



CITY OF ALAMEDA HEALTH CARE DISTRICT

PUBLIC NOTICE

CITY OF ALAMEDA HEALTH CARE DISTRICT BOARD OF DIRECTORS

SPECIAL MEETING AGENDA

(Joint District Board and Finance and Management Committee Meeting)

Wednesday, July 25, 2012

7:30 a.m. (Open)

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 and present to the District Clerk. This will ensure your opportunity to speak. Please make your comments clear and concise, limiting your remarks to no more than three (3) minutes.

- I. **Call to Order (7:30 a.m. – Dal Cielo Conference Room)** Jordan Battani
- II. **Roll Call** Kristen Thorson
- III. **General Public Comment**
- IV. **Regular Agenda**
 - A. **Consent Agenda** **ACTION ITEMS**
 - ✓ 1) Approval of July 2, 2012 Regular Meeting Minutes
[enclosure] (PAGES 3-10)
 - B. **Action Items**
 - ✓ 1) Acceptance of June 2012 Unaudited Financial Statements Kerry Easthope
[enclosure] (PAGES 11-30)
 - ✓ 2) Approval of Fiscal Year 2012-2013 Operating and Capital Budget Kerry Easthope
including Cash Flow Deborah E. Stebbins
[enclosure] (PAGES 31-41)
 - ✓ 3) Approval of FY 2013 Goals and Objectives Deborah E. Stebbins
[enclosure] (PAGES 42-48)
 - ✓ 4) Approval to Enter into an Agreement with HFS Consultants for Kerry Easthope
Patient Financial Billing Services
[enclosure] (PAGES 49-50)
 - C. **District Board President Report** Jordan Battani INFORMATIONAL
 - D. **Chief Executive Officer Report** Deborah E. Stebbins INFORMATIONAL
- V. **Adjourn into Executive Closed Session (Approximately 9:00 a.m.)**

VI. Closed Session Agenda

A. Discussion of Report Involving Trade Secrets

H & S Code Sec. 32106

1. Discussion of Hospital Trade Secrets applicable to District's Strategy for Delivery of New Programs and Services

No action will be taken.

Estimated Date of Public Disclosure: Not known at this time.

VII. Reconvene to Public Session (Expected to start at 9:30 a.m. – Dal Cielo Conference Room)

A. Announcements from Closed Session

Jordan Battani

VIII. General Public Comments

IX. Board Comments

X. Adjournment



CITY OF ALAMEDA HEALTH CARE DISTRICT

Minutes of the City of Alameda Health Care District Board of Directors
 Open Session
 Monday, July 2, 2012 Regular Meeting

Board Members Present	Management Present	Legal Counsel Present	Guests
Jordan Battani Stewart Chen, DC Robert Deutsch, MD Elliott Gorelick J. Michael McCormick	Deborah E. Stebbins Kerry J. Easthope Brian Jung	Thomas Driscoll, Esq.	N/A
		Medical Staff Present	Excused
		Jim Yeh, DO	
Submitted by: Erica Poncé, Administrative Secretary			

Topic	Discussion	Action / Follow-Up
I. Call to Order	The meeting was called to order at 6:02 p.m.	
II. Roll Call	Ms. Thorson called roll noting a quorum of Directors was present.	
III. Adjourn into Executive Closed Session	The meeting was adjourned into Executive Closed Session at 6:04 p.m.	
IV. Closed Session Agenda		
V. Reconvene to Public Session	The meeting was reconvened into public session at 7:58 p.m.	
A. Announcements From Closed Session	Director Battani stated that the Executive Closed Session Minutes were reviewed and approved from the June 2, 2012 meeting. The Board Quality Committee Report for April 2012 was reviewed and accepted as presented. The Board approved the Credentialing Recommendations of the Medical Staff as outlined below. No other action was taken.	

Topic	Discussion	Action / Follow-Up		
<u>Initial Appointments – Medical Staff</u>				
	Name	Specialty	Affiliation	
	• Newal Badran, MD	Internal Medicine	Alameda Inpatient Medical (AIM)	
	• Hui Chen, MD	Radiology	Bay Imaging Consultants	
	• Vincent Wong, MD	Teleradiology	Bay Imaging Consultants	
<u>Reappointments – Medical Staff</u>				
	Name	Specialty	Staff Status	Appointment Period
	• Richard Baxter, MD	Radiology	Courtesy	08/01/12 – 07/31/14
	• Stewart Daniels, MD	Ophthalmology	Courtesy	08/01/12 – 07/31/14
	• Neesha Dave, DO	Pain Management	Courtesy	08/01/12 – 07/31/14
	• Robert Forster, MD	Orthopedics	Active	08/01/12 – 07/31/14
	• Samuel Kao, MD	Plastic Surgery	Courtesy	08/01/12 – 07/31/14
	• Annie Lai, MD	Radiology	Courtesy	08/01/12 – 07/31/14
	• Elpidio Magalong, MD	Internal Medicine	Active	08/01/12 – 07/31/14
	• Ted Mihok, DPM	Podiatry	Active	08/01/12 – 07/31/14
	• Bernice Rodrigues, MD	Emergency Medicine	Active	08/01/12 – 07/31/14
	• John Salzman, MD	Radiation Oncology	Consulting	08/01/12 – 07/31/14
	• Chih-Hsin Wen, MD	Urology	Courtesy	08/01/12 – 07/31/14
	• David Wixson, MD	Teleradiology	Courtesy	08/01/12 – 07/31/14
	• Phillip Wong, MD	Radiology	Courtesy	08/01/12 – 07/31/14
<u>Initial Appointment - Allied Health Professional</u>				
	Name	Specialty	Affiliation	
	• Laurie Umeh, NP	Nurse Practitioner	Kaiser	

Topic	Discussion	Action / Follow-Up
<u>Wound Care Privileges</u>		
	Name	
	• Lorraine Bonner, MD	Wound Care Procedures / Hyperbaric Therapy
	• Jenna Brimmer, MD	Wound Care Procedures / Hyperbaric Therapy
	• Stephen Daane, MD	Wound Care Procedures
	• Robert Gingery, MD	Wound Care Procedures
	• Christina Kwok, DPM	Wound Care Procedures
	• Anthony Poggio, DPM	Wound Care Procedures
	• Donato Stingen, MD	Wound Care Procedures / Hyperbaric Therapy
<u>Resignations</u>		
	Name	Specialty
	• Deepti Hemrajani, MD	Internal Medicine
	• Starr Knight, MD	Emergency Medicine
	• Carleton Nibley, MD	Cardiology
VI.	General Public Comments	There were no public comments.
VII.	Regular Agenda	
	A. Consent Agenda	
	1) Approval of June 6, 2012 Regular Meeting Minutes	Director Gorelick made a motion to approve the Consent Agenda as presented. Director McCormick seconded the motion. The motion carried.
	B. Action Items	
	1) Acceptance of May 2012 Unaudited Financial Statements and June 27, 2012 Finance and Management Committee Report:	Director McCormick made a motion to accept the April 2012 Unaudited Financial Statements and May 30,

Topic	Discussion	Action / Follow-Up
	<p>Director McCormick stated that the May 2012 unaudited financial statements were reviewed for discussion and analysis at the Finance and Management Committee meeting of June 27, 2012 and provided the following report and key points from the meeting:</p> <p>The District experienced a negative bottom line to budget mainly due to the lower than expected outpatient revenues as a result of the delay in the Wound Care opening. Without this budget item the outpatient revenue variance would be only negative 0.8% instead of a negative 10.9%. The YTD loss was a negative \$1.64M and the YTD Total Gross Revenue is \$238M.</p> <p>The Case Mix Index ran at 1.38, which is up from April (1.32) and March (1.31) and above the YTD average of 1.31. Medicare CMI increased to 1.477. Overall expense activity for the month was near budget and total expenses for the year were over budget by only 0.7%, or \$455,000. That is an accomplishment during a year where outside services were widely employed.</p> <p>Net accounts receivable decreased due to a rise in cash collections. Accounts payable dropped to 128 days. The current ratio for the month was.097.</p> <p>Director Gorelick stated that it appears the Hospital has fallen short of its loan covenants with the Bank of Alameda, and Director McCormick asked Management if the stated information was correct. Mr. Easthope replied that it appears as though the Hospital will fall short of the covenants at the end of Fiscal Year 2012.</p>	<p>2012 Finance and Management Committee Report as presented. Director Chen seconded the motion. The motion carried.</p>
<p>2) Approval of Phase 1, Architectural and Engineering Work: NPC-2 Projects for State of California Seismic Compliance</p>		<p>Agenda Action Items 2, 3, and 4 were discussed simultaneously. Director Chen made a motion to approve Phase 1 of each: Architectural and Engineering Work, Pre-Construction Capital Funding, and Pre-Construction Expenses based on approval of a FY 2013 budget approval later this month. Dr. Deutsch seconded the motion. The motion carried.</p>

Topic	Discussion	Action / Follow-Up
3)	Approval of Phase 1, Pre-Construction Capital Funding: Installation of Sprinkler System to Comply with CMS Regulations	
4)	<p>Approval of Phase 1, Pre-Construction Expenses: Boiler Replacement Project to Comply with Bay Area Air Quality Management District Regulations</p> <p>Brian Jung directed the Board to pages 33-44 of their packet. Mr. Jung proceeded with a presentation which summarized the information found therein. He stated that both finances and time have been taken into consideration, and various scenarios have been reviewed by the Finance and Management Committee. In sum, the total for these three requests is \$286,000. Director Gorelick stated that since January 1, 2002, the Hospital not been in compliance, and OSHPD has not enforced that regulation. Director Gorelick asked what makes this situation different in regards to the enforcement of the regulations. Director Gorelick asked if there is specific correspondence regarding the necessity of these changes from OSHPD. Mr. Jung stated that there are letters, and Director Gorelick requested copies be sent to him. Copies of the most recent OSHPD letters relating to seismic regulations will be forwarded to the Board. After a brief discussion Mr. Jung clarified that unless we are NPC-2 compliant by December 31, 2012, we will absolutely not be granted an extension under SB90. Director Battani shared a concern that the approval of funds prior to approving a budget concerns her. She would feel comfortable to approve this conditionally, based on a budget approval later this month.</p>	
5)	<p>Approval of FY 2013 Goals and Objectives</p> <p>Deborah Stebbins directed the Board to pages 45-51 of their packet. Ms. Stebbins proceeded with a presentation reviewing the information found therein. The Board had suggestions of changes to make and items which needed clarity, including having timing and milestones listed for evaluations in cash collections and new programs. Ms. Stebbins suggested possibility of setting quarterly targets.</p> <p>In the Financial Strength section, Management clarified that the performance milestones for FY 2013 and have also been used to feed in to the FY 2013 budget.</p> <p>Board suggested having timing and milestones listed which would serve for simple evaluation.</p> <p>In the Growth section, Board suggested adding “and community” (benefit) to section D, adding more details into the Partnership Discussions section and to change the</p>	No action was taken.

Topic	Discussion	Action / Follow-Up
	<p>percentage increase in Strategy E to 5%.</p> <p>In the Facilities and Technology section, Board suggests being specific on the measurement criteria in Strategy A, specifically that the necessary extensions should be obtained. Other suggested changes are to change the year in Strategy D to “2020” and to completely remove Strategy E.</p> <p>In the Physicians section, Director Battani suggests to state a concrete outcome for Strategies C and D, or consider their removal.</p> <p>In the People section, Director Battani suggests setting specific targets and achievement goals for Strategy B.</p> <p>Management will make proper revisions and present the FY 2013 Goals and Objectives at a future meeting.</p>	
	The Board recessed for a brief break at 9:15 p.m. and returned to session at 9:23 p.m.	
C. Board President Report	<ol style="list-style-type: none"> 1) Development of FY 2013 Executive Performance Metrics and Incentive Compensation Plan Director Battani asked Director McCormick and Director Gorelick to work with management to develop the FY 2013 Executive Performance Metrics and Incentive Compensation Plan to be presented and discussed at the September Board meeting. 	No action taken.
D. Chief Executive Officer Report	<ol style="list-style-type: none"> 1) Update on FY 2013 Operating and Capital Budget Scenarios, including Cash Flow Analysis Ms. Stebbins recommended that this item be deferred and that a special combined District Board / Finance and Management Committee be held on Wednesday, July 25, 2012 to approve the FY 2013 budget. 	No action taken.
	<ol style="list-style-type: none"> 2) Monthly CEO Report Deborah Stebbins directed the Board to pages 63-66 of their packet. Ms. Stebbins proceeded with an overview of the information found therein such as IGT/State Budget, Comprehensive Orthopedic Program, November 6 General Election, Wound 	No action taken.

Topic	Discussion	Action / Follow-Up
	<p>Care Center upcoming open house, Long Term Care Development, Workers Compensation Coverage, Hospital Sponsored Events, and Key Statistics for June 2012. Key statistics were distributed to the Board at the meeting.</p>	
<p>E. Medical Staff President Report</p>	<p>James Yeh, DO, Medical Staff President, presented information for the following June meetings:</p> <ul style="list-style-type: none"> • July 10, 2012: “Intraoperative Radiation Therapy (IORT) for Breast Cancer”, John Salzman, MD, Director of Radiation Oncology, Alta Bates Summit Medical Center and Lana Louie, MD, Breast Surgery, Bay Area Breast Surgeons, Oakland • July 24, 2012: “Timing of Surgery for Asymptomatic Valve Disease, Endoscopic Surgical Options and Upcoming Percutaneous Valve Options”, Junaid Khan, MD, Director of Cardiovascular Services, Alta Bates Summit Medical Center 	<p>No action taken.</p>
<p>F. Community Relations and Outreach Committee Report</p>	<p>Director Chen reported on the June 26, 2012 Community Relations and Outreach Committee noting the following:</p> <p>The June Community Relations meeting was held at the soon-to-be-opened Kate Creedon Center for Advanced Wound Care, an affiliate of Alameda Hospital. Program Director Beth Brizee conducted a tour of the facility and introduced staff members. Open houses are planned for the community, Hospital staff, medical staff, and the Board in August and September.</p> <p>The annual report to the community will go out in October and will highlight new programs such as the Wound Care Center, orthopedic program, senior services and long term care. It will also discuss awards received by the Hospital over the last year.</p> <p>Committee members were welcomed to an Open House event at South Shore Skilled Nursing Facility which took place on June 27 and highlighted the many positive changes under the leadership of Long Term Care Administrator, Richard Espinoza.</p> <p>As reported by Tony Corica, Alameda Hospital looks forward to the beginning of the new Comprehensive Orthopedic Program in Fall 2012.</p> <p>The annual Relay for Life went very well, and the Alameda Hospital team raised close to \$2000 for the American Cancer Society. Over 32 teams from Alameda businesses and</p>	<p>No action taken.</p>

Topic	Discussion	Action / Follow-Up
	organizations participated.	
VIII. General Public Comments	Richard Espinoza, Long Term Care Administrator, welcomed the Board to attend an open house for South Shore Skilled Nursing Facility on June 27, 2012 from 4:00 to 6:00 p.m.	
IX. Board Comments	There were no comments.	
X. Adjournment	Being no further business, the meeting was adjourned at 9:36 p.m.	

