

**AGENDA**  
**FINANCE COMMITTEE OF THE**  
**EL CAMINO HOSPITAL BOARD OF DIRECTORS**

**Monday, January 27, 2025 – 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: 964 2420 7386#**. **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.

	<b>AGENDA ITEM</b>	<b>PRESENTED BY</b>	<b>ACTION</b>	<b>ESTIMATED TIMES</b>
1.	<b>CALL TO ORDER / ROLL CALL</b>	Don Watters, Chair	Information	<b>5:30 pm</b>
2.	<b>CONSIDER APPROVAL OF AB 2449 REQUEST</b>	Don Watters, Chair	<b>Possible Motion</b>	<b>5:30 pm</b>
3.	<b>POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Don Watters, Chair	Information	<b>5:30 pm</b>
4.	<b>PUBLIC COMMUNICATION</b> 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	<b>5:30 pm</b>
5.	<b>CONSENT CALENDAR</b> <b>Items removed from the consent calendar will be considered separately.</b> a. <a href="#">Approve Minutes of the Open Session of the Finance Committee Meeting (12/05/2024)</a> b. <a href="#">Approve Minutes of the Open Session of the Special Finance Committee Meeting (01/16/2025)</a> c. <a href="#">Approve FY2025 Period 5 Financial Report</a> d. <a href="#">Receive FY2025 Pacing Plan</a> e. <a href="#">Receive Article(s) of Interest</a>	Don Watters, Chair	<b>Motion Required</b>	<b>5:30 - 5:41</b>

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
6.	<a href="#"><u>FY2025 PERIOD 6 FINANCIAL REPORT</u></a>	Carlos Bohorquez, CFO	<b>Motion Required</b>	5:41 - 5:51
7.	<b>RECESS TO CLOSED SESSION</b>	Don Watters, Chair	<b>Motion Required</b>	5:51 – 5:52
8.	<b>APPROVE MINUTES OF THE CLOSED SESSION OF THE FINANCE COMMITTEE (12/05/2024)</b> <i>Report involving Gov't Code Section 54957.2 for closed session minutes</i>	Don Watters, Chair	<b>Motion Required</b>	5:52 – 5:53
9.	<b>APPROVE MINUTES OF THE CLOSED SESSION OF THE SPECIAL FINANCE COMMITTEE (01/16/2025)</b> <i>Report involving Gov't Code Section 54957.2 for closed session minutes</i>	Don Watters, Chair	<b>Motion Required</b>	5:53 – 5:54
10.	<b>PHYSICIAN AGREEMENTS</b> a. Enterprise OB Hospitalist Services b. OB/GYN Call Panel Services <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Mark Adams, MD, CMO	Discussion	5:54 – 5:59
11.	<b>STRATEGIC OPTIONS RE SERVICES AND PROGRAMS AT HOSPITALS</b> <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Omar Chughtai, CGO A.J. Reall, VP of Strategy	Discussion	5:59 – 6:15
12.	<b>LONG-TERM DEBT STRATEGY – OPTIONS REVIEW / RECOMMENDATION</b> <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Carlos Bohorquez, CFO	Discussion	6:15 – 6:45
13.	<b>MANAGED CARE UPDATE</b> <i>Health and Safety Code Section 32106(b) – for a report and discussion involving healthcare facility trade secrets.</i>	Joan Kezic, VP of Payor Relations and Managed Care	Discussion	6:45 – 6:55
14.	<b>RECONVENE TO OPEN SESSION</b>	Don Watters, Chair	<b>Motion Required</b>	6:56
15.	<b>CLOSED SESSION REPORT OUT</b> To report any required disclosures regarding permissible actions taken during Closed Session.	Gabe Fernandez, Governance Services Coordinator	Information	6:56 – 6:57
16.	<b>ENTERPRISE OB HOSPITALIST SERVICES</b> - Recommend that the Board of Directors approve the Chief Executive Officer's execution of agreement	Don Watters, Chair	<b>Motion Required</b>	6:57 – 6:58
17.	<b>OB/GYN CALL PANEL SERVICES</b> - Approve the Chief Executive Officer's execution of agreement	Don Watters, Chair	<b>Motion Required</b>	6:58 – 6:59
18.	<b>CLOSING COMMENTS</b>	Don Watters, Chair	Information	6:59 – 7:04
19.	<b>ADJOURNMENT</b>	Don Watters, Chair	<b>Motion Required</b>	7:05 pm

**Upcoming Meetings:** 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  
Thursday, December 5, 2024**

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

**Members Present**

**Don Watters, Chair**  
**Wayne Doiguchi**  
**Peter Fung, MD (at 5:33 p.m.)**  
**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  
**Mark Adams MD**, Chief Medical Officer  
**Ken King**, Chief Administrative Services Officer  
**Jon Cowan**, Executive Director, Government Relations and Community Partnerships  
**Andrew Cope**, President, Foundation  
**Michael Walsh**, Controller  
**Victor Cabrera**, Sr. Dir. Decision Supp & Business Analytics  
**Gabriel Fernandez**, Coordinator, Governance Services

Agenda Item	Comments/Discussion	Approvals/ Action
1. <b>AGENDA ITEM 1: CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 5:31 p.m. by Chair Don Watters. A verbal roll call was taken. Committee members Watters, Doiguchi, Hooper, and Stewart were present at roll call and attended in person, constituting a quorum. Committee Member Fung joined the meeting at 5:33 p.m.	<b><i>The meeting was called to order at 5:31 p.m.</i></b>
2. <b>AGENDA ITEM 2: CONSIDER APPROVAL OF AB- 2449 REQUEST</b>	All members participated in person—no consideration of AB-2449 requests was needed.	
3. <b>AGENDA ITEM 3: POTENTIAL CONFLICT OF INTEREST</b>	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. <b>AGENDA ITEM 4: PUBLIC COMMUNICATION</b>	No public members joined the session, and no written correspondence was received from the public.	
5. <b>AGENDA ITEM 5: CONSENT CALENDAR</b>	<b>Motion:</b> To approve the consent calendar.  <b>For Approval:</b> (a) Approve Minutes of the Open Session of the 10/14/2024 Finance Committee meeting, (b) FY2025 Period 3 Financial Report  <b>For Information:</b> (c) Receive Progress against FY2025 FC Committee Goals, (d) Receive FY2025 Pacing Plan, (e) Receive Article(s) of Interest.	<b><i>Consent Calendar Approved</i></b>

	<p><b>Movant:</b> Doiguchi  <b>Second:</b> Hooper  <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<p><b>6. AGENDA ITEM 6:                  APPROVE FY2025                  PERIOD 4 FINANCIAL                  REPORT</b></p>	<p>Carlos Bohorquez, Chief Financial Officer presented the FY2025 Period 4 Financial Report and highlighted the following:</p> <p><b><u>Period 4 – October 2024 Results</u></b></p> <ul style="list-style-type: none"> <li>• <b>Average Daily Census:</b> 316 is 14 / 4.5% favorable to budget and 11 / 3.7% higher than the same period last year.</li> <li>• <b>Adjusted Discharges:</b> 3,854 are 151 / 4.1% favorable to budget and 75 / 2.0% higher than the same period last year.</li> <li>• <b>Emergency Room Visits:</b> 6,645 are 93 / 1.4% favorable to budget and 122 / 1.8% lower than the same period last fiscal year.</li> <li>• <b>Outpatient Visits / Procedures:</b> 13,768 are 1,665 / 13.8% favorable to budget and 2,133 / 18.3% higher than the same period last fiscal year.</li> <li>• <b>Total operating revenue</b> of \$147.5M is \$9.4M / 6.8% favorable to budget and \$14.9M / 11.2% higher than the same period last fiscal year.</li> <li>• <b>Operating EBIDA</b> of \$21.8M is \$1.2M / 5.7% favorable to budget and consistent with the same period last fiscal year.</li> <li>• <b>Net income</b> of \$0.7M is \$16.6M / 95.7% unfavorable to budget and \$11.9M / 94.2% lower than the same period last fiscal year.</li> </ul> <p><b>Motion:</b> To approve the FY2025 Period 4 Financial Report.</p> <p><b>Movant:</b> Doiguchi  <b>Second:</b> Fung  <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><b>FY2025                  Period 4                  Financial                  Report                  Approved</b></p>

<p><b>7. AGENDA ITEM 7: FY2026 COMMUNITY BENEFIT GRANT APPLICATION GUIDING PRINCIPLES / PROCESS &amp; COMMUNITY HEALTH NEEDS ASSESSMENT</b></p>	<p>Jon Cowan, Executive Director of Government Relations and Community Partnerships, presented an update and overview of the Community Benefit FY2026 Policy Guidance, the FY2025 Community Benefit Update, and the Community Health Needs Assessment and highlighted the following as further detailed in the materials:</p> <p>Mr. Cowan discussed the ranked and prioritized needs for El Camino Health’s focus. Mr. Cowan covered the proposed percentages for the FY2026 Grant Applications, citing an analysis of how the community externally prioritizes the needs and how El Camino can match that with the expertise and capabilities provided. Mr. Cowan also mentioned that El Camino Health’s selected needs include Alzheimer’s and Dementia, given the aging trends across the county and increasing volumes at the Hospital sites.</p>	
<p><b>8. AGENDA ITEM 8: FC SURVEY RESULTS &amp; ACTION PLAN</b></p>	<p>Chair Watters opened the discussion on the Committee Survey Results. Mr. Bohorquez outlined the survey results and highlighted the following action plan as further detailed in the materials:</p> <ol style="list-style-type: none"> <li><b>1. Meeting Focus and Time Management</b> <ul style="list-style-type: none"> <li>• <b>Issue Identified:</b> Too many topics on the agenda, making it difficult to focus on board-level governance items.</li> <li>• <b>Action:</b> 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.</li> </ul> </li> <li><b>2. Education on Financial and Market Trends</b> <ul style="list-style-type: none"> <li>• <b>Issue Identified:</b> Interest in deeper discussions on financial outcomes and service expansion, especially regarding labor costs and market expansions.</li> <li>• <b>Action:</b> Schedule educational sessions that explore market trends, labor costs, and service</li> </ul> </li> </ol>	<p><b>Committee Action Plan recommended for approval by Governance Committee and Board of Directors.</b></p> <p><b>Actions:</b> Staff to evaluate what content is required to be discussed by the Committee and which items can be moved to the Consent Calendar in order to facilitate action plan item #1.</p>



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 annually 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 the 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 relevant to ECH's success and financial stability in their areas of expertise.

**Motion:** To recommend approval of the Committee Action Plan by the Governance Committee and Board of Directors.

**Movant:** Doiguchi

**Second:** Harper

	<p><b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<p><b>9. AGENDA ITEM 9: AD HOC COMMITTEE UPDATE</b></p>	<p>Wayne Doiguchi, Chair of Ad Hoc Committee opened the discussion and provided an update on the Ad Hoc Committee's progress in recruiting community members. Mr. Doiguchi shared that he and Mr. Hooper worked with management to develop and implement a recruitment plan that yielded three applications. Mr. Doiguchi shared that the Ad Hoc committee is in the process of evaluating/interviewing the three candidates with the goal of having a recommendation to the Finance Committee by the January 2025 meeting.</p>	
<p><b>10. AGENDA ITEM 10: RECESS TO CLOSED SESSION</b></p>	<p><b>Motion:</b> To adjourn to closed session at 6:00 p.m.  <b>Movant:</b> Hooper  <b>Second:</b> Doiguchi  <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><b>Adjourned to closed session at 6:00 p.m.</b></p>
<p><b>11. AGENDA ITEM 19: RECONVENE OPEN SESSION/ REPORT OUT</b></p>	<p>Gabriel Fernandez reported that during the closed session, the Finance Committee approved the closed session minutes of the 10/14/2024 meeting and recommended additional funding for the Women's Hospital Expansion Project to the Board of Directors for up to \$23.5 million.</p>	<p><b>Reconvened to Open Session at 7:40 pm</b></p>
<p><b>12. AGENDA ITEM 20: APPROVE SERVICES AGREEMENT(S)</b></p>	<p><b>Motion:</b> To approve the Enterprise Hospital Radiology and SVMD Radiology Professional Services Agreements.  <b>Movant:</b> Hooper  <b>Second:</b> Doiguchi  <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<p><b>Enterprise Hospital Radiology and SVMD Radiology Service Agreements Approved</b></p>
<p><b>13. AGENDA ITEM 21: CLOSING COMMENTS</b></p>	<p>The Committee did not have any closing comments.</p>	

