



# SVHCD FINANCE COMMITTEE

## REVISED AGENDA

TUESDAY, SEPTEMBER 28, 2021

5:00 p.m. Regular Session

### TO BE HELD VIA ZOOM VIDEOCONFERENCE

To Participate via Zoom Videoconferencing,  
use the link below:

<https://sonomavalleyhospital-org.zoom.us/j/98390034346?pwd=bG9GdEpWVkhYTlpLSHILUWZtMm84dz09>

Meeting ID: 983 9003 4346

Passcode: 768934

One tap mobile

+16699009128,,98390034346#

+12133388477,,98390034346#

Dial by your location

+1 669 900 9128

Meeting ID: 983 9003 4346

Find your local number: <https://sonomavalleyhospital-org.zoom.us/j/98390034346?pwd=bG9GdEpWVkhYTlpLSHILUWZtMm84dz09>

In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Jenny Fontes at <a href="mailto:jfontes@sonomavalleyhospital.org">jfontes@sonomavalleyhospital.org</a> or (707) 935.5005 at least 48 hours prior to the meeting.	
AGENDA ITEM	RECOMMENDATION
<b>MISSION STATEMENT</b> <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>	
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	Boerum
<b>2. PUBLIC COMMENT SECTION</b> <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration.</i>	Boerum
<b>3. CONSENT CALENDAR</b> a. Finance Committee Minutes 08.24.21	Boerum      Action
<b>4. FY 2021 AUDIT UPDATE</b>	Dungan      Inform
<b>5. REVIEW CURRENT INSURANCE POLICIES</b>	Jensen      Inform
<b>6. CAPITOL SPENDING PLAN</b>	Jensen      Action

<b>7. ADMINISTRATIVE REPORT FOR SEPTEMBER 2021</b>	<i>Hennelly</i>	Inform
<b>8. FINANCIAL REPORT FOR MONTH ENDED AUGUST</b>	<i>Dungan</i>	Inform
<b>9. UPDATE ALLSCRIPTS CONTRACT</b>	<i>Hennelly</i>	Inform
<b>10. TOWARD ENTERPRISE PROFITABILITY</b>	<i>Boerum</i>	Action
<b>11. ADJOURN</b>	<i>Boerum</i>	



**SVHCD**  
**FINANCE COMMITTEE MEETING**  
**MINUTES**  
**TUESDAY, AUGUST 24, 2021**  
**Via Zoom Teleconference**

Present	Excused	Staff	Public	
Bill Boerum via Zoom Joshua Rymer via Zoom Subhash Mishra, MD via Zoom Bruce Flynn via Zoom Peter Hohorst via Zoom Wendy Lee via Zoom Carl Gerlach via Zoom Catherine Donahue via Zoom John Hennelly via Zoom		Jenny Fontes via Zoom Sarah Dungan via Zoom Dawn Kuwahara, CAO, via Zoom		
AGENDA ITEM	DISCUSSION		ACTIONS	FOLLOW-UP
<b>MISSION &amp; VISION STATEMENT</b> <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>				
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	<i>Boerum</i>			
	Called to order at 5:00 p.m. Mr. Boerum congratulated Ken Jensen for being nominated by the North Bay Business Journal as one of the top six CFOs for accomplishments in the North Bay. He mentioned that a picture of Ken will be advertised in the local Gazette. Mr. Rymer acknowledged Ken as a great resource for finding money and noted Sarah as being a great resource as well. Mr. Hennelly acknowledged Ken as an asset and said he appreciated him staying on to help with onboarding. Mr. Boerum welcomed the new Board Clerk, Jenny Fontes, and thanked Art Grandy for accepting an appointment to the Auditing Committee. He thinks it's important to have a link between Finance and the Auditing Committee.			

<b>2. PUBLIC COMMENT SECTION</b>	<i>Boerum</i>		
None			
<b>3. CONSENT CALENDAR (ACTION)</b>	<i>Boerum</i>		
a. Finance Committee Minutes 07.27.21	The minutes of 7.27.21 were reviewed. Mr. Boerum suggested putting in detail about the refinancing; amount of money raised, rate that was achieved, interest savings to taxpayers, and cost of issuance.	<b>MOTION:</b> by Joshua to approve with identified revisions, 2 <sup>nd</sup> by Flynn. All in favor.	
<b>4. RESOLUTION 361 SETTING THE TAX RATE FOR THE 2021-2022 FISCAL YEAR</b>	<i>Dungan</i>	<b>MOTION:</b> by Joshua to approve, 2nd by Grandy, All in favor.	
	Ms. Dungan worked with Gary Hicks and Brian Quint review calculations, current trustee funds, what's being held and if they are reasonable. Calculations to Set the Rate, fiscal year 2022 bond payments, adjusted based on high reserve. Lower interest payments, due to bond refinance which also lowered tax rate, currently being recommended at \$20.30 per \$100K of assess value, down from \$27.80 last year for a significant. Ms. Dungan stated that the reserve fund is currently at a little over 5 million. Ms. Dungan stated they will look at reserve annually before GO bond rate is set to see how much reserve over next years bond payments can be slowly taper down. Mr. Grandy asked why we need access with fixed calculation. Mr. Dungan replied it is a reserve in case the county cannot collect.		
<b>5. ADMINISTRATIVE REPORT FOR AUGUST 2021</b>	<i>Hennelly</i>		
	An IT Director has been selected, person will be employed by UCSF, advantage to building bridge between SVH and UCSF. Ms. Lee asked if it would help with access to buying and procurement power behind UCSF when it comes to contracting. Mr. Hennelly was hopeful that it would. Mr. Hennelly discussed JOC meeting in July. His approach is to see what we need, UCSF's strengths and how we partner with Marin. End goal is to have program we launch between UCSF and SVH and, potentially		

	<p>MarinHealth. Mr. Hennelly discussed the status of the ODC, i.e., continuing air balancer and air handler installation issues, said that they are closer to resolving problems.</p> <p>Ms. Dungan stated they projected 10 percent increase in revenue per year with new CT scanner and it is estimated they lost about 13,000 in net revenue without the new CT. Mr. Hennelly discussed hospital's slightly reduced entry access, reopening front door to begin more screening of Non-ER and Non-staff. He discussed how he and SVH are looking to partner with community organizations and gave an example of current partnership with La Luz regarding COVID. Mr. Hennelly also stated there will be continued messages from SVH to avoid large gatherings and wear masks. Ms. Donahue questioned, injuries to staff, 13 injuries to staff in June. Mr. Hennelly explained that the numbers do vary. They will be looking at numbers and trends for opportunities to improve upon.</p>		
<b>6. FINANCIAL REPORT FOR MONTH ENDED JULY</b>	<i>Dungan</i>		
	<p>Ms. Dungan discussed July 2021 patient volumes with Outpatient and ER. Budget for this year was built based on volumes that were seen from July through January 2021. We are now seeing increased volumes with outpatient visits, surgery, and higher volumes in ER. July highest month in ER since pandemic. Mr. Gerlach asked if Finance tracks payer mix of ER visits, Ms. Dungan replied that they do track that information. Mr. Gerlach talked about Kaiser, he asked about Kaiser's utilization of the SVH ER. He thinks it is important as far as their support for the parcel tax. Ms. Dungan also noted that SVH gets a high reimbursement from Kaiser for their patients. She will look at the trends with Kaiser patients in our ER.</p>		

Ms. Dungan reviewed the payer mix for July 2021. Medicare was at 54.8 percent versus budget of 55.2. MediCal decreased to 15.8 percent, budgeted 19.3. Increase in commercial volumes, at 24.8 percent versus 21.4 percent. Cash collection goal was \$3,789,016, and the hospital collected \$3,738,429, under by about \$50,000. Average days cash on hand was 58.8, versus last month 44.6, AR days at 40.3, a day higher than previous month. AP decreased \$260,000 to \$3.3 million, AP at \$30.4. Gross revenue month of July 25 million, based on budget of \$20 million, \$4.4 over budget, numbers factor in price increase of July 1. Revenue deduction 3.6M higher than budget, because of higher gross revenue, total operating revenue better than budget by \$800,000. Operating expenses at \$4.7 million in July were \$312,812 over budget, because of increase in labor costs, and supplies. Purchase services over budget by \$64,000, primarily because of IT. Utilities over budget by \$24,000, higher usage in utilities, possibly because of construction costs. Operating margin of \$630,000 versus operating margin loss of \$1.1 million, better than budget by \$487,000. After accounting for non-operating items, net loss of \$65,117 versus budgeted loss of \$84,874. The hospital ended the month with \$7.8 million in cash and cash equivalents, average days of cash on hand for the month was 58.8, and days of cash on hand at end of month was 54.6. Mr. Dungan commented that she is seeing increases in orthopedic surgeries in ophthalmology, she thinks it is because people are catching up with elective surgeries.

<b>7. BOARD ADVISORY PROJECTS</b>	<i>Boerum</i>		
	<p>Mr. Boerum presented his Board Advisory Project Memo and explained that Mr. Hennelly will be working on a strategic plan regarding Board Advisory Projects. He suggested that there should be one or two smaller sub-committees that can assist Mr. Hennelly and the Board with projects. A project that the sub-committee could work on is payer mix project. After discussions regarding the payer mix, Mr. Boerum suggested that at the next meeting or the meeting after the committee could recommend revisions or changes that would produce more useful information. Mr. Gerlach would like to see metrics efficiently produced by Finance. Ms. Donahue would like to see if there are trends in commercial activity and commercial patients. Mr. Rymer suggested that the Finance Committee identify the five most important questions we would like to see answered, these questions would be presented to Mr. Hennelly, Mr. Jensen, and Ms. Dungan. Ms. Lee added that UCSF has Data Scientists which could work on the five questions to get answers. Mr. Boerum recommended having a similar agenda topic at next meeting with the five questions, which ones overlap, who they should go to?</p>		
<b>8. ATTRIBUTES OF A NEW CFO</b>	<i>Boerum</i>		
	<p>Mr. Boerum spoke about attributes of new CFO. He asked committee members to recommend their envisioned attributes of a new CFO. Mr. Hennelly reported that UCSF is using their network to recruit candidates. Mr. Boerum stated he suggested to UCSF that they look at different district hospitals. Mr. Gandy pointed out that challenge is getting cash in hand from government programs, reimbursement programs, and managing government interface, person should have California experience. Mr. Rymer noted that the new CFO should be familiar</p>		

	<p>with how changes in strategic focus and service lines impact underlying financials in the business. Ms. Donohue believes CFO should have integrity at the highest level, direct experience, communicative, inquisitive, looking for opportunities, high financial acumen, and cognizant of environment. Mr. Gerlach stated person should have integrative system approach. We compete with Kaiser, what will it take to get off managed care? He said can't just be a small hospital person, can't be an isolated hospital person, we need to grow revenue, to grow revenue you need to do business planning. He said we need business planning support, must be good at market analysis, financial forecasting, person should have done a fair amount of that.</p>		
<b>9. ADJOURN</b>	<i>Boerum</i>		
	Meeting adjourned at 6:43 p.m.		



