Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

PUBLIC NOTICE

Finance and Management Committee

Wednesday, May 30, 2012

7:30 a.m.

Location: Alameda Hospital (Dal Cielo Conference Room)
2070 Clinton Avenue, Alameda, CA 94501
Office of the Clerk: (510) 814-4001

Members of the public who wish to comment on agenda items will be given an opportunity before or during the consideration of each agenda item. Those wishing to comment must complete a speaker card indicating the agenda item that they wish to address.

This is being noticed as a Board Meeting as a quorum of Directors may be present. Ex-officio members and non-committee members cannot vote on any item, whether or not a quorum of the Board is present.

I.	Call To Order	Elliott Gorelick
II.	Action Items	
	A. Acceptance of April 25, 2012 Minutes [enclosure]	Elliott Gorelick
	B. Recommendation to Accept April 2012 Unaudited Financial Statements [enclosure]	Kerry Easthope
	C. Recommendation to Approve FY 2013 Operating and Capital Budget **[enclosure]**	Kerry Easthope
	D. Recommendation to Approve Resolution 2012-5J: Authorizing a Loan from the Bank of Alameda, Secured by Real Property **[enclosure]**	Deborah E. Stebbins Kerry Easthope
III.	Chief Executive Officer Report	Deborah E. Stebbins
	A. Comprehensive Orthopedic Program Update	
	B. Updates on California State Budget and IGT Funding	
	C. Other Updates	
IV.	Chief Financial Officer Report	Kerry Easthope
	A. Revenue Cycle Update	
	B. Charge Master Description (CDM) Review Update	
V.	Board / Committee / Staff Comments	
VI.	Adjournment	

NEXT MEETING SCHEDULED: JUNE 27, 2012

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Finance and Management Committee Minutes April 25, 2012

Members Present: (Voting)	Mike McCormick Elliott Gorelick	Ann Evans William Sellman, MD	Jim Yeh, DO (partial)
Management Present:	Deborah E. Stebbins Kerry J. Easthope Bob Anderson	Katy Silverman Tony Corica Mary Bond, RN	Teresa Jacques, hfs
Ex Officio/Guests:	Robert Deutsch, MD		
Absent:	James Oddie	Ed Kofman	
Submitted by:	Kristen Thorson		

TOPIC		DISCUSSION	ACTION | FOLLOW-UP
I. Call to Order	Director McCormick called the meeting to order at 7:40 a.m.		
II. Action Items	A.	Acceptance of March 28, 2012 Minutes	Ms. Evans made a motion to accept the minutes as presented. Mr. Gorelick seconded the motion. The motion carried.
	B.	Recommendation to Accept March 2012 Unaudited Financial Statements Bob Anderson presented the financial statements as referenced in the packet noting the following key points. <u>March Performance Issues</u>. Net Income was ($401,000) versus budget $295,000, lower than the previous 2 months. Both Inpatient & Outpatient revenues were below budget. Net revenues decreased by $253,000 because of a settlement for the 2010 Medi-Cal Cost Report along with the establishment of a reserve for SNF payments. Cash collections were up and net AR was down for the first time this fiscal year. $822,000 in Cash was used to fund the IGT program. The current ratio was 1.00 which was in positive territory for the bank loan covenants. <u>Key Volume Indicators</u>. Average daily census (ADC) was 80.94 versus 91.65 budgeted with lower than budget volumes in acute, subacute and skilled nursing. Outpatient volumes were below budget. Inpatient surgeries were above budget at 57 versus 50 budgeted and outpatient surgeries were slightly below budget.	Mr. Gorelick made a motion to recommend approval of the March 2012 Unaudited Financial Statements as presented. Ms. Evans seconded the motion. The motion carried.

		Revenues and Expenses. Total gross patient revenue was below budget by $2.8M. Net Patient Revenue was 8.0% less than budget. Overall expenses were $264k above budget. Labor costs were very close to budget. Purchased Service costs were $214,000 over budget primarily due to consulting services in the Revenue cycle area. Rents and Leases and other operating costs were up $72k over budget. For the month of March there was a loss of $401,000. Mr. Anderson also announced that his assignment at Alameda Hospital would end at the end of April. Mr. Gorelick inquired about the status of the line of credit (LOC) renewal with the Bank of Alameda. Ms. Stebbins and Mr. Easthope responded that they have been in discussions with the Bank regarding the LOC renewal including converting the LOC to a long term loan, and the legal options for potentially using the Jaber properties as collateral.	
	C.	Recommendation to Enter into an Agreement with Select Therapies for Long Term Care Rehabilitation Services Management and Recommendation for Reorganization of Rehabilitation Services. Kerry Easthope presented the recommendation to outsource the management and personnel for the long term care rehabilitation services for the Subacute Unit and South Shore Skilled Nursing Unit. He reviewed the materials distributed in the packet, including the needs and benefits of a LTC rehab program, staffing and productivity levels, service expectations for Select Therapies and a financial analysis. The term of the contract is one year and will automatically renew unless terminated by either party. The Fee schedule is variable, based solely on Medicare A days at each RUG level, therefore their fee is based upon billable time that the hospital will get reimbursed for. Implementation, if approved, would occur on July 1, 2012. There was discussion amongst the committee regarding the concerns addressed to the Board of Directors by the staff in the department. Management stated that there have been multiple meetings with staff to keep communication open during this process. Because of the concerns raised, management asked the committee to recommend to the Board that the outpatient and inpatient rehab services be kept in house and a dedicated manager be hired for this services line. The committee did not feel the needed to take action on the second recommendation and moved to approve entering into an agreement with Select Therapies for long term care rehab services	Ms. Evans made a motion to recommend entering into an agreement with Select Therapies for the management of long term care rehabilitation services. Mr. Gorelick seconded the motion. The motion carried.

		management.	
III. Chief Executive Officer Report	A.	Organizational Management Changes Ms. Stebbins announced that Kerry Easthope had accepted the position of CFO at the Hospital and that Brian Jung had been hired as the Chief Business Development Officer.	No action taken.
	B.	Revenue Cycle Update Teresa Jacques from HFS Business Office Manager briefly reviewed the updated work plan for the revenue cycle and business office that was included in the packet.	No action taken.
	C.	RAC Review Update Ms. Stebbins noted that staff continues to monitor the RAC requests and process appeals as necessary.	No action taken.
	D.	Comprehensive Orthopedic Program Update Tony Corica, Director of Physician Relations presented to the committee changes to the compensation structure for the two orthopedists as well as the revised proformas that reflect the changes. The key changes were as follows: • Physician Work RVU (WRVU) Threshold decreased from 7,000 to 5,775. After further analysis and discussion with the physicians, the WRVU decreased as the original projections were based on specialty specific (spine and sports medicine) volumes. The new WRVU is based on general orthopedic procedures which were more in line with the volumes expected for a new practice. • The Incentive Bonus for when the Physician reached the WRVU Threshold (5,775) beginning in Year Two and years thereafter was increased from $48/WRVU to $54/WRVU. • WRVU thresholds and the incentive bonus will be reviewed after Year 2. • A one-time signing bonus of $15,000 for each physician was added in addition to moving expense not to exceed $5,000 for each physician. The overall direct program margin with the revisions to the compensation, changed from $6,853,412 to $6,642,470, a decrease of $244,738.	The committee did not take any action but were in agreement on the revisions to the term of the professional service agreements and compensation for the two orthopedic physicians as well as the modified proformas based on the revisions. The Board of Director will take review and take regarding these changes, at the May 7, 2012 District Board meeting.

	In the interest of time, there was no discussion on the following agenda item.		
	E.	Charge Master Description (CDM) Review	No action taken.
IV. Chief Financial Officer Report	A.	FY 2012-2013 Budget – Volume Assumptions The Volume assumptions were briefly presented noting that the projected volumes will remain flat for FY 2013. There were questions and discussion regarding the current and projected volumes for Waters Edge as well as how the performance of Waters Edge, once a part of the hospital/district operations would be reported to the committee to track to the proformas.	No action taken.
V. Board / Committee / Staff Comments	No board, Committee or Staff comments.		
VI. Adjournment	Being no further business, the meeting was adjourned at 9:12 a.m.		

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING APRIL 30, 2012

CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
APRIL 30, 2012

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ALAMEDA HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
APRIL, 2012

The management of Alameda Hospital (the "Hospital") has prepared this discussion and analysis in order to provide an overview of the Hospital's performance for the period ending April 30, 2012 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the Hospital's financial performance as a whole.

Highlights

This month the hospital experienced a negative bottom line. For April a positive $131,300 was budgeted and a negative ($188,600) was realized. Year-to-date the hospital's bottom line is negative by ($1,300,300).

April activity was very close to budget on the inpatient and under budget on outpatient registrations. Inpatient revenues are down just 1.9% consistent with the patient days down 1%, and outpatient revenues are down 13.7% consistent with outpatient registrations. It is noted that half of this outpatient variance is due to the planned Wound Care Clinic that experienced a delay in implementation.

April discharges are above budget 9.7% and patient days were under budget 1.0%. In particular, discharges at South Shore increased as we have had a higher number of Medicare patients at the facility. Patients days in inpatient acute services were up 5.2%, while Sub-Acute were down 4.5% and Skilled Nursing was down 4.6%.

Overall outpatient activity was mixed this month. This month outpatient registrations were down 11.5%, of this 67 registrations were associated with the delay in Wound Care. Emergency Room visits were only 4 below budget or 0.3%. YTD outpatient registrations are 8.8% below budget while Emergency visits are just 0.7% below budget. Outpatient surgeries were below budget for the month by 17.4%, but continue above budget YTD by 3.5%.

Gross revenue in April is generally in line with activity. Overall gross revenues were 5.9% below budget, with the inpatient component down 1.9% and outpatient down 13.7%. The inpatient revenue variance is due to revenues being budgeted at a slightly higher volume than experienced. The outpatient budget includes $536,000 for the Wound Care Clinic. Without this budget item, outpatient revenues would be under budget 7.4%. Net patient revenues were 23.7% of Gross revenues. This is slightly above the YTD net to gross value of 22.8%. Net Revenue is April includes a onetime $156,000 adjustment for subacute rate increase retro to August 1st.

The Case Mix Index (CMI) ran above the YTD average. The overall CMI in April was 1.3201; up from last month's of 1.3071, and still above the YTD average.

There were a number of expenses categories that ran over budget this month. Productive salaries, employee benefit costs, professional fees, rents and leases, as well as other operating costs were over budget. Employee benefit costs include costs associated with employee health usage. These costs fluctuate according to their usage and in April there were a couple of large claims driving this additional expense. Professional fees were slightly high in general accounting and patient accounting. Rents and leases were high for the leases on new radiology equipment, new wound care center lease and additional equipment rental expense in central supply. Other operating expenses include annual expense for education fees for two off our union groups. On the other hand, supply costs and purchased services are below budget. Total expenses for the month are 5.5% over budget, or $301,000, while YTD expenses are only 0.8% over budget or $467,000.

Cash and Cash equivalents were $3.1 million at the end of April up from $429,000 at the end of March as the result of receiving the second parcel tax installment. In May, we will receive our IGT funds of about $1.5 million and in June we expect to receive approximately $480,000 in AB 915 funds for FY 2011 Outpatient Medi-Cal program.

Cash collections in April were $5.5M, again exceeding net revenues and causing net Accounts Receivable to decrease.

Accounts payable and other third party liabilities grew slightly by $104,901 from $8,937,239 to $9,042,140. AP days were 142.

This is down slightly from the previous month. The cash coming IGT and AB915 plus improved AR collections should allow for a significant reduction in AP and allow the hospital to set aside a reasonable cash reserve.

Lastly, the current ratio ended the month at .99 slightly below the required 1.0 of our bank covenants. We anticipate that this will increase above 1.0 by the end of the fiscal year end.

ACTIVITY

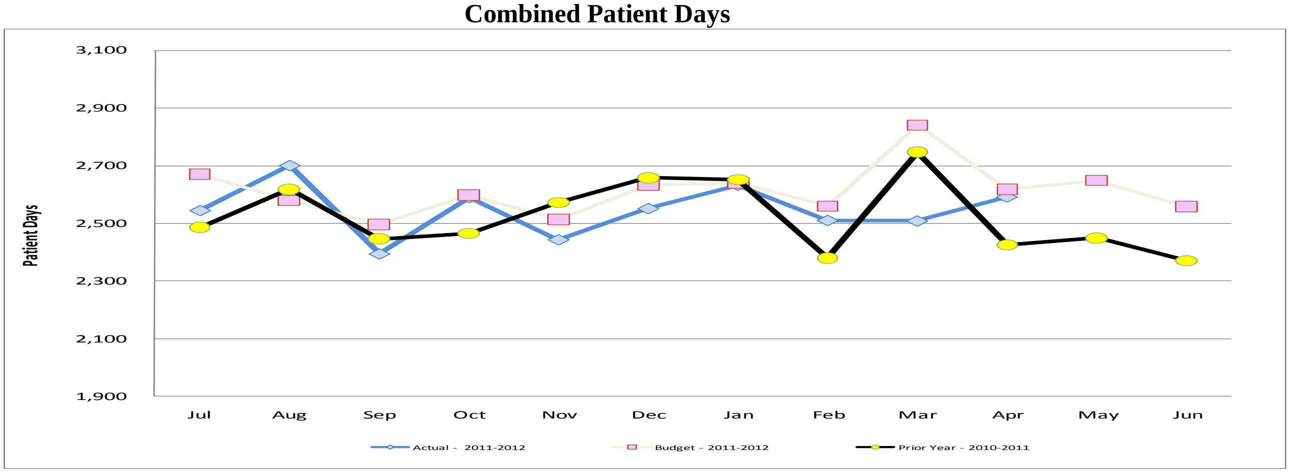
ACUTE, SUBACUTE AND SNF SERVICES

Patient days were below slightly budget for the month but above April of last year. This month's acute days were up 5.2%, Sub-Acute was down 4.5% and Skilled Nursing was down 4.6%. YTD days are now (2.6%) under budget.