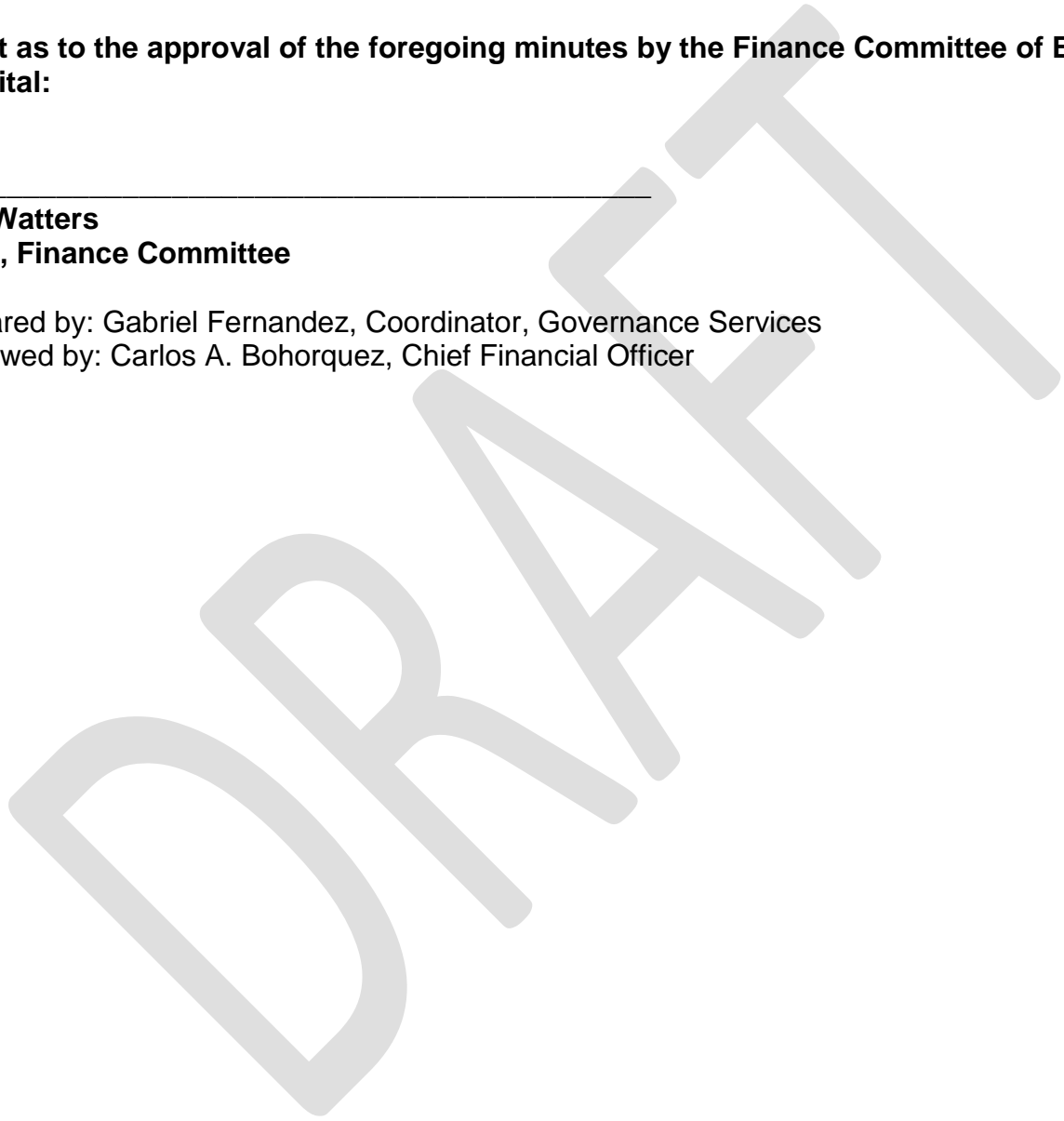
<b>14. AGENDA ITEM 22: ADJOURNMENT</b>	<b>Motion:</b> To adjourn at 7:42 pm. <b>Movant:</b> Fung <b>Second:</b> Stewart <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None	<b>Meeting adjourned at 7:42 pm.</b>
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**Attest as to the approval of the foregoing minutes by the Finance Committee of El Camino Hospital:**

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**Don Watters**  
**Chair, Finance Committee**

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







**Minutes of the Open Session of the  
Finance Committee of the  
El Camino Hospital Board of Directors  
Thursday, January 16, 2025**

**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**

None

**Staff Present**

**Carlos Bohorquez**, Chief Financial Officer  
**Dan Woods**, Chief Executive Officer  
**Omar Chughtai**, Chief Growth Officer  
**Theresa Fuentes**, Chief Legal Officer  
**Ken King**, Chief Administrative Services Officer  
**Tracy Lewis Taylor**, Chief Operating Officer  
**Andreu Reall**, Vice President, Strategy  
**Victor Cabrera**, Sr. Dir. Decision Supp & Business Analytics  
**Tracy Fowler**, Director, Governance Services  
**Nicole Hartley**, Executive Assistant

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
<b>1. AGENDA ITEM 1: CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 4:02 p.m. by Chair Don Watters. A verbal roll call was taken. Committee members Fung, Watters, Doiguchi, Hooper, and Stewart were present at roll call and attended in person, constituting a quorum.	<b><i>The meeting was called to order at 4:02 p.m.</i></b>
<b>2. AGENDA ITEM 2: CONSIDER APPROVAL OF AB- 2449 REQUEST</b>	All members participated in person—no consideration of AB-2449 requests was needed.	
<b>3. AGENDA ITEM 3: POTENTIAL CONFLICT OF INTEREST</b>	Chair Watters asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
<b>4. AGENDA ITEM 4: PUBLIC COMMUNICATION</b>	No public members joined the session, and no written correspondence was received from the public.	
<b>5. AGENDA ITEM 5: RECESS TO CLOSED SESSION</b>	<b>Motion:</b> To adjourn to closed session at 4:05 p.m. <b>Movant:</b> Hooper <b>Second:</b> Doiguchi <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None	<b><i>Adjourned to closed session at 4:05 p.m.</i></b>

<b>6. AGENDA ITEM 8: RECONVENE OPEN SESSION/ REPORT OUT</b>	Ms. Hartley reported that the Finance Committee did not take any reportable actions during the closed session.	<b><i>Reconvened to Open Session at 6:33 pm</i></b>
<b>7. AGENDA ITEM 9: CLOSING COMMENTS</b>	Chair Watters thanked the team for their outstanding work in preparing the materials.	
<b>8. AGENDA ITEM 10: ADJOURNMENT</b>	<b>Motion:</b> To adjourn at 6:34 pm. <b>Movant:</b> Doiguchi <b>Second:</b> Fung <b>Ayes:</b> Doiguchi, Fung, Hooper, Stewart, Watters <b>Noes:</b> None <b>Abstentions:</b> None <b>Absent:</b> None <b>Recused:</b> None	<b><i>Meeting adjourned at 6:34 pm.</i></b>

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

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**Don Watters**  
**Chair, Finance Committee**

Prepared by: Tracy Fowler, Director, 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:** January 27, 2025  
**Subject:** Financials: FY2025 – Period 5 & YTD (as of 11/30/2024) - Consent Calendar

**Purpose:**

To provide the Finance Committee an update on financial results for FY2025 - Period 5 (November 2024) and YTD.

**Executive Summary – Period 5 (November 2024):**

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 310 is 7 / 2.2% favorable to budget and 2 / 0.5% higher than the same period last year.
- **Adjusted Discharges:** 3,630 are (93) / (2.5%) unfavorable to budget and (9) / (0.3%) lower than the same period last year.
- **Emergency Room Visits:** 6,273 are (259) / (4.0%) unfavorable to budget and (59) / (0.9%) lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 12,292 are 507 / 4.3% favorable to budget and 919 / 8.1% higher than the same period last fiscal year.

Financial performance for Period 5 was favorable to budget. This is attributed to stable patient volumes, strong net patient revenue and favorable management of variable expenses across the enterprise.

**Total Operating Revenue (\$):** \$139.3M is \$4.5M / 3.4% favorable to budget and \$13.3M / 10.6% higher than the same period last fiscal year.

**Operating EBIDA (\$):** \$24.7M is \$5.1M / 26.2% favorable to budget and \$3.2M / 15.1% higher than the same period last fiscal year.

**Net Income (\$):** \$35.9M is \$19.3M / 116.5% favorable to budget and \$4.2M / 13.4% higher than the same period last fiscal year.

**Operating Margin (%):** 11.7% (actual) vs. 8.2% (budget)

**Operating EBIDA Margin (%):** 17.7% (actual) vs. 14.5% (budget)

**Net Days in A/R (days):** 56.8 days are unfavorable to budget by 2.8 days / 5.2% and 3.0 days / 5.6% higher than the same period last year.

**Executive Summary – YTD FY2025 (as of 11/30/2024):**

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

- **Average Daily Census:** 305 which is consistent budget and the same period last year.
- **Adjusted Discharges:** 18,341 are (52) / (0.3%) unfavorable to budget and (40) / (0.2%) lower than the same period last year.
- **Emergency Room Visits:** 32,432 are (415) / (1.3%) unfavorable to budget and (63) / (0.2%) lower than the same period last fiscal year.

- **Outpatient Visits / Procedures:** 62,961 are 4,473 / 7.6% favorable to budget and 6,701 / 11.9% higher than the same period last fiscal year.

**Total Operating Revenue (\$):** \$694.6M is \$17.3M / 2.5% favorable to budget and \$68.5M / 10.9% higher than the same period last fiscal year.

**Operating EBIDA (\$):** \$102.6M is \$5.6M / 5.8% favorable to budget and \$5.4M / 5.5% higher than the same period last fiscal year.

**Net Income (\$):** \$138.5M is \$59.4M / 75.1% favorable to budget and \$83.8M / 153.5% 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 (%):** 8.7% (actual) vs. 7.9% (budget)

**Operating EBIDA Margin (%):** 14.8% (actual) vs. 14.3% (budget)

**Recommendation:**

- FC recommend approval of FY2025 – Period 5 & YTD financials

**List of Attachments:**

- Financial Report: FY2025 Period 5

**Suggested Board Discussion Questions:**

- None



# El Camino Health

## Summary of Financial Operations

*Fiscal Year 2025 – Period 5  
7/1/2024 to 11/30/2024*

## Executive Summary - Overall Commentary for Period 5

- **Results for Period 5:**

- Net Patient Revenue was favorable to budget by \$5.9M / 4.6%.
- Operating EBIDA Margin was favorable to budget by \$5.1M / 26.2%.
- Gross revenue favorable to budget by \$19.1M / 3.4%.
  - Driven primarily by:
    - Inpatient Charges: \$12.1M / 4.4% favorable to budget.
    - Outpatient Charges: \$4.7M / 1.7% favorable to budget.
    - Professional Charges: \$2.2M / 15.1% favorable to budget.
- Cost Management
  - When adjusted for volume, overall operating expense is 4.9% lower than budget.
- Net patient revenue was favorable to budget by \$5.9M / 4.6% and \$13.1M / 10.8% higher than the same period last year.
- Operating margin was favorable to budget by \$5.2M / 46.9% and \$3.2M / 24.3% higher than the same period last year.
- Operating EBIDA was favorable to budget by \$5.1M / 26.2% and \$3.2M / 15.1% higher than the same period last year.
- Net income was favorable to budget by \$19.3M / 116.5% and \$4.2M / 13.4% higher than same period last year.



