total FTEs are unfavorable to budget, but Mr. Bohorquez stated that this is attributed to the organization adding FTEs to accommodate the year-over-year growth. • Cost per CMI adjusted discharge is favorable to budget by 26.5%. Mr. Bohorquez stated this is the result of a one-time adjustment to our pension liability and on-going initiatives to manage variable expenses. This one-time adjustment of $16M was recorded in June. Mr. Bohorquez stated this is why the favorable to budget is greater than prior months of FY2022. • Net Days in AR is unfavorable to budget and prior fiscal year, Mr. Bohorquez stated this is attributed to the following: 1) Strong net patient revenue across the organization so short-term AR has increased consistent with volumes. 2) Payors are also experiencing workforce issues which is impacting their ability in a timely basis. • From an operating financial performance standpoint, Mr. Bohorquez stated strong revenue related to a stable payor mix and strong activity as indicated. • From an Operating EBIDA standpoint favorable to budget by $31.0M and better than last fiscal year by almost $16.8M. **Pre-Audit Financials: YTD FY2022 as of 06/30/2022** Mr. Bohorquez stated these are not final until the external auditors complete the audit process and present to CAC / Board. • Total fiscal year patient volumes very similar to June. Strong inpatient volumes and total outpatient cases consistently exceeded budget and prior year totals. Of particulate note is the significant activity in both our Emergency Rooms, total volumes for the fiscal year were 35.5% favorable to budget and 39.1% better than last fiscal year. • From an operational standpoint, Mr. Bohorquez shared that FTEs were higher than budgeted, but this is consistent with necessary increases in workforce to accommodate patient activity. • Total operating revenue of $1.354 billion was very strong and mainly attributed to the volume trends previously discussed and a number of initiatives to improve per unit revenue. Mr. Bohorquez stated this is better than budget by 13.6% and year over year increase of 17.1%. • From an operating EBIDA standpoint, better than budget by $122.4M and better than last fiscal year by $115.4M. • Mr. Bohorquez shared that FY2022 has been a very challenging year for non-operating revenue. Non-operating revenue is primarily composed of investment income, ended FY2022 at	

	($151.3M) which is $392.1M lower than the same period last fiscal year. • Net income of $43.8M is unfavorable to budget by $128.6M and lower than last fiscal year by $284.3M. These significant unfavorable variances are solely attributed to unfavorable investment income. **Motion**: To approve the FY2022 Period 12 Financials. **Movant:** Hooper **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	
7. REAL ESTATE / APN: 264-09-57	Ken King, Chief Administrative Services Officer presented the real estate acquisition and request that Finance Committee recommend that the Board authorize management to proceed with the purchase of the medical office building (MOB) / property located at 625 Lincoln Avenue, in San Jose at a cost not to exceed $19.5 million. Mr. King highlighted the following during the discussion as further detailed in the materials: • El Camino Health Medical Network (ECHMN) currently leases the property located at 625 Lincoln Avenue, in San Jose, (referred to as the Willow Glen Clinic). • ECH received notice on May 31st that we had 60 days to accept or reject the offer to purchase the property. We notified the seller that we accepted the offer subject to approval by the Board of Directors. **Motion**: To recommend that the Board approve the purchase of the MOB / property located at 625 Lincoln Avenue, San Jose. **Movant:** Hooper **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	
8. ADJOURN TO CLOSED SESSION	**Motion**: To adjourn to closed session at 5:59 pm. **Movant:** Doiguchi **Second:** Fung **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	***Adjourned to closed session at 5:59 pm***
9. AGENDA ITEM 15: RECONVENE OPEN	During the Closed Session, the Finance Committee approved the following items: Closed Session Minutes of May 26th, 2022 Finance	

SESSION/REPORT OUT	Committee Meeting and the Closed Session Minutes of the May 26th, 2022 Joint Hospital Board & Finance Committee Meeting by a unanimous vote of all Committee Members present: Mr. Doiguchi, Dr. Fung, Mr. Hooper, Ms. Stewart, Mr. Watters, and Mr. Chow was absent.	
10. AGENDA ITEM 16: PHYSICIAN CONTRACTS & AGREEMENTS	**Motion:** To approve physician contracts and recommend for board approval. **Movant:** Fung **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	
11. AGENDA ITEM 17: CLOSING COMMENTS	None	
12. AGENDA ITEM 18: ADJOURNMENT	**Motion:** To adjourn at 7:15 pm. **Movant:** Fung **Second:** Doiguchi **Ayes:** Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** Chow **Recused:** None	***Meeting adjourned at 7:15 pm***

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

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Don Watters
Chair, Finance Committee

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

Minutes of the Open Session of the
Education Session of the Finance Committee of the
El Camino Hospital Board of Directors
Wednesday, August 10, 2022
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

Members Present	**Members Absent**
Don Watters, Chair	
Joseph Chow**	
Wayne Doiguchi	
Peter Fung, MD	
Bill Hooper	**via teleconference
Cynthia Stewart	

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:00 pm by Chair Don Watters. A verbal roll call was taken. All members were present at roll call and attended in person except for Mr. Chow attended this session virtually. 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 Watters 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. ADJOURN TO CLOSED SESSION	**Motion**: To adjourn to closed session at 5:03 pm **Movant:** Hooper **Second:** Fung **Ayes:** Chow, Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Adjourned to closed session at 5:03 pm***
5. AGENDA ITEM #8: RECONVENE OPEN SESSION/REPORT OUT	During the Closed Session, the Finance Committee discussed Agenda Item 6: Strategic Capital Allocation process, and no items were voted on during the closed session.	
6. AGENDA ITEM #9: CLOSING COMMENTS	None	
7. AGENDA ITEM #10: ADJOURNMENT	**Motion:** To adjourn at 6:22 pm. **Movant:** Fung **Second:** Doiguchi **Ayes:** Chow, Doiguchi, Fung, Hooper, Stewart, Watters **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Meeting adjourned at 6:22 pm***

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

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Don Watters
Chair, Finance Committee

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

El Camino Health

Summary of Financial Operations

Fiscal Year 2023 – Period 1

7/1/2022 to 07/31/2022

Executive Summary - Overall Commentary for Period 1

- Solid financial results for Period 1 are attributed to the following key drivers:
  - Revenue favorability to budget driven by both Inpatient and Outpatient performance
  - Continued effective cost control
    - Cost per CMI Adjusted Discharge was 3.6% favorable to budget
- Gross charges were favorable to budget by $27.3M / 6.7% and $36.6M / 9.2% higher than the same period last year.
  - Inpatient charges were favorable by $18.0M / 8.9% while Outpatient charges were favorable by $9.3M / 4.6%.
- Net patient revenue was favorable at budget and $6.7M / 6.6% higher than the same period last year.
- Operating margin was favorable to budget by $3.7M / 36.7% and $1.2M / 9.8% higher than the same period last year.
- Operating EBIDA was favorable to budget by $3.9M / 22.0% and $2.9M / 15.6% higher than the same period last year.
- Net income was favorable to budget by $36.5M / 283.8% and $40.9M / 478.1% higher than the same period last year. This is attributed the positive capital market's impact on investment income.

Operational / Financial Results: YTD FY2023 (as of 07/31/2022)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	282	247	35	14.3%	256	27	10.4%	---	---	---
	Total Acute Discharges	1,746	1,670	76	4.6%	1,705	41	2.4%	---	---	---
	Adjusted Discharges	3,400	3,315	85	2.6%	3,428	(28)	(0.8%)	---	---	---
	Emergency Room Visits	5,345	5,406	(61)	(1.1%)	5,022	323	6.4%	---	---	---
	OP Procedural Cases	11,620	12,952	(1,332)	(10.3%)	12,059	(439)	(3.6%)	---	---	---
	Gross Charges ($)	441,741	414,454	27,287	6.6%	406,295	35,446	8.7%	---	---	---
Operations	Total FTEs	3,220	3,156	64	2.0%	2,946	274	9.3%	---	---	---
	Productive Hrs. / APD	28.4	31.7	(3.3)	(10.4%)	28.3	0.1	0.3%	---	---	---
	Cost Per CMI AD	17,388	18,036	(648)	(3.6%)	15,593	1,795	11.5%	---	---	---
	Net Days in A/R	60.3	54.0	6.3	11.7%	62.8	(2.4)	(3.9%)	47.7	49.7	
Financial Performance	Net Patient Revenue ($)	108,509	108,319	191	0.2%	101,774	6,736	6.6%	138,547	82,105	
	Total Operating Revenue ($)	112,566	112,220	346	0.3%	104,889	7,677	7.3%	151,909	109,602	
	Operating Margin ($)	**13,891**	**10,162**	**3,730**	36.7%	**12,648**	**1,244**	9.8%	**1,915**	**3,836**	
	Operating EBIDA ($)	**21,725**	**17,813**	**3,912**	22.0%	**18,793**	**2,932**	15.6%	**11,188**	**10,741**	
	Net Income ($)	49,420	12,876	36,545	283.8%	8,549	40,872	478.1%	8,124	7,343	
	Operating Margin (%)	**12.3%**	**9.1%**	**3.3%**	36.3%	**12.1%**	**0.3%**	2.3%	**1.9%**	**3.5%**	
	Operating EBIDA (%)	**19.3%**	**15.9%**	**3.4%**	21.6%	**17.9%**	**1.4%**	7.7%	**8.3%**	**9.8%**	
	DCOH (days)	291	325	(34)	(10.4%)	364	(73)	(20.0%)	306	355	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2021.
S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021
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 1 and YTD (as of 07/31/2022)

	Month to Date			Variance (%)		Year to Date			Variance (%)	
Key Metrics	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**	**PY**	**CY**	**Budget**	**CY vs PY**	**CY vs Budget**
ADC	256	282	247	10.4%	14.3%	256	282	247	10.4%	14.3%
Utilization MV	68%	76%	65%	11.8%	16.2%	68%	76%	65%	11.8%	16.2%
Utilization LG	32%	33%	31%	3.9%	5.9%	32%	33%	31%	3.9%	5.9%
Utilization Combined	56%	62%	54%	10.4%	14.3%	56%	62%	54%	10.4%	14.3%
Adjusted Discharges	3,428	3,400	3,315	(0.8%)	2.6%	3,428	3,400	3,315	(0.8%)	2.6%
Total Discharges (Exc NB)	1,705	1,746	1,670	2.4%	4.6%	1,705	1,746	1,670	2.4%	4.6%
Total Discharges	2,081	2,147	2,054	3.2%	4.5%	2,081	2,147	2,054	3.2%	4.5%
Inpatient Case Activity										
MS Discharges	1,149	1,169	1,114	1.7%	4.9%	1,149	1,169	1,114	1.7%	4.9%
Deliveries	414	431	411	4.1%	4.9%	414	431	411	4.1%	4.9%
BHS	96	106	110	10.4%	(3.6%)	96	106	110	10.4%	(3.6%)
Rehab	41	37	35	(9.8%)	6.8%	41	37	35	(9.8%)	6.8%
Outpatient Case Activity										
Total Outpatient Cases	16,296	16,471	17,126	1.1%	(3.8%)	16,296	16,471	17,126	1.1%	(3.8%)
ED	4,237	4,851	4,174	14.5%	16.2%	4,237	4,851	4,174	14.5%	16.2%
OP Surg	628	555	386	(11.6%)	43.8%	628	555	386	(11.6%)	43.8%
Endo	268	212	213	(20.9%)	(0.5%)	268	212	213	(20.9%)	(0.5%)
Interventional	208	167	191	(19.7%)	(12.6%)	208	167	191	(19.7%)	(12.6%)
All Other	10,955	10,686	12,162	(2.5%)	(12.1%)	10,955	10,686	12,162	(2.5%)	(12.1%)
Hospital Payor Mix										
Medicare	48.6%	49.0%	47.4%	0.9%	3.4%	48.6%	49.0%	47.4%	0.9%	3.4%
Medi-Cal	7.9%	8.9%	8.6%	11.6%	2.6%	7.9%	8.9%	8.6%	11.6%	2.6%
Commercial	40.9%	39.9%	42.0%	(2.5%)	(5.3%)	40.9%	39.9%	42.0%	(2.5%)	(5.3%)
Other	2.6%	2.2%	2.0%	(13.5%)	10.7%	2.6%	2.2%	2.0%	(13.5%)	10.7%

Enterprise Income Statement: Rolling 16 Monthly Trend *($000s)*

	FY2021			FY2022												FY2023		
	Period 10	Period 11	Period 12	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12	Period 1	YTD	Rolling 16
	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	FY2023	Monthly Average
Operating Revenues:																		
Gross Revenue	375,480	381,888	408,078	406,295	418,615	420,182	414,012	419,177	433,046	417,996	402,507	478,275	421,254	445,891	445,643	441,741	441,741	420,630
Deductions from Revenue	(280,577)	(286,346)	(295,840)	(304,521)	(314,132)	(315,406)	(307,380)	(311,920)	(320,014)	(308,618)	(296,548)	(355,111)	(316,480)	(335,881)	(327,733)	(333,232)	(333,232)	(313,109)
Net Patient Revenue	94,903	95,542	112,238	101,774	104,482	104,776	106,632	107,257	113,033	109,378	105,960	123,165	104,774	110,010	117,911	108,509	108,509	107,521
Other Operating Revenue	3,692	5,385	4,706	3,116	3,746	3,479	4,506	3,600	3,648	3,362	3,313	3,577	4,293	3,297	4,430	4,057	4,057	3,888
Total Operating Revenue	**98,595**	**100,927**	**116,945**	**104,889**	**108,228**	**108,256**	**111,138**	**110,857**	**116,681**	**112,741**	**109,273**	**126,741**	**109,067**	**113,307**	**122,341**	**112,566**	**112,566**	**111,409**
Operating Expenses:																		
Salaries, Wages and Benefits	50,616	48,138	48,101	53,000	53,940	53,629	56,001	53,709	55,947	59,347	55,256	60,098	57,347	53,852	43,799	59,111	59,111	53,868
Supplies	14,256	15,241	15,156	15,109	14,569	14,862	14,502	14,941	16,060	16,051	15,296	17,661	15,225	16,471	12,943	14,550	14,550	15,181
Fees & Purchased Services	15,761	15,923	19,915	14,390	14,182	14,800	14,760	15,210	14,955	14,291	16,550	17,352	15,127	13,626	16,397	13,091	13,091	15,396
Other Operating Expenses	3,662	3,496	6,002	3,598	3,577	3,676	3,586	3,842	4,112	3,829	4,290	3,821	3,517	3,726	4,649	4,089	4,089	3,967
Interest	1,400	1,400	1,367	1,419	1,418	1,418	1,418	1,420	1,419	1,421	1,380	1,384	1,394	1,393	1,404	1,440	1,440	1,406
Depreciation	5,606	4,808	5,740	4,727	7,157	5,902	5,798	6,440	6,173	6,046	6,311	6,246	6,438	6,101	6,733	6,394	6,394	6,039
Total Operating Expenses	**91,301**	**89,006**	**96,281**	**92,242**	**94,844**	**94,286**	**96,065**	**95,561**	**98,665**	**100,984**	**99,084**	**106,561**	**99,048**	**95,169**	**85,924**	**98,675**	**98,675**	**95,856**
Operating Margin	**7,294**	**11,921**	**20,664**	**12,648**	**13,384**	**13,970**	**15,073**	**15,297**	**18,016**	**11,756**	**10,189**	**20,180**	**10,020**	**18,138**	**36,416**	**13,891**	**13,891**	**15,554**
Non-Operating Income	29,151	16,666	20,041	(4,099)	14,319	(18,378)	24,361	(21,232)	17,581	(31,539)	(32,720)	3,935	(56,388)	1,696	(48,858)	35,529	35,529	(3,121)
Net Margin	**36,445**	**28,588**	**40,705**	**8,549**	**27,703**	**(4,408)**	**39,435**	**(5,935)**	**35,596**	**(19,783)**	**(22,531)**	**24,115**	**(46,369)**	**19,834**	**(12,442)**	**49,420**	**49,420**	**12,433**
Operating EBIDA	**14,301**	**18,130**	**27,771**	**18,793**	**21,959**	**21,289**	**22,290**	**23,156**	**25,608**	**19,223**	**17,881**	**27,810**	**17,851**	**25,632**	**44,553**	**21,725**	**21,725**	**22,998**
Operating Margin (%)	7.4%	11.8%	17.7%	12.1%	12.4%	12.9%	13.6%	13.8%	15.4%	10.4%	9.3%	15.9%	9.2%	16.0%	29.8%	12.3%	12.3%	14.0%
Operating EBIDA Margin (%)	**14.5%**	**18.0%**	**23.7%**	**17.9%**	**20.3%**	**19.7%**	**20.1%**	**20.9%**	**21.9%**	**17.1%**	**16.4%**	**21.9%**	**16.4%**	**22.6%**	**36.4%**	**19.3%**	**19.3%**	**20.6%**

El Camino Health

Financial Overview: Period 1 – July 2022

Period ending 7/31/2022

July Financial Performance

- Operating margin was favorable to budget by $3.7M / 36.7% and favorable to prior year by $1.2M / 9.8%
- Revenue was favorable to budgeted levels:
  - Favorable variance of gross charges of $27.3M was driven by both Inpatient & Outpatient activity:
    - Inpatient gross charges: Favorable to budget by $18.0M / 8.9% variance primarily driven by activity in the critical care, telemetry, and medical/surgical nursing units and corresponding ancillary services
    - Outpatient gross charges: Favorable to budget by $9.3M / 4.6% variance primarily driven by infusion services, nuclear medicine, and corresponding ancillary services
  - Operating Expenses were favorable to budget by $3.4 / 3.3%
    - SWB were unfavorable by $1.2M / 2.1%%
    - Supplies were favorable by $970K / 6.2%
      - Supply expenses attributed to Covid-19 were $47K
    - All other discretionary non-volume driven expenses were favorable to budget by $3.6M
- Favorable market performance drove unrealized gains for the investment portfolio, which resulted in positive net income

El Camino Health

Financial Overview: Period 1 – July 2022 (cont.)

Period ending 7/31/2022

July Financial Performance

Hospital Operations:

- Adjusted Discharges (AD): Favorable to budget by 99 ADs / 3.0% and below prior year by 8 ADs / 0.2%:
  - Mountain View: Favorable to budget by 72 ADs / 2.8% and below prior year by 34 ADs / 1.3%
  - Los Gatos: Favorable to budget by 27 ADs / 3.4% and above prior year by 26 ADs / 3.3%
- Operating Expense Per CMI Adjusted Discharge: $17,388 which is 3.6% favorable to budget

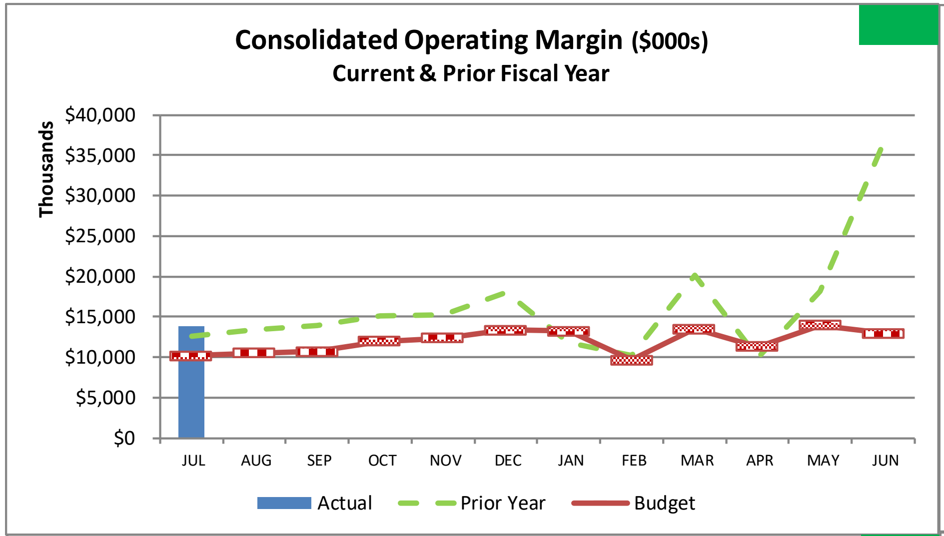
  Note: Excludes depreciation and interest

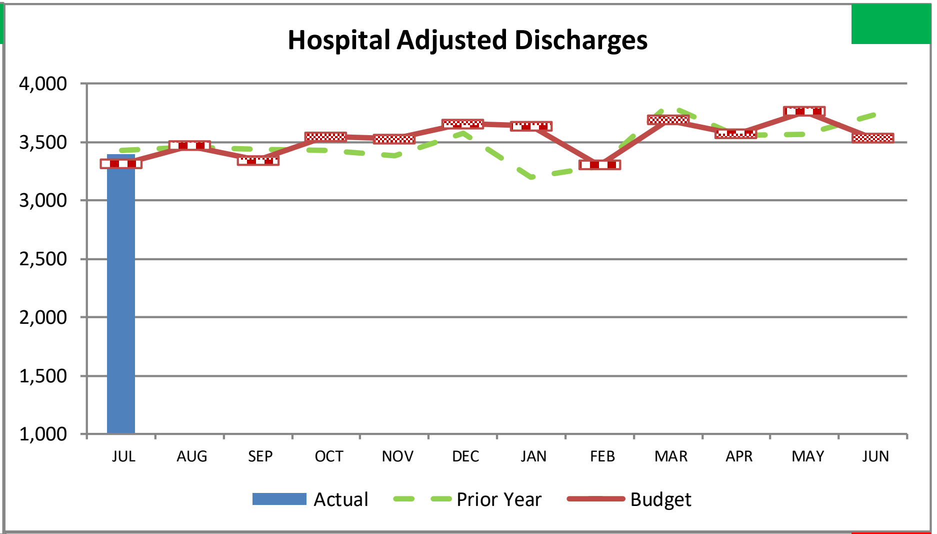
El Camino Health Medical Network (ECHMN) Operations:

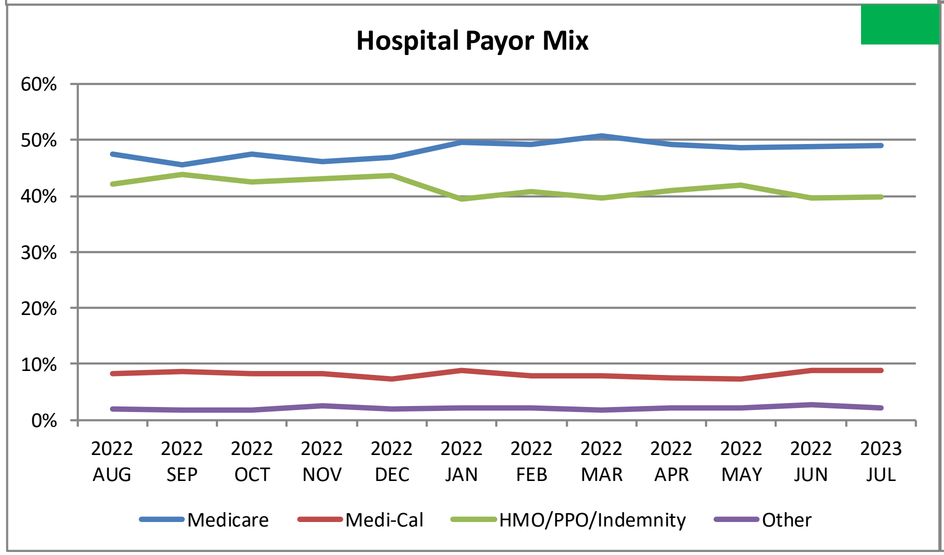
- Primarily as a result of two fewer business days in July total visits were 12.0% lower than June's 18,001 total visits. July's visits per day of 758 also reflect a decrease of 4.8% over the prior month's 796 visits per day. July's total visits were also unfavorable to budget by 11.3%. Variances from budget were experienced at the McKee, Samaritan, Cancer, Spine, Mt. View Primary Care and Neurology Clinics.
- Despite the lower visit volumes Net Income for the month of July was favorable to budget by $698K or 21.3% as result of lower operating expenses in the first month of the new fiscal year. Compared to last year, July's net income is slightly unfavorable, $15K or 0.6%.

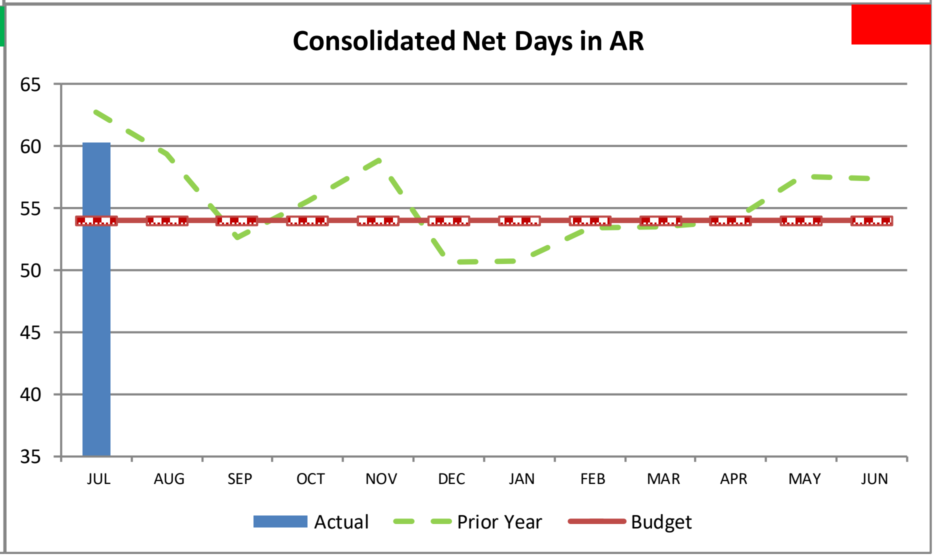
APPENDIX

YTD FY2023 Financial KPIs – Monthly Trends









El Camino Health

Investment Scorecard (as of 06/30/2022)

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY22 Budget	Expectation Per Asset Allocation
Investment Performance		CY 2Q / FY 4Q 2022		Fiscal Year-to-Date 2022		Since NEPC Inception (3/31/22)		FY 2022	2019
Surplus cash balance* (millions)		$1,290.8	--	--	--	--	--	--	--
Surplus Cash Return	Green	-8.3%	-8.2%	-11.4%	-9.8%	-8.3%	-8.2%	4.0%	5.6%
Cash balance plan balance (millions)		$299.7	--	--	--	--	--	--	--
Cash balance plan return	Green	-10.0%	-9.4%	-14.0%	-10.2%	-10.0%	-9.4%	6.0%	6.0%
403(b) plan balance (millions)		n/a	--	--	--	--	--	--	--
Risk vs. Return		3-year				Since NEPC Inception (3/31/22)			2019
Surplus cash Sharpe ratio	Green	0.30	0.40	--	--	n/a	n/a	--	0.34
Net of fee return	Green	3.2%	3.7%	--	--	-8.3%	-8.2%	--	5.6%
Standard deviation	Green	8.7%	8.8%	--	--	n/a	n/a	--	8.7%
Cash balance Sharpe ratio	Green	0.30	0.40	--	--	n/a	n/a	--	0.32
Net of fee return	Green	3.9%	4.6%	--	--	-10.0%	-9.4%	--	6.0%
Standard deviation	Green	11.5%	10.3%	--	--	n/a	n/a	--	10.3%
Asset Allocation		CY 2Q / FY 4Q 2022							
Surplus cash absolute variances to target	Green	4.7%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target	Green	7.4%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Manager Compliance		CY 2Q / FY 4Q 2022							
Surplus cash manager flags		n/a	< 24% Green < 30% Yellow	--	--	--	--	--	--
Cash balance manager flags		n/a	< 27% Green < 34% Yellow	--	--	--	--	--	--

* Represents Total Surplus Cash ex District/Debt Reserves.

