



**SONOMA VALLEY HEALTH CARE DISTRICT
FINANCE COMMITTEE
REGULAR MEETING **AGENDA**
Tuesday, July 28, 2015, 5:00 p.m.**

**Location: Schantz Conference Room
Sonoma Valley Hospital – 347 Andrieux Street, Sonoma CA 95476**

| TOLL FREE CALL-IN NUMBER: 866 228-9900 GUEST CODE: 294221 | | |
|--|----------------|---------------|
| AGENDA ITEM | RECOMMENDATION | |
| MISSION STATEMENT The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community. | | |
| 1. CALL TO ORDER/ANNOUNCEMENTS | <i>Fogg</i> | |
| 2. PUBLIC COMMENT SECTION At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration. | <i>Fogg</i> | |
| 3. CONSENT CALENDAR FC Meeting Minutes 6.23.15 | <i>Fogg</i> | Action |
| 4. FINANCIAL REPORT MONTH ENDING JUNE 30, 2015 | <i>Jensen</i> | Inform/Action |
| 5. SCHEDULE OF INSURANCE POLICIES, 2015-2016 RENEWAL | <i>Jensen</i> | Inform/Action |
| 6. COMPREHENSIVE PHARMACY SERVICES (CPS) AGREEMENT, PROPOSED 2nd AMENDMENT | <i>Jensen</i> | Inform/Action |
| 7. CEO BOARD REPORT JULY 2015 | <i>Nevins</i> | Inform |
| 8. ADJOURN Next meeting August 25, 2015 | <i>Fogg</i> | |

3.

CONSENT CALENDAR



**SONOMA VALLEY HEALTH CARE
DISTRICT
FINANCE COMMITTEE
MEETING MINUTES
Tuesday, June 23, 2015
Schantz Conference Room**

| Voting Members Present | Members Excused/Absent | Staff | Public |
|--|-------------------------------|--|---------------|
| Dick Fogg Phil Woodward Peter Hohorst Keith Chamberlin Stephen Berezin S. Mishra Steve Barclay Mary Smith | Sharon Nevins | Ken Jensen Cynthia Denton Jeannette Tarver Vivian Woodall | |

| AGENDA ITEM | DISCUSSION | ACTIONS | FOLLOW-UP |
|---|---|-------------------------|------------------|
| MISSION AND VISION STATEMENTS | <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community. The vision of SVHCD is that SVH will be a nationally recognized, compassionate place of healing known for excellence in clinical quality. We serve as the guide and indispensable link in our community's health care journey.</i> | | |
| 1. CALL TO ORDER AND ANNOUNCEMENTS | <i>Fogg</i> | | |
| | Meeting called to order at 5:00 pm | | |
| 2. PUBLIC COMMENT SECTION | <i>Fogg</i> | | |
| | None | | |
| 3. CONSENT CALENDAR | <i>Fogg</i> | Action | |
| FC Meeting Minutes 5.26.15 | | Action MOTION by | |

| AGENDA ITEM | DISCUSSION | ACTIONS | FOLLOW-UP |
|--|---|--|--|
| | | Woodward to approve, 2 nd by Barclay. All in favor. | |
| 4. PATIENT ACCOUNTING OVERVIEW | <i>Jensen</i> | Inform | |
| | Ms. Cynthia Denton gave a high-level overview of business services, showing how major clinical patient experiences connected to the appropriate non-clinical revenue cycle processes. Implementation of ICD-10 coding will take place October 1, 2015, with that date driven by CMS. Mr. Jensen discussed changes in the payer mix and compared gross revenue variance by payer to the FY2016 budget. | | Woodward asked Jensen for an expense comparison at the July meeting. |
| 5. REQUEST FOR FINANCING AND CONSTRUCTION OF A FLUOROSCOPY UNIT | <i>Kuwahara</i> | Action | |
| | Ms. Kuwahara said the goal is to ask the Board at their July meeting to approve a fluoroscopy unit and construction, with an estimated cost of \$778,688 (equipment \$418,688 and construction \$360,000); GE will provide financing. The current system is very old and parts are obsolete. Title 22 requires acute care hospitals to have a fluoroscopic unit. Total project is anticipated to be 10-12 months. While construction is in process, fluoroscopy will not be available except for a surgical C-arm (a very basic version). Lease payments would start in FY2017. | Action MOTION by Barclay to approve, 2 nd by Chamberlin, for Board to approve <i>providing some additional risk assessment is done</i> . All in favor. | Jensen to look into potential additional costs, such as lead shielding code changes, prior to Board meeting. |
| 6. CAPITAL BUDGET REVIEW The 2016 Capital Budget is in progress and will be presented to the Finance Committee in July and to the Board in August. | <i>Jensen</i> | Inform | |
| | Mr. Jensen said the capital requests would be prioritized and brought back to the FC in July. | | |

| AGENDA ITEM | DISCUSSION | ACTIONS | FOLLOW-UP |
|---|---|--|-----------|
| 7. FINANCIAL REPORT FOR THE MONTH ENDING MAY 31, 2015 | <i>Jensen</i> | Inform/Action | |
| | Mr. Jensen reported that gross patient revenue was under budget by \$533, 802 primarily due to significant changes in payer mix. Cash was over by \$605, 164. Cash on hand was at 17 days. A/P was at 34.5 days. He also discussed the cash forecast and expected the Hospital to end the fiscal year with \$2.3 million. | Action MOTION by Barclay to approve, 2 nd by Chamberlin. All in favor. | |
| 8. CEO BOARD REPORT JUNE 2015 | <i>Nevins</i> | Inform | |
| | Since Ms. Nevins was absent, the Board report was not discussed. | | |
| 9. ADJOURN/DISCUSSION | <i>Fogg</i> | | |
| | Meeting adjourned at 6:22 pm | | |

4.

FINANCIAL REPORT



To: SVH Finance Committee
From: Ken Jensen, CFO
Date: July 28, 2015
Subject: Financial Report for the Month Ending June 30, 2015

CURRENT MONTH

The month of June's gross patient revenue was favorable to budget by \$2,059,141, this was primarily due to ER gross revenue being over budget by \$1,362,342. As with previous months, there were significant variances in the payer mix compared with budgeted expectations. Medi-Cal was 19.7% (regular and managed care) of gross revenue vs. a budgeted 11.0%. Commercial insurance, which now includes the lower paying Covered California patients, was 20.1% vs. the 24.8% budgeted. The contractual amount was offset by the LIHP – CMSP payment of \$623,866, the matching fee is expensed on Line 32 of the Income Statement in the amount of \$93k. This resulted with net hospital revenue over budget by \$528,628. The actual Net Hospital Revenue would have been unfavorable to budget by (\$95,238) without the LIHP - CMSP revenue.

Expenses were over budget by (\$666,098). The significant variances were salaries & wages due to a higher case mix (\$146,621), employee benefits costs for unemployment insurance and pension benefits (\$99,250), professional fees due to a true-up of the hospitalist guaranteed income (\$184,079), purchased services mostly due to IT costs (\$125,208) and depreciation expense (\$34,224). The variance in matching fees (\$93,579) is due to a payment to CMSP for the LIHP program.

After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the net loss for June was (\$448,664) vs. a budgeted net loss of (\$100,622). The loss was offset by a year-end true-up to the GO Bond income in the amount of \$549,550. The total net income for June after all activity was \$139,208 vs. a budgeted net loss of (\$4,393).

FISCAL YEAR END

The Fiscal Year ended with a net income of \$684,551 vs. a budgeted net of \$1,309,054 after accounting for all activity. However, EBIDA ended up at \$1,971,952, or 3.8% vs. the prior year at \$857,024, or 1.7%. Accounts Payable at year end was \$3,085,034 vs. \$5,893,464 at the end of last year. Cash at June 30, 2015 was \$2,435,080 vs. \$1,626,337 at June 30, 2014. Although budgeted targets were not met, the overall financial position of the hospital improved.

Below is a summary of significant variances for the month of June:

GROSS REVENUE was favorable to budget \$ 2,059,141
Inpatient revenue was unfavorable to budget by (\$122,231) and
SNF was unfavorable by (\$79,649). Outpatient revenue was
favorable to budget by \$893,354 and ER revenue was above

budget by \$1,362,342. In addition to volume, the ER has experienced a shift to higher levels of care that has contributed to the increased revenues. Home Health was over budget with a variance of \$5,325.

Deductions from revenue are unfavorable to budget due to increased gross revenue and significant changes in payer mix this month compared to budget. Overall, Medi-Cal was 19.7% of gross revenue vs. a budget of 11.0% and Commercial insurances accounted for 20.1% of gross revenue vs. a budget of 24.8%. The deductions from revenue were offset by the LIHP - CMSP revenue of \$623,866. The actual deductions before the LIHP - CMSP payment were \$15,494,848 or unfavorable to budget by (\$2,085,159). \$ (1,461,293)

Risk Contract Revenue was under budget due to a decrease in Napa State patients in June. \$ (69,220)

Other Revenue was under budget due to the true-up of the E.H.R. Revenue received in January and the write-off of the accrued Medi-Cal E.H.R. revenue of \$80,000 that we are not expecting to receive. \$ (139,080)

Total Operating Revenue Variance \$ 389,548

Total Staffing costs were over budget Productive FTE's were 273 vs. a budget of 261. Total FTE's were under budget by 13.0. Due to increased volume and a higher case mix, the following departments were over budget; Labor and Delivery with 24 births (\$44,932), SNF (\$21,581), Surgery (\$11,552), and Lab (\$11,918). Physical Therapy was over in agency fees by (\$15,422). The average hourly rate was over budget by (\$1.16) \$ (146,621)

Employee benefits were over budget due to PTO use over budgeted expectations (\$25,427), a required increase in the accrual of the State Unemployment insurance reserve of (\$25,000), and employee pension and health insurance costs (\$23,237). \$ (99,250)

Professional fees were over budget due to a true-up of hospitalists guaranteed income from FY 2013 and FY 2014 per contract. \$ (184,079)

Purchased services are over budget primarily due to IT (\$103,328), which includes the cost of terminating a software maintenance agreement with McKesson (\$62,225). \$ (125,208)

Depreciation costs were over budget due to the purchase of two ultrasound machines and the finalization \$ (34,224)

of CIP accounts.

| | |
|--|----------------------------|
| Matching fees were over budget due to the payment to CMSP for the LIHP - CMSP program | \$ (93,579) |
| All Other Operating Expenses were under budget | \$ 16,863 |
| Total Expense Variance | <u>\$ (666,098)</u> |
| Total Operating Margin Variance | \$ (276,550) |
| Non-Operating Income was unfavorable to budget due to the year-end true up of Parcel Tax revenue. | \$ (71,492) |
| Capital Campaign and Restricted Contributions was unfavorable to budget | <u>\$ (80,233)</u> |
| Net Variance | <u><u>\$ (428,275)</u></u> |

The net loss was (\$442,647) vs. a budgeted net loss of (\$14,372). After accounting for GO bond activity (which interest cost were better than budget by \$22,326) and the year-end true-up of reserves held for GO Bond payments per BNY Bank statement received in the amount of \$549,550, the aggregated net income was \$139,208 vs. a budgeted net loss of (\$4,393).