# Operational / Financial Results: Period 5 – November 2024 (as of 11/30/2024)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	310	303	7	2.2%	309	2	0.5%	---	---	---	---
	Adjusted Discharges	3,630	3,723	(93)	(2.5%)	3,639	(9)	(0.3%)	---	---	---	---
	OP Visits / OP Procedural Cases	12,292	11,785	507	4.3%	11,373	919	8.1%	---	---	---	---
	Percent Government (%)	59.7%	58.3%	1.4%	2.4%	57.8%	1.8%	3.2%	---	---	---	---
	Gross Charges (\$)	588,489	569,400	19,089	3.4%	527,171	61,317	11.6%	---	---	---	---
Operations	Cost Per CMI AD	19,057	20,032	(975)	(4.9%)	18,592	465	2.5%	---	---	---	---
	Net Days in A/R	56.8	54.0	2.8	5.2%	53.8	3.0	5.6%	48.1	49.7	47.5	
Financial Performance	Net Patient Revenue (\$)	134,047	128,147	5,900	4.6%	120,981	13,066	10.8%	297,558	564,735	---	
	Total Operating Revenue (\$)	139,339	134,815	4,524	3.4%	126,030	13,309	10.6%	389,498	610,593	268,739	
	Operating Margin (\$)	16,264	11,074	5,190	46.9%	13,090	3,174	24.3%	7,400	11,601	8,331	
	Operating EBIDA (\$)	24,659	19,536	5,123	26.2%	21,428	3,231	15.1%	26,400	39,689	22,574	
	Net Income (\$)	35,930	16,598	19,332	116.5%	31,691	4,238	13.4%	19,085	20,150	15,049	
	Operating Margin (%)	11.7%	8.2%	3.5%	42.1%	10.4%	1.3%	12.4%	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	17.7%	14.5%	3.2%	22.1%	17.0%	0.7%	4.1%	6.8%	6.5%	8.4%	
	DCOH (days)	265	275	(10)	(3.6%)	257	8	3.2%	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 11/30/2024)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	305	305	(0)	(0.1%)	305	(0)	(0.0%)	---	---	---	---
	Adjusted Discharges	18,341	18,393	(52)	(0.3%)	18,381	(40)	(0.2%)	---	---	---	---
	OP Visits / OP Procedural Cases	62,961	58,488	4,473	7.6%	56,260	6,701	11.9%	---	---	---	---
	Percent Government (%)	58.2%	58.3%	(0.1%)	(0.2%)	58.5%	(0.3%)	(0.5%)	---	---	---	---
	Gross Charges (\$)	2,955,301	2,832,541	122,760	4.3%	2,600,868	354,433	13.6%	---	---	---	---
Operations	Cost Per CMI AD	19,940	20,032	(92)	(0.5%)	18,449	1,491	8.1%	---	---	---	---
	Net Days in A/R	56.8	54.0	2.8	5.2%	53.8	3.0	5.6%	48.1	48.1	47.5	
Financial Performance	Net Patient Revenue (\$)	666,574	649,780	16,795	2.6%	599,860	66,714	11.1%	1,487,791	2,823,673	---	
	Total Operating Revenue (\$)	694,620	677,352	17,268	2.5%	626,149	68,471	10.9%	1,947,490	3,052,964	3,224,864	
	Operating Margin (\$)	60,668	53,716	6,952	12.9%	55,958	4,710	8.4%	37,002	58,006	99,971	
	Operating EBIDA (\$)	102,615	97,027	5,588	5.8%	97,241	5,374	5.5%	132,002	198,443	270,889	
	Net Income (\$)	138,476	79,080	59,396	75.1%	54,634	83,842	153.5%	95,427	174,019	180,592	
	Operating Margin (%)	8.7%	7.9%	0.8%	10.1%	8.9%	(0.2%)	(2.3%)	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	14.8%	14.3%	0.4%	3.1%	15.5%	(0.8%)	(4.9%)	6.8%	6.5%	8.4%	
	DCOH (days)	265	275	(10)	(3.6%)	257	8	3.2%	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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**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 11/30/2024)

(\$000s)

## ASSETS

CURRENT ASSETS	Audited	
	November 30, 2024	June 30, 2024
Cash	225,614	202,980
Short Term Investments	87,918	100,316
Patient Accounts Receivable, net	252,536	211,960
Other Accounts and Notes Receivable	19,976	25,065
Intercompany Receivables	18,298	17,770
Inventories and Prepays	58,779	55,556
<b>Total Current Assets</b>	<b>663,121</b>	<b>613,647</b>
<b>BOARD DESIGNATED ASSETS</b>		
Foundation Board Designated	25,855	23,309
Plant & Equipment Fund	542,017	503,081
Women's Hospital Expansion	44,386	31,740
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	17,573	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	43,852	33,030
<b>Total Board Designated Assets</b>	<b>962,636</b>	<b>894,322</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>18</b>	<b>18</b>
<b>LONG TERM INVESTMENTS</b>	<b>697,373</b>	<b>665,759</b>
<b>CHARITABLE GIFT ANNUITY INVESTMENTS</b>	<b>1,174</b>	<b>965</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>36,599</b>	<b>36,663</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	2,023,334	2,016,992
Less: Accumulated Depreciation	(909,334)	(874,767)
Construction in Progress	201,390	173,449
<b>Property, Plant &amp; Equipment - Net</b>	<b>1,315,390</b>	<b>1,315,675</b>
<b>DEFERRED OUTFLOWS</b>	<b>46,587</b>	<b>41,550</b>
<b>RESTRICTED ASSETS</b>	<b>34,706</b>	<b>32,166</b>
<b>OTHER ASSETS</b>	<b>191,940</b>	<b>195,447</b>
<b>TOTAL ASSETS</b>	<b>3,949,545</b>	<b>3,796,213</b>

## LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES	Audited	
	November 30, 2024	June 30, 2024
Accounts Payable	61,495	71,017
Salaries and Related Liabilities	45,841	35,693
Accrued PTO	41,775	38,634
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	12,470	13,419
Intercompany Payables	14,358	13,907
Malpractice Reserves	1,830	1,830
Bonds Payable - Current	10,820	10,820
Bond Interest Payable	6,138	7,673
Other Liabilities	14,472	12,261
<b>Total Current Liabilities</b>	<b>211,499</b>	<b>207,554</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	23,009	22,737
Worker's Comp Reserve	12,811	12,811
Other L/T Obligation (Asbestos)	28,717	27,707
Bond Payable	439,416	441,105
<b>Total Long Term Liabilities</b>	<b>503,953</b>	<b>504,360</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	<b>527</b>	<b>1,038</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>84,484</b>	<b>92,261</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	2,873,135	2,731,120
Minority Interest	(1,159)	(1,114)
Board Designated	224,384	216,378
Restricted	52,722	44,616
<b>Total Fund Bal &amp; Capital Accts</b>	<b>3,149,082</b>	<b>2,991,001</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>3,949,545</b>	<b>3,796,213</b>

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
<b>STANDING AGENDA ITEMS</b>												
Standing Consent Agenda Items		✓		✓		✓	✓		✓		✓	
Minutes		✓		✓		✓	✓		✓		✓	
Period Financials Report (Approval)		✓		✓		✓	✓		✓		✓	
Board Actions		✓		✓		✓	✓		✓		✓	
<b>APPROVAL ITEMS</b>												
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		✓		✓		✓	✓		✓		✓	
<b>DISCUSSION ITEMS</b>												
Financial Report (Pre-Audit Year-End Results)		✓										
Financial Performance JVs/ Business Affiliates		✓										
Progress on Opportunities/ Risks						✓						
Medical Staff Development Plan (every 2 years)									✓			

<b>FY2025 Finance Committee Pacing Plan</b>												
<b>AGENDA ITEM</b>	<b>Q1</b>			<b>Q2</b>			<b>Q3</b>			<b>Q4</b>		
	<b>JUL</b>	<b>8/26</b>	<b>SEPT</b>	<b>10/14</b>	<b>NOV</b>	<b>12/5</b>	<b>1/27</b>	<b>2/24</b>	<b>3/31</b>	<b>APR</b>	<b>5/26</b>	<b>JUN</b>
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 Updates <sup>1</sup> (as needed)												

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

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A photograph of a doctor in a white lab coat with a stethoscope around their neck, holding a tablet computer and a pen. The background is a blurred hospital hallway with other people walking. The overall color palette is light blue and white.

# Not-for-Profit Healthcare: 2024 Year in Review and 2025 Outlook

December 2024



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# 2024: Key Themes in Not-for-Profit Healthcare

- 1 Not-for-Profit Health Systems are Focusing on the “Right” Scale**

  - Performance across the not-for-profit healthcare sector is steadily improving although still below pre-pandemic levels
  - However, the rebound in performance has been uneven resulting in divergent strategies among health systems
  - Strong performers are aggressively pursuing growth and acquisitions while others focus on portfolio optimization
- 2 M&A Focus is on Market Relevance and Diversified Capabilities**

  - Not-for-profit health systems continue to bolster presence in core markets through selective acute care acquisitions as well as investments in their outpatient footprint
  - Diversification is a priority for systems looking to expand their geographic presence or reduce their reliance on inpatient acute care net patient service revenue
- 3 Publicly-Traded Hospital Management Companies Outperform**

  - Publicly-traded hospital management companies have consistently outperformed market expectations with beats on the top and bottom line driven by better-than-expected utilization and an improving labor market
  - Tenet has been the strongest performer (+114.9%) as the market has rewarded its acute care divestitures and portfolio repositioning towards ambulatory surgery centers
- 4 Managed Care Sector has been a Laggard in 2024**

  - It has been a challenging year for the managed care sector, in particular in the governmental lines of business
  - Medicaid redeterminations have significantly impacted revenue and pressured MLRs while Medicare Advantage continues to see increased utilization, provider disputes, STAR ratings challenges and uncertainty around risk adjustment
  - Recent commentary from the incoming administration regarding PBMs is potentially a significant headwind for the sector
- 5 New Entrants Continue to be Challenged**

  - The healthcare market has seen numerous new entrants in the form of non-traditional players and disruptors that went public during the pandemic
  - However, many of the new entrants continue to be challenged resulting in falling share prices, turnover in the C-Suite (CVS removal of CEO), asset write-downs (Walgreens’ \$6 billion write-down on its investment in VillageMD) and in some instances, bankruptcies (Cano, CareMax)
- 6 AI Dominated the Headlines throughout 2024**

  - S&P 500 YTD return was 19.8% through November 4
  - AI trade has been the big driver of market performance with stocks like Nvidia (+182.4%) leading the way
  - Health systems and managed care companies are looking to capitalize on the new technology

# 2024 Not-for-Profit M&A Trends

## CONTINUED CONSOLIDATION AMONG NOT-FOR-PROFITS

Acquiror	Acquired Entity
 Risant Health™	 Geisinger
 Risant Health™	 CONE HEALTH.
 Northwell Health*	 Nuvance Health.
 Jefferson <small>HOME OF SIDNEY KIMMEL MEDICAL COLLEGE</small>	 Lehigh Valley Health Network <small>A PASSION FOR BETTER MEDICINE.</small>
 SANFORD HEALTH	 Marshfield Clinic Health System <sup>1</sup>

## NATIONAL HEALTH SYSTEMS REPOSITION THEIR PORTFOLIOS

 Ascension	Sold hospitals in Alabama, Illinois, Kansas, Michigan, and New York
 CHS Community Health Systems	CEO announced plans to sell hospitals that could yield over \$1 billion in proceeds
 CommonSpirit*	Divested or in process of divesting hospitals in California and North Dakota
 Steward	Bankruptcy process led to sale or closure of 31 hospitals across 8 states
 Tenet Health	Over the last 13 months, sold 12 hospitals in SC, CA, and AL for a total of \$4.8 billion

## NON-CORE ASSET DIVESTITURES

Health Plan	 Baystate Health	 PROMEDICA
	 Indiana University Health	
Outreach Lab	 OhioHealth	 University Hospitals
	 Allina Health	 BalladHealth

## OUTPATIENT JOINT VENTURES

	JV PARTNER	HEALTH SYSTEM <sup>2</sup>
 Urgent Care	 GoHealth URGENT CARE	 ChristianaCare UPMC
 ASC	 ATLAS HEALTHCARE PARTNERS	 ChristianaCare MultiCare
 Home Health	 COMPASSUS	 Providence

Source: Press releases, EMMA filings, websites, SEC filings

1. Has not closed

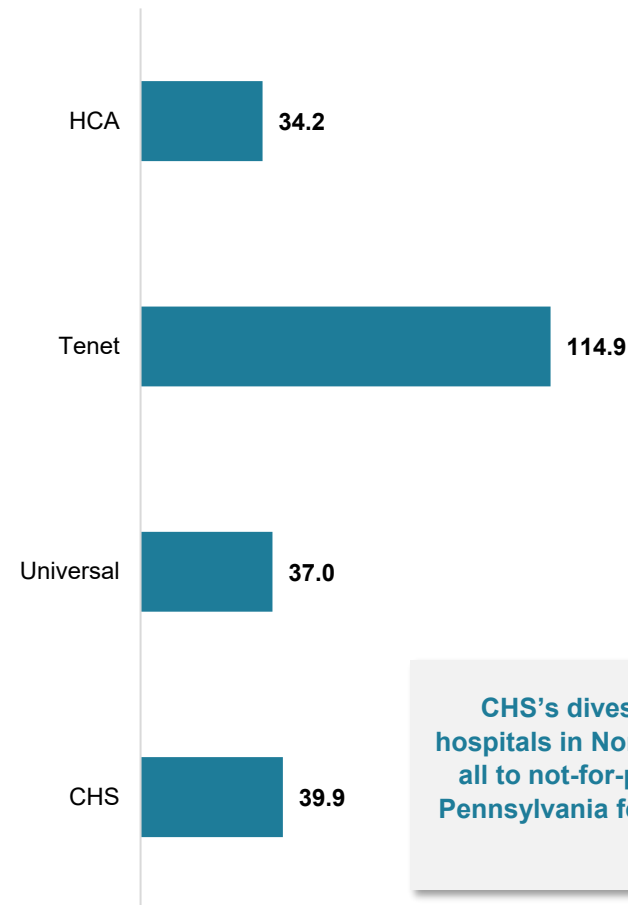
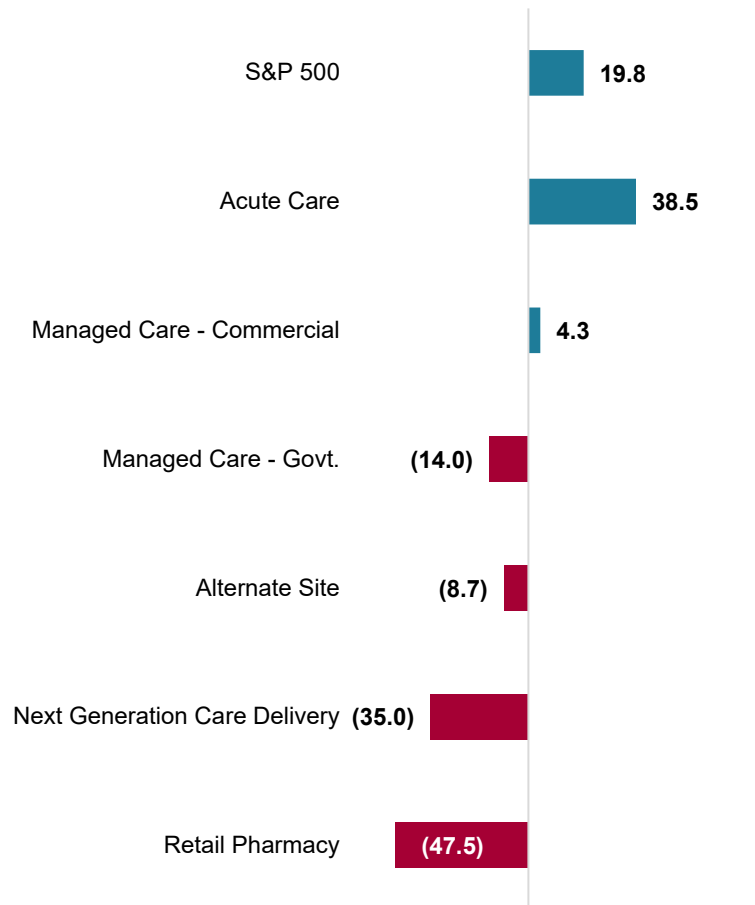
2. Multiple health systems are listed with the JV partner set up a separate JV with each health system included.

