



SONOMA VALLEY HEALTH CARE DISTRICT

**BOARD OF DIRECTORS
REGULAR MEETING AGENDA
DECEMBER 6, 2018**

CLOSED SESSION 5:00 P.M

REGULAR SESSION 6:00 P.M.

**COMMUNITY MEETING ROOM
177 FIRST STREET WEST, SONOMA**

<p>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 sfynn@svh.com (707) 935.5004 at least 48 hours prior to the meeting.</p>	RECOMMENDATION	
AGENDA ITEM		
<p>MISSION STATEMENT <i>The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p>		
CLOSED SESSION		
<p><u>Calif. Govt. Code §54956.95</u> – Potential Liability Claim: Claimant: Unspecified; Agency claimed against: Sonoma Valley Health Care District <u>Calif. Government Code & Health and Safety Code § 54947</u> Performance Evaluation Regarding Chief Executive Officer</p>	Jones	
1. CALL TO ORDER	Rymer	
2. REPORT ON CLOSED SESSION		
<p>3. PUBLIC COMMENT <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. At all times please use the microphone.</i></p>	Rymer	
<p>4. CONSENT CALENDAR A. Board Minutes 11.1.18 B. Finance Committee Minutes 10.23.18 C. Quality Committee Minutes 10.24.18 D. Executed Policies and Procedures E. Medical Staff Credentialing Report <i>Pages 3-12</i></p>	Rymer	Action
5. SOUTH LOT UPDATE	Sanson	Inform
6. AUDIT APPROVAL <i>Pages 13-52</i>	Nevins/Jensen	Inform/Action
7. STRATEGY UPDATE <i>Pages 53 -77</i>	Donaldson	Inform
8. ADMINISTRATIVE REPORT DEC. 2018 <i>Pages 78-80</i>	Mather	Inform
9. CMO UPDATE	Kidd	Inform

10. FINANCIAL REPORT MONTH END OCTOBER 31, 2018 <i>Pages 81 -93</i>	<i>Jensen</i>	Inform
11. RESOLUTION #343	<i>Rymer</i>	Inform/Action
12. COMMITTEE REPORTS • SNF TASK FORCE	<i>Board Members</i> <i>Hirsch</i>	Inform
13. BOARD COMMENTS	<i>Rymer</i>	
14. ADJOURN	<i>Rymer</i>	

Note: To view this meeting you may visit <http://sonomatv.org/> or YouTube.com.



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

THURSDAY, NOVEMBER 1, 2018

CLOSED SESSION 5:00 P.M.

REGULAR SESSION 6:00 P.M.

COMMUNITY MEETING ROOM
177 First Street West, Sonoma, CA

	RECOMMENDATION	
<p>MISSION STATEMENT <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i></p>		
<p>1. CALL TO ORDER The meeting was called to order at 6:01 pm. Mr. Boerum not present.</p>	<i>Rymer</i>	
<p>2. REPORT ON CLOSED SESSION</p> <p>Mr. Rymer reported that the closed session was to discuss Ms. Mather's evaluation for 2018. The Board agreed during the closed session that Ms. Mather and her team should be proud of the many accomplishments during the 2018 fiscal year. These include:</p> <ul style="list-style-type: none"> • Extraordinarily high quality and customer service ratings for a number of service lines; • Successful negotiation of a landmark affiliation agreement with UCSF; • A \$1.5M reduction in administrative overhead costs; and, • Among several others. <p>However, the hospital fell short of its financial goals due to a number of factors, including the October fires and a continued reduction in reimbursement payments. Because of this shortfall, the Board and Ms. Mather agreed that there would be no salary increase for Ms. Mather.</p>	<i>Rymer</i>	
<p>3. PUBLIC COMMENT</p> <p>None</p>	<i>Rymer</i>	
<p>4. CONSENT CALENDAR:</p> <ul style="list-style-type: none"> A. Board Minutes 10.04.18 B. Finance Committee Minutes 09.25.18 C. Quality Committee Minutes 09.26.18 D. Executed Policies and Procedures E. Medical Staff Credentialing Report 	<i>Rymer</i>	
<p>Policies: Ventilator Associated Pneumonia (VAP) and Nonventilator Pneumonia Prevention IC8610-179 Hiring Process Recruitment and Selection HR8610-325</p>		<p>MOTION: by Hirsch to approve, 2nd by Nevins. All in favor.</p>

References & Employment Verification Requests HR8610-196 Requisition for Employee HR8610-101 (Retired) Scribes in the Emergency Department 7010-21 Scheduling Per Diem Policy 8560-01 Medical Imaging Department TOC Ventilator Associated Pneumonia (VAP) Prevention 6010-17 (Retired)		
5. OUTPATIENT DIAGNOSTIC CENTER	<i>Mather</i>	
Ms. Mather reviewed the presentation on the current status of the Outpatient Diagnostic Center. This included the revised vision, which includes SVH becoming the outpatient diagnostic center for UCSF. The priorities, time line and budget were also reviewed. Mr. Matt Johnson, architect with Taylor Design along with Kathleen Carroll of Vertran and Associates reviewed the scope of the project. Mr. Rymer read a note on behalf of Mr. Boerum regarding the Outpatient Diagnostic Center.		MOTION: by Hohorst to approve the funding request for the project 1 scope, pending the confirmed availability of \$9.365 million dollars from the Hospital Foundation, 2 nd by Nevins. All in favor.
6. FY2019 BUDGET	<i>Jensen</i>	
Mr. Jensen presented the full year FY19 budget which included the OB closure, salary increases, SNF restructuring, and the Healing at Home transfer.		MOTION: by Nevins to approve the entire FY19 budget, 2 nd by Hirsch. All in favor.
6. CEO INCENTIVE COMPENSATION	<i>Rymer/ Hohorst</i>	
Mr. Rymer spoke about the performance compensation for Ms. Mather in FY18. This is based on six metrics, three of which Ms. Mather met. The recommendation was for approval of a payment of \$16,433, per the contractual and objectively calculated amounts.		MOTION: by Hirsch to approve the incentive payment as presented 2 nd by Nevins. All in favor
7. ADMINISTRATIVE REPORT NOVEMBER 2018	<i>Mather</i>	Inform
Ms. Mather gave her November 218 administrative report. This included the final budget, OB closure, SNF accreditation survey, and the ongoing planning with UCSF. She also reviewed the CEO dashboard.		
8. CMO UPDATE	<i>Kidd</i>	Inform
Dr. Kidd reported on the UCSF ongoing planning, which now includes sharing the SVH CEO dashboard. She said she continues the review and cleanup of patient care contracts and the physician call pool. She spoke on the OB closure completion and the preparation in the Emergency Department. She said the stroke program is expected to be completed after the first of the year and that the SNF Task Force continues to meet and monitor the restructure.		
9. FINANCIAL REPORT MONTH END SEPTEMBER 30, 2018	<i>Jensen</i>	
Mr. Jensen reviewed the financial report for September.		

<p>After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the net loss for September was (\$231,021) vs. a budgeted net loss of (\$213,138). The hospital received SVHF donations of \$286,283 for the outpatient diagnostic center. The total net income for September after all activity was \$208,930 vs. a budgeted net income of \$16,482.</p> <p>EBIDA for the month of September was 2.5% vs. the budgeted 2.6%.</p>		
<p>10. COMMITTEE REPORTS</p>	<i>Board</i>	
<p>Ms. Nevins gave a report on the FY18 draft audit. There were no findings in the audit. The Finance committee recommended minor changes to the draft. This included breaking out the interest expense connected to operation's and the interest expense connected to the GO Bond. The final report will be brought for a vote at the December Board meeting.</p> <p>Ms. Hirsch reported the next SNF task force meeting will be Nov. 13th and will review the financials and collected metrics from SNF operations since changes were made on October 1st. She also reported on the spending a morning in the SNF observing the unit and work flows.</p>		
<p>11. BOARD COMMENTS</p>	<i>Board</i>	
<p>Ms. Mather said that the SVHCD annual report is complete and will be available to the public in early December.</p>		
<p>12. ADJOURN</p>		
<p>7:17 pm</p>		



**SVHCD
FINANCE COMMITTEE MEETING
MINUTES
TUESDAY, OCTOBER 23, 2018
Schantz Conference Room**

Present	Excused	Staff	Public
Sharon Nevins *Dr. Subhash Mishra via telephone *Susan Porth *John Perez	Joshua Rymer *Keith Hughes	Kelly Mather Ken Jensen Cynthia Denton	Kathleen Carroll, Vertran & Associates. Peter Hohorst

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
MISSION & VISION STATEMENT <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>			
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Nevins</i>		
	Called to order 5:05pm		
2. PUBLIC COMMENT SECTION	<i>Nevins</i>		
	None		
3. CONSENT CALENDAR	<i>Nevins</i>		
		MOTION: by Hohorst 2 nd by Porth. All in favor	
4. OUTPATIENT DIAGNOSTIC CENTER REVIEW	<i>Mather</i>		
	Ms. Mather gave a presentation on the current Outpatient Diagnostic Center plan. She reported that the vision has changed to include SVH being the North Bay outpatient diagnostic center for UCSF. She will request to have the Board to approve Project 1 and Project 3 through permitting at the Nov. 1 st meeting.		

5. 2019 BUDGET	<i>Jensen</i>		
	Mr. Jensen reviewed the 2019 budget. The assumptions are based on the same assumptions as the six month budget with the modifications of the OB closure, Home Health Transfer and SNF restructuring.	The committee recommends approval of the FY19 budget by the Board.	
6. SNF FIRST QUARTER REPORT	<i>Jensen</i>		
	Defer		
7. ADMINISTRATIVE REPORT OCTOBER 2018	<i>Mather</i>		
	Ms. Mather gave a brief overview of the quality dashboard and took questions from the committee.		
8. FINANCIAL REPORT MONTH END SEPTEMBER 30, 2018	<i>Jensen</i>		
	Mr. Jensen reviewed the September financials. After accounting for all income and expenses, but not including restricted contributions and GO bond activity, the net loss for September was (\$231,021) vs. a budgeted net loss of (\$213,138). The total net income was \$208,930 vs. a budgeted net income of \$16,482.		
8. ADJOURN	<i>Nevins</i>		
	Meeting adjourned at 6:02 pm		

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**SONOMA VALLEY HEALTH CARE DISTRICT
QUALITY COMMITTEE
September 26, 5:00 PM
MINUTES
Schantz Conference Room**

Members Present	Members Present cont.	Excused	Public/Staff
Jane Hirsch Peter Hohorst Carol Snyder <i>Howard Eisenstark, MD</i> <i>Michael Mainardi, MD</i>	Cathy Webber <i>Susan Idell</i> Michael Brown, MD Ingrid Sheets		Danielle Jones, RN Mark Kobe, CNO Sabrina Kidd, MD CMO

**Italized names indicate voting member*

AGENDA ITEM	DISCUSSION	ACTION
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Hirsch</i>	
	Meeting called to order at 5:02 pm	
2. PUBLIC COMMENT	<i>Hirsch</i>	
3. CONSENT CALENDAR	<i>Hirsch</i>	Action
<ul style="list-style-type: none"> • QC Minutes, 09.26.18 		MOTION: by Eisenstark to approve, 2 nd by Mainardi. All in favor.
4. PATIENT CARE SERVICES DASHBOARD	<i>Kobe</i>	Inform
	Mr. Kobe reviewed the patient care services dashboard and the metrics by quarters.	
5. SKILLED NURSING UNIT ANNUAL REPORT	<i>Evans</i>	Inform
	Ms. Evans spoke about the scope of care within the SNF. She also spoke about the three month pilot project, brought about by the SNF Task Force, to increase revenue and decrease staffing expenses. SNF quality metrics were also reviewed.	
6. 2018 CONTRACT EVALUATION REPORT	<i>Jones</i>	Inform

AGENDA ITEM	DISCUSSION	ACTION
	Ms. Jones spoke about the review of patient care contracts and their metrics. She also reviewed the improvements for 2019.	
7. QUALITY AND RESOUC E MANAGEMENT REPORT	<i>Jones</i>	
	Ms. Jones reviewed the October priorities which were SVH scoring high at HSAG HIIN Regional Western Conference and patient experience.	
8. PARTNERSHIP HEALTHPLAN OF CALIFORNIA PRELIMINARY PERFORMANCE SUMMARY	<i>Jones</i>	
	Ms. Jones reviewed our preliminary performance summary. SVH has hit or exceeded all of the points. This resulted in an incentive payment from Partnership Health Plan.	
9. QUALITY COMMITTEE CHARTER	<i>Jones</i>	Inform/Action
	<p>Reviewed previous edits and discussed further edits to be made.</p> <p>The following revisions will be made:</p> <ul style="list-style-type: none"> • Page 2. Removal of “recommendation of the CEO”, Removal of reference to Finance committee and last paragraph of Quantitative Quality Measures #2. remove the last two sentences. • Page 3. Remove “April” from the Required Annual Calendar Activities #1. • Page 4. Add #5 “The QC reviews and assesses the Annual Department Reports as annually assigned.” QC Membership and Staff #1 bullet two change President to Chief. Bullet 3 change it to four members of the public. Membership will be 4 voting members and 3 non voting members. Last sentence of the page remove the semicolon. 	MOTION: by Idell to approve with stated changes, 2 nd by Eisenstark. All in favor
10. POLICIES AND PROCEDURES	<i>Jones</i>	
	<p><u>Revised:</u> Employment Conditions HR8610-12 Leaves-Bereavement HR8610-172F Leaves-Child-related School Acitivity & Child Care HR8610-172H</p>	MOTION: by Eisenstark to approve, 2 nd by Idell . All in favor.

AGENDA ITEM	DISCUSSION	ACTION
	Leaves Medical & Family Care (FMLA & CFRA) HR8610-172A Leaves- Pregnancy- Related Disability Leave HR8610-172B Patient Grievance and Complaint Policy PR8610-158 <u>Reviewed No Changes:</u> Compounding Drug Products MM8610-137 Compounding Policies, Annual Review of MM8610-160 IV Compounding Outside of the Pharmacy MM8610-118 Sterile Compounding MM8610-117 Pharmacy Department Preparation of Methotrexate IM Doses Using ChemoClave System Procedure 8390-05 QAPI Procedures-IV Room 8390-02 Sterile Compounding Procedures 8390-03	
11. CLOSED SESSION	<i>Hirsch</i>	
	Called to order at 6:27 pm	
12. REPORT OF CLOSED SESSION	<i>Hirsch</i>	
	6:28 pm	MOTION: by Eisenstark to approve, 2 nd by Mainardi. All in favor.
13. ADJOURN	<i>Hirsch</i>	
	6:29 pm	

Policy and Procedures – Summary of Changes

Board of Directors, December 6th, 2018

Review and Approval Requirements

The SVH departmental/organizational policies and/or procedures on the attached list have been reviewed and approved by the following organizational leaders for meeting all of the following criteria. All of these policies and procedures are:

- Consistent with the Mission, Vision and Values of the Sonoma Valley Health Care District
- Consistent with all Board Policy, Hospital Policy and Hospital Procedures
- Meet all applicable law, regulation, and related accreditation standards
- Consistent with prevailing standards of care
- Consistent with evidence-based practice

We recommend their acceptance by the Sonoma Valley Health Care District Board.

ORGANIZATIONAL

REVISIONS:

Employment Conditions HR8610-102

Added an EEO statement, detailed the new conditions for bridging of service for seniority and benefits purposes, revised section on employment of relatives (replacing separate policy), clarified key dates, and removed language regarding Hiring Process as that has been combined into newly revised policy #HR8610-325. Hospital's decision is to expand the period of separation for consideration of reinstatement, while re-defining reinstatement to refer only to bridging of years of service and benefits eligibility. Needed clearer language in regards to hiring of relatives and updated definitions of key dates to reflect reinstatement conditions.

Leaves - Bereavement HR8610-172F

Updated language and organization of topics for clearer understanding. Expanded on the definition of "immediate family member."

Leaves - Child-related School Activity & Child Care HR8610-172H

Updated language for clarity; removed reference to time off specifically for suspension from school (falls within the parameters of the need for time off and does not need special consideration); added language to define "parent" as well as "child-related school activity."

Leaves - Medical & Family Care (FMLA & CFRA) HR8610-172A

Significant update to provide better organization and clarity to the rules and required process, while ensuring the policy is compliant with current law. Additionally, changed the amount of leave provided under this policy to match the amount of leave required under FMLA and CFRA law (changed from 16 weeks to 12 weeks of leave time). Also, removed reference to leaves granted for military-related purposes and will instead add to separate policy. As a small hospital, having employee's off work for a prolonged period of time causes a direct amount of hardship to other employees as well as finances associated with providing necessary coverage. Therefore, it is unreasonable that SVH should provide more leave time than required by law.

Leaves - Pregnancy-Related Disability Leave HR8610-172B

Revised to provide language clarity related to the provisions of this type of leave and clearer process requirements/conditions. Changes were made to ensure consistency with revisions made to HR8610-172A and ensure compliance with current law.

Patient Grievance and Complaint Policy PR8610-158

Minor spelling correction and clarification surrounding responders to clarify the roles for the patient experience in regards to grievances. Organizational oversight has changed.

REVIEWED/NO CHANGES:

Compounding Drug Products MM8610-137

Compounding Policies, Annual Review of MM8610-160

IV Compounding Outside of the Pharmacy MM8610-118

Sterile Compounding MM8610-117

DEPARTMENTAL

REVIEWED/NO CHANGES:

Pharmacy Department

Preparation of Methotrexate IM Doses Using ChemoClave System Procedure 8390-05

QAPI Procedures-IV Room 8390-02

Sterile Compounding Procedures 8390-03

Sonoma Valley Health Care District

Financial Statements

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sonoma Valley Health Care District
Sonoma, California

We have audited the accompanying financial statements of Sonoma Valley Health Care District (the "District"), which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and change in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonoma Valley Health Care District as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 37 - 38, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

DRAFT

Armanino^{LLP}
San Ramon, California

November 7, 2018

Sonoma Valley Health Care District
Management's Discussion and Analysis (Unaudited)
As of, and for the Years Ended, June 30, 2018, 2017 and 2016

Introduction

This management's discussion and analysis of the financial performance of Sonoma Valley Health Care District (the "District") provides an overview of the District's financial activities for the years ended June 30, 2018 and 2017. It should be read in conjunction with the accompanying consolidated financial statements and footnotes of the District.

Financial highlights

- The District's net position decreased in 2018 by approximately \$300,000 or 2% and increased in 2017 by approximately \$462,000 or 3%.
- Cash, cash equivalents, and total investments decreased in 2018 by approximately \$1,742,000 or 43% and increased in 2017 by approximately \$2,357,000 or 136%. The decrease in 2018 was due to a decrease in the hospital net revenue and an increase in operating expenses during 2018 and the increase in 2017 was due to an increase in net revenues during 2017.
- Net patient accounts receivable decreased in 2018 by approximately \$1,400,600 or 18% and decreased in 2017 by approximately \$262,000 or 3%. The decrease in 2018 was due to an overall reduction in hospital volume and net revenue and an increase effort to collect at point of visit.
- The District reported operating losses in both 2018 (\$6,025,000) and 2017 (\$4,540,000). The operating loss in 2018 increased by approximately \$1,485,000 or 33% from the operating loss reported in 2017. The increase in the operating loss in 2018 was due to a decrease in net operating revenues and an increase in operating expenses, most notably professional fees, medical and other expenses. The operating loss in 2017 increased by approximately \$1,199,000 or 36% more than the operating loss reported in 2016.

