

AGENDA
FINANCE COMMITTEE OF THE
EL CAMINO HOSPITAL BOARD OF DIRECTORS

Thursday, December 5, 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: 914 3268 6701#**. **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 (10/14/2024) b. Approve FY2025 Period 3 Financial Report c. Receive Progress against FY2025 FC Committee Goals d. Receive FY2025 Pacing Plan e. Receive Article(s) of Interest	Don Watters, Chair	Motion Required	5:30 - 5:41

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
6.	<u>FY2025 PERIOD 4 FINANCIAL REPORT</u>	Carlos Bohorquez, CFO	Motion Required	5:41 - 5:46
7.	<u>FY2026 COMMUNITY BENEFIT GRANT APPLICATION GUIDING PRINCIPLES / PROCESS & COMMUNITY HEALTH NEEDS ASSESSMENT</u>	Jon Cowan, Executive Director, Government Relations and Community Partnerships	Information	5:46 - 5:56
8.	<u>FC SURVEY RESULTS & ACTION PLAN</u>	Don Watters, Chair	Motion Required	5:56 – 6:06
9.	<u>AD HOC COMMITTEE UPDATE</u>	Wayne Doiguchi, Director	Information	6:06 – 6:11
10.	RECESS TO CLOSED SESSION	Don Watters, Chair	Motion Required	6:11 – 6:12
11.	APPROVE MINUTES OF THE CLOSED SESSION OF THE FINANCE COMMITTEE (10/14/2024) <i>Report involving Gov’t Code Section 54957.2 for closed session minutes</i>	Don Watters, Chair	Motion Required	6:12 – 6:13
12.	PHYSICIAN AGREEMENT <ul style="list-style-type: none"> - Enterprise Hospital Radiology Professional Services - SVMMD Radiology Professional Services - Enterprise OB Hospitalist Program Professional Services - MV OB/ Gyn Call Panel <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Mark Adams, MD, CMO	Discussion	6:13 – 6:18
13.	WOMEN’S HOSPITAL EXPANSION PROJECT – CONSTRUCTION CONTRACT AND FUNDING MATTER <i>Gov’t Code Section 54956.9(d)(2) - Conference with legal counsel – pending or threatened litigation</i>	Ken King, CASO	Motion Required	6:18 – 6:28
14.	FOUNDATION STRATEGIC PLAN UPDATE <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Andrew Cope, President, Foundation	Information	6:28 – 6:43
15.	STRATEGIC OPTIONS ASSESSMENT <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Carlos Bohorquez, CFO	Discussion	6:43 – 6:53
16.	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	6:53 – 7:08
17.	EXECUTIVE SESSION <i>Gov’t Code Section 54957(b) for discussion and report on personnel performance matters – Senior Management</i>	Don Watters, Chair	Discussion	7:08 – 7:23

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
18.	RECONVENE TO OPEN SESSION	Don Watters, Chair	Motion Required	7:24
19.	CLOSED SESSION REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Gabe Fernandez, Governance Services Coordinator	Information	7:24 – 7:25
20.	APPROVE SERVICES AGREEMENT(S)	Don Watters, Chair	Motion Required	7:25 – 7:26
21.	CLOSING COMMENTS	Don Watters, Chair	Information	7:26 – 7:29
22.	ADJOURNMENT	Don Watters, Chair	Motion Required	7:30 pm

Upcoming Meetings: 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, October 14, 2024**

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

Members Present

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

Members Absent

**via teleconference

Staff Present

Carlos Bohorquez, Chief Financial Officer
Dan Woods, Chief Executive Officer
Theresa Fuentes, Chief Legal Officer
Omar Chughtai, Chief Growth Officer
A.J. Reall, VP of Strategy
Michael Walsh, Controller
Victor Cabrera, Sr. Dir. Decision Supp & Business Analytics
Shahab Dadjou, President, ECHMN
Amanda Aparidian, VP of Physician Relations and Integration, ECHMN
Gabriel Fernandez, Coordinator, Governance Services

Agenda Item	Comments/Discussion	Approvals/ Action
1. AGENDA ITEM 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 5:31 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.	<i>The meeting was called to order at 5:31 p.m.</i>
2. AGENDA ITEM 2: CONSIDER APPROVAL OF AB- 2449 REQUEST	All members participated in person—no consideration of AB-2449 requests was needed.	
3. AGENDA ITEM 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. AGENDA ITEM 4: PUBLIC COMMUNICATION	No public members joined the session, and no written correspondence was received from the public.	
5. AGENDA ITEM 5: CONSENT CALENDAR	Motion: To approve the consent calendar. For Approval: (a) Approve Minutes of the Open Session of the 08/26/2024 Finance Committee meeting. For Information: (b) Receive FY2025 Pacing Plan, (c) Receive Article(s) of Interest.	<i>Consent Calendar Approved</i>

	<p>Movant: Hooper Second: Doiguchi Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>6. AGENDA ITEM 6: APPROVE FY2025 PERIOD 2 FINANCIAL REPORT</p>	<p>Carlos Bohorquez, Chief Financial Officer, presented the FY2025 Period 2 Financial Report and highlighted the following:</p> <p><u>Period 2 – August 2024 Results</u></p> <ul style="list-style-type: none">• Average Daily Census: 295, which is 15 / 5.0% unfavorable to budget and 4 / 1.3% lower than the same period last year.• Adjusted Discharges: 3,704, which are 85 / 2.2% unfavorable to budget and 117 / 3.1% lower than the same period last year.• Emergency Room Visits: 6,638, which are 212 / 3.1% unfavorable to budget and 415 / 5.9% lower than the same period last fiscal year.• Outpatient Visits / Procedures: 12,522, which are 244 / 2.0% favorable to budget and 741 / 6.3% higher than the same period last fiscal year.• Total operating revenue of \$139.1M is favorable to budget by \$1.1M / 0.8% and \$10.0M / 7.8% higher than the same period last fiscal year.• Operating EBIDA of \$19.8M is consistent with budget and the same period last fiscal year.• Net income of \$37.4M is favorable to budget by \$20.9M / 125.8% and \$39.9M / 1,654.6% higher than the same period last fiscal year. Favorable net income is attributed to unrealized investment income. <p>Motion: To approve the FY2025 Period 2 Financial Report.</p> <p>Movant: Doiguchi Second: Fung Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>FY2025 Period 2 Financial Report Approved</i></p>

<p>7. AGENDA ITEM 7: RECESS TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 5:43 pm. Movant: Fung Second: Doiguchi Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Adjourned to closed session at 5:43 pm</i></p>
<p>8. AGENDA ITEM 14: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>Gabriel Fernandez reported that during the closed session, the Finance Committee approved the closed session minutes of the 08/26/2024 meeting.</p>	<p><i>Reconvened to Open Session at 7:11 pm</i></p>
<p>9. AGENDA ITEM 15: APPROVE HOSPICE AND PALLIATIVE CARE PHYSICIAN PROFESSIONAL SERVICES AGREEMENT</p>	<p>Motion: To approve the Hospice and Palliative Care Physician Professional Services Agreement. Movant: Fung Second: Doiguchi Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Hospice and Palliative Care Physician Professional Services Agreement Approved</i></p>
<p>10. AGENDA ITEM 16: CLOSING COMMENTS</p>	<p>The Committee did not have any closing comments.</p>	
<p>11. AGENDA ITEM 17: ADJOURNMENT</p>	<p>Motion: To adjourn at 7:13 pm. Movant: Stewart Second: Doiguchi Ayes: Doiguchi, Fung, Hooper, Stewart, Watters Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Meeting adjourned at 7:13 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: Gabriel Fernandez, Coordinator, Governance Services
 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: December 5, 2024
Subject: Financials: FY2025 – Period 3 & YTD (as of 09/30/2024) - Consent Calendar

Purpose:

To provide the Finance Committee an update on financial results for FY2025 - Period 3 (September 2024) and YTD.

Executive Summary – Period 3 (September 2024):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 315 is 6 / 1.9% favorable to budget and 8 / 2.7% higher than the same period last year.
- **Adjusted Discharges:** 3,610 are 31 / (0.8%) unfavorable to budget and 64 / 1.7% lower than the same period last year.
- **Emergency Room Visits:** 6,486 are (15) / (0.2%) unfavorable to budget and 51 / (0.1%) lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 11,835 are 399 / 3.5% favorable to budget and 825 / 7.5% higher than the same period last fiscal year.

Financial performance for Period 3 was unfavorable to budget. This is attributed to higher than budgeted Medi-Cal payor mix and increase in benefit expenses associated with employee and dependent coverage.

Total Operating Revenue (\$):	\$134.7M is \$0.7M / 0.5% favorable to budget and \$14.0M / 11.8% higher than the same period last fiscal year.
Operating EBIDA (\$):	\$17.5M is \$1.5M / 8.1% unfavorable to budget and \$0.4M / 2.1% higher than the same period last fiscal year.
Net Income (\$):	\$33.6M is \$17.7M / 111.7% favorable to budget and \$49.2M / 315.7% higher than the same period last fiscal year.
Operating Margin (%):	6.8% (actual) vs. 7.7% (budget)
Operating EBIDA Margin (%):	13.0% (actual) vs. 14.2% (budget)
Net Days in A/R (days):	54.5 days are unfavorable to budget by 0.5 days / 0.9% and 4.1 days / 7.1% better than the same period last year.

Executive Summary – YTD FY2025 (as of 9/30/2024):

With the exception of outpatient visits / procedures and surgeries, year-over-year patient activity is flat.

- **Average Daily Census:** 299 is 7 / 2.3% unfavorable to budget and 5 / 1.6% lower than the same period last year.
- **Adjusted Discharges:** 10,857 are 110 / 1.0% unfavorable to budget and 105 / 1.0% lower than the same period last year.

Financials FY2025 – Period 3 & YTD (as of 09/30/2024)
December 5, 2024

- **Emergency Room Visits:** 19,514 are 250 / 1.3% unfavorable to budget and 118 / 1.0% lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 36,550 are 1,949 / 5.6% favorable to budget and 3,298 / 9.9% higher than the same period last fiscal year.

Total Operating Revenue (\$): \$407.8M is \$3.3M / 0.8% favorable to budget and \$40.3M / 11.0% higher than the same period last fiscal year.

Operating EBIDA (\$): \$56.2M is \$0.7M / 1.2% unfavorable to budget and \$2.1M / 3.9% higher than the same period last fiscal year.

Net Income (\$): \$101.8M is \$56.6M / 125.4% favorable to budget and \$91.5M / 887.2% higher than the same period last fiscal year. Favorable net income is attributed to stable financial performance and unrealized gains on the investment portfolio.

Operating Margin (%): 7.6% (actual) vs. 8.0% (budget)

Operating EBIDA Margin (%): 13.8% (actual) vs. 14.1% (budget)

Recommendation:

- FC recommend approval of FY2025 – Period 3 & YTD financials

List of Attachments:

- Financial Report: FY2025 Period 3

Suggested Board Discussion Questions:

- None



El Camino Health

Summary of Financial Operations

*Fiscal Year 2025 – Period 3
7/1/2024 to 09/30/2024*

Executive Summary - Overall Commentary for Period 3 (September 2024)

• Results for Period 3:

- Net Patient Revenue was unfavorable to budget by \$133K / 0.1%.
- Operating EBIDA Margin was unfavorable to budget by \$1.5M / 8.1%.
- Gross revenue favorable to budget by \$18.1M / 3.2%.
 - Driven primarily by:
 - Inpatient Charges: \$7.3M / 2.6% favorable to budget.
 - Outpatient Charges: \$9.5M / 3.6% favorable to budget.
 - Professional Charges: \$1.3M / 8.9% favorable to budget.
- Cost Management
 - When adjusted for volume, overall operating expense is 1.1% lower than budget.
- Gross charges were favorable to budget by \$18.1M / 3.2% and \$64.6M / 12.5% higher than the same period last year.
- Operating margin was unfavorable to budget by \$1.2M / 11.3% and \$279K / 3.1% higher than the same period last year.
- Operating EBIDA was unfavorable to budget by \$1.5M / 8.1% and \$368K / 2.1% higher than the same period last year.
- Net income was favorable to budget by \$17.7M / 111.7% and \$49.2M / 315.7% higher than same period last year.

Operational / Financial Results: Period 3 – September 2024 (as of 09/30/2024)

(\$ 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	315	309	6	1.9%	307	8	2.7%	---	---	---	---
	Adjusted Discharges	3,610	3,641	(31)	(0.8%)	3,675	(64)	(1.7%)	---	---	---	---
	OP Visits / OP Procedural Cases	11,835	11,436	399	3.5%	11,010	825	7.5%	---	---	---	---
	Percent Government (%)	58.1%	59.0%	(0.9%)	(1.6%)	58.9%	(0.8%)	(1.3%)	---	---	---	---
	Gross Charges (\$)	580,421	562,322	18,099	3.2%	515,816	64,604	12.5%	---	---	---	---
Operations	Cost Per CMI AD	19,813	20,032	(220)	(1.1%)	18,001	1,811	10.1%	---	---	---	---
	Net Days in A/R	54.5	54.0	0.5	0.9%	58.6	(4.1)	(7.1%)	48.1	49.7	47.5	
Financial Performance	Net Patient Revenue (\$)	128,662	128,795	(133)	(0.1%)	116,006	12,656	10.9%	297,558	564,735	---	
	Total Operating Revenue (\$)	134,683	134,014	669	0.5%	120,719	13,964	11.6%	389,498	610,593	268,739	
	Operating Margin (\$)	9,177	10,351	(1,174)	(11.3%)	8,897	279	3.1%	7,400	11,601	8,331	
	Operating EBIDA (\$)	17,536	19,071	(1,536)	(8.1%)	17,167	368	2.1%	26,400	39,689	22,574	
	Net Income (\$)	33,607	15,875	17,732	111.7%	(15,583)	49,190	315.7%	19,085	20,150	15,049	
	Operating Margin (%)	6.8%	7.7%	(0.9%)	(11.8%)	7.4%	(0.6%)	(7.6%)	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	13.0%	14.2%	(1.2%)	(8.5%)	14.2%	(1.2%)	(8.4%)	6.8%	6.5%	8.4%	
	DCOH (days)	280	275	5	1.8%	255	25	10.0%	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; July 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%

Operational / Financial Results: YTD FY2025 (as of 09/30/2024)

(\$ 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	299	306	(7)	(2.3%)	304	(5)	(1.5%)	---	---	---	---
	Adjusted Discharges	10,857	10,967	(110)	(1.0%)	10,963	(105)	(1.0%)	---	---	---	---
	OP Visits / OP Procedural Cases	36,550	34,601	1,949	5.6%	33,252	3,298	9.9%	---	---	---	---
	Percent Government (%)	58.2%	58.5%	(0.3%)	(0.6%)	58.9%	(0.8%)	(1.3%)	---	---	---	---
	Gross Charges (\$)	1,740,343	1,688,944	51,399	3.0%	1,540,261	200,081	13.0%	---	---	---	---
Operations	Cost Per CMI AD	20,188	20,032	156	0.8%	18,445	1,743	9.5%	---	---	---	---
	Net Days in A/R	54.5	54.0	0.5	0.9%	58.6	(4.1)	(7.1%)	48.1	48.1	47.5	
Financial Performance	Net Patient Revenue (\$)	390,787	388,742	2,045	0.5%	352,080	38,707	11.0%	892,675	1,694,204	---	
	Total Operating Revenue (\$)	407,774	404,440	3,334	0.8%	367,473	40,301	11.0%	1,168,494	1,831,779	3,224,864	
	Operating Margin (\$)	30,929	30,557	372	1.2%	29,353	1,577	5.4%	22,201	34,804	99,971	
	Operating EBIDA (\$)	56,174	56,881	(706)	(1.2%)	54,089	2,086	3.9%	79,201	119,066	270,889	
	Net Income (\$)	101,808	45,173	56,635	125.4%	10,313	91,495	887.2%	57,256	104,411	180,592	
	Operating Margin (%)	7.6%	7.6%	0.0%	0.4%	8.0%	(0.4%)	(5.0%)	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	13.8%	14.1%	(0.3%)	(2.0%)	14.7%	(0.9%)	(6.4%)	6.8%	6.5%	8.4%	
	DCOH (days)	280	275	5	1.8%	255	25	10.0%	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.