Transactions presented are illustrative of M&A activity in the not-for-profit healthcare sector and is not intended to be comprehensive

# 2024 Healthcare Services Share Price Performance

**HEALTHCARE SERVICES**  
MEDIAN % CHANGE YEAR TO DATE SHARE PRICE (11/4/2024)

**ACUTE CARE**  
% CHANGE YEAR TO DATE SHARE PRICE (11/4/2024)



Over the last 13 months, Tenet has announced the sale of 12 hospitals for a total of \$4.8 billion. All buyers were not-for-profit health systems. <sup>1</sup>

CHS's divestiture plan has included sales of hospitals in North Carolina, Tennessee and Florida, all to not-for-profits. A sale to a not-for-profit in Pennsylvania fell through after the buyer could not secure financing<sup>2</sup>

Note: Market data from Factset as of November 4, 2024. **Acute Care** includes HCA, Universal Health Services, Tenet Healthcare, Community Health Systems. **MC – Commercial** includes UnitedHealth Group, Elevance, Cigna. **MC - Government** includes Centene, Humana, Molina Healthcare. **Next Gen Providers** include Astrana Health, LifeStance, Privia Health, Agilon, InnovAge, P3 Health Partners, NeueHealth, The Oncology Institute, CareMax. **Alternate Site** includes Acadia Healthcare, Option Care, RadNet, Surgery Partners, Concentra, dentalcorp, U.S. Physical Therapy, Pediatrix. **Retail Pharmacy** includes CVS Health and Walgreens Boots Alliance.

1. Company press releases.

2. Community health systems 2Q 2024 Earnings Call. Company press releases.

---

# Looking Forward to 2025...

## 1 Impact of Donald Trump's Policies on Healthcare

- Reimbursement challenges that may result from changes to Medicaid and ACA subsidy funding
- Strong support of Medicare Advantage
- Impact of Immigration Reform
- Taxes (corporate taxes and tariffs)
- Regulatory environment

## 2 Other Regulatory, Policy, and Operating Trends to Watch in 2025

- Payor negotiations
- Site neutral billing
- Cost of capital

## 3 Early Look at 2025 Operating Performance Projections

- Equity research analysts are bullish on the overall outlook for publicly-traded hospital management companies
- Rating agency outlooks suggest improving financial performance for not-for-profits

## 4 M&A Activity in Not-for-Profit Healthcare is Not Expected to Slow Down

- Consolidation has been occurring at a rapid pace, and we don't expect that to slow down anytime soon
- Not-for-profit health systems agree on the need to invest in their business and grow their revenue base; however, opinions vary on the best path to accomplish growth
- Emerging M&A opportunities with private equity-backed and publicly-traded healthcare services companies
- Heightened capital markets activity is expected to facilitate M&A

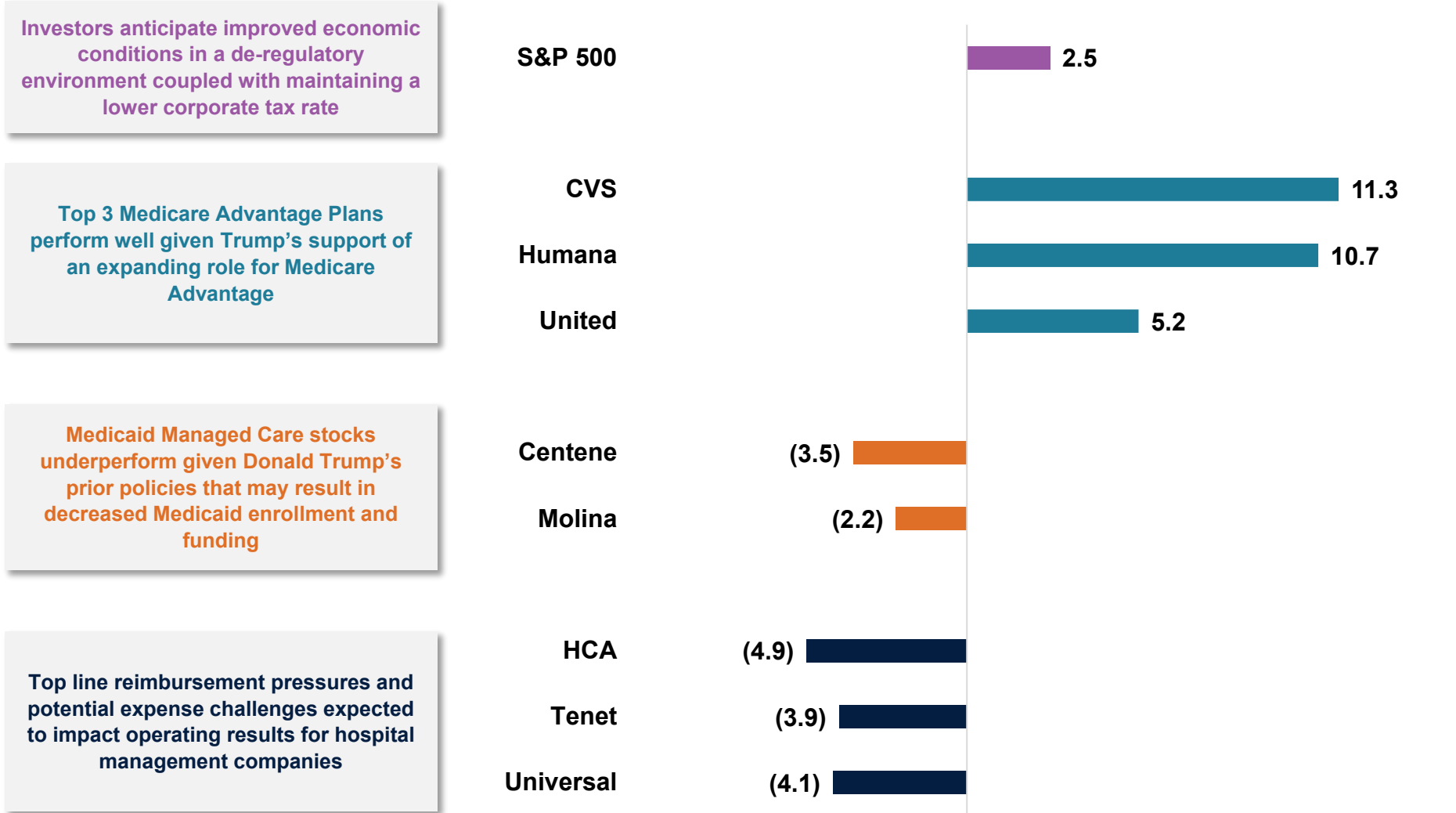
# 1 Potential Impact of President-Elect Trump's Policies on Health Systems

Policy	Potential Policy Position and Impact on Healthcare	Impact on Health Systems
<b>ACA Subsidies</b>	<ul style="list-style-type: none"> <li>In his first term, Donald Trump targeted a total repeal of the ACA</li> <li>While that is not expected in this term, reducing ACA subsidies may be part of the agenda which would make insurance less affordable and likely result in an increasing uninsured population</li> </ul>	-
<b>Medicaid Funding</b>	<ul style="list-style-type: none"> <li>In the past, Donald Trump has favored more stringent Medicaid enrollment rules such as work requirements and giving more control to states over their Medicaid programs</li> <li>Medicaid is also an area that the Trump administration may target to reduce the federal deficit</li> </ul>	-
<b>Medicare Advantage</b>	<ul style="list-style-type: none"> <li>Donald Trump as well as several other leading Republicans are very supportive of Medicare Advantage as opposed to traditional Medicare</li> <li>For providers that have struggled with reimbursement from Medicare Advantage payers, an increasing number of patients enrolled in Medicare Advantage plans could serve as a significant headwind</li> </ul>	-
<b>Immigration</b>	<ul style="list-style-type: none"> <li>Immigration reform is a well-documented policy for Donald Trump's platform</li> <li>To the extent immigration reform reduces the healthcare labor pool (for example, foreign nurses lose ability to work in the U.S.), healthcare labor costs may re-accelerate</li> </ul>	-
<b>Corporate Income Tax</b>	<ul style="list-style-type: none"> <li>The Tax Cuts and Jobs Act of 2017 ("TJCA") was a significant re-write of the tax code which reduced the corporate income tax rate from 35% to 21%</li> <li>The Trump Administration intends to extend the TJCA and perhaps add additional tax cuts</li> </ul>	+
<b>Tariffs</b>	<ul style="list-style-type: none"> <li>Tariffs are a key component of Donald Trump's trade agenda</li> <li>If tariffs are imposed, it may result in increased supply costs for healthcare providers</li> </ul>	-
<b>Regulatory Environment</b>	<ul style="list-style-type: none"> <li>While the precise impact on healthcare is to-be-determined, de-regulation has been a cornerstone of the Donald Trump platform</li> <li>However, the nomination of Robert F Kennedy Jr. and recent comments regarding PBMs suggest not all regulatory changes will be a positive for the healthcare sector</li> </ul>	+
<b>Anti-Trust</b>	<ul style="list-style-type: none"> <li>The FTC under the Biden Administration, led by Lina Khan, has been one of the most restrictive in U.S. history</li> <li>Market participants are anticipating a more lenient FTC under a Trump administration, but Trump's populist economic agenda suggests M&amp;A scrutiny will lessen, not be eliminated</li> </ul>	+



# 1 How Did the Market React to Trump's Election?

SHARE PRICE PERFORMANCE ON NOVEMBER 6, 2024 (% CHANGE)



- Donald Trump's recent comments regarding PBMs has had a negative impact on CVS, United and Cigna

Source: FactSet.