Using this annual report

The District's consolidated financial statements consist of three statements—statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its consolidated financial statements using the economic resources measurement focus and the accrual basis of accounting.

Sonoma Valley Health Care District
Management's Discussion and Analysis (Unaudited)
As of, and for the Years Ended, June 30, 2018, 2017 and 2016

The statement of net position and statement of revenues, expenses and changes in net position

The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District's resources and its activities. One of the most important questions asked about the District's finances is, "Is the District as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes thereto. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

The statement of cash flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The District's net position

The District's net position are the difference between its assets and liabilities reported in the balance sheet. The District's net position decreased by \$300,000 or 2% in 2018 from 2017 and increased by \$462,000 or 3% in 2017 from 2016, as shown in Table 2.

The decrease in net position in 2018 is primarily the result of the decrease in net operating revenue and an increase in operating expenses. The decrease in net operating revenues during 2018 was due to a decrease in net revenue from inpatient services and the impact on the hospital's overall volume during the wildfires in October 2017.

In 2018, estimated third-party cost report settlements increased by \$414,000 or 87% compared to 2017. The increase in 2018 is due to the accrual of over payments on Medicare's Periodic Interim Payment ("PIP") from 2017. Property tax receivable increased by \$100,000 or 1% from 2017. Other receivables increased by \$439,000 or 251% from 2017, which is due to the amount owed to the District for the PRIME grant. Current pledge receivables decreased by \$296,000 or 100% compared to 2017. The decrease is due to collecting outstanding pledges in 2018.

Sonoma Valley Health Care District
Management's Discussion and Analysis (Unaudited)
As of, and for the Years Ended, June 30, 2018, 2017 and 2016

Table 1: Assets, Liabilities, and Net Position

	2018	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,342,737	\$ 4,084,992	\$ 1,727,791
Patient accounts receivable, net of allowance for doubtful accounts of \$1,441,051 and \$925,572 in 2017 and 2016, respectively	6,464,621	7,865,253	8,127,229
Estimated third-party payor settlements, net	892,336	477,888	1,350,090
Property tax receivable	7,060,250	6,960,475	6,028,820
Other receivables	613,939	174,704	92,450
Pledge receivables, current	-	295,971	1,379,819
Inventories	852,688	832,006	815,080
Prepaid expenses and other current assets	785,383	848,434	868,839
Total current assets	<u>19,011,954</u>	<u>21,539,723</u>	<u>20,390,118</u>
Capital assets, net	<u>52,220,907</u>	<u>53,261,937</u>	<u>52,341,277</u>
Noncurrent investments			
Restricted for capital acquisitions	-	-	149,858
Restricted for debt service	4,437,878	3,966,031	3,420,699
Other long-term investments	-	-	96,125
Total noncurrent investments	<u>4,437,878</u>	<u>3,966,031</u>	<u>3,666,682</u>
Total assets	<u>\$ 75,670,739</u>	<u>\$ 78,767,691</u>	<u>\$ 76,398,077</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable and accrued expenses	\$ 5,628,545	\$ 5,857,112	\$ 5,761,043
Accrued payroll and related liabilities	3,634,422	3,875,571	3,627,274
Deferred tax revenue	6,853,235	6,808,200	5,962,904
Line of credit	6,973,734	6,973,734	6,723,734
Bonds payable, current portion	1,529,000	1,433,000	1,339,000
Capital lease obligations, current portion	950,690	968,648	997,778
Notes payable, current portion	2,350,366	2,337,841	153,675
Total current liabilities	<u>27,919,992</u>	<u>28,254,106</u>	<u>24,565,408</u>
Long-term liabilities			
Accrued workers' compensation liability	663,000	629,000	404,000
Bonds payable, net of current portion	29,900,000	31,429,000	32,862,000
Capital lease obligations, net of current portion	611,726	1,229,794	2,184,770
Notes payable, net of current portion	735,189	1,085,124	703,574
Total long-term liabilities	<u>31,909,915</u>	<u>34,372,918</u>	<u>36,154,344</u>
Total liabilities	<u>59,829,907</u>	<u>62,627,024</u>	<u>60,719,752</u>
Net position			
Net investment in capital assets	<u>9,170,202</u>	<u>7,804,796</u>	<u>7,376,746</u>
Restricted			
For debt service	4,437,878	3,966,031	3,420,699
Expendable for capital assets	650,620	1,214,663	1,819,558
Total restricted	<u>5,088,498</u>	<u>5,180,694</u>	<u>5,240,257</u>
Unrestricted	<u>1,582,132</u>	<u>3,155,177</u>	<u>3,061,322</u>
Total net position	<u>15,840,832</u>	<u>16,140,667</u>	<u>15,678,325</u>
Total liabilities and net position	<u>\$ 75,670,739</u>	<u>\$ 78,767,691</u>	<u>\$ 76,398,077</u>

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Operating results and changes in the District's net position

In 2018 the District's operating loss increased by \$1,485,000 or 33% from 2017. In 2017 the operating loss increased by \$1,199,000 or 36% from 2016, as shown in Table 2 below:

Table 2: Operating results and changes in net position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues			
Net patient service revenue	\$ 54,439,085	\$ 54,976,229	\$ 53,331,465
Capitation revenue	1,358,418	1,553,667	1,681,631
Other revenue	-	16,389	-
	<u>55,797,503</u>	<u>56,546,285</u>	<u>55,013,096</u>
Operating expenses			
Salaries and wages	29,992,860	29,890,792	29,514,703
Employee benefits	6,551,231	7,049,366	6,153,766
Purchased services	4,398,195	3,988,156	3,545,853
Professional fees, medical	5,809,116	5,066,440	4,778,983
Professional fees, non medical	580,667	352,298	523,511
Supplies	6,356,090	7,162,535	6,236,012
Facilities and equipment	740,668	915,067	1,183,129
Utilities	1,189,990	1,189,500	1,118,493
Insurance	371,824	354,443	303,068
Depreciation and amortization	3,424,202	3,385,926	3,461,196
Other expenses	2,407,797	1,732,137	1,535,381
Total operating expenses	<u>61,822,640</u>	<u>61,086,660</u>	<u>58,354,095</u>
Loss from operations	<u>(6,025,137)</u>	<u>(4,540,375)</u>	<u>(3,340,999)</u>
Nonoperating income			
Property tax revenues	6,955,485	6,283,141	5,880,846
Investment income	71,390	42,822	12,988
Interest expense	(564,546)	(1,879,920)	(2,031,106)
Contributions to Prima Medical Foundation	(681,200)	(580,604)	(576,618)
Other (expense) income, net	(8,067)	162,886	411,897
Non-operating expense	(26,877)	-	-
Total nonoperating income	<u>5,746,185</u>	<u>4,028,325</u>	<u>3,698,007</u>
Capital contributions	<u>1,227,291</u>	<u>974,392</u>	<u>1,022,734</u>
Changes in net position	948,339	462,342	1,379,742
Net position, beginning of year	<u>16,140,667</u>	<u>15,678,325</u>	<u>14,298,583</u>
Net position, end of year	<u>\$ 17,089,006</u>	<u>\$ 16,140,667</u>	<u>\$ 15,678,325</u>

*The District's net patient revenue is comprised of comprehensive services that span the continuum of healthcare services: inpatient and outpatient hospital patient care services, emergency services, skilled nursing facility services, and home health care services. The following is the payer mix based upon net patient service revenue. Net revenue represents payments made by insurance companies and patients and is not based upon the gross billed charges.

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The following chart shows the percentage of Government programs (Medicare, Medicare HMO, Medi-Cal and Medi-Cal Managed Care), commercial insurance and other net patient revenue. Government programs generally do not cover the cost of providing patient care services and therefore are augmented by commercial insurance payments. The District's payor mix is the reason that the parcel tax is so critical to the ongoing operations of the District.

Payer mix - Percentage of total cash collections

	FY 2018	FY 2017	FY 2016
Total Hospital			
Medicare	37.4 %	37.0 %	40.1 %
Medicare HMO	8.2 %	7.4 %	6.5 %
Medi-Cal	2.2 %	2.8 %	5.4 %
Medi-Cal Managed Care	13.8 %	11.2 %	9.7 %
Commercial Ins	30.3 %	31.6 %	31.7 %
Workers Comp	2.0 %	2.9 %	2.8 %
Capitated	0.3 %	0.9 %	1.3 %
Self Pay - Other	5.8 %	6.2 %	2.5 %
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Over the period, the District has experienced a shift from inpatient to outpatient care. The District's experience with this shift in patient care services is consistent across all hospitals in the United States. Insurance companies, including Medicare, the District's largest payer, are more frequently requiring services to be provided in the outpatient setting.

Operating losses

The first component of the overall change in the District's net position is its operating income or loss; generally, the difference between net patient services and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the District has reported an operating loss. This is consistent with the District's operating history as the District was formed and operates primarily to serve residents of Sonoma Valley, regardless of their ability to pay. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2018 increased by \$1,485,000 or 33% as compared to 2017. In 2017 the operating loss increased by \$1,200,000 or 36% as compared to 2016. The major components of those changes in operating loss are:

- Total operating revenues decreased by \$749,000 or 1% in 2018. Total operating revenues increased by \$1,533,000 or 3% in 2017 compared to 2016. The decrease in 2018 is due primarily to a decrease in net revenues from inpatient services and the impact on the hospital's volume during the wildfires in October 2017.

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- Salaries, wages, and benefits decreased in 2018 by \$396,000 or 1% due to administration implementing cost saving measures that eliminated and/or combined several management positions in January 2018. Salaries, wages, and benefits increased in 2017 by \$1,272,000 or 4% due to an across the board salary increase of 3% in January 2017 and the overall increase in volumes in clinical departments requiring more staffing than in prior years.
- Purchased services increased in 2018 by \$410,000 or 10% compared to 2017 and increased in 2017 by \$442,000 or 12% compared to 2016. The increase in 2018 is due to outsourcing our host servers for our Paragon information system during fiscal year 2017.
- Medical fees increased in 2018 by \$742,000 or 15% due to a contract increase with our hospitalists group and on-call physicians as well as an increase use in nursing registry due to nursing turn-over. Medical fees increased in 2017 by \$287,500 or 6% due to a contract increase with the District's anesthesiology group and the addition of the specialty clinic physicians.
- Non-medical professional fees increased in 2018 by \$228,000, or 65% from 2017 due to an employee moving to a consulting position. Nonmedical professional fees decreased in 2017 by \$171,000 or 33% compared to 2016 due to canceling the affiliation agreement and management services with Marin General Hospital and reduction in marketing consulting.
- Supplies decreased in 2018 by \$806,450 or 11% from 2017 primarily due to the decrease in surgical procedures involving surgical implants and in the decrease in pharmaceutical costs due to the hospital being eligible for the 340B drug program. Supplies increased in 2017 by \$926,500 or 15% compared to 2016 primarily due to the increase in surgical procedures involving surgical implants.
- Facilities and equipment decreased in 2018 by \$174,400 or 19% from 2017 due to a reduction in rents and an operating lease ending. Facilities and equipment decreased in 2017 by \$268,000 or 23% compared to 2016 due to the purchase of the South Lot (parking lot) that the hospital previously leased.
- Other expenses increased in 2018 by \$675,700 or 39% compared to 2017 due to an increase in Inter-Governmental Transfers (IGT) payments during 2018. Other expenses increased in 2017 by \$196,700 or 13% as compared to 2016 due to an increase in Inter-Governmental Transfers ("IGT") during 2017.

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Nonoperating revenues and expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, investment income, interest expense and noncapital grants and gifts. Property taxes increased in 2018 compared to 2017, by \$672,000 or 11%. Property taxes increased in 2017 compared to 2016, by \$402,000 or 7%. In 2018 interest expense decreased by \$40,000 or 2% from 2017. In 2017 interest expense decreased by \$151,000 or 7% from 2016. The decrease in interest is due the decrease in scheduled payments for the general obligation bonds. There were no noncapital grants and gifts in 2018 and 2017.

Capital grants and gifts

The District received gifts from Sonoma Valley Hospital Foundation and various individuals to purchase capital assets in the amount of \$1,227,00 in 2018 and \$974,000 in 2017; an increase of \$253,000 in 2018 over 2017. Capital grants and gifts decreased by \$48,000 in 2017 over 2016.

The District's cash flows

Changes in the District's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier.

Capital assets

At the end of 2018 and 2017, the District had \$52,220,900 and \$53,262,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 8 to the financial statements. In 2018 and 2017, the District purchased new equipment and made capital improvements costing \$4,573,900 and \$4,308,855, respectively.

Debt

At June 30, 2018 and 2017, the District had \$36,077,000 and \$38,483,000, respectively, in bonds, equipment notes payable, and notes payable outstanding as detailed in Notes 13 and 14 to the financial statements. The District has a line of credit agreement with a bank for an amount not to exceed \$7,000,000, maturing on January 31, 2019. The District had unused credit on the line of \$26,266 as of both June 30, 2018 and 2017.

Future plans

With the national trends shifting away from inpatient care, the District continues to focus on expanding outpatient services to serve the needs of our community. The District is also reviewing declining inpatient services at the hospital and analyzing eliminating or restructuring those services. The District also established an additional 1206b clinic as a family practice with plans to transition the clinic into a rural health practice.

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As of, and for the Years Ended, June 30, 2018, 2017 and 2016

Contacting the District's financial management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Chief Financial Officer by telephoning (707) 935-5003.

Sonoma Valley Health Care District
 Statements of Net Position
 June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,342,737	\$ 4,084,992
Patient accounts receivable, net of allowance for doubtful accounts of \$1,210,338 and \$1,441,051 in 2018 and 2017, respectively	6,464,621	7,865,253
Estimated third-party payor settlements	892,336	477,888
Property tax receivables	7,060,250	6,960,475
Other receivables	613,939	174,704
Pledge receivables, current	-	295,971
Inventory	852,688	832,006
Prepaid and other current assets	785,383	848,434
Total current assets	19,011,954	21,539,723
Capital assets, net	52,220,907	53,261,937
Noncurrent investments		
Restricted for debt service	4,437,878	3,966,031
Total noncurrent investments	4,437,878	3,966,031
 Total assets	 \$ 75,670,739	 \$ 78,767,691
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,628,545	\$ 5,857,112
Accrued payroll and related liabilities	3,634,422	3,875,571
Deferred tax revenue	6,853,235	6,808,200
Line of credit	6,973,734	6,973,734
Bonds payable, current portion	1,529,000	1,433,000
Capital lease obligations, current portion	950,690	968,648
Notes payable, current portion	2,350,366	2,337,841
Total current liabilities	27,919,992	28,254,106
Long-term liabilities		
Accrued workers' compensation liability	663,000	629,000
Bonds payable, net of current portion	29,900,000	31,429,000
Capital lease obligations, net of current portion	611,726	1,229,794
Notes payable, net of current portion	735,189	1,085,124
Total long-term liabilities	31,909,915	34,372,918
Total liabilities	59,829,907	62,627,024
Net position		
Net investment in capital assets	9,170,202	7,804,796
Restricted		
For debt service	4,437,878	3,966,031
Expendable for capital assets	650,620	1,214,663
Total restricted	5,088,498	5,180,694
Unrestricted	1,582,132	3,155,177
Total net position	15,840,832	16,140,667
 Total liabilities and net position	 \$ 75,670,739	 \$ 78,767,691

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
 Statements of Revenues, Expenses and Change in Net Position
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Net patient service revenue	\$ 54,439,085	\$ 54,976,229
Capitation revenue	1,358,418	1,553,667
Other revenue	<u>-</u>	<u>16,389</u>
	<u>55,797,503</u>	<u>56,546,285</u>
Operating expenses		
Salaries and wages	29,992,860	29,890,792
Employee benefits	6,551,231	7,049,366
Purchased services	4,398,195	3,988,156
Professional fees, medical	5,809,116	5,066,440
Professional fees, non medical	580,667	352,298
Supplies	6,356,090	7,162,535
Facilities and equipment	740,668	915,067
Utilities	1,189,990	1,189,500
Insurance	371,824	354,443
Depreciation and amortization	3,424,202	3,385,926
Other expenses	<u>2,407,797</u>	<u>1,732,137</u>
Total operating expenses	<u>61,822,640</u>	<u>61,086,660</u>
Loss from operations	<u>(6,025,137)</u>	<u>(4,540,375)</u>
Nonoperating revenues (expenses)		
General obligation bond tax assessment revenues	3,164,434	3,335,367
Parcel tax assessment revenues	3,791,051	2,947,774
General obligation bond interest	(1,275,052)	(1,328,430)
Interest expense	(564,546)	(551,490)
Contributions to Prima Medical Foundation	(681,200)	(580,604)
Investment income	71,390	42,822
Other (expense) income, net	<u>(8,066)</u>	<u>162,886</u>
Total nonoperating revenues (expenses)	<u>4,498,011</u>	<u>4,028,325</u>
Capital contributions	<u>1,227,291</u>	<u>974,392</u>
Increase (decrease) in net position	(299,835)	462,342
Net position, beginning of year	<u>16,140,667</u>	<u>15,678,325</u>
Net position, end of year	<u>\$ 15,840,832</u>	<u>\$ 16,140,667</u>

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
 Statements of Cash Flows
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from patients and third-parties	\$ 56,725,907	\$ 57,753,230
Cash payments to contractors, vendors and suppliers	(22,044,966)	(20,622,713)
Cash payments to employees and benefit programs	<u>(36,951,240)</u>	<u>(36,466,861)</u>
Net cash provided by (used in) operating activities	<u>(2,270,299)</u>	<u>663,656</u>
Cash flows from noncapital financing activities		
Noncapital grants, contributions, and other	(66,673)	1,091,713
Contribution to Prima Medical Foundation	(681,200)	(580,604)
Other deferred revenue	200,000	-
District tax revenues	<u>3,736,307</u>	<u>2,861,568</u>
Net cash provided by noncapital financing activities	<u>3,188,434</u>	<u>3,372,677</u>
Cash flows from capital and related financing activities		
Net purchase of capital assets	(2,372,123)	(4,306,586)
Principal payments on note payable	(337,410)	(253,784)
Principal payments on capital lease obligations	(636,026)	(984,106)
Borrowing on line of credit	-	250,000
Principal payments on bond payable	(1,433,000)	(1,339,000)
Interest paid on long-term debt	(1,862,054)	(1,918,235)
Proceeds from issuance of notes payable	-	2,819,500
Tax revenue related to general obligation bonds	3,164,438	3,335,214
Capital grants and gifts	<u>1,227,291</u>	<u>974,392</u>
Net cash used in capital financing activities	<u>(2,248,884)</u>	<u>(1,422,605)</u>
Cash flows from investing activities		
Purchase of investments	(471,847)	(299,349)
Proceeds from sale	(11,049)	-
Interest received from investments	<u>71,390</u>	<u>42,822</u>
Net cash used in investing activities	<u>(411,506)</u>	<u>(256,527)</u>
Net increase (decrease) in cash and cash equivalents	(1,742,255)	2,357,201
Cash and cash equivalents, beginning of year	<u>4,084,992</u>	<u>1,727,791</u>
Cash and cash equivalents, end of year	<u>\$ 2,342,737</u>	<u>\$ 4,084,992</u>

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
 Statements of Cash Flows
 For the Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	\$ (6,025,137)	\$ (4,540,375)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	3,424,202	3,385,926
Provision for bad debts	1,900,000	1,890,000
Changes in operating assets and liabilities		
Patient accounts receivable, net	(563,331)	(1,555,257)
Estimated third-party payor settlements	(435,142)	872,202
Accounts payable and accrued expenses	(613,260)	607,681
Other assets and liabilities	42,369	3,479
Net cash provided by (used in) operating activities	\$ (2,270,299)	\$ 663,656

Supplemental schedule of noncash investing and financing activities

Acquisition of capital assets financed with long-term debt	\$ 410,810	\$ 819,500
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The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

1. NATURE OF OPERATIONS

Sonoma Valley Health Care District (the "District") is a political subdivision of the State of California organized under the State of California Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The Health Care District is governed by an elected Board of Directors and is considered the primary government for financial reporting purposes.

