



**SONOMA VALLEY HEALTH CARE DISTRICT  
BOARD OF DIRECTORS' MEETING**

**AGENDA**

**WEDNESDAY, JULY 25, 2018**

**SPECIAL SESSION 6:00 P.M.**

**BASEMENT CONFERENCE ROOM  
SONOMA VALLEY HOSPITAL  
347 Andrieux Street, Sonoma, CA**

In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Stacey Finn at (707) 935.5004 at least 48 hours prior to the meeting.			
<b>AGENDA ITEM</b>		<b>RECOMMENDATION</b>	
<b>MISSION STATEMENT</b> The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.			
<b>1. CALL TO ORDER</b>		<i>Rymer</i>	
<b>2. PUBLIC COMMENT</b> <i>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 Board 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 Board consideration.</i>		<i>Rymer</i>	
<b>3. FY 2019 AND BEYOND</b>	<i>Pages 2-6</i>	<i>Mather</i>	Inform
<b>4. RECOMMENDATION FOR OB CLOSURE</b>	<i>Pages 7-13</i>	<i>Administration</i>	
<b>5. FY 2019 BUDGET</b>	<i>Pages 14-25</i>	<i>Mather/Jensen/ Nevins</i>	Inform/Action
<b>6. BOARD COMMENTS</b>		<i>Board Members</i>	Inform
<b>7. ADJOURN</b>		<i>Rymer</i>	

3.

FY 2019 AND BEYOND



**Meeting Date:** July 25, 2018  
**Prepared by:** Kelly Mather  
**Agenda Item Title:** FY 2019 and Beyond

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We propose to reinvent Sonoma Valley Hospital this year. Why? The hospital industry is being transformed by healthcare trends that are having a profound impact on community hospitals like ours. Small hospitals are quickly realizing they must reinvent themselves to have a role in this rapidly changing system. It's become clear that a community hospital can no longer try to be all things to all people but must refocus on essential community needs. This means emergency services and the critical services required to support it such as surgery, ICU, pharmacy, diagnostic imaging, and laboratory.

The biggest challenge we face is the rapid shift from inpatient to outpatient services. The combined impacts of dramatic advances in medical treatment and technology, reduced government reimbursement for services, and rising costs are causing a decline in the amount of time that patients spend in hospitals.

To keep our commitment to our community, SVH will focus on how we can maintain the most important and highest utilized service – our Emergency Department. There's no doubt that this service is greatly valued and necessary to ensure that our community has access to the high-quality healthcare it expects. We are streamlining services with emphasis on those that contribute to the Hospital's financial sustainability.

The reality is that a small hospital today cannot continue to provide services that lose money, no matter how good those services are. For several years we've carefully examined each service to determine its financial viability. In the process, we've found that these three services are no longer sustainable despite our best efforts.

**Skilled Nursing.** Our Skilled Nursing Facility is excellent but is very small and is now losing money due to lower reimbursement and fewer patients. It recently experienced a large loss in the past fiscal year and we project worsening performance in the coming year. The fact is, we are one of the few hospitals to still have a skilled nursing facility because it had traditionally contributed to the bottom line and is an excellent service for our community. Unfortunately, our size limits our ability to succeed in this service line. However, good alternatives are readily available as the community has several highly-rated SNFs to choose from.

**Obstetrics.** We know this has been a concern for some in our community. We heard them in 2014 when we raised the possibility of closing obstetrics. Since then, we've worked hard to make this service financially viable. But the continued decline in births locally, reflecting the national trend, has made the situation worse. We have an average of 2 births per week now, which is not sustainable. In FY 2018, the number of births at the hospital dropped for the second

consecutive year, down 35% from 2015 and almost 50% from 2010. We estimate a loss of more than a half-million dollars for OB in the fiscal year ending June 2018.

**Home Health Care.** Our Home Health Care service is another gem and we are pleased to say we are pretty sure we have an alternative to closing this department that will maintain the service in our community and retain staff. We realize this is an important service for many in our community, especially the elderly, and we're in discussion to transfer the service to a large, local and highly respected nonprofit. We do not expect the community will experience any disruption in home care with this transfer.

No hospital wants to be in the position of closing services, especially high-quality services like these, but the financial realities of healthcare today are forcing hard decisions. The increased parcel tax does not cover these shortfalls as it is critical to hospital finances, but it's not intended by itself to make the hospital financially sustainable. We need the parcel tax to supplement State and Federal insurance payments, mainly Medicare and Medi-Cal, which are below the cost of providing hospital services, and help ensure continued local access to hospital emergency room care and other critical services.

Fortunately, we have many services with positive, sustainable margins including surgery, outpatient rehabilitation, outpatient diagnostics, and special procedures such as wound care. Our new plans to combine Inpatient Services on one floor with ICU, Med/Surg and A Woman's Place will result in positive margins for Inpatient Services as well.

Our success depends on physicians. So, we've focused on increasing access to specialist physicians such as Cardiology, Gynecology, Orthopedics, General Surgery, Pain Management, Breast Surgery, Ophthalmology, Urology, and ENT here at home. Working closely with UCSF, we will continue to bring even more specialty services to our community, including through telemedicine.

## **Financial Analysis**

After months of analysis, we feel confident that the proposed FY 2019 nine month budget for October, 2018 - June, 2019 will sustain the hospital into the future. The EBDA for the FY 2019 12 month (3-month and 9-month combined) is \$2,817,907 or 5.1% (see Schedule E). This does not include the projected proceeds from the sale of the South Lot at \$1,173,068. The proposed budget includes the closure SNF and OB, which we propose to be done by September 30, 2018. As mentioned, this budget includes the planned transfer of Home Care to another organization, which is budget neutral, but has not been executed at this time.

FY 2018 ended the year at a loss of **(\$3,206,812.)** The EBDA was only \$217,390 or .4% and cash on hand is very low, at only 10 days. Cash will be impacted by the closures with severance payout for all three changes by approximately \$500,000 in September. The 3 month budget has a projected loss of **(\$656,500)** with an EBDA of \$199,265 or 1.4%, which was still too low.

The hospital inpatient days have decreased from 4001 in 2014 to 3757 in 2018. This is due to many factors including less patients qualifying for inpatient stays, less inpatient surgeries, the closure of Sonoma Developmental Center, the loss of inpatients from Napa State and improvements in medicine. As we started doing the budget for FY 2019, we looked at the last 6

months from November, 2017 – April of 2018. It was clear that several services were responsible for the losses to the hospital. Yet, many were succeeding.

