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Alameda Hospital
CITY OF ALAMEDA HEALTH CARE DISTRICT

PUBLIC NOTICE

CITY OF ALAMEDA HEALTH CARE DISTRICT BOARD OF DIRECTORS

REGULAR MEETING AGENDA

Wednesday, November 7, 2012

5:30 p.m. (Closed) | 8:00 p.m. (Open)

PLEASE NOTE CHANGE IN TIME FOR CLOSED AND OPEN SESSION

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 (5:30 p.m. – 2 East Board Room) — Jordan Battani

II. Roll Call — Kristen Thorson

III. Adjourn into Executive Closed Session

IV. Closed Session Agenda

A. Call to Order

B. Medical Executive Committee Report and Approval of Credentialing Recommendations — H & S Code Sec. 32155

C. Board Quality Committee Report (BQC) — H & S Code Sec. 32155

D. 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.*

E. Adjourn into Open Session

V. Reconvene to Public Session (Expected to start at 8:00 p.m. – Dal Cielo Conference Room)

A. Announcements from Closed Session — Jordan Battani

VI. General Public Comment

VII. Regular Agenda

A. Consent Agenda — **ACTION ITEMS**

✓ 1) Approval of October 3, 2012 Meeting Minutes

[enclosure] **(PAGES 3-9)**

✓ 2) Approval of 401(a) Pension Plan Amendment

[enclosure] **(PAGES 10-11)**

✓ 3) Approval of the Renewal of the SEIU-UHW West Memorandum of Understanding, May 1, 2012 – April 30, 2015

[enclosure] **(PAGES 12-13)**

✓ 4) Approval of the Memorandum of Understanding between Alameda Hospital Foundation and City of Alameda Health Care District

[enclosure] **(PAGES 14-16)**

✓ 5) Acceptance of September 2012 Unaudited Financial Statements

[enclosure] **(PAGES 17-37)**

B. Action Items

✓ 1) Approval of FYE June 30, 2012 Audit — Kerry Easthope

[enclosure] **(PAGES 38-67)**

- Presentation by Rick Jackson, TCA Partners

✓ 2) Approval of FY 2013 Executive Performance Metrics and Incentive Compensation Plan — Michael McCormick, Elliott Gorelick

[enclosure] **(PAGES 68-69)**

C. District Board President Report INFORMATIONAL — Jordan Battani

1) November Election Results

D. Chief Executive Officer Report INFORMATIONAL — Deborah E. Stebbins

✓ 1) Monthly CEO Report

[enclosure] **(PAGES 70-76)**

- Human Resources, Nursing, Long Term Care, Bay Area Bone & Joint Center, Kate Creedon Center for Advanced Wound Care, Seismic and Capital Projects, District Hospital Leadership Forum/DSRIP Update, Physician Relations, Foundation/Auxiliary Update, Key Statistics

✓ 2) FY2013, 1st Quarter Goals and Objectives Update

[enclosure] **(PAGES 77-85)**

E. Medical Staff President Report INFORMATIONAL — James Yeh, DO

F. Community Relations and Outreach Committee Report INFORMATIONAL — Stewart Chen, DC

II. General Public Comments

III. Board Comments

IV. Adjournment

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Minutes of the City of Alameda Health Care District Board of Directors
Open Session
Wednesday, October 3, 2012 Regular Meeting

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

Topic		Discussion	Action / Follow-Up
I.	Call to Order	The meeting was called to order at 6:05 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 6:06 p.m.	
IV.	Closed Session Agenda		
V.	Reconvene to Public Session	The meeting was reconvened into public session at 8:29 p.m.	

A. Announcements from Closed Session
Director Battani stated that the Executive Closed Session Minutes were reviewed and approved from the September 5, 2012 Regular Meeting. The Board Quality Committee Report for July and August 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

Initial Appointments – Medical Staff

Name	Specialty	Affiliation
• Denis Bouvier, MD	Internal Medicine/Hospitalist	AIM
• Lee Chi, MD	Urology	Golden Gate Urology
• Jon Floyd, MD	Urology	Golden Gate Urology
• Lilavati Indulkar, MD	Internal Medicine/Hospitalist	AIM
• Andrew Pienkny, MD	Urology	Golden Gate Urology
• Joel Piser, MD	Urology	Golden Gate Urology
• Jeffrey Wieder, MD	Urology	Golden Gate Urology