Patient Volumes – June

| | ACTUAL | BUDGET | VARIANCE | PRIOR YEAR |
|--------------------|----------|---------|----------|------------|
| Acute Discharges | 97 | 92 | -5 | 91 |
| Newborn Discharges | 24 | 9 | 15 | 11 |
| Acute Patient Days | 357 | 344 | 13 | 362 |
| SNF Patient Days | 669 | 532 | 137 | 613 |
| Home Care Visits | 1,014 | 1,033 | -19 | 992 |
| OP Gross Revenue | \$12,065 | \$9,804 | \$2,261 | \$10,111 |
| Surgical Cases | 122 | 121 | 1 | 121 |

Overall Payer Mix – June

| | ACTUAL | BUDGET | VARIANCE | YTD ACTUAL | YTD BUDGET | VARIANCE |
|--------------|--------|--------|----------|------------|------------|----------|
| Medicare | 46.9% | 50.1% | -3.2% | 47.2% | 50.2% | -3.0% |
| Medi-Cal | 19.7% | 11.0% | 8.7% | 18.8% | 11.3% | 7.5% |
| Self Pay | 1.2% | 3.6% | -2.4% | 1.5% | 3.4% | -1.9% |
| Commercial | 20.1% | 24.8% | -4.7% | 20.6% | 24.6% | -4.0% |
| Managed MC | 6.6% | 4.4% | 2.2% | 5.8% | 4.4% | 1.4% |
| Workers Comp | 2.6% | 3.2% | -0.6% | 3.2% | 3.2% | 0.0% |
| Capitated | 2.9% | 2.9% | 0.0% | 2.9% | 2.9% | 0.0% |
| Total | 100.0% | 100.0% | | 100.0% | 100.0% | |

Cash Activity for June:

For the month of June the cash collection goal was \$3,666,931 and the Hospital collected \$3,337,600, or under the goal by (\$329,331). The year-end cash goal was \$41,948,101 and the Hospital has collected \$42,019,180, or over the goal by \$71,079. The cash collection goal is based upon net hospital revenue from 90 days ago. Days of cash on hand are 16 days at June 30, 2015. Accounts Receivable increased from May, from 43.1 days to 46.7 days in June. Accounts Payable is up by \$466,746 from May. Accounts Payable days are at 40.1. Total Accounts Payable at the beginning of the fiscal year was \$5,893,464 and at the end of fiscal year June 30, 2015 Accounts Payable is \$3,085,034, a decrease of \$2,808,430.

Year End June 30, 2015:

The Hospital's fiscal year-end June 30, 2015 EBIDA is 3.8%. At fiscal year June 30, 2015 the gross patient revenue is over budget by \$6,440,251 with the ER gross revenue over budget by \$10,621,633. The fiscal year-end June 30, 2015 revenue deductions were unfavorable to budget by (\$5,249,088) which includes \$2,358,879 in prior year adjustments (IGT, RAC settlement, and CMSP), without the prior year adjustments the variance would be (\$7,607,967). This is primarily due to significant variances in the payer mix vs. budgeted expectations. Medi-Cal was 18.8% (regular and managed care) of gross revenue vs. a budgeted 11.3%. Commercial insurance, which now includes the lower paying Covered California patients, was 20.6% vs. the 24.6% budgeted. At fiscal year end June 30, 2015 expenses are over budget by (\$2,554,505). This amount includes \$120,000 of prior year expenses, the IGT and CMSP program fees of \$916,592, guaranteed income from previous years for our hospitalists group of \$278,158 and \$1,239,755 in operating expenses. Significant variances included in the \$1,239,755 are attributable to inaccurate forecasting in anesthesia, Prima, utilities, hospitalists, lab, IT services and increased volume.



**Sonoma Valley Hospital
Sonoma Valley Health Care District
June 30, 2015 Financial Report**

**Finance Committee
July 28, 2015**

Patient Volumes

Month of June 30, 2015

| | Actual | Budget | Variance | Prior Year |
|--------------------|--------|--------|----------|------------|
| Acute Discharges | 97 | 92 | 5 | 91 |
| Newborn Discharges | 24 | 9 | 15 | 11 |
| Acute Patient Days | 357 | 344 | 13 | 362 |
| SNF Patient Days | 669 | 532 | 137 | 613 |
| Home Care Visits | 1,014 | 1,033 | -19 | 992 |
| OP Gross Revenue | 12,065 | 9,804 | 2,261 | 10,111 |

Summary Statement of Revenues and Expenses Month of June 30, 2015

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>Percentage</u> | <u>Prior Year</u> |
|--|---------------|---------------|-----------------|-------------------|-------------------|
| 1Total Operating Revenue | \$ 4,499,482 | \$ 4,109,934 | \$ 389,548 | 9% | \$ 4,619,195 |
| 2Total Operating Expenses | \$ 5,103,424 | \$ 4,437,326 | \$ (666,098) | -15% | \$ 4,903,272 |
| 3Operating Margin | \$ (603,942) | \$ (327,392) | \$ (276,550) | -84% | \$ (284,077) |
| 4NonOperating Rev/Exp | \$ 155,278 | \$ 226,770 | \$ (71,492) | -32% | \$ 309,310 |
| 5Net Income before Rest.Cont. & GO Bond | \$ (448,664) | \$ (100,622) | \$ (348,042) | 346% | \$ 25,233 |
| 6Restricted Contribution | \$ 6,017 | \$ 86,250 | \$ (80,233) | -93% | \$ - |
| Net Income with Restricted 7Contributions | \$ (442,647) | \$ (14,372) | \$ (428,275) | 2980% | \$ 25,233 |
| 8Total GO Bond Rev/Exp | \$ 581,855 | \$ 9,979 | \$ 571,876 | 5731% | \$ 61,012 |
| 9Net Income with GO Bond | \$ 139,208 | \$ (4,393) | \$ 143,601 | -3269% | \$ 86,245 |
| 10EBIDA before Restricted Contributions | \$ (95,407) | \$ 257,240 | \$ (352,647) | | \$ 790,109 |
| 11EBIDA before Restricted Cont. % | -2% | 6% | -8% | | 17% |

Summary Statement of Revenues and Expenses Year to Date June 30, 2015 (12 months)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>Percentage</u> | <u>Prior Year</u> |
|--|----------------|----------------|-----------------|-------------------|-------------------|
| 1Total Operating Revenue | \$ 51,559,510 | \$ 51,292,472 | \$ 267,038 | 1% | \$ 50,842,342 |
| 2Total Operating Expenses | \$ 56,413,920 | \$ 53,859,415 | \$ (2,554,505) | -5% | \$ 54,922,343 |
| 3Operating Margin | \$ (4,854,410) | \$ (2,566,943) | \$ (2,287,467) | -89% | \$ (4,080,001) |
| 4NonOperating Rev/Exp | \$ 2,807,427 | \$ 2,721,196 | \$ 86,231 | 3% | \$ 2,256,497 |
| Net Income before Rest.Cont. & 5GO Bond | \$ (2,046,983) | \$ 154,253 | \$ (2,201,236) | -1427% | \$ (1,823,503) |
| 6Restricted Contribution | \$ 1,151,829 | \$ 1,035,000 | \$ 116,829 | 11% | \$ 3,757,073 |
| Net Income with Restricted 7Contributions | \$ (895,154) | \$ 1,189,253 | \$ (2,084,407) | -175% | \$ 1,933,570 |
| 8Total GO Bond Rev/Exp | \$ 1,579,704 | \$ 119,801 | \$ 1,459,903 | 1219% | \$ 1,046,709 |
| 9Net Income with GO Bond | \$ 684,551 | \$ 1,309,054 | \$ (624,503) | -48% | \$ 2,980,279 |
| EBIDA before Restricted 10Contributions | \$ 1,971,952 | \$ 4,448,762 | \$ (2,476,810) | | \$ 857,024 |
| 11EBIDA before Restricted Cont. % | \$ 51,559,510 | \$ 51,292,472 | \$ 267,038 | 1% | \$ 50,842,342 |

Operating Revenues

Month of June 30, 2015

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>Percentage</u> | <u>Prior Year</u> |
|--------------------------------|---------------|---------------|-----------------|-------------------|-------------------|
| REVENUE | | | | | |
| NET PATIENT REVENUE | | | | | |
| 1 Acute Inpatient | \$ 1,137,040 | \$ 1,398,736 | \$ (261,696) | -19% | \$ 1,746,669 |
| 2 Skilled Nursing Facility | \$ 422,172 | \$ 318,600 | \$ 103,572 | 33% | \$ 327,039 |
| 3 Outpatient and Emergency | \$ 2,080,703 | \$ 1,965,931 | \$ 114,772 | 6% | \$ 2,579,085 |
| 4 HomeCare | \$ 238,089 | \$ 247,351 | \$ (9,262) | -4% | \$ 193,944 |
| 5 Community Benefit (Charity) | \$ (97,000) | \$ (23,946) | \$ (73,054) | -305% | \$ (34,000) |
| 6 Bad Debt Expense | \$ (60,000) | \$ (159,650) | \$ 99,650 | 62% | \$ 750,000 |
| 7 Prior Period Adjustment | \$ 623,866 | \$ - | \$ 623,866 | 100% | \$ (1,300,000) |
| 8 TOTAL NET PATIENT REVENUE | \$ 4,344,870 | \$ 3,747,022 | \$ 597,848 | 16% | \$ 4,262,737 |
| RISK CONTRACTS | | | | | |
| 9 Capitation Revenue | \$ 157,754 | \$ 170,139 | \$ (12,385) | -7% | \$ 169,618 |
| 10 Napa State Hospital Revenue | \$ 61,287 | \$ 118,122 | \$ (56,835) | -48% | \$ 108,782 |
| 11 TOTAL RISK CONTRACTS | \$ 219,041 | \$ 288,261 | \$ (69,220) | -24% | \$ 278,400 |
| 12 OTHER OP. REVENUE | \$ (64,429) | \$ 74,651 | \$ (139,080) | -186% | \$ 78,057 |
| 13 TOTAL HOSPITAL NET REVENUE | \$ 4,499,482 | \$ 4,109,934 | \$ 389,547 | 9% | \$ 4,619,195 |

Revenue Variances

- Total Operating Revenue was favorable to budget by \$2,059,141
- Overall inpatient volume was favorable to budget by 5 discharges and inpatient surgeries were over budget by 7 cases, and had a payer mix with higher Medi-Cal and less Commercial than budgeted.
- Outpatient visits were over budget by 137 visits and outpatient surgeries were under budget by (6), and had a payer mix with higher Medi-Cal and less Commercial than budgeted.
- Emergency Room volume was over budget by 112 visits.
- Skilled Nursing Home volume was over budget by 137 days.
- Home Care was under budget by (19) visits.