# 2021-2022 Insurance Renewal Proposals



**JAMES + GABLE**  
INSURANCE BROKERS, INC.

## 2021 Insurance Renewal Proposals

### Executive Summary

Line of Coverage	Carrier	Policy Period	Limits	Deductible	7/1/20-7/1/21 Premium	7/1/21-7/1/22 Premium
Professional & General Liab. (Hospital)	BETA	7/1/21 - 7/1/22	\$15M/\$25M	\$5K	\$340,666	\$340,666
Professional & General Liab. (ED Docs)	BETA	7/1/21 - 7/1/22	\$1M/\$3M	\$5K	\$74,598	\$74,598
Director & Officers Liab.	BETA	7/1/21 - 7/1/22	\$3M Shared Limit	\$10K	\$39,035	\$55,039
Employment Practices Liab.	BETA	7/1/21 - 7/1/22		\$75K	Incl Above	Incl Above
Auto Liab.	BETA	7/1/21 - 7/1/22	\$6M	\$250/\$500	\$1,773	\$1,861
Property	HARPP	7/1/21 - 7/1/22	\$144M	\$100K	\$129,513	\$180,437
Cyber Liab. & Privacy Breach	HARPP	7/1/21 - 7/1/22	\$2M	\$50K	Incl Above	Incl Above
Crime	AIG	7/1/21 - 7/1/22	\$1M	\$25K	\$3,370	\$3,577
Fiduciary Liab.	Hudson Ins Co	7/1/21 - 7/1/22	\$1M	\$5K	\$4,000	\$4,548
Excess Workers' Compensation	Safety National	7/1/21 - 7/1/22	Statutory	\$500K	\$91,119	\$125,329
<b>Gross SVH Insurance Premium Total</b>					<b>\$684,074</b>	<b>\$786,055</b>
Less BETA Annual Dividend					-\$25,853	-\$20,277
Less BETA Multi-Line Dividend					n/a	n/a
Less Valley Emergency Billing					-\$74,598	-\$74,598
<b>Net SVH Insurance Premium Total</b>					<b>\$583,623</b>	<b>\$691,180</b>

**Billing** – BETA PL/GL for both Hospital and ED are billed monthly; all other insurance premiums are due within 30 days of policy inception

## 2021 Insurance Renewal Proposals

### Hospital Professional Liability & General Liability

	7/1/20 – 7/1/21 Expiring	7/1/21 – 7/1/22 Renewal
Carrier	BETA	BETA
Limits	\$15M/\$25M	\$15M/\$25M
Deductible	\$5,000	\$5,000
Gross Hospital Premium	\$340,666	\$340,666
Annual Dividend	-\$25,853	-\$20,277
Multi-Line Dividend	\$0	\$0
<b>Net Hospital Premium</b>	<b>\$314,813</b>	<b>\$320,389</b>

- **Premium Explanation:** Gross premium is flat at \$340,666. Although this year's 5% base rate increase is generally intended to apply to all members, BETA elected to keep the SVH premium flat given your improving loss experience from 2015 to present combined with SVH earning the ED Risk Management Initiative Credit. There was no recognition of the census decrease given the need to stabilize the premium level after reaching pricing adequacy following the multi-year pricing approach from 2016 through 2018. That approach was necessary to address the unfavorable loss development (2012 & 2014). In fact, BETA is still looking at a 10-Year Total Incurred Loss Ratio of 76% (target is 70%).
- **Dividends:** Annual Dividend of \$20,277 will be paid in two installments, in October 2021 and April 2022. The Multi-Line Dividend is for members with BETA policies for both PL/GL and Workers' Comp. SVH does not qualify for this dividend.
- **ED Risk Management Initiative Credit:** SVH qualifies for the minimum credit of \$5,000 this year.
- **Risk Management Resource Fund:** \$3,802 for 21-22 policy term; \$3,802 remaining for 20-21 policy term as of 5/31/21

## 2021 Insurance Renewal Proposals

### ED Professional Liability

	7/1/20 – 7/1/21 Expiring	7/1/21 – 7/1/22 Renewal
Carrier	BETA	BETA
Limits	\$1M/\$3M	\$1M/\$3M
Deductible	\$5,000	\$5,000
<b>ED Premium</b>	<b>\$74,598</b>	<b>\$74,598</b>

- **Premium Allocation:** Per SVH's contract with VEP Healthcare, the annual premium is passed through to VEP on a monthly basis. The monthly premium installment is debited on the monthly invoices paid by VEP.

## 2021 Insurance Renewal Proposals

### Professional Liability & General Liability

#### Claim Development

#### Hospital Total Incurred Losses

Policy Period	As of 5/31/17	As of 5/31/18	As of 5/31/19	As of 5/31/20	As of 5/31/21
2010-2011	\$123,981	\$123,981	\$123,981	\$123,981	\$123,981
2011-2012	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
2012-2013	\$15,154	\$15,154	\$15,154	\$15,154	\$15,154
2013-2014	\$39,828	\$39,828	\$39,828	\$39,828	\$39,828
2014-2015	\$437,009	\$437,009	\$437,009	\$437,009	\$437,009
2015-2016	\$0	\$0	\$0	\$0	\$0
2016-2017	\$15,000	\$43,152	\$43,575	\$43,575	\$43,575
2017-2018	-	\$0	\$0	\$0	\$0
2018-2019	-	-	\$5,000	\$956	\$20,956
2019-2020	-	-	-	\$120,000	\$200,000
2020-2021	-	-	-	-	\$60,000
<b>TOTAL</b>	<b>\$655,972</b>	<b>\$684,124</b>	<b>\$689,547</b>	<b>\$805,503</b>	<b>\$965,502</b>

#### Emergency Department Total Incurred Losses

Policy Period	As of 5/31/17	As of 5/31/18	As of 5/31/19	As of 5/31/20	As of 5/31/21
2010-2011	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700
2011-2012	\$0	\$0	\$0	\$0	\$0
2012-2013	\$1,041,335	\$1,041,335	\$1,041,335	\$1,041,335	\$1,041,335
2013-2014	\$0	\$0	\$0	\$0	\$0
2014-2015	\$187,433	\$187,519	\$187,519	\$187,519	\$187,519
2015-2016	\$291	\$291	\$291	\$291	\$291
2016-2017	\$25,500	\$15,438	\$15,438	\$15,438	\$15,438
2017-2018	-	\$500	\$15,000	\$1,653	\$1,653
2018-2019	-	-	\$2,000	\$400	\$400
2019-2020	-	-	-	\$0	\$0
2020-2021	-	-	-	-	\$10,000
<b>TOTAL</b>	<b>\$1,260,259</b>	<b>\$1,250,783</b>	<b>\$1,267,283</b>	<b>\$1,252,336</b>	<b>\$1,262,336</b>

## 2021 Insurance Renewal Proposals

### Professional Liability & General Liability

#### Census Data

Category	7/1/19 – 7/1/20		7/1/20 – 7/1/21 Estimated	7/1/21 – 7/1/22 Estimated
	Estimated	Actual		
Acute Care Beds	3,770	3,225	3,478	3,322
Total High Acuity ER Visits	4,950	5,510	5,500	4,954
Total Low Acuity ER Visits	4,950	4,274	4,850	3,737
Outpatient Visits (excluding ER)	53,316	47,802	68,000	48,276
Counseling	1,876	1,103	1,200	1,316
Outpatient Surgeries	1,630	1,304	1,500	1,247
Inpatient Surgeries	312	244	270	198
Bariatric Surgeries	60	26	35	38

#### **NOTES**

- Net census decrease of 21%
- SNF transferred to a management company effective 7/1/19 but SVH kept the license



## 2021 Insurance Renewal Proposals

### Directors & Officers Liability and Employment Practices Liability

Carrier	D&O Limit	EPL Limit	D&O Deductible	EPL Deductible	7/1/20 – 7/1/21 Premium	7/1/21 – 7/1/22 Premium
BETA	\$3M Shared		\$10,000	\$75,000	\$39,035	<b>\$55,039</b>

#### NOTES

- BETA is applying an 8% D&O rate increase to all members this year, and another 33% increase was applied to SVH due to unfavorable loss experience. The 10-Year Total Incurred Loss Ratio is 237%.
- D&O/EPL Marketplace: Healthcare industry rates and deductibles continue to increase for D&O and EPL as we have seen over the last few years, especially here in California. These increases are due to a large spike in industry claims related to mergers, acquisitions, and affiliations. COVID-19 is placing additional financial stress on the D&O and EPL carriers as claim frequency and claim severity has increased throughout the pandemic.