Attest:

Jordan Battani
President

Elliott Gorelick
Secretary

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING JUNE 30, 2012

**CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
JUNE 30, 2012**

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ALAMEDA HOSPITAL MANAGEMENT DISCUSSION AND ANALYSIS JUNE, 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 June 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

During the month of June, the Hospital again experienced a net operating loss of \$262,000 against a budget income of \$89,000. The Hospital ended the fiscal year with a negative bottom line of \$1.9 million on a budgeted net income of \$525,000.

June activity was below budget in the inpatient acute units and under budget on outpatient registrations. Acute patient days were under budget by 20% resulting in Gross Inpatient Revenues being below budget by 15.8%, and outpatient revenues are down 13.9% consistent with outpatient registrations down 14.6%. It is noted that half of this outpatient variance is due to the planned Wound Care Clinic that experienced a delay in implementation.

June discharges are below budget 20.9% and patient days were under budget 8.0%. Patient days in inpatient acute services were down 20.5% due to partial month closure of 3 west, while Sub-Acute days were down 3.8% and Skilled Nursing was up 3.3%. As we will discuss later, the low acute patient days in June had a big impact on Gross and Net Revenue.

Overall outpatient activity was mixed this month. This month outpatient registrations were down 14.6%, in which 85 of the registrations was associated with the delay in Wound Care. Emergency Room visits were 25 above budget or 1.8%. YTD outpatient registrations are 9.6% below budget while Emergency visits are 0.8% above budget. Outpatient surgeries were below budget for the month by 12.8%, but continue to be above budget YTD by 1.1%.

Gross revenue in June is generally in line with activity. Overall gross revenues were 15.1% below budget, with the inpatient component down 15.8% and outpatient down 13.9%. The inpatient revenue variance is due to revenues being budgeted at a slightly higher volume than experienced. The outpatient budget includes \$685,000 for the Wound Care Clinic. Without this budget item, outpatient revenues would be 7.4% under budget.

Net patient revenues were 24.9% of Gross revenues which is above the YTD net to gross value of 22.7%. Contributing to June's higher net revenue was the result of an additional \$100,000 recorded for actual AB915 funds received greater than what we had recorded as a receivable and about \$47,000 in additional net revenue from a higher Medicare A census at south shore with high RUG levels resulting in higher reimbursement. Net patient revenue percent without these two items would be 24.2%.

As of the end of June, Self Pay receivables older than 120 days are properly reserved at 97%. Most this reserve adjustment was booked in April and May as previously discussed. As discussed in May, bad debt reserves have been understated and accounts have not been written off to bad debt for most of this fiscal year. However, now these accounts have been worked, we will be assigning about 3,000 accounts totaling about \$8.2 million to bad debt in July close. (This process was delayed due to some meditech system issues that needed to be resolved, pushing in back to July).

The Case Mix Index (CMI) ran slightly below the YTD average. The overall CMI in June was 1.2919; down from last month's of 1.3688, and below the YTD average of 1.3034.

Overall expenses ran above budget this month. Productive salaries, supplies, purchased services, rents and leases, insurance and other expenses were slightly over budget while registry, benefits and professional fees were under budget. Employee benefit costs include costs associated with employee health usage. These costs fluctuate according to their usage and in June these were lower than budget. In addition, we recorded a year end entry for employee pension forfeiture account for \$41k. Professional fees were slightly below budget at 2.8%. Rents and leases were above budget due to the leases on new equipment and new wound care center lease. Total expenses for the month were 2.4% over budget, or \$132,000, while YTD expenses are only 0.9% over budget or \$588,000.

Cash and Cash equivalents were \$3.3 million at the end of June down just \$266,000 from the end of May as the result strong

cash collections. Furthermore, in June we received approximately \$515,000 in AB 915 funds for FY 2011 Outpatient Medi-Cal program.

Cash collections in June were \$4.8M, equal to net revenues and contributing to net Accounts Receivable decreasing \$62,000. Accounts payable and other accrued expenses increased by just \$79,200 from \$8,141,604 to \$8,220,804. AP days were 126. This is significant improvement over prior month of 128 days.

Lastly, the current ratio ended the month at .96 slightly below the required 1.0 of our bank covenants.

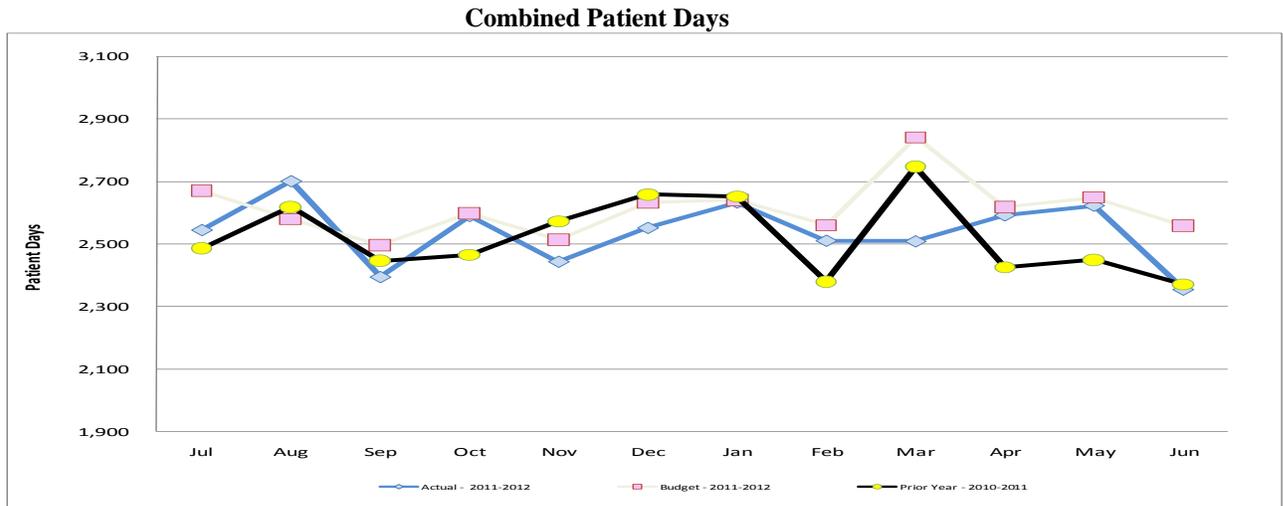
ACTIVITY

ACUTE, SUBACUTE AND SNF SERVICES

Overall patient days were 8.0% below budget for the month very close to June of last year. This month's acute days were down 20.5%, Sub-Acute was down 3.8% and Skilled Nursing was up 3.3%. For the fiscal year, patient days ended up 2.9% under budget.

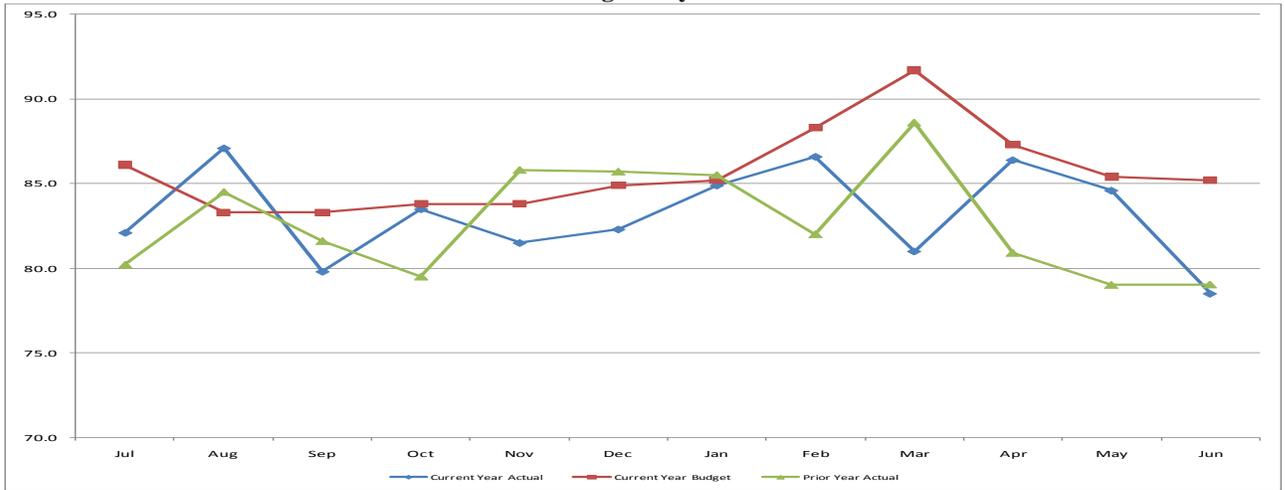
June's acute care patient days were 187 days (20.5%) lower than budget for the month and 2.02% below June 2011. The acute care program is comprised of the Critical Care Unit (4.1 ADC, below budget 4.7%), Definitive Observation Unit (11.8 ADC, 0.3% above budget) and Med/Surge Unit is 8.3 ADC or 42.1% lower than budget due to being closed for part of the month.

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



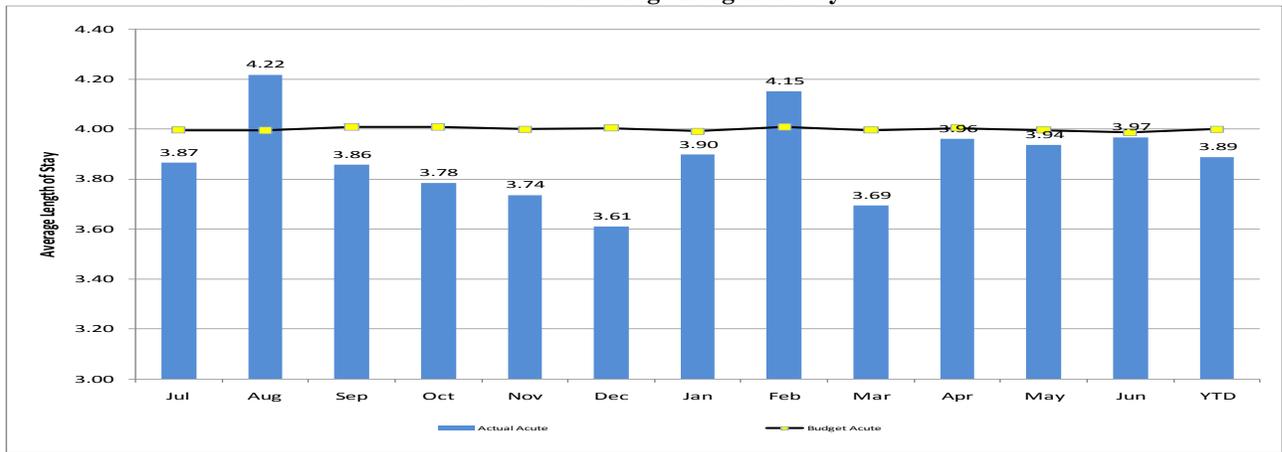
The graph below shows the average daily census for all inpatient services. The actual ADC was 78.5 versus budget of 85.28 an unfavorable variance of 8.0%.

Combined Average Daily Census



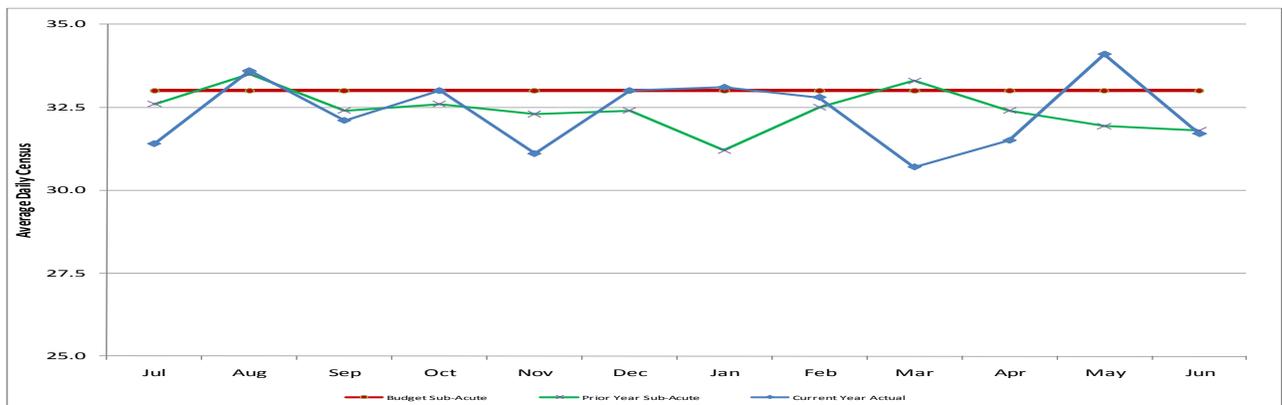
The acute average length of stay (ALOS) increased slightly from May of 3.94 to June of 3.97, but still below budget of 3.99. The overall acute ALOS for FY 2011 was 4.13. The graph below shows the ALOS by month compared to the budget.