El Camino Health

Period 1 and YTD Operating Income, Non-Operating Income and Net Income by Affiliate (as of 07/31/2022)

($000s)

	Period 1- Month			Period 1- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Operating Margin						
Mountain View	11,544	10,178	1,366	11,544	10,178	1,366
Los Gatos	4,902	3,470	1,432	4,902	3,470	1,432
Sub Total - El Camino Hospital, excl. Afflilates	**16,446**	**13,648**	**2,798**	**16,446**	**13,648**	**2,798**
Operating Margin %	**15.2%**	**12.7%**		**15.2%**	**12.7%**	
El Camino Hospital Non Operating Income						
Sub Total - Non Operating Income	**33,339**	**2,402**	**30,937**	**33,339**	**2,402**	**30,937**
El Camino Hospital Net Margin	**49,785**	**16,051**	**33,735**	**49,785**	**16,051**	**33,735**
ECH Net Margin %	**46.0%**	**14.9%**		**46.0%**	**14.9%**	
Concern	521	84	436	521	84	436
Foundation	1,688	12	1,676	1,688	12	1,676
El Camino Health Medical Network	(2,574)	(3,271)	698	(2,574)	(3,271)	698
Net Margin Hospital Affiliates	**(365)**	**(3,175)**	**2,810**	**(365)**	**(3,175)**	**2,810**
Total Net Margin Hospital & Affiliates	**49,420**	**12,876**	**36,545**	**49,420**	**12,876**	**36,545**

El Camino Health

Consolidated Statement of Operations *($000s)*

Period 1 ending 07/31/2022

Period 1 FY 2022	Period 1 FY 2023	Period 1 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
406,295	441,741	414,454	27,287	6.6%	**Gross Revenue**	406,295	441,741	414,454	27,287	6.6%
(304,521)	(333,232)	(306,135)	(27,097)	(8.9%)	**Deductions**	(304,521)	(333,232)	(306,135)	(27,097)	(8.9%)
101,774	**108,509**	**108,319**	**191**	**0.2%**	**Net Patient Revenue**	**101,774**	**108,509**	**108,319**	**191**	**0.2%**
3,116	4,057	3,902	155	4.0%	**Other Operating Revenue**	3,116	4,057	3,902	155	4.0%
104,889	**112,566**	**112,220**	**346**	**0.3%**	**Total Operating Revenues**	**104,889**	**112,566**	**112,220**	**346**	**0.3%**
					OPERATING EXPENSE					
53,000	59,111	57,893	(1,218)	(2.1%)	**Salaries & Wages**	53,000	59,111	57,893	(1,218)	(2.1%)
15,109	14,550	15,520	970	6.2%	**Supplies**	15,109	14,550	15,520	970	6.2%
14,390	13,091	16,340	3,250	19.9%	**Fees & Purchased Services**	14,390	13,091	16,340	3,250	19.9%
3,598	4,089	4,655	566	12.2%	**Other Operating Expense**	3,598	4,089	4,655	566	12.2%
1,419	1,440	1,397	(43)	(3.1%)	**Interest**	1,419	1,440	1,397	(43)	(3.1%)
4,727	6,394	6,254	(140)	(2.2%)	**Depreciation**	4,727	6,394	6,254	(140)	(2.2%)
92,242	**98,675**	**102,059**	**3,384**	**3.3%**	**Total Operating Expenses**	**92,242**	**98,675**	**102,059**	**3,384**	**3.3%**
12,648	**13,891**	**10,162**	**3,730**	**36.7%**	**Net Operating Margin**	**12,648**	**13,891**	**10,162**	**3,730**	**36.7%**
(4,099)	35,529	2,714	32,815	1209.2%	**Non Operating Income**	(4,099)	35,529	2,714	32,815	1209.2%
8,549	**49,420**	**12,876**	**36,545**	**283.8%**	**Net Margin**	**8,549**	**49,420**	**12,876**	**36,545**	**283.8%**
18,793	**21,725**	**17,813**	**3,912**	**22.0%**	**Operating EBIDA**	**18,793**	**21,725**	**17,813**	**3,912**	**22.0%**
17.9%	19.3%	15.9%	3.4%		**Operating EBIDA Margin**	17.9%	19.3%	15.9%	3.4%	
12.1%	12.3%	9.1%	3.3%		**Operating Margin**	12.1%	12.3%	9.1%	3.3%	
8.2%	43.9%	11.5%	32.4%		**Net Margin**	8.2%	43.9%	11.5%	32.4%	

El Camino Hospital – Mountain View
Statement of Operations *($000s)*
Period 1 ending 07/31/2022

Period 1 FY 2022	Period 1 FY 2023	Period 1 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
304,128	338,325	312,886	25,440	8.1%	Gross Revenue	304,128	338,325	312,886	25,440	8.1%
(224,583)	(255,564)	(230,217)	(25,347)	(11.0%)	Deductions	(224,583)	(255,564)	(230,217)	(25,347)	(11.0%)
79,545	**82,761**	**82,669**	**93**	**0.1%**	**Net Patient Revenue**	**79,545**	**82,761**	**82,669**	**93**	**0.1%**
1,092	2,076	1,623	452	27.9%	Other Operating Revenue	1,092	2,076	1,623	452	27.9%
80,637	**84,837**	**84,292**	**545**	**0.6%**	**Total Operating Revenues**	**80,637**	**84,837**	**84,292**	**545**	**0.6%**
					OPERATING EXPENSES					
41,961	46,842	45,253	(1,589)	(3.5%)	Salaries & Wages	41,961	46,842	45,253	(1,589)	(3.5%)
11,347	11,299	11,288	(12)	(0.1%)	Supplies	11,347	11,299	11,288	(12)	(0.1%)
6,985	5,710	8,001	2,291	28.6%	Fees & Purchased Services	6,985	5,710	8,001	2,291	28.6%
2,266	3,013	3,321	308	9.3%	Other Operating Expense	2,266	3,013	3,321	308	9.3%
1,419	1,440	1,397	(43)	(3.1%)	Interest	1,419	1,440	1,397	(43)	(3.1%)
3,783	4,989	4,854	(134)	(2.8%)	Depreciation	3,783	4,989	4,854	(134)	(2.8%)
67,761	**73,293**	**74,114**	**821**	**1.1%**	**Total Operating Expenses**	**67,761**	**73,293**	**74,114**	**821**	**1.1%**
12,877	**11,544**	**10,178**	**1,366**	**13.4%**	**Net Operating Margin**	**12,877**	**11,544**	**10,178**	**1,366**	**13.4%**
(4,271)	33,339	2,402	30,937	1287.9%	Non Operating Income	(4,271)	33,339	2,402	30,937	1287.9%
8,605	**44,883**	**12,580**	**32,303**	**256.8%**	**Net Margin**	**8,605**	**44,883**	**12,580**	**32,303**	**256.8%**
18,078	**17,973**	**16,430**	**1,543**	**9.4%**	**Operating EBIDA**	**18,078**	**17,973**	**16,430**	**1,543**	**9.4%**
22.4%	21.2%	19.5%	1.7%		Operating EBIDA Margin	22.4%	21.2%	19.5%	1.7%	
16.0%	13.6%	12.1%	1.5%		Operating Margin	16.0%	13.6%	12.1%	1.5%	
10.7%	52.9%	14.9%	38.0%		Net Margin	10.7%	52.9%	14.9%	38.0%	

El Camino Hospital – Los Gatos
Statement of Operations *($000s)*
Period 1 ending 07/31/2022

Period 1 FY 2022	Period 1 FY 2023	Period 1 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
92,802	95,228	93,368	1,860	2.0%	**Gross Revenue**	92,802	95,228	93,368	1,860	2.0%
(73,645)	(72,197)	(70,503)	(1,695)	(2.4%)	**Deductions**	(73,645)	(72,197)	(70,503)	(1,695)	(2.4%)
19,157	**23,031**	**22,866**	**165**	**0.7%**	**Net Patient Revenue**	**19,157**	**23,031**	**22,866**	**165**	**0.7%**
266	285	262	23	8.8%	**Other Operating Revenue**	266	285	262	23	8.8%
19,423	**23,316**	**23,127**	**188**	**0.8%**	**Total Operating Revenue**	**19,423**	**23,316**	**23,127**	**188**	**0.8%**
					OPERATING EXPENSE					
9,172	10,202	10,058	(145)	(1.4%)	**Salaries & Wages**	9,172	10,202	10,058	(145)	(1.4%)
3,527	3,006	3,909	903	23.1%	**Supplies**	3,527	3,006	3,909	903	23.1%
3,333	3,690	4,033	343	8.5%	**Fees & Purchased Services**	3,333	3,690	4,033	343	8.5%
380	432	560	128	22.9%	**Other Operating Expense**	380	432	560	128	22.9%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
675	1,083	1,098	14	1.3%	**Depreciation**	675	1,083	1,098	14	1.3%
17,087	**18,414**	**19,657**	**1,243**	**6.3%**	**Total Operating Expense**	**17,087**	**18,414**	**19,657**	**1,243**	**6.3%**
2,337	**4,902**	**3,470**	**1,432**	**41.3%**	**Net Operating Margin**	**2,337**	**4,902**	**3,470**	**1,432**	**41.3%**
0	0	0	0	0.0%	**Non Operating Income**	0	0	0	0	0.0%
2,337	**4,902**	**3,470**	**1,432**	**41.3%**	**Net Margin**	**2,337**	**4,902**	**3,470**	**1,432**	**41.3%**
3,012	**5,985**	**4,568**	**1,417**	**31.0%**	**Operating EBIDA**	**3,012**	**5,985**	**4,568**	**1,417**	**31.0%**
15.5%	25.7%	19.8%	5.9%		**Operating EBIDA Margin**	15.5%	25.7%	19.8%	5.9%	
12.0%	21.0%	15.0%	6.0%		**Operating Margin**	12.0%	21.0%	15.0%	6.0%	
12.0%	21.0%	15.0%	6.0%		**Net Margin**	12.0%	21.0%	15.0%	6.0%	

El Camino Health

El Camino Health Medical Network
Statement of Operations *($000s)*

Period 1 ending 07/31/2022

Period 1 FY 2022	Period 1 FY 2023	Period 1 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
9,365	8,187	8,199	(12)	(0.2%)	**Gross Revenue**	9,365	8,187	8,199	(12)	(0.2%)
(6,294)	(5,470)	(5,415)	(55)	(1.0%)	**Deductions**	(6,294)	(5,470)	(5,415)	(55)	(1.0%)
3,071	**2,717**	**2,784**	**(67)**	**(2.4%)**	**Net Patient Revenue**	**3,071**	**2,717**	**2,784**	**(67)**	**(2.4%)**
872	1,023	1,278	(255)	(20.0%)	**Other Operating Revenue**	872	1,023	1,278	(255)	(20.0%)
3,943	**3,740**	**4,062**	**(323)**	**(7.9%)**	**Total Operating Revenues**	**3,943**	**3,740**	**4,062**	**(323)**	**(7.9%)**
					OPERATING EXPENSES					
1,463	1,651	2,067	416	20.1%	**Salaries & Wages**	1,463	1,651	2,067	416	20.1%
218	232	317	85	26.9%	**Supplies**	218	232	317	85	26.9%
3,682	3,513	3,940	428	10.9%	**Fees & Purchased Services**	3,682	3,513	3,940	428	10.9%
883	608	726	118	16.2%	**Other Operating Expense**	883	608	726	118	16.2%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
255	310	283	(27)	(9.4%)	**Depreciation**	255	310	283	(27)	(9.4%)
6,502	**6,313**	**7,334**	**1,020**	**13.9%**	**Total Operating Expenses**	**6,502**	**6,313**	**7,334**	**1,020**	**13.9%**
(2,558)	**(2,574)**	**(3,271)**	**698**	**21.3%**	**Net Operating Margin**	**(2,558)**	**(2,574)**	**(3,271)**	**698**	**21.3%**
0	0	0	0	0.0%	**Non Operating Income**	0	0	0	0	0.0%
(2,558)	**(2,574)**	**(3,271)**	**698**	**21.3%**	**Net Margin**	**(2,558)**	**(2,574)**	**(3,271)**	**698**	**21.3%**
(2,303)	**(2,264)**	**(2,988)**	**724**	**24.2%**	**Operating EBIDA**	**(2,303)**	**(2,264)**	**(2,988)**	**724**	**24.2%**
(58.4%)	(60.5%)	(73.5%)	13.0%		**Operating EBIDA Margin**	(58.4%)	(60.5%)	(73.5%)	13.0%	
(64.9%)	(68.8%)	(80.5%)	11.7%		**Operating Margin**	(64.9%)	(68.8%)	(80.5%)	11.7%	
(64.9%)	(68.8%)	(80.5%)	11.7%		**Net Margin**	(64.9%)	(68.8%)	(80.5%)	11.7%	

Consolidated Balance Sheet (as of 07/31/2022)

($000s)

ASSETS	July 31, 2022	Unaudited June 30, 2022
CURRENT ASSETS		
Cash	174,209	196,067
Short Term Investments	158,015	138,654
Patient Accounts Receivable, net	220,534	209,668
Other Accounts and Notes Receivable	6,932	9,927
Intercompany Receivables	22,087	13,998
Inventories and Prepaids	38,057	36,476
Total Current Assets	**619,834**	**604,789**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	22,624	18,721
Plant & Equipment Fund	324,045	310,367
Women's Hospital Expansion	30,280	30,261
Operational Reserve Fund	182,907	182,907
Community Benefit Fund	14,230	18,299
Workers Compensation Reserve Fund	14,029	14,029
Postretirement Health/Life Reserve Fund	29,873	29,783
PTO Liability Fund	33,852	33,709
Malpractice Reserve Fund	1,915	1,906
Catastrophic Reserves Fund	26,127	24,668
Total Board Designated Assets	**679,884**	**664,651**
FUNDS HELD BY TRUSTEE	**0**	**0**
LONG TERM INVESTMENTS	**502,511**	**499,483**
CHARITABLE GIFT ANNUITY INVESTMENTS	**983**	**940**
INVESTMENTS IN AFFILIATES	**29,380**	**30,376**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,873,264	1,872,501
Less: Accumulated Depreciation	(784,821)	(778,427)
Construction in Progress	99,168	96,603
Property, Plant & Equipment - Net	**1,187,611**	**1,190,676**
DEFERRED OUTFLOWS	19,424	19,474
RESTRICTED ASSETS	34,222	31,200
OTHER ASSETS	141,354	138,632
TOTAL ASSETS	**3,215,203**	**3,180,222**

LIABILITIES AND FUND BALANCE	July 31, 2022	Unaudited June 30, 2022
CURRENT LIABILITIES		
Accounts Payable	39,685	51,286
Salaries and Related Liabilities	37,478	46,502
Accrued PTO	34,574	34,449
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	14,796	14,942
Intercompany Payables	19,401	13,489
Malpractice Reserves	2,446	2,096
Bonds Payable - Current	9,905	9,905
Bond Interest Payable	0	8,096
Other Liabilities	16,562	15,739
Total Current Liabilities	**177,147**	**198,804**
LONG TERM LIABILITIES		
Post Retirement Benefits	29,873	29,783
Worker's Comp Reserve	14,029	14,029
Other L/T Obligation (Asbestos)	5,409	5,073
Bond Payable	466,251	466,838
Total Long Term Liabilities	**515,563**	**515,723**
DEFERRED REVENUE-UNRESTRICTED	**12,913**	**12,864**
DEFERRED INFLOW OF RESOURCES	**51,133**	**51,133**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,210,559	2,154,900
Board Designated	209,130	210,197
Restricted	38,758	36,601
Total Fund Bal & Capital Accts	**2,458,447**	**2,401,698**
TOTAL LIABILITIES AND FUND BALANCE	**3,215,203**	**3,180,222**

BECKER'S
Hospital CFO Report

Financial updates from 14 health systems

Ayla Ellison – August 31, 2022

Several health systems have recently released financial results for the second quarter and first half of this year, with many seeing higher expenses offset revenue gains.

Below are 13 health systems that recently released financial results.

Results for the first half of 2022

- **Pittsburgh-based UPMC** reported revenue of $12.5 billion in the first six months of this year, up from $12.2 billion in the same period of 2021. The health system ended the first half of this year with **operating income of $81.9 million, down 86 percent year over year. The decline was largely due to higher expenses, which increased from $11.6 billion in the first half of 2021 to $12.4 billion in the first six months of this year.**

- For the first six months of this year, **Intermountain Healthcare** reported revenue of $6.5 billion, up 25 percent year over year. The 33-hospital system's expenses totaled $5.9 billion in the first half of this year, up 31 percent from $4.5 billion in the same period last year. Salt Lake City-based Intermountain ended the first two quarters of this year with **operating income of $288 million, down from $461 million in the same period last year.**

- **Advocate Aurora Health**, which has dual headquarters in Downers Grove, Ill., and Milwaukee, reported revenue of $7.1 billion in the first two quarters of this year, up from $6.7 billion in the same period a year earlier. Expenses climbed 9 percent year over year to $7 billion in the first six months of this year. Advocate Aurora ended the first half of this year with **operating income of $51.2 million, down from $264.6 million in the same period of 2021.**

- In the first two quarters of this year, Detroit-based **Henry Ford Health** reported revenue of $3.41 billion, up from $3.36 billion in the same period a year earlier. After factoring in expenses, which grew 4.4 percent year over year, the health system ended the first six months of this year with an **operating loss of $74.77 million and an operating margin of -2.2 percent. Henry Ford Health reported operating income of $19.29 million in the first half of 2021.**

- For the six months ended June 30, Renton, Wash.-based **Providence** reported revenue of $12.7 billion, up 2 percent year over year on a pro forma basis. The pro forma results exclude the operations of Newport Beach, Calif.-based Hoag Hospital. For the six months ended June 30, the health system reported operating expenses of $13.6 billion, up 8 percent year over year on a pro forma basis. Providence ended the first two quarters of this year with an **operating loss of $934 million, compared to an operating loss of $94 million in the same period a year earlier.**

Results for the second quarter

- Rochester, Minn.-based **Mayo Clinic's** revenue totaled $4.03 billion in the second quarter of this year, up from $3.94 billion in the same period a year earlier. The nonprofit health system's expenses climbed 11 percent year over year to $3.88 billion in the second quarter of 2022. **Mayo Clinic ended the second quarter of this year with operating income of $155 million, down 66 percent from $451 million in the same quarter of 2021.**

- Oakland, Calif.-based **Kaiser Permanente,** which provides healthcare and health plans, reported operating revenue of $23.47 billion in the second quarter of 2022, down from $23.69 billion in the same quarter of 2021. The organization's expenses climbed from $23.34 billion in the second quarter of last year to $23.38 billion in the same period this year. **Kaiser ended the second quarter of this year with operating income of $89 million, down from $349 million a year earlier.**

- Nashville, Tenn.-based **HCA Healthcare**, a 182-hospital system, reported revenue of $14.82 billion in the second quarter of this year, up from $14.44 billion in the same period last year. HCA's **net income totaled $1.16 billion in the second quarter of 2022, down from $1.45 billion in the same period a year ago.** The second quarter of this year included $32 million in losses on the sales of facilities and and losses on retirement of debt of $78 million.

- Boston-based **Mass General Brigham** recorded operating revenue of $4.26 billion for the three months ended June 30, up from $4.08 billion in the same period last year. After factoring in higher expenses, the **health system ended the three-month period with an operating loss of $120.18 million, compared to operating income of $128.2 million in the same quarter a year earlier.**

- Dallas-based **Tenet Healthcare** reported revenue of $4.64 billion in the second quarter of this year, down from $4.95 billion in the same period a year earlier. The decrease was primarily attributed to the sale of the company's Miami-area hospitals in the third quarter of 2021 and the impact of a cybersecurity incident. **The 60-hospital system ended the second quarter of this year with net income of $38 million, down from $119 million in the same quarter last year.**

- Sacramento, Calif.-based Sutter Health's operating revenue totaled $3.49 billion in the second quarter of this year, down from $3.52 billion in the same period of 2021. The health system saw operating expenses increase to $3.55 billion in the second quarter of this year, up from $3.4 billion in the same period a year earlier. **Sutter ended the second quarter of 2022 with an operating loss of $51 million. In the second quarter of 2021, the health system posted operating income of $106 million.**

- Franklin, Tenn.-based Community Health Systems, which operates 83 hospitals, said revenues and admissions were down in the three months ended June 30. Admissions declined 3.4 percent year over year and revenues were down 2.4 percent compared to the second quarter of 2021. **After factoring in costs and one-time expenses, the for-profit hospital operator ended the second quarter with a net loss of $326 million on revenues of $2.93 billion. CHS reported net income of $6 million on revenues of $3 billion in the same period a year earlier.**

- King of Prussia, Pa.-based Universal Health Services reported higher revenue but a lower profit in the second quarter of 2022. The hospital chain's revenues increased 3.9 percent year over year to $3.3 billion in the second quarter of this year. UHS said the nationwide shortage of nurses and other clinical staff has been a significant operating issue. After factoring in nonoperating items, **UHS ended the second quarter of this year with net income of $164.06 million. The company reported net income of $325.28 million in the same period of 2021.**

- Cleveland Clinic's revenue totaled $3.1 billion in the three-month period ended June 30, down from $3.2 billion in the same quarter last year. The health system reported expenses of $3.1 billion in the second quarter of this year, up from $2.7 billion in the same period last year. **Cleveland Clinic ended the second quarter with an operating loss of $183.5 million, compared to operating income of $339.5 million in the second quarter of 2021.**

2022 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems

"Despite the release of multiple vaccines in 2021, which many believed heralded a return to normalcy, coronavirus again impacted our lives, and certainly the healthcare sector, for the duration of 2021. Fitch views the numerical improvements over prior years' medians less as a sign of sector resiliency, and more as a cautionary "calm before the storm."

Longer-term sector dynamics portend the expectation of protracted margin compression as additional expenses, primarily labor, have become part of the permanent fabric of operations. We have an expectation that our 2022 medians represent a new high point for credit strength, with ongoing incremental challenges expected to exert tremendous pressure on many in the sector through calendar 2022 and beyond."

Kevin Holloran, Senior Director, USPF Healthcare

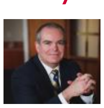
Related Research

Inflation to Erode Not-for-Profit Hospital Margins Absent Major Changes (July 2022)

U.S. Not-for-Profit Hospitals and Health Systems Face Mounting Operational Stress (May 2022)

2021 Median Ratios (Not-for-Profit Hospitals and Healthcare Systems) (August 2021)

Analysts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Median Ratios: Deceptively Strong

Fitch Ratings' 2022 medians (using audited 2021 data) largely show across the board improvement to operating margins and balance sheet metrics. (*See Summary Table on page 5.*)

The strength of the 2021 audits are perhaps somewhat surprising, particularly in light of the difficult start to 2022. Recall, however, that 2021 started off with access to multiple vaccines, declining coronavirus case rates, recognition of provider relief funding, and a bullish investment market (the DJIA improved by 20% in calendar 2021) — all of which combined to buoy operations and bolster balance sheets. One could also think of the 2021 medians as the opposite of the 2020 medians.

The largest sign of operational gains (defined as operating EBITDA margins) is seen at the higher end of the rating spectrum ('AA' category), now showing a 9.6% operating EBITDA margin compared to 7.9% in fiscal 2020, a 22% increase.

Gains were more modest at the lower end of the investment grade rating spectrum ('BBB' category), with a 9.7% increase to a 7.9% operating EBITDA margin from 7.2% the prior year.

Significant gains in balance sheet metrics are also concentrated at the higher end of the rating spectrum, with a 20% increase in cash to adjusted debt to 249% for 'AA' category credits, compared to an 8% increase for 'BBB' category credits to 102%. This reflects not only the continued ability of higher rated credits to generate stronger investment income returns for the year, but also reductions in debt-equivalents, primarily defined benefit pension liabilities.

Key balance sheet metrics in this report remain at or near all-time highs for the key measurements of days' cash on hand, cash to debt and leverage (debt to capitalization).

The Coronavirus Story Continues

While 2021 did not see any governmental suspension of non-emergent volumes, the actual amount of coronavirus patients and their timing either allowed providers to service both coronavirus patients and elective procedures or be forced to engage in additional rounds of "spot suspensions" of elective procedures. Staffing, or the lack of staffing, also determined this to a large degree, and continues to affect the sector today.

There is still the belief that, due either to vaccine efforts or actual infection experience, coronavirus will ultimately become something akin to seasonal influenza — cycling naturally without a discernable or realistic end in sight, but also not significantly impacting normal hospital operations. Similar to last year's medians when we discussed the ascendance of the Delta variant, our immediate history and likely future is focused on Omicron, its sub-variants and further lineages. The current trajectory appears to be one where coronavirus cases are not strongly correlated with hospitalizations. This assumes future variants remain well tolerated, and vaccine/natural immunity continues to provide varying levels of protection. A particularly infectious new variant (e.g., Pi) that also causes more severe illness and hospitalizations could significantly alter this assumption.

Despite the continued "noise" in the sector, there are some generalizations that Fitch feels comfortable making:

- The pandemic has exposed the sector's need for significant additional staffing, particularly nursing. This fact has long been known, but has never resulted in such a critical weakness to the sector as we are seeing now, resulting in increased staffing expenditures — employed or contracted — as the new norm for many.
- Staff shortages, both clinical and non-clinical, will continue into 2023, and likely longer in some markets, with high growth markets being better able to mitigate staffing shortages.
- Some volumes may fall short of pre-pandemic levels, resulting in the counterintuitive need to reduce staff in certain clinical areas. In addition, some services are being curtailed, either from lack of demand or lack of adequate and available staffing, both of which limit traditional top line revenue growth.
- We are likely two years away from some level of normalcy returning to the sector.
- For many hospitals, their "value journey" will be on temporary hold until expenses stabilize and become more predictable.

Are We Taking a Step Back?

Calendar 2021 ended somewhat ominously, seeing the ascendency of the Omicron variant, and then calendar 2022 proceeded to produce very weak first and second quarter results that will likely be among the worst on record for many providers. Adding in stubbornly high inflation, equity market dislocation, and the potential for new Covid variants, it is no surprise that the sector is seeing a retrenchment on some levels.

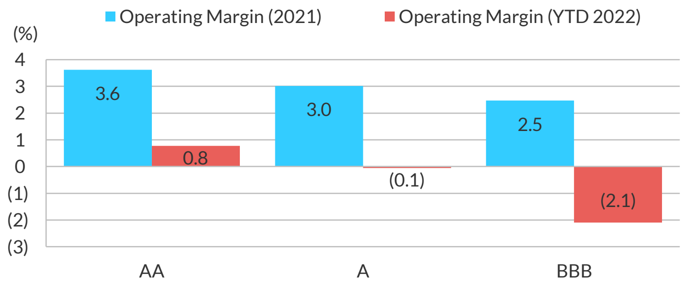
- Fitch assumes no further federal stimulus or support forthcoming (absent occasional FEMA funding) to offset incremental operating expense pressure, either as a result of coronavirus related stress, or simple inflationary pressures.
- The potential inability for some to grow risk-based business, due to the unpredictability of the expense base, could set the industry back to where the focus is again on basic costs instead of price, quality, transparency, etc.
- While there was surprisingly no sector-wide significant change in the payor mix due to the pandemic, Fitch is of the opinion that the sector will see a gradually eroding payor mix overall with Medicare and Medicaid volumes accounting for some combined 60% of inpatients.
- A return to basics in light of sector uncertainty. These include improving operating margins, preserving capital, and strengthening ties between providers (hospitals with employed physicians) and payors (providers and insurers). Such strategies by their very nature stifle innovation and creativity — something with which the sector must constantly contend given its long history with incremental improvements, over big leaps in progress. While rare, transformational changes are needed now more than ever, given the sector's inelastic revenue model, and the required absorption of added expenses.

Beware the 2023 Medians (Calendar 2022)

While the current medians still show considerable sector strength, Fitch expects to see our medians reverse course this time next year due to a conflagration of events, including the very challenged operational start to calendar 2022; additional Omicron sub-variants (e.g., BA.4, BA.5, BA.2.75) that could impact the delivery of care; inflationary pressures currently at 40-year high levels; equity market dislocation (the DJIA down 10.4% Jan. 1st 2022 to Aug. 1, 2022); and a growing concern that a recession and housing correction may be upon us.

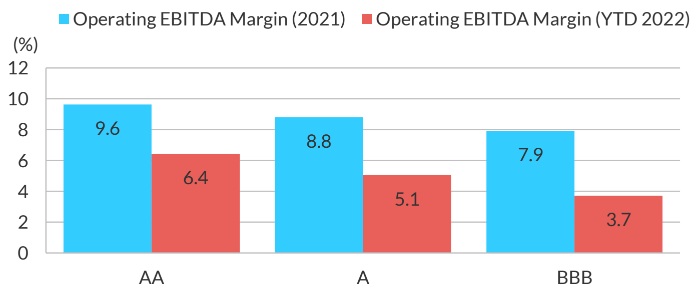
A simple analysis by Fitch, and not comparable to this set of medians, of all interim financial data in our systems at the time of publication of this report, shows that operating margins and operating EBITDA margins have dropped by 300 to 450 basis points thus far in 2022.

Operating Margin



Source: Fitch Ratings.

Operating EBITDA Margin



Source: Fitch Ratings.

Median Format Consistency

This 2022 median report (which is based on coronavirus-impacted 2021 data) will focus on the highlights and present data in these ways: 1) an overall median comparison (best comparable with 2020 medians); 2) high-level standalone hospital medians (*see table on page 9*); and 3) high level system medians (*see table on page 10*);.

Some key takeaways from the 2022 medians include:

- The median rating remains 'A+', while the most common (mode) rating remained at 'AA–'.
- Given the predominance of higher rated credits in our portfolio, there is some natural rating durability, although even high-rated credits have not been completely immune to sector stress — this is particularly true of 2022 year to date.
- A somewhat surprising surge in operating margins in fiscal 2021, most notably at the higher end of the rating spectrum.
- Stability in all key balance sheet metrics, but a growing expectation that operational challenges and equity market conditions will result in erosion next year.

Overall 'A+' Median Rating; 'AA–' Most Common

The median rating in Fitch's portfolio remains 'A+'; while the most common rating in the agency's portfolio remains 'AA–'. About 27% of the 219 hospitals and health systems used in this median report have an 'AA–' rating, with 41% in the overall 'AA' rating category. Another 37% of Fitch's ratings are in the 'A' rating category, 16% are in the 'BBB' rating category, and only 6% are rated 'BIG'. (*See the Ratings Distribution chart on page 7*.)

Varying Operating Performance

Median operating and operating EBITDA margins improved notably to 3.0% and 8.9%, respectively, in fiscal 2021 from 1.5% and 7.3% in the prior year. The improvement seen in operating income is attributed to multiple factors but is primarily due to a rebound in elective procedures (although we did see some spot-stoppages with some providers during particularly expansive surges), reaping the rewards of expense cuts enacted in response to the pandemic, and recognition of CARES Act funds and other supplementary support.

Median excess margin and EBITDA are in line with the operating trends at 6.6% and 12.4%, respectively, following the same pattern as operating margin trends when compared to last year's 3.3% and 9.3%, respectively. Non-operating income sources (e.g. investment returns, contributions and equity interest in nonconsolidated business entities) were positive, but as a reminder, do not incorporate any market volatility we have seen in calendar 2022.

The greatest yoy improvement in operating EBITDA margins are seen in the 'AA' followed by the 'A' category credits, increasing by approximately 22% for the former and 20% for the latter.

Differences in Trends at Rating Categories

The 'AA' category operating margin median improved the most of any rating category, jumping to 3.6% from 2.2% the prior year. The operating EBITDA margin followed suit, increasing to 9.6% from 7.9% yoy. The pattern for 'A' rating category medians was similar, increasing to 3.0% from 1.3% the prior year. The 'BBB' category operating margin median notably improved, going to 2.5% versus 0.8% the prior year. The 'BIG' category also improved to 1.3% from 0.5% the prior year.

It is worth noting that generally larger providers (median revenues are $2.1 billion and $1.0 million for the 'AA' and 'A' categories, respectively) allowed for more flexibility to scale their operations and seek opportunities to maintain margins during the pandemic's various surges. Lower rated credits are characteristically smaller (median revenue is $748 million and $446 million for 'BBB' and 'BIG' category credits, respectively) and generally less able to trim expenses, although we note that some higher performing smaller health systems have demonstrated an ability to remain nimble in reaction to external events, including the stresses presented in the early months of 2022.

Essentially all of Fitch's rated credits have long expressed a consistent goal of collectively cutting expenses and improving clinical quality. Fitch remains of the opinion that different thinking will be necessary to advance how healthcare is delivered on a transformative level, in order to become break-even or better on Medicare rates — a long-stated but rarely achieved sector goal.

Liquidity Metrics Improved Again

Key median liquidity metrics (days' cash on hand and cash to debt) were generally improved compared to the prior year. Days' cash improved by approximately 19 days (+8%) to 260 from 241, while cash to debt improved dramatically to 186% from 163% yoy. By any traditional ratio, liquidity metrics remained at or near all-time highs in 2021, providing a welcome cushion against the equity market volatility and inflation experienced in 2022. (*See tables on pages 5 and 7*.)

Stable Leverage Metrics

Median leverage ratios also improved, continuing the sector's longer-term trend toward a more moderate relative debt position. The median debt-to-capitalization ratio improved to 31.7%, compared to 33.6% the prior year.

Fitch utilizes cash to adjusted debt in an effort to find measures that are consistent across the sector and rating spectrum. Adjusted debt largely includes underfunded defined-benefit pension liabilities below an 80% funded level (for traditional Employee Retirement Income Security Act [ERISA] and church plans) as a long-term debt equivalent.

Overall cash to adjusted debt improved notably to 180% from 151% yoy. Cash to adjusted debt is the most highly correlated metric in Fitch medians across the various rating categories, highest in the 'AA' category and lowest in the 'BIG' category, with all rating categories seeing improvement in this year's medians, by some 8% to 22%. (*See tables on pages 5 and 7*.)

Balance Sheet Ratios

The overall median for cash to debt improved to 186% from 163% yoy. Fitch's 'AA' rating category also improved to 253% from 219%, and the 'A' rating category saw gains to 153% from 148% yoy. One has only to look at market returns for the bulk of 2021, capital preservation initiatives, and the rebound in operating cash flow to account for the increases.

At the higher end of the rating scale, days' cash saw improvements, to 320 and 241 for the 'AA' and 'A' categories, respectively, versus 304 and 238 in the prior year, respectively. Fitch attributes this to higher rated providers' generally more aggressive asset allocations, and ability to flex capital projects, and the aforementioned greater improvement in operating EBITDA and EBITDA margins.

The least improvement in cash to debt on a percentage basis occurred in the 'BBB' rating category, which saw a more muted rise to 107%, from 105% in the prior year. Also notable is the dip in days' cash on hand in the 'BIG' rating category to 90 days, compared to 99 days the prior year, although this may be affected by the small sample size.

Capital Spending

Average age of plant changed little at 11.9 years for 2021, compared to 11.7 years for 2020 (and prior). This was driven by an overall downward shift in capital spending, more reduced for the 'AA' and 'A' category ratings, for which spending is higher overall.

There remains a very narrow band in Fitch's rated universe around average age of plant (10.8 years to 15.6 years), and the accounting treatment when an asset is acquired (or whether the depreciation schedule aligns with the life of the assets) can swing this calculation up and down. Consequently, Fitch places more emphasis on the multiyear trend of capital spending as compared to annual depreciation expense (capital spending ratio), rather than average age of plant, in its analysis.

The annual capital spending ratio is more mixed but down overall, dropping noticeably for the sector to 100% in 2021, compared to 109% the prior year and 117% for the year preceding coronavirus.

There is variability at the different rating categories as one might expect. For example, a significant capital spending ratio decline occurred at the high end of the rating scale (the 'AA' category was at 101%, compared to 116% the prior year). This was mirrored by a similar shift in capital spending at the 'A' category to 105% from 111% yoy. The 'BBB' category saw almost no differential, at 83% compared to 82% the prior year, while the 'BIG' category increased to 94% compared to 89% the prior year, but again this is due to a small sample size more than a fundamental shift in spending. (*See tables on pages 5, 7 and 8.*)

Rating Actions: Muted for Now

Rating actions in 2021 displayed credit stability notwithstanding the coronavirus pandemic. Fitch affirmed 89.1% of its healthcare ratings while downgrading 4.5% and upgrading 6.4%.

Affirmations are highly consistent, with trends for the first seven months of 2022 (Jan. 1, 2022 through July 31, 2022) showing a similar trend albeit with a smaller sample size. During this timeframe Fitch affirmed 92% of its ratings, upgraded 5.6% of issuers and downgraded 2.4% of issuers. (*See Ratings Actions Chart on page 6.*)

Stable Rating Outlooks still dominate the sector, with 88.6% of ratings carrying a Stable Rating Outlook, 4.6% carrying a Positive Rating Outlook and the remaining 6.8% carrying a Negative Rating Outlook. (*See Ratings Outlook Chart on page 6.*)

Final Thoughts and Future Transition

As we analytically close out fiscal 2021 with this set of medians, our goal, as always, is to provide thoughtful and clear forward-looking analysis and communications. When we released last year's medians, there was a feeling that the sector might have weathered the worst of the storm, and certainly the 2021 medians show credit strength and median improvement. However, the start of 2022 demonstrated that coronavirus and the associated pressures have lingered longer than expected, and in fact compounded labor shortages and rising costs due to inflation.