Reappointments – Medical Staff

Name	Specialty	Staff Status	Appointment Period
• Ernest Bloom, MD	Dermatology	Courtesy	11/01/12 – 10/31/14
• Jenna Brimmer, MD	Internal Medicine	Active	11/01/12 – 10/31/14
• Sophis Chen, MD	Ophthalmology	Courtesy	11/01/12 – 10/31/14
• Rupert Horoupian, MD	General Surgery	Courtesy	11/01/12 – 10/31/14
• Robert Kindrachuk, MD	Urology	Active	11/01/12 – 10/31/14
• Arnold Levine, MD	Vascular Surgery	Active	11/01/12 – 10/31/14
• Mathias Masem, MD	Orthopedics	Courtesy	11/01/12 – 10/31/14
• Jennifer Taylor, MD	Ophthalmology	Courtesy	11/01/12 – 10/31/14
• Dale Wright, DPM`	Podiatry	Active	11/01/12 – 10/31/14

Reappointment - Allied Health Professional

There were no applications submitted for reappointment for allied health professional status.

Resignations

• Bailey Lee, MD	Teleradiology		

Topic	Discussion		Action / Follow-Up	
	• Maryam Kermani, MD	Family Medicine		
	• Michael Morford, MD	Internal Medicine		
	• James Naughton, MD	Internal Medicine		
	• Hana Oswari-Burke, MD	Internal Medicine		
	• Robert Snyder, MD	Internal Medicine		
	• Randall Tom, MD	Internal Medicine		
	• Eric Bain, MD	Radiology		
VI.	General Public Comments	*Note: Agenda item was taken out of order due to the presence of outside participants.*		
	The following representatives from the hospital and CNA spoke regarding nurse to patient ratios on the subacute unit and the importance of quality care given to patients who are generally unable to verbally communicate their needs. Carolyn Bowden, RN, Representative from the California Nurses Association (CNA) Jennifer Hinton, RN, Subacute Unit Elsa Villegas, RN, Subacute Unit			
VII.	Regular Agenda			
	A. Consent Agenda 1) Approval of September 5, 2012 Meeting Minutes 2) Approval of Amendment to Article V, Medical Staff Bylaws		Director Deutsch made a motion to approve the Consent Agenda as presented. Director McCormick seconded the motion. The motion carried.	
	B. Action Items Acceptance of August 2012 Unaudited Financial Statements and September 26, 2012 Finance and Management Committee Report Director McCormick stated that the August 2012 unaudited financial statements were reviewed for discussion and analysis at the Finance and Management Committee meeting of September 26, 2012 and provided the following report and key points from the meeting:		Director Chen made a motion to approve the August 2012 Unaudited Financial Statements and September 26, 2012 Finance and Management Committee Report. Director Deutsch seconded the motion. The motion	

Topic	Discussion	Action / Follow-Up
		carried.
	Lower than expected inpatient acute revenue for the month contributed significantly to the net operating loss of $166,000 against a budgeted loss of $107,000. Both Alameda Hospital at Waters Edge and the Kate Creedon Center for Advanced Wound Care were above budget. In its first full month of operation, Waters Edge was above budget by $267,000. The month's total Acute Care Census was 11.1% lower than budget. The Definitive Observation Unit (DOU) was below budget by 7.6% and Med-Surg was below budget by 17.4%. With the opening of the new orthopaedic program by the end of October, we will monitor activity for an increase in Med-Surg in the months to come. The overall Case Mix Index in August was 1.423; much higher than last July's Case Mix Index of 1.248. Although the overall occupancy rate increased to 82% (up from 52% in August 2011) and Waters Edge was in full operation, the immediate financial ratios have not yet positively affected the bottom line and continue to be challenging. . Director Battani asked if the Waters Edge billing issue had been resolved. Kerry Easthope stated that the billing issue has been resolved. The first payments for Waters Edge have been received and others are currently pending review. Medicare payments have not yet been received but are in process. Regarding the short term loan granted by Emdeon (in the amounts of $500,000 and $250,000), Director Battani asked if the loans will be paid back when the District receives funds next week. Mr. Easthope replied that the loans will be repaid when funds are received. Mr. Easthope stated that the 2012 Annual Audit will be presented at the upcoming Finance and Management Committee meeting which is scheduled for Wednesday, October 31, 2012.	
C. District Board President Report		No action taken.
1) Update on November 2012 Election and December Board Meeting Scheduling	Director Battani provided a reminder that the November Elections are quickly approaching and that there are two District Board positions up for election. The December District Board Meeting will be held as planned on December 5, 2012. The swearing in of any new Directors will occur in December with a celebration at the	