### Auto Liability

Carrier	Limit of Liability	Physical Damage Coverage	Deductibles	7/1/20 – 7/1/21 Premium	7/1/21 – 7/1/22 Premium
BETA	\$6M	Actual Repair Costs or Fair Market Value	\$250 Comprehensive \$500 Collision	\$1,773	<b>\$1,861</b>

#### NOTES

- BETA is applying a 5% Auto rate increase to all members this year
- Coverage for one vehicle (2012 Chevy Colorado) and Hired & Non-Owned Auto Liability

## 2021 Insurance Renewal Proposals

### Property

	7/1/20 - 7/1/21 Expiring	7/1/21 - 7/1/22 Renewal	
		Option 1: HARPP	Option 2: Zurich
<b>Carrier</b>	<b>HARPP</b>	<b>HARPP</b>	<b>Zurich</b>
<b>Total Insurable Value</b> <i>Valuation Basis: Repair or Replacement Cost</i>	<b>\$142,312,514</b>	<b>\$144,259,370</b>	<b>\$144,259,370</b>
<b>Annual Premium</b>	<b>\$129,513</b>	<b>\$180,437</b>	<b>\$115,983</b>
<b>All Risk Limit</b> <i>All Perils &amp; Coverages, subject to Sublimits listed below</i>	<b>\$125,000,000</b>	<b>\$125,000,000</b>	<b>\$144,259,370</b>
<b>Deductible - All Other Perils</b>	<b>\$25,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Deductible - Wildfire</b>	<b>\$25,000</b>	<b>\$250,000</b>	<b>\$100,000</b>
<b>Flood</b>	Not Covered	Not Covered	Not Covered
<b>Earthquake</b>	Not Covered	Not Covered	Not Covered
<b>Business Interruption</b>	Full All Risk Limit	\$100,000,000	\$25,858,766
<b>Extra Expense</b>	\$50,000,000	\$50,000,000	\$25,000*
<b>Business Interruption/Extra Expense Waiting Period</b>	24 Hours	24 Hours	24 Hours
<b>Communicable Disease</b>	Not Covered	Not Covered	Not Covered
<b>Boiler Explosion &amp; Machinery Breakdown Limit</b>	\$100,000,000	\$100,000,000	Policy Limit
<b>Boiler Explosion &amp; Machinery Breakdown Deductible</b>	\$25,000	\$25,000	\$100,000
<b>Pollution Liability Limit</b>	\$2,000,000	\$2,000,000	\$25,000*
<b>Pollution Liability Retention</b>	\$50,000	\$50,000	\$50,000
<b>Cyber Liability Limit</b>	\$2,000,000	\$2,000,000	Not Covered**
<b>Cyber Liability Retention</b>	\$5,000	\$50,000	

\*Per Location

#### \*\*Standalone Pollution & Cyber (Indications Only)

<b>Pollution Carrier</b>	<b>HARPP</b>	<b>HARPP</b>	<b>Chubb</b>
<b>Pollution Liability Limit</b>	Included Above	Included Above	\$2,000,000
<b>Pollution Liability Retention</b>	Included Above	Included Above	\$50,000
<b>Pollution Premium</b>	<b>Included Above</b>	<b>Included Above</b>	<b>\$20,000</b>
<b>Cyber Carrier</b>	<b>HARPP</b>	<b>HARPP</b>	<b>Chubb</b>
<b>Cyber Liability Limit</b>	Included Above	Included Above	\$2,000,000
<b>Cyber Liability Retention</b>	Included Above	Included Above	\$250,000
<b>Cyber Premium</b>	<b>Included Above</b>	<b>Included Above</b>	<b>\$50,000</b>

<b>TOTAL COST</b>	<b>\$129,513</b>	<b>\$180,437</b>	<b>\$185,983</b>
-------------------	------------------	------------------	------------------



## 2021 Insurance Renewal Proposals

### Property

#### NOTES

- Total Insurable Value up slightly, from \$142,312,514 to \$144,259,370
- **Market Update:** The Property marketplace has continued to deteriorate over the past year with all carriers applying additional rate increases in 2021.
- **Competitive Marketing:** We performed a full marketing of this renewal in anticipation of large rate increases from HARPP. Zurich provided a competitive quote (see previous page for HARPP versus Zurich quote comparison) while all other carriers declined (see below for full list of carriers approached).
- **HARPP Renewal Quote:**
  - Initial renewal quote was \$197,127 (48% premium increase over expiring); quote was revised down to \$180,437 (39% increase) after we informed HARPP of competition from Zurich
  - All HARPP members are seeing significant rate increases of 25 to 35 percent this year; the higher-than-average 48% increase on your initial renewal quote was due to SVH's loss ratio of 177%
  - All Other Perils Deductible increasing from \$25K to \$100K; Wildfire Deductible increasing to \$250K
  - No Cyber Retention Buy-Down Option available this year; standard \$50K retention will apply
- **Zurich Quote:** Although the premium of \$115,983 is considerably less than HARPP's renewal quote, there are coverage differentials that need to be taken into account including lower sublimits (e.g., \$25K Per Location Extra Expense versus \$50M with HARPP), but most notably, only \$25K for Pollution and no Cyber coverage. Obtaining separate policies for Pollution and Cyber to make up the coverage differential quickly erodes any premium savings provided by the Zurich quote.
- **Competitive Marketing List**

<ul style="list-style-type: none"> <li>• <b>HARPP: quoted \$180,437</b></li> <li>• <b>Zurich: quoted \$115,983</b></li> <li>• Affiliated FM: cannot compete with HARPP</li> <li>• AIG: cannot compete with HARPP</li> <li>• AXA XL: cannot compete with HARPP</li> </ul>	<ul style="list-style-type: none"> <li>• Chubb: cannot compete with HARPP</li> <li>• Hartford: declined due to loss history and wildfire exposure</li> <li>• Liberty Mutual: declined due to loss history and wildfire exposure</li> <li>• Sompo: cannot compete with HARPP</li> <li>• Travelers: cannot compete with HARPP</li> </ul>
--	--

## 2021 Insurance Renewal Proposals

### Property

#### Statement of Values

Loc	Address	City, ST ZIP	Description	Real Property	Business Personal Property	BI/Rents	Total Insurable Value
1 A	347 Andrieux Street	Sonoma, CA 95476	Hospital	\$79,486,182	\$30,244,012	\$25,858,766	<b>\$135,588,960</b>
1 B	347 Andrieux Street	Sonoma, CA 95476	West Wing	Included Above	Included Above		<b>Included Above</b>
1 C	347 Andrieux Street	Sonoma, CA 95476	East Wing	Included Above	Included Above		<b>Included Above</b>
1 D	347 Andrieux Street	Sonoma, CA 95476	Central Wing	Included Above	Included Above		<b>Included Above</b>
1 E	347 Andrieux Street	Sonoma, CA 95476	New Wing	Included Above	Included Above		<b>Included Above</b>
1 F	347 Andrieux Street	Sonoma, CA 95476	Mobile MRI (Modular Van)	\$1,021,612	\$0		<b>\$1,021,612</b>
1 G	347 Andrieux Street	Sonoma, CA 95476	Outpatient Diagnostic Center (Course of Construction)	\$5,593,053	\$1,324,595		<b>\$6,917,648</b>
2	19312 Sonoma Highway	Sonoma, CA 95476	Physical Therapy/Finance	\$0	\$358,944		<b>\$358,944</b>
3	462 West Napa St	Sonoma, CA 95476	Medical Offices	\$0	\$109,437		<b>\$109,437</b>
4	270 Perkins Street	Sonoma, CA 95476	Sonoma Valley Family Practice	\$0	\$205,937		<b>\$205,937</b>
5	853 West 4th Street	Sonoma, CA 95476	South Parking Lot	\$56,832	\$0		<b>\$56,832</b>
				<b>\$86,157,679</b>	<b>\$32,242,925</b>	<b>\$25,858,766</b>	<b>\$144,259,370</b>

## 2021 Insurance Renewal Proposals

### Crime Insurance

Carrier	Limit	Deductible	7/1/19 – 7/1/21 Expiring Premium	7/1/21 – 7/1/22 Renewal Premium
AIG	\$1M	\$25K	\$3,370 Per Year	\$3,577

#### NOTES

- Expiring policy had a 24-month term; renewal is a one-year policy

### Fiduciary Liability

Carrier	Limit	Deductible	7/1/20 – 7/1/21 Expiring Premium	7/1/21 – 7/1/22 Renewal Premium
Hudson Ins Co	\$1M	\$5K	\$4,000	\$4,548

#### NOTES

- Insured Plans:
  - Sonoma Valley Health Care District Retirement and Savings Plan
  - Sonoma Valley Health Care District 457 Deferred Compensation Plan
  - VALIC 403(b) including VALIC 457

## 2021 Insurance Renewal Proposals

### Excess Workers' Compensation

Carrier	Limit	SIR	7/1/20 – 7/1/21 Payroll	7/1/20 – 7/1/21 Premium	7/1/21 – 7/1/22 Payroll	7/1/21 – 7/1/22 Premium
Safety National	Statutory	\$500K	\$24,929,880	\$91,119	\$21,431,078	<b>\$125,329</b>

### NOTES

- Payroll is down 14%; premium increase is due to a base rate increase from Safety National (Premium = Rate x Payroll)
- **Same Communicable Disease Endorsement:** Treats all injuries caused by the same communicable disease as a single occurrence with just one SIR. As a result of COVID, Safety National needs to charge additional premium to retain this endorsement for your 21-22 renewal: \$80,000. Otherwise, each communicable disease injury will be treated as a separate occurrence. **Please confirm if you wish to pay the \$80,000 additional premium (\$205,331 total renewal premium) for the endorsement.**
- **Competitive Marketing:**  
**Arch:** cannot compete with Safety National      **Midwest Employers:** \$750K Min. SIR      **US Specialty:** No longer writing healthcare

### Workers' Compensation Loss Experience

Year	No. of Claims	Total Incurred
2009 – 2010	3	\$111,458
2010 – 2011	3	\$8,837
2011 – 2012	7	\$245,328
2012 – 2013	4	\$113,404
2013 – 2014	7	\$240,398
2014 – 2015	6	\$15,533
2015 – 2016	6	\$231,891
2016 – 2017	13	\$416,932
2017 – 2018	10	\$171,227
2018 – 2019	17	\$208,206
2019 – 2020	12	\$361,175
2020 – 2021	12	\$120,872
<b>Total</b>	<b>100</b>	<b>\$2,245,262</b>
<b>Average</b>	<b>8.3</b>	<b>\$187,105</b>