We decided to start with how we can sustain what the community needs and supports – our Emergency Services. Emergency Service market share is very high and the direct margin is \$6,171,804 and we have about 10,000 visits per year. We then analyzed what it would take to run a stand-alone Emergency Department (which includes an ICU) and it is a minimum of \$15 million. So, we need to offer services that contribute to the bottom line otherwise, we'd need a parcel tax of \$9 million per year to keep Emergency services in the community.

Inpatient services, while it continues to decrease, has a direct margin of \$3,925,183. This includes surgical patients who are admitted. An interesting fact found in the analysis is that ICU has a direct margin of over \$500,000. Our future plan is to move Med/Surg to the 3<sup>rd</sup> floor to be next to ICU and A Woman's Place. With this change, we hope to address the growing turnover problem in nursing that is costing over \$500,000 because we have been calling nurses off when volumes are low.

We have always known that several services do very well. The following services with positive margins allow us to support and maintain the Emergency services that the community needs and expects. Outpatient Surgery direct margin is \$2,001,185 with volumes now averaging at over 160 surgeries per month and this department continues to grow. Outpatient Rehabilitation has a direct margin of \$836,747 and is highly respected with strong volumes. Outpatient Diagnostics direct margin is \$3,226,804 which includes lab, radiology and cardiopulmonary. Special Procedures, such as Wound Care and infusions has a direct margin is \$1,148,905 and volumes are steady.

Services that now have losses, such as OB, Skilled Nursing and Home Care, threaten our ability to continue to provide Emergency & Outpatient services that are highly valued and utilized today. Occupational Health was analyzed and while the direct margin is (\$95,799), it leads to contributed revenue due to ancillary services and surgeries. Occupational Health serves over 250 of our community employers and, due to the commitment to our community, we elected to continue this service. We also had an external company analyze this service for possible acquisition and they determined it was too small.

### **The Future:**

This will be a year of change as we focus on what the community needs and begin a Master Facility Plan to take SVH into the future. We are a 4 star hospital and plan to work toward becoming the first 5 star hospital in the Bay Area. We will work with UCSF to take SVH to the next level. UCSF has already agreed to provide Telemedicine for all Neurology services, including Stroke, to keep patients in Sonoma. We are also adding Psychiatry Telemedicine for patients who have mental health issues that often keep them in the hospital longer than usual.

Our future is intermingled with our physicians. Currently 10 providers are connected to our hospital. We plan to open the first of a larger Rural Health Center in FY 2019. As this strategy rolls out, we believe we can reduce physician administrative expense and dramatically increase revenues for physician practices. Another positive increase in revenues should result from Cardiology as we now have excellent Cardiologists in Sonoma and plan to have one on site at the hospital. We are also working with Sonoma Valley Community Health Center on some

physician specialty clinics and possibly sharing administrative services such as Human Resources.

We plan to convert the Med/Surg department to an outpatient area. Part of it can be used for infusions and observation. But, a portion of it will make an excellent physician specialty clinic for services such as Orthopedics and Urology. We are also working on a different approach and classification of some of our older facilities. With that change, we plan to bring the 3T MRI next to radiology and possibly bring the services that are off site back to the hospital.

We have several more innovative ideas that will be considered this fiscal year as we make changes to the hospital. I believe we're well along in the process of showing how SVH can reinvent itself to thrive in the years ahead while continuing to meet the critical healthcare needs of our community.

4.

## RECOMMENDATION FOR OB CLOSURE



**To: SVHCD Board of Directors**

**From: Administration**

**Date: July 2018**

**Subject: Closure of OB, aka Family Birthplace**

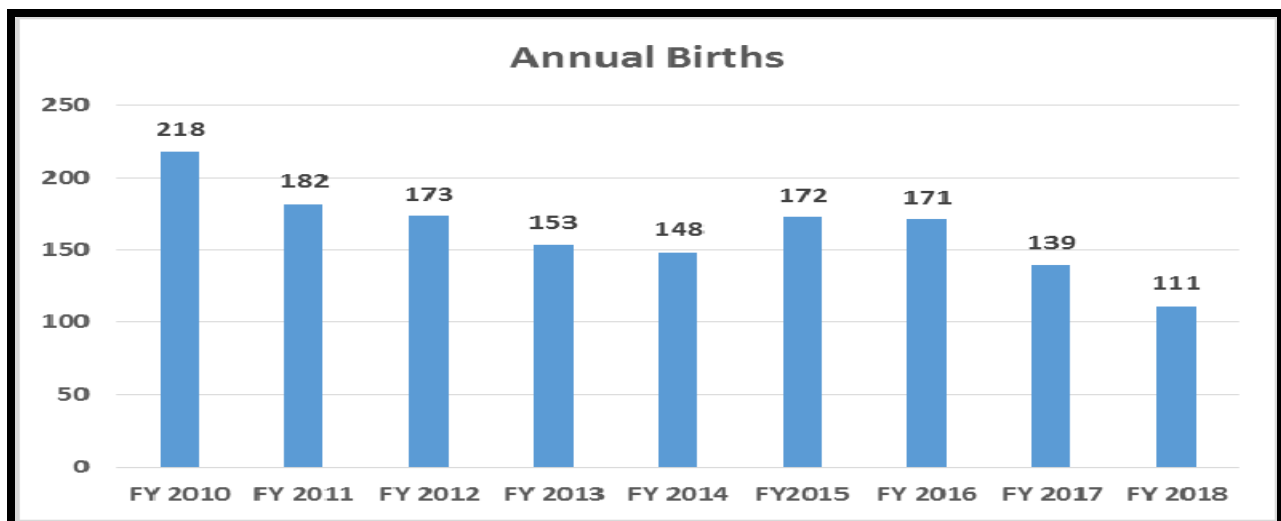
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**Recommendation:**

After completing an extensive analysis of trending patient volumes, service line direct margins, reimbursement and other identified associated costs with the service line, the Administrative Team recommends that the Sonoma Valley Health Care District Board of Directors approve moving forward with discontinuing the OB service line by September 30<sup>th</sup>. This recommendation is based on a loss for FY 2018 (through April) of **(\$564,437)**. With today's volumes and margins, a half million dollar loss threatens the ability of the hospital to continue to operate the Emergency service and other vital services.

**Background and Reasoning:**

In FY 2018 the number of births at the hospital dropped for the second consecutive year, down 35% from 2015 and almost 50% from 2010. The steep drop in the number of births is not surprising, given that Sonoma, for a variety of reasons, is a mecca for seniors, not for young married couples. This decline in the number of births per year is not a local aberration. Nationally, according to an article in the July 8, 2018, Press Democrat, the national fertility rate "has reached a record low for the second consecutive year."