The Health Care District owns and operates Sonoma Valley Hospital (the "Hospital"). The Hospital is located in Sonoma, California, and is licensed for 48 general acute care beds and 27 skilled nursing beds. It also provides 24-hour basic emergency care, outpatient diagnostic and therapeutic services, and operates a home health agency. The Hospital derives a significant portion of its revenues from third-party payors, including Medicare, Medi-Cal, and commercial insurance organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The District's financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation, required by GASB Statements No. 34, 37 and 38 provides a full accrual basis, comprehensive, entity-wide perspective of the District's assets, results of operations and cash flows. The District follows the "business-type activities" reporting requirements of GASB Statement No. 34. For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments ("GASB No. 76"), which is effective for financial statements for periods beginning after June 15, 2015. The objective of GASB No. 76 is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Proprietary fund accounting and financial statement presentation

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and the financial statements are prepared using the economic resources measurement focus.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary fund accounting and financial statement presentation (continued)

Net position of the District is comprised of the following three components:

- *Net investment in capital assets* - consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.
- *Restricted net position* - consists of net position with limits on their use that are externally imposed by creditors (such as through debt covenants), grantors, contributors or by laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - consists of the remaining net position that does not meet the definition of invested in capital assets, net of related debt or restricted net position.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include deposits with financial institutions and investments in highly liquid debt instruments with an original maturity of three months or less. Cash and cash equivalents exclude amounts whose use is limited by board designation or by legal restriction.

Patient accounts receivable and concentration of credit risk

Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, providing appropriate reserves for contractual allowances and uncollectible accounts based upon historical net collections, the aging of individual accounts, as well as current economic and regulatory conditions. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe there are any material credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Medicare and Medi-Cal receivables account for approximately 54% and 35% of net patient accounts receivable as of June 30, 2018 and 2017, respectively.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncollectible accounts

The District provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible. At June 30, 2018 and 2017, the District provided allowances for losses on amounts directly from patients totaling \$1,210,338 and \$1,441,051, respectively.

Investment

The District maintains a portion of its cash in the State of California Local Agency Investment Fund ("LAIF") pooled investment. The funds deposited in LAIF are invested in accordance with Government Code Sections 16340 and 16480, the stated investment authority for the Pooled Money Investment Account. Balances are stated at their estimated fair market value.

Noncurrent investments consist of Board-designated and restricted funds set aside by the board for future capital improvements and other operational reserves, over which the board retains control and may at its discretion, use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law and assets restricted by donors or grantors.

Investment income, realized gains and losses, and unrealized gains and losses on investments are reflected as nonoperating income or expense.

Fair value measurements

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application ("GASB No. 72"), which is effective for financial statements for periods beginning after June 15, 2015. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The District reports the fair value of its investments in accordance with GASB 72. This standard requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the District reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the District to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- *Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- *Level 2* - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.
- *Level 3* - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes principal expedient investments with notice periods for redemption of more than 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the District's financial statements.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable

Pledges are recorded at their present value net of applicable discounts. There are no discounts recorded as of June 30, 2018 and 2017, as all pledge balances are expected to be collected within one year. An allowance for uncollectible pledges receivable is established based upon management's judgment including such factors as prior collection history and aging statistics of pledge balances. At June 30, 2018 and 2017, management determined that no allowance for uncollectible pledges was required, as all balances are considered to be fully collectible.

Inventories

Inventories consist primarily of hospital operating supplies and pharmaceuticals and are stated at cost, determined by the first-in, first-out method, not in excess of market.

Restricted for debt services

According to the terms of the General Obligation Bond indenture agreements, certain amounts are held by the bond trustee and paying agent and are maintained and managed by the trustee and are invested in noncurrent investments. These assets are available for the settlement of future current bond obligations.

Capital assets

Capital asset acquisitions over \$5,000 are capitalized and recorded at cost. Donated property is recorded at its fair-market value on the date of donation. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets.

Depreciation and amortization of capital assets is computed using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and fixtures	20 - 40 years
Equipment	2 - 10 years

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the District, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets carrying value is adjusted to fair value. As of June 30, 2018 and 2017, the District has determined that no capital assets are significantly impaired.

Costs of borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Risk management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental, and accident benefits; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Self-insurance plan

The District maintains professional liability insurance on a claims-made basis, with liability limits of \$15,000,000 per claim and \$25,000,000 in aggregate, which is subject to a \$5,000 per claim deductible. Additionally, the District is self-insured for workers' compensation benefits. The District purchases a Workers' Compensation Excess Policy that insures claims with no limits in the amounts and a \$500,000 deductible. An Actuarial estimate of uninsured losses from workers' compensation claims has been accrued as a liability in the accompanying consolidated financial statements.

Statements of revenues, expenses, and changes in net position

The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Other transactions such as property tax revenue, investment income, gifts and contributions, and grants and bequests are reported as nonoperating income.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

The distribution of net patient revenue, which represents both cash collected and expected to be collected, by payor is as follows:

	2018	2017
Medicare	37.4 %	37.0 %
Medicare HMO	8.2 %	7.4 %
Medi-Cal	2.2 %	2.8 %
Medi-Cal Managed Care	13.8 %	11.2 %
Commercial Insurance	30.3 %	31.6 %
Workers Compensation	2.0 %	2.9 %
Capitated	0.3 %	0.9 %
Self-pay-other	5.8 %	6.2 %

Charity care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Capitation revenues

The District, in association with Meritage Medical Network (formerly Marin Independent Practice Association) ("Meritage") has an agreement with a health maintenance organization ("HMO") to provide medical services to subscribing participants. Under this agreement, the District receives monthly capitation payments based on the number of each HMO's participants, regardless of the services actually performed by the District. The District is not responsible for the cost of services provided to subscribing participants by other hospitals. The District reassesses the profitability of the agreements for exposure risks in the event future medical costs to provide medical services exceed the related future capitation payments.

Property tax revenues

Taxes for District operations and for debt service payments related to District General Obligation Bonds are levied annually on the taxable property within the District.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property tax revenues (continued)

In March 2002, the District voters adopted a special tax on each taxable parcel of land within the District at an annual rate of up to \$130 per parcel for five years. In March 2007, the District voters extended the special tax at an annual rate of up to \$195 per parcel. In June 2017, the District voters approved an extension of the special tax at an annual rate of up to \$250 per parcel for a five year period through 2022. The purpose of the special parcel tax is to ensure continued local access to emergency room and acute hospital care and other medical services for residents of the District and for visitors to the area. The parcel tax extension was approved through 2022 by the District's voters.

Property tax revenue funds were designated as follows:

	2018	2017
Designated for hospital operations	\$ 3,791,051	\$ 2,947,774
Levied for hospital operations and debt service payments	3,164,434	3,335,367
	\$ 6,955,485	\$ 6,283,141

The District recognizes property taxes receivable when the enforceable legal claim arises (January 1) and recognizes revenues over the period for which the taxes are levied (July 1 to June 30). Property taxes are considered delinquent on the day following each payment due date. Property tax revenues are nonexchange transactions that are reported as nonoperating revenues.

Grants and contributions

The District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Compensated absences

District policies permit most employees to accumulate paid time-off benefits that may be realized as paid time-off or as a cash payment upon termination. Expense and the related liability are recognized as paid time-off benefits when earned. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as social security and Medicare taxes computed using rates in effect at the date of computation.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. However, income from the unrelated business activities of the District may be subject to income taxes.

3. CASH DEPOSITS

At June 30, 2018 and 2017, the District's cash deposits had carrying amounts of \$2,342,737 and \$4,084,992, respectively, and bank balances of \$2,032,267 and \$3,453,223, respectively. All of the bank balances at June 30, 2018 and 2017, were covered by federal depository insurance.

4. NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. The difference between the Hospital's established rates and the amounts paid under third-party contracts are reflected as contractual adjustments. Medicare and Medi-Cal settlements are estimated and recorded in the financial statements in the year services are provided. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs. Changes in Medicare, Medi-Cal, or other programs or the reduction of program funding could have an adverse impact on future net patient service revenues.

A summary of the payment arrangements with major third-party payors is as follows:

- Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge for the District. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The District's classification of inpatients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the District. Most outpatient services at the District provided to Medicare beneficiaries are paid at prospectively determined rates per encounter that vary according to procedures performed. At June 30,, Medicare cost reports have been audited and final settled by the fiscal intermediary through June 30, 2014 for the District.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

4. NET PATIENT SERVICE REVENUES (continued)

- Medi-Cal - Payments for inpatient acute care services rendered to Medi-Cal program beneficiaries are reimbursed under a diagnostic related group (DRG) methodology. Under this methodology, similar to Medicare, services are paid at prospectively determined rates per discharge according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing care services rendered to Medi-Cal program beneficiaries are reimbursed at prospectively determined per diem rates. Outpatient services rendered to Medi-Cal program beneficiaries are reimbursed based on prospectively determined fee schedules. At June 30,, the District's Medi-Cal cost reports have been audited and final settled through June 30, 2016.
- Others - Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or agreements with certain commercial insurance companies, health maintenance organizations, Napa State, and preferred provider organizations which provide for various discounts from established rates.

Net patient service revenues consist of the following:

	2018	2017
Services provided to Medicare patients	\$ 117,867,634	\$ 117,187,875
Services provided to Medi-Cal patients	47,336,024	48,369,309
Services provided to other patients	99,499,127	100,246,667
	264,702,785	265,803,851
Contractual allowance	(210,263,700)	(210,827,622)
	\$ 54,439,085	\$ 54,976,229

5. BOARD-DESIGNATED, RESTRICTED FUNDS, AND OTHER LONG-TERM INVESTMENTS

District investment balances and average maturities were as follows at June 30, 2018:

	Fair Value	Less than 1	1 to 5
Short-term money market mutual funds	\$ 4,437,878	\$ 4,437,878	\$ _____ -
	\$ 4,437,878	\$ 4,437,878	\$ _____ -

District investment balances and average maturities were as follows at June 30, 2017:

	Fair Value	Less than 1	1 to 5
Short-term money market mutual funds	\$ 3,966,031	\$ 3,966,031	\$ _____ -
	\$ 3,966,031	\$ 3,966,031	\$ _____ -

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

5. BOARD-DESIGNATED, RESTRICTED FUNDS, AND OTHER LONG-TERM INVESTMENTS (continued)

Except for the investment of unexpended funds borrowed for construction, the District's investment policy limits the first \$5,000,000 of investments to the LAIF. Once investments exceed \$5,000,000, the policy (California Government Code) limits investments to bonds and other obligations of the US Treasury, US agencies or instrumentalities, or the state of California; bonds of any city, county, school district, or special road district of the state of California; bonds of banks for cooperatives, federal land banks, federal intermediate credit banks, Federal Home Loan Bank, Tennessee Valley Authority, and the National Mortgage Association or certificates of deposit.

The investment policy does not specifically address interest rate risk, credit risk, custodial credit risk, concentration of credit risk or foreign currency risk.

Inherent rate risk

Inherent rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2018 and 2017, the District's investments in money market mutual funds were rated AAA by Standard and Poor's and AAA by Moody's Investors Service.

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investments in money market mutual funds are held by the broker or by the bank's trust department in other than the District's name.

Concentration of credit risk

This risk relates to the risk of loss attributed to the magnitude of the District's investment in a single issuer. For the year ended June 30, the District did not have any investments in a single issuer in excess of 5% of total investments.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

6. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual funds	\$ 4,437,878	\$ -	\$ -	\$ 4,437,878
	<u>\$ 4,437,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,437,878</u>

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual funds	\$ 3,966,031	\$ -	\$ -	\$ 3,966,031
	<u>\$ 3,966,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,966,031</u>

7. PROPERTY TAX RECEIVABLES

Property tax receivables consist of the following:

	<u>2018</u>	<u>2017</u>
Special parcel tax	\$ 4,007,015	\$ 3,952,275
Tax for general obligation bond debt service payments	<u>3,053,235</u>	<u>3,008,200</u>
	<u>\$ 7,060,250</u>	<u>\$ 6,960,475</u>

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

8. CAPITAL ASSETS

Capital assets activity as of June 30, 2018, consisted of the following:

	Balance, June 30, 2017	Increases	Decreases, Transfers, and Retirements	Balance, June 30, 2018
Non-depreciable capital assets				
Land	\$ 1,934,206	\$ -	\$ -	\$ 1,934,206
Construction in progress	1,103,537	1,886,060	(2,178,532)	811,065
Total non-depreciable capital assets	<u>3,037,743</u>	<u>1,886,060</u>	<u>(2,178,532)</u>	<u>2,745,271</u>
Depreciable capital assets				
Land improvements	805,238	-	-	805,238
Buildings and improvements	63,246,003	1,285,374	-	64,531,377
Equipment	30,326,748	1,402,468	(300,226)	31,428,990
	94,377,989	2,687,842	(300,226)	96,765,605
Less accumulated depreciation	(44,153,795)	(3,424,202)	288,028	(47,289,969)
Total depreciable capital assets	<u>50,224,194</u>	<u>(736,360)</u>	<u>(12,198)</u>	<u>49,475,636</u>
Total capital assets, net	<u>\$ 53,261,937</u>	<u>\$ 1,149,700</u>	<u>\$ (2,190,730)</u>	<u>\$ 52,220,907</u>

Capital assets activity as of June 30, 2017, consisted of the following:

	Balance, June 30, 2016	Increases	Decreases, Transfers, and Retirements	Balance, June 30, 2017
Non-depreciable capital assets				
Land	\$ 197,659	\$ 1,736,547	\$ -	\$ 1,934,206
Construction in progress	282,104	821,523	-	1,103,627
Total non-depreciable capital assets	<u>479,763</u>	<u>2,558,070</u>	<u>-</u>	<u>3,037,833</u>
Depreciable capital assets				
Land improvements	805,238	-	-	805,238
Buildings and improvements	66,311,468	190,869	-	66,502,337
Equipment	26,360,722	1,559,916	(853,081)	27,067,557
	93,477,428	1,750,785	(853,081)	94,375,132
Less accumulated depreciation	(41,615,914)	(3,385,926)	850,812	(44,151,028)
Total depreciable capital assets	<u>51,861,514</u>	<u>(1,635,141)</u>	<u>(2,269)</u>	<u>50,224,104</u>
Total capital assets, net	<u>\$ 52,341,277</u>	<u>\$ 922,929</u>	<u>\$ (2,269)</u>	<u>\$ 53,261,937</u>

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

9. EMPLOYEE BENEFITS PLAN

Defined contribution plan

The District contributes to a defined contribution pension plan (the "Plan") covering substantially all employees. Pension expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the Plan. The Plan is administered by the District's Board of Directors. The Plan provides retirement benefits to plan members and death benefits to beneficiaries of plan members. Benefit provisions are contained in the plan document and are established and can be amended by action of the District's governing body. Contribution rates for plan members and the District, expressed as a percentage of covered payroll, were 3.44% and 3.62% for 2018 and 2017, respectively.

Deferred compensation plans

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is available to all employees and permits them to defer a portion of their salary. An employer match is also provided and is vested at the rate of 16.7% per year.

The District's contributions to the defined contribution plan and deferred compensation plan totaled \$672,390 and \$654,531 during 2018 and 2017, respectively.

10. MEDICAL MALPRACTICE COVERAGE AND CLAIMS

The District has joined together with other providers of health care services to form Beta Healthcare Group ("Beta"), a public entity risk pool (the "Pool") currently operating as a common risk management and insurance program for its members. The District purchases medical malpractice insurance from the Pool under a claims-made policy. The District pays an annual premium to the Pool for its torts insurance coverage. The District purchases excess liability insurance through a commercial insurer for amounts in excess of the coverage provided under Beta. The Pool's governing agreements specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The District will not accrue any malpractice losses in excess of all policy limits, if they are determined to be estimable and probable of occurrence. As of June 30, 2018 and 2017, the District has determined that no accrual is required for such losses under the various medical malpractice policies in place.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

11. WORKERS' COMPENSATION CLAIMS

The District is self-insured for workers' compensation claims of its employees up to \$500,000, with commercial stop-loss insurance coverage purchased for claims in excess of these amounts through June 30, 2018. A liability is accrued for self-insured workers' compensation claims, including both claims reported and claims incurred but not yet reported of \$663,000 and \$629,000 as of June 30, 2018 and 2017, respectively. The District utilizes an actuary to estimate the ultimate costs to settle such claims. Estimated future payments related to workers' compensation claims have been discounted at a rate of 1% at June 30, 2018 and 2017. It is reasonably possible that the District's estimate could change by a material amount in the near term.

12. LINE OF CREDIT

The District has a line of credit agreement with a bank for an amount not to exceed \$7,000,000, with an interest rate of 2.5% plus LIBOR and maturing on January 31, 2019. The District is required to comply with certain restrictive covenants, including maintaining a total liabilities to tangible net worth ratio of not greater than 2.0 to 1.0, and the loan outstanding balance shall be limited to 70% of the sum of (i) net accounts receivable, (ii) contributions receivable, and (iii) special parcel tax. The District was in compliance with these covenants as of June 30, 2018 and 2017.

The District had unused credit on the line of \$26,266 at both June 30, 2018 and 2017, respectively.

