

AGENDA
FINANCE COMMITTEE OF THE
EL CAMINO HOSPITAL BOARD OF DIRECTORS

Monday, August 26, 2024 – 5:30 pm
 El Camino Health | 2500 Grant Road Mountain View, CA 94040

THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION PORTION OF THE MEETING LIVE AT THE ADDRESS ABOVE OR VIA TELECONFERENCE AT: **1-669-900-9128, MEETING CODE: 933 3300 0302#**. **No participant code.**
Just press #

To watch the meeting, please visit: [Finance Committee Meeting Link](#)

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

NOTE: In the event that there are technical problems or disruptions that prevent remote public participation, the Chair has the discretion to continue the meeting without remote public participation options, provided that no Board member is participating in the meeting via teleconference.

A copy of the agenda for the Regular Board Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at **(650)-988-7609** 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	ACTION	ESTIMATED TIMES
1.	CALL TO ORDER / ROLL CALL	Don Watters, Chair	Information	5:30 pm
2.	CONSIDER APPROVAL OF AB 2449 REQUEST	Don Watters, Chair	Possible Motion	5:30 pm
3.	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Don Watters, Chair	Information	5:30 pm
4.	PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons to address the Committee on any matter within the subject matter jurisdiction of the Committee that is not on this agenda. Speakers are limited to three (3) minutes each.</i> b. Written Correspondence <i>Comments may be submitted by mail to the Finance Committee of the El Camino Hospital Board of Directors at 2500 Grant Avenue, Mountain View, CA 94040. Written comments will be distributed to the Board as quickly as possible. Please note it may take up to 24 hours for documents to be posted on the agenda.</i>	Don Watters, Chair	Information	5:30 pm
5.	CONSENT CALENDAR <i>Items removed from the consent calendar will be considered separately.</i> a. Approve Minutes of the Open Session of the Finance Committee Meeting (05/28/2024) b. Approve Minutes of the Closed Session of the Finance Committee (05/28/2024) c. Approve FY2024 Period 11 & Period 12 Financial Report (Pre-Audit Results) d. Review and Recommend for Board Approval – Finance Committee Charter	Don Watters, Chair	Motion Required	5:30 - 5:41

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
	<ul style="list-style-type: none"> e. Receive Committee Governance Policy – Approved by ECHB on August 14, 2024 f. Receive FY2025 Pacing Plan g. Receive Article(s) of Interest 			
6.	<u>FY2025 PERIOD 1 FINANCIAL REPORT</u>	Carlos Bohorquez, CFO	Motion Required	5:41 - 5:46
7.	<u>COMMUNITY MEMBER RECRUITMENT – AD HOC COMMITTEE</u>	Don Watters, Chair	Motion Required	5:46 - 5:51
8.	RECESS TO CLOSED SESSION	Don Watters, Chair	Motion Required	5:51 – 5:52
9.	STRATEGIC FINANCIAL YEAR-END 2024 REVIEW & UPDATED OPERATING / CAPITAL BUDGET PROCESS <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Carlos Bohorquez, CFO	Information	5:52 – 6:07
10.	STRATEGIC MARKET OVERVIEW <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Omar Chughtai, CGO	Information	6:07 – 6:17
11.	STRATEGIC CAPITAL OVERVIEW <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Dan Woods, CEO Carlos Bohorquez, CFO	Information	6:17 – 6:32
12.	JOINT VENTURE INVESTMENT IN REHABILITATION HOSPITAL DEVELOPMENT <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Carlos Bohorquez, CFO	Discussion	6:32 – 6:42
13.	STRATEGIC BALANCE SHEET DISCUSSION <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Carlos Bohorquez, CFO	Discussion	6:42 – 7:02
14.	PHYSICIAN AGREEMENT - Vascular Surgery ED and Inpatient On-Call Panel Renewal <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Mark Adams, MD, CMO	Discussion	7:02 – 7:07
15.	RECONVENE TO OPEN SESSION	Don Watters, Chair	Motion Required	7:08
16.	CLOSED SESSION REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Gabe Fernandez, Governance Services Coordinator	Information	7:08 – 7:09
17.	APPROVE VASCULAR SURGERY ED AND INPATIENT ON-CALL RENEWAL	Don Watters, Chair	Motion Required	7:09 – 7:10
18.	RECOMMEND JOINT VENTURE INVESTMENT IN REHABILITATION HOSPITAL DEVELOPMENT TO BOARD OF DIRECTORS	Don Watters, Chair	Motion Required	7:10 – 7:11

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
19.	CLOSING COMMENTS	Don Watters, Chair	Information	7:11 – 7:14
20.	ADJOURNMENT	Don Watters, Chair	Motion Required	7:15 pm

Upcoming Meetings: October 14, 2024; December 5, 2024; January 27, 2025; Joint FC-IC February 24, 2025; March 31, 2025; May 27, 2025



**Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, May 28, 2024**

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

Members Present
Don Watters, Chair
Peter Fung, MD
Wayne Doiguchi
Bill Hooper
Cynthia Stewart

Members Absent

 **via teleconference

Staff Present
Carlos Bohorquez, Chief Financial Officer
Dan Woods, Chief Executive Officer
Mark Adams, MD, Chief Medical Officer
Omar Chughtai, Chief Growth Officer
Jon Cowan, Exec. Dir. Gov't Relations & Comm Partnerships
Victor Cabrera, Sr. Dir. Decision Supp & Business Analytics
Samreen Salehi, Executive Assistant II
Gabriel Fernandez, Coordinator, Governance Services

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 and attended in person. 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. CONSIDER APPROVAL OF AB 2449 REQUEST	All members participated in person—no consideration of AB-2449 requests was needed.	
3. 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.	
4. PUBLIC COMMUNICATION	No public members joined the session, and no written correspondence was received from the public.	
5. CONSENT CALENDAR	Motion: To approve the consent calendar: (a) Approve Minutes of the Open Session of the Finance Committee Meeting (03/25/2024), (b) Approve Minutes of the Closed Session of the Finance Committee Meeting (03/25/2024), (c) Approve Minutes of the Open Session of the Special Finance Committee Meeting (03/05/2024), (d) Approve Minutes of the Closed Session of the Special Finance Committee Meeting (03/05/2024), (e) Minutes of the Open Session of the Joint Finance & Investment Committee Meeting (02/26/2024), (f) Minutes of the Closed Session of the Joint Finance & Investment Committee Meeting (02/26/2024), (g) FY2025 Committee Planning: Goals, Pacing Plan & Meeting Dates, (h) FY2024 Period 9 Financial Report, (i) Progress Against FY2024 FC Committee Goals, (j) Updated Signature Authority Policy, and for information: (k) Receive FY2024 Pacing Plan and (l) Receive Articles of Interest	Consent Calendar approved.

	<p>Movant: Doiguchi Second: Stewart Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>6. APPROVE FY2024 PERIOD 10 FINANCIAL REPORT</p>	<p>Carlos Bohorquez, Chief Financial Officer, presented the FY2024 Period 10 & YTD Operational / Financial Results as of April 30, 2024, and highlighted the following:</p> <p><u>Period 10 – February 2024 Results</u></p> <ul style="list-style-type: none">• Average Daily Census: 302, which is 15 / 4.6% unfavorable to budget and 12 / 3.9% lower than the same period last year.• Adjusted Discharges: 3,700, which are 47 / 1.3% favorable to budget and 286 / 8.4% higher than the same period last year.• Emergency Room Visits: 6,047, which are 556 / 8.4% unfavorable to budget and 32 / 0.5% lower than the same period last fiscal year.• Outpatient Visits / Procedures: 12,111, which are 121 / 1.0% favorable to budget and 2,052 / 20.4% higher than the same period last fiscal year.• Total operating revenue of \$132.6M is favorable to budget by \$2.1M / 1.6% and \$12.0M / 9.9% higher than the same period last fiscal year.• Operating EBIDA of \$18.9M is unfavorable to budget by \$0.8M / (3.9% and \$0.5M / 2.7% lower than the same period last fiscal year.• Net income of (\$1.2M) is unfavorable to budget by \$15.5M / 108.5% and \$21.3M / 106.1% lower than the same period last fiscal year. Unfavorable net income is attributed to unrealized losses on the investment portfolio. <p><u>YTD FY2024 Results</u></p> <ul style="list-style-type: none">• Total operating revenue of \$1,294M is favorable to budget by \$8.1M / 0.6% and \$102.7M / 8.6% higher than the same period last fiscal year.• Operating EBIDA of \$205.9M is favorable to budget by \$11.9M / 6.1% and \$13.8M / 7.2% higher than the same period last fiscal year.• Net income of \$235.1M is favorable to budget by \$95.1M / 67.9% and \$36.9M / 18.6% higher than the same period last fiscal year. Favorable net income is attributed to unrealized gains on the investment portfolio. <p>Motion: To approve the FY2024 Period 10 Financial Report.</p> <p>Movant: Stewart Second: Fung Ayes: Doiguchi, Fung, Hooper, Stewart, Watters</p>	

	<p>Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>7. FY2025 COMMUNITY BENEFIT GRANT PROGRAM</p>	<p>Jon Cowan, Executive Director of Government Relations & Community Partnerships, presented the FY2025 Community Benefit Plan. Mr. Cowan outlines strategies to address the top unmet health needs identified in the 2022 ECH Community Health Needs Assessment (CHNA). Mr. Cowan continued to cover the grant proposals outlined in the plan, which are aimed at reducing unmet health needs. Mr. Cowan provided an overview of the 76 proposals, with the total requested figure and the total funded proposal summaries.</p> <p>Motion: To approve the FY2025 Community Benefit Grant Program Plan.</p> <p>Movant: Doiguchi Second: Fung Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>8. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 5:51 pm.</p> <p>Movant: Hooper Second: Stewart Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	<p>Adjourned to closed session at 5:51 pm</p>
<p>9. AGENDA ITEM 15: RECONVENE OPEN SESSION/REPORT OUT</p>	<p>During the closed session, the Finance Committee approved the FY2025 Operating & Capital Budget by a unanimous vote of all Committee Members present.</p>	<p>Reconvened to Open Session at 7:28 pm</p>

<p>10. AGENDA ITEM 16: CONTRACTS & AGREEMENTS</p>	<p>Motion: To approve Physician Contracts A-K.</p> <p>Movant: Fung Second: Doiguchi Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p> <p>Motion: To recommend Board approval of the Respiratory Care Services Medical Director Renewal Agreement (MV).</p> <p>Movant: Fung Second: Doiguchi Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>11. AGENDA ITEM 17: CLOSING COMMENTS</p>	<p>No additional comments from the Committee.</p>	
<p>12. AGENDA ITEM 18: ADJOURNMENT</p>	<p>Motion: To adjourn at 7:30 pm.</p> <p>Movant: Fung Second: Hooper Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Meeting adjourned at 7:30 pm.</i></p>

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

 Don Watters
 Chair, Finance Committee

Prepared by: Prepared by: Gabriel Fernandez, Governance Services Coordinator
 Reviewed by: Carlos A. Bohorquez, Chief Financial Officer

EL CAMINO HOSPITAL BOARD OF DIRECTORS FINANCE COMMITTEE MEETING MEMO

To: Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 26, 2024
Subject: Financials: FY2024 - Period 11 (May 2024) & YTD FY2024 (as of 5/31/2024)

Purpose:

To provide the Finance Committee an overview of financial results for Period 11 (May 2024) and YTD FY2024 and approve financials.

Executive Summary – Period 11 (May 2024):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 307 which is 1 / 0.3% unfavorable to budget and 6 / 1.8% lower than the same period last year.
- **Adjusted Discharges:** 3,773 which are 30 / 0.8% unfavorable to budget and 95 / 2.6% higher than the same period last year.
- **Emergency Room Visits:** 7,903 which are 503 / 6.8% favorable to budget and 678 / 9.4% higher than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 12,176 which are 401 / 3.2% unfavorable to budget and 1,022 / 9.2% higher than the same period last fiscal year.

Financial performance for Period 11 was favorable to budget and consistent with the same period last fiscal year.

Total Operating Revenue (\$):	\$139.4M is favorable to budget by \$7.2M / 5.5% and \$10.8M / 8.4% higher than the same period last fiscal year.
Operating EBIDA (\$):	\$20.6M is favorable to budget by \$0.6M / 2.9% and \$0.2M / 0.9% higher than the same period last fiscal year.
Net Income (\$):	\$33.8M is favorable to budget by \$18.8M / 125.3% and \$20.6M / 157.0% higher than the same period last fiscal year.
Operating Margin (%):	8.5% (actual) vs. 9.2% (budget)
Operating EBIDA Margin (%):	14.7% (actual) vs. 15.1% (budget)
Net Days in A/R (days):	50.2 days are favorable to budget by 3.8 days / 7.1% and 6.3 days / 11.1% better than the same period last year.

YTD FY2024 (as of 5/31/2024):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 308 which is 9 / 3.0% favorable to budget and 2 / 0.6% higher than the same period last year.
- **Adjusted Discharges:** 40,261 which are 678 / 1.7% favorable to budget and 1,233 / 3.2% higher than the same period last year.
- **Emergency Room Visits:** 75,160 which are 3,021 / 4.2% favorable to budget and 4,586 / 6.5% higher than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 126,688 which are 7,487 / 5.6% unfavorable to budget and 2,247 / 1.8% higher than the same period last fiscal year.

YTD FY2024 financial performance is favorable to budget and better versus the same period last fiscal year. Stable financial results are attributed to strong ED volumes, significant reductions in premium pay / contract labor, revenue improvement initiatives and a one-time claims settlement.

Total Operating Revenue (\$):	\$1,434M is favorable to budget by \$15.4M / 1.1% and \$113.5M / 8.6% higher than the same period last fiscal year.
Operating EBIDA (\$):	\$226.5M is favorable to budget by \$12.5M / 5.8% and \$13.9M / 6.6% higher than the same period last fiscal year.
Net Income (\$):	\$268.9M is favorable to budget by \$113.8M / 73.4% and \$57.5M / 27.2% higher than the same period last fiscal year. Favorable net income is attributed to unrealized gains on investment portfolio.
Operating Margin (%):	9.4% (actual) vs. 8.8% (budget)
Operating EBIDA Margin (%):	15.8% (actual) vs. 15.1% (budget)

Recommendation:

Recommend Finance Committee approve Period 11 & YTD FY2024 financials.



El Camino Health

Summary of Financial Operations

*Fiscal Year 2024 – Period 11
7/1/2023 to 05/31/2024*

Executive Summary - Overall Commentary for Period 11

- **Results for Period 11:**

- Net Patient Revenue was favorable to budget by \$2.5M / 2.0%.
- Operating EBIDA Margin was favorable to budget by \$580K / 2.9%.
- Gross revenue favorable to budget by \$26.9M / 5.1%.
 - Driven primarily by:
 - Inpatient Charges: \$12.7M / 4.9% favorable to budget
 - Outpatient Charges: \$15.3M / 6.1% favorable to budget
 - Professional Charges: \$1.1M / 6.9% unfavorable to budget
- Cost Management
 - When adjusted for volume, overall operating expense is 1.7% unfavorable to budget
 - Labor: Sustained significant improvement in Labor Productivity, Contract Labor, and Overtime usage
- Gross charges were favorable to budget by \$26.9M / 5.1% and \$48.2M / 9.5% higher than the same period last year.
- Net patient revenue was favorable to budget by \$2.5M / 2.0% and \$10.9M / 9.2% higher than the same period last year.
- Operating margin was unfavorable to budget by \$266K / 2.2% and \$430K / 3.5% lower than the same period last year.
- Operating EBIDA was favorable to budget by \$580K / 2.9% and \$177K / 0.9% higher than the same period last year.
- Net income was favorable to budget by \$18.8M / 125.3% and \$20.6M / 157.0% higher than same period last year.

Operational / Financial Results: Period 11 – May 2024 (as of 05/31/2024)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's	S&P	Fitch	Performance to Rating Agency Medians
									'Aa3'	'AA'	AA-'	
Activity / Volume	ADC	307	308	(1)	(0.3%)	313	(6)	(1.8%)	---	---	---	---
	Total Acute Discharges	1,911	1,937	(26)	(1.3%)	1,851	60	3.2%	---	---	---	---
	Adjusted Discharges	3,773	3,802	(30)	(0.8%)	3,678	95	2.6%	---	---	---	---
	Emergency Room Visits	7,903	7,400	503	6.8%	7,225	678	9.4%	---	---	---	---
	OP Visits / OP Procedural Cases	12,176	12,577	(401)	(3.2%)	11,154	1,022	9.2%	---	---	---	---
	Gross Charges (\$)	556,558	529,640	26,918	5.1%	508,380	48,178	9.5%	---	---	---	---
Operations	Total FTEs	3,446	3,524	(77)	(2.2%)	3,316	131	3.9%	---	---	---	---
	Productive Hrs. / APD	28.8	28.8	0.0	0.0%	27.1	1.7	6.4%	---	---	---	---
	Cost Per CMI AD	19,328	19,005	323	1.7%	18,482	845	4.6%	---	---	---	---
	Net Days in A/R	50.2	54.0	(3.8)	(7.1%)	56.5	(6.3)	(11.1%)	47.9	49.7	45.9	
Financial Performance	Net Patient Revenue (\$)	129,632	127,114	2,518	2.0%	118,737	10,895	9.2%	329,311	115,267	---	
	Total Operating Revenue (\$)	139,437	132,193	7,244	5.5%	128,590	10,847	8.4%	373,348	142,369	146,668	
	Operating Margin (\$)	11,894	12,160	(266)	(2.2%)	12,324	(430)	(3.5%)	4,066	6,122	1,613	
	Operating EBIDA (\$)	20,564	19,984	580	2.9%	20,387	177	0.9%	24,030	13,952	9,533	
	Net Income (\$)	33,771	14,992	18,779	125.3%	13,143	20,629	157.0%	16,237	9,681	4,107	
	Operating Margin (%)	8.5%	9.2%	(0.7%)	(7.3%)	9.6%	(1.1%)	(11.0%)	1.1%	4.3%	1.1%	
	Operating EBIDA (%)	14.7%	15.1%	(0.4%)	(2.4%)	15.9%	(1.1%)	(7.0%)	6.4%	9.8%	6.5%	
	DCOH (days)	266	325	(59)	(18.1%)	256	10	3.9%	262	336	243	

Moody's Medians: Not-for-profit and public healthcare annual report; September 7, 2023. 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 7, 2023. Dollar amounts have been adjusted to reflect monthly averages.

Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 25, 2023. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.