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Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 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 09/30/2024)

(\$000s)

ASSETS

	September 30, 2024	Unaudited June 30, 2024
CURRENT ASSETS		
Cash	248,435	202,980
Short Term Investments	91,822	100,316
Patient Accounts Receivable, net	231,396	211,960
Other Accounts and Notes Receivable	19,569	25,065
Intercompany Receivables	17,640	17,770
Inventories and Prepaids	49,331	55,556
Total Current Assets	658,193	613,647
BOARD DESIGNATED ASSETS		
Foundation Board Designated	24,841	23,309
Plant & Equipment Fund	524,966	503,081
Women's Hospital Expansion	43,797	31,740
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	17,572	17,561
Workers Compensation Reserve Fund	14,471	12,811
Postretirement Health/Life Reserve Fund	23,009	22,737
PTO Liability Fund	37,646	37,646
Malpractice Reserve Fund	1,713	1,713
Catastrophic Reserves Fund	36,408	33,030
Total Board Designated Assets	935,116	894,322
FUNDS HELD BY TRUSTEE	18	18
LONG TERM INVESTMENTS	715,437	665,759
CHARITABLE GIFT ANNUITY INVESTMENTS	987	965
INVESTMENTS IN AFFILIATES	37,448	36,663
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,020,500	2,016,992
Less: Accumulated Depreciation	(895,600)	(874,767)
Construction in Progress	187,236	173,449
Property, Plant & Equipment - Net	1,312,136	1,315,675
DEFERRED OUTFLOWS	46,687	41,550
RESTRICTED ASSETS	32,177	32,166
OTHER ASSETS	188,903	195,447
TOTAL ASSETS	3,927,102	3,796,213

LIABILITIES AND FUND BALANCE

	September 30, 2024	Unaudited June 30, 2024
CURRENT LIABILITIES		
Accounts Payable	63,015	71,017
Salaries and Related Liabilities	64,108	35,693
Accrued PTO	40,349	38,634
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	13,679	13,419
Intercompany Payables	13,735	13,907
Malpractice Reserves	1,830	1,830
Bonds Payable - Current	10,820	10,820
Bond Interest Payable	3,069	7,673
Other Liabilities	14,654	12,261
Total Current Liabilities	227,560	207,554
LONG TERM LIABILITIES		
Post Retirement Benefits	23,009	22,737
Worker's Comp Reserve	12,811	12,811
Other L/T Obligation (Asbestos)	28,687	27,707
Bond Payable	439,980	441,105
Total Long Term Liabilities	504,487	504,360
DEFERRED REVENUE-UNRESTRICTED	1,162	1,038
DEFERRED INFLOW OF RESOURCES	84,484	92,261
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,836,144	2,731,120
Minority Interest	(1,159)	(1,114)
Board Designated	224,536	216,378
Restricted	49,890	44,616
Total Fund Bal & Capital Accts	3,109,410	2,991,001
TOTAL LIABILITIES AND FUND BALANCE	3,927,102	3,796,213

FY2025 COMMITTEE GOALS

Finance Committee

PURPOSE:

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

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

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

GOALS	TIMELINE	METRICS	STATUS
1. Summary of Physician Financial Agreements	Q3	March 2025	In progress
2. Review Progress on Opportunities / Risks identified by Management for FY2025 and Managed Care Update	Q2, Q3	Progress on Opportunities / Risks (December 2024), Managed Care update (January 2025)	In progress
3. Review Strategy, Goals and Performance of ECHMN, Joint Ventures / Business Affiliates, Impact of Strategic Initiatives on Market Share and progress on Implementation of 2027 Strategic Plan	Q1	Overview & Financial Performance JVs / Business Affiliates (August 2024)	Completed
	Q2	Progress on 2027 Strategic Plan (December 2024), Foundation – Strategic Update (December 2024)	In progress
	Q3	Impact of Strategic Initiatives – Market Share Update (January 2025), ECHMN (January 2025), Hospital Community Benefits Program (March 2025),	In progress
	Q4	Progress on 2027 Strategic Plan (May 2025)	In progress
4. Fiscal Year End Performance Review	Q1	FYE 2024 Review of Operating, Financial and Balance Sheet Performance and KPIs (August 2024)	Completed

SUBMITTED BY:

Chair: Don Watters

Executive Sponsor: Carlos Bohorquez, CFO

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												

OUTLOOK

13 November 2024



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Contacts

Nansis Hayek, CFA +1.212.553.6875
Analyst
nansis.hayek@moodys.com

Rita Strauss +1.212.553.3908
AVP-Analyst
rita.sverdlik@moodys.com

Daniel Steingart, CFA +1.949.429.5355
Associate Managing Director
daniel.steingart@moodys.com

Susan Fitzgerald +1.212.553.6832
Managing Director
susan.fitzgerald@moodys.com

Not-for-Profit and Public Healthcare – US

2025 Outlook - Stable as profitability rises modestly on revenue growth, cost controls

Summary

The outlook for the not-for-profit healthcare sector is stable as the median operating cash flow margin approaches 7%, indicating financial sustainability. But the pace of margin improvement is slowing, and not all hospitals have reached this level of profitability. This combination suggests a longer recovery from the pandemic than we previously expected. Factors such as service volume growth, increases in commercial-insurance rates, increased Medicaid funding and workforce stabilization will aid hospitals' financial recovery. Yet rising costs and disruptions related to Medicare reimbursement lagging inflation, regulatory scrutiny of healthcare costs and mergers, and cyber and environmental events slow progress.

- » **Median operating cash flow margin will improve to 7%, driven by stronger revenue growth.** More hospitals will achieve sustainable operating cash flow in 2025, but the pace of recovery is slowing.
- » **Labor and other inflationary costs will remain a hurdle for the sector, though growth will slow.** Workforce stabilization and good expense management will contribute to deceleration of expense growth, though it will still remain above pre-pandemic levels.
- » **Stable liquidity provides buffer as hospitals work toward financial sustainability.** Stronger operating cash flow, lower interest rates and higher investment market returns will support stable days cash on hand despite increased capital spending.
- » **Federal and state policies will yield mixed financial outcomes for hospitals.** Heightened state regulation of healthcare costs, Medicare reimbursement rates that lag inflation, Medicare Advantage denials and intense scrutiny of M&A present financial hurdles. But the expanded use of Medicaid directed payment programs is likely to underpin financial recovery for many hospitals.
- » **Cyber and environmental events present growing operational risk.** These events will continue to create significant operational and financial hurdles ranging from curtailment of patient activity to liquidity stress when revenue cycle systems are disrupted.
- » **What could change the outlook.** We could change the outlook to positive if we expect the sector's median operating cash flow margin will exceed 9% or increase by more than 200 basis points, or both. We could change the outlook to negative if we expect the margin will weaken below 6% or decline by 200 basis points, or both.

Outlook definition

The stable outlook reflects our view of credit fundamentals in the US not-for-profit and public healthcare sector over the next 12 months. Sector outlooks are distinct from rating outlooks, which, in addition to sector dynamics, also reflect issuers' specific characteristics and actions.

A sector outlook does not represent a sum of upgrades, downgrades or ratings under review, or an average of rating outlooks.

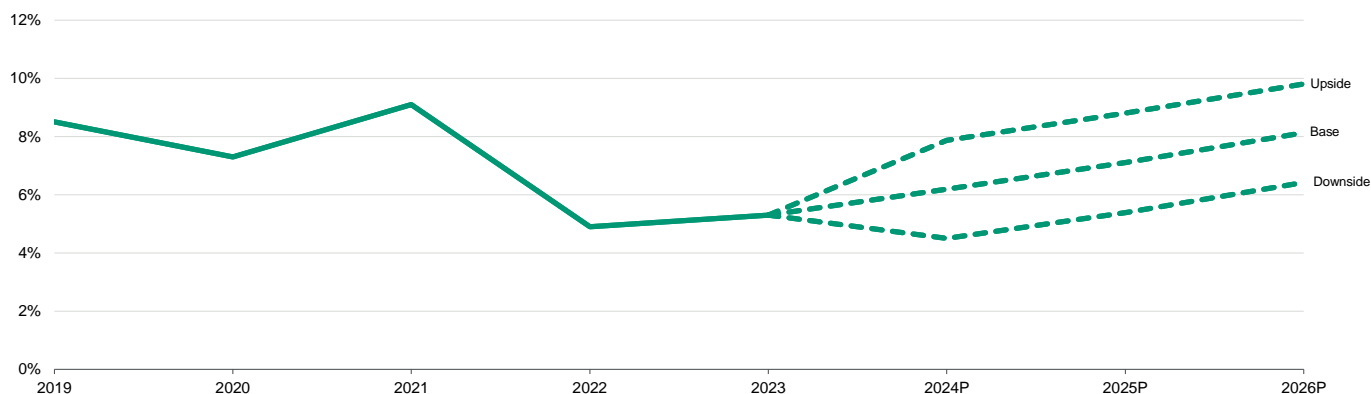
Median operating cash flow margin will improve to 7%, driven by stronger revenue growth

As the not-for-profit healthcare sector continues to recover from the pandemic, growth in operating cash flow (OCF) will lead to a stronger median OCF margin of roughly 7% in 2025, up from about 6% in 2024 (see Exhibit 1). This will allow most hospitals to approach financial sustainability – the ability to finance ongoing business needs while maintaining enough cash and equivalents to meet other obligations and unexpected events. Still, the OCF margin will remain below the pre-pandemic median of 8%-10%.

Operating cash flow growth will be fueled by stronger revenue growth and stricter cost controls. Healthy increases in commercial insurance reimbursement rates, volume recovery and greater adoption of state-directed payment programs will drive the revenue growth. Cost controls will come from tighter expense management, including a slowdown in the growth of labor, medical supply and drug costs.

Exhibit 1

Median operating cash flow margin will continue to increase but remain below historical levels

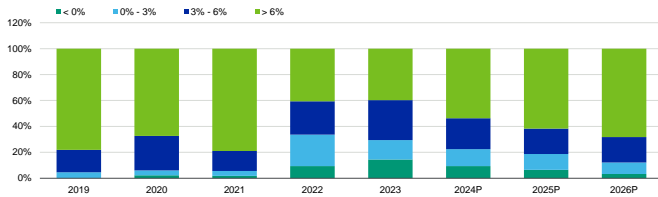


Data from 214 of the not-for-profit healthcare entities we rate.
Source: Moody's Ratings

A sign of the sector's stabilization is our expectation that the OCF margin will exceed 6% by year-end 2025 for about 60% of the not-for-profit hospitals we rate. That is up significantly from 40% of the hospitals in 2023 but far below the 78% of hospitals in pre-pandemic 2019 (see Exhibit 2). This indicates the sector's progress toward achieving financial sustainability. The pace of OCF margin improvement slowed in the third quarter of 2024, however, and is likely to continue slowing in 2025 (see Exhibit 3).

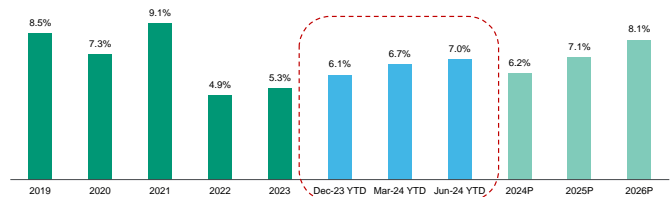
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Exhibit 2
Percentage of hospitals with OCF margin above 6% is increasing, indicating less variability in performance



Data from 214 of the not-for-profit healthcare entities we rate.
 Source: Moody's Ratings

Exhibit 3
Quarterly results show continued improvement in median OCF margin though rate of improvement is slowing



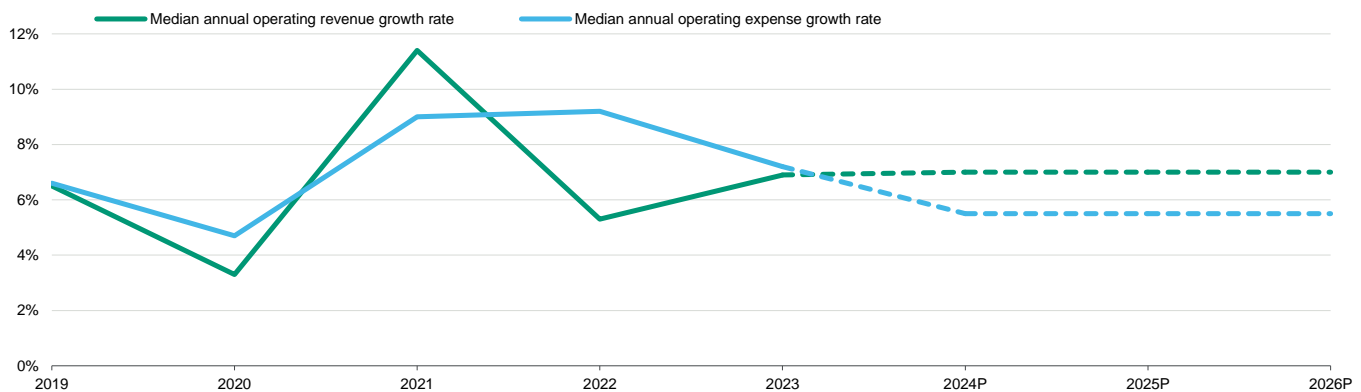
Data from 214 of the not-for-profit healthcare entities we rate.
 Quarterly results, shown in blue, represent year-to-date financial performance.
 Source: Moody's Ratings

We could revise the sector outlook to positive if we expect the median OCF margin to exceed 9% or increase more than 200 basis points, or both. We could revise the outlook to negative if we expect the margin to weaken below 6% or decline by 200 basis points, or both.

Revenue growth will be largely driven by stronger commercial rate increases and stronger state support

Strong median revenue growth of 7% in 2025 (see Exhibit 4) will be driven in part by higher reimbursements from commercial insurers: in the mid-single-digit-percentage range. Additionally, increased adoption of state-directed payment programs, which enable states to draw down matching federal funds using taxes levied on hospitals, managed care companies or both, will contribute to enhanced funding. Since their inception in 2016, 37 states have embraced these state-directed payment programs. The revision of Medicaid managed care regulations in 2024 further supports this growth trajectory, allowing states to reimburse hospitals and nursing facilities at the average commercial payment rate for directed payments. This rate significantly exceeds the Medicare payment cap applied to other Medicaid fee-for-service (FFS) supplemental payments. In addition, state-directed payments will increase in 2025, in terms of their proportion to total Medicaid hospital reimbursements, in 26 of the 37 states that have implemented these programs, according to the latest annual Medicaid budget survey report from nonprofit health policy research, polling and news organizing KFF.¹

Exhibit 4
Revenue growth will continue to outpace expense growth in 2025



Data from 214 of the not-for-profit healthcare entities we rate.
 Source: Moody's Ratings

Medicaid redetermination has largely concluded, with membership stabilizing above pre-pandemic levels despite a decline from pandemic peaks. About 31% of enrollees lost eligibility, with rates differing by state. Hospitals in states with high disenrollment rates may face increased bad debt, and Medicaid remains a difficult payer in states without additional support.

Moreover, Medicare reimbursement rate increases for 2025, at 2.9% for inpatient and 2.6% for outpatient services, are lower than expense growth and 2024 rates (3.1% for both inpatient and outpatient). With Medicare patients typically constituting a significant portion of hospital revenue (a median 47.6% of gross patient revenue for 2023), these modest rate increases will constrain hospital

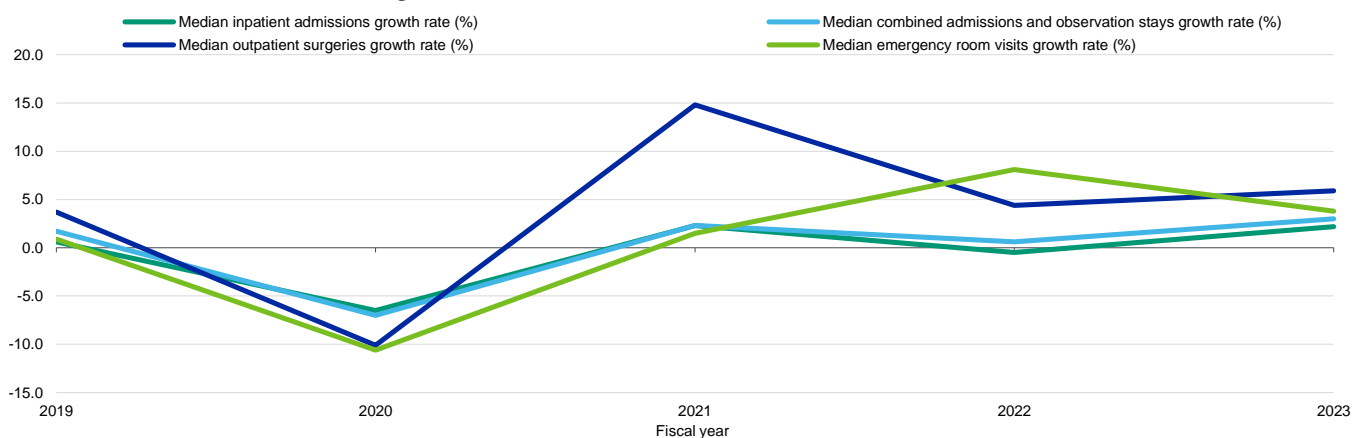
finances. Additionally, the continued expansion of Medicare Advantage has the potential to reduce revenue due to increased claim denials and care authorization delays. However, effective revenue cycle management and new regulations aiming to align Medicare Advantage access to care with traditional Medicare standards may mitigate some of these financial risks.

Volume growth will also increase revenue, though outpatient services will lead the charge

Patient admissions and hospital procedures will increase only modestly, with outpatient services leading the way given the ongoing industry shift (see Exhibit 5). Though reimbursement for outpatient services is lower than for inpatient services, hospitals will focus on growth in more profitable outpatient service lines, like oncology, to help make up the difference and benefit from lower-cost settings. Reductions in length of stay (median average length of stay declined to 5.2 days in 2023 from 5.4 days in 2022), which was highest in 2022 at the peak of the labor shortage, will alleviate capacity issues and lead to growth in admissions.

Exhibit 5

Growth in utilization will foster revenue growth



Data from 214 of the not-for-profit healthcare entities we rate.

Source: Moody's Ratings

Risk of debt covenant violations will decrease

Covenant violations will decrease in 2025, building on momentum seen in 2024. Common financial covenants include a minimum debt service coverage test and a minimum requirement for days cash on hand. We expect both ratios will improve on average in 2025. Stronger profitability and stable cash balances will drive the increased headroom. However, hospitals already struggling with fundamental challenges, or those with weaker cash buffers or outsized operating losses, will continue to face increased risk of a breach. While the variability in performance is decreasing, roughly 6% of the rated portfolio is likely to generate negative cash flow in 2025; this portion of providers will be most susceptible to covenant breaches.

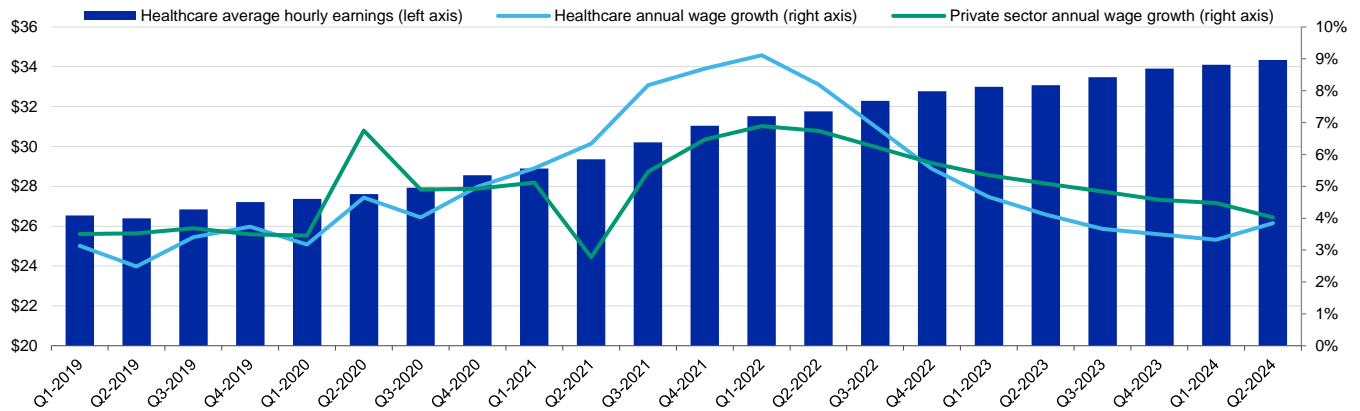
Strong management teams will anticipate covenant breaches, and explore various options to either avoid the breach or mitigate its effects. If a covenant is violated, creditors will have a range of remedies available, including the ability to demand immediate repayment of debt. Default, debt payment acceleration or both will be limited but remain a risk for deeply distressed hospitals. Most providers we rate with covenant violations have reached agreements with lenders to avoid debt payment acceleration or default.

