

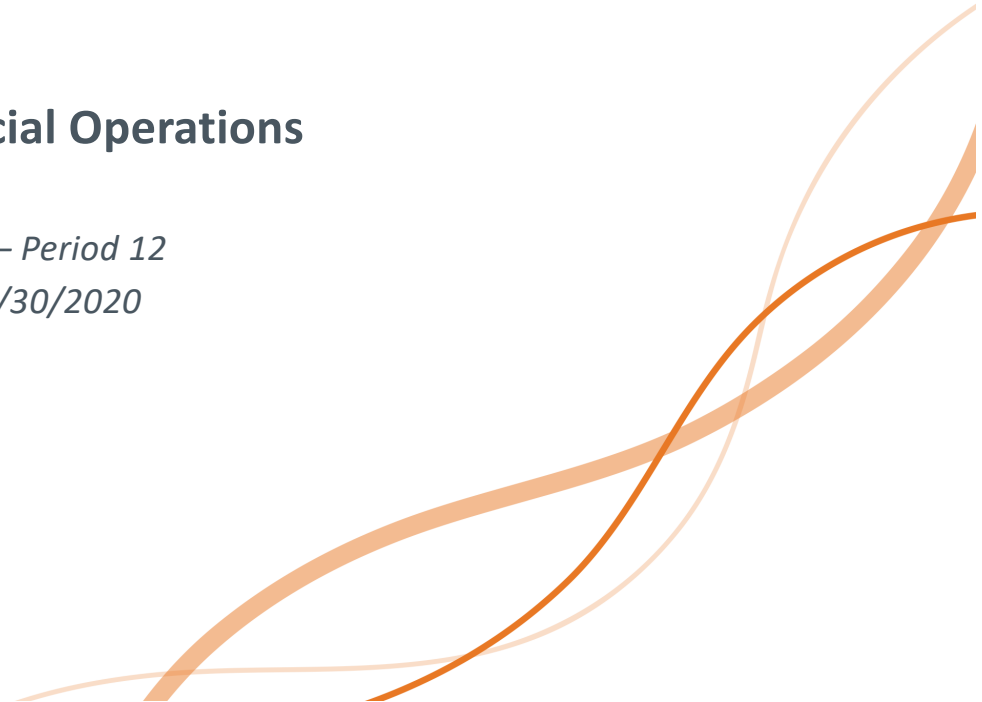


El Camino Health

Summary of Financial Operations

Fiscal Year 2020 – Period 12

7/1/2019 to 6/30/2020





Period 12 Overview

- The month of June includes certain year-end adjustments that distort the monthly results
 - Included in this presentation is a pro-forma reconciliation to show the June operating results without these adjustments
 - The results for June, without the year-end adjustments, are favorable in comparison to both the prior months and the budget
 - ***The Operating Gain is favorable by \$2.3 million***
- The year-end adjustments are significant and approximately 67% of the adjustments are the result of year-end actuary studies

Consolidated Statement of Operations (\$000s)