April's acute care patient days were 49 days (5.2%) better than budget for the month and 21% above April 2011. The acute care program is comprised of the Critical Care Unit (5.1 ADC, above budget 15.0%), Definitive Observation Unit (14.3 ADC, 26.5% above budget) and Med/Surg Unit is below budget by 13.8 ADC or 12.8%.

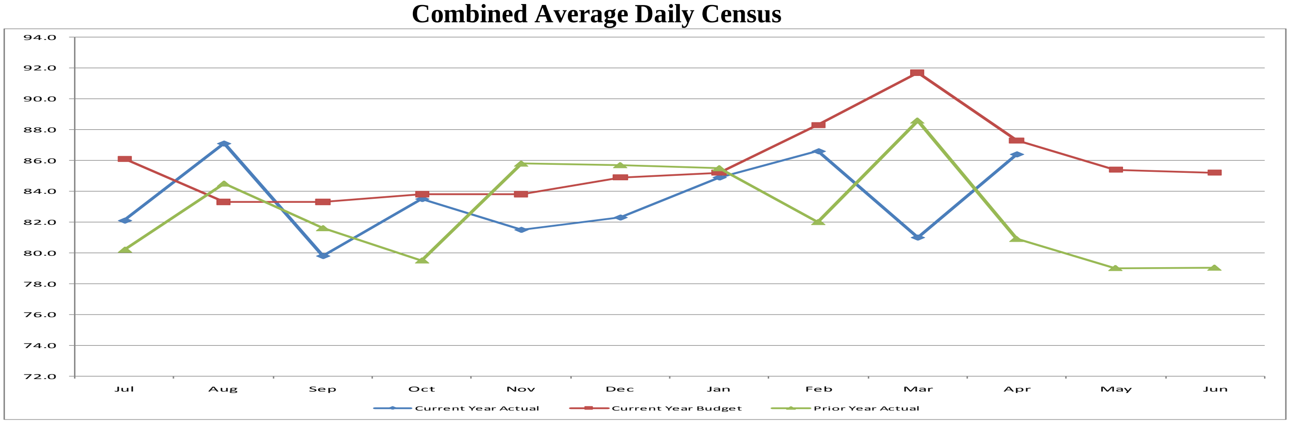
The graph, below, shows the total patient days by month for fiscal year 2012 compared to the operating budget and fiscal year 2011 actual.

Combined Patient Days

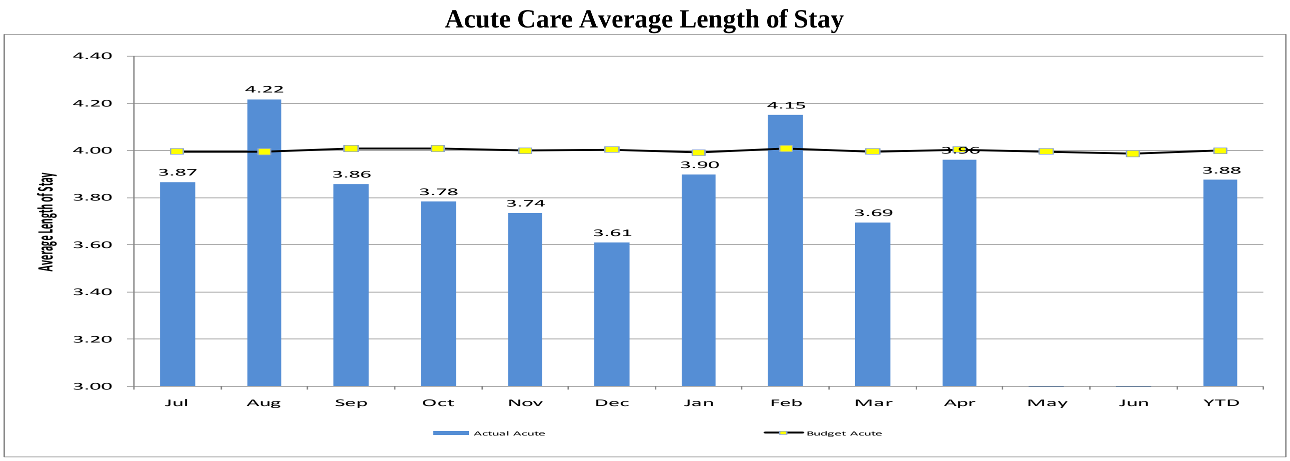


The graph below shows the average daily census for all inpatient services. The actual ADC was 86.4 versus budget of 87.3 an unfavorable variance of 1.0%.

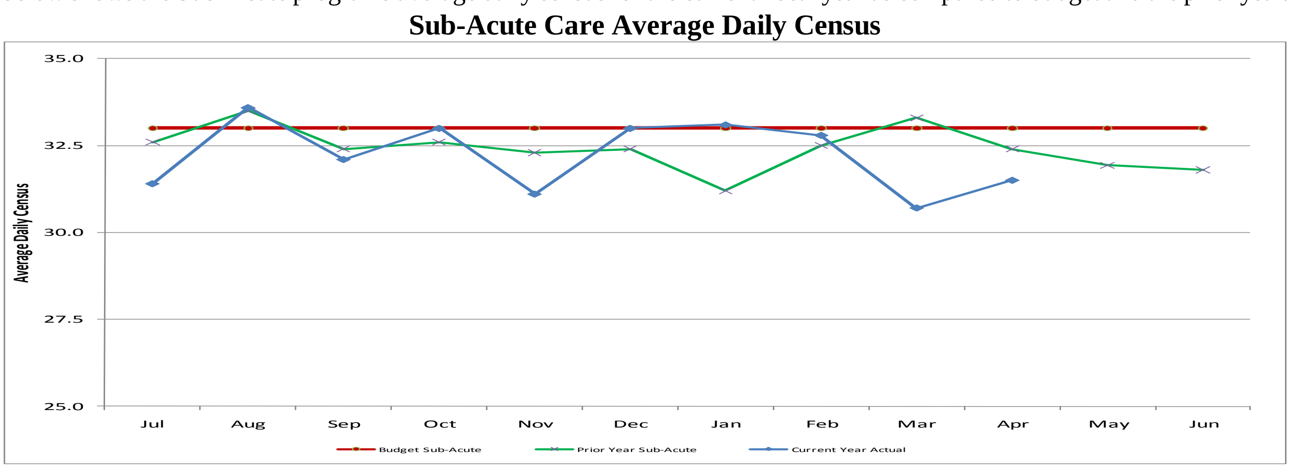
Combined Average Daily Census



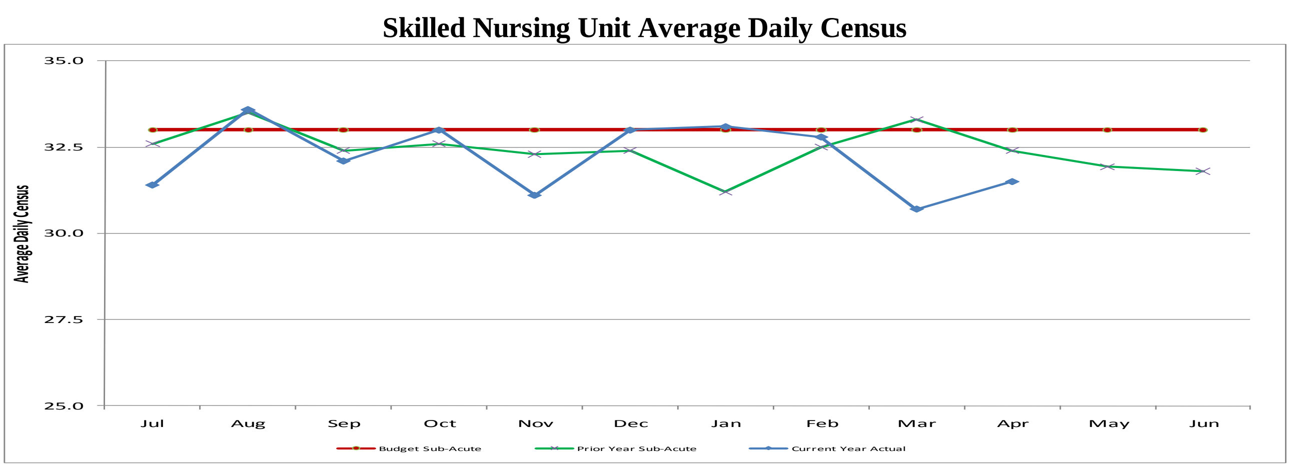
The acute average length of stay (ALOS) increased from the low in March of 3.69 to 3.96 in April, but still below 4.0. The overall acute ALOS for FY 2011 was 4.13. The graph below shows the ALOS by month compared to the budget.



The Sub-Acute programs average daily census of 31.5 in April was below budgeted projections by1.5 ADC or 4.5%. The graph below shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.



The Skilled Nursing Unit (South Shore) ADC was lower than budget by 1.0 or 4.6% for the month of April. YTD ADC is also down compared to both budget and the prior year. However, efforts to improve census have been fruitful as census has climbed back up from the lows of the prior few months. The graph, below, shows the Skilled Nursing Units monthly average daily census as compared to budget and the prior year. In April there was a greater number of Medicare A patients, which has resulted in a greater number of discharges. These skilled Medicare patients will also result in higher net revenues.

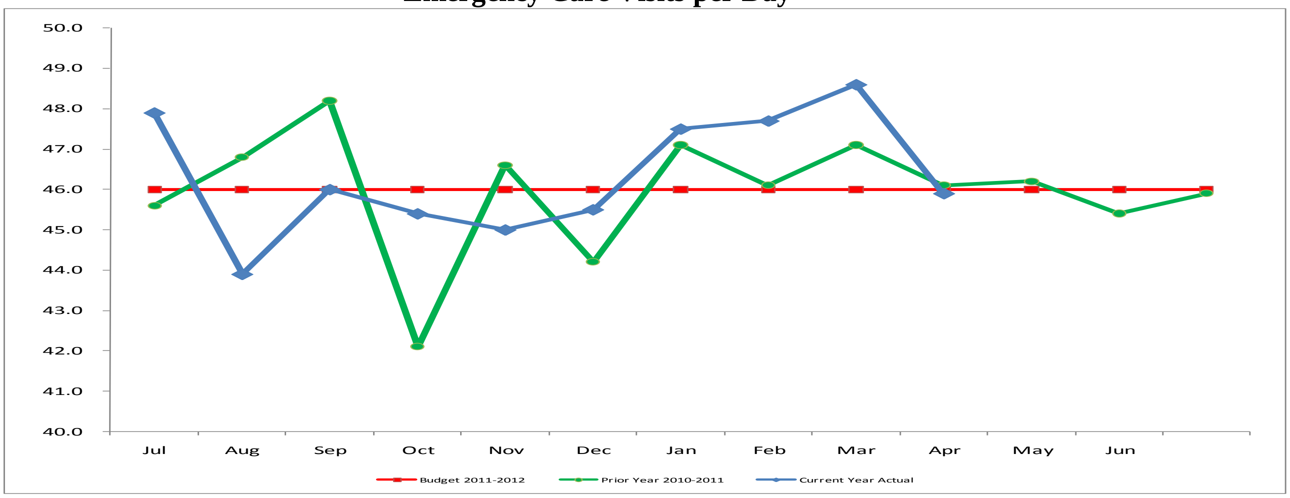


ANCILLARY SERVICES

Outpatient Services

Emergency Care Center visits in April were 1,376. This is 4 visits (0.3%) under the budget of 1,380. 18.4% of ECC visits resulted in inpatient admissions versus 17.3% in March. On a per day basis, the total visits represent a decrease of 5.6% from the prior month daily average. In April, there were 323 ambulance arrivals versus 315 in the prior month. Of the 323 ambulance arrivals in the current month, 212 or 65.6% were from Alameda Fire Department (AFD) ambulances.