Labor and other inflationary costs will remain a hurdle for the sector though growth will slow

High expenses, particularly related to labor, will remain a major hurdle for the sector because labor costs account for a median 53% of operating expenses. A steep rise in healthcare wages over the last three years will remain a structural issue. While wage growth has decreased from highs in 2022, average hourly earnings will continue to top previous years, driven by the gap between employee supply and demand (see Exhibit 6). Employee supply in 2025 will meet only [94% of the demand](#), according to the Health Resources & Services Administration.

Exhibit 6

While the rate of annual hospital wage growth will remain below peaks, average wages will persist at record levels



Source: US Bureau of Labor Statistics

A recent surge in union activity as healthcare workers seek safer staffing levels and higher compensation could lead to contentious contract negotiations, resulting in work stoppages or hefty wage increases. However, reductions in usage and rates of temporary staff will provide some relief. Additionally, decreases in length of stay, labor-productivity improvements and adoption of AI will help temper growth in labor costs and alleviate capacity constraints.

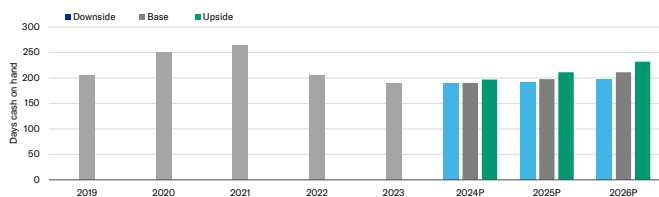
Supply costs will remain high, with drug-cost growth likely to be in the mid-to-high-single-digit percentage range. Cost-control measures implemented by management teams will be critical to help offset inflationary cost pressures. Hospitals will form strategic alliances with companies specializing in areas such as revenue cycle, patient experience and care management, which will help drive down costs. Though total operating expenses will remain high, growth will slow to 5.5% in 2025 from a high of 9.2% in 2022 at the peak of the labor shortage (as seen in Exhibit 4 above).

Stable liquidity provides buffer as hospitals work toward financial sustainability

Liquidity will remain stable or increase modestly in 2025 with cash flows approaching levels that can fund capital spending and other cash needs. While there has been an uptick in capital spending over recent quarters, increases have been gradual because many hospitals have been reluctant to increase spending significantly until financial performance is fully restored. However, as most hospitals approach financial sustainability in 2025, capital spending is likely to increase to address the increasing median age of plant (12.8 years in 2023), which has been driven by delayed capital projects during the pandemic. The recent decline in interest rates makes debt financing more attractive for funding projects, which should further bolster cash reserves. By 2025, we expect days cash on hand to reach about 200 days (see Exhibit 7). And liquidity levels could surpass those seen before the pandemic by 2026, with over half of rated health systems achieving 200 days cash or more (see Exhibit 8).

Exhibit 7

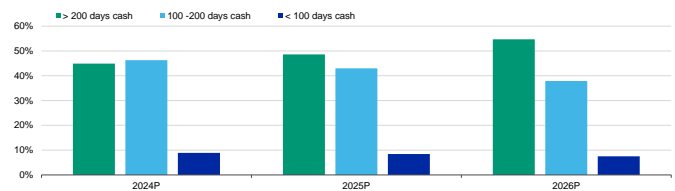
Liquidity will continue to strengthen and reach pre-pandemic levels by 2026



Data from 214 of the not-for-profit healthcare entities we rate.
Source: Moody's Ratings

Exhibit 8

More than 50% of providers will post cash on hand of 200 days or more by 2026



Data from 214 of the not-for-profit healthcare entities we rate.
Source: Moody's Ratings

Significant investment holdings are a fundamental characteristic of hospital balance sheets, and health systems will remain exposed to market volatility. Market fluctuations will be manageable for most systems as unrealized gains or losses typically occur in long-

term holdings and do not affect working capital. Nevertheless, hospitals with significant exposure to equity markets are at a higher risk, especially if investments need to be liquidated for other purposes at suppressed valuations. In 2023 (the latest full-year data), the median percentage of unrestricted cash and investments that rated not-for-profit hospitals allocated to equities was around 31%.

Many hospitals still have large outstanding Federal Emergency Management Agency (FEMA) applications for pandemic-related aid. The approval and timing of the payments are uncertain and subject to delays, with hospitals competing for FEMA funds with the agency's need to distribute money in the wake of natural disasters. However, FEMA grants will continue to provide one-time funding that boosts revenue and liquidity.

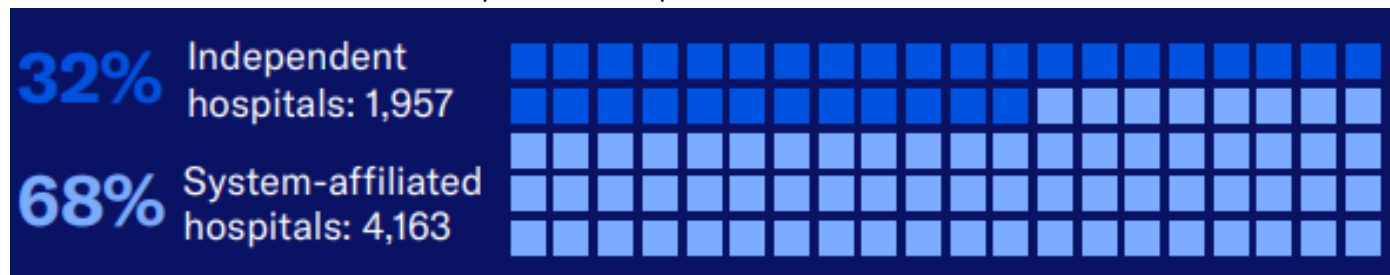
Federal and state policies will yield mixed financial outcomes for hospitals

As hospitals navigate 2025 and beyond, federal and state policies will offer both challenges and opportunities. State and federal governments are intensifying efforts to control healthcare costs and improve quality. In states like California and Indiana, minimum nurse-staffing ratios and caps on expense growth, will weigh on operational efficiency and margins. Additionally, bipartisan support is growing for "site neutral" payment proposals to equalize Medicare payments for outpatient services across various settings, potentially reducing revenues for hospitals accustomed to higher rates for hospital-based services. The spread of such policies could reduce flexibility and heighten conflicts for healthcare providers. The federal 340B program, which allows hospitals to purchase drugs at a discount and benefit from net income gains, will face ongoing pushback from manufacturers and scrutiny.

Mergers, acquisitions, joint operating agreements and other types of consolidation will continue into 2025 (see Exhibit 9). Community hospitals and smaller systems will seek partners, allowing them to afford capital projects and investments in advanced technology like electronic medical records and cybersecurity. Nonetheless, strict state and federal oversight, particularly due to antitrust concerns over potential increases in healthcare costs, will limit such deals. The Federal Trade Commission (FTC), along with states like Indiana, California and Washington, has been actively scrutinizing mergers and acquisitions.

Exhibit 9

M&A will continue as a third of the nation's hospitals remain independent in 2024



Source: American Hospital Association

The US Supreme Court decision to overturn the [Chevron doctrine](#) could affect hospitals, triggering litigation with both positive and negative credit implications. The full effect of this decision will unfold over years as legal challenges progress. However, the court decision does not affect federal regulators' ability to establish rules and regulations. This ruling removes the obligation for courts to defer to federal regulators' interpretations, simplifying the process for hospitals to contest healthcare regulations that negatively affect their reimbursement and expenses. This could lead to more lawsuits from hospitals aiming to overturn unfavorable regulations, potentially improving their financial standing. Conversely, insurers, pharmaceutical companies and patient-advocacy groups might pursue litigation that could lead to decreased reimbursements and higher costs for hospitals.

The [election of Donald Trump](#) as president will likely alter US policy directions significantly, diverging from those pursued by the current Biden administration. Likely shifts include large fiscal deficits, a protectionist stance on trade, reversals in climate-change measures, tighter immigration policies and easing regulation efforts. The credit effect of these policies on hospitals will hinge on their detail and execution, which will depend largely on the makeup of Congress. Stricter [immigration policies](#) would, for example, result in fewer immigrants and would likely increase labor costs for healthcare providers and exacerbate labor shortages as the baby boomer generation ages. And broad tariffs on US imports could introduce complications despite the healthcare sector's diverse supply chains.

Hospitals dependent on Chinese goods or single suppliers may encounter elevated costs until they can pivot to domestic sources, especially if sweeping tariffs are implemented quickly.

Cyber and environmental events present growing operational risk

Although the healthcare sector maintains strong cyber defense practices, with above-average implementation of advanced security measures and the use of cyber insurance, [healthcare remains a top target for cyber criminals](#) due to the importance and sensitivity of information that can be stolen. Moreover, the increasing digitization of the sector means these risk-mitigation strategies will remain a priority, necessitating continuous investment in cybersecurity. Spending by healthcare providers on cybersecurity management will continue to rise, with cyber spending as a percentage of total technology budgets climbing to an estimated [7% in 2023 from 5% in 2019](#). Implementing best practices in cyber defense, including multifactor authentication and penetration tests, will be crucial as hospitals aim to protect patient data and ensure the continuity of critical operations. Having an incident response plan that is regularly tested, reviewed and updated is crucial to maintaining operations in the event of a cyberattack that forces systems to go offline for a period of time.

The extensive use of third-party software vendors for clinical operations, record-keeping, billing and other functions will add to the sector's cyber risk. Events such as the [Change Healthcare hack](#) and numerous other hospital-specific data breaches often disrupt revenue cycles and require health systems to tap alternative sources of liquidity. Lines of credit are important, but health systems with comparatively large cash reserves are in a stronger position to navigate the potential operational, volume, liquidity and reputational risks arising from cyber incidents.

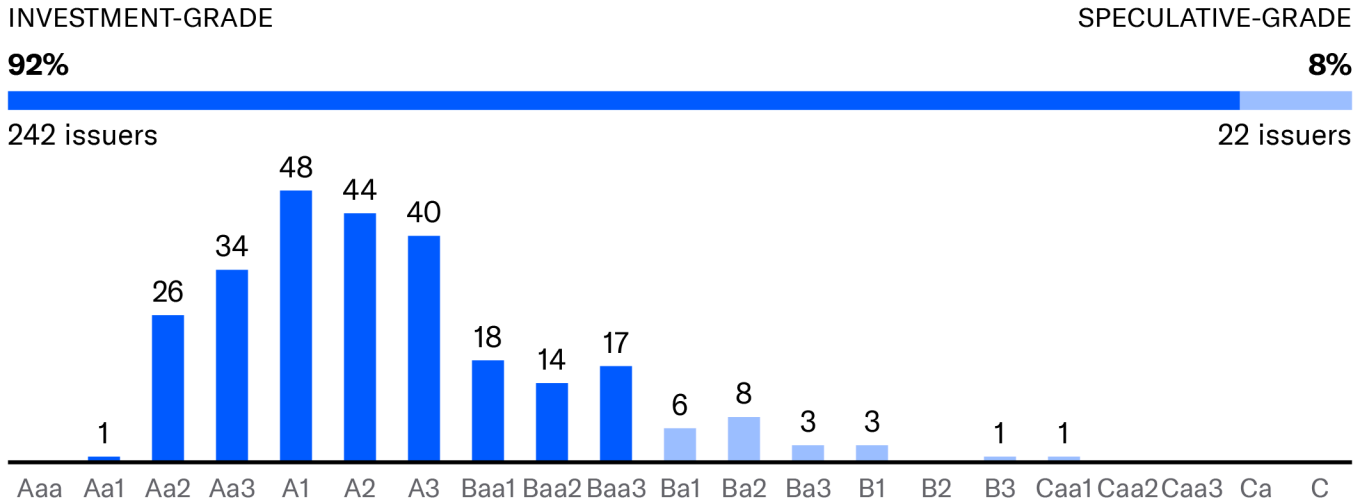
Despite rising costs and shrinking insurance limits and coverages, we expect hospitals will continue to purchase cyber insurance for risk mitigation; this is partly because the sector is likely to see an increase in class-action lawsuits as a result of data breaches. However, this approach is challenged by an uptick in the size and frequency of claims, particularly from ransomware attacks, which significantly reduces the profitability of cyber insurance products. The resultant effect includes insurers imposing more rigorous terms and conditions and increasing premiums, which will further increase costs.

Environmental events are also an increasing operational risk factor and highlight the importance of liquidity as a mitigant. Recent events like Hurricane Helene and Hurricane Milton caused temporary disruptions, including short-term closures, suspensions of elective procedures and labor capacity issues. Additionally, extreme weather events can damage surrounding businesses and transportation infrastructure, hindering access to essential medical supplies and necessities like food and water. These environmental events will continue to pose significant operational and financial hurdles for the sector. However, similar to cyber interruptions, larger systems with multiple access points and substantial cash reserves are better equipped to mitigate the effects of extreme environmental disruptions.

Appendix

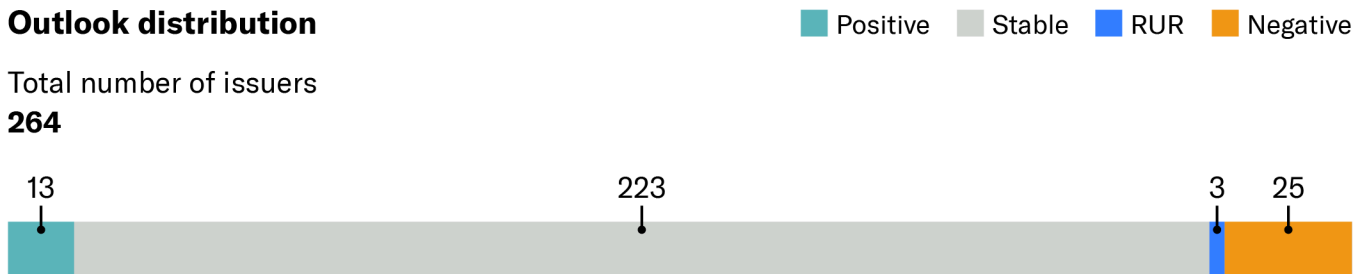
Exhibit 10
 Distribution of ratings and outlooks for US not-for-profit healthcare providers
 As of September 23, 2024

Rating distribution by number of issuers



Outlook distribution

Total number of issuers
264



Source: Moody's Ratings

Endnotes

1 [As Pandemic-Era Policies End, Medicaid Programs Focus on Enrollee Access and Reducing Health Disparities Amid Future Uncertainties: Results from an Annual Medicaid Budget Survey for State Fiscal Years 2024 and 2025](#), KFF, October 2024.

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Not-For-Profit Healthcare Newsletter

Week of October 25th, 2024

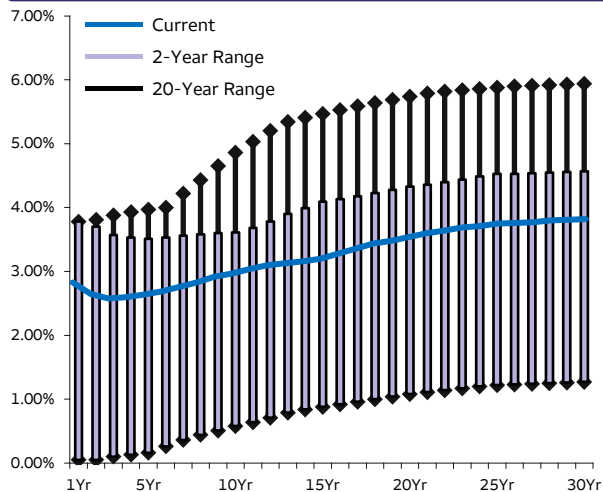
Week of October 25, 2024 – Wells Fargo Market & Sector Update

Market Overview

Benchmarks	Current 10/25	Prior Week	WoW Change	Prior Month
Equity Markets				
DJIA	42,487	43,306	-1.89%	41,915
S&P 500	5,808	5,870	-1.06%	5,722
NASDAQ	18,519	18,490	+0.16%	18,082
Short-Term Rates				
SIFMA Index	3.51%	4.02%	-0.51%	3.53%
SOFR	4.83%	4.84%	-0.01%	4.83%
SIFMA/SOFR	72.67%	83.06%	-10.39%	73.08%
Long-Term Rates				
"AAA" MMD (10Yr)	2.97%	2.78%	+0.19%	2.63%
"AAA" MMD (30Yr)	3.82%	3.66%	+0.16%	3.52%
UST (10Yr)	4.25%	4.19%	+0.06%	3.73%
UST (30Yr)	4.51%	4.49%	+0.02%	4.07%
Derivatives				
SIFMA Swap Rate (10Yr)	2.96%	2.84%	+0.12%	2.59%
SOFR Swap Rate (10Yr)	3.76%	3.62%	+0.14%	3.29%
SIFMA Swap Rate (30Yr)	3.23%	3.12%	+0.11%	2.88%
SOFR Swap Rate (30Yr)	3.68%	3.58%	+0.10%	3.28%

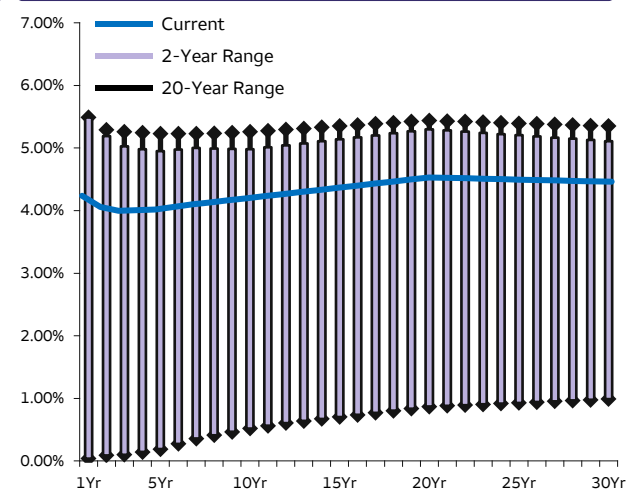
Source: Bloomberg, Thomson Reuters Municipal Market Monitor ("TM3") and Wells Fargo Rates Library as of October 25, 2024.