Operating Expenses

Month of June 30, 2015

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>Percentage</u> | <u>Prior Year</u> |
|---|---------------|---------------|-----------------|-------------------|-------------------|
| OPERATING EXPENSES | | | | | |
| 1 Salary and Wages and Agency | \$ 2,090,616 | \$ 1,943,995 | \$ (146,621) | -8% | \$ 2,123,468 |
| 2 Employee Benefits | \$ 851,926 | \$ 752,676 | \$ (99,250) | -13% | \$ 855,857 |
| 3 Total People Cost | \$ 2,942,542 | \$ 2,696,671 | \$ (245,871) | -9% | \$ 2,979,325 |
| 4 Medical and Prof Fees (excl'd Agency) | \$ 516,516 | \$ 332,437 | \$ (184,079) | -55% | \$ 265,384 |
| 5 Supplies | \$ 458,137 | \$ 452,579 | \$ (5,558) | -1% | \$ 401,810 |
| 6 Purchased Services | \$ 459,661 | \$ 334,453 | \$ (125,208) | -37% | \$ 458,824 |
| 7 Depreciation | \$ 306,411 | \$ 272,187 | \$ (34,224) | -13% | \$ 311,850 |
| 8 Utilities | \$ 87,861 | \$ 80,568 | \$ (7,293) | -9% | \$ 87,176 |
| 9 Insurance | \$ 19,255 | \$ 20,000 | \$ 745 | 4% | \$ 18,887 |
| 10 Interest | \$ 46,846 | \$ 85,675 | \$ 38,829 | 45% | \$ 15,201 |
| 11 Other | \$ 266,195 | \$ 162,756 | \$ (103,439) | -64% | \$ 364,814 |
| 12 TOTAL OPERATING EXPENSE | \$ 5,103,424 | \$ 4,437,326 | \$ (666,098) | -15% | \$ 4,903,272 |

Expense Variances

Total operating expenses were over budget by (\$666,098)

- Total productivity FTE's were over budget by (11.4) and Salaries and Agency fees were over budget by (\$146,621) . Total FTE's were over budget by (2.9).
- Employee Benefits are over budget by (\$99,250) due to an increased accrual for state unemployment tax, an increase in PTO over budgeted expectations, and a higher cost of employee health insurance than budgeted .
- Professional fees were over budget by (\$184,079) due to a true-up of hospitalists costs per FY 2013 and FY 2014 contracts.
- Purchased Services are over budget by (\$125,208) due to IT costs.
- Depreciation is over budget by (\$34,224) due to the new ultrasound machine and the completion of projects.

Non-Operating Revenue and Expenses

Month of June 30, 2015

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> | <u>Percentage</u> | <u>Prior Year</u> |
|---|---------------|---------------|-----------------|-------------------|-------------------|
| NON OPERATING | | | | | |
| 1Miscellaneous Revenue | \$ 14,515 | \$ 937 | \$ 13,578 | 1449% | \$ 32,092 |
| 2 Donations Professional Center / Phys | \$ - | \$ 10,000 | \$ (10,000) | 0% | \$ - |
| 3Recruitment | \$ - | \$ - | \$ - | 0% | \$ - |
| 4 Physician Practice Support - Prima | \$ (37,500) | \$ (34,167) | \$ (3,333) | 0% | \$ (39,000) |
| 5 Tax Assessment Revenue-Parcel Tax | \$ 178,263 | \$ 250,000 | \$ (71,737) | -29% | \$ 316,218 |
| 6 NON-OPERATING REV/EXP | \$ 155,278 | \$ 226,770 | \$ (71,492) | -32% | \$ 309,310 |
| 7Capital Campaign Contribution | \$ 6,017 | \$ 86,250 | \$ (80,233) | -93% | \$ - |
| 8Restricted Foundation Contribution | \$ - | \$ - | \$ - | 0% | \$ - |
| 9 Tax Assessment Revenue - GO Bond | \$ 699,785 | \$ 150,235 | \$ 549,550 | 366% | \$ 300,021 |
| 10 GO Bond Interest | \$ (117,930) | \$ (140,256) | \$ 22,326 | -16% | \$ (239,009) |
| 11TOTAL NON-OPERATING REV/EXP | \$ 743,150 | \$ 322,999 | \$ 420,151 | 130% | \$ 370,322 |

**SONOMA VALLEY HOSPITAL
OPERATING INDICATORS
For the month ended June, 2015**

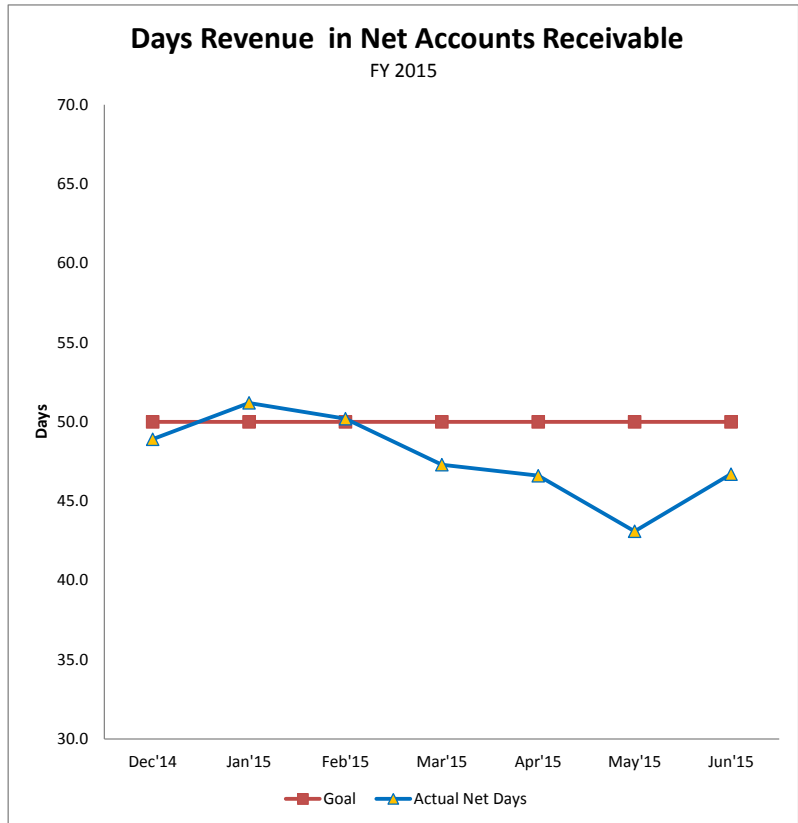
| | CURRENT MONTH | | | YEAR-TO-DATE | | | |
|--------------------------------------|--------------------|--------------------|--|--------------------|--------------------|--|---------------------------|
| | Actual 06/30/15 | Budget 06/30/15 | Favorable (Unfavorable) Variance | Actual 06/30/15 | Budget 06/30/15 | Favorable (Unfavorable) Variance | Prior Year 06/30/14 |
| Inpatient Utilization | | | | | | | |
| Discharges | | | | | | | |
| 1 Acute | 83 | 78 | 5 | 1,032 | 1,058 | (26) | 968 |
| 2 ICU | 14 | 14 | - | 182 | 175 | 7 | 200 |
| 3 Total Discharges | 97 | 92 | 5 | 1,214 | 1,233 | (19) | 1,168 |
| 4 Newborn | 24 | 9 | 15 | 173 | 141 | 32 | 151 |
| 5 Total Discharges inc. Newborns | 121 | 101 | 20 | 1,387 | 1,374 | 13 | 1,319 |
| Patient Days: | | | | | | | |
| 6 Acute | 262 | 239 | 23 | 3,178 | 3,297 | (119) | 3,161 |
| 7 ICU | 95 | 105 | (10) | 1,227 | 1,284 | (57) | 1,180 |
| 8 Total Patient Days | 357 | 344 | 13 | 4,405 | 4,581 | (176) | 4,341 |
| 9 Newborn | 54 | 17 | 37 | 332 | 267 | 65 | 289 |
| 10 Total Patient Days inc. Newborns | 411 | 361 | 50 | 4,737 | 4,848 | (111) | 4,630 |
| Average Length of Stay: | | | | | | | |
| 11 Acute | 3.2 | 3.1 | 0.1 | 3.1 | 3.1 | (0.0) | 3.3 |
| 12 ICU | 6.8 | 7.5 | (0.7) | 6.7 | 7.3 | (0.6) | 5.9 |
| 13 Avg. Length of Stay | 3.7 | 3.7 | (0.1) | 3.6 | 3.7 | (0.1) | 3.7 |
| 14 Newborn ALOS | 2.3 | 1.9 | 0.4 | 1.9 | 1.9 | (0.0) | 1.9 |
| Average Daily Census: | | | | | | | |
| 15 Acute | 8.7 | 8.0 | 0.8 | 8.7 | 9.0 | (0.3) | 8.7 |
| 16 ICU | 3.2 | 3.5 | (0.3) | 3.4 | 3.5 | (0.2) | 3.2 |
| 17 Avg. Daily Census | 11.9 | 11.5 | 0.4 | 12.1 | 12.6 | (0.5) | 11.9 |
| 18 Newborn | 1.8 | 0.6 | 1.2 | 0.91 | 0.73 | 0.2 | 0.79 |
| Long Term Care: | | | | | | | |
| 19 SNF Patient Days | 669 | 532 | 137 | 7,350 | 7,339 | 11 | 7,564 |
| 20 SNF Discharges | 26 | 24 | 2 | 333 | 334 | (1) | 348 |
| 21 Average Daily Census | 22.3 | 17.7 | 4.6 | 20.1 | 20.1 | 0.0 | 20.7 |
| Other Utilization Statistics | | | | | | | |
| Emergency Room Statistics | | | | | | | |
| 22 Total ER Visits | 846 | 734 | 112 | 10,508 | 9,206 | 1,302 | 9,280 |
| Outpatient Statistics: | | | | | | | |
| 23 Total Outpatients Visits | 4,423 | 4,286 | 137 | 56,464 | 51,748 | 4,716 | 51,978 |
| 24 IP Surgeries | 35 | 28 | 7 | 383 | 390 | (7) | 390 |
| 25 OP Surgeries | 87 | 93 | (6) | 1,182 | 1,203 | (21) | 1,203 |
| 26 Special Procedures | 20 | 24 | (4) | 380 | 384 | (4) | 415 |
| 27 Home Health Visits | 1,014 | 1,033 | (19) | 13,447 | 12,499 | 948 | 11,399 |
| 28 Adjusted Discharges | 331 | 271 | 59 | 3,914 | 3,520 | 395 | 3,525 |
| 29 Adjusted Patient Days (Inc. SNF) | 2,757 | 2,045 | 713 | 29,762 | 26,795 | 2,967 | 27,624 |
| 30 Adj. Avg. Daily Census (Inc. SNF) | 91.9 | 68.2 | 23.8 | 81.5 | 73.4 | 8.1 | 75.7 |
| 31 Case Mix Index -Medicare | 1.7608 | 1.4000 | 0.361 | 1.5476 | 1.4000 | 0.148 | 1.4799 |
| 32 Case Mix Index - All payers | 1.5270 | 1.4000 | 0.127 | 1.4996 | 1.4000 | 0.100 | 1.4034 |
| Labor Statistics | | | | | | | |
| 33 FTE's - Worked | 273 | 261 | (11.4) | 271 | 268 | (2.7) | 279 |
| 34 FTE's - Paid | 309 | 296 | (13.0) | 305 | 302 | (2.3) | 312 |
| 35 Average Hourly Rate | 39.63 | 38.47 | (1.16) | 38.81 | 38.22 | (0.59) | 37.38 |
| 36 Manhours / Adj. Pat Day | 19.1 | 24.7 | 5.6 | 21.3 | 23.5 | 2.2 | 23.5 |
| 37 Manhours / Adj. Discharge | 159.6 | 186.4 | 26.8 | 161.9 | 178.7 | 16.8 | 183.9 |
| 38 Benefits % of Salaries | 25.4% | 23.8% | -1.6% | 24.0% | 23.3% | -0.7% | 22.8% |
| Non-Labor Statistics | | | | | | | |
| 39 Supply Expense % Net Revenue | 10.0% | 11.2% | 1.2% | 11.2% | 11.3% | 0.2% | 11.9% |
| 40 Supply Exp. / Adj. Discharge | 1,386 | 1,670 | 283 | 1,458 | 1,623 | 164 | 1,671 |
| 41 Total Expense / Adj. Discharge | 15,910 | 16,887 | 976 | 14,905 | 15,781 | 876 | 16,015 |
| Other Indicators | | | | | | | |
| 42 Days Cash - Operating Funds | 16.2 | | | | | | |
| 43 Days in Net AR | 46.7 | 50.0 | (3.3) | 47.8 | 50.0 | (2.2) | 49.2 |
| 44 Collections % of Net Revenue | 91% | | | 100% | | | 101.8% |
| 45 Days in Accounts Payable | 40.1 | 60.0 | (19.9) | 40.1 | 60.0 | (19.9) | 62.5 |
| 46 % Net revenue to Gross revenue | 23.8% | 23.5% | 0.2% | 23.1% | 23.4% | -0.4% | 24.4% |
| 47 % Net AR to Gross AR | 23.7% | | | 23.7% | | | 22.5% |