Fitch is of the opinion that the following will play a significant role in 2022 and beyond:

- The sector will experience weaker margins, due to its inelastic revenue model and pronounced labor challenges and inflation, unless payors, governmental or otherwise, return with material rate increases (Fitch is aware of two providers in Vermont asking for high double-digit rate increases from the state's cost regulator).
- The credit split between stronger and weaker credit profiles will widen, with a possible credit split between the "very" strong and "merely" strong that will begin to emerge as well.
- Fitch is wary of covenant violations as fiscal 2022 audits are completed. Covenant violations could easily continue into fiscal 2023.
- Given sector operational challenges, many providers will seek to engage in a merger or acquisition. It remains to be seen if providers will commit to merging with a dilutive asset, or if the current regulatory and legislative environment limits M&A activity for health systems operating in the same market. Out-of-market mergers appear more palatable to regulators, and while synergies can still be found, particularly in clinical and back office areas, it remains to be seen if out-of-market mergers will be successful and the new normal. Providers will likely need to find transformative ways to move from fee-for-service reimbursement due to recent experiences, which exposed the weaknesses of the traditional fee-for-service model, and the benefits of accepting first-dollar coverage.

Methodology

Fitch included its rated standalone hospitals and health systems for this report; children's hospitals are not included. In addition, some credits are excluded for analytical purposes or lack of data. Fitch notes that the small sample size for some of the individual rating categories can create greater volatility in the data and that sample size should be considered when reviewing yoy changes.

For all data points in this report, Medicare Accelerated and Advance Payment Program funds were excluded from Fitch's cash and cash equivalent ratios, as Fitch has always viewed this funding as a temporary loan, and not permanent cash on the balance sheet.

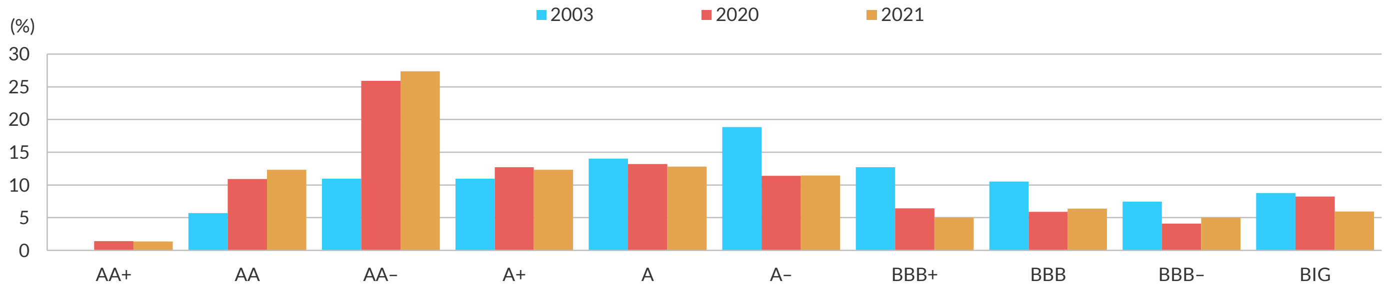
Data Appendix

Nonprofit Hospital and Health Care System Overall Medians (Fiscal Year)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012A	2012B	2011	2010	2009	2008
Sample Size	219	213	220	220	232	249	246	235	243	249	249	251	248	244	227
Days Cash on Hand	260.3	241.4	219.8	214.9	213.9	195.5	203.8	203.4	193.9	183.9	183.9	181.7	180.5	166.8	151.6
Days in Accounts Receivable	47.2	44.6	46.8	45.9	47.0	47.3	47.9	48.2	49.3	48.5	48.5	45.1	43.8	44.7	48.4
Cushion Ratio (x)	29.7	25.3	22.8	22.5	20.9	18.7	18.2	17.6	16.4	14.6	14.6	14.3	13.6	12.8	12.0
Days in Current Liabilities	89.4	91.4	64.3	62.8	61.7	63.8	65.7	66.4	64.8	66.7	66.7	63.5	63.4	63.8	62.8
Cash to Debt (%)	185.5	162.8	159.3	155.4	159.0	142.8	138.5	141.8	127.7	119.3	119.3	113.0	112.8	104.8	101.3
Cash to Adjusted Debt (%)	180.1	150.6	138.9	130.6	130.4										
Operating Margin (%)	3.0	1.5	2.3	2.1	1.9	2.8	3.5	3.0	2.2	2.9	3.0	2.7	2.6	2.8	2.2
Op EBITDA Margin (%)	8.9	7.3	8.7	8.6	8.5	9.5	10.3	9.7	9.2	9.5	10.3	9.4	9.4	9.5	8.9
Excess Margin (%)	6.6	3.3	4.5	4.0	4.2	3.8	5.2	4.8	3.7	4.3	4.6	4.1	3.9	2.8	2.9
EBITDA Margin (%)	12.4	9.3	10.6	10.4	10.3	10.5	12.2	11.7	10.9	10.9	11.6	10.6	10.8	9.3	9.4
Net Adjusted Debt to Adjusted EBITDA	(2.1)	(2.1)	(1.3)	(1.1)	(1.1)										
Personnel Costs as % of Total Operating Revenue	52.8	55.0	53.3	54.0	54.9	54.8	53.6	54.4	55.0	50.7	54.2	50.7	50.8	50.2	50.6
EBITDA Debt Service Coverage (x)	5.7	4.0	4.1	4.0	3.8	3.6	4.3	4.0	3.5	3.7	3.7	3.8	3.5	2.9	3.1
OP EBITDA Debt Service Coverage (x)	3.8	3.1	3.3	3.4	3.2	3.2	3.7	3.5	3.0	3.3	3.3	3.2	3.0	3.0	2.8
Maximum Annual Debt Service as % of Revenues	2.2	2.3	2.4	2.5	2.6	2.6	2.8	2.9	3.1	2.9	3.1	2.8	3.0	3.1	3.1
Debt to EBITDA (x)	2.7	3.8	3.3	3.4	3.3	3.5	3.1	3.1	3.6	3.3	3.3	3.4	3.4	3.9	3.6
Debt to Capitalization (%)	31.7	33.6	33.1	33.7	34.3	37.0	38.4	36.6	37.8	41.2	41.2	40.8	42.1	42.6	41.6
Average Age of Plant (Years)	11.9	11.7	11.6	11.2	11.2	11.0	10.8	10.6	10.6	10.4	10.4	10.4	10.2	10.0	9.9
Capital Expenditures as % of Depreciation Expense	100.4	109.5	117.7	117.0	121.4	115.8	111.9	106.6	115.7	125.7	125.7	127.8	115.7	127.1	154.4

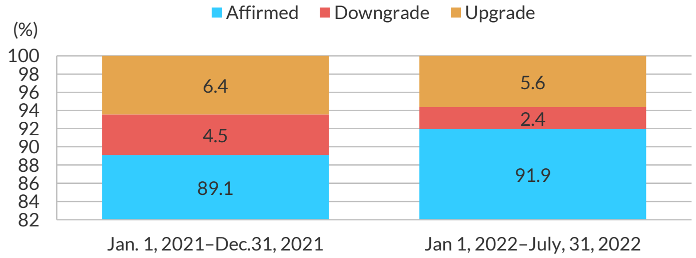
N.A. – Not Available. EBITDA – Earnings before interest, taxes, depreciation, and amortization. CFFOBI – Cash flow from operations before interest. 2012A – Prior to bad debt restatement. 2012B – Following bad debt restatement.
Source: Fitch Ratings.

Ratings Distribution



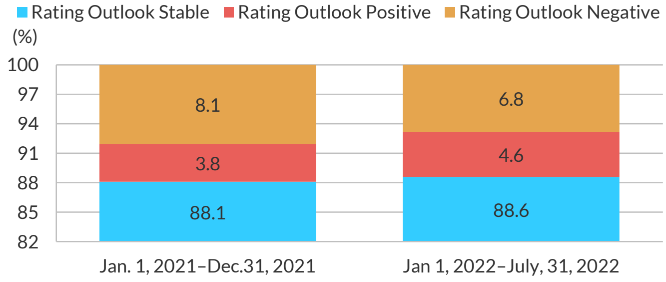
Source: Fitch Ratings.

Not-for-Profit Hospitals and Healthcare Systems Rating Actions



Source: Fitch Ratings.

Not-for-Profit Hospitals and Healthcare Systems Rating Outlooks



Source: Fitch Ratings.

Data Appendix — Medians for Investment Grade Ratings

Nonprofit Hospital and Health Care System Category Medians — 2021

	2021 Median	2020 Median	2021 AA	2020 AA	2021 A	2020 A	2021 BBB	2020 BBB	2021 BIG	2020 BIG
Sample Size	219	213	90	86	80	78	36	32	13	17
Total Operating Revenue ($ Mil.)	1,160,179	1,029,499	2,125,216	2,280,535	1,012,531	787,176	748,682	708,181	445,803	426,282
Days Cash on Hand	260.3	241.4	319.7	304.2	241.2	238.2	175.7	166.5	90.4	98.7
Days in Accounts Receivable	47.2	44.6	46.1	43.6	48.2	44.5	50.3	45.2	47.9	46.1
Cushion Ratio (x)	29.7	25.3	44.0	37.8	25.0	23.2	16.6	16.1	10.1	9.2
Days in Current Liabilities	89.4	91.4	92.8	97.5	83.9	83.6	94.7	92.4	92.1	91.4
Cash to Debt (%)	185.5	162.8	252.9	219.0	153.0	148.1	107.3	105.2	75.9	60.4
Cash to Adjusted Debt (%)	180.1	150.6	249.1	206.8	151.8	137.7	102.3	94.5	75.5	55.7
Operating Margin (%)	3.0	1.5	3.6	2.2	3.0	1.3	2.5	0.8	1.3	0.5
Op EBITDA Margin (%)	8.9	7.3	9.6	7.9	8.8	7.4	7.9	7.2	6.9	6.7
Excess Margin (%)	6.6	3.3	8.5	4.1	5.7	3.3	4.8	2.6	3.6	1.7
EBITDA Margin (%)	12.4	9.3	13.9	9.8	11.9	9.5	10.8	9.3	9.8	7.5
Net Adjusted Debt to Adjusted EBITDA	(2.1)	(2.1)	(3.2)	(3.4)	(1.6)	(1.6)	(0.1)	0.2	1.0	1.3
Personnel Costs as % of Total Operating Revenue	52.8	55.0	52.0	54.0	52.8	55.1	51.6	55.2	55.1	57.9
EBITDA Debt Service Coverage (x)	5.7	4.0	7.4	5.1	4.9	3.7	4.0	3.3	3.3	2.4
OP EBITDA Debt Service Coverage (x)	3.8	3.1	4.7	3.8	3.7	3.0	3.0	2.6	2.5	2.0
Maximum Annual Debt Service as % of Revenues	2.2	2.3	2.0	2.1	2.4	2.6	2.5	2.7	2.8	3.3
Debt to EBITDA (x)	2.7	3.8	2.3	3.2	3.1	4.4	3.4	4.2	3.5	5.4
Debt to Capitalization (%)	31.7	33.6	24.4	27.0	34.7	36.1	41.1	44.6	56.6	58.5
Average Age of Plant (Years)	11.9	11.7	10.8	10.4	12.5	12.2	13.0	13.0	15.6	15.9
Capital Expenditures as % of Depreciation Expense	100.4	109.5	100.8	115.6	105.3	111.4	83.4	81.6	94.4	88.8

EBITDA – Earnings before interest, taxes, depreciation, and amortization. CFFOBI – Cash flow from operations before interest.
Source: Fitch Ratings.

Nonprofit Hospital and Health Care System Medians for Investment Grade Ratings — 2021

	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	AA	AA	AA–	AA–	A+	A+	A	A	A–	A–	BBB+	BBB+	BBB	BBB	BBB–	BBB–
Sample Size	27	23	60	59	28	27	30	28	25	23	12	15	15	10	13	7
Days Cash on Hand	380.3	348.0	293.7	287.8	252.9	239.1	247.5	258.8	230.9	220.2	206.4	169.0	150.3	149.6	169.9	117.1
Days in Accounts Receivable	47.0	42.9	45.1	44.0	49.2	43.7	48.2	45.9	46.6	42.9	54.4	46.8	43.7	42.1	52.0	45.0
Cushion Ratio (x)	55.6	47.7	36.3	34.1	30.7	27.1	22.6	22.9	22.5	17.1	20.5	15.9	14.9	16.3	12.7	12.7
Days in Current Liabilities	101.2	103.0	86.7	91.4	77.9	78.4	84.4	83.2	91.6	96.4	108.5	105.4	96.2	88.7	81.3	90.8
Cash to Debt (%)	317.1	270.0	226.4	204.0	162.8	162.8	153.0	155.6	132.0	115.7	108.9	104.7	106.8	107.3	82.9	61.0
Cash to Adjusted Debt (%)	300.5	227.2	213.9	188.4	159.9	148.5	153.0	149.5	129.1	113.8	127.6	99.4	103.6	94.7	59.3	51.5
Operating Margin (%)	5.4	2.7	3.2	1.9	3.1	1.7	2.8	0.9	4.6	1.0	3.2	(0.3)	0.4	2.6	3.5	0.7
Op EBITDA Margin (%)	10.9	8.7	9.4	7.5	8.8	7.6	8.6	8.2	9.8	7.2	7.9	5.8	6.2	8.2	10.8	9.3
Excess Margin (%)	10.8	5.4	8.0	3.4	6.9	2.8	5.5	3.4	5.7	3.4	5.6	1.8	3.4	3.8	4.6	1.1
EBITDA Margin (%)	15.0	10.7	13.5	9.2	12.5	8.9	11.3	10.3	11.9	9.3	10.9	8.5	8.2	9.8	11.4	9.6
Net Adjusted Debt to Adjusted EBITDA	(3.5)	(4.3)	(2.9)	(3.0)	(2.1)	(2.6)	(1.6)	(1.6)	(1.3)	(0.5)	(0.7)	0.0	(0.1)	0.2	1.3	2.6
Personnel Costs as % of Total Operating Revenue	50.8	50.4	53.3	55.4	51.9	51.7	54.9	56.6	50.5	55.9	50.9	54.9	53.5	55.6	53.1	44.4
EBITDA Debt Service Coverage (x)	9.9	6.9	6.7	4.5	5.6	4.2	4.7	3.4	4.6	3.0	4.8	2.7	3.7	4.4	3.5	2.7
OP EBITDA Debt Service Coverage (x)	5.9	5.0	4.3	3.5	3.7	3.9	3.5	2.5	3.6	2.4	3.3	1.7	2.5	3.2	3.3	2.6
Maximum Annual Debt Service as % of Revenues	1.7	1.7	2.1	2.1	2.4	2.2	2.5	2.8	2.2	2.7	2.6	2.7	2.5	3.0	2.5	2.3
Debt to EBITDA (x)	1.8	2.4	2.4	3.4	2.8	4.5	3.2	3.9	3.4	5.1	3.5	4.5	3.2	3.4	2.8	5.0
Debt to Capitalization (%)	21.1	24.2	27.0	28.2	33.0	33.6	34.9	32.8	37.9	42.5	41.8	46.0	39.2	42.9	43.3	51.0
Average Age of Plant (Years)	9.9	9.6	11.1	10.9	12.4	12.6	12.8	12.2	11.6	11.1	12.8	12.5	11.7	13.5	15.0	13.4
Capital Expenditures as % of Depreciation Expense	127.4	120.5	97.2	111.6	107.2	129.3	90.2	108.7	97.9	95.9	101.5	78.7	86.3	135.4	74.2	81.6

Source: Fitch Ratings.

Data Appendix — Medians (Standalone)

Standalone

	2021	2020	2019	2018	2017	2016	2015
Sample Size	104	99	97	99	93	90	85
Days Cash on Hand	237.5	232.1	213.3	214.5	211.1	203.1	202.3
Days in Accounts Receivable	46.2	44.4	46.2	45.5	46.4	46.3	48.0
Cushion Ratio (x)	24.7	23.3	21.7	20.4	19.7	18.0	16.4
Days in Current Liabilities	89.4	88.1	61.2	59.7	62.0	60.4	65.2
Cash to Debt (%)	179.7	150.5	157.6	147.4	156.0	143.0	138.0
Cash to Adjusted Debt (%)	175.7	135.8	131.7	118.3	122.1	111.7	110.9
Operating Margin (%)	3.8	1.7	2.0	1.6	2.3	3.2	3.8
Op EBITDA Margin (%)	9.7	8.4	8.7	8.4	8.8	9.7	10.8
Excess Margin (%)	7.0	3.7	3.8	3.7	4.2	4.6	5.7
EBITDA Margin (%)	13.0	10.4	10.6	10.5	10.4	10.4	12.0
Net Adjusted Debt to Adjusted EBITDA (%)	(1.6)	(1.6)	(1.0)	(0.8)	(0.9)	(0.4)	(0.4)
Personnel Costs as % of Total Operating Revenue	53.1	55.1	54.4	54.6	55.4	54.2	54.1
EBITDA Debt Service Coverage (x)	5.2	4.1	3.8	3.3	3.5	3.6	4.0
OP EBITDA Debt Service Coverage (x)	3.8	3.1	3.0	2.6	3.0	3.2	3.4
Maximum Annual Debt Service as % of Revenues	2.5	2.7	2.6	2.7	2.9	3.0	3.2
Debt to EBITDA (x)	2.5	3.4	3.2	3.5	3.3	3.2	2.9
Debt to Capitalization (%)	29.7	32.6	32.8	35.0	34.3	37.2	37.0
Average Age of Plant (Years)	12.3	12.0	11.7	11.2	11.1	10.7	10.6
Capital Expenditures as % of Depreciation Expense	101.2	108.4	107.0	114.6	131.4	120.3	111.9

Source: Fitch Ratings.

Data Appendix — Medians (Systems)

Systems

	2021	2020	2019	2018	2017	2016	2015
Sample Size	115	114	106	103	98	96	82
Days Cash on Hand	270.4	255.0	230.2	224.6	241.4	215.2	230.5
Days in Accounts Receivable	47.7	44.6	46.8	46.2	47.7	47.9	48.0
Cushion Ratio (x)	31.7	29.0	26.5	24.2	23.0	20.8	22.2
Days in Current Liabilities	89.8	95.0	66.8	65.1	63.9	66.2	67.4
Cash to Debt (%)	189.4	169.9	165.7	167.5	170.9	165.2	169.5
Cash to Adjusted Debt (%)	185.0	161.1	149.9	147.3	145.3	132.4	137.9
Operating Margin (%)	2.7	1.3	2.5	2.4	1.9	3.1	3.8
Operating EBITDA Margin (%)	8.1	6.7	8.9	8.7	8.7	9.3	10.3
Excess Margin (%)	6.1	3.1	4.9	4.7	4.3	4.3	5.6
EBITDA Margin (%)	12.1	8.5	10.6	10.5	10.4	10.4	12.0
Net Adjusted Debt to Adjusted EBITDA (%)	(2.5)	(2.6)	(1.5)	(1.3)	(1.5)	(1.2)	(1.1)
Personnel Costs as % of Total Operating Revenue	52.3	55.0	53.0	53.9	54.9	54.8	53.2
EBITDA Debt Service Coverage (x)	5.8	3.9	4.5	4.1	4.1	3.7	4.4
Operating EBITDA Debt Service Coverage (x)	3.8	3.2	3.7	3.5	3.2	3.4	3.7
Maximum Annual Debt Service as % of Revenues	2.1	2.2	2.2	2.5	2.7	2.7	2.7
Debt to EBITDA (x)	2.8	4.4	3.4	3.4	3.3	3.4	2.9
Debt to Capitalization (%)	31.9	35.2	32.9	32.4	33.1	33.8	33.0
Average Age of Plant (Years)	11.8	11.4	11.5	11.3	10.9	10.6	10.5
Capital Expenditures as % of Depreciation Expense	99.1	110.1	125.0	128.3	126.1	122.1	121.8

Source: Fitch Ratings.

Data Appendix — Rated Credits

List of Rated Credits — Hospitals

(As of July 31, 2022)	Long-Term Rating		Long-Term Rating
AdventHealth (FL)	AA	Fred Hutchinson Cancer Center (WA)	A+
Adventist Health (CA)	A	Frederick Health Hospital, Inc. (MD)	A–
Advocate Aurora Health, Inc. (WI)	AA	Froedtert Health (WI)	AA
AnMed Health (SC)	AA–	Grande Ronde Hospital (OR)	BBB–
Asante Health System (OR)	A+	Greater Baltimore Medical Center, Inc. (MD)	A+
Ashtabula County Medical Center (OH)	BBB+	Guadalupe Regional Medical Center (TX)	BB
Atlanticare Health System, Inc. and Affiliates (NJ)	AA–	Gundersen Lutheran (WI)	AA–
Ballad Health (TN)	A	Hackensack Meridian Health (NJ)	AA–
Banner Health System (AZ)	AA–	Halifax Community Health System (FL)	A–
Baptist Health Care Corporation Obligated Group (FL)	BBB	Harris County Hospital District (TX)	AA
Baptist Healthcare System (KY)	A+	Hawai'i Pacific Health (HI)	AA–
BayCare Health System Inc. (FL)	AA	Heritage Valley Health System (PA)	AA–
Baystate Medical Center (MA)	A+	Hoag Memorial Hospital Presbyterian (CA)	AA
Beacon Health System, Inc. (IN)	AA–	Holy Redeemer Health System (PA)	BB+
Benefis Health System (MT)	A+	Hospital Sisters Services Inc. (IL)	A+
Berkshire Health System and Affiliates (MA)	AA–	Hurley Medical Center (MI)	BBB–
Blanchard Valley Health Association (OH)	A+	Indiana University Health (IN)	AA
Brooks Rehabilitation (FL)	A–	Inspira Health Network (NJ)	AA–
Butler Health System (PA)	A	Jennie Stuart Medical Center (KY)	BBB–
Cape Cod Healthcare, Inc. and Affiliates (MA)	AA–	John Fitzgibbon Memorial Hospital (MO)	B–
Care New England (RI)	BB–	Jupiter Medical Center (FL)	BBB
Carle Foundation (IL)	AA–	Kaiser Permanente (CA)	AA–
Catholic Health Services of Long Island (NY)	A–	King's Daughters Medical Center (KY)	A–
Centracare Health System (MN)	AA–	Maricopa County Special Health Care District dba Maricopa Integrated Health System (AZ)	BBB
Christus Health (TX)	A+	Marietta Area Health Care Inc. dba Memorial Health System (OH)	B+
Columbia Memorial Hospital (OR)	A–	Marshall Medical Center (CA)	BB+
Commonwealth Health Corporation, Inc. (KY)	AA–	Marshfield Clinic Health System, Inc. (WI)	A–
Community Foundation of Northwest Indiana (IN)	AA	Martin County Hospital District (TX)	BBB+
Concord Hospital and Subsidiaries (NH)	AA–	Mary Washington Healthcare (VA)	A
Cone Health (NC)	AA	McLaren Health Care Corporation (MI)	AA–
Confluence Health Obligated Group (WA)	A–	McLeod Regional Medical Center (SC)	AA–
Cottage Health System Obligated Group (CA)	AA–	Memorial Health Services (CA)	AA–
Covenant Health (TN)	A+	Memorial Sloan-Kettering Cancer Center (NY)	AA
CoxHealth (MO)	A	Mercy Health Corporation (IL)	A–
Dallas County Hospital District (TX)	AA–	Methodist Hospitals, Inc. (The) (IN)	BBB–
Denver Health & Hospital Authority (CO)	BBB	Midland County Hospital District (TX)	AA–
Duke University Health System, Inc. (NC)	AA	Monongalia Health System, Inc. (WV)	BBB+
Eisenhower Medical Center (CA)	BBB–	Mount Nittany Medical Center (PA)	AA–
El Camino Hospital (CA)	AA–	Mount Sinai Medical Center of Greater Miami, Inc. (FL)	A–
El Paso County Hospital District (TX)	A–	Munson Healthcare Obligated Group (MI)	AA
Emanate Health and Affiliates (CA)	A+	Murray-Calloway County Public Hospital Corporation and Subsidiaries (KY)	BBB
FirstHealth of the Carolinas, Inc. (NC)	AA	Nebraska Methodist Health System, Inc. (NE)	A
Forrest County General Hospital (MS)	A+	New York and Presbyterian Hospital (NY)	AA
Franciscan Alliance, Inc. (IN)	AA	North Mississippi Health Services (MS)	AA

List of Rated Credits — Hospitals

(As of July 31, 2022)	Long-Term Rating		Long-Term Rating
Northeast Georgia Health System (GA)	A	St. Clair Hospital (PA)	AA–
Northwell Health (NY)	A–	St. Elizabeth Medical Center (KY)	AA
Norton Healthcare, Inc. and Affiliates (KY)	A+	St. Francis Regional Medical Center (MN)	A
Novant Health, Inc. (NC)	AA–	St. Luke's Episcopal Presbyterian Hospitals (MO)	A+
OSF Healthcare System (IL)	A+	Stamford Health System (CT)	BBB+
Orlando Regional Healthcare System (FL)	A+	Stanford Hospital and Clinics (CA)	AA
Owensboro Health, Inc. (KY)	BBB–	Summa Health System and Subsidiaries (OH)	BBB+
Palomar Health (CA)	BBB–	Sutter Health (CA)	A
PeaceHealth (WA)	AA–	The Queen's Health Systems and Subsidiaries (HI)	AA
Peterson Regional Medical Center (TX)	A	TriHealth (OH)	AA–
Pioneers Memorial Healthcare District (CA)	BB	Tufts Medicine (MA)	BBB+
Presbyterian Healthcare Services (NM)	AA	UMass Memorial Health Care, Inc. (MA)	A–
Prime Healthcare Foundation (CA)	BBB	UPMC Health System (PA)	A
Prisma Health (SC)	A–	UnityPoint Health (IA)	AA–
ProMedica Health System, Inc. (OH)	BB+	University Health System, Inc. (TN)	BBB
Providence Health and Services (WA)	A+	University Hospital (NJ)	BB–
Redlands Community Hospital (CA)	A–	University of Chicago Medical Center (IL)	AA–
Reid Hospital and Health Care Services (IN)	A	University of Colorado Health, Inc. (CO)	AA
Rex Healthcare, Inc. (NC)	A+	University of Kansas Hospital Authority (KS)	AA–
Rush System for Health (IL)	AA–	University of Vermont Medical Center Inc. (VT)	A+
SSM Health Care (MO)	AA–	UofL Health, Inc. (KY)	BBB+
Saint Francis Healthcare System (MO)	AA	Vanderbilt University Medical Center (TN)	A
Salem Hospital (OR)	AA–	Virginia Hospital Center Arlington Health System (VA)	AA–
Sarasota County Public Hospital District (FL)	AA–	WakeMed Health & Hospitals (NC)	A+
Sierra View Local Health Care District (CA)	A	Wayne Healthcare (OH)	BB+
Silver Cross Health System (IL)	A–	Willis-Knighton Medical Center (LA)	AA–
Sky Lakes Medical Center (OR)	A	Yale New Haven Health Obligated Group (CT)	AA–
South Shore Hospital (MA)	BBB		

Source: Fitch Ratings.

August 24, 2022 05:35 PM UPDATED 54 MINUTES AGO

Amazon to shut down Amazon Care at year's end

JESSICA KIM COHEN

GABRIEL PERNA

Amazon plans to shut down Amazon Care, the medical care service it sells to employer health plans, at the end of the year.

“We’ve determined that Amazon Care isn’t the right long-term solution for our enterprise customers, and have decided that we will no longer offer Amazon Care after December 31, 2022," Neil Lindsay, senior vice president of Amazon Health Services, wrote in a Wednesday email to Amazon Health Services employees. Amazon shared the email with Modern Healthcare.

Amazon Care isn't a "complete enough offering for the large enterprise customers we have been targeting, and wasn’t going to work long-term," he wrote.

Amazon launched Amazon Care as a virtual health clinic for its employees enrolled in an Amazon health insurance plan in 2019, and signed its first employer-customers, including Hilton and Silicon Labs, last year.

The announcement is an abrupt about-face for Amazon. As recently as February, Amazon Care said it would expand its in-person services to 20 cities in 2022. The program's virtual services are available in all 50 states, according to its website.

"I'm surprised," said Paddy Padmanabhan, CEO of Damo Consulting. "But I can think of a lot of reasons why they would do that."

Primary-care is a difficult business, and a "loss leader" for many healthcare organizations, he said. Hospitals don't make money on providing primary-care services, but it serves as an entry point for patients in need of more complex care.

Amazon last month made a massive investment into its healthcare ambitions, announcing plans to acquire primary-care provider One Medical for $3.9 billion. Amazon Health Services also comprises Amazon's diagnostics business and pharmacy service, which includes an online pharmacy it launched in 2020 that grew out of the company's acquisition of PillPack.

And earlier this week, Amazon was identified as one of several companies reportedly bidding for Signify Health, a digital health company that specializes in at-home healthcare evaluations.

Padmanabhan said he's watching to see if Amazon decides it is exiting the delivery of primary care—and if that means the offer for One Medical will get pulled—or whether Amazon will use One Medical as the foundation for its primary-care efforts.

Amazon did not immediately respond to a request for comment on whether the Amazon Care decision affects its plans to acquire One Medical.

In his email to employees, Lindsay said he still believes healthcare is "ripe for reinvention," and the Amazon team will play a role in improving healthcare experience.

"Our work building Amazon Care has deepened our understanding of what's needed long-term to deliver meaningful health care solutions for enterprise and individual customers," he wrote. "This decision wasn't made lightly and only became clear after many months of careful consideration."

Amazon is likely realizing it's easier to sell to employers with an established brand like One Medical, said Jacob Effron, principal at venture capital firm Redpoint Ventures. He said Amazon Care and One Medical overlapped so having both wasn't necessary.

"When you're selling to employers, you can point to dozens and dozens of other employers that are using One Medical," Effron said. "That's why it makes sense to consolidate the employer side around it."

It's possible Amazon determined Amazon Care couldn't get "big enough, fast enough," said Tom Kiesau, who leads the digital transformation practice at the Chartis Group. Focusing on One Medical could give Amazon a level of scale it hadn't been able to reach with Amazon Care, without the confusion of trying to integrate the two businesses.

Others said Amazon Care's shutdown likely wasn't tied to its plans for One Medical.

“The deal for One Medical isn’t even closed yet so I would bet against that as a thesis,” said Dr. Justin Norden, partner at venture capital firm GSR Ventures. “It’s more likely that Amazon Care wasn’t working and someone just decided to pull the plug.”

Big tech companies are going to continue to struggle in healthcare, even as they make acquisitions, because they face challenges with the industry’s complex regulatory environment, low-margin businesses and hyperlocal markets.

“We’re still far away from this perfect, big tech-led healthcare system,” he said. “It’s clear Amazon hasn’t figured this out yet.”

Amazon’s decision could also be informed by patients’ declining use of telehealth since the early days of the COVID-19 pandemic, said Nathan Ray, a partner in consultancy West Monroe’s healthcare and life sciences practice. Amazon Care had highlighted its virtual care offerings, which were offered in more states than its in-person services.

“They’re just shutting down this experiment,” he said. “I think it’s clear that Amazon is buying in areas they think are interesting and novel—and that they don’t exactly have a final strategy of how all of these pieces come together.”

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Stephanie Iljin, Manager of Administration
Date: September 27, 2022
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 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 twice and the District Board has not met. 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	August 17, 2022	- Enterprise EKG Reading Panel Renewal Agreements - Enterprise Vascular Surgery ED and Inpatient On-Call Panel Renewal - MV & LG Gastroenterology ED and Inpatient Call Panel Renewal - MV NICU Medical Director Renewal - LG General Surgery ED and Inpatient On-Call Panel Renewal - Real Estate Acquisition/ APN: 264-09-57 - Executive Compensation Approvals - Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - CHRO Base Salary - Silicon Valley Medical Development Board Appointments - Third Amended and Restated Limited Liability Company Operating Agreement of Silicon Valley Medical Development, LLC - FY2023 Capital Budget

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
	September 14, 2022	- Continuation of Resolution 2021-10 of the Board of Directors Making Findings and Determinations Under AB 361 for Teleconference Meetings - Exception to Physician Financial Arrangements Policy - Neuro-Interventional Call Panel (MV) - FY2023 Period 1 Financials
ECHD Board	- N/A	
Executive Compensation Committee	September 13, 2022	- Proposed FY2022 Individual Performance Incentive Plan Scores - Proposed FY2022 Performance Incentive Plan Payouts - Proposed FY2023 Individual Executive Strategic Pick Goals (COO & CGO) - Executive Market Analysis - Proposed FY2023 Executive Salary Ranges - Proposed FY2023 Executive Base Salaries - Proposed FY2023 CEO Base Salary Range
Compliance and Audit Committee	- N/A	
Finance Committee	- N/A	

List of Attachments: None.