Period ending 06/30/2020

Period 12 FY 2019	Period 12 FY 2020	Period 12 Budget 2020	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2019	YTD FY 2020	YTD Budget 2020	Variance Fav (Unfav)	Var%
294,309	308,375	331,617	(23,242)	(7.0%)	OPERATING REVENUE					
(208,746)	(222,670)	(245,544)	22,874	9.3%	Gross Revenue	3,552,081	3,648,324	3,849,558	(201,235)	(5.2%)
85,563	85,705	86,073	(368)	(0.4%)	Deductions	(2,600,260)	(2,680,668)	(2,845,881)	165,212	5.8%
7,346	8,148	4,482	3,666	81.8%	Net Patient Revenue	951,821	967,655	1,003,678	(36,023)	(3.6%)
92,909	93,853	90,555	3,298	3.6%	Other Operating Revenue	47,026	55,919	54,496	1,423	2.6%
					Total Operating Revenue	998,847	1,023,574	1,058,173	(34,599)	(3.3%)
					OPERATING EXPENSE					
39,162	35,508	46,999	11,491	24.4%	Salaries & Wages	512,087	543,403	557,655	14,252	2.6%
12,106	11,412	12,818	1,406	11.0%	Supplies	138,555	152,491	146,796	(5,695)	(3.9%)
21,465	16,377	13,470	(2,907)	(21.6%)	Fees & Purchased Services	143,194	173,431	157,562	(15,870)	(10.1%)
4,184	3,460	3,524	64	1.8%	Other Operating Expense	34,742	44,227	45,996	1,769	3.8%
369	1,399	1,428	29	2.0%	Interest	4,240	9,449	11,939	2,490	20.9%
4,401	4,428	5,208	780	15.0%	Depreciation	52,181	53,982	59,463	5,481	9.2%
81,686	72,583	83,447	10,864	13.0%	Total Operating Expense	884,998	976,984	979,411	2,427	0.2%
11,223	21,270	7,108	14,162	199.2%	Net Operating Margin	113,849	46,590	78,762	(32,172)	(40.8%)
					Non Operating Income					
23,039	33,538	3,300	30,238	916.3%	Net Margin	53,048	66,819	38,196	28,624	74.9%
34,262	54,808	10,408	44,400	426.6%		166,896	113,410	116,958	(3,549)	(3.0%)
17.2%	28.9%	15.2%	13.7%		EBITDA	17.0%	10.7%	14.2%	(3.4%)	
12.1%	22.7%	7.8%	14.8%		Operating Margin	11.4%	4.6%	7.4%	(2.9%)	
36.9%	58.4%	11.5%	46.9%		Net Margin	16.7%	11.1%	11.1%	0.0%	

June Pro-Forma results (000's)

Description	Amount	Commentary
Consolidated Operating Gain	\$ 21,270	
YEAR END ADJUSTMENTS:		
Inter Government Transfer Revenue	2,580	Budgeted In May
Foundation transfer of COVID funds	1,160	Fund balance transfer from restricted
Pension Liability adjustment	6,023	Actuary calculated
Workers' Compensation liability adjustment	1,818	Actuary calculated
COVID related expenses		
Salaries, Wages & Benefits	(501)	COVID related direct costs
Supplies	(159)	COVID related direct costs
Purchased Services	(806)	COVID related direct costs
Depreciation true-up for Behavioral Bldg. & MOB	1,000	Timing of building opening
Other year-end true-ups	788	Final reconciliations & Accruals
Total of Year-end adjustments	11,903	
June Pro-Forma Operating Income	\$ 9,367	
Budgeted Operating Income	\$ 7,108	
Favorable Operating Gain Variance	\$ 2,259	



Financial Overview - June

Financial Performance

- Operating Gain excluded the pro-forma adjustments was \$9.4M, compared to a budgeted Operating Gain of \$7.1M. Revenues approximated the budget while expenses were favorable. The drivers are:
 - Volumes and Revenues continue to improve but remain below pre Covid levels
 - Adjusted Discharges are 260 cases or 9% below budget
 - Gross charges are \$23M or 7% below budget
 - Higher mix of procedural cases drove Net Revenue per Adjusted Discharge 9.5% higher than budget (see slide 8)
 - Operating Expenses are favorable to budget, excluding year-end adjustments, by \$2.7M
 - Salaries, Wages & Benefits were favorable by \$3.7M (8%)
 - Supplies were favorable by \$1.4M (11%)
 - Fees & Purchased Services were unfavorable \$2.1M (15%)
- Non Operating Income is favorable to the budget by \$30.2M which is driven by:
 - A mark-to-market positive adjustment of approximately \$30.0M due to unrealized gains in equity and fixed income positions during the month.



Financial Overview – June cont.