Acute Care Average Length of Stay



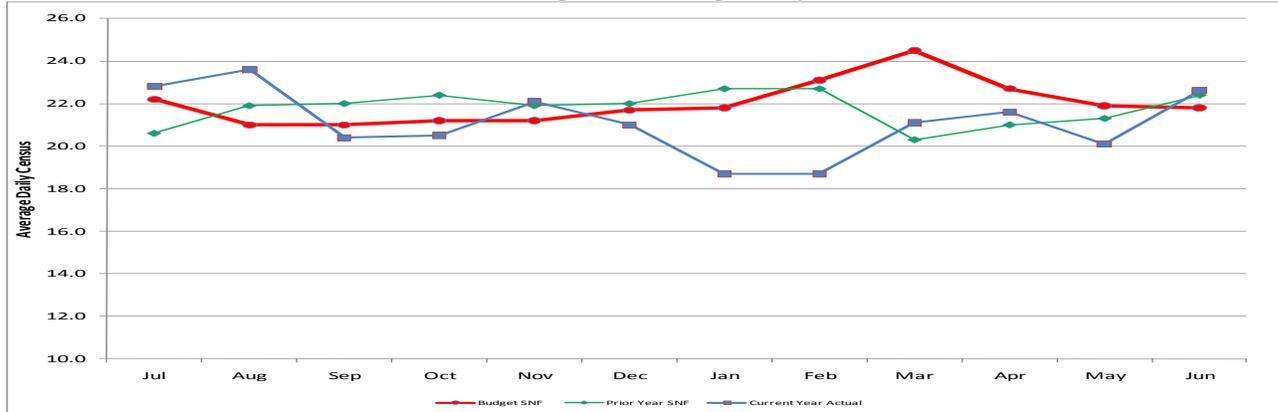
The Sub-Acute programs average daily census of 31.73 in June was below budgeted projections by 1.27 ADC or 3.8%. The graph below shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.

Sub-Acute Care Average Daily Census



The Skilled Nursing Unit (South Shore) ADC was higher than budget by .72 or 3.3% for the month of June. YTD ADC is also down compared to budget but very close to prior year. Efforts to improve census have been successful 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 June there was a greater number of Medicare A patients (4.5 ADC), which has resulted in a greater number of discharges. These skilled Medicare patients will also result in higher net revenues of about \$47,000.

Skilled Nursing Unit Average Daily Census

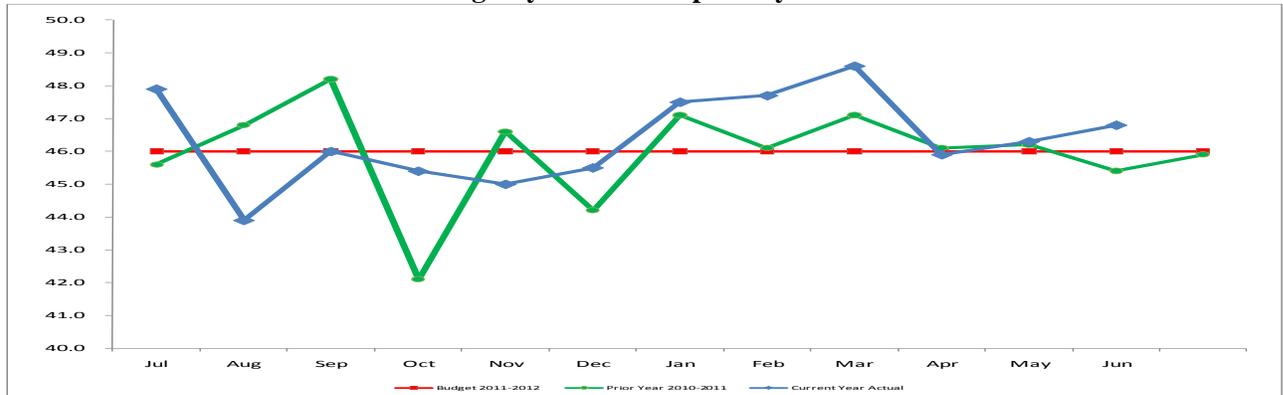


ANCILLARY SERVICES

Outpatient Services

Emergency Care Center visits in June were 1,405. This is 25 visits (1.8%) over the budget of 1,380. 15.2% of ECC visits resulted in inpatient admissions consistent with the 18.4% in May. On a per day basis, the total visits represent an increase of 1.08% from the prior month daily average. In June, there were 235 ambulance arrivals versus 327 in the prior month. Of the 235 ambulance arrivals in the current month, 152 or 64.7% were from Alameda Fire Department (AFD) ambulances.

Emergency Care Visits per Day



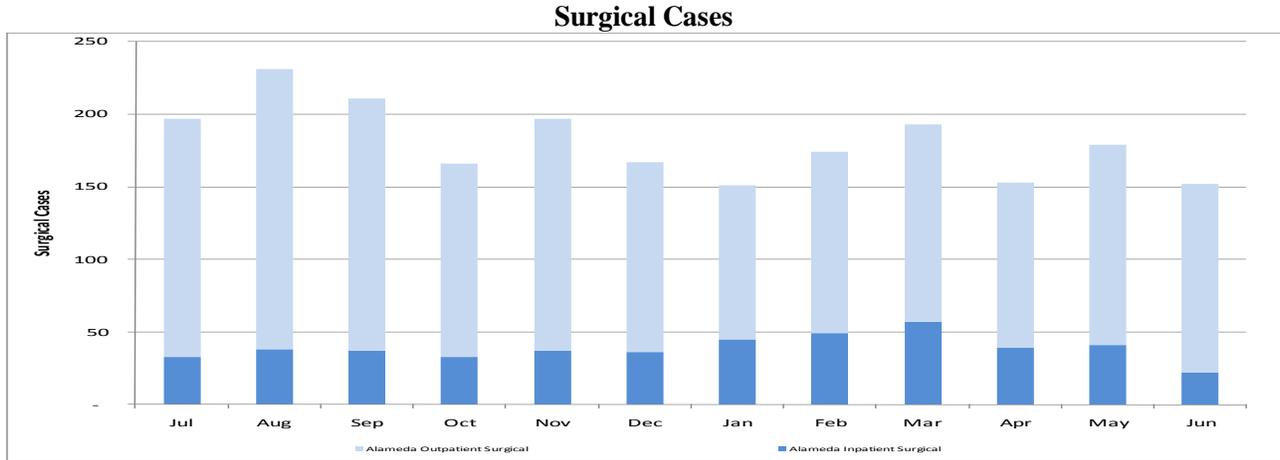
Outpatient registrations were 1,857, or 14.6% below budget. June’s average daily registrations were 61.9 which were 2.3% higher than the prior month. This is in consistent with YTD outpatient registrations which are below budget by 9.6%. This month Laboratory and Radiology were down 179 and 58 visits respectively. We had budgeted a 2% increase in radiology and although visits are on par with prior year, we have not achieved the budgeted increase. On the other hand visits were up in Physical Therapy (72 visits). There were no Wound Care visits but visits were again budgeted as the program was expected to start in mid January. This equated to a total of 320 in June and 1,250 visits for the five and a half months ending June 30th.

Surgery

The year-to-date surgery cases were 2,189 or 1.4% below the budget of 2,221 and slightly below last year’s case volume. For the month, total surgery cases were below budgeted expectations by 22.1% at 152 cases versus the budget of 195 cases. Inpatient cases were below budget by 24 (52.2%) while outpatient cases were 19 (12.8%) below budget. Inpatient and

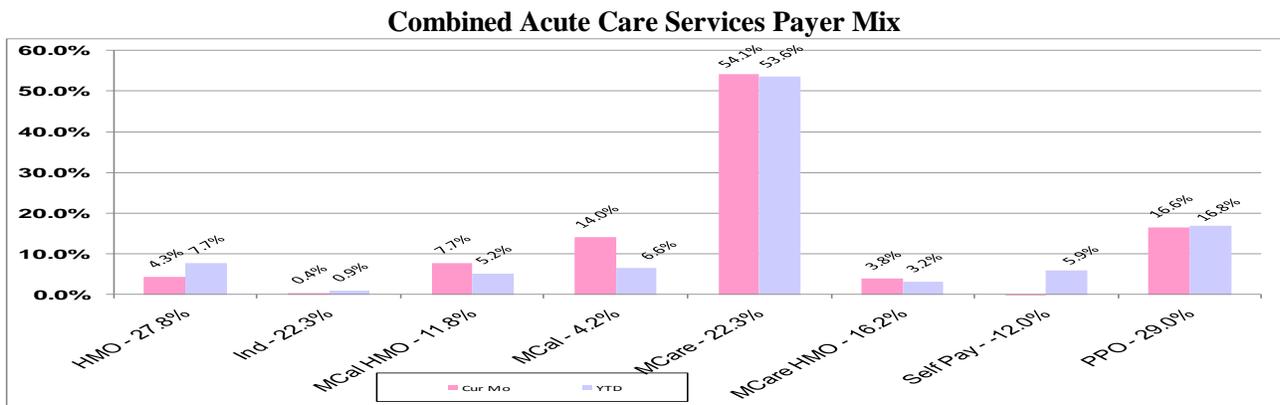
outpatient cases totaled 22 and 130 in June versus 41 and 138 during the prior month. The new Orthopedic Surgery program will add to growth in this service in the next fiscal year.

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



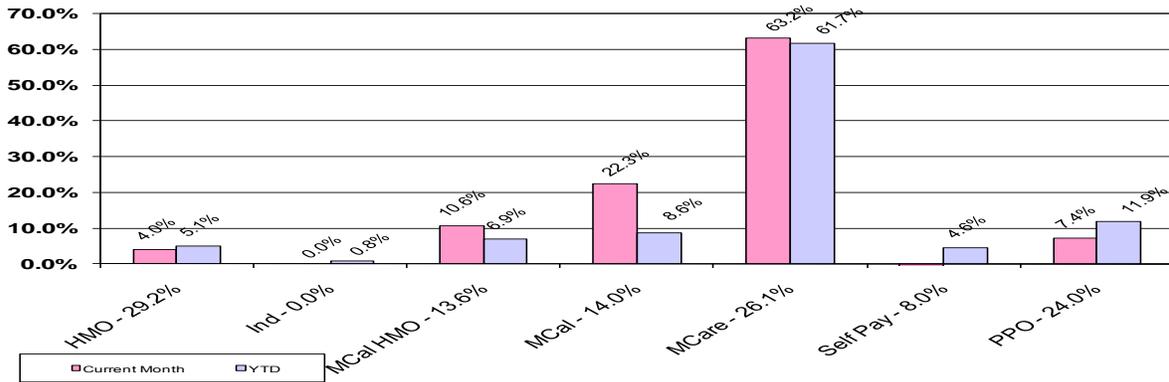
Payer Mix

Combined acute care services (inpatient and outpatient) Medicare and Medicare Advantage total gross revenue in June made up 57.9% of the month's total gross patient revenue. Combined Medicare revenue was followed by HMO/PPO utilization at 20.8%, Medi-Cal Traditional and Medi-Cal HMO utilization at 21.7% and Self Pay at -1.1% (will discuss reason of this change in the next Acute Care payer mix section). 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.



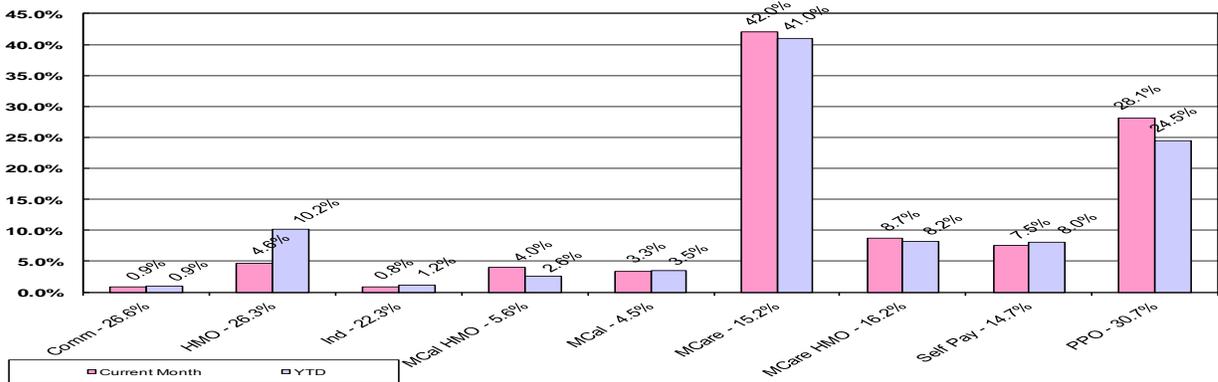
The inpatient acute care current month gross Medicare and Medicare Advantage charges made up 63.2% of our total inpatient acute care gross revenues followed by HMO/PPO at 11.4%, Medi-Cal and Medi-Cal HMO at 33.0% and Self Pay at -7.9% of the inpatient acute care revenue. The negative Self-Pay payer mix and large increase in Med-Cal payer mix is the result of a patient with a long length of stay and almost \$1 million in gross charges, becoming eligible for Medi-Cal during June and the corresponding change in financial class. 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



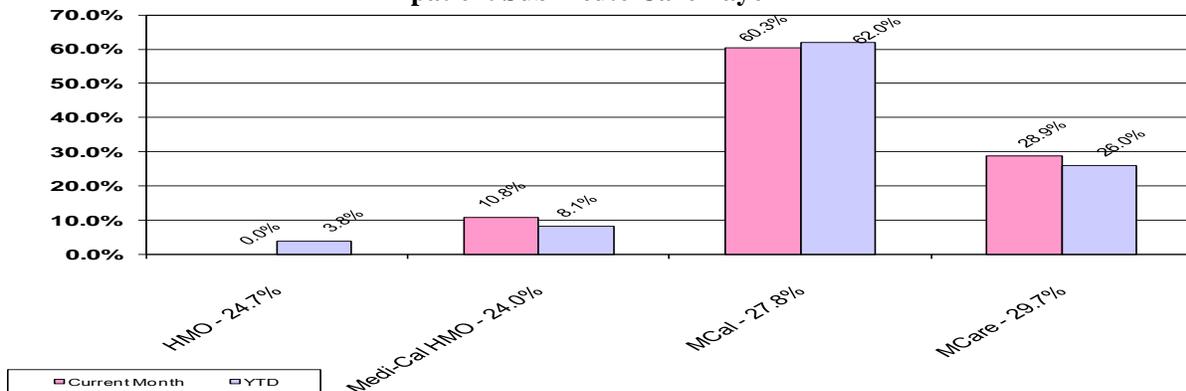
The outpatient gross revenue payer mix for June was comprised of 50.7% Medicare and Medicare Advantage, 33.6% HMO/PPO, 7.3% Medi-Cal and Medi-Cal HMO, and 7.5% self pay. The graph below shows the current month and fiscal year to date outpatient payer mix and the current months estimated level of reimbursement for each payer.