Tax-Exempt Fixed Rates



Source: TM3 as of October 25, 2024. MMD rates shown.

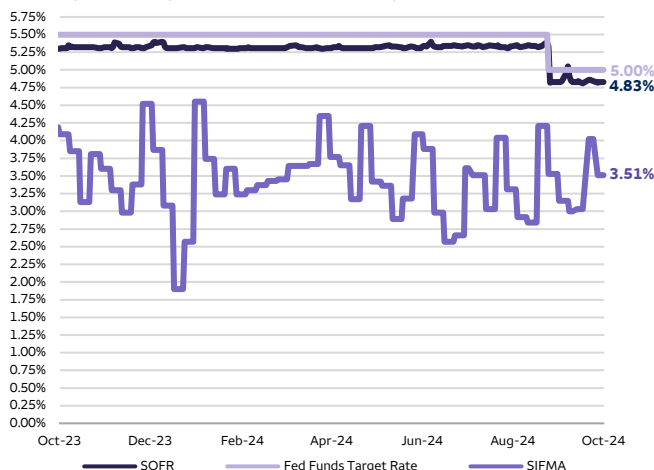
Taxable Fixed Rates



Source: Bloomberg as of October 25, 2024. I-UST rates shown.

Short-Term Interest Rates

SOFR, 1M LIBOR, Fed Funds and 1W SIFMA, Last 12 Months

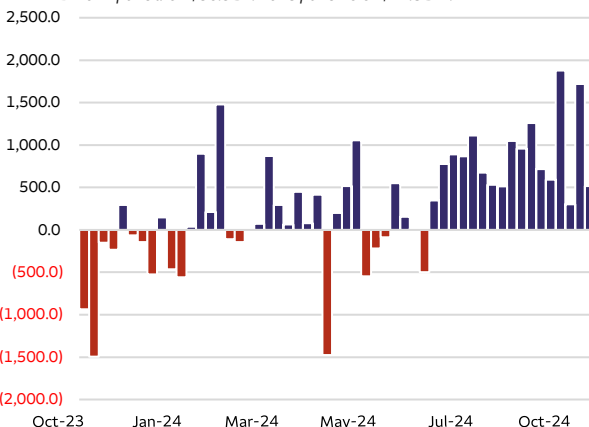


Source: Board of Governors of the Federal Reserve System and Bloomberg, as of 10/25/2024.

Weekly Municipal Bond Fund Flows (\$Mn)

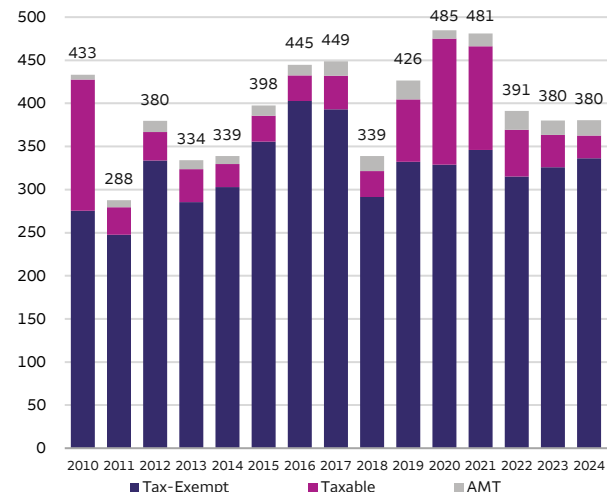
Last 12 Months by Week¹

Municipal funds posted net inflows of \$515 Mn for the week ended October 23, 2024. - YTD 2024 flows are +\$36.5 Bn. 2023 flows were -\$14.8 Bn².



Source: Lipper, A Thomson Reuters Company, as of 10/23/2024. Note: (1) Only represents data for funds that report weekly; (2) Includes monthly reports.

Municipal Issuance (\$Bn)



Source: Bond Buyer through 9/30/2024, data reports monthly.

Week of October 25, 2024 – New Issue Healthcare Transactions

Borrower	State	Sale Date	Underlying Ratings (M/SP/F)	Insured Ratings (M/SP/F)	Structure	Par Amount (\$MM)	Coupon (%)	Benchmark ¹ (%)	Spread ² (bps)	Yield ³ (%)	Final Maturity
Lifefridge Health	MD	10/24/2024	A1/A+/NR	-	Tax-Exempt Fixed	116.100	5.250	3.890	44	4.330	2054
Beaufort Memorial Hospital	SC	10/22/2024	NR/BB/NR	-	Tax-Exempt Fixed	115.135	5.750	3.790	131	5.100	2054
White Plains Hospital	NY	10/17/2024	Baa3/BBB-/NR	A1/AA/NR	Tax-Exempt Fixed	500.000	5.500	3.660	55	4.210	2054
Montefiore Medical Center	NY	10/17/2024	Baa3/BBB-/NR	-	Tax-Exempt Fixed	125.000	5.500	3.530	80	4.330	2047
El Paso County Hospital District ⁽⁴⁾	TX	10/16/2024	NR/NR/A-	NR/AA/NR	Tax-Exempt Fixed	54.800	4.250	3.660	76	4.420	2054
Vanderbilt University Medical Center	TN	10/10/2024	NR/A/A	-	Tax-Exempt Fixed	411.290	5.000	2.750	53	3.280	2034
The Children's Hospital of Philadelphia	PA	10/8/2024	Aa2/AA/NR	-	Tax-Exempt Fixed	550.000	5.500	3.640	28	3.920	2053
Northwell Health	NY	10/1/2024	A3/A-/A-	-	Tax-Exempt Fixed (Forward Delivery)	351.040	5.000	3.100	56	3.660	2043
Northwell Health	NY	10/1/2024	A3/A-/A-	-	Tax-Exempt Fixed	762.830	5.250	3.480	44	3.920	2054
NYU Langone Health	NY	9/24/2024	A1/A+/NR	-	Tax-Exempt Fixed	121.420	5.000	2.730	24	2.970	2036
CentraCare Health System	MN	9/24/2024	A2/NR/AA-	-	Tax-Exempt Fixed	308.065	5.000	3.520	54	4.060	2054
Yuma Regional Medical Center	AZ	9/19/2024	NR/A/A	-	Tax-Exempt Fixed	305.000	5.250	3.520	53	4.050	2054
Washington Regional Medical Center	AR	9/19/2024	Baa3/NR/NR	-	Tax-Exempt Fixed	57.000	5.000	2.730	142	4.150	2036
Texas Children's Hospital	TX	9/11/2024	Aa2/AA-/AA-	-	Tax-Exempt Fixed	226.465	5.000	2.470	35	2.820	2031
Hendricks Regional Health	IN	8/28/2024	A3/A-/NR	-	Tax-Exempt Fixed	132.230	5.250	3.580	72	4.300	2054
UK Healthcare Cancer Center Parking Project ⁽⁵⁾	KY	8/28/2024	Aa3/AA/NR	-	Tax-Exempt Fixed	104.745	4.125	3.580	74	4.320	2054
BayCare Health System	FL	8/20/2024	Aa2/NR/AA	-	Tax-Exempt Fixed	1,307.485	5.500	3.590	38	3.970	2054
Maine Health and Higher Educational Facilities Authority	ME	8/20/2024	Aa3/NR/A+	Aa3/AA/NR ⁽⁶⁾	Tax-Exempt Fixed	86.405	4.250	3.590	75	4.340	2054
Karnes County Hospital District	TX	8/15/2024	NR/NR/A	-	Puts (5-Year)	33.785	5.000	2.560	98	3.540	2044
Inspira Health	NJ	8/15/2024	A2/NR/AA-	-	Tax-Exempt Fixed	251.570	5.250	3.590	55	4.140	2054
Taxable					Intermediate-Term Bonds ⁽⁷⁾						

1) Benchmark index for tax-exempt transactions is MMD and for taxable transactions is UST; 2) For tax-exempt transactions, spread calculated assuming 3PM MMD as of sale date for each transaction; 3) Yield to Maturity for taxable bonds and Yield to Worst for tax-exempt bonds; 4) The bonds are general obligations of the district payable from unrestricted revenues and from taxes collected on property within the district. The bonds also carry an underlying rating from Kroll (A-); 5) Lease purchase obligations; 6) Moody's and S&P assigned insured ratings of "Aa3" (stable outlook) and "AA" (stable outlook), respectively, with the Moody's insured rating based upon the higher underlying rating on the bonds; 7) Includes tax-exempt put bonds and intermediate-term bullet structures. Sources: TM3 and Wells Fargo Securities, as of 10/25/2024. Not all transactions underwritten by Wells Fargo Securities. Only includes fixed rate transactions with aggregate size greater than \$30 million.

Week of October 25, 2024 – Rating Agency Actions and Sector News

Recent Rating Agency Publications

Moody's

- [Mergers and acquisitions will contribute to growing scale and geographic expansion in not-for-profit healthcare](#) (10/23/2024)
- [Rating Methodology: Not-for-profit Healthcare](#) (10/16/2024)
- [Labor costs will ease, though continue to curtail operating performance](#) (10/15/2024)

S&P

- [The Health Care Credit Beat 2024: Highlights From Our 2024 Health Care Hot Topic Event](#) (10/11/2024)
- [S&P Global Ratings to Assess Not-For-Profit Hospital Credit Profiles Post Acquisitions From Bankrupt Steward Health Care](#) (10/07/2024)

Fitch

- [Fitch Ratings: U.S. Healthcare Credits Likely Unaffected by Upcoming Elections](#) (10/16/2024)
- [What Investors Want To Know: 2024 Election's Impact On U.S. Healthcare Ratings](#) (10/16/2024)

Healthcare Headlines

- [Becker's Hospital Review: 340B purchases hit \\$66.3B in 2023](#) (10/21/2024)
- [Becker's Hospital Review: 4 hospital projects worth \\$1B or more](#) (10/21/2024)

Note: Access to some articles may require subscription or separate payment.

Healthcare Entity	State	Action	Publication Date	Prior	New	Current Ratings (M/SP/F)
Moody's						
OhioHealth Corporation	OH	Rating Affirmed	10/23/2024	Aa2 (Stable)	Aa2 (Stable)	Aa2 (Stable) / AA+ (Stable) / AA+ (Stable)
Catholic Health System	NY	Rating Upgrade	10/23/2024	Caa1 (Stable)	B3 (Positive)	B3 (Positive) / B- (Stable) / NR
Palomar Health	CA	Rating Downgrade	10/22/2024	Ba3 (Negative)	B2 (Review for Downgrade)	B2 (Review for Downgrade) / BB+ (Negative) / BB+ (Negative)
Tallahassee Memorial HealthCare	FL	Rating Affirmed	10/17/2024	Baa1 (Stable)	Baa1 (Stable)	Baa1 (Stable) / NR / NR
Good Samaritan Hospital	IN	Rating Affirmed	10/15/2024	Baa3 (Stable)	Baa3 (Stable)	Baa3 (Stable) / NR / NR
Holy Redeemer Health System	PA	Rating Downgrade	10/15/2024	Ba2 (Negative)	B1 (Negative)	B1 (Negative) / B+ (Negative) / BB- (Negative)
Virginia Mason Medical Center	WA	Rating Affirmed	10/15/2024	Baa3 (Stable)	Baa3 (Stable)	Baa3 (Stable) / BBB+ (Stable) / NR
Lehigh Valley Health Network	PA	Rating Downgrade	10/15/2024	A2 (Stable)	A3 (Stable) ⁽¹⁾	A3 (Stable) / A (Stable) / A (Stable)
Thomas Jefferson University	PA	Rating Affirmed	10/15/2024	A3 (Stable)	A3 (Stable)	A3 (Stable) / A (Stable) / A (Stable)
S&P						
Magnolia Regional Health Center	MS	Rating Affirmed	10/24/2024	BB (Stable)	BB (Stable)	NR / BB (Stable) / NR
Community Hosp. of Central Cal.	CA	Upward Outlook Revision	10/24/2024	BBB+ (Negative)	BBB+ (Stable)	A3 (Negative) / BBB+ (Stable) / NR
OhioHealth Corporation	OH	Rating Affirmed	10/22/2024	AA+ (Stable)	AA+ (Stable)	Aa2 (Stable) / AA+ (Stable) / AA+ (Stable)
Northern Light Health	ME	Downward Outlook Revision	10/22/2024	BBB- (Negative)	BBB- (Watch Negative)	Ba3 (Review for Downgrade) / BBB- (Watch Negative) / NR
Concord Hospital	NH	Rating Affirmed	10/21/2024	A+ (Stable)	A+ (Stable)	A2 (Stable) / A+ (Stable) / AA- (Stable)
OSF Healthcare	IL	Rating Affirmed	10/21/2024	A (Stable)	A (Stable)	NR / A (Stable) / A+ (Stable)
Marshfield Clinic Health System	WI	Upward Outlook Revision	10/21/2024	BBB (Negative)	BBB (Developing)	NR / BBB (Developing) / BBB (Stable)
Kootenai Hospital District	ID	Upward Outlook Revision	10/21/2024	A (Negative)	A (Stable)	NR / A (Stable) / NR
UNC Health Southeastern	NC	Rating Downgrade	10/18/2024	BB (Negative)	BB- (Negative)	NR / BB- (Negative) / NR
Lurie Children's Hospital	IL	Downward Outlook Revision	10/17/2024	AA- (Stable)	AA- (Negative)	NR / AA- (Negative) / AA (Stable)
Jennie Stuart Medical Center	KY	Rating Affirmed	10/16/2024	BBB- (Stable)	BBB- (Stable)	NR / BBB- (Stable) / BBB- (Stable)
Virginia Hospital Center	VA	Rating Affirmed	10/16/2024	A+ (Stable)	A+ (Stable)	NR / A+ (Stable) / AA- (Stable)
Kettering Health Network	OH	Rating Affirmed	10/16/2024	A+ (Stable)	A+ (Stable)	A2 (Stable) / A+ (Stable) / NR
Valley Health System	NJ	Rating Affirmed	10/16/2024	A (Stable)	A (Stable)	NR / A (Stable) / A+ (Positive)
Fitch						
Froedtert ThedaCare Health	WI	Rating Affirmed	10/23/2024	AA (Stable)	AA (Stable)	NR / AA (Stable) / AA (Stable)
St. Joseph's/Candler Health Sys.	GA	Rating Upgrade	10/18/2024	A (Positive)	A+ (Stable)	A2 (Stable) / NR / A+ (Stable)
Virtua Health	NJ	Upward Outlook Revision	10/17/2024	AA- (Stable)	AA- (Positive)	NR / AA- (Stable) / AA- (Positive)
AtlantiCare Health System	NJ	Rating Affirmed	10/17/2024	AA- (Stable)	AA- (Stable)	NR / AA- (Negative) / AA- (Stable)
Lehigh Valley Health Network	PA	Rating Assigned	10/15/2024	-	A (Stable)	A3 (Stable) / A (Stable) / A (Stable)
Thomas Jefferson University	PA	Rating Assigned	10/15/2024	-	A (Stable)	A3 (Stable) / A (Stable) / A (Stable)
OhioHealth	OH	Rating Affirmed	10/15/2024	AA+ (Stable)	AA+ (Stable)	Aa2 (Stable) / AA+ (Stable) / AA+ (Stable)

Favorable (+)

Unfavorable (-)

Sources: Moody's, S&P, and Fitch as of 10/25/2024; Becker's Hospital Review website. 1) Lehigh Valley will join Thomas Jefferson University's Obligated Group. Rating and Outlook reflect analysis of Thomas Jefferson University and Lehigh Valley Health Network's combined enterprise and financial profiles post their August 1, 2024 affiliation.

Week of October 25, 2024 - Market & Sector Update

Links to Wells Fargo Commentary and Other Reports

Monthly Economic Outlook:
[Web Page](#)

Weekly Economic & Financial Commentary:
[Web Page](#)

US Economic Forecast:
[Full Report \(PDF\)](#)

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2Q23

Not-For-Profit Healthcare Finance Newsletter

October 30, 2024

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MARKET UPDATE

Last week, the primary market saw \$231 million of fixed rate tax-exempt healthcare supply across two issues, and no taxable supply. LifeBridge Health (MD) (A1/A+/NR) came to market with \$116 million of tax-exempt fixed rate bonds. The 2054 final maturity was sold as a bifurcated structure with a 5.25% coupon to yield 4.33% (MMD + 0.44%)¹ and a 5.00% coupon to yield 4.38% (MMD + 0.49%)¹. Beaufort Memorial Hospital (SC) (NR/BB/NR) came to market with \$115 million of tax-exempt fixed rate bonds. The 2054 final maturity was sold with a 5.75% coupon to yield 5.10% (MMD + 1.31%)¹. In the short-term market, the SIFMA index reset at 3.24% today, 27 basis points tighter than last week's reading.

Moody's Ratings ("Moody's") published a quarterly report touching on the current social risks of the healthcare sector and risks specific to hospitals. Moody's highlights that labor-related challenges continue to affect hospital financial performance, with high costs and workforce shortages impacting post-pandemic recovery. While labor expenses are anticipated to ease, they remain elevated, as staff shortages drive competition for skilled workers (i.e. nurses) which increases wage pressures. According to Moody's, labor costs account for 53% and 51% of operating expenses for not-for-profit and for-profit hospitals, respectively, driven by nursing shortages, which, while exacerbated from the pandemic, are viewed by Moody's as a structural problem and credit risk to the industry and are hurting operating performance. This is evidenced by operating cash flow margin for not-for-profit hospitals dropping from 8.5% in 2019 to 4.9% and 5.3% in 2022 and 2023, respectively; and Moody's notes that margins are expected to stay below historic levels for some time. Wage growth for in-demand roles, such as nursing, continues to outpace reimbursement rates, which Moody's views as a significant credit risk—especially for hospitals relying heavily on Medicare and Medicaid, where rates lag behind rising labor expenses. Labor supply and demand imbalances are more acute in certain regions, like the Pacific Northwest, where limited hospital beds, high unionization, and elevated cost of living compound labor pressures. As a result, average yearly earnings for registered nurses were between \$6-12k higher than the national average in Washington and Oregon, respectively, in 2022. Hospitals in highly regulated states face further constraints from policies like minimum staffing ratios and minimum wage requirements, which Moody's acknowledges disproportionately impacts hospitals in rural markets relative to those in urban markets. While some states with high regulation impose expense caps, Moody's notes that navigating these policies adds management complexity and limits flexibility. More positively, Moody's underlines that reduced temporary labor has offered some short-term cost relief, and that the long-term path to cost reduction involves a more-scrutinized hiring process, improved efficiencies, and adoption of AI and technological advancements.