## 2 Other Trends We Are Watching for 2025

### Payor / Provider Contract Negotiation, especially Medicare Advantage

- Following several years of high inflation in both labor costs and supplies expense, many providers are attempting to pass those costs on to payors in the form of higher rates
- While we expect providers will negotiate for substantial commercial rate increases, Medicare Advantage has been an area of focus due to denials and prior authorizations
- In response, many providers have begun terminating Medicare Advantage contracts

**16%** planning to terminate one or more MA plans in the next two years

**45%** Considering the same but have not made a final decision

**62%** Significantly more difficult to collect from MA than 2 years ago

HFMA Survey of 135 CFOs (January 2024)

### Site Neutral Billing

- A topic that comes up periodically is site-neutral billing requiring Medicare to pay the same rate for services delivered regardless of location
- On November 1, 2024, Senators Bill Cassidy and Maggie Hassan released a policy framework detailing a plan to implement site-neutral billing
- Proponents argue site-neutral billing will reduce Medicare and its beneficiaries' costs while detractors argue it will impact hospitals' ability to provide vital community services

**53%**

*Amount ASC's are reported to cost Medicare relative to the amount paid to a Hospital Outpatient Department according to the American Academy of Orthopedic Surgeons*

### Cost of Capital

- Since early 2022, the direction of interest rates has been a key concern as it effects cost of capital for all market participants
- After increasing rates to 5.25% - 5.50%, The Fed began its interest rate easing cycle in September (100 bps of cuts so far)
- However, the election of Donald Trump (~15 bps increase in long-term UST rates on November 6) and recent comments by various Federal Reserve officials suggest that rates may not decline as much as previously anticipated
- However, healthcare credit spreads remain tight, and the industry should benefit from its defensive nature

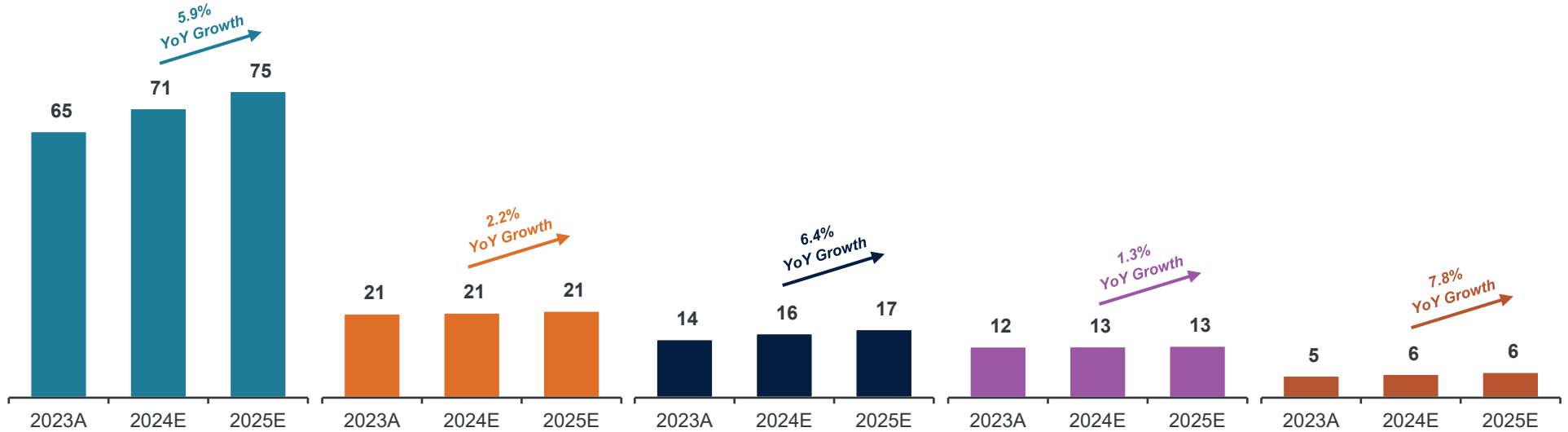
	12/6	12/31	3/31	6/30	9/30
	Current	4Q24	1Q25	2Q25	3Q25
Fed Funds	4.58%	4.35%	4.10%	3.85%	3.60%
2Y UST	4.10%	4.25%	4.00%	3.70%	3.60%
5Y UST	4.03%	4.25%	4.10%	3.90%	3.85%
10Y UST	4.15%	4.50%	4.40%	4.25%	4.10%
30Y UST	4.33%	4.65%	4.60%	4.50%	4.35%
2Y MMD	2.52%	2.55%	2.50%	2.25%	2.30%
5Y MMD	2.54%	2.55%	2.55%	2.35%	2.45%
10Y MMD	2.73%	2.85%	3.15%	2.85%	2.90%
30Y MMD	3.57%	3.70%	3.85%	3.60%	3.65%

Municipal Markets 2025 Outlook, 11/26/2024, [jpmm.com](http://jpmm.com)

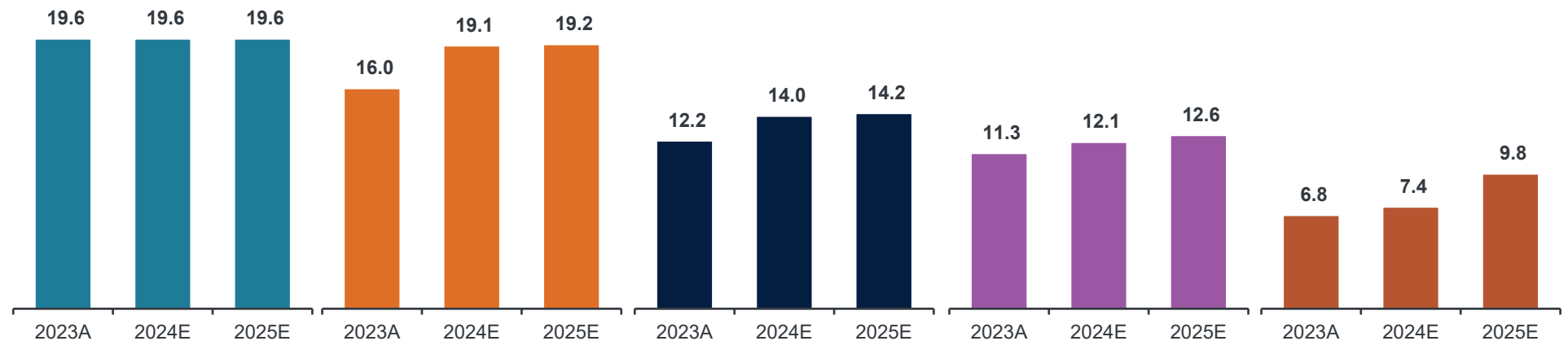
### 3 Early Indications from Equity Research Analysts Suggest Strong Performance in 2024 will Continue into 2025

HCA	Tenet	UHS	CHS	Ardent
-----	-------	-----	-----	--------

REVENUE (\$BN)



EBITDA MARGIN (%)



Source: FactSet.

### 3 Rating Agencies Are Upbeat on the Trend in Not-for-Profit Healthcare

#### RATING AGENCY OUTLOOKS<sup>1</sup>

**MOODY'S**

**Outlook: Stable**

**S&P Global Ratings**

**Outlook: Stable**

**FitchRatings**

**Outlook: Stable**

#### KEY THEMES FROM RATING AGENCY 2025 OUTLOOKS<sup>1</sup>

**Operating Performance**

Expectation of improved financial performance from higher reimbursement, modest volume growth and better expense controls

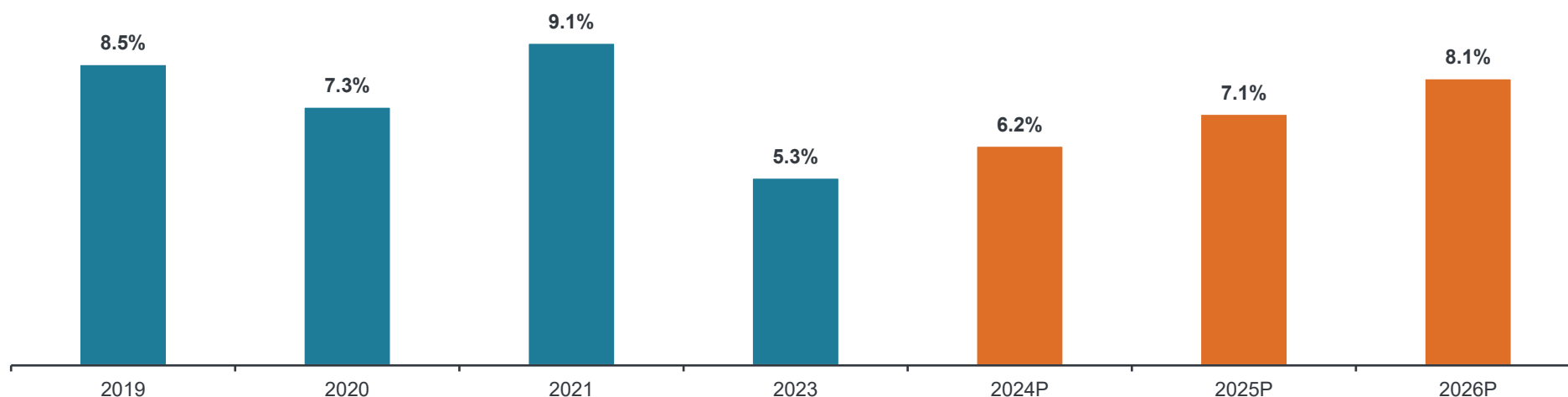
**Labor**

The labor environment has improved but is expected to continue to pressure margins

**Capital Spending**

Anticipating elevated capital spending with a focus on IT and ambulatory

#### MOODY'S IS ANTICIPATING STEADY IMPROVEMENT BACK TO PRE-PANDEMIC LEVELS – OPERATING EBITDA MARGIN (%)<sup>2</sup>



1. 2025 Outlooks for Not-for-Profit Healthcare from Moody's, S&P and Fitch

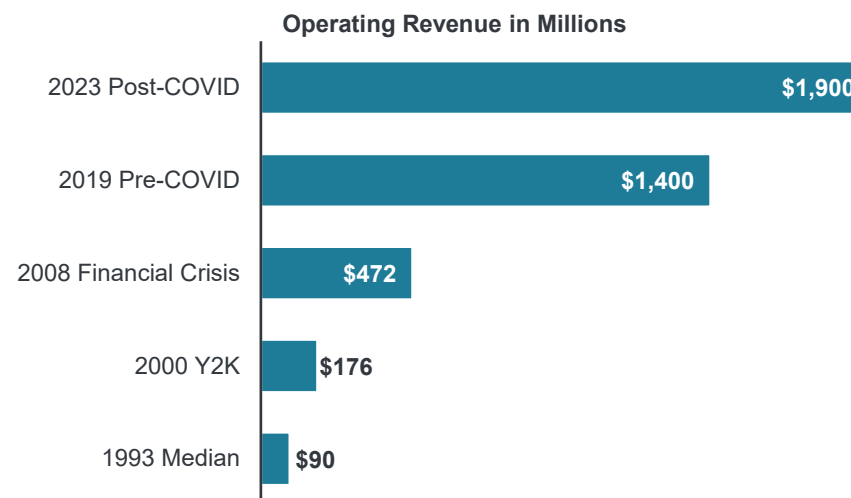
2. Not-for-profit and Public Healthcare – US. 2025 Outlook – Stable as profitability rises modestly on revenue growth, cost controls. November 13, 2024

## 4 Consolidation is Expected to Continue

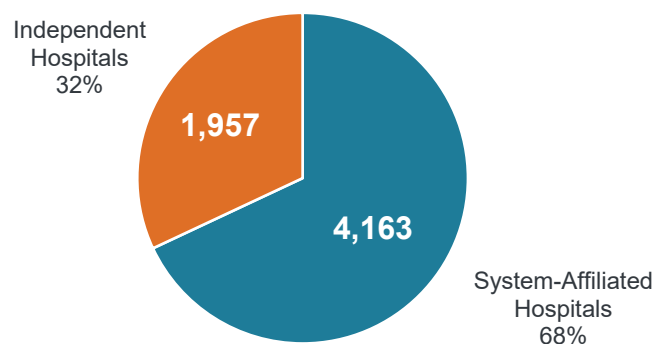
### DATA SUPPORTS CASE FOR FURTHER CONSOLIDATION

- While the size and scale of health systems has greatly increased, there is potential for substantially more consolidation
- There are now 10 systems with \$20+ billion in revenue providing greater economies of scale than the median health system (~\$2 billion)
- Other areas of healthcare have much greater concentration as measured by market share of top 5 participants:
  - Acute Care<sup>1</sup>: ~10%
  - Commercial Health Plans<sup>2</sup>: 57%
  - Medicare Advantage<sup>2</sup>: 70%
  - PBMs<sup>3</sup>: 96%
- Numerous independent hospitals remain, and smaller, underperforming hospitals will be forced to look for partners