Suggested Committee Discussion Questions: None.

Finance Committee

AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	8/15	9/27	OCT	11/21	DEC	1/31	FEB	3/27	APR	5/22	JUN
STANDING AGENDA ITEMS												
Standing Consent Agenda Items		✓	✓		✓		✓		✓		✓	
Minutes		✓	✓		✓		✓		✓		✓	
Period Financials Report (Approval)		✓	✓		✓		✓		✓		✓	
Board Actions		✓	✓		✓		✓		✓		✓	
Executive Session		✓	✓		✓		✓		✓		✓	
APPROVAL ITEMS												
Candidate Interviews & Recommendation to Appoint (If required to add / replace committee member)												
Financial Report Year End Results			✓									
Next FY Committee Goals, Dates, Plan									✓		✓	
Next FY Org. Goals											✓	
Next FY Community Benefit Grant Program									✓		✓	
Physician Contracts		✓	✓		✓		✓		✓		✓	
DISCUSSION ITEMS												
Financial Report (Pre-Audit Year End Results)		✓										
Service Line Review			✓		✓		✓		✓		✓	
Progress on Opportunities/ Risks					✓							
Medical Staff Development Plan (every 2 years)		✓										
Progress Against Committee Goals & Pacing Plan (Quarterly)					✓				✓			

Finance Committee

AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	8/15	9/27	OCT	11/21	DEC	1/31	FEB	3/27	APR	5/22	JUN
Foundation Update					✓							
ECHMN Update			✓				✓				✓	
Community Benefit Grant Application Process					✓				✓			
Progress Against Strategic Plan					✓				✓		✓	
Managed Care Update							✓					
Long Range Financial Forecast							✓					
Revenue Cycle Update									✓			
Next FY Budget process and Preliminary Assumptions Review									✓			
Review FY Operational / Capital Budget for Recommendation to Board											✓	
Community Benefit Grant Program Update									✓			
Summary Physician Financial Arrangements									✓			
Committee Planning (goals, dates, plan)									✓			
Post Implementation Review (as needed)												
Other Updates[1] (as needed)												

1: Includes updates on special projects/joint ventures/real estate, ad-hoc updates

FY2023 COMMITTEE GOALS
Finance Committee

PURPOSE

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

STAFF: **Carlos Bohorquez**, Chief Financial Officer (Executive Sponsor)

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

GOALS	TIMELINE	METRICS
1. Review Progress Against Strategic Plan	Q2, Q3 and Q4	November 2022, March 2023, May 2023
2. Summary of Physician Financial Agreements	Q3	March 2023
3. Review Progress on Opportunities / Risks identified by Management for FY2023 and Managed Care Update	Q2, Q3	Progress on Opportunities / Risks (November 2022), Managed Care update (January 2023)
4. Review strategy, goals, and performance of business affiliates and service lines: 1) Joint Venture – Satellite Healthcare, 2) Orthopedics, 3) Cardiology, 4) ECHMN, 5) CONCERN, 6) Hospital Community Benefits Program, 7) Foundation Performance to Target and 3-5 year strategic plan 8) Urology 9) Oncology	Q1	Service Line Overview: CONCERN (2022), **In Progress Urology (September 2022), ECHMN (September 2022)**
	Q2	Service Line Overview: Orthopedics (November 2022), Hospital Community Benefits Program (November 2022), Philanthropy Foundation (November 2022)
	Q3	Service Line Overview: ECHMN (January 2023), Cardiology (January 2023), Hospital Community Benefits Program (March 2023), Oncology (March 2023)
	Q4	ECHMN (May 2023)
5. Review and evaluate ongoing customer service/patient experience tactics / metrics and use of AI to improve the process and customer experience for the Revenue Cycle	Q3	Monitor customer service and patient satisfaction metrics (March 2023)

SUBMITTED BY: **Chair**: Don Watters | **Executive Sponsor**: Carlos Bohorquez, CFO

El Camino Health

Summary of Financial Operations

Fiscal Year 2023 – Period 2

7/1/2022 to 08/31/2022

Executive Summary - Overall Commentary for Period 2

- **Continued solid financial results for Period 2:**
  - Revenue favorability driven primarily by Inpatient activity
    - Inpatient Charges $47.7M / 23.1% favorable to budget
    - Average Daily Census 24% higher than budget
    - Total Discharges 10.7% higher than budget
  - Continued effective cost control
    - Cost per CMI Adjusted Discharge was 1.8% favorable to budget
- Gross charges were favorable to budget by $57.1M / 13.1% and $74.1M / 17.7% higher than the same period last year.
- Net patient revenue was favorable to budget by $7.7M / 7.0% and $13.9M / 13.3% higher than the same period last year.
- Operating margin was favorable to budget by $3.2M / 30.7% and $393K / 2.9% higher than the same period last year.
- Operating EBIDA was favorable to budget by $3.3M / 18.0% and $493K / 2.2% lower than the same period last year.
- Net income was unfavorable to budget by $22.1M / 162.8% and $36.2M / 130.7% lower than the same period last year. This is attributed the continued instability in the capital markets which has negatively impacted investment income and liquidity.

Operational / Financial Results: Period 2 – August 2022 (as of 08/31/2022)

($ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	304	245	59	24.0%	271	33	12.3%	---	---	---
	Total Acute Discharges	1,867	1,686	181	10.7%	1,781	86	4.8%	---	---	---
	Adjusted Discharges	3,546	3,471	75	2.2%	3,456	90	2.6%	---	---	---
	Emergency Room Visits	6,061	5,246	815	15.5%	5,587	474	8.5%	---	---	---
	OP Procedural Cases	12,919	13,875	(956)	(6.9%)	12,858	61	0.5%	---	---	---
	Gross Charges ($)	492,667	435,549	57,118	13.1%	418,615	74,052	17.7%	---	---	---
Operations	Total FTEs	3,245	3,293	(49)	(1.5%)	2,989	255	8.5%	---	---	---
	Productive Hrs. / APD	28.2	31.0	(2.8)	(9.1%)	28.3	(0.2)	(0.6%)	---	---	---
	Cost Per CMI AD	17,709	18,036	(328)	(1.8%)	15,988	1,721	10.8%	---	---	---
	Net Days in A/R	59.8	54.0	5.8	10.7%	59.3	0.4	0.7%	47.7	49.7	
Financial Performance	Net Patient Revenue ($)	118,341	110,603	7,738	7.0%	104,482	13,858	13.3%	138,547	82,105	
	Total Operating Revenue ($)	121,556	114,552	7,004	6.1%	108,228	13,328	12.3%	152,743	109,602	
	Operating Margin ($)	**13,777**	**10,544**	**3,233**	30.7%	**13,384**	**393**	2.9%	**1,915**	**3,836**	
	Operating EBIDA ($)	**21,467**	**18,188**	**3,279**	18.0%	**21,959**	**(493)**	(2.2%)	**11,188**	**10,741**	
	Net Income ($)	(8,508)	13,558	(22,066)	(162.8%)	27,703	(36,211)	(130.7%)	8,124	7,343	
	Operating Margin (%)	**11.3%**	**9.2%**	**2.1%**	23.1%	**12.4%**	**(1.0%)**	(8.3%)	**1.9%**	**3.5%**	
	Operating EBIDA (%)	**17.7%**	**15.9%**	**1.8%**	11.2%	**20.3%**	**(2.6%)**	(13.0%)	**8.3%**	**9.8%**	
	DCOH (days)	267	325	(58)	(17.8%)	371	(104)	(28.0%)	306	355	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2021. Dollar amounts have been adjusted to reflect monthly averages.
S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021. 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: YTD FY2023 (as of 08/31/2022)

($ thousands)

		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's 'A1'	S&P 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	293	246	47	19.2%	263	30	11.4%	---	---	---
	Total Acute Discharges	3,613	3,356	257	7.7%	3,486	127	3.6%	---	---	---
	Adjusted Discharges	6,946	6,786	160	2.4%	6,884	62	0.9%	---	---	---
	Emergency Room Visits	11,406	10,652	754	7.1%	10,609	797	7.5%	---	---	---
	OP Procedural Cases	24,539	26,826	(2,287)	(8.5%)	24,917	(378)	(1.5%)	---	---	---
	Gross Charges ($)	934,408	850,002	84,405	9.9%	824,910	109,498	13.3%	---	---	---
Operations	Total FTEs	3,232	3,233	(1)	(0.0%)	2,968	265	8.9%	---	---	---
	Productive Hrs. / APD	28.3	31.3	(3.1)	(9.7%)	28.3	(0.0)	(0.2%)	---	---	---
	Cost Per CMI AD	17,559	18,036	(477)	(2.6%)	15,806	1,753	11.1%	---	---	---
	Net Days in A/R	59.8	54.0	5.8	10.7%	59.3	0.4	0.7%	47.7	49.7	
Financial Performance	Net Patient Revenue ($)	226,850	218,921	7,929	3.6%	206,256	20,594	10.0%	277,095	164,209	
	Total Operating Revenue ($)	234,122	226,772	7,350	3.2%	213,117	21,004	9.9%	303,819	219,204	
	Operating Margin ($)	**27,669**	**20,706**	**6,963**	33.6%	**26,032**	**1,637**	6.3%	**3,830**	**7,672**	
	Operating EBIDA ($)	**43,192**	**36,000**	**7,191**	20.0%	**40,752**	**2,440**	6.0%	**22,377**	**21,482**	
	Net Income ($)	40,913	26,434	14,479	54.8%	36,252	4,661	12.9%	16,249	14,687	
	Operating Margin (%)	**11.8%**	**9.1%**	**2.7%**	29.4%	**12.2%**	**(0.4%)**	(3.2%)	**1.9%**	**3.5%**	
	Operating EBIDA (%)	**18.4%**	**15.9%**	**2.6%**	16.2%	**19.1%**	**(0.7%)**	(3.5%)	**8.3%**	**9.8%**	
	DCOH (days)	267	325	(58)	(17.8%)	371	(104)	(28.0%)	306	355	

Moody's Medians: Not-for-profit and public healthcare annual report; September 9, 2021.
S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 30, 2021
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 2 and YTD (as of 08/31/2022)

Key Metrics	Month to Date PY	Month to Date CY	Month to Date Budget	Variance (%) CY vs PY	Variance (%) CY vs Budget	Year to Date PY	Year to Date CY	Year to Date Budget	Variance (%) CY vs PY	Variance (%) CY vs Budget
ADC	271	304	245	12.3%	24.0%	263	293	246	11.4%	19.2%
Utilization MV	71%	80%	65%	12.0%	23.4%	69%	78%	65%	11.9%	19.8%
Utilization LG	35%	40%	31%	13.6%	26.6%	33%	36%	31%	8.9%	16.3%
Utilization Combined	60%	67%	54%	12.3%	24.0%	58%	65%	54%	11.4%	19.2%
Adjusted Discharges	3,456	3,546	3,471	2.6%	2.2%	6,884	6,946	6,786	0.9%	2.4%
Total Discharges (Exc NB)	1,781	1,867	1,686	4.8%	10.7%	3,486	3,613	3,356	3.6%	7.7%
Total Discharges	2,189	2,260	2,080	3.2%	8.6%	4,270	4,407	4,134	3.2%	6.6%
Inpatient Case Activity										
MS Discharges	1,172	1,298	1,113	10.8%	16.6%	2,321	2,466	2,227	6.2%	10.7%
Deliveries	444	436	424	(1.8%)	2.8%	858	868	835	1.2%	3.9%
BHS	115	96	113	(16.5%)	(14.9%)	211	202	223	(4.3%)	(9.3%)
Rehab	42	37	36	(11.9%)	2.6%	83	74	71	(10.8%)	4.7%
Outpatient Case Activity										
Total Outpatient Cases	17,160	17,793	17,929	3.7%	(0.8%)	33,456	34,261	35,055	2.4%	(2.3%)
ED	4,302	4,874	4,055	13.3%	20.2%	8,539	9,722	8,229	13.9%	18.1%
OP Surg	563	615	440	9.2%	39.7%	1,191	1,172	826	(1.6%)	41.8%
Endo	242	265	231	9.5%	14.7%	510	477	444	(6.5%)	7.4%
Interventional	190	208	199	9.5%	4.7%	398	375	390	(5.8%)	(3.8%)
All Other	11,863	11,831	13,005	(0.3%)	(9.0%)	22,818	22,515	25,166	(1.3%)	(10.5%)
Hospital Payor Mix										
Medicare	47.5%	49.3%	47.2%	3.7%	4.2%	48.1%	49.2%	47.3%	2.3%	3.8%
Medi-Cal	8.3%	8.2%	8.1%	(1.3%)	2.1%	8.1%	8.5%	8.3%	4.8%	2.2%
Commercial	42.1%	40.7%	42.7%	(3.5%)	(5.1%)	41.5%	40.3%	42.4%	(2.9%)	(5.2%)
Other	2.0%	1.8%	2.0%	(9.4%)	(9.2%)	2.3%	2.0%	2.0%	(12.0%)	1.2%

Enterprise Income Statement: Rolling 16 Monthly Trend *($000s)*

	FY2021		FY2022												FY2023			
	Period 11	Period 12	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12	Period 1	Period 2	YTD	Rolling 16 Monthly
	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	FY2023	Average
Operating Revenues:																		
Gross Revenue	381,888	408,078	406,295	418,615	420,182	414,012	419,177	433,046	417,996	402,507	478,275	421,254	445,891	445,643	441,741	492,667	934,408	427,954
Deductions from Revenue	(286,346)	(295,840)	(304,521)	(314,132)	(315,406)	(307,380)	(311,920)	(320,014)	(308,618)	(296,548)	(355,111)	(316,480)	(335,881)	(327,733)	(333,232)	(374,326)	(707,558)	(318,968)
Net Patient Revenue	95,542	112,238	101,774	104,482	104,776	106,632	107,257	113,033	109,378	105,960	123,165	104,774	110,010	117,911	108,509	118,341	226,850	108,986
Other Operating Revenue	5,385	4,706	3,116	3,746	3,479	4,506	3,600	3,648	3,362	3,313	3,577	4,293	3,297	4,430	4,057	3,215	7,272	3,858
Total Operating Revenue	**100,927**	**116,945**	**104,889**	**108,228**	**108,256**	**111,138**	**110,857**	**116,681**	**112,741**	**109,273**	**126,741**	**109,067**	**113,307**	**122,341**	**112,566**	**121,556**	**234,122**	**112,845**
Operating Expenses:																		
Salaries, Wages and Benefits	48,138	48,101	53,000	53,940	53,629	56,001	53,709	55,947	59,347	55,256	60,098	57,347	53,852	43,799	59,111	64,371	123,483	54,728
Supplies	15,241	15,156	15,109	14,569	14,862	14,502	14,941	16,060	16,051	15,296	17,661	15,225	16,471	12,943	14,550	17,113	31,662	15,359
Fees & Purchased Services	15,923	19,915	14,390	14,182	14,800	14,760	15,210	14,955	14,291	16,550	17,352	15,127	13,626	16,397	13,091	14,722	27,813	15,331
Other Operating Expenses	3,496	6,002	3,598	3,577	3,676	3,586	3,842	4,112	3,829	4,290	3,821	3,517	3,726	4,649	4,089	3,883	7,972	3,981
Interest	1,400	1,367	1,419	1,418	1,418	1,418	1,420	1,419	1,421	1,380	1,384	1,394	1,393	1,404	1,440	1,434	2,874	1,408
Depreciation	4,808	5,740	4,727	7,157	5,902	5,798	6,440	6,173	6,046	6,311	6,246	6,438	6,101	6,733	6,394	6,256	12,649	6,079
Total Operating Expenses	**89,006**	**96,281**	**92,242**	**94,844**	**94,286**	**96,065**	**95,561**	**98,665**	**100,984**	**99,084**	**106,561**	**99,048**	**95,169**	**85,924**	**98,675**	**107,778**	**206,453**	**96,886**
Operating Margin	**11,921**	**20,664**	**12,648**	**13,384**	**13,970**	**15,073**	**15,297**	**18,016**	**11,756**	**10,189**	**20,180**	**10,020**	**18,138**	**36,416**	**13,891**	**13,777**	**27,669**	**15,959**
Non-Operating Income	16,666	20,041	(4,099)	14,319	(18,378)	24,361	(21,232)	17,581	(31,539)	(32,720)	3,935	(56,388)	1,696	(48,858)	35,529	(22,285)	13,244	(6,336)
Net Margin	**28,588**	**40,705**	**8,549**	**27,703**	**(4,408)**	**39,435**	**(5,935)**	**35,596**	**(19,783)**	**(22,531)**	**24,115**	**(46,369)**	**19,834**	**(12,442)**	**49,420**	**(8,508)**	**40,913**	**9,623**
Operating EBIDA	**18,130**	**27,771**	**18,793**	**21,959**	**21,289**	**22,290**	**23,156**	**25,608**	**19,223**	**17,881**	**27,810**	**17,851**	**25,632**	**44,553**	**21,725**	**21,467**	**43,192**	**23,446**
Operating Margin (%)	11.8%	17.7%	12.1%	12.4%	12.9%	13.6%	13.8%	15.4%	10.4%	9.3%	15.9%	9.2%	16.0%	29.8%	12.3%	11.3%	11.8%	14.1%
Operating EBIDA Margin (%)	**18.0%**	**23.7%**	**17.9%**	**20.3%**	**19.7%**	**20.1%**	**20.9%**	**21.9%**	**17.1%**	**16.4%**	**21.9%**	**16.4%**	**22.6%**	**36.4%**	**19.3%**	**17.7%**	**18.4%**	**20.8%**

El Camino Health

Financial Overview: Period 2 – August 2022

Period ending 8/31/2022

Monthly Financial Performance

- Operating margin was favorable to budget by $3.2M / 30.7% and favorable to prior year by $393K / 2.9%
- Revenue was favorable to budgeted levels:
  - Favorable variance of gross charges of $57.1M was driven by both Inpatient & Outpatient activity:
    - Inpatient gross charges: Favorable to budget by $47.7M / 23.1% variance primarily driven by activity in the critical care, telemetry, and medical/surgical nursing units , emergency services, neonatal intensive care, interventional services, and corresponding ancillary services
    - Outpatient gross charges: Favorable to budget by $10.0M / 4.6% variance primarily driven by infusion, emergency, and surgical services, and corresponding ancillary services
    - Professional gross charges: Unfavorable to budget by $0.6M / 6.1%
  - Operating Expenses were unfavorable to budget by $3.8 / 3.6%
    - SWB were unfavorable by $6.1M / 10.6%%, $3.4M of the unfavorable variance from contract labor
    - Supplies were unfavorable by $280K / 1.7%
      - Supply expenses attributed to Covid-19 were $384K
    - All other discretionary non-volume driven expenses were favorable to budget by $2.6M
- Unfavorable market performance drove unrealized losses for the investment portfolio

El Camino Health

Financial Overview: Period 2 – August 2022 (cont.)

Period ending 8/31/2022

Monthly Financial Performance

Hospital Operations:

- Adjusted Discharges (AD): Favorable to budget by 75 ADs / 2.2% and above prior year by 90 ADs / 2.6%:
  - Mountain View: Favorable to budget by 94 ADs / 3.4% and above prior year by 78 ADs / 2.7%
  - Los Gatos: Unfavorable to budget by 19 ADs / 2.2% and above prior year by 12 ADs / 1.5%
- Operating Expense Per CMI Adjusted Discharge: $17,709 which is 1.8% favorable to budget

  Note: Excludes depreciation and interest

El Camino Health Medical Network (ECHMN) Operations:

- August's total visits of 19,115 reflect an increase of 15.0% over the prior month's 16,621. While August had two additional business days, August's visits per day of 811 still resulted in an increase of 1.7% over the prior month's 797 visits per day. Increases occurred at the Winchester and Mt. View Primary Care Clinics, Mt. View ENT, Willow Glen, Samaritan and McKee Clinics.
- August's total visits were unfavorable to budget by 5.5%. For the two months of FY 23 total visits are unfavorable to budget by 6.2%. Lower than budgeted volumes have occurred at Mt View Primary Care and OBGYN Clinics, Ortho Spine, Cancer, Urgent Care Services, Bay Area Maternity, Samaritan, McKee and Morgan Hill Clinics.
- Net Income for the month of August was unfavorable to budget by $184K or 6.3% bringing the YTD variance to a favorable variance of $514K or 8.3%. Compared to last year, August's net income was unfavorable by $510K or 19.5%. For the two months ended August 2022 the organization is unfavorable to the prior year by $525K or 10.2%.

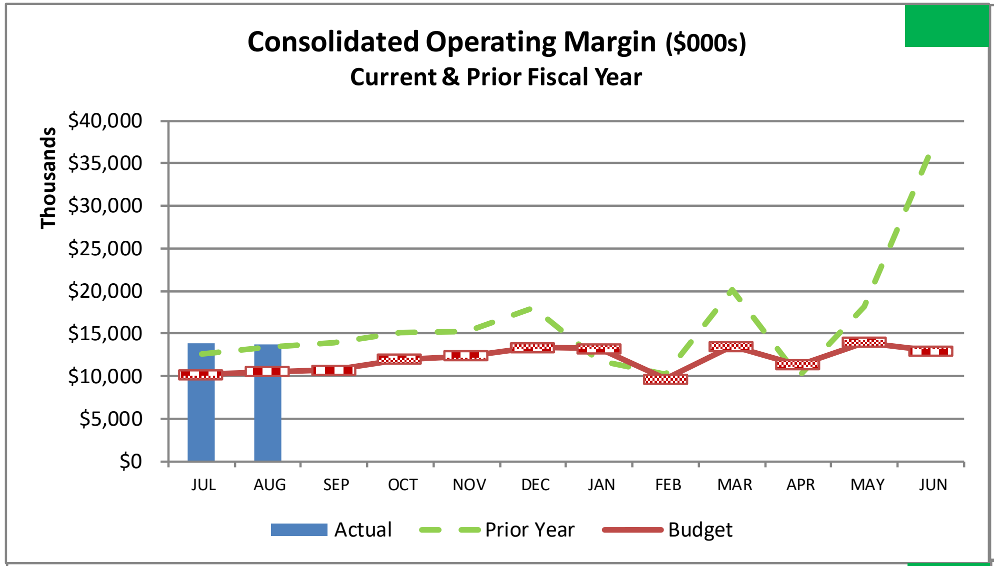
Financial Overview: YTD FY2023 (as of 8/31/2022)

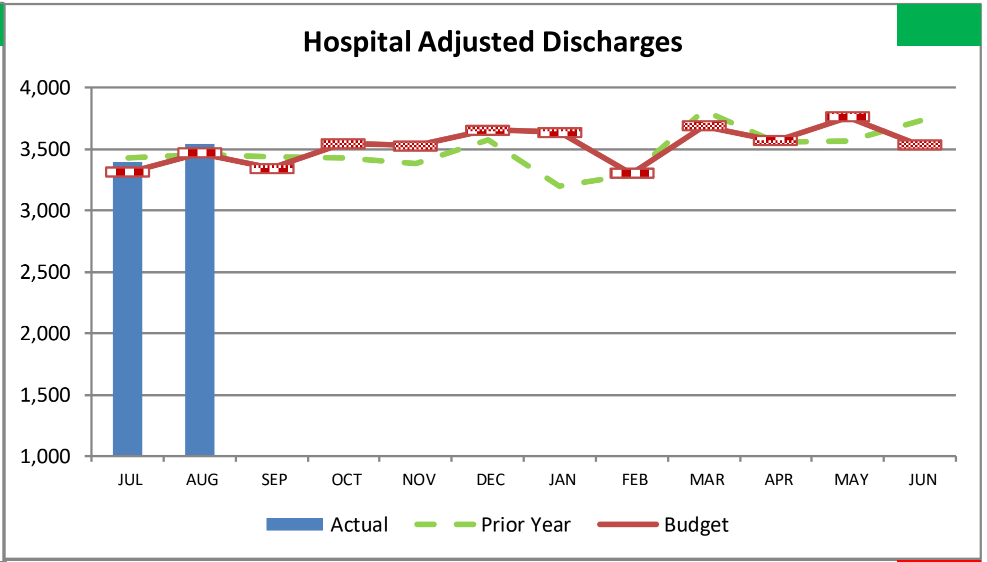
Consolidated Financial Performance

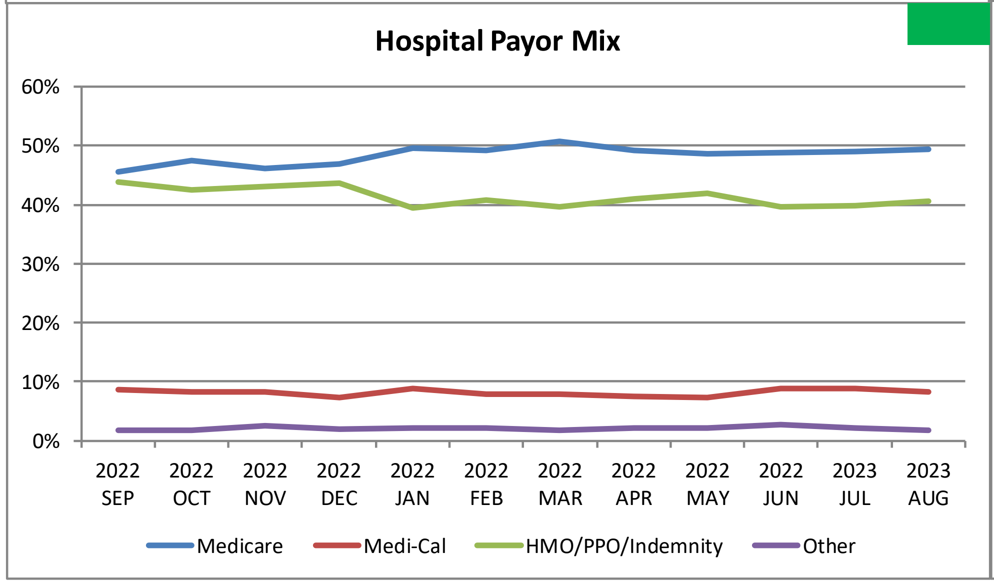
- YTD FY2023 operating margin is $27.7M compared to the budget of $20.7M and $1.6M favorable to prior year
- Operating expense is $387K / 0.2% unfavorable to budget
  - When adjusted for volume levels, Operating Expense per CMI Adjusted Discharge is $17,559 which is 2.6% favorable to budget.
    - **Note: Excludes depreciation and interest expense**
- Year-over-year operating margin is $1.6M higher than the same period last year, which is primarily due to the strength in volumes as exhibited by year over year growth in:
  - Inpatient Discharges: +10.7%
  - Emergency Room Visits: +20.2%
- Year-over-year net margin is $4.7M higher than the same period last year, which is attributed to more favorable investment income.
- YTD liquidity as represented by days cash on hand (DCOH) is 104 days lower than the same last before due to lower than budgeted investment income and anticipated capital expenditures.

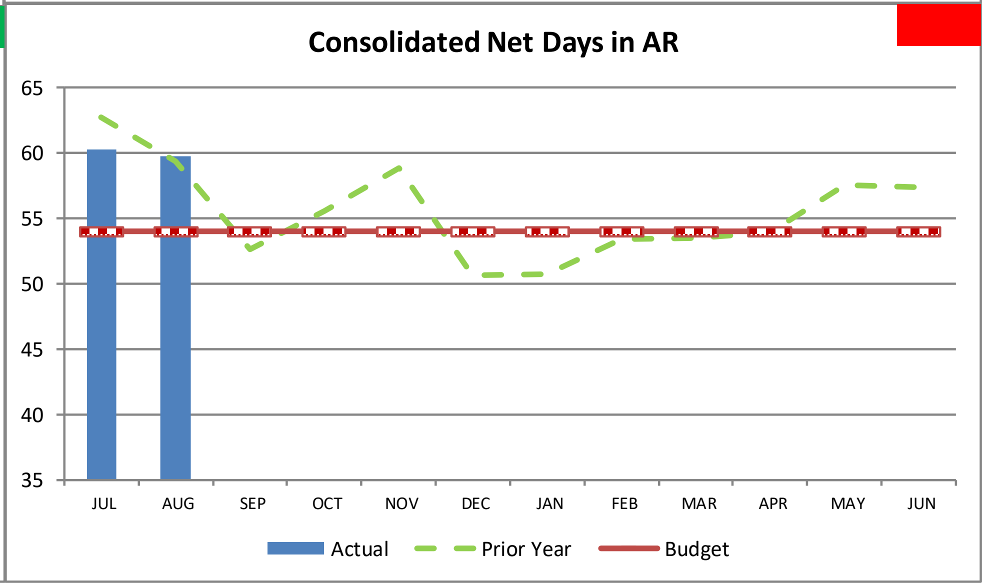
APPENDIX

YTD FY2023 Financial KPIs – Monthly Trends









El Camino Health

Investment Scorecard (as of 06/30/2022)

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY22 Budget	Expectation Per Asset Allocation
Investment Performance		CY 2Q / FY 4Q 2022		Fiscal Year-to-Date 2022		Since NEPC Inception (3/31/22)		FY 2022	2019
Surplus cash balance* (millions)		$1,290.8	--	--	--	--	--	--	--
Surplus Cash Return		-8.3%	-8.2%	-11.4%	-9.8%	-8.3%	-8.2%	4.0%	5.6%
Cash balance plan balance (millions)		$299.7	--	--	--	--	--	--	--
Cash balance plan return		-10.0%	-9.4%	-14.0%	-10.2%	-10.0%	-9.4%	6.0%	6.0%
403(b) plan balance (millions)		n/a	--	--	--	--	--	--	--
Risk vs. Return		3-year				Since NEPC Inception (3/31/22)			2019
Surplus cash Sharpe ratio		0.30	0.40	--	--	n/a	n/a	--	0.34
Net of fee return		3.2%	3.7%	--	--	-8.3%	-8.2%	--	5.6%
Standard deviation		8.7%	8.8%	--	--	n/a	n/a	--	8.7%
Cash balance Sharpe ratio		0.30	0.40	--	--	n/a	n/a	--	0.32
Net of fee return		3.9%	4.6%	--	--	-10.0%	-9.4%	--	6.0%
Standard deviation		11.5%	10.3%	--	--	n/a	n/a	--	10.3%
Asset Allocation		CY 2Q / FY 4Q 2022							
Surplus cash absolute variances to target		4.7%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Cash balance absolute variances to target		7.4%	< 10% Green < 20% Yellow	--	--	--	--	--	--
Manager Compliance		CY 2Q / FY 4Q 2022							
Surplus cash manager flags		n/a	< 24% Green < 30% Yellow	--	--	--	--	--	--
Cash balance manager flags		n/a	< 27% Green < 34% Yellow	--	--	--	--	--	--

* Represents Total Surplus Cash ex District/Debt Reserves.