Topic	Discussion	Action / Follow-Up
	January 2013 District Board Meeting.	
	D. Chief Executive Officer Report Monthly CEO Report Ms. Stebbins gave an overview of the information found in her written report beginning on page 35 of the Board Packet which included information regarding the Comprehensive Orthopaedic Program, Physician Relations, Capital Projects, Hospital/Foundation Sponsored Events and Activities, Key Statistics – September 2012, Human Resources, Performance Improvement Initiatives, Updates on Waters Edge and the Kate Creedon Center for Advanced Wound Care. In regards to the guest comments made at the beginning of the meeting, Management will meet on Monday, October 8, 2012 with CNA and staff representatives. An update will be provided to the Board at the November District Board Meeting. On October 15, 2012 at 10:00 a.m., the Veterans Association is making a presentation at Alameda City Hall West regarding plans for the new complex in Alameda. On October 20, 2012 the Hospital is hosting our annual Health Fair with free flu shots, health screenings, activities and exhibits. Each Board member is encouraged to attend the Waters Edge Open House on October 30, 2012 from 5:00 p.m. to 7:00 p.m. The September key statistics were distributed to the Board at the meeting. Ms. Stebbins briefly reviewed the statistics adding that Gross Revenue was about 34% above projections. Director Battani asked when an increase in surgical volume from the new orthopaedic program is expected. Ms. Stebbins stated that the first patient is scheduled to be seen on October 22, 2012. There will be a lag as patients are examined and it is determined if surgery is the best modality. We may begin to see an increase as early as November.	No action taken.
	E. Medical Staff President Report James Yeh, D.O., Medical Staff President, presented information for the following October meetings: • October 9, 2012: “Transitions in Palliative Care” by Denis P. Bouvier, D.O., Internal Medicine and Palliative Medicine, San Francisco • October 23, 2012: “Healing Chronic Wounds” by Donato Stinghen, M.D., Medical Director, Kate Creedon Center for Advanced Wound Care	No action taken.

Topic	Discussion	Action / Follow-Up
	All health care providers in Contra Costa County are required to either receive a flu shot or wear a mask during flu season. It is a matter of time before Alameda County institutes the same policy. Dr. Yeh will disseminate information to proper Hospital Staff as it becomes available.	
	F. Community Relations and Outreach Committee Report The Community Relations and Outreach Committee met on September 25, 2012. Brian Jung, Chief Business Development Officer, presented an update about the Kate Creedon Center for Advanced Wound Center, Bay Area Bone and Joint Center, and the possibility of a Farmers Market to be located on-site. A miniature version of a farmers market will be set up at the Health Fair. The annual Report to the Community, an eight-page newsletter will be mailed to Alameda residents on October 9, 2012. Alameda Hospital has participated in a number of community events during the past few months including the Mastick Senior Center Open House, City of Alameda Employee Wellness Fair, Chinatown Health Fair, and a community summer fair held at Littlejohn Park last weekend. On Saturday, October 6 at the Neptune Beach Community Festival on Webster Street, Alameda Hospital and community partners will be holding a celebration for this summer's "Let's Move Alameda" participants. Our Annual Community Health Fair will be held on Saturday, October 20 from 9 a.m. until 12:00 noon. Free flu shots will be available while supplies last. Please join us for an Open House for Alameda Hospital at Waters Edge on Tuesday, October 30 from 5:00 p.m. to 7:00 p.m.	No action taken.
VIII.	**General Public Comments** There were no comments.	
IX.	**Board Comments** There were no comments. Director Battani stated that the Board would not adjourn into closed session for discussion of the Public Employee Performance Evaluation as indicated on the agenda.	

Topic	Discussion	Action / Follow-Up
X. **Adjournment**	Being no further business, the meeting was adjourned at 8:58 p.m.	

Attest:

Jordan Battani
President

Elliott Gorelick
Secretary

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Date: October 26, 2012

FOR: November 7, 2012 District Board Meeting

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

THROUGH: Administrative Pension Plan Oversight Committee (APPOC)

From: Ed Kofman, Chair, APPOC
Deborah Stebbins, CEO and APPOC Member
Kerry Easthope, CFO and APPOC Member
Phyllis Weiss, HR Director and APPOC Member

Subject: Approval of 401(a) Retirement Plan Amendment

RECOMMENDATIONS:

The APPOC recommends approval of an amendment to the 401(a) plan which will accomplish two things:

- Modify the list of excluded employees to accurately reflect present eligibility, and
- Use the proper names of each excluded Union

BACKGROUND:

The Hospital's 401(a) plan covers benefited non-represented employees, members of ILWU Local #6 (Radiology staff and Surgical Techs) and OPEIU Local #29 (Laboratory employees). The plan language, however, is written in a way that defines eligibility by listing classifications of employees that are excluded. Excluded classes of employees, at this point, are covered by a different, Union-sponsored plan.