FY 2018 includes June births



Since 2014, when the most recent analysis of closing OB was completed, the breakeven number of births for OB has been approximately 140 per year. At that level, insurance reimbursement almost matches the expense of operating the OB department (see chart and graph below). A 2014 optimization initiative reduced staff on call expenses, improved supply utilization and reduced Medical Directorship fees to make the department sustainable.

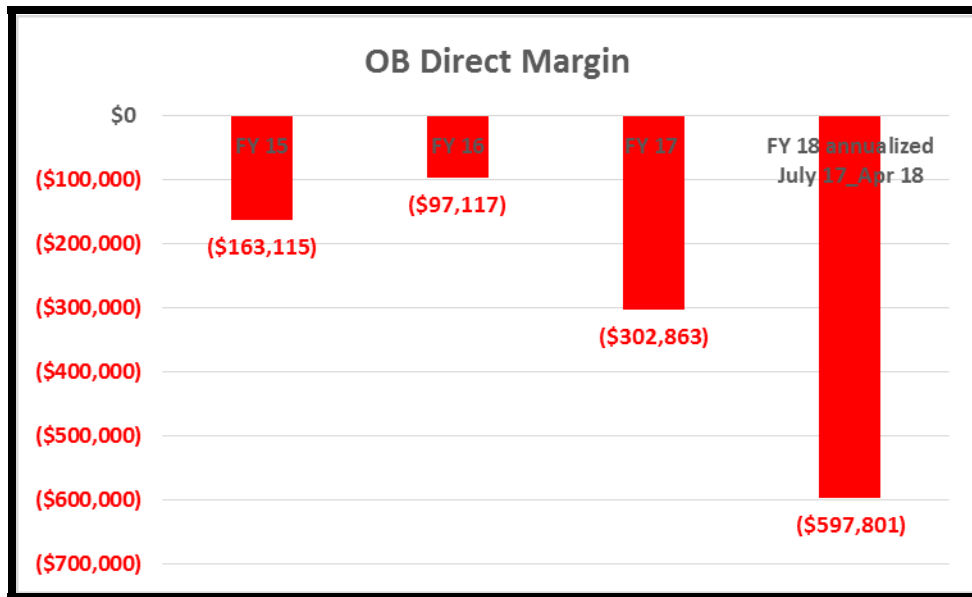
In the last year, we created “A Woman’s Place” with several physicians and two new OB/GYN’s joined this panel of physicians. As a result, GYN referrals have increased but there has not been an increase in births. A very large marketing campaign was launched in January, 2018 of this Women’s Health service line as well. The SVH team believes we have done everything in our power to increase the OB volumes.

For most businesses, the corrective action for a decline in volume is to reduce expenses proportionally, and the Hospital has done so, to the degree possible. State law requires an OB department to be staffed 24/7 as well as staffing an Obstetric MD and Pediatrician on call 24/7. In FY 2018 with an average of two births per week and a length of stay of less than two days, there were many days and even weeks when the department was empty with no reimbursement earned to cover expenses. Note: Four of the last twelve months had less than eight births.

Nationally, according to provisional 2016 population data released by the Centers for Disease Control and Prevention, the number of births fell one percent from a year earlier, bringing the general fertility rate to 62.0 births per 1,000 women ages 15 to 44. The trend is being driven by a decline in birthrates for teens and 20+ year olds. The birthrate for women in their 30s and 40s increased — but not enough to make up for the lower numbers in their younger peers. An article published in the *New York Times*, July 5, 2018, [Americans Are Having Fewer Babies. They Told Us Why](#), cites reasons women of child-bearing age are not having babies as they want more personal freedom, want more leisure time, and the financial burdens of child-rearing as well as the financial burdens of student loans are too great. With the long-term trend of declining births, both nationally and more dramatically in Sonoma, we are highly unlikely to see a rise in birth rates in the near future.

#### Financial Analysis:

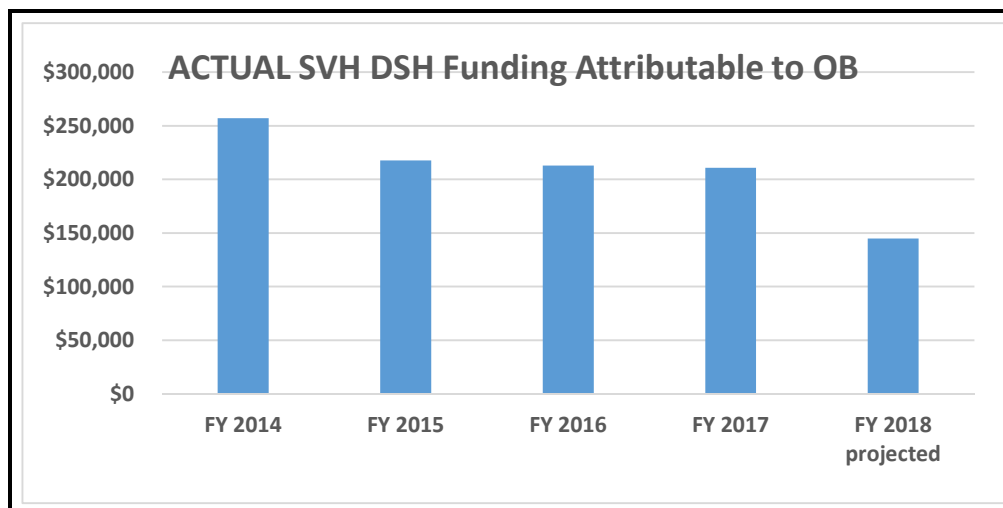
Fiscal Year	Total Births	Total visits	Reimbursement	Direct Costs	Direct Margin
<b>FY 2018</b> July 17_ April 18	86	496	\$1,067,304	(\$1,665,105)	(\$597,801)
<b>FY 2017</b>	139	687	\$1,678,012	(\$1,980,875)	(\$302,863)
<b>FY 2016</b>	174	853	\$1,754,912	(\$1,852,029)	(\$97,117)
<b>FY 2015</b>	172	829	\$1,705,528	(\$1,868,643)	(\$163,115)



Note: The attached financial worksheet shows that the Inter-Governmental Transfer (IGT) revenue was included in the OB reimbursement based on allocations to all service lines. Since SVH will continue to get these supplemental funds in FY 2018, reimbursement for OB is reduced by this amount.

**Potential Consequences of Closing the OB Service Line at SVH:**

The Disproportionate Share Hospital (DSH) funding from the Center for Medicare and Medicaid Services (CMS) will be diminished if OB is closed. OB patients are predominantly Medi-Cal and form a major component of the DSH funding calculation. A closure of OB will reduce the amount of DSH funding for which SVH qualifies. However, the DSH funding calculation has already been declining because of the lower births. As of July 1, 2018, DSH funding has decreased 44% since FY 2014 and a complete phase out of the DSH program is anticipated.