El Camino Health

NEPC

Period 2 and YTD Operating Income, Non-Operating Income and Net Income by Affiliate (as of 08/31/2022)

($000s)

	Period 2- Month			Period 2- FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Operating Margin						
Mountain View	13,376	9,793	3,583	24,920	19,971	4,949
Los Gatos	3,723	3,935	(212)	8,625	7,405	1,220
Sub Total - El Camino Hospital, excl. Afflilates	**17,099**	**13,728**	**3,371**	**33,545**	**27,376**	**6,169**
Operating Margin %	**14.6%**	**12.6%**		**14.9%**	**12.6%**	
El Camino Hospital Non Operating Income						
Sub Total - Non Operating Income	**(20,100)**	**2,702**	**(22,802)**	**13,239**	**5,104**	**8,135**
El Camino Hospital Net Margin	**(3,001)**	**16,430**	**(19,431)**	**46,784**	**32,481**	**14,303**
ECH Net Margin %	**-2.6%**	**15.0%**		**20.8%**	**15.0%**	
Concern	(416)	84	(500)	104	168	(64)
Foundation	(1,974)	(23)	(1,951)	(286)	(11)	(275)
El Camino Health Medical Network	(3,116)	(2,932)	(184)	(5,690)	(6,204)	514
Net Margin Hospital Affiliates	**(5,507)**	**(2,872)**	**(2,635)**	**(5,872)**	**(6,047)**	**175**
Total Net Margin Hospital & Affiliates	**(8,508)**	**13,558**	**(22,066)**	**40,913**	**26,434**	**14,479**

El Camino Health

Consolidated Statement of Operations *($000s)*

Period 2 ending 08/31/2022

Period 2 FY 2022	Period 2 FY 2023	Period 2 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
418,615	492,667	435,549	57,118	13.1%	**Gross Revenue**	824,910	934,408	850,002	84,405	9.9%
(314,132)	(374,326)	(324,946)	(49,380)	(15.2%)	**Deductions**	(618,654)	(707,558)	(631,081)	(76,477)	(12.1%)
104,482	**118,341**	**110,603**	**7,738**	**7.0%**	**Net Patient Revenue**	**206,256**	**226,850**	**218,921**	**7,929**	**3.6%**
3,746	3,215	3,949	(734)	(18.6%)	**Other Operating Revenue**	6,861	7,272	7,851	(579)	(7.4%)
108,228	**121,556**	**114,552**	**7,004**	**6.1%**	**Total Operating Revenues**	**213,117**	**234,122**	**226,772**	**7,350**	**3.2%**
					OPERATING EXPENSE					
53,940	64,371	58,216	(6,155)	(10.6%)	**Salaries & Wages**	106,940	123,483	116,109	(7,374)	(6.4%)
14,569	17,113	16,835	(278)	(1.7%)	**Supplies**	29,678	31,662	32,354	692	2.1%
14,182	14,722	16,245	1,523	9.4%	**Fees & Purchased Services**	28,572	27,813	32,586	4,773	14.6%
3,577	3,883	5,067	1,184	23.4%	**Other Operating Expense**	7,175	7,972	9,722	1,750	18.0%
1,418	1,434	1,397	(37)	(2.6%)	**Interest**	2,837	2,874	2,794	(80)	(2.9%)
7,157	6,256	6,247	(9)	(0.1%)	**Depreciation**	11,884	12,649	12,500	(149)	(1.2%)
94,844	**107,778**	**104,007**	**(3,771)**	**(3.6%)**	**Total Operating Expenses**	**187,086**	**206,453**	**206,066**	**(387)**	**(0.2%)**
13,384	**13,777**	**10,544**	**3,233**	**30.7%**	**Net Operating Margin**	**26,032**	**27,669**	**20,706**	**6,963**	**33.6%**
14,319	(22,285)	3,014	(25,299)	(839.4%)	**Non Operating Income**	10,220	13,244	5,728	7,516	131.2%
27,703	**(8,508)**	**13,558**	**(22,066)**	**(162.8%)**	**Net Margin**	**36,252**	**40,913**	**26,434**	**14,479**	**54.8%**
21,959	**21,467**	**18,188**	**3,279**	**18.0%**	**Operating EBIDA**	**40,752**	**43,192**	**36,000**	**7,191**	**20.0%**
20.3%	17.7%	15.9%	1.8%		**Operating EBIDA Margin**	19.1%	18.4%	15.9%	2.6%	
12.4%	11.3%	9.2%	2.1%		**Operating Margin**	12.2%	11.8%	9.1%	2.7%	
25.6%	-7.0%	11.8%	(18.8%)		**Net Margin**	17.0%	17.5%	11.7%	5.8%	

El Camino Hospital – Mountain View
Statement of Operations *($000s)*
Period 2 ending 08/31/2022

Period 2 FY 2022	Period 2 FY 2023	Period 2 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
315,308	370,531	325,039	45,492	14.0%	**Gross Revenue**	619,436	708,856	637,925	70,931	11.1%
(236,926)	(280,822)	(241,568)	(39,254)	(16.2%)	**Deductions**	(461,509)	(536,386)	(471,785)	(64,601)	(13.7%)
78,382	**89,709**	**83,471**	**6,238**	**7.5%**	**Net Patient Revenue**	**157,927**	**172,470**	**166,139**	**6,331**	**3.8%**
1,459	1,335	1,668	(333)	(20.0%)	**Other Operating Revenue**	2,551	3,411	3,291	119	3.6%
79,840	**91,044**	**85,139**	**5,905**	**6.9%**	**Total Operating Revenues**	**160,478**	**175,881**	**169,431**	**6,450**	**3.8%**
					OPERATING EXPENSES					
42,588	50,393	45,509	(4,884)	(10.7%)	**Salaries & Wages**	84,549	97,235	90,761	(6,474)	(7.1%)
10,856	11,428	12,061	633	5.2%	**Supplies**	22,203	22,727	23,349	621	2.7%
6,408	6,662	7,836	1,174	15.0%	**Fees & Purchased Services**	13,393	12,372	15,837	3,465	21.9%
2,361	2,897	3,692	796	21.6%	**Other Operating Expense**	4,628	5,909	7,013	1,104	15.7%
1,418	1,434	1,397	(37)	(2.6%)	**Interest**	2,837	2,874	2,794	(80)	(2.9%)
5,403	4,854	4,850	(3)	(0.1%)	**Depreciation**	9,186	9,843	9,705	(138)	(1.4%)
69,034	**77,668**	**75,346**	**(2,322)**	**(3.1%)**	**Total Operating Expenses**	**136,795**	**150,960**	**149,459**	**(1,501)**	**(1.0%)**
10,806	**13,376**	**9,793**	**3,583**	**36.6%**	**Net Operating Margin**	**23,683**	**24,920**	**19,971**	**4,949**	**24.8%**
14,291	(20,100)	2,702	(22,802)	(843.8%)	**Non Operating Income**	10,020	13,239	5,104	8,135	159.4%
25,097	**(6,724)**	**12,495**	**(19,219)**	**(153.8%)**	**Net Margin**	**33,703**	**38,160**	**25,076**	**13,084**	**52.2%**
17,627	**19,664**	**16,041**	**3,623**	**22.6%**	**Operating EBIDA**	**35,705**	**37,637**	**32,470**	**5,167**	**15.9%**
22.1%	21.6%	18.8%	2.8%		**Operating EBIDA Margin**	22.2%	21.4%	19.2%	2.2%	
13.5%	14.7%	11.5%	3.2%		**Operating Margin**	14.8%	14.2%	11.8%	2.4%	
31.4%	-7.4%	14.7%	(22.1%)		**Net Margin**	21.0%	21.7%	14.8%	6.9%	

El Camino Hospital – Los Gatos
Statement of Operations *($000s)*
Period 2 ending 08/31/2022

Period 2 FY 2022	Period 2 FY 2023	Period 2 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
93,140	113,421	101,200	12,221	12.1%	**Gross Revenue**	185,942	208,650	194,568	14,081	7.2%
(70,710)	(87,669)	(77,220)	(10,449)	(13.5%)	**Deductions**	(144,354)	(159,866)	(147,722)	(12,144)	(8.2%)
22,430	**25,752**	**23,980**	**1,772**	**7.4%**	**Net Patient Revenue**	**41,587**	**48,783**	**46,846**	**1,938**	**4.1%**
297	279	264	14	5.5%	**Other Operating Revenue**	563	563	526	38	7.1%
22,727	**26,031**	**24,244**	**1,787**	**7.4%**	**Total Operating Revenue**	**42,151**	**49,347**	**47,372**	**1,975**	**4.2%**
					OPERATING EXPENSE					
9,483	11,669	10,124	(1,545)	(15.3%)	**Salaries & Wages**	18,655	21,872	20,182	(1,690)	(8.4%)
3,401	5,227	4,421	(806)	(18.2%)	**Supplies**	6,928	8,232	8,330	98	1.2%
3,331	4,030	4,069	38	0.9%	**Fees & Purchased Services**	6,664	7,721	8,102	381	4.7%
183	302	602	300	49.8%	**Other Operating Expense**	563	734	1,162	428	36.8%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
1,442	1,080	1,094	14	1.3%	**Depreciation**	2,118	2,163	2,192	28	1.3%
17,841	**22,308**	**20,310**	**(1,999)**	**(9.8%)**	**Total Operating Expense**	**34,928**	**40,722**	**39,967**	**(755)**	**(1.9%)**
4,886	**3,723**	**3,935**	**(212)**	**(5.4%)**	**Net Operating Margin**	**7,223**	**8,625**	**7,405**	**1,220**	**16.5%**
23	0	0	0	0.0%	**Non Operating Income**	23	0	0	0	0.0%
4,909	**3,723**	**3,935**	**(212)**	**(5.4%)**	**Net Margin**	**7,246**	**8,625**	**7,405**	**1,220**	**16.5%**
6,329	**4,803**	**5,029**	**(226)**	**(4.5%)**	**Operating EBIDA**	**9,341**	**10,788**	**9,597**	**1,192**	**12.4%**
27.8%	18.5%	20.7%	(2.3%)		**Operating EBIDA Margin**	22.2%	21.9%	20.3%	1.6%	
21.5%	14.3%	16.2%	(1.9%)		**Operating Margin**	17.1%	17.5%	15.6%	1.8%	
21.6%	14.3%	16.2%	(1.9%)		**Net Margin**	17.2%	17.5%	15.6%	1.8%	

El Camino Health

El Camino Health Medical Network
Statement of Operations *($000s)*
Period 2 ending 08/31/2022

Period 2 FY 2022	Period 2 FY 2023	Period 2 Budget 2023	Variance Fav (Unfav)	Var%	$000s	YTD FY 2022	YTD FY 2023	YTD Budget 2023	Variance Fav (Unfav)	Var%
					OPERATING REVENUES					
10,167	8,715	9,310	(595)	(6.4%)	**Gross Revenue**	19,532	16,902	17,509	(607)	(3.5%)
(6,497)	(5,835)	(6,158)	322	5.2%	**Deductions**	(12,790)	(11,306)	(11,573)	268	2.3%
3,670	**2,880**	**3,152**	**(273)**	**(8.6%)**	**Net Patient Revenue**	**6,742**	**5,597**	**5,936**	**(340)**	**(5.7%)**
900	908	1,277	(369)	(28.9%)	**Other Operating Revenue**	1,772	1,931	2,556	(625)	(24.4%)
4,571	**3,788**	**4,430**	**(642)**	**(14.5%)**	**Total Operating Revenues**	**8,514**	**7,528**	**8,492**	**(965)**	**(11.4%)**
					OPERATING EXPENSES					
1,449	1,848	2,067	219	10.6%	**Salaries & Wages**	2,911	3,499	4,134	635	15.4%
309	453	347	(106)	(30.5%)	**Supplies**	527	685	664	(21)	(3.1%)
4,139	3,658	3,939	282	7.2%	**Fees & Purchased Services**	7,821	7,170	7,880	710	9.0%
981	636	725	90	12.4%	**Other Operating Expense**	1,864	1,243	1,451	207	14.3%
0	0	0	0	0.0%	**Interest**	0	0	0	0	0.0%
300	310	283	(27)	(9.4%)	**Depreciation**	555	620	567	(53)	(9.4%)
7,177	**6,904**	**7,362**	**458**	**6.2%**	**Total Operating Expenses**	**13,679**	**13,217**	**14,696**	**1,478**	**10.1%**
(2,607)	**(3,116)**	**(2,932)**	**(184)**	**(6.3%)**	**Net Operating Margin**	**(5,165)**	**(5,690)**	**(6,204)**	**514**	**8.3%**
(0)	0	0	0	0.0%	**Non Operating Income**	(0)	0	0	0	0.0%
(2,607)	**(3,116)**	**(2,932)**	**(184)**	**(6.3%)**	**Net Margin**	**(5,165)**	**(5,690)**	**(6,204)**	**514**	**8.3%**
(2,307)	**(2,806)**	**(2,649)**	**(157)**	**(5.9%)**	**Operating EBIDA**	**(4,610)**	**(5,070)**	**(5,637)**	**567**	**10.1%**
(50.5%)	(74.1%)	(59.8%)	(14.3%)		**Operating EBIDA Margin**	(54.1%)	(67.4%)	(66.4%)	(1.0%)	
(57.0%)	(82.3%)	(66.2%)	(16.1%)		**Operating Margin**	(60.7%)	(75.6%)	(73.1%)	(2.5%)	
(57.0%)	(82.3%)	(66.2%)	(16.1%)		**Net Margin**	(60.7%)	(75.6%)	(73.1%)	(2.5%)	

El Camino Health

Consolidated Balance Sheet (as of 08/31/2022)

($000s)

ASSETS

CURRENT ASSETS	August 31, 2022	Unaudited June 30, 2022
Cash	198,016	196,067
Short Term Investments	112,134	138,654
Patient Accounts Receivable, net	223,945	209,668
Other Accounts and Notes Receivable	15,417	9,927
Intercompany Receivables	11,069	13,998
Inventories and Prepaids	38,961	36,476
Total Current Assets	**599,542**	**604,789**
BOARD DESIGNATED ASSETS		
Foundation Board Designated	19,988	18,721
Plant & Equipment Fund	342,271	310,367
Women's Hospital Expansion	30,318	30,261
Operational Reserve Fund	182,907	182,907
Community Benefit Fund	14,033	18,299
Workers Compensation Reserve Fund	14,029	14,029
Postretirement Health/Life Reserve Fund	29,964	29,783
PTO Liability Fund	33,996	33,709
Malpractice Reserve Fund	1,909	1,906
Catastrophic Reserves Fund	26,657	24,668
Total Board Designated Assets	**696,071**	**664,651**
FUNDS HELD BY TRUSTEE	**2**	**0**
LONG TERM INVESTMENTS	**492,592**	**499,483**
CHARITABLE GIFT ANNUITY INVESTMENTS	**961**	**940**
INVESTMENTS IN AFFILIATES	**29,374**	**30,376**
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,875,559	1,872,501
Less: Accumulated Depreciation	(791,076)	(778,427)
Construction in Progress	103,555	96,603
Property, Plant & Equipment - Net	**1,188,037**	**1,190,676**
DEFERRED OUTFLOWS	19,374	19,474
RESTRICTED ASSETS	35,171	31,200
OTHER ASSETS	208,342	138,632
TOTAL ASSETS	**3,269,467**	**3,180,222**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	August 31, 2022	Unaudited June 30, 2022
Accounts Payable	45,114	51,286
Salaries and Related Liabilities	44,259	46,502
Accrued PTO	34,930	34,449
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	13,871	14,942
Intercompany Payables	8,398	13,489
Malpractice Reserves	2,096	2,096
Bonds Payable - Current	9,905	9,905
Bond Interest Payable	1,619	8,096
Other Liabilities	20,190	15,739
Total Current Liabilities	**182,683**	**198,804**
LONG TERM LIABILITIES		
Post Retirement Benefits	29,964	29,783
Worker's Comp Reserve	14,029	14,029
Other L/T Obligation (Asbestos)	26,726	5,073
Bond Payable	466,486	466,838
Total Long Term Liabilities	**537,205**	**515,723**
DEFERRED REVENUE-UNRESTRICTED	**12,367**	**12,864**
DEFERRED INFLOW OF RESOURCES	**104,367**	**51,133**
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,184,340	2,154,900
Board Designated	208,804	210,197
Restricted	39,700	36,601
Total Fund Bal & Capital Accts	**2,432,844**	**2,401,698**
TOTAL LIABILITIES AND FUND BALANCE	**3,269,467**	**3,180,222**

El Camino Health

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To:	El Camino Hospital Finance Committee
From:	Shahab Dadjou, Interim President ECHMN David Neapolitan, Vice President of Finance ECHMN
Date:	September 27, 2022
Subject:	El Camino Health Medical Network Finance Update

Purpose:

Review and discuss the financial performance of the El Camino Health Medical Network (ECHMN) for the twelve (12) months ended June 30, 2022 and the two (2) months ended August 31, 2022.

Summary:

1. Situation: ECHMN will provide quarterly financial metric updates to the Finance Committee.

2. Authority: The Finance Committee role as delineated in the Operating Agreement between El Camino Hospital and Silicon Valley Medical Development, LLC dba El Camino Health Medical Network.

- **A.** Reviews quarterly financial metric updates
- **B.** Reviews the ECHMN financial plan and annual report of performance metrics
- **C.** Approves annual operating and capital budgets
- **D.** Approves long-range financial plans

3. Background: The Finance Committee has requested ECHMN report Quarterly its financial results and performance on the following metrics:

- **A.** Patient Active Lives
  - **i.** Unique Patients
  - **ii.** Capitated Lives
- **B.** New versus Established Patient Visits
- **C.** Productivity Metrics
  - **i.** Total Visits by Month
  - **ii.** Total Visits per Business Day by Month
  - **iii.** Urgent Care Visits by Month
  - **iv.** Work RVU’s by Month
- **D.** Fiscal Year to Date Financial Performance by Practice
- **E.** Revenue Cycle Trends

- **i.** Quarterly Payer Mix Trend
- **ii.** Collection Rate Trend
- **iii.** Days Accounts Receivable Outstanding
- **iv.** Percentage of Accounts Receivable Greater than 90 Days

4. Assessment:

Fiscal Year 2022 – Twelve Months Ended June 30, 2022

For the twelve months ended June 30, 2022 ECHMN's Operating EBIDA is $69K or 0.2% unfavorable to the budgeted Operating EBIDA and $2.6M or 8.0% better than the prior fiscal year.

i. Total operating revenues were favorable to budget by $589K or 1.3%. This variance is driven by:

   a. Net patient revenue was favorable to budget by $426K or 1.2% for the twelve months ended June 30, 2022 and but was $1.7M or 4.7% less than the prior fiscal year.

   b. Capitated premiums and other revenues are slightly favorable to budget through June 30, 2022 by $163K.

ii. Operating expenses were unfavorable to the operating budget by $658K or 0.9%.

   a. Labor expenses were lower than budgeted by $151K, driven by the earlier than anticipated closure of vaccination clinics and timing of filing budgeted positions

   b. Facilities expenses are favorable to budget by $1.2M mainly due to lower rents in the new Samaritan and Parr locations. These two sites became operational in November 2021.

   c. Favorable variances were offset by higher than budgeted:

      i. Professional fees and purchased services are unfavorable to the operating budget by $1.9M as a result of higher wRVU production, PSA settlement costs and the addition of unbudgeted programs including Hospital Based Behavioral Health, Neuro Hospitalist Services and Urgent Care Services that were not budgeted.

      ii. Other expenses, which include medical supplies, was unfavorable to budget by $149K. The primary driver for this unfavorable variance was higher than budgeted medical supply costs in the urgent care locations which were assumed in the budget to be transferred from ECHMN operations as of December 31, 2021.

iii. Other income and expense is unfavorable to budget by $1.0M resulting from higher than budgeted depreciation expense of $504K, the repayment of $359K of HHS Stimulus Funds that were received in FY 20 and the write-off of $151K and $15K of undepreciated assets that were disposed upon the closure of the Gilroy Clinic in March 2022 and the relocation of the Samaritan Clinic in November 2021.

Fiscal Year 2023 – Two Months Ended August 31, 2022

For the two months ended August 31, 2022, ECHMN's Operating EBIDA is $567K or 10.1% favorable to the budgeted Operating EBIDA but is slightly unfavorable to the prior fiscal year by $461K or 10.0%.

i. Total operating revenues are unfavorable to budget by $965K or 11.4%. This variance is driven by:

   a. Net patient revenue is unfavorable to budget by $340K or 5.7% for the two months ended August 31, 2022 and unfavorable to the prior year by $1.145M or 17.0%. This unfavorable variance was primarily the result of volumes in July and August that were 7.0% and 5.5%, respectively, lower than budgeted

   b. Capitated premiums and other revenues are unfavorable to budget through August 31, 2022 by $798K or 44.4% but are favorable to the prior year by $161K or 19.2%. The unfavorable variance is related to the timing of the conversion of a large Medicare Advantage plan from primary only cap to a full risk based arrangement.

ii. Operating expenses are favorable to the operating budget by $1.5M or 10.8%.

   a. Professional fees are favorable to budget by $773K or 9.9% as a result of the delay in conversion to a full risk based capitation arrangement described above as claims expenses are lower than budgeted by $1.193M or 77.9%.

   b. Labor expenses are lower than budgeted by $635K or 15.4%, driven by the timing of filling budgeted positions and the timing associated with market adjustments that were implemented at the end of the month of August.

iii. Other income and expense is unfavorable to budget by $53K resulting from higher than budgeted depreciation expense of $620K.

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments:

1. ECHMN Finance Committee Report presentation

Suggested Committee Discussion Questions:

1. How is ECHMN performing against target?
2. What actions are being taken to achieve performance objectives?
3. What challenges and opportunities does ECHMN see in meeting its performance measures over the remainder of the fiscal year?

ECHMN – Operational and Financial to Finance Committee

Shahab Dadjou, Interim President, ECHMN

David Neapolitan, Vice President, Finance ECHMN

September 27, 2022

Introduction

Shahab Dadjou, Interim President of ECHMN

Shahab has held senior executive roles at various healthcare organizations, including not-for-profit health systems, academic medical centers and physician organizations.

Most recently, Shahab served as Senior Vice President at Children's Hospital of Orange County.

Purpose

- Update the Committee on the Medical Network's priorities
- Highlight Key operating initiatives in progress and preliminary changes in performance
- Provide the committee with an update on the financial performance of the Medical Network for FY2022 and YTD FY2023
- Highlight risks and challenges during the current fiscal year
- Respond to Finance Committee questions and open discussion

Table of Contents

I. Assessment & Key Operational Initiatives/Updates

El Camino Health Medical Network – Initial Observations

- Physician alignment is mission critical and a strategic differentiator for an integrated healthcare system
- Virtually all economic and legal models in the United States require sizeable investments in the physician enterprise – El Camino Health is no exception
- The value derived from the physician enterprise ecosystem is more accurately reflected in the healthcare system's overall financial/market strength
- The ECH Medical Network is a relatively young organization, operating in an unusually dynamic market:
  - Several competing systems with decades of experience, mature infrastructure, and brand recognition
  - The region represents one of the highest cost of living communities in the nation
  - Provider shortage (primary care in particular) is a chronic issue

El Camino Health Medical Network – Priorities

- The physician enterprise has played a critically important role during a period of rapid transformation, largely triggered by Covid-19.
- Priorities for this fiscal year include both structural and operational augmentations which point to three specific target areas:
  - **People** – recruitment, retention, and development
  - **Process** – changes in ambulatory delivery model
  - **Systems** – scalable technology enabled support structure for physician practices

Introduction

Nicole Silva, Chief Operating Officer with ECHMN

Nicole has over 15 years of experience as an operations leader in complex, multi-site, and multi-hospital healthcare delivery enterprises. She strives for continuous improvement, physician group partnership and collaboration, and fostering psychologically safe environments.

She comes to us from Palo Alto Medical Foundation / Sutter Health where she led the Women's Health Service Line.

El Camino Health Medical Network – Action Plans

- Within the first 45 days, leadership formulated a plan and began implementation on a number of key initiatives:
  - Steps to stabilize non-provider workforce, including: market adjustment, career ladder/progression, and employee forums at all locations
  - Completion of PSA for the primary professional medical group
  - Physician/provider engagement – Joint Operating Committee & physician forums
  - Comprehensive operational improvement initiative supported by GuideHouse consultants focusing on:
    - Pre-visit planning and template redesign
    - Call center process flow
    - Specialty referral authorization
    - EPIC augmentation

El Camino Health Medical Network – Initial Results

- While it is too early in the process, we have noted some initial improvement in the following areas:
  - Improved physician engagement and higher level of provider participation
  - Slight improvement in provider productivity
  - Higher level of employee engagement and reduced number of open positions
  - MIPs score of 97.7/100 from CMS with a possible 2.03% increase in payment
  - Improved patient experience scores in primary care and urgent care
  - Financial performance with favorable variance to budget

II. FY2022 Financial Results

El Camino Health

FY2022 Financial Performance
(as of 6/30/2022)

- Year-over-year improvement in operating EBIDA, finishing FY2022 with favorable variance to budget and significant improvement compared to FY2021 **($2.6m)**
- Overall investment in the physician enterprise at $34 million compared to $40 million in FY2020 – representing a nearly **$6 million reduction**
- Total wRVU production **8.9% favorable** to budget
- **Increased number of active providers above the P50** threshold in FY2022 to **38.8%** over FY2021's 31.1%
- Capitation revenue is unfavorable to budget by $1.8M, but favorable to prior year by $391K
- Operating expenses are unfavorable to budget, $69K and favorable to the prior year by $7.6M

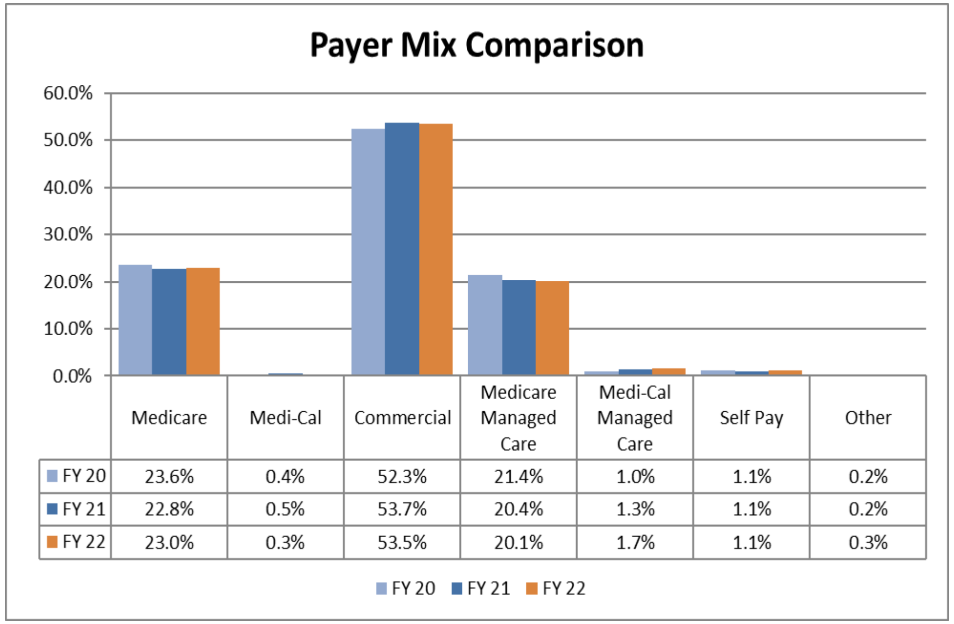
El Camino Health

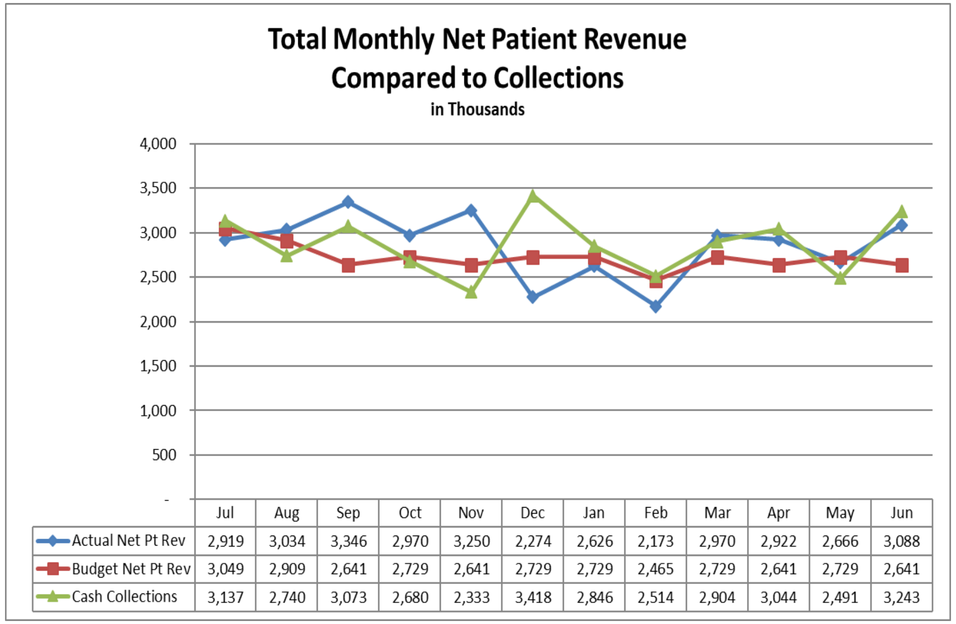
El Camino Health Medical Network
FY2022 Financial Performance
(as of 6/30/2022)

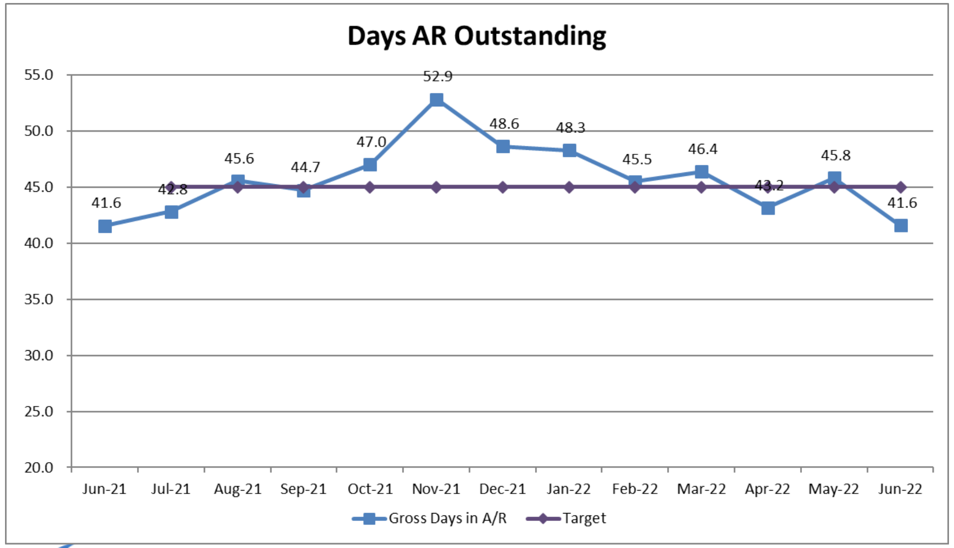
	Fiscal Year to Date June 30, 2022				Fiscal Year to Date June 30, 2021		
	Actual	Budget	$ Variance	% Variance	Actual	$ Variance	% Variance
Net Patient Revenue	35,026,196	34,600,648	425,548	1.2%	36,734,517	(1,708,321)	-4.7%
Capitated Premiums	5,489,858	7,301,530	(1,811,672)	-24.8%	5,098,685	391,173	7.7%
Other Revenue	5,304,220	3,329,205	1,975,015	59.3%	9,042,815	(3,738,595)	-41.3%
Total Operating Revenue	45,820,274	45,231,383	588,891	1.3%	50,876,017	(5,055,743)	-9.9%
Pro Fees & Purch Services	44,215,966	42,337,166	(1,878,800)	-4.4%	48,207,102	3,991,136	8.3%
Labor Expenses	19,161,018	19,312,118	151,100	0.8%	20,117,262	956,244	4.8%
Facilities Expenses	7,728,089	8,946,743	1,218,654	13.6%	8,769,899	1,041,810	11.9%
Other Expenses	4,929,032	4,780,083	(148,949)	-3.1%	6,628,809	1,699,777	25.6%
Total Operating Expenses	76,034,105	75,376,110	(657,995)	-0.9%	83,723,072	7,688,967	9.2%
EBIDA	**(30,213,831)**	**(30,144,727)**	**(69,104)**	**-0.2%**	**(32,847,055)**	**2,633,224**	**8.0%**
Depreciation / Amortization	3,347,619	2,843,970	(503,649)	-17.7%	2,988,136	(359,483)	-12.0%
Other Income / (Expense)	(525,202)	-	(525,202)	-100.0%	228,679	(753,881)	-329.7%
Net Income / (Loss)	**(34,086,652)**	**(32,988,697)**	**(1,097,955)**	**-3.3%**	**(35,606,512)**	**1,519,860**	**4.3%**

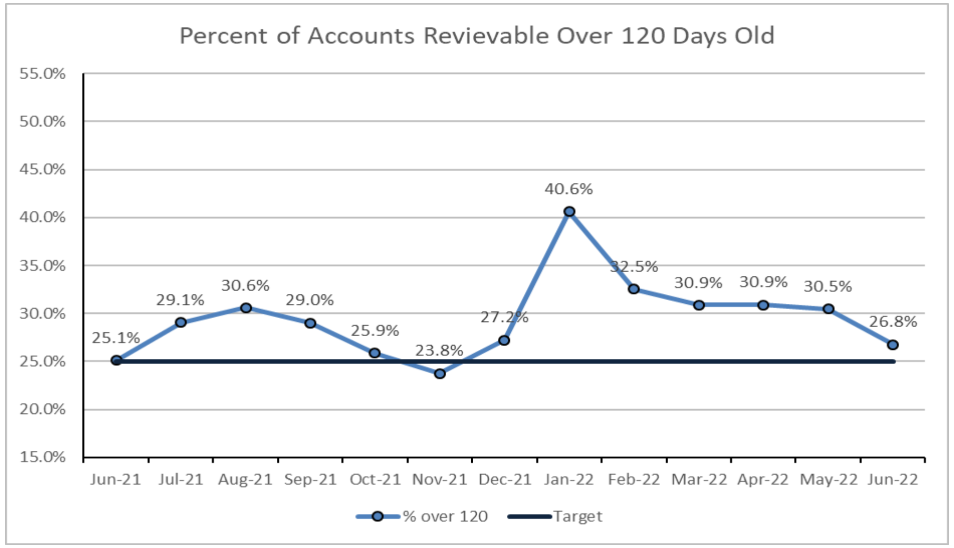
El Camino Health

ECHMN FY2022: Leading Metrics – Revenue Cycle Trends





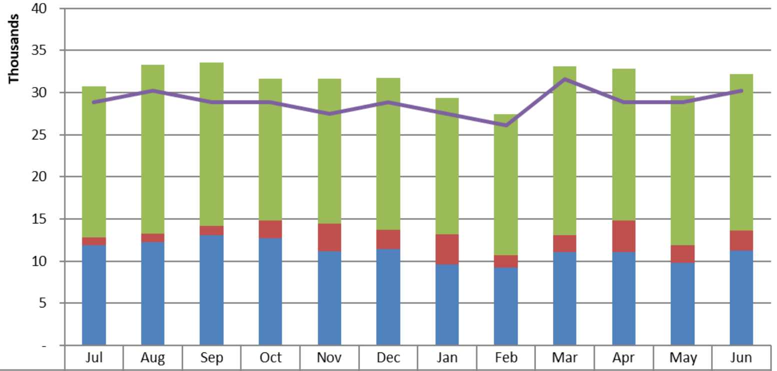




- The FY2022 payer mix ended the fiscal year at comparable levels to the prior two fiscal years with Commercial volumes remaining at 53% of the total.
- Revenue cycle measures for days in accounts receivable ended the fiscal year at the same level as FYE2021.
- While aged accounts in excess of 120 days saw monthly improvement over the last five months of FY2022 the fiscal year finished slightly higher than reported at June 30, 2021. This continues to be the result of on-going revenue cycle improvement initiatives.