On August 1, 2012 the District acquired the business at Waters Edge which led to the employment of approximately 125 employees. At the time of the acquisition they were not covered by a pension plan from their previous employer. We committed to all the employees that no changes would be made to their benefits or salaries until we met with their Association.

In the meantime, the plan needs to clearly state an exclusion for the staff at Waters Edge in order to accurately reflect current eligibility.

DISCUSSION:

Waters Edge Employees' Pension Eligibility:

At the point a decision is made to include the Waters Edge employees in the Hospital's Pension Plan, a new amendment (and an update to the Summary Plan Description) would be made to remove them from the list of excluded classifications.

Union Names:

As a separate issue, the Unions are incorrectly named in the plan and one of the Unions no longer exists (their members were folded into another plan).

With this amendment we will also make the following updates to the Union names:

Local 39 – Replace with:

"International Union of Operating Engineers, Stationary Engineers Local 39"

Local 2850 – Remove from reference:

The four (4) employees in "Local 2850" were folded into the SEIU-UHW West Union while maintaining participation in their separate pension plan (San Francisco Culinary Bartenders and Service Employees Pension Plan or the "San Francisco Plan").

Local 250 – Replace with:

"SEIU-UHW West"

CNA – Replace with:

"The California Nurses Association"

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

DATE: October 26, 2012

FOR: November 7, 2012 District Board Meeting

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

FROM: Phyllis Weiss, Director of Human Resources & Ancillary Services

SUBJECT: Approval of the Renewal of the SEIU-UHW West Memorandum of Understanding, May 1, 2012 – April 30, 2015

RECOMMENDATION:

Hospital Administration is hereby recommending that the City of Alameda Health Care District Board of Directors approve the renewal of the District's Memorandum of Understanding (MOU) with SEIU-UHW West. This union represents employees who work in the Nursing, Dietary and Environmental Services Departments of the Hospital. The term of the agreement is May 1, 2012 through April 30, 2015. A summary of the changes to the MOU are itemized in the "Discussion" section below. A full copy of the Tentative Agreements and the expired MOU are available for review upon request.

BACKGROUND:

Hospital Management has been in contract negotiations with the bargaining team for SEIU since April 1, 2012. Members of the bargaining team have been working under a mutually agreed-to extension of the contract since the previous expiration date of April 30, 2012, while the terms and conditions of a new contract were finalized. Negotiation sessions were amicable and conducted in a professional manner. Management feels that the SEIU representatives understood the Hospital's challenges and took them very seriously as reflected in the terms of this three (3) year agreement.

DISCUSSION:

A summary of the Tentative Agreements which modify the existing MOU are as follows:

Section 5. Wages:

This Union's MOU had been in effect during the time we rolled-back wages for the non-represented employees and negotiated wage freezes in the other, open, MOU's. The agreement we reached with SEIU going forward is a wage freeze in year one (1) of the agreement and "wage openers" at the beginning of years two (2) and three (3) of the agreement.

Section 7. Hours of Work:

The agreement reached on this section of the MOU provides for double time pay on the seventh (7^{th}) consecutive day of work (removing the requirement that the 7^{th} day must be within a "workweek"). This scheduling phenomenon happens infrequently and acknowledges the hardship an employee would incur for this schedule of work.

Section 8. Seniority:

We reached an agreement during the previous term of the MOU (5/13/11) that defined the Seniority date as the Date of Hire and was included in the MOU as a "Side Letter Agreement".

The agreement reached on this section of the MOU was to include this previously agreed-upon language into the body of the MOU versus having it remain as an addendum.

The agreement reached on this section of the MOU provided clarification to the order of cancellations and a limit on the number of cancellations so that the impact to staff is minimized.

Section 42. Term of Agreement:

The agreement reached on this section of the MOU was for a three (3) year term (5/1/12 – 4/30/15).

Side Letter Agreement – Pension Rehab Plan:

The agreement reached on this section of the MOU was for the Hospital to elect the "Default" pension rehabilitation plan that stabilizes the extra contributions required by the Pension Reform Act.