### Other Identified Associated Costs and Revenue:

- Attributable labor and operational expenses from Pharmacy, Dietary, Environmental Services, and Linen/Laundry totaled **\$111,460** in 2018. These attributable costs must be included in the evaluation of the cost of maintaining OB. The DSH reimbursement was **\$144,824**. The net attributable adjustment to OB therefore is a positive **\$33,364**.
- **Total Loss: 2018 direct margin July 17-April 18 (\$597,801) + other costs \$33,364 = (\$564,437)**

### OB Payer Mix:

Medi-Cal	38%
Commercial	29%
Partnership	33%

The highest volume non-complicated birth is Medi-Cal which has an average reimbursement of \$5400 per birth. The average commercial reimbursement is \$7600 per birth. The cost birth, due to the volumes, is over \$15,000.

### Potential Impact of This Decision:

- Loss of employment for 7.5 FTE ( some may be absorbed in other departments)
- Objections from OB/GYN MDs, Pediatricians and Community
- Foundation donors may be disturbed by the closing
- The Sonoma Valley community will feel the loss of a long-time and valued service.
- Pregnant woman will need to travel further to have their babies delivered. However, many pregnant Sonoma Valley women already go elsewhere. Kaiser patients deliver their babies in Santa Rosa. We are working with the Health Center to help patients with travel, if needed.

### Alternative to Closing the OB Service Line:

- Maintain status quo and remain optimistic that A Woman's Place initiative will generate an increase in deliveries at SVH and/or the SVH/national birth rate increases and risk operating losses that cannot be absorbed elsewhere.

### Proposed Closure Plan:

Upon the Board of Directors' approval of this plan, Administration would notify the California Department of Public Health (CDPH) and complete any necessary compliance regulations dictated. The Sonoma County Board of Supervisors would also be notified as well as regional healthcare facilities and the local community. We estimate the proposed plan would take approximately two months with the final date to close the department September 30, 2018. The closure of the department may slightly impact ER volumes, further discussion to follow. We are working with the staff to see if they can be absorbed in other departments.

**Costs of Closing:**

- One time cash payout for 12 employees: (\$104,638)
- Training costs to ED RNs and MDs is approximately \$10,000

**Attachment:**

OB Service Unit Financials FY 2018 (10 months), FY 2017, FY 2016, FY 2015

Service Unit	OB Service Unit			
	July 2017_April 2018	July 2016_June 2017	July 2015_June 2016	July 2014_June 2015
Visits	496	687	853	829
Births	86	139	174	172
<b>Charges</b>				
Lab	173,198	299,663	374,501	318,377
Anesthesia	238,389	344,463	307,016	290,012
Blood Bank	8,902	12,893	29,782	25,758
Cardiology	12,716	6,620	2,726	1,328
ER	62,088	16,183	7,388	34,117
ICU	-	0	0	11,794
Implants	45,366	22,520	21,094	19,400
Labor & Delivery	1,625,196	2,204,245	2,680,946	1,669,964
Other	50,301	60,387	49,279	47,128
Radiology	71,313	106,500	152,037	197,743
Rehab	-	3,608	0	0
Respiratory Therapy	15,364	5,257	28,844	13,563
Room	537,471	935,108	1,079,454	1,016,930
Pharmacy	149,788	193,605	154,988	136,699
Supplies	40,475	54,954	56,529	53,342
Procedures	1,207,262	1,714,246	1,681,537	1,477,298
<b>Total Charges</b>	<b>4,237,829</b>	<b>5,980,252</b>	<b>6,626,121</b>	<b>5,313,453</b>
<b>Adjustments</b>				
Total Adjustments	3,043,554	4,301,752	4,398,318	3,382,374
<b>Revenue</b>				
Reimbursement	\$ 1,288,038	\$ 1,834,963	\$ 1,845,965	\$ 1,821,734
Less IGT Allocated to OB	\$ (220,734)	\$ (156,951)	\$ (91,053)	\$ (116,206)
<b>Net Reimbursement</b>	<b>\$ 1,067,304</b>	<b>\$ 1,678,012</b>	<b>\$ 1,754,912</b>	<b>\$ 1,705,528</b>
<b>Direct Costs</b>				
<b>Labor</b>				
Nurse	\$ (1,083,158)	\$ (1,324,288)	\$ (974,799)	\$ (889,579)
CNA	\$ (3,483)	\$ (8,756)	\$ (7,750)	\$ (8,839)
Other	\$ (260,375)	\$ (278,664)	\$ (423,413)	\$ (554,022)
<b>Total Labor</b>	<b>\$ (1,347,016)</b>	<b>\$ (1,611,708)</b>	<b>\$ (1,405,962)</b>	<b>\$ (1,452,440)</b>
<b>Pro Fees</b>				
Pro Medical Director	\$ (9,000)	\$ (10,800)	\$ (10,800)	\$ (10,800)
OB & Peds Call	\$ (243,200)	\$ (261,370)	\$ (240,480)	\$ (239,075)
<b>Total Staff</b>	<b>\$ (1,599,216)</b>	<b>\$ (1,883,878)</b>	<b>\$ (1,657,242)</b>	<b>\$ (1,702,315)</b>
<b>Operational</b>				
Lab	\$ (6,875)	\$ (15,295)	\$ (19,855)	\$ (15,814)
Anesthesia	\$ -	\$ -	\$ (6,297)	\$ (6,139)
Blood Bank	\$ (2,811)	\$ (3,736)	\$ (8,407)	\$ (7,029)
Cardiology	\$ (18)	\$ (13)	\$ (6)	\$ (1)
ER	\$ (114)	\$ (31)	\$ (16)	\$ (90)
ICU	\$ -	\$ -	\$ -	\$ (42)
Implants	\$ (12,156)	\$ (11,349)	\$ (7,893)	\$ (5,614)
Labor & Delivery	\$ (674)	\$ (11)	\$ (204)	\$ (1,483)
Other	\$ (2,580)	\$ (5,223)	\$ (3,065)	\$ (3,070)
Radiology	\$ (413)	\$ (560)	\$ (1,082)	\$ (1,476)
Rehab	\$ -	\$ (3)	\$ -	\$ -
Respiratory Therapy	\$ (53)	\$ (41)	\$ (119)	\$ (107)
Room	\$ (19,627)	\$ (27,306)	\$ (41,586)	\$ (31,722)
Pharmacy	\$ (15,160)	\$ (26,647)	\$ (32,476)	\$ (24,283)
Supplies	\$ (5,407)	\$ (6,782)	\$ (11,164)	\$ (12,403)
Procedures	\$ -	\$ -	\$ (62,617)	\$ (57,055)
<b>Total Operational</b>	<b>\$ (65,889)</b>	<b>\$ (96,997)</b>	<b>\$ (194,787)</b>	<b>\$ (166,328)</b>
<b>TD Costs</b>	<b>\$ (1,665,105)</b>	<b>\$ (1,980,875)</b>	<b>\$ (1,852,029)</b>	<b>\$ (1,868,643)</b>
<b>Direct Margin</b>	<b>\$ (597,801)</b>	<b>\$ (302,863)</b>	<b>\$ (97,117)</b>	<b>\$ (163,115)</b>
Disproportionate Share Hospital	\$ 144,824	\$ 210,784	\$ 213,033	\$ 217,855
Attributable costs:				
Dietary, EVS, Laundry & Linen	\$ (111,460)	\$ (112,702)	\$ (114,022)	\$ (114,930)
<b>Total</b>	<b>\$ (564,437)</b>	<b>\$ (204,781)</b>	<b>\$ 1,894</b>	<b>\$ (60,190)</b>