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

Operational / Financial Results: YTD FY2024 (as of 05/31/2024)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's	S&P	Fitch	Performance to Rating Agency Medians
									'Aa3'	'AA'	AA-'	
Activity / Volume	ADC	308	299	9	3.0%	306	2	0.6%	---	---	---	---
	Total Acute Discharges	20,546	20,299	247	1.2%	20,161	385	1.9%	---	---	---	---
	Adjusted Discharges	40,261	39,583	678	1.7%	39,028	1,233	3.2%	---	---	---	---
	Emergency Room Visits	75,160	72,139	3,021	4.2%	70,574	4,586	6.5%	---	---	---	---
	OP Visits / OP Procedural Cases	126,688	134,175	(7,487)	(5.6%)	124,441	2,247	1.8%	---	---	---	---
	Gross Charges (\$)	5,814,169	5,658,261	155,908	2.8%	5,264,555	549,613	10.4%	---	---	---	---
Operations	Total FTEs	3,391	3,477	(86)	(2.5%)	3,297	94	2.9%	---	---	---	---
	Productive Hrs. / APD	28.2	29.4	(1.2)	(4.0%)	27.9	0.3	1.2%	---	---	---	---
	Cost Per CMI AD	18,826	19,005	(179)	(0.9%)	18,020	806	4.5%	---	---	---	---
	Net Days in A/R	50.2	54.0	(3.8)	(7.1%)	56.5	(6.3)	(11.1%)	47.9	52.6	45.9	
Financial Performance	Net Patient Revenue (\$)	1,359,084	1,358,661	423	0.0%	1,263,682	95,402	7.5%	3,622,422	1,267,938	---	
	Total Operating Revenue (\$)	1,433,583	1,418,211	15,371	1.1%	1,320,062	113,521	8.6%	4,106,826	1,566,062	1,613,351	
	Operating Margin (\$)	134,091	125,131	8,961	7.2%	125,104	8,988	7.2%	44,721	67,341	17,747	
	Operating EBIDA (\$)	226,494	213,998	12,496	5.8%	212,550	13,944	6.6%	264,326	153,474	104,868	
	Net Income (\$)	268,917	155,085	113,832	73.4%	211,416	57,501	27.2%	178,607	106,492	45,174	
	Operating Margin (%)	9.4%	8.8%	0.5%	6.0%	9.5%	(0.1%)	(1.3%)	1.1%	4.3%	1.1%	
	Operating EBIDA (%)	15.8%	15.1%	0.7%	4.7%	16.1%	(0.3%)	(1.9%)	6.4%	9.8%	6.5%	
	DCOH (days)	266	325	(59)	(18.1%)	256	10	3.9%	262	336	243	

Moody's Medians: Not-for-profit and public healthcare annual report; September 7, 2023. Dollar amounts have been adjusted to reflect monthly averages.

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Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.



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

Consolidated Balance Sheet (as of 05/31/2024)

(\$000s)

ASSETS

	May 31, 2024	Audited June 30, 2023
CURRENT ASSETS		
Cash	193,275	230,765
Short Term Investments	104,669	129,245
Patient Accounts Receivable, net	209,782	218,528
Other Accounts and Notes Receivable	36,549	20,413
Intercompany Receivables	18,147	15,186
Inventories and Prepaids	41,785	45,037
Total Current Assets	604,206	659,174
BOARD DESIGNATED ASSETS		
Foundation Board Designated	23,548	20,731
Plant & Equipment Fund	492,171	407,526
Women's Hospital Expansion	31,643	30,735
Operational Reserve Fund	210,693	207,898
Community Benefit Fund	17,547	17,743
Workers Compensation Reserve Fund	13,498	13,498
Postretirement Health/Life Reserve Fund	23,238	24,242
PTO Liability Fund	37,665	35,252
Malpractice Reserve Fund	1,713	1,885
Catastrophic Reserves Fund	33,250	28,042
Total Board Designated Assets	884,966	787,551
FUNDS HELD BY TRUSTEE	18	-
LONG TERM INVESTMENTS	646,380	474,670
CHARITABLE GIFT ANNUITY INVESTMENTS	974	948
INVESTMENTS IN AFFILIATES	35,064	33,262
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,015,098	1,862,363
Less: Accumulated Depreciation	(867,744)	(791,528)
Construction in Progress	164,217	168,956
Property, Plant & Equipment - Net	1,311,571	1,239,791
DEFERRED OUTFLOWS	56,299	57,204
RESTRICTED ASSETS	32,152	36,339
OTHER ASSETS	155,796	166,528
TOTAL ASSETS	3,727,427	3,455,466

LIABILITIES AND FUND BALANCE

	May 31, 2024	Audited June 30, 2023
CURRENT LIABILITIES		
Accounts Payable	51,452	50,862
Salaries and Related Liabilities	29,761	24,408
Accrued PTO	38,649	36,104
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	12,251	11,295
Intercompany Payables	14,307	12,362
Malpractice Reserves	1,863	1,863
Bonds Payable - Current	10,820	10,400
Bond Interest Payable	6,138	7,890
Other Liabilities	12,591	11,968
Total Current Liabilities	180,132	169,450
LONG TERM LIABILITIES		
Post Retirement Benefits	23,238	24,242
Worker's Comp Reserve	13,498	13,498
Other L/T Obligation (Asbestos)	27,099	29,543
Bond Payable	440,825	454,806
Total Long Term Liabilities	504,660	522,088
DEFERRED REVENUE-UNRESTRICTED	1,214	1,103
DEFERRED INFLOW OF RESOURCES	88,041	91,871
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,694,066	2,417,300
Minority Interest	(1,114)	-
Board Designated	216,245	209,043
Restricted	44,183	44,611
Total Fund Bal & Capital Accts	2,953,380	2,670,954
TOTAL LIABILITIES AND FUND BALANCE	3,727,427	3,455,466

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

To: Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 26, 2024
Subject: Financials: FY2024 - Period 12 (June 2024) & Pre-Audit FYE 2024 (as of 6/30/2024)

Purpose:

To provide the Finance Committee an overview of financial results for Period 12 (June 2024) and Pre-Audit FYE 2024 and approve financials.

Executive Summary – Period 12 (June 2024):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 310 which is 5 / 1.6% unfavorable to budget and 6 / 1.9% higher than the same period last year.
- **Adjusted Discharges:** 3,504 which are 387 / 9.9% unfavorable to budget and 187 / 5.1% lower than the same period last year.
- **Emergency Room Visits:** 7,180 which are 96 / 1.3% unfavorable to budget and 90 / 1.2% lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 11,318 which are 1,426 / 11.2% unfavorable to budget and 246 / 2.2% higher than the same period last fiscal year.

Financial performance for Period 12 was favorable with budget and lower than the same period last fiscal year. This is attributed to recording one-time items in the last period of both fiscal years.

Total Operating Revenue (\$):	\$120.0M is unfavorable to budget by \$11.5M / 8.8% and \$0.7M / 0.6% higher than the same period last fiscal year.
Operating EBIDA (\$):	\$25.8M is favorable to budget by \$6.2M / 31.9% and \$18.5M / 41.7% lower than the same period last fiscal year.
Net Income (\$):	\$44.5M is favorable to budget by \$29.8M / 204.0% and \$28.8M / 39.3% lower than the same period last fiscal year.
Operating Margin (%):	14.4% (actual) vs. 9.0% (budget)
Operating EBIDA Margin (%):	21.5% (actual) vs. 14.9% (budget)
Net Days in A/R (days):	52.0 days are favorable to budget by 2.0 days / 3.8% and 5.4 days / 9.4% better than the same period last year.

Pre-Audit FYE 2024 (as of 6/30/2024):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 308 which is 8 / 2.6% favorable to budget and 2 / 0.7% higher than the same period last year.
- **Adjusted Discharges:** 43,765 which are 291 / 0.7% favorable to budget and 1,046 / 2.4% higher than the same period last year.
- **Emergency Room Visits:** 82,340 which are 2,925 / 3.7% favorable to budget and 4,496 / 5.8% higher than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 138,004 which are 8,915 / 6.1% unfavorable to budget and 2,491 / 1.8% higher than the same period last fiscal year.

Pre-Audit FYE 2024 financial performance is favorable to budget and consistent with last fiscal year. Strong financial results are attributed to consistent volume across the healthsystem, significant reductions in premium pay / contract labor, revenue improvement initiatives and a one-time claims settlement.

Total Operating Revenue (\$): \$1,554M is favorable to budget by \$3.8M / 0.2% and \$114.2M / 7.9% higher than the same period last fiscal year.

Operating EBIDA (\$): \$252.3M is favorable to budget by \$18.7M / 8.0% and \$0.7M / 0.3% lower than the same period last fiscal year.

Net Income (\$): \$313.4M is favorable to budget by \$143.7M / 84.7% and \$30.6M / 10.8% higher than the same period last fiscal year. Favorable net income is attributed to unrealized gains on investment portfolio.

Operating Margin (%): 9.7% (actual) vs. 8.8% (budget)

Operating EBIDA Margin (%): 16.2% (actual) vs. 15.1% (budget)

Recommendation:

Recommend Finance Committee approve Period 12 & Pre-Audit FYE 2024 financials.



El Camino Health

Summary of Financial Operations

Fiscal Year 2024 – Period 12

7/1/2023 to 06/30/2024

Executive Summary - Overall Commentary for Period 12

- **Results for Period 12:**

- Net Patient Revenue was unfavorable to budget by \$8.6M / 6.8%.
- Operating EBIDA Margin was favorable to budget by \$6.2M / 31.9%
- Gross revenue unfavorable to budget by \$7.3M / 1.4%
 - Driven primarily by:
 - Inpatient Charges \$5.6M / 2.2% favorable to budget
 - Outpatient Charges \$13.6M / 5.2% favorable to budget
 - Professional Charges: \$665K / 4.1% favorable to budget
- Cost Management
 - When adjusted for volume, overall operating expense is 14.9% favorable to budget
 - Labor: Sustained improvement in Labor Productivity, Contract Labor, and Overtime usage
- Gross charges were unfavorable to budget by \$7.3M / 1.4% and \$42.4M / 8.6% higher than the same period last year.
- Net patient revenue was unfavorable to budget by \$8.6M / 6.8% and \$3.5M / 3.1% higher than the same period last year.
- Operating margin was favorable to budget by \$5.5M / 46.8% and \$18.5M / 51.7% lower than the same period last year.
- Operating EBIDA was favorable to budget by \$6.2M / 31.9% and \$18.5M / 41.7% lower than the same period last year.
- Net income was favorable to budget by \$29.8M / 204.0% and \$28.8M / 39.3% lower than same period last year.

Operational / Financial Results: Period 12 – June 2024 (as of 06/30/2024)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's	S&P	Fitch	Performance to Rating Agency Medians
									'Aa3'	'AA'	AA-'	
Activity / Volume	ADC	310	315	(5)	(1.6%)	304	6	1.9%	---	---	---	---
	Total Acute Discharges	1,810	1,938	(128)	(6.6%)	1,884	(74)	(3.9%)	---	---	---	---
	Adjusted Discharges	3,504	3,891	(387)	(9.9%)	3,691	(187)	(5.1%)	---	---	---	---
	Emergency Room Visits	7,180	7,276	(96)	(1.3%)	7,270	(90)	(1.2%)	---	---	---	---
	OP Visits / OP Procedural Cases	11,318	12,744	(1,426)	(11.2%)	11,072	246	2.2%	---	---	---	---
	Gross Charges (\$)	534,992	542,325	(7,333)	(1.4%)	492,577	42,415	8.6%	---	---	---	---
Operations	Total FTEs	3,434	3,462	(28)	(0.8%)	3,292	142	4.3%	---	---	---	---
	Productive Hrs. / APD	28.2	27.8	0.4	1.4%	27.3	0.8	3.0%	---	---	---	---
	Cost Per CMI AD	16,173	19,005	(2,832)	(14.9%)	13,028	3,145	24.1%	---	---	---	---
	Net Days in A/R	52.0	54.0	(2.0)	(3.8%)	57.3	(5.4)	(9.4%)	47.9	49.7	45.9	
Financial Performance	Net Patient Revenue (\$)	117,882	126,456	(8,573)	(6.8%)	114,367	3,515	3.1%	329,311	115,267	---	
	Total Operating Revenue (\$)	119,984	131,533	(11,548)	(8.8%)	119,289	695	0.6%	373,348	142,369	146,668	
	Operating Margin (\$)	17,321	11,797	5,525	46.8%	35,850	(18,529)	(51.7%)	4,066	6,122	1,613	
	Operating EBIDA (\$)	25,831	19,587	6,244	31.9%	44,303	(18,472)	(41.7%)	24,030	13,952	9,533	
	Net Income (\$)	44,473	14,629	29,844	204.0%	73,280	(28,807)	(39.3%)	16,237	9,681	4,107	
	Operating Margin (%)	14.4%	9.0%	5.5%	61.0%	30.1%	(15.6%)	(52.0%)	1.1%	4.3%	1.1%	
	Operating EBIDA (%)	21.5%	14.9%	6.6%	44.6%	37.1%	(15.6%)	(42.0%)	6.4%	9.8%	6.5%	
	DCOH (days)	276	325	(49)	(15.0%)	264	12	4.6%	262	336	243	

Moody's Medians: Not-for-profit and public healthcare annual report; September 7, 2023. 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 7, 2023. Dollar amounts have been adjusted to reflect monthly averages.

Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 25, 2023. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.

OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

Operational / Financial Results: YTD FY2024 (as of 06/30/2024)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Variance to Prior Year	Variance to Prior Year	Moody's	S&P	Fitch	Performance to Rating Agency Medians
									'Aa3'	'AA'	AA-'	
Activity / Volume	ADC	308	300	8	2.6%	306	2	0.7%	---	---	---	---
	Total Acute Discharges	22,356	22,236	120	0.5%	22,045	311	1.4%	---	---	---	---
	Adjusted Discharges	43,765	43,474	291	0.7%	42,719	1,046	2.4%	---	---	---	---
	Emergency Room Visits	82,340	79,415	2,925	3.7%	77,844	4,496	5.8%	---	---	---	---
	OP Visits / OP Procedural Cases	138,004	146,919	(8,915)	(6.1%)	135,513	2,491	1.8%	---	---	---	---
	Gross Charges (\$)	6,349,161	6,200,586	148,575	2.4%	5,757,133	592,028	10.3%	---	---	---	---
Operations	Total FTEs	3,395	3,475	(80)	(2.3%)	3,297	98	3.0%	---	---	---	---
	Productive Hrs. / APD	28.2	29.3	(1.0)	(3.5%)	27.9	0.4	1.4%	---	---	---	---
	Cost Per CMI AD	18,605	19,005	(400)	(2.1%)	17,651	954	5.4%	---	---	---	---
	Net Days in A/R	52.0	54.0	(2.0)	(3.8%)	57.3	(5.4)	(9.4%)	47.9	52.6	45.9	
Financial Performance	Net Patient Revenue (\$)	1,476,967	1,485,117	(8,150)	(0.5%)	1,378,049	98,917	7.2%	3,951,733	1,383,205	---	
	Total Operating Revenue (\$)	1,553,567	1,549,744	3,823	0.2%	1,439,351	114,216	7.9%	4,480,174	1,708,431	1,760,019	
	Operating Margin (\$)	151,413	136,928	14,485	10.6%	157,080	(5,667)	(3.6%)	48,786	73,463	19,360	
	Operating EBIDA (\$)	252,325	233,585	18,740	8.0%	252,979	(654)	(0.3%)	288,356	167,426	114,401	
	Net Income (\$)	313,390	169,714	143,676	84.7%	282,820	30,570	10.8%	194,844	116,173	49,281	
	Operating Margin (%)	9.7%	8.8%	0.9%	10.3%	10.9%	(1.2%)	(10.7%)	1.1%	4.3%	1.1%	
	Operating EBIDA (%)	16.2%	15.1%	1.2%	7.8%	17.6%	(1.3%)	(7.6%)	6.4%	9.8%	6.5%	
	DCOH (days)	276	325	(49)	(15.0%)	264	12	4.6%	262	336	243	

Moody's Medians: Not-for-profit and public healthcare annual report; September 7, 2023. Dollar amounts have been adjusted to reflect monthly averages.

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Notes: DCOH total includes cash, short-term and long-term investments.
OP Visits / Procedural Cases includes Covid Vaccinations / Testing.



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

Consolidated Balance Sheet (as of 06/30/2024)

(\$000s)

ASSETS

	June 30, 2024	Audited June 30, 2023
CURRENT ASSETS		
Cash	202,980	230,765
Short Term Investments	98,766	129,245
Patient Accounts Receivable, net	211,960	218,528
Other Accounts and Notes Receivable	25,065	20,413
Intercompany Receivables	17,781	15,186
Inventories and Prepays	55,559	45,037
Total Current Assets	612,111	659,174
BOARD DESIGNATED ASSETS		
Foundation Board Designated	23,309	20,731
Plant & Equipment Fund	503,081	407,526
Women's Hospital Expansion	31,740	30,735
Operational Reserve Fund	210,693	207,898
Community Benefit Fund	17,561	17,743
Workers Compensation Reserve Fund	12,811	13,498
Postretirement Health/Life Reserve Fund	22,737	24,242
PTO Liability Fund	37,646	35,252
Malpractice Reserve Fund	1,713	1,885
Catastrophic Reserves Fund	33,030	28,042
Total Board Designated Assets	894,322	787,551
FUNDS HELD BY TRUSTEE	18	-
LONG TERM INVESTMENTS	668,652	474,670
CHARITABLE GIFT ANNUITY INVESTMENTS	965	948
INVESTMENTS IN AFFILIATES	36,663	33,262
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,016,992	1,862,363
Less: Accumulated Depreciation	(874,767)	(791,528)
Construction in Progress	173,449	168,956
Property, Plant & Equipment - Net	1,315,675	1,239,791
DEFERRED OUTFLOWS	46,128	57,204
RESTRICTED ASSETS	32,166	36,339
OTHER ASSETS	190,823	166,528
TOTAL ASSETS	3,797,524	3,455,466

LIABILITIES AND FUND BALANCE

	June 30, 2024	Audited June 30, 2023
CURRENT LIABILITIES		
Accounts Payable	71,157	50,862
Salaries and Related Liabilities	35,693	24,408
Accrued PTO	38,634	36,104
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	13,419	11,295
Intercompany Payables	13,917	12,362
Malpractice Reserves	1,830	1,863
Bonds Payable - Current	10,820	10,400
Bond Interest Payable	7,673	7,890
Other Liabilities	12,261	11,968
Total Current Liabilities	207,704	169,450
LONG TERM LIABILITIES		
Post Retirement Benefits	22,737	24,242
Worker's Comp Reserve	12,811	13,498
Other L/T Obligation (Asbestos)	27,707	29,543
Bond Payable	441,105	454,806
Total Long Term Liabilities	504,360	522,088
DEFERRED REVENUE-UNRESTRICTED	1,038	1,103
DEFERRED INFLOW OF RESOURCES	92,261	91,871
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,732,326	2,417,300
Minority Interest	(1,159)	-
Board Designated	216,461	209,043
Restricted	44,533	44,611
Total Fund Bal & Capital Accts	2,992,161	2,670,954
TOTAL LIABILITIES AND FUND BALANCE	3,797,524	3,455,466

El Camino Hospital Board of Directors Finance Committee Charter

Purpose

The purpose of the Finance Committee (the “Committee”) is to assist the El Camino Hospital (“Hospital” ECH) Board of Directors ~~to~~ (“Board”) to provide oversight, information sharing and financial reviews ~~related~~ to operating and capital budgeting, financial planning, financial reporting, capital structure, banking relationships and certain contractual agreements for El Camino Hospital and the Hospital’s ~~and its~~ affiliated entities where the Hospital ECH is the sole corporate member pursuant to the operating agreements and governance documents of those entities (“the Organization”). 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.