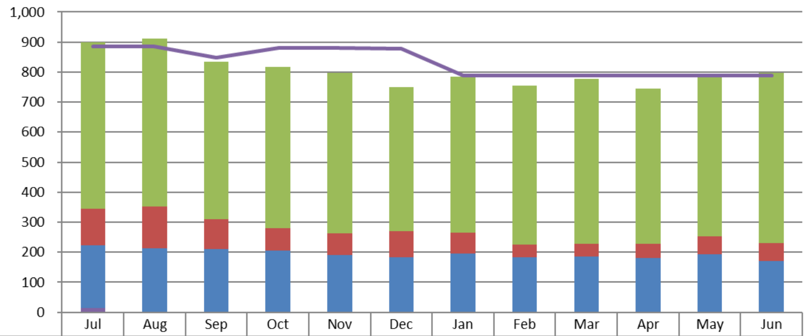
ECHMN FY2022: Leading Metrics - Productivity

Total Provider wRVUs - FY 2022



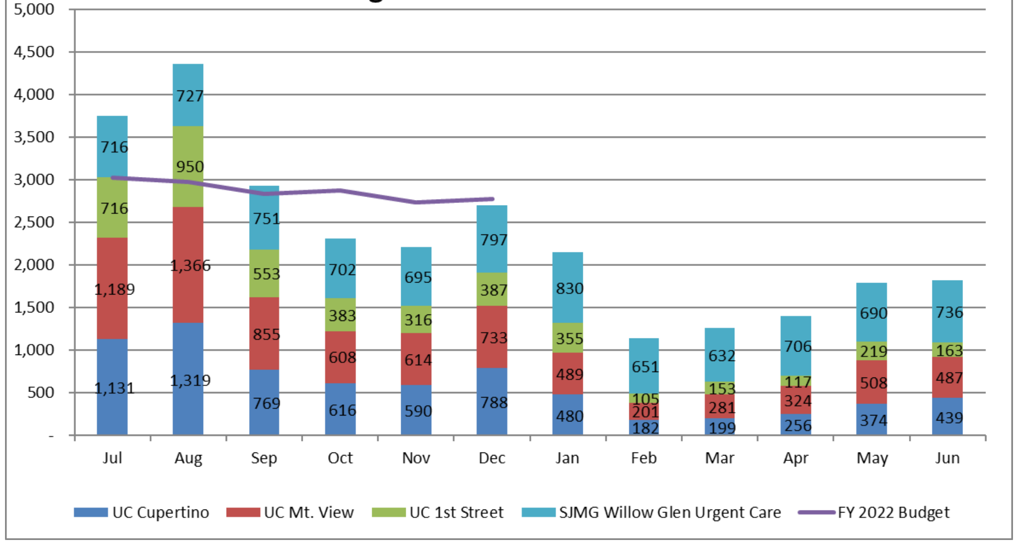
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
SJMG	17,931	20,003	19,354	16,756	17,178	18,070	16,197	16,758	20,019	18,100	17,788	18,568
Urgent Care	910	992	1,111	2,183	3,295	2,266	3,534	1,418	1,995	3,686	2,069	2,373
ECMA	11,870	12,259	13,090	12,656	11,165	11,423	9,610	9,251	11,069	11,081	9,764	11,211
Budget	28,852	30,220	28,852	28,852	27,475	28,852	27,475	26,102	31,596	28,852	28,852	30,204

Total Visits Per Business Day - FY 2022



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
SJMG	554.29	558.59	524.32	534.86	534.55	480.95	519.70	530.42	549.17	517.33	535.38	564.59
Urgent Care	121.29	140.84	97.97	76.06	73.83	87.26	69.48	40.68	40.81	46.77	57.77	60.83
ECMA	208.86	211.45	211.23	205.05	189.45	182.67	195.70	183.95	186.39	181.05	193.81	170.68
Vaccine Clincs	14.19	0.86	-	-	-	-	-	-	-	-	-	-
Budget	885.95	884.21	846.90	881.14	879.40	877.88	788.20	788.21	788.26	788.33	788.33	787.73

Urgent Care Visits FY 2022



- Total visits per business day decreased due to the loss of several providers in the 2nd quarter of FY2022 and the holiday period (Thanksgiving, Christmas and New Year's Eve). However, increases in visit volumes have increased in the last two months of the FY at SJMG clinics and at the four urgent care sites.

- Despite the decline in visits per day, wRVUs increased steadily and exceeded budget (favorable by 8.9%).

- Urgent care visits increased in June for the fourth consecutive month to an average of 61 visits per day.

III. YTD FY2023 Financial Results

El Camino Health

YTD FY2023 Financial Performance
(as of 8/31/2022)

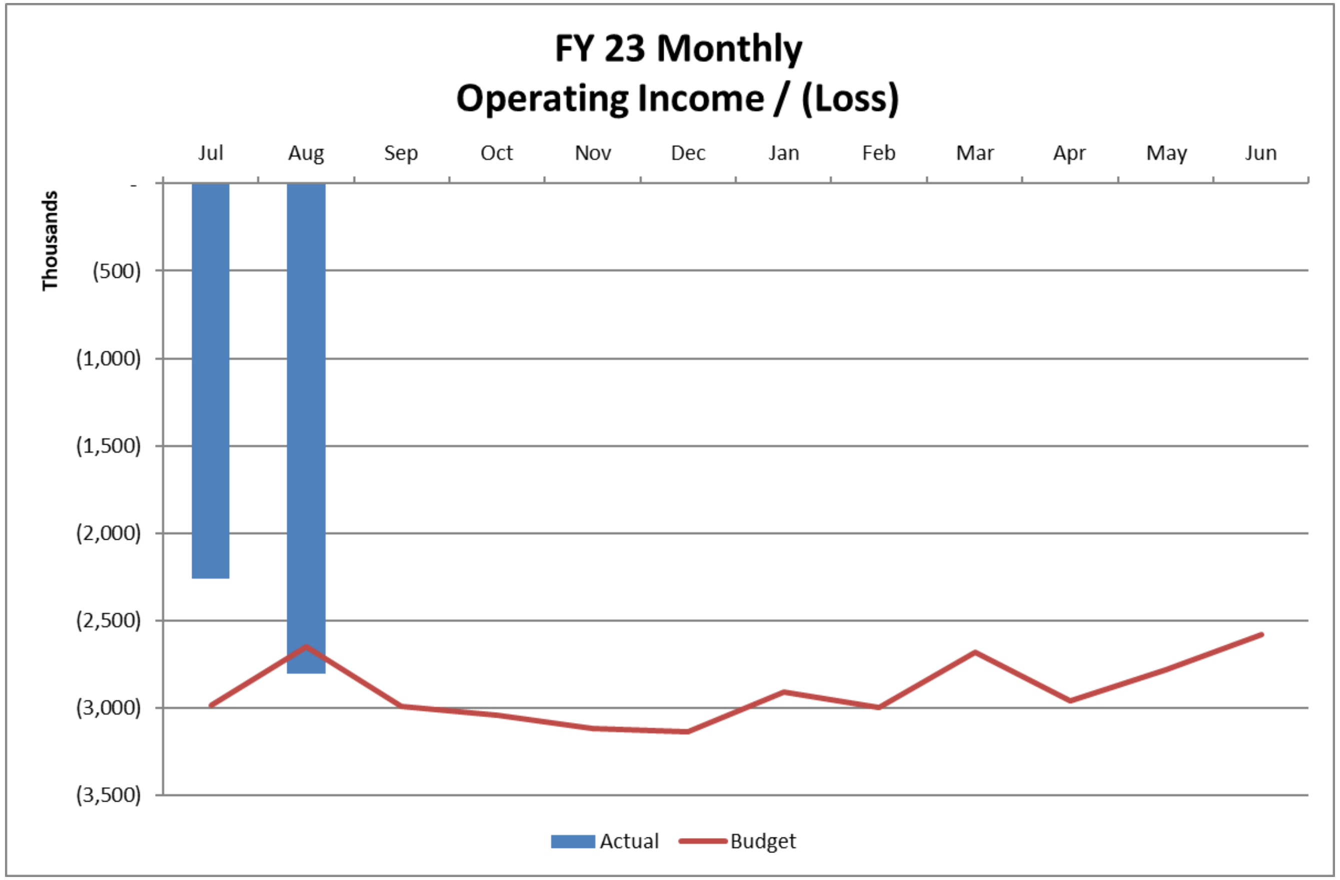
- August YTD Operating EBIDA and Net Income is **favorable to budget by $567K and $514K**, respectively
- Total visits are **6.1% unfavorable** to budget for the two months
- Total wRVU production is **6.3% unfavorable** to budget through August 31, 2022
- Active providers above the P50 threshold based on two month's annualized FY2023 activity is 35.2%
- Capitation revenue is **unfavorable to budget by $798K**, but **favorable to prior year by $161K**. This is attributed to negotiations with a payer that will transition from a primary care only to a full risk based capitation arrangement
- Operating expenses were favorable to budget, $1.5M, including the impact from the delayed capitation claims expense and favorable to the prior year by $526K

El Camino Health Medical Network
YTD FY2023 Financial Performance
(as of 8/31/2022)

	Fiscal Year to Date August 31, 2022				Fiscal Year to Date August 31, 2021		
	Actual	Budget	$ Variance	% Variance	Actual	$ Variance	% Variance
Net Patient Revenue	5,596,539	5,936,332	(339,793)	-5.7%	6,741,670	(1,145,131)	-17.0%
Capitated Premiums	998,958	1,796,970	(798,012)	-44.4%	838,177	160,781	19.2%
Other Revenue	932,015	758,812	173,203	22.8%	934,219	(2,204)	-0.2%
Total Operating Revenue	7,527,512	8,492,114	(964,602)	-11.4%	8,514,066	(986,554)	-11.6%
Pro Fees & Purch Services	7,064,089	7,837,236	773,147	9.9%	7,797,997	733,908	9.4%
Labor Expenses	3,499,188	4,134,400	635,212	15.4%	2,911,290	(587,898)	-20.2%
Facilities Expenses	1,300,577	1,269,952	(30,625)	-2.4%	1,529,650	229,073	15.0%
Other Expenses	733,775	887,553	153,778	17.3%	884,630	150,855	17.1%
Total Operating Expenses	12,597,629	14,129,141	1,531,512	10.8%	13,123,567	525,938	4.0%
EBIDA	**(5,070,117)**	**(5,637,027)**	**566,910**	**10.1%**	**(4,609,501)**	**(460,616)**	**-10.0%**
Depreciation / Amortization	619,799	566,543	(53,256)	-9.4%	555,390	(64,409)	-11.6%
Other Income / (Expense)	-	-	-	-	(38)	38	100.0%
Net Income / (Loss)	**(5,689,916)**	**(6,203,570)**	**513,654**	**8.3%**	**(5,164,929)**	**(524,987)**	**-10.2%**

El Camino Health

El Camino Health Medical Network
YTD FY2023 Operating Income
(as of 8/31/2022)



<u>Favorable</u>

- Net income is favorable to budget by $514K or 8.3%.
- Labor expense is favorable to budget, $773K or 9.9% due to unfilled headcounts and the timing of market rate adjustments that were not implemented until the end of August.
- Professional Fees and Purchased Services was favorable to budget by $773K as a result of the delay in conversion of a key health plan contract from primary care only to a full risk based contract.

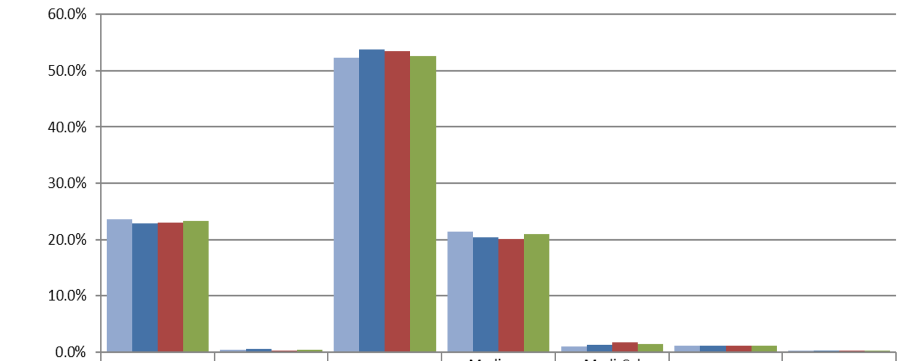
<u>Unfavorable</u>

- Patient volumes are lower than budgeted during the first two months of FY2023 causing Net Patient Revenues to be unfavorable to budget by $340K.
- Capitated revenues are unfavorable by $798K due lower than budgeted membership and finalization of a key health plan contract.

El Camino Health

ECHMN YTD FY2023: Leading Metrics – Revenue Cycle Trends

Payer Mix Comparison

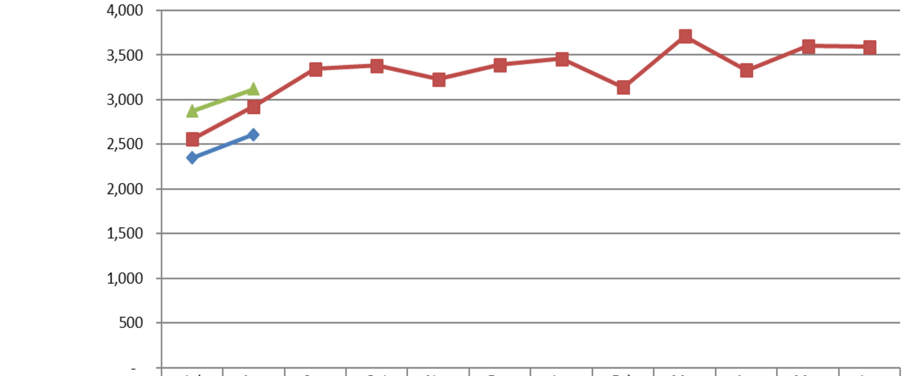


	Medicare	Medi-Cal	Commercial	Medicare Managed Care	Medi-Cal Managed Care	Self Pay	Other
FY 20	23.6%	0.4%	52.3%	21.4%	1.0%	1.1%	0.2%
FY 21	22.8%	0.5%	53.7%	20.4%	1.3%	1.1%	0.2%
FY 22	23.0%	0.3%	53.5%	20.1%	1.7%	1.1%	0.3%
1st Qtr FY 23	23.3%	0.4%	52.5%	21.0%	1.5%	1.2%	0.2%

FY 20 FY 21 FY 22 1st Qtr FY 23

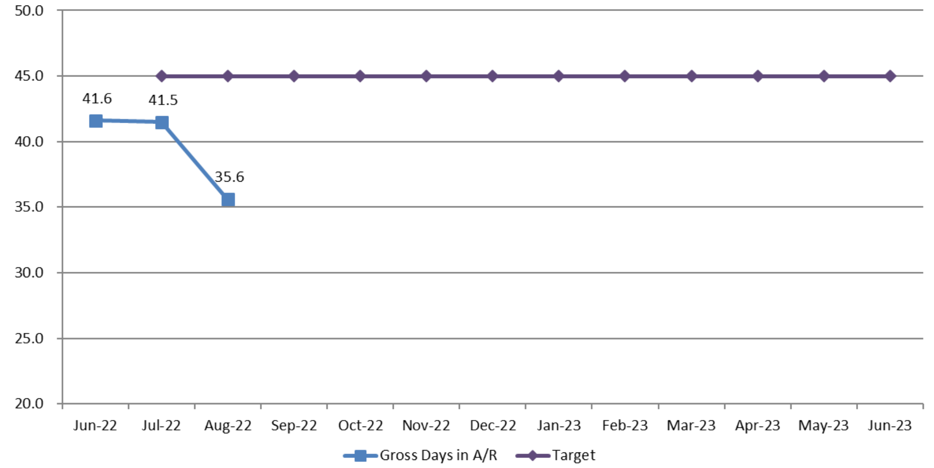
Total Monthly Net Patient Revenue Compared to Collections

in Thousands

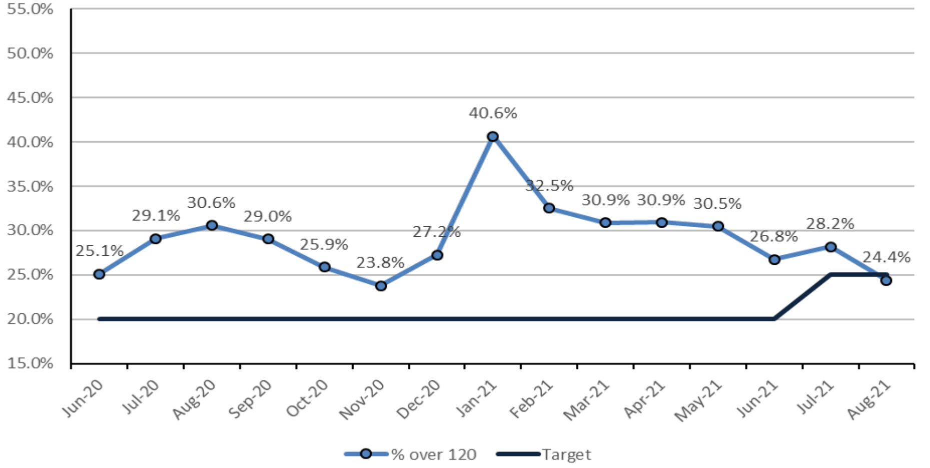


	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Actual Net Pt Rev	2,346	2,608										
Budget Net Pt Rev	2,558	2,925	3,343	3,380	3,232	3,392	3,461	3,140	3,713	3,330	3,601	3,592
Cash Collections	2,872	3,120										

Days AR Outstanding

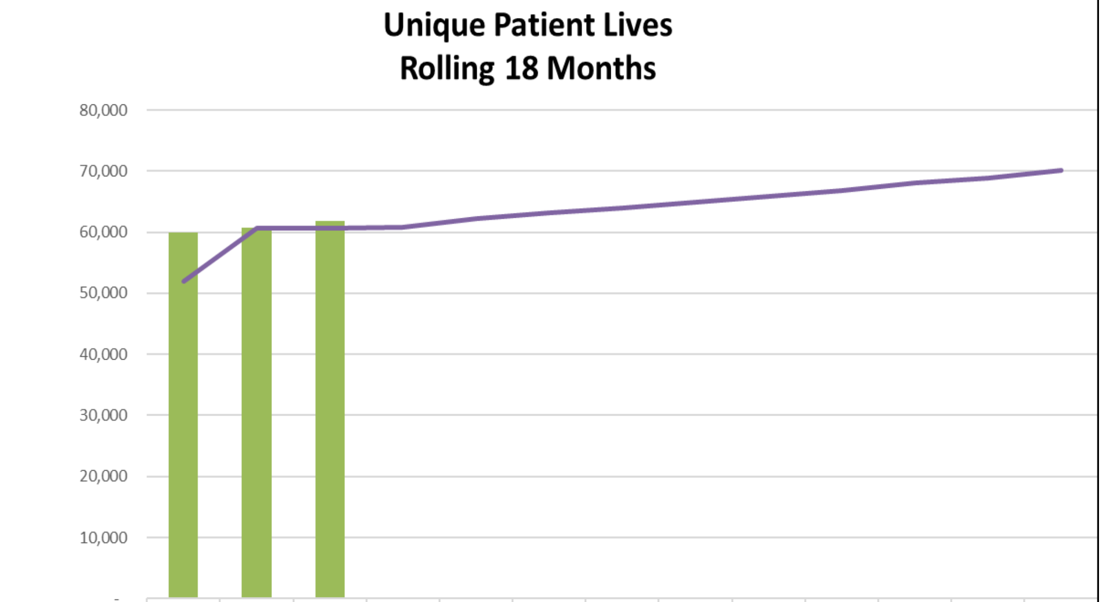


Percent of Accounts Revievable Over 120 Days Old

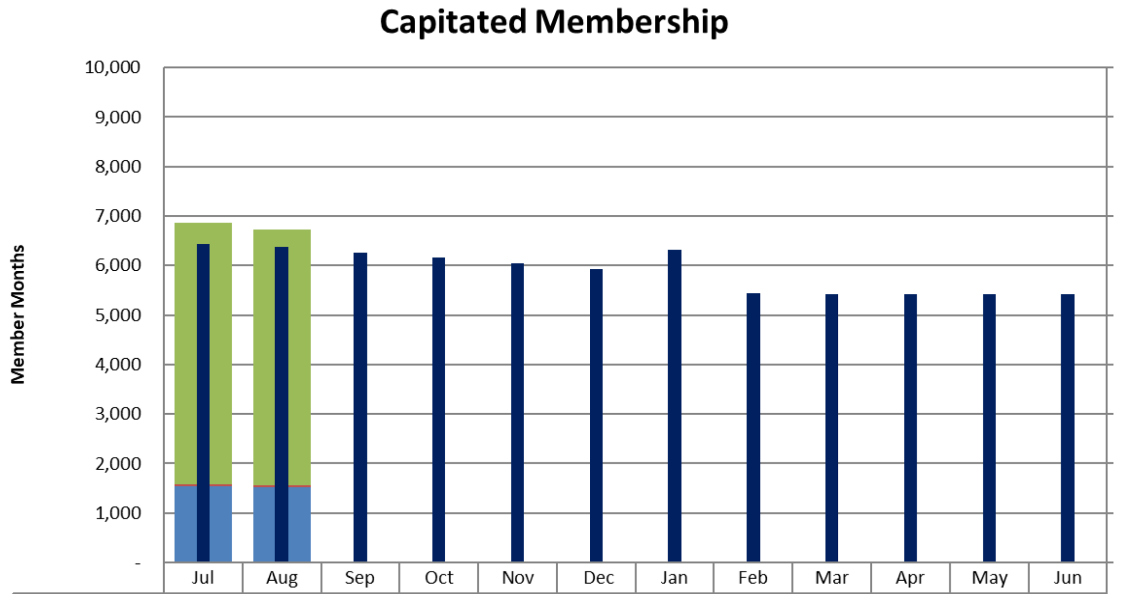


- The FY2023 payer mix continues to comparable to the prior two fiscal years with Commercial volumes remaining at about 53%.
- Revenue cycle measures for days in accounts receivable that ended the fiscal year at 41.6 improved to 35.6 days outstanding as of August 31, 2022.
- Aged accounts in excess of 120 days saw monthly improvement in 6 of the last seven months. At August 31st over 120 was 24.4% which is the lowest since November 2021.

ECHMN - FY2023 – Leading Metrics – Active Lives



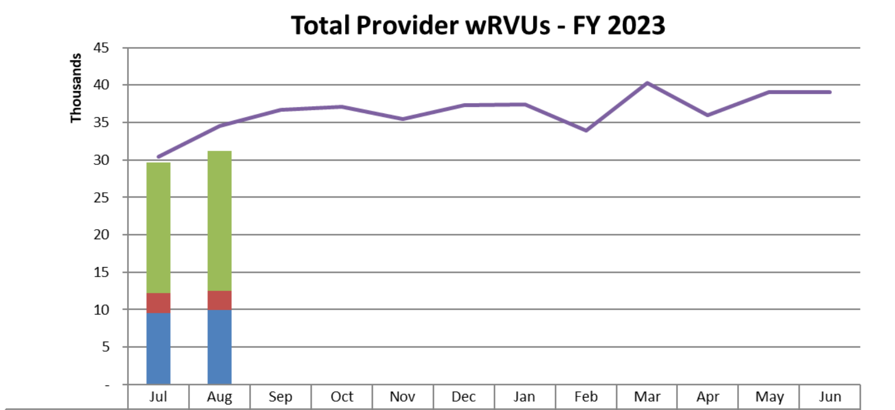
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
SVMD Clinics	59,874	60,658	61,863										
Target	52,000	60,593	60,663	60,798	62,292	63,240	63,937	64,881	65,866	66,790	68,049	68,841	70,064



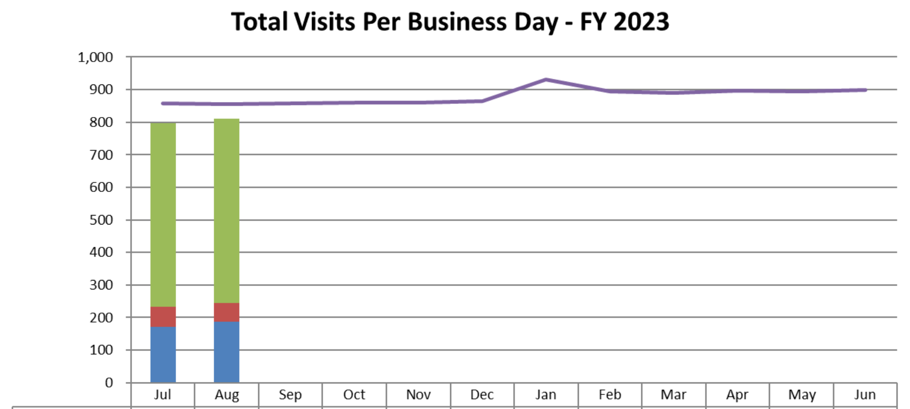
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Sub-Capitation	5,293	5,167	-	-	-	-	-	-	-	-	-	-
Medicare	36	34	-	-	-	-	-	-	-	-	-	-
Commercial	1,539	1,521	-	-	-	-	-	-	-	-	-	-
Budget	6,439	6,374	6,264	6,154	6,044	5,934	6,311	5,434	5,429	5,424	5,419	5,414

- Unique Patient Lives in July increased to 61,863 which is a 3.3% increase over the prior year end lives.
- Capitated lives are higher than budgeted for the first two months of the fiscal year as a result of increased membership in two primary care only risk arrangements.

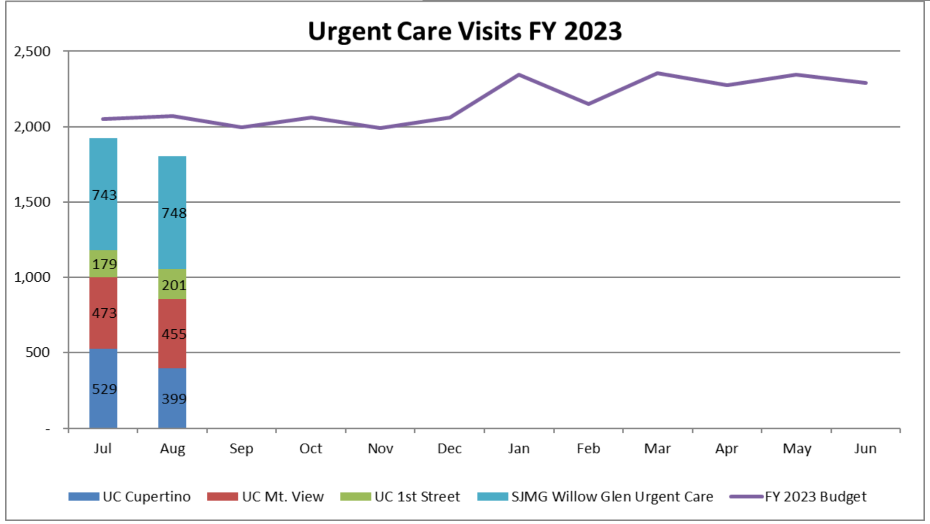
ECHMN FY2023: Leading Metrics - Productivity



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
SJMG	17,469	18,719	-	-	-	-	-	-	-	-	-	-
Urgent Care	2,605	2,604	-	-	-	-	-	-	-	-	-	-
ECMA	9,548	9,916	-	-	-	-	-	-	-	-	-	-
Budget	30,411	34,566	36,714	37,111	35,481	37,261	37,421	33,914	40,292	36,015	39,047	39,073



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
SJMG	563.15	565.13	-	-	-	-	-	-	-	-	-	-
Urgent Care	62.06	58.16	-	-	-	-	-	-	-	-	-	-
ECMA	171.70	187.57	-	-	-	-	-	-	-	-	-	-
Budget	856.74	856.27	856.74	860.43	860.85	864.24	930.23	893.98	889.42	897.25	893.85	899.35



- Total visits per business day are lower than budgeted as a result of greater than projected provider time-off that occurred during the summer months. However, are slightly above the prior fiscal years average of 803.99 at 804.51 visits per day.
- As a result of the lower visit volumes, wRVU's are 6.3% below budget. As a result of the postponement of the Advance Cardiovascular Specialties acquisition this variance will increase over the course of the fiscal year.
- Urgent care visits are 9.5% below budgeted expectations but only slightly below June levels at 60.11 versus 60.83 visits per day.