5.

## FY 2019 BUDGET



**To:** Sonoma Valley Hospital Board of Directors  
**From:** Sonoma Valley Hospital Administration  
**Date:** July 25, 2018  
**Subject:** Proposed FY 2019 Budget for the 9-Months of October 2018 through June 2019

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During the middle part of Fiscal Year 2018 operating budget, management needed time to review the then current operating structure before proposing an annual budget for Fiscal Year 2019. To give management time to adequately formulate a new hospital structure, the Board was presented with an approved budget for the first three months of the new fiscal year with the remaining nine months to be presented at a later time. This three month budget included a savings plan that was implemented in January 2018. Management is now presenting a proposed budget for the nine months October 2018 through June 2019. The significant changes are:

- Volume is based upon a 12 month rolling average adjusted for activity that we know has changed.
- Revenue includes a 6% price increase
- Contractual discounts/Bad debt are based upon actual experience
- Salaries include a 2.5% increase for all employees effective January 2019
- A significant increase in reimbursement for capitated Medi-Cal
- Proposed closing of the Skilled Nursing Unit
- Proposed closing of the Obstetrical Service
- Transfer of the Home Health department to non-profit with management contract
- Sale of the South Lot

The Net operating loss for the 9 months is budgeted at (\$3,333,028). After accounting for Non-Operating income, the net income prior to restricted donations and GO bond activity is \$108,269. Including all other activity the Net income is \$2,340,984 with an EBDA of 6.4%.

**ATTACHMENTS:**

- Attachment A - FY 2019 9-Month Budget for October 2018 through June 2019
- Attachment B - FY 2019 9-Month Budget Preliminary Cost Savings for October 2018 through June 2019
- Attachment C - FY 2019 9-Month Budget Payer Mix for October 2018 through June 2019
- Attachment D - FY 2019 9-Month Budget – Cash Flow for October 2018 through June 2019
- Attachment E - FY 2019 12-Month Budget July 1, 2018 through June 2019
- Attachment F - FY 2019 12-Month Budget Compared to FY 2018 (Unaudited)
- Attachment G - FY 2019 9-Month Budget Adjusted and annualized

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**FY 2019 Budget - 9 Months**  
**October 1, 2018 through June 30, 2019**

**Schedule A**

**FY 2019 Budget - 9 Months**  
**October 1, 2018 - June 30, 2019**

**Volume Information**

Acute Discharges	884
Patient Days	3,005
Emergency Room Visits	8,304
Surgeries - Inpatient	295
Surgeries - Outpatient	1,203
Special Procedures	482
Gross O/P Revenue (000's)	\$ 133,470

**Financial Results**

**Gross Patient Revenue**

Inpatient	\$ 60,281,342
Outpatient	72,947,884
Emergency	60,521,818
Home Health	2,657,388
<b>Total Gross Patient Revenue</b>	<b>\$ 196,408,432</b>

**Deductions from Revenue**

Contractual Discounts	\$ (158,842,374)
Bad Debt	(900,000)
Charity Care Provision	(296,760)
Prior Period Adj/Government Program Revenue	3,172,996
<b>Total Deductions from Revenue</b>	<b>\$ (156,866,138)</b>

<b>Net Patient Service Revenue</b>	<b>\$ 39,542,294</b>
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Risk contract revenue	\$ 1,132,180
Net Hospital Revenue	\$ 40,674,474

Other Op Rev & Electronic Health Records	\$ 125,717
<b>Total Operating Revenue</b>	<b>\$ 40,800,191</b>

**Operating Expenses**

Salary and Wages and Agency Fees	\$ 16,692,318
Employee Benefits	6,667,796
Total People Cost	\$ 23,360,114
Med and Prof Fees (excl Agency)	\$ 4,474,571
Supplies	5,181,695
Purchased Services	3,332,571
Depreciation	2,510,373
Utilities	885,662
Insurance	317,881
Interest	447,417
Other - a)	1,046,858
Management Contract - Home Health	1,780,450
Matching Fees (Government Programs)	795,627
<b>Operating expenses</b>	<b>\$ 44,133,219</b>

<b>Operating Margin</b>	<b>\$ (3,333,028)</b>
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**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**FY 2019 Budget - 9 Months**  
**October 1, 2018 through June 30, 2019**

**Schedule A**

**FY 2019 Budget - 9 Months**  
**October 1, 2018 - June 30, 2019**

**Non Operating Rev and Expense**

Miscellaneous Revenue/(Expenses)	\$	(94,930)
Donations		24,053
Physician Practice Support-Prima		(510,894)
Parcel Tax Assessment Rev		2,850,000
Gain on Sale of South Lot		1,173,068
<b>Total Non-Operating Rev/Exp</b>	<b>\$</b>	<b>3,441,297</b>

**Net Income / (Loss) prior to Restricted Contributions**

**\$ 108,269**

Capital Campaign Contribution

\$ 188,537

Restricted Foundation Contributions

\$ 495,027

**Net Income / (Loss) w/ Restricted Contributions**

**\$ 791,833**

GO Bond Tax Assessment Rev

2,521,340

GO Bond Interest

(972,189)

**Net Income/(Loss) w GO Bond Activity**

**\$ 2,340,984**

**EBIDA - Not including Restricted Contributions**

\$ 3,066,059  
7.5%

**EBDA - Not including Restricted Contributions**

\$ 2,618,642  
6.4%

a) - Education, travel, rents, operating leases, dues & subscriptions, licenses & taxes, etc..

