



El Camino Hospital[®]
THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 8
7/1/2017 to 2/28/2018

Financial Overview

- **Volume:**

- For the year, overall volume, measured in adjusted discharges is 5.6% higher than budget. However, the monthly growth trend reversed in February as the flu cases dropped.
- IP cases are 4.3% over budget, specifically Neurosciences, HVI, BHS, Oncology and General Medicine. Deliveries are slightly lower to prior year and 3.9% below budget.
- OP cases are higher than budget in General Surgery, General Medicine, Emergency, Lab, Imaging Services, MCH, Rehab, Outpatient Clinics and Urology.

- **Financial Performance:**

- Operating income is \$2.9M over budget. Revenue for the month include \$205K in unusual items. For the year op margin is \$41.5M ahead of target.
- Investments had a \$15 million loss during the month but for the year, investment earnings remain \$36 million ahead of target.

- **Payor Mix:**

- Commercial insurance is 3.3% less of the Payor Mix in February than budget where Medicare has increased 2.2%.

- **Cost:**

- Prod Hrs/APD for February is 30.2 unfavorable vs. target due to lower volume. YTD we are ahead of budget.

- **Balance Sheet:**

- Net days in AR is 48.4 which is 0.4 days more than budget.

Dashboard - ECH combined as of February 28, 2018

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Volume								
Licensed Beds	443	443	443	-	443	443	443	-
ADC	249	243	261	(18)	236	244	239	5
Utilization MV	67%	68%	72%	-5%	65%	67%	66%	1%
Utilization LG	33%	28%	31%	-3%	29%	30%	29%	1%
Utilization Combined	56%	55%	59%	-4%	53%	55%	54%	1%
Adjusted Discharges	2,701	2,781	2,703	77	22,246	23,880	22,621	1,259
Total Discharges (Excl NNB)	1,560	1,560	1,581	(21)	12,932	13,640	13,097	543
Total Discharges	1,852	1,834	1,862		15,471	16,190	15,516	
Inpatient Cases								
MS Discharges	1,105	1,117	1,102	15	8,904	9,557	8,987	570
Deliveries	354	328	370	(42)	3,106	3,061	3,184	(123)
BHS	67	80	70	10	606	731	597	134
Rehab	34	35	38	(3)	316	291	329	(38)
Outpatient Cases								
ED	11,447	11,752	11,730	22	95,415	99,545	97,309	2,236
Procedural Cases								
OP Surg	358	369	365	4	2,915	3,110	3,032	78
Endo	201	188	170	18	1,576	1,585	1,408	177
Interventional	162	173	169	4	1,427	1,391	1,405	(14)
All Other	6,815	6,921	7,130	(209)	57,725	60,214	59,149	1,065
Financial Perf.								
Net Patient Revenues	63,665	67,364	66,529	835	536,527	590,175	551,843	38,333
Total Operating Revenue	65,460	69,564	68,395	1,168	553,757	610,103	567,497	42,607
Operating Expenses	61,657	61,963	63,765	(1,802)	487,529	515,460	514,359	1,102
Operating Income \$	3,803	7,600	4,630	2,970	66,229	94,643	53,138	41,505
Operating Margin	5.8%	10.9%	6.8%	4.2%	12.0%	15.5%	9.4%	6.1%
EBITDA \$	8,192	12,554	9,813	2,741	101,882	130,915	93,559	37,356
EBITDA %	12.5%	18.0%	14.3%	3.7%	18.4%	21.5%	16.5%	5.0%
IP Margin ¹	5.8%	12.9%	-10.2%	23.1%	5.8%	12.9%	-10.2%	23.1%
OP Margin ¹	37.0%	44.2%	31.7%	12.5%	37.0%	44.2%	31.7%	12.5%
Payor Mix								
Medicare	49.3%	49.6%	47.4%	2.2%	47.6%	47.2%	47.4%	-0.2%
Medi-Cal	8.1%	7.9%	7.2%	0.7%	7.3%	7.9%	7.2%	0.7%
Commercial IP	21.2%	20.4%	22.6%	-2.2%	22.5%	22.3%	22.6%	-0.2%
Commercial OP	19.2%	19.2%	20.3%	-1.1%	20.1%	20.2%	20.3%	-0.1%
Total Commercial	40.4%	39.6%	42.9%	-3.3%	42.7%	42.6%	42.9%	-0.3%
Other	2.2%	2.9%	2.5%	0.3%	2.5%	2.4%	2.5%	-0.1%
Cost								
Total FTE	2,518.4	2,597.0	2,605.1	(8)	2,484.3	2,576.6	2,522.8	54
Productive Hrs/APD	29.4	30.2	29.2	1	30.3	29.9	30.6	(1)
Balance Sheet								
Net Days in AR	44.8	48.4	48.0	0	44.8	48.4	48.0	0
Days Cash	444	484	266	218	444	484	266	218
Affiliates - Net Income (\$000s)								
Hosp	8,479	(7,298)	4,856	(12,153)	95,401	139,987	54,940	85,047
Concern	274	(245)	117	(362)	1,003	865	972	(107)
ECSC	(6)	(1)	0	(1)	(60)	(22)	0	(22)
Foundation	371	(701)	58	(760)	2,046	1,516	451	1,065
SVMD	(30)	(416)	48	(464)	160	(282)	41	(323)