Authority

The Committee is an Advisory Committee of the Board pursuant to Article VII, Sec. 7.6 of the Hospital Bylaws. All governing authority for the Organization resides with the Boards of each entity and, except as specifically provided in Sections E and F of “Specific Duties,” the Committee serves as an advisory body only. The Committee will report to the Board at the next scheduled meeting any recommendation made or action taken within the Committee’s authority. The Committee has the authority to select, engage, and supervise any consultant it deems necessary to advise the Committee on issues related to its responsibilities. In addition, the Committee, by resolution, may adopt a temporary advisory committee (ad hoc) of less than a quorum of the members of the Committee. The resolution shall state the total number of members, the number of board members to be appointed, and the specific task or assignment to be considered by the advisory committee.

Voting members of the Committee shall include the directors assigned to the Committee and external (non-director) members appointed to the Committee.

Membership

- The Committee shall be comprised of two (2) or more Hospital Board members. ~~The Chair of the Committee shall be appointed by the Board Chair, subject to approval by the Board. All members of the Committee shall be eligible to serve as Chair of the Committee.~~
- The ~~Finance~~ Committee may also include 2-4 Community members¹ with expertise which is relevant to the Committee’s areas of responsibility, such as banking, financial management, planning and real estate development, etc.
- All Committee members, Chairs, and Vice Chairs shall be appointed and removed pursuant to the El Camino Hospital Board Committee Governance Policy. ~~, with the exception of new Community members, shall be appointed by the Board Chair, subject to approval by the Board. New Community members shall be appointed by the~~

¹ Community Members are defined as Members of the Committee who are not El Camino Hospital Board Directors.

~~Committee, subject to approval of the Board. All Committee appointments shall be for a term of one year, expiring on June 30th, renewable annually.~~

- ~~It shall be within the discretion of the Chair of the Committee to appoint a Vice-Chair from among the members of the Committee. If the Chair of the Committee is not a Hospital Board member, the Vice-Chair must be a Hospital Board member.~~

Staff Support and Participation

The CFO shall serve as the primary staff support to 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 Committee meetings as deemed necessary.

General Responsibilities

The Committee's primary role is to provide oversight and to advise the management team and the Board on matters brought to this Committee. With input from the Committee, the management team shall develop dashboard metrics that will be used to measure and track financial performance for the Committee's review. It is the management team's responsibility to develop and provide the Committee with reports, plans, assessments, and other pertinent materials to inform, educate, and update the Committee, thereby allowing Committee members to engage in meaningful, data-driven discussions. Upon careful review and discussion and with input from management, the Committee shall then make recommendations to the Board. The Committee is responsible for ensuring that performance metrics which are not being met to the Board's expectations are reported to the Board.

Specific Duties

The specific duties of the Committee are:

A. Budgeting

- Review the annual operating and capital budgets for alignment with the mission and vision of the Organization and make recommendations to the Board.
- Review any financial requests in excess of the CEO's signing authority and make recommendations to the Board.
- Review the Organization's long-range forecasts and financial plans and make recommendations to management regarding steps advisable to improve the Organization's financial strength.

B. Financial Reporting

- Review each accounting period's financial statements and ensure the Board is advised of any necessary corrective actions.
- Obtain a clear understanding of the Organization's financial reporting process by reviewing the hospital's dashboard items and periodic financial reports and advise

management on how to improve its financial reporting in order to improve accountability and ease of reading and understanding.

C. Financial Planning and Forecasting

- Semi-annually receive an update on management's assessment of expected results as well as potential risks related to the payor contracts.
- Evaluate the financial implications of emerging payment processes and provide advice to management regarding associated risk management concerns.
- Evaluate financial planning and forecasting to help ensure it remains in alignment with the mission and strategic direction of the Organization.

D. Treasury, Pension Plans, and Contracting Concerns

- Review and make recommendations to the Board regarding all new debt issuances and derivative instruments in excess of \$1 million.
- Monitor compliance with debt covenants and evaluate the Organization's capital structure.
- Review and make recommendations to the Board regarding changes in banking relationships, including, without limitation, depository accounts, investment accounts and major credit facilities. The term "major credit facilities" does not include management-approved trade credit facilities offered in the ordinary course of business by vendors to the hospital. The Committee may recommend delegation of approval authority for specified changes to the CFO, but must maintain reporting and oversight of any such changes
- Review and make recommendations to the Board regarding proposed plan design or benefit design changes in excess of management authority limits to employee retirement plans, excluding changes to investments within those plans.
- Review and make recommendations to the Board regarding contractual agreements with persons considered to be "insiders" under IRS regulations, and those which are in excess of the CEO's signing authority

E. Capital and Program Analysis

- Review and make recommendations to the Board with respect to the business plans of all capital items or proposed business ventures in excess of the CEO's signing authority, and all variances to budget in excess of the CEO's signing authority on projects in process.
- Review retrospective analyses of all strategic business ventures and all strategic capital expenditures in excess of \$2.5 million, as presented by management or as per the review schedule set forth by the Committee, to assess the reasonableness of business plans that were developed at the time of original approval and to promote learning as a result of any identified issues or concerns.

- Review and recommend approval for the acquisition or disposition of capital which is in excess of \$5 million.
- Approve unbudgeted capital expenditures exceeding the CEO's signature authority but not in excess of \$5 million.
- Approve the annual ECH Community Benefit Plan including grants to outside organizations, sponsorships and placeholder funds, combined which shall not exceed \$5 million annually.

F. Physician Financial Arrangements

- Review and approve recommend for Board approval Physician Financial Arrangements in excess of 75% of fair market value and recommend for Board approval Physician Financial Arrangements in excess of 90% of fair market value in accordance with the Corporate Compliance: Physician Financial Arrangements Policy.
- ~~• Approve Physician Financial Arrangements in excess of 250,000 annually or if upon renewal or amendment, the annual increase is greater than 10% in accordance with the Corporate Compliance: Physician Financial Arrangements Policy.~~
- Approve the Annual Summary Report of Physician Financial Arrangements.

G. Financial Policies

- Review and recommend approval of any Board-level financial policies, excluding any financial policies for which responsibility has been specifically assigned to another Board Committee.

H. Ongoing Education

- Endorse and encourage Committee education and dialogue relative to emerging healthcare issues that will impact the viability and strategic direction of the Organization,

I. Management Partnership

- Work in partnership with the CFO and other hospital executives to assist in the development of financial policies which will help ensure the Organization's success.
- Provide ongoing counsel to the CFO regarding areas of opportunity for either personal or organizational improvement.

Committee Effectiveness

The Committee is responsible for establishing its annual goals, objectives and work plan in alignment with the Board and Hospital's strategic goals. The Committee strives for continuous improvement with regard to its processes, procedures, materials, and meetings, and other functions to enhance its contribution to the full Board.

Meetings and Minutes

Approved as Revised: 8/10/16, 1/16/19, 11/6/19, 2/10/21,
5/26/22

The Committee shall meet at least once per quarter. The Committee Chair shall determine the frequency of meetings based on the Committee's annual goals and work plan and the operational requirements of the organization. Minutes shall be kept by the assigned staff and shall be delivered to all members of the Committee when the agenda for the subsequent meeting is delivered. The approved minutes shall be forwarded to the Board for information.

Meetings and actions of all committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of the Bylaws, concerning meetings and actions of directors. Special meetings of committees may also be called by resolution of the Board or the Committee Chair. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the Committee. Notice of any special meetings of the Committee requires a 24-hour notice.

TITLE: El Camino Hospital Board Committee Governance Policy

CATEGORY: Administrative

FIRST APPROVAL: ECHB August 14, 2024

Coverage:

All Members of the El Camino Hospital Board of Directors (“Board”) and Board Advisory Committees (“Committees”). The Governance Committee shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Authority:

The Board has established the following standing Advisory Committees pursuant to Article 7.6 of the El Camino Hospital Bylaws: Compliance and Audit Committee; Executive Compensation Committee; Finance Committee, Governance Committee, Investment Committee; and Quality, Patient Care, and Patient Experience Committee. The Committees have the authority granted to them per the Hospital Bylaws, the Committee Charter, and majority action of the Board. Committees may study, advise and make recommendations to the Board on matters within the committee’s area of responsibility as stated in the Committee Charter. The authority of committees is limited to advisory recommendations except in responsibilities directly delegated by the Board. Committees may provide recommendations for the Board to consider, which recommendations may be considered, adopted, amended or rejected by the Board in the Board’s sole discretion. Committees shall have no authority to take action or otherwise render decisions that are binding upon the Board or staff except as otherwise stated in the Bylaws, the Committee’s Charter, or majority action of the Board. To the extent of any conflict with the Committee Charter, this policy controls.

Membership:

Each committee shall have the membership as stated in the Committee Charter but must be composed of at least two members of the Board (“Director Members”), as well as people who are not members of the Board (“Community Members”). Director membership on any single Committee shall not constitute a quorum of either Board or Healthcare District Board membership. The Chair of a committee is its presiding officer. In the absence of the Chair, the Vice-Chair (or if no Vice-Chair, any member of the Committee as determined by the Chair or the Board) shall perform the duties of the Chair.

Appointment and Removal:

The Board Chair (or Board Chair-elect in Board officer election years) shall appoint the Director Members and Committee Chairs, subject to approval of the Board. Community Members shall be appointed by the Committee, subject to approval of the Board. All Board Chair appointments shall be reviewed by the Governance Committee before submission to the Board.

Committee Chairs may appoint and remove a Vice-Chair at the Committee Chair’s discretion. However, if the Committee Chair is not a Director Member, a Vice Chair must be appointed who is a Director, in which case the Director Vice-Chair shall be appointed the same as any other Director Member.

The Board has the authority to remove Director Members and Community Members at any time either with or without the Committee’s recommendation, in the Board’s sole discretion.

TITLE: El Camino Hospital Board Committee Governance Policy

CATEGORY: Administrative

FIRST APPROVAL: ECHB August 14, 2024

Term

Director Members and Community Members serve a term of *three* full or partial fiscal years depending on date of appointment and eligibility to serve. Director and Community Members shall be divided into three appointment categories, as nearly equal in number as possible, as follows: (a) Class 1, the initial term of which shall expire June 30, 2025, and subsequent terms shall be three years each; (b) Class 2, the initial term of which shall expire June 30, 2026, and subsequent terms shall be three years each; (c) Class 3, the initial term of which shall expire June 30, 2027, and subsequent terms shall be three years each. Each class shall hold committee membership until successors are appointed.

Committee Chair and Vice Chair appointments shall be reviewed annually by the Board Chair (or Chair-Elect). Chair and Vice Chair appointments may be changed at any time without effecting the term of that person's membership on the Committee.

Director Members, Community Members, Chairs, and Vice Chairs may serve consecutive terms.

If a community member wishes to vacate a position, the committee member shall submit a written resignation letter addressed to the Chair of the Committee and the Chair of the Board, with a copy to the CEO and Governance Services.

Attendance:

Committee members are expected to attend in person and meaningfully participate in all committee meetings absent extenuating circumstances. Remote virtual participation is generally only allowed for just cause or emergency situations such as physical or family medical emergency, childcare, illness, disability, or Board or Committee related travel. Remote virtual participation must comply with the requirements of the Ralph M. Brown Act. Committee members may be removed from the Committee for repeated failure to satisfy attendance requirements.

If a member is physically not present for more than two meetings in a calendar year, the Committee Chair shall contact that member and remind the member of this policy. If the member continues to be physically absent despite the warning, the Committee shall consider a recommendation to the Board for removal.

Meetings:

All Committees shall have a Committee Charter approved by the Board.

Committee meetings shall be open to the public except for items permitted to be discussed in closed session and held in accordance with the provisions of the Ralph M. Brown Act. At least 72 hours before a committee meeting, Governance Services shall post an agenda containing a brief, general description of each item of business to be discussed at the committee meeting. The posting shall be accessible to the public.

TITLE: **El Camino Hospital Board Committee Governance Policy**

CATEGORY: Administrative

FIRST APPROVAL: ECHB August 14, 2024

The minutes of each committee meeting, including any recommendation of a committee, shall include a summary of the information presented and the recommended actions. ECHB staff will prepare minutes for each meeting. Draft minutes will be provided to the committee at the next available committee meeting for committee member review and approval. Once approved, minutes will be made a part of the Board's permanent records.

A majority of the members of each committee shall constitute a quorum for the transaction of business.

Only members of the committee are entitled to make, second or vote on any motion or other action of the committee. Each committee member shall be entitled to one vote on all matters considered by the committee. A simple majority vote of the members of the Committee shall designate approval of a motion.

All committee communications must go through the designated committee Chair.

The specific committees and their respective responsibilities are as stated in the Charter for each Committee.

FY2025 Finance Committee Pacing Plan												
AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	8/26	SEPT	10/14	NOV	12/5	1/27	2/24	3/31	APR	5/26	JUN
STANDING AGENDA ITEMS												
Standing Consent Agenda Items		✓		✓		✓	✓		✓		✓	
Minutes		✓		✓		✓	✓		✓		✓	
Period Financials Report (Approval)		✓		✓		✓	✓		✓		✓	
Board Actions		✓		✓		✓	✓		✓		✓	
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)		✓										
Financial Performance JVs/ Business Affiliates		✓										
Progress on Opportunities/ Risks						✓						
Medical Staff Development Plan (every 2 years)									✓			

FY2025 Finance Committee Pacing Plan												
AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	8/26	SEPT	10/14	NOV	12/5	1/27	2/24	3/31	APR	5/26	JUN
Impact of Strategic Initiatives/Market Share Update							✓					
Progress Against Committee Goals & Pacing Plan (Quarterly)						✓			✓		✓	
Foundation Strategic Update						✓						
ECHMN Update							✓		✓			
Community Benefit Grant Application Process						✓			✓			
Progress Against 2027 Strategic Plan						✓					✓	
Managed Care Update							✓					
Long-Range Financial Forecast (Joint FC / IC Meeting)								✓				
Next FY Budget and Preliminary Assumptions Review									✓			
Review FY Operational / Capital Budget for Recommendation to Board									✓		✓	
Summary Physician Financial Arrangements									✓			
Post Implementation (as needed)												
Other Updates¹ (as needed)												

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

Financial Management

Hospital margins' 'new normal'

Alan Condon – August 13, 2024

Hospitals' latest financial results point to the beginning of a slow and sustained recovery, Fitch Ratings said in an Aug. 12 report shared with *Becker's*.

Liquidity has held steady for the sector since Fitch's last update and leverage has improved substantially, according to the report. However, year-over-year improvement still begins and ends with acute labor challenges.

"The labor picture has been on an upward trajectory for the last year with less usage of external contract labor, lower pricing per hour compared to calendar 2022 and a higher number of new hires over 'leavers,'" Kevin Holloran, senior director and sector head at Fitch, said. "Some of the labor improvements can be tied to near universal higher levels per capita of salary, wage and benefits, changes healthcare leadership has been very happy to make."

Despite the steady improvement in financial trends, certain industry challenges remain, including elevated labor costs and the fundamental disconnect between revenue generation and expense requirements that may be here for the long term.

Fitch said it remains unclear whether nonprofit hospitals are now in a "new normal" of long-term lower than historical operating margins, or if 2024 will see a bigger step forward to something more akin to long-term performance.

Operating margins are still far [below](#) the pre-pandemic "magic number" of 3% and the jury is still out on a permanent reset in the 1%-2% range.

"We are still another year away from some level of more predictive 'normalcy' in the sector, though 2025 medians will show continued operational improvement, with liquidity and leverage largely unchanged," Mr. Holloran said.

Financial Management

Hospital average days cash on hand hit 10-year low: S&P

Laura Dyrda – August 8, 2024

Median days cash on hand dipped to a 10-year low for U.S. hospitals and health systems, according to an Aug. 7 S&P Global Ratings' report.

In 2023, overall operating expenses grew 5% after a 17% growth in 2022, and median total operating revenue was up 8.8% last year. There was continued pressure on days cash on hand. For the first time in the last decade, average days cash on hand dropped below 200 to 196.8. The upper half of U.S.-based nonprofit acute healthcare providers reported an average of 292 days while the lower half reported 128 days on average.

Unrestricted reserves were up "modestly" for most hospitals, according to the report, and there was a drop in median long-term debt and leverage.

"Leverage remained sound ahead of heavy borrowing observed in 2024," noted the report. "Debt measures were stable or improved in fiscal 2023, with sustained strong funding levels for defined-benefit pension plans. We anticipate some worsening in this area over the coming year as providers increase borrowing activity."

By June of 2024, S&P reported 26% of nonprofit acute healthcare organizations had AA ratings, 44% had A ratings, and 20% had BBB ratings. The performance outlook for 74% of organizations was stable and 22% had a negative outlook. The remaining 4% had a positive outlook, down slightly from December 2023.

There is still a gap between healthcare organizations with highest and lowest performing medians, and the best performing organizations "have not been immune from sector difficulties," according to the report. In some cases, even organizations with traditionally strong medians have weakening credit quality and the bottom performers are still feeling the pinch. Top performers reported 2.5% operating margins while the lower half had -2.7% operating margins on average.

The stronger performers could still improve cash flow to reinvest in their organization, according to S&P. Overall, last year's performance medians made incremental progress as the gap between revenue and expenses closed. But that's not enough to return organizations to pre-pandemic growth.

"Cash flow did not improve meaningfully and is still below many organizations' long-range margin target that yields sufficient resources for capital investment and maintains desired balance-sheet cushion," stated the report. "After a decade of maximum annual debt service

BECKER'S

Hospital CFO Report

coverage at or above 4.0x, this measure of cash flow fell in 2022 and then further in 2023 to just 3.1x."