### GROWTH IN MOODY'S RATED UNIVERSE<sup>4</sup>

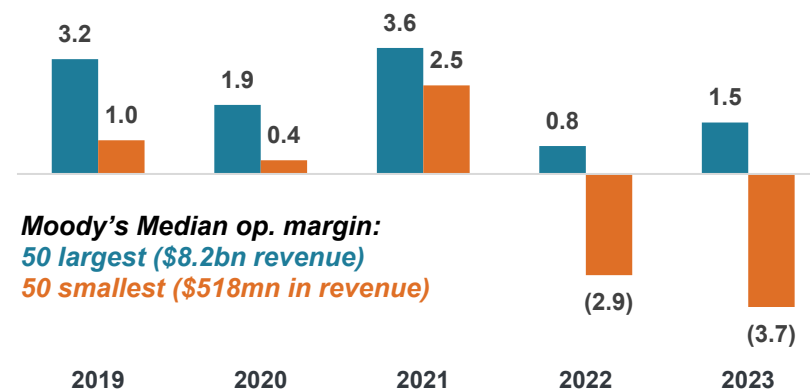


### SUBSTANTIAL NUMBER OF INDEPENDENT HOSPITALS REMAIN



Source: American Hospital Association

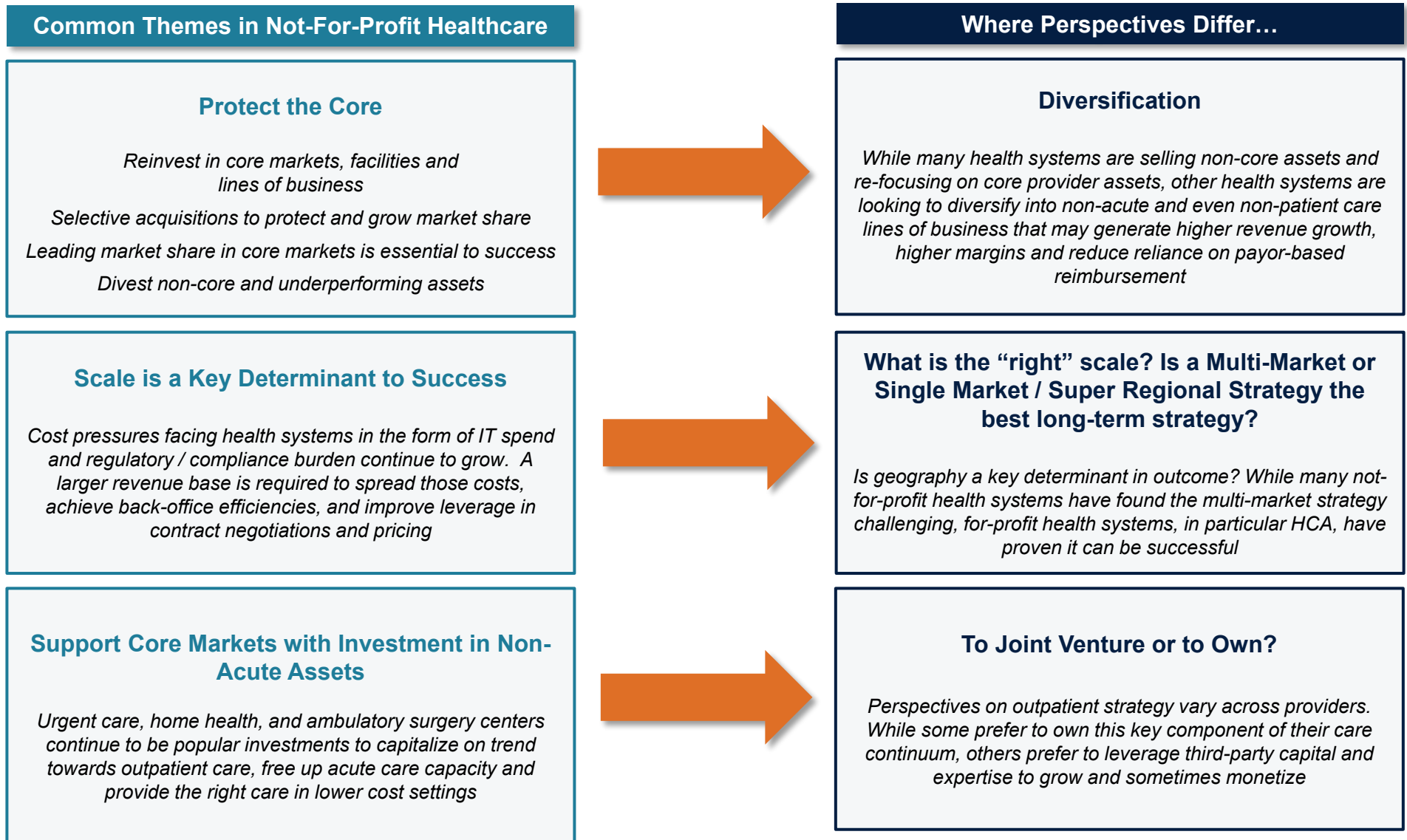
### SCALE CONTINUES TO BE A KEY DETERMINANT OF PERFORMANCE



Source: Moody's "Medians – Operating performance ticks up at largest hospitals while falling at smallest." August 6, 2024

1. Per CMS, total hospital expenditures in 2022 were \$1.4 trillion. Total operating revenue for HCA, CommonSpirit, Advocate, Ascension and Providence was \$177 million or 12.6%; however, some of that revenue is not acute care. Kaiser Permanente excluded from analysis due to health plan centric model and lack of owned hospitals in certain markets.
2. American Medical Association Competition in Health Insurance. 2024 Edition. November 19, 2024. Commercial Top 5 includes United, Elevance, Aetna, CIGNA and HCSC. Not shown above, but on a combined basis, Blue Cross Blue Shield plans have 42% Commercial market share. Medicare Advantage Top 5 includes United, Humana, Aetna, Kaiser and Elevance.
3. IQVIA
4. Moody's

## 4 M&A Strategies across Not-for-Profit Healthcare Have Common Themes... but also Varying Perspectives on the Path Forward

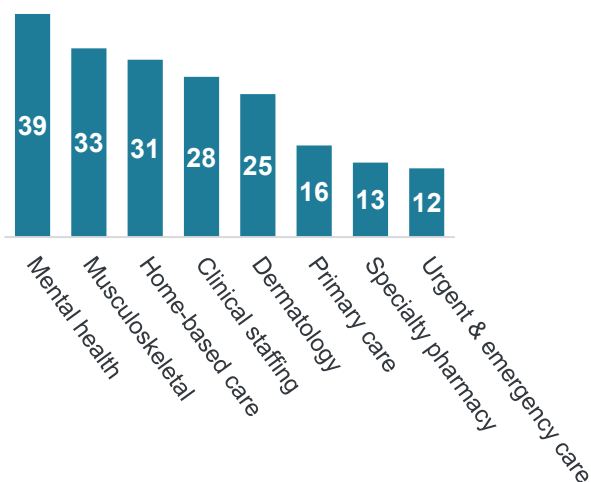




# 4 Health Systems May Have the Opportunity To Capitalize on Non-Traditional M&A Opportunities as Other Sector Participants Struggle

## Private Equity-backed Companies, In Particular PPM's

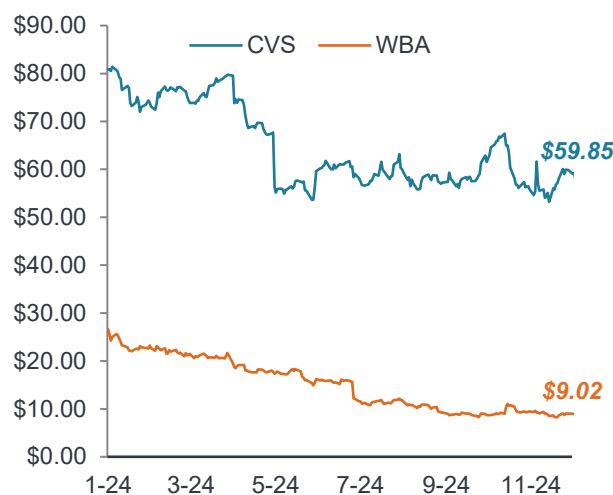
- Physician practice management companies were a popular investment during the pandemic and were commanding high valuation multiples
- Valuation multiples and margins have compressed leading to limited transaction activity and a declining value proposition to physicians
- While there have been exits of high performing PPMs (United Urology, Integrated Oncology, GI Alliance, and RCA), 156 PE-backed healthcare services companies have been held for 5+ years (select sub-sectors shown below. Data from pitchbook. Not all sub-sectors are PPMs)



Source: FactSet as of 11/29/2024.

## Divestitures from Underperforming Corporates

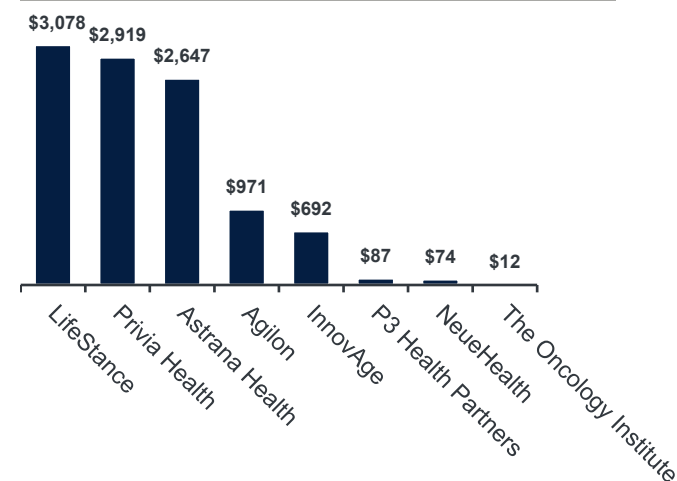
- Over the last several years, numerous strategics have aggressively expanded into healthcare services via M&A
- However, many companies such as CVS and Walgreens have underperformed expectations resulting in declining share prices, investment write-downs, CEO exits, and significant investor push back which may result in a strategic realignment of portfolios
- Recent acquisitions for CVS and Walgreens includes Oak Street, Signify Health, CareCentrix, VillageMD, Summit Health, and CityMD



## Next Gen Care Delivery Assets may be Actionable

- Numerous healthcare services companies went public via an IPO or SPAC in 2021 and 2022 to much fanfare
- However, many have underperformed and as the market has shifted from rewarding growth to rewarding profitability, their stock prices have tumbled
- Due to the rapid decline in valuation of many of these publicly-traded companies, some may now be actionable M&A targets for not-for-profit healthcare systems

### MARKET CAP (\$MM)



Note: CareMax and Cano Health have declared bankruptcy.

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# Not-For-Profit Healthcare Newsletter

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Week of January 3<sup>rd</sup>, 2025

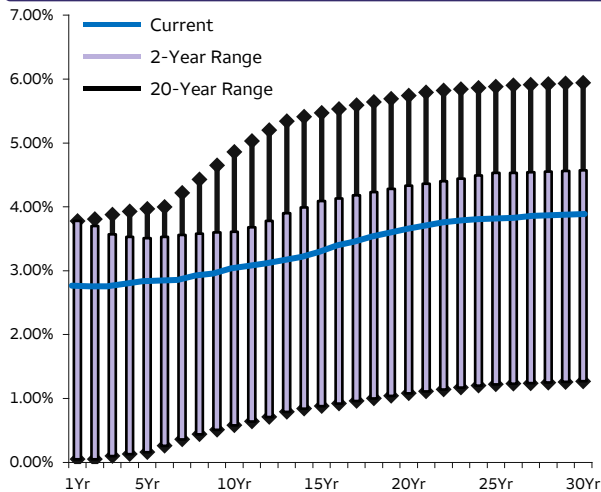
# Week of January 3, 2025 – Wells Fargo Market & Sector Update

## Market Overview

Benchmarks	Current 1/3	Prior Week	WoW Change	Prior Month
<b>Equity Markets</b>				
DJIA	42,732	42,992	-0.60%	44,706
S&P 500	5,942	5,971	-0.48%	6,050
NASDAQ	19,622	19,722	-0.51%	19,481
<b>Short-Term Rates</b>				
SIFMA Index	2.72%	3.62%	-0.90%	2.86%
SOFR	4.31%	4.46%	-0.15%	4.59%
SIFMA/SOFR	63.11%	81.17%	-18.06%	62.31%
<b>Long-Term Rates</b>				
"AAA" MMD (10Yr)	3.04%	3.08%	-0.04%	2.78%
"AAA" MMD (30Yr)	3.89%	3.92%	-0.03%	3.62%
UST (10Yr)	4.60%	4.62%	-0.02%	4.18%
UST (30Yr)	4.82%	4.82%	+0.00%	4.36%
<b>Derivatives</b>				
SIFMA Swap Rate (10Yr)	3.30%	3.34%	-0.04%	3.02%
SOFRA Swap Rate (10Yr)	4.09%	4.14%	-0.04%	3.71%
SIFMA Swap Rate (30Yr)	3.56%	3.58%	-0.02%	3.23%
SOFRA Swap Rate (30Yr)	3.96%	3.99%	-0.03%	3.57%

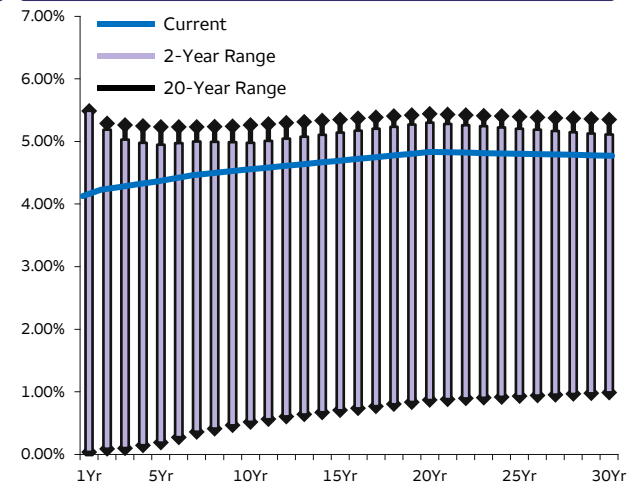
Source: Bloomberg, Thomson Reuters Municipal Market Monitor ("TM3") and Wells Fargo Rates Library as of January 3, 2025.

## Tax-Exempt Fixed Rates



Source: TM3 as of January 3, 2025. MMD rates shown.