Sonoma Valley Hospital  
Capital Spending Plan  
FY 2022 - FY 2031

Category	Project/Equipment	Age/Why	Notes	Projected Cost	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 - 2031
Seismic	Structural - SPC4D Compliance, Analysis		OSHPD 2024	150,000			150,000		
Seismic	Anchorage - NPC Assessment			120,000			120,000		
Seismic	Anchorage - NPC Compliance - 2030		<b>Waiting for estimate</b>						
Seismic	SPC Exception		OSHPD ALLOW ER/SURGERY COMPLIANCE ONLY - Waiting for estimate						
Physical Plant	Sewer pumps in the basement	50 Years		40,000	40,000				
Physical Plant	Elevators - NPC Compliance - Replace jacks/doors	40 Years	Can be shutdown by regulators	550,000		550,000			
Physical Plant	Medical Air & Vacuum Systems	40 Years	Primary redundant system	350,000				350,000	
Physical Plant	Security Access - Exterior doors			250,000				250,000	
Physical Plant	Electrical - Automatic Transfer Switches	40 Years	ED was completed due to unplanned failure Existing hospital	250,000		250,000			
Physical Plant	Fire Alarm - Device upgrades & panel expansion	30 Years		600,000					600,000
Physical Plant	Air Handler & Exhaust Fan - Replacement	40 Years		3,100,000					3,100,000
Physical Plant	Cooling - Back-up power - New Wing		Unison for hospital not new wing	550,000		550,000			
Physical Plant	Pipes - replacement (East Wing) corroded	40 years	Not related to year 2030 occupancy	60,000	60,000				
Facility Improvement	GI Suite - Medivator compliance		To bring medivator room to compliance	82,720	82,720				
Facility Improvement	Roof repair and restoration - Phase 1	20 years	Mechanical areas and deck adjacent to boiler room and boiler room	149,125	149,125				
Facility Improvement	Roof repair and restoration - Phase 2	20 years	Center and East wings (less phase 1)	189,930		189,930			
Facility Improvement	Roof repair and restoration - Phase 3	20 years	Boiler room	57,945		57,945			
Facility Improvement	Café - refresh - No OSHPD permit		Need further details Floor, Ceiling, paint, Fridge anchor, counter reface - Quote 2019	230,000		230,000			
Facility Improvement/Compliance	Isolation Room - Inpatient floor AII compliance	30 Years	Already made modifications to get us through now. Need to revisit	125,000		125,000			
Facility Improvement/Compliance	Pharmacy Clean Room - USP 797/800 code changes Pharmacy hood OK		Only if code required	450,000			450,000		
Equipment	Kitchen - Cooking & Serving Table steam table - repair plan --	20 Years	OSHPD PERMIT - COST NOT INCLUDED	85,000		85,000			
Equipment	Kitchen - Pass-thru warming cabinet behind the steam table between café and kitchen?	20 Years	Need to get further info.	10,000	10,000				
Equipment	Kitchen - Walk-in-freezer		OSHPD PERMIT - COST NOT INCLUDED	25,000		25,000			
Equipment	Café Refresh - Grab & Go Refrigeration (4)		OSHPD PERMIT - COST NOT INCLUDED	100,000	100,000				
Equipment	Café Refresh - Stand alone Refrigerators (2)		OSHPD PERMIT - COST NOT INCLUDED	20,000	20,000				
Equipment	Kitchen - Drying Rack on Wheels		Compliance issue	6,000	6,000				
Equipment	Kitchen - Soiled Tray Carts (2)		Compliance issue	10,000	10,000				
Equipment	Surgery - Anesthesia Machines (qty. 3) One a year (A1, A2, A3)		Current machines - End of Life (Foundation Funding)	225,000	225,000				
Equipment	Surgery - OR Tables (qty. 2)		Foundation Funding	39,377	39,377				
Equipment	Surgery - Table, ProAxis		Foundation Funding	157,686		157,686			
Equipment	Space Lab Monitors (qty. 26) spread across multi-years	15 Years	Incorporate telemetry system?	500,000			500,000		
Equipment	Nursing - 10 Defibrillators used in crash carts, need to buy all 10	?	End of life	180,000	180,000				
Equipment	Laboratory - Coagulation machine	12 Years	Equipment at end of life and no longer covered by service contract.	40,000	40,000				
Equipment	Occ Health - Audio Booth	25 - 30 Years	Purchased used 12 years ago. Technology outdated and parts not available (obsolete)	5,386	5,386				
Equipment	EKG Machines - 4		Replacement	40,000	40,000				
Equipment	Surgery - Stealthstation S8 System with software and spine referencing		Foundation Funding	383,736		383,736			
Equipment	Surgery - O-Arm Base unit		Foundation Funding	597,758		597,758			
Equipment	Surgery - Mazor X Robotic Guidance System with software and instruments		Foundation Funding	1,011,363			1,011,363		
Equipment	Nursing - Hovermat			5,898	5,898				
Equipment	Endoscope storage and drying cabinet with seismic anchorage			13,072	13,072				
Information Technology	WOW -Cart replacement - A1		Annual Investment - \$75,000	300,000	75,000	75,000	75,000	75,000	
Information Technology	B - Computers, WOWS, Operating System Updates Network Switch - Replacement Core -- A1		Annual Investment - \$100,000	400,000	100,000	100,000	100,000	100,000	
Information Technology	EHR -	10 Years	Expires 9/2021 (Extension granted) - <b>waiting for estimate</b>	4,000,000	1,000,000	3,000,000			
Information Technology	Paging System - Conversion		<b>waiting for estimate</b>						
				15,459,996	2,201,578	6,377,055	2,406,363	775,000	3,700,000
									15,459,996



**To:** SVHCD Board of Directors  
**From:** John Hennelly  
**Date:** 09.02.21  
**Subject:** Administrative Report

**Summary:** July and August have seen strong volumes throughout the hospital. Surgery continues to be particularly busy. Covid remains the biggest focus around the hospital. Community positivity rates are on the rise. The hospital has expanded testing of patients. Vaccination will be required of all staff and medical staff effective 9/30 unless they have been granted an exemption. The Outpatient Diagnostic Center project CT phase is near completion.

**Update from 2025 Strategic Plan:**

Strategic Priorities	Update
Enhance Quality and Services through the affiliation with UCSF Health	<ul style="list-style-type: none"> <li>➤ Recruitment for the leadership position for SVH IT complete. The selected candidate will be joining the organization in early September.</li> <li>➤ Our Joint Operating Committee (JOC) met in July. The group reviewed               <ul style="list-style-type: none"> <li>○ opportunities to create collaborative programs</li> <li>○ status of SVH EMR</li> <li>○ completion of expansion of management services agreement to include IT leader</li> </ul> </li> <li>➤ Establishment of pipeline for UCSF to assist in physician recruitment</li> </ul>
Exceed Community Expectations especially in Emergency Services	<ul style="list-style-type: none"> <li>➤ Phase 1 of the ODC continues to progress. The final component of gaining occupancy to the CT phase of the project is sign off on the air handling system. While the system is operational, the balancing has proven challenging and OSHPD is requiring some modifications. The modifications are expected to be completed in the coming weeks.</li> <li>➤ Phase 2 of the project continues to be under review.</li> <li>➤ Engagement continues with community groups and community members.</li> <li>➤ The hospital continues to provide guidance to our community regarding Covid guidelines. The hospital partnered with La Luz to support them after a key fundraiser resulted in concerns about Covid infections.</li> </ul>
Ensure Patients receive Excellent, Safe care	<ul style="list-style-type: none"> <li>➤ The front entrance to the hospital has been reopened as an access point for patients and visitors. The entrance is staffed to provide stringent access control insuring compliance with Covid regulations.</li> <li>➤ The team continues to review possible electronic health record (EHR) solutions. A recommendation should be presented to the Board in October.</li> </ul>
Provide Access to Excellent Physicians	<ul style="list-style-type: none"> <li>➤ The team continues to work on recruitment efforts to bring MDs to Sonoma. Focus currently on primary care and surgery.</li> </ul>
Be a Healthy Hospital	<ul style="list-style-type: none"> <li>➤ Masking continues to be required by all individuals at the hospital. We have implemented a new screening system at the hospital entrance that provides a day pass upon completion of screening protocol.</li> <li>➤ 93% of our employees and 99% of our medical staff have chosen to be vaccinated. Vaccination will be required as a condition of employment as of 9/30. There are medical and religious exemptions.</li> </ul>



*Healing Here at Home*

**To:** SVH Finance Committee  
**From:** Ken Jensen, CFO  
**Date:** September 28, 2021  
**Subject:** Financial Report for the Month Ending August 31, 2021

---

During the month of August the hospital continued to experience higher than budgeted outpatient services and emergency room visits. As for inpatient volumes the acute patient days were up over budget but inpatient surgery volumes were unfavorable. For the month of August the hospital's actual operating margin of (\$680,499) was \$326,133 favorable to the budgeted operating margin of (\$1,006,632). After accounting for all other activity; the net loss for August was (\$270,920) vs. the budgeted net income of \$32,602 with a monthly EBDA of -3.3% vs. a budgeted -12.7%.

**Gross patient revenue** for August was \$24,123,241; \$2,783,357 over budget. Inpatient gross revenue was under budget by (\$1,237,237). Inpatient days were over budget by 14 days and inpatient surgeries were under budget by (9) cases. Outpatient gross revenue was over budget by \$2,428,720. Outpatient visits were over budget by 204 visits, outpatient surgeries were over budget by 14 cases, and special procedures were at budget at 42 cases. The Emergency Room gross revenue was over budget by \$1,591,874 with ER visits over budgeted expectations by 232 visits.

**Deductions from revenue** were unfavorable to budgeted expectations by (\$2,299,249) due to higher gross revenue than budgeted. The hospital accrued \$70,338 for the payment finalization of the Non-Designated Public Hospital Intergovernmental Transfer (NDPH-IGT) program for FY 19/20. The hospital should receive these funds in September or October 2021.

After accounting for all other operating revenue, the **total operating revenue** was favorable to budgeted expectations by \$467,430.

**Operating Expenses** of \$4,593,261 were unfavorable to budget by (\$141,297). Salaries and wages and agency fees were over budget by (\$64,532) in clinical departments due to higher than budgeted volumes. Professional fees were over budget by (\$29,609) primarily due to higher than budgeted UCSF management costs. Utilities are over budget by (\$32,004) due to higher than average electrical usage; plant operations are still reviewing but the increased usage is likely due to the new air handlers installed in July for the CT project. The hospital had a matching fee of \$29,494 for the NDPH-IGT.

After accounting for all income and expenses, but not including Restricted Contributions and GO bond activity, the net loss for August was (\$374,878) vs. a budgeted net loss of (\$688,989). In the month of August the hospital received \$101,291 in donations from the Sonoma Valley Hospital Foundation



primarily for the ODC construction costs. The total net loss for August after all activity was (\$270,920) vs. a budgeted net income of \$32,602.

EBDA for the month of August was -3.3% vs. the budgeted -12.7%.