Sonoma Valley Health Care District
Balance Sheet
As of June 30, 2015

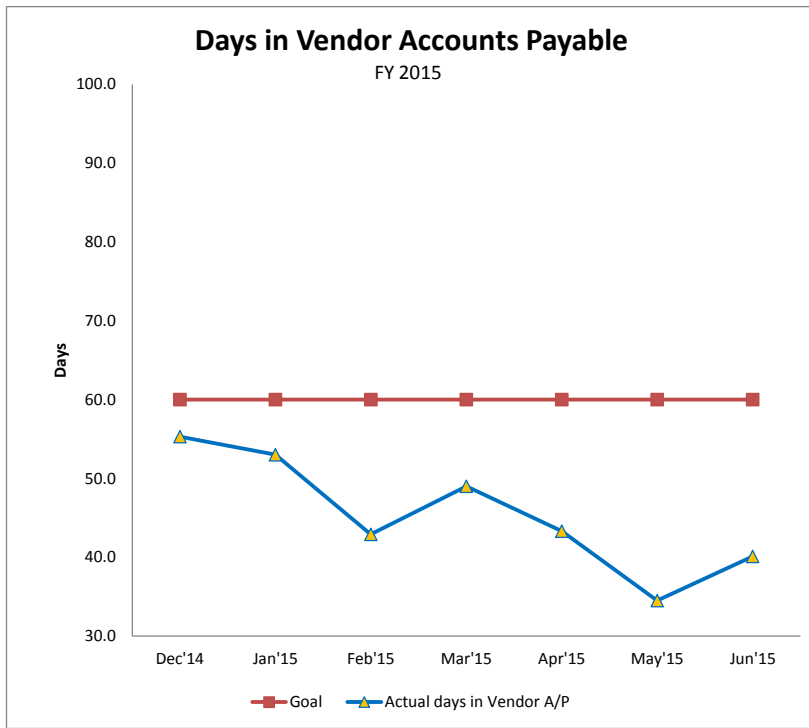
| | <u>Current Month</u> | <u>Prior Month</u> | <u>Prior Year</u> |
|--|----------------------|----------------------|----------------------|
| Assets | | | |
| Current Assets: | | | |
| 1 | \$ 2,435,080 | \$ 2,530,812 | \$ 1,626,337 |
| 2 | 3,021,372 | 1,825,643 | 1,637,914 |
| 3 | 7,304,545 | 6,541,310 | 7,998,223 |
| 4 | (535,554) | (744,236) | (965,414) |
| 5 | 6,768,991 | 5,797,074 | 7,032,809 |
| 6 | 2,124,304 | 3,155,208 | 7,427,688 |
| 7 | 586,871 | 645,037 | 1,672,553 |
| 8 | - | - | - |
| 9 | 835,426 | 762,638 | 760,222 |
| 10 | 670,890 | 733,051 | 816,422 |
| 11 | <u>\$ 16,442,934</u> | <u>\$ 15,449,463</u> | <u>\$ 20,973,945</u> |
| 12 | \$ - | \$ - | \$ - |
| 13 | 54,905,310 | 55,089,671 | 24,548,373 |
| 14 | - | - | 31,801,877 |
| 15 | - | - | 4,024,455 |
| 16 | - | - | - |
| 17 | 239,529 | 240,092 | (2,789,506) |
| 18 | 143,321 | 143,321 | 200,063 |
| 19 | <u>\$ 71,731,094</u> | <u>\$ 70,922,547</u> | <u>\$ 78,759,207</u> |
| Liabilities & Fund Balances | | | |
| Current Liabilities: | | | |
| 20 | \$ 3,085,034 | \$ 2,618,288 | \$ 5,893,464 |
| 21 | 3,885,265 | 3,713,733 | 3,547,764 |
| 22 | 589,645 | 471,716 | 520,286 |
| 23 | 1,132,829 | 1,269,616 | 1,543,039 |
| 24 | 1,702,194 | 816,536 | 317,105 |
| 25 | - | 743,018 | 5,849,985 |
| 26 | 1,496,385 | 1,550,434 | 1,510,435 |
| 27 | 5,923,734 | 5,923,734 | 4,973,734 |
| 28 | 522,905 | 460,523 | 201,448 |
| 29 | <u>\$ 18,337,991</u> | <u>\$ 17,567,598</u> | <u>\$ 24,357,261</u> |
| 30 | \$ 39,087,923 | \$ 39,188,977 | \$ 40,783,715 |
| Fund Balances: | | | |
| 32 | \$ 12,254,805 | \$ 12,121,614 | \$ 12,442,444 |
| 33 | 2,050,375 | 2,044,358 | 1,175,787 |
| 34 | <u>\$ 14,305,180</u> | <u>\$ 14,165,972</u> | <u>\$ 13,618,231</u> |
| 35 | <u>\$ 71,731,094</u> | <u>\$ 70,922,547</u> | <u>\$ 78,759,207</u> |

Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended June 2015

| | Month | | | | Year-To- Date | | | | YTD Prior Year | |
|-------------------------------|---|-----------------|-----------------|-------------|---------------|------------------|------------------|-------------|-------------------|------------------|
| | This Year | | Variance | | This Year | | Variance | | | |
| | Actual | Budget | \$ | % | Actual | Budget | \$ | % | | |
| Volume Information | | | | | | | | | | |
| 1 | Acute Discharges | 97 | 92 | 5 | 5% | 1,214 | 1,233 | (19) | -2% | 1,168 |
| 2 | SNF Days | 669 | 532 | 137 | 26% | 7,350 | 7,339 | 11 | 0% | 7,564 |
| 3 | Home Care Visits | 1,014 | 1,033 | (19) | -2% | 13,447 | 12,499 | 948 | 8% | 11,399 |
| 4 | Gross O/P Revenue (000's) | 12,065 | 9,804 | 2,261 | 23% | \$ 133,767 | \$ 119,394 | 14,373 | 12% | \$ 115,392 |
| Financial Results | | | | | | | | | | |
| Gross Patient Revenue | | | | | | | | | | |
| 5 | Inpatient | \$ 4,943,668 | \$ 5,065,899 | (122,231) | -2% | \$ 63,018,325 | \$ 65,806,308 | (2,787,983) | -4% | \$ 59,360,911 |
| 6 | Outpatient | 7,170,455 | 6,277,101 | 893,354 | 14% | 80,162,097 | 76,741,811 | 3,420,286 | 4% | 74,405,807 |
| 7 | Emergency | 4,572,561 | 3,210,219 | 1,362,342 | 42% | 49,445,264 | 38,823,631 | 10,621,633 | 27% | 37,497,696 |
| 8 | SNF | 2,207,112 | 2,286,761 | (79,649) | -3% | 24,585,733 | 29,730,876 | (5,145,143) | -17% | 28,164,374 |
| 9 | Home Care | 322,056 | 316,731 | 5,325 | 2% | 4,160,036 | 3,828,579 | 331,457 | 9% | 3,488,560 |
| 10 | Total Gross Patient Revenue | \$ 19,215,852 | \$ 17,156,711 | 2,059,141 | 12% | \$ 221,371,456 | \$ 214,931,205 | 6,440,251 | 3% | \$ 202,917,347 |
| Deductions from Revenue | | | | | | | | | | |
| 11 | Contractual Discounts | \$ (15,337,848) | \$ (13,226,093) | (2,111,755) | -16% | \$ (174,116,445) | \$ (165,693,578) | (8,422,867) | -5% | \$ (157,223,736) |
| 12 | Bad Debt | (60,000) | (159,650) | 99,650 | 62% | (1,175,000) | (2,000,000) | 825,000 | 41% | (1,458,255) |
| 13 | Charity Care Provision | (97,000) | (23,946) | (73,054) | * | (310,100) | (300,000) | (10,100) | -3% | (269,250) |
| 14 | Prior Period Adjustments | 623,866 | - | 623,866 | 0% | 2,358,879 | - | 2,358,879 | 0% | 2,107,929 |
| 15 | Total Deductions from Revenue | \$ (14,870,982) | \$ (13,409,689) | (1,461,293) | 11% | \$ (173,242,666) | \$ (167,993,578) | (5,249,088) | 3% | \$ (156,843,312) |
| 16 | Net Patient Service Revenue | \$ 4,344,870 | \$ 3,747,022 | 597,848 | 16% | \$ 48,128,790 | \$ 46,937,627 | 1,191,163 | 3% | \$ 46,074,035 |
| 17 | Risk contract revenue | \$ 219,041 | \$ 288,261 | (69,220) | -24% | \$ 2,991,896 | \$ 3,459,033 | (467,137) | -14% | \$ 3,398,449 |
| 18 | Net Hospital Revenue | \$ 4,563,911 | \$ 4,035,283 | 528,628 | 13% | \$ 51,120,686 | \$ 50,396,660 | 724,026 | 1% | \$ 49,472,484 |
| 19 | Other Op Rev & Electronic Health Records | \$ (64,429) | \$ 74,651 | (139,080) | 186% | \$ 438,824 | \$ 895,812 | (456,988) | -51% | \$ 1,369,859 |
| 20 | Total Operating Revenue | \$ 4,499,482 | \$ 4,109,934 | 389,548 | 9% | \$ 51,559,510 | \$ 51,292,472 | 267,038 | 1% | \$ 50,842,342 |
| Operating Expenses | | | | | | | | | | |
| 21 | Salary and Wages and Agency Fees | \$ 2,090,616 | \$ 1,943,995 | (146,621) | -8% | \$ 24,596,986 | \$ 24,038,412 | (558,574) | -2% | \$ 24,236,612 |
| 22 | Employee Benefits | 851,926 | 752,676 | (99,250) | -13% | 9,472,238 | 9,102,798 | (369,440) | -4% | 8,931,585 |
| 23 | Total People Cost | \$ 2,942,542 | \$ 2,696,671 | (245,871) | -9% | \$ 34,069,224 | \$ 33,141,210 | (928,014) | -3% | \$ 33,168,197 |
| 24 | Med and Prof Fees (excl Agency) | \$ 516,516 | \$ 332,437 | (184,079) | -55% | \$ 4,386,266 | \$ 3,864,194 | (522,072) | -14% | \$ 4,994,119 |
| 25 | Supplies | 458,137 | 452,579 | (5,558) | -1% | 5,708,494 | 5,710,441 | 1,947 | 0% | 5,891,744 |
| 26 | Purchased Services | 459,661 | 334,453 | (125,208) | -37% | 4,232,618 | 3,771,137 | (461,481) | -12% | 4,838,144 |
| 27 | Depreciation | 306,411 | 272,187 | (34,224) | -13% | 3,508,397 | 3,266,365 | (242,032) | -7% | 2,339,876 |
| 28 | Utilities | 87,861 | 80,568 | (7,293) | -9% | 1,077,820 | 966,805 | (111,015) | -11% | 961,882 |
| 29 | Insurance | 19,255 | 20,000 | 745 | 4% | 231,060 | 240,000 | 8,940 | 4% | 226,650 |
| 30 | Interest | 46,846 | 85,675 | 38,829 | 45% | 510,538 | 1,028,144 | 517,606 | 50% | 340,651 |
| 31 | Other | 172,616 | 162,756 | (9,860) | -6% | 1,772,911 | 1,871,119 | 98,208 | 5% | 1,515,140 |
| 32 | Matching Fees | 93,579 | - | (93,579) | * | 916,592 | - | (916,592) | * | 645,940 |
| 33 | Operating expenses | \$ 5,103,424 | \$ 4,437,326 | (666,098) | -15% | \$ 56,413,920 | \$ 53,859,415 | (2,554,505) | -5% | \$ 54,922,343 |
| 34 | Operating Margin | \$ (603,942) | \$ (327,392) | (276,550) | -84% | \$ (4,854,410) | \$ (2,566,943) | (2,287,467) | -89% | \$ (4,080,001) |
| Non Operating Rev and Expense | | | | | | | | | | |
| 35 | Miscellaneous Revenue | \$ 14,515 | \$ 937 | 13,578 | 1449% | \$ 280,577 | \$ 11,200 | 269,377 | * | \$ (105,817) |
| 36 | Donations | - | 10,000 | (10,000) | -100% | 48,587 | 120,000 | (71,413) | 60% | 3,374 |
| 37 | Physician Practice Support-Prima | (37,500) | (34,167) | (3,333) | 10% | (450,000) | (410,004) | (39,996) | 10% | (604,413) |
| 38 | Parcel Tax Assessment Rev | 178,263 | 250,000 | (71,737) | -29% | 2,928,263 | 3,000,000 | (71,737) | -2% | 2,963,353 |
| 39 | Total Non-Operating Rev/Exp | \$ 155,278 | \$ 226,770 | (71,492) | -32% | \$ 2,807,427 | \$ 2,721,196 | 86,231 | 3% | \$ 2,256,497 |
| 40 | Net Income / (Loss) prior to Restricted Contributions | \$ (448,664) | \$ (100,622) | (348,042) | 346% | \$ (2,046,983) | \$ 154,253 | (2,201,236) | -1427% | \$ (1,823,503) |
| 41 | Capital Campaign Contribution | \$ 6,017 | \$ 86,250 | (80,233) | -93% | \$ 756,340 | \$ 1,035,000 | (278,660) | -27% | \$ 3,757,073 |
| 42 | Restricted Foundation Contributions | \$ - | \$ - | - | 0% | \$ 395,489 | \$ - | 395,489 | 100% | \$ - |
| 43 | Net Income / (Loss) w/ Restricted Contributions | \$ (442,647) | \$ (14,372) | (428,275) | 2980% | \$ (895,154) | \$ 1,189,253 | (2,084,407) | -175% | \$ 1,933,570 |
| 44 | GO Bond Tax Assessment Rev | 699,785 | 150,235 | 549,550 | 366% | 3,058,443 | 1,802,886 | 1,255,557 | 70% | 1,975,604 |
| 45 | GO Bond Interest | (117,930) | (140,256) | 22,326 | -16% | (1,478,739) | (1,683,085) | 204,346 | -12% | (928,895) |
| 46 | Net Income/(Loss) w GO Bond Activity | \$ 139,208 | \$ (4,393) | 143,601 | -3269% | \$ 684,551 | \$ 1,309,054 | (624,503) | -48% | \$ 2,980,279 |
| | EBIDA | \$ (95,407) | \$ 257,240 | | | \$ 1,971,952 | \$ 4,448,762 | | | \$ 857,024 |
| | | -2.1% | 6.3% | | | 3.8% | 8.7% | | | 1.7% |