Financial Performance

Hospitals

- Adjusted Discharges (AD) unfavorable to budget by 260 ADs (9%) and unfavorable to prior year by 357 AD's
- This volume generated revenues at budget levels
 - Mountain View: Unfavorable to budget by 254 ADs (10%) and unfavorable to prior year by 417 AD's
 - Los Gatos: Unfavorable to budget by 6 ADs (1%) and favorable to prior year by 61 AD's
- Operating Expense* Per Adjusted Discharge was \$21,056 which is 6% below budget
- Excluding the year-end adjustments, the Operating Expense* Per Adjusted Discharge was \$23,625 which is 6% above budget
 - * Excluding Depreciation and Interest

El Camino Health Medical Network

- Visits, including Telehealth were 18,478 for June, 12% higher than the average monthly visit volume prior to the COVID pandemic
- Additionally, the collection percentage increased by 16% from May causing a positive adjustment to Net Revenue

Consolidated Balance Sheet

(in thousands) ASSETS

	Audited	
	June 30, 2020	June 30, 2019
CURRENT ASSETS		
Cash	228,464	124,912
Short Term Investments	222,095	177,165
Patient Accounts Receivable, net	116,523	132,198
Other Accounts and Notes Receivable	10,811	5,058
Intercompany Receivables	72,515	8,549
Inventories and Prepaids	101,267	64,093
Total Current Assets	751,675	511,976
BOARD DESIGNATED ASSETS		
Foundation Board Designated	15,364	16,895
Plant & Equipment Fund	169,236	171,304
Women's Hospital Expansion	22,563	15,472
Operational Reserve Fund	148,917	139,057
Community Benefit Fund	17,916	18,260
Workers Compensation Reserve Fund	16,482	20,732
Postretirement Health/Life Reserve Fund	30,731	29,480
PTO Liability Fund	27,515	26,149
Malpractice Reserve Fund	1,965	1,831
Catastrophic Reserves Fund	17,667	19,678
Total Board Designated Assets	468,356	458,857
FUNDS HELD BY TRUSTEE	23,478	83,073
LONG TERM INVESTMENTS	383,699	375,729
CHARITABLE GIFT ANNUITY INVESTMENTS	680	602
INVESTMENTS IN AFFILIATES	29,065	38,532
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,831,861	1,692,693
Less: Accumulated Depreciation	(676,535)	(622,877)
Property, Plant & Equipment - Net	1,155,326	1,069,816
DEFERRED OUTFLOWS	20,952	33,876
RESTRICTED ASSETS	28,823	24,279
OTHER ASSETS	3,231	1,036
TOTAL ASSETS	2,865,283	2,597,775

LIABILITIES AND FUND BALANCE

	Audited	
	June 30, 2020	June 30, 2019
CURRENT LIABILITIES		
(Accounts Payable	35,323	38,390
Salaries and Related Liabilities	35,209	30,296
Accrued PTO	28,124	26,502
Third Party Settlements	10,956	11,331
Intercompany Payables	70,214	8,464
Bonds Payable - Current	9,020	8,630
Bond Interest Payable	8,463	12,775
Other Liabilities	7,082	14,577
Total Current Liabilities	204,391	150,966
LONG TERM LIABILITIES		
Post Retirement Benefits	30,731	29,480
Worker's Comp Reserve	16,482	18,432
Other L/T Obligation (Asbestos)	4,094	3,975
Bond Payable	508,002	507,531
Total Long Term Liabilities	559,308	559,417
DEFERRED REVENUE-UNRESTRICTED	77,133	1,113
DEFERRED INFLOW OF RESOURCES	31,221	13,715
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,775,990	1,389,510
Board Designated	188,542	458,839
Restricted	28,697	24,215
Total Fund Bal & Capital Accts	1,993,229	1,872,563
TOTAL LIABILITIES AND FUND BALANCE	2,865,283	2,597,775