#### Patient Volumes – August

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	59	60	-1	65
Acute Patient Days	270	256	14	314
Observation Days	30	0	30	21
OP Gross Revenue	\$19,350	\$15,329	\$4,021	\$14,937
Surgical Cases	115	110	5	114

#### Gross Revenue Overall Payer Mix – August

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	34.5%	39.8%	-5.3%	36.4%	39.7%	-3.3%
Medicare Mgd Care	18.1%	15.4%	2.7%	17.3%	15.5%	1.8%
Medi-Cal	17.5%	19.0%	-1.5%	16.6%	19.2%	-2.6%
Self Pay	1.9%	1.1%	0.8%	1.8%	1.1%	0.7%
Commercial	24.8%	21.6%	3.2%	24.8%	21.5%	3.3%
Workers Comp	3.2%	3.1%	0.1%	3.1%	3.0%	0.1%
Total	100.0%	100.0%		100.0%	100.0%	

#### Cash Activity for August:

For the month of August the cash collection goal was \$3,932,031 and the Hospital collected \$3,605,339 or under the goal by (\$326,692). The year-to-date cash collection goal was \$7,721,047 and the Hospital has collected \$7,343,768 or under goal by (\$377,279).

	CURRENT MONTH	PRIOR MONTH	VARIANCE	PRIOR YEAR
Days of Cash on Hand – Avg.	52.3	58.8	-6.5	68.6
Accounts Receivable Days	41.2	40.3	0.9	39.0
Accounts Payable	\$3,535,407	\$3,313,114	\$222,293	\$2,155,418
Accounts Payable Days	44.6	40.4	4.2	31.6



**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
- Attachment F is the Cash Projection



**Sonoma Valley Hospital**  
**Payer Mix for the month of August 31, 2021**

ATTACHMENT A

Gross Revenue:	Month				Year-to-Date			
	Actual	Budget	Variance	% Variance	Actual	Budget	Variance	% Variance
Medicare	8,305,652	8,475,035	-169,383	-2.0%	17,799,450	16,545,694	1,253,756	7.6%
Medicare Managed Care	4,361,227	3,292,099	1,069,128	32.5%	8,435,835	6,436,135	1,999,700	31.1%
Medi-Cal	4,219,881	4,058,953	160,928	4.0%	8,132,247	7,991,381	140,866	1.8%
Self Pay	456,936	226,619	230,317	101.6%	858,128	445,664	412,464	92.6%
Commercial & Other Government	6,019,709	4,631,282	1,388,427	30.0%	12,178,018	9,020,680	3,157,338	35.0%
Worker's Comp.	759,836	655,896	103,940	15.8%	1,509,727	1,267,807	241,920	19.1%
<b>Total</b>	<b>24,123,241</b>	<b>21,339,884</b>	<b>2,783,357</b>		<b>48,913,405</b>	<b>41,707,361</b>	<b>7,206,044</b>	

Net Revenue:	Actual				Budget			
	Actual	Budget	Variance	% Variance	Actual	Budget	Variance	% Variance
Medicare	923,306	1,025,227	-101,921	-9.9%	2,026,376	1,985,356	41,020	2.1%
Medicare Managed Care	474,766	379,908	94,858	25.0%	934,382	742,730	191,652	25.8%
Medi-Cal	430,747	407,408	23,339	5.7%	851,718	821,493	30,225	3.7%
Self Pay	178,862	85,503	93,359	109.2%	347,323	168,149	179,174	106.6%
Commercial & Other Government	1,626,014	1,333,231	292,783	22.0%	3,353,747	2,601,416	752,331	28.9%
Worker's Comp.	132,758	121,406	11,352	9.4%	271,038	234,671	36,367	15.5%
Prior Period Adj/IGT	70,338	-	70,338	*	70,338	-	70,338	*
<b>Total</b>	<b>3,836,791</b>	<b>3,352,683</b>	<b>484,108</b>	<b>14.4%</b>	<b>7,854,922</b>	<b>6,553,815</b>	<b>1,301,107</b>	<b>19.9%</b>

Percent of Net Revenue:	Actual				Budget			
	Actual	Budget	Variance	% Variance	Actual	Budget	Variance	% Variance
Medicare	24.1%	30.6%	-6.5%	-21.2%	25.8%	30.3%	-4.6%	-15.2%
Medicare Managed Care	12.4%	11.3%	1.1%	9.7%	11.9%	11.3%	0.6%	5.3%
Medi-Cal	11.2%	12.2%	-1.0%	-8.2%	10.8%	12.5%	-1.7%	-13.6%
Self Pay	4.7%	2.6%	2.1%	80.8%	4.4%	2.6%	1.8%	69.2%
Commercial & Other Government	42.3%	39.7%	2.6%	6.5%	42.7%	39.7%	3.0%	7.6%
Worker's Comp.	3.5%	3.6%	-0.1%	-2.8%	3.5%	3.6%	-0.1%	-2.8%
Prior Period Adj/IGT	1.8%	0.0%	1.8%	*	0.9%	0.0%	0.9%	*
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>

Projected Collection Percentage:	Actual				Budget			
	Actual	Budget	Variance	% Variance	Actual	Budget	Variance	% Variance
Medicare	11.1%	12.1%	-1.0%	-8.3%	11.4%	12.0%	-0.6%	-5.0%
Medicare Managed Care	10.9%	11.5%	-0.6%	-5.2%	11.1%	11.5%	-0.4%	-3.5%
Medi-Cal	10.2%	10.0%	0.2%	2.0%	10.5%	10.3%	0.2%	1.9%
Self Pay	39.1%	37.7%	1.4%	3.7%	40.5%	37.7%	2.8%	7.4%
Commercial & Other Government	27.0%	28.8%	-1.8%	-6.2%	27.5%	28.8%	-1.3%	-4.5%
Worker's Comp.	17.5%	18.5%	-1.0%	-5.4%	18.0%	18.5%	-0.5%	-2.7%

**SONOMA VALLEY HOSPITAL**  
**OPERATING INDICATORS**  
**For the Period Ended August 31, 2021**

**ATTACHMENT B**

CURRENT MONTH					YEAR-TO-DATE			YTD
	Actual 08/31/21	Budget 08/31/21	Favorable (Unfavorable) Variance		Actual 08/31/21	Budget 08/31/21	Favorable (Unfavorable) Variance	Prior Year 08/31/20
Inpatient Utilization								
Discharges								
1	43	48	(5)	Med/Surg	98	95	3	115
2	16	12	4	ICU	30	24	6	25
3	59	60	(1)	Total Discharges	128	119	9	140
Patient Days:								
4	167	168	(1)	Med/Surg	346	337	9	428
5	103	88	15	ICU	145	177	(32)	210
6	270	256	14	Total Patient Days	491	514	(23)	638
7	30	-	30	Observation days	61	-	61	41
Average Length of Stay:								
8	3.9	3.5	0.4	Med/Surg	3.5	3.5	(0.0)	3.7
9	6.4	7.3	(0.9)	ICU	4.8	7.4	(2.5)	8.4
10	4.6	4.3	0.3	Avg. Length of Stay	3.8	4.3	(0.5)	4.6
Average Daily Census:								
11	5.4	5.4	(0.0)	Med/Surg	5.6	5.4	0.1	6.9
12	3.3	2.8	0.5	ICU	2.3	2.9	(0.5)	3.4
13	8.7	8.3	0.5	Avg. Daily Census	7.9	8.3	(0.4)	10.3
Other Utilization Statistics								
Emergency Room Statistics								
14	831	599	232	Total ER Visits	1,638	1,236	402	1,458
Outpatient Statistics:								
15	4,814	4,610	204	Total Outpatients Visits	9,470	9,198	272	7,908
16	7	16	(9)	IP Surgeries	22	31	(9)	35
17	108	94	14	OP Surgeries	223	180	43	194
18	42	41	1	Special Procedures	109	79	30	71
19	298	213	85	Adjusted Discharges	630	414	216	473
20	1,363	908	456	Adjusted Patient Days	2,427	1,789	638	2,154
21	44.0	29.3	14.7	Adj. Avg. Daily Census	39.1	28.9	10.3	34.7
22	1.1736	1.4000	(0.226)	Case Mix Index -Medicare	1.2407	1.4000	(0.159)	1.5893
23	1.2220	1.4000	(0.178)	Case Mix Index - All payers	1.2929	1.4000	(0.107)	1.5634
Labor Statistics								
24	207	204	(3)	FTE's - Worked	205	203	(1.7)	211
25	230	226	(4)	FTE's - Paid	231	224	(6.4)	230
26	45.20	44.46	(0.74)	Average Hourly Rate	44.69	44.41	(0.28)	46.78
27	5.23	7.71	2.48	FTE / Adj. Pat Day	5.89	7.76	1.88	6.61
28	29.8	43.9	14.1	Manhours / Adj. Pat Day	33.6	44.2	10.7	37.6
29	136.4	187.4	51.0	Manhours / Adj. Discharge	129.3	191.0	61.8	171.3
30	24.5%	24.6%	0.0%	Benefits % of Salaries	24.6%	24.8%	0.2%	21.0%
Non-Labor Statistics								
31	14.1%	16.5%	2.4%	Supply Expense % Net Revenue	15.1%	16.7%	1.7%	15.6%
32	1,817	2,607	790	Supply Exp. / Adj. Discharge	1,881	2,648	767	2,261
33	16,186	21,324	5,139	Total Expense / Adj. Discharge	15,295	21,809	6,513	19,033
Other Indicators								
34	50.1			Days Cash - Operating Funds				
35	41.2	50.0	(8.8)	Days in Net AR	40.8	50.0	(9.3)	40.0
36	92%			Collections % of Net Revenue	95%			118.0%
37	44.6	55.0	(10.4)	Days in Accounts Payable	44.6	55.0	(10.4)	41.3
38	15.9%	15.7%	0.2%	% Net revenue to Gross revenue	16.1%	15.7%	0.3%	15.9%
39	17.7%			% Net AR to Gross AR	17.7%			16.0%