| Days in A/R | Dec'14 | Jan'15 | Feb'15 | Mar'15 | Apr'15 | May'15 | Jun'15 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|
| Actual days in A/R | 48.9 | 51.2 | 50.2 | 47.3 | 46.6 | 43.1 | 46.7 |
| Goal | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |



| Days in A/P | Dec'14 | Jan'15 | Feb'15 | Mar'15 | Apr'15 | May'15 | Jun'15 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|
| Actual days in Vendor A/P | 55.3 | 53.0 | 42.9 | 49.0 | 43.3 | 34.5 | 40.1 |
| Goal | 60.0 | 60.0 | 60.0 | 60.0 | 60.0 | 60.0 | 60.0 |

Sonoma Valley Hospital
Statistical Analysis
FY 2015

| Statistics | ACTUAL | BUDGET |
|--|----------|---------|
| | Jun-15 | Jun-15 |
| Acute | | |
| Acute Patient Days | 357 | 344 |
| Acute Discharges (w/o Newborns) | 97 | 92 |
| SNF Days | | |
| SNF Days | 669 | 532 |
| HHA Visits | | |
| HHA Visits | 1,014 | 1,033 |
| Emergency Room Visits | | |
| Emergency Room Visits | 846 | 734 |
| Gross Outpatient Revenue (000's) | | |
| Gross Outpatient Revenue (000's) | \$12,065 | \$9,804 |
| Equivalent Patient Days | | |
| Equivalent Patient Days | 2,757 | 2,045 |
| Births | | |
| Births | 24 | 9 |
| Surgical Cases - Inpatient | | |
| Surgical Cases - Inpatient | 35 | 28 |
| Surgical Cases - Outpatient | | |
| Surgical Cases - Outpatient | 87 | 93 |
| Total Surgical Cases | | |
| Total Surgical Cases | 122 | 121 |
| Medicare Case Mix Index | | |
| Medicare Case Mix Index | 1.76 | 1.40 |
| Income Statement | | |
| Net Revenue (000's) | 4,564 | 4,035 |
| Operating Expenses (000's) | 5,103 | 4,437 |
| Net Income (000's) | 139 | (4) |
| Productivity | | |
| Total Operating Expense Per Equivalent Patient Day | \$1,851 | \$2,170 |
| Productive FTEs | 273 | 261 |
| Non-Productive FTE's | 36 | 35 |
| Total FTEs | 309 | 296 |
| FTEs per Adjusted Occupied Bed | 3.36 | 4.34 |
| Balance Sheet | | |
| Days of Expense In General Operating Cash | 16 | |
| Net Days of Revenue in AR | 47 | 50 |

| ACTUAL | | | | | | | | | | | | |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| May-15 | Apr-15 | Mar-15 | Feb-15 | Jan-15 | Dec-14 | Nov-14 | Oct-14 | Sep-14 | Aug-14 | Jul-14 | Jun-14 | May-14 |
| 373 | 378 | 401 | 372 | 390 | 406 | 364 | 363 | 291 | 376 | 335 | 362 | 358 |
| 97 | 95 | 113 | 98 | 104 | 111 | 96 | 107 | 87 | 104 | 105 | 91 | 100 |
| 626 | 487 | 669 | 607 | 654 | 596 | 580 | 527 | 597 | 687 | 651 | 613 | 605 |
| 963 | 1,154 | 1,232 | 1,109 | 1,097 | 1,103 | 1,090 | 1,319 | 1,111 | 1,109 | 1,146 | 992 | 1,135 |
| 943 | 876 | 954 | 845 | 988 | 824 | 761 | 863 | 851 | 868 | 889 | 867 | 909 |
| \$10,719 | \$11,237 | \$11,839 | \$10,541 | \$11,804 | \$10,084 | \$10,956 | \$11,748 | \$11,149 | \$10,410 | \$10,879 | \$10,111 | \$10,237 |
| 2,432 | 2,255 | 2,579 | 2,455 | 2,667 | 2,227 | 2,457 | 2,347 | 2,603 | 2,510 | 2,447 | 2,433 | 2,461 |
| 11 | 7 | 16 | 11 | 11 | 18 | 15 | 13 | 21 | 9 | 16 | 11 | 16 |
| 33 | 33 | 34 | 33 | 22 | 31 | 30 | 35 | 30 | 41 | 26 | 28 | 32 |
| 85 | 111 | 103 | 103 | 107 | 86 | 88 | 120 | 92 | 92 | 109 | 93 | 110 |
| 118 | 144 | 137 | 136 | 129 | 117 | 118 | 155 | 122 | 133 | 135 | 121 | 142 |
| 1.69 | 1.71 | 1.42 | 1.46 | 1.46 | 1.42 | 1.41 | 1.52 | 1.51 | 1.65 | 1.56 | 1.76 | 1.47 |
| 4,137 | 4,100 | 4,175 | 4,618 | 4,448 | 4,080 | 3,861 | 4,641 | 3,727 | 4,422 | 4,261 | 4,563 | 3,853 |
| 4,698 | 4,875 | 4,783 | 5,046 | 4,634 | 4,472 | 4,457 | 4,629 | 4,461 | 4,778 | 4,626 | 4,854 | 4,486 |
| 74 | 96 | (59) | (104) | 202 | 87 | 102 | 338 | (289) | 134 | (37) | 567 | (240) |
| \$1,932 | \$2,162 | \$1,854 | \$2,055 | \$1,738 | \$2,008 | \$1,814 | \$1,972 | \$1,714 | \$1,903 | \$1,890 | \$1,995 | \$1,823 |
| 278 | 276 | 284 | 278 | 246 | 258 | 278 | 272 | 267 | 274 | 268 | 266 | 276 |
| 29 | 28 | 26 | 25 | 53 | 42 | 25 | 32 | 36 | 32 | 42 | 37 | 32 |
| 307 | 304 | 310 | 303 | 299 | 300 | 303 | 304 | 303 | 305 | 309 | 303 | 309 |
| 3.91 | 4.05 | 3.79 | 3.46 | 3.48 | 4.12 | 3.93 | 4.01 | 3.49 | 3.77 | 3.92 | 3.74 | 3.89 |
| 17 | 20 | 15 | 12 | 17 | 13 | 9 | 11 | 14 | 12 | 14 | 7 | 8 |
| 43 | 47 | 47 | 48 | 51 | 49 | 51 | 51 | 48 | 45 | 46 | 47 | 46 |