13. LONG-TERM DEBT

The District's long-term debt transactions as of June 30, 2018, consisted of the following:

	<u>Balance, June 30, 2017</u>	<u>Additions</u>	<u>Decreases / Amortization</u>	<u>Balance, June 30, 2018</u>
GO Bond Principal	\$ 32,862,000	\$ -	\$ (1,433,000)	\$ 31,429,000
Notes payable	<u>3,422,965</u>	<u>-</u>	<u>(337,410)</u>	<u>3,085,555</u>
	<u>\$ 36,284,965</u>	<u>\$ -</u>	<u>\$ (1,770,410)</u>	<u>\$ 34,514,555</u>

The District's long-term debt transactions as of June 30, 2017, consisted of the following:

	<u>Balance, June 30, 2016</u>	<u>Additions</u>	<u>Decreases / Amortization</u>	<u>Balance, June 30, 2017</u>
GO Bond Principal	\$ 34,201,000	\$ -	\$ (1,339,000)	\$ 32,862,000
Notes payable	<u>857,249</u>	<u>2,819,500</u>	<u>(253,784)</u>	<u>3,422,965</u>
	<u>\$ 35,058,249</u>	<u>\$ 2,819,500</u>	<u>\$ (1,592,784)</u>	<u>\$ 36,284,965</u>

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

13. LONG-TERM DEBT (continued)

General obligation bonds payable

On November 4, 2008, the District electorate approved the authorization to issue a total of \$35,000,000 in general obligation bonds. On April 1, 2009, the District issued \$12,000,000 principal amount of general obligation bonds (Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A 2009). Bond proceeds are to be used to pay for a portion of the costs of renovating and retrofitting the District's existing hospital facility, to purchase equipment, to refund outstanding indebtedness, to pay costs of issuance and to pay bond interest due August 1, 2009. \$4,000,000 of the proceeds were used to refund all of the then outstanding Revenue Bonds. \$8,000,000 of the proceeds and the proceeds from all future bonds authorized by the election will be used to construct a new central utility plant, improve utility infrastructure, make all necessary seismic upgrades to existing facilities, and purchase additional medical equipment and install information systems wiring (the "Project").

Interest on the Bonds is payable semi-annually at rates ranging from 5.375% to 8.750% with principal payments due annually beginning August 1, 2013.

Bonds maturing on or before August 1, 2014, are not subject to redemption prior to their respective stated maturity dates. Bonds maturing on or after August 1, 2015, may be redeemed prior to maturity at the District's option at redemption prices equal to the par amount of Bonds redeemed. The Bonds are general obligations of the District payable from ad valorem taxes. In the event the District fails to provide sufficient funds for payment of principal and interest when due, a commercial insurance company has guaranteed to pay that portion of principal and interest for which funds are not available.

In the first phase of the Project, the District prepared a master plan, completed the detailed planning for the Project, acquired some equipment, installed the information systems wiring, and began construction.

In August 2010, the District issued \$23,000,000 of additional general obligation bonds (Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series B 2010) in order to finance the second and final phase of the Project. During this phase, which was completed in February 2014, the District completed all construction and improvement aspects of the Project and finished purchasing the equipment budgeted in the Project.

In February 2014, the District issued \$12,437,000 of additional general obligation bond (Sonoma Valley Health Care District 2014 General Obligation Refunding Bond) to refund all of the outstanding Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A 2009. The 2009 General Obligations Bonds were refunded in February 2014 and the funds were transferred to an escrow account held by a trustee until the bonds were fully called in August 2014.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

13. LONG-TERM DEBT (continued)

Notes payable

The District obtained two loans in November and December 2016 totaling \$819,500 to purchase medical equipment. The loans are due in December 2019 and December 2021 and bear interest at 5.97% and 4.08%.

On August 22, 2016, the District entered into a note payable agreement for \$2,000,000 with a third-party in order to purchase two parcels of land adjacent to the current hospital site. The loan is secured by a deed of trust on the property and bears interest at 5% per annum. The District shall make interest only payments until June 30, 2018 when all principal and accrued interest become due in full.

On November 6, 2017 the District sold the two parcels of land to a separate third-party, and escrow is expected to close in November 2018. On June 29, 2018, the District entered into a note payable agreement with the buyer in the amount of \$2,000,000 in order to repay the third-party loan that became due on June 30, 2018. The loan is secured by a deed of trust on the property and bears interest at 6.5% per annum. The principal amount of the loan together with accrued interest shall be repaid on the maturity date which shall be the earlier to occur of (i) transfer of the land to the buyer, or (ii) thirty-six months from the date of issuance, or June 30, 2021. The expected date of transfer of the land to the buyer is in October, 2019, which is presumed to be the future maturity date.

Debt service requirements

Debt service requirements for long-term debt as of June 30, 2018, are as follows:

<u>Year ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,529,000	\$ 1,239,272	\$ 350,365	\$ 24,990
2020	1,631,000	1,177,194	2,289,377	12,756
2021	1,743,000	1,110,973	222,292	6,618
2022	1,862,000	1,040,275	180,627	1,984
2023	1,989,000	964,813	42,894	319
2024 - 2028	12,448,000	3,481,751	-	-
2029 - 2033	<u>10,227,000</u>	<u>781,959</u>	<u>-</u>	<u>-</u>
	<u>\$ 31,429,000</u>	<u>\$ 9,796,237</u>	<u>\$ 3,085,555</u>	<u>\$ 46,667</u>

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

13. LONG-TERM DEBT (continued)

Interest costs

Interest costs incurred during the year are summarized as follows:

	2018	2017
Interest cost		
Paid	\$ 1,310,725	\$ 1,296,527
Accrued	528,873	583,393
Total interest expense	\$ 1,839,598	\$ 1,879,920

14. CAPITAL LEASE OBLIGATIONS

Capital lease obligations outstanding are as follows:

Description	Maturity	Interest Rates	Original Issue	June 30, 2018
Capital leases - equipment net of interest	December 2018 - August 2022	3.45% - 8.50%	\$ 5,667,205	\$ 1,562,416
Less current portion				(950,690)
				\$ 611,726

Description	June 30, 2017	Increases	Decreases	Outstanding June 30, 2018
Capital leases - equipment	\$ 2,198,442	\$ 410,810	\$ (1,046,836)	\$ 1,562,416

Description	June 30, 2016	Increases	Decreases	Outstanding June 30, 2017
Capital leases - equipment	\$ 3,182,548	\$ -	\$ (984,106)	\$ 2,198,442

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

14. CAPITAL LEASE OBLIGATIONS (continued)

Future minimum lease payments of capital lease obligations are as follows:

<u>Year ending June 30,</u>	
2019	\$ 988,818
2020	352,815
2021	109,738
2022	80,122
2023	<u>80,122</u>
	1,611,615
	<u>(49,199)</u>
	<u>\$ 1,562,416</u>

15. TRANSACTIONS WITH SONOMA VALLEY HOSPITAL FOUNDATION

Sonoma Valley Hospital Foundation, Inc. (the "Foundation") is authorized by the District to solicit contributions on behalf of the Hospital. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing, and use of their distributions. The District recorded contributions from the Foundation of \$1,227,291 in 2018 and \$974,392 in 2017. At June 30, 2018 and 2017, the Foundation's unaudited cash basis financial statements reported net position of \$1,205,755 and \$935,555, respectively. The Foundation is not considered a component unit of the District because the Foundation is not controlled by the District.

16. RELATED PARTY TRANSACTIONS

During 2010, the District contributed \$100,000 to Meritage for the development of Prima Medical Foundation ("PMF"), a joint venture with Meritage, Marin Healthcare District ("MHD"), and Marin Medical Practice Concepts, Inc. ("MMPC"). The PMF's purpose is establishing, operating, and maintaining multi-specialty medical clinics. The successful establishment and operation of PMF in Marin and Sonoma Counties is expected to be a cornerstone in the District's plans to ensure adequate health care services to the greater Sonoma Area. The District's contribution to PMF totaled \$681,200 and \$580,604 for the years ended June 30, 2018 and 2017, respectively.

17. COMMITMENTS AND CONTINGENCIES

Litigation

The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

17. COMMITMENTS AND CONTINGENCIES (continued)

Operating leases

The District leases certain facilities and equipment under the terms of noncancelable operating lease agreements expiring at various dates through February 2022. In 2016, the District began to sublease suites within its leased medical office under sublease agreements expiring through February 2019. Total rental expense for all operating leases amounted to \$740,668 and \$915,067 in 2018 and 2017, respectively. Total rental income during the years ended June 30, 2018 and 2017, amounted to \$274,953 and \$197,481, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	<u>Facility and Equipment</u>	<u>Sub-Lease Income</u>	<u>Net Lease Commitment</u>
2019	\$ 671,552	\$ (35,902)	\$ 635,650
2020	227,219	-	227,219
2021	215,483	-	215,483
2022	<u>164,164</u>	<u>-</u>	<u>164,164</u>
	<u>\$ 1,278,418</u>	<u>\$ (35,902)</u>	<u>\$ 1,242,516</u>

Regulatory environment

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. The District is subject to routine surveys and reviews by federal, state, and local regulatory authorities. The District has also received inquiries from health care regulatory authorities regarding its compliance with laws and regulations. Although the District's management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and ongoing surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey corrective action requests could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Sonoma Valley Health Care District
Notes to Financial Statements
June 30, 2018 and 2017

18. CHARITY CARE

During the years ended June 30, 2018 and 2017, the District incurred estimated costs of \$187,110 and \$365,667, respectively, in free or discounted services for the poor and underserved. This includes services provided to persons who have health care needs and are uninsured, underinsured, and ineligible for a government program and are otherwise unable to pay for medically necessary care based on their individual financial situation. Costs are computed based on a relationship of costs to charges similar to a Medicare cost to charge ratio. During the year ended June 30, 2018, there were approximately 96 patient cases under this policy. During the year ended June 30, 2017, there were approximately 188 patient cases under this policy.

19. SUBSEQUENT EVENT

On July 25 2018, the District approved the closure of the obstetrics service line effective October 31, 2018 due to the ongoing decline in births locally and continuous losses that have been incurred. On this date, the District also approved the transfer of home health care to the Organization Incare Home Care, LLC. The transfer was finalized on September 30, 2018.

In July 2018, the District Board approved the planning phase for a new outpatient diagnostic center. The outpatient diagnostic center will be funded entirely by donor contributions.

SUPPLEMENTARY INFORMATION

Sonoma Valley Health Care District
 Supplementary Information Related to Community Support
 For the Years Ended June 30, 2018 and 2017

Uncompensated care

In September 2004, the District adopted a formal community benefits policy, developed under guidelines provided by the California Hospital Association, and began to identify those patients who are medically indigent. The District's policy is to provide service to all who require it, regardless of their ability to pay. As such, it provides substantial amounts of uncompensated care. When this care is provided to patients who lack financial resources (and therefore are deemed medically indigent), it is classified as community benefits. When it is provided to patients who have the means to pay but decline to do so, it is classified as a provision for uncollectible accounts. Neither community benefits nor the provision for uncollectible accounts is reflected in net patient service revenues.

In addition, the District provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts that are less than established charges for the services provided to the recipients and frequently the payments are less than the cost of rendering the services. Finally, some undetermined portion of the provision for uncollectible accounts represents care to indigent patients who the District has been unable to identify.

Uncompensated charges relating to these services are as follows:

	2018	2017
Community benefits (charity care) allowances	\$ 187,110	\$ 365,667
State Medi-Cal and other public aid programs	47,336,024	48,243,996
Provision for uncollectible accounts	1,900,000	1,890,000
	\$ 49,423,134	\$ 50,499,663

The District's estimated costs of providing uncompensated care and community benefits to the poor and the broader community are as follows:

	2018	2017
Uncompensated costs of community benefits and uncollectible accounts	\$ 40,314	\$ 77,281
Medi-Cal and other public aid programs	5,385,976	4,796,856
	\$ 5,426,290	\$ 4,874,137

Benefits for the broader community include the unpaid costs of providing service to the elderly, providing health screenings and other health-related services, training health professionals, educating the community with various seminars and classes, and the costs associated with providing free clinics and other community service programs.

Sonoma Valley Health Care District
 Supplementary Information Related to Community Support
 For the Years Ended June 30, 2018 and 2017

Community support

The District recorded the following amounts related to community service as follows:

	2018	2017
Noncapital gifts and grants included in non-operating revenues	\$ 1,083,088	\$ 731,413
Capital grants and contributions from Sonoma Valley Hospital Foundation	138,996	242,979
	\$ 1,222,084	\$ 974,392
Fundraising expenses included in operating expenses	\$ 75,148	\$ 72,747



To: SVHCD Board of Directors
From: Michelle Donaldson
Date: 11/30/2018
Subject: Quarterly Strategic Report

Summary

Focusing on goals has always been a strategy for growth and business development but we are now condensing this focus to 4 priority areas. These include UCSF North Bay Diagnostic Center, Bariatric Institute, Pain Management Service Line and Women’s Health Services. Alongside Marketing and Community Relations we have created specific initiatives which are trended for rolling monthly for results. In each of these areas a project plan has been put in place with team members from Sonoma Valley Hospital as well as other areas such as UCSF and Sonoma Valley Community Health Center. These collaborative efforts will assist in meeting our short and long term goals.

In addition to the project plans a weekly 30-60-90 strategic report and summary is distributed to the administrative team. This includes items in each of the priority categories, secondary areas of growth and new surgery and procedure revenue YTD. This also gives a snap shot of accomplished initiatives, areas on hold and items not moving forward. Every 90 days a roll up summary is provided to the team on reasons for the holds and discontinued items.

The chart below contains a summary of accomplishments from October 1st through November 30th

UCSF North Bay Diagnostics: Urology	<ul style="list-style-type: none"> • On-site Sonoma visit with Drs Carroll, Green and Karen Kemby VP Strategy at UCSF • Confirmation of clinic site in hospital • IT began implementation plan • Operations/IT scheduled on-site UCSF visit • Bi-weekly SVH and monthly UCSF meetings
Bariatric Institute	<ul style="list-style-type: none"> • First Clinical Integrated Network stakeholder meeting • Meeting with Ken, Dr. Perryman, Partnership stakeholders and I. Partnership agreed to support and grow our program, service line summary and quality data provided • Self-pay patient procedure completed • Direct to patient mailing completed • Direct to Partnership clinic postcards mailed
Pain Management Service Line	<ul style="list-style-type: none"> • SVCHC accepted pro forma and collaboration for Pain Management Service Line • New Physician providing cases to SVH, this makes 5 Pain Management Doctors in our community • Service line and brochure completed

Women's Health Services	<ul style="list-style-type: none"> • New Navigator role in place • Trends in Breast referrals opened up new opportunities for growth • Levy-Gantt pro forma analysis completed • LaFollette expanded clinic time in Sonoma • Post card mailing for Alexandridis completed
Other	<ul style="list-style-type: none"> • Endoscopy continues to grow, decision to move cases to 2nd floor out of Med/Surg • Laser cataract surgery logistics, margin analysis completed, cases should start in December • CPMC Shoulder surgeon visited Sonoma, starting privileges and due to start surgeries in Feb or March • Dr. Harf did his first 2 CDCR Ortho cases, this will help with TJR volumes • Cardiology using ancillaries and procedures which has caused significant growth over last 3 months • New Vascular surgeon space confirmed in timeshare and will be starting in Sonoma in January

Over the last 90 days there has been initiatives that are either on hold, moving to the next report or have been discontinued. Below is a list of those items with explanations.

Bariatrics-Follow up Partnership clinic calls- Partnership will be conducting outreach so we have decided not use up our resources calling the individual centers; Orbera- is waiting signatures from Perryman for agreement in pro fees; Girl Talk- will be discussed in 2019; Volumes did not meet FY 18 –we are down only 1 case YOY

Pain-All outreach has been on HOLD until SVCHC completed-now that this is moving forward we will be starting more outreach ASAP

Women's-Levy Gantt 1206b will not be moving forward due to pro forma reporting negative margins, this will be removed from the report

General Surgery-Volumes are down significantly throughout all Surgeons, Sawyer retiring caused a decreased of over 15 cases not picked up by other Surgeons. A report from UCSF CMA has been requested

Ortho- UCSF Action items being reviewed and need refined, TJR are down over 7 cases; Roach (shoulder) is reviewing space and OR Block time, he has communicated with Leslie regarding privileges

In addition to the 90 day Strategic Report, volumes of surgeries per service are trended weekly.

	FYTD 18	FYTD 19	Over/Under
Surgery Volumes			
General	102	76	▼
Bariatric	22	21	▼
Breast	0	6	▲
OBGyn	53	43	▼
Ophthalmology	91	119	▲
Orthopedics	152	170	▲
Total Joint Replacements	50	41	▼
Pain Management	284	311	▲
Podiatry	7	8	▲
Spine	4	4	▲
Urology	3	0	▼
Vascular	2	4	▲
ENT	1	3	▲
Endoscopy	323	416	▲
Total	1094	1222	▲

As stated above General Surgery is down 26 cases across all Surgeons. Dr. Sawyer leaving Sonoma accounted for 15 of the 26. According to research General Surgery cases have decrease locally and nationally. OBGYN has continued to decrease due to the closure of our OB unit. We have increased clinic time for one of our GYNs to hopefully capture more volumes. Although surgeries in GYN have decreased ancillary volumes related to GYN and Breast are up significantly. Ophthalmology continues to increase every quarter and we expect this trend to grow with our new laser procedure. Total Joint Replacements are down YOY due to CDCR created a new approval process that has backlogged many surgeries. We are expecting to build this volume back up over the next 6 months. Regarding Urology, this report did not capture the last few days in November through the first week of December therefore the Urology procedures are not reflected but 4 cases have been completed by Dr. Kaplan. Endoscopy continues to climb and we are moving these to the 2nd floor due to capacity issues in the OR.

In addition to trended volumes we continue to monitor direct margins using the CEO Dashboard reporting tool.

Below is a rolling report of each service unit

	ED	OP Surg	*SNF	IP	Rehab	OP Diag	Occ Health	Special Proc
FY 2018	\$8.6M	\$2.4M	\$294,000	\$4.1M	\$1.6M	\$5.0M	(\$62,000)	\$1.5M
FY 2017	\$8.3M	\$2.2M	\$889,000	\$5.7M	\$1.3M	\$4.5M	(\$67,000)	\$1.1M

We have seen success FY 2018 versus FY 2017 in several service units. Emergency Department (ED), Outpatient Surgery (OP Surg), Rehabilitation (Rehab) Outpatient Diagnostics (OP Diag) and Special Procedures (Special Proc) have all had increases that are contributed to increases in volumes and reimbursements. Several areas such as ED, OP Surg, Rehab and Special Proc have had increase in volumes FY 18 versus FY 17 but have managed their expenses well contributing to a higher direct margin. Other areas such as OP Diag has not seen a significant increase in volumes but expenses have reduced creating a higher margin. The decrease in our IP margin is due to the lower total joint replacement and other inpatient procedures as well as reduction in overall medical inpatient volume trending down year over year.