Budget Variances

Fiscal Year 2018 YTD (7/1/2017-02/28/2018) Waterfall

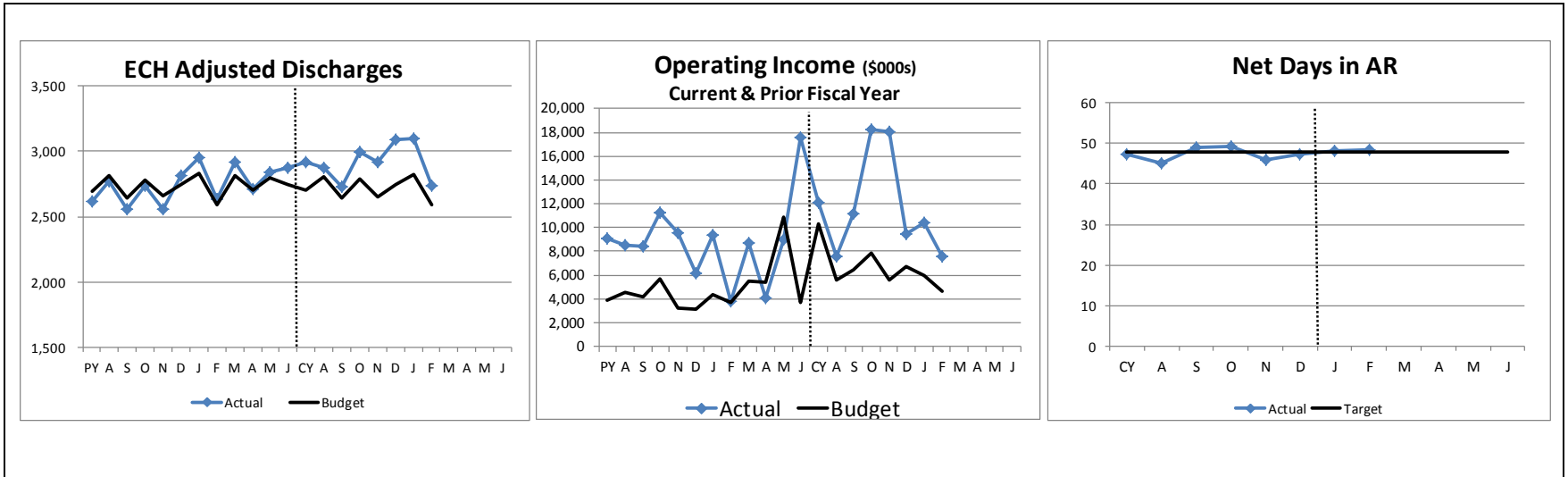
(in thousands; \$000s)	Year to Date (YTD)	
	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	53,138	9.4%
Net Revenue - Favorable due higher volume, revenue cycle operations and \$13 million unusual items	42,607	7.0%
Labor and Benefit Expense Change - Labor favorable vs budget after adjusting for higher volume	(2,249)	-0.4%
Professional Fees & Purchased Services -Recruiting costs and backfill for vacant position;	(2,157)	-0.4%
Supplies - unfavorable due to increase in surgical and other general supplies, offset by savings in Spine supplies as well as Drugs. Higher volumes also driving increase.	(1,857)	-0.3%
Other Expenses - primarily due to no strategic fund expenses offset with property tax retro payment and regular payment for half year.	1,013	0.2%
Depreciation & Interest - Favorable due to delay in Parking Structure as well as LG projects	4,149	0.7%
Actual Hospital Operations FY2018	94,643	15.5%

El Camino Hospital (\$000s)

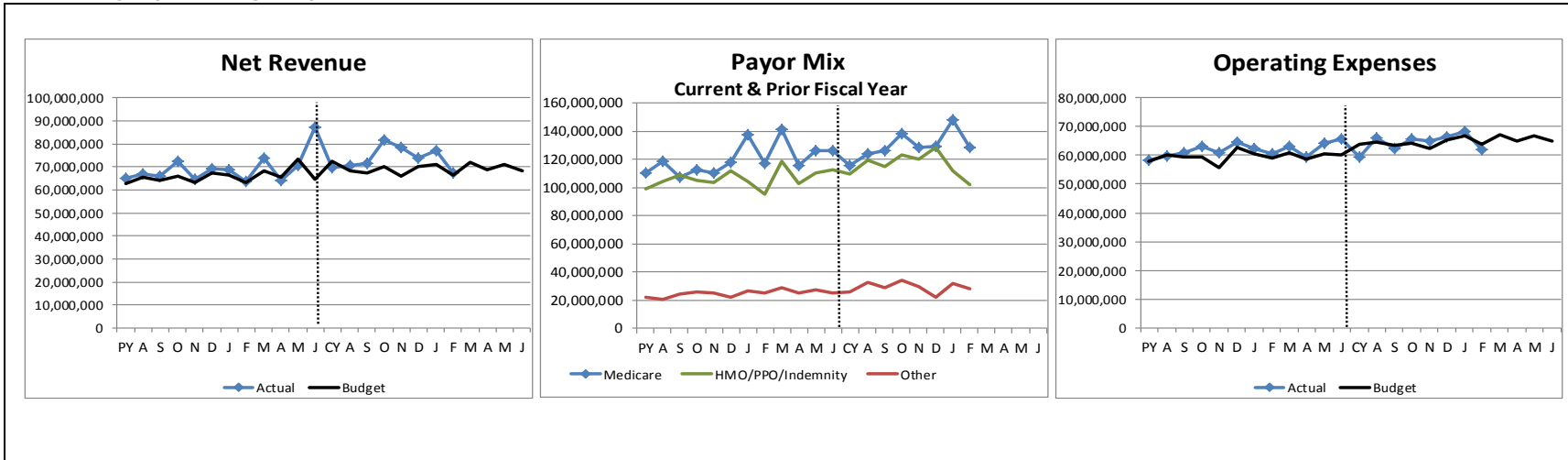
8 months ending 02/28/2018

Period 8 FY 2017	Period 8 FY 2018	Period 8 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
238,237	259,224	258,252	972	0.4%	Gross Revenue	1,957,450	2,201,507	2,112,508	88,999	4.2%
(174,572)	(191,860)	(191,723)	(138)	1.0%	Deductions	(1,420,923)	(1,611,332)	(1,560,665)	(50,667)	3.2%
63,665	67,364	66,529	835	1.3%	Net Patient Revenue	536,527	590,175	551,843	38,333	6.9%
1,795	2,200	1,866	334	17.9%	Other Operating Revenue	17,231	19,928	15,654	4,274	27.3%
65,460	69,564	68,395	1,168	1.7%	Total Operating Revenue	553,757	610,103	567,497	42,607	7.5%
OPERATING EXPENSE										
37,928	37,254	37,937	684	1.8%	Salaries & Wages	296,101	312,367	310,118	(2,249)	-0.7%
9,777	9,625	10,058	433	4.3%	Supplies	75,133	82,735	80,878	(1,857)	-2.3%
7,485	7,906	8,138	232	2.9%	Fees & Purchased Services	62,144	65,645	63,488	(2,157)	-3.4%
2,079	2,224	2,448	224	9.2%	Other Operating Expense	18,497	18,441	19,454	1,013	5.2%
444	741	725	(15)	-2.1%	Interest	3,423	3,602	5,804	2,201	37.9%
3,944	4,213	4,457	244	5.5%	Depreciation	32,230	32,670	34,618	1,947	5.6%
61,657	61,963	63,765	1,802	2.8%	Total Operating Expense	487,529	515,460	514,359	(1,102)	-0.2%
3,803	7,600	4,630	2,970	64.1%	Net Operating Income/(Loss)	66,229	94,643	53,138	41,505	78.1%
4,675	(14,898)	225	(15,123)	-6712.7%	Non Operating Income	29,173	45,344	1,802	43,542	2415.8%
8,479	(7,298)	4,856	(12,153)	-250.3%	Net Income(Loss)	95,401	139,987	54,940	85,047	154.8%
12.5%	18.0%	14.3%	3.7%		EBITDA	18.4%	21.5%	16.5%	5.0%	
5.8%	10.9%	6.8%	4.2%		Operating Margin	12.0%	15.5%	9.4%	6.1%	
13.0%	-10.5%	7.1%	-17.6%		Net Margin	17.2%	22.9%	9.7%	13.3%	