S&P also reported increased capital spending and debt activity for the first half of the year while cash on hand and cash flow have stayed at historical lows.

"Given these factors, combined with the higher percentage of negative outlooks, we expect some ratings will still be negatively affected but this will hinge in large part on the pace of general recovery trends in the next year or two," states the report.

SECTOR PROFILE

6 August 2024



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Not-for-Profit and Public Healthcare – US

Medians – Operating performance stabilizes as expense and revenue growth gap narrows

Operating performance in the US not-for-profit healthcare sector stabilized following multiple years of rapid expense growth, according to our 2023 medians data. However, while profitability began a slow recovery, expenses remained elevated and drove down days cash on hand. Despite improved performance, there is a broader range of variability across healthcare entities, with recovery weighted to the higher end of the rating scale. There was also an increase in the number of systems with negative operating cash flow (OCF), with the highest proportion at the lower end of the rating scale. We expect continued slow but positive stabilization of financial performance as costs remain elevated but systems continue to adapt to labor challenges as well as benefit from state supplemental funding programs, increased mergers and affiliations and other strategies.

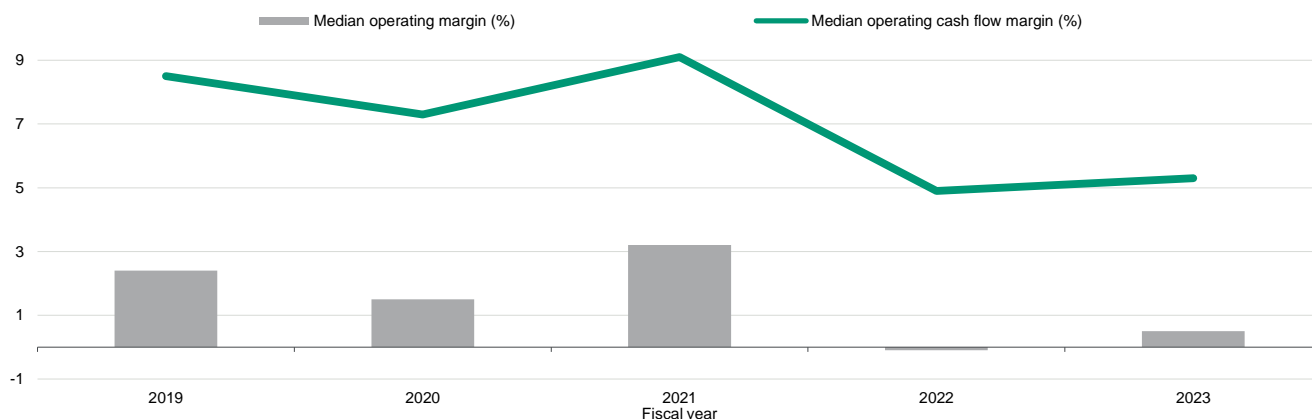
- » **Financial performance stabilized at modest levels.** The median operating cash flow (OCF) margin for 2023 improved slightly to 5.3% over 4.9% in 2022, but remained well below the pre-pandemic 2019 median of 8.5%. Rapid expense growth and patient volume disruptions coming out of the pandemic were the largest factors.
- » **Expense and revenue growth gap narrowed, with rates nearly even.** Median expenses grew 7.2% in 2023 compared with median revenue growth of 6.9%. In 2022, by contrast, expense growth far surpassed revenue growth. Improvement in the healthcare labor market throughout 2023 helped narrow the gap between the two measures.
- » **Days cash on hand declined but absolute cash was steady.** Median days cash on hand fell to 189 in fiscal 2023 from 206 in 2022, impacted by still-high expenses. Meanwhile, median growth in unrestricted cash and investments was 2.4% in 2023.
- » **Leverage improved modestly relative to both liquidity and operations.** Median unrestricted cash and investments to total debt rose to 182% in 2023 from 176% in 2022 as issuance remained low, while median total debt to cash flow remained steady at 3.7x and median debt to operating revenue improved to 29% from 31.2%.
- » **All key volume metrics increased in 2023.** Outpatient surgeries grew the most, at a 5.9% median rate, highlighting the trend toward outpatient services and ambulatory surgery centers. Inpatient admissions grew 2.2%, similar to the 2.3% increase in 2021, when admissions rebounded from pandemic disruptions.

Financial performance stabilized at modest levels

- » The median operating margin improved to 0.5% in fiscal 2023 from negative 0.1% in 2022. While many systems returned to break-even, 44% generated a loss, compared to 20% in 2019, the last year before the pandemic.
- » Similarly, the median OCF margin increased to 5.3% in fiscal 2023, from 4.9% the previous year. December year-end systems benefited from December 340B payments and additional months of slowed expense growth as the labor market improved and pace of hiring permanent staff as opposed to contract labor increased in the second half of the year.
- » Recovery is weighted toward the top of the rating scale. For systems rated Baa and below, OCF margins declined. OCF margins for speculative grade issuers fell to -0.8% in the 2023 sample from 0.3% in the 2022 sample.
- » 31 organizations reported negative operating cash flow in fiscal 2023 versus 20 in 2022, with the highest proportion of operating losses from speculative grade issuers. For context, prior to the pandemic, only a handful of systems had negative cash flow in a given year.

Exhibit 1

Margins improved from a 2022 low



Source: Moody's Ratings

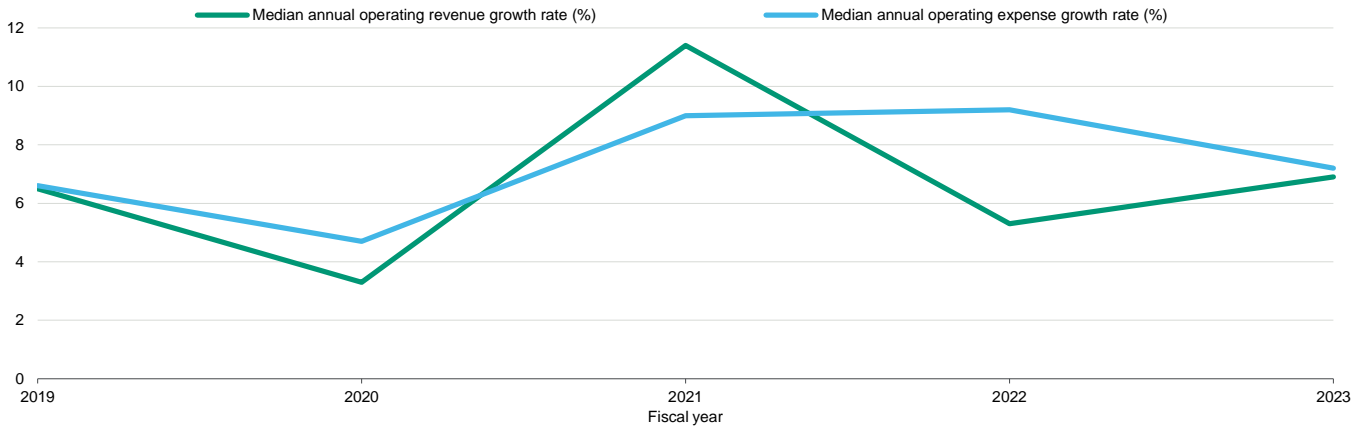
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Expense and revenue growth gap narrowed, with rates nearly even

- » The gap between median expense growth and median revenue growth significantly narrowed in fiscal 2023, with expense growth 30 basis points above revenue growth compared with nearly 400 basis points in 2022.
- » Expense growth, however, remained above pre-pandemic levels at a rate of 7.2% compared with 6.6% in 2019. Labor expenses remained high even as the acute need for contract nurses eased.
- » Revenue continued to rebound, at a rate of 6.9% in 2023, supported by volume recovery and increased supplemental funding across several states. Over the past five years, that is behind only 2020, when high federal relief funds led to 11.4% revenue growth.

Exhibit 2

Improved operating conditions drove lower expense and higher revenue growth



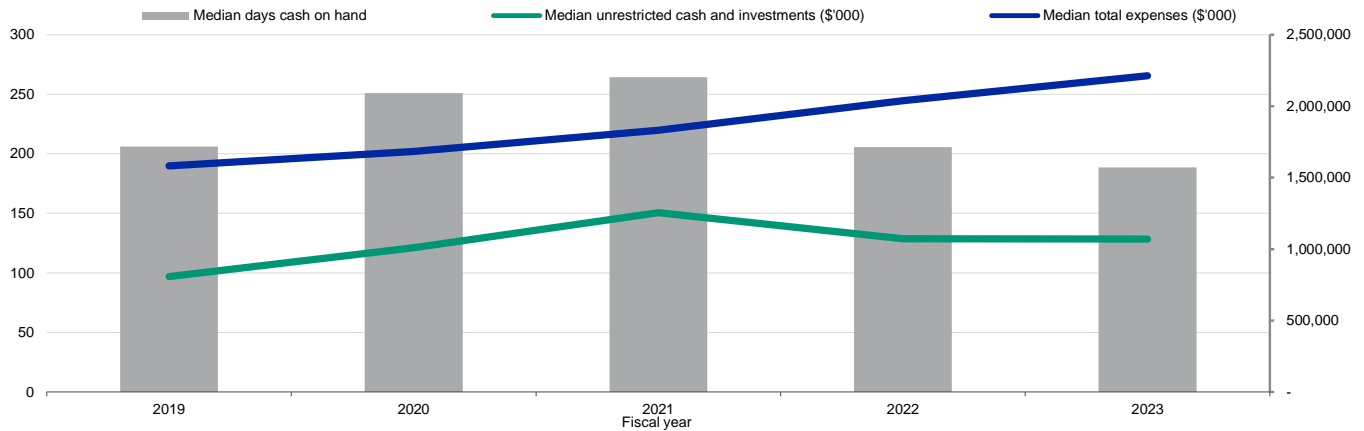
Source: Moody's Ratings

Days cash on hand declined but absolute cash was steady

- » Median days cash on hand fell to a five year-low of 189 because of high expenses and modest cash flow. Though expense growth moderated compared to the prior year, it remains high, with the median 3-year operating expense CAGR at a five-year high of 8.1%.
- » Unrestricted cash and investments remained stable at a median of \$1.07 billion and a median growth rate of 2.4%. Still, this growth is lower than the 2019 pre-pandemic rate of 9.2%.
- » Capital spending and age of plant remained steady, reflecting systems' abilities to execute routine maintenance as performance stabilized. Median capital spending was 1.2x depreciation and median age of plant 12.8 years, up from 12.5 years in fiscal 2022.

Exhibit 3

Days cash on hand declined to a five-year low while reserves were steady



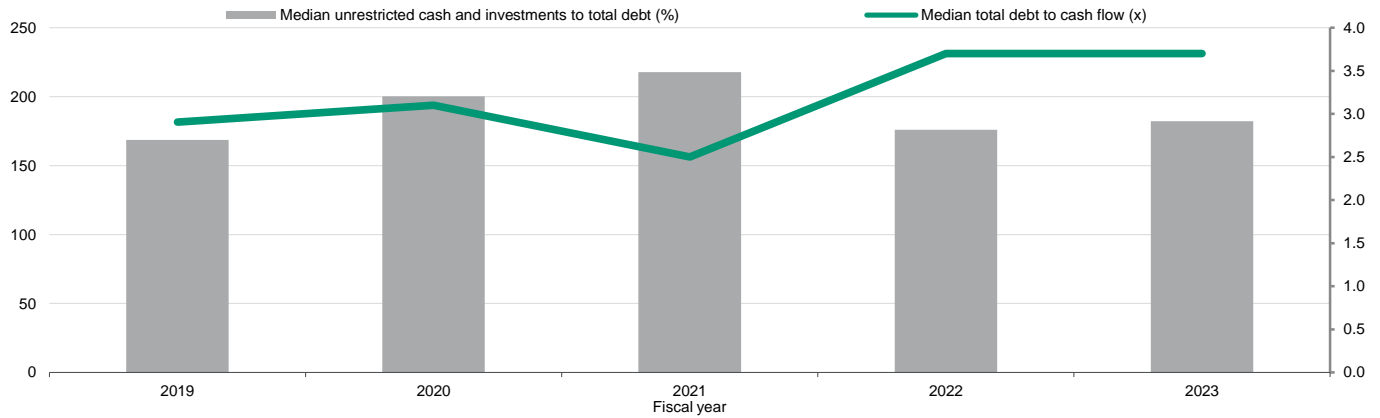
Fiscal years 2020 and 2021 include material Medicare Advance federal funding for most systems.
 Source: Moody's Ratings

Leverage improved modestly relative to both liquidity and operations

- » Median unrestricted cash and investments to total debt improved modestly to 182% in fiscal 2023 from 176% a year earlier. This reflects stable cash reserves and a decline in debt at a median rate of 2%, highlighting continued low issuance.
- » Operating leverage remained steady or improved, with total debt to cash flow flat at a recent high of 3.7x and total debt to operating revenue falling to a five-year low of 29%.
- » The median growth rate for net revenues available for debt service was 6% in fiscal 2023, a material improvement over the 31% median decline in 2022, a year when several systems had unprecedented covenant challenges. While some systems breached covenants in 2023, covenant compliance improved significantly over the prior year.

Exhibit 4

Debt to cash flow was flat while unrestricted cash and investments to total debt modestly improved

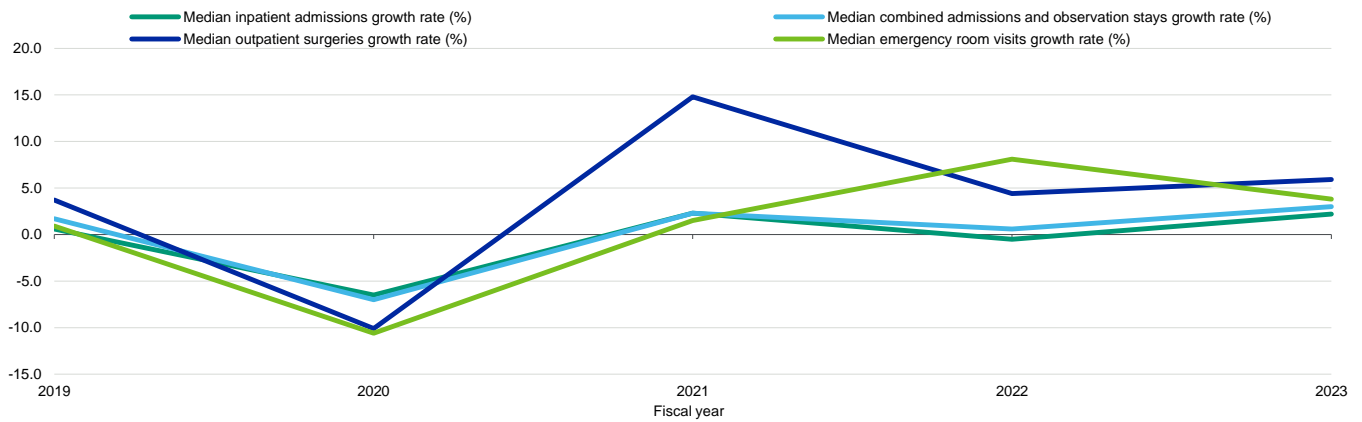


Source: Moody's Ratings

All key volume metrics increased in 2023

- » Outpatient services grew at the highest rates in fiscal 2023, with growth in outpatient surgeries at 5.9% and emergency room visits at 3.8%. The utilization metrics for each, at 26,572 and 169,621 respectively, reached five-year highs. While industry trends continue toward outpatient services, this growth points to a continued recovery across all services.
- » Inpatient admissions grew by a median 2.2%, a notable rebound from a decline of 0.5% in 2022. Combined admissions and observation stays grew at a 3% rate, a five-year high.
- » Observation stays on their own continued to grow, increasing 3.1%. This ongoing trend is exacerbated by a continued shift to Medicare Advantage (MA) plans, which has led to higher claim denials, including downcoding of inpatient stays to observation stays. The median percentage of gross revenue derived from MA was 22.6% in fiscal 2023, an increase from 20.8% in 2022.

Exhibit 5
Growth in utilization led to strongest volume period since 2019



Source: Moody's Ratings

Basis for medians

Our medians data is based on an analysis of audited fiscal 2023 financial statements for 214 free-standing hospitals, single-state health systems and multistate healthcare systems, representing 82% of our rated not-for-profit and public healthcare entities. Entities not eligible for inclusion in the medians include children's hospitals, hospitals for which five years of data are not available and certain specialty hospitals (for example, cancer centers). We currently rate 260 unique not-for-profit hospitals (excluding guarantees) with approximately \$202 billion of rated debt outstanding. The median rating for the sector is A2.

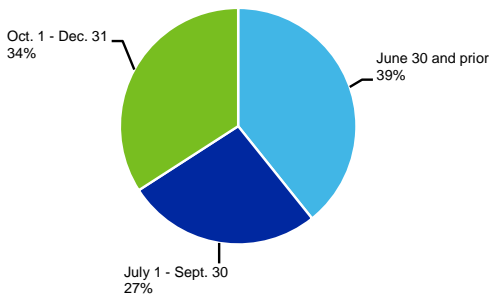
Moody's ratings are the outcome of a ratings process that incorporates a broad variety of quantitative and qualitative factors. Medians are a useful quantitative tool for benchmarking purposes. However, there is a wide range of values for individuals ratios within each rating category. We do not assign an organization's precise rating level simply by comparing its ratios to medians, but rather weigh a broad set of core credit variables over time as well as in relation to broad variables in the industry.

Each year, the entire five-year range of medians is newly computed from a unique set of healthcare entities. The exact set of hospitals used to calculate the medians in any particular year changes from year to year. Changes to the organizations comprising the data are because of a number of factors, including:

- » addition of new ratings
- » mergers and acquisitions
- » withdrawal of ratings
- » events that cause an organization's results to be unusual
- » absence of five years of consistent data

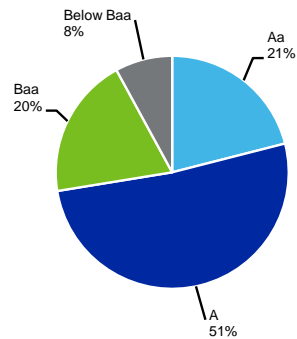
For these reasons, historical median results are likely to change somewhat from year to year. In the appendices below, we present the medians in several formats including by analytical indicators (Appendix 1); by year for five years, 2019-23 (Appendix 2); by broad rating category for 2023 (Appendix 3); and by alphanumeric rating category for 2023 (Appendix 4). The 214 organizations represented in the medians have a variety of fiscal year-end (FYE) dates (see Exhibit 6) that, in another year of changing economic conditions, affected the medians. For example, hospitals with fiscal year-ends near the beginning of the calendar year would have generally been more impacted by contract labor demands than those with later fiscal year-ends.