Emergency Care Visits per Day



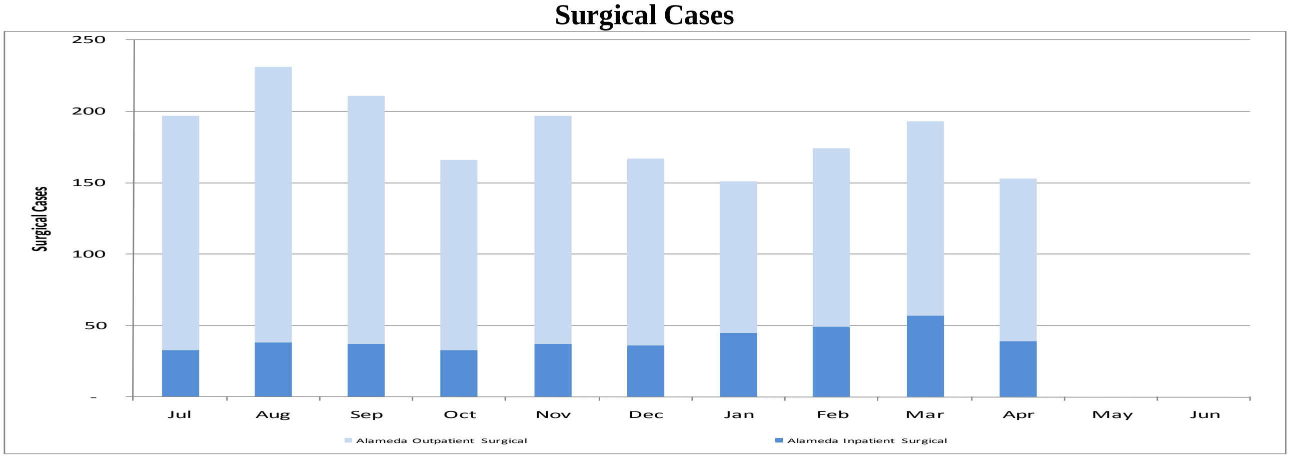
Outpatient registrations were 1,889, or 11.5% below budget. April's average daily registrations were 63.0 which were 2.8% higher than the prior month. This is in consistent with YTD outpatient registrations which are below budget by 8.8%. This month Laboratory and Radiology were down 162 and 32 visits respectively. On the other hand visits were up in MRI (17 visits), Physical Therapy (22 visits) and Occupational Therapy (19 visits). There were no Wound Care visits but visits were again budgeted as the program was expected to start in January. This equated to a total of 250 in April and 630 visits for the three months.

Surgery

The year-to-date surgery cases were 1,854 or 1.2% above the budget of 1,832 and also above last year. For the month, total surgery cases were below budgeted expectations by 16.8% at 153 cases versus the budget of 184 cases. Inpatient cases were below budget 7 (15.2%) while outpatient cases were 24 (17.4%) below budget. Inpatient and outpatient cases totaled 39 and 114 in April versus 57 and 136 during the prior month. The new Orthopedic Surgery program will add to growth in this service in the next fiscal year.

The graph below shows the number of inpatient and outpatient surgical cases by month for fiscal year 2012.

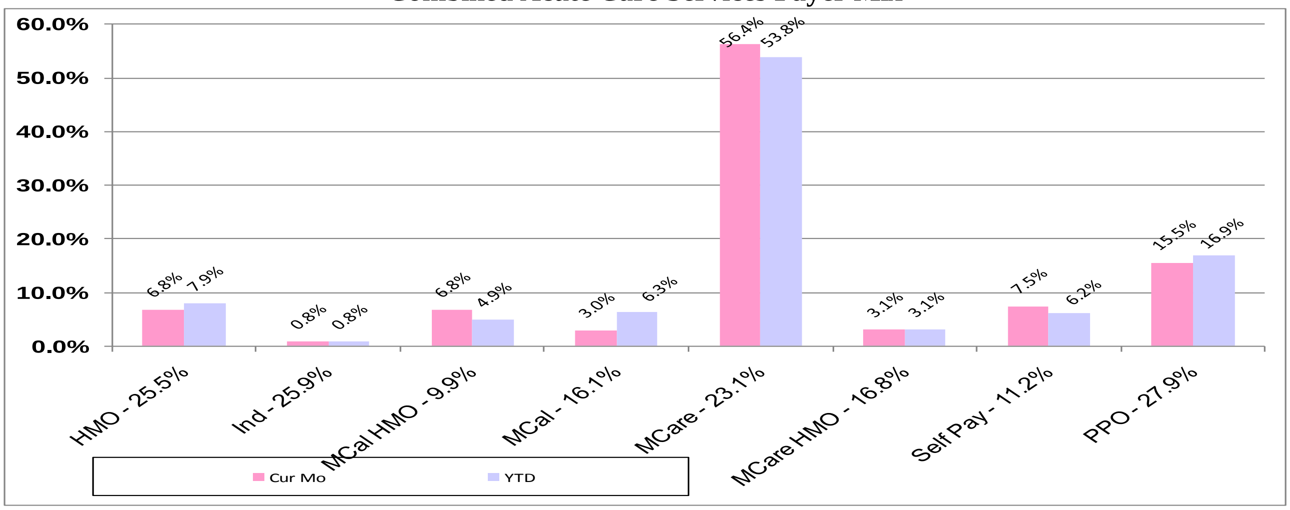
Surgical Cases



Payer Mix

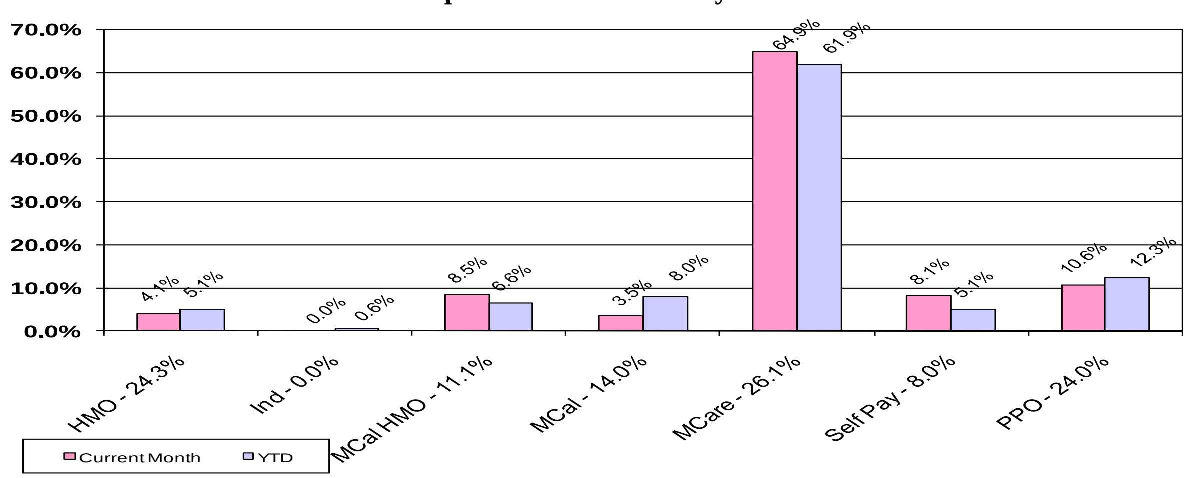
Combined acute care services, inpatient and outpatient, Medicare and Medicare Advantage total gross revenue in April made up 59.4% of the month's total gross patient revenue. Combined Medicare revenue was followed by HMO/PPO utilization at 22.3%, Medi-Cal Traditional and Medi-Cal HMO utilization at 9.8% and self pay at 7.5%. The graph below shows the percentage of gross revenues generated by each of the major payers for the current month and fiscal year to date as well as the current month's estimated reimbursement for each payer for the combined inpatient and outpatient acute care services.

Combined Acute Care Services Payer Mix



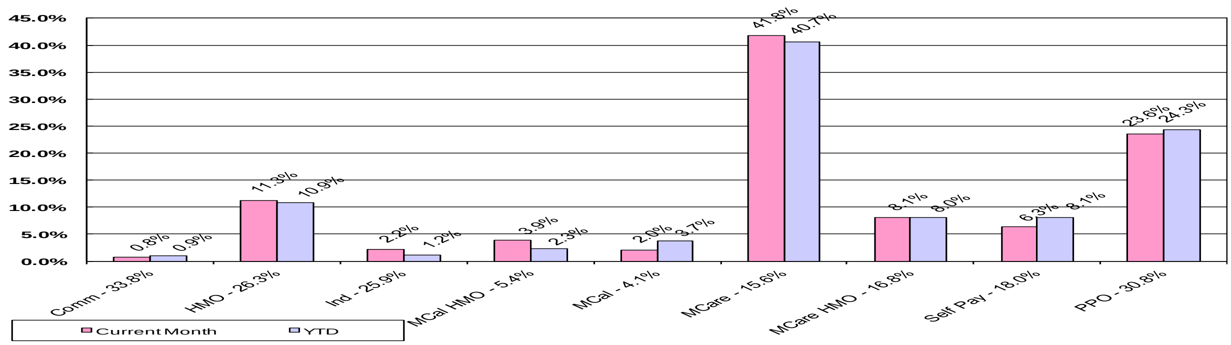
The inpatient acute care current month gross Medicare and Medicare Advantage charges made up 64.9% of our total inpatient acute care gross revenues followed by HMO/PPO at 14.7%, Medi-Cal and Medi-Cal HMO at 12.0% and Self Pay at 8.1% of the inpatient acute care revenue. The graph below shows inpatient acute care current month and year to date payer mix and current month estimated net revenue percentages for fiscal year 2012.

Inpatient Acute Care Payer

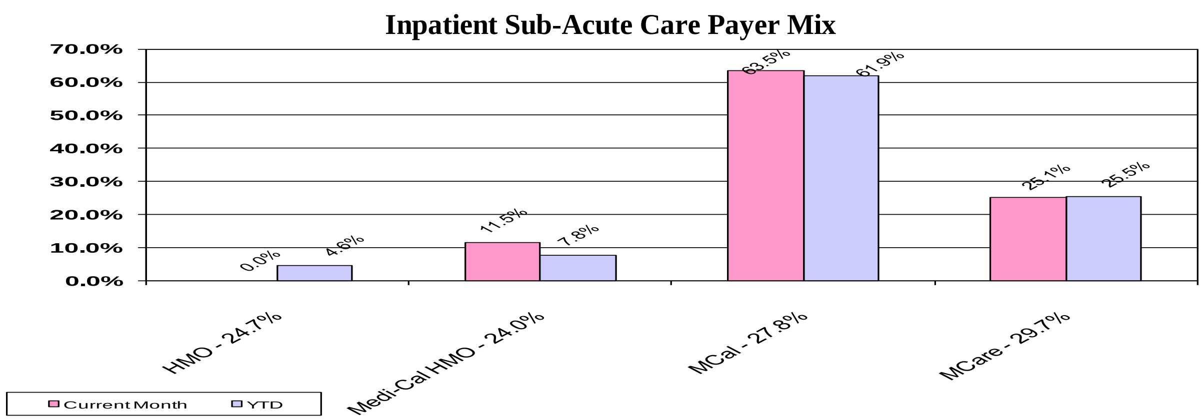


The outpatient gross revenue payer mix for April was comprised of 49.9% Medicare and Medicare Advantage, 35.6% HMO/PPO, 5.9% Medi-Cal and Medi-Cal HMO, and 6.3% self pay. The graph below shows the current month and fiscal year to date outpatient payer mix and the current months estimated level of reimbursement for each payer.

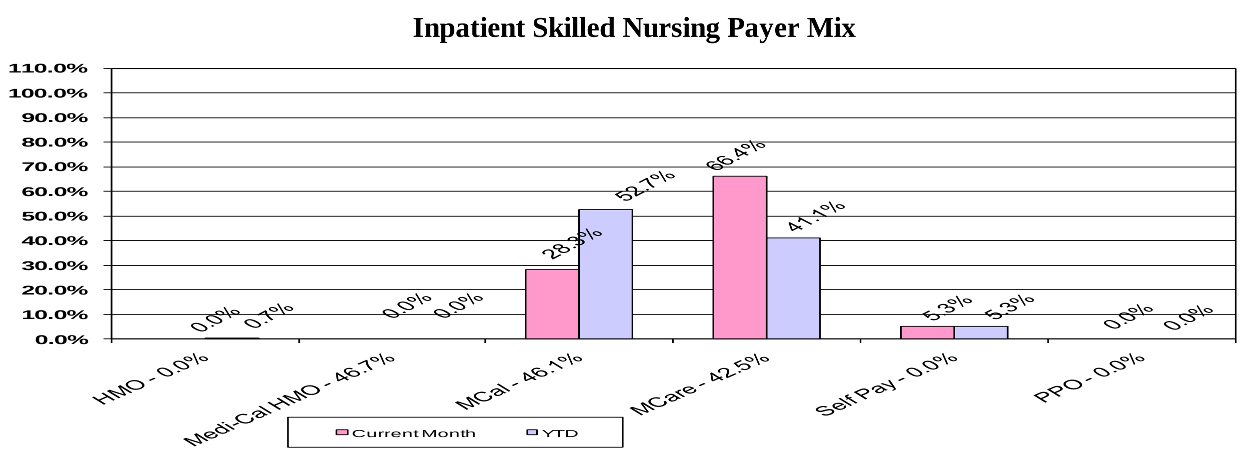
Outpatient Services Payer Mix



In April, the Sub-Acute care program again was dominated by Medi-Cal utilization of 74.9%. Medicare was 25.1% and no HMO/PPO patients. The graph below shows the payer mix for the current month and fiscal year to date and the current months estimated reimbursement rate for each payer.