Monthly Financial Trends



Volume is higher than budget for the month and the year. High inpatient volume is in Inpatient Behavioral Health, HVI, Neurosciences and General Medicine. High Outpatient volume is General Medicine, Imaging Services, MCH, Lab, Outpatient Clinics, General Surgery, Emergency and Rehab



ECH Operating Margin

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



FY 2018 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	N	D	J	F	YTD
Insurance (Payment Variance)	-	-	-	611	-	669	28	-	1,309
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	905	54	184	81	396	92	1,921
AB 915	-	-	-	-	-	-	-	103	103
Hospital Fee	-	-	-	712	1,024	-	-	-	1,736
PRIME Incentive	-	-	-	-	2,902	-	-	-	2,902
Credit Balance Quarterly Review	-	-	2,201	-	-	472	-	-	2,673
Late Charge Accrual	-	-	-	3,283	-	-	-	-	3,283
Various Adjustments under \$250k	9	36	27	6	16	8	(878)	10	(767)
Total	63	191	3,134	4,667	4,126	1,229	(453)	205	13,160

El Camino Hospital Investment Committee Scorecard December 31, 2017

Key Performance Indicator	Status	El Camino	Benchmark	El Camino	Benchmark	El Camino	Benchmark	FY18 Year-end Budget	Expectation Per Asset Allocation
Investment Performance		4Q 2017		Fiscal Year-to-date		5y 2m Since Inception (annualized)			2017
Surplus cash balance*		\$872.0	--	--	--	--	--	\$926.1	--
Surplus cash return	■	2.6%	2.7%	5.4%	5.6%	6.0%	5.9%	1.9%	5.7%
Cash balance plan balance (millions)		\$259.2	--	--	--	--	--	\$257.1	--
Cash balance plan return	■	2.9%	3.3%	6.3%	6.7%	8.4%	7.9%	6.0%	6.1%
403(b) plan balance (millions)		\$441.7	--	--	--	--	--	--	--
Risk vs. Return		3-year				5y 2m Since Inception (annualized)			2017
Surplus cash Sharpe ratio	■	1.16	1.19	--	--	1.44	1.42	--	0.46
Net of fee return	■	5.5%	5.6%	--	--	6.0%	5.9%	--	5.7%
Standard deviation	■	4.4%	4.4%	--	--	3.9%	4.0%	--	7.2%
Cash balance Sharpe ratio	■	1.13	1.16	--	--	1.51	1.47	--	0.43
Net of fee return	■	6.7%	6.5%	--	--	8.4%	7.9%	--	6.1%
Standard deviation	■	5.6%	5.3%	--	--	5.3%	5.1%	--	8.7%
Asset Allocation		4Q 2017							
Surplus cash absolute variances to target	■	5.9%	< 10%	--	--	--	--	--	--
Cash balance absolute variances to target	■	7.5%	< 10%	--	--	--	--	--	--
Manager Compliance		4Q 2017							
Surplus cash manager flags	■	21	< 19 Green < 23 Yellow	--	--	--	--	--	--
Cash balance plan manager flags	■	23	< 20 Green < 25 Yellow	--	--	--	--	--	--

*Excludes debt reserve funds (~\$245 mm), District assets (~\$31 mm), and balance sheet cash not in investable portfolio (~\$124 mm).
Includes Foundation (~\$26 mm) and Concern (~\$13 mm) assets. Budget adds back in current Foundation and Concern assets and backs out current debt reserve funds.



El Camino Hospital

Capital Spending (in millions)