Alameda Hospital Foundation

October 18, 2012

City of Alameda Health Care District Baord:
Jordan Battani
Robert Duetsch, M.D.
Stewart Chen, D.C.
Michael McCormick
Elliott Gorelick

Dear Board Member,

I am writing on behalf of the Alameda Hospital Foundation Board of Directors to present a Memorandum of Agreement (MOA) we have been working on for a good part of this year. During our planning meeting in March we decided it was important to have a formal document between the Foundation and the District. This document would simply state the relationship between the two organizations and, if nessecary, could easliy be redone or rescinded.

The Alameda Hospital Foundation was organized in 1985 at the request of Alameda Hospital which at the time was a not-for-profit organization directed by a Board of Trustees. In 2002 the Hospital under went a transtition to a District (public) Hospital directed by an elected Board. While the purpose of the Foundation has not changed, to offer financial aid toward the operation, maintenance and modernization of facilities of Alameda Hospital, the governance of the Hospital has changed. Thus the Foundation Board believes it is important to have a formal document which states it's relationship with the District.

I have attached the MOA to this letter so you have it in advance of your next meeting and have asked the District Clerk to place it on your November agenda. If you have any questions prior to your meeting do not hesitate to contact me, 865-5356. The document has been reviewed and approved by the Foundation Board. We have also submitted it to your General Counsel who has reviewed it. Thank you for considering our request and we look forward to working with you to further the goals and objectives of Alameda Hospital.

Sincerely,

Bill Withrow
President

Alameda Hospital Foundation
2070 Clinton Avenue
Alameda, CA 94501
(510) 814-4600
www.alamedahospitalgift.org

Memorandum of Agreement

This Memorandum of Agreement is made this ___day of (month), 2012, between the City of Alameda Health Care District (hereinafter, "Alameda Hospital") and the Alameda Hospital Foundation (hereinafter, "Foundation").

Recitals

Whereas, Alameda Hospital formally recognizes that the specific and primary purposes for which the Foundation was formed are charitable, and are to concern themselves with the procurement and extension of financial aid toward the operation, maintenance and modernization of facilities of Alameda Hospital in full accord with the purposes of Alameda Hospital and to the end that the greatest amount of hospital service may be extended to the greatest number of persons served by Alameda Hospital: and

Whereas, Alameda Hospital further recognizes that the Foundation provides a medium for community leaders to participate in and contribute to the strengthening of Alameda Hospital through their participation in the solicitation, management and distribution of private gifts, grants, conveyances, devises, bequests, or otherwise (hereinafter, "private gifts and donations") given for the benefit of Alameda Hospital; and

Whereas, it is understood by Alameda Hospital and the Foundation that all gifts and donations received by the Foundation are given for the benefit of Alameda Hospital; and

Whereas, Alameda Hospital has determined that the Foundation shall be the one and only organization to receive private gifts and donations given to or for the benefit of Alameda Hospital;

Now, therefore, it is agreed as follows:

Foundation Agreements

1) The Foundation agrees to operate according to its Articles of Incorporation filed June 18, 1985 and Bylaws, as amended on December 18, 2007. Furthermore, the Foundation agrees to organize and operate in such a manner that will retain the Foundation's legal status as a tax-exempt, non-profit organization pursuant to section 501(c)(3) of the Internal Revenue Code.
2) The Foundation shall not solicit or accept private gifts and donations from any source for a use specified by the donor which is inconsistent with Alameda Hospital's long range goals and objectives.
3) The Foundation Board shall establish policies for the oversight and authorization of all disbursements of funds directly by the Foundation.

4) The Foundation shall cause an annual audit to be performed by an independent certified public accounting firm, and provide Alameda Hospital with a copy of such audit report.

Alameda Hospital Agreements

1) Alameda Hospital acknowledges that the Foundation needs to know Alameda Hospital's long-range goals and objectives in order to match the fund-raising activities with priority needs. Alameda Hospital, therefore, agrees to provide such information and to involve the Foundation as Alameda Hospital continues to develop planning goals.
2) Alameda Hospital agrees to involve the Foundation Officers in the selection and evaluation of the Hospital's Director of Foundation.
3) Alameda Hospital agrees that the Foundation may contract with persons and entities on a temporary consulting basis as it deems necessary to fulfill its role and responsibilities.
4) Alameda Hospital agrees to provide the Foundation with certain services for which no separate charges will be assessed. Such services may include, but not be limited to, business, financial, legal, information management, public relations, and consulting, as well as use of facilities.

Termination

This agreement may be terminated by either party effective upon written notice to the other party at least three months in advance thereof.

In Witness Whereof, the parties hereto have caused this agreement to be executed.