FY 19 Strategy Progress Report

Revenue FY 19			
	Goal	YTD	Over/Under
Strategic Goals	\$1,500,000	\$236,880	▼

Annualized \$710,640

Completed items

Items in process

On Hold/Not completed
move to next 30-60-90 report

Not moving forward

November 23rd 2018

Updated Strategies for FY 19: A woman's Place, Bariatrics, General Surgery, Pain, Opthamology, Orthopedics, Urology, Cardiology

STRATEGIC ITEMS	Complete by Sept 30th	Complete by Oct 31st	Complete by Nov 30th	Potential 90 day impact
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Updated through Sept 1st	New Revenue Feb-Aug 2018		Over/Under
A Woman's Place	increased volume		
Breast Surgeries	6	\$21,600	▲
GYN Surgeries/mn	-9	(\$36,900)	▼
Breast U/S/mn	12	\$4,620	▲
GYN U/S/mn	116	\$44,660	▲
Pelvic Rehab	13	\$2,015	▲
OB U/S	-19	(\$7,315)	▼
Mammo	40	\$6,000	▲
Deliveries	10	\$54,800	▲
Total		\$89,480	▲
Total YTD increase/decrease		\$89,480	

FYTD 18 FYTD 19 Over/Under

Bariatrics			
Surgeries	\$495,000	\$472,000	▼
Orbera Procedures	\$0	\$0	▲
Total	\$495,000	\$472,000	▼
Total YTD increase/decrease		-\$23,000	

FYTD 18 FYTD 19 Over/Under

General Surgery			
Surgeries	\$459,000	\$342,000	▼
Endoscopy	\$646,000	\$832,000	▲
Total	\$1,105,000	\$1,174,000	▲
Total YTD increase/decrease		\$69,000	

FYTD 18 FYTD 19 Over/Under

Pain Management			
Procedures	\$397,600	\$435,400	▲
STEM Cell procedures	\$0	\$8,200	▲
Total	\$397,600	\$443,600	▲
Total YTD increase/decrease		\$46,000	

FYTD 18 FYTD 19 Over/Under

Ophthalmology			
Surgeries (excl laser)	\$364,000	\$476,000	▲
Laser Surgeries	\$0	\$0	▲
Total	\$364,000	\$476,000	▲
Total YTD increase/decrease		\$112,000	

ACTION ITEMS

Foundation request for Women's Education
Continue Action items from CMA reports
Levy-Gantt Pro forma completed

Orbera fee agreement confirmed
Orbera marketing continued
Health clinic mailing f/u calls completed
Solution for PHP issues resolved w/WHWL

Endo volumes up 20%
UCSF GI recruitment discussions/outreach

Service line brochure/postcard completed
Voscopolous procedures increase 15%
Schedule Bright Heart Health with ED
STEM cell cases started for cash pay

Outreach Schluter for laser cases
Decision on Laser surgeries
Decision on cataract surgeries

ACTION ITEMS

AWP Pro forma update
MD clinic visits increase 15%
Trends in Breast referrals
Breast CA awareness outreach
Levy-Gantt proforma to Kelly
Messaging update completed
Pathi connection with Kaplan
New navigator process in place

Schedule 1st Orbera surgery
Consider Bariatric Girl Talk
Action items from UCSF review
Direct to pt mailing completed
Self-pay pts scheduled

General Surgeries meet FY 18
Decision to market Alexis as GS

Lunch referral mtgs completed
Education dinner completed
Coordinate timeline for seminars
Connection with Spine Surgeon
Post Card mailing completed
Decision with SVCHC w/Summit

Mtg with Saidel re: opportunities
Decision on Laser procedures
Decision on corneal tx procedures

ACTION ITEMS

Mammo volumes increase 15%
AWP navigation flow process updated
Levy-Gantt timeline completed

Bariatric volumes up 10%
ROI from leads determined
1st Mtg for WHWL Institute
Project Plan for Bariatric CIN completed
PHP meeting with WHWL

Quarterly review of all referrals
Endo equipment and increase OR time
Mtg completed with MDSave

Decision radiofrequency ablation
Decision nerve conduction studies
Volume increase 15%

Increase volume 15%

Revenue increase

\$30,000

\$40,000

\$60,000

\$25,000

\$30,000

	FYTD 18	FYTD 19	Over/Under
Orthopedics			
General Orthopedics	\$988,000	\$1,105,000	▲
Total Joint Replacements	\$970,000	\$795,000	▼
Total	\$1,958,000	\$1,900,000	▼
Total increase/decrease		-\$58,000	

	FYTD 18	FYTD 19	Over/Under
Cardiology-updating with FY 18 data			
TEE	\$0	\$0	▲
Cardioversion	\$0	\$1,400	▲

	FYTD 18	FYTD 19	Over/Under
Other			
ENT	\$3,500	\$10,500	▲
Podiatry	\$37,500	\$28,000	▼
Vascular	\$9,000	\$18,000	▲
Urology	\$10,500	\$7,000	▼
Total	\$60,500	\$63,500	▲
Total increase/decrease		\$3,000	

	FYTD 18	FYTD 19	Over/Under
Service Line Margins			
A Woman's Place	\$0	\$89,480	▲
Pain Management	\$397,600	\$443,600	▲
Bariatrics	\$495,000	\$472,000	▼
Total Joints	\$970,000	\$795,000	▼
Total	\$1,862,600	\$1,800,080	▼
Total increase/decrease		-\$62,520	

UCSF Ortho action items
 Decision on Brown & Lipogem procedures
 Brown pro forma completed

Review referral trends for all Orthos Sub-lease completed w/Roache
 Schedule CDCR Ortho cases/Harf Privileges started w/Roache

\$75,000

Cardiology pro forma completed

Total Goal

\$260,000

Total Actual

\$235,000

	FYTD 18	FYTD 19	Over/Under
Surgery Volumes			
General	102	76	▼
Bariatric	22	21	▼
Breast	0	6	▲
OBGyn	53	43	▼
Ophthalmology	91	119	▲
Orthopedics	152	170	▲
Total Joint Replacements	50	41	▼
Pain Management	284	311	▲
Podiatry	7	8	▲
Spine	4	4	▲
Urology	3	0	▼
Vascular	2	4	▲
ENT	1	3	▲
Endoscopy	323	416	▲
Total	1094	1222	▲

Date Range 08/01/17 - 07/31/18

Service Unit	ER SU	OPSURG SU	SNF SU	INPT SU	REHAB SU	OPDX SU	OCCHLTH SU	SPPROC SU
Visits	9,551	1,717	407	1,207	13,620	27,960	5,417	1,899
Patient-days	962	36	6,495	3,921	391,000	1,155	641,995	10,220
Charges								
Lab	8,554,476	131,656	806,739	8,111,758	0	9,603,754	178,549	370,074
Anes	2,570	2,122,804	8,744	1,687,802	0	0	0	639,247
Bl Bank	53,326	0	9,370	198,899	0	18,502	0	40,658
Card	139,738	88,264	22,288	2,430,846	0	4,746,088	0	14,212
ER	40,651,945	333,909	0	8,755,105	0	0	2,357	8,918
ICU	0	0	0	6,308,165	0	0	0	0
Impl	0	1,217,799	0	2,969,674	0	0	0	0
L&D	18,686	0	0	15,865	0	93	0	2,500
Oth	374,786	172,199	78,742	1,672,631	127	369	10,066	144,307
Rad	18,889,737	517,806	401,104	9,758,790	12,476	26,054,173	532,701	674,164
Rehab	12,070	33,334	8,423,398	3,496,640	1,546,565	26,564	558,158	0
Resptx	630,089	9,107	4,782	4,199,760	0	768	0	8,451
Room	3,297	4,514	13,808,015	9,040,508	5,951,293	0	0	850,234
Rx	1,566,290	1,499,592	958,739	5,902,206	1,252	121,898	3,981	3,082,324
Supplies	178,915	171,826	14,436	128,332	491	24,609	354	495,757
Proc	134,839	16,230,362	186,603	11,894,436	5,151	653,335	0	5,614,253
Total Charges	71,210,763	22,533,171	24,722,959	76,571,416	7,517,355	41,250,152	1,286,167	11,945,098
Adjustments								
Total Adjustments	57,780,105	17,322,489	20,544,551	61,454,523	6,104,923	36,492,493	828,085	9,412,087
Revenue								
Reimbursement	14,001,222	5,607,467	4,066,238	15,403,318	2,536,188	6,975,703	451,804	2,976,855
per visit	1,466	3,266	9,991	12,762	186	249	83	1,568
per pt-day	14,554	155,763	626	3,928	6	6,040	1	291
Direct Costs								
Staff								
Nurse	-1,665,180	-742,998	-1,975,331	-4,350,877	-159	-352	-110	-423,128
CNA	-110	-38,107	-631,848	-269,505	-9	0	0	-32,399
Other	-3,175,540	-1,047,091	-972,990	-3,742,065	-1,033,952	-1,682,027	-435,392	-389,983
Total Staff	-4,840,831	-1,828,196	-3,580,168	-8,362,447	-1,034,120	-1,682,379	-435,502	-845,510
per visit	-507	-1,065	-8,796	-6,928	-76	-60	-80	-445
per pt-day	-5,032	-50,783	-551	-2,133	-3	-1,457	-1	-83
Operational								
Lab	-231,875	-6,081	-22,196	-228,571	0	-258,538	-5,494	-29,254
Anes	-17	-39,154	-155	-29,677	9	0	0	-12,765
Bl Bank	-15,330	0	-4,767	-67,203	0	-6,799	0	-11,668
Card	-298	-158	-52	-5,522	0	-10,529	0	-22
ER	-88,886	-781	0	-19,399	0	0	-8	-25
ICU	0	0	0	-35,253	0	0	0	0
Impl	0	-623,538	0	-1,317,420	0	0	0	0
L&D	0	0	0	-39	0	0	0	0
Oth	-18,903	-7,268	-3,796	-51,688	-5	0	0	-7,265
Rad	-193,696	-8,336	-6,092	-115,028	-136	-354,886	-13,807	-5,270
Rehab	-29	-33	-9,498	-3,394	-108,534	-16	-59,510	0
Resptx	-2,679	-29	-25	-18,128	0	-3	0	-50
Room	-18	-27	-68,728	-47,779	0	0	0	-4,597
Rx	-161,306	-167,473	-106,459	-613,272	-169	-14,109	-427	-344,708
Supplies	-26,031	-74,347	-1,658	-15,669	-31	-3,052	-43	-58,568
Proc	-371	-525,267	-1,813	-378,426	-98	0	0	-160,869
Total Operational	-739,439	-1,452,492	-225,240	-2,946,469	-108,964	-647,932	-79,288	-635,060
per visit	-77	-846	-553	-2,441	-8	-23	-15	-334
per pt-day	-769	-40,347	-35	-751	0	-561	0	-62
TDCosts								
per visit	-584	-1,911	-9,350	-9,369	-84	-83	-95	-780
per pt-day	-5,801	-91,130	-586	-2,884	-3	-2,018	-1	-145
Direct Margin								
per visit	882	1,355	641	3,392	102	166	-12	788
per pt-day	8,754	64,633	40	1,044	4	4,022	0	146
%	60	41	6	27	55	67	-14	50

Growth & Strategy Quarterly Report

FY 2019

Agenda

- **Strategic Priorities**
- **Strategic Reporting Tool**
- **Trended Results**
- **Keeping momentum in FY 19**

Focused Priorities

Organizational Alignment

- UCSF North Bay Diagnostic Center
 - Urology Service Line
- Bariatric Institute
- Pain Management Service Line
- Women's Services

UCSF North Bay Diagnostic Center

Goal: Become UCSF Diagnostic Center of the North Bay

- Urology
- Expansion over 2 years

Project Plan

- ✓ Monthly USCF/SVH & Bi-weekly SVH meetings
- ✓ Space, Days, Physicians, Equipment confirmed
- ✓ New Urologist: 2 UCSF Drs Carroll & Green, 1 St. Joe's Dr. Kaplan

Bariatric Institute

Goal: Comprehensive Institute focused on Partnership population

- Creation of Clinically Integrated Network
- Include Primary Care Physician

Project Plan

- ✓ Confirmed Dietitian, Psychiatry, Cardiology, Ancillary Services, Support Group
- ✓ Partnership focused quality data
- ✓ Partnership buy-in with outreach plan

Pain Management Service Line

Goal: Holistic focus on Acute and Chronic Pain Management needs in our community

- New collaboration with SVCHC
- 1st SVCHC/FQHC Physician partnership
- Marketing plan started

Project Plan

- ✓ Focused Physician outreach
- ✓ Incorporate increased spine surgery
- ✓ Analyze potential new testing for margins

Women's Health Services

Goal: Offer comprehensive health service for women in our community

- Added Breast Surgeon, 2 GYNs
- Increased Breast surgery, referrals and medical imaging

Project Plan

- ✓ Breast surgeon marketing continues
- ✓ Logistics and referrals in medical imaging
- ✓ GYN expansion of clinic time

Secondary Growth Tasks

- Orthopedics:
 - Potential on-board new Shoulder surgeon
 - Support expanded Podiatry
- Cardiology
 - Support over 5 new Cardiologists
- General surgery & Endoscopy
 - Continued Endoscopy expansion operational projects

Secondary Growth Tasks

- Vascular
 - Additional Vascular surgeon on-boarding
- Ophthalmology
 - Expanding to new laser cataract procedure

Strategy Report

FY 19 Strategy Progress Report							
	Revenue FY 19 Goal	YTD	Over/Under		30	60	90
Strategic Goals	\$1,500,000	\$236,880	▼	Completed items	Items in process	On Hold/Not completed move to next 30-60-90 report	Not moving forward
Annualized		\$710,640		November 23rd 2018			
Updated Strategies for FY 19: A woman's Place, Bariatrics, General Surgery, Pain, Ophthalmology, Orthopedics, Urology, Cardiology							
STRATEGIC ITEMS				Complete by Sept 30th	Complete by Oct 31st	Complete by Nov 30th	Potential 90 day impact
Updated through Sept 1st	New Revenue Feb-Aug 2018		Over/Under	ACTION ITEMS	ACTION ITEMS	ACTION ITEMS	Revenue increase
A Woman's Place	increased volume						
Breast Surgeries	6	\$21,600	▲	Foundation request for Women's Education	AWP Pro forma update	Mammo volumes increase 15%	\$30,000
GYN Surgeries/mn	-9	(\$36,900)	▼	Continue Action items from CMA reports	MD clinic visits increase 15%	AWP navigation flow process updated	
Breast U/S/mn	12	\$4,620	▲	Levy-Gantt Pro forma completed	Trends in Breast referrals	Levy-Gantt timeline completed	
GYN U/S/mn	116	\$44,660	▲		Breast CA awareness outreach		
					Levy-Gantt proforma to Kelly		
					Messaging update completed		
					Pathi connection with Kaplan		
					New navigator process in place		
Total YTD increase/decrease		\$89,480					
	FYTD 18	FYTD 19	Over/Under				
Bariatrics							
Surgeries	\$495,000	\$472,000	▼	Orbera fee agreement confirmed	Schedule 1st Orbera surgery	Bariatric volumes up 10%	\$40,000
Orbera Procedures	\$0	\$0	▲	Orbera marketing continued	Consider Bariatric Girl Talk	ROI from leads determined	
Total	\$495,000	\$472,000	▼	Health clinic mailing f/u calls completed	Action items from UCSF review	1st Mtg for WHWL Institute	
Total YTD increase/decrease		-\$23,000		Solution for PHP issues resolved w/WHWL	Direct to pt mailing completed	Project Plan for Bariatric CON completed	
					Self-pay pts scheduled	PHP meeting with WHWL	
	FYTD 18	FYTD 19	Over/Under				
General Surgery							
Surgeries	\$459,000	\$342,000	▼	Endo volumes up 20%	General Surgeries meet FY 18	Quarterly review of all referrals	\$60,000
Endoscopy	\$646,000	\$832,000	▲	UCSF GI recruitment discussions/outreach	Decision to market Alexis as GS	Endo equipment and increase OR time	
Total	\$1,105,000	\$1,174,000	▲			Mtg completed with MIDSave	
Total YTD increase/decrease		\$69,000					

Completed, Move, Stop

Trending Results

Service Line	July 2018- Nov 2018	July 2017- Nov 2017	Increase/ Decrease
Bariatrics	\$472,000	\$495,000	(\$23,000)
General Surgery/Endo	\$1,174,000	\$1,105,000	\$69,000
Pain	\$443,000	\$398,000	\$45,000
Ophthalmology	\$476,000	\$362,000	\$112,000
Orthopedics	\$1,900,000	\$1,960,000	(\$60,000)
Other	\$63,500	\$60,500	\$3,000

Trending Results

Women's Health	* Increase revenue over baseline
Deliveries	\$54,000
GYN U/S	\$45,000
Breast Surgeries	\$22,000
Mammography	\$6,000
Breast U/S	\$5,000
Pelvic Rehab	\$2,000
OB U/S	(\$7,000)
GYN Surgeries	(\$36,900)

*Based on baseline=previous 6 months volumes prior to marketing launch
Aug 2017-January 2018

Direct Margin Analysis

Date	ED	Surgery	*SNF	Inpatient	Rehab	Outpt Diag	Occ Health	Specials
FY 18	\$8.6M	\$2.4M	\$294,000	\$4.1M	\$1.6M	\$5.0M	(\$62,000)	\$1.5M
FY 17	\$8.3M	\$2.2M	\$889,000	\$5.7M	\$1.3M	\$4.5M	(\$67,000)	\$1.1M
FY 16	\$6.6	\$2.0	\$748,000	\$4.7M	\$904,000	\$4.4M	(\$55,000)	\$702,000
FY 15	\$5.0M	\$1.8M	\$451,000	\$4.3M	\$1.2M	\$4.9M	\$98,000	\$430,000