Outpatient Services Payer Mix



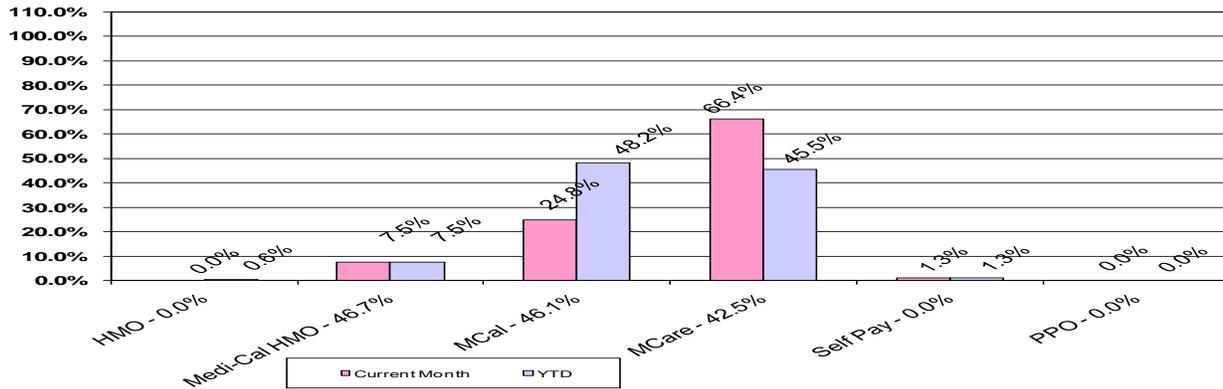
In June, the Sub-Acute care program again was dominated by Medi-Cal utilization of 71.1%. Medicare was 28.9% and no HMO/PPO patients. The graph below shows the payer mix for the current month and fiscal year to date and the current months estimated reimbursement rate for each payer.

Inpatient Sub-Acute Care Payer Mix



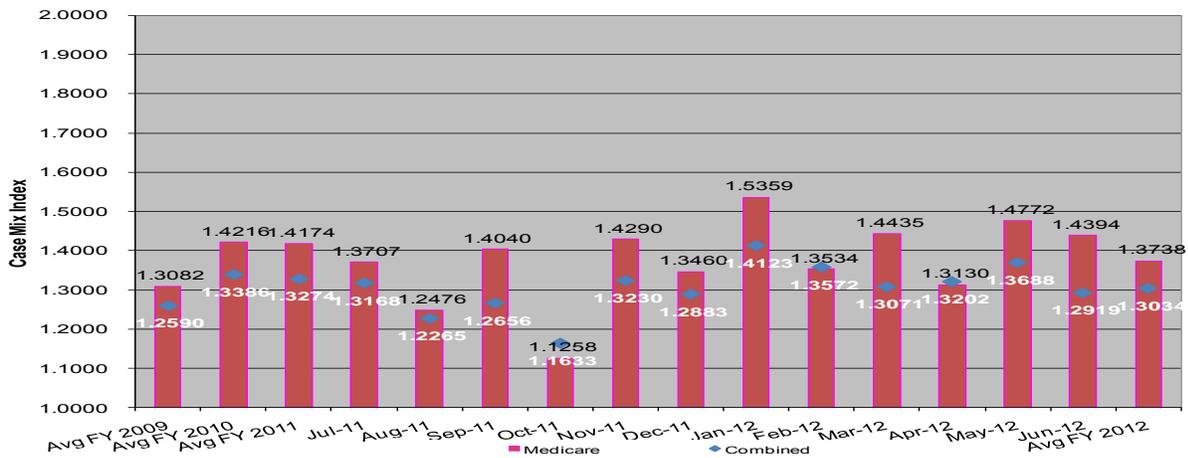
The graph below shows the current month and fiscal year to date skilled nursing payer mix and the current month's estimated level of reimbursement for each payer. Note the change in volumes between Medicare and Medi-Cal. This reflects the successful placement of an increasing volume of post-acute skilled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

Inpatient Skilled Nursing Payer Mix



Case Mix Index

The hospital's overall Case Mix Index (CMI) for June was 1.2919, down from the prior months of 1.3688, and above the June 2011 of 1.2392. The Medicare CMI was 1.4394 in June, down from 1.4772 in May. 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 June 2012 the CMI was 1.3055. This represents only a 2.1% 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.

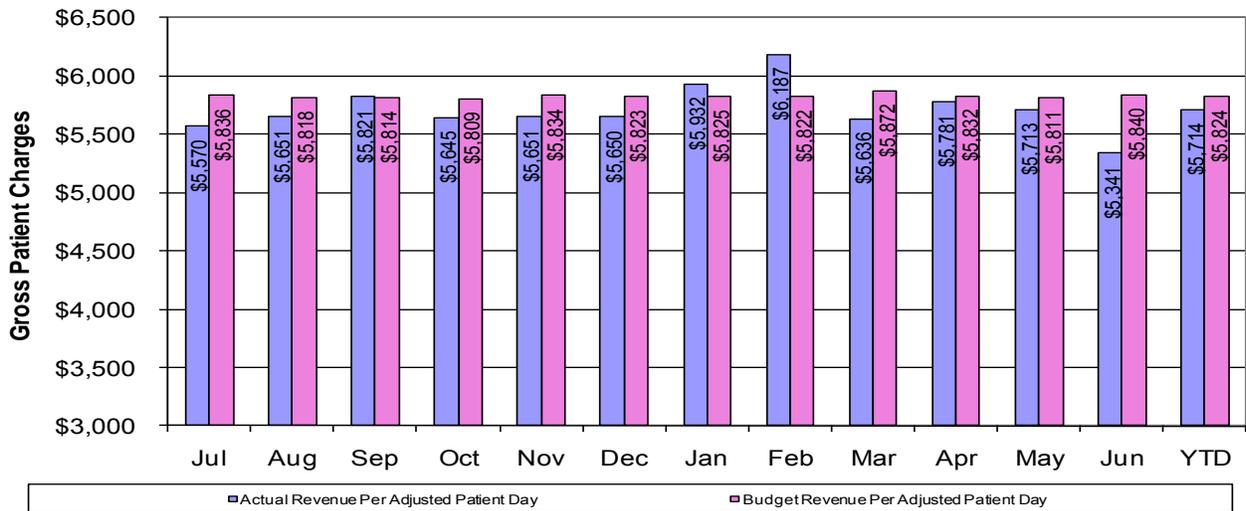
Case Mix Index Comparison

Financial Class	Jun 10 - Mar 11	June 11 YTD	June 12 YTD	June 12 YTD Volume
Blue Cross	0.0000	0.9873	0.0000	-
Commercial - Non-Contracted	1.9649	1.8247	1.0324	10
HMO	1.2522	1.1582	1.2616	117
Industrial	1.8373	1.6279	1.5277	11
Kaiser	1.8412	1.8802	1.6376	16
Medi-Cal HMO	1.0008	0.9818	1.1172	192
Medi-Cal	1.2724	1.2364	1.3078	136
Medicare	1.4724	1.4268	1.3772	1,474
Medicare HMO	1.3568	1.2774	1.3370	249
Personal Pay	1.0105	1.0689	1.1370	188
Medi-Cal Pending	1.8334	1.7215	2.3994	6
PPO	1.2613	1.2696	1.1141	303
VA	1.4051	1.2900	1.4113	53
Combined	1.3758	1.3339	1.3055	2,755

Revenue

Gross patient charges in June were below budget by \$3.5 million, or 15.4%. Inpatient revenues were \$2.4 million below the budget and outpatient revenues were down \$1.1 million; of the outpatient revenue variance \$685,000 was associated with the delayed opening of the Wound Care Clinic. Acute Inpatient days were below budget by 20.5%, compounded with lower inpatient surgeries are attributable to the inpatient gross revenue being under budget. Outpatient registrations were 14.6% under budget. Outpatient revenues were lower than budget as a result of the lower volume with Wound Care, Surgical Services and Emergency being the largest contributors to this variance. On an adjusted patient day basis, total patient revenue was \$5,341, below the budget of \$5,840 for the month of June and below the May's gross revenue per APD of \$5,713. 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. A collection ratio of 22.2% was budgeted and 24.9% was realized. As mentioned previously, there were two specific positive activities that helped contribute to a more positive net income in June, receipt of AB 915 money \$100,000 more than accrued and increase in Medicare A census and RUG levels at South Shore resulting in additional net revenue of \$47,000. Furthermore, the Medi-Cal qualification of the one long term Self Pay patient provided an additional \$56,000 Net Revenue in June. Net Revenue percentage without these unordinary items would be 23.9%.

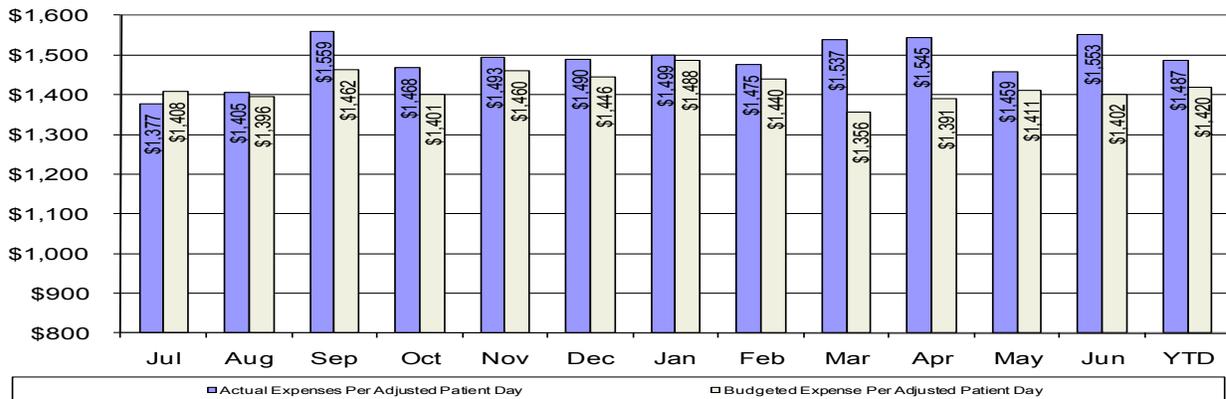
Expenses

Total Operating Expenses

Total operating expenses were higher than the fixed budget by just \$132, 000 or 2.4% and YTD is above budget by just 0.9%. Salaries were above budget, while registry and benefits were below 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 \$105,000 and were unfavorable to budgeted levels on a per adjusted patient day (PAPD) basis by \$90 or 12.9%. Year to date salaries and agency expenses are running just above budget by \$121,000 or 5.1% PAPD. During the month of June, salaries were mainly over budget due to overtime pay in CCU and Telemetry departments, as well as higher salaries in the ECC and Nursing Administration. Steps are being taken to reduce the use of overtime and premium pay to minimize this additional expense in future months. The Hospital has also added five non-budgeted FTE's in preparation for the expansion of our long term care services with Waters Edge.

Benefits

Benefits were favorable to the fixed budget by \$99,000 or 12.5%, and under budget per adjusted patient day by 5.7%. Health benefit expense was lower than budget by about \$50,000. In addition, there was a year end adjustment for pension forfeiture account in the amount of \$41,000. For the fiscal year, benefit expense was \$572,000 (6%) greater than budget.

Professional Fees

Professional fees which had been running over budget most of the year were favorable by \$9,000 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 consulting and legal fees. For the fiscal year, professional fees were \$696,000 (18.5%) greater than budget resulting from consulting fees associated with the business office / revenue cycle work that has taken place over most the past year.

Supplies

Supplies were unfavorable to budget by \$35,000 (4.5%). The unfavorable variance with the result of a year -end adjustment to inventories of about \$110,000 following inventory counts. For the fiscal year supply expense is \$1.37 million under budget. This variance is related to patient volumes (inpatient and outpatient) being lower than budget, lower than budgeted pharmaceutical expense for infusion drugs as well as delayed start of the Wound Care program.

Purchased Services

Purchased services were \$27,000 above the fixed budget and \$15 unfavorable PAPD. Year to date, purchased services are \$143,000 higher than budget. This variance is driven by the cost Linen service at Waters Edge and collection agency fees associated with self pay collections.

Rents and Leases

Rents and leases were above the fixed budget by \$27,000, and above budget \$10 PAPD in June. The radiology equipment lease budget is understated by about \$8,000 per month as well as the Primary Clinic building rent. These have both been corrected in the FY 2013 budget. For the fiscal year rents and leases are greater than budget by \$107,000.

Other Operating Expense

Other operating expenses were \$41,000 over the fixed budget and \$13 over the budget on a PAPD basis. This variance is attributed to an Orthopedic Clinic recruiting expenses, forgiveness of prior physician recruitment fees as well as unanticipated recruitment expenses in Human Resources. For the fiscal year other operating expenses are \$218,000 greater than budget.

Total Operating expenses for the fiscal year were \$601,000 greater than budget. However, positive to note that they were only \$35,000 greater than prior fiscal year. We feel we have done a descent job managing expenses over this past year, the biggest shortfall was on the revenue side which will be improved in the next fiscal year with the three new exciting programs all coming on line.

Balance Sheet

Total assets increased almost \$5.5 million from the prior month due to our recording property tax receivable for the next fiscal year. The following items make up the increase in current assets:

- Total unrestricted cash and cash equivalents for June decreased by almost \$300,000 and days cash on hand including restricted use funds decreased to 17.7 days on hand in June from 19.5 days on hand in May. Patient collections in June averaged \$161,000 per day.
- Net patient accounts receivable decreased in June by \$62,000. This decrease is the result of continued positive cash collection during the month (\$4.8 million) and the total gross AR being reduced. Self pay accounts are being worked through an early-out collection process. We hoped to have about \$8.2 million in self pay accounts older than 180 days written off in June. Due to some system challenges, this did not occur until July. Net Accounts Receivable reflects adequate reserve for this bad debt assignment as of the end of June.
- Days in outstanding receivables were 55.2 at June month end, a decrease from May at 55.7 days. Collections in June were \$4.8 million compared to \$5.2 million in May.
- Other Receivables increased by \$5.8 million due to recording property tax for FY 2013 for \$5.7 million. Third Party Settlements and Prepaid remained fairly constant from one month to the next. Inventories decreased by \$110,000 as a result of year end physical inventory count and the inventory valuation true-up.