**Sonoma Valley Health Care District**  
**Balance Sheet**  
**As of August 31, 2021**

**ATTACHMENT C**

		<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<b>Assets</b>				
Current Assets:				
1	Cash	\$ 1,491,246	\$ 2,242,111	\$ 1,966,728
2	Cash - Money Market	5,639,115	5,638,824	7,236,714
3	Net Patient Receivables	6,632,434	6,592,553	5,255,746
4	Allow Uncollect Accts	(1,399,958)	(1,477,415)	(978,181)
5	Net A/R	5,232,476	5,115,138	4,277,565
6	Other Accts/Notes Rec	1,856,041	1,818,190	6,953
7	Parcel Tax Receivable	3,800,000	3,800,000	3,800,000
8	GO Bond Tax Receivable	2,601,816	2,601,816	3,168,950
9	3rd Party Receivables, Net	81,243	10,905	334,672
10	Inventory	939,153	948,036	844,274
11	Prepaid Expenses	1,009,486	1,078,794	831,582
12	Total Current Assets	\$ 22,650,576	\$ 23,253,814	\$ 22,467,438
13	Property, Plant & Equip, Net	\$ 52,261,611	\$ 52,389,263	\$ 50,564,150
14	Trustee Funds - GO Bonds	6,115,138	6,115,089	5,668,992
15	Restricted Funds - Board Approved	1,000,000	1,000,000	-
16	Total Assets	\$ 82,027,325	\$ 82,758,166	\$ 78,700,580
<b>Liabilities &amp; Fund Balances</b>				
Current Liabilities:				
17	Accounts Payable	\$ 3,535,407	\$ 3,313,114	\$ 2,155,418
18	Accrued Compensation	3,701,343	3,648,969	3,571,782
19	Interest Payable - GO Bonds	542,516	538,371	662,302
20	Accrued Expenses	1,530,251	1,918,872	1,525,926
21	Advances From 3rd Parties	-	-	-
22	Deferred Parcel Tax Revenue	3,166,670	3,483,337	3,166,654
23	Deferred GO Bond Tax Revenue	2,318,121	2,549,933	2,757,655
24	Current Maturities-LTD	424,998	430,034	309,412
25	Line of Credit - Union Bank	5,473,734	5,473,734	5,473,734
26	Other Liabilities	252,339	252,412	121,966
27	Total Current Liabilities	\$ 20,945,379	\$ 21,608,776	\$ 19,744,849
28	Long Term Debt, net current portion	\$ 27,023,403	\$ 26,819,927	\$ 28,562,436
29	Fund Balances:			
30	Unrestricted	\$ 18,617,742	\$ 18,989,953	\$ 19,339,128
31	Restricted	15,440,801	15,339,510	11,054,167
32	Total Fund Balances	\$ 34,058,543	\$ 34,329,463	\$ 30,393,295
33	Total Liabilities & Fund Balances	\$ 82,027,325	\$ 82,758,166	\$ 78,700,580

**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
Comparative Results  
For the Period Ended August 31, 2021**

ATTACHMENT D

	Month			
	This Year		Variance	
	Actual		\$	%
1	59	60	(1)	-2%
2	270	256	14	5%
3	30	-	30	0%
4	\$ 19,350	\$ 15,329	\$ 4,021	26%
5	\$ 4,773,643	\$ 6,010,880	(1,237,237)	-21%
6	12,119,254	9,690,534	2,428,720	25%
7	7,230,344	5,638,470	1,591,874	28%
8	\$ 24,123,241	\$ 21,339,884	2,783,357	13%
9	(20,154,588)	(17,809,630)	(2,344,958)	-13%
10	(200,000)	(150,000)	(50,000)	-33%
11	(2,200)	(27,571)	25,371	92%
12	70,338	-	70,338	*
13	\$ (20,286,450)	\$ (17,987,201)	(2,299,249)	13%
14	\$ 3,836,791	\$ 3,352,683	484,108	14%
15	\$ 75,971	\$ 92,649	(16,678)	-18%
16	\$ 3,912,762	\$ 3,445,332	467,430	14%
17	\$ 1,836,384	\$ 1,771,852	(64,532)	-4%
18	681,088	672,033	(9,055)	-1%
19	\$ 2,517,472	\$ 2,443,885	(73,587)	-3%
20	\$ 541,529	\$ 511,920	(29,609)	-6%
21	541,428	554,446	13,018	2%
22	387,979	404,459	16,480	4%
23	247,070	252,880	5,810	2%
24	150,658	118,654	(32,004)	-27%
25	50,782	46,909	(3,873)	-8%
26	15,799	17,966	2,167	12%
27	111,050	100,845	(10,205)	-10%
28	29,494	-	(29,494)	*
29	\$ 4,593,261	\$ 4,451,964	(141,297)	-3%
30	\$ (680,499)	\$ (1,006,632)	\$ 326,133	32%

**Volume Information**

Acute Discharges  
Patient Days  
Observation Days  
Gross O/P Revenue (000's)

**Financial Results****Gross Patient Revenue**

Inpatient  
Outpatient  
Emergency

**Total Gross Patient Revenue****Deductions from Revenue**

Contractual Discounts  
Bad Debt  
Charity Care Provision

Prior Period Adj/Government Program Revenue

**Total Deductions from Revenue****Net Patient Service Revenue**

Other Op Rev &amp; Electronic Health Records

**Total Operating Revenue****Operating Expenses**

Salary and Wages and Agency Fees

Employee Benefits

Total People Cost

Med and Prof Fees (excl'd Agency)

Supplies

Purchased Services

Depreciation

Utilities

Insurance

Interest

Other

Matching Fees (Government Programs)

**Operating expenses****Operating Margin**

Year-To- Date					YTD
This Year		Variance			
Actual	Budget	\$	%	Prior Year	
128	119	9	8%	140	
491	514	(23)	-4%	638	
61	-	61	*	41	
\$ 38,993	\$ 29,748	\$ 9,246	31%	\$ 30,455	
\$ 9,919,960	\$ 11,959,687	(2,039,727)	-17%	\$ 12,839,514	
24,145,635	18,543,579	5,602,056	30%	17,878,744	
14,847,810	11,204,095	3,643,715	33%	12,630,560	
\$ 48,913,405	\$ 41,707,361	7,206,044	17%	\$ 43,348,818	
\$ (40,703,321)	\$ (34,798,404)	(5,904,917)	-17%	\$ (36,192,826)	
(400,000)	(300,000)	(100,000)	-33%	(250,000)	
(25,500)	(55,142)	29,642	54%	(33,000)	
70,338	-	70,338	*	-	
\$ (41,058,483)	\$ (35,153,546)	(5,904,937)	17%	\$ (36,475,826)	
\$ 7,854,922	\$ 6,553,815	1,301,107	20%	\$ 6,872,992	
\$ 151,962	\$ 185,298	(33,336)	-18%	\$ 227,944	
\$ 8,006,884	\$ 6,739,113	\$ 1,267,771	19%	\$ 7,100,936	
\$ 3,639,837	\$ 3,515,988	(123,849)	-4%	\$ 3,793,048	
1,383,062	1,340,990	(42,072)	-3%	1,288,056	
\$ 5,022,899	\$ 4,856,978	(165,921)	-3%	\$ 5,081,104	
\$ 1,076,977	\$ 1,022,916	(54,061)	-5%	\$ 814,958	
1,184,830	1,097,282	(87,548)	-8%	1,070,453	
856,870	808,917	(47,953)	-6%	806,692	
494,095	505,760	11,665	2%	515,869	
297,592	241,420	(56,172)	-23%	222,307	
99,659	93,818	(5,841)	-6%	90,202	
32,515	35,932	3,417	10%	40,267	
222,948	200,747	(22,201)	-11%	183,946	
29,494	-	(29,494)	*	0	
\$ 9,317,879	\$ 8,863,770	(454,109)	-5%	\$ 8,825,798	
\$ (1,310,995)	\$ (2,124,657)	813,662	38%	\$ (1,724,862)	

**Sonoma Valley Health Care District  
Statement of Revenue and Expenses  
Comparative Results  
For the Period Ended August 31, 2021**

ATTACHMENT D

Month						Year-To- Date				YTD	
This Year			Variance			This Year		Variance			
Actual			\$	%		Actual	Budget	\$	%	Prior Year	
31	\$	(11,046)	\$	976	(12,022)	-1232%	Non Operating Rev and Expense				
32		-		-	-	0%	Miscellaneous Revenue/(Expenses)				
33		-		-	-	*	Donations				
34		316,667		316,667	-	0%	Physician Practice Support-Prima				
35		0		0	-	0%	Parcel Tax Assessment Rev				
36	\$	305,621	\$	317,643	(12,022)	-4%	Extraordinary Items				
							Total Non-Operating Rev/Exp				
37	\$	(374,878)	\$	(688,989)	314,111	-46%	Net Income / (Loss) prior to Restricted Contributions				
38	\$	-	\$	-	-	0%	Capital Campaign Contribution				
39	\$	101,291	\$	523,803	(422,512)	0%	Restricted Foundation Contributions				
40	\$	(273,587)	\$	(165,186)	(108,401)	66%	Net Income / (Loss) w/ Restricted Contributions				
41		2,667		197,788	(195,121)	-99%	GO Bond Activity, Net				
42	\$	(270,920)	\$	32,602	(303,522)	-931%	Net Income/(Loss) w GO Bond Activity				
	\$	(127,808)	\$	(436,109)	308,301		EBDA - Not including Restricted Contributions				
		-3.3%		-12.7%							

\* Operating Margin without Depreciation expense:

\$ (680,499)	\$ (1,006,632)	\$ 326,133	32%
247,070	252,880	5,810	2%
\$ (433,429)	\$ (753,752)	\$ 331,943	42%

Operating Margin	\$ (1,310,995)	\$ (2,124,657)	\$ 813,662	38%
Add back Depreciation	494,095	505,760	11,665	2%
Operating Margin without Depreciation expense	\$ (816,900)	\$ (1,618,897)	\$ 825,327	50%

**Sonoma Valley Health Care District**  
**Variance Analysis**  
**For the Period Ended August 31, 2021**

ATTACHMENT E

<b>Operating Expenses</b>	<b>YTD Variance</b>	<b>Month Variance</b>	
Salary and Wages and Agency Fees	(123,849)	(64,532)	Salaries and wages are over budget by (\$23,934) and agency fees are over by (\$40,598) due to increased OP volumes.
Employee Benefits	(42,072)	(9,055)	
<b>Total People Cost</b>	<b>(165,921)</b>	<b>(73,587)</b>	
Med and Prof Fees (excl Agency)	(54,061)	(29,609)	Professional fees are over budget due to higher than budgeted UCSF management costs.
Supplies	(87,548)	13,018	
Purchased Services	(47,953)	16,480	
Depreciation	11,665	5,810	
Utilities	(56,172)	(32,004)	Utilities are higher than budgeted due to increased usage in August.
Insurance	(5,841)	(3,873)	
Interest	3,417	2,167	
Other	(22,201)	(10,205)	
Matching Fees (Government Programs)	(29,494)	(29,494)	NDPH-IGT matching fee.
<b>Operating expenses</b>	<b>(454,109)</b>	<b>(141,297)</b>	