**Sonoma Valley Health Care District**  
**Schedule of Preliminary Cost Savings & Additions**  
**FY 2019 Budget - 9 Months**  
**October 1, 2018 through June 30, 2019**

**Schedule B**

		<b>FY 2019 Budget - 9 Months</b>	
		<b>October 1, 2018 - June 30, 2019</b>	
<b>Preliminary Cost Savings &amp; Additions:</b>			
1. Closure of Skilled Nursing Facility:			
	Net Revenue	(2,517,005)	
	Direct and Attributable Costs	3,176,930	659,925
2. Closure of Obstetrics Department:			
	Net Revenue	(770,687)	
	Direct and Attributable Costs	1,125,653	354,966
3. Transfer of Home Health with management contract			
	Net Revenue	(1,813,756)	
	Direct and Attributable Costs	2,064,821	251,066
4. Bariatric surgeries - Additional 8 cases annually			
	Direct Margin - \$144,000 annually = \$12,000/Monthly		108,000
5. Reduction in Administration - Contracted labor			15,912
6. Reduction in Finance Overhead Departments - Salaries			10,933
7. Salary increase at 2.5% - January 2019			(255,376)
7. Partnership Healthcare - Increase in Contract (\$650,000/Annual)			487,500
8. Disproportionate Share Hospital (DSH)			
	Based on reduction of Medi-Cal Days		(108,000)
9. 6% Price increase, net			517,817
10. Severance Pay - October 2018			(193,618)
11. Costs of closing/moving units			(15,000)
12. Sale of South Lot, net			1,173,068
<b>Total Preliminary Cost Savings &amp; Additions</b>			<b>3,007,193</b>

Note: Items #1 and #2 are based on Administrations analysis

**Sonoma Valley Health Care District**  
**Schedule of Payor Mix**  
**FY 2019 Budget - 9 Months**  
**October 1, 2018 through June 30, 2019**

**Schedule C**

	<b>FY 2019 Budget - 9 Months</b>		
	<b><u>October 1, 2018 - June 30, 2019</u></b>	<b><u>Fiscal YTD at 6/30/2018</u></b>	<b><u>Variance</u></b>
Medicare	43.1%	44.4%	1.3%
Medicare Managed Care	12.6%	13.3%	0.7%
Medi-Cal	17.8%	17.9%	0.1%
Self Pay	1.3%	1.2%	-0.1%
Commercial	20.8%	19.0%	-1.8%
Worker's Comp.	2.4%	2.1%	-0.3%
Capitated	2.0%	2.1%	0.1%
	100.0%	100.0%	

**Sonoma Valley Health Care District**  
**Cash Forecast - FY 2019 Budget - 9 Months**

**Schedule D**

**FY 2019 Budget - 9 Months**  
**October 1, 2018 - June 30, 2019**

<b>Hospital Operating Sources</b>	
1 Patient Payments Collected	36,261,640
2 Capitation Revenue	1,132,180
3 Napa State	107,658
4 Other Operating Revenue	125,717
5 Other Non-Operating Revenue	240,057
6 Unrestricted Contributions	24,053
7 Line of Credit	
<b>Sub-Total Hospital Sources</b>	<b>37,891,305</b>
<b>Hospital Uses of Cash</b>	
8 Operating Expenses	41,673,099
10 Add Capital Lease Payments	
11 Additional Liabilities	
12 Capital Expenditures	683,564
<b>Total Hospital Uses</b>	<b>42,356,663</b>
<b>Net Hospital Sources/Uses of Cash</b>	<b>(4,465,358)</b>
<b>Non-Hospital Sources</b>	
13 Restricted Cash/Capital Donations	683,564
14 Parcel Tax Revenue	2,850,000
15 Net Proceeds - South Lot	1,173,068
16 Other:	
17 IGT	2,610,495
18 IGT - AB915 (Net)	
19 PRIME	562,500
<b>Sub-Total Non-Hospital Sources</b>	<b>7,879,627</b>
<b>Non-Hospital Uses of Cash</b>	
20 Matching Fees	795,627
<b>Sub-Total Non-Hospital Uses of Cash</b>	<b>795,627</b>
<b>Net Non-Hospital Sources/Uses of Cash</b>	<b>7,084,000</b>
<b>Net Sources/Uses</b>	<b>2,618,642</b>
Cash and Equivalents at beginning of period - 10/1/2018	1,417,392
<b>Cash and Equivalents at end of period</b>	<b>4,036,034</b>

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**FY 2019 Budget - 12 Months**

**Schedule E**

	July 1, 2018 - September 30, 2018		October 1, 2018 - June 30, 2019		FY 2019 Budget - 12 Months
Volume Information					
Acute Discharges		275		884	1,159
Patient Days		957		3,005	3,962
SNF Days		1,507		0	1,507
Emergency Room Visits		2,735		8,304	11,039
Surgeries - Inpatient		81		295	376
Surgeries - Outpatient		429		1,203	1,632
Special Procedures		204		482	686
Home Care Visits		2,328		0	2,328
Gross O/P Revenue (000's)	\$	43,276	\$	136,127	\$ 179,403
Financial Results					
Gross Patient Revenue					
Inpatient	\$	17,567,777	\$	60,281,342	\$ 77,849,119
Outpatient		23,963,049		72,947,884	96,910,933
Emergency		18,489,415		60,521,818	79,011,233
SNF		5,648,541		-	5,648,541
Home Care		823,423		2,657,388	3,480,811
Total Gross Patient Revenue	\$	66,492,205	\$	196,408,432	\$ 262,900,637
Deductions from Revenue					
Contractual Discounts	\$	(53,349,863)	\$	(158,842,374)	\$ (212,192,237)
Bad Debt		(300,000)		(900,000)	(1,200,000)
Charity Care Provision		(74,190)		(296,760)	(370,950)
Prior Period Adj/Government Program Revenue		1,057,665		3,172,996	4,230,661
Total Deductions from Revenue	\$	(52,666,388)	\$	(156,866,138)	\$ (209,532,526)
Net Patient Service Revenue	\$	13,825,817	\$	39,542,294	\$ 53,368,111
Risk contract revenue	\$	377,394	\$	1,132,180	\$ 1,509,574
Net Hospital Revenue	\$	14,203,211	\$	40,674,474	\$ 54,877,685
Other Op Rev & Electronic Health Records	\$	41,904	\$	125,717	\$ 167,621
Total Operating Revenue	\$	14,245,115	\$	40,800,191	\$ 55,045,306
Operating Expenses					
Salary and Wages and Agency Fees	\$	6,709,782	\$	16,692,318	\$ 23,402,100
Employee Benefits		2,571,392		6,667,796	9,239,188
Total People Cost	\$	9,281,174	\$	23,360,114	\$ 32,641,288
Med and Prof Fees (excl Agency)	\$	1,510,816	\$	4,474,571	\$ 5,985,387
Supplies		1,657,279		5,181,695	6,838,974
Purchased Services		1,113,688		3,332,571	4,446,259
Depreciation		855,765		2,510,373	3,366,138
Utilities		361,493		885,662	1,247,155
Insurance		100,287		317,881	418,168
Interest		149,342		447,417	596,759
Other - a)		379,179		1,046,858	1,426,037
Management Contract - Home Health		0		1,780,450	1,780,450
Matching Fees (Government Programs)		265,209		795,627	1,060,836
Operating expenses	\$	15,674,232	\$	44,133,219	\$ 59,807,451
Operating Margin	\$	(1,429,117)	\$	(3,333,028)	\$ (4,762,145)
Non Operating Rev and Expense					
Miscellaneous Revenue/(Expenses)	\$	(15,102)	\$	(94,930)	\$ (110,032)
Donations		8,016		24,053	32,069
Physician Practice Support-Prima		(170,298)		(510,894)	(681,192)
Parcel Tax Assessment Rev		950,001		2,850,000	3,800,001
Gain on Sale of South Lot		0		1,173,068	1,173,068
Total Non-Operating Rev/Exp	\$	772,617	\$	3,441,297	\$ 4,213,914
Net Income / (Loss) prior to Restricted Contributions	\$	(656,500)	\$	108,269	\$ (548,231)