_____	_____
Jordan Battani	Bill Withrow
President, City of Alameda Health Care District	President, Alameda Hospital Foundation

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING SEPTEMBER 30, 2012

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

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ALAMEDA HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER, 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 September 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

Overall for the month of September, the hospital experienced a combined net operating loss of $190,000 against a budgeted loss of $136,000.

Waters Edge which came on board as of August 1, 2012 as part of the Hospital operations, showed another strong month with a positive net contribution of $276,000 and a year to date contribution of $403,952.

Wound Care had strong revenue in September as the number of visits and HBO treatments have increased. The program exceeded budget by $10,000 in September as well as YTD. In August, we missed the Accelecare management fee accrual of $16,000, which has been recorded in September. Otherwise, September would have had about a $6,000 positive contribution margin in for the month.

Overall, September discharges were very close to budget and total patient days were greater than budget by 1.8%. Total patient days for inpatient acute services were down 2.7%, Subacute days were up 3.2%, skilled nursing days were up with South Shore up by 9.5% and Waters Edge up by 1.1%.

Overall outpatient activity was mixed this month. Outpatient registrations were down 9.0% while emergency room visits were 5 above budget or 0.4% and outpatient surgeries were below budget for the month by 52 or 30.2%.

The Wound Care program started operations in the mid July and has ramped up quickly. In September there were 173 visits, compared to a budget of 100, or 73% above budget. In September there were 54 hyperbaric oxygen (HBO) treatments. As this number increases it will also contribute to greater gross and net revenue for the program.

Total gross revenue in September was generally in line with activity. Overall gross revenues were close to budget, with the overall inpatient component up 0.6% and outpatient up 0.2%. Acute gross revenues were under budget by 4.3%.

The overall Case Mix Index (CMI) in September was 1.30; lower than last month's of 1.42, and close to the FY 2012 average of 1.32.

Overall expenses were $6.6 million in September, $102,000 or 1.6% above the budget of $6.5 million. Benefits, temporary agency fees, professional fees, supplies and rents/leases were over budget while salaries and purchased services were below budget. These variances will be discussed in more detail later in the narrative. As previously discussed, the FY2012 temporary agency budget was understated by about $40,000 per month and we will need to overcome this variance with positive revenue and/or expense reductions as the year progresses.

It is important to note that for the first two months of Waters Edge operation, we have accrued a little over $100,000 in other operating expenses while we become more familiar with the actual expected operating expenses of the facility. Now that we have two months experience of actual expenditures, we will reduce this additional accrual over the next couple of months to reflect actual year to date operating expenses.

Cash and cash equivalents were $950,000 at the end of September down from $2 million at prior month end.

Cash collections in September were $3.7 million. Net accounts receivable increased by about $2.5 million from prior month due to a problem with our billing vendor (Emdeon) which delayed Medi-Cal payments. This was finally resolved in October and the retroactive claims have been paid. In addition, about $1.8 million of the A/R increase was for Waters Edge patient accounts. We are finally now able to bill for Waters Edge Medi-Cal patients so the A/R will be coming down as payments come in during October and November.

Accounts payable and other accrued expenses increased by $740,000 from $9.7 million to $10.4 million.
Lastly, the current ratio has dipped to .94, below the required 1.0 of our bank covenants. This ratio went lower in September as the result of the short term cash advance from Emdeon which was paid back in October. The Bank of Alameda has agreed to waive these covenants until the end of 2nd quarter of FY 2013 as has previously been discussed and the Bank is aware of the short term Emdeon cash advance.