Sonoma Valley Hospital  
Cash Forecast  
FY 2022

ATTACHMENT F

	Actual July	Actual Aug	Forecast Sept	Forecast Oct	Forecast Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
<b>Hospital Operating Sources</b>													
1 Patient Payments Collected	3,768,614	3,604,012	3,454,418	3,560,232	3,535,250	3,481,361	3,667,320	3,580,044	3,818,142	3,646,790	3,763,729	3,682,225	43,562,137
2 Other Operating Revenue	50,926	33,133	92,649	92,649	92,649	92,649	77,649	77,649	77,649	77,649	77,649	77,637	920,537
3 Other Non-Operating Revenue	10,121	10,229	14,516	14,516	14,516	14,516	14,516	14,516	14,516	14,516	14,516	14,518	165,512
4 Unrestricted Contributions	14,875												14,875
5 Line of Credit													-
<b>Sub-Total Hospital Sources</b>	<b>3,844,535</b>	<b>3,647,375</b>	<b>3,561,583</b>	<b>3,667,397</b>	<b>3,642,415</b>	<b>3,588,526</b>	<b>3,759,485</b>	<b>3,672,209</b>	<b>3,910,307</b>	<b>3,738,955</b>	<b>3,855,894</b>	<b>3,774,380</b>	<b>44,663,061</b>
<b>Hospital Uses of Cash</b>													
6 Operating Expenses	5,686,921	4,339,055	4,132,714	4,258,835	4,202,649	4,225,711	4,382,476	4,221,825	4,421,291	4,324,996	4,397,288	4,356,571	52,950,333
7 Add Capital Lease Payments	116,550	26,560											143,110
8 Additional Liabilities/LOC			22,115	22,140	22,166	89,458	14,502	14,502	14,502	14,502	14,502	82,109	310,498
9 Capital Expenditures	114,099	104,421	525,512	525,512	525,512	525,512	525,512	525,512	525,512	525,512	525,512	525,511	5,473,639
<b>Total Hospital Uses</b>	<b>5,917,571</b>	<b>4,470,037</b>	<b>4,680,341</b>	<b>4,806,487</b>	<b>4,750,327</b>	<b>4,840,681</b>	<b>4,922,490</b>	<b>4,761,839</b>	<b>4,961,305</b>	<b>4,865,010</b>	<b>4,937,302</b>	<b>4,964,191</b>	<b>58,877,580</b>
<b>Net Hospital Sources/Uses of Cash</b>	<b>(2,073,036)</b>	<b>(822,662)</b>	<b>(1,118,758)</b>	<b>(1,139,090)</b>	<b>(1,107,912)</b>	<b>(1,252,155)</b>	<b>(1,163,005)</b>	<b>(1,089,630)</b>	<b>(1,050,998)</b>	<b>(1,126,055)</b>	<b>(1,081,408)</b>	<b>(1,189,811)</b>	<b>(14,214,520)</b>
<b>Non-Hospital Sources</b>													
10 Restricted Cash/Money Market			1,000,000	2,000,000			(2,000,000)						1,000,000
11 Restricted Capital Donations	107,079	101,291	525,512	525,512	525,512	525,512	525,512	525,512	525,512	525,512	525,512	525,511	5,463,489
12 Parcel Tax Revenue	164,000					2,050,000				1,662,000			3,876,000
13 Other Payments - Ins. Claims/HHS/Grants													-
14 Other:													-
15 IGT				70,338			2,674,000					89,000	2,833,338
16 IGT - AB915											335,000		335,000
17 QIP													-
<b>Sub-Total Non-Hospital Sources</b>	<b>271,080</b>	<b>101,291</b>	<b>1,525,512</b>	<b>2,595,850</b>	<b>525,512</b>	<b>2,575,512</b>	<b>1,199,512</b>	<b>525,512</b>	<b>525,512</b>	<b>2,187,512</b>	<b>860,512</b>	<b>614,511</b>	<b>13,507,827</b>
<b>Non-Hospital Uses of Cash</b>													
18 Matching Fees		29,494		1,096,301							44,500		1,170,295
<b>Sub-Total Non-Hospital Uses of Cash</b>	<b>-</b>	<b>29,494</b>	<b>-</b>	<b>1,096,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,500</b>	<b>-</b>	<b>1,170,295</b>
<b>Net Non-Hospital Sources/Uses of Cash</b>	<b>271,080</b>	<b>71,797</b>	<b>1,525,512</b>	<b>1,499,549</b>	<b>525,512</b>	<b>2,575,512</b>	<b>1,199,512</b>	<b>525,512</b>	<b>525,512</b>	<b>2,187,512</b>	<b>816,012</b>	<b>614,511</b>	<b>12,337,533</b>
<b>Net Sources/Uses</b>	<b>(1,801,956)</b>	<b>(750,865)</b>	<b>406,754</b>	<b>360,459</b>	<b>(582,400)</b>	<b>1,323,357</b>	<b>36,507</b>	<b>(564,118)</b>	<b>(525,486)</b>	<b>1,061,457</b>	<b>(265,396)</b>	<b>(575,300)</b>	
Operating Cash at beginning of period	4,044,067	2,242,111	1,491,246	1,898,000	2,258,459	1,676,059	2,999,416	3,035,923	2,471,805	1,946,319	3,007,776	2,742,380	
<b>Operating Cash at End of Period</b>	<b>2,242,111</b>	<b>1,491,246</b>	<b>1,898,000</b>	<b>2,258,459</b>	<b>1,676,059</b>	<b>2,999,416</b>	<b>3,035,923</b>	<b>2,471,805</b>	<b>1,946,319</b>	<b>3,007,776</b>	<b>2,742,380</b>	<b>2,167,080</b>	
Money Market Account Balance - Unrestricted	5,638,824	5,639,115	4,639,115	2,639,115	2,639,115	2,639,115	4,639,115	4,639,115	4,639,115	4,639,115	4,639,115	4,639,115	
<b>Total Cash at End of Period</b>	<b>7,880,935</b>	<b>7,130,361</b>	<b>6,537,115</b>	<b>4,897,574</b>	<b>4,315,174</b>	<b>5,638,531</b>	<b>7,675,038</b>	<b>7,110,920</b>	<b>6,585,434</b>	<b>7,646,891</b>	<b>7,381,495</b>	<b>6,806,195</b>	
<b>Average Days of Cash on Hand</b>	<b>58.8</b>	<b>52.3</b>											
<b>Days of Cash on Hand at End of Month</b>	<b>54.6</b>	<b>50.1</b>	<b>44.5</b>	<b>33.3</b>	<b>29.4</b>	<b>38.4</b>	<b>52.2</b>	<b>48.4</b>	<b>44.8</b>	<b>52.0</b>	<b>50.2</b>	<b>46.3</b>	



September 28, 2021

To: Finance Committee of the Board of Directors - Sonoma Valley Health Care District  
From: Bill Boerum, Treasurer & Chair of Finance Committee

Subject: Toward Enterprise Profitability

**Background:**

Last month at our Committee meeting I raised the question for discussion of what level of new revenues and assumed positive margin would be needed to offset over time the enterprise's negative operating margin. This negative margin has increased substantially over the years, and 20 years ago required a parcel tax to partially offset the operating losses. Without going into an analysis here of the business and financial dynamics resulting in the negative margin, suffice it to say that the patient mix and payor mix essentially are the driving factors.

The negative operating margin (Attachment D – Statement of Revenues & Expenses, line 30, reported monthly to the Committee and the Board) for year-to-date, August 31, 2021 (two months) was a loss of \$ 1,301,995, compared to the budgeted loss of \$2,124,657, and the prior year-to-date loss of \$1,724,862. The full-year 2022 budget projects a negative operating margin of \$6,574,400 compared to the actual (preliminary) 2021 operating loss of \$6,821,931. Granting that 2021 was a unique year, 2022 easily will stand as an all-time high level of losses beyond anything in the past decade. This is unsustainable by any dynamic including the capacity of an annual \$3.8 million parcel tax to partially offset it.

Apart from traditional efforts to change the patient/payor mix, new strategies and approaches need to be pursued. The attached analysis undertaken by Committee member Carl Gerlach could be viewed as a model for the magnitude of incremental revenues and assumed margins which would be needed over time to reduce and eventually eliminate the hospital's negative operating margin. Carl's focus is on commercial (insurance) revenues, but a mix with cash/self-pay revenues could be a strategy. Thus, which service lines are best suited to produce the desired result(s) is another issue.

Attached here are three sets of text:

1. Carl's summary comments of his analysis from his cover email;
2. "SVH Nut to Crack" spreadsheet analysis; and,
3. Follow-up "suggested talking points."

My request is that the Committee give a close read to this analysis and discuss it.

**Recommendation:**

It is recommended that Committee consider forming a sub-committee to review the analysis and report back with its observations and suggestions by the date of the next meeting, October 26. Such findings could contribute to consideration by the Board of the new strategic plan which is under development by the CEO

1. Email Summary Comments by Carl Gerlach, 9/16/21:

The attached is an attempt to answer Bill Boerum's question regarding "the nut to crack" --- how much of an increase in commercially insured services would be needed to offset the operating losses. I was doing some analysis for another hospital using the OSHPD data base and it was a simple and quick task to look at Sonoma Valley Hospital.

The notes on the spreadsheet summarize the key points. Quick summary:

- The data covers fiscal year ending June 30, 2019.
- The information here is pulled from the data with a few calculations that I did to address Bill's question.
- Key issue is how much of the expenses are "variable". I used a range from 25% to 100%. I understand that SVH has a cost accounting system in place, and that system should provide a more accurate number. That said, I assume the number is at most 50% and more likely in the 66% to 75% range.
- OSHPD used a percentage of expenses to gross revenue to estimate expenses for each payer --- it is 23.1%, which is derived using methodology similar to that used in cost reports. I understand that this is a high-level ballpark number which would vary between payers.
- The payer category of relevance is the "Third Parties – Traditional" (TPT).
- The "nut to crack" is shown in row 35 as "Payment Shortfall" of (\$4.66) million.
- To crack this nut would take an increase in TPT gross revenue of between 31% (\$17.36 million) and 40% (\$22.1 million).
- Other information of relevance:
  - As a percent of total gross revenue, Medicare had 57%, MediCal had 18%, and Third Parties had 23.6%.
  - As a percent of total NET revenue, Medicare had 37.5%, MediCal had 23.7%, and Third Parties had 34.6%.
  - Conclusion, the Parcel Tax and other nonoperating revenue is needed to offset Medicare losses; MediCal shows a positive margin. Note: as I observed also in Oregon, the Medicaid (MediCal) program was almost as good a payer as the Third Parties.