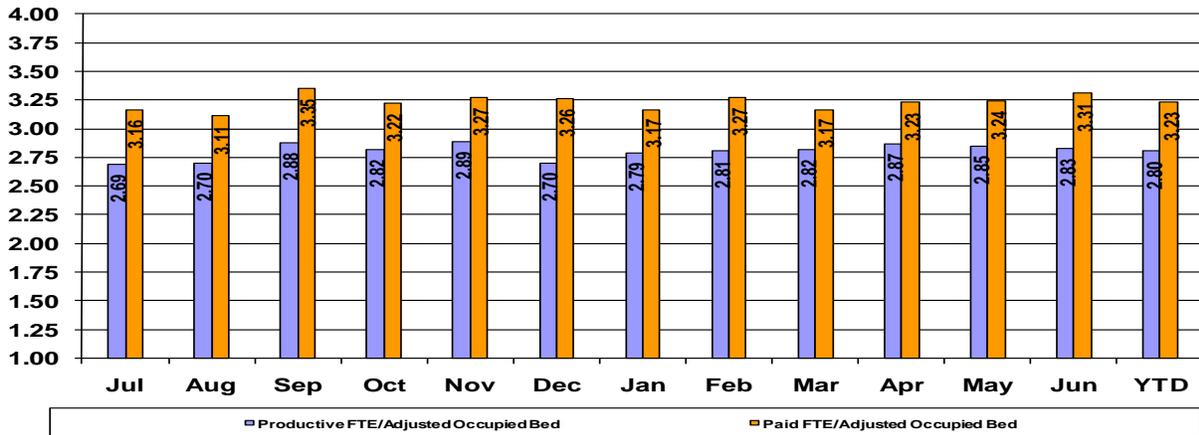
Total liabilities increased by \$5.7 million compared to a decrease of \$1.0 million in the prior month. This increase in the current month was the result of the following:

- Accounts payable increased by \$79,000 in June to \$8.2 million which equates to 126 AP Days, down from 128 days in May. Accounts Payable and other accrued expenses are still about \$1.3 million higher than prior fiscal year end.
- Payroll related accruals increased by \$100,000.
- Deferred revenues increased by \$5.2 million due to the recognition of one-twelfth of the 2011/2012 parcel tax revenues and recording \$5.7 million for 2012/2013.

Key Statistics

FTE's per Adjusted Occupied Bed

For the fiscal year end FTE's per Adjusted Occupied Bed were 2.83, above the budget of 2.7 FTE's by 4.8%, and paid FTE's were 3.25 or 2.8% 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 June is 0.96. This is a decrease from last month’s ratio of .97. 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 need to be greater than \$7.50 million and is currently at \$7.2 million. We are in discussions with the bank regarding terms for a waiver to these covenants provided the new fiscal year budget and new revenue programs coming on line in the next couple of months.

A/R days

Net days in net Accounts Receivable are currently at 55.2. This is down again from prior month. We are working hard to bring this number down below 55, which will help our cash position. The lower days are the result of three strong collection months.

Days Cash on Hand

Days cash on hand for June was 17.7. This is a decrease from prior month of 19.5 as a result of paying additional accounts payable for year end.

The following pages include the detailed financial statements for the twelve (12) months ended June 30, 2012, of fiscal year 2012.

**ALAMEDA HOSPITAL
KEY STATISTICS
JUNE 2012**

	<u>ACTUAL JUNE 2012</u>	<u>CURRENT FIXED BUDGET</u>	<u>VARIANCE (UNDER) OVER</u>	<u>%</u>	<u>JUNE 2011</u>	<u>YTD JUNE 2012</u>	<u>YTD FIXED BUDGET</u>	<u>VARIANCE</u>	<u>%</u>	<u>YTD JUNE 2011</u>
Discharges:										
Total Acute	183	229	(46)	-20.1%	212	2,799	2,808	(9)	-0.3%	2,527
Total Sub-Acute	4	1	3	300.0%	1	30	17	13	76.5%	24
Total Skilled Nursing	2	9	(7)	-77.8%	11	116	107	9	8.4%	109
	<u>189</u>	<u>239</u>	<u>(50)</u>	<u>-20.9%</u>	<u>224</u>	<u>2,945</u>	<u>2,932</u>	<u>13</u>	<u>0.4%</u>	<u>2,660</u>
Patient Days:										
Total Acute	726	913	(187)	-20.5%	745	10,880	11,231	(351)	-3.1%	10,443
Total Sub-Acute	952	990	(38)	-3.8%	954	11,842	12,078	(236)	-2.0%	11,861
Total Skilled Nursing	677	655	22	3.3%	672	7,726	8,052	(326)	-4.0%	7,966
	<u>2,355</u>	<u>2,558</u>	<u>(203)</u>	<u>-8.0%</u>	<u>2,371</u>	<u>30,448</u>	<u>31,361</u>	<u>(913)</u>	<u>-2.9%</u>	<u>30,270</u>
Average Length of Stay										
Total Acute	3.97	3.99	(0.02)	-0.5%	3.51	3.89	4.00	(0.11)	-2.8%	4.13
Average Daily Census										
Total Acute	24.20	30.43	(6.23)	-20.5%	24.83	29.73	30.69	(0.96)	-3.1%	28.53
Total Sub-Acute	31.73	33.00	(1.27)	-3.8%	31.80	32.36	33.00	(0.64)	-2.0%	32.41
Total Skilled Nursing	22.57	21.85	0.72	3.3%	22.40	21.11	22.00	(0.89)	-4.0%	21.77
	<u>78.50</u>	<u>85.28</u>	<u>(6.78)</u>	<u>-8.0%</u>	<u>79.03</u>	<u>83.19</u>	<u>85.68</u>	<u>(1.60)</u>	<u>-1.9%</u>	<u>82.70</u>
Emergency Room Visits	1,405	1,380	25	1.8%	1,363	16,969	16,836	133	0.8%	16,816
Outpatient Registrations	1,857	2,174	(317)	-14.6%	1,983	22,244	24,594	(2,350)	-9.6%	23,796
Surgery Cases:										
Inpatient	22	46	(24)	-52.2%	33	485	536	(51)	-9.5%	502
Outpatient	130	149	(19)	-12.8%	184	1,704	1,685	19	1.1%	1,730
	<u>152</u>	<u>195</u>	<u>(43)</u>	<u>-22.1%</u>	<u>217</u>	<u>2,189</u>	<u>2,221</u>	<u>(32)</u>	<u>-1.4%</u>	<u>2,232</u>
Adjusted Occupied Bed (AOB)	121.82	131.77	(9.95)	-7.6%	120.86	122.97	128.02	(5.05)	-3.9%	123.35
Productive FTE	344.77	348.48	(3.71)	-1.1%	325.77	347.63	345.47	2.16	0.6%	362.54
Total FTE	403.40	399.38	4.02	1.0%	398.43	399.64	404.77	(5.13)	-1.3%	420.78
Productive FTE/Adj. Occ. Bed	2.83	2.64	0.19	7.0%	2.70	2.83	2.70	0.13	4.8%	2.94
Total FTE/ Adj. Occ. Bed	3.31	3.03	0.28	9.3%	3.30	3.25	3.16	0.09	2.8%	3.41

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

	Current Month	Prior Month	Prior Year End
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 3,313,385	\$ 3,579,931	\$ 1,784,141
Patient Accounts Receivable, net	8,835,256	8,897,898	7,249,185
Other Receivables	6,462,932	630,104	8,090,457
Third-Party Payer Settlement Receivables	214,363	626,363	150,000
Inventories	990,056	1,102,554	1,183,358
Prepays and Other	263,419	172,121	262,359
Total Current Assets	20,079,411	15,008,971	18,719,500
Assets Limited as to Use, net	64,183	54,715	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	4,337,208	3,831,742	2,921,048
Depreciation	(39,670,499)	(39,604,513)	(38,862,494)
Property, Plant and Equipment, net	8,949,824	8,510,344	8,320,070
Total Assets	\$ 29,093,418	\$ 23,574,030	\$ 27,523,286
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	\$ 1,472,605	\$ 1,499,352	\$ 746,074
Accounts Payable and Accrued Expenses	8,220,804	8,141,604	6,987,765
Payroll Related Accruals	4,321,671	4,220,942	3,991,254
Deferred Revenue	5,726,305	478,388	5,725,900
Employee Health Related Accruals	691,942	692,106	343,382
Third-Party Payer Settlement Payable	439,170	452,952	(3,930)
Total Current Liabilities	20,872,497	15,485,344	17,790,445
Long Term Debt, net	1,260,917	882,760	1,142,109
Total Liabilities	22,133,414	16,368,104	18,932,554
Net Assets:			
Unrestricted	6,685,821	6,941,211	8,037,015
Temporarily Restricted	274,183	264,715	553,716
Total Net Assets	6,960,004	7,205,926	8,590,731
Total Liabilities and Net Assets	\$ 29,093,418	\$ 23,574,031	\$ 27,523,286

City of Alameda Health Care District

Statements of Operations

June 30, 2012

\$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	\$ Variance	% Variance	Prior Year	Actual	Budget	\$ Variance	% Variance	Prior Year
Patient Days	2,355	2,558	(203)	-7.9%	2,371	30,448	31,360	(912)	-2.9%	30,270
Discharges	189	239	(50)	-20.9%	224	2,945	2,932	13	0.4%	2,660
ALOS (Average Length of Stay)	12.46	10.70	1.76	16.4%	10.58	10.34	10.70	(0.36)	-3.3%	11.38
ADC (Average Daily Census)	78.5	85.3	(6.77)	-7.9%	79.0	83	85.9	(2.50)	-2.9%	82.9
CMI (Case Mix Index)	1.2919				1.2392	1.3055				1.3274
Revenues										
Gross Inpatient Revenues	\$ 12,578	\$ 14,938	\$ (2,361)	-15.8%	\$ 12,135	\$ 174,058	\$ 182,665	\$ (8,607)	-4.7%	\$ 163,582
Gross Outpatient Revenues	6,941	8,063	(1,122)	-13.9%	6,575	83,619	89,584	(5,965)	-6.7%	80,180
Total Gross Revenues	19,519	23,002	(3,483)	-15.1%	18,710	257,677	272,249	(14,572)	-5.4%	243,761
Contractual Deductions	14,610	17,024	2,414	14.2%	13,761	192,912	200,826	7,913	3.9%	176,499
Bad Debts	(9)	709	718	101.3%	718	4,526	8,579	4,053	47.2%	8,015
Charity and Other Adjustments	54	171	116	68.2%	119	1,663	2,070	406	19.6%	1,768
Net Patient Revenues	4,864	5,098	(234)	-4.6%	4,112	58,576	60,774	(2,199)	-3.6%	57,479
Net Patient Revenue %	24.9%	22.2%			22.0%	22.7%	22.3%			23.6%
Net Clinic Revenue	42	33	9	26.0%	35	452	273	179	65.5%	430
Other Operating Revenue	10	10	(0)	-0.9%	12	233	121	112	92.3%	123
Total Revenues	4,916	5,141	(225)	-4.4%	4,159	59,261	61,169	(1,908)	-3.1%	58,032
Expenses										
Salaries	2,872	2,741	(131)	-4.8%	2,727	34,386	33,923	(463)	-1.4%	35,234
Temporary Agency	122	148	26	17.5%	143	1,447	1,788	342	19.1%	2,385
Benefits	695	794	99	12.5%	473	10,131	9,558	(572)	-6.0%	9,300
Professional Fees	359	367	9	2.4%	299	4,459	3,763	(696)	-18.5%	3,667
Supplies	806	771	(35)	-4.5%	485	7,720	9,088	1,368	15.1%	8,125
Purchased Services	401	374	(27)	-7.2%	345	4,565	4,422	(143)	-3.2%	4,318
Rents and Leases	143	116	(27)	-23.2%	83	1,288	1,181	(107)	-9.0%	838
Utilities and Telephone	70	65	(5)	-6.9%	69	790	779	(11)	-1.4%	770
Insurance	30	17	(13)	-76.7%	37	333	203	(130)	-63.9%	384
Depreciation and amortization	66	78	12	15.5%	77	844	875	31	3.5%	953
Other Operating Expenses	112	71	(41)	-57.2%	127	1,112	905	(207)	-22.9%	1,080
Total Expenses	5,674	5,542	(132)	-2.4%	4,863	67,074	66,486	(588)	-0.9%	67,053
Operating gain (loss)	(758)	(401)	(358)	-89.3%	(704)	(7,813)	(5,317)	(2,495)	46.9%	(9,021)
Non-Operating Income / (Expense)										
Parcel Taxes	477	478	(1)	-0.2%	480	5,768	5,736	32	0.6%	5,748
Investment Income	0	0	(0)	-42.9%	7	7	(149)	156	-104.5%	19
Interest Expense	(10)	(11)	2	14.4%	(12)	(181)	(13)	(168)	1315.4%	(121)
Other Income / (Expense)	29	22	6	27.6%	23	315	268	47	17.5%	1,716
Net Non-Operating Income / (Expense)	496	489	7	1.4%	499	5,909	5,842	67	1.1%	7,363
Excess of Revenues Over Expenses	\$ (262)	\$ 89	\$ (351)	-395.4%	\$ (206)	\$ (1,904)	\$ 525	\$ (2,429)	-462.6%	\$ (1,658)

City of Alameda Health Care District
Statements of Operations - Per Adjusted Patient Day
June 30, 2012