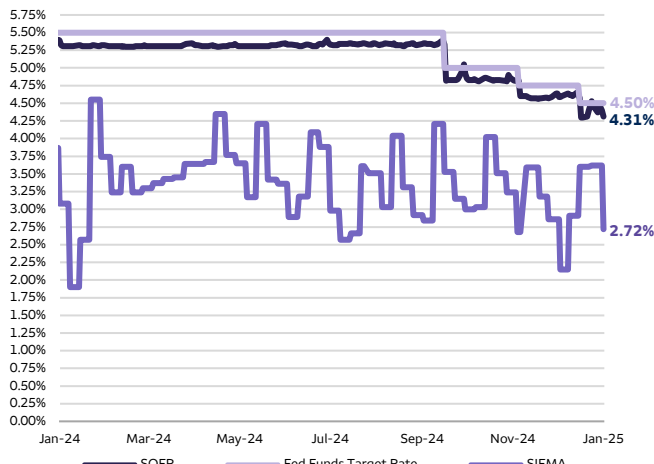
## Taxable Fixed Rates



Source: Bloomberg as of January 3, 2025. I-UST rates shown.

## Short-Term Interest Rates

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

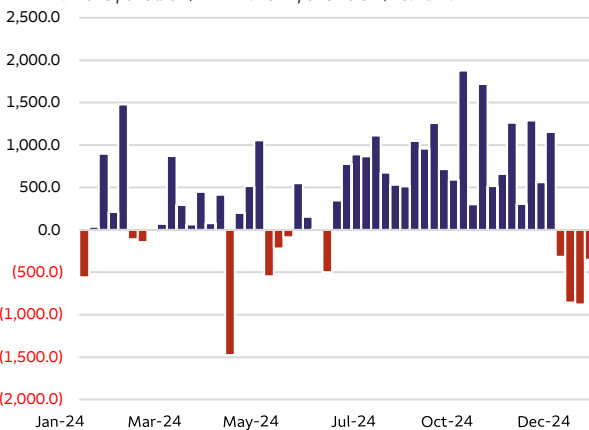


Source: Board of Governors of the Federal Reserve System and Bloomberg, as of 1/3/2025.

## Weekly Municipal Bond Fund Flows (\$Mn)

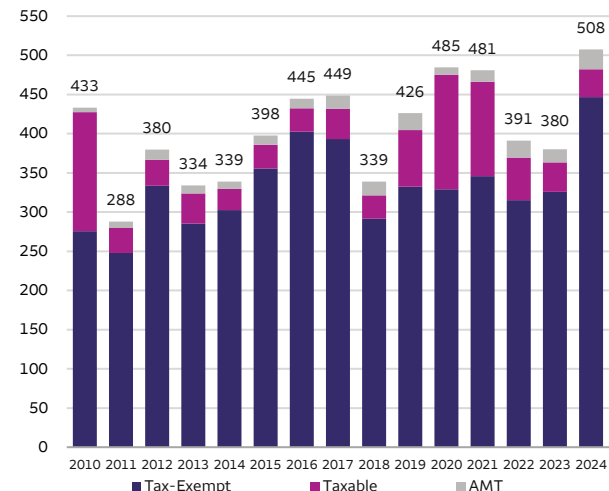
### Last 12 Months by Week<sup>1</sup>

Municipal funds posted net outflows of \$351 Mn for the week ended January 1, 2025. - YTD 2025 flows are -\$111 Mn. 2024 flows were +\$40.2 Bn<sup>2</sup>.



Source: Lipper, A Thomson Reuters Company, as of 1/1/2025  
Note: (1) Only represents data for funds that report weekly; (2) Includes monthly reports.

## Municipal Issuance (\$Bn)



Source: Bond Buyer through 12/31/2024, data reports monthly.

# Week of January 3, 2025 – New Issue Healthcare Transactions

Borrower	State	Sale Date	Underlying Ratings (M/SP/F)	Insured Ratings (M/SP/F)	Structure	Par Amount (\$MM)	Coupon (%)	Benchmark <sup>1</sup> (%)	Spread <sup>2</sup> (bps)	Yield <sup>3</sup> (%)	Final Maturity
Hazelden Betty Ford Foundation	CA	12/18/2024	Baa1/NR/NR	-	Tax-Exempt Fixed	32.135	5.000	3.790	59	4.380	2054
Hazelden Betty Ford Foundation	MN	12/18/2024	Baa1/NR/NR	-	Tax-Exempt Fixed	35.580	5.000	3.670	78	4.450	2047
PIH Health Energy Projects	CA	12/11/2024	NR/A/NR	-	Taxable Fixed	45.430	5.889	4.480	141 <sup>(4)</sup>	5.889	2045
PIH Health Energy Projects	CA	12/11/2024	NR/A/NR	-	Tax-Exempt Fixed	141.375	5.000	3.600	77	4.370	2054
Atrium Health <sup>(5)</sup>	NC	11/21/2024	Aa3/AA/AA	-	Puts (3-Year)	100.000	3.250	2.580	67	3.250	2050
Thomas Jefferson University	PA	10/30/2024	NR/A/A	A1/AA/NR	Taxable Fixed	168.730	5.362	4.262	110	5.362	2037
Thomas Jefferson University	PA	10/30/2024	NR/A/A	-	Tax-Exempt Fixed	250.295	4.375	3.870	79	4.660	2054
Thomas Jefferson University	PA	10/30/2024	NR/A/A	A1/AA/NR	Tax-Exempt Fixed	611.840	4.250	3.820	73	4.550	2051
Lifebridge 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 <sup>(6)</sup>	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
Taxable				Intermediate-Term Bonds <sup>(7)</sup>							

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) Spread estimated based on a 30-Year Treasury benchmark rate of 4.48% as of COB 12/11; 5) Atrium Health transaction is a remarketing, not a new issue; 6) 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-); 7) Includes tax-exempt put bonds and intermediate-term bullet structures. Sources: TM3 and Wells Fargo Securities, as of 1/3/2025. Not all transactions underwritten by Wells Fargo Securities. Only includes public fixed rate transactions with aggregate size greater than \$30 million.

# Week of January 3, 2025 – Rating Agency Actions and Sector News

## Recent Rating Agency Publications

### Moody's

- [Use of AI will ease labor shortages, but necessitate greater cyber defense spending \(11/19/2024\)](#)

- [2025 Outlook – Stable as profitability rises modestly on revenue growth, cost controls \(11/13/2024\)](#)

### S&P

- [U.S. Not-For-Profit Acute Health Care 2025 Outlook: Stable But Shaky For Many Amid Uneven Recovery And Regulatory Challenges \(12/04/2024\)](#)

### Fitch

- [Labor Picture Continues to Stabilize for U.S. Hospitals \(12/16/2024\)](#)
- [U.S. Not-For-Profit Hospitals and Health Systems Outlook 2025 \(12/09/2024\)](#)

## Healthcare Headlines

- [Becker's Hospital Review: Hospital mergers ring in the new year \(01/03/2025\)](#)
- [Becker's Hospital Review: Health systems' investment income rebounds \(12/31/2024\)](#)
- [Becker's Hospital Review: 28 health system rating downgrades \(12/30/2024\)](#)
- [Becker's Hospital Review: 'A pretty ugly picture': Health systems brace for 2025 \(12/20/2024\)](#)

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

Healthcare Entity	State	Action	Publication Date	Prior	New	Current Ratings (M/SP/F)
<b>Moody's</b>						
Franciscan Alliance	IN	Rating Affirmed	1/3/2025	Aa3 (Stable)	Aa3 (Stable)	Aa3 (Stable) / NR / AA (Stable)
Middlesex Hospital	CT	Rating Affirmed	12/20/2024	A3 (Stable)	A3 (Stable)	A3 (Stable) / NR / NR
Children's Hospital Colorado	CO	Upward Outlook Revision	12/20/2024	A1 (Stable)	A1 (Positive)	A1 (Positive) / A+ (Stable) / NR
Norman Regional Hospital Auth.	OK	Downward Outlook Revision	12/19/2024	B1 (Review for Downgrade)	B1 (Negative)	B1 (Negative) / BBB- (Negative) / NR
University of Iowa Hospitals & Clinics	IA	Rating Affirmed	12/18/2024	Aa2 (Stable)	Aa2 (Stable)	Aa2 (Stable) / AA (Stable) / NR
Allina Health System	MN	Downward Outlook Revision	12/18/2024	A1 (Stable)	A1 (Negative)	A1 (Negative) / A+ (Stable) / A+ (Stable)
Garnet Health Medical Center	NY	Rating Downgrade	12/18/2024	Ba2 (Negative)	Ba3 (Negative)	Ba3 (Negative) / BB- (Negative) / NR
ProMedica Health System	OH	Upward Outlook Revision	12/18/2024	Ba2 (Stable)	Ba2 (Positive)	Ba2 (Positive) / BB (Stable) / BB- (Stable)
Medical Univ. of South Carolina	SC	Rating Affirmed	12/17/2024	Aa3 (Stable)	Aa3 (Stable)	Aa3 (Stable) / NR / NR
Duke University Health System	NC	Rating Affirmed	12/17/2024	Aa3 (Stable)	Aa3 (Stable)	Aa3 (Stable) / AA- (Stable) / AA- (Stable)
<b>S&amp;P</b>						
Children's Minnesota	MN	Rating Affirmed	12/26/2024	AA- (Stable)	AA- (Stable)	NR / AA- (Stable) / AA (Stable)
Westchester County Health Care	NY	Rating Downgrade	12/23/2024	BBB- (Watch Negative)	BB+ (Negative)	B1 (Under Review) / BB+ (Negative) / NR
Ochsner Clinic Foundation	LA	Rating Affirmed	12/23/2024	A (Stable)	A (Stable)	A3 (Stable) / A (Stable) / NR
University of Maryland Med. Sys.	MD	Rating Affirmed	12/23/2024	A (Stable)	A (Stable)	A2 (Stable) / A (Stable) / NR
Denver Health and Hospital Auth.	CO	Rating Affirmed	12/20/2024	BBB (Stable)	BBB (Stable)	NR / BBB (Stable) / BBB (Stable)
Beebe Medical Center	DE	Rating Downgrade	12/20/2024	BBB (Stable)	BBB- (Stable)	NR / BBB- (Stable) / NR
Methodist Le Bonheur Healthcare	TN	Rating Downgrade	12/20/2024	A+ (Negative)	A (Negative)	A3 (Negative) / A (Negative) / NR
Meritus Health	MD	Rating Affirmed	12/20/2024	A- (Stable)	A- (Stable)	NR / A- (Stable) / A (Stable)
Main Line Health System	PA	Upward Outlook Revision	12/19/2024	AA- (Negative)	AA- (Stable)	A1 (Stable) / AA- (Stable) / AA- (Negative)
Appalachian Regional Healthcare	KY	Rating Affirmed	12/19/2024	A (Stable)	A (Stable)	NR / A (Stable) / NR
University of Iowa Hosp. & Clinics	IA	Rating Affirmed	12/19/2024	AA (Stable)	AA (Stable)	Aa2 (Stable) / AA (Stable) / NR
Summit Pacific Medical Center	WA	Rating Affirmed	12/19/2024	BB+ (Stable)	BB+ (Stable)	NR / BB+ (Stable) / NR
East Alabama Medical Center	AL	Rating Affirmed	12/19/2024	A (Stable)	A (Stable)	NR / A (Stable) / NR
Houston Methodist Hospital	TX	Rating Affirmed	12/18/2024	AA (Stable)	AA (Stable)	NR / AA (Stable) / NR
Virtua Health	NJ	Rating Affirmed	12/18/2024	AA- (Stable)	AA- (Stable)	NR / AA- (Stable) / AA- (Positive)
Grand View Hospital	PA	Rating Downgrade	12/17/2024	BB- (Negative)	B+ (Negative)	NR / B+ (Negative) / NR
Shodair Children's Hospital	MT	Rating Downgrade	12/16/2024	BB+ (Negative)	BB (Stable)	NR / BB (Stable) / NR
Duke University Health System	NC	Rating Affirmed	12/16/2024	AA- (Stable)	AA- (Stable)	Aa3 (Stable) / AA- (Stable) / AA- (Stable)
<b>Fitch</b>						
Rehabilitation Institute of Chicago	IL	Rating Upgrade	12/19/2024	A (Positive)	A+ (Stable)	NR / NR / A+ (Stable)
Palomar Health	CA	Rating Downgrade	12/18/2024	BB+ (Negative)	B (Watch Negative)	B2 (Review for Downgrade) / BB+ (Watch Negative) / B (Watch Negative)
WakeMed Health & Hospitals	NC	Upward Outlook Revision	12/17/2024	A+ (Negative)	A+ (Stable)	A2 (Stable) / NR / A+ (Stable)
Memorial Hospital at Gulfport	MS	Rating Affirmed	12/16/2024	BBB (Stable)	BBB (Stable)	Baa2 (Positive) / NR / BBB (Stable)
Asante Health	OR	Upward Outlook Revision	12/16/2024	A+ (Negative)	A+ (Stable)	NR / A+ (Negative) / A+ (Stable)

Favorable (+)

Unfavorable (-)

Sources: Moody's, S&P, and Fitch as of 1/3/2025; Becker's Hospital Review website.