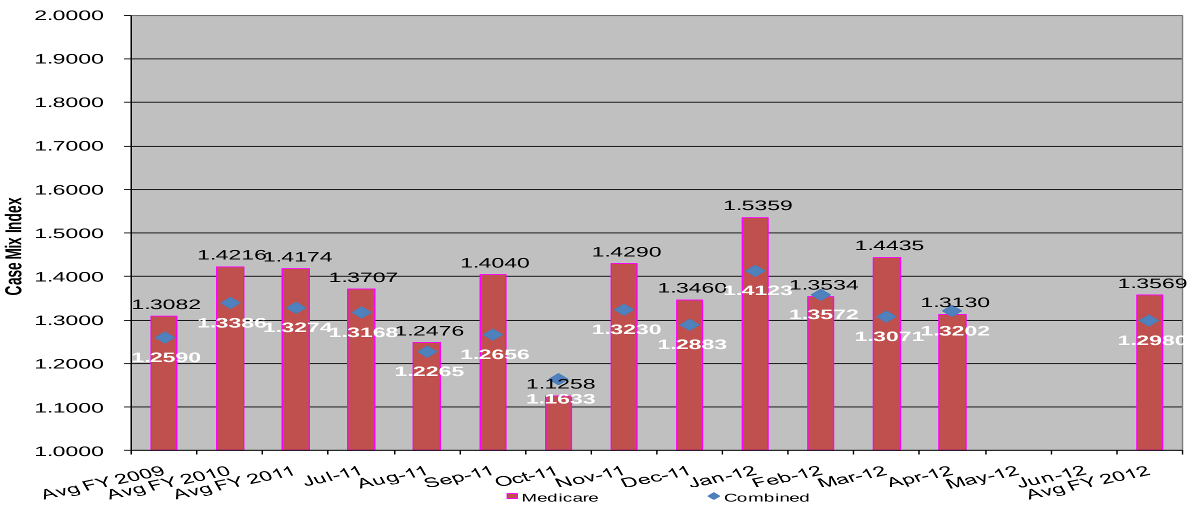


The graph below shows the current month and fiscal year to date skilled nursing payer mix and the current month's estimated level of reimbursement for each payer. Note the change in volumes between Medicare and Medi-Cal. This reflects the successful placement of an increasing volume of post-acute skilled patients (Medicare).



Case Mix Index

The hospital's overall Case Mix Index (CMI) for April was 1.3202, up from the prior months of 1.3071, and well above the April 2011 of 1.1636. The Medicare CMI decreased from the high of 1.4435 in March to 1.3130 in April. The graph below shows the Medicare CMI for the hospital during the current fiscal year as compared to the prior three fiscal years.



The CMI at the time of forecasting this year's budget was 1.3758. Year-to-date April 2012 the CMI was 1.2998. This represents only a 4.5% decline compared to the same time frame last year, a percent that has been steadily improving through the year. Note that payers with lower volume can have substantial swings in CMI from one period to another. See the table below that compares the CMI by payer for the three periods.

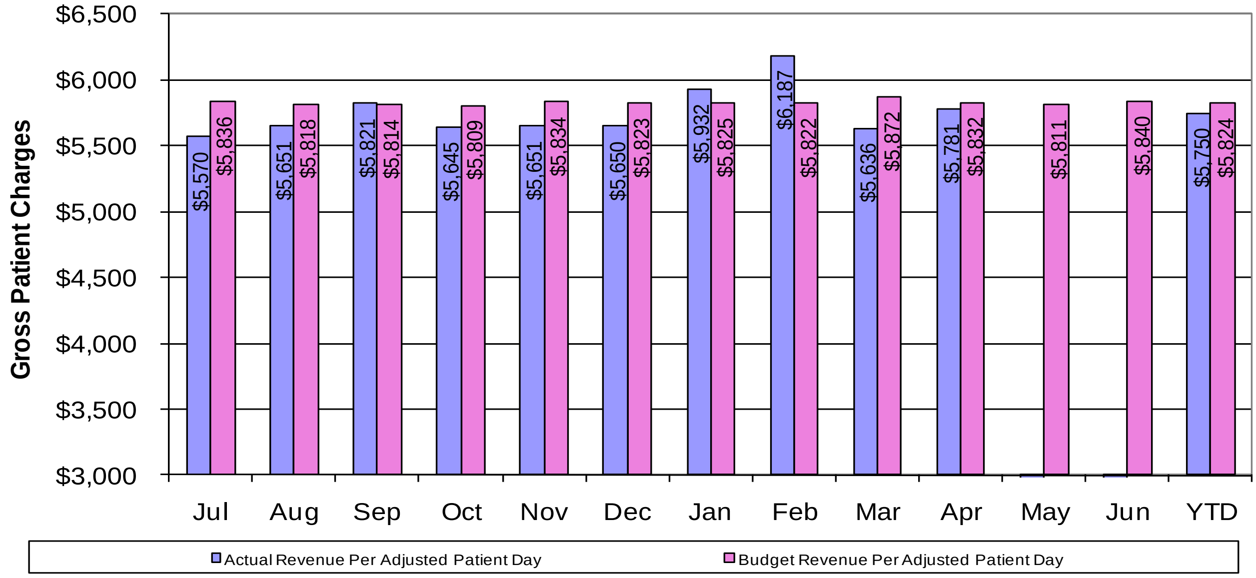
Case Mix Index Comparison

Financial Class	Jun 10 - Mar 11	Apr 11 YTD	Apr 12 YTD	Apr 12 YTD Volume
Blue Cross	0.0000	0.9873	0.0000	-
Commercial - Non-Contracted	1.9649	2.0919	1.0324	10
HMO	1.2522	1.1800	1.2687	103
Industrial	1.8373	1.6500	1.6603	9
Kaiser	1.8412	1.8446	1.6466	12
Medi-Cal HMO	1.0008	0.9907	1.1148	148
Medi-Cal	1.2724	1.2797	1.2627	118
Medicare	1.4724	1.4626	1.3627	1,257
Medicare HMO	1.3568	1.3123	1.3644	209
Personal Pay	1.0105	1.0292	1.1553	159
Medi-Cal Pending	1.8334	1.9052	1.8150	5
PPO	1.2613	1.2596	1.1142	257
VA	1.4051	1.3317	1.4179	49
Combined	**1.3758**	**1.3614**	**1.2998**	2,336

Revenue

Gross patient charges in April were below budget by $1.4 million, or 5.9%. Inpatient revenues were $290,000 below the budget and outpatient revenues were down almost $1.1 million; of this $536,000 was associated with the delayed opening of the Wound Care Clinic. Inpatient days were below budget by 1.0%, consistent with the inpatient gross revenue. Outpatient registrations were 11.5% under budget. Outpatient revenues were lower than budget as a result of the lower volume with Wound Care and Surgical Services ($691,000) being the largest contributors to this variance. On an adjusted patient day basis, total patient revenue was $5,781, just below the budget of $5,832 for the month of April but higher than March gross revenue per APD of $5,636. The table on the following page shows the hospital's monthly gross revenue per adjusted patient day by month and year-to-date for fiscal year 2012 compared to budget.

Gross Charges per Adjusted Patient



Contractual Allowances

Contractual allowances are computed as deductions from gross patient revenues based on the difference between gross patient charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare, Medi-Cal and other third party payers such as Blue Cross. As such net revenues as a percentage of gross revenues were very close to budget. A collection ratio of 22.2% was budgeted and 23.7% was realized. Contributing to April's Net Revenue percentage is a onetime adjustment of $156,000 for an increase in the subacute Medi-Cal rate that is retroactive to August 1, 2011. The collection ratio without this adjustment is 22.8%.

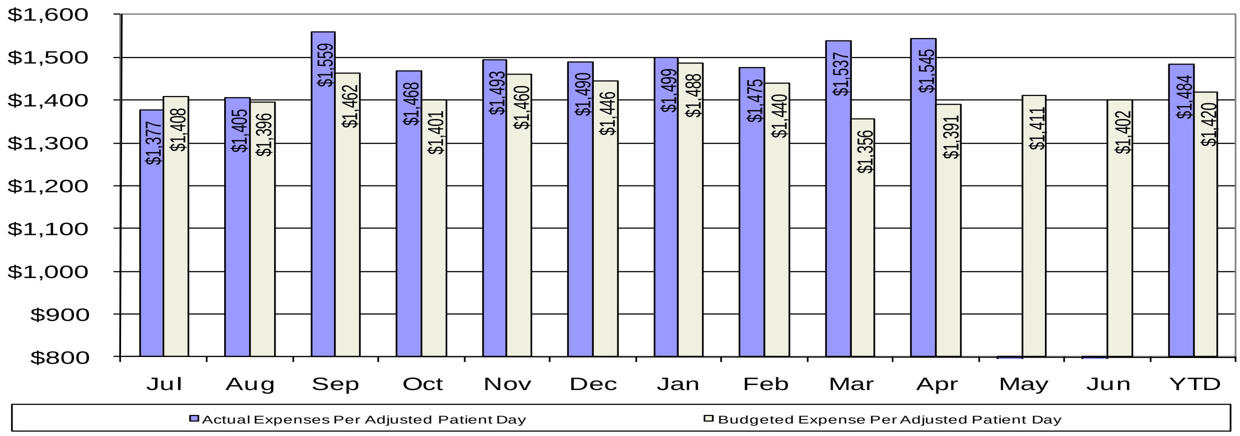
Expenses

Total Operating Expenses

Total operating expenses were higher than the fixed budget by $301, 000 or 5.5% and YTD is above budget by just 0.8%. Both salaries and benefits were above budget. Non-medical professional fees were not as high this month but several areas were up as discussed below.

The graph below shows the actual hospital operating expenses on an adjusted patient day basis for the 2012 fiscal year by month as compared to budget. Note that expenses per patient day were over budget again this month which is expected with lower volume and the fixed nature of many expenses.

Expenses per Adjusted Patient Day



Following are explanations of the significant areas of variance that were experienced in the current month.

Salary and Temporary Agency Expenses

Salary and temporary agency costs combined were unfavorable to the fixed budget by $129,000 and were unfavorable to budgeted levels on a per adjusted patient day (PAPD) basis by $72 or 9.8%. Year to date salaries and agency expenses are running just above budget by 3.3% PAPD. During the month of April, there was additional overtime and premium pay in nursing services associated with the higher acute patient census and the availability of nursing personnel. The hospital has also added a couple of non-budgeted FTE's in preparation for the expansion of our long term care services with Waters Edge. In the mean time, subacute and south shore are benefiting from their efforts with higher census and improved payor mix.

Benefits

Benefits were unfavorable to the fixed budget by $181,000 or 22.8%, and over budget per adjusted patient day by 28.9%. We did have a couple of large employee health claims come through during April which accounts for the majority of this April variance. After closing the month, we did identify a $40,000 pension over accrual that will be reversed in the May financials. Year to date, benefit expense is $710,000 greater than budget.

Professional Fees

Professional fees which had been running over budget most of the year were unfavorable by only $6,000 this month. This will continue to be more in line with budget going forward now that less outside consultant time is being used in accounting and business office.

Supplies

Supplies were favorable to budget by $30,000 (3.9%). This is positive; however, the favorable supply cost variance was down again from previous months. This month the favorable variance was the result of lower than budgeted patient related supplies such as medical supplies expense, pharmacy supplies associated with the IVT program (low IVT program volumes), and prosthetics.

Purchased Services

Purchased services were $50,000 below the fixed budget and $9 favorable PAPD. Year to date, purchased services are $101 higher than budget.

Rents and Leases

Rents and leases were above the fixed budget by $40,000, and above budget $12 PAPD in April. There were some additional equipment rental invoices totaling about $10,000, Lease expense associated with the Marina Village lease for the months of January thru March. We did not have rent expense these months, but per the contract were responsible for CAM fees. These were not invoiced until April ant totaled just over $9,000. The radiology equipment lease budget is understated by about $8,000 per month. This has been corrected in the FY 2013 budget.

Other Operating Expense

Other operating expenses were $27,000 over the fixed budget and $8 over the budget on a per adjusted patient day basis. This variance is attributed to a $12,254 education/ training fees required by two of our union agreements. Fees associated with our RAC appeals contract with EHR were also greater than budget during the month. In addition employee recruitment fees were about $6,000 over budget.

Balance Sheet

Total assets decreased almost $800K from the prior month, mostly due to the decrease in Net AR. The following items make up the decrease in current assets:

- Total unrestricted cash and cash equivalents for April increased by almost $2.7M and days cash on hand including restricted use funds increased to16 days on hand in April from 2.2 days on hand in March. This increase was due to receipt of our second and property tax installment payment. Patient collections in April averaged $185 per day the highest rate this fiscal year.

- Net patient accounts receivable decreased in April by $885,000. This decrease is the result of higher cash collection during the month ($5.5 million) and the total gross AR being reduced, as well as, additional reserves needed for ageing self pay and some third party payor accounts that have not been written off to bad debt in several months. Self pay accounts are being worked through an early-out collection process. Once worked and deemed uncollectible, these accounts will be written off to bed debt over the next two to three months.

- Days in outstanding receivables were 58.8 at April month end, a decrease from March at 64.8 days. Collections in March were $5.5 million compared to $5.6 million in March.

- Other Receivables decreased by almost $2.5 million due to receipt of the property tax payment. Third Party Settlements, Inventories and Prepaids remained fairly constant from one month to the next.

Total liabilities decreased by only $627,000 compared to an increase of $42,000 in the prior month. This decrease in the current month was the result of the following:

- Accounts payable increased $56,000 in April to $8.46 million which equate to 135 AP Days . Accounts Payable and other accrued expenses are about $2.1 million higher than prior fiscal year end.