Statement of Cash Flows

	MTD	YTD
Cash from Operations		
Net Income	\$54,808	\$113,410
add Depreciation	\$4,428	\$53,658
(Increase) decrease in working capital:		
Accounts Receivable	(6,499)	15,670
Inventory & Prepaids	386	654
Other AR and Notes Receivable	(2,803)	(69,986)
Accounts Payable	2,038	42,853
Payroll, PTO and Related Liabilities	8,793	6,294
Third Party Settlements	719	(200)
Short Term Leases	2,924	(352)
Bonds Current & Interest Payable	1,693	(737)
<u>Net Cash Flow s From Operations</u>	<u>7,251</u>	<u>(5,804)</u>
Net Cash Provided by (used in) Operations	66,487	161,264
Investing Cash flow s		
Board Designated Assets & Investments	(2,711)	43,980
Investment in Affiliates	718	9,467
Property Plant & Equipment	(2,534)	(123,256)
Other Assets	(22,103)	(31,724)
<u>Net Cash Provided by (used in) Investing</u>	<u>(26,629)</u>	<u>(101,533)</u>
Financing Cash Flow s		
Deferred Revenues / Income	18,345	93,973
Increase (decrease) in Debt	(5,208)	(10,770)
Deferred Inflow s of Resources	-	-
Fund Balance Transfers	(1,441)	5,548
<u>Net Cash Provided by (used in) Financing</u>	<u>\$11,696</u>	<u>\$88,751</u>
Total Cash Increase (Decrease)	\$51,554	\$148,482
Starting Cash Balance	\$399,006	\$302,077
Total Cash Increase (Decrease)	\$51,554	\$148,482
Ending Cash Balance	\$450,559	\$450,559