Exhibit 6
Distribution of organizations' fiscal year-ends included in the medians sample



Source: Moody's Ratings

Exhibit 7
Distribution of ratings for organizations in the medians sample



Source: Moody's Ratings

Appendices

Appendix 1: Analytical indicators

Exhibit 8

	2019	2020	2021	2022	2023
Reimbursement methods (% of net patient revenue)^[1]					
Traditional capitation (per member per month) (%)	1.4	1.6	1.1	1.3	0.8
DRG (%)	40.7	41.0	40.4	39.3	37.9
Percent of charges (%)	15.5	15.0	13.8	13.0	13.8
Fee schedule (%)	30.6	31.4	32.8	34.0	35.4
Per diem (%)	2.8	3.0	2.5	2.3	2.3
Risk based (%)	1.0	0.9	0.9	0.9	0.8
Other (%)	3.5	3.1	3.7	2.4	2.8
Sources of revenue (% of net patient revenue)^[1]					
Inpatient revenue (% of net patient revenue)	47.5	48.1	47.1	46.6	44.4
Outpatient revenue (% of net patient revenue)	52.3	51.8	52.8	53.3	55.1
Other payor mix data (% of gross revenue)					
Single largest payor, excluding Medicare and Medicaid (% of gross revenue)	14.6	14.7	14.8	14.6	14.5
Number of covered lives					
Medicare (number of covered lives)	41,296	44,377	50,898	53,631	53,476
Medicaid (number of covered lives)	59,077	63,127	67,070	78,298	86,491
Commercial (number of covered lives)	64,451	65,186	67,710	70,693	64,477
Hospital utilization data					
Unique patients	280,821	271,112	284,965	298,407	308,545
Total case mix index	1.6	1.7	1.7	1.7	1.7
Number of employed physicians	395	406	444	462	467
Active medical staff (independent and employed)	977	988	1,099	1,150	1,201

[1] Data do not sum to 100% because each entry is a separately calculated median. Statistics are based on smaller sample sizes where five years of consistent data are available.

Source: Moody's Ratings

Appendix 2: Freestanding hospitals, single-state and multistate healthcare systems, medians fiscal years 2019-23^[1]

Exhibit 9

All ratings	2019	2020	2021	2022	2023
Sample size	214	214	214	214	214
Utilization ^[2]					
Maintained beds	799	833	848	856	825
Admissions	38,677	35,543	36,604	36,819	38,411
Observation stays	13,410	12,711	12,494	13,569	14,126
Combined admissions and observation stays ^[3]	50,480	47,608	48,164	49,492	52,422
Patient days	203,113	198,403	220,118	224,494	228,134
Medicare case mix index	1.8	1.9	1.9	1.9	1.9
Average length of stay (days)	4.8	5.0	5.2	5.4	5.2
Maintained bed occupancy (%)	66.6	62.0	66.4	67.9	67.4
Emergency room visits	157,173	144,127	138,539	149,944	169,621
Outpatient visits	686,807	674,479	791,048	834,563	842,923
Outpatient surgeries	22,618	20,345	23,246	24,973	26,572
Financial performance (\$000)					
Net patient revenues	1,365,924	1,417,144	1,650,717	1,783,416	1,897,350
Total operating revenue	1,621,138	1,717,965	1,912,041	2,009,203	2,213,697
Interest expense	17,127	17,645	18,888	19,912	22,558
Depreciation and amortization expense	68,903	78,129	75,796	79,176	88,846
Total operating expenses	1,582,131	1,684,031	1,832,244	2,038,533	2,212,878
Income from operations	27,757	18,149	52,264	-1,430	6,783
Operating cash flow	119,307	113,118	152,844	85,963	99,706
Excess of revenue over expense	59,193	66,178	114,215	32,688	44,509
Net revenue available for debt service	157,975	175,402	219,874	156,634	148,821
Debt service	30,929	31,201	32,389	34,820	36,111
Additions to property, plant, & equipment	108,195	99,306	86,989	94,741	111,367
Balance sheet (\$000)					
Unrestricted cash and investments	807,451	1,008,574	1,254,404	1,072,578	1,070,510
Total debt	504,216	547,385	585,980	610,825	626,870
Total adjusted debt	659,497	745,556	725,212	760,044	791,509
Net property, plant and equipment	747,101	766,912	798,511	813,176	855,080
Unrestricted net assets	1,018,563	1,147,962	1,344,388	1,233,253	1,333,459
Monthly liquidity ^[4]	795,388	1,006,851	1,146,565	937,029	1,013,064
Annual liquidity ^[4]	851,079	1,025,919	1,281,451	1,095,975	1,090,712

All ratings	2019	2020	2021	2022	2023
Sample size	214	214	214	214	214
Key ratios					
Operating margin (%)	2.4	1.5	3.2	-0.1	0.5
Excess margin (%)	4.8	4.8	6.7	2.4	2.8
Operating cash flow margin (%)	8.5	7.3	9.1	4.9	5.3
Cash on hand (days)	206.1	250.8	264.3	205.6	188.7
Unrestricted cash and investments-to-total debt (%)	168.7	200.1	217.9	176.0	182.1
Unrestricted cash and investments-to-total adjusted debt (%)	127.1	151.4	171.7	140.8	140.6
Maximum annual debt service coverage (x)	4.6	4.5	5.6	3.7	3.7
Annual debt service coverage (x)	5.3	5.1	6.3	4.1	4.3
Total debt-to-cash flow (x)	2.9	3.1	2.5	3.7	3.7
Total debt-to-operating revenue (%)	31.7	33.4	30.2	31.2	29.0
Annual operating revenue growth rate (%)	6.5	3.3	11.4	5.3	6.9
Annual operating expense growth rate (%)	6.6	4.7	9.0	9.2	7.2
3 year operating revenue CAGR (%)	6.2	5.5	7.7	6.8	7.7
3 year operating expense CAGR (%)	6.5	6.2	7.0	8.0	8.2
Total debt-to-capitalization (%)	32.3	33.2	29.7	31.7	30.1
Current ratio (x)	1.9	1.7	1.6	1.7	1.8
Cushion ratio (x)	23.2	29.1	31.4	25.0	25.3
Return on assets (%)	4.2	3.9	5.0	1.7	2.3
Accounts receivable (days)	47.2	46.2	48.3	48.1	48.2
Average payment period (days)	64.5	95.1	88.7	69.2	65.8
Capital spending ratio (x)	1.3	1.2	1.0	1.2	1.2
Average age of plant (years)	11.4	11.6	12.1	12.5	12.8
Monthly liquidity-to-demand debt (%) ^[5]	575.4	854.8	957.5	782.2	793.0
Annual liquidity-to-demand debt (%) ^[5]	672.1	881.3	1,097.4	885.1	880.9
Demand debt as a % of total direct debt (%)	19.3	18.8	15.3	14.5	13.2
Cash-to-demand debt (%)	703.7	914.1	1,104.0	946.7	923.4
Monthly liquidity-to-total cash and investments (%)	97.8	96.0	96.5	94.8	94.8
Patient revenue sources by gross revenue (%) ^[6]					
Total Medicare	46.0	46.4	46.3	46.5	47.6
<i>Traditional Medicare (%)</i>	32.1	30.5	28.7	27.3	25.1
<i>Medicare Managed Care (%)</i>	15.1	16.8	18.6	20.8	22.6
Total Medicaid	15.1	15.7	15.9	16.4	16.5
<i>Traditional Medicaid (%)</i>	4.7	4.4	3.8	3.5	3.3
<i>Medicaid Managed Care (%)</i>	11.5	12.2	12.9	13.4	13.7
Total Commercial	31.4	31.4	31.1	31.1	30.4
Self-pay + other	5.6	5.4	5.3	5.4	5.2

[1] Financial data are based on 214 free-standing hospitals, single-state, and multistate healthcare systems. Data are as of 7/11/2024.

[2] Utilization based on smaller sample size where five years of consistent data are available.

[3] Combined Admissions and Observation Stays is a separately calculated median and does not equal the sum of median Admissions and median Observation Stays.

[4] Monthly and Annual Liquidity statistics are based on smaller sample sizes where five years of consistent data are available.

[5] Median values for monthly and annual liquidity to demand debt are derived from only those free-standing hospitals and single-state healthcare systems that have at least \$1 of demand debt outstanding.

[6] Payor Mix columns do not sum to 100% because each entry is a separately calculated median. Statistics are based on smaller sample sizes where five years of consistent data are available.

Source: Moody's Ratings

Appendix 3: Freestanding hospitals, single-state and multistate healthcare systems, medians by broad rating category, fiscal year 2023^[1]

Exhibit 10

All ratings	2023	Aa	A	Baa	Below Baa
Sample size	214	45	110	42	17
Utilization ^[2]					
Maintained beds	825	2,214	813	433	372
Admissions	38,411	102,706	40,869	21,771	14,636
Observation stays	14,126	38,991	13,937	7,940	4,189
Combined admissions and observation stays ^[3]	52,422	145,852	52,422	29,122	17,663
Patient days	228,134	562,264	228,134	102,863	62,297
Medicare case mix index	1.9	2.0	1.9	1.9	1.9
Average length of stay (days)	5.2	5.6	5.3	4.8	5.0
Maintained bed occupancy (%)	67.4	71.5	66.5	61.1	62.7
Emergency room visits	169,621	409,797	176,066	91,660	63,999
Outpatient visits	842,923	2,188,835	963,044	405,339	388,419
Outpatient surgeries	26,572	61,791	26,734	11,880	6,122
Financial performance (\$000)					
Net patient revenues	1,897,350	5,226,056	1,866,519	855,267	393,092
Total operating revenue	2,213,697	5,740,503	2,178,795	921,615	445,334
Interest expense	22,558	51,300	23,682	9,350	6,566
Depreciation and amortization expense	88,846	253,920	92,279	38,799	23,219
Total operating expenses	2,212,878	5,934,199	2,118,414	895,033	489,093
Income from operations	6,783	136,107	9,001	-14,766	-40,724
Operating cash flow	99,706	530,800	107,630	26,539	-2,059
Excess of revenue over expense	44,509	363,680	52,850	-5,125	-29,262
Net revenue available for debt service	148,821	824,550	159,116	49,426	2,625
Debt service	36,111	73,205	42,052	19,556	12,035
Additions to property, plant, & equipment	111,367	352,708	108,134	40,815	21,725
Balance sheet (\$000)					
Unrestricted cash and investments	1,070,510	5,090,698	1,161,446	331,518	145,378
Total debt	626,870	1,751,607	610,103	252,886	151,156
Total adjusted debt	791,509	2,245,591	766,475	360,834	275,068
Net property, plant and equipment	855,080	2,662,352	855,080	412,122	175,835
Unrestricted net assets	1,333,459	6,405,331	1,478,622	470,006	157,334
Monthly liquidity ^[4]	1,013,064	4,520,264	1,014,912	314,401	106,277
Annual liquidity ^[4]	1,090,712	5,090,698	1,050,308	331,518	106,795

All ratings	2023	Aa	A	Baa	Below Baa
Sample size	214	45	110	42	17
Key ratios					
Operating margin (%)	0.5	2.1	0.5	-2.3	-7.2
Excess margin (%)	2.8	5.5	2.7	-0.9	-6.0
Operating cash flow margin (%)	5.3	6.7	5.5	3.0	-0.8
Cash on hand (days)	188.7	273.9	188.4	134.1	79.0
Unrestricted cash and investments-to-total debt (%)	182.1	271.7	164.5	131.0	67.1
Unrestricted cash and investments-to-total adjusted debt (%)	140.6	219.4	138.2	102.2	49.9
Maximum annual debt service coverage (x)	3.7	6.8	3.8	1.9	0.3
Annual debt service coverage (x)	4.3	6.7	4.5	2.1	0.2
Total debt-to-cash flow (x)	3.7	2.4	3.6	6.9	44.1
Total debt-to-operating revenue (%)	29.0	26.7	29.2	29.2	34.0
Annual operating revenue growth rate (%)	6.9	8.4	7.1	4.9	1.9
Annual operating expense growth rate (%)	7.2	8.2	7.4	6.3	3.6
3 year operating revenue CAGR (%)	7.7	10.0	8.0	6.1	4.9
3 year operating expense CAGR (%)	8.2	9.2	8.3	6.7	5.1
Total debt-to-capitalization (%)	30.1	22.5	31.1	35.0	48.4
Current ratio (x)	1.8	1.7	1.8	1.7	1.6
Cushion ratio (x)	25.3	44.7	24.2	16.6	8.1
Return on assets (%)	2.3	3.9	2.4	-0.7	-3.9
Accounts receivable (days)	48.2	47.8	47.7	47.8	51.0
Average payment period (days)	65.8	70.9	62.7	64.0	74.1
Capital spending ratio (x)	1.2	1.4	1.2	1.1	1.0
Average age of plant (years)	12.8	11.1	12.8	13.9	14.8
Monthly liquidity-to-demand debt (%) ^[5]	793.0	775.1	806.3	850.1	327.4
Annual liquidity-to-demand debt (%) ^[5]	880.9	956.6	837.6	879.2	327.4
Demand debt as a % of total direct debt (%)	13.2	23.4	15.5	2.0	0.0
Cash-to-demand debt (%)	923.4	1,187.1	875.4	917.7	195.9
Monthly liquidity-to-total cash and investments (%)	94.8	77.7	94.4	100.0	100.0
Patient revenue sources by gross revenue (%) ^[6]					
Total Medicare	47.6	44.3	48.5	47.2	49.8
Total Medicaid	16.5	15.9	15.9	18.9	16.4
Total Commercial	30.4	33.8	29.4	29.2	28.1
Self-pay + other	5.2	5.3	5.2	5.2	5.5

[1] Financial data are based on 214 free-standing hospitals, single-state, and multistate healthcare systems. Data are as of 7/11/2024.

[2] Utilization based on smaller sample size where five years of consistent data are available.

[3] Combined Admissions and Observation Stays is a separately calculated median and does not equal the sum of median Admissions and median Observation Stays.

[4] Monthly and Annual Liquidity statistics are based on smaller sample sizes where five years of consistent data are available.

[5] Median values for monthly and annual liquidity to demand debt are derived from only those free-standing hospitals and single-state healthcare systems that have at least \$1 of demand debt outstanding.

[6] Payor Mix columns do not sum to 100% because each entry is a separately calculated median. Statistics are based on smaller sample sizes where five years of consistent data are available.

Source: Moody's Ratings

Appendix 4: Freestanding hospitals, single-state and multistate healthcare systems, medians by numerical rating category, fiscal year 2023¹⁾

Exhibit 11

All ratings	2023	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa
Sample size	214	17	27	37	42	31	16	14	12	17
Utilization ^[2]										
Maintained beds	825	2,657	1,545	1185	898	670	531	395	427	372
Admissions	38,411	129,906	67,053	48,484	46,812	28,788	26,434	20,639	22,095	14,636
Observation stays	14,126	53,594	30,006	15,716	17,500	11,536	15,390	6,843	7,648	4,189
Combined admissions and observation stays ^[3]	52,422	163,920	94,509	69,457	68,757	38,546	38,639	26,987	27,438	17,663
Patient days	228,134	707,171	409,571	274,408	235,218	149,612	143,470	87,696	102,863	62,297
Medicare case mix index	1.9	2.0	2.0	1.9	1.8	1.9	1.8	1.9	1.8	1.9
Average length of stay (days)	5.2	5.3	5.6	5.3	5.3	5.3	4.9	4.4	4.9	5.0
Maintained bed occupancy (%)	67.4	71.2	73.2	66.5	65.9	65.1	65.2	59.6	66.9	62.7
Emergency room visits	169,621	509,120	292,074	180,079	213,363	128,498	106,549	89,992	72,882	63,999
Outpatient visits	842,923	2,261,799	1,899,436	1,348,601	632,872	798,468	388,668	371,785	568,994	388,419
Outpatient surgeries	26,572	76,532	43,066	36,955	24,546	19,589	12,653	11,401	13,367	6,122
Financial performance (\$000)										
Net patient revenues	1,897,350	6,702,600	3,570,699	2,317,751	1,839,593	1,071,122	829,736	801,002	915,075	393,092
Total operating revenue	2,213,697	8,572,732	4,673,977	2,592,752	2,189,660	1,107,955	866,423	866,143	1,032,837	445,334
Interest expense	22,558	58,783	40,130	23,812	25,355	13,078	7,113	9,350	15,307	6,566
Depreciation and amortization expense	88,846	337,900	179,323	116,570	95,666	43,467	38,991	35,924	46,565	23,219
Total operating expenses	2,212,878	8,300,765	4,562,112	2,764,402	2,151,278	1,160,963	869,828	868,611	1,035,757	489,093
Income from operations	6,783	299,111	97,351	11,480	9,001	4,868	-6,618	-11,940	-37,215	-40,724
Operating cash flow	99,706	703,369	276,779	128,829	114,447	76,938	25,157	33,765	20,275	-2,059
Excess of revenue over expense	44,509	597,399	233,329	76,878	42,885	24,132	3,382	-5,125	-9,745	-29,262
Net revenue available for debt service	148,821	1,033,343	388,404	213,372	161,577	91,887	46,950	45,880	51,885	2,625
Debt service	36,111	116,169	65,752	51,275	44,651	28,035	14,120	18,275	21,295	12,035
Additions to property, plant, & equipment	111,367	493,905	230,443	159,855	108,134	72,811	40,815	37,709	74,182	21,725
Balance sheet (\$000)										
Unrestricted cash and investments	1,070,510	7,945,325	2,761,055	1,388,349	1,219,117	483,444	399,004	324,938	331,277	145,378
Total debt	626,870	2,044,220	1,168,027	732,055	636,118	398,654	242,808	214,674	360,729	151,156
Total adjusted debt	791,509	2,373,991	1,936,137	883,760	798,664	443,720	299,984	288,050	451,660	275,068
Net property, plant and equipment	855,080	3,076,700	1,848,852	1,318,795	844,155	468,069	354,952	375,716	511,510	175,835
Unrestricted net assets	1,333,459	9,391,120	3,263,121	2,111,870	1,519,227	794,897	615,815	391,727	452,182	157,334
Monthly liquidity ^[4]	1,013,064	5,419,973	2,164,673	1,193,464	1,069,249	455,900	581,504	321,144	243,257	106,277
Annual liquidity ^[4]	1,090,712	6,482,586	2,721,708	1,193,464	1,186,926	472,890	584,239	328,731	253,353	106,795