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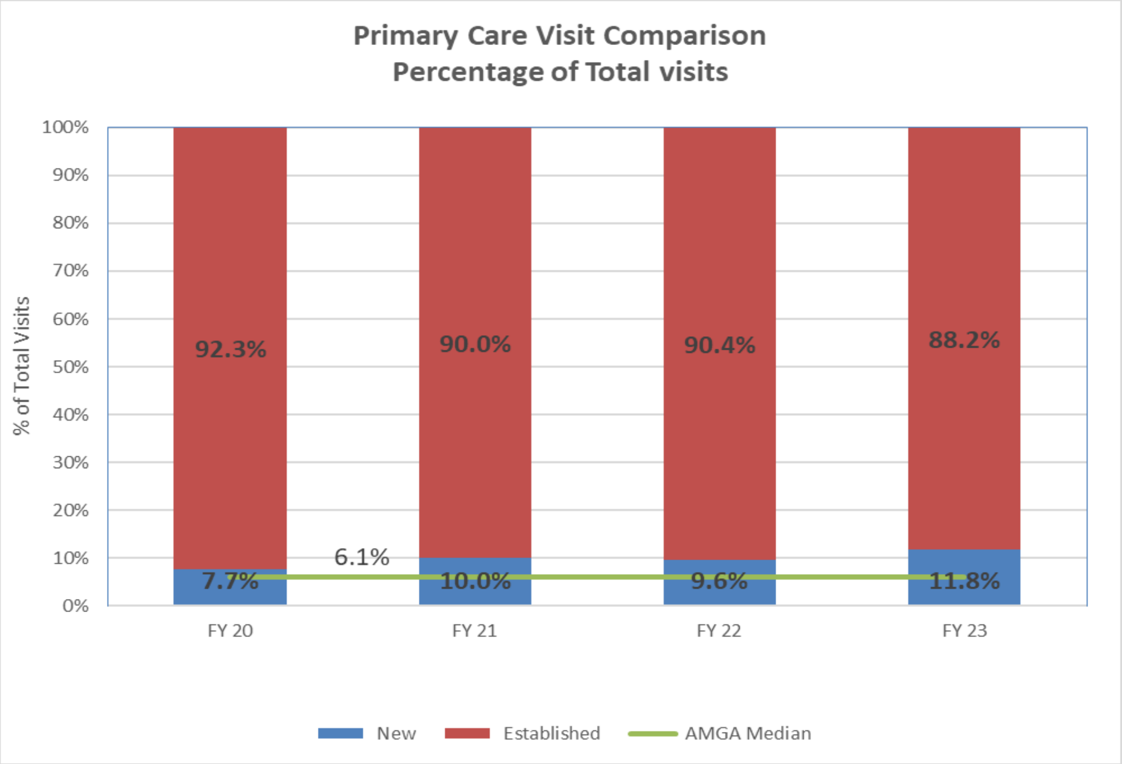
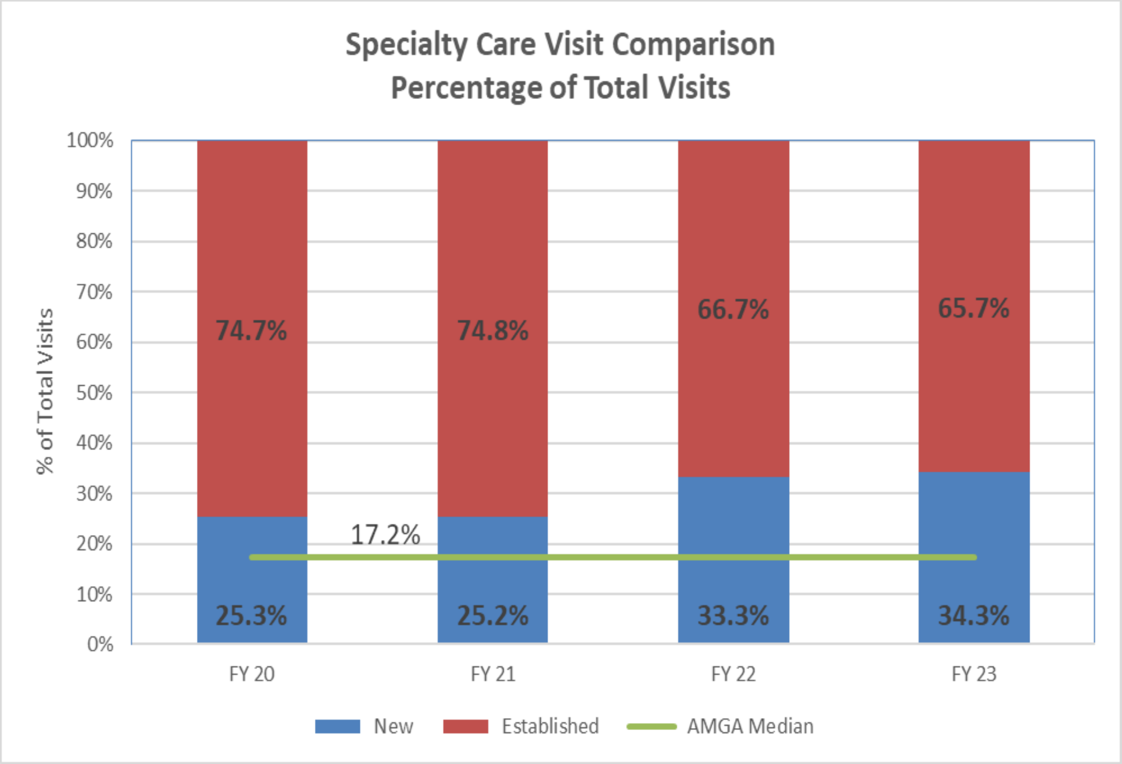
ECHMN - New vs Established Patients





- The percentage of Primary and Specialty Care new patient visits rose to 11.8% and 34.3% for the two months ended August 31st and is an increase of 22.9% and 3.0% over the prior fiscal year, respectively.
- New patient visit percentages of both Primary Care and Specialty Care continue to exceed AMGA Benchmarks.

IV. Potential Risks & Challenges in FY2023

Potential Risks & Challenges in FY2023

- Physician and provider retention, particularly for hard to recruit positions
- Higher than expected operating costs associated with:
  - Staff recruitment and retention (management and staff)
  - Technology augmentation
  - Infrastructure support and expansion
- Increasing level of competition from more mature physician organizations
- Potential mergers and acquisition activities – i.e., Optum, Amazon, etc.

V. Q & A

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Ken King, CAO
Date: September 27, 2022
Subject: Women's Hospital Expansion - Project Update

Purpose:

To keep the Finance Committee informed on the progress and status of the Women's Hospital expansion project.

Summary:

1. Situation/Status: The construction activity of Phase I has made steady progress in the parking garage, the Ground Floor Lobby and on the 2nd and 3rd Floors, however the construction completion date for Phase I is currently projected to be ten to twelve weeks beyond the original target. This is due to multiple factors including delays in equipment manufacturing, receipt of materials, workforce shortages and unforeseen building conditions. Additionally, because patient safety is the highest priority and because the contractors are working in an occupied building, extensive planning and preparation for utility system upgrades and cut-overs has contributed to the extended timeline.

   Despite the extended timeline for Phase I, the entire project team is seeking every avenue to accelerate Phases II and III and complete the overall project on or near the original target date of July 2024. Also to date there have been no cost change orders to the GMP and the use of allowances and contingency dollars is appropriate at this stage of the project.

2. Authority: This memo is to keep the Finance Committee informed of the progress towards completion of a major capital project.

3. Background: The expansion of space for the Women's Hospital Services is one of the Phase 2 Projects for the Mountain View Campus Development Master Plan. The construction within the building is separated into three distinct phases and the final phase is projected to be completed by July 2024. The Board of Directors approved the final funding request of $149 million for the project in February 2021.

4. Assessment: As construction activities continue to make progress, operationally we have begun the activation planning process that will prepare our staff to make the transition to the new environment. This process involves detailed planning scenarios for every aspect of care provided and thorough evaluation of every eventuality. Once the contractor completes the construction and the state agencies have reviewed and approved the space and our policies and procedures we will move into the space and begin caring for patients on the renovated 2nd and 3rd Floors.

5. Other Reviews: None

6. Outcomes: Following the re-sequencing of Phase 1 milestones, the next transition in the building will be to complete and open the renovated front door entrance in late January 2023. Final approvals are anticipated in April of 2023 and the transition into the new space will be scheduled shortly thereafter. Phase 2 construction in the vacated NICU on the 1st floor will begin as soon as the move to the 2nd floor is complete.

List of Attachments:

Women’s Hospital Expansion - Project Update
September 27, 2022

a. Power Point Presentation

The ECH Center for Women's and Newborn Care in MV: Mission, Strategy, Design

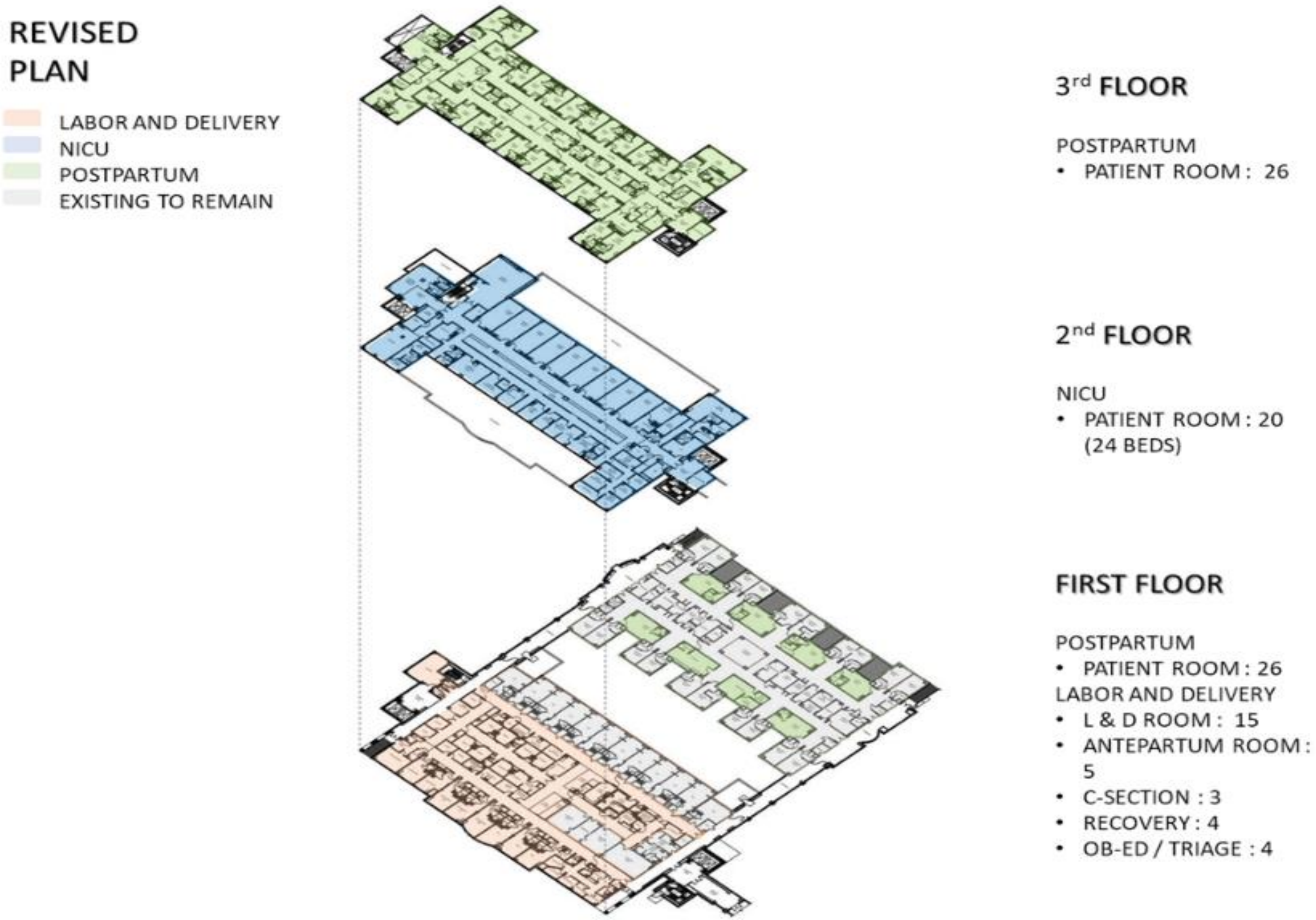
- **MCH Mission**: Provide the highest quality, most personalized holistic care for women, children and families in our community
- **MCH Strategy**: Ensure highly personalized, superior quality care for every step of the patient journey.
- **Women's Hospital Design**: Build a best-in-class center of excellence that provides the highest quality, most personalized care in a welcoming environment, that promotes healing and wellness for women, newborns, and families in our community.

El Camino Health

Expansion Plan

38-month phased plan

Phase/Item
Phase 1A
Garage and Elevator
Phase 1B
New lobby
Level 2 rennovation: NICU
Level 3 Rennovation: MBU
Phase 2
Antepartum
Refresh LDR rooms
Phase 3
Staged rennovation MBU Level 1
Refresh remaining LDR rooms



Summary of Remodel and Expansion Capacity Improvements

Unit/Area	Licensed Bed Count			Patient Room Count			Square Footage per Bed Area			Notes
	Existing	Future	% Change	Existing	Future	% Change	Existing	Future	% Change	
NICU	20	24	**20%**	5	20	300%	84	148	76%	19 private rooms, 1 5-bed pod. Includes family spaces
Post-partum (Mother-Baby Unit)	44	52	18%	36	52	**44%**	125	165	32%	MBU uses semi-private rooms as private rooms (8), so is using 36 beds. Also have periodic use of 8 bed flex unit 3CW (current COVID unit)
Labor and Delivery LDR	12	15	25%	12	15	25%	240	255	6%	Antepartum beds can also flex to LDRP beds
Ante-partum	0	5	New	0	5	New	0	220	New	Antepartum patients are currently housed in L&D or MBU, depending on acuity
Lobby										Includes café. Women's Hospital locked to main hospital making access to food for guests problematic

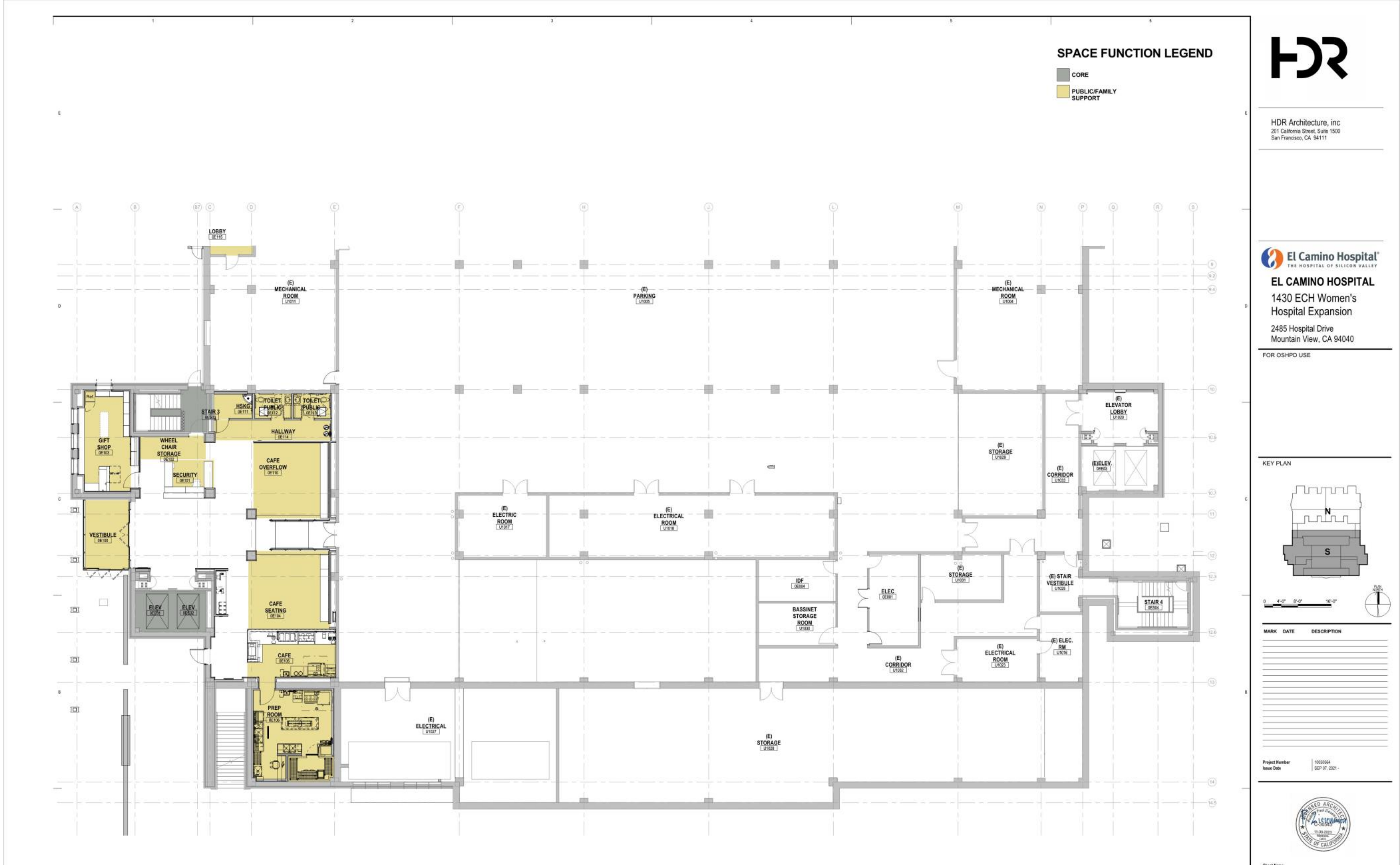
Ground Floor

Lobby

Café

Gift Shop

Security



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2nd Floor

NICU

3rd Floor

Mother / Baby

1st Floor - South

Labor/Delivery

Anti-Partum

El Camino Health

1st Floor - North

Mother/Baby

NICU

Private Room

Headwall

Mother/Baby

Private Room

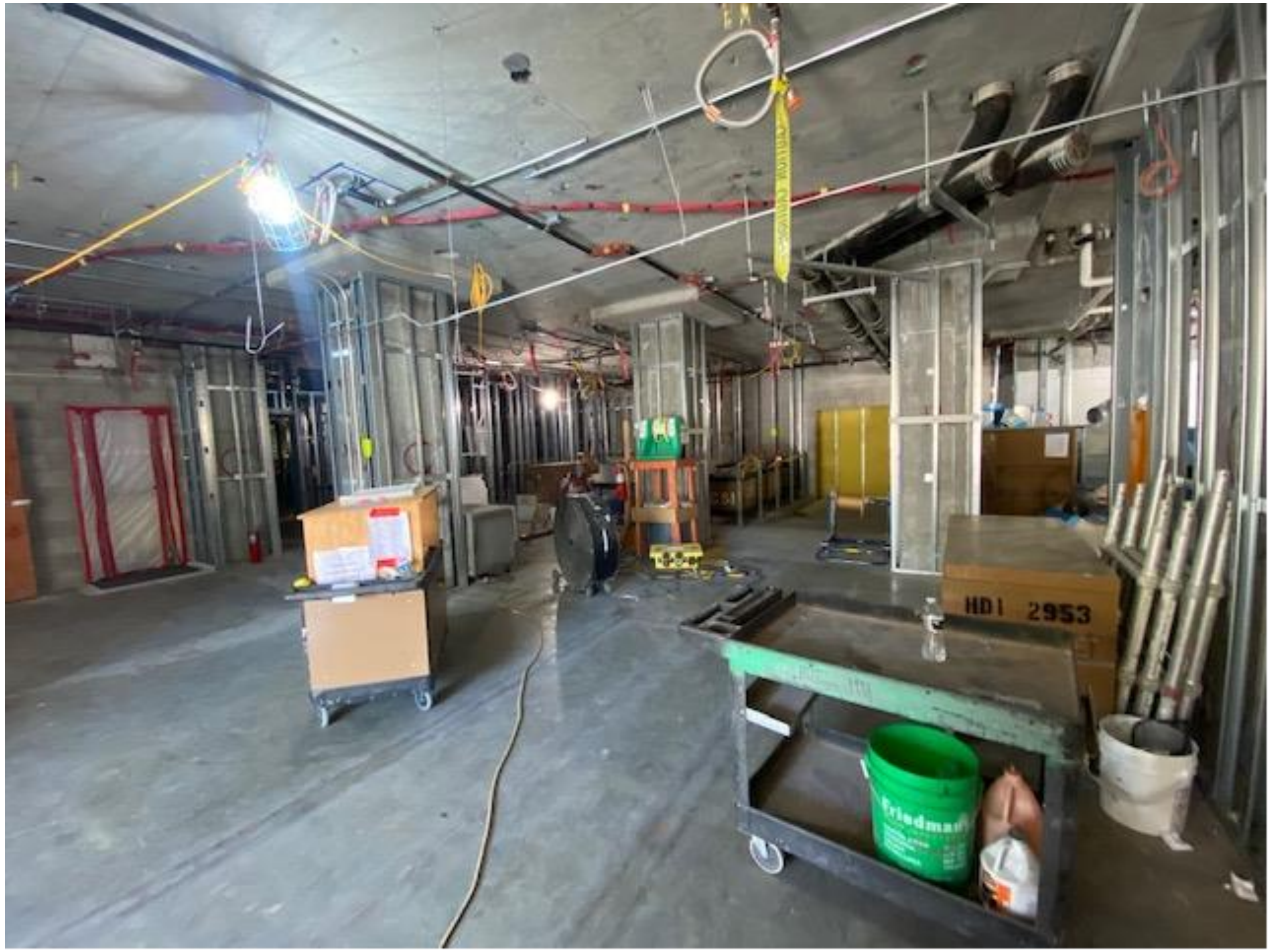
Headwall

Ground Floor

Entrance Canopy

Ground Floor

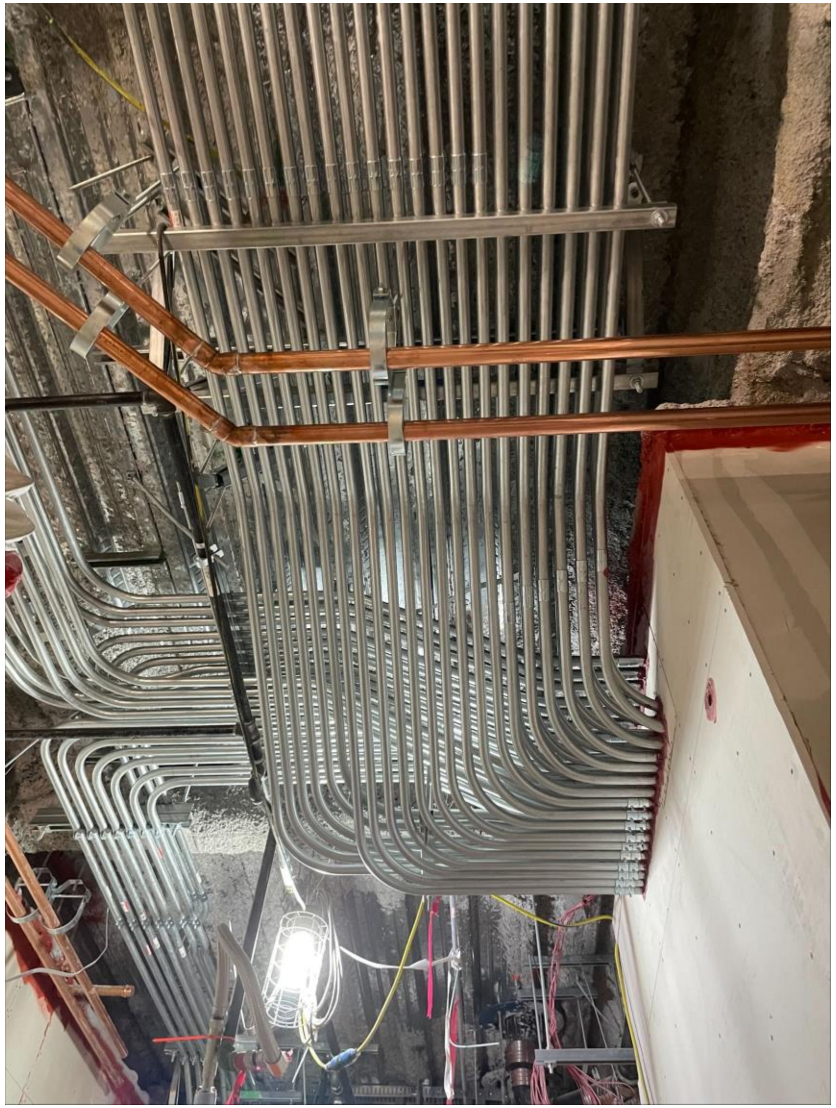
Lobby

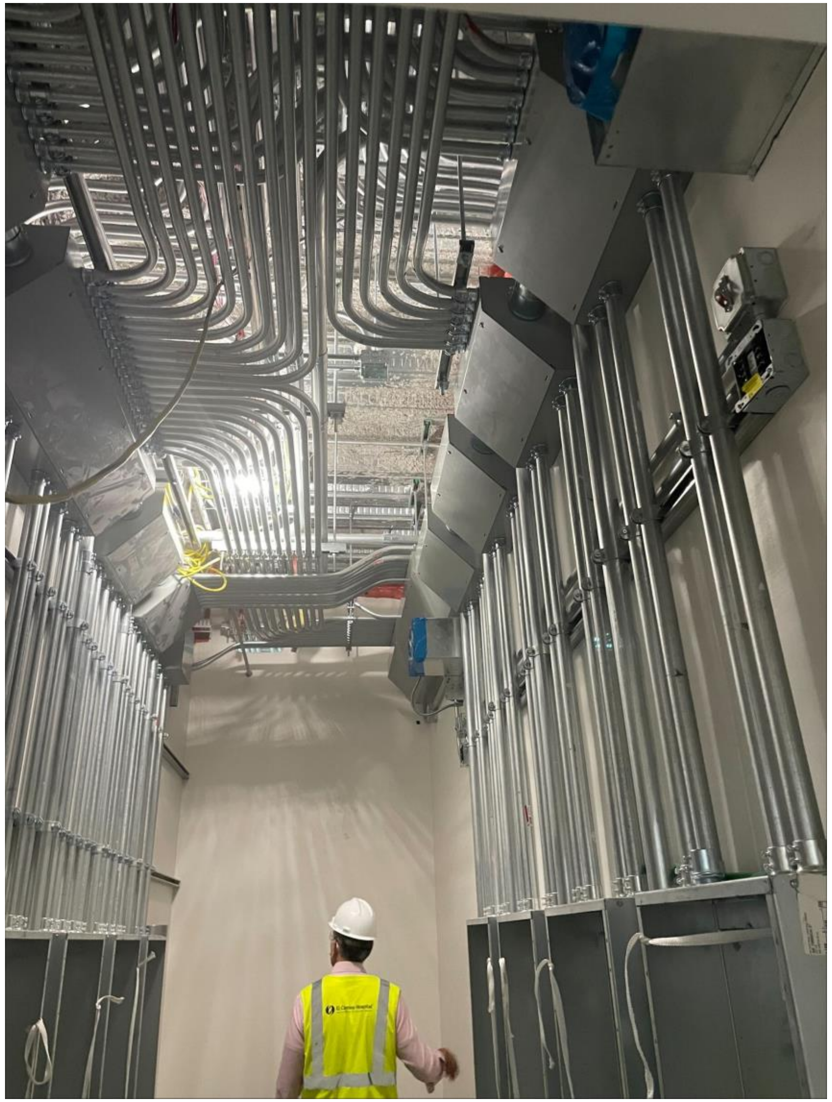


Electrical Infrastructure

Demonstrates

Quality of Workmanship





Questions?

El Camino Health

EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING MEMO

To: Finance Committee
From: Meenesh Bhimani, COO
Ken King, CAO
Date: September 27, 2022
Subject: Capital Project Request – MV Imaging Equipment Replacement and Expansion

Recommendation:

To recommend Board Approval of the final funding request not to exceed $18.7 million for the construction and installation of Imaging Equipment in the MV Hospital.

Summary:

1. Situation: When the new MV Hospital building opened in 2009, the Imaging Equipment was state of the art. Now the equipment is over 13 years old and is at or near its "End of Support" date from the manufacture. We need to replace the aged out Imaging Equipment that is essential to hospital operations.

The following lists the equipment to be replaced:

Item	Modality	Type	Room	Existing Equipment	End of Support Date	Note
1	CT	AS	CT #1	SOMATON Definition AS	12/31/2020	
2	CT	DS	CT #2	SOMATON Definition DS	12/31/2020	
3	MRI	1.5 T	MRI #2	MAGNOTOM Espree	12/31/2024	
4	MRI	3.0 T	MRI #1	MAGNOTOM TRIO	12/31/2024	
5	X-ray	General	ED	Axiom Aristos FX Plus	12/31/2021	
6	X-ray	General	X-ray #1	Axiom Aristos MX/VX	12/31/2020	
7	*X-ray*	*General*	*X-ray #3*	*Axiom Aristos MX/VX*	*12/31/2020*	*To be Removed*
8	X-ray	Fluoro	X-ray #2	Axiom Aristos Luminois TF	12/31/2022	
9	X-ray	Fluoro	X-ray #5	Axiom Aristos Luminois TF	12/31/2022	
10	*X-ray*	*Fluoro*	*X-ray #4*	*Axiom Aristos Luminois TF*	*12/31/2022*	*Relocated to LG in 2014*
11	Nuc Med	PET	PET	Biograph 40 TruePoint	12/31/2022	
12	Nuc Med	SPECT	SPECT #1	Symbia TruePoint	12/31/2024	Future Replacement
13	Nuc Med	SPECT	SPECT #2	Symbia S-Series	12/31/2024	Future Replacement
14	CT	New	CT #3	NA	NA	To be Installed by combining X-ray #3 & #4

Replacing this equipment requires a building permit from OSHPD to ensure that the equipment is installed in accordance with current building codes and standards, which in turn requires associated construction and building modifications. Additionally, replacing the equipment is to be done in a phased approach so there is no reduction in service while the construction and installation is in process. Note that the project request includes replacing two X-ray rooms with a third CT scanner.

2. Authority: In accordance with policy, Capital Expenditures over $5 million require the approval of the Board of Directors.

3. Background: The Board Approved the purchase of replacement imaging equipment and the possible addition of two new rooms, one to add a third CT Scanner and one to add a seventh Interventional Lab in the 1st Floor Imaging Department. The initial funding approval was $16.9 million, $15.9 million for the equipment only and $1 million for planning and design services. Purchase orders were placed in late 2019 for all the equipment except the interventional lab. Just as the planning process was getting started, the pandemic hit and management put the project development on hold for several months. Once re-initiated in the fall of 2020 the planning and code analysis identified the need for significant renovation to address code minimum requirements and in some cases modifications to equipment configurations and room construction to accommodate the installations. The project update provided to the Board Finance Committee in September 2020 indicated a total project cost estimate of $37.5 million.

In the spring of 2021, just prior to the submission to OSHPD, the construction and installation cost estimate increased to just over $41 million. Management made the decision to eliminate the seventh Interventional Lab and to defer to a future date the replacement of the two Nuclear Medicine SPECT Units. These changes reduced the project cost estimate to $33.3 million. Fast forward to today where we now have an OSHPD set of approved plans and specifications along with a GMP Construction/Installation Proposal from Truebeck Construction that brings our total project cost to $35.6 million. The costs break down as follows:

Imaging Equipment	12,747,715
Construction / Installation	17,130,000
Other FF&E	240,000
Soft Costs	4,478,804
Contingency @ 3 %	1,037,896
Total Project Cost	**35,634,415**
Rounded	**35,600,000**
Less Prior Approved Funding	(16,900,000)
Requested Final Funding	**18,700,000**

There are two primary reasons for the $2.3 million increase in cost from the prior estimate. The first is due to extending the original timeline by eight months to ensure that volume and service is not impacted during construction. The second is that the competitive bids received reflect the current market conditions, which are impacted by long lead times, workforce availability, material costs and inflation.

4. Assessment: The replacement equipment and addition of a 3rd CT scanner will bring state of the art imaging technology to ECH; enhancing patient safety, patient experience, increased efficiency and throughput, and increased access while reducing down time and resultant diversion time. The equipment will continue ECH's tradition of utilizing 'low-dose' technologies, minimizing harmful excessive radiation exposure. A larger bore opening will accommodate plus size patients and help reduce claustrophobia, while new artificial intelligence tools will standardize tech workflow and increase efficiency. We expect to achieve a significant reduction in exam duration and a reduction in exam variation. The reliability of the new equipment will allow us to maintain services with minimal downtime disruption.

5. Other Reviews:

Clinical Engineering/IT Review: There is no question from a Clinical Engineering and IT perspective that the Imaging Equipment is due to be replaced. Once the end of support dates comes and passes, the manufacture can only provide best effort to repair due to the availability of parts, limited trained personnel and guaranteed uptime. This is critical as best effort service repair will not meet the demands of our operations. Once a manufacture declares end of support they stop the manufacturing of the parts needed to repair the system. The new equipment will be more reliable and come with operating systems and software that is current and less vulnerable than the existing equipment.

Finance Review: The financial analysis was broken into 2 components. The first was the evaluation of the replacement equipment and the second was the evaluation of adding a 3rd CT unit.

The baseline scenario assumes no incremental volumes would be generated. In order to develop a meaningful analysis, the "do nothing" scenario assumes annual reduction in volumes due to equipment failure/unavailability of 2%, 4%, and 6%. At the 2% volume reduction level, the 10yr. NPV is -$17.3M.

Adding the 3rd CT allows ECH to grow the service and the financial pro forma analysis indicates the requested investment brings significant benefit to the organization with a 10 yr. NPV of +4.6M.

Legal / Compliance Review: Not Applicable

6. <u>Outcomes</u>: In addition to all of the anticipated benefits of new upgraded technology the success of this project will be measured by completing the installation of replacement equipment within 36 months and doing so without unplanned disruptions to patient care, all within the approved funding. See the target timeline in the attached presentation.

7. <u>List of Attachments</u>:

- Power Point Presentation

Finance Committee - Capital Facilities Project Request
MV Imaging Equipment Replacement and Expansion

Meenesh Bhimani, Chief Operating Officer

Ken King, Chief Administrative Services Officer

September 27, 2022

Background, Capital Funding Request and Needs Assessment

Board Memo Excerpt – February 13, 2019

Background:

- This request is the first of two requests. Approval of this request will allow us to place purchase orders for equipment that requires the manufacturers' participation in the development of detailed plans and specifications that must receive OSHPD review and approval.
- Once OSHPD review is substantially complete and construction sequence and costs are known, the final request for funding will be presented.

Funding Request – Finance Committee

- To recommend Board Approval of the final funding request not to exceed $18.7 million for the replacement and expansion of imaging equipment at MV Hospital

Why do we need to replace the Imaging Equipment?