# Week of January 3, 2025 - 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 \(PDF\)](#)

Economic Indicator Reports:  
[Web Page](#)

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Any questions or comments concerning this newsletter may be directed to  
[PublicFinanceHealthcare@wellsfargo.com](mailto:PublicFinanceHealthcare@wellsfargo.com)

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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:** January 27, 2025  
**Subject:** Financials: FY2025 – Period 6 & YTD (as of 12/31/2024)

**Purpose:**

To provide the Finance Committee an update on financial results for FY2025 - Period 6 (December 2024) and YTD.

**Executive Summary – Period 6 (December 2024):**

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 322 is 4 / 1.3% favorable to budget and 24 / 8.1% higher than the same period last year.
- **Adjusted Discharges:** 3,898 are 11 / 0.3% unfavorable to budget and 343 / 9.7% higher than the same period last year.
- **Emergency Room Visits:** 7,626 are 126 / 1.7 favorable to budget and 278 / 3.5 lower than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 12,583 are 1,418 / 12.7% favorable to budget and 1,633 / 14.9% higher than the same period last fiscal year.

Financial performance for Period 6 was favorable to budget. This is attributed to strong surgical, NICU and Emergency Room volumes and disciplined variable expense management.

**Total Operating Revenue (\$):** \$148.1M is \$8.4M / 6.0% favorable to budget and \$17.2M / 13.1% higher than the same period last fiscal year.

**Operating EBIDA (\$):** \$31.9M is \$10.5M / 48.9% favorable to budget and \$5.5M / 20.6% higher than the same period last fiscal year.

**Net Income (\$):** \$18.1M is \$0.5M / 2.4% unfavorable to budget and \$51.1M / 73.8% lower than the same period last fiscal year.

**Operating Margin (%):** 16.0% (actual) vs. 9.4% (budget)

**Operating EBIDA Margin (%):** 21.5% (actual) vs. 15.3% (budget)

**Net Days in A/R (days):** 50.2 days are favorable to budget by 3.8 days / 7.1% and 4.0 days / 7.4% lower than the same period last year.

**Executive Summary – YTD FY2025 (as of 12/31/2024):**

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

- **Average Daily Census:** 308 is 1 / 0.2% favorable to budget and 4 / 1.3% higher than the same period last year.
- **Adjusted Discharges:** 22,239 are 62 / 0.3% unfavorable to budget and 303 / 1.4% higher than the same period last year.
- **Emergency Room Visits:** 40,058 are 289 / 0.7% unfavorable to budget and 341 / 0.8% lower than the same period last fiscal year.

- **Outpatient Visits / Procedures:** 75,731 are 5,878 / 8.4% favorable to budget and 8,321 / 12.4% higher than the same period last fiscal year.

**Total Operating Revenue (\$):** \$842.7M is \$25.6M / 3.1% favorable to budget and \$85.7M / 11.3% higher than the same period last fiscal year.

**Operating EBIDA (\$):** \$134.5M is \$16.1M / 13.6% favorable to budget and \$10.8M / 8.8% higher than the same period last fiscal year.

**Net Income (\$):** \$156.6M is \$58.9M / 60.3% favorable to budget and \$32.8M / 26.5% 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 (%):** 10.0% (actual) vs. 8.2% (budget)

**Operating EBIDA Margin (%):** 16.0% (actual) vs. 14.5% (budget)

**Recommendation:**

- FC recommend approval of FY2025 – Period 6 & YTD financials

**List of Attachments:**

- Financial Report: FY2025 Period 6

**Suggested Board Discussion Questions:**

- None



# El Camino Health

## Summary of Financial Operations

*Fiscal Year 2025 – Period 6  
7/1/2024 to 12/31/2024*

# Executive Summary - Overall Commentary for Period 6

- **Results for Period 6:**

- Net Patient Revenue was favorable to budget by \$9.4M / 7.0%.
- Operating EBIDA Margin was favorable to budget by \$10.5M / 48.9%.
- Gross revenue favorable to budget by \$32.8M / 5.5%.
  - Driven primarily by:
    - Inpatient Charges: \$17.9M / 6.1% favorable to budget.
    - Outpatient Charges: \$12.3M / 4.3% favorable to budget.
    - Professional Charges: \$2.6M / 16.8% favorable to budget.
- Cost Management
  - When adjusted for volume, overall operating expense is 9.5% lower than budget.
- Gross charges were favorable to budget by \$32.8M / 5.5% and \$117.9M / 22.9% higher than the same period last year.
- Net patient revenue was favorable to budget by \$9.4M / 7.0% and \$16.5M / 13.1% higher than the same period last year.
- Operating margin was favorable to budget by \$10.6M / 80.7% and \$5.6M / 31.0% higher than the same period last year.
- Operating EBIDA was favorable to budget by \$10.5M / 48.9% and \$5.5M / 20.6% higher than the same period last year.
- Net income was unfavorable to budget by \$453K / 2.4% and \$51.1M / 73.8% lower than same period last year.

# Operational / Financial Results: Period 6 – December 2024 (as of 12/31/2024)

(\$ 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'	
<b>Activity / Volume</b>	ADC	322	318	4	1.3%	298	24	8.1%	---	---	---	---
	Adjusted Discharges	3,898	3,908	(11)	(0.3%)	3,554	343	9.7%	---	---	---	---
	OP Visits / OP Procedural Cases	12,583	11,165	1,418	12.7%	10,950	1,633	14.9%	---	---	---	---
	Percent Government (%)	59.1%	59.0%	0.1%	0.2%	56.4%	2.7%	4.9%	---	---	---	---
	Gross Charges (\$)	633,620	600,830	32,790	5.5%	515,757	117,863	22.9%	---	---	---	---
<b>Operations</b>	Cost Per CMI AD	18,138	20,032	(1,895)	(9.5%)	17,774	363	2.0%	---	---	---	---
	Net Days in A/R	50.2	54.0	(3.8)	(7.1%)	54.2	(4.0)	(7.4%)	48.1	49.7	47.5	
<b>Financial Performance</b>	Net Patient Revenue (\$)	142,459	133,104	9,354	7.0%	125,939	16,519	13.1%	297,558	564,735	---	
	Total Operating Revenue (\$)	148,075	139,716	8,359	6.0%	130,894	17,181	13.1%	389,498	610,593	268,739	
	<b>Operating Margin (\$)</b>	<b>23,626</b>	<b>13,074</b>	<b>10,553</b>	<b>80.7%</b>	<b>18,040</b>	<b>5,586</b>	<b>31.0%</b>	<b>7,400</b>	<b>11,601</b>	<b>8,331</b>	
	<b>Operating EBIDA (\$)</b>	<b>31,897</b>	<b>21,429</b>	<b>10,469</b>	<b>48.9%</b>	<b>26,447</b>	<b>5,450</b>	<b>20.6%</b>	<b>26,400</b>	<b>39,689</b>	<b>22,574</b>	
	Net Income (\$)	18,144	18,598	(453)	(2.4%)	69,197	(51,052)	(73.8%)	19,085	20,150	15,049	
	<b>Operating Margin (%)</b>	<b>16.0%</b>	<b>9.4%</b>	<b>6.6%</b>	<b>70.5%</b>	<b>13.8%</b>	<b>2.2%</b>	<b>15.8%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>3.1%</b>	
	<b>Operating EBIDA (%)</b>	<b>21.5%</b>	<b>15.3%</b>	<b>6.2%</b>	<b>40.5%</b>	<b>20.2%</b>	<b>1.3%</b>	<b>6.6%</b>	<b>6.8%</b>	<b>6.5%</b>	<b>8.4%</b>	
	DCOH (days)	276	275	1	0.3%	268	7	2.8%	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 12/31/2024)

(\$ 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	308	307	1	0.2%	304	4	1.3%	---	---	---	---
	Adjusted Discharges	22,239	22,301	(62)	(0.3%)	21,935	303	1.4%	---	---	---	---
	OP Visits / OP Procedural Cases	75,531	69,653	5,878	8.4%	67,210	8,321	12.4%	---	---	---	---
	Percent Government (%)	58.4%	58.5%	(0.1%)	(0.1%)	58.2%	0.2%	0.4%	---	---	---	---
	Gross Charges (\$)	3,588,921	3,433,372	155,550	4.5%	3,116,625	472,296	15.2%	---	---	---	---
Operations	Cost Per CMI AD	19,619	20,032	(413)	(2.1%)	18,332	1,287	7.0%	---	---	---	---
	Net Days in A/R	50.2	54.0	(3.8)	(7.1%)	54.2	(4.0)	(7.4%)	48.1	48.1	47.5	
Financial Performance	Net Patient Revenue (\$)	809,033	782,884	26,149	3.3%	725,799	83,234	11.5%	1,785,350	3,388,408	---	
	Total Operating Revenue (\$)	842,695	817,068	25,627	3.1%	757,043	85,652	11.3%	2,336,989	3,663,557	3,224,864	
	Operating Margin (\$)	84,295	66,790	17,505	26.2%	73,998	10,296	13.9%	44,403	69,608	99,971	
	Operating EBIDA (\$)	134,512	118,456	16,057	13.6%	123,688	10,824	8.8%	158,402	238,131	270,889	
	Net Income (\$)	156,621	97,677	58,943	60.3%	123,831	32,790	26.5%	114,512	208,823	180,592	
	Operating Margin (%)	10.0%	8.2%	1.8%	22.4%	9.8%	0.2%	2.3%	1.9%	1.9%	3.1%	
	Operating EBIDA (%)	16.0%	14.5%	1.5%	10.1%	16.3%	(0.4%)	(2.3%)	6.8%	6.5%	8.4%	
	DCOH (days)	276	275	1	0.3%	268	7	2.8%	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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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 12/31/2024)

(\$000s)

## ASSETS

	December 31, 2024	Audited June 30, 2024
<b>CURRENT ASSETS</b>		
Cash	272,820	202,980
Short Term Investments	86,020	100,316
Patient Accounts Receivable, net	230,662	211,960
Other Accounts and Notes Receivable	25,258	25,065
Intercompany Receivables	18,184	17,770
Inventories and Prepays	53,487	55,556
<b>Total Current Assets</b>	<b>686,430</b>	<b>613,647</b>
<b>BOARD DESIGNATED ASSETS</b>		
Foundation Board Designated	25,469	23,309
Plant & Equipment Fund	540,748	503,081
Women's Hospital Expansion	44,603	31,740
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	18,337	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	39,953	33,030
<b>Total Board Designated Assets</b>	<b>958,062</b>	<b>894,322</b>
<b>FUNDS HELD BY TRUSTEE</b>	<b>18</b>	<b>18</b>
<b>LONG TERM INVESTMENTS</b>	<b>695,005</b>	<b>665,759</b>
<b>CHARITABLE GIFT ANNUITY INVESTMENTS</b>	<b>1,127</b>	<b>965</b>
<b>INVESTMENTS IN AFFILIATES</b>	<b>47,216</b>	<b>36,663</b>
<b>PROPERTY AND EQUIPMENT</b>		
Fixed Assets at Cost	2,030,841	2,016,992
Less: Accumulated Depreciation	(916,145)	(874,767)
Construction in Progress	207,176	173,449
<b>Property, Plant &amp; Equipment - Net</b>	<b>1,321,873</b>	<b>1,315,675</b>
<b>DEFERRED OUTFLOWS</b>	<b>47,091</b>	<b>41,550</b>
<b>RESTRICTED ASSETS</b>	<b>34,608</b>	<b>32,166</b>
<b>OTHER ASSETS</b>	<b>203,987</b>	<b>195,447</b>
<b>TOTAL ASSETS</b>	<b>3,995,416</b>	<b>3,796,213</b>

## LIABILITIES AND FUND BALANCE

	December 31, 2024	Audited June 30, 2024
<b>CURRENT LIABILITIES</b>		
Accounts Payable	63,243	71,017
Salaries and Related Liabilities	52,934	35,693
Accrued PTO	41,755	38,634
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	11,650	13,419
Intercompany Payables	14,166	13,907
Malpractice Reserves	1,830	1,830
Bonds Payable - Current	10,820	10,820
Bond Interest Payable	7,673	7,673
Other Liabilities	15,446	12,261
<b>Total Current Liabilities</b>	<b>221,816</b>	<b>207,554</b>
<b>LONG TERM LIABILITIES</b>		
Post Retirement Benefits	23,009	22,737
Worker's Comp Reserve	12,811	12,811
Other L/T Obligation (Asbestos)	30,536	27,707
Bond Payable	438,966	441,105
<b>Total Long Term Liabilities</b>	<b>505,322</b>	<b>504,360</b>
<b>DEFERRED REVENUE-UNRESTRICTED</b>	<b>1,054</b>	<b>1,038</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>99,431</b>	<b>92,261</b>
<b>FUND BALANCE/CAPITAL ACCOUNTS</b>		
Unrestricted	2,891,677	2,731,120
Minority Interest	(1,159)	(1,114)
Board Designated	224,278	216,378
Restricted	52,997	44,616
<b>Total Fund Bal &amp; Capital Accts</b>	<b>3,167,793</b>	<b>2,991,001</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>3,995,416</b>	<b>3,796,213</b>