Category	Detail	Approved	Total	Total	Spent from Inception	2018 Current Proj Spend	FY18 Orig Proj Spend	Variance		FY 18 YTD Spent
			Estimated Cost of Project	Authorized Active				Between Current Proj Spend and Orig Proj Spend		
CIP	EPIC Upgrade			1.9		1.0	1.9	1.9	0.0	1.0
	IT Hardware, Software, Equipment & Imaging*			12.2		1.0	12.2	12.2	0.0	1.0
	Medical & Non Medical Equipment FY 17**			14.0		12.9	8.6	0.0	8.6 ²	7.5
	Medical & Non Medical Equipment FY 18***			5.6		3.4	5.6	5.6	0.0	3.4
	Facility Projects									
	1245 Behavioral Health Bldg	FY16	96.1	96.1	34.0	27.0	51.4	-24.4 ¹		16.4
	1413 North Drive Parking Expansion	FY15	24.5	24.5	23.8	2.6	3.4	-0.8		4.1
	1414 Integrated MOB	FY15	302.1	302.1	82.5	72.0	130.1	-58.1 ¹		36.6
	1422 CUP Upgrade	FY16	9.0	9.0	4.3	5.5	4.0	1.5		2.0
	1430 Women's Hospital Expansion	FY16	120.0	6.0	2.7	3.6	7.0	-3.4		2.2
	1425 IMOB Preparation Project - Old Main	FY16	20.0	0.0	2.7	0.0	0.0	0.0		0.1
	1502 Cabling & Wireless Upgrades	FY16	0.0	0.0	2.5	0.0	0.0	0.0		0.1
	1525 New Main Lab Upgrades		3.1	3.1	1.8	2.5	0.0	2.5		1.3
	1515 ED Remodel Triage/Psych Observation	FY16	5.0	0.3	0.0	0.4	0.0	0.4		0.0
	1503 Willow Pavilion Tomosynthesis	FY16	0.8	0.0	0.3	0.0	0.0	0.0		0.0
	1602 JW House (Patient Family Residence)		6.5	0.5	0.1	0.5	0.5	0.0		0.1
	Site Signage and Other Improvements		1.0	0.0	0.0	0.3	1.0	-0.8		0.0
	Nurse Call System Upgrades		2.4	0.0	0.0	0.1	0.0	0.1		0.0
	1707 Imaging Equipment Replacement (5 or 6 rooms)		20.7	0.0	0.0	0.3	0.1	0.2		0.0
	1708 IR/ Cath Lab Equipment Replacement		19.4	0.0	0.0	0.3	2.0	-1.8		0.0
	Flooring Replacement		1.6	0.3	0.0	0.4	0.0	0.4		0.0
	1219 LG Spine OR	FY13	0.0	0.0	3.7	0.0	0.0	0.0		0.3
	1313 LG Rehab HVAC System & Structural	FY16	0.0	0.0	4.1	0.0	0.0	0.0		0.4
	1248 LG Imaging Phase II (CT & Gen Rad)	FY16	8.8	8.8	8.1	0.6	0.7	-0.1		0.7
	1307 LG Upgrades	FY13	19.3	19.3	16.9	4.9	5.0	-0.1		3.0
	1508 LG NICU 4 Bed Expansion	FY16	0.0	0.0	0.0	0.0	0.0	0.0		0.0
	1507 LG IR Upgrades		1.3	0.0	0.0	0.0	0.0	0.0		0.0
	1603 LG MOB Improvements (17)		5.0	5.0	4.4	3.5	3.5	0.0		4.2
	1711 Emergency Sanitary & Water Storage		1.4	0.3	0.1	0.2	3.2	-3.0		0.1
	LG Modular MRI & Awning		3.9	3.9	0.0	0.4	0.0	0.4		0.0
	LG Nurse Call System Upgrade		2.8	0.0	0.0	0.0	0.0	0.0		0.0
	LG Observation Unit (Conversion of ICU 2)		1.8	0.0	0.0	0.8	0.0	0.8		0.0
	1712 LG Cancer Center		2.4	0.3	0.0	0.4	0.0	0.4		0.0
	All Other Projects under \$1M		5.6	0.4	35.5	1.8	0.0	1.8		3.3
			684.4	479.6	227.5	128.0	211.9	-83.9		75.0
GRAND TOTAL				499.4	245.8	156.5	231.7	-75.2		87.8

* Excluding EPIC

** Unspent Prior Year routine used as contingency

*** Includes 2 robot purchases

¹ Variance due to delay in MV campus plan

² Initial assumption was to spend all FY17 in FY17

Balance Sheet (in thousands)

ASSETS			LIABILITIES AND FUND BALANCE		
	February 28, 2018	Audited June 30, 2017		February 28, 2018	Audited June 30, 2017
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	127,575	125,551	(7) Accounts Payable	26,950	38,457
Short Term Investments	160,110	140,284	(8) Salaries and Related Liabilities	22,425	25,109
Patient Accounts Receivable, n	117,190	109,089	Accrued PTO	23,200	23,409
Other Accounts and Notes Rec	2,905	2,628	Worker's Comp Reserve	2,300	2,300
Intercompany Receivables	1,881	1,495	Third Party Settlements	10,967	10,438
(1) Inventories and Prepaids	56,001	50,657	Intercompany Payables	72	84
Total Current Assets	465,662	429,705	Malpractice Reserves	1,634	1,634
BOARD DESIGNATED ASSETS			Bonds Payable - Current	3,850	3,735
(2) Plant & Equipment Fund	148,432	131,153	(9) Bond Interest Payable	3,640	11,245
Women's Hospital Expansion	9,298	9,298	Other Liabilities	6,487	4,889
(3) Operational Reserve Fund	127,908	100,196	Total Current Liabilities	101,524	121,299
(4) Community Benefit Fund	18,481	12,237	LONG TERM LIABILITIES		
Workers Compensation Reser	21,151	20,007	Post Retirement Benefits	19,580	19,218
Postretirement Health/Life Re	19,580	19,218	Worker's Comp Reserve	18,851	17,707
PTO Liability Fund	23,200	23,409	Other L/T Obligation (Asbestos)	3,821	3,746
Malpractice Reserve Fund	1,634	1,634	Other L/T Liabilities (IT/Medl Leases)	-	-
Catastrophic Reserves Fund	18,153	16,575	Bond Payable	521,750	527,371
Total Board Designated Assets	387,837	333,727	Total Long Term Liabilities	564,002	568,042
(5) FUNDS HELD BY TRUSTEE	229,106	287,052	DEFERRED REVENUE-UNRESTRICTED	478	567
LONG TERM INVESTMENTS	285,697	256,652	DEFERRED INFLOW OF RESOURCES	10,666	10,666
INVESTMENTS IN AFFILIATES	33,487	32,451	FUND BALANCE/CAPITAL ACCOUNTS		
PROPERTY AND EQUIPMENT			Unrestricted	1,213,658	1,132,525
(6) Fixed Assets at Cost	1,252,325	1,192,047	Board Designated	387,837	333,726
Less: Accumulated Depreciatio	(561,152)	(531,785)	Restricted	0	0
Construction in Progress	156,644	138,017	(10) Total Fund Bal & Capital Accts	1,601,494	1,466,251
Property, Plant & Equipment - Net	847,816	798,279	TOTAL LIABILITIES AND FUND BALANCE	2,278,165	2,166,825
DEFERRED OUTFLOWS	28,560	28,960			
RESTRICTED ASSETS - CASH	0	0			
TOTAL ASSETS	2,278,165	2,166,825			

FEBRUARY 2018 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase is due to two quarterly pension fundings of \$2.6M in October and January.
- (2) The increase is due 8 months of funded depreciation contributions (130% of straight depreciation expense. Note this amount also contains \$14M reserved for BHS replacement building currently under construction, in conjunction with bond proceeds, item (5).
- (3) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.
- (4) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (5) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (6) The increase is due to the capitalization of the Parking Structure expansion in August and CT upgrades at LG in September.
- (7) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (8) This decrease is primarily due to the annual 403B match funding that occurred in January
- (9) The significant decrease is due to semi-annual 2015A and 2017 Bond interest payments having been paid in January.
- (10) The increase is attributable to the first eight periods of financial performance producing an operating income of \$94 million and non-operating of \$45 million (mostly from unrealized gains on investments).