All ratings	2023	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Below Baa
Sample size	214	17	27	37	42	31	16	14	12	17
Key ratios										
Operating margin (%)	0.5	3.2	1.9	0.5	0.4	0.5	-1.2	-1.9	-2.7	-7.2
Excess margin (%)	2.8	7.4	4.9	3.1	2.8	2.4	0.6	-0.9	-0.9	-6.0
Operating cash flow margin (%)	5.3	8.5	6.1	5.6	5.5	5.4	3.9	3.2	2.2	-0.8
Cash on hand (days)	188.7	332.9	257.8	207.6	188.8	150.2	174.1	140.3	115.4	79.0
Unrestricted cash and investments-to-total debt (%)	182.1	331.8	258.6	185.5	177.8	135.1	173.3	160.5	87.9	67.1
Unrestricted cash and investments-to-total adjusted debt (%)	140.6	277.3	204.5	159.7	133.1	115.5	126.3	112.6	58.7	49.9
Maximum annual debt service coverage (x)	3.7	7.5	5.6	4.4	4.9	3.7	2.5	2.5	1.5	0.3
Annual debt service coverage (x)	4.3	8.9	6.3	5.0	4.2	3.7	3.1	2.1	1.7	0.2
Total debt-to-cash flow (x)	3.7	2.1	2.9	3.3	3.6	3.9	6.9	5.5	7.3	44.1
Total debt-to-operating revenue (%)	29.0	24.6	27.4	29.7	29.0	29.5	29.4	24.0	30.5	34.0
Annual operating revenue growth rate (%)	6.9	9.2	7.9	6.1	8.2	7.0	4.7	6.7	4.7	1.9
Annual operating expense growth rate (%)	7.2	7.6	8.2	7.4	7.0	7.5	5.7	7.7	6.3	3.6
3 year operating revenue CAGR (%)	7.7	10.0	9.8	8.0	7.8	8.6	6.5	7.1	4.9	4.9
3 year operating expense CAGR (%)	8.2	8.9	9.4	8.5	8.3	9.4	6.8	8.0	5.4	5.1
Total debt-to-capitalization (%)	30.1	19.1	24.0	28.1	32.0	35.3	30.9	32.7	44.2	48.4
Current ratio (x)	1.8	1.3	1.8	2.0	1.9	1.8	1.6	1.8	1.7	1.6
Cushion ratio (x)	25.3	57.4	42.9	28.5	23.9	18.5	23.2	17.2	11.6	8.1
Return on assets (%)	2.3	4.9	3.3	2.2	2.9	2.3	0.7	-0.6	-1.1	-3.9
Accounts receivable (days)	48.2	47.3	48.1	47.2	47.6	48.6	51.9	48.0	45.5	51.0
Average payment period (days)	65.8	75.1	66.9	65.9	64.3	60.6	59.8	65.0	65.1	74.1
Capital spending ratio (x)	1.2	1.4	1.4	1.3	1.2	1.2	1.0	1.0	1.2	1.0
Average age of plant (years)	12.8	11.1	11.7	12.9	12.6	13.2	12.6	14.0	14.9	14.8
Monthly liquidity-to-demand debt (%) ^[5]	793.0	884.0	626.8	811.7	720.6	764.1	771.0	3,296.8	509.5	327.4
Annual liquidity-to-demand debt (%) ^[5]	880.9	1,306.0	858.4	870.2	751.3	795.4	852.3	3,296.8	579.8	327.4
Demand debt as a % of total direct debt (%)	13.2	23.4	22.1	15.0	16.8	12.7	2.1	2.0	2.0	0.0
Cash-to-demand debt (%)	923.4	1,404.0	1,036.7	1,018.9	816.9	815.9	792.8	3,383.4	733.8	195.9
Monthly liquidity-to-total cash and investments (%)	94.8	69.8	78.9	88.2	94.0	100.0	99.4	100.0	98.3	100.0
Patient revenue sources by gross revenue (%) ^[6]										
Total Medicare	47.6	44.2	44.6	48.8	47.6	48.9	45.2	46.8	48.6	49.8
Total Medicaid	16.5	17.0	15.3	15.3	17.0	15.7	20.0	16.2	19.4	16.4
Total Commercial	30.4	33.7	33.2	30.0	28.9	29.2	29.5	32.2	27.6	28.1
Self-pay + other	5.2	5.2	5.2	5.0	5.1	5.5	4.3	5.5	6.1	5.5

[1] Financial data are based on 214 free-standing hospitals, single-state, and multistate healthcare systems. Data are as of 7/11/2024.

[2] Utilization based on smaller sample size where five years of consistent data are available.

[3] Combined Admissions and Observation Stays is a separately calculated median and does not equal the sum of median Admissions and median Observation Stays.

[4] Monthly and Annual Liquidity statistics are based on smaller sample sizes where five years of consistent data are available.

[5] Median values for monthly and annual liquidity to demand debt are derived from only those free-standing hospitals and single-state healthcare systems that have at least \$1 of demand debt outstanding.

[6] Payor Mix columns do not sum to 100% because each entry is a separately calculated median. Statistics are based on smaller sample sizes where five years of consistent data are available.

Source: Moody's Ratings

Moody's healthcare ratio definitions

Exhibit 12

Ratio	Computation
3 year operating revenue CAGR (%)	$(\text{Operating revenue current year} / \text{operating revenue three years ago})^{1/3} - 1$
Accounts receivable (days)	$(\text{Net patient accounts receivable} \times 365) / \text{net patient service revenue}$
Annual debt service coverage (x)	$\text{Net revenue available for debt service} / (\text{principal payments} + \text{interest expense})$
Annual liquidity (\$000)	The dollar amount of total cash and investments that can be liquidated in one year or less. Annual liquidity is inclusive of monthly liquidity.
Annual liquidity-to-demand debt (%)	$\text{Annual liquidity} / \text{demand debt}$
Average age of plant (years)	$\text{Accumulated depreciation} / \text{depreciation expense}$
Average payment period (days)	$(\text{Total current liabilities} \times 365) / (\text{total operating expenses} - \text{depreciation and amortization expenses})$
Capital spending ratio (x)	$\text{Additions to PP\&E} / \text{depreciation expense}$
Cash on hand (days)	$(\text{Unrestricted cash and investments} \times 365) / (\text{total operating expenses} - \text{depreciation and amortization expenses})$
Cash-to-demand debt (%)	$\text{Unrestricted cash and investments} / \text{demand debt}$
Current ratio (x)	$\text{Total current assets} / \text{total current liabilities}$
Cushion ratio (x)	$\text{Unrestricted cash and investments} / \text{estimated future peak debt service}$
Excess margin (%)	$(\text{Total operating revenue} - \text{total operating expenses} + \text{nonoperating income}) / (\text{total operating revenue} + \text{non-operating income})$
Maximum annual debt service coverage (x)	$\text{Net revenue available for debt service} / \text{estimated future peak principal payments and interest expense}$
Medicare case mix index	Measurements comparing acuity of Medicare patients among hospitals
Monthly liquidity (\$000)	The dollar amount of total cash and investments that can be liquidated in one month or less
Monthly liquidity-to-demand debt (%)	$\text{Monthly liquidity} / \text{demand debt}$
Monthly liquidity-to-total cash and investments (%)	$\text{Monthly liquidity} / \text{total cash and investments}$
Net debt (\$000)	Direct debt - CP of Trusteed fund for debt service - bond trustee held DSRF
Net revenue available for debt service (\$000)	$\text{Total operating revenue} - \text{total operating expenses} + \text{nonoperating income} + \text{depreciation and amortization expenses} + \text{interest expense}$
Operating cash flow margin (%)	$(\text{Total operating revenue} - \text{total operating expenses} + \text{interest expense} + \text{depreciation and amortization expenses} + \text{pension imputed interest expense}) / \text{total operating revenue}$
Operating margin (%)	$(\text{Total operating revenue} - \text{total operating expenses}) / \text{total operating revenue}$
Return on assets (%)	$\text{Excess of revenues over expenses} / \text{total assets from prior year}$
Total adjusted debt (\$000)	Direct debt + operating leases, and pension obligation, if applicable.
Total debt-to-capitalization (%)	$(\text{Long-term debt} + \text{short-term debt}) / (\text{long-term debt} + \text{short-term debt} + \text{unrestricted fund balance})$
Total debt-to-cash flow (x)	$(\text{Long-term debt} + \text{short-term debt}) / (\text{excess of revenues over expenses} + \text{depreciation and amortization expenses} + \text{interest expense} + \text{pension imputed interest expense})$
Total debt-to-total operating revenue (%)	$(\text{Long-term debt} + \text{short-term debt}) / \text{total operating revenue}$
Unrestricted cash and investments (\$000)	$\text{Unrestricted cash} + \text{short-term investments} + \text{board-designated cash and investments}$
Unrestricted cash and investments-to-total adjusted debt (%)	$\text{Unrestricted cash and investments} / \text{total adjusted debt}$
Unrestricted cash and investments-to-total debt (%)	$\text{Unrestricted cash and investments} / (\text{long term debt} + \text{short term debt})$

Source: Moody's Ratings

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U.S. Not-For-Profit Acute Health Care 2023 Medians: Remarkably Level With Prior Year, But Performance Remains Notably Below Historical Norms

August 7, 2024

Key Takeaways

- Operating performance remained weak, but virtually unchanged from fiscal 2022 medians. Margins and coverage ratios were consistent across fiscal 2023, with little movement up or down although with some underlying progress as indicated by adjusted operating margin improvement. That said, profitability measures remain well below the decade's historical baseline.
- Balance-sheet metrics were mostly stable, with continued pressure on days' cash on hand. Median absolute unrestricted reserves rose modestly, concurrent with a decline in median long-term debt and leverage. However, expense growth continued to pressure operating liquidity, with days' cash on hand now below 200 for the first time in a decade.
- The growth rate of total operating expenses moderated. Following a dramatic 17% rise in fiscal 2022, median total operating expenses in fiscal 2023 reflected a manageable 5% uptick, well below the rate of increase for revenues with staffing adjustments and stabilizing labor costs.
- Leverage remained sound ahead of heavy borrowing observed in 2024. Debt measures were stable or improved in fiscal 2023, with sustained strong funding levels for defined-benefit pension plans. We anticipate some worsening in this area over the coming year as providers increase borrowing activity.

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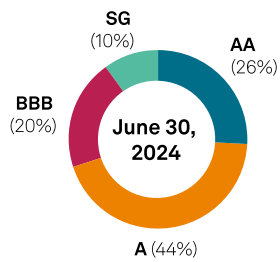
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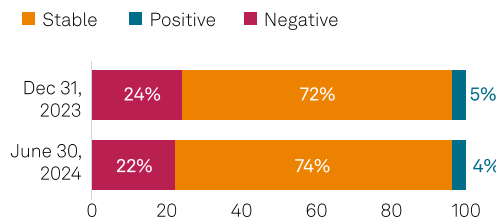
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U.S. not-for-profit acute health care medians: by the numbers

Rating category distribution



Outlook distribution



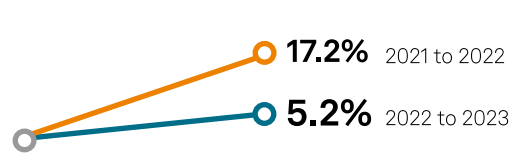
94%

Rated acute care organizations included in 2023 medians

Median total operating revenue growth trends

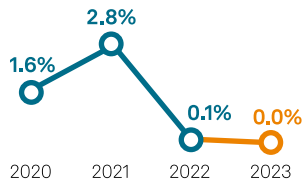


Median total operating expense growth trends

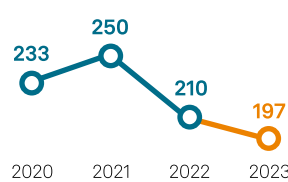


Key median financial metrics

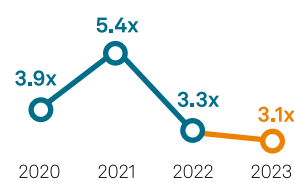
Operating margin



Days' cash on hand

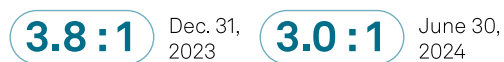


Maximum annual debt service coverage

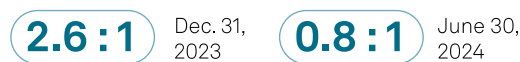


Rating and outlook action trends

Downgrades to upgrades



Unfavorable to favorable



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Performance Ratios Stabilized In 2023 With Some Mixed Balance-Sheet Trends

U.S. not-for-profit acute health care medians for 2023 are broadly stable compared with those for 2022, which we view as mixed news, particularly for performance metrics (see table 1). Although performance ratios didn't weaken further from 2022, the lack of any meaningful improvement closer to historical levels highlights the ongoing sector challenges and underscores our view that improvement of those ratios will likely continue to take time and those performance ratios could remain lower for the next several years. The absence of significant debt issuances and some investment market rebound kept most balance sheets sound, although we observed a decline in

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one of our key measures of liquidity; days' cash on hand was below the important 200-day threshold for the first time in the last decade primarily due to a growing expense base and limited strengthening of reserves.

There remains greater dispersion of S&P Global Ratings' medians among the upper half of organizations we rate and the lower half, indicating an uneven recovery across organizations (see table 2). Medians among the upper half of entities trended lower in the past couple of years, indicating higher-rated organizations have not been immune from sector difficulties and have exhibited weakening credit quality. The typical credit quality gap of earlier years is still present, but not as pronounced, and is shifting slightly as some of the stronger entities are weakening or remaining in place, at best, while weaker organizations remain pressured. Amid this backdrop, we expect lower-rated providers could further weaken, while those on stronger or sounder footing with more financial cushion often can make the changes necessary to improve cash flow enough and reinvest in their enterprise.

Key balance-sheet ratios still provide sufficient cushion for many and, along with enterprise profiles, play a role in maintaining most ratings. That said, we've also observed capital spending rise with increased debt activity, particularly in 2024, while days' cash on hand is still pressured and cash flow remains below historical levels for many providers. Given these factors, combined with the higher percentage of negative outlooks, we expect some ratings will still be negatively affected but this will hinge in large part on the pace of general recovery trends in the next year or two.

Table 1

U.S. not-for-profit acute health care medians (stand-alone hospitals and health care systems)

Fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Sample size	376	370	391	399	395	400	406	420	436	476
Financial performance										
Net patient revenue (NPR) (\$000s)	1,211,017	1,121,231	996,903	900,920	922,974	746,999	691,280	656,518	605,869	494,464
Total operating revenue (\$000s)	1,406,338	1,292,841	1,176,202	1,046,825	1,014,342	MNR	MNR	MNR	MNR	MNR
Total operating expenses (\$000s)	1,379,412	1,311,555	1,118,932	MNR	MNR	MNR	MNR	MNR	MNR	MNR
Operating income (\$000s)	104	859	26,168	MNR	MNR	MNR	MNR	MNR	MNR	MNR
Operating margin (%)	0.0	0.1	2.8	1.6	2.3	2.3	1.8	2.4	3.4	2.7
Net nonoperating income (\$000s)	22,752	20,142	34,789	MNR	MNR	MNR	MNR	MNR	MNR	MNR
Excess income (\$000s)	13,762	9,818	67,603	MNR	MNR	MNR	MNR	MNR	MNR	MNR
Excess margin (%)	1.7	1.7	6.0	3.4	4.1	4.1	4.0	4.1	5.3	5.0
Operating EBIDA margin (%)	5.3	5.3	8.6	7.6	8.4	8.3	8.2	9.3	10.3	9.8
EBIDA margin (%)	6.9	6.9	11.7	9.5	10.0	10.3	10.2	10.5	12.2	12.0
Net available for debt service (\$000s)	95,738	80,955	139,751	90,167	100,739	90,601	74,766	72,965	77,957	64,463
Maximum annual debt service (\$000s)	29,149	27,390	26,402	MNR	MNR	MNR	MNR	MNR	MNR	MNR
Maximum annual debt service coverage (x)	3.1	3.3	5.4	3.9	3.9	4.0	3.9	3.9	4.3	4.1

U.S. Not-For-Profit Acute Health Care 2023 Medians: Remarkably Level With Prior Year, But Performance Remains Notably Below Historical Norms

Table 1

U.S. not-for-profit acute health care medians (stand-alone hospitals and health care systems) (cont.)

Fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating lease-adjusted coverage (x)	2.6	2.5	4.1	3.1	3.2	3.1	3.1	3.1	3.4	3.3
Liquidity and financial flexibility										
Unrestricted reserves (\$000s)	763,268	741,915	819,247	680,185	553,019	493,742	447,705	409,896	382,573	314,414
Unrestricted days' cash on hand	196.8	209.5	250.0	232.9	210.2	216.7	215.3	210.3	217.0	214.0
Unrestricted reserves/total long-term debt (%)	178.6	172.7	211.7	192.5	181.5	168.6	169.2	171.8	161.0	156.9
Unrestricted reserves/contingent liabilities (%)*	800.4	878.8	895.9	775.4	650.1	588.7	544.4	507.0	460.5	448.8
Average age of plant (years)	12.3	12.2	12.2	11.8	11.5	11.3	11.3	11.0	10.8	10.8
Capital expenditures/depreciation and amortization (%)	122.7	120.8	107.4	112.9	119.3	122.8	122.5	120.2	112.6	110.9
Debt and liabilities										
Total long-term debt (\$000s)	414,170	417,571	360,330	MNR	MNR	MNR	MNR	MNR	MNR	MNR
Long-term debt/capitalization (%)	29.0	30.2	27.8	29.9	29.2	30.4	30.8	32.0	32.1	31.8
Contingent liabilities (\$000s)*	124,744	147,823	134,075	MNR	MNR	MNR	MNR	MNR	MNR	MNR
Contingent liabilities/total long-term debt (%)*	23.7	22.7	25.7	26.6	28.7	31.8	33.7	34.7	35.9	35.5
Debt burden (%)	2.2	2.2	2.2	2.4	2.4	2.5	2.5	2.6	2.7	2.9
Defined-benefit plan funded status (%)*	92.4	93.2	91.4	80.7	81.8	84.1	81.7	74.4	77.6	81.0
Miscellaneous										
Salaries & benefits/NPR (%)	58.9	58.7	57.6	60.2	56.7	56.8	57.0	56.1	55.2	56.2
Nonoperating revenue/total revenue (%)	1.7	1.6	2.9	1.8	1.9	2.0	2.0	1.3	2.0	2.4
Cushion ratio (x)	24.3	24.4	27.8	24.8	23.0	21.9	21.2	20.7	19.7	18.6
Days in accounts receivable	47.7	47.7	47.4	45.1	47.6	46.8	47.8	47.4	48.3	49.3
Cash flow/total liabilities (%)	10.4	10.5	16.1	11.6	15.5	15.7	15.5	15.1	17.2	17.4
Pension-adjusted long-term debt/capitalization (%)*	29.2	30.7	29.0	32.1	31.7	31.7	33.3	35.1	35.8	34.7

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Table 1

U.S. not-for-profit acute health care medians (stand-alone hospitals and health care systems) (cont.)

Fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Adjusted operating margin (%)§	(0.4)	(1.4)	0.6	(2.4)	MNR	MNR	MNR	MNR	MNR	MNR

MNR--Median not reported. *These ratios are only for organizations that have defined-benefit pension plans or contingent liabilities. §Adjusted operating margin excludes nonrecurring operating revenues that are largely attributable to stimulus funding, FEMA reimbursement, and 340B settlement funding, but could comprise other nonrecurring items.

Table 2

U.S. not-for-profit acute health care overall median analysis -- 2023 vs. 2022 vs. 2019

Selected financial metrics	2023			2022			2019		
	Medians - lower half	Medians - overall	Medians - upper half	Medians - lower half	Medians - overall	Medians - upper half	Medians - lower half	Medians - overall	Medians - upper half
Operating margin (%)	(2.7)	0.0	2.5	(3.0)	0.1	2.9	0.0	2.3	4.4
EBIDA margin (%)	4.2	6.9	10.4	3.6	6.9	11.2	7.6	10.0	13.4
Maximum annual debt service coverage (x)	1.7	3.1	4.9	1.5	3.3	5.2	2.8	3.9	5.9
Unrestricted days' cash on hand	128.0	196.8	292.1	139.2	209.5	298.2	147.7	210.2	301.4
Unrestricted reserves/total long-term debt (%)	116.9	178.6	271.9	117.3	172.7	270.3	119.0	181.5	268.2

Improvement in performance-related medians likely will continue on a slow trend

Fiscal 2023 medians reinforced our view that the sector's cash flow has reached a trough, with profitability and cash flow stabilizing from historically pressured 2022 (see chart 1). Our preliminary median report, "Preliminary 2023 Medians For U.S. Acute Health Care Providers Indicate Continued Operating Pressures For Many," published April 30, 2024, with a partial sample, pointed to very similar results, though there are some nuances based on fiscal year-ends. When analyzed through this lens, we noticed modest improvement for those with fiscal year periods ending later in the calendar year.

Uneven performance trend continued into 2023. There is still a substantial divergence of performance both across the rating spectrum and within specific rating categories as well as between systems and stand-alone hospitals. The diversity of operating results is apparent in our acute health care median operating margin of 0.0% in 2023, indicating the sector was equally split

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across those with operating gains and losses. We believe that, relative to the median operating margin of 0.1% the previous year, underlying progress on performance in 2023 is masked by the tapering of stimulus funding from 2022, with providers broadly making up the lost one-time revenue as part of their performance improvement initiatives, although some organizations continued to benefit from nonrecurring revenue such as Federal Emergency Management Agency (FEMA) and 340B settlement funds.

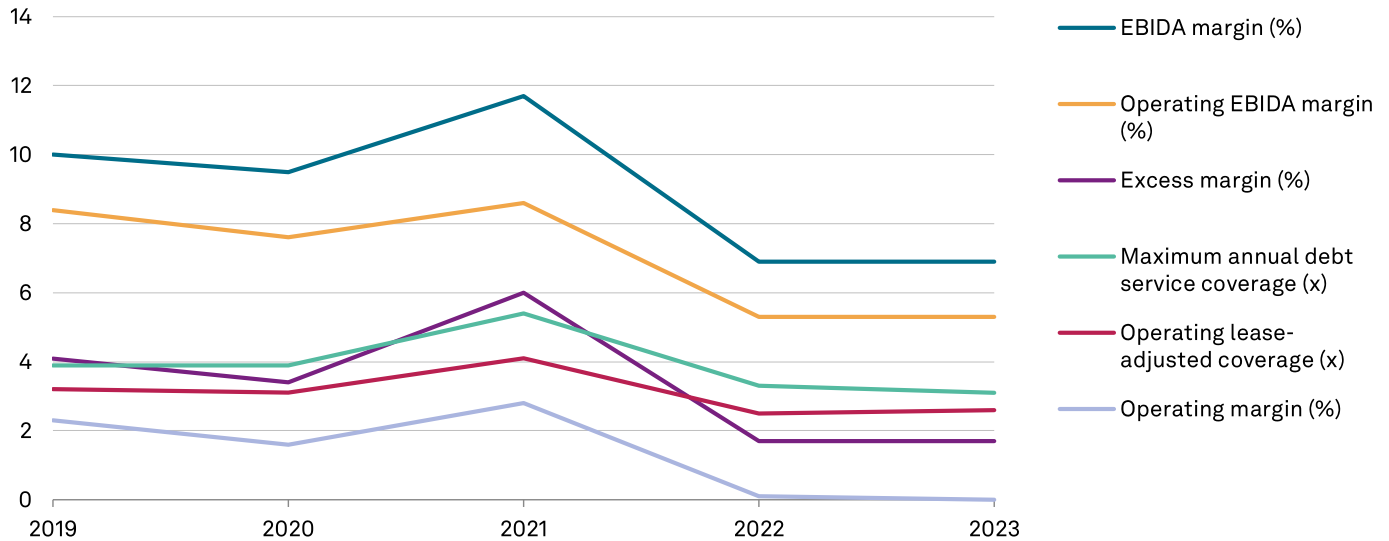
Operational initiatives contribute to stabilizing performance. With significant management initiatives and lessening inflationary pressures, there was more structural balance between the rate of expense growth and revenues and reimbursement. Rightsizing of nonclinical staffing, concerted efforts to reduce average length of stay, renegotiated commercial contracts and revenue cycle initiatives, and enhanced Medicaid supplemental funding programs have produced some benefit to providers, albeit to varying degrees. In addition, contract labor spending, both in terms of hourly rates and personnel count, has fallen across the sector, bolstering confidence in labor expense forecasts. Although this is a positive credit factor, management focus has now shifted to full-time salary and benefit initiatives, including a reduction of premium pay and internal labor pools, common levers used to stem contract labor exposure. However, median salary and benefit expenses as a percentage of net patient revenue remains higher than in pre-pandemic years and slightly higher than in 2022 as higher pay rates implemented during the pandemic are now part of the permanent expense structure.

Median performance and cash flow remain below management's targets. Broadly, S&P Global Ratings views 2023 performance medians as indicative of incremental progress among providers, as the chasm between expenses and revenue narrowed. Nevertheless, cash flow did not improve meaningfully and is still below many organizations' long-range margin target that yields sufficient resources for capital investment and maintains desired balance-sheet cushion. After a decade of maximum annual debt service coverage at or above 4.0x, this measure of cash flow fell in 2022 and then further in 2023 to just 3.1x.

U.S. Not-For-Profit Acute Health Care 2023 Medians: Remarkably Level With Prior Year, But Performance Remains Notably Below Historical Norms

Chart 1

U.S. not-for-profit acute health care trend of select operating ratios



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Balance-sheet ratios are still sound, but the gap is widening slightly between weaker and stronger providers

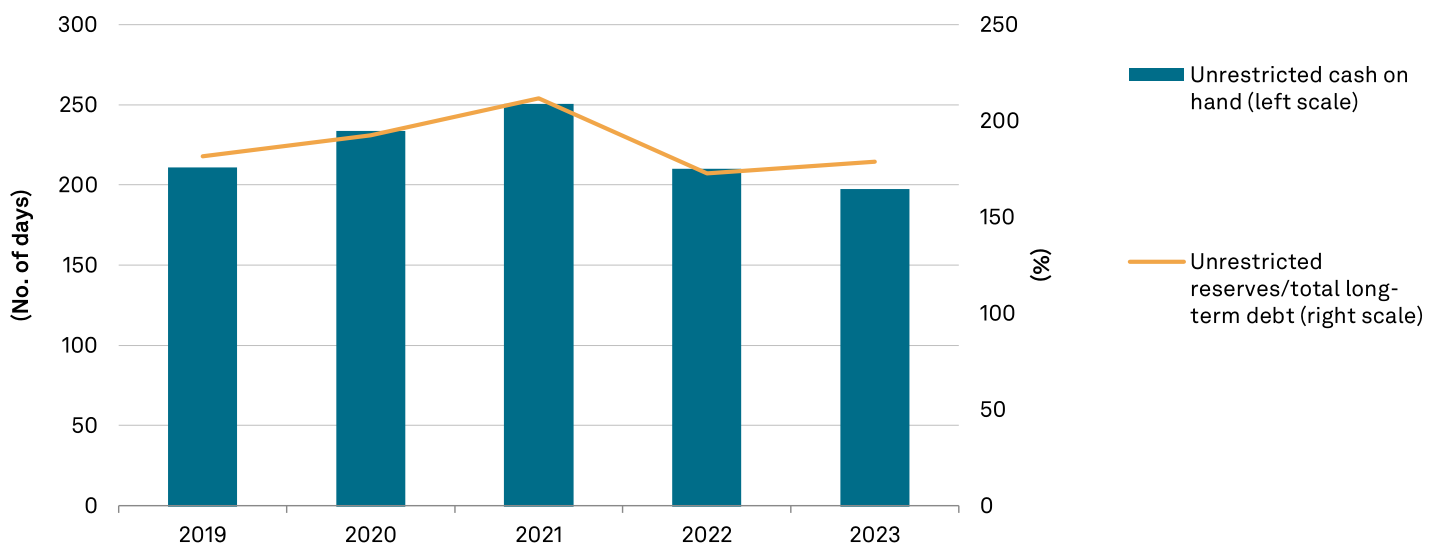
In our view, despite being down from the peak of 2021 and generally flat with 2022, sector balance sheets are still a principal credit strength of the sector. And despite the lighter cash flow, modest investment returns contributed to a slight increase in median unrestricted reserves. An absence of debt issuance supported unrestricted reserves to long-term debt and leverage medians, with both metrics remaining favorable compared with historical levels of the past decade. Key risks include a forecast weaker U.S. economy and any related investment market volatility (see "Economic Outlook U.S. Q3 2024: Milder Growth Ahead," published June 24, 2024), partially offset by any interest rate cuts, which could have a favorable impact on borrowing costs, especially at a time when debt issuance is on the rise.

Decrease in days' cash on hand stands out among other stable-to-improving balance-sheet ratios. Increases in daily cash operating expenses have made days' cash on hand an outlier in this respect, with the measure below 200 days and down more than 50 days from 2021 (see chart 2), although we recognize 2021 was a high point for this metric. Medians for days' cash on hand vary considerably across rating categories, and with about a 160-day difference across medians between the lower and upper halves of the metric. Although days' cash on hand fell for both cohorts in 2023, the decline was slightly larger for the lower half.

Capital spending is increasing and could begin to influence debt-related ratios. Providers are starting to make progress on deferred and strategic projects and capital spending to depreciation expense held at 1.2x in 2023, consistent with the sector's historical rate of reinvestment following drops at the pandemic's onset. With this, debt activity has risen in 2024 and we expect that will continue for many providers. Given minimal debt issuance during most of the pandemic, there's likely some debt capacity at many organizations, perhaps with the offset of providing greater stability in reserves; however, depending on cash flow trends, increases to debt service could pressure debt service coverage.

Chart 2

U.S. not-for-profit acute health care trend of select unrestricted reserve ratios



Source: S&P Global Ratings.
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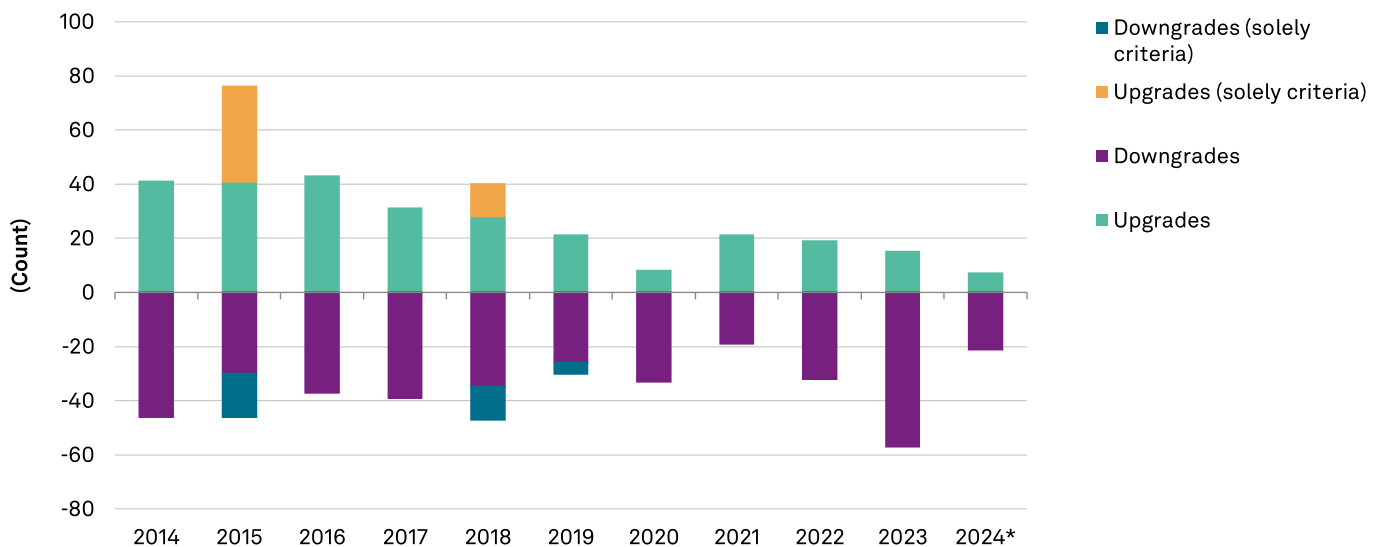
Outlook revisions are beginning to stabilize, but with a negative bias on rating actions

Downgrades continue to outpace upgrades, although the rate is slowing. We continue to affirm the vast majority of our ratings; however, a negative bias on rating actions remains. These actions are generally due to persistent strained cash flow with balance-sheet metrics that no longer provide adequate cushion, although there are other reasons and various nuances. Midway through 2024, the ratio of downgrades to upgrades slowed slightly to 3.0 to 1 from 3.8 to 1 for calendar year 2023, with most of this year's downgrades (88%) in the 'A' category or lower (see chart 3). Four of the seven upgrades in 2024 were based on credit quality improvement, with the remainder tied to mergers and acquisitions (M&A) and the credit strength of the affiliated entity.

Outlook revisions are beginning to even out, with most ratings carrying a stable outlook. We may be seeing emerging signs of stability on the horizon, as the ratio of unfavorable to favorable outlook revisions is 0.8 to 1 midway through 2024, compared with 2.6 to 1 for calendar year 2023 and an even higher 4.8 to 1 midway through 2023 (see chart 4). A favorable outlook change constitutes a revision to positive from stable, to stable from negative, or the less-common occurrence to positive from negative, and vice versa for unfavorable outlook changes, where the rating itself doesn't change. Most of our unfavorable outlook changes in 2024 were a revision to negative while favorable outlooks were more mixed between revisions to stable and positive, which is another encouraging sign. Although negative outlook revisions are slowing, the slowdown has had only a modest effect on our percentage of negative outlooks for the sector, which was 22% as of June 30, 2024, compared with 24% at the end of 2023, as it may take up to two years for unfavorable outlooks to be resolved via rating actions or revisions to stable as new data becomes available and actual results are analyzed relative to expectations (see chart 5).

Chart 3

U.S. not-for-profit acute health care sector rating actions



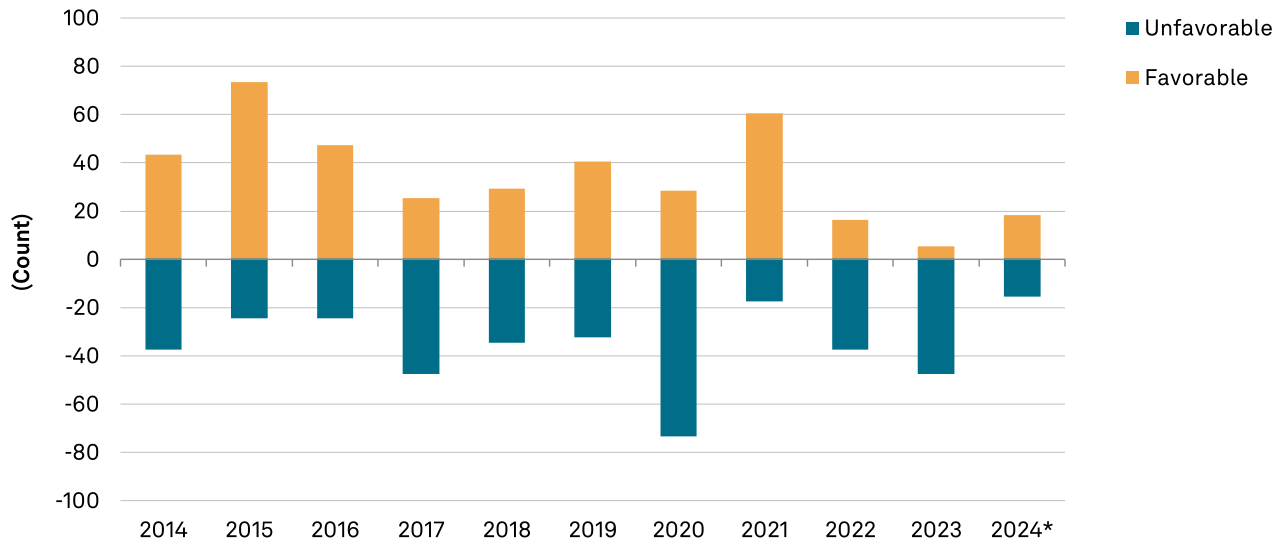
Data represents all ratings reviewed including some with multiple rating actions. Criteria actions in 2018 and 2019 relate to "U.S. And Canadian Not-For-Profit Acute Care Health Care Organizations" criteria, published on March 19, 2018. Criteria actions in 2015 relate to "U.S. Not-For-Profit Acute Care Stand-Alone Hospitals" criteria, published on Dec. 15, 2014.

*Rating actions through June 30, 2024.