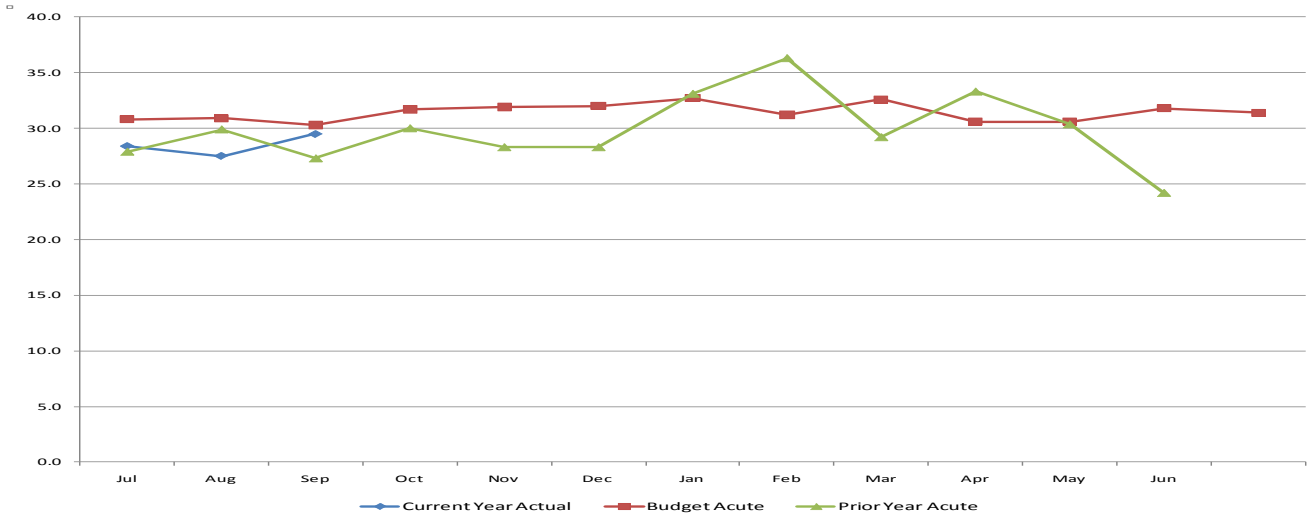
ACTIVITY

ACUTE, SUBACUTE AND SNF SERVICES

Overall patient days were 1.8% above budget for the month and above September of last year. This month's acute days were below budget by 2.7%, Subacute was up 3.2%, South Shore was up 9.5% and Waters Edge was up 1.1%.

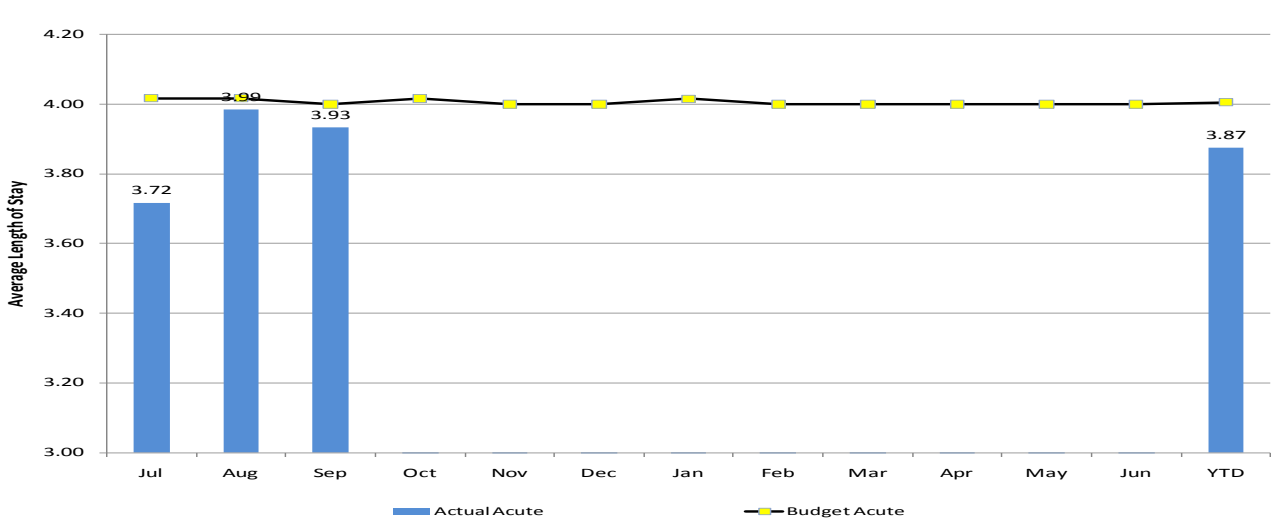
September's acute patient days were 25 days (2.7%) lower than budget for the month but 9.3% higher than September 2011. The acute care program is comprised of the Critical Care Unit (4.8 ADC, 2.9% above budget), Telemetry / Definitive Observation Unit (10.7 ADC, 2.2% above budget) and Med/Surg Unit (14.0 ADC, 7.9% below budget).