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**FY 2019 Budget - 12 Months**

**Schedule E**

	<u>July 1, 2018 - September 30, 2018</u>	<u>October 1, 2018 - June 30, 2019</u>	<u>FY 2019 Budget - 12 Months</u>
Capital Campaign Contribution	\$ 62,847	\$ 188,537	\$ 251,384
Restricted Foundation Contributions	\$ 165,009	\$ 495,027	\$ 660,036
<b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>\$ (428,644)</b>	<b>\$ 791,833</b>	<b>\$ 363,189</b>
GO Bond Tax Assessment Rev	761,733	2,521,340	3,283,073
GO Bond Interest	(307,313)	(972,189)	(1,279,502)
<b>Net Income/(Loss) w GO Bond Activity</b>	<b>\$ 25,776</b>	<b>\$ 2,340,984</b>	<b>\$ 2,366,760</b>
<b>EBIDA - Not including Restricted Contributions</b>	<b>\$ 348,607</b> 2.4%	<b>\$ 3,066,059</b> 7.5%	<b>\$ 3,414,666</b> 6.2%
<b>EBDA - Not including Restricted Contributions</b>	<b>\$ 199,265</b> 1.4%	<b>\$ 2,618,642</b> 6.4%	<b>\$ 2,817,907</b> 5.1%

a) - Education, travel, rents, operating leases, dues & subscriptions, licenses & taxes, etc..

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**Comparative Results**  
**FY 2018 Unaudited and FY 2019 Budget - 12 Months**

**Schedule F**

	Unaudited			
	Fiscal Year-Ended June 30, 2018		FY 2019 Budget - 12 Months	
Volume Information				
Acute Discharges		1,148		1,159
Patient Days		3,999		3,962
SNF Days		6,361		1,507
Emergency Room Visits		10,629		11,039
Surgeries - Inpatient		334		376
Surgeries - Outpatient		1,515		1,632
Special Procedures		859		686
Home Care Visits		9,350		2,328
Gross O/P Revenue (000's)	\$	166,454	\$	179,403
Financial Results				
Gross Patient Revenue				
Inpatient	\$	74,185,947	\$	77,849,119
Outpatient		91,863,215		96,910,933
Emergency		71,169,484		79,011,233
SNF		24,062,441		5,648,541
Home Care		3,421,722		3,480,811
Total Gross Patient Revenue	\$	264,702,809	\$	262,900,637
Deductions from Revenue				
Contractual Discounts	\$	(213,195,741)	\$	(212,192,237)
Bad Debt		(1,903,000)		(1,200,000)
Charity Care Provision		(191,666)		(370,950)
Prior Period Adj/Government Program Revenue		5,286,886		4,230,661
Total Deductions from Revenue	\$	(210,003,521)	\$	(209,532,526)
Net Patient Service Revenue	\$	54,699,288	\$	53,368,111
Risk contract revenue	\$	1,358,417	\$	1,509,574
Net Hospital Revenue	\$	56,057,705	\$	54,877,685
Other Op Rev & Electronic Health Records	\$	186,371	\$	167,621
Total Operating Revenue	\$	56,244,076	\$	55,045,306
Operating Expenses				
Salary and Wages and Agency Fees	\$	27,666,431	\$	23,402,100
Employee Benefits		10,170,264		9,239,188
Total People Cost	\$	37,836,695	\$	32,641,288
Med and Prof Fees (excl'd Agency)	\$	5,053,429	\$	5,985,387
Supplies		6,490,766		6,838,974
Purchased Services		4,398,278		4,446,259
Depreciation		3,424,202		3,366,138
Utilities		1,189,992		1,247,155
Insurance		381,828		418,168
Interest		564,618		596,759
Other - a)		1,428,617		1,426,037
Management Contract - Home Health		0		1,780,450
Matching Fees (Government Programs)		1,695,736		1,060,836
Operating expenses	\$	62,464,161	\$	59,807,451
Operating Margin	\$	(6,220,085)	\$	(4,762,145)

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**Comparative Results**  
**FY 2018 Unaudited and FY 2019 Budget - 12 Months**

**Schedule F**

	<b>Unaudited</b>	
	<b><u>Fiscal Year-Ended June 30, 2018</u></b>	<b><u>FY 2019 Budget - 12 Months</u></b>
<b>Non Operating Rev and Expense</b>		
Miscellaneous Revenue/(Expenses)	\$ (101,082)	\$ (110,032)
Donations	30,326	32,069
Physician Practice Support-Prima	(681,192)	(681,192)
Parcel Tax Assessment Rev	3,792,096	3,800,001
Extraordinary Items	(26,875)	-
Gain on Sale of South Lot	0	1,173,068
<b>Total Non-Operating Rev/Exp</b>	<b>\$ 3,013,273</b>	<b>\$ 4,213,914</b>
<b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>\$ (3,206,812)</b>	<b>\$ (548,231)</b>
Capital Campaign Contribution	\$ 143,998	\$ 251,384
Restricted Foundation Contributions	\$ 1,039,838	\$ 660,036
<b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>\$ (2,022,976)</b>	<b>\$ 363,189</b>
GO Bond Tax Assessment Rev	3,164,434	3,283,073
GO Bond Interest	(1,273,802)	(1,279,502)
<b>Net Income/(Loss) w GO Bond Activity</b>	<b>\$ (132,344)</b>	<b>\$ 2,366,760</b>
<b>EBIDA - Not including Restricted Contributions</b>	<b>\$ 782,008</b>	<b>\$ 3,414,666</b>
	1.4%	6.2%
<b>EBDA - Not including Restricted Contributions</b>	<b>\$ 217,390</b>	<b>\$ 2,817,907</b>
	0.4%	5.1%

a) - Education, travel, rents, operating leases, dues & subscriptions, licenses & taxes, etc..