Sonoma Valley Hospital
Cash Forecast
FY 2016

| | Actual Jun | Forecast July | Forecast Aug | Forecast Sept | Forecast Oct | Forecast Nov | Forecast Dec | Forecast Jan | Forecast Feb | Forecast Mar | Forecast Apr | Forecast May | Forecast Jun | Forecast TOTAL |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| Sources | | | | | | | | | | | | | | |
| 1 Patient Payments Collected | 3,661,436 | 3,832,156 | 3,778,006 | 4,197,427 | 4,047,606 | 3,826,862 | 4,087,498 | 3,655,056 | 3,802,298 | 4,150,064 | 3,647,515 | 4,378,154 | 3,820,488 | 50,884,567 |
| 2 Capitation Revenue | 157,754 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 171,184 | 2,211,962 |
| 3 Napa State | | | 600,000 | 93,430 | 93,430 | 93,430 | 93,430 | 93,430 | 93,430 | 93,430 | 93,430 | 93,430 | 93,430 | 1,534,300 |
| 4 Other Operating Revenue | 82,994 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 14,458 | 256,490 |
| 5 Other Non-Operating Revenue | 933 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 13,657 | 164,817 |
| 6 Unrestricted Contributions | - | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 60,000 |
| 7 Line of Credit | | | (225,000) | | | | | | | | | | | (225,000) |
| 8 Restricted Donations | | | | | | | | | | | | | | - |
| 9 Loan/Lease Proceeds | | | | | | | | | | | | | | - |
| 10 Parcel Tax Revenue | | 121,381 | | | | | 1,500,000 | | | | 1,250,000 | | | 2,871,381 |
| Other: | | | | | | | | | | | | | | - |
| 11 LIHP | | 623,866 | | | | | | | | | | | | 623,866 |
| 12 IGT (Net) | 454,284 | | | | 400,000 | | | | | | 450,000 | | | 1,304,284 |
| 13 IGT - AB915 (Net) | | | | | | | | | 600,000 | | | 300,000 | | 900,000 |
| Total Sources | 4,357,401 | 4,781,702 | 4,357,305 | 4,495,156 | 4,745,335 | 4,124,591 | 5,885,227 | 3,952,785 | 4,700,027 | 4,447,793 | 5,645,244 | 4,975,883 | 4,118,217 | 60,586,666 |
| Uses | | | | | | | | | | | | | | |
| 14 Operating Expenses | 4,160,354 | 4,727,318 | 4,147,595 | 4,427,885 | 4,615,261 | 4,460,472 | 4,619,528 | 4,243,025 | 4,438,019 | 4,973,795 | 4,588,664 | 4,764,065 | 4,352,593 | 58,518,574 |
| Less Depreciation | | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (283,132) | (3,397,584) |
| 15 Add Capital Lease Payments | 92,045 | 218,307 | 86,999 | 76,452 | 228,509 | 126,571 | 150,653 | 214,722 | 89,935 | 97,192 | 90,250 | 216,289 | 92,045 | 1,779,969 |
| 16 Additional AP | 93,579 | 283,340 | | | | | 1,000,000 | | | | 1,250,000 | | | 2,626,919 |
| 17 Capital - Board Approved Spending | 107,155 | | | | | | | | | | | | | 107,155 |
| 18 Napa State | | | 655,940 | | | | | | | | | | | 655,940 |
| Total Uses | 4,453,133 | 4,945,833 | 4,607,402 | 4,221,205 | 4,560,638 | 4,303,911 | 5,487,049 | 4,174,615 | 4,244,822 | 4,787,855 | 5,645,782 | 4,697,222 | 4,161,506 | 60,290,973 |
| Net Sources/Uses | (95,733) | (164,132) | (250,097) | 273,951 | 184,697 | (179,319) | 398,178 | (221,830) | 455,205 | (340,062) | (538) | 278,661 | (43,289) | |
| Cash and Equivalents at beginning of period | 2,530,812 | 2,435,080 | 2,270,948 | 2,020,852 | 2,294,803 | 2,479,500 | 2,300,181 | 2,698,358 | 2,476,528 | 2,931,733 | 2,591,670 | 2,591,133 | 2,869,794 | |
| Cash and Equivalents at end of period | 2,435,080 | 2,270,948 | 2,020,852 | 2,294,803 | 2,479,500 | 2,300,181 | 2,698,358 | 2,476,528 | 2,931,733 | 2,591,670 | 2,591,133 | 2,869,794 | 2,826,505 | \$ 2,026,505 |
| | | | | | | | | | | | | | | \$ 800,000 |

YTD Cash Goal Available Cash
\$ 2,026,505 \$ 800,000 Note #1

Note #1 - \$800,000 reserved for board approved capital during FY 2016.

Sonoma Valley Hospital
Long Term Cash Forecast
FY 2015

| | July - Dec 2014 | Actual Jan | Actual Feb | Actual Mar | Actual Apr | Forecast May | Forecast Jun | Forecast July | Forecast Aug | Forecast Sept | Forecast Oct | Forecast Nov | Forecast Dec | Forecast TOTAL |
|--|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|
| Sources | | | | | | | | | | | | | | |
| 1 Patient Payments Collected | 23,765,111 | 3,670,606 | 3,434,793 | 4,315,265 | 3,725,278 | 4,144,498 | 3,827,022 | 4,298,162 | 4,189,245 | 4,297,006 | 4,036,393 | 3,848,236 | 3,809,022 | 71,360,636 |
| 2 Capitation Revenue | 1,033,731 | 156,206 | 170,065 | 163,141 | 165,208 | 162,909 | 118,122 | 170,135 | 170,135 | 170,135 | 170,135 | 170,135 | 170,135 | 2,990,192 |
| 3 Napa State | 800,000 | 600,000 | - | 200,000 | | | 170,139 | 118,117 | 118,117 | 118,117 | 118,117 | 118,117 | 118,117 | 2,478,841 |
| 4 Other Operating Revenue | 313,138 | 106,207 | 69,036 | 68,800 | 52,434 | 105,181 | 15,965 | 15,965 | 15,965 | 15,965 | 15,965 | 15,965 | 15,965 | 826,551 |
| 5 Other Non-Operating Revenue | 22,301 | 2,531 | - | 1,303 | 4,731 | 6,330 | 933 | 933 | 933 | 933 | 933 | 933 | 933 | 43,727 |
| 6 Unrestricted Contributions | 145,205 | 230 | - | 1,728 | | | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 217,163 |
| 7 Line of Credit | 500,000 | | 575,000 | | (350,000) | | (225,000) | | | | | | | 500,000 |
| 8 Restricted Donations | - | | | | | | | | | | | | | - |
| 9 Loan/Lease Proceeds | 41,110 | | | | | | | | | | | | | 41,110 |
| 10 Parcel Tax Revenue | 1,727,772 | | | | 1,157,853 | | | | | | | | 1,500,000 | 4,385,625 |
| Other: | - | | | | | | | | | | | | | - |
| 11 LIHP | - | | | | | | | 623,000 | | | | | | 623,000 |
| 12 AT&T Lease | 57,000 | | | | | | | | | | | | | 57,000 |
| 13 PG&E | 49,542 | | | | | | | | | | | | | 49,542 |
| 14 Electronic Health Record | - | 548,594 | | | | | | | | | | | | 548,594 |
| 15 RAC Settlement | 316,756 | | | | | | | | | | | | | 316,756 |
| 16 IGT | 1,049,453 | | | | 1,043,598 | | 454,284 | | | | 400,000 | | | 2,947,335 |
| 17 IGT - AB915 | - | | 603,729 | | | 320,613 | | | | | | | | 924,342 |
| Total Sources | 29,821,118 | 5,084,374 | 4,852,623 | 4,750,237 | 5,799,102 | 4,739,531 | 4,371,465 | 5,236,312 | 4,504,395 | 4,612,156 | 4,751,543 | 4,163,386 | 5,624,172 | 88,310,414 |
| Uses | | | | | | | | | | | | | | |
| 18 Operating Expenses | 17,600,396 | 2,463,732 | 3,802,616 | 2,879,666 | 2,705,801 | 3,659,098 | 4,472,502 | 4,143,057 | 5,050,225 | 4,114,739 | 4,912,909 | 4,728,714 | 3,903,322 | 64,436,776 |
| 19 Salaries | 8,470,444 | 1,295,566 | 1,352,362 | 1,335,152 | 1,957,107 | 1,306,911 | | | | | | | | 15,717,541 |
| Less Depreciation | - | - | | | | | (272,198) | (272,198) | (272,198) | (272,198) | (272,198) | (272,198) | (272,198) | (1,905,386) |
| 20 Add Capital Lease Payments | 887,490 | 214,722 | 89,935 | 97,192 | 90,250 | 216,289 | 199,446 | 218,307 | 86,999 | 76,452 | 228,509 | 126,571 | 150,653 | 2,682,815 |
| 21 Additional AP | 2,572,086 | 128,054 | 378,608 | | 249,607 | | | | | | | | 1,500,000 | 4,828,355 |
| 22 Capital - Board Approved Spending | 93,895 | - | | | | | 148,950 | | | 200,000 | | | 200,000 | 642,845 |
| 23 Napa State | - | 295,532 | | | | | | 655,941 | | | | | | 951,473 |
| Total Uses | 29,624,311 | 4,397,606 | 5,623,521 | 4,312,010 | 5,002,765 | 5,182,298 | 4,548,700 | 4,745,107 | 4,865,026 | 4,118,993 | 4,869,220 | 4,583,086 | 5,481,777 | 87,354,419 |
| Net Sources/Uses | 196,807 | 686,769 | (770,898) | 438,227 | 796,337 | (442,767) | (177,235) | 491,206 | (360,631) | 493,163 | (117,678) | (419,700) | 142,395 | |
| Cash and Equivalents at beginning of period | 1,626,337 | 1,823,144 | 2,509,913 | 1,739,015 | 2,177,242 | 2,973,579 | 2,530,812 | 2,353,577 | 2,844,783 | 2,484,152 | 2,977,315 | 2,859,638 | 2,439,938 | |
| Cash and Equivalents at end of period | 1,823,144 | 2,509,913 | 1,739,015 | 2,177,242 | 2,973,579 | 2,530,812 | 2,353,577 | 2,844,783 | 2,484,152 | 2,977,315 | 2,859,638 | 2,439,938 | 2,582,333 | YTD Cash Goal 2,007,768 |
| | | | | | | | | | | | | | | 574,565 |

* These sources of income are not in the 2015 budget
note 1: In April 2015 the IGT was received for \$1,043,598, of which \$350k was paid back to the LOC and the remaining \$225k was used to participate in the next IGT and will be paid back in June
note 2: This presumes the Hospital will not receive anymore IGT monies.
note 3: July through Decembers are not budgeted numbers, but a 3% increase from last FY actual.

5.