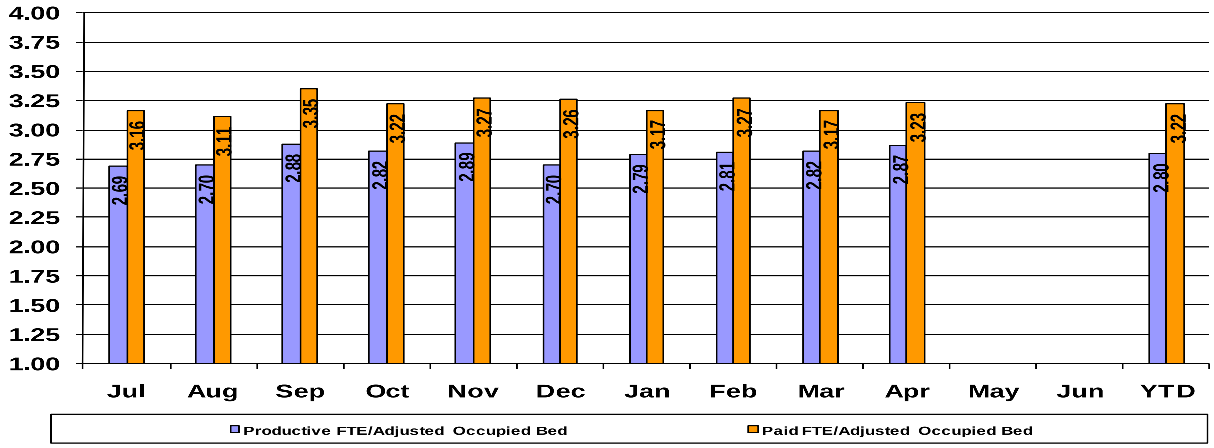
- Payroll related accruals decreased by $125,000 and remains fairly constant compared to prior year end.

- Deferred revenues decreased again by $477,000 due to the recognition of one-twelfth of the 2011/2012 parcel tax revenues of $5.7 million.

Key Statistics

FTE’s per Adjusted Occupied Bed

On an adjusted occupied bed basis, productive FTE’s were 2.87, above the budget of 2.65 FTE’s by 8.4%, and paid FTE’s were 3.23 or 6.4% above budget. The graph below shows the productive and paid FTE’s per adjusted occupied bed for FY 2012 by month.



Current Ratio

The current ratio for April is 0.99. This is a decrease from last month's ratio of 1.0. Current ratio needs to be above 1.0 by quarter/year end to be in compliance with our bank covenants. In addition, Total Net Assets needs to be greater than $7.50 million and is currently at $7.53 million

A/R days

Net days in net Accounts Receivable are currently at 58.8. This is down from prior month. We are working hard to bring this number down to 51, which will help our cash position. He lower days is the result of two strong collection months plus additional reserves for self pay accounts that will be written off in the next couple of months.

Days Cash on Hand

Days cash on hand for April was16.3. This is an increase from prior month of 2.2 as a result of receiving the property tax installment. In the month of May we will be expecting receipt of the IGT transfer funds which will contribute to our cash reserve and allow us to pay additional accounts payable.

The following pages include the detailed financial statements for the ten (10) months ended April 30, 2012, of fiscal year 2012.

ALAMEDA HOSPITAL
KEY STATISTICS
APRIL 2012

	ACTUAL APRIL 2012	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	APRIL 2011	YTD APRIL 2012	YTD FIXED BUDGET	VARIANCE	%	YTD APRIL 2011
Discharges:										
Total Acute	252	237	15	6.3%	211	2,377	2,342	35	1.5%	2,093
Total Sub-Acute	2	1	1	100.0%	1	22	15	7	46.7%	19
Total Skilled Nursing	17	9	8	88.9%	14	96	89	7	7.9%	93
	271	247	24	9.7%	226	2,495	2,446	49	2.0%	2,205
Patient Days:										
Total Acute	998	949	49	5.2%	825	9,213	9,371	(158)	-1.7%	8,899
Total Sub-Acute	945	990	(45)	-4.5%	971	9,832	10,065	(233)	-2.3%	9,917
Total Skilled Nursing	649	680	(31)	-4.6%	629	6,427	6,717	(290)	-4.3%	6,634
	2,592	2,619	(27)	-1.0%	2,425	25,472	26,153	(681)	-2.6%	25,450
Average Length of Stay										
Total Acute	3.96	4.00	(0.04)	-1.1%	3.91	3.88	4.00	(0.13)	-3.1%	4.25
Average Daily Census										
Total Acute	33.27	31.63	1.63	5.2%	27.50	30.21	30.72	(0.52)	-1.7%	29.18
Total Sub-Acute	31.50	33.00	(1.50)	-4.5%	32.37	32.24	33.00	(0.76)	-2.3%	32.51
Total Skilled Nursing	21.63	22.67	(1.04)	-4.6%	20.97	21.07	22.02	(0.95)	-4.3%	21.75
	86.40	87.31	(0.91)	-1.0%	80.83	83.51	85.75	(1.28)	-1.5%	83.44
Emergency Room Visits	1,376	1,380	(4)	-0.3%	1,382	14,130	14,030	100	0.7%	14,022
Outpatient Registrations	1,889	2,135	(246)	-11.5%	1,996	18,510	20,303	(1,793)	-8.8%	19,877
Surgery Cases:										
Inpatient	39	46	(7)	-15.2%	41	418	444	(26)	-5.9%	442
Outpatient	114	138	(24)	-17.4%	161	1,436	1,388	48	3.5%	1,405
	153	184	(31)	-16.8%	202	1,854	1,832	22	1.2%	1,847
Adjusted Occupied Bed (AOB)	125.54	132.27	(6.73)	-5.1%	120.18	122.76	127.39	(4.63)	-3.6%	124.24
Productive FTE	360.75	350.78	9.97	2.8%	365.20	346.03	344.90	1.13	0.3%	368.33
Total FTE	405.52	401.66	3.86	1.0%	421.72	397.65	405.02	(7.37)	-1.8%	425.11
Productive FTE/Adj. Occ. Bed	2.87	2.65	0.22	8.4%	3.04	2.82	2.71	0.11	4.1%	2.96
Total FTE/ Adj. Occ. Bed	3.23	3.04	0.19	6.4%	3.51	3.24	3.18	0.06	1.9%	3.42

City of Alameda Health Care District
Statements of Financial Position
April 30, 2012

	Current Month	Prior Month	Prior Year End
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 3,094,319	$ 428,701	$ 1,784,141
Patient Accounts Receivable, net	9,426,641	10,311,955	7,249,185
Other Receivables	2,056,499	4,569,093	8,090,457
Third-Party Payer Settlement Receivables	626,363	661,578	150,000
Inventories	1,116,854	1,146,202	1,183,358
Prepaids and Other	182,412	222,070	262,359
Total Current Assets	16,503,088	17,339,599	18,719,500
Assets Limited as to Use, net	47,029	35,702	483,716
Fixed Assets			
Land	877,945	877,945	877,945
Depreciable capital assets	43,405,170	43,405,170	43,383,571
Construction in progress	3,659,003	3,570,359	2,921,048
Depreciation	(39,538,523)	(39,471,735)	(38,862,494)
Property, Plant and Equipment, net	8,403,595	8,381,739	8,320,070
Total Assets	**$ 24,953,712**	**$ 25,757,040**	**$ 27,523,286**
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	$ 1,526,088	$ 1,552,815	$ 746,074
Accounts Payable and Accrued Expenses	9,042,140	8,937,239	6,987,765
Payroll Related Accruals	3,964,245	4,089,480	3,991,254
Deferred Revenue	955,513	1,432,594	5,725,900
Employee Health Related Accruals	630,657	629,895	343,382
Third-Party Payer Settlement Payable	526,952	631,035	(3,930)
Total Current Liabilities	16,645,595	17,273,058	17,790,445
Long Term Debt, net	768,365	806,915	1,142,109
Total Liabilities	17,413,960	18,079,973	18,932,554
Net Assets:			
Unrestricted	7,282,723	7,471,364	8,037,015
Temporarily Restricted	257,029	205,702	553,716
Total Net Assets	7,539,752	7,677,066	8,590,731
Total Liabilities and Net Assets	**$ 24,953,712**	**$ 25,757,040**	**$ 27,523,286**

City of Alameda Health Care District

Statements of Operations

April 30, 2012

$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Patient Days	2,592	2,619	(27)	-1.0%	2,425	25,472	26,153	(681)	-2.6%	25,450
Discharges	271	247	24	9.7%	226	2,495	2,446	49	2.0%	2,205
ALOS (Average Length of Stay)	9.56	10.60	(1.04)	-9.8%	10.73	10.21	10.69	(0.48)	-4.5%	11.54
ADC (Average Daily Census)	86.4	87.3	(0.90)	-1.0%	78.2	84	86.0	(2.24)	-2.6%	83.7
CMI (Case Mix Index)	1.3202				1.1636	1.2976				1.3524
Revenues										
Gross Inpatient Revenues	$ 14,984	$ 15,274	$ (290)	-1.9%	$ 12,561	$ 146,508	$ 152,334	$ (5,826)	-3.8%	$ 138,884
Gross Outpatient Revenues	6,787	7,791	(1,003)	-12.9%	6,379	69,314	73,458	(4,144)	-5.6%	67,462
Total Gross Revenues	21,771	23,064	(1,293)	-5.6%	18,940	215,822	225,792	(9,971)	-4.4%	206,346
Contractual Deductions	16,652	17,055	403	2.4%	14,463	162,066	166,448	4,382	2.6%	148,620
Bad Debts	(9)	716	725	101.2%	707	3,357	7,145	3,788	53.0%	6,551
Charity and Other Adjustments	-	173	173	100.0%	35	1,505	1,724	220	12.7%	1,481
Net Patient Revenues	5,128	5,120	8	0.2%	3,737	48,894	50,475	(1,581)	-3.1%	49,693
Net Patient Revenue %	23.6%	22.2%			19.7%	22.7%	22.4%			24.1%
Net Clinic Revenue	38	30	8	25.3%	36	374	207	167	80.6%	339
Other Operating Revenue	(31)	10	(41)	-410.2%	11	208	101	107	105.9%	102
Total Revenues	**5,135**	**5,161**	**(26)**	-0.5%	**3,784**	**49,476**	**50,784**	**(1,307)**	-2.6%	**50,134**
Expenses										
Salaries	2,881	2,757	(123)	-4.5%	2,891	28,495	28,259	(236)	-0.8%	29,647
Temporary Agency	156	150	(6)	-4.1%	211	1,207	1,492	285	19.1%	2,087
Benefits	974	793	(181)	-22.8%	897	8,671	7,961	(710)	-8.9%	8,152
Professional Fees	354	348	(6)	-1.7%	354	3,727	3,036	(691)	-22.7%	3,069
Supplies	729	759	30	3.9%	616	6,249	7,547	1,298	17.2%	7,205
Purchased Services	314	364	50	13.7%	326	3,785	3,684	(101)	-2.7%	3,657
Rents and Leases	156	116	(40)	-34.5%	85	1,003	949	(54)	-5.7%	702
Utilities and Telephone	66	65	(1)	-1.0%	64	654	649	(5)	-0.8%	630
Insurance	25	17	(8)	-45.2%	33	271	169	(102)	-60.5%	318
Depreciation and amortization	67	77	10	13.6%	79	712	719	7	0.9%	798
Other Opertaing Expenses	98	71	(27)	-37.6%	115	921	763	(158)	-20.7%	878
Total Expenses	**5,819**	**5,518**	**(301)**	-5.5%	**5,670**	**55,695**	**55,228**	**(467)**	-0.8%	**57,142**
Operating gain (loss)	**(684)**	**(357)**	**(327)**	-91.4%	**(1,886)**	**(6,218)**	**(4,444)**	**(1,774)**	39.9%	**(7,008)**
Non-Operating Income / (Expense)										
Parcel Taxes	490	478	12	2.4%	482	4,813	4,780	34	0.7%	4,789
Investment Income	0	0	0	36.3%	1	5	(126)	132	-104.2%	10
Interest Expense	(23)	(12)	(11)	-90.7%	(16)	(161)	(13)	(148)	1162.9%	(96)
Other Income / (Expense)	28	22	6	24.9%	22	261	224	37	16.5%	1,670
Net Non-Operating Income / (Expense)	**495**	**489**	**7**	**1.3%**	**488**	**4,918**	**4,864**	**54**	**1.1%**	**6,372**
Excess of Revenues Over Expenses	**$ (189)**	**$ 131**	**$ (320)**	**-243.6%**	**$ (1,398)**	**$ (1,300)**	**$ 420**	**$ (1,721)**	**-409.4%**	**$ (636)**