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (1 OF 2)

- **Plant & Equipment Fund** – original established by the District Board in the early 1960’s to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District’s Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.
- **Women’s Hospital Expansion** – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.
- **Operational Reserve Fund** – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on projected budget) and only be used in the event of a major business interruption event and/or cash flow.
- **Community Benefit Fund** – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (2 OF 2)

- **Workers Compensation Reserve Fund** – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.
- **Postretirement Health/Life Reserve Fund** – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.
- **PTO (Paid Time Off) Liability Fund** – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.
- **Malpractice Reserve Fund** – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.
- **Catastrophic Loss Fund** – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

El Camino Hospital – Mountain View (\$000s)

8 months ending 02/28/2018

Period 8 FY 2017	Period 8 FY 2018	Period 8 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
192,985	217,551	213,000	4,550	2.1%	OPERATING REVENUE					
(144,092)	(159,423)	(158,859)	(563)	0.4%	Gross Revenue	1,606,267	1,804,329	1,734,988	69,341	4.0%
48,893	58,128	54,141	3,987	7.4%	Deductions	(1,164,557)	(1,318,516)	(1,286,498)	(32,018)	2.5%
1,612	2,000	1,653	347	21.0%	Net Patient Revenue	441,710	485,813	448,490	37,323	8.3%
50,504	60,128	55,793	4,334	7.8%	Other Operating Revenue	15,905	18,552	13,943	4,609	33.1%
					Total Operating Revenue	457,614	504,365	462,433	41,932	9.1%
					OPERATING EXPENSE					
31,383	31,178	31,789	611	1.9%	Salaries & Wages	246,200	260,011	259,571	(440)	-0.2%
7,687	8,111	8,144	33	0.4%	Supplies	61,107	66,791	65,159	(1,632)	-2.5%
6,017	6,657	6,919	262	3.8%	Fees & Purchased Services *	51,299	54,910	53,265	(1,645)	-3.1%
655	768	927	159	17.2%	Other Operating Expense	5,590	5,892	6,994	1,102	15.8%
444	741	725	(15)	-2.1%	Interest	3,423	3,602	5,804	2,201	37.9%
3,457	3,523	3,696	173	4.7%	Depreciation	28,066	27,952	28,775	824	2.9%
49,642	50,977	52,199	1,223	2.3%	Total Operating Expense	395,685	419,158	419,568	410	0.1%
862	9,151	3,594	5,557	154.6%	Net Operating Income/(Loss)	61,929	85,207	42,864	42,343	98.8%
4,675	(14,898)	225	(15,123)	-6712.7%	Non Operating Income	29,183	45,389	1,802	43,586	2418.3%
5,537	(5,748)	3,819	(9,567)	-250.5%	Net Income(Loss)	91,113	130,596	44,667	85,929	192.4%
9.4%	22.3%	14.4%	7.9%		EBITDA	20.4%	23.2%	16.7%	6.4%	
1.7%	15.2%	6.4%	8.8%		Operating Margin	13.5%	16.9%	9.3%	7.6%	
11.0%	-9.6%	6.8%	-16.4%		Net Margin	19.9%	25.9%	9.7%	16.2%	

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

8 months ending 02/28/2018

Period 8 FY 2017	Period 8 FY 2018	Period 8 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
					OPERATING REVENUE					
45,253	41,674	45,251	(3,578)	-7.9%	Gross Revenue	351,183	397,178	377,520	19,658	5.2%
(30,480)	(32,437)	(32,863)	426	-1.3%	Deductions	(256,366)	(292,816)	(274,167)	(18,649)	6.8%
14,773	9,236	12,388	(3,152)	-25.4%	Net Patient Revenue	94,817	104,363	103,353	1,010	1.0%
183	200	213	(14)	-6.4%	Other Operating Revenue	1,326	1,376	1,711	(335)	-19.6%
14,956	9,436	12,602	(3,166)	-25.1%	Total Operating Revenue	96,143	105,738	105,064	674	0.6%
					OPERATING EXPENSE					
6,545	6,076	6,149	73	1.2%	Salaries & Wages	49,901	52,356	50,547	(1,810)	-3.6%
2,090	1,514	1,914	400	20.9%	Supplies	14,026	15,944	15,719	(225)	-1.4%
1,468	1,249	1,220	(30)	-2.4%	Fees & Purchased Services *	10,845	10,734	10,223	(512)	-5.0%
1,424	1,457	1,522	65	4.3%	Other Operating Expense	12,907	12,549	12,460	(89)	-0.7%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
487	691	761	71	9.3%	Depreciation	4,165	4,719	5,842	1,124	19.2%
12,015	10,986	11,566	579	5.0%	Total Operating Expense	91,844	96,303	94,790	(1,512)	-1.6%
2,941	(1,550)	1,036	(2,587)	-249.6%	Net Operating Income/(Loss)	4,299	9,436	10,274	(838)	-8.2%
0	0	0	0	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
2,941	(1,550)	1,036	(2,587)	-249.6%	Net Income(Loss)	4,289	9,391	10,274	(882)	-8.6%
22.9%	-9.1%	14.3%	-23.4%		EBITDA	8.8%	13.4%	15.3%	-2.0%	
19.7%	-16.4%	8.2%	-24.7%		Operating Margin	4.5%	8.9%	9.8%	-0.9%	
19.7%	-16.4%	8.2%	-24.7%		Net Margin	4.5%	8.9%	9.8%	-0.9%	