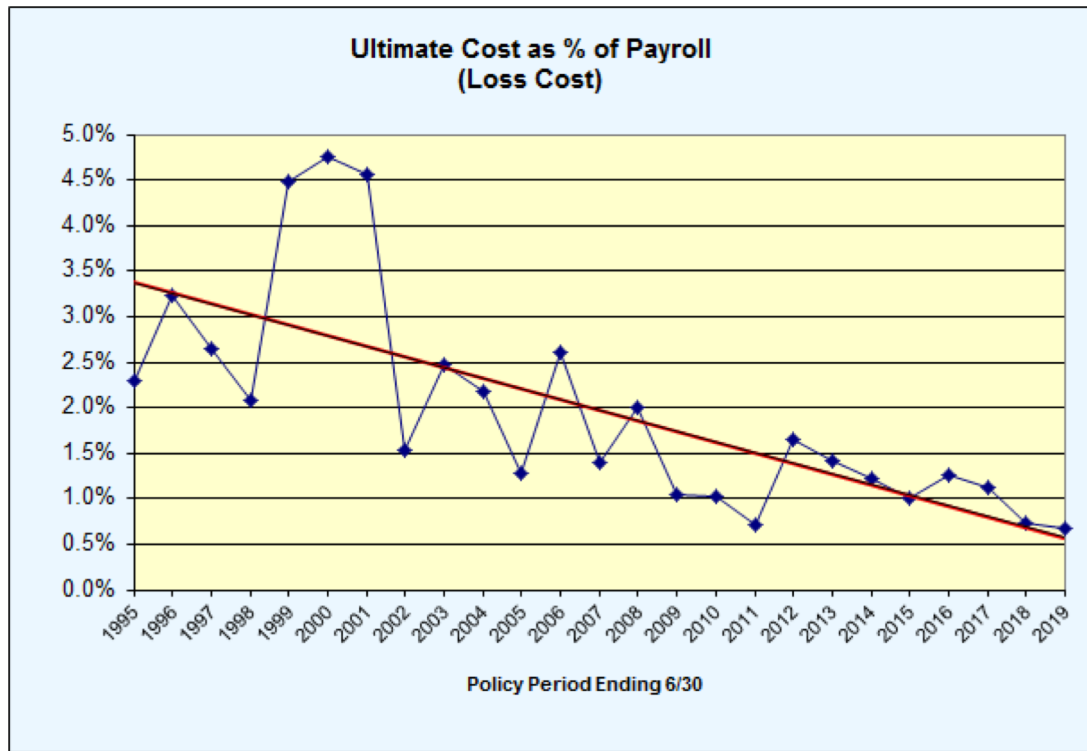
APPENDIX

Dashboard - as of June 30, 2020

	Month				YTD			
	PY	CY	Bud/Target	Variance CY vs Bud	PY	CY	Bud/Target	Variance CY vs Bud
Consolidated Financial Perf.								
Total Operating Revenue	92,909	93,853	90,555	3,298	998,847	1,023,574	1,058,173	(34,599)
Operating Expenses	81,686	72,583	83,447	10,864	884,998	976,984	979,411	2,427
Operating Margin \$	11,223	21,270	7,108	14,162	113,849	46,590	78,762	(32,172)
Operating Margin %	12.1%	22.7%	7.8%	14.8%	11.4%	4.6%	7.4%	(2.9%)
EBIDA \$	15,993	27,097	13,744	13,352	170,270	110,021	150,164	(40,143)
EBIDA %	17.2%	28.9%	15.2%	13.7%	17.0%	10.7%	14.2%	(3.4%)
Hospital Volume								
Licensed Beds	443	454	443	11	443	444	443	1
ADC	236	212	256	(44)	242	227	242	(16)
Utilization MV	65%	54%	70%	(15.9%)	66%	61%	66%	(4.5%)
Utilization LG	30%	31%	33%	(1.4%)	30%	30%	32%	(1.7%)
Utilization Combined	53%	47%	58%	(11.1%)	55%	51%	55%	(3.6%)
Adjusted Discharges	3,149	2,791	3,052	(261)	35,538	35,326	36,126	(800)
Total Discharges (Excl NNB)	1,696	1,424	1,680	(256)	19,730	18,967	19,740	(773)
Total Discharges	2,024	1,739	2,021	(282)	23,767	23,073	23,817	(744)
Inpatient Cases								
MS Discharges	1,187	961	1,137	(176)	13,744	12,931	13,472	(541)
Deliveries	348	336	357	(21)	4,283	4,340	4,275	65
BHS	112	82	136	(54)	1,181	1,154	1,407	(253)
Rehab	49	45	50	(5)	522	542	586	(44)
Outpatient Cases								
ED	12,529	13,033	13,497	(464)	150,618	149,096	157,790	(8,694)
Procedural Cases	4,144	2,743	3,933	(1,190)	48,454	42,846	47,737	(4,891)
OP Surg	-	-	-	-	-	-	-	-
OP Surg	426	363	445	(82)	5,023	4,771	5,155	(384)
Endo	247	195	241	(46)	2,662	2,295	2,792	(497)
Interventional	162	176	178	(2)	2,179	1,988	2,254	(266)
All Other	7,550	9,556	8,700	856	92,300	97,196	99,852	(2,656)
Hospital Payor Mix								
Medicare	49.1%	48.4%	48.5%	(0.1%)	49.0%	48.6%	48.6%	0.0%
Medi-Cal	7.3%	6.3%	8.1%	(1.8%)	8.0%	7.4%	8.1%	(0.7%)
Commercial IP	19.1%	19.5%	20.8%	(1.3%)	20.0%	20.2%	20.4%	(0.2%)
Commercial OP	21.3%	23.4%	20.3%	3.1%	20.7%	21.4%	20.6%	0.8%
Total Commercial	40.4%	42.9%	41.1%	1.8%	40.7%	41.5%	41.0%	0.6%
Other	3.2%	2.4%	2.2%	0.2%	2.4%	2.4%	2.3%	0.1%
Hospital Cost								
Total FTE	2,752.9	2,668.0	2,696.2	28.2	2,682.2	2,762.7	2,721.2	(41.5)
Productive Hrs/APD	31.6	32.2	30.6	(1.6)	30.6	32.6	31.4	(1.2)
Consolidated Balance Sheet								
Net Days in AR	46.2	50.4	49.0	(1.4)	46.2	50.4	49.0	(1.4)
Days Cash	507	525	435	89	507	525	435	89