1. Yield quoted represents yield to call on premium callable bond, yield to maturity would be higher.

MARKET INDICATORS

	Current	Prior Week	1-Year Avg.	10-Year Avg. ³
MMD (30-YR)	3.87	3.94	3.70	2.73
US Treasury (30-YR)	4.49	4.51	4.39	2.90
SIFMA Swap (30-YR) ²	3.30	3.31	3.26	2.31
75% of SOFR Swap (30-YR) ²	2.87	2.88	2.82	1.82
7-Day SIFMA Index	3.24	3.51	3.44	1.22
SOFR	4.82	4.83	5.27	1.70

2. These rates are indicative and represent where the client can enter into a new 30-year interest rate swap.

3. Represents the 10-year average or maximum data available. SOFR rates are available from August 2014 and 30-year SOFR swap rates are available from May 2019.

Joe Hegner
Co-Group Head
(312) 609-8508

Peter Reilly
Co-Group Head
(415) 263-4457

NEW YORK

Lisa Rogers
Managing Director
(212) 526-3974

Molly Bailey
Director
(212) 526-1503

Ronald Kim
Asst. Vice President
(212) 526-0272

Paul Ballas
Asst. Vice President
(212) 526-1085

James Peabody
Analyst
(212) 526-5713

Rahi Shah
Analyst
(212) 526-7905

Caitlin Gaspich
Analyst
(212) 526-9281

SAN FRANCISCO

Steve Kim
Director
(415) 274-5216

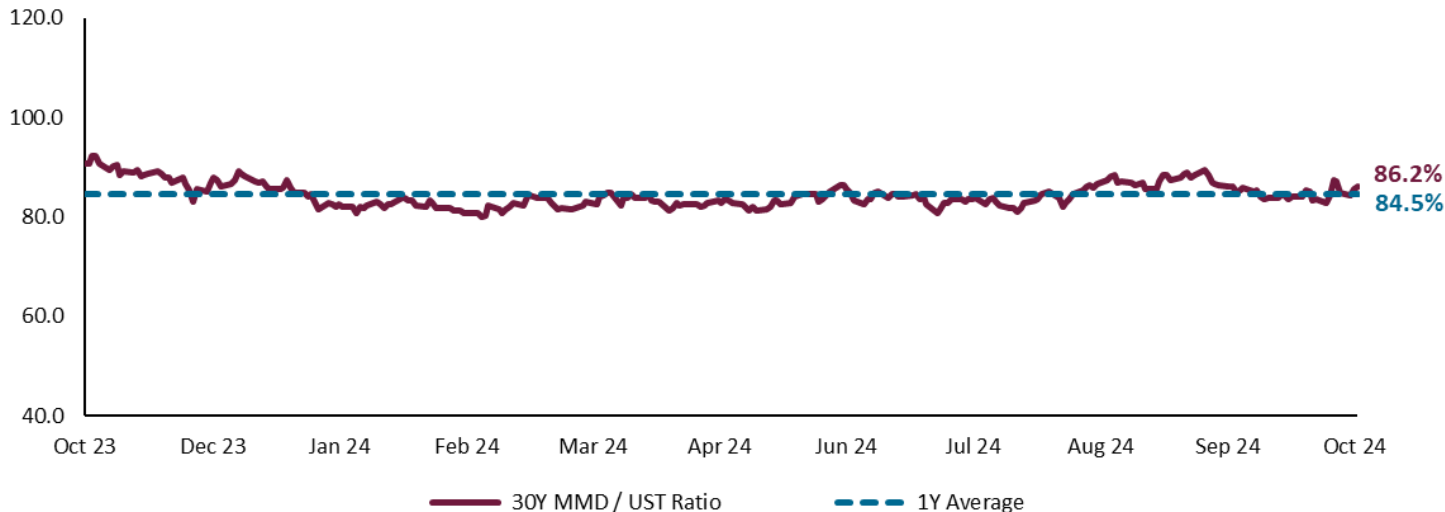
WASHINGTON D.C.

Kristin Kendigelen
Director
(202) 452-4731

CHICAGO

Caroline Robertson
Asst. Vice President
(312) 609-6043

Tax-Exempt/Taxable Ratios (%)



BARCLAYS ECONOMIC OUTLOOK

	Current	Q4 2024E	Q1 2025E	Q2 2025E
Federal Funds (%)	4.75-5.00	4.25-4.50	4.00-4.25	3.75-4.00
2-yr Treasury (%)	4.15	3.70	3.60	3.55
5-yr Treasury (%)	4.14	3.70	3.70	3.70
10-yr Treasury (%)	4.29	4.00	4.00	4.00
30-yr Treasury (%)	4.49	4.30	4.30	4.30

MARKET UPDATE

The Barclays Municipal Research Team published a report discussing recent supply and demand trends in the municipal market, as well as their outlook going forward. The municipal market saw \$12 billion of supply last week, lower than the \$14 billion seen the prior week, bringing 2024 year-to-date supply to about \$416 billion. Issuance is expected to decrease slightly this week, with \$11 billion of supply on the forward calendar. The 30-day visible supply came in at \$14 billion, higher than its one-year average of \$11 billion, while the 30-day visible municipal taxable supply was \$0.9 billion, slightly higher than its one-year average of \$0.8 billion. Municipal mutual funds that report weekly recorded inflows of \$515 million last week, lower than the \$1.7 billion of inflows seen the previous week. This brings net 2024 year-to-date inflows for funds reporting weekly and monthly to about \$30.3 billion.

The Research Team also discussed movements in UST and MMD yields last week. Responding to stronger economic data and the latest batch of election polls, UST yields continued their ascent last week, increasing more than 10 bps week-over-week. This brings UST rates 40 bps higher thus far in October, which has been coupled with elevated interest rate volatility. Prior to last week, MMD had largely remained immune to the recent rate volatility even in the face of heavy supply (with MMD-UST ratios not far from recent lows). However, last week the municipal market finally responded to higher UST yields and the latest batch of election polls, with MMD-UST ratios increasing 4-5 basis points last week and bid-wanted volume spiking as a result.

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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: December 5, 2024
Subject: Financials: FY2025 – Period 4 & YTD (as of 10/31/2024)

Purpose:

To provide the Finance Committee an update on financial results for FY2025 - Period 4 (October 2024) and YTD.

Executive Summary – Period 4 (October 2024):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 316 is 14 / 4.5% favorable to budget and 11 / 3.7% higher than the same period last year.
- **Adjusted Discharges:** 3,854 are 151 / 4.1% favorable to budget and 75 / 2.0% higher than the same period last year.
- **Emergency Room Visits:** 6,645 are 93 / 1.4% favorable to budget and 122 / 1.8% lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 13,768 are 1,665 / 13.8% favorable to budget and 2,133 / 18.3% higher than the same period last fiscal year.

Financial performance for Period 4 was favorable to budget. This is attributed to higher than budgeted patient volume in the areas of inpatient / outpatient surgeries, ER visits and NICU days.

Total Operating Revenue (\$): \$147.5M is \$9.4M / 6.8% favorable to budget and \$14.9M / 11.2% higher than the same period last fiscal year.

Operating EBIDA (\$): \$21.8M is \$1.2M / 5.7% favorable to budget and consistent with the same period last fiscal year.

Net Income (\$): \$0.7M is \$16.6M / 95.7% unfavorable to budget and \$11.9M / 94.2% lower than the same period last fiscal year.

Operating Margin (%): 9.1% (actual) vs. 8.8% (budget)

Operating EBIDA Margin (%): 14.8% (actual) vs. 14.9% (budget)

Net Days in A/R (days): 53.3 days are favorable to budget by 0.7 days / 1.2% and 1.1 days / 2.0% better than the same period last year.

Executive Summary – YTD FY2025 (as of 10/31/2024):

With the exception of outpatient visits / procedures and surgeries, year-over-year patient activity is flat.

- **Average Daily Census:** 303 is 2 / 0.6% unfavorable to budget and 1 / 0.2% lower than the same period last year.
- **Adjusted Discharges:** 14,711 are 41 / 0.3% favorable to budget and 31 / 0.2% lower than the same period last year.
- **Emergency Room Visits:** 26,159 are 156 / 0.6% unfavorable to budget and 4 / 0.0% lower than the same period last fiscal year.

- **Outpatient Visits / Procedures:** 50,328 are 3,624 / 7.8% favorable to budget and 5,441 / 12.1% higher than the same period last fiscal year.

Total Operating Revenue (\$): \$555.3M is \$12.7M / 2.3% favorable to budget and \$55.2M / 11.0% higher than the same period last fiscal year.

Operating EBIDA (\$): \$78.0M is \$0.5M / 0.6% favorable to budget and \$2.1M / 2.8% higher than the same period last fiscal year.

Net Income (\$): \$102.5M is \$40.1M / 64.1.4% favorable to budget and \$79.6M / 347.0% higher than the same period last fiscal year. Favorable net income is attributed to stable financial performance and unrealized gains on investment portfolio.

Operating Margin (%): 8.0% (actual) vs. 7.9% (budget)

Operating EBIDA Margin (%): 14.0% (actual) vs. 14.3% (budget)

Recommendation:

- FC recommend approval of FY2025 – Period 4 & YTD financials

List of Attachments:

- Financial Report: FY2025 Period 4

Suggested Finance Committee Discussion Questions:

- None



El Camino Health

Summary of Financial Operations

*Fiscal Year 2025 – Period 4
7/1/2024 to 10/31/2024*

Executive Summary - Overall Commentary for Period 4

• Results for Period 4:

- Net Patient Revenue was favorable to budget by \$8.8M / 6.7%.
- Operating EBIDA Margin was favorable to budget by \$1.2M / 5.7%.
- Gross revenue favorable to budget by \$52.3M / 9.1%.
 - Driven primarily by:
 - Inpatient Charges: \$21.4M / 7.7% favorable to budget.
 - Outpatient Charges: \$25.9M / 9.2% favorable to budget.
 - Professional Charges: \$5.0M / 33.6% favorable to budget.
- Cost Management
 - When adjusted for volume, overall operating expense is 0.3% higher than budget.
- Gross charges were favorable to budget by \$52.3M / 9.1% and \$93.0M / 17.4% higher than the same period last year.
- Total operating revenue was favorable to budget by \$9.4M / 6.8% and \$14.9M / 11.2% higher than the same period last year.
- Operating margin was favorable to budget by \$1.4M / 11.5% and \$41K / 0.3% lower than the same period last year.
- Operating EBIDA was favorable to budget by \$1.2M / 5.7% and \$57K / 0.3% higher than the same period last year.
- Net income was unfavorable to budget by \$16.6M / 95.7% and \$11.9M / 94.2% lower than same period last year.
Unfavorable performance is attributed to negative investment income.

Operational / Financial Results: Period 4 – October 2024 (as of 10/31/2024)

(\$ 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	316	302	14	4.5%	304	11	3.7%	---	---	---	---
	Adjusted Discharges	3,854	3,703	151	4.1%	3,779	75	2.0%	---	---	---	---
	OP Visits / OP Procedural Cases	13,768	12,103	1,665	13.8%	11,635	2,133	18.3%	---	---	---	---
	Percent Government (%)	57.0%	58.0%	(0.9%)	(1.6%)	58.0%	(1.0%)	(1.7%)	---	---	---	---
	Gross Charges (\$)	626,470	574,197	52,272	9.1%	533,435	93,035	17.4%	---	---	---	---
Operations	Cost Per CMI AD	20,095	20,032	63	0.3%	18,301	1,794	9.8%	---	---	---	---
	Net Days in A/R	53.3	54.0	(0.7)	(1.2%)	54.4	(1.1)	(2.0%)	48.1	49.7	47.5	
Financial Performance	Net Patient Revenue (\$)	141,741	132,891	8,850	6.7%	126,800	14,941	11.8%	297,558	564,735	---	
	Total Operating Revenue (\$)	147,507	138,097	9,410	6.8%	132,646	14,862	11.2%	389,498	610,593	268,739	
	Operating Margin (\$)	13,475	12,085	1,390	11.5%	13,516	(41)	(0.3%)	7,400	11,601	8,331	
	Operating EBIDA (\$)	21,782	20,611	1,171	5.7%	21,725	57	0.3%	26,400	39,689	22,574	
	Net Income (\$)	738	17,309	(16,571)	(95.7%)	12,630	(11,892)	(94.2%)	19,085	20,150	15,049	
	Operating Margin (%)	9.1%	8.8%	0.4%	4.4%	10.2%	(1.1%)	(10.3%)	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	14.8%	14.9%	(0.2%)	(1.1%)	16.4%	(1.6%)	(9.8%)	6.8%	6.5%	8.4%	
	DCOH (days)	269	275	(6)	(2.1%)	255	15	5.7%	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; July 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%

Operational / Financial Results: YTD FY2025 (as of 10/31/2024)

(\$ 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	303	305	(2)	(0.6%)	304	(1)	(0.2%)	---	---	---	---
	Adjusted Discharges	14,711	14,670	41	0.3%	14,742	(31)	(0.2%)	---	---	---	---
	OP Visits / OP Procedural Cases	50,328	46,704	3,624	7.8%	44,887	5,441	12.1%	---	---	---	---
	Percent Government (%)	57.9%	58.4%	(0.5%)	(0.9%)	58.7%	(0.8%)	(1.4%)	---	---	---	---
	Gross Charges (\$)	2,366,813	2,263,141	103,671	4.6%	2,073,697	293,116	14.1%	---	---	---	---
Operations	Cost Per CMI AD	20,164	20,032	132	0.7%	18,413	1,751	9.5%	---	---	---	---
	Net Days in A/R	53.3	54.0	(0.7)	(1.2%)	54.4	(1.1)	(2.0%)	48.1	48.1	47.5	
Financial Performance	Net Patient Revenue (\$)	532,527	521,633	10,894	2.1%	478,879	53,648	11.2%	1,190,233	2,258,938	---	
	Total Operating Revenue (\$)	555,281	542,537	12,744	2.3%	500,119	55,162	11.0%	1,557,992	2,442,371	3,224,864	
	Operating Margin (\$)	44,404	42,642	1,762	4.1%	42,868	1,536	3.6%	29,602	46,405	99,971	
	Operating EBIDA (\$)	77,956	77,491	465	0.6%	75,814	2,143	2.8%	105,601	158,754	270,889	
	Net Income (\$)	102,547	62,482	40,065	64.1%	22,943	79,604	347.0%	76,342	139,215	180,592	
	Operating Margin (%)	8.0%	7.9%	0.1%	1.7%	8.6%	(0.6%)	(6.7%)	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	14.0%	14.3%	(0.2%)	(1.7%)	15.2%	(1.1%)	(7.4%)	6.8%	6.5%	8.4%	
	DCOH (days)	269	275	(6)	(2.1%)	255	15	5.7%	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.

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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 < 3.49%

Unfavorable Variance 3.50% - 6.49%

Unfavorable Variance > 6.50%



Consolidated Balance Sheet (as of 10/31/2024)

(\$000s)

ASSETS

	October 31, 2024	Audited June 30, 2024
CURRENT ASSETS		
Cash	229,159	202,980
Short Term Investments	85,021	100,316
Patient Accounts Receivable, net	234,238	211,960
Other Accounts and Notes Receivable	19,632	25,065
Intercompany Receivables	18,440	17,770
Inventories and Prepays	52,002	55,556
Total Current Assets	638,492	613,647
BOARD DESIGNATED ASSETS		
Foundation Board Designated	24,395	23,309
Plant & Equipment Fund	532,760	503,081
Women's Hospital Expansion	44,160	31,740
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	17,568	17,561
Workers Compensation Reserve Fund	12,811	12,811
Postretirement Health/Life Reserve Fund	23,009	22,737
PTO Liability Fund	40,726	37,646
Malpractice Reserve Fund	1,713	1,713
Catastrophic Reserves Fund	36,948	33,030
Total Board Designated Assets	944,784	894,322
FUNDS HELD BY TRUSTEE	18	18
LONG TERM INVESTMENTS	700,062	665,759
CHARITABLE GIFT ANNUITY INVESTMENTS	985	965
INVESTMENTS IN AFFILIATES	37,923	36,663
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,019,954	2,016,992
Less: Accumulated Depreciation	(902,432)	(874,767)
Construction in Progress	191,903	173,449
Property, Plant & Equipment - Net	1,309,425	1,315,675
DEFERRED OUTFLOWS	46,637	41,550
RESTRICTED ASSETS	50,478	32,166
OTHER ASSETS	192,926	195,447
TOTAL ASSETS	3,921,729	3,796,213

LIABILITIES AND FUND BALANCE

	October 31, 2024	Audited June 30, 2024
CURRENT LIABILITIES		
Accounts Payable	59,442	71,017
Salaries and Related Liabilities	55,049	35,693
Accrued PTO	41,818	38,634
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	12,881	13,419
Intercompany Payables	14,562	13,907
Malpractice Reserves	1,830	1,830
Bonds Payable - Current	10,820	10,820
Bond Interest Payable	4,604	7,673
Other Liabilities	15,167	12,261
Total Current Liabilities	218,472	207,554
LONG TERM LIABILITIES		
Post Retirement Benefits	23,009	22,737
Worker's Comp Reserve	12,811	12,811
Other L/T Obligation (Asbestos)	28,665	27,707
Bond Payable	440,601	441,105
Total Long Term Liabilities	505,086	504,360
DEFERRED REVENUE-UNRESTRICTED	471	1,038
DEFERRED INFLOW OF RESOURCES	84,484	92,261
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	2,837,288	2,731,120
Minority Interest	(1,159)	(1,114)
Board Designated	224,482	216,378
Restricted	52,606	44,616
Total Fund Bal & Capital Accts	3,113,216	2,991,001
TOTAL LIABILITIES AND FUND BALANCE	3,921,729	3,796,213

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

To: Finance Committee
From: Jon Cowan, Executive Director, Government Relations & Community Partnerships
Date: December 5, 2024
Subject: Community Benefit FY2026 Policy Guidance, FY2025 Update, and 2025 Community Health Needs Assessment (CHNA)

Purpose:

To review and allow for input on the proposed FY2026 “Guiding Principles,” “Ranked and Prioritized Health Needs,” and discuss program updates.