Non Operating Items and Net Income by Affiliate

\$ in thousands

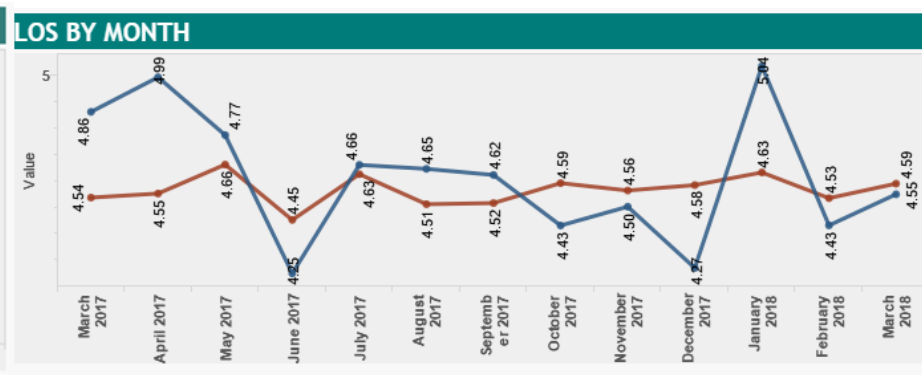
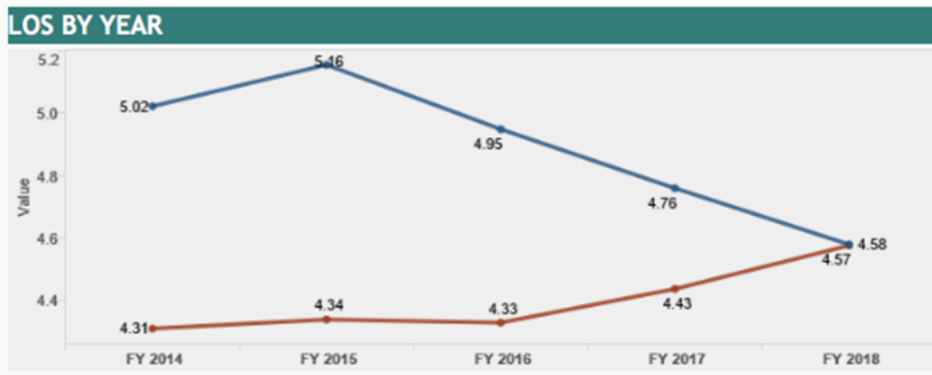
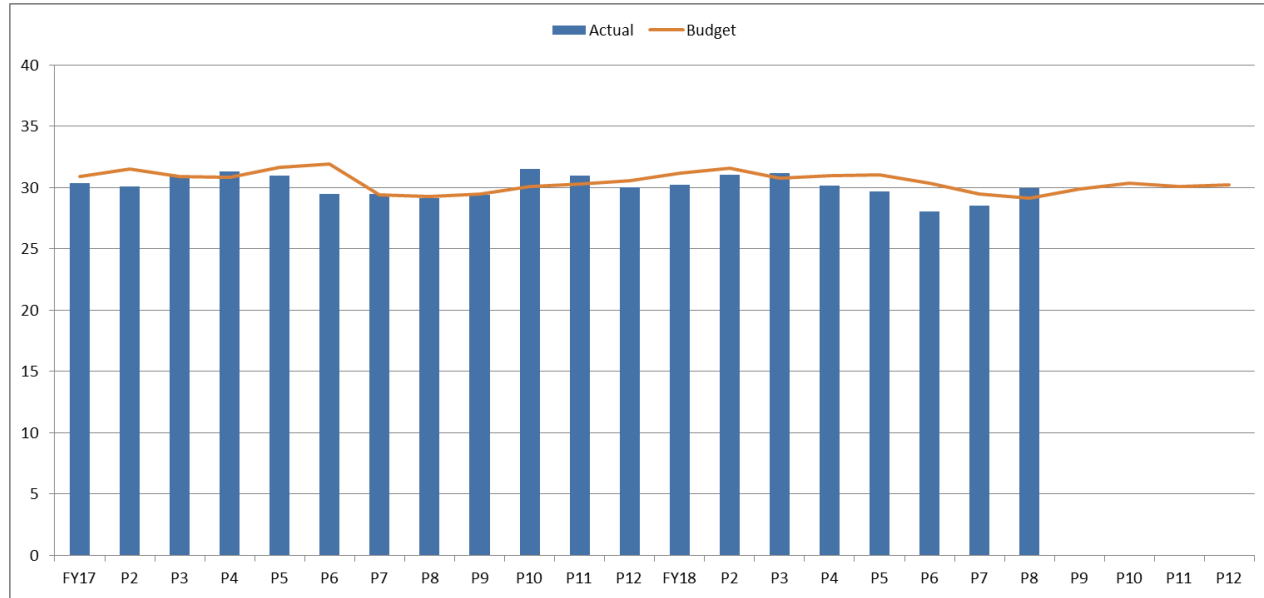
	Period 8 - Month			Period 8 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	9,151	3,594	5,557	85,207	42,864	42,343
Los Gatos	(1,550)	1,036	(2,587)	9,436	10,274	(838)
Sub Total - El Camino Hospital, excl. Affiliates	7,600	4,630	2,970	94,643	53,138	41,505
Operating Margin %	10.9%	6.8%		15.5%	9.4%	
El Camino Hospital Non Operating Income						
Investments	(14,719)	1,516	(16,234)	48,715	12,124	36,590
Swap Adjustments	322	0	322	1,771	0	1,771
Community Benefit	(244)	(283)	39	(2,450)	(2,267)	(183)
Pathways	502	42	461	925	333	592
Satellite Dialysis	(54)	(35)	(18)	(150)	(283)	133
Community Connect	0	(141)	141	0	(1,124)	1,124
SVMD Funding	(325)	(448)	124	(949)	(3,587)	2,638
Other	(381)	(424)	43	(2,518)	(3,394)	876
Sub Total - Non Operating Income	(14,898)	225	(15,123)	45,344	1,802	43,542
El Camino Hospital Net Income (Loss)	(7,298)	4,856	(12,153)	139,987	54,940	85,047
ECH Net Margin %	-10.5%	7.1%		22.9%	9.7%	
Concern	(245)	117	(362)	865	972	(107)
ECSC	(1)	0	(1)	(22)	0	(22)
Foundation	(701)	58	(760)	1,516	451	1,065
Silicon Valley Medical Development	(416)	48	(464)	(282)	41	(323)
Net Income Hospital Affiliates	(1,364)	223	(1,587)	2,077	1,463	614
Total Net Income Hospital & Affiliates	(8,661)	5,079	(13,740)	142,064	56,404	85,660

Note: Larger than normal variances for SVMD and Community Connect are due to slow implementation and delayed ramp-up