City of Alameda Health Care District

Statements of Operations - Per Adjusted Patient Day

April 30, 2012

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	$ 3,979	$ 3,862	$ 117	3.0%	$ 3,435	$ 3,904	$ 3,930	$ (25)	-0.6%	$ 3,673
Gross Outpatient Revenues	1,802	1,970	(168)	-8.5%	1,745	1,847	1,895	(48)	-2.5%	1,784
Total Gross Revenues	5,781	5,832	(51)	-0.9%	5,180	5,752	5,825	(73)	-1.3%	5,457
Contractual Deductions	4,422	4,312	(109)	-2.5%	3,955	4,319	4,294	(25)	-0.6%	3,930
Bad Debts	(2)	181	183	101.3%	193	89	184	95	51.5%	173
Charity and Other Adjustments	-	44	44	100.0%	9	40	44	4	9.8%	39
Net Patient Revenues	1,362	1,295	67	5.2%	1,022	1,303	1,302	1	0.1%	1,314
Net Patient Revenue %	23.6%	22.2%			19.7%	22.7%	22.4%			24.1%
Net Clinic Revenue	10	8	2	31.6%	10	10	5	5	86.6%	9
Other Operating Revenue	(8)	3	(11)	-425.7%	3	6	3	3	112.8%	3
Total Revenues	**1,363**	**1,305**	**59**	4.5%	**1,035**	**1,319**	**1,310**	**9**	0.6%	**1,326**
Expenses										
Salaries	765	697	(68)	-9.7%	791	759	729	(30)	-4.2%	784
Temporary Agency	41	38	(4)	-9.3%	58	32	38	6	16.4%	55
Benefits	259	201	(58)	-28.9%	245	231	205	(26)	-12.5%	216
Professional Fees	94	88	(6)	-6.8%	97	99	78	(21)	-26.8%	81
Supplies	194	192	(2)	-0.9%	168	167	195	28	14.5%	191
Purchased Services	84	92	9	9.3%	89	101	95	(6)	-6.1%	97
Rents and Leases	41	29	(12)	-41.2%	23	27	24	(2)	-9.2%	19
Utilities and Telephone	17	16	(1)	-6.1%	18	17	17	(1)	-4.2%	17
Insurance	7	4	(2)	-52.4%	9	7	4	(3)	-65.8%	8
Depreciation and Amortization	18	20	2	9.2%	22	19	19	(0)	-2.3%	21
Other Operating Expenses	26	18	(8)	-44.5%	31	25	20	(5)	-24.7%	23
Total Expenses	**1,545**	**1,395**	**(150)**	-10.7%	**1,551**	**1,484**	**1,425**	**(60)**	-4.2%	**1,511**
Operating Gain / (Loss)	**(182)**	**(90)**	**(91)**	-101.0%	**(516)**	**(165)**	**(114)**	**(51)**	44.6%	**(185)**
Non-Operating Income / (Expense)										
Parcel Taxes	130	121	9	7.6%	132	128	123	5	4.0%	127
Investment Income	0	0	0	43.2%	0	0	0	0	162.5%	0
Interest Expense	(6)	(3)	(3)	-100.3%	(4)	(4)	(3)	(1)	31.8%	(3)
Other Income / (Expense)	7	6	2	31.2%	6	7	6	1	20.4%	44
Net Non-Operating Income / (Expense)	**131**	**124**	**8**	**6.4%**	**134**	**131**	**126**	**5**	**4.1%**	**169**
Excess of Revenues Over Expenses	**$ (50)**	**$ 33**	**$ (83)**	-250.8%	**$ (382)**	**$ (34)**	**$ 11**	**$ (46)**	-400.7%	**$ (17)**

City of Alameda Health Care District
Statement of Cash Flows
For the Ten Months Ended April 30, 2012

	Current Month	Year-to-Date
Cash flows from operating activities		
Net Income / (Loss)	$ (188,641)	$ (1,300,297)
Items not requiring the use of cash:		
Depreciation and amortization	66,788	$ 712,338
Write-off of Kaiser liability	-	$ -
Changes in certain assets and liabilities:		
Patient accounts receivable, net	885,314	(2,177,456)
Other Receivables	2,512,594	6,033,958
Third-Party Payer Settlements Receivable	(68,868)	54,519
Inventories	29,348	66,504
Prepaids and Other	39,658	79,947
Accounts payable and accrued liabilities	104,901	2,054,375
Payroll Related Accruals	(125,235)	(27,009)
Employee Health Plan Accruals	762	287,275
Deferred Revenues	(477,081)	(4,770,387)
Cash provided by (used in) operating activities	2,779,540	1,013,767
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	(11,327)	436,687
Additions to Property, Plant and Equipment	(88,644)	(795,863)
Other	(0)	546,005
Cash provided by (used in) investing activities	(99,971)	186,830
Cash flows from financing activities		
Net Change in Long-Term Debt	(65,277)	406,270
Net Change in Restricted Funds	51,327	(296,687)
Cash provided by (used in) financing and fundraising activities	(13,950)	109,583
Net increase (decrease) in cash and cash equivalents	2,665,619	1,310,179
Cash and cash equivalents at beginning of period	428,701	1,784,141
Cash and cash equivalents at end of period	$ 3,094,320	$ 3,094,320

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	FY 2008	FY 2009	FY 2010	FY 2011	YTD 4/30/2012
	Audited Results			Unaudited Results	
Profitability Ratios					
Net Patient Revenue (%)	22.48%	22.69%	24.16%	23.58%	22.65%
Earnings Before Depreciation, Interest, Taxes and Amortization (EBITA)	-0.72%	3.62%	4.82%	-1.01%	-0.86%
EBIDAP Note 5	-10.91%	-5.49%	-3.66%	-13.41%	-10.59%
Total Margin	-3.75%	1.03%	2.74%	-2.61%	-2.63%
Liquidity Ratios					
Current Ratio	0.98	1.15	1.23	1.05	0.99
Days in accounts receivable ,net	51.70	57.26	51.83	46.03	58.80
Days cash on hand (with restricted)	30.6	13.6	21.6	14.1	16.3
Debt Ratios					
Cash to Debt	187.3%	115.3%	249.0%	123.3%	136.91%
Average pay period	58.93	58.03	57.11	62.68	75.43
Debt service coverage	(0.14)	3.87	5.98	(0.70)	(0.25)
Long-term debt to fund balance	0.26	0.20	0.14	0.18	0.23
Return on fund balance	-29.59%	8.42%	18.87%	-19.21%	-17.25%
Debt to number of beds	20,932	13,481	10,482	11,515	14,251

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	Audited Results FY 2008	Audited Results FY 2009	Audited Results FY 2010	Unaudited Results FY 2011	Unaudited Results YTD 4/30/2012
Patient Care Information					
Bed Capacity	135	161	161	161	161
Patient days(all services)	22,687	30,463	30,607	30,270	25,472
Patient days (acute only)	11,276	11,787	10,579	10,443	9,213
Discharges(acute only)	2,885	2,812	2,802	2,527	2,377
Average length of stay (acute only)	3.91	4.19	3.78	4.13	3.88
Average daily patients (all sources)	61.99	83.46	83.85	82.93	83.51
Occupancy rate (all sources)	45.92%	52.94%	52.08%	51.51%	51.87%
Average length of stay	3.91	4.19	3.78	4.13	3.88
Emergency Visits	17,922	17,337	17,624	16,816	14,130
Emergency visits per day	48.97	47.50	48.28	46.07	46.33
Outpatient registrations per day[Note 1]	84.54	82.05	79.67	65.19	60.69
Surgeries per day - Total	14.78	16.12	13.46	6.12	6.04
Surgeries per day - excludes Kaiser	5.54	5.14	5.32	6.12	6.04

Notes:

1. Includes Kaiser Outpatient Sugercial volume in Fiscal Years 2008, 2009 and through March 31, 2010.
2. In addition to these general requirements a feasibility report will be required.
3. Based upon Moody's FY 2008 preliminary single-state provider medians.
4. EBIDA - Earnings before Interest, Depreciation and Amoritzation
5. EBIDAP - Earnings before Interest, Depreciation and Amortization and Parcel Tax Proceeds

Glossary of Financial Ratios

Term	What is it? Why is it Important?	How is it calculated?
EBIDA	A measure of the organization's cash flow	Earnings before interest, depreciation, and amortization (EBIDA)
Operating Margin	Income derived from patient care operations	Total operating revenue less total operating expense divided by total operating revenue
Current Ratio	The number of dollars held in current assets per dollar of liabilities. A widely used measure of liquidity. An increase in this ratio is a positive trend.	Current assets divided by current liabilities
Days cash on hand	Measures the number of days of average cash expenses that the hospital maintains in cash or marketable securities. It is a measure of total liquidity, both short-term and long-term. An increasing trend is positive.	Cash plus short-term investments plus unrestricted long-term investments over total expenses less depreciation divided by 365.
Cash to debt	Measures the amount of cash available to service debt.	Cash plus investments plus limited use investments divided by the current portion and long-term portion of the organization's debt insruments.
Debt service coverage	Measures total debt service coverage (interest plus principal) against annual funds available to pay debt service. Does not take into account positive or negative cash flow associated with balance sheet changes (e.g. work down of accounts receivable). Higher values indicate better debt repayment ability.	Excess of revenues over expenses plus depreciation plus interest expense over principal payments plus interest expense.
Long-term debt to fund balance	Higher values for this ratio imply a greater reliance on debt financing and may imply a reduced ability to carry additional debt. A declining trend is positive.	Long-term debt divided by long-term debt plus unrestricted net assets.

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Fiscal Year 2013

Proposed Operating Budget Narrative

May 30, 2012
Finance and Management Committee

ALAMEDA HOSPITAL
FISCAL YEAR 2013
PROPOSED OPERATING BUDGET NARRATIVE

<u>Prelude:</u>

Attached is the Fiscal Year 2013 Alameda Hospital Operating Budget as prepared by hospital management. Upon approval by the City of Alameda Health Care District Board of Directors, this budget will constitute the spending authority for management for fiscal year 2013. Even though the City of Alameda Health Care District is a governmental agency, this budget should be considered a business plan and projection of what is anticipated for fiscal year 2013 rather than a fixed authority to spend.

There are several strategic impact issues and initiatives that have been built into the base FY 2013 operating budget. The summary budget delineates a baseline projection off FY 2012 forecast as well as the separate impact of each new initiative. These issues and initiatives include:

- **Acquisition of the Water's Edge Skilled Nursing Facility as a distinct part Skilled Nursing Unit of the hospital.**

  We are in the final stages of certification of the new distinct part Skilled Nursing Facility (SNF) with CMS. This process took longer than expected but we are anticipating taking the Water's Edge facility under the hospital umbrella by July 1, 2012. We have included assumptions of patient days, net revenue and expenses for bringing on the 120 beds and approximately 120 employees in the budget for FY 2013.

- **Addition of two new orthopedic physicians.**

  The two new orthopedic surgeons, with training in Sports Medicine and Spine, have accepted offers to establish a comprehensive orthopedic program at Alameda Hospital which compliments existing orthopedic resources. These physicians are expected to begin October 1, 2012. This will expand the scope of orthopedic services on the island and we will market aggressively to attract patients from off island as well. This additional orthopedic volume can be absorbed into our currently under-utilized operating room, imaging and therapy services. The program expansion will require an additional day per week of the MRI trailer to accommodate the increase in orthopedic procedures and referrals to the hospital from their clinic. We are also pursuing the possibility of a full time on-site MRI room to meet the increasing MRI needs from this program and from the community.

- **Implementation of the Outpatient Wound Care Clinic.**

  The Wound Care Clinic that was delayed due to licensing and construction issues is now scheduled to open for business on June 25, 2012. This clinic and related expenses have been incorporated into the budget for the full year. We have numerous physicians on the panel and much interest in the opening of this needed service. Comprehensive promotion and marketing plan has been developed to kick off the program.

As we have worked through the detail budgets for each of these new programs, there have been minor adjustments to certain revenue and expense line items. However, they all materially reflect the financial forecasts that have been presented and approved for each.

Fiscal Year 2013 Narrative:

The following sections discuss the key budget assumptions that have been incorporated into the FY 2013 Operating Budget

Utilization

Inpatient Acute Care Services

The hospitals acute average daily census (ADC) is projected to increase by 3.3% over the census levels experienced in FY 2012 (30.5) as a result of two key factors:

1. The addition of two new Orthopedic Surgeons, expected to begin on October 1, 2012. They are anticipated to bring in 72 new inpatient surgeries resulting in that same increase in admissions and an average length of stay of 4.4 days. This will increase our ADC by 0.9.

2. The addition of the Wound Care Center, expected to open on June 25, 2012, will also provide some marginal increase in inpatient admissions and has been projected to increase our average daily census by 0.1 patients per day.

3. Other than these two programs, our baseline inpatient acute volume budget is at the FY 2012 levels. We do anticipate splitting our medical unit (3west) into separate medical and surgical care units to better serve the clinical needs of these patients. There is some marginal additional staffing expense associated with this change.

Inpatient Long Term Care Services

The South Shore Skilled Nursing Unit is projected to have an ADC of 21.6 which approximates the levels experienced in fiscal year 2012. However, we are budgeting for an increase in Medicare Part A patients censes at South Shore from 2.1 in FY 2012 to 4.0 in FY 2013 based on a payor mix that we have already experienced as of the result of more organized referral system. With the increase in the utilization of therapy services provided to these patients, net revenues will increase as well.

The 35 bed Sub-Acute unit is projected to have an ADC of 32.6 which is also consistent with the current fiscal year's performance, although currently the unit has been full at 35 patients. Both programs are limited by the number of available beds in each of these units.

Outpatient Services

Total outpatient registrations are expected to increase by 12.5% over fiscal year 2012 projections. The change in outpatient registrations is driven by the following:

1. Volume in the imaging and rehabilitation services is projected to increase by 17.9% and 87.2% respectively due to referrals from the new orthopedic physicians. We expect the new physicians to be aggressive in ordering needed follow up tests and therapy. The additional registrations result in additional outpatient visits and we anticipate each orthopedic rehabilitation registration will result in 9 visits, and each imaging registration will result in one visit.

2. Beginning in June 25, 2012, an additional 250 registrations from the Wound Care Center will be added to the outpatient volume resulting in a projected 2,500 visits. In addition to the registrations at the Wound Care Clinic, an additional 446 registrations have been added for patients that will require other diagnostic services such as laboratory, radiology and rehab services in conjunction with their wound care visits and clinical care plan.

3. Outpatient surgeries are expected to increase for two reasons. First, the new orthopedic surgeons are planning to bring in an additional 41 outpatient surgeries from patients coming through their clinic. Second, the Wound Care program is expected to bring in 40 more outpatient surgeries in fiscal 2013. These two programs are expecting to see a 4.5% increase in outpatient surgeries

Emergency Care Services

Emergency visits have been projected to remain consistent with the same levels as experienced during fiscal year 2012 which have averaged 46.0 visits per day. Emergency room visits have remained at a constant level over the past few years and are not expected to change in FY 2013. However, as the result of better documentation, coding and select price increases for emergency room services, net revenues will increase in FY 2013.