	Current Month					Year-to-Date				
	Actual	Budget	\$ Variance	% Variance	Prior Year	Actual	Budget	\$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	\$ 3,442	\$ 3,793	\$ (351)	-9.3%	\$ 3,319	\$ 3,861	\$ 3,908	\$ (47)	-1.2%	\$ 3,627
Gross Outpatient Revenues	1,899	2,047	(148)	-7.2%	1,799	1,855	1,917	(62)	-3.2%	1,778
Total Gross Revenues	5,341	5,840	(499)	-8.5%	5,118	5,717	5,825	(108)	-1.9%	5,404
Contractual Deductions	3,998	4,322	325	7.5%	3,764	4,280	4,297	17	0.4%	3,913
Bad Debts	(2)	180	183	101.4%	197	100	184	83	45.3%	178
Charity and Other Adjustments	15	43	29	65.8%	33	37	44	7	16.7%	39
Net Patient Revenues	1,331	1,294	37	2.8%	1,125	1,300	1,300	(1)	-0.1%	1,274
Net Patient Revenue %	24.9%	22.2%			22.0%	22.7%	22.3%			23.6%
Net Clinic Revenue	11	8	3	35.8%	10	10	6	4	71.6%	10
Other Operating Revenue	3	3	0	6.8%	3	5	3	3	99.4%	3
Total Revenues	1,345	1,305	40	3.1%	1,138	1,315	1,309	6	0.5%	1,287
Expenses										
Salaries	786	696	(90)	-12.9%	746	763	726	(37)	-5.1%	781
Temporary Agency	33	38	4	11.1%	39	32	38	6	16.1%	53
Benefits	190	201	11	5.7%	129	225	205	(20)	-9.9%	206
Professional Fees	98	93	(5)	-5.2%	82	99	81	(18)	-22.9%	81
Supplies	220	196	(25)	-12.7%	133	171	194	23	11.9%	180
Purchased Services	110	95	(15)	-15.6%	94	101	95	(7)	-7.0%	96
Rents and Leases	39	29	(10)	-32.7%	23	29	25	(3)	-13.1%	19
Utilities and Telephone	19	17	(3)	-15.3%	19	18	17	(1)	-5.1%	17
Insurance	8	4	(4)	-90.4%	10	7	4	(3)	-70.0%	9
Depreciation and Amortization	18	20	2	8.9%	21	19	19	(0)	0.0%	21
Other Operating Expenses	31	18	(13)	-69.4%	35	25	19	(5)	-27.4%	24
Total Expenses	1,553	1,407	(146)	-10.3%	1,330	1,488	1,422	(66)	-4.6%	1,487
Operating Gain / (Loss)	(207)	(102)	(106)	-104.0%	(193)	(173)	(114)	(60)	52.5%	(200)
Non-Operating Income / (Expense)										
Parcel Taxes	131	121	9	7.6%	131	128	123	5	4.3%	127
Investment Income	0	0	(0)	-38.4%	2	0	0	0	181.1%	0
Interest Expense	(3)	(3)	0	7.8%	(3)	(4)	(3)	(1)	25.7%	(3)
Other Income / (Expense)	8	6	2	37.5%	6	7	6	1	21.8%	38
Net Non-Operating Income / (Expense)	136	124	12	9.3%	136	131	125	6	4.6%	163
Excess of Revenues Over Expenses	\$ (72)	\$ 23	\$ (94)	-418.4%	\$ (56)	\$ (42)	\$ 12	\$ (54)	-456.5%	\$ (37)

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

	<u>Current Month</u>	<u>Year-to-Date</u>
Cash flows from operating activities		
Net Income / (Loss)	\$ (262,063)	\$ (1,903,874)
Items not requiring the use of cash:		
Depreciation and amortization	65,987	\$ 844,314
Write-off of Kaiser liability	-	\$ -
Changes in certain assets and liabilities:		
Patient accounts receivable, net	62,642	(1,586,071)
Other Receivables	(5,832,828)	1,627,525
Third-Party Payer Settlements Receivable	398,218	378,737
Inventories	112,498	193,302
Prepays and Other	(91,298)	(1,060)
Accounts payable and accrued liabilities	79,200	1,233,039
Payroll Related Accruals	100,729	330,417
Employee Health Plan Accruals	(164)	348,560
Deferred Revenues	5,247,917	405
Cash provided by (used in) operating activities	<u>(119,162)</u>	<u>1,465,294</u>
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	(9,468)	419,533
Additions to Property, Plant and Equipment	(505,467)	(1,474,068)
Other	6,673	552,680
Cash provided by (used in) investing activities	<u>(508,262)</u>	<u>(501,855)</u>
Cash flows from financing activities		
Net Change in Long-Term Debt	351,410	845,339
Net Change in Restricted Funds	9,468	(279,533)
Cash provided by (used in) financing and fundraising activities	<u>360,878</u>	<u>565,806</u>
Net increase (decrease) in cash and cash equivalents	(266,546)	1,529,245
Cash and cash equivalents at beginning of period	3,579,931	1,784,141
Cash and cash equivalents at end of period	<u>\$ 3,313,385</u>	<u>\$ 3,313,386</u>

**City of Alameda Health Care District
Ratio's Comparison**

Financial Ratios	Audited Results			Unaudited Results	
	FY 2008	FY 2009	FY 2010	FY 2011	YTD 6/30/2012
<u>Profitability Ratios</u>					
Net Patient Revenue (%)	22.48%	22.69%	24.16%	23.58%	22.73%
Earnings Before Depreciation, Interest, Taxes and Amortization (EBITA)	-0.72%	3.62%	4.82%	-1.01%	-1.48%
EBIDAP ^{Note 5}	-10.91%	-5.49%	-3.66%	-13.41%	-11.22%
Total Margin	-3.75%	1.03%	2.74%	-2.61%	-3.21%
<u>Liquidity Ratios</u>					
Current Ratio	0.98	1.15	1.23	1.05	0.96
Days in accounts receivable ,net	51.70	57.26	51.83	46.03	55.21
Days cash on hand (with restricted)	30.6	13.6	21.6	14.1	17.7
<u>Debt Ratios</u>					
Cash to Debt	187.3%	115.3%	249.0%	123.3%	123.56%
Average pay period (includes payroll)	58.93	58.03	57.11	62.68	72.94
Debt service coverage	(0.14)	3.87	5.98	(0.70)	(0.53)
Long-term debt to fund balance	0.26	0.20	0.14	0.18	0.28
Return on fund balance	-29.59%	8.42%	18.87%	-19.21%	-27.35%
Debt to number of beds	20,932	13,481	10,482	11,515	16,978

**City of Alameda Health Care District
Ratio's Comparison**

Financial Ratios	Audited Results			Unaudited Results	
	FY 2008	FY 2009	FY 2010	FY 2011	YTD 6/30/2012
Patient Care Information					
Bed Capacity	135	161	161	161	161
Patient days(all services)	22,687	30,463	30,607	30,270	30,448
Patient days (acute only)	11,276	11,787	10,579	10,443	10,880
Discharges(acute only)	2,885	2,812	2,802	2,527	2,799
Average length of stay (acute only)	3.91	4.19	3.78	4.13	3.89
Average daily patients (all sources)	61.99	83.46	83.85	82.93	83.19
Occupancy rate (all sources)	45.92%	52.94%	52.08%	51.51%	51.67%
Average length of stay	3.91	4.19	3.78	4.13	3.89
Emergency Visits	17,922	17,337	17,624	16,816	16,964
Emergency visits per day	48.97	47.50	48.28	46.07	46.35
Outpatient registrations per day ^{Note 1}	84.54	82.05	79.67	65.19	60.67
Surgeries per day - Total	14.78	16.12	13.46	6.12	5.94
Surgeries per day - excludes Kaiser	5.54	5.14	5.32	6.12	5.94

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 instruments.
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.

DATE: July 19, 2012

FOR: July 25, 2012 Special District Board Meeting

TO: City of Alameda Health Care District Board of Directors

FROM: Deborah E. Stebbins, Chief Executive Officer
Kerry J. Easthope, Chief Financial Officer

SUBJECT: Approval of Fiscal Year 2012-2013 Operating and Capital Budget including Cash Flow

Recommendation:

Hospital management is recommending the approval of the enclosed Fiscal Year 2013 Operating and Capital Budgets. The annual consolidated Net Income from operations is budgeted to be \$613,695 and the recommended Capital Budget is \$1,875,466.

Attached are the following documents for approval:

- Fiscal 2013 Consolidated Statement of Income and Expenses (Operating Budget)
- Fiscal 2013 Capital Budget
- Fiscal 2013 Cash Flow forecast based the proposed operating and capital budgets
- Fiscal 2013 Key Operating Statistics

Background:

The detailed Fiscal Year (FY) 2013 operating budget narrative, operating statistics, and budget revenue and expense assumptions were presented at the May 30, 2012 Finance & Management Committee meeting and at the June 6, 2012 District Board Meeting and are available for reference on the District's website.

A significant component of achieving a positive net income in the FY 2013 operation was contingent upon the District operating of Waters Edge Skilled Nursing Facility for the entire fiscal year. As of the June 6 Board Meeting, we had not received CMS certification required to operate Waters Edge as a distinct part skilled nursing facility under the hospital's license. This uncertainty as to if and when this approval would occur, resulted in the Board deferring approval of the proposed operating and capital budgets. In addition, it was requested that a cash flow forecast supporting the operating budget be presented and that the proposed capital budget recommendations be incorporated into that cash flow forecast.

Discussion:

On July 5, 2012, the hospital was notified by CMS that our certification application had been approved. Since then, we have reengaged our transition and implementation planning teams and will take over operation of Waters Edge as of August 1, 2012.

The proposed FY 2013 operating budget has been revised to reflect only eleven months of Waters Edge as well as a few other core hospital operation budget adjustments as reflected on Schedule A and summarized here.

FY 2013 Operating Budget as presented on June 6, 2012	\$682,000
True up of Medi-Cal Acute Net Revenue	\$60,000
Adjustments to Salary Wages & Benefits	(\$160,443)
Less one month of Waters Edge net income	(\$223,737)
Bring management service contract in-house	\$50,000
Reduce use of overtime and double time	\$72,500
Delay addition of 3 rd MRI service day	\$88,375
Reduce non-physician recruitment expense	\$45,000
	<hr/>
Total Impact of these changes:	<u>(\$68,305)</u>
Revised FY 2013 Operating Budget	\$613,695

True up of our Medi-Cal acute revenue is based upon additional information available under the new State Medi-Cal reimbursement program that has been approved for District hospitals effective July 1, 2012. We continue to learn more about how this new payment structure will be implemented, but early modeling of the new reimbursement structure allow us to adjust our budget assumptions slightly more positive.

Salary and Wages are being adjusted to reflect net impact of eliminating one position in our support service departments as well as adding into the budget one key position that was overlooked in the original budget presentation.

The budget includes the first 11 months of Waters Edge operation. The twelve month has been removed reducing the overall annual net income by \$223,737. We are optimistic about the opportunity provided to us by adding Waters Edge to our operation, not only for FY 2013, but in subsequent years as well.

There are two management service contracts that we would like to bring back in-house. The details of hiring our own staff to perform these functions are being finalized. The \$50,000 budget impact assumes that one of the two management service contracts will be brought in-house.

Although there will always be some use of overtime and double time, part of effective operations management is monitoring and controlling this use. After discussions with our clinical leaders, we will reduce the use overtime / double time by 25% this next fiscal year. Savings from this initiative will equate to \$72,375 for the year.

The original budget proposal included a full year of an additional MRI service day. With the orthopedic physicians not starting until October 1, 2012, we can delay adding this additional service day until January 2013.

We will reduce the amount of fees associated with non-physician recruitment. The fiscal year 2013 budget had \$90,000 for this expense category based upon the past recruitment needs. We have reduced this by 50% in this revised budget as many of our key management positions have now been filled.

FY 2013 Capital Budget:

The recommended Capital Budget for 2013 is \$1,875,466. This proposed budget is \$404,000 greater than the \$1,471,466 presented at the June 6th Board meeting.

The attached Capital Budget detail shows which items have changed from the original proposal. The original budget omitted the Marina Village build-out for establishment of our orthopedic physicians and equipment needed in their practice. This project is estimated at \$450,000 and will be funded in part, by contributions from the Alameda Hospital Foundation. A couple of capital budget line items have also been adjusted to reflect more current budget estimates for these projects.

**Alameda Hospital - Consolidated
Statement of Income and Expense
FY 2013 Operating Budget**

	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Total</u>
Gross Patient Revenue	22,570,365	25,655,401	24,504,742	25,943,623	25,904,538	26,385,589	27,146,684	25,014,789	27,933,940	26,876,607	27,714,874	27,849,914	313,501,065
Total Deductions	17,704,968	19,799,063	18,733,822	19,881,535	19,772,806	20,132,270	20,660,879	19,069,532	21,297,193	20,480,774	21,115,400	21,195,017	239,843,259
Net Patient Revenue	4,865,397	5,856,339	5,770,919	6,062,088	6,131,733	6,253,319	6,485,805	5,945,257	6,636,747	6,395,833	6,599,473	6,654,896	73,657,806
Net Revenue Percent	21.56%	22.83%	23.55%	23.37%	23.67%	23.70%	23.89%	23.77%	23.76%	23.80%	23.81%	23.90%	23.50%
Other Operating Revenue	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	1,104,240
Total Revenue	4,957,417	5,948,359	5,862,939	6,154,108	6,223,753	6,345,339	6,577,825	6,037,277	6,728,767	6,487,853	6,691,493	6,746,916	74,762,046
Expenses													
Salaries and Agency	3,028,295	3,520,779	3,441,420	3,563,392	3,509,293	3,582,833	3,705,653	3,349,972	3,665,132	3,499,826	3,577,246	3,544,045	41,987,885
Benefits	840,671	878,859	897,457	943,418	964,366	1,005,178	1,041,778	1,028,635	1,108,385	1,112,183	1,153,543	1,178,351	12,152,825
Professional Fees	342,803	366,785	386,599	400,177	412,188	419,412	414,105	393,993	425,639	363,933	375,616	387,284	4,688,536
Supplies	630,417	754,088	731,982	730,026	737,961	737,876	742,156	733,618	751,389	744,373	758,178	763,858	8,815,922
Purchased Services	408,909	531,431	535,201	547,676	546,121	550,159	564,886	556,303	565,852	563,579	567,750	564,476	6,502,344
Rent	125,649	202,202	203,513	204,834	204,834	204,835	204,834	204,834	204,834	204,834	204,918	204,834	2,374,952
Insurance	27,794	39,960	40,750	41,539	41,539	41,539	41,539	41,538	41,539	41,539	41,552	41,539	482,366
Utilities & Telephone	72,046	87,044	87,044	87,044	87,044	87,044	87,044	87,044	87,044	87,044	87,061	87,044	1,029,547
Depreciation	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	816,072
Other	91,528	112,576	113,595	154,516	114,475	113,243	113,243	113,242	113,243	113,243	113,265	113,243	1,379,414
Total Expenses	5,636,118	6,561,730	6,505,566	6,740,628	6,685,827	6,810,125	6,983,243	6,577,185	7,031,063	6,798,560	6,947,135	6,952,681	80,229,862
Operating Income/(Loss)	(678,701)	(613,372)	(642,627)	(586,520)	(462,075)	(464,786)	(405,418)	(539,908)	(302,296)	(310,707)	(255,642)	(205,764)	(5,467,816)
Non-Operating	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	6,081,511
Net Income/(Loss)	(171,909)	(106,579)	(135,834)	(79,728)	44,718	42,007	101,375	(33,115)	204,497	196,085	251,151	301,028	613,695
Projected Current Ratio (LOC-Loan)	0.99	0.98	0.98	0.97	0.98	0.98	0.98	0.98	0.99	1.00	1.01	1.03	
Projected Net Assets	6,788,095	6,681,516	6,545,682	6,465,955	6,510,673	6,552,679	6,654,054	6,620,938	6,825,435	7,021,520	7,272,671	7,573,699	