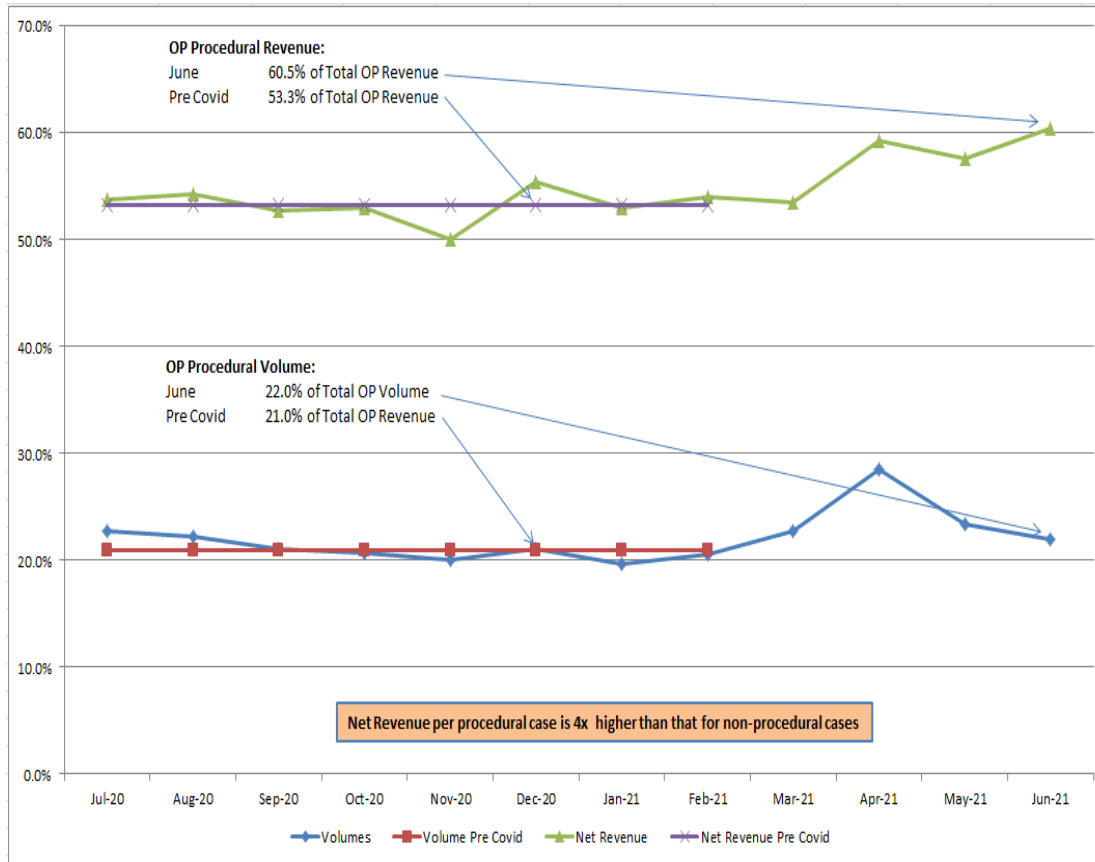
*Beginning with the June FY 19 report, the Dashboard and the financial report has been updated to show the ECH consolidated results instead of just the Hospitals. The descriptions of the metrics indicate whether the data is hospital only.

Workers' Compensation Ultimate Loss Trend



The Ultimate Loss Trend for Workers' Compensation costs being below 1% of payroll and the downward slope of the cost is the driver of the favorable year-end adjustment to Worker's Compensation expense.

Procedural Volume & Revenue Trend



A higher concentration of Outpatient procedural cases over the last few months has generated higher overall Revenue.