Summary:

1. **Situation:** Management annually presents to the Finance Committee with “Guiding Principles” and “Ranked and Prioritized Health Needs.” This policy direction is being sought for FY2026. Each year, management reports to the Finance Committee on outcomes and achievements from the prior full fiscal year.

Every three years, El Camino Hospital is required to conduct a community health needs assessment (CHNA). The 2025 CHNA is being drafted and will be brought back to the Finance Committee for approval in May 2025.

2. **Background:**

- A. **FY2026 Policy Guidance**

- The proposed “Guiding Principles” are those that were adopted to guide the FY2025 grant cycle
- The proposed “Ranked and Prioritized Health Needs” and approximate grant funding percentages are those that were adopted to guide the FY2025 grant cycle

- B. **FY2025 Update**

- An update on the acknowledgment of funds where organizations recognize El Camino Health’s financial contributions is included in the attachment (Attachment 1)
- At the conclusion of each fiscal year, Community Partnerships staff review yearend grant reports to assess metric and budget performance against targets as well as review qualitative information on program successes, challenges and trends. Staff prepares an annual report (Attachment 2). The full report is available online at: [Community Benefit Report 2024 | El Camino Health](#)
- Last year, the Finance Committee indicated trust in management and signaled that less information reporting on the Community Benefit Program performance needs to be provided
- Based on this feedback, summary level information is being provided.
- In FY2024, El Camino Health invested \$3,230,595 in Community Benefit grants and sponsorships to address unmet local health needs. The framework for the grant funding priorities is the most recent El Camino Health Community

Health Needs Assessment (CHNA), which is conducted every three years, as required by federal regulations.

- Grants = \$3,230,595 for 44 grants:
 - 9 Healthcare Access & Delivery grants at \$980,542
 - 15 Behavioral Health grants at \$985,000
 - 11 Diabetes & Obesity grants at \$943,457
 - 4 Chronic Conditions treatment and prevention (other than diabetes and obesity) grants at \$165,000
 - 5 Economic Stability grants at \$156,596
- Sponsorships = \$68,750 for 11 sponsorships
- Community Health Themes
 - Lack of transportation continues to be mentioned as an issue across agencies serving multiple demographics, creating a barrier to accessing services such as mental health, medical, and dental services.
 - Increased prevalence of mental health issues such as anxiety and depression among young adults and teenagers, as well as seniors, continues to be of concern
 - The workforce shortage of mental health and healthcare professionals has posed a challenge to some agencies due to a highly competitive market in a high cost of living area.
 - Partners also noted the high cost of living in the Bay Area continues to increase financial strain and stress, rate of homelessness, and food insecurity for those they serve
 - Several healthcare access & delivery partners see the trend of the lack of adequate, timely, and affordable dental care, particularly within the low-income community

C. 2025 CHNA

- The process is led by Actionable Insights (AI), with input from El Camino Health and other participating health systems
- The process identified 14 health needs for El Camino Health
- The definition of a health need is a health issue that has health outcomes or is a driver of health outcomes, and for which there were at least two data sources available to be consulted
- Additional detail on the 2025 CHNA process is included in the attached presentation (Attachment 1)

3. Assessment:

A. FY2026 Policy Guidance

- The “Guiding Principles” and “Ranked and Prioritized Health Needs” are helpful policy guidance for management and staff as they evaluate grant applications. The data from the 2025 CHNA supported maintaining the same five selected health needs which allow the maintenance of a comprehensive program, incorporate health needs identified as a top community priority, and maintain ECH’s commitment to addressing domestic violence as well as chronic conditions such as cardiovascular disease, cancer, and respiratory disease. Alzheimer’s and dementia are now specifically called out as eligible under the Chronic Conditions (other than diabetes and obesity) health need

B. FY2025 Update

- A formal acknowledgement of funds process is now built into the grant agreements. Most eligible agencies completed their acknowledgements in FY2023, and staff continue to reinforce this request with new grant partners and those still in progress. This formal process continues to achieve the objective of better branded recognition for El Camino Health's robust community health investments
- An impact summary for each health need is included in Attachment 1

C. 2025 CHNA

- The CHNA is on track to be finalized by the end of FY2025

4. **Outcomes:** Management and staff will execute the FY2026 grant cycle incorporating the "Guiding Principles" and the "Ranked and Prioritized Health Needs" with approximate grant funding percentages reviewed by the Finance Committee.

List of Attachments:

- Community Benefit FY2026 Policy Guidance, FY2025 Update, and 2025 CHNA Presentation
- FY2024 Community Benefit Annual Report Executive Summary for the Finance Committee with full online report at: [Community Benefit Report 2024 | El Camino Health](#)

Suggested Finance Committee Discussion Questions:

- Does the Finance Committee have any modifications or changes to the "Guiding Principles"?
- Does the Finance Committee have any modification or changes to the approximate grant funding percentages for each of the five health needs?
- Is there any other policy feedback the Finance Committee wishes to provide?



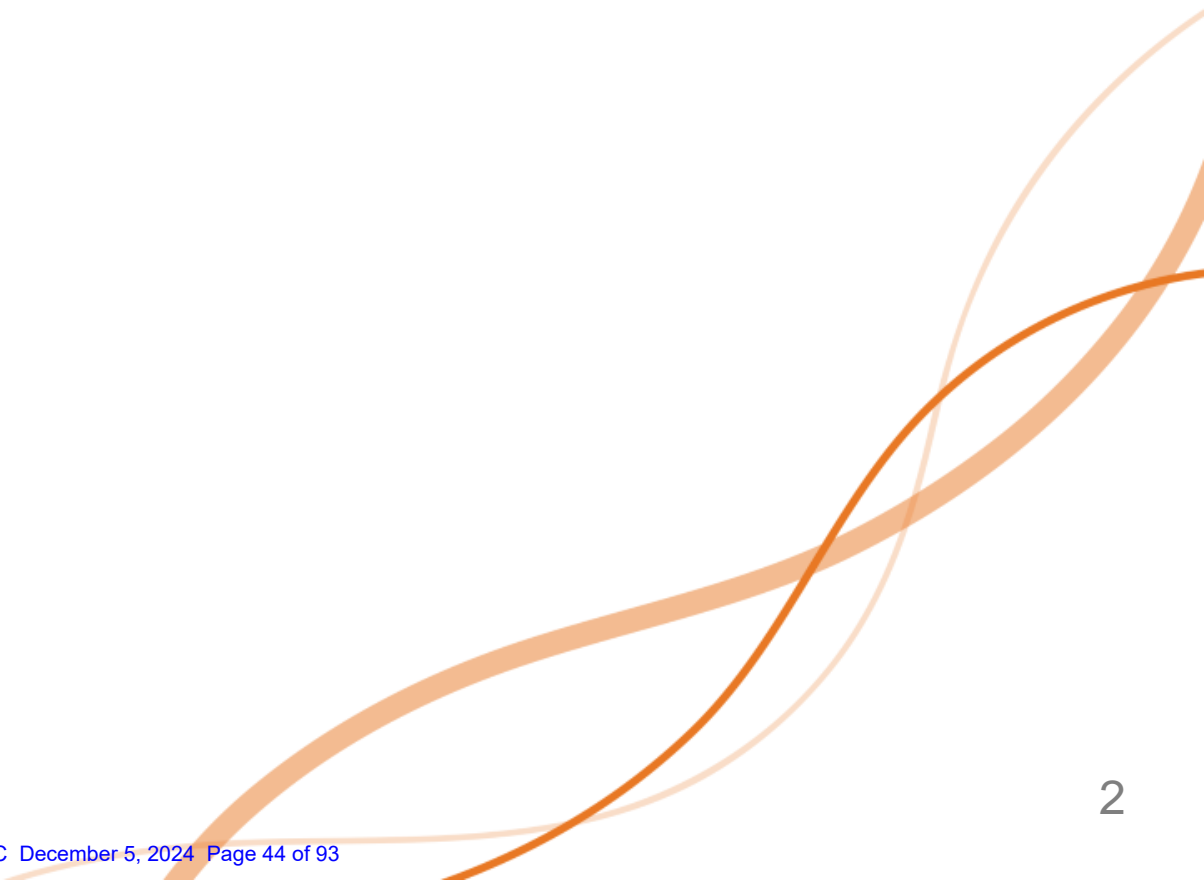
Community Benefit FY2026 Policy Guidance, FY2025 Update, and 2025 CHNA

Finance Committee

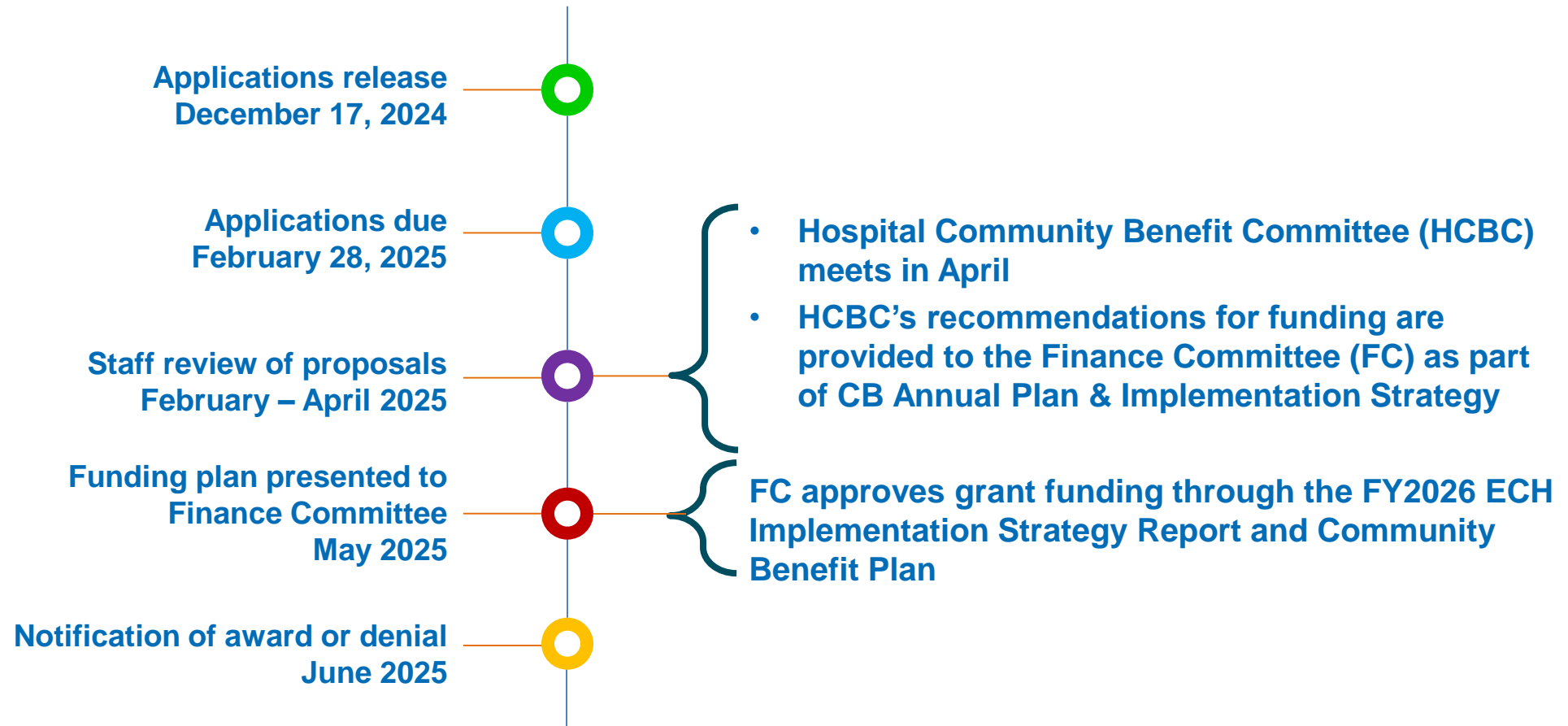
*Jon Cowan, Executive Director, Government Relations and
Community Partnerships*

December 5, 2024

FY2026 Policy Guidance and 2025 CHNA



FY2026 Grant Review Timeline & Process



Guiding Principles Definition



“Guiding Principles” are a list of 6-10 policy statements that set the parameters and guardrails which guide Community Benefit’s philosophy for health improvement.

An example is “emphasize locally focused vs. national organizations.”

Guiding Principles for Evaluating and Prioritizing Appropriateness of Grant Proposals

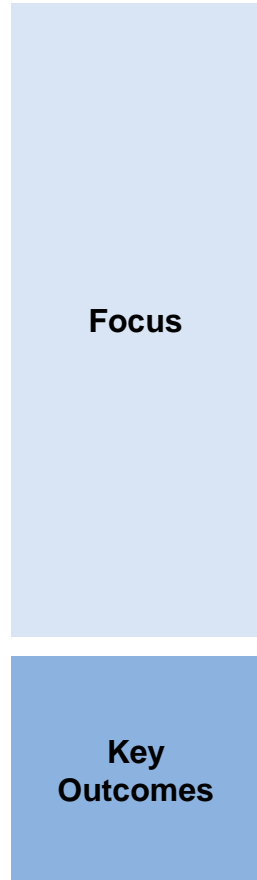
Required

1. Serve those who live, work or go to school in El Camino Health's targeted geography
2. Demonstrate a competence and capacity to address at least one of the identified health needs
3. Focus primarily, but not exclusively, on the results of increasing access to healthcare services, behavioral health services, as well as the management of rising risk chronic health conditions (diabetes, obesity, cardiovascular disease, cancer, and respiratory conditions)
4. Have an emphasis on populations that are underserved, experiencing health disparities, and/or facing health challenges

Preferred

5. Aim to reflect the diversity of El Camino Health's targeted geography
6. Focus on operational programmatic costs for service delivery, over capital campaigns
7. Emphasize locally focused vs. national organizations
8. Emphasize the most effective and impactful programs while welcoming new and innovative applicants

Process for reaching the proposed ranked and prioritized health needs



————— **2025 CHNA** —————

- Led by Actionable Insights (AI) with input from participating health systems:
 - El Camino Health (ECH)
 - Stanford Health Care
 - Stanford Children’s Health
 - Sutter Health (Mills-Peninsula)
 - Extensive qualitative and quantitative analysis informs health need identification and ranked order
 - SCC data compared vs. CA and San Mateo County, indicators in subregions
-
- 14 identified health needs for ECH’s CHNA report, listed in ranked order

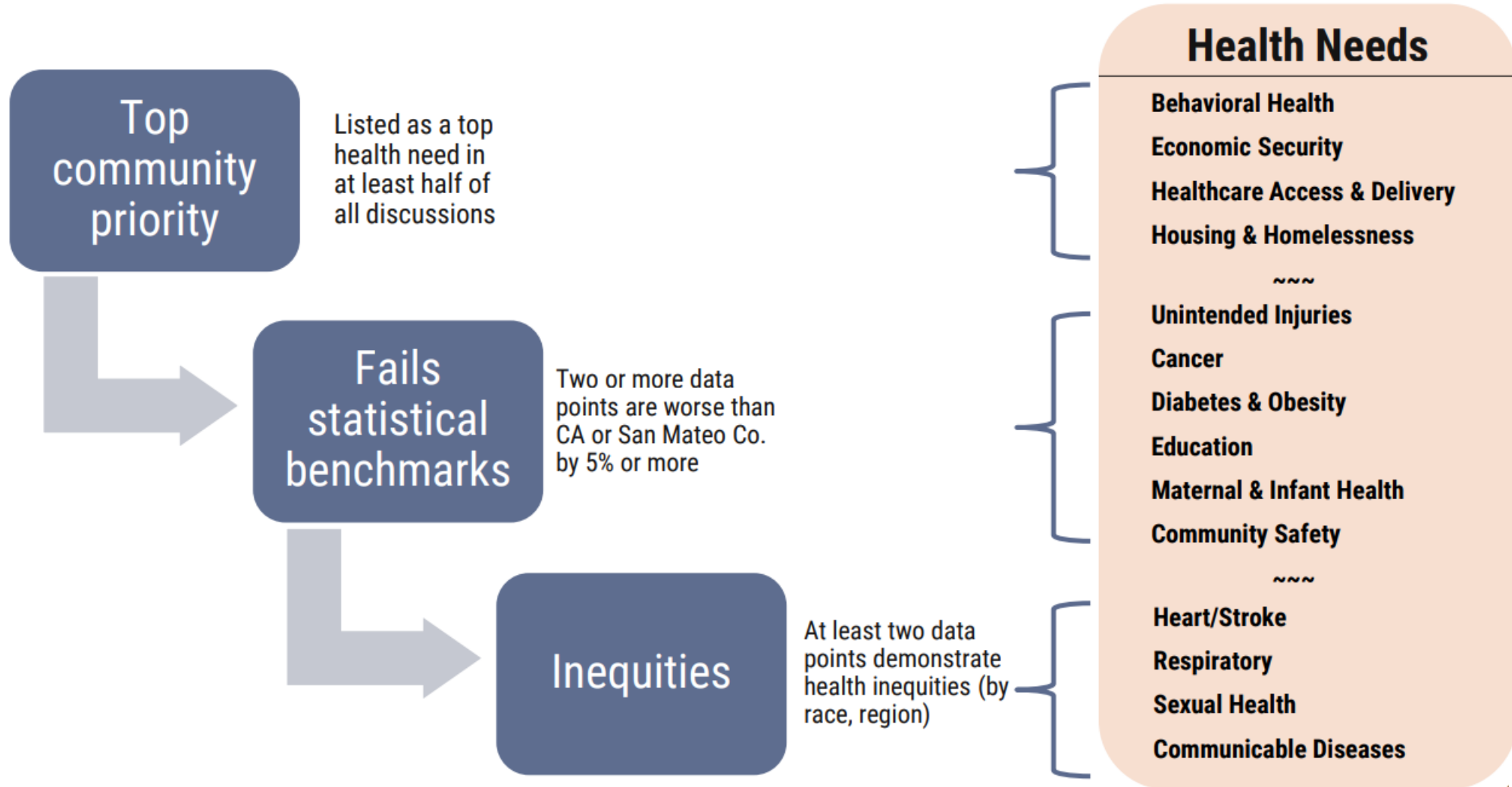
————— **Mgmt. & Staff** —————

- Utilizing criteria to inform the health needs for ECH’s focus
 - Soliciting input from management & staff stakeholders
-
- Proposed selected health needs for ECH’s focus

————— **Finance Committee** —————

- Input on approximate percentages for the ECH Community Benefit Program’s focus
-
- Motion to endorse or to modify the approximate percentages for each of the 5 health needs

Health needs identification criteria



How ECH considered which health needs to focus on?