**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**FY 2019 Budget - 9 Months Adjusted and**  
**12-Months Annualized**

**Schedule G**

	FY 2019 Budget - 9 Months		FY 2019 Budget - 9 Months		12- Month Annualized
	<u>October 1, 2018 - June 30, 2019</u>	<u>Adjustments</u>	<u>Adjusted</u>		
<b>Volume Information</b>					
Acute Discharges	884		884		1,178
Patient Days	3,005		3,005		4,007
Emergency Room Visits	8,304		8,304		11,072
Surgeries - Inpatient	295		295		393
Surgeries - Outpatient	1,203		1,203		1,604
Special Procedures	482		482		643
Gross O/P Revenue (000's)	\$ 133,470		\$ 133,470	\$	177,960
			-		
<b>Financial Results</b>					
<b>Gross Patient Revenue</b>					
Inpatient	\$ 60,281,342		\$ 60,281,342	\$	80,375,123
Outpatient	72,947,884		72,947,884		97,263,845
Emergency	60,521,818		60,521,818		80,695,757
Home Health	2,657,388	(2,657,388)	-		-
<b>Total Gross Patient Revenue</b>	<b>\$ 196,408,432</b>		<b>\$ 193,751,044</b>	<b>\$</b>	<b>258,334,725</b>
<b>Deductions from Revenue</b>					
Contractual Discounts	\$ (158,842,374)	\$ 876,938	\$ (157,965,436)	\$	(210,620,581)
Bad Debt	(900,000)		(900,000)		(1,200,000)
Charity Care Provision	(296,760)		(296,760)		(395,680)
Prior Period Adj/Government Program Revenue	3,172,996		3,172,996		4,230,661
<b>Total Deductions from Revenue</b>	<b>\$ (156,866,138)</b>		<b>\$ (155,989,200)</b>	<b>\$</b>	<b>(207,985,600)</b>
<b>Net Patient Service Revenue</b>	<b>\$ 39,542,294</b>		<b>\$ 37,761,844</b>	<b>\$</b>	<b>50,349,125</b>
Risk contract revenue	\$ 1,132,180		\$ 1,132,180	\$	1,509,573
Net Hospital Revenue	\$ 40,674,474		\$ 38,894,024	\$	51,858,699
Other Op Rev & Electronic Health Records	\$ 125,717		\$ 125,717	\$	167,623
<b>Total Operating Revenue</b>	<b>\$ 40,800,191</b>		<b>\$ 39,019,741</b>	<b>\$</b>	<b>52,026,321</b>
<b>Operating Expenses</b>					
Salary and Wages and Agency Fees	\$ 16,692,318	(193,618)	\$ 16,498,700	\$	21,998,267
Employee Benefits	6,667,796		6,667,796		8,890,395
Total People Cost	\$ 23,360,114		\$ 23,166,496	\$	30,888,661
Med and Prof Fees (excl'd Agency)	\$ 4,474,571		\$ 4,474,571	\$	5,966,095
Supplies	5,181,695		5,181,695		6,908,927
Purchased Services	3,332,571	(15,000)	3,317,571		4,423,428
Depreciation	2,510,373		2,510,373		3,347,164
Utilities	885,662		885,662		1,180,883
Insurance	317,881		317,881		423,841
Interest	447,417		447,417		596,556
Other - a)	1,046,858		1,046,858		1,395,811
Management Contract - Home Health	1,780,450	(1,780,450)	0		0
Matching Fees (Government Programs)	795,627		795,627		1,060,836
<b>Operating expenses</b>	<b>\$ 44,133,219</b>		<b>\$ 42,144,151</b>	<b>\$</b>	<b>56,192,201</b>
<b>Operating Margin</b>	<b>\$ (3,333,028)</b>		<b>\$ (3,124,410)</b>	<b>\$</b>	<b>(4,165,880)</b>
<b>Non Operating Rev and Expense</b>					
Miscellaneous Revenue/(Expenses)	\$ (94,930)		\$ (94,930)	\$	(126,573)
Donations	24,053		24,053		32,071
Physician Practice Support-Prima	(510,894)		(510,894)		(681,192)
Parcel Tax Assessment Rev	2,850,000		2,850,000		3,800,000
Gain on Sale of South Lot	1,173,068	(1,173,068)	0		-
<b>Total Non-Operating Rev/Exp</b>	<b>\$ 3,441,297</b>		<b>\$ 2,268,229</b>	<b>\$</b>	<b>3,024,305</b>
<b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>\$ 108,269</b>		<b>\$ (856,181)</b>	<b>\$</b>	<b>(1,141,575)</b>
Capital Campaign Contribution	\$ 188,537		\$ 188,537	\$	251,383
Restricted Foundation Contributions	\$ 495,027		\$ 495,027	\$	660,036
<b>Net Income / (Loss) w/ Restricted Contributions</b>	<b>\$ 791,833</b>		<b>\$ (172,617)</b>	<b>\$</b>	<b>(230,156)</b>
GO Bond Tax Assessment Rev	2,521,340		2,521,340		3,361,787
GO Bond Interest	(972,189)		(972,189)		(1,296,252)
<b>Net Income/(Loss) w GO Bond Activity</b>	<b>\$ 2,340,984</b>		<b>\$ 1,376,534</b>	<b>\$</b>	<b>1,835,379</b>
<b>EBIDA - Not including Restricted Contributions</b>	<b>\$ 3,066,059</b>		<b>\$ 2,101,609</b>	<b>\$</b>	<b>2,802,145</b>
	7.5%		5.4%		5.4%
<b>EBDA - Not including Restricted Contributions</b>	<b>\$ 2,618,642</b>		<b>\$ 1,654,192</b>	<b>\$</b>	<b>2,205,589</b>
	6.4%		4.2%		4.2%