*does not include attributable costs

Direct Margin Analysis

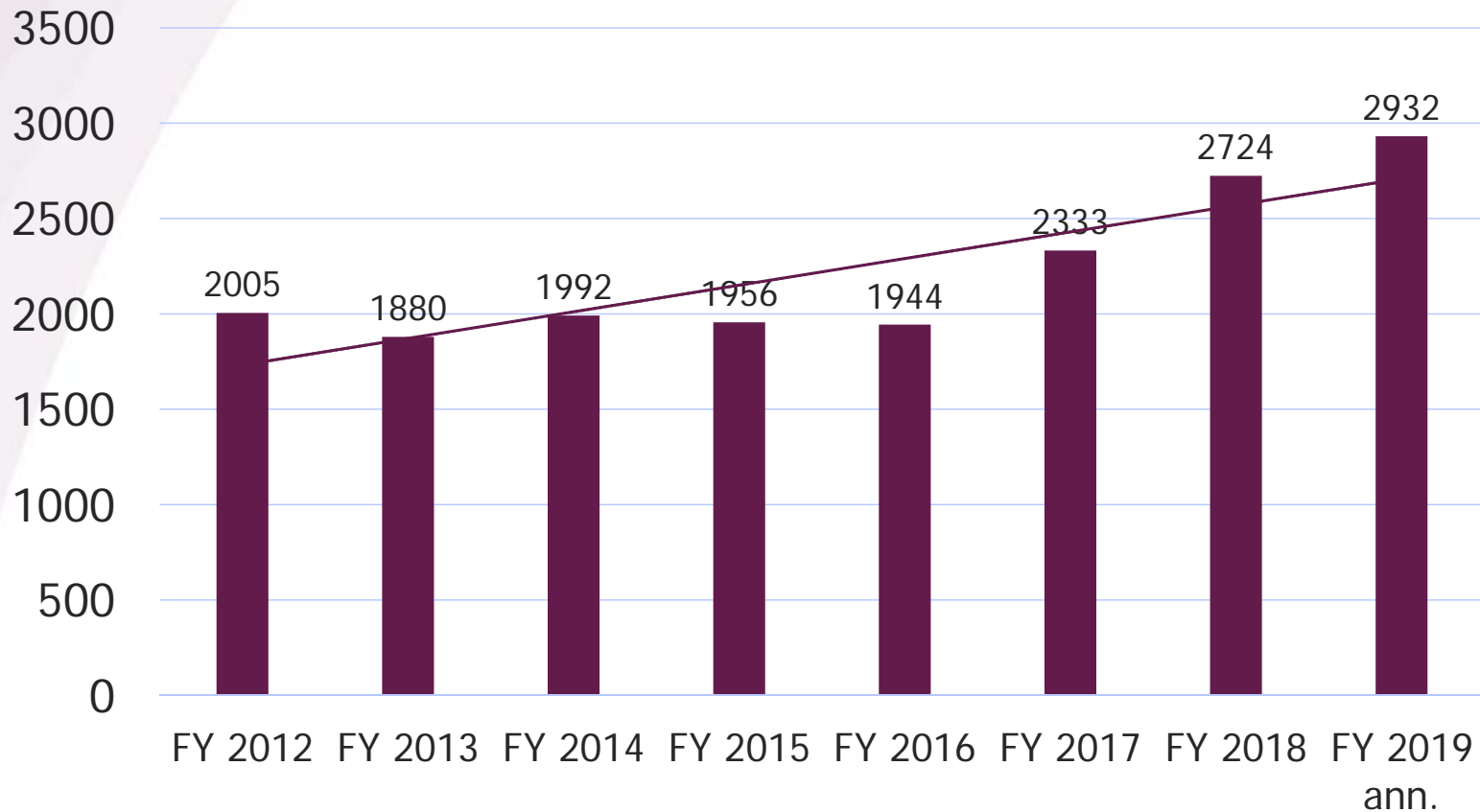
Date	ED	Surgery	*SNF	Inpatient	Rehab	Outpt Diag	Occ Health	Specials
FY 18	\$8.6M	\$2.4M	\$294,000	\$4.1M	\$1.6M	\$5.0M	(\$62,000)	\$1.5M
FY 17	\$8.3M	\$2.2M	\$889,000	\$5.7M	\$1.3M	\$4.5M	(\$67,000)	\$1.1M

*does not include attributable costs

Accomplishments

+7%

Surgical Volume



Includes Inpatient, Outpatient and Endoscopy

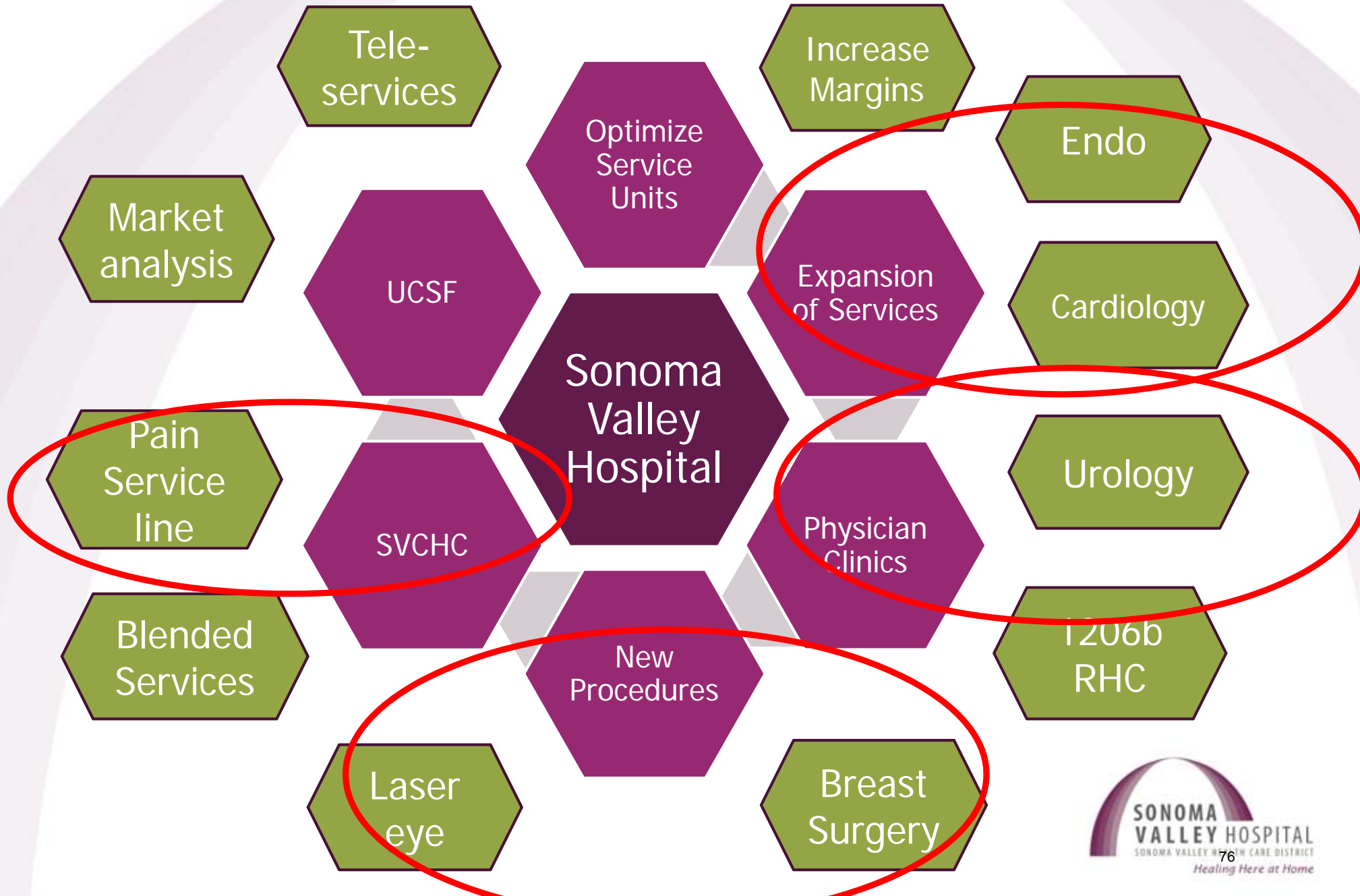
Accomplishments

	FY 18	FY 19 ann.
ECHO	971	1338
EKG	794	1146
Radiology	10,891	11,070
CT	4,057	4,476
Ultrasound	3,184	3,612

Analysis

Surgical Service	FY 17 July 2017-Nov 2018	FY 18 July 2018-Nov 2018
Pain Management	284	311
General Orthopedics	152	170
Ophthalmology	91	119
Endoscopy	323	416
Other (Breast, Urology, ENT, Podiatry, Spine)	17	25
Bariatrics	22	21
OBGyn	53	43
Total Joint Replacements	50	41
General Surgery	102	76
Total	1,094	1,222

First 5 months FY 19



QUESTIONS



To: SVHCD Board of Directors
From: Kelly Mather
Date: 11/29/18
Subject: Administrative Report

Summary

While volumes were up in October, staff pay outs and registry expense resulted in less than positive financial results. We are still close to budget for the first four months. Now that we have made the changes with OB and Home Care, things should start to stabilize next month. Employee forums were held throughout November to communicate about the changes and inspire more optimism about the future now that needed changes were complete.

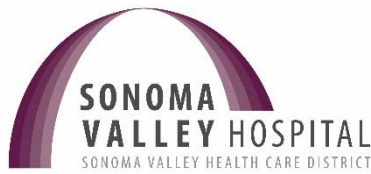
Strategic Update from FY 2019 Strategic Plan:

Strategic Priorities	Update
Highest levels of health care safety, quality and value	<ul style="list-style-type: none"> ➤ The map to become a 5 Star hospital has been developed. We plan to create a new culture for Inpatient before everyone is together on the 3rd floor. ➤ Our mid-cycle accreditation survey was completed this month with CIHQ with very few findings. ➤ We hope to be “Stroke Ready” in early 2019. UCSF is overseeing this program. ➤ The SNF and Lab did very well on their annual licensing surveys. ➤ The Lab has implemented a new system whereby microbiology results now happen in 1 day versus 4 days in the past. This is a great quality enhancement!
Be the preferred hospital for patients, physicians, employers and health plans	<ul style="list-style-type: none"> ➤ Ophthalmology, Cardiology and Urology are all increasing over the prior year due to additional physicians in the community. ➤ A letter to the community was sent from the UCSF & SVH CEOs to share the progress we are making together in the affiliation. ➤ The Patient Access Center team is underway and we should pilot this change in imaging within the year. This will increase patient and physician satisfaction and efficiency will be much improved.
Implement new and enhanced revenue strategies as measured by increased direct margins in each service unit	<ul style="list-style-type: none"> ➤ The Outpatient Diagnostic Center is projected to increase revenue by over \$1 million per year and should break ground next summer. ➤ The Pain Management physicians are starting to work together on a referral network and the SV Community Health Center is partnering with us. ➤ As you will see from the Growth and Strategy report this quarter, several direct margins have increased such as Rehab, Diagnostics, ER and Special Procedures. ➤ Surgery margins are not increasing as fast as the volumes, but have increased.
Continue to improve financial stability as measured by EBDA	<ul style="list-style-type: none"> ➤ We have completed the Master Facility Plan for the campus to ensure our investments in the Central Wing make sense for the future and understand how we can comply with the 2030 seismic requirements. ➤ The SNF task force recommendations have been implemented and now we await the results.
Lead progress toward becoming a Healthier community	<ul style="list-style-type: none"> ➤ SVHF publicly launched the Outpatient Diagnostic Center Capital Campaign this month. We have raised \$14.6 million for this project and need \$20 million. ➤ Presented an update on UCSF and the ODC to Rotary this month. ➤ Occupational Health provided many flu shot clinics to our employers in town.

OCTOBER 2018

			National Benchmark
Patient Experience	Current Performance	FY 2019 Goal	
Would Recommend Hospital	75 th	> 60th percentile	50th percentile
Inpatient Overall Rating	67 th	>60th percentile	50th percentile
Outpatient Services	4.8	Rate My Hospital	4.5
Emergency	4.5	Rate My Hospital	4.5
Quality & Safety	YTD Performance	FY 2019 Goal	Benchmark
CLABSI	0	<1	<.51
CAUTI	0	<1	<1.04
SSI – Colon Surgery	0	<1	N/A
SSI – Total Joint	2	<1.5%	N/A
MRSA Bacteremia	0	<.13	<.13
C. Diff	0	3.5	7.4/10,000 pt days
PSI – 90 Composite	1	<1	<1
Heart Failure Mortality Rate	12.5%	TBD	17.3%
Pneumonia Mortality Rate	18.1%	TBD	23.6%
Stroke Mortality Rate	14.7%	TBD	19.7%
Sepsis Mortality Rate	10.2%	<18%	25%
30 Day All- Cause Readmissions	9.30%	< 10 %	< 18.5%
Serious Safety Events	0	0	0
Falls	2	< 2.3	2.3
Pressure Ulcers	0	<3.7	3.7
Injuries to Staff	2	< 10	17
Adverse Drug Events with Harm	0	0	0
Reportable HIPAA Privacy Events	0	0	0
SNF Star Rating	4	4	3
Hospital Star Rating	4	4	3
Our People	YTD Performance	FY 2019 Goal	Benchmark
Press Ganey Engagement Survey	61 st percentile	75th percentile	50th percentile
Turnover	17.4%	< 10%	< 15%
Financial Stability	YTD Performance	FY 2019 Goal	Benchmark
EBDA	-9%	1%	3%
FTE's/AOB	4.18	4.3	5.3
Days Cash on Hand	12.8	20	30
Days in Accounts Receivable	44	49	50
Length of Stay	4.0	3.85	4.03
Funds raised by SVHF	\$14.6 million	\$20 million	\$1 million
Strategic Growth	YTD Performance	FY 2019 Goal	Benchmark
Inpatient Discharges	348/1044	1000	1000
Outpatient Visits	17,334/52,002	53,000	51,924
Emergency Visits	3367/10,101	10,000	11,040
Surgeries + Special Procedures	1069/3207	2500	2,568
Community Benefit Hours	493.5/1480	1200	1200

Note: Colors demonstrate comparison to National Benchmark



Healing Here at Home

TRENDED MONTHLY RESULTS

MEASUREMENT	Goal FY 2019	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018
FY YTD Turnover	<10%	1.6	3.3	3.6	5.8	9.7	9.7	11.3	12.9	14.2	16.2	17.8	20.3
Leave of Absences	<12	13	11	8	10	11	9	10	15	13	15	12	11
EBDA	>1%	0	1.7	1.6	-8.9	-1.2	-1.4	2.2	-6	-1.7	-1.8	-1.2	.4
Operating Revenue	>5m	4.5	4.9	4.6	4.4	4.5	4.5	4.9	4.7	4.2	4.4	4.8	5.2
Expense Management	<5.3m	5.1	5.3	5.0	5.3	5.3	5.1	5.3	5.2	5.1	5.0	5.1	4.9
Net Income	>50k	214	32	208	-273	-379	-226	125	-174	-395	220	369	543
Days Cash on Hand	>20	19.1	10	13	13	14	17.4	23.5	14.1	6.7	6.8	6.2	10.6
A/R Days	<50	41	43	48	44	48	51	51	47	43	43	47	42
Total FTE's	<320	310	309	314	298	329	307	312	305	302	307	306	298
FTEs/AOB	<4.5	3.62	3.29	4.38	4.18	4.86	3.85	3.68	3.87	4.17	4.06	4.35	3.82
Inpatient Discharges	>90	81	85	90	92	99	96	111	82	106	103	108	99
Outpatient Revenue	>\$14m	14.8	16.8	13.9	15.8	12.9	14.1	14.7	12.5	13.1	14.1	15.2	13.6
Surgeries	>150	150	165	182	175	155	160	141	139	151	144	175	151
ER	>900	901	810	814	842	816	919	996	811	871	864	934	856
Births	>11	8	14	13	9	11	10	7	11	8	6	9	16
SNF days	>550	664	628	457	405	468	563	646	494	566	525	423	545
MRI	>120	99	145	92	119	80	105	106	112	122	154	153	148
Cardiology (Echos)	>50	88	135	97	124	80	93	96	65	84	95	84	78
Laboratory	>12	12.4	13.4	11.7	13.7	12.0	11.4	12.9	10.6	12.3	11.5	12.5	13.0
Radiology	>900	894	951	929	1112	882	891	1072	829	968	905	968	877
Rehab	>2700	2414	2860	1788	2688	2945	2884	2593	2773	3091	2455	2586	2670
CT	>350	359	387	331	392	272	386	346	288	305	367	394	358
Mammography	>200	280	243	221	269	253	249	190	155	363	202	220	221
Ultrasound	>250	181	280	246	333	236	258	274	221	258	293	311	267
Occupational Health	>600	570	639	489	833	588	416	504	555	734	774	822	625
Wound Care	>200	290	256	198	293	203	277	204	122	182	210	237	225



To: SVH Finance Committee
From: Ken Jensen, CFO
Date: November 27, 2018
Subject: Financial Report for the Month Ending October 31, 2018

October's actual loss of (\$909,937) from operations was (\$196,864) unfavorable to the budgeted loss of (\$713,073). After accounting for all other activity; the October net loss was (\$119,795) vs. the budgeted net loss of (\$226,538) with a monthly EBIDA of -7.7% vs. a budgeted -2.5%.

Gross patient revenue for October was \$24,798,572; \$2,975,343 over budget. Inpatient gross revenue was over budget by \$1,498,767. Inpatient days were over budget by 84 days and inpatient surgeries were over budgeted expectations by 14 cases. Outpatient revenue was under budget by \$2,161,230. Outpatient visits were over budgeted expectations by 604 visits, and outpatient surgeries were over budgeted expectations by 14 cases and special procedures were over budgeted expectations by 31 cases. The Emergency Room gross revenue was under budget by (\$35,527) with ER visits under budgeted expectations by (51). SNF gross charges were under budgeted expectations by (\$366,397) and SNF patient days were under budget by (147) days. Home Health was transferred to Hospice by the Bay at 9/30/2018.

Gross revenue from surgical implants in October is \$610,537 with \$475,302 from inpatient surgeries and \$135,235 from outpatient surgeries, and total implant costs were (\$137,605). The net, before any revenue deductions, is \$472,932.

Deductions from revenue were unfavorable to budgeted expectations by (\$3,178,547). Of the variance, (\$90,055) is from the prior period adjustments or IGT payments. Without the IGT variance, the deductions from revenue variance is unfavorable by (\$3,088,492) which is due to gross revenue being over budgeted expectations and adjustments to prior period patient accounts.

After accounting for all other operating revenue, the **total operating revenue** was unfavorable to budgeted expectations by (\$184,099).

Operating Expenses of \$5,320,574 were unfavorable to budget by (\$12,765). Salaries and wages and agency fees were over budget by (\$135,265) with the salaries and wages being under budget by \$22,641 and agency fees over by (\$157,906). The overage in agency fees were in Med-Surg (\$22,676), OB (\$25,162), ER (\$47,209), CT Scan (\$17,700), and Physical and Occupational Therapy (\$73,080). Professional fees were over budget due to the consultants contracted with to review the SNF operations (\$19,429). Supplies were over budget by (\$74,859) due

to higher volume of surgical cases. Purchased Services were over budget by (\$31,959) due to annual expenses in Plant Operations repairs and maintenance that are budgeted evenly over 12-months (\$18,397) and project management services (\$7,495) and Nursing Admin due to a higher volume of Picc patients. There was no matching fee in the October.

After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the net loss for October is (\$682,551) vs. a budgeted net loss of (\$456,158). The hospital received SVHF donations of \$408,671 for the outpatient diagnostic center and other capital items. The total net loss for October after all activity was (\$119,795) vs. a budgeted net loss of (\$226,538).

EBIDA for the month of October was -7.7% vs. the budgeted -2.5%.