Addressing this need aligns with ECH expertise and capabilities



ECH has a commitment to addressing this need



Community Prioritization: the community prioritizes the health need over other health needs

ECH's selected health needs to focus on



Healthcare Access & Delivery
(Including Oral Health)



Behavioral Health
(Including Domestic Violence Trauma)



Diabetes & Obesity



Chronic Conditions
(Other than Diabetes & Obesity)



Economic Stability
(Including Food Insecurity, Housing & Homelessness)

Key Considerations

Availability and access to primary care, oral healthcare, specialty care, maternal/infant health, etc.

Mental health services for depression, anxiety, substance abuse, senior isolation/loneliness, and domestic violence & trauma, etc.

Relates to disease management as well as contributing factors which include healthy eating and active living, etc.

Cardiovascular disease, cancer, respiratory conditions, Alzheimer's and dementia, and other chronic conditions

Key driver of poor health outcomes

ECH Ranked & Prioritized Health Needs

Health Need	FY2024 Approved	FY2025 Approved	FY2026 Proposed
Healthcare Access & Delivery (including oral health)	30%	30%	~30%
Behavioral Health (including domestic violence and trauma)	30%	31%	~30%
Diabetes & Obesity	30%	29%	~30%
Chronic Conditions (other than diabetes & obesity)	5%	5%	~5%
Economic Stability (including food insecurity, housing & homelessness)	5%	5%	~5%

FY2025 Update

FY2024 Acknowledgement of Funds Update



89% of eligible agencies have implemented **email signatures** for positions funded at 0.75 FTE or more (8 of 9 agencies)



100% of eligible agencies have implemented **building signs** acknowledging ECH (5 of 5 agencies with grants >\$200,000)

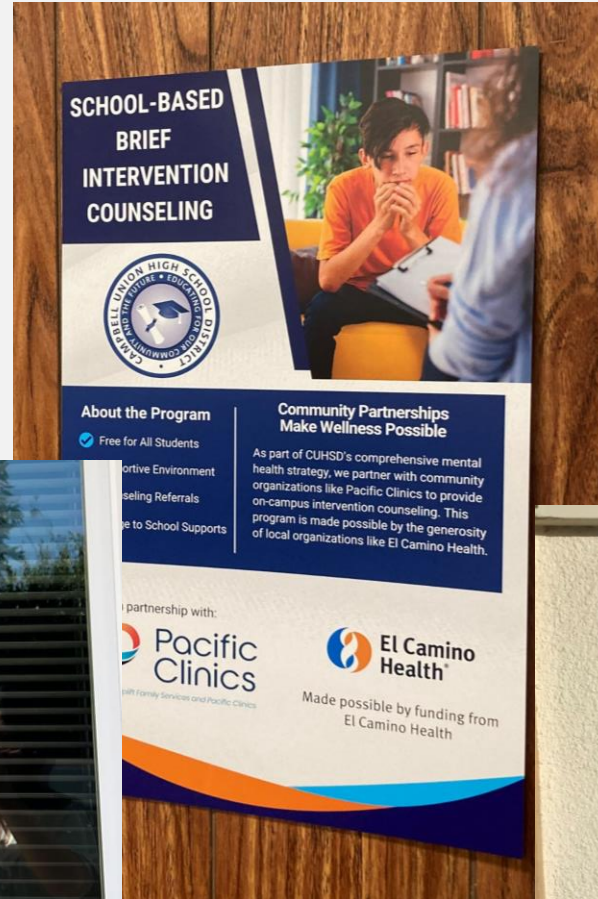


70% of agencies have acknowledged ECH as a funder on their **website** (28 of 40 agencies)



43% of agencies have acknowledged ECH on **social media** (17 of 40 agencies)

FY2024 Acknowledgement of Funds: *Building Signage*



FY2024 Acknowledgement of Funds: *Email Signatures*

Elvia Mendez

Medical Assistant / Health Coach

For the Down with Diabetes Program

Gardner Health Services | St. James Health Center

55 East Julian Street

San Jose, CA 95112

Office: 408.918.2620 | Mobile: 408.646.5985

Email: EMendez@gfhn.org

www.gardnerhealthservices.org



The Down with Diabetes Program is



Funded by El Camino Health

Veronica Velasco

Addiction Prevention Counselor II

School Based Intervention Teams-SBIT

Cell: [\(408\) 550-5778](tel:(408)550-5778)

SBIT Call Center: [1\(800\)676-3397](tel:1(800)676-3397)

[School Based Intervention Team \(SBIT\)](#)

[Services | Pacific Clinics](#)



A Merger of Uplift Family Services and Pacific Clinics



Funded by El Camino Health

Quy Truong, RN

School Nurse

Campbell Union School District

Tel: 408-364-4200

Blackford Elementary M & T (Ext: 4583)

Lynhaven Elementary W, Th, & F (Ext: 6289)

Email: gutruong@campbellusd.org






Cell phone: 408- 221-5220

Fax: 408-341-7012



Funded by El Camino Health

ECH Allocation of Funds by Health Need

Health Need	FY2024 Spent	# of Grants
 Healthcare Access & Delivery (including oral health)	\$980,542 (30%)	9
 Behavioral Health (including domestic violence and trauma)	\$985,000 (30%)	15
 Diabetes & Obesity	\$943,457 (29%)	11
 Chronic Conditions (other than diabetes and obesity)	\$165,000 (5%)	4
 Economic Stability (including food insecurity, housing & homelessness)	\$156,596 (5%)	5
TOTAL	\$3,230,595 (100%)	44

FY2024 Health Needs Summary – Healthcare Access & Delivery



Healthcare Access & Delivery
(Including Oral Health)

Item	Details
Key Themes	<ul style="list-style-type: none"> Total Funded: \$980k in ECH Grants Total # of grants: 9 Collective Impact metrics focused on establishing care, and receiving follow-up care
Performance Highlights	<ul style="list-style-type: none"> 13,860 Total Individuals Served 59,042 Total Services Provided 1,496 Patients received follow-up care after screening
Opportunities	<ul style="list-style-type: none"> Grants addressing Implementation Strategy areas of: <ul style="list-style-type: none"> Maternal / Infant Health Workforce training in culturally competent / compassionate care Telehealth / other tech adoption

FY2024 Health Needs Summary – Behavioral Health



Behavioral Health
(Including Domestic Violence Trauma)

Item	Details
Key Themes	<ul style="list-style-type: none"> • Total Funded: \$985k in ECH Grants • Total # of Grants: 15 • Collective Impact metrics largely focused on hours of adult and youth counseling and care management session
Performance Highlights	<ul style="list-style-type: none"> • 6,471 Total Individuals Served • 27,405 Total Services Provided • 1,866 hours of counseling sessions provided to adults • 5,349 hours of counseling sessions provided to youth
Opportunities	<ul style="list-style-type: none"> • Grants addressing youth-focused substance abuse, sexual assault / healthy relationships, and suicide prevention support and programs

FY2024 Health Needs Summary – Diabetes & Obesity



Diabetes & Obesity

Item	Details
Key Themes	<ul style="list-style-type: none"> • Total Funded: \$943k in ECH Grants • Total # of grants: 11 • Programs focused on increasing physical activity, improving biometrics, and healthy eating/nutrition
Performance Highlights	<ul style="list-style-type: none"> • 6,771 Total Individuals Served • 19,053 Total Services Provided • 4,592 individuals reported 150 minutes of physical activity per week • 1,328 individuals reported consuming at least 3 servings of fruits and vegetables per day
Opportunities	<ul style="list-style-type: none"> • N/A

FY2024 Health Needs Summary – Chronic Conditions



Chronic Conditions
(Other than
Diabetes & Obesity)

Item	Details
Key Themes	<ul style="list-style-type: none"> Total Funded: \$165k in ECH Grants Total # of grants: 4 Programs focused on screenings & improved self-management
Performance Highlights	<ul style="list-style-type: none"> 2,575 Total Individuals Served 5,733 Total Services Provided
Opportunities	<ul style="list-style-type: none"> Could consider more coordinated / targeted effort on a specific condition(s) in future years

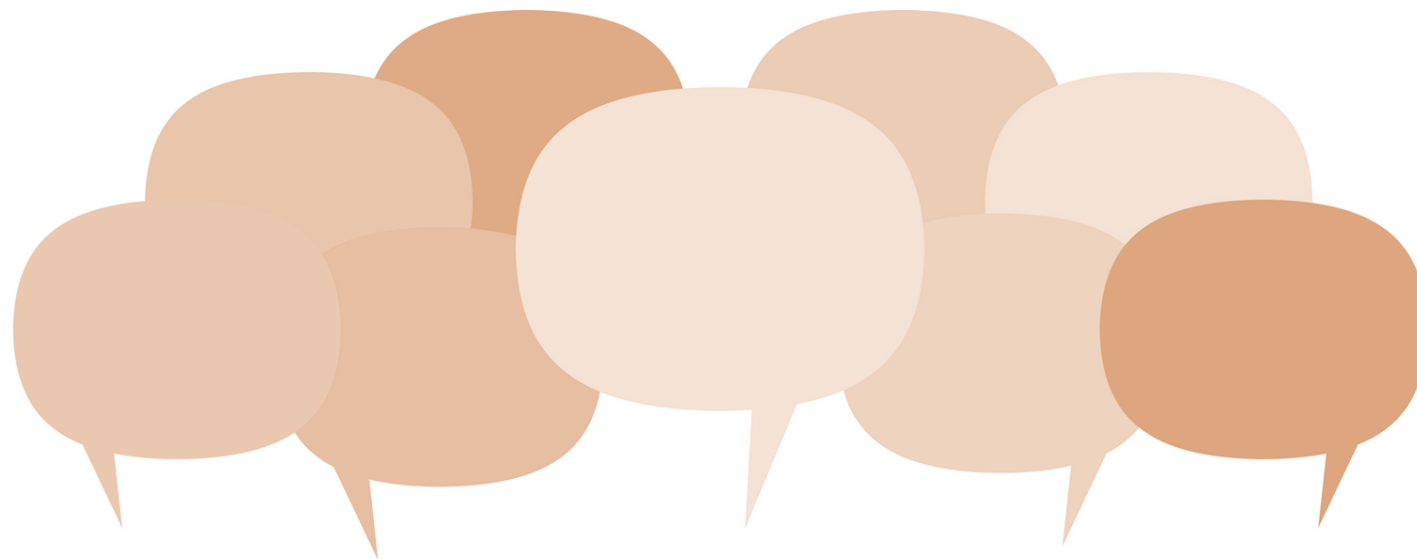
FY2024 Health Needs Summary – Economic Stability



Economic Stability
(Including Food Insecurity,
Housing & Homelessness)

Item	Details
Key Themes	<ul style="list-style-type: none"> Total Funded: \$157k in ECH Grants Total # of grants: 5 Focus on improved housing / living conditions, as well as access to sustainable source of healthy food
Performance Highlights	<ul style="list-style-type: none"> 152 Total Individuals Served 3,599 Total Services Provided
Opportunities	<ul style="list-style-type: none"> N/A

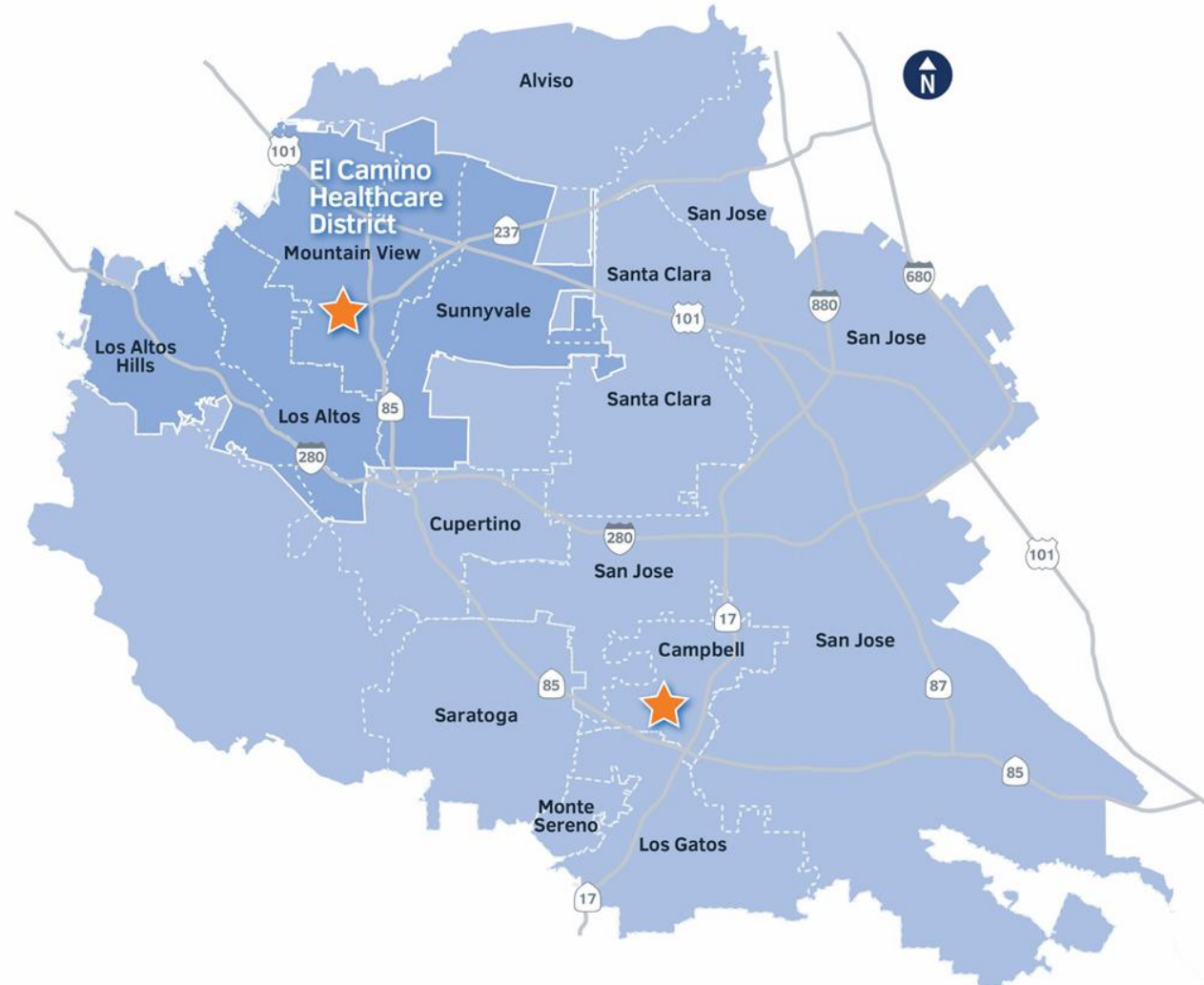
Discussion



Appendix

Proposal Criteria: Geography

Map of Service Area





**Investing in Community,
Improving Health**

Community Health Investment

El Camino Healthcare District

\$7.5M Grants & Sponsorships

El Camino Health

\$120.1M Total Community Benefit

\$3.3M Grants & Sponsorships

**El Camino Healthcare District | El Camino Health
Community Benefit Annual Report FY 2024 — Executive Summary**

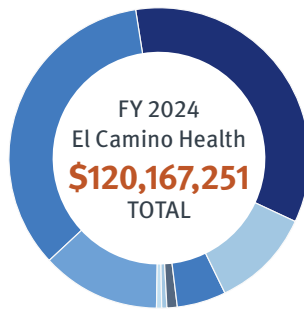
Community-Informed Health Investments

Healthy individuals and families are the building blocks of a strong community, and our 2024 Community Benefit grants form an important piece of this foundation. The combined community investment in our grant partners supports programs and services in five community health needs so together we can address disparities and improve the health of the populations we serve. The **Community Benefit FY 2024** online report highlights our investments, including:

- **El Camino Health’s Total Community Benefit:** \$120.1 million, serving more than 60,000 people; this includes \$3.3 million for 69 grants and sponsorships, as well as charity care and unpaid Medi-Cal costs for more than 16,700 people. *See the financial report.*
- **El Camino Healthcare District’s Total Community Benefit:** \$7.5 million in 71 grants and sponsorships serving more than 47,400 people. *See the financial report.*
- **A combined total Community Benefit of \$127.6 million serving more than 107,500 people.** El Camino Health and El Camino Healthcare District worked with community partners to increase access to preventive and primary care, chronic disease management, behavioral health services and impactful wellness programs to promote healthy living. *See our community partners.*

Financial Report

\$120.1M El Camino Health
TOTAL COMMUNITY BENEFIT



\$70,971,470	Government-sponsored healthcare (Unreimbursed Medi-Cal)
\$34,119,268	Subsidized health services
\$7,334,378	Financial assistance (charity care)
\$3,361,074	Grants and sponsorships
\$3,855,414	Health professions education
\$81,983	Clinical research
\$221,820	Community Benefit operations
\$221,844	Community health improvement services

+\$143.5M in Uncompensated Medicare
(Not included in Community Benefit total)

To learn more about how we are addressing unmet health needs in our community, please take a moment to visit elcaminohealth.org/CommunityBenefit2024



EL CAMINO HEALTHCARE DISTRICT



El Camino Health

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

To: Finance Committee
From: Don Watters, Chair, Finance Committee
Date: December 5, 2024
Subject: Finance Committee Survey Results and Action Plan (draft)

Purpose:

To share with members of the Finance Committee (FC) committee the survey results and propose an action plan to address the areas of opportunity.

Executive Summary:

Spencer Stuart was engaged by the Board and Chief Executive Officer of El Camino Health to assist with a survey-based review of the El Camino Health Board Committees.