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Chart 4

U.S. not-for-profit acute health care sector outlook revisions



Data for all outlook changes unaccompanied by a rating change. *Outlook revisions through June 30, 2024. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

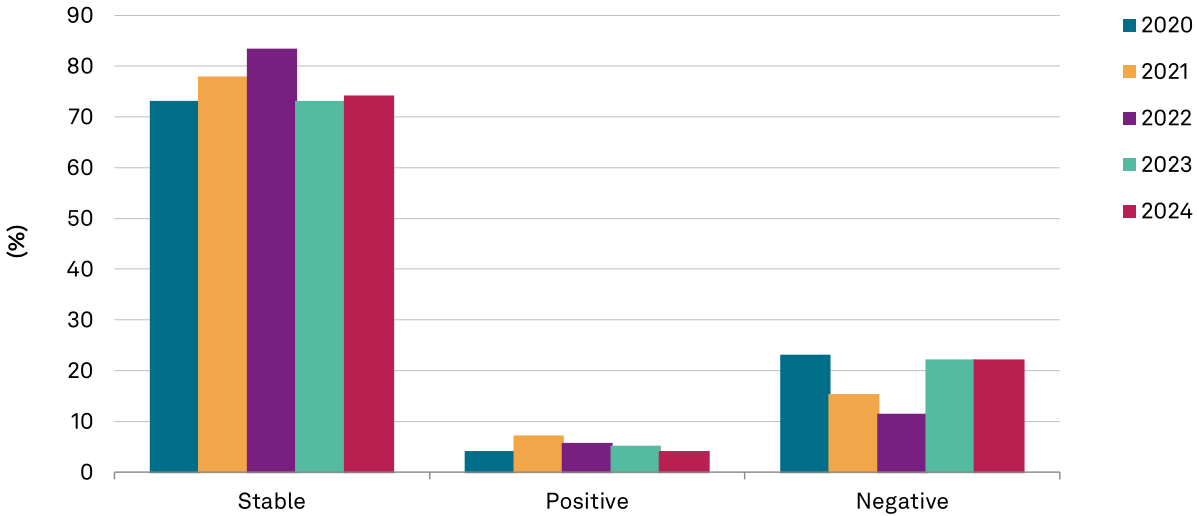
Rating distribution is stable but with a slight deterioration at the higher end of rating scale.

Although the number of rating changes, new issuers, and provider consolidation through M&A can change the rating distribution from year to year, significant movement between rating categories is unusual, and our rating distribution remains fairly similar to that of previous years (see chart 6). That said, the number of ratings in the 'AA' category fell slightly by 1%, and the number of ratings in the 'A' category rose 2% from June 2023 to June 2024, indicating some slight credit quality weakening at the higher end of the rated universe. In addition, there was also a slight increase to the 'A' category from 'BBB', although this could be partially related to M&A activity. Our most common rating remains 'A', which is consistent with previous years.

U.S. Not-For-Profit Acute Health Care 2023 Medians: Remarkably Level With Prior Year, But Performance Remains Notably Below Historical Norms

Chart 5

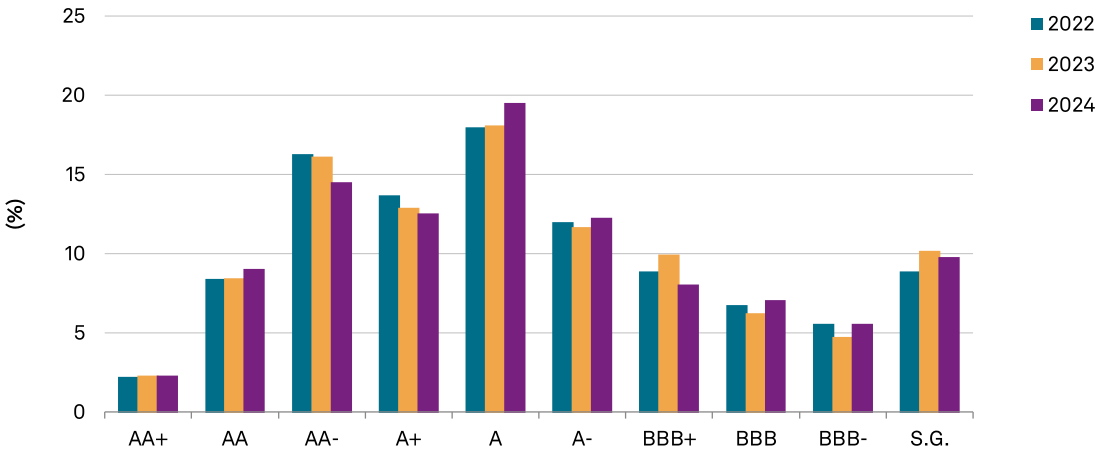
U.S. not-for-profit acute health care sector outlook distribution



As of June 30 for each year for all outstanding ratings. Outlook distribution excludes organizations on CreditWatch or with developing outlooks. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 6

U.S. not-for-profit acute health care sector rating distribution



As of June 30 for each year for all outstanding ratings. S.G.--Speculative-grade. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Sector Update: Sector View Remains Negative, But Signs Of Stability Are Emerging

We maintained our negative sector view at the start of calendar 2024 for the not-for-profit acute health care sector, given our uncharacteristically high percentage of negative outlooks, the unfavorable trend of rating and outlook actions, and limited improvement or uneven performance trends for many organizations (see "U.S. Not-For-Profit Acute Health Care Providers 2024 Outlook: Historical Peak Of Negative Outlooks Signals Ongoing Challenges," published Dec. 6, 2023). However, significant management actions, easing of labor cost growth, and some reimbursement improvements are showing positive effects on margins and cash flow, albeit at levels that are still low relative to historical trends and often with some one-time revenues related to the 340B settlement that many providers accrued for at the end of calendar 2023 or early calendar 2024. A preliminary view of interim 2024 operating margin medians on a very limited sample size (about 25% of our rated issuers) is near 1.8%, which would be a sound improvement from 2023 if that trend continues through the remainder of 2024 and into 2025.

Sector headwinds persist, but a broad array of both near- and long-term initiatives and opportunities for efficiencies and financial improvement are also in play. Our view of individual hospital or health system rating trends, which influence our sector view, along with consideration to revise our sector view, could be informed by:

- Underlying financial performance trends, including expense and revenue drivers as well as key assumptions in forward-looking forecasts;
- Magnitude of capital spending needs and funding sources, and ability to service debt;
- M&A and partnership trends that could support capital needs and broader enterprise investments; and
- Outlook revision trends and the pace and resolution of ratings that already carry a negative outlook.

There will likely continue to be a negative bias on our rating actions, given the higher percentage of negative outlooks, and it could take multiple years for the percentage of outlooks to return closer to historical levels as we still expect an extended performance recovery. That said, the favorable trends noted above, along with greater visibility and confidence from management on near-term financial performance and balance-sheet trends, could inform a return to a stable sector view.

Ratio Analysis

We view ratio analysis as an important tool in our assessment of the credit quality of not-for-profit health care organizations, in addition to other key considerations including our analysis of enterprise profile factors and forward-looking views relative to both the business and financial positions. The median ratios offer a snapshot of the financial profile and help in the comparison of issuers across rating categories. Tracking median ratios over time also presents a clearer understanding of industrywide trends and provides a tool to better assess the sector's future credit quality.

The audited financial statements used for medians and in our analysis include both obligated and nonobligated group members. For the medians, unrestricted reserves exclude Medicare advance payments, and total operating revenue includes all recognized stimulus funding, FEMA reimbursement, and 340B settlement funding.

Related Research

- U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios--2023, Aug. 7, 2024
- U.S. Not-For-Profit Health Care System Median Financial Ratios--2023, Aug. 7, 2024
- U.S. Not-For-Profit Health Care Children's Hospital Median Financial Ratios--2023, Aug. 7, 2024
- U.S. Not-For-Profit Acute Health Care Speculative Grade Median Financial Ratios--2023, Aug. 7, 2024
- U.S. Not-For-Profit Health Care Small Stand-Alone Hospital Median Financial Ratios--2023, Aug. 7, 2024
- U.S. Not-For-Profit Health Care Outstanding Ratings And Outlooks As Of June 30, 2024, July 18, 2024
- Economic Outlook U.S. Q3 2024: Milder Growth Ahead, June 24, 2024
- Preliminary 2023 Medians For U.S. Acute Health Care Providers Indicate Continued Operating Pressures For Many, April 30, 2024
- U.S. Not-For-Profit Acute Health Care Rating Actions, 2023 Year-End Review, Feb. 8, 2024
- U.S. Not-For-Profit Acute Health Care Providers 2024 Outlook: Historical Peak Of Negative Outlooks Signals Ongoing Challenges, Dec. 6, 2023

Glossary

- Glossary: Not-For-Profit Health Care Organization Ratios, March 19, 2018

Quarterly rating actions

- U.S. Not-For-Profit Health Care Rating Actions, June And Second Quarter 2024, July 12, 2024
- U.S. Not-For-Profit Health Care Rating Actions, March 2024, April 15, 2024

This report does not constitute a rating action.

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U.S. Not-For-Profit Acute Health Care 2023 Medians: Remarkably Level With Prior Year, But Performance Remains Notably Below Historical Norms

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

To: Finance Committee
From: Carlos A. Bohorquez, Chief Financial Officer
Date: August 26, 2024
Subject: Financials: FY2025 - Period 1 (as of 07/31/2024)

Purpose:

To provide the Finance Committee an overview of financial results for FY2025 - Period 1 (July 2024) and approve financials.

Executive Summary – Period 1 (July 2024):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 288 which is 11 / 3.8% unfavorable to budget and 18 / 5.8% lower than the same period last year.
- **Adjusted Discharges:** 3,543 which are 6 / 0.2% favorable to budget and 76 / 2.2% higher than the same period last year.
- **Emergency Room Visits:** 6,390 which are 22 / 0.4% unfavorable to budget and 584 / 10.1% higher than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 12,091 which are 1,203 / 11.1% favorable to budget and 1,603 / 15.6% higher than the same period last fiscal year.

Financial performance for Period 1 was favorable to budget and higher than period last fiscal year. This is attributed to better than projected payor mix, strong ED and procedural volumes.

Total Operating Revenue (\$):	\$134.0M is favorable to budget by \$1.6M / 1.2% and \$16.3M / 13.8% higher than the same period last fiscal year.
Operating EBIDA (\$):	\$18.8M is favorable to budget by \$0.8M / 4.7% and \$1.7M / 10.1% higher than the same period last fiscal year.
Net Income (\$):	\$30.8M is favorable to budget by \$18.0M / 141.9% and \$2.5M / 8.7% higher than the same period last fiscal year.
Operating Margin (%):	7.7% (actual) vs. 6.9% (budget)
Operating EBIDA Margin (%):	14.0% (actual) vs. 13.6% (budget)
Net Days in A/R (days):	51.8 days are favorable to budget by 2.2 days / 4.1% and 7.3 days / 12.4% better than the same period last year.

Recommendation:

Recommend Finance Committee approve FY2025 - Period 1 financials.



El Camino Health

Summary of Financial Operations

*Fiscal Year 2025 – Period 1
7/1/2024 to 07/31/2024*

Executive Summary - Overall Commentary for Period 1

- **Results for Period 1:**

- Net Patient Revenue was favorable to budget by \$1.3M / 1.0%.
- Operating EBIDA Margin was favorable to budget by \$845K / 4.7%.
- Gross revenue favorable to budget by \$23.8M / 4.4%.
 - Driven primarily by:
 - Inpatient Charges: \$1.9M / 0.7% favorable to budget.
 - Outpatient Charges: \$20.5M / 8.2% favorable to budget.
 - Professional Charges: \$1.4M / 9.5% favorable to budget.
- Cost Management
 - When adjusted for volume, overall operating expense is 2.2% unfavorable to budget.
- Gross charges were favorable to budget by \$23.8M / 4.4% and \$78.8M / 16.3% higher than the same period last year.
- Net patient revenue was favorable to budget by \$1.3M / 1.0% and \$16.2M / 14.4% higher than the same period last year.
- Operating margin was favorable to budget by \$1.2M / 13.2% and \$1.5M / 17.4% higher than the same period last year.
- Operating EBIDA was favorable to budget by \$845K / 4.7% and \$1.7M / 10.1% higher than the same period last year.
- Net income was favorable to budget by \$18.0M / 141.9% and \$2.5M / 8.7% higher than same period last year.

Operational / Financial Results: Period 1 – July 2024 (as of 07/31/2024)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's	S&P	Fitch	Performance to Rating Agency Medians
		'Aa3'	'AA'	'AA'								
Activity / Volume	ADC	288	299	(11)	(3.8%)	305	(18)	(5.8%)	---	---	---	---
	Adjusted Discharges	3,543	3,537	6	0.2%	3,467	76	2.2%	---	---	---	---
	OP Visits / OP Procedural Cases	12,091	10,888	1,203	11.1%	10,461	1,630	15.6%	---	---	---	---
	Percent Government (%)	57.5%	58.1%	(0.6%)	(0.9%)	59.8%	(2.3%)	(3.9%)	---	---	---	---
	Gross Charges (\$)	561,898	538,114	23,784	4.4%	483,085	78,813	16.3%	---	---	---	---
Operations	Cost Per CMI AD	20,478	20,032	445	2.2%	19,019	1,459	7.7%	---	---	---	---
	Net Days in A/R	51.8	54.0	(2.2)	(4.1%)	59.1	(7.3)	(12.4%)	48.1	49.7	47.5	
Financial Performance	Net Patient Revenue (\$)	128,476	127,192	1,284	1.0%	112,295	16,181	14.4%	297,558	564,735	---	
	Total Operating Revenue (\$)	134,012	132,434	1,577	1.2%	117,715	16,296	13.8%	389,498	610,593	268,739	
	Operating Margin (\$)	10,357	9,145	1,211	13.2%	8,821	1,535	17.4%	7,400	11,601	8,331	
	Operating EBIDA (\$)	18,804	17,959	845	4.7%	17,078	1,726	10.1%	26,400	39,689	22,574	
	Net Income (\$)	30,755	12,714	18,041	141.9%	28,305	2,450	8.7%	19,085	20,150	15,049	
	Operating Margin (%)	7.7%	6.9%	0.8%	11.9%	7.5%	0.2%	3.1%	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	14.0%	13.6%	0.5%	3.5%	14.5%	(0.5%)	(3.3%)	6.8%	6.5%	8.4%	
	DCOH (days)	271	275	(4)	(1.5%)	266	5	1.9%	258	304	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2024. 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 2024. Dollar amounts have been adjusted to reflect monthly averages.
Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 2024. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.
 OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

Unfavorable Variance < 3.49%
Unfavorable Variance 3.50% - 6.49%
Unfavorable Variance > 6.50%



Consolidated Balance Sheet (as of 07/31/2024)

(\$000s)

ASSETS	Unaudited		LIABILITIES AND FUND BALANCE	Unaudited	
	July 31, 2024	June 30, 2024		July 31, 2024	June 30, 2024
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	221,231	202,980	Accounts Payable	74,529	71,017
Short Term Investments	105,854	100,316	Salaries and Related Liabilities	40,881	35,693
Patient Accounts Receivable, net	211,687	211,960	Accrued PTO	38,937	38,634
Other Accounts and Notes Receivable	25,208	25,065	Worker's Comp Reserve	2,300	2,300
Intercompany Receivables	21,467	17,770	Third Party Settlements	14,075	13,419
Inventories and Prepays	51,218	55,556	Intercompany Payables	13,850	13,907
Total Current Assets	636,664	613,647	Malpractice Reserves	1,830	1,830
			Bonds Payable - Current	10,820	10,820
BOARD DESIGNATED ASSETS			Bond Interest Payable	-	7,673
Foundation Board Designated	23,691	23,309	Other Liabilities	14,962	12,261
Plant & Equipment Fund	511,177	503,081	Total Current Liabilities	212,184	207,554
Women's Hospital Expansion	31,857	31,740			
Operational Reserve Fund	210,693	210,693	LONG TERM LIABILITIES		
Community Benefit Fund	15,307	17,561	Post Retirement Benefits	22,828	22,737
Workers Compensation Reserve Fund	12,811	12,811	Worker's Comp Reserve	12,811	12,811
Postretirement Health/Life Reserve Fund	22,737	22,737	Other L/T Obligation (Asbestos)	27,681	27,707
PTO Liability Fund	37,646	37,646	Bond Payable	439,497	441,105
Malpractice Reserve Fund	1,713	1,713	Total Long Term Liabilities	502,817	504,360
Catastrophic Reserves Fund	46,026	33,030			
Total Board Designated Assets	913,658	894,322	DEFERRED REVENUE-UNRESTRICTED	1,526	1,038
			DEFERRED INFLOW OF RESOURCES	92,261	92,261
FUNDS HELD BY TRUSTEE	18	18	FUND BALANCE/CAPITAL ACCOUNTS		
			Unrestricted	2,767,730	2,731,120
LONG TERM INVESTMENTS	664,575	665,759	Minority Interest	(1,159)	(1,114)
			Board Designated	214,178	216,378
CHARITABLE GIFT ANNUITY INVESTMENTS	983	965	Restricted	49,546	44,616
			Total Fund Bal & Capital Accts	3,030,295	2,991,001
INVESTMENTS IN AFFILIATES	35,951	36,663	TOTAL LIABILITIES AND FUND BALANCE	3,839,082	3,796,213
PROPERTY AND EQUIPMENT					
Fixed Assets at Cost	2,018,376	2,016,992			
Less: Accumulated Depreciation	(882,136)	(874,767)			
Construction in Progress	179,376	173,449			
Property, Plant & Equipment - Net	1,315,616	1,315,675			
DEFERRED OUTFLOWS	46,078	41,550			
RESTRICTED ASSETS	32,075	32,166			
OTHER ASSETS	193,462	195,447			
TOTAL ASSETS	3,839,082	3,796,213			

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

To: Finance Committee
From: Don Watters, Chair, Finance Committee
Date: August 26, 2024
Subject: Community Member Recruitment Process

Purpose:

The Finance Committee's (FC) charter allows up to 4 appointed community members. Given the increased complexity of matters management will be requesting FC to review and recommend to Board of Directors, we should begin the recruitment process for one or two community members with specific areas of expertise in mind.

Executive Summary – Period 1 (July 2024):

In order to begin the process, we need to establish an ad hoc committee and appoint two members to work with management to complete the recruitment process. Below is the preliminary outline of the process with anticipated completion dates:

<u>Task</u>	<u>Completion Date</u>
• Initial Ad Hoc Committee Meeting	• First week of September
• Recruitment / Outreach Process	• September 16 th – October 18 th
• Application Due	• October 21 st
• Application Review	• Week of October 28 th
• Notification of Finalists	• November 4 th
• Interviews	• Week of November 11 th
• Evaluation / Selection	• November 18 th – November 28 th
• Recommendation & Approval by FC	• December 5 th
• Recommendation & Approval by ECHB	• December 11 th
• Notification of Candidates	• December 13 th

List of Attachments:

- None

Suggested FC Discussion Questions:

- Are there specific skills / competencies / areas of expertise we should focus on for new members?

Recommendation:

- Establish Ad Hoc Committee
- Appoint Chair and one additional member