Stay well,

Carl Gerlach

[Go-Team.net](http://Go-Team.net)

Cell: 925.997.5235

2. SVH Nut to Crack – Attached as a spreadsheet (partial) 9/16/21.

## How much additional commercial revenue would be needed to have a breakeven operating margin?

DRAFT WORK IN  
PROCESS

### Nut to crack

(\$4,660,558)

If variable expenses are % of average:	Variable exp as % of average exp	Variable exp	Var exp : gross	Net operating margin as % gross	Add'l TPT gross to cover nut	% TP
	100%	\$12,876,545	23.1%	9.49%	\$ 49,105,583	
	50%	\$6,438,273	11.6%	21.06%	\$ 22,134,996	
	33%	\$4,249,260	7.6%	24.99%	\$ 18,651,927	
	25%	\$3,219,136	5.8%	26.84%	\$ 17,365,980	

#### Comments:

> Attempt to provide ballpark answer to how much more commercial insured business (Third Party Traditional -"TPT") would be needed to have a break

> All statistics and calculations are based on OSHPD data as reported for FY 2019, audited and published. See below

> Key stats: row 31, net revenue as % of gross --> 32.6% for TPT

> Key stats: row 33, expenses as % of gross. From Cost Report methodology. 23.1% for all payers. This is an average for all departments.

> Important: expenses are largely fixed. I used a range of variable percentages which assume the percentage variable is at least 25% and at m

**Conclusion: TPT gross would have to increase by between \$17.4 million or 31% and \$22.1 million or 40%**

### SVH OSHPD FY 2019

### Financial and Utilization Report

Data by Payer Category	Medicare			Medi-Cal	
	Total	Traditional	Mgd Care	Traditional	Mgd Care
Patient Days (excl. nursery)	8,647	4,629	1,472	213	1,310
Discharges (excl. nursery)	1,280	658	180	42	179
Average Length of Stay (est.)	6.76	7.03	8.18	5.07	7.32
Outpatient Visits	64,673	28,262	6,474	1,618	5,830
Gross Inpatient Revenue	\$ 94,758,734	\$ 49,641,744	\$ 14,436,589	\$ 2,903,543	\$ 13,272,790
Gross Outpatient Revenue	177,341,358	67,024,491	23,648,054	5,889,102	26,705,397
Gross Patient Revenue	\$ 272,100,092	\$ 116,666,235	\$ 38,084,643	\$ 8,792,645	\$ 39,978,187
- Deductions from Rev	214,583,707	99,459,503	33,428,435	7,557,799	27,378,695
+ Capitation Premium Rev	755,801		0		0
Net Patient Revenue	\$ 58,272,186	\$ 17,206,732	\$ 4,656,208	\$ 1,234,846	\$ 12,599,492
Percent of Gross Revenue	21.4%	14.7%	12.2%	14.0%	31.5%
Expenses (est.)	\$ 62,932,744	\$ 26,983,182	\$ 8,808,417	\$ 2,033,609	\$ 9,246,366
Percent expense to gross revenue	23.1%	23.1%	23.1%	23.1%	23.1%
Percent expense to net revenue	108.0%	156.8%	189.2%	164.7%	73.4%
Payment Shortfall	(\$4,660,558)	(\$9,776,450)	(\$4,152,209)	(\$798,763)	\$ 3,353,126
Adjusted Patient Days	24,830	10,879	3,883	645	3,946
Gross margin percent	-1.7%	-8.4%	-10.9%	-9.1%	8.4%

### 3. Carl Gerlach - Follow-up Talking Points 9/20/21:

- The “nut to crack” to offset the Medicare losses with increases in third party market shares is very large.
- For the foreseeable future the Parcel Tax is essential. The options will require time. Does the public narrative need to be modified based on these numbers?
- Options to offset or mitigate the Medicare losses include:
  - Reducing operating expenses
    - What percent of these are “fixed”?
    - How would expenses be impacted by an EHR investment and by more active business development and marketing?
  - Increase third party market share via active business development
    - Best path: optimize marketing value of UCSF relationship. How? Who?
  - Increase Medicare related reimbursement by becoming a Critical Access Hospital. Is this a long-shot with limited chance of success? What is the potential value?
- Risks:
  - Reduction in the MediCal reimbursement (includes “IGT”)
  - Expansion of Medicare without changing basic reimbursement policies --- e.g., lower participation age.
  - Expenses increase in areas such as IT and active marketing and business development
- Need for a business plan to address these issues. What is the role of the Finance Committee?

	A	B	C	D	E	F	G	H	I	J	K
1	<b>How much additional commercial revenue would be needed to have a breakeven operating margin?</b>										
2			<b>DRAFT WORK IN PROCESS</b>								
3	<b>Nut to crack</b>	<b>(\$4,660,558)</b>									
4	<b>If variable expenses are % of average:</b>	<b>Variable exp as % of average exp</b>	<b>Variable exp</b>	<b>Var exp : gross</b>	<b>Net operating margin as % gross</b>	<b>Add'l TPT gross to cover nut</b>	<b>% increase in TPT gross</b>				
5		100%	\$12,876,545	23.1%	9.49%	\$ 49,105,583	88%				
6		50%	\$6,438,273	11.6%	21.06%	\$ 22,134,996	40%				
7		33%	\$4,249,260	7.6%	24.99%	\$ 18,651,927	34%				
8		25%	\$3,219,136	5.8%	26.84%	\$ 17,365,980	31%				
9	<b>Comments:</b>										
10	> Attempt to provide ballpark answer to how much more commercial insured business (Third Party Traditional -"TPT") would be needed to have a breakeven operating margin										
11	> All statistics and calculations are based on OSHPD data as reported for FY 2019, audited and published. See below										
12	> Key stats: row 31, net revenue as % of gross --> 32.6% for TPT										
13	> Key stats: row 33, expenses as % of gross. From Cost Report methodology. 23.1% for all payers. This is an average for all departments.										
14	> <b>Important: expenses are largely fixed. I used a range of variable percentages which assume the percentage variable is at least 25% and at most 50%.</b>										
15	<b>Conclusion: TPT gross would have to increase by between \$17.4 million or 31% and \$22.1 million or 40%</b>										
16											
17											
18	<b>SVH OSHPD FY 2019</b>	<b>Financial and Utilization Report</b>									
19			<b>Medicare</b>		<b>Medi-Cal</b>		<b>Third Parties</b>		<b>County</b>	<b>Other</b>	
20	<b>Data by Payer Category</b>	<b>Total</b>	<b>Traditional</b>	<b>Mgd Care</b>	<b>Traditional</b>	<b>Mgd Care</b>	<b>Traditional - TPT</b>	<b>Mgd Care</b>	<b>Indigent</b>	<b>Indigent</b>	<b>Other</b>
21	Patient Days (excl. nursery)	8,647	4,629	1,472	213	1,310	786	204	0	0	33
22	Discharges (excl. nursery)	1,280	658	180	42	179	176	40	0	0	5
23	Average Length of Stay (est.)	6.76	7.03	8.18	5.07	7.32	4.47	5.10	0.00	0.00	6.60
24	Outpatient Visits	64,673	28,262	6,474	1,618	5,830	19,218	2,089	3	110	1,069
25	Gross Inpatient Revenue	\$ 94,758,734	\$ 49,641,744	\$ 14,436,589	\$ 2,903,543	\$ 13,272,790	\$ 9,906,027	\$ 3,912,712	\$ 0	\$ 0	\$ 685,329
26	Gross Outpatient Revenue	177,341,358	67,024,491	23,648,054	5,889,102	26,705,397	45,767,839	4,660,993	11,178	562,342	3,071,962
27	Gross Patient Revenue	\$ 272,100,092	\$ 116,666,235	\$ 38,084,643	\$ 8,792,645	\$ 39,978,187	\$ 55,673,866	\$ 8,573,705	\$ 11,178	\$ 562,342	\$ 3,757,291
28	- Deductions from Rev	214,583,707	99,459,503	33,428,435	7,557,799	27,378,695	37,513,374	7,353,705	7,300	554,251	1,330,645
29	+ Capitation Premium Rev	755,801		0		0		755,801	0		
30	Net Patient Revenue	\$ 58,272,186	\$ 17,206,732	\$ 4,656,208	\$ 1,234,846	\$ 12,599,492	\$ 18,160,492	\$ 1,975,801	\$ 3,878	\$ 8,091	\$ 2,426,646
31	Percent of Gross Revenue	21.4%	14.7%	12.2%	14.0%	31.5%	32.6%	23.0%	34.7%	1.4%	64.6%
32	Expenses (est.)	\$ 62,932,744	\$ 26,983,182	\$ 8,808,417	\$ 2,033,609	\$ 9,246,366	\$ 12,876,545	\$ 1,982,972	\$ 2,585	\$ 130,061	\$ 869,006
33	Percent expense to gross revenue	23.1%	23.1%	23.1%	23.1%	23.1%	23.1%	23.1%	23.1%	23.1%	23.1%
34	Percent expense to net revenue	108.0%	156.8%	189.2%	164.7%	73.4%	70.9%	100.4%	66.7%	1607.5%	35.8%
35	Payment Shortfall	<b>(\$4,660,558)</b>	<b>(\$9,776,450)</b>	<b>(\$4,152,209)</b>	<b>(\$798,763)</b>	\$ 3,353,126	\$ 5,283,947	<b>(\$7,171)</b>	\$ 1,293	<b>(\$121,970)</b>	\$ 1,557,640
36	Adjusted Patient Days	24,830	10,879	3,883	645	3,946	4,417	447	0	0	181
37	<b>Gross margin percent</b>	<b>-1.7%</b>	<b>-8.4%</b>	<b>-10.9%</b>	<b>-9.1%</b>	<b>8.4%</b>	<b>9.5%</b>	<b>-0.1%</b>	<b>11.6%</b>	<b>-21.7%</b>	<b>41.5%</b>