- Equipment is at or near its “End of Support” date and it is essential to hospital operations
- Existing equipment is no longer state of the art and is beginning to have more frequent failures and down-time.
- Image quality from the Radiologists perspective has declined with the age of the equipment
- New equipment will provide higher quality images with lower dose radiation
- New equipment comes with AI tools which improves tech workflow and efficiency
- New CT’s and MRI’s come with larger bores which reduces claustrophobia and accommodates larger patients
- New equipment captures images faster and will reduce exam durations
- Replacing two X-ray rooms with a 3rd CT scanner will improve through-put and allow for procedural growth by interventional radiologists

Industry Standards Confirm Need for Equipment Replacement

Loc	Current Equipment Type	In Service Date	ECRI Life Expectency	AHRA Extended Life	Accruent Maximum Life	Siemens End of Support*	Failures Recorded Over Last 3 years	Mean Time Between Failures (Months)
CT1	SOMATOM Definition DS	2009	8 years (2017)	10 years (2019)	12 Years (2021)	12/31/2020	31	1
CT2	SOMATOM Definition AS	2009	8 years (2017)	10 years (2019)	12 Years (2021)	12/31/2024	31	1
MR2	MAGNETOM Espree	2009	10 years (2019)	15 years (2024)	15 years (2024)	12/31/2025	49	1
MR1	MAGNETOM TRIO	2009	10 years (2019)	15 years (2024)	15 years (2024)	12/31/2024	26	2
Rm 5 R/F	AXIOM LUMINOS TF	2009	10 years (2019)	15 years (2024)	15 years (2024)	12/31/2022	14	4
PET	BIOGRAPH 40 TruePoint	2009	10 years (2019)	10 years (2019)	15 years (2024)	12/31/2022	13	4
Rm 1 XR	AXIOM Aristos MX / VX	2009	10 years (2019)	15 years (2024)	12 Years (2021)	12/31/2020	26	3
Rm 2 R/F	AXIOM LUMINOS TF	2009	10 years (2019)	15 years (2024)	15 years (2024)	12/31/2022	14	4
ED XR	AXIOM Aristos FX Plus	2009	10 years (2019)	15 years (2024)	20 years (2029)	12/31/2021	19	1
Delayed								
SPECT	Symbia TruePoint	2009	8 years (2017)	15 years (2024)	15 years (2024)	12/31/2024	5	22
SPECT	Symbia S-Series	2009	8 years (2017)	15 years (2024)	15 years (2024)	12/31/2024	15	7

- Once the end of support dates comes and passes, the manufacture can only provide best effort to repair due to the availability of parts, limited trained personnel and guaranteed uptime.
- Best effort to repair does not meet our operational requirements.

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Planned Equipment

Replacement:

- CT scan #1
- CT scan #2
- MRI #1
- MRI #2
- PET – CT
- ED x-ray
- General x-ray #1
- X-ray #2 (fluoro)
- X-ray #5 (fluoro)

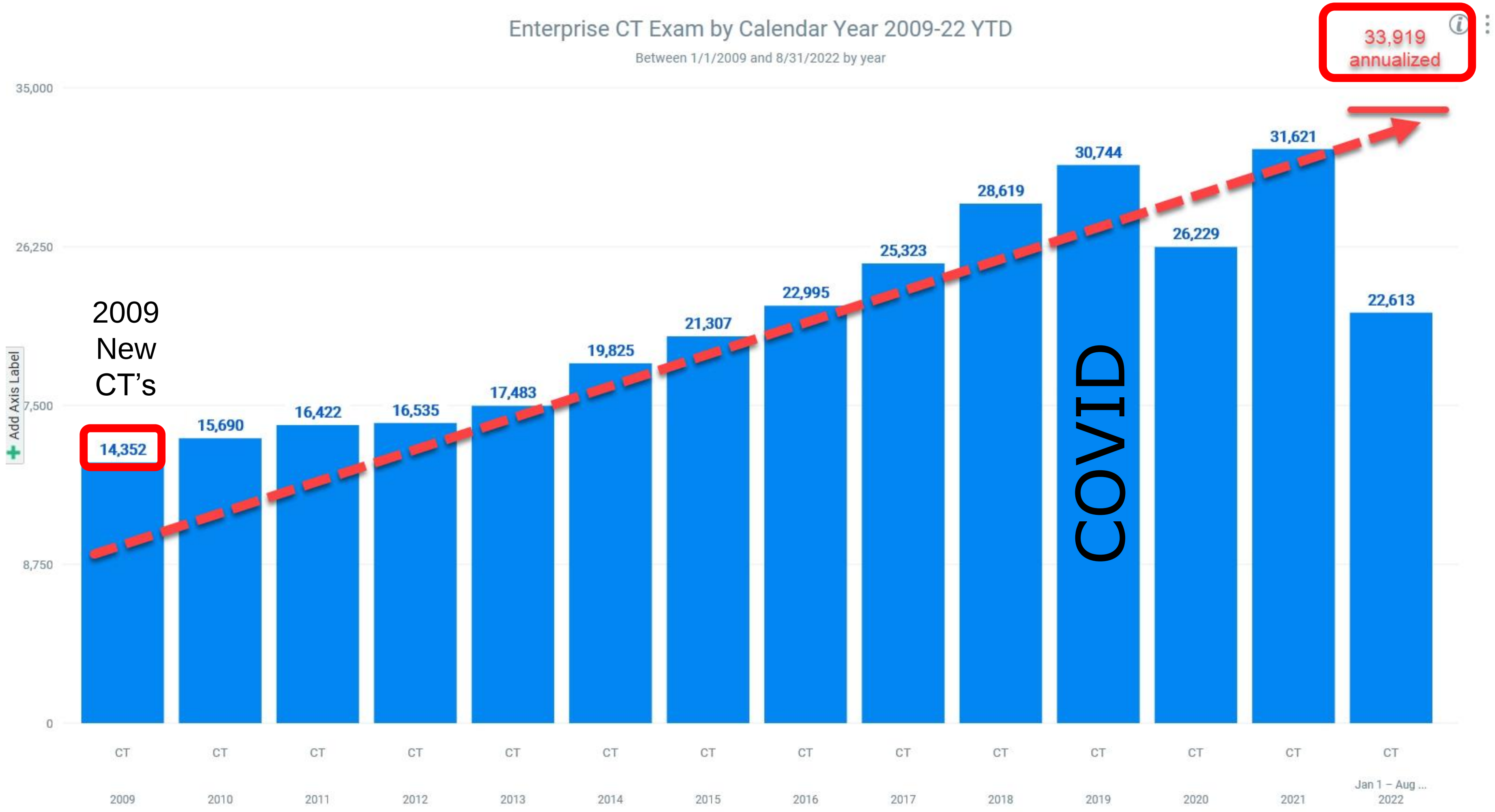
New:

- CT scan #3

Projected CT Volume Growth

2009 – 2022
136% Growth

Annual Average Growth 6.6% in past 5 years

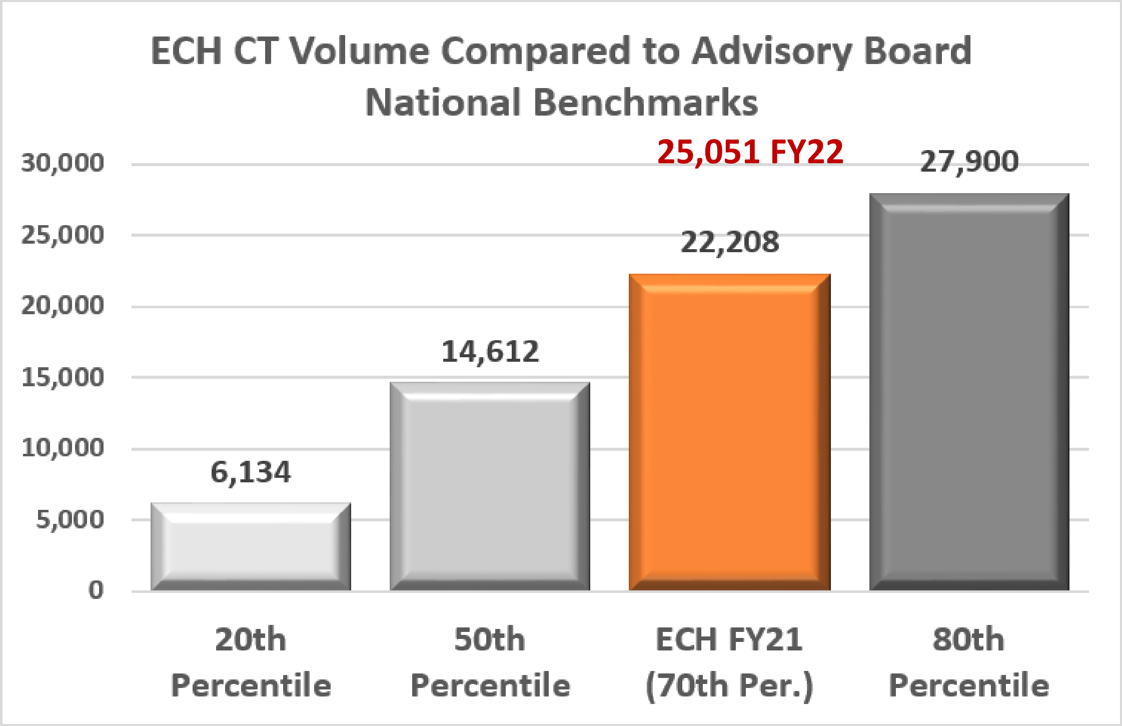


CT Volume at ECH Compared to Benchmarks

High Volumes Impact Operations & Supports Need for 3rd CT

- Interventional radiology cases to often run to 10:00 PM
- ED cases often delayed impacting ED throughput
- Inpatients not always scanned in timely manner, increasing length of stay
- Outpatients shifted to Los Gatos campus due to lack of appointment availability in MV
- Any CT downtime exacerbates impact

Forecasted market growth is 18.4% over next 10 years



Source: Imaging Productivity and Efficency Report Insights from 2017 Imaging Benchmarking Survey - Advisory Board

n = 96, 85, National cohort

Project Timeline, Scope and Cost

Existing Floorplan

CT Scanners

MRI’s

X-Ray Units

Nuclear Med

ED
X-ray

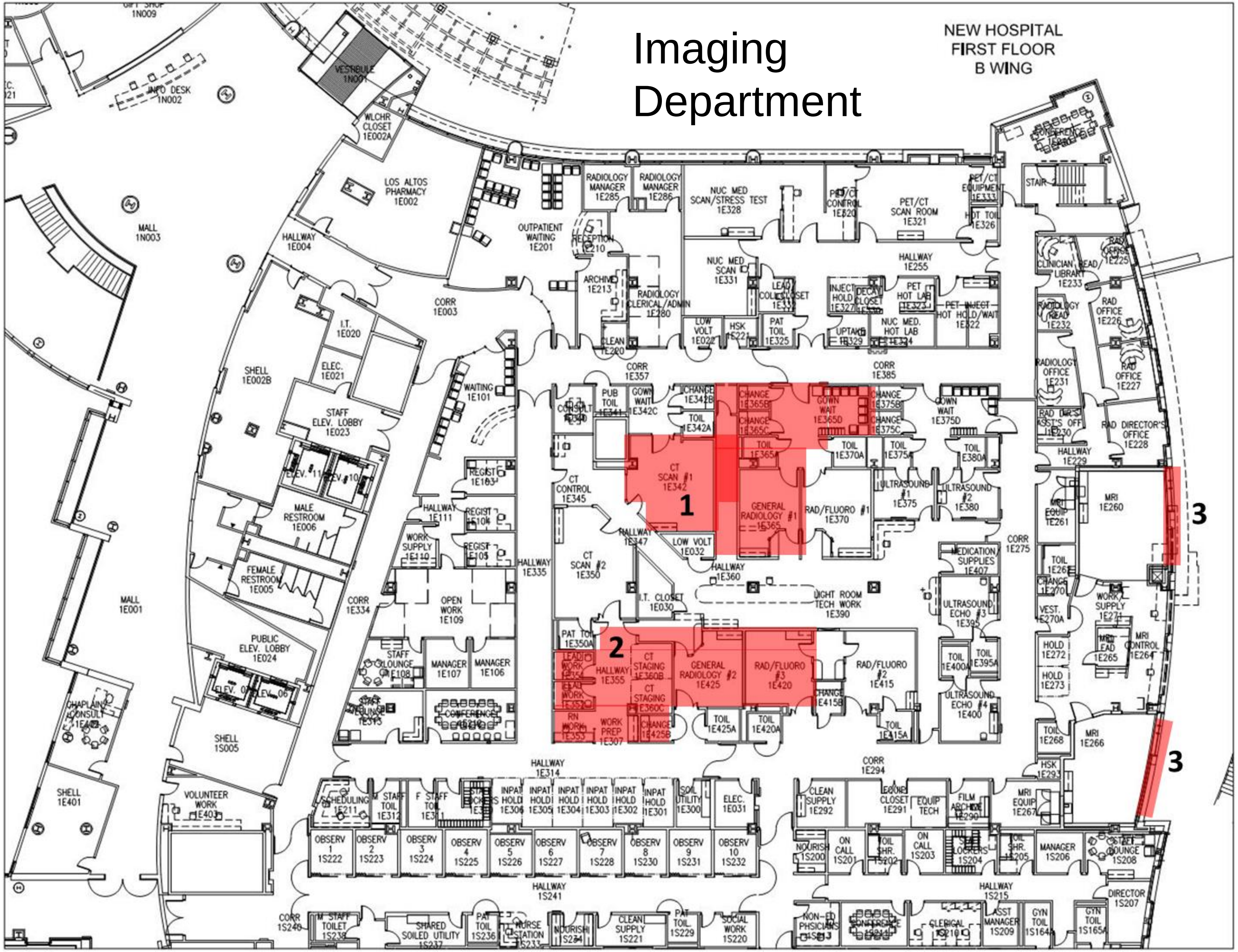
El Camino Health

Existing Floorplan
Extensive
Construction Zones

Zone 1 required to meet equipment clearances & build approved stress test environment.

Zone 2 to covert two existing rooms into new CT#3, modify storage & expand Nurses Station

Zone 3 to remove exterior walls to move magnets out and in.



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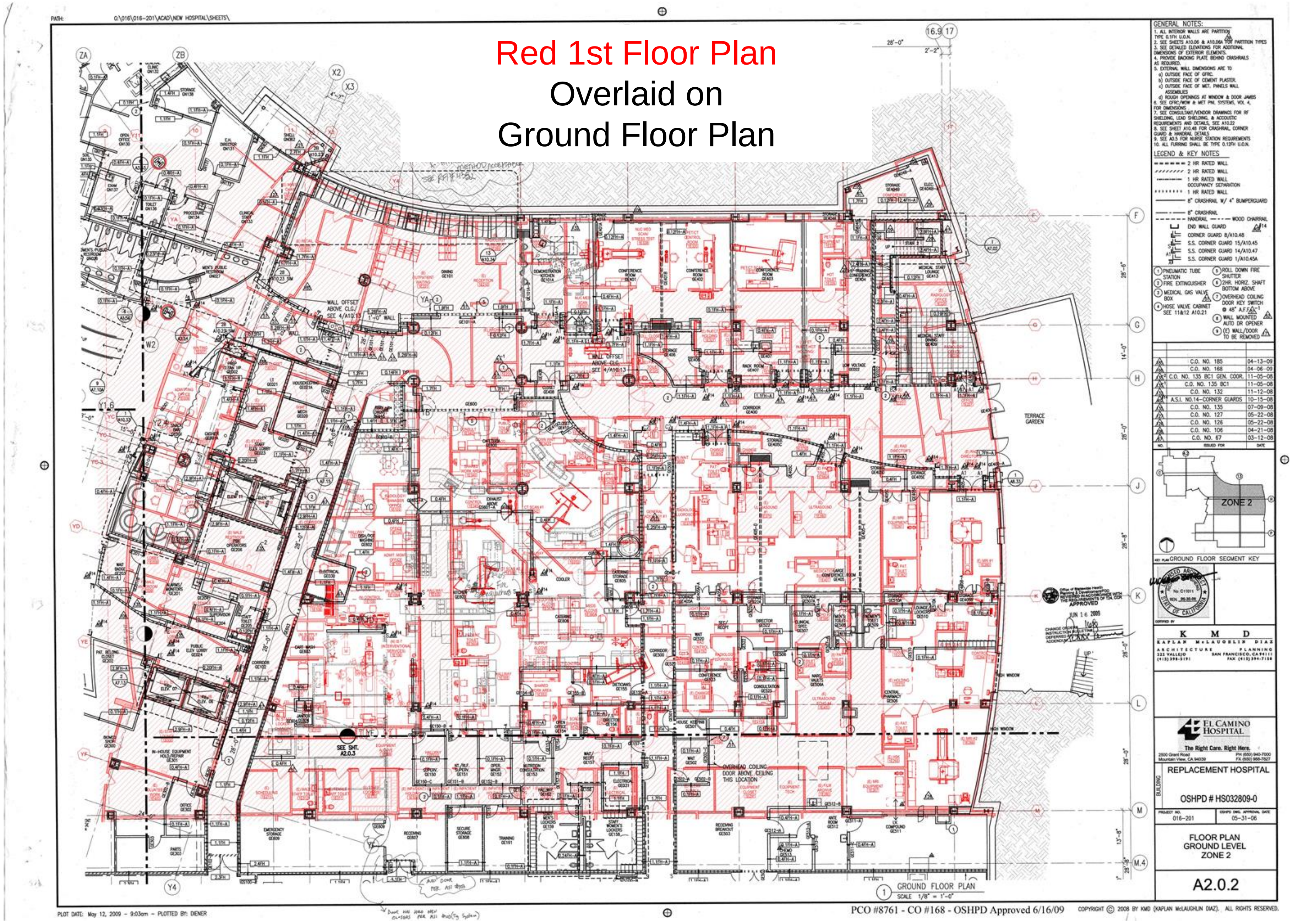
Red 1st Floor Plan
Overlaid on Ground Floor Plan



Equipment Installation on 1st Floor ……

Impacts the Ground Floor

Conference Rooms,

Kitchen & Serveries,

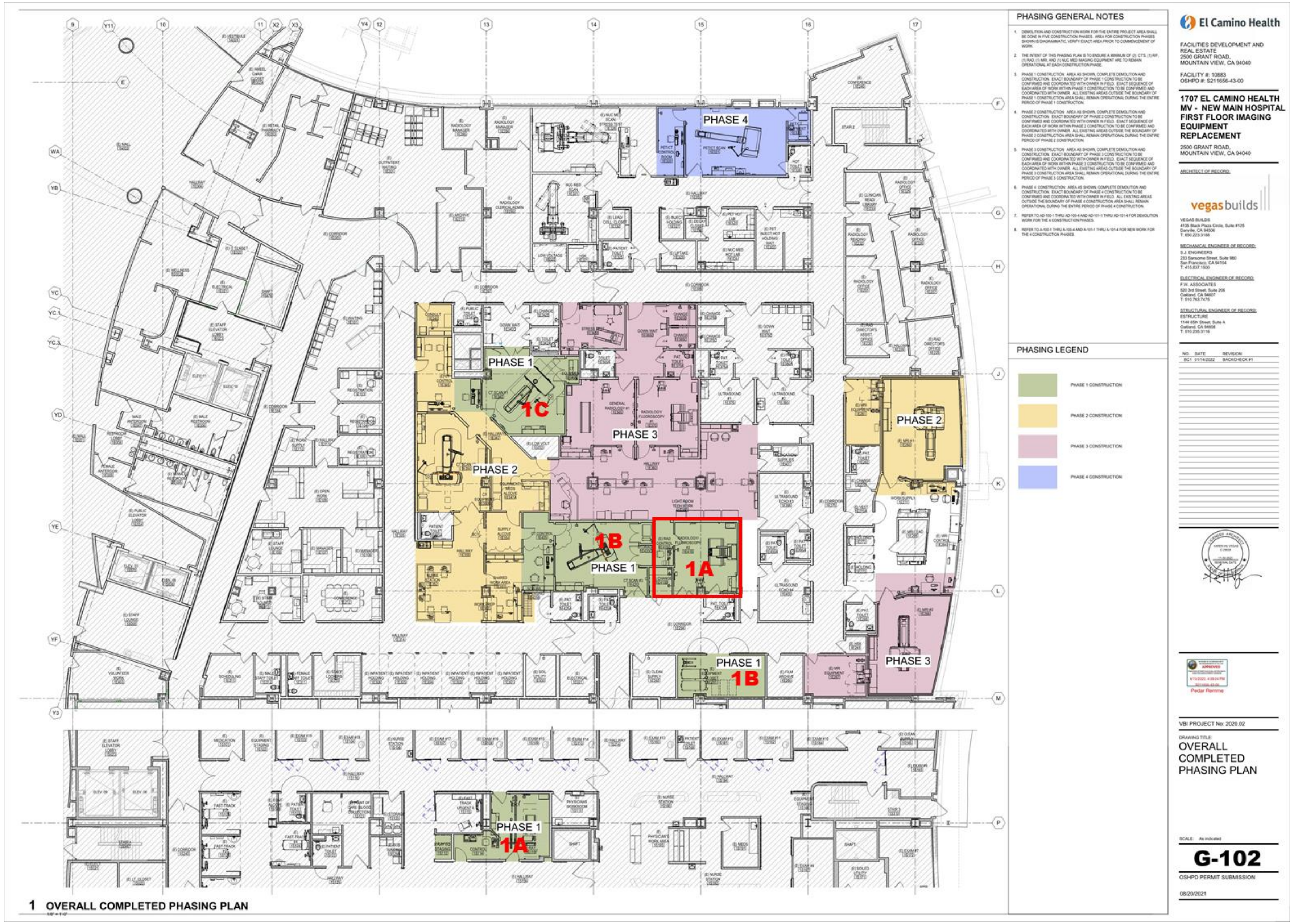
Pharmacy

Phasing Plan – Required to Ensure No Loss of Volume

Best for Operations

35 Months Total

Breaks Phase 1 into 3 segments to maintain 2 CT's inside with 1 CT mobile.



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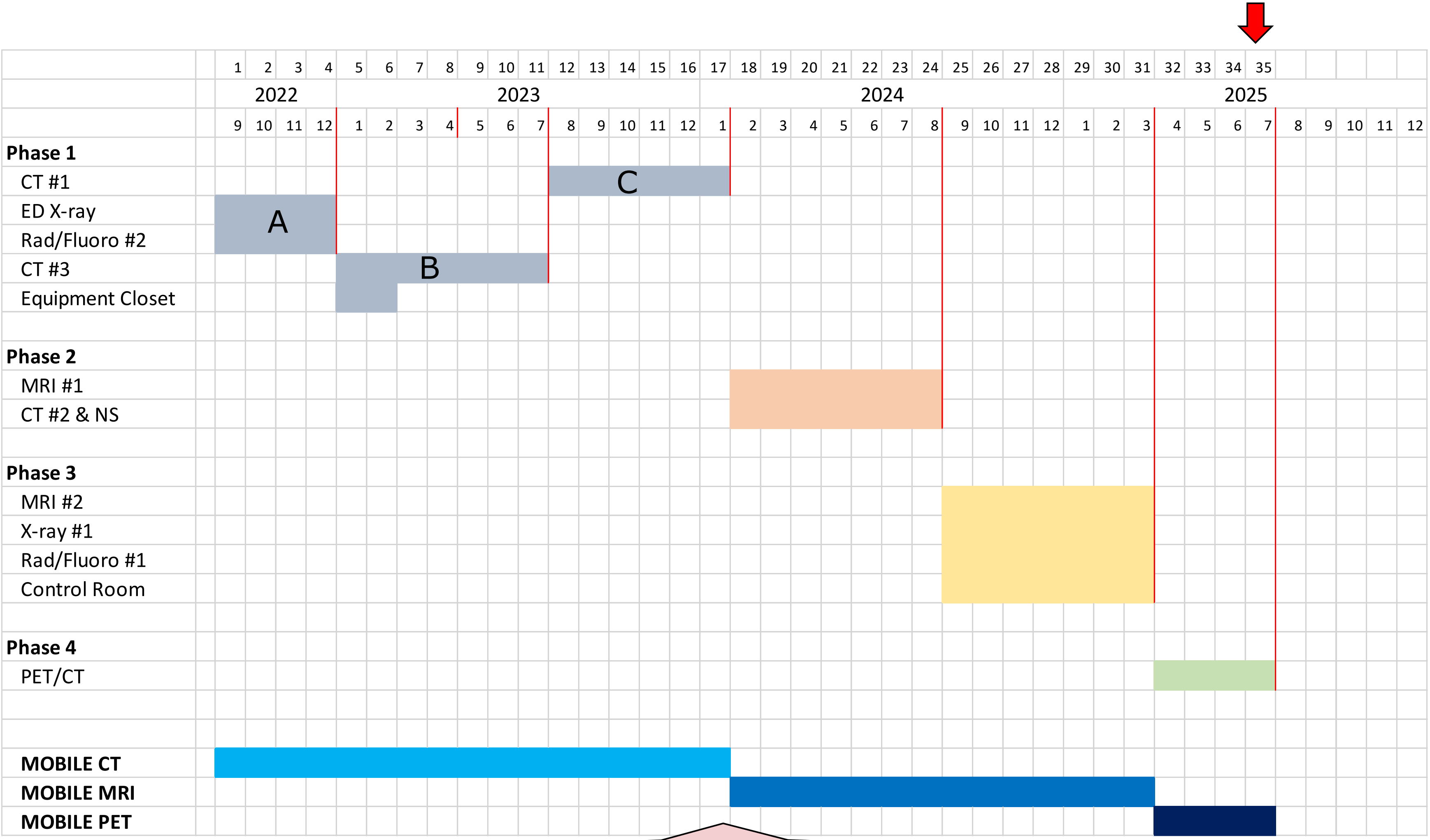
Timeline – Required to Ensure No Loss of Volume or Service

Phasing Plan – Required to Ensure No Loss of Volume

Best plan to support Operations

35 Months Total



Mobile Units will be leased to support operations

El Camino Health

Final Funding Request

Imaging Equipment	$12,747,715	
Construction / Installation	$17,130,000	
Other FF&E	$240,000	
Soft Costs	$4,478,804	15%
Contingency @ 3 %	$1,037,896	
Total Project Cost	$35,634,415	
Rounded	**$35,600,000**	
Less Prior Approved Funding	($16,900,000)	
Requested Final Funding	**$18,700,000**	

To approve and recommend Board Approval of the final funding request not to exceed $18.7 million for the construction and installation of Imaging Equipment in the MV Hospital.

Financial Assessment

Financial Assessment Methodology

Each project was assessed independently:

- MV Imaging Equipment Replacement Project:
  - Replacement of imaging equipment at MV hospital
  - Assumes a 2.0% annual reduction in cases if equipment not replaced
- MV Imaging Expansion Project:
  - Addition of 3rd CT Scanner at MV hospital
  - Assumes 10 year growth rate per Truven and Advisory Board guidance

MV Imaging Equipment Replacement Project
Key Assumptions / NPV Calculation

- Overall cost of replacement equipment is $32.7 million
  - $11.5 million equipment
  - $15.9 million construction
  - $ 5.3 million other costs + contingency
- FY2022 used for baseline financials and volumes
- Useful life: 10 years
- If replacement does not happen, baseline volumes reduced 2.0% annually due to equipment downtime

Net Present Value Calculation:

- **10 Year NPV: ($17.3 million)**

MV Imaging Equipment Replacement Project: Pro Forma

Equipment Replacement

	Baseline FY22	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10
Volume											
Inpatient	9,433	9,244	9,059	8,878	8,701	8,527	8,356	8,189	8,025	7,865	7,707
Outpatient	34,590	33,898	33,220	32,556	31,905	31,267	30,641	30,028	29,428	28,839	28,263
Total	**44,023**	**43,143**	**42,280**	**41,434**	**40,605**	**39,793**	**38,997**	**38,217**	**37,453**	**36,704**	**35,970**
Percentage Reduction from Baseline		**-2.0%**	**-4.0%**	**-5.9%**	**-7.8%**	**-9.6%**	**-11.4%**	**-13.2%**	**-14.9%**	**-16.6%**	**-18.3%**
Contribution Margin											
Inpatient	$ 5,636,459	$ 5,523,729	$ 5,413,255	$ 5,304,990	$ 5,198,890	$ 5,094,912	$ 4,993,014	$ 4,893,154	$ 4,795,291	$ 4,699,385	$ 4,605,397
Outpatient	$ 17,766,802	$17,411,466	$17,063,237	$16,721,972	$16,387,533	$16,059,782	$15,738,586	$15,423,815	$15,115,338	$14,813,032	$ 14,516,771
Total	**$ 23,403,261**	**$22,935,196**	**$22,476,492**	**$22,026,962**	**$21,586,423**	**$21,154,694**	**$20,731,600**	**$20,316,968**	**$19,910,629**	**$19,512,416**	**$ 19,122,168**
Incremental CM$		**$ 468,065**	**$ 926,769**	**$ 1,376,299**	**$ 1,816,838**	**$ 2,248,567**	**$ 2,671,661**	**$ 3,086,293**	**$ 3,492,632**	**$ 3,890,845**	**$ 4,281,093**

Capital Cost	**$ 32,700,000**
Discount Rate	**7%**
NPV	**$(17,312,732)**

El Camino Health

MV Imaging Expansion Project – Additional of 3rd CT
Key Assumptions / NPV Calculation

- Overall cost of 3rd CT is $2.9M
  - $1.2M Equipment
  - $1.2M Installation
  - $ 0.5M Other costs + contingency
- Ten year growth rate of 18.7% (IP 10.3% / OP 22.8%) used in analysis reflecting blended results of Truven and Advisory Board projections
  - Sensitivity analysis done assuming 50% and 75% of expected growth
- FY2022 used for baseline financials and volumes
- Useful life of equipment assumed to be 10 years

Net Present Value Calculation:

- **10 Year NPV:**
  - **$4.6 million at 100% growth**
  - **$2.7 million at 75% growth**
  - **$0.8 million at 50% growth**

MV Imaging Expansion Project: Addition of 3rd CT: Pro Forma

Summary - MV CT #3

Overall 10 YR Growth Rate
18.7%

	FY22	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10
Incremental Growth %		1.87%	3.75%	5.62%	7.49%	9.37%	11.24%	13.12%	14.99%	16.86%	18.74%
IP	4,256	44	88	131	175	219	263	306	350	394	438
OP	8,922	203	406	609	813	1,016	1,219	1,422	1,625	1,828	2,031
Total	13,178	247	494	741	988	1,235	1,481	1,728	1,975	2,222	2,469
Charges		$ 2,663,257	$ 5,427,325	$ 8,295,066	$ 11,269,419	$ 14,353,394	$ 17,550,078	$ 20,862,635	$ 24,294,310	$ 27,848,428	$ 31,528,398
Deductions		$ 2,083,419	$ 4,245,700	$ 6,489,084	$ 8,815,867	$ 11,228,407	$ 13,729,116	$ 16,320,471	$ 19,005,010	$ 21,785,334	$ 24,664,109
Net Revenue		$ 579,838	$ 1,181,624	$ 1,805,982	$ 2,453,551	$ 3,124,987	$ 3,820,962	$ 4,542,164	$ 5,289,300	$ 6,063,095	$ 6,864,289
Direct		$ 258,156	$ 531,802	$ 821,634	$ 1,128,377	$ 1,452,785	$ 1,795,643	$ 2,157,764	$ 2,539,997	$ 2,943,221	$ 3,368,353
Contribution		$ 321,682	$ 649,823	$ 984,349	$ 1,325,174	$ 1,672,202	$ 2,025,319	$ 2,384,400	$ 2,749,304	$ 3,119,873	$ 3,495,936
Indirect		$ 104,191	$ 214,634	$ 331,610	$ 455,411	$ 586,342	$ 724,718	$ 870,870	$ 1,025,138	$ 1,187,879	$ 1,359,461
Net Margin		**$ 217,491**	**$ 435,188**	**$ 652,739**	**$ 869,763**	**$ 1,085,860**	**$ 1,300,601**	**$ 1,513,530**	**$ 1,724,166**	**$ 1,931,995**	**$ 2,136,475**

Growth Rate Sensitivity	NPV
50.0%	$ 813,748
75.0%	$ 2,689,641
100.0%	$ 4,565,534

Capital Investment	
Equipment and Room	$ 2,938,038
Discount	7%
NPV	**$ 4,565,534**

El Camino Health

Funding Request and Q & A

Funding Request – Finance Committee

- To recommend Board Approval of the final funding request not to exceed $18.7 million for the replacement and expansion of imaging equipment at MV Hospital

Q & A

El Camino Health