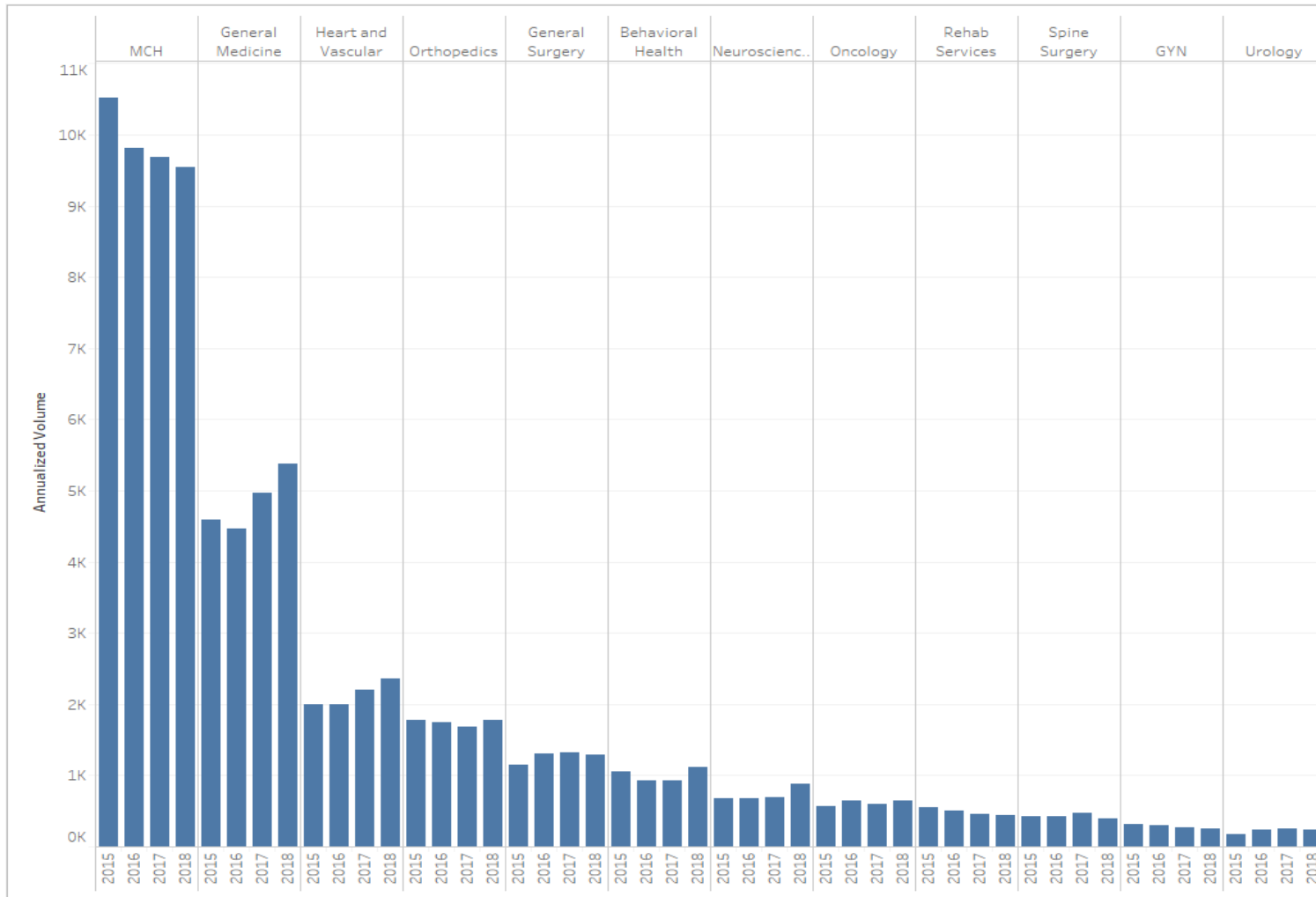
Productivity and Medicare Length of Stay

Work hours per adjusted patient day in February is over budget by 1.1. Overall the month of February is 30.2 worked hours per adjusted patient day

ALOS vs Milliman well-managed benchmark. Trend shows remarkable and steady improvement with FY18 at benchmark.
Increase in benchmark beginning in FY17 due to Clinical Documentation Improvement (CDI)



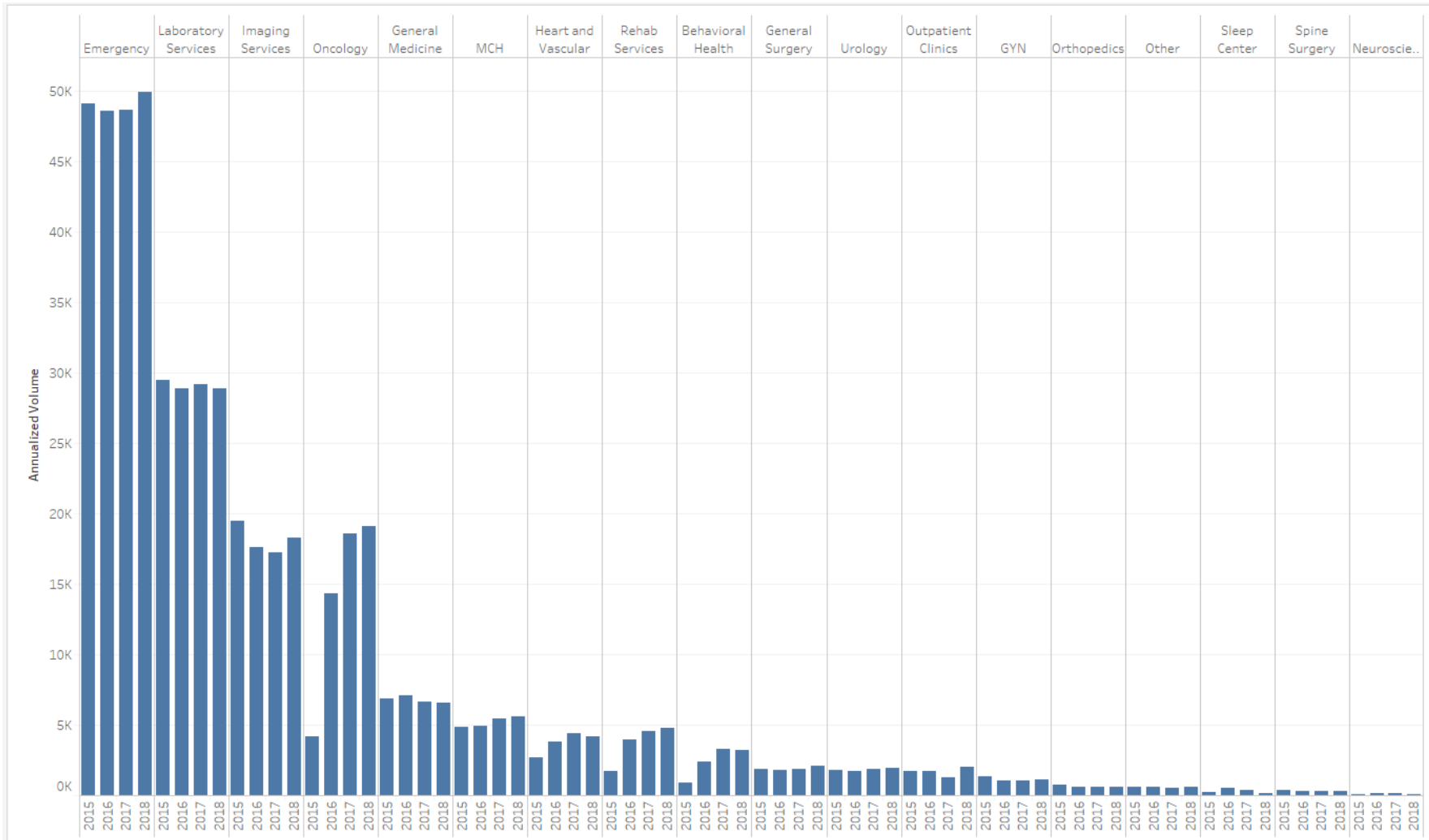
El Camino Hospital Volume Annual Trends – Inpatient FY 2018 is annualized