**SCHEDULE OF
INSURANCE
POLICIES**



2015 - 2016 Renewal - Schedule of Insurance Policies

| Line of Coverage | Carrier Partner | Policy Period | Limits | Deductible | 2014-2015 Expiring Premium | 2015-2016 Premium |
|---|-----------------------|-----------------|---------------|-------------|----------------------------|-------------------------|
| Professional & General Liability (Hospital) | BETA Healthcare Group | 7/1/15 - 7/1/16 | \$15,000,000 | \$5,000 | \$199,307 | \$226,801 |
| Professional & General Liability (ER Docs) | BETA Healthcare Group | 7/1/15 - 7/1/16 | \$1M/\$3M | \$5,000 | \$36,402 | \$48,036 |
| Director & Officers Liability | BETA Healthcare Group | 7/1/15 - 7/1/16 | \$3,000,000 | \$10,000 | \$27,489 | \$26,402 |
| Employment Practices Liability | BETA Healthcare Group | 7/1/15 - 7/1/16 | Shared in 3M | \$25,000 | Inc. in D&O | Incl. in D&O |
| Auto | BETA Healthcare Group | 7/1/15 - 7/1/16 | \$6,000,000 | \$250/\$500 | \$1,688 | \$1,688 |
| Property Insurance | Alliant HARPP Program | 7/1/15 - 7/1/16 | \$125,000,000 | \$25,000 | \$51,030 | \$55,658 |
| Network Privacy/Security (Data Breach) | Alliant HARPP Program | 7/1/15 - 7/1/16 | \$2,000,000 | \$25,000 | Inc. in Property | Incl. in Property |
| Crime | CHIP | 7/1/15 - 7/1/16 | \$1,000,000 | \$25,000 | \$3,315 | \$3,315 |
| Fiduciary Liability | RLI Insurance Co. | 7/1/15 - 7/1/16 | \$1,000,000 | \$5,000 | \$3,477 | \$3,777 |
| Workers' Compensation | Safety National | 7/1/15 - 7/1/16 | Statutory | \$500,000 | \$86,526 | \$101,764 |
| <u>Gross SVH Insurance Premium Total</u> | | | | | <u>\$409,234</u> | <u>\$467,441</u> |
| Subtract BETA Renewal Dividend | | | | | \$55,760 | \$13,177 |
| Subtract BETA Special Dividend (August) | | | | | \$75,281 | \$26,429 |
| Subtract Valley Emergency Billing | | | | | \$36,402 | \$48,036 |
| <u>Net SVH Insurance Premium Total</u> | | | | | <u>\$241,791</u> | <u>\$379,799</u> |

Billing – BETA PL/GL for both hospital and ED are billed monthly. All other insurance premiums are due within 30 days of policy inception.

Sonoma Valley Hospital
 Attached: 2015 - 2016 Schedule of Insurance Policies

| | FY 2015 | FY 2016 | |
|------------------------|--------------------------|--------------------------|--------------------|
| Total Premium | \$ 409,234 | \$ 467,441 | |
| Less Emergency Doctors | <u>(36,402)</u> | <u>(48,036)</u> | |
| Hospital Portion | \$ 372,832 | \$ 419,405 | Or 12% (budget 7%) |
| Less Dividends | <u>(131,041)</u> | <u>(39,606)</u> | |
| Net Hospital Cost | <u><u>\$ 241,791</u></u> | <u><u>\$ 379,799</u></u> | |

The increased premiums and reduction in dividends related to the hospital's experience factors, caused an increase of \$138,008 in the premiums. The amount budgeted is \$259,000, therefore the budget shortfall is \$120,799.

6.

**PROPOSAL TO
AMEND CPS
AGREEMENT**



To: SVHCD Board Finance Committee
DATE: Tuesday, July 28, 2015
RE: Proposal to Amend Comprehensive Pharmacy Services (CPS) Agreement

BACKGROUND

In February 2011, Sonoma Valley Hospital (SVH) entered into a five year Agreement with Comprehensive Pharmacy Services (CPS) to manage its pharmacy. The current Agreement provides no certainty on the total costs. The basic provisions of the current Agreement are:

- SVH pays \$115,200 annually for oversight
- SVH pays salary and benefits totaling \$234,500 for the Pharmacy Director employed by CPS
- SVH pays for and maintains the pharmacy inventory
- On an adjusted patient day formula, SVH and CPS share drug cost savings, which at a 50-50 split the Hospital paid an addition \$160,000. Some specific drugs are excluded.
- The annual drug spend approximates \$1.6 million

BUDGET GOAL

As part of Hospital budget discussions, management set a goal to save \$100,000 and opened discussions with CPS. CPS was inclined to keep the current arrangement for the balance of the contract. CPS was advised that the current arrangement was not satisfactory and the contract as it stands may not be renewed once it expires in 2016. CPS proposed a “Capitated Plan” saving SVH about \$90,000 per year.

CPS PROPOSAL

- The current Agreement term will be amended to add five more years beginning July 1, 2015 (four years if you consider that the current Agreement expires in 2016).
- SVH will have an option to terminate agreement with no penalty at end of three years
- CPS will receive a capitated payment of \$48.33 per adjusted patient day
- CPS will take the risk of any increased cost of drugs and will be responsible for managing and paying invoices. SVH will no longer be obligated to pay for drugs.
- Certain low volume and very expensive drugs will be excluded from the capitation
- SVH will continue to own the current inventory

PROJECTED SAVINGS

| | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 |
|--------------------------|----------|----------|----------|----------|----------|
| Current Projected Spend | \$1.550k | \$1,650k | \$1,700k | \$1,780k | \$1,850k |
| Proposed Projected Spend | \$1,460k | \$1,560k | \$1,610k | \$1,680 | \$1,750k |
| Yearly Savings | \$ 90k | \$ 90k | \$ 90k | \$ 100k | \$ 100k |

RECOMMENDATION

Management’s recommendation is to accept the CPS proposal.

AMENDMENT #2 TO PHARMACY SERVICE AGREEMENT

This amendment, entered this 1st day of July 2015, is entered into by and between Sonoma Valley Hospital (hereinafter "HOSPITAL"), and Comprehensive Pharmacy Services, Inc. (hereinafter "CPS"), supplements and amends the Pharmacy Service Agreement (the "Agreement") previously entered into between the parties on January 24, 2011 and Amendment #1 to Agreement previously entered into between the parties on February 11, 2011. The changes within this Amendment are effective as of July 1, 2015.

WHEREAS, the parties have previously entered into the Agreement; and

WHEREAS, the parties now desire to amend the terms of the Agreement;

NOW, THEREFORE, for and in consideration of the mutual promises contained herein, and for other good and valuable consideration, the sufficiency of which is herein acknowledged, the parties do hereby agree as follows:

1. Paragraph 3.1 is deleted with paragraphs 2.15 and 2.16 added to the Agreement:

- 2.15 As an agent of the HOSPITAL and utilizing the HOSPITAL's registrations and permits, CPS shall order and maintain an inventory of drugs on behalf of the HOSPITAL, appropriate for the proper operation of the Pharmacy. In doing so, CPS shall comply with all applicable California and Federal laws and regulations which are in effect as of the date of Agreement or which or which become effective during the term hereof. CPS shall order the above referenced inventory of Drugs using HOSPITAL contracts, where appropriate. HOSPITAL will retain ownership of the initial inventory of drugs in the Pharmacy. Upon CPS's commencement of operations, the parties will have, at shared expense by HOSPITAL and CPS, an independent inventory service take an inventory of the merchandise ("the Opening Inventory") and prepare an inventory report as of the date of the Opening Inventory. The value of the Inventory shall be determined based upon the HOSPITAL's GPO contract pricing in effect on the Effective Date of the Agreement. In addition, the parties agree that an inventory of the merchandise shall be taken semi-annually, thereafter, and upon the termination or expiration date of this Agreement (Closing Inventory). The inventory service shall determine the value of the inventory utilizing the contract pricing which will be used to purchase medications throughout the term of this Agreement. The cost of these inventories shall be shared by HOSPITAL and CPS. HOSPITAL shall be responsible for payment for all pharmaceuticals purchased and received prior to the Effective Date. Upon termination of this Agreement, the parties shall reconcile the Closing Inventory of the non-exclusion drugs as set forth in Section 6.3 herein. HOSPITAL recognizes that CPS will use the inventory in the operation of the pharmacy and the value and character of the inventory may change during the normal activity of the Pharmacy through sales and additional purchases made by CPS on behalf of HOSPITAL. The parties agree that an inventory of the pharmaceuticals shall be taken by an independent inventory service semi-annually (to occur on or about June 30th and December 31st of each year).
- 2.16 CPS shall be entitled to retain any rebates or other discounts related to non-excluded pharmaceuticals purchased on behalf of the HOSPITAL. HOSPITAL shall be entitled to retain any rebates received for Exclusion pharmaceuticals. Respective

to cooperative rebate/incentive programs, should changes and/or enhancements to such programs alter the economic basis of this Agreement, then both parties shall renegotiate in good faith to maintain an economic equivalent. In the event there are significant changes, reductions or increases initiated by HOSPITAL in pharmaceutical contract pricing through HOSPITAL's current GPO, Premier, or distributor, etc. in which CPS has no involvement, responsibility, etc., then both parties agree to renegotiate in good faith to maintain an economic equivalent. Rebate checks from pharmaceutical suppliers payable to HOSPITAL for purchases paid for by CPS during the term of this Agreement, shall be signed over to CPS as soon as received.

2. Paragraph 4.1 of the Agreement is deleted.
3. Paragraphs 4.3, 4.4, 4.5, 4.7 of the Agreement are amended with the following language substituted in its place:

- 4.3 As compensation for the services provided by CPS as outlined under section 2 of the Agreement and for pharmaceuticals furnished to inpatients, emergency room patients or for outpatients, HOSPITAL shall pay to CPS a monthly fee equal to **\$48.33** (the "Capitated Fee") per adjusted patient day ("APD"). Adjusted patient days is determined by taking the total pharmacy revenue divided by the inpatient pharmacy revenue, then multiplying the quotient by the actual inpatient days for each month. Patient days will exclude Newborns.

$$\text{APD} = \frac{\text{Total Pharmacy Revenue}}{\text{Inpatient Pharmacy Revenue}} \times \text{Patient Days}$$

- 4.4 The Capitated Fee will automatically be increased or decreased annually beginning July 2016 by the percentage change in the Medical Care Index of Hospitals and Related Services of the Consumer Price index over the change in the base index for the preceding year. Changes will be effective starting July 2016 and first of each July thereafter using the May indexes. The May 2015 index for purposes of this contract will be considered the base index.
 - 4.5 In the event additional responsibilities are added or services required are expanded or increased that alters the economic basis of this Agreement, then both parties shall renegotiate in good faith to maintain an economic equivalent. New programs, expanded hours or services added after the commencement of this Agreement and/or significant changes to HOSPITAL's length of stay or Case Mix Index will result in changes to the Agreement commencing upon mutual written agreement of the parties.
 - 4.7 CPS will exclude from the Capitated Fee drugs and or drug classes listed on Attachment A (the "Exclusion Drugs"). In addition, Pharmacy Revenue associated with Exclusion Drugs will be removed from revenues prior to calculating Adjusted Patient Days reference in Section 4.3. The cost of Exclusion Drugs will be passed through to HOSPITAL at CPS's actual acquisition cost (invoice cost).
4. Paragraph 5.1 is amended with the following language substituted in its place:
 - 5.1 This Agreement shall become effective July 1, 2015 (the "Effective Date") and shall continue through June 30, 2020 (the "Renewal Term"). At least 120 days prior to the end of the Renewal Term, should either HOSPITAL or CPS desire to

renegotiate the Agreement, such party shall notify in writing the other thereof. If not terminated as provided herein, the Agreement shall automatically be extended year to year thereafter.

5. Paragraph 6.3 is amended with the following language substituted in its place:

Effect of Termination: Upon expiration or sooner termination per of this Agreement, HOSPITAL and CPS shall immediately make an estimated final accounting, and make final payment of estimated amounts due to CPS or HOSPITAL on the 5th (fifth) business day of the last month of service. In the event termination is as a result of breach hereof by HOSPITAL or CPS, payment shall be made by cashiers or certified check. Any adjustments to the estimated final accounting shall be made and paid within thirty (30) days of the termination date. Both parties agree that each shall utilize their best efforts, in conjunction with the other party, to result in a smooth transition of services, should this Agreement terminate for reason herein or expire.