Patient Volumes – October

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	92	87	5	87
Newborn Discharges	11	4	7	12
Acute Patient Days	394	310	84	315
SNF Patient Days	405	552	-147	624
Home Care Visits	0	800	-800	827
OP Gross Revenue	\$15,824	\$13,981	\$1,843	\$11,864
Surgical Cases	175	147	28	120

Gross Revenue Overall Payer Mix – October

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	39.6%	43.5%	-3.9%	39.9%	43.2%	-3.3%
Medicare Mgd Care	15.6%	12.8%	2.8%	15.9%	12.7%	3.2%
Medi-Cal	16.1%	17.8%	-1.7%	18.1%	17.8%	0.3%
Self-Pay	1.3%	1.4%	-0.1%	1.2%	1.3%	-0.1%
Commercial	23.4%	20.2%	3.2%	20.8%	20.6%	0.2%
Workers Comp	2.6%	2.3%	0.3%	2.1%	2.4%	-0.3%
Capitated	1.4%	2.0%	-0.6%	2.0%	2.0%	0.0%
Total	100.0%	100.0%		100.0%	100.0%	

Cash Activity for October:

For the month of October the cash collection goal was \$4,157,324 and the Hospital collected \$3,766,580 or under the goal by (\$390,744). The year-to-date cash collection goal was \$15,343,050 and the Hospital has collected \$14,885,490 or under goal by (\$457,560). Days of cash on hand are 12.8 days at October 31, 2018, this calculation includes the cash in the Money Market account. Accounts Receivable decreased from September, from 47.9 days to 44.0 days in October. Accounts Payable increased by \$180,882 from September and Accounts Payable days are at 43.5.

ATTACHMENTS:

- Attachment A is the Payer Mix Analysis which includes the projected collection percentage by payer.
- Attachment B is the Operating Indicators Report
- Attachment C is the Balance Sheet
- Attachment D (two pages) is the Statement of Revenue and Expense. The first page breaks out the hospital operations and page two includes all other activity.
- Attachment E is the Variance Analysis. The line number tie to the Statement of Revenue and Expense line numbers and explains any significant variances.
- Attachment F are the graphs for Revenue and Accounts Payable.
- Attachment G is the Statistical Analysis
- Attachment H is the Cash Forecast



Sonoma Valley Hospital
Payer Mix for the month of October 31, 2018

ATTACHMENT A

October-18

YTD

Gross Revenue:	Actual	Budget	Variance	% Variance
Medicare	9,805,920	9,492,432	313,488	3.3%
Medicare Managed Care	3,874,466	2,792,541	1,081,925	38.7%
Medi-Cal	3,999,646	3,890,167	109,479	2.8%
Self Pay	317,612	302,764	14,848	4.9%
Commercial & Other Government	5,815,803	4,411,534	1,404,269	31.8%
Worker's Comp.	648,067	504,223	143,844	28.5%
Capitated	337,058	429,568	-92,510	-21.5%
Total	24,798,572	21,823,229	2,975,343	

	Actual	Budget	Variance	% Variance
	37,917,243	38,098,228	-180,985	-0.5%
	15,191,413	11,199,014	3,992,399	35.6%
	17,244,225	15,735,840	1,508,385	9.6%
	1,175,218	1,184,361	-9,143	-0.8%
	19,882,535	18,207,060	1,675,475	9.2%
	1,979,690	2,119,315	-139,625	-6.6%
	1,904,576	1,771,616	132,960	7.5%
Total	95,294,900	88,315,434	6,979,466	

Net Revenue:	Actual	Budget	Variance	% Variance
Medicare	1,219,877	1,328,940	-109,063	-8.2%
Medicare Managed Care	382,390	358,521	23,869	6.7%
Medi-Cal	494,154	529,634	-35,480	-6.7%
Self Pay	117,445	136,461	-19,016	-13.9%
Commercial & Other Government	1,684,312	1,634,408	49,904	3.1%
Worker's Comp.	113,236	130,321	-17,085	-13.1%
Capitated	7,651	13,929	-6,278	-45.1%
Prior Period Adj/IGT	262,500	352,555	-90,055	-25.5%
Total	4,281,565	4,484,769	(203,204)	-4.5%

	Actual	Budget	Variance	% Variance
	5,310,137	5,481,382	-171,245	-3.1%
	2,083,202	1,521,609	561,593	36.9%
	2,521,050	2,070,414	450,636	21.8%
	546,223	575,082	-28,859	-5.0%
	6,511,945	6,673,629	-161,684	-2.4%
	371,657	522,909	-151,252	-28.9%
	44,136	55,341	-11,205	-20.2%
	638,772	1,410,220	-771,448	-54.7%
Total	18,027,122	18,310,586	(283,464)	-1.5%

Percent of Net Revenue:	Actual	Budget	Variance	% Variance
Medicare	28.6%	29.7%	-1.1%	-3.7%
Medicare Managed Care	8.9%	8.0%	0.9%	11.3%
Medi-Cal	17.7%	19.7%	-2.0%	-10.2%
Self Pay	2.7%	3.0%	-0.3%	-10.0%
Commercial & Other Government	39.3%	36.4%	2.9%	8.0%
Worker's Comp.	2.6%	2.9%	-0.3%	-10.3%
Capitated	0.2%	0.3%	-0.1%	-33.3%
Total	100.0%	100.0%	0.0%	0.0%

	Actual	Budget	Variance	% Variance
	29.5%	29.9%	-0.5%	-1.7%
	11.6%	8.4%	3.2%	38.1%
	17.5%	19.0%	-1.5%	-7.9%
	3.0%	3.1%	-0.1%	-3.2%
	36.1%	36.4%	-0.3%	-0.8%
	2.1%	2.9%	-0.8%	-27.6%
	0.2%	0.3%	-0.1%	-33.3%
Total	100.0%	100.0%	-0.1%	-0.1%

Projected Collection Percentage:	Actual	Budget	Variance	% Variance
Medicare	12.4%	14.0%	-1.6%	-11.4%
Medicare Managed Care	9.9%	12.8%	-2.9%	-22.7%
Medi-Cal	18.9%	22.7%	-3.8%	-16.7%
Self Pay	37.0%	45.1%	-8.1%	-18.0%
Commercial & Other Government	29.0%	37.0%	-8.0%	-21.6%
Worker's Comp.	17.5%	25.8%	-8.3%	-32.2%
Capitated	2.3%	3.2%	-0.9%	-28.1%

	Actual	Budget	Variance	% Variance
	14.0%	14.4%	-0.4%	-2.8%
	13.7%	13.6%	0.1%	0.7%
	18.3%	22.1%	-3.8%	-17.2%
	46.5%	48.6%	-2.1%	-4.3%
	32.8%	36.7%	-3.9%	-10.6%
	18.8%	24.7%	-5.9%	-23.9%
	2.3%	3.1%	-0.8%	-25.8%

**SONOMA VALLEY HOSPITAL
OPERATING INDICATORS
For the Period Ended October 31, 2018**

ATTACHMENT B

	<u>CURRENT MONTH</u>				<u>YEAR-TO-DATE</u>			<u>YTD</u>
	<u>Actual 10/31/18</u>	<u>Budget 10/31/18</u>	<u>Favorable (Unfavorable) Variance</u>		<u>Actual 10/31/18</u>	<u>Budget 10/31/18</u>	<u>Favorable (Unfavorable) Variance</u>	<u>Prior Year 10/31/17</u>
Inpatient Utilization								
Discharges								
1	82	75	7	Acute	312	314	(2)	285
2	10	12	(2)	ICU	36	48	(12)	59
3	92	87	5	Total Discharges	348	362	(14)	344
4	11	4	7	Newborn	46	24	22	33
5	103	91	12	Total Discharges inc. Newborns	394	386	8	377
Patient Days:								
6	331	226	105	Acute	1,094	953	141	863
7	63	84	(21)	ICU	289	342	(53)	342
8	394	310	84	Total Patient Days	1,383	1,295	88	1,205
9	19	8	11	Newborn	102	45	57	54
10	413	318	95	Total Patient Days inc. Newborns	1,485	1,340	145	1,259
Average Length of Stay:								
11	4.0	3.0	1.0	Acute	3.5	3.0	0.5	3.0
12	6.3	7.0	(0.7)	ICU	8.0	7.1	0.9	5.8
13	4.3	3.6	0.7	Avg. Length of Stay	4.0	3.6	0.4	3.5
14	1.7	2.0	(0.3)	Newborn ALOS	2.2	1.9	(0.3)	1.6
Average Daily Census:								
15	10.7	7.3	3.4	Acute	8.9	7.7	1.1	7.0
16	2.0	2.7	(0.7)	ICU	2.3	2.8	(0.4)	2.8
17	12.7	10.0	2.7	Avg. Daily Census	11.2	10.5	0.7	9.8
18	0.6	0.3	0.4	Newborn	0.83	0.37	0.5	0.44
Long Term Care:								
19	405	552	(147)	SNF Patient Days	2,154	2,059	95	2,131
20	21	28	(7)	SNF Discharges	104	113	(9)	113
21	13.1	17.8	(4.7)	Average Daily Census	17.5	16.7	0.8	17.3
Other Utilization Statistics								
Emergency Room Statistics								
22	842	893	(51)	Total ER Visits	3,367	3,628	(261)	3,562
Outpatient Statistics:								
23	4,919	4,315	604	Total Outpatients Visits	17,820	17,830	(10)	17,334
24	34	20	14	IP Surgeries	114	100	14	107
25	141	127	14	OP Surgeries	562	556	6	526
26	92	61	31	Special Procedures	393	265	128	256
27	-	800	(800)	Home Health Visits	2,027	3,128	(1,101)	3,243
28	312	320	(8)	Adjusted Discharges	1,269	1,351	(81)	1,308
29	2,207	2,397	(190)	Adjusted Patient Days (Inc. SNF)	9,947	9,533	414	9,523
30	71.2	77.3	(6.1)	Adj. Avg. Daily Census (Inc. SNF)	80.9	77.5	3.4	77.4
31	1.4385	1.4000	0.039	Case Mix Index -Medicare	1.4531	1.4000	0.053	1.5619
32	1.5521	1.4000	0.152	Case Mix Index - All payers	1.4757	1.4000	0.076	1.4856
Labor Statistics								
33	278	272	(5.8)	FTE's - Worked	276	272	(4.2)	272
34	298	310	12.2	FTE's - Paid	307	308	0.9	313
35	46.78	42.47	(4.32)	Average Hourly Rate	43.67	41.81	(1.86)	41.70
36	23.8	22.8	(1.0)	Manhours / Adj. Pat Day	21.7	22.7	1.0	23.0
37	168.4	171.1	2.7	Manhours / Adj. Discharge	169.7	160.0	(9.8)	167.7
38	21.6%	22.5%	0.9%	Benefits % of Salaries	22.3%	23.2%	0.9%	23.1%
Non-Labor Statistics								
39	14.6%	11.6%	-2.9%	Supply Expense % Net Revenue	13.0%	11.7%	-1.3%	11.4%
40	1,948	1,667	(281)	Supply Exp. / Adj. Discharge	1,861	1,622	(239)	1,633
41	17,544	17,087	(456)	Total Expense / Adj. Discharge	16,880	16,006	(874)	16,590
Other Indicators								
42	12.8			Days Cash - Operating Funds				
43	44.0	50.0	(6.0)	Days in Net AR	43.9	50.0	(6.1)	44.8
44	91%			Collections % of Net Revenue	97%			103.2%
45	43.5	55.0	(11.5)	Days in Accounts Payable	43.5	55.0	(11.5)	46.1
46	16.8%	21.0%	-4.2%	% Net revenue to Gross revenue	19.1%	21.3%	-2.2%	21.9%
47	20.1%			% Net AR to Gross AR	20.1%			23.0%

Sonoma Valley Health Care District
Balance Sheet
As of October 31, 2018

ATTACHMENT C

		<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets				
Current Assets:				
1	Cash	\$ 1,084,636	\$ 1,130,954	\$ 2,020,693
2	Trustee Funds	2,486,350	2,482,503	2,106,493
3	Net Patient Receivables	8,011,008	8,588,498	8,306,715
4	Allow Uncollect Accts	(1,440,864)	(1,272,002)	(1,566,400)
5	Net A/R	6,570,144	7,316,496	6,740,315
6	Other Accts/Notes Rec	6,697,879	6,632,224	7,228,328
7	3rd Party Receivables, Net	1,310,452	981,576	2,217,756
8	Inventory	854,994	852,258	840,026
9	Prepaid Expenses	843,358	855,096	792,791
10	Total Current Assets	\$ 19,847,813	\$ 20,251,107	\$ 21,946,402
12	Property, Plant & Equip, Net	\$ 51,843,894	\$ 51,673,320	\$ 52,477,887
13	Specific Funds/ Money Market	957,582	957,496	1,243,963
14	Other Assets	-	-	-
15	Total Assets	\$ 72,649,289	\$ 72,881,923	\$ 75,668,252
 Liabilities & Fund Balances				
Current Liabilities:				
16	Accounts Payable	\$ 3,595,954	\$ 3,415,072	\$ 3,703,111
17	Accrued Compensation	3,705,025	3,538,598	4,046,606
18	Interest Payable	302,291	201,523	317,328
19	Accrued Expenses	1,358,402	1,303,922	1,871,566
20	Advances From 3rd Parties	105,388	99,490	544,088
21	Deferred Tax Revenue	4,568,823	5,139,926	4,538,800
22	Current Maturities-LTD	1,009,180	1,092,672	1,298,638
23	Line of Credit - Union Bank	6,973,734	6,973,734	6,973,734
24	Other Liabilities	1,701,386	1,701,386	1,501,386
25	Total Current Liabilities	\$ 23,320,183	\$ 23,466,323	\$ 24,795,257
26	Long Term Debt, net current portion	\$ 33,157,321	\$ 33,119,851	\$ 35,263,105
Fund Balances:				
28	Unrestricted	\$ 10,219,016	\$ 10,752,074	\$ 11,705,739
29	Restricted	5,952,769	5,543,675	3,904,151
30	Total Fund Balances	\$ 16,171,785	\$ 16,295,749	\$ 15,609,890
31	Total Liabilities & Fund Balances	\$ 72,649,289	\$ 72,881,923	\$ 75,668,252

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended October 31, 2018**

ATTACHMENT D

	Month				Volume Information	Year-To-Date				YTD	
	This Year		Variance			This Year		Variance			Prior Year
	Actual		\$	%		Actual	Budget	\$	%		
1	92	87	5	6%	Acute Discharges	348	362	(14)	-4%	344	
2	405	552	(147)	-27%	SNF Days	2,154	2,059	95	5%	2,131	
3	-	800	(800)	-100%	Home Care Visits	2,027	3,128	(1,101)	-35%	3,243	
4	15,824	13,981	1,843	13%	Gross O/P Revenue (000's)	\$ 61,325	\$ 57,209	4,114	7%	\$ 55,927	
Financial Results											
Gross Patient Revenue											
5	\$ 7,225,003	\$ 5,726,236	1,498,767	26%	Inpatient	\$ 25,322,595	\$ 23,294,013	2,028,582	9%	\$ 21,995,392	
6	9,493,645	7,332,415	2,161,230	29%	Outpatient	35,106,646	31,295,464	3,811,182	12%	30,646,368	
7	6,330,494	6,366,021	(35,527)	-1%	Emergency	25,489,830	24,855,436	634,394	3%	24,171,046	
8	1,749,430	2,115,827	(366,397)	-17%	SNF	8,613,382	7,764,368	849,014	11%	8,104,449	
9	-	282,730	(282,730)	-100%	Home Care	762,447	1,106,153	(343,706)	-31%	1,169,521	
10	\$ 24,798,572	\$ 21,823,229	2,975,343	14%	Total Gross Patient Revenue	\$ 95,294,900	\$ 88,315,434	6,979,466	8%	\$ 86,086,776	
Deductions from Revenue											
11	\$ (20,539,907)	\$ (17,566,285)	(2,973,622)	-17%	Contractual Discounts	\$ (77,238,625)	\$ (70,916,148)	(6,322,477)	-9%	\$ (69,320,494)	
12	(200,000)	(100,000)	(100,000)	-100%	Bad Debt	(560,000)	(400,000)	(160,000)	-40%	(553,000)	
13	(39,600)	(24,730)	(14,870)	-60%	Charity Care Provision	(107,925)	(98,920)	(9,005)	-9%	(38,969)	
14	262,500	352,555	(90,055)	-26%	Prior Period Adj/Government Program Revenue	638,772	1,410,220	(771,448)	*	2,127,696	
15	\$ (20,517,007)	\$ (17,338,460)	(3,178,547)	18%	Total Deductions from Revenue	\$ (77,267,778)	\$ (70,004,848)	(7,262,930)	10%	\$ (67,784,767)	
Net Patient Service Revenue											
16	\$ 4,281,565	\$ 4,484,769	(203,204)	-5%		\$ 18,027,122	\$ 18,310,586	(283,464)	-2%	\$ 18,302,009	
17	\$ 92,135	\$ 95,999	(3,864)	-4%	Risk contract revenue	\$ 375,085	\$ 473,393	(98,308)	-21%	\$ 521,364	
18	\$ 4,373,700	\$ 4,580,768	(207,068)	-5%	Net Hospital Revenue	\$ 18,402,207	\$ 18,783,979	(381,772)	-2%	\$ 18,823,373	
19	\$ 36,937	\$ 13,968	22,969	*	Other Op Rev & Electronic Health Records	\$ 72,449	\$ 55,872	16,577	30%	\$ 75,743	
20	\$ 4,410,637	\$ 4,594,736	(184,099)	-4%	Total Operating Revenue	\$ 18,474,656	\$ 18,839,851	(365,195)	-2%	\$ 18,899,116	
Operating Expenses											
21	\$ 2,459,537	\$ 2,324,272	(135,265)	-6%	Salary and Wages and Agency Fees	\$ 9,408,325	\$ 9,034,054	(374,271)	-4%	\$ 9,147,617	
22	734,859	883,046	148,187	17%	Employee Benefits	3,208,094	3,454,438	246,344	7%	3,512,952	
23	\$ 3,194,396	\$ 3,207,318	12,922	0%	Total People Cost	\$ 12,616,419	\$ 12,488,492	(127,927)	-1%	\$ 12,660,569	
24	\$ 516,594	\$ 503,741	(12,853)	-3%	Med and Prof Fees (excl Agency)	\$ 1,948,061	\$ 2,014,557	66,496	3%	\$ 1,601,438	
25	608,068	533,209	(74,859)	-14%	Supplies	2,362,274	2,190,488	(171,786)	-8%	2,136,807	
26	401,167	369,208	(31,959)	-9%	Purchased Services	1,510,898	1,482,896	(28,002)	-2%	1,478,100	
27	292,189	290,727	(1,462)	-1%	Depreciation	1,169,298	1,146,492	(22,806)	-2%	1,140,523	
28	105,098	115,231	10,133	9%	Utilities	441,975	476,724	34,749	7%	472,517	
29	35,320	35,320	-	0%	Insurance	141,280	135,607	(5,673)	-4%	127,276	
30	50,005	49,769	(236)	0%	Interest	197,481	199,112	1,631	1%	186,141	
31	117,737	114,883	(2,854)	-2%	Other	406,116	494,063	87,947	18%	470,294	
32	-	88,403	88,403	*	Matching Fees (Government Programs)	0	353,611	353,611	100%	775,755	
33	\$ 5,320,574	\$ 5,307,809	(12,765)	0%	Operating expenses	\$ 20,793,802	\$ 20,982,042	188,240	1%	\$ 21,049,420	
34	\$ (909,937)	\$ (713,073)	(196,864)	-28%	Operating Margin	\$ (2,319,146)	\$ (2,142,191)	(176,955)	-8%	\$ (2,150,304)	