Alameda Hospital Physicians (Medical Offices)

The Alameda Hospital Physicians volume is budgeted to remain consistent with FY 2012 levels. We currently have physicians practicing in general surgery, neurology and internal medicine in the 1206b clinic.

Gross Charges

The FY 2013 consolidated budget has Gross Charges increasing by $55 million over FY 2012. The hospital's three new programs: Waters Edge, Wound Care and the comprehensive orthopedic program will generate the majority of the increase in gross revenue. These areas are expected to increase gross revenue by $34.6 million, $5.3 million and $7.7 million respectively. Increases in rehab services utilization at South shore, wound care spin off business (surgery, inpatient days, lab, imaging), and an increase in outpatient imaging volumes account for the majority of the remaining $3.5 million increase in the hospital's baseline operation. Lastly increased gross charges from service specific price increases total $3.9 million and will result in additional net revenue as discussed later.

Service specific price increase will be implemented effective July 1, 2012 which will result in an overall increase of 3.9 million 1.5%. These increases were targeted at areas where we were below market and /or where we could most effectively realize additional net revenue through our managed care contracts.

Net Revenue

Our overall estimated net patient revenue percentage is projected to increase to 23.7% in FY 2013 versus the current year's 22.4%. Some of the factors contributing to the increase in our projected net revenue percentage:

The three new programs will provide the following net revenues:

- Net patient revenue from the Water's Edge skilled nursing is projected to $13.8 million with payer mix of 76% Medi-Cal, 13% Medicare and 11% Private/Other. These estimates are consistent with the financial forecast presented last November. Because skilled nursing has a higher net revenue percentage (39.9%), this contributes to the overall net revenue increase from 22.4% to 23.5%.

- Net patient revenue from the Wound Care Clinic is projected to be $1.2 million.

- Net patient revenue for the orthopedic program expansion is estimated at $1.7 million for the hospital "spin-off" revenue, as well as an additional $498,000 in physician billing (other operating revenue). Once again, this is for about 9 months of the fiscal year.

Waters Edge Facility	$13.8 million
Wound Care Clinic	$1.2 million
Orthopedic Program	$2.2 million
Total New Programs	$17.2 million

There are several variables that will affect net revenue on our baseline operations which includes the following:

- Included in the net revenue assumptions is a potential decrease to acute inpatient Medi-Cal net revenue as currently proposed in the State budget. To be conservative, we have accounted for this decrease estimated at $120,000.

- We have not budgeted for any IGT funds since this program is also being considered for elimination in the State budget plan. In fiscal year 2012 this was about $673,000.

- While we have implemented an annual price increase to service specific charges, the projected increased reimbursement is estimated at only $486,000 since the majority of hospital payments are based upon fixed per diem rates or rates established by federal and state governments for Medicare and Medi-Cal programs. However, this price increase allows the hospital to maximize reimbursements allowed under contractual arrangements with the various managed care payors.

- We have recently completed negotiation of our most significant managed care contract and will be completing negotiation of three other contracts in the next couple of months. These new contract rates will contribute about $520,000 additional net revenue based upon current activity levels.

- Net patient revenue for the South Shore skilled nursing facility is projected at the new estimated Medi-Cal rate of $316 per day once Waters Edge becomes part of our license. This is a decrease from the current rate of $385 per day with an annualized reduction of $466,000. To help counter this, South Shore is budgeted for an increase of 1.0 ADC for Medicare patients. With the appropriate levels of therapy services, net revenue is budgeted to increase by $327,000.

- The sub-acute unit is predominantly Medi-Cal patients with about half of the patients on ventilators and half non-vent patients. The budget includes the new per diem rates that recently went into effect totaling $200,000 per year.

- Increase reserve allowance for additional self pay bad debt and charity reserves will decrease net revenue by about $360,000.

Acute Inpatient Medi-Cal Reimbursement	($220,000)
IGT Program Elimination	($673,000)
Targeted Service Price Increase	$486,000
Managed Care Contract Rate Increases	$520,000
Net Affect At South Shore (Medi-Cal/Medicare)	($139,000)
Increase For Sub-Acute Per Diem Rates	$200,000
Additional Bad Debt / Charity Care Reserves	($360,000)
Total Baseline Net Revenue Changes	($186,000)

In summary the increase in net revenue from fiscal year 2012 projected to fiscal year 2013 budget is approximately $17 million or 28.8%.

Labor and Benefits Expense

Overall labor costs are projected to increase by approximately $7.1 million over the projected fiscal year 2012. The FY 2013 budget proposal includes approximately 120 new employees at the Water's Edge facility as well as several support personnel in Human Resources, General Accounting and Information Systems necessary to support this new site. In addition, there are new positions required to support the Wound Care Clinic as well as the new Orthopedic Clinic.

Total full time equivalents for fiscal 2013 are budgeted at 541.4, an increase of 127.5 FTE's from the fiscal year 2012 forecasted total of 413.9 FTE's. This increase in FTE's will be supported by increased net revenue in the new programs and services. Attachment A summarizes the changes in FTE's in the fiscal 2013 budget.

Staffing for nursing departments has been based upon the budgeted patient days of the inpatient acute nursing units and the California mandated nurse staffing hour ratios for inpatient acute services. In addition, adjustments to ensure appropriate levels of coverage for break and lunch relief have been factored into the determination of the calculated required hours of nursing care. We have also set up job codes to be used to track the usage of Administration Days (used by RN's) and Sitter Hours (used by CNA's) in the nursing units.

The fiscal 2013 budget does not provide for any salary or wage increases for the existing represented or non-represented employees. It is important that the three new revenue programs come on line and that the actual to budget performance be tracked against the proposed budget. We do believe that we have been very conservative with our budget assumptions for these programs. In the event that we exceed the fiscal 2013 budget and the hospital is in a stronger financial position, management will come forth with a separate recommendation for salary and wage increases.

Benefits have been calculated consistent with the current year's experience. We have budgeted for the employer portion of FICA, health insurance, pension and the employee assistance program. Benefits are projected to increase in line with the increase in total salaries. Total benefits run approximately 28.9% of total salaries, well within industry standards. The hospital is self insured for employee health benefits and although there are stop loss limits for cumulative large cases, there is fluctuation in claim experience from year to year that make budget estimation challenging. The fiscal 2013 budget allows for a 5% increase in employee health benefit expense.

Non-Labor Expenses

The following are the assumptions for the various categories of the operating budget non-labor expense categories:

<u>Professional Fees</u>

Professional fees decreased by approximately $78,000 overall as a result of the following;

- Reduced utilization of HFS staff that has been used in accounting and business officer over most of the past fiscal year.

- Reduction in legal and consulting fees for Water’s Edge, Orthopedic and Wound Care transitions.

- The new wound care program resulting in additional management fees to Accelcare for the management of the program in the amount of $584,000.

- One Orthopedic physician in a contracted relationship beginning October 1, 2012 in the amount of $237,000.

<u>Supplies</u>

Medical supply costs are projected to increase over current year projections as a result of the budgeted 3.3% increase in inpatient volumes due to the orthopedic program. There are also supply cost increases related to Water’s Edge in both medical supplies and food supplies of approximately $1.2 million. The Wound Care program will also add approximately $91,000 of additional supply costs. Overall, supplies are projected to increase over the 2012 Forecast by $1.5 million or 20.8%.

<u>Purchased Services</u>

Purchased services expenses are projected to increase by $2.1 million or 45.7% due to:

- Outsourcing the hospital’s long term care Rehab services to Select Therapies at an expense of $236,000, in conjunction with staff reductions to offset this expense

- Additional MRI trailer service day to support increased utilization with orthopedic program and other community physicians $180,000.

- Additional HIM coding expense for emergency room procedures and Wound Care procedures $100,000.

- Water’s Edge purchased services totaling $1.6 million comprised of rehabilitation, laboratory, pharmacy and imaging services.

<u>Rents and Leases</u>

This category will increase by approximately $1.2 million (104.1%) over current year projected rent expenses. This expense is primarily the $919,000 rent expense of the Water’s Edge facility but also includes additional nine months lease for the building at Marina Village ($112,000) and full year of imaging equipment/PACS lease payments ($170,000).

Insurance

Insurance expense is anticipated to increase $165,000 or 50.2% as a result of additional insurance needed for the Water's Edge facility. We are planning on needing $146,000 in expense for insurance related to this facility.

Utilities

Utilities expenses (including telephone) are planned to increase from the 2012 projections again due to the addition of Water's Edge and Wound Care clinic. Hospital utility expenses are only projected to increase slightly but will add $180,000 in utility expense for Water's Edge.

Depreciation and Amortization

This classification will decrease by $83,000 or 9.2% from FY 2012, as a result of additional assets reaching their fully depreciated cost basis during the fiscal year. Included in this decrease is the additional leasehold improvement depreciation for the build out of the Wound Care Center of approximately $59,000.

Other Expenses

Other expenses will increase by approximately $396,000 with $246,000 related to projected Water's Edge expenses, $87,000 related to Wound Care and $132,000 related to the Orthopedic program. Baseline hospital expenses will decrease by about $70,000 in fiscal year 2013.

Net Income:

After all of the herein discussed additional programs, changes in gross and net revenue and operating expenses the consolidated net income is budgeted at $682,000. This is comprised of a $1.5 million shortfall from the hospital's baseline operations; an improvement from the FY 2012 projected loss of $1.8 million. The Orthopedic program for the nine will have net income of $596,000, the Wound Care clinic $46,000 and Waters Edge $1.6 million.

Please see the following pages for the Income Statement comparison as well as the summary of volume projections.

Alameda Hospital
FTE Summary
FY 2013 Budget

		FTE's
FY 2012 Forecast		**413.9**
Additions:		
	Water's Edge	119.1
	Wound Care Clinic	2.5
	Orthopedic Clinic	2.8
	Nursing	4.3
	Support (HR, Accounting, IT, Pharmacy)	5.5
	Total Additions	134.2
Reductions:		
	Rehabilitation	1.1
	Support (Business Office)	5.6
	Total Reductions	6.7
FY 2013 Budget		**541.4**

Alameda Hospital
Statement of Income and Expense
FY 2013 Operating Budget

	Actual FY 2011	Forecast FY 2012 (1)	Baseline Budget FY 2013	Ortho Program (2)	Wound Care	Water's Edge	Consolidated Budget FY 2013	Change from FY 2012	Percent Change
Net Patient Revenue	57,479	58,316	58,179	1,669	1,208	13,791	74,847	16,531	28.3%
Net Revenue Percent	23.6%	22.4%	21.6%	21.6%	23.0%	39.9%	23.7%	1.3%	5.9%
Other Operating Revenue	553	656	605	498	-	-	1,104	448	68.2%
Total Revenue	58,032	58,972	58,785	2,167	1,208	13,791	75,951	16,979	28.8%
Expenses									
Salaries and Agency	37,619	35,435	36,017	314	181	6,018	42,530	7,095	20.0%
Benefits	9,300	10,264	10,353	105	54	1,805	12,318	2,054	20.0%
Professional Fees	3,667	4,722	3,626	254	620	104	4,604	(118)	-2.5%
Supplies	8,125	7,383	7,145	507	91	1,174	8,917	1,534	20.8%
Purchased Services	4,318	4,622	4,907	219	-	1,606	6,732	2,110	45.7%
Rent	838	1,201	1,446	25	61	919	2,451	1,250	104.1%
Insurance	384	329	333	15	-	146	494	165	50.2%
Utilities & Telephone	770	784	826	-	9	180	1,015	231	29.5%
Depreciation	953	899	757	-	59	-	816	(83)	-9.2%
Other	1,080	1,077	1,008	132	87	246	1,473	396	36.8%
Total Expenses	67,053	66,716	66,419	1,571	1,162	12,198	81,350	14,634	21.9%
Operating Income/(Loss)	(9,021)	(7,744)	(7,634)	596	46	1,593	(5,399)	2,345	30.3%
Non-Operating	7,363	5,890	6,081	-	-	-	6,081	191	3.2%
Net Income/(Loss)	(1,658)	(1,854)	(1,553)	596	46	1,593	682	2,536	136.8%

(1) Forecast is using actual data through March 2012 YTD plus remaining months of budget adjusted for current year run rate

(2) Program expected to begin on October 1, 2012

Alameda Hospital
Inpatient Acute Volume Summary
FY 2013 Budget

	Actual FY 2010	Actual FY 2011	Projected FY 2012	Baseline Budget FY 2013	Ortho Program	Wound Care	Adjusted Budget FY 2013
Discharges - Acute	2,802	2,527	2,787	2,781	72	12	2,865
ALOS - Acute	3.8	4.1	4.0	4.0	4.4	3.0	4.0
Patient Days - Acute							
CCU	1,406	1,552	1,485	1,485	-	-	1,485
DOU	4,445	4,023	4,128	4,128	-	-	4,128
3 West	4,728	4,868	5,534		-	-	-
3 Medical				4,781	-	36	4,817
3 Surgical				730	317	-	1,047
Total Acute	10,579	10,443	11,146	11,124	317	36	11,477
Average Daily Census							
CCU	3.9	4.3	4.1	4.1	-	-	4.1
DOU	12.2	11.0	11.3	11.3	-	-	11.3
3 West	13.0	13.3	15.1		-	-	-
3 Medical				13.1	-	0.1	13.2
3 Surgical				2.0	0.9	-	2.9
Total Acute	29.0	28.6	30.5	30.5	0.9	0.1	31.4
Available Beds	66	66	66	66	-	-	66
Occupancy Percent	43.9%	43.3%	46.1%	46.2%			47.6%
CMI - Medicare	1.4174	1.4256	1.3594	1.3594			1.3798
CMI - Total	1.3398	1.3332	1.2955	1.2955			1.3149

Notes:

For comparability purposes, Kaiser volume has been excluded from prior years.