In addition to the payments above, at the shared expense, the parties shall have an independent inventory service take an inventory of the pharmaceuticals (the Closing Inventory) and prepare an inventory report of the Net Cost of the Closing Inventory. The Closing Inventory shall exclude in-transit drugs. The value of the inventory shall be determined based upon the HOSPITAL's GPO contract pricing in effect on the date the physical inventory is performed. Within ten (10) days after receipt of such report, the parties shall settle the balance due for inventory as follows: If the Closing non-exclusion drug inventory is greater than the Opening non-exclusion drug Inventory as set forth in Section 2.15, then HOSPITAL shall pay to CPS the difference. If the Closing non-exclusion drug inventory is less than the Opening non-exclusion drug Inventory, then CPS shall pay to HOSPITAL the difference.

6. Attachment A is amended with the following additional exclusion drugs:

Monoclonal Antibody: Remicaid
Antibiotic: Daptomycin

7. Attachment D is added to the Agreement.

8. All other provisions of the Agreement remain unchanged.

IN WITNESS WHEREOF, the parties have affixed their signature below.

COMPREHENSIVE PHARMACY SERVICES, INC.

By: _____
Don, Nickleson, Chief Executive Officer

Date: _____

SONOMA VALLEY HOSPITAL

By: _____
Kelly Mather, Chief Executive Officer

Date: _____

Attachment D

7.

**CEO BOARD
REPORT JULY
2015**



To: SVH BOARD FINANCE COMMITTEE
From: Kelly Mather
Date: 7/28/15
Subject: Administrative Report

Financial Summary

Fiscal Year 2015 is coming to a close. While we will not meet the challenging budget we set for ourselves in spring of 2014, we have a positive EBIDA of \$2,067,360. The effect of the Affordable Care Act was underestimated as our current payer mix for Medi-Cal is now over 20% and our commercial payer mix has dropped from 24% to 17.5% in May. The commercial business continues to decrease across the State of California. Several outpatient modalities and services have significantly increased over last year, including the MRI. The Skilled Nursing Facility census is now closer to the prior years, but we have purposely made some changes in this department to ensure there is a positive contribution. We averaged 13.5 births for this fiscal year, which is slightly higher than expected. Accounts receivable is the lowest we've ever had at 43 days, which far exceeds our goals. Cash on hand continues above 15 days for the year. In conclusion, SVH is in a much better financial position than it has been in years. We have achieved this position all the while attending to years of deferred maintenance, adding a costly but necessary Electronic Health Record, and managing through the costs of major construction. I'm happy to report that we have now replaced almost every piece of necessary equipment, including very expensive radiology equipment.

Dashboard Results

The inpatient satisfaction took a dip in April due to a very low number of returned surveys. We will go to a rolling three-month average in the future dashboards and have raised the goal for next fiscal year. Emergency patient satisfaction continues to be very good, especially now that we are getting more surveys returned. Staff forums were well attended and many are now saying that they feel optimistic about our future and were not surprised by how high the staff satisfaction scores were this year. The physicians were also presented with a financial and strategic plan overview and the partnership seems more positive. Dr. Paul Amara has completed his two years of service as the Chief of Staff and our new Chief of Staff will be Dr. Keith Chamberlin. Dr. Amara was the leader during a very challenging time for the Hospital and his calm and balanced style was always appreciated.

Strategic Update

When we review our strengths, weaknesses, opportunities and threats at SVH – it has become clear that we have added some new strengths. Excellent patient satisfaction in Emergency, Inpatient and Home Care, very high Staff satisfaction, excellent quality and safety outcomes compared to the hospitals across the nation, physician loyalty and partnership, efficiency, community support and philanthropy. Our weaknesses continue to be that we are a small hospital in a small community. While we have a good market share in every area except for surgery, it will likely always be difficult to be financially viable due to the size and isolation of our valley. Opportunities in the next year include connection with a major North Bay hospital partner, new payment models with our excellent and mindful physicians, population health projects, grants, and determining the best master campus plan. The decrease in the commercial market and the increase in Medi-Cal, as well as the increased market share for Kaiser, is a major threat. In addition, the continued increase in regulatory requirements and the government's continued decreases in payments have almost become unsustainable.

MAY DASHBOARD

| PILLAR | PERFORMANCE GOAL | METRIC | ACTUAL RESULT | GOAL LEVEL |
|---------------------------|-------------------------------------|--|--|---|
| Service Excellence | Highly satisfied Inpatients | Maintain at least 5 out of 8 HCAHPS domain results above the 50 th percentile | 4 out of 8 in April | >7 = 5 (stretch) 6 = 4 5 = 3 (Goal) 4 = 2 <4=1 |
| Service Excellence | Highly satisfied Emergency Patients | Maintain a year to date average of at least 75 th percentile | 82nd (rolling three month average) | >85th = 5 (stretch) >80th=4 >75th =3 (Goal) <75 th = 2 <70 th = 1 |
| Quality | Excellent Clinical Outcomes | Value Based Purchasing Clinical Score at 68 or higher | 47 | >72 = 5 (stretch) >70 =4 >68 =3 (Goal) >66=2 <66 =1 |
| People | Highly Engaged and Satisfied Staff | Press Ganey percentile ranking of 75 th percentile or higher | 79.6% mean score at 91st percentile | >80 ^m = 5 (stretch) >77th=4 >75th=3 (Goal) >72nd=2 <70 th =1 |
| Finance | Financial Viability | YTD EBIDA | 4.4% | >10% (stretch) >9%=4 >8% (Goal) >7%=2 <7%=1 |
| | Efficiency and Financial Management | Meet FY 2015 Budgeted Expenses | \$51.310,496 (actual) \$49,422,089 (budget) | <2% =5 (stretch) <1% = 4 <Budget=3 (Goal) >1% =2 >2% = 1 |
| Growth | Surgical Cases | Increase surgeries by 2% over prior year | 1443 YTD FY2015 1472 YTD FY2014 | >3% = 5 >2% = 4 >1% = 3 (Goal) |
| | Outpatient & Emergency Volumes | 2% increase (gross outpatient revenue over prior year) | \$117.6 mm YTD \$102.0 mm prior year | >5% = 5 (stretch) >3% = 4 >2% = 3 (Goal) <2% = 2 |
| Community | Community Benefit Hours | Hours of time spent on community benefit activities per year | 1635.5 hours for 11 months | >1500 = 5 >1200 = 4 >1000 = 3 >750 = 2 >500 = 1 |



FY 2015 TRENDED RESULTS

| MEASUREMENT | Goal FY 2015 | Jul 2014 | Aug 2014 | Sep 2014 | Oct 2014 | Nov 2014 | Dec 2014 | Jan 2015 | Feb 2015 | Mar 2015 | Apr 2015 | May 2015 | Jun 2015 |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Inpatient Satisfaction | 5/8 | 5 | 6 | 5 | 6 | 4 | 5 | 3 | 6 | 7 | 4 | | |
| Emergency Satisfaction | >75 th | 79 | 79 | 80 | 76 | 78 | 81 | 82 | 81 | 84 | 83 | | |
| Value Based Purchasing Clinical Score | >68 | 68 | 71 | 70 | 70.88 | 69 | 68 | 78 | 78 | 52 | 47 | | |
| Staff Satisfaction | >75 th | 76 | 76 | 76 | 76 | 76 | 76 | 76 | 91 | 91 | 91 | 91 | 91 |
| FY YTD Turnover | <10% | 1.6 | 1.9 | 2.6 | 3.6 | 4.6 | 4.9 | 5.5 | 6.5 | 7.4 | 7.6 | 8 | |
| YTD EBIDA | >8% | 7 | 7 | 4.9 | 7.3 | 6.5 | 6.7 | 6.9 | 6.2 | 5.4 | 4.7 | 4.2 | |
| Net Operating Revenue | >4.1m | 4.26 | 4.6 | 3.8 | 4.7 | 4.0 | 4.1 | 4.4 | 4.6 | 4.1 | 4.1 | 4.1 | |
| Expense Management | <4.5m | 4.6 | 4.7 | 4.4 | 4.6 | 4.4 | 4.3 | 4.6 | 5.0 | 4.7 | 4.8 | 4.6 | |
| Net Income | >75 | -8 | 35 | -381 | 304 | 67 | -1 | 29 | -211 | -382 | -278 | 74 | |
| Days Cash on Hand | >15 | 14 | 12 | 14 | 11 | 10 | 13 | 17 | 12 | 15 | 20 | 17 | |
| A/R Days | <50 | 47 | 45 | 48 | 51 | 51 | 49 | 53 | 48 | 47 | 47 | 43 | |
| Total FTE's | <301 | 309 | 305 | 303 | 304 | 303 | 300 | 299 | 303 | 310 | 304 | 307 | |
| FTEs/AOB | <4.0 | 3.92 | 3.77 | 3.49 | 4.01 | 4.1 | 4.12 | 4.12 | 3.46 | 3.79 | 4.05 | 3.91 | |
| Inpatient Discharges | >100 | 105 | 104 | 87 | 107 | 96 | 111 | 104 | 98 | 113 | 95 | 97 | |
| Outpatient Revenue | >\$10m | 10.8 | 10.4 | 11.1 | 11.7 | 10.9 | 10.1 | 11.8 | 10.5 | 11.8 | 11.2 | 10.7 | |
| Surgeries | >130 | 135 | 133 | 122 | 155 | 118 | 117 | 129 | 136 | 137 | 144 | 118 | |
| Home Health | >1000 | 1146 | 1109 | 1111 | 1319 | 1090 | 1103 | 1097 | 1109 | 1232 | 1154 | 963 | |
| Births | >15 | 16 | 9 | 21 | 13 | 16 | 18 | 11 | 11 | 16 | 7 | 11 | |
| SNF days | >660 | 651 | 687 | 597 | 527 | 580 | 596 | 654 | 607 | 669 | 487 | 626 | |
| MRI | >120 | 132 | 139 | 143 | 221 | 116 | 100 | 108 | 116 | 157 | 138 | 125 | |
| Cardiology (Echos) | >70 | 49 | 53 | 62 | 67 | 66 | 67 | 62 | 56 | 67 | 61 | 63 | |
| Laboratory | >12.5 | 12.6 | 12.8 | 13.0 | 13.0 | 11.5 | 11.4 | 12.5 | 11.5 | 12.1 | 12.3 | 11.9 | |
| Radiology | >850 | 968 | 988 | 900 | 1047 | 856 | 890 | 1111 | 1053 | 1156 | 1030 | 1014 | |
| Rehab | >2587 | 3030 | 2859 | 2468 | 3028 | 2634 | 3010 | 2478 | 2751 | 3113 | 3063 | 3008 | |
| CT | >300 | 376 | 345 | 323 | 368 | 295 | 316 | 392 | 309 | 347 | 302 | 357 | |
| ER | >800 | 889 | 868 | 851 | 863 | 761 | 824 | 988 | 845 | 769 | 876 | 943 | |
| Mammography | >475 | 414 | 417 | 433 | 605 | 462 | 339 | 487 | 444 | 466 | 497 | 476 | |
| Ultrasound | >325 | 348 | 361 | 367 | 372 | 238 | 299 | 309 | 317 | 357 | 391 | 354 | |
| Occupational Health | >575 | 656 | 678 | 758 | 739 | 602 | 648 | 653 | 588 | 679 | 687 | 573 | |