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

El Camino Hospital Volume Annual Trends – Outpatient

FY 2018 is annualized



- Comparing year-over-year Oncology, MCH, Rehab Services, Emergency and Outpatient Clinics are all increasing in volume. All others are remaining flat or decreasing.

Medicare data excludes Medicare HMOs

MOUNTAIN VIEW | LOS GATOS

Capital Spend Trend & FY18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	14,275
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	128,030
GRAND TOTAL	86,789	96,740	97,923	156,465
*Includes 2 robot purchases in FY2017				

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2017

Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0
Land Acquisition (1550)	0	0	0	24,007	0
828 S Winchester Clinic TI (1701)	0	0	0	0	145
Facilities Projects CIP					
Mountain View Campus Master Plan Projects					
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120
1414 - Integrated MOB	0	0	2,009	8,875	32,805
1422 - CUP Upgrade	0	0	0	896	1,245
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493
Mountain View Capital Projects					
9900 - Unassigned Costs	734	470	3,717	0	0
1108 - Cooling Towers	450	0	0	0	0
1120 - BHS Out Patient TI's	66	0	0	0	0
1129 - Old Main Card Rehab	9	0	0	0	0
0817 - Womens Hosp Upgrds	645	1	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294
1109 - New Main Upgrades	423	393	2	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0
1131 - MV Equipment Replace	216	0	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0
1225 - Rehab BLDG Roofing	7	241	4	0	0
1227 - New Main eICU	96	21	0	0	0
1230 - Fog Shop	339	80	0	0	0
1315 - 205 So. Drive TI's	0	500	2	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342
1125 - Will Pav Fire Sprinkler	57	39	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0
1216 - New Main Process Imp Office	19	1	16	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6
1301 - Desktop Virtual	0	13	0	0	0
1304 - Rehab Wander Mgmt	0	87	0	0	0
1310 - Melchor Cancer Center Expansion	0	44	13	0	0
1318 - Women's Hospital TI	0	48	48	29	2
1327 - Rehab Building Upgrades	0	0	15	20	0
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0
1341 - New Main Admin	0	32	103	0	0
1344 - New Main AV Upgrd	0	243	0	0	0
1400 - Oak Pav Cancer Center	0	0	5,208	666	52

Category	2013	2014	2015	2016	2017
Facilities Projects CIP cont.					
1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
1404 - Park Pav HVAC	0	64	7	0	0
1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
1408 - New Main Accessibility Upgrades	0	0	7	46	501
1415 - Signage & Wayfinding	0	0	0	106	58
1416 - MV Campus Digital Directories	0	0	0	34	23
1423 - MV MOB TI Allowance	0	0	0	588	369
1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1430 - Women's Hospital Expansion	0	0	0	0	464
1432 - 205 South Dr BHS TI	0	0	8	15	0
1501 - Women's Hospital NPC Comp	0	0	4	0	223
1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
1504 - Equipment Support Infrastructure	0	0	61	311	0
1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
1525 - New Main Lab Upgrades	0	0	0	0	464
1526 - CONCERN TI	0	0	0	37	99
Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
Los Gatos Capital Projects					
0904 - LG Facilities Upgrade	2	0	0	0	0
0907 - LG Imaging Masterplan	244	774	1,402	17	0
1005 - LG OR Light Upgrd	14	0	0	0	0
1122 - LG Sleep Studies	7	0	0	0	0
1210 - Los Gatos VOIP	147	89	0	0	0
1116 - LG Ortho Pavillion	177	24	21	0	0
1124 - LG Rehab BLDG	49	458	0	0	0
1247 - LG Infant Security	134	0	0	0	0
1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1308 - LG Infrastructure	0	114	0	0	0
1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1219 - LG Spine OR	0	214	323	633	2,163
1221 - LG Kitchen Refrig	0	85	0	0	0
1248 - LG - CT Upgrades	0	26	345	197	6,669
1249 - LG Mobile Imaging	0	146	0	0	0
1328 - LG Ortho Canopy FY14	0	255	209	0	0
1345 - LG Lab HVAC	0	112	0	0	0
1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1347 - LG Central Sterile Upgrades	0	0	181	43	66
1421 - LG MOB Improvements	0	0	198	65	303
1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1603 - LG MOB Improvements	0	0	0	0	285
Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
Subtotal Facilities Projects CIP	9,294	13,753	38,940	24,130	82,808
Grand Total	27,598	58,561	86,789	96,740	97,923
Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000