**Alameda Hospital - Consolidated
Statement of Income and Expense
FY 2013 Operating Budget**

	<u>Jul-12</u>	<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-12</u>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Total</u>
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Net Revenue Percent	21.56%	22.83%	23.55%	23.37%	23.67%	23.70%	23.89%	23.77%	23.76%	23.80%	23.81%	23.90%	23.50%
Other Operating Revenue	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020	1,104,240
Total Revenue	4,957,417	5,948,359	5,862,939	6,154,108	6,223,753	6,345,339	6,577,825	6,037,277	6,728,767	6,487,853	6,691,493	6,746,916	74,762,046
Expenses													
Salaries and Agency Benefits	3,028,295	3,520,779	3,441,420	3,563,392	3,509,293	3,582,833	3,705,653	3,349,972	3,665,132	3,499,826	3,577,246	3,544,045	41,987,885
Professional Fees	840,671	878,859	897,457	943,418	964,366	1,005,178	1,041,778	1,028,635	1,108,385	1,112,183	1,153,543	1,178,351	12,152,825
Supplies	342,803	366,785	386,599	400,177	412,188	419,412	414,105	393,993	425,639	363,933	375,616	387,284	4,688,536
Purchased Services	630,417	754,088	731,982	730,026	737,961	737,876	742,156	733,618	751,389	744,373	758,178	763,858	8,815,922
Rent	408,909	531,431	535,201	547,676	546,121	550,159	564,886	556,303	565,852	563,579	567,750	564,476	6,502,344
Insurance	125,649	202,202	203,513	204,834	204,834	204,835	204,834	204,834	204,834	204,834	204,918	204,834	2,374,952
Utilities & Telephone	27,794	39,960	40,750	41,539	41,539	41,539	41,539	41,538	41,539	41,539	41,552	41,539	482,366
Depreciation	72,046	87,044	87,044	87,044	87,044	87,044	87,044	87,044	87,044	87,044	87,061	87,044	1,029,547
Other	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	68,006	816,072
Total Expenses	91,528	112,576	113,595	154,516	114,475	113,243	113,243	113,242	113,243	113,243	113,265	113,243	1,379,414
Operating Income/(Loss)	5,636,118	6,561,730	6,505,566	6,740,628	6,685,827	6,810,125	6,983,243	6,577,185	7,031,063	6,798,560	6,947,135	6,952,681	80,229,862
Non-Operating	(678,701)	(613,372)	(642,627)	(586,520)	(462,075)	(464,786)	(405,418)	(539,908)	(302,296)	(310,707)	(255,642)	(205,764)	(5,467,816)
Net Income/(Loss)	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	506,793	6,081,511
Projected Current Ratio (LOC-Loan)	(171,909)	(106,579)	(135,834)	(79,728)	44,718	42,007	101,375	(33,115)	204,497	196,085	251,151	301,028	613,695
Projected Net Assets	0.99	0.98	0.98	0.97	0.98	0.98	0.98	0.98	0.99	1.00	1.01	1.03	
	6,788,095	6,681,516	6,545,682	6,465,955	6,510,673	6,552,679	6,654,054	6,620,938	6,825,435	7,021,520	7,272,671	7,573,699	

Alameda Hospital

Key Statistics Spread - 2012/2013 Proposed Budget

Prepared by: K. Silverman

20-Jul-12

FY 2013 PROPOSED BUDGET

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
	31	31	30	31	30	31	31	28	31	30	31	30	365
<u>PATIENT DAYS</u>													
CCU	139	135	139	127	132	119	142	111	138	118	82	103	1,485
DOU	345	353	315	356	343	363	362	304	364	308	358	357	4,128
3 MEDICAL	409	409	396	409	396	409	409	370	409	396	409	396	4,817
3 SURGICAL	62	62	60	90	86	100	102	88	101	97	101	98	1,047
Total Acute Days	955	959	910	982	957	991	1,015	873	1,012	919	950	954	11,477
SUB-ACUTE	978	1,033	980	1,021	959	998	1,005	941	1,023	981	1,004	975	11,898
SOUTH SHORE	671	673	612	656	633	664	644	602	710	664	683	670	7,882
WATER'S EDGE	0	2,759	2,820	2,976	3,060	3,224	3,255	2,940	3,286	3,180	3,317	3,240	34,057
Total LTC Days	1,649	4,465	4,412	4,653	4,652	4,886	4,904	4,483	5,019	4,825	5,004	4,885	53,837
TOTAL PATIENT DAYS	2,604	5,424	5,322	5,635	5,609	5,877	5,919	5,356	6,031	5,744	5,954	5,839	65,314
<u>DISCHARGES</u>													
ACUTE	238	239	228	245	239	248	253	218	253	230	238	239	2,865
SUB-ACUTE DISCHARGES	2	2	3	2	3	0	0	3	5	2	2	2	26
SOUTH SHORE DISCHARGES	7	3	8	8	11	13	10	9	10	8	9	8	104
WATER'S EDGE DISCHARGES	0	11	11	13	13	13	13	13	13	13	13	13	139
TOTAL DISCHARGES	247	255	250	268	266	274	276	243	281	253	262	262	3,134
A.L.O.S. - ACUTE	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
A.L.O.S. - TOTAL	10.55	21.29	21.33	21.07	21.07	21.47	21.47	22.02	21.46	22.73	22.77	22.33	20.84
<u>AVERAGE DAILY CENSUS</u>													
CCU	4.48	4.35	4.63	4.10	4.40	3.84	4.58	3.96	4.45	3.93	2.65	3.43	4.07
DOU	11.13	11.39	10.50	11.48	11.43	11.71	11.68	10.86	11.74	10.27	11.55	11.90	11.31
3 MEDICAL	13.19	13.19	13.20	13.19	13.20	13.19	13.19	13.21	13.19	13.20	13.19	13.20	13.20
3 SURGICAL	2.00	2.00	2.00	2.90	2.87	3.23	3.29	3.14	3.26	3.23	3.26	3.27	2.87
TOTAL ACUTE	30.81	30.94	30.33	31.68	31.90	31.97	32.74	31.18	32.65	30.63	30.65	31.80	31.44
SUB-ACUTE	31.55	33.32	32.67	32.94	31.97	32.19	32.42	33.61	33.00	32.70	32.39	32.50	32.60
SOUTH SHORE	21.65	21.71	20.40	21.16	21.10	21.42	20.77	21.50	22.90	22.13	22.03	22.33	21.59
WATER'S EDGE	0.00	89.00	94.00	96.00	102.00	104.00	105.00	105.00	106.00	106.00	107.00	108.00	101.97
TOTAL LONG TERM CARE	53.19	144.03	147.07	150.10	155.07	157.61	158.19	160.11	161.90	160.83	161.42	162.83	156.16
TOTAL HOSPITAL	84.00	174.97	177.40	181.77	186.97	189.58	190.94	191.29	194.55	191.47	192.06	194.63	187.60

Alameda Hospital

Key Statistics Spread - 2012/2013 Proposed Budget

Prepared by: K. Silverman

20-Jul-12

FY 2013 PROPOSED BUDGET

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
	31	31	30	31	30	31	31	28	31	30	31	30	365
<u>EMERGENCY VISITS</u>													
EMERGENCY VISITS	1,423	1,423	1,377	1,423	1,377	1,423	1,423	1,285	1,423	1,377	1,423	1,423	16,800
ER VISITS PER DAY	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	47.4	46.0
<u>SURGERY CASES</u>													
INPATIENT SURGERY													
Total Inpatient	33	38	37	33	37	36	45	49	44	39	39	38	468
Orthopedic Program	0	0	0	4	4	6	8	8	10	10	10	12	72
Wound Care Spinoff	1	1	1	1	2	2	2	2	2	2	2	2	20
Total IP Surgical	34	39	38	38	43	44	55	59	56	51	51	52	560
OUTPATIENT SURGERY													
OPSurgical	150	180	156	137	140	127	130	125	129	136	146	141	1,697
Orthopedic Program	0	0	0	4	4	4	4	5	5	5	5	5	41
Wound Care Spinoff	1	1	2	2	3	3	4	4	5	5	5	5	40
Total OP Surgical	151	181	158	143	147	134	138	134	139	146	156	151	1,778
OP Non-Surgical	8	9	14	6	10	14	2	10	7	10	10	10	110
Total Outpatient	159	190	172	149	157	148	140	144	146	156	166	161	1,888
TOTAL SURGERY CASES	193	229	210	187	200	192	195	203	202	207	217	213	2448
Business Days	21	23	22	20	22	22	22	21	22	21	23	21	260
Total Surgeries /Business Day	9.2	10.0	9.5	9.4	9.1	8.7	8.9	9.7	9.2	9.9	9.4	10.1	9.4
Tot. Surgeries /Bus. Day/Room (2)	4.6	5.0	4.8	4.7	4.5	4.4	4.4	4.8	4.6	4.9	4.7	5.1	4.7

Alameda Hospital

Key Statistics Spread - 2012/2013 Proposed Budget

Prepared by: K. Silverman

20-Jul-12

FY 2013 PROPOSED BUDGET

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
	31	31	30	31	30	31	31	28	31	30	31	30	365
<u>OUTPATIENT VISITS</u>													
Laboratory	649	736	675	580	647	523	630	614	516	619	616	602	7,407
Wound Care Spinoff - Lab	5	5	10	10	15	15	20	20	25	25	25	25	200
EKG	63	75	81	61	72	58	61	72	87	70	71	70	841
IV Therapy	87	79	68	73	50	62	79	79	89	74	73	72	885
IVT Other Services	41	75	72	76	75	61	68	67	54	65	68	67	789
Radiology	532	459	358	556	723	673	658	673	669	648	662	688	7,300
Wound Care Spinoff - Radiology	8	8	9	9	12	12	12	12	14	14	14	14	138
Ortho Spinoff - Radiology	-	-	-	50	50	75	75	100	150	150	200	271	1,121
Nuclear Medicine	14	12	8	11	3	12	11	12	20	11	11	11	136
Wound Care Spinoff - Nuc Med	2	2	2	3	3	3	3	4	4	4	4	4	38
Ultrasound	92	109	111	119	120	75	95	89	99	101	102	101	1,213
MRI	44	62	51	51	42	46	43	40	38	47	47	45	556
Ortho Spinoff - MRI	-	-	-	10	20	30	40	50	60	71	75	75	431
CT	46	38	35	36	32	28	43	32	48	37	37	36	448
Ortho Spinoff - CT	-	-	-	10	10	15	15	20	20	25	28	30	173
Physical Therapy	224	246	291	291	264	245	265	273	263	262	267	269	3,160
Occupational Therapy	28	29	20	20	23	27	38	28	36	28	28	28	333
Speech Therapy	6	11	7	2	6	5	2	6	1	5	5	4	60
Wound Care Spinoff - Rehab	1	1	2	2	2	3	3	3	3	3	3	4	30
Ortho Spinoff - Rehab	-	-	-	150	200	250	300	350	400	450	500	500	3,100
Wound Care Center	50	100	100	150	150	200	200	250	250	300	350	400	2,500
Respiratory Therapy (Sleep Studies)	6	5	5	7	7	7	6	6	7	6	7	6	75
Total Outpatient Visits	1,898	2,052	1,905	2,277	2,526	2,425	2,667	2,800	2,853	3,015	3,193	3,322	30,934
Sub-total Radiology	540	467	367	615	785	760	745	785	833	812	876	973	8,559
Sub-total Nuclear Med	16	14	10	14	6	15	14	16	24	15	15	15	174
Sub-total MRI	44	62	51	61	62	76	83	90	98	118	122	120	987
Sub-total CT	46	38	35	46	42	43	58	52	68	62	65	66	621
Sub-total Rehab	259	287	320	465	495	530	608	660	703	748	803	805	6,683

Alameda Hospital

Key Statistics Spread - 2012/2013 Proposed Budget

Prepared by: K. Silverman

20-Jul-12

FY 2013 PROPOSED BUDGET

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
	31	31	30	31	30	31	31	28	31	30	31	30	365
<u>OUTPATIENT REGISTRATIONS</u>													
Alameda Base Volume	1,800	1,916	1,800	1,800	1,996	1,800	1,924	1,854	1,900	1,900	1,950	1,900	22,540
Additional Registrations by Service													
Wound Care	8	10	15	20	20	20	25	25	25	25	27	30	250
Wound Care spinoff	10	20	20	30	30	40	40	40	40	55	55	66	446
Ortho Spinoff	-	-	-	100	150	150	169	200	250	300	350	400	2,069
Ortho Surgeries	-	-	-	4	4	4	4	5	5	5	5	5	41
Total OP Registrations	1,818	1,946	1,835	1,954	2,200	2,014	2,162	2,124	2,220	2,285	2,387	2,401	25,346
<u>OBSERVATION DAYS</u>													
CCU	1	1	0	1	3	4	5	4	3	2	2	1	27
DOU	29	24	26	20	33	25	8	31	25	30	28	24	303
3 MEDICAL	36	29	16	17	14	10	10	19	12	20	23	20	226
	66	54	42	38	50	39	23	54	40	52	53	45	556

City of Alameda Health Care District
 Summary of Budget Revisions
 Fiscal Year 2013 Operating Budget

FY 2013 Budgeted Net Income presented at June 6, 2012 Board Meeting		682,000
<u>Budget Changes Incorporated in revised proposed budget:</u>		
Net Revenue true up (medi-cal acute)		60,000
Salary and wages Expense Adjustment for new position		(218,558)
Staff Reductions:		
Business Office - 1 Extra FTE	\$45,760 plus 27% benefits	58,115
Water's Edge - 11 months (lose last month impact)		(223,737)
Bring Management Contract in-house	Management Fees 276,000 Salary/Benefits Mgr 226,000	50,000
Reduce Overtime by 25%	Current spend = \$800,000 (25% paid at regular time rate) (((\$800,000-530,000=270,000)*25%)	50,000
Reduce Doubletime by 25%	Current spend = \$180,000 (25% paid at regular time rate) (((\$180,000-90,000=90,000)*25%)	22,500
Reduce 3rd Day of MRI Trailer to 1/2 Year	\$3,535 for 25 weeks	88,375
Non-physician Recruiting	HR and Admin	45,000
Total Impact of Changes		(68,305)
Revised FY 2013 Budgeted Net Income		613,695