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended October 31, 2018**

ATTACHMENT D

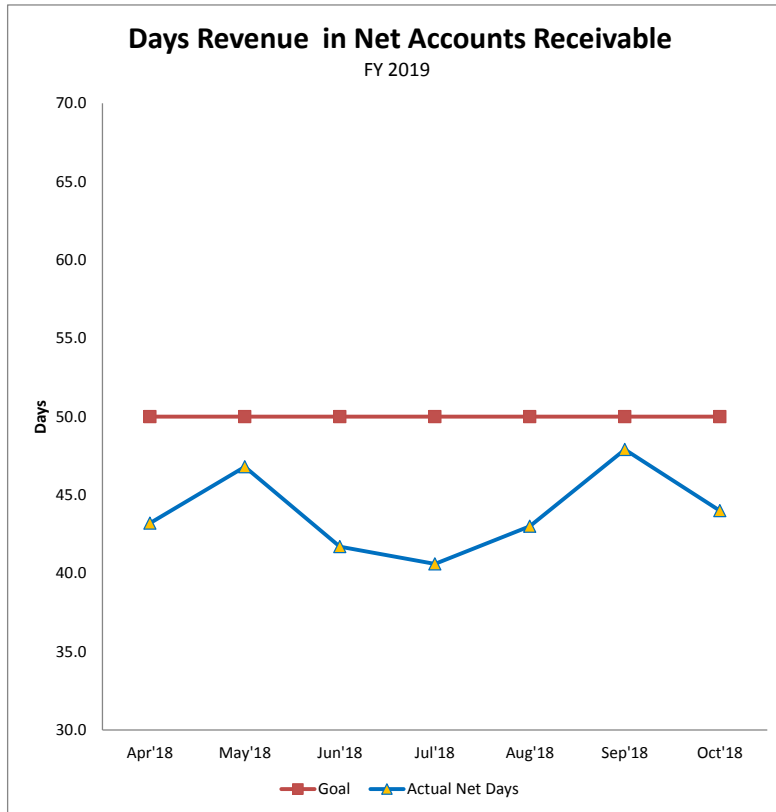
	Month					Year-To-Date				YTD	
	This Year		Variance			This Year		Variance			Prior Year
	Actual		\$	%		Actual	Budget	\$	%		
35	\$ (38,773)	\$ (5,658)	(33,115)	585%						\$ 28,275	
36	4,175	2,672	1,503	56%						8,478	
37	(54,683)	(56,766)	2,083	-4%						(227,064)	
38	316,667	316,667	-	0%						1,266,668	
39	0	0	-	0%							
40	\$ 227,386	\$ 256,915	(29,529)	-11%						\$ 1,076,357	
41	\$ (682,551)	\$ (456,158)	(226,393)	50%	Net Income / (Loss) prior to Restricted Contributions	\$ (1,336,048)	\$ (1,114,234)	(221,814)	20%	\$ (1,073,947)	
42	\$ 417	\$ 20,949	(20,532)	-98%	Capital Campaign Contribution	\$ 29,947	\$ 83,796	(53,849)	-64%	\$ 12,750	
43	\$ 408,671	\$ 55,003	353,668	0%	Restricted Foundation Contributions	\$ 1,031,560	\$ 220,012	811,548	100%	\$ -	
44	\$ (273,463)	\$ (380,206)	106,743	-28%	Net Income / (Loss) w/ Restricted Contributions	\$ (274,541)	\$ (810,426)	535,885	-66%	\$ (1,061,197)	
45	254,436	254,436	-	0%	GO Bond Tax Assessment Rev	1,017,744	1,017,744	-	0%	1,002,732	
46	(100,768)	(100,768)	-	0%	GO Bond Interest	(408,080)	(408,080)	-	0%	(427,594)	
47	\$ (119,795)	\$ (226,538)	106,743	-47%	Net Income/(Loss) w GO Bond Activity	\$ 335,123	\$ (200,762)	535,885	-267%	\$ (486,059)	
	\$ (340,357)	\$ (115,662)			EBIDA - Not including Restricted Contributions	\$ 30,731	\$ 231,370			\$ 252,717	
	-7.7%	-2.5%				0.2%	1.2%			1.3%	
	\$ (390,362)	\$ (165,431)			EBDA - Not including Restricted Contributions	\$ (166,750)	\$ 32,258				
	-8.9%	-3.6%				-0.9%	0.2%				

Sonoma Valley Health Care District
Statement of Revenue and Expenses Variance Analysis
For the Period Ended October 31, 2018

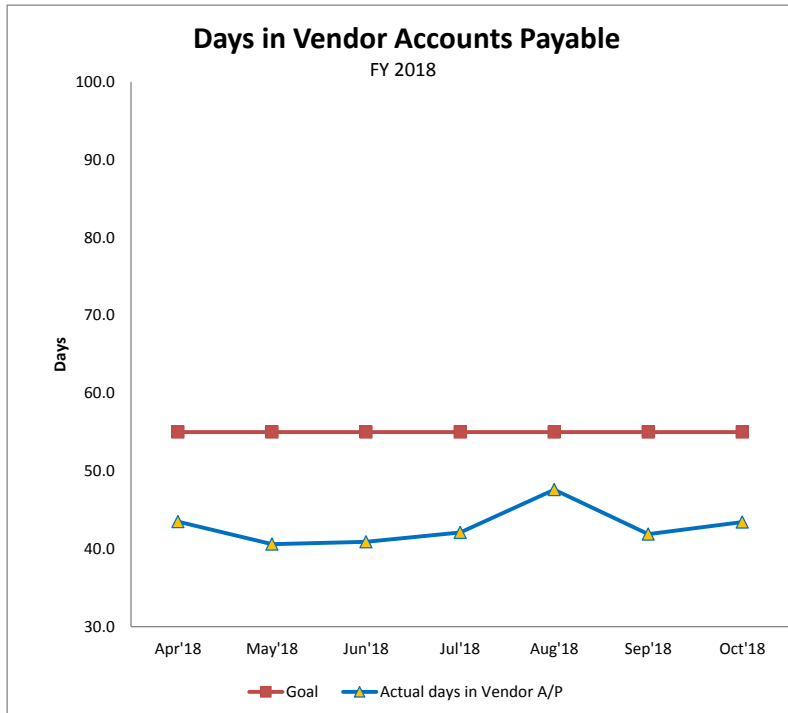
	YTD	MONTH	
Description	Variance	Variance	
Volume Information			
1 Acute Discharges	(14)	5	
2 SNF Days	95	(147)	
3 Home Care Visits	(1,101)	(800)	
4 Gross O/P Revenue (000's)	4,114	1,843	
Financial Results			
Gross Patient Revenue			
5 Inpatient	2,028,582	1,498,767	Inpatient days are 394 days vs. budgeted expectations of 310 days and inpatient surgeries are 34 vs. budgeted expectations 20.
6 Outpatient	3,811,182	2,161,230	Outpatient visits are 4,919 vs. budgeted expectations of 4,315 visits and outpatient surgeries are 141 vs. budgeted expectations 127.
7 Emergency	634,394	(35,527)	ER visits are 842 vs. budgeted visits of 893.
8 SNF	849,014	(366,397)	SNF patient days are 405 vs. budgeted expected days of 552.
9 Home Care	(343,706)	(282,730)	Home Care transferred at 9/30/18
10 Total Gross Patient Revenue	6,979,466	2,975,343	
Deductions from Revenue			
11 Contractual Discounts	(6,322,477)	(2,973,622)	
12 Bad Debt	(160,000)	(100,000)	
13 Charity Care Provision	(9,005)	(14,870)	
14 Prior Period Adj/Government Program Revenue	(771,448)	(90,055)	Accrual of \$62,500 for the prime grant and \$200,000 for IGT.
15 Total Deductions from Revenue	(7,262,930)	(3,178,547)	
16 Net Patient Service Revenue	(283,464)	(203,204)	
17 Risk contract revenue	(98,308)	(3,864)	
18 Net Hospital Revenue	(381,772)	(207,068)	
19 Other Op Rev & Electronic Health Records	16,577	22,969	
20 Total Operating Revenue	(365,195)	(184,099)	
Operating Expenses			
21 Salary and Wages and Agency Fees	(374,271)	(135,265)	Salaries and Wages are under budget by \$22,641 and the Agency fees are over budget by (\$157,906).
22 Employee Benefits	246,344	148,187	
23 Total People Cost	(127,927)	12,922	
24 Med and Prof Fees (excl Agency)	66,496	(12,853)	Consulting fees - SNF Review \$19,430
25 Supplies	(171,786)	(74,859)	Supplies are over budget in surgery, special procedures, and blood bank due to higher volume than budgeted (\$52,030) and in the Sonoma Family Practice Clinic (\$8,336).
26 Purchased Services	(28,002)	(31,959)	Purchased Services are over budget in Plant Operations (\$25,892) due to additional R&M and services and in Nursing Admin (\$5,370) due to a higher volume of Picc sevices.
27 Depreciation	(22,806)	(1,462)	
28 Utilities	34,749	10,133	
29 Insurance	(5,673)	-	
30 Interest	1,631	(236)	
31 Other	87,947	(2,854)	
32 Matching Fees (Government Programs)	353,611	88,403	No matching fee in October.
33 Operating expenses	188,240	(12,765)	
34 Operating Margin	(176,955)	(196,864)	
Non Operating Rev and Expense			
35 Miscellaneous Revenue	(45,413)	(33,115)	
36 Donations	(5,695)	1,503	Foundation donations for various employees continuing education
37 Physician Practice Support-Prima	6,249	2,083	
38 Parcel Tax Assessment Rev	-	-	
39 Extraordinary Items	-	-	
40 Total Non-Operating Rev/Exp	(44,859)	(29,529)	

Sonoma Valley Health Care District
Statement of Revenue and Expenses Variance Analysis
For the Period Ended October 31, 2018

	YTD	MONTH	
Description	Variance	Variance	
		-	
41 Net Income / (Loss) prior to Restricted Contributions	(221,814)	(226,393)	
		-	
42 Capital Campaign Contribution	(53,849)	(20,532)	
43 Restricted Foundation Contributions	811,548	353,668	Foundation donations for the ODC and dietary walk-in freezer repair.
44 Net Income / (Loss) w/ Restricted Contributions	535,885	106,743	
45 GO Bond Tax Assessment Rev	-	-	
46 GO Bond Interest	-	-	
47 Net Income/(Loss) w GO Bond Activity	535,885	106,743	



Days in A/R	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18
Actual days in A/R	43.2	46.8	41.7	40.6	43.0	47.9	44.0
Goal	50.0	50.0	50.0	50.0	50.0	50.0	50.0



Days in A/P	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18
Actual days in Vendor A/P	43.5	40.6	40.9	42.1	47.6	41.9	43.5
Goal	55.0	55.0	55.0	55.0	55.0	55.0	55.0

Sonoma Valley Hospital
Statistical Analysis
FY 2019

ATTACHMENT G

	ACTUAL	BUDGET	ACTUAL												
	Oct-18	Oct-18	Sep-18	Aug-18	Jul-18	Jun-18	May-18	Apr-18	Mar-18	Feb-18	Jan-18	Dec-17	Nov-17	Oct-17	Sep-17
Statistics															
Acute															
Acute Patient Days	394	310	337	361	291	354	374	341	335	289	394	386	321	315	325
Acute Discharges (w/o Newborns)	92	87	90	85	81	99	108	103	106	82	111	96	99	87	87
SNF Days	405	552	457	628	664	545	423	525	566	494	646	563	468	624	479
HHA Visits	0	800	682	585	760	871	747	755	684	821	801	798	630	871	789
Emergency Room Visits	842	893	814	810	901	856	934	864	871	811	996	919	816	827	921
Gross Outpatient Revenue (000's)	\$15,824	\$13,981	\$13,946	\$16,762	\$14,801	\$13,677	\$15,188	\$14,170	\$13,064	\$12,519	\$14,741	\$14,051	\$12,952	\$11,864	\$14,364
Equivalent Patient Days	2,207	2,397	2,175	2,911	2,654	2,343	2,178	2,265	2,272	2,212	2,629	2,471	2,030	2,334	2,266
Births	9	4	13	14	8	16	9	6	8	11	7	10	11	12	5
Surgical Cases - Inpatient	34	20	31	26	23	28	29	30	34	16	32	24	34	23	33
Surgical Cases - Outpatient	141	127	151	139	127	123	146	114	117	123	109	136	121	97	154
Total Surgical Cases	175	147	182	165	150	151	175	144	151	139	141	160	155	120	187
Total Special Procedures	92	61	99	124	78	97	72	87	75	75	65	59	73	52	75
Medicare Case Mix Index	1.44	1.40	1.73	1.33	1.32	1.45	1.46	1.48	1.45	1.34	1.50	1.57	1.55	1.49	1.54
Income Statement															
Net Revenue (000's)	\$4,282	\$4,485	\$4,548	\$4,924	\$4,557	\$5,265	\$4,817	\$4,389	\$4,218	\$4,590	\$4,909	\$4,466	\$4,474	\$4,543	\$4,518
Operating Expenses (000's)	\$5,321	\$5,308	\$5,045	\$5,314	\$5,114	\$4,968	\$5,134	\$5,053	\$5,179	\$5,270	\$5,357	\$5,122	\$5,332	\$4,872	\$5,206
Net Income (000's)	(\$120)	(\$227)	\$209	\$32	\$214	\$859	\$369	\$221	(\$395)	(\$175)	\$125	(\$226)	(\$380)	\$62	(\$230)
Productivity															
Total Operating Expense Per Equivalent Patient Day	\$2,411	\$2,214	\$2,319	\$1,826	\$1,927	\$2,120	\$2,357	\$2,231	\$2,280	\$2,382	\$2,038	\$2,073	\$2,627	\$2,087	\$2,297
Productive FTEs	278	272	278	278	270	259	279	281	279	274	276	255	316	246	289
Non-Productive FTEs	20	38	36	31	40	39	27	26	23	31	36	52	13	58	27
Total FTEs	298	310	314	309	310	298	306	307	302	305	312	307	329	304	316
FTEs per Adjusted Occupied Bed	4.18	4.01	4.38	3.29	3.62	3.82	4.35	4.06	4.17	3.87	3.68	3.85	4.86	4.04	4.19
Balance Sheet															
Days of Expense In General Operating Cash	12.8		13	10	19	11	6	7	7	14	24	18	14	12	9
Net Days of Revenue in AR	44	50	48	43	41	42	47	43	43	47	51	51	48	45	47

Sonoma Valley Hospital
Cash Forecast
FY 2019

	Actual July	Actual Aug	Actual Sept	Actual Oct	Forecast Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
Hospital Operating Sources													
1 Patient Payments Collected	4,372,057	4,288,459	3,963,236	4,597,184	4,172,901	4,206,895	3,974,938	3,617,124	4,087,658	3,846,851	4,136,718	3,880,522	49,144,543
2 Capitation Revenue	94,582	92,314	96,054	92,135	95,999	95,999	95,999	95,999	95,999	95,999	95,999	95,999	1,143,077
3 Napa State	12,295	4,713	-	24,798	11,962	11,962	11,962	11,962	11,962	11,962	11,962	11,961	137,501
4 Other Operating Revenue	40,299	47,536	18,852	63,629	13,968	13,968	13,968	13,968	13,968	13,968	13,968	13,968	282,065
5 Other Non-Operating Revenue	45,944	12,250	51,133	42,712	26,673	26,673	26,673	26,673	26,673	26,673	26,673	26,673	365,423
6 Unrestricted Contributions	403		415	4,175	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	26,369
7 Line of Credit													-
Sub-Total Hospital Sources	4,565,580	4,445,271	4,129,690	4,824,633	4,324,175	4,358,169	4,126,212	3,768,398	4,238,932	3,998,125	4,287,992	4,031,800	51,098,978
Hospital Uses of Cash													
8 Operating Expenses	4,897,828	5,636,984	5,473,847	4,825,598	4,639,141	4,718,310	4,764,651	4,521,804	4,867,866	4,663,772	4,916,406	4,811,692	58,737,899
9 Add Capital Lease Payments	44,847	193,141	46,104	46,021									330,113
10 Additional Liabilities													-
11 Capital Expenditures	331,168		286,200	408,421	75,952	75,952	75,952	75,952	75,952	75,952	75,952	75,952	1,633,405
Total Hospital Uses	5,273,843	5,830,125	5,806,151	5,280,040	4,715,093	4,794,262	4,840,603	4,597,756	4,943,818	4,739,724	4,992,358	4,887,644	60,701,417
Net Hospital Sources/Uses of Cash	(708,263)	(1,384,854)	(1,676,461)	(455,407)	(390,918)	(436,093)	(714,391)	(829,358)	(704,886)	(741,599)	(704,366)	(855,844)	(9,602,439)
Non-Hospital Sources													
12 Restricted Cash/Money Market	(809,886)	524,043			612,500	(400,000)		530,418	(530,418)	530,418	(530,418)		(73,343)
13 Restricted Capital Donations	357,448	8,688	286,283	409,088	75,952	75,952	75,952	75,952	75,952	75,952	75,952	75,952	1,669,123
14 Parcel Tax Revenue	207,015		1,500,000			400,000				1,900,000			4,007,015
15 Payment - South Lot													-
16 Other:													-
17 IGT (Net)									1,060,836		1,060,836		2,121,672
18 IGT - AB915	20,681		384,837					900,000					1,305,518
19 PRIME	750,000					600,000						375,000	1,725,000
Sub-Total Non-Hospital Sources	525,258	532,731	2,171,120	409,088	688,452	675,952	75,952	1,506,370	606,370	2,506,370	606,370	450,952	10,754,985
Non-Hospital Uses of Cash													
20 Matching Fees					300,000			530,418		530,418			1,360,836
Sub-Total Non-Hospital Uses of Cash	-	-	-	-	300,000	-	-	530,418	-	530,418	-	-	1,360,836
Net Non-Hospital Sources/Uses of Cash	525,258	532,731	2,171,120	409,088	388,452	675,952	75,952	975,952	606,370	1,975,952	606,370	450,952	9,394,149
Net Sources/Uses	(183,005)	(852,123)	494,659	(46,319)	(2,466)	239,859	(638,439)	146,594	(98,516)	1,234,353	(97,996)	(404,892)	
Cash and Equivalents at beginning of period	<u>1,671,423</u>	1,488,418	636,295	1,130,954	1,084,636	1,082,170	1,322,029	683,590	830,184	731,668	1,966,021	1,868,025	
Cash and Equivalents at end of period	1,488,418	636,295	1,130,954	1,084,636	1,082,170	1,322,029	683,590	830,184	731,668	1,966,021	1,868,025	1,463,133	