- The online survey was open from August 12 – 23, 2024. All Committee Members completed the survey. The survey results and open response comments are presented on an unattributed basis in this report.
- Individual Committee questions were only answered by Committee Members on those Committees: – Finance, “n” = 5
- Participants were asked to answer a series of questions on a 4-point Likert scale, where a rating of “1” indicates strong disagreement and a rating of “4” indicates strong agreement. Participants were also given the option to respond “N/A”, indicating “no opportunity to observe.”

Highest Rated Categories:

The following categories yielded the highest scores.

Scores were given on a 1-4 scale, from “Strongly Disagree” to “Strongly Agree.” A 4.0 rating is the average highest score possible. A 1.0 rating is the lowest.

Highest Rated	Avg. Score
Meetings: The Committee accomplishes our duties with adequate time for thoughtful inquiry and oversight, achieving the appropriate balance between presentation and engagement/discussion.	4.0
Meetings: Committee meetings focus on appropriate topics, such as areas of oversight and related education.	4.0
Committee Role: Committee Members engage in productive and meaningful discussion	3.8
Relationship with Management: The Committee has an effective working relationship with the executive sponsor and hospital staff.	3.8
Committee Effectiveness: The current committee structure and operating procedures are effective.	3.8
Committee Effectiveness: The Committee has strong leadership.	3.8
Culture and Dynamics: Committee Members honor the professional boundaries between governance and management.	3.75

Lowest Rated Categories:

The following categories yielded the lowest scores.

Scores were given on a 1-4 scale, from “Strongly Disagree” to “Strongly Agree.” A 4.0 rating is the average highest score possible. A 1.0 rating is the lowest.

Lowest Rated	Avg. Score
Committee Effectiveness: The Committee has the proper number of community members representing specific issues of specialized expertise.	3.0
Execution of Oversight Responsibilities: The Committee has established procedures to effectively oversee quality.	3.2

Action Plan (draft):

1. Meeting Focus and Time Management

- **Issue Identified:** Too many topics on the agenda, making it difficult to focus on board-level governance items.
- **Action:** Streamline meeting agendas by prioritizing high-level governance topics. Ensure each meeting dedicates time to key financial and strategic issues. Development of presentation / discussion materials should focus on 4-5 slides which provide FC with an executive summary and key metrics / analytics to support management’s request or overview of the organization’s financial performance. Supporting schedules will continue to be included, but moved to the appendix of each agenda item.

2. Education on Financial and Market Trends

- **Issue Identified:** Interest in deeper discussions on financial outcomes and service expansion, especially regarding labor costs and market expansions.
- **Action:** Schedule educational sessions that explore market trends, labor costs, and service expansion strategies. Include cost analysis comparing labor burdens to contract labor.

3. Pipeline Development for New Candidate(s)

- **Issue Identified:** Need for actively cultivating a pipeline of one or two candidates on an annual basis with specialized financial expertise and diversity.
- **Action:** Strengthen the recruitment process by targeting candidates with diverse backgrounds and specialized expertise in the following:
 - Evaluation of enterprise-wide strategic plans / initiatives
 - Large facility construction projects
 - Large corporate environments
 - Complex financial enterprises

4. Increase Focus on Strategic Planning

- **Issue Identified:** Limited involvement in strategic planning processes.
- **Actions:**
 - Integrate the Committee earlier into the hospital’s strategic planning discussions, with a clear focus on financial oversight.

- Utilize the Joint Committee FC / IC meeting to present the updated 5 year financial and capital plan. This will include a discussion of which strategic initiatives will be funded in the upcoming fiscal year and next two fiscal years.

5. Leverage Member Expertise for Broader Financial Insights

- **Issue Identified:** Committee members feel their expertise could be more fully leveraged, particularly in areas beyond traditional finance.
- **Action:** Engage committee members in deeper discussions on industry trends, cost management, and broader financial strategies. Provide committee members with the option to present to FC on topics in their areas of expertise which are relevant to the success and financial stability of ECH.

Recommendation:

- Review draft action plan and modify as appropriate
- Recommend for approval by Governance Committee / Board of Directors

List of Attachments:

- Finance Committee Survey Results
- Action Plan: Strengthening Finance Committee Based on Survey Responses (draft)

Suggested Finance Committee Discussion Questions:

- None

Finance Committee Survey Results

September 2024

Prepared for El Camino Health

Committee Review Process

- » Spencer Stuart was engaged by the Board and Chief Executive Officer of El Camino Health to assist with a survey-based review of the El Camino Health Board Committees.
- » The online survey was open from August 12 – 23, 2024. All Committee Members completed the survey. The survey results and open response comments are presented on an unattributed basis in this report.
 - Individual Committee questions were only answered by Committee Members on those Committees:
 - Finance, “n” = 5
- » Participants were asked to answer a series of questions on a 4-point Likert scale, where a rating of “1” indicates strong disagreement and a rating of “4” indicates strong agreement. Participants were also given the option to respond “N/A”, indicating “no opportunity to observe.”
- » Comments in the Open Response sections may have been edited for clarity or to protect the identity of the authors.
- » This report will be reviewed by the Governance Committee at its September 17, 2024 meeting.

Summary: Highest and Lowest Rated Areas

The highest and lowest rated items by the Committee about the Committee as a collective. Scores were given on a 1-4 scale, from “Strongly Disagree” to “Strongly Agree.” A 4.0 rating is the average highest score possible. A 1.0 rating is the lowest.

Highest Rated	Avg. Score	Lowest Rated	Avg. Score
Meetings: The Committee accomplishes our duties with adequate time for thoughtful inquiry and oversight, achieving the appropriate balance between presentation and engagement/discussion.	4.0	Committee Effectiveness: The Committee has the proper number of community members representing specific issues of specialized expertise.	3.0
Meetings: Committee meetings focus on appropriate topics, such as areas of oversight and related education.	4.0	Execution of Oversight Responsibilities: The Committee has established procedures to effectively oversee quality.	3.2
Committee Role: Committee Members engage in productive and meaningful discussion	3.8		
Relationship with Management: The Committee has an effective working relationship with the executive sponsor and hospital staff.	3.8		
Committee Effectiveness: The current committee structure and operating procedures are effective.	3.8		
Committee Effectiveness: The Committee has strong leadership.	3.8		
Culture and Dynamics: Committee Members honor the professional boundaries between governance and management.	3.75		

Note: Reported scores here are for the Committee as a collective and do not include the “Self-Reflection” questions.

Committee Meetings

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
The Committee accomplishes our duties with adequate time for thoughtful inquiry and oversight, achieving the appropriate balance between presentation and engagement/discussion.					5	4.0
Committee meetings focus on appropriate topics, such as areas of oversight and related education.					5	4.0
Committee Members receive meeting notices, written agendas, minutes and other appropriate materials well in advance of meetings with appropriate time to review and prepare for meetings.				2	3	3.6
The Committee Chair effectively manages Committee dialogue, e.g., ensures that all voices are heard, guides discussion towards closure and decision, manages time and the meeting agenda effectively.				2	3	3.6

Committee Meetings

Prompt	Open Response
What topics would you like to see covered in future Committee meetings?	<ul style="list-style-type: none">• LG replacement.• Encourage discussion on situations and financial outcome with further expansion of services in the market.• Being that labor cost is a major cost and is always compared to contract labor cost, it would be interesting to know if the cost of the labor includes the burden and how does labor + burden compare to contract labor cost.

Committee Meetings

Prompt	Open Response
Additional comments on Committee meetings?	<ul style="list-style-type: none">• Too much “stuff” on each agenda. Need to highlight truly board level governance topics and focus most time/effort on these.• Well supported by the CFO.

Committee Role

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
Committee Members engage in productive and meaningful discussion.				1	4	3.8
The expectations for Committee service are clearly articulated and well understood by Committee Members.				2	3	3.6
The time commitment Committee Members are asked to make is reasonable and appropriate for fulfilling our duties.				3	2	3.4

Committee Role

Prompt

Additional comments on the Committee role?

Open Response

- It's the main "screen" for major strategic issues before they show up on the Board agenda. Keeps everyone on their toes.

Committee Culture and Dynamics

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
Committee Members honor the professional boundaries between governance and management.	1			1	3	3.75
Committee Members possess strong communication skills, knowing when to listen and when to speak up.				2	3	3.6
Committee Members are comfortable expressing their views openly and productively both in Committee meetings and with Committee leadership and management, as needed.				2	3	3.6
The Committee operates with a spirit of collegiality and there is a culture of mutual respect among Committee members.				2	3	3.6

Committee Culture and Dynamics

Prompt

Additional comments on Committee culture and dynamics?

Open Response

- Strong commitment by all Members to excellent decision making and performance evaluation.
- The culture of the Committee can be improved. There are various non-operational community activities and events that ECH supports that would make the Committee Members feel more connected, if they were invited to attend. This would increase the support of the community and inclusiveness.

Committee Skills, Experiences, and Attributes

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
The Committee membership comprises diversity of thought, experience, gender, race and ethnic representation, and perspective in order to add greater value to the Committee's deliberations.				2	3	3.6
The Committee actively cultivates new candidates to form a pipeline of potential candidates who are qualified based on a defined, competency-based criteria.	1			2	2	3.5
The Committee is composed of members with optimal subject matter expertise and appropriate competencies.				3	2	3.4

Committee Skills, Experiences, and Attributes

Prompt	Open Response
Additional comments on committee skills, experiences, and attributes?	<ul style="list-style-type: none">• We recruited well-informed, quality candidates for the committee.• There is a balance of experiences and skills. Some individuals have more knowledge on the industry cost and expense line items, including industry, national, and local trends and some individuals only speak to finance. The blend of both helps to better understand the reason behind the financial outcomes and the “Why.”

Relationship with Management

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
The Committee has an effective working relationship with the executive sponsor and hospital staff.				1	4	3.8
The Committee and management exhibit mutual trust and respect and foster transparency in the working relationship.				2	3	3.6
Management provides high quality Committee materials, with the appropriate level of detail, to enable the Committee to effectively carry out its oversight responsibilities.				2	3	3.6

Relationship with Management

Prompt

Additional comments on the Committee's relationship with management?

Open Response

- The management team appears very comfortable in their presentations and the Committee feels comfortable asking specific questions to better understand the ask and the reasons for the outcomes.

Execution of Committee's Oversight Responsibilities

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
On an annual basis, the Committee effectively deliberates on and approves appropriate performance goals.				2	3	3.6
The Committee understands the mission and vision and reflects these understandings on key issues throughout the year.				2	3	3.6
The organization's strategic planning processes are effective, and the Committee provides appropriate input into the strategic planning process, taking into account all key stakeholders.				2	3	3.6
The Committee has an effective mechanism in place for resolving potential conflicts of interest.				3	2	3.4
The Committee has established procedures to effectively oversee quality.			1	2	2	3.2

Execution of Committee's Oversight Responsibilities

Prompt	Open Response
Additional comments on oversight of setting strategy, performance goals and other key areas of responsibility?	<ul style="list-style-type: none">• There has been little discussion on areas pertaining to quality and safety.• The leadership team has been very effective in guiding the company towards success. I applaud the strategies and performance goals, resulting in very positive outcomes compared to industry and other organizations.

Committee Effectiveness

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
The current Committee structure and operating procedures are effective.				1	4	3.8
The Committee has strong leadership.				1	4	3.8
During the course of the year, the Committee effectively monitors performance against its goals and provides feedback regarding any needed course correction, including through regular reports of the appropriate committees tasked with specific oversight responsibilities.				2	3	3.6
Committee Members have the experience to serve effectively.				2	3	3.6
Committee agendas are prepared and circulated timely and contain all pertinent information, minutes are taken accurately, and informational and logistical support are provided by management and outside advisors.				2	3	3.6
The Committee has the proper number of community members representing specific issues of specialized expertise.			1	3	1	3.0

Committee Effectiveness

Prompt	Open Response
Additional comments on Committee effectiveness?	<ul style="list-style-type: none">• Effective administrative leadership in the CFO, Chair, and collaboration of all the members.• I am highly impressed with CFO Carlos' knowledge and intellect. His reporting structure, detailed presentations, and clear explanations have been instrumental in providing a comprehensive understanding of the organization's financial performance. The Committee's effectiveness in covering a wide range of questions, based on their diverse backgrounds, has also been valuable in ensuring thorough oversight and thought-provoking conversation.

Self-reflection on Your Contributions to the Committee

Question	Distribution of Scores					Average Score
	N/A / Unknown	Strong Disagree "1"	Disagree "2"	Agree "3"	Strongly Agree "4"	
I prepare for and actively participate in Committee meetings as well as other activities expected of me as a Committee Member.				1	4	3.8
I have a positive working relationship with other Committee Members.				1	4	3.8
I find serving on the Committee to be a satisfying and rewarding experience.				1	4	3.8
I understand what the Committee expects of me in my role as member and the function, role, and responsibilities of being a Committee Member.				2	3	3.6
As a Committee Member, my expertise and experience are being fully leveraged.				3	2	3.4

Additional Reflection on the Performance of the Committee

Prompt	Open Response
<ol style="list-style-type: none"> 1. Please provide any additional comments on the effectiveness of the Committee over the last year. 2. Looking to the future, what should be the goals of the Committee over the next two years; what do we want to accomplish as a Committee separate from the goals of the organization? (E.g., expanded Committee education programs; changes; enhanced communication; better use of Committee meeting time; other potential areas of responsibility and oversight?). 3. Do you have other input about the Committee that has not been addressed in this survey? 	<ul style="list-style-type: none"> • I am happy to have served on the Committee for several years. It has been educational, and I believe I have contributed to the success of the Committee. I would be most pleased to engage in the discussion of future services especially in the expectation to contribute to the community and the possible financial viability to the organization. • While I am very satisfied with the current state of the organization, I believe there is potential for further growth and development. I would like to see expanded education opportunities and more opportunities to engage in the activities of ECH to gain a deeper understanding of the organization's culture. Additionally, I believe that leaning further into diversity would be beneficial for the organization's overall success. By fostering a more diverse and inclusive environment, we can attract a broader range of patients who feel more comfortable being cared for by individuals who reflect their own experiences.

SpencerStuart

Action Plan: Strengthening Finance Committee Based on Survey Responses

1. Meeting Focus and Time Management

- **Issue Identified:** Too many topics on the agenda, making it difficult to focus on board-level governance items.
 - **Action:** Streamline meeting agendas by prioritizing high-level governance topics. Ensure each meeting dedicates time to key financial and strategic issues. Development of presentation / discussion materials should focus on 4-5 slides which provide FC with an executive summary and key metrics / analytics to support management's request or overview of the organization's financial performance. Supporting schedules will continue to be included, but moved to the appendix of each agenda item.
 - **Responsible:** Committee Chair and CFO
 - **Timeline:** Implement changes by Q1 2025
 - **Measure of Success:** Improved feedback on meeting focus and efficiency in future surveys.
-

2. Education on Financial and Market Trends

- **Issue Identified:** Interest in deeper discussions on financial outcomes and service expansion, especially regarding labor costs and market expansions.
 - **Action:** Schedule educational sessions that explore market trends, labor costs, and service expansion strategies. Include cost analysis comparing labor burdens to contract labor.
 - **Responsible:** Committee Chair and CFO
 - **Timeline:** Incorporate 2-3 educational sessions in the FY2026 FC pacing plan.
 - **Measure of Success:** Positive feedback on educational content and financial insights from committee members.
-

3. Pipeline Development for New Candidate(s)

- **Issue Identified:** Need for actively cultivating a pipeline of one or two candidates on an annual basis with specialized financial expertise and diversity.
- **Action:** Strengthen the recruitment process by targeting candidates with diverse backgrounds and specialized expertise in the following:
 - Evaluation of enterprise-wide strategic plans / initiatives
 - Large facility construction projects

DRAFT

- Large corporate environments
 - Complex financial enterprises
 - **Responsible:** Committee Chair, CFO and Ad Hoc Committee
 - **Timeline:** In progress with anticipated completion date of Q1 / Q2 2025
 - **Measure of Success:** Recruitment of one or two new members with specialized expertise and diverse backgrounds within a year.
-

4. Increase Focus on Strategic Planning

- **Issue Identified:** Limited involvement in strategic planning processes.
 - **Action:**
 - Integrate the Committee earlier into the hospital's strategic planning discussions, with a clear focus on financial oversight.
 - Board meeting in March for Strategy deep dive
 - Utilize the Joint Committee FC / IC meeting to present the updated 5 year financial and capital plan. This will include a discussion of which strategic initiatives will be funded in the upcoming fiscal year and next two fiscal years.
 - **Responsible:** Committee Chair and CFO – working with CEO, CGO and VP Strategy
 - **Timeline:** Initiate by the next annual strategic planning cycle.
 - **Measure of Success:** Improved satisfaction scores related to strategic planning involvement.
-

5. Leverage Member Expertise for Broader Financial Insights

- **Issue Identified:** Committee members feel their expertise could be more fully leveraged, particularly in areas beyond traditional finance.
- **Action:** Engage committee members in deeper discussions on industry trends, cost management, and broader financial strategies. Provide committee members with the option to present to FC on topics in their areas of expertise which are relevant to the success and financial stability of ECH.
- **Responsible:** Committee Chair and CFO
- **Timeline:** Incorporate into FY2026 FC pacing plan.
- **Measure of Success:** Positive feedback from members on their ability to contribute expertise, measured in self-reflection surveys.

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

To: Finance Committee
From: Wayne Doiguchi, Chair, Ad Hoc Committee
Date: December 5, 2024
Subject: Ad Hoc Committee Update: Finance Committee (FC) Community Member Recruitment

Purpose:

To provide the Finance Committee with an update on progress by the ad hoc committee on the recruitment of a community committee member(s).

Executive Summary:

1. **Situation:** Due to a Committee Position vacancy. Per the Board's Charter, the Finance Committee shall be comprised of two (2) or more Hospital Board members. The Committee may also include 2-4 Community¹ members with knowledge of finance committee practices, large construction project management, assessment & implementation of strategic plans, executive leadership and/or experience with complex financial organizations.
2. **Authority:** The FC appointed Wayne Doiguchi (chair) and Bill Hopper to an ad hoc committee to partner with management to conduct the search for qualified community candidates.
3. **Outcome:** The ad hoc committee worked with management to develop and implement a recruitment plan which yielded three applications. The ad hoc committee is in the process of evaluating / interviewing the three candidates with the goal of having a recommendation to FC by the January 2025 meeting.

Recommendation:

- None

List of Attachments:

- None

Suggested Finance Committee Discussion Questions:

- None

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