FY 2013 Capital Budget Detail

(Revised)

Distributed for July 25, 2012 Special District Board Meeting

Item Description	Comments	Original Amount	Revised Amount
Bulk Oxygen Vessel Replacement	Seismic (NPC 2)	\$400,000	\$425,000
Communication Systems Anchoring	Seismic (NPC 2)	\$50,000	\$50,000
Emergency Lighting and Signage 1925 Building	Seismic (NPC 2)	\$150,000	\$150,000
Sprinkler System Addition in Subacute	CMS Requirement	\$200,000	\$200,000
Boiler Replacement	BAAQMD ¹	\$150,000	\$100,000
Information Technology Upgrades	Various Projects	\$300,000	\$297,000
Washer Sterilizer	Medical Staff / Surgery	\$99,466	\$99,466
Vein Finder	Medical Staff/ ICU	\$10,000	\$10,000
Glide Scope	Medical Staff / ICU	\$12,000	\$12,000
ICU Bed	Medical Staff / ICU	\$30,000	\$30,000
Adult Critical Care Ventilator	Medical Staff / ICU	\$32,000	\$32,000
Med/Surg Patient Beds	Medical Staff / Medical	\$8,000	\$20,000
Other Contingency	Medical Staff	\$30,000	\$0
Marina Village Build-Out (Ortho)		\$0	\$450,000
Total		\$1,471,466	\$1,875,466

¹Bay Area Air Quality Management District

July 2, 2012

City of Alameda Health Care District

2009-2013 Goals and Objectives

FY 2013 Update



= Quarterly Goal (from budget or proforma)

Financial Strength					
Achieve long-term financial viability					
Initiatives		Status			
(A) STRATEGY:	Meet or exceed budgeted Net Income of \$613,695 by end of FY 2013	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
	Achieve Orthopedic Proforma Annual Net Income: \$596,000	N/A	\$116,000	\$179,000	\$301,000
	Actual	N/A			
	Achieve Wound Care Proforma Annual Net Income(Direct Only): \$46,000	(\$51,000)	(\$19,000)	\$30,000	\$86,000
	Actual				
	Achieve Waters Edge Proforma Annual Net Income: \$1.34 M (August 1, 2012)	\$4,000	\$196,000	\$500,000	\$642,000
	Actual				
(B) STRATEGY:	Cash Collections at or above actual Net Revenue	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
	Baseline: \$73.6 M (FY2013)	\$16.5 M	\$18.4 M	\$19.0 M	\$19.7 M
	Actual				
(C) STRATEGY:	Achieve three (3) financial thresholds necessary to consider and present an employee wage increase or one-time bonuses to the Board of Directors by end of FY2013.				
	Positive Net Margin for six (6) consecutive months				
	Reduction in AP days to 90 days or less				
	Minimum of 15 days cash on hand for four (4) consecutive months				
(D) STRATEGY:	Secure financing options and/or grants to cover \$940,000 in short term capital needs (i.e. compliance with NPC2 seismic requirements, CMS regulatory requirements, boiler project) by end of 2 nd Quarter FY 2013.				
(E) STRATEGY:	Define longer term financing needs to cover major capital projects over next three (3) years: seismic upgrades, physician relocation, 1925 building remediation and meaningful use by end of FY 2013.				

= Quarterly Goal (from budget or proforma)

(F) STRATEGY: Increase specific areas of Net Revenue	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Increase annual acute commercial net revenue by 5% through volume growth and improved third party payor contract rates by end of FY 2013 Baseline: \$16.2 M (27.6.3% of Total Net A/R)				
Increase Long Term Care Medicare A - Net Revenue by 25% Baseline: \$485 per Medicare A Day				

Growth				
Pursue fiscally responsible growth in services that target the most pressing acute and non-acute healthcare needs of the community.				
Initiatives	Status			
(A) STRATEGY: Successful implementation of Comprehensive Orthopedic Program	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Achieve increase of 0.9 ADC attributable to Ortho Program by end of FY 2013				
Achieve increase of 2,110 outpatient registrations attributable to Ortho Program	N/A	412	633	1,065
Actual	N/A			
(B) STRATEGY: Successful implementation of Kate Creedon Center for Advanced Wound Care	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Achieve increase of 0.1 ADC attributable to Wound Care Program by end of FY 2013				
Achieve increase of 696 OP registrations attributable to Wound Care Program	83	160	195	258
Actual				
(C) STRATEGY: Partnership Discussions Advance at least two collaborative initiatives with a partner which brings financial and community benefit to both parties by end of FY 2013, through one or more of the following:				
1) New Volume				
2) Access to Capital				
3) Improved negotiating leverage in commercial market				
4) Use for unused space on and off campus				

	= Quarterly Goal (from budget or proforma)
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(D) STRATEGY: Increase market share penetration in Asian residents originating from on and off island of Alameda by 5%	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Baseline Asian Pacific Islander Volume: IP (522) OP Registrations (4,900)				
(E) STRATEGY: Successful transition of Waters Edge operation	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Achieve average 101.1 ADC as outlined in the pro forma to be measured at the end of each quarter following transfer of operation. (Start August 1, 2012)	91.5	100.7	105.3	107
Actual				
Achieve payor mix targets as outlined in proforma / budget for FY2013	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Medi-Cal ADC	73.5	77	78	78
Actual				
Medi-Cal ADC	9	11.3	15.3	17
Actual				

Facilities and Technology	
Enhance our facility and technological capabilities to foster the achievement of our goals.	
Initiatives	Status
(A) STRATEGY: Make sufficient progress by end of CY 2012 on the following seismic and regulatory projects to receive necessary extensions under SB90:	
1) NPC2 Projects	
2) Sprinkler Project LTC	
3) Boiler Replacement	
(B) STRATEGY: Develop a master use plan for the remaining leased space at Marina Village by October, 2012.	
Rehabilitation and Orthopedic Program	
(C) STRATEGY: Complete an assessment of meaningful use status by end of 2 nd Quarter FY 2013 that includes an action and implementation plan to meet Stage One requirements.	

= Quarterly Goal (from budget or proforma)

(D) STRATEGY: Update the facility master plan options for compliance with 2020 and/or 2030 seismic requirements by end of FY 2013.	
(E) STRATEGY: Each departmental director / manager to establish goals for improvement in their technological proficiency both personally and for their departments by September 30, 2012.	

Physicians					
Ensure that the Hospital attracts qualified and capable physicians through collaboration and alignment.					
Initiatives	Status				
(A) STRATEGY: 1206 (b) Clinic Operations					
Complete assessment / audit regarding the efficiency and profitability of clinic operations by end of Q1 FY2013					
Increase WRVU's by specialty by 5%					
		Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
a) Baseline (Primary Care): 2,457/Yr	Goal: 2,580/Yr or 655/Qtr	Actual:			
b) Baseline (Neurology): 2,256/Yr	Goal: 2,369/Yr or 592/Qtr	Actual:			
c) Baseline (Gen. Surgery): 3,529/Yr	Goal: 3,705/Yr or 929/Qtr	Actual:			
(B) STRATEGY: Comprehensive Orthopedic Program					
Achieve office visit volumes as projected in Ortho pro formas					
		Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Spine Baseline (9 months, Start Oct 1): 715		N/A	129	222	364
Actual		N/A			
Sport Baseline (9 months, Start Oct 1): 921		N/A	146	314	461
Actual		N/A			
(C) STRATEGY: Conduct physician satisfaction survey by September 1, 2012 to establish a baseline for measuring future change in satisfaction and targeting areas for improvement in hospital-physician relationships.					

	= Quarterly Goal (from budget or proforma)
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(D) STRATEGY: Explore opportunities to collaborate with the Alameda County Medical Center and other East Bay physicians for coverage of selected specialties by end of Q3 FY 2013.	
Recruit new physicians in two needed specialties which may include: Urology, ENT, General Surgery	

Quality/Service				
Achieve superior clinical and service results on a consistent basis.				
Initiatives		Status		
(A) STRATEGY: Conduct formal review of the effectiveness of our current Performance Improvement Committee (PIC) and Board Quality Committee (BQC) structure and process: Focus on the right problems and make modifications in structure as necessary.				
Develop one-page dashboard of key quality indicators to minimize discussion of “routine” items and focus on outlier items for in-depth discussion.				
Incorporate service and system issues identified as problematic for physicians to be discussed in more depth at BQC.				
(B) STRATEGY: Reduce all DRG Readmission Rates by 20% to coincide with CMS guidelines by end of FY 2013				
Baseline (FY 2012): 29% Goal: 24%	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
(C) STRATEGY: Continue to use Core Measures data for all “Best Practice” indicators as an improvement tool to reach and monitor benchmark as set by CMS.				
Improve compliance scores for the three (3) of the ten (10) Value Base Purchasing Indicators that are substantially below the National/CMS averages	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)
Discharge Instructions for Patients with Pneumonia	AH Baseline: 56% (Q4-11 Data) CMS Average: 92%			
Antibiotic discontinued within 24 hours of surgery end time	Baseline: 73% (Q4-11 Data) CMS Average: 97%			
Venous Thrombosis Prophylaxis given within 24 hours prior to or after surgery	Baseline: 80% (Q4-11 Data) CMS Average: 97%			

= Quarterly Goal (from budget or proforma)

(D) STRATEGY: Introduce new websites that are program specific which are linked to general Hospital website.	
Kate Creedon Center for Advanced Wound Care by July 31, 2012	
Comprehensive Orthopedic Program by October 31, 2012	
Long Term Care (Waters Edge, South Shore Skilled Nursing, and Subacute) - TBD	

People	
Foster a culture of exemplary performance through recruitment and retention practices that are founded on adherence to core performance standards and the continual development and celebration of our employees.	
Initiatives	Status
(A) STRATEGY: Develop a communications plan directed at staff, physicians and community regarding the rationale for Alameda Hospital pursuing “partnerships” and “affiliation” with other health care organizations.	
(B) STRATEGY: Activate an Employee Relations Committee to discuss best mechanisms for recognition of individual employees and special achievement by departments.	
Develop and implement one (1) annual special employee event	
Develop and implement one (1) hospital-wide recognition program	
(C) STRATEGY: Evaluate feasibility of holding weekly farmer’s market on or near Hospital to enrich staff environment and bring community to Hospital for outreach activities. Special focus on tailoring vendors for outreach to Asian community.	
(D) STRATEGY: Develop an organization-wide focus to foster and encourage transformation to a culture of accountability.	
Examine and clarify the role and responsibilities of departmental managers in fostering critical thinking and problem resolution	
Revise format of monthly management meetings to incorporate projects and achievements at the individual department level and relationship to overall success of hospital	

DATE: July 19, 2012

FOR: July 25, 2012 Special District Board Meeting

TO: City of Alameda Health Care District, Board of Directors

FROM: Kerry J. Easthope, Chief Financial Officer

SUBJECT: Approval to Enter into an Agreement with HFS Consultants for Patient Financial Billing Services

Recommendation:

Management is recommending that the District enter into a formal service agreement with HFS Consultants to provide patient financial billing and collection services with Medicare, Medi-Cal and all other third party payors, excluding self-pay.

The service agreement will be a flat fee of \$30,000 per month, effective July 1, 2012, plus any incidental out-of-pocket expenses (e.g. postage, telephone long distance, etc.). The contract can be terminated by either party by providing ninety (90) days written notice.

Background:

Over the past year, there have been significant organizational changes in our business office. These changes have been the result of an ongoing effort to improve the systems and processes surrounding the Hospital's revenue cycle and improvement to our patient billing and collection effectiveness.

In September 2011, we had outside consultants review our revenue cycle processes with an emphasis on the effectiveness of our business office. During this time period, many of the Hospital's billing personnel chose to leave the organization. In late October 2011, the patient billing service was out-sourced to HFS Consultants billing service in Fresno, California, under the direction of Gwynn Smith.

Over the past seven months, HFS has proven to work effectively with our admitting and registration personnel as well as with case managers and health information management personnel to improve the timeliness and accuracy of our billing and collection function.

Discussion:

HFS billing service in Fresno has effectively provided Medicare, Medi-Cal and third party billing services for Alameda Hospital since November 2011. Between December 2011 and June 2012, the average monthly collections have been \$400,000 greater than the average collections during the previous seven months. These increased collections are the result of many corrections

and changes to internal processes associated with the revenue cycle project which has been management's focus for several months.

HFS has proven to be an effective business partner in the revenue cycle and billing and collection function, and have provided the confidence and assurance we need to formalize a service agreement with HFS.

The \$30,000 monthly flat fee is about \$6,000 less than the average monthly fee since November 2011, and is only about \$50,000 per year more than what we paid for this service in-house prior to HFS assuming these functions. Prior to HFS, we had 5.25 FTE performing billing functions at an annualized cost of \$307,000 per year. The proposed HFS contract will be \$360,000 per year and is included in the Fiscal Year 2013 Operating Budget.

HFS also provides us with a number of monthly reports and benchmarks to document their performance. Such reports include: claim status reports, A/R trending reports, daily and monthly submitted claims and collection reports, collection percent and aging reports, financial class analysis reports, and detailed aged trial balance analysis. These reports allow us to better understand our accounts receivable and to work effectively with HFS to make changes and improvements.

We have established goals with HFS to monitor performance. These goals include:

1. Cash Collections as a percent of Net Revenue (60 days prior) at 98%

Status: For the past five months, collections have been 101% on Net Revenue.

2. Days in AR at 55 days

Status: 55.2 at June 30

3. Clean Claims Rate >85%

Status: To begin monitoring as a percentage. However, in May, there were only 60 denials compared to 270 in April and 180 in March.

4. Percent of A/R greater than: (For Acute Inpatient and Outpatient)

- a. Medicare Ageing > 60 days | Target <25%

Status: 33% June 30

- b. Medi-Cal Ageing > 90 days | Target <35%

Status: 23% at June 30

- c. HMO/PPO Ageing > 90 days | Target <25%

Status: 34% at June 30 (includes Medi-Cal and Medicare HMO)

- d. Self Pay Ageing > 120 days, target < 75%

Status: 73% at June 30, many old self pay have been worked and will be assigned to bad debt collection in July.

5. Improve POS self pay collections, especially in Emergency Department.