Alameda Hospital
Inpatient Long-Term Care Volume Summary
FY 2013 Budget

	Actual FY 2010	Actual FY 2011	Projected FY 2012	Baseline Budget FY 2013
Discharges				
Sub-Acute	13	24	52	52
South Shore	128	109	74	74
Water's Edge	-	-	-	156
Total Long Term Care Discharges	141	133	126	282
Patient Days				
Sub-Acute	11,977	11,861	11,898	11,898
South Shore	7,832	7,965	7,882	7,882
Water's Edge (1)	-	-	-	37,761
Total Long Term Care Days	19,809	19,826	19,780	57,541
Average Daily Census				
Sub-Acute	32.8	32.5	32.5	32.6
South Shore	21.5	21.8	21.5	21.6
Water's Edge (1)	0.0	0.0	0.0	103.5
Total Average Daily Census	54.3	54.3	54.0	157.6
Payer Mix				
Sub-Acute				
Medicare	1%	1%	1%	1%
Medi-Cal	94%	94%	96%	96%
Other	6%	6%	3%	3%
South Shore				
Medicare	14%	14%	14%	19%
Medi-Cal	85%	85%	85%	80%
Other	1%	1%	1%	1%
Water's Edge				
Medicare	n/a	n/a	n/a	13%
Medi-Cal	n/a	n/a	n/a	76%
Other	n/a	n/a	n/a	11%
Available Beds (1)	60	60	60	170
Occupancy Percent	90.5%	90.5%	90.1%	92.7%

1) Water's Edge to begin operation under Alameda Hospital license July 1, 2012 and 110 available beds

Alameda Hospital
Surgery & Outpatient
Fy 2013 Budget

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Projected FY 2012	Baseline Budget FY 2013	Ortho Program	Wound Care	Adjusted Budget FY 2013
ECC Visits	17,337	17,624	16,816	16,800	16,800	-	-	16,800
Outpatient Registrations	29,948	29,079	23,796	22,420	22,540	2,110	696	25,346
Per Day								
ECC	47.5	48.3	46.1	45.9	46.0	-	-	46.0
Registrations	82.0	79.7	65.2	61.3	61.8	5.8	1.9	69.4
Surgeries								
Inpatient	588	592	502	468	468	72	20	560
Outpatient	1,288	1,351	1,708	1,807	1,807	41	40	1,887
Total	1,876	1,943	2,210	2,275	2,275	113	60	2,448

Notes:

For comparability purposes, Kaiser volume has been excluded from prior years.

Alameda Hospital
Five Year Detail Trend of Outpatient Visits

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Projected FY 2012	Baseline Budget FY 2013	Ortho Program	Wound Care	Adjusted Budget FY 2013
ATC Satellite Lab	167	2,617	3,145	143	-	-		-
Cardio Fit	1,330	1,337	1	-	-	-		-
CT Scan	567	525	483	428	448	173		621
EEG	-	-	-	19	19			19
EKG	867	892	865	841	841			841
IV Therapy	2,027	1,676	1,132	885	885			885
IVT Other	-	386	735	789	789			789
Laboratory	9,830	6,560	5,800	7,407	7,407		200	7,607
MRI	479	454	501	556	556	431		988
Nutrition	22	12	14	31	31			31
Nuclear Medicine	213	125	161	136	136		38	174
Outpatient - Clinic	22	16	344	668	668			668
Occupational Therapy	472	451	479	333	333			333
Physical Therapy	3,515	3,381	3,046	3,160	3,160	3,100	30	6,290
Respiratory Therapy	80	177	73	75	75			75
Speech	75	20	28	60	60			60
Surgery	5,184	4,182	1,672	1,715	1,715	41	40	1,796
Ultrasound	33	1,194	1,200	1,213	1,213			1,213
Radiology	8,565	7,174	7,035	6,207	7,300	1,121	138	8,559
Wound Care	-	-	-	-	-		2,500	2,500
Other	83	1,587	30	4	4			4
Total Visits	33,531	32,766	26,744	24,668	25,642	4,866	2,946	33,454
				0				
O/P Registrations	29,951	29,082	23,796	-	22,540	2,110	696	25,346

Note: Ortho program assumes: Imaging = 1 visit per registration; Rehab = 9 visits per registration
Wound Care program assumes: Wound Care clinic 10 visits per registration; Ancillary/Surgery = 1 visit per registration

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Fiscal Year 2013

Proposed Capital Budget

May 30, 2012
Finance and Management Committee

Fiscal Year 2013
Capital Budget

As part of the District's annual budgeting process, it is required to submit and approve a capital budget in addition to the operating budget. As part of the capital budget process, input is solicited from all departments of the organization as well as from members of the medical staff.

For FY 2013, the total capital budget requests submitted was $4.5 million in the following general categories.

Engineering/Plant Operations	$2.4 million
Seismic / Regulatory	$950,000
Pharmacy	$6,000
Surgery	$287,000
Central Supply	$139,000
Information Technology	$370,000
Nursing	$6,000
Ortho Clinic Build-Out	$350,000

Provided with each request, is an explanation of why the request is being made and the degree of importance/urgency. Management then has the task of evaluating the submitted requests against the organizations ability to fund them throughout the fiscal year.

It is recognized that there are many capital expenditures needed given the age of our facilities and much of our equipment. Furthermore, there is a pressing need to continue to advance our technological capabilities both hardware and software to comply with Electronic Health Record and Meaningful Use as well as providing the tools needed by our physicians and clinicians. In addition, there are several regulatory and seismic compliance activities that need to be complete over the next fiscal year that will require scarce resources.

This past year we committed about $1.6 million over five years to upgrade our imaging equipment and implementation of a PACS system. We also installed a much needed telemetry system in Telemetry and CCU Units costing $300,000. To advance program development and new revenue, we have assumed a $900,000 loan for build-out and furnishing of the new Wound Care Center. It is important to note that Wound Care was also funded by a $100,000 contribution and a $125,000 loan from the Alameda Hospital Foundation.

Given the challenge of developing a positive FY 2013 operating budget and given the capital projects that have already been completed this past fiscal year or are in process, the amount of additional capital expenditures being recommended is very limited for Fiscal Year 2013.

For Fiscal Year 2013 we are recommending a total of $1.25 million with seismic and regulatory compliance totaling $950,000 and upgrades/enhancements to information technologies/ systems totaling $300,000.

However, once the new programs and services discussed in the operating budget narrative are up and running and meet or exceed the financial results that are anticipated, we will reevaluate our ability to recommend for approval additional capital budget expenditures at that time.

Funding:

To help fund these projects we recommend using the amount of depreciation expense in the operating budget to reinvest in capital expenditures. For Fiscal Year 2013, this amount is $816,000.

We will also be able to continue to use the income from the Jaber properties which will bring in about $120,000 per year. The hospital has also received annual contributions from the Auxiliary totaling $40,000 for FY 2012. In addition there have been discussions for new applications for funding through the Alameda Hospital Foundation for FY 2013.

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Date: May 24, 2012

For: May 30, 2012 Finance and Management Committee

To: Finance and Management Committee

From: Deborah E. Stebbins, CEO
Kerry Easthope, CFO

Subject: Recommendation to Approve Resolution 2012-5J: Authorizing a Loan from the Bank of Alameda, Secured by Real Property

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Recommendation:

Management recommends that the Finance Committee recommend adoption of the attached resolution regarding restructuring our existing line of credit loan with the Bank of Alameda (currently drawn down at $750,000) by replacing it with a long term loan with the Bank of Alameda which will be secured by the two parcels of real property owned by the District as a result of the Jaber Trust. The tentative terms are based on discussions with the Bank. In the event the final terms differ from what is presented in the resolution (Exhibit A) management will bring this issue back to the Board for further consideration prior to executing the loan.

Background/Discussion:

Management has been in discussions in the last few weeks with the Bank of Alameda with regard to restructuring our existing line of credit to be replaced by a long term loan using the two parcels of real property gifted to the Hospital and later transferred in title to the District, by the Jaber Trust. This allows us to convert a current liability into a long term liability, thereby improving our ratios and increases the funds available to the Hospital in a financially challenging period prior to cash flow being generated by our three new programs.

While the exact terms of the loan, including the total value, are subject to some additional steps, including obtaining an updated appraisal of the properties, the tentative terms we have discussed with the Bank are outlined in Exhibit A:

1. Loan amount be no more than 70% of commercial property assessed value. A 1% loan origination fee would apply that could be folded into this loan amount.

2. A 10 year loan term. The first 5 years at a fixed rate of 5.5%, then adjusted to Treasury rate plus 3.5% with a 5.5% floor for the remaining 5 years. Balloon payment or refinance at the end of 10 year term.

3. 25 year amortization of loan for payment purposes.

4. Income from commercial tenant needs to be 1.2 - 1.3 times monthly loan amount.

The last appraisal of the two properties in 2008 was $1.7 million. Local real estate resources have advised us that the current value may be as high as $1.9 million. An updated appraisal is being arranged by the Bank at our expense.

Resolution No. 2012 - 5J

A RESOLUTION OF THE
CITY OF ALAMEDA HEALTH CARE DISTRICT
BOARD OF DIRECTORS

***

Authorizing a Loan from the Bank of Alameda,

Secured by Real Property

* * *

WHEREAS, The District has negotiated tentative terms of a loan from the Bank of Alameda, the tentative terms of which are attached hereto as Exhibit A (the "Loan"). One of the terms of the Loan is that it be fully secured by real estate;

WHEREAS, Ms. Alice Jaber developed a personal interest in health care issues and the availability of quality health care in the Alameda community; and

WHEREAS, Ms. Jaber established her Trust in 1992, naming Alameda Hospital as a major beneficiary. Upon her death, and pursuant to the terms of the Trust, (1) certain Trust assets were distributed to the City of Alameda Health Care District, as the successor-in-interest to Alameda Hospital (the nonprofit corporation), and (2) those assets were placed in the "Abraham Jaber and Mary A. Jaber Memorial Fund" (the "Jaber Fund") in appreciation of the care given by Alameda Hospital; and

WHEREAS, Among the assets in the Fund are cash as well as two parcels of real property located in the City of Alameda, namely, 1359 Pearl Street, an apartment complex, and 2711 Encinal Street, a retail store (collectively, the "Jaber Properties"). Both Jaber Properties generate rental income that is placed back into the Fund and used, as specified in the original Trust (and as carried over to the Jaber Fund), to fund an annual distribution to the Hospital. Neither of the Jaber Properties is used in any way for the provision of any services provided by the District; and

WHEREAS, Pursuant to the terms of the Jaber Fund, Alameda Hospital annually receives certain cash distributions. Specifically, and except as noted in the next sentence, the Fund is to be used for the purchase of capital equipment directly related to the diagnosis and treatment of patients at Alameda Hospital. However, if the District Board of Directors determines, in its sole discretion, that that a greater amount of the Fund needs to be used to maintain Alameda Hospital at, or to restore Alameda Hospital to, its level of operation in its prior fiscal year, and there are no other reasonably available resources for this purpose, a greater amount of the Fund, up to the whole thereof, may be drawn upon to maintain or restore the level of operation. The Jaber Properties are part of the Fund, and the terms of the Fund do no prohibit the mortgaging of said properties as described herein; and

WHEREAS, As discussed previously by the Board, a number of unanticipated operational changes and uncontrollable reimbursement reductions have had an adverse effect on Alameda Hospital's financial condition and operations over the last two fiscal years; and

WHEREAS, Since there are no other reasonably available resources for this purpose, the Board of Directors of the City of Alameda Health Care District has determined, in the exercise of its sound discretion, that is in the best interests of Alameda Hospital, to utilize the Fund (as and to the extent described below) so as to restore Alameda Hospital to its level of operation in its prior fiscal years.

NOW THEREFORE BE IT RESOLVED, that upon approval of this resolution, the District is authorized to enter into the Loan and, in furtherance thereof, to secure the repayment of the Loan by granting deeds of trust on the Jaber Properties. The proceeds of the Loan shall be deposited into the Alameda Hospital operating account for use in restoring Alameda Hospital to its level of operation in its prior fiscal years; and

BE IT FURTHER RESOLVED, that any and all loan proceeds realized by the District in connection with such borrowing shall be used to restore Alameda Hospital to its level of operation in its prior fiscal years and, upon repayment of the Loan, the net equity in the Jaber Properties be restored to the Fund for future uses in accordance with the terms of the Jaber Fund; and

BE IT FURTHER RESOLVED, that in order to validate the terms of the Loan, the Loan shall not be made prior to sixty (60) days following the date of the approval of this Resolution; and

BE IT FURTHER RESOLVED, that the CEO of the District is, and those under her direction are, authorized and empowered to take such actions as may be necessary of convenient in order to effectuate the terms of this resolution.

PASSED AND ADOPTED on June 6, 2012 by the following vote:

AYES: ___________ NOES: ___________ ABSENT: _________

____
Jordan Battani
President

ATTEST:

____
Elliott Gorelick
Secretary

Exhibit A

1. Loan amount be no more than 70% of commercial property assessed value. A 1% loan origination fee would apply that could be folded into this loan amount.

2. A 10 year loan term. The first 5 years at a fixed rate of 5.5%, then adjusted to Treasury rate plus 3.5% with a 5.5% floor for the remaining 5 years. Balloon payment or refinance at the end of 10 year term.

3. 25 year amortization of loan for payment purposes.

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