Acute Average Daily Census



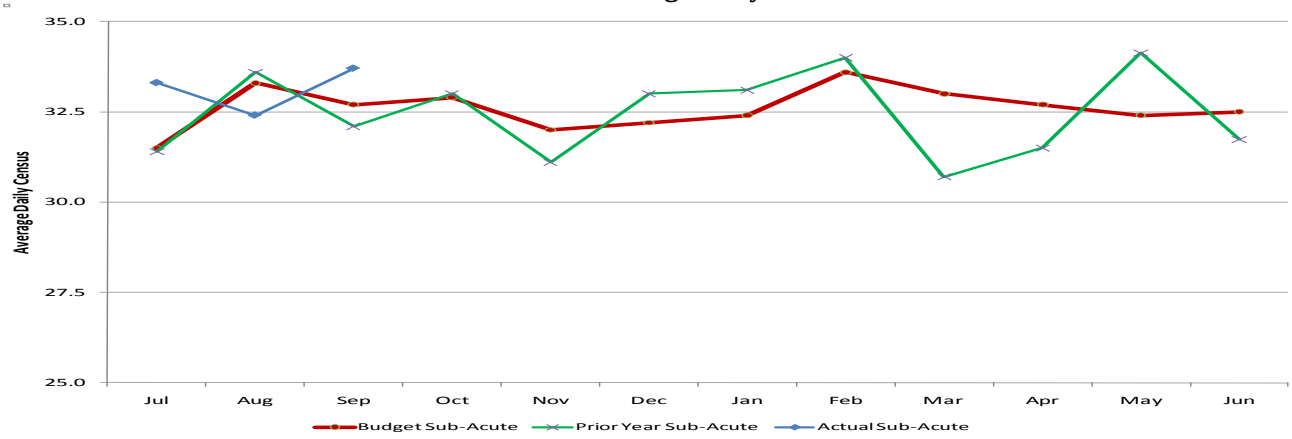
The acute Average Length of Stay (ALOS) decreased from 3.99 in August to 3.93 in September and is below the budget of 4.00. The YTD acute ALOS for FY 2013 is 3.87. The graph below shows the ALOS by month compared to the budget.

Acute Average Length of Stay



The Subacute program ADC of 33.7 was above budgeted projections by 1.03 ADC or 3.2%. The graph below shows the Subacute programs ADC for the current fiscal year as compared to budget and the prior year.

Subacute Average Daily Census

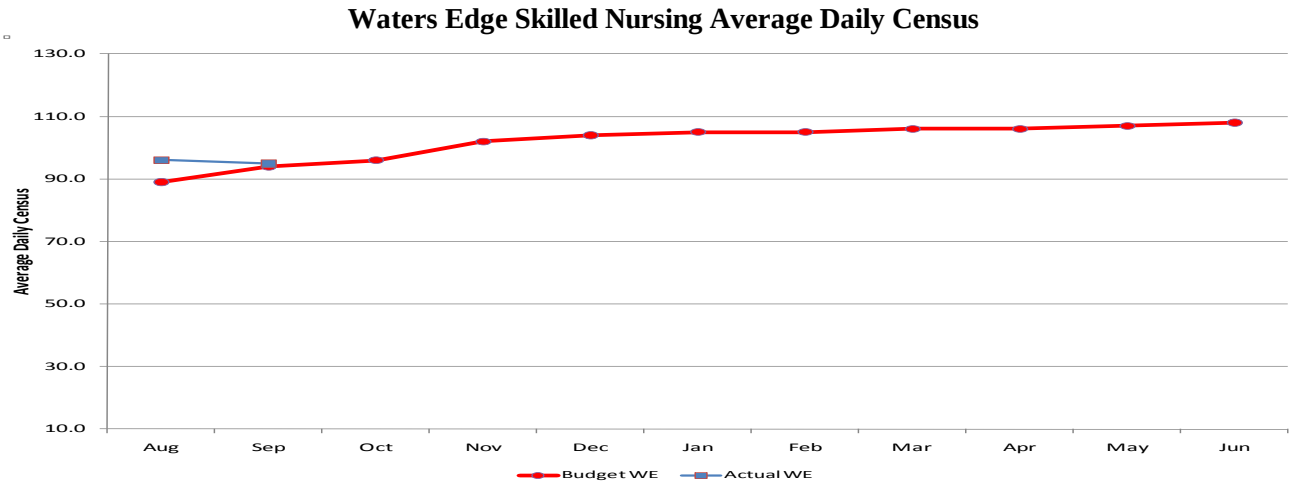


The South Shore ADC was higher than budget by 1.93 or 9.5% for the month of September. The graph below shows the South Shore monthly ADC as compared to budget and the prior year. In September the number of Medicare A skilled patients were 2.9 ADC down from 4.6 ADC in August and lower than budget of 4.0

South Shore Skilled Nursing Average Daily Census

Waters Edge census was 30 days (.97 ADC) or 1.1% above budget in September. The Medicare census was 9.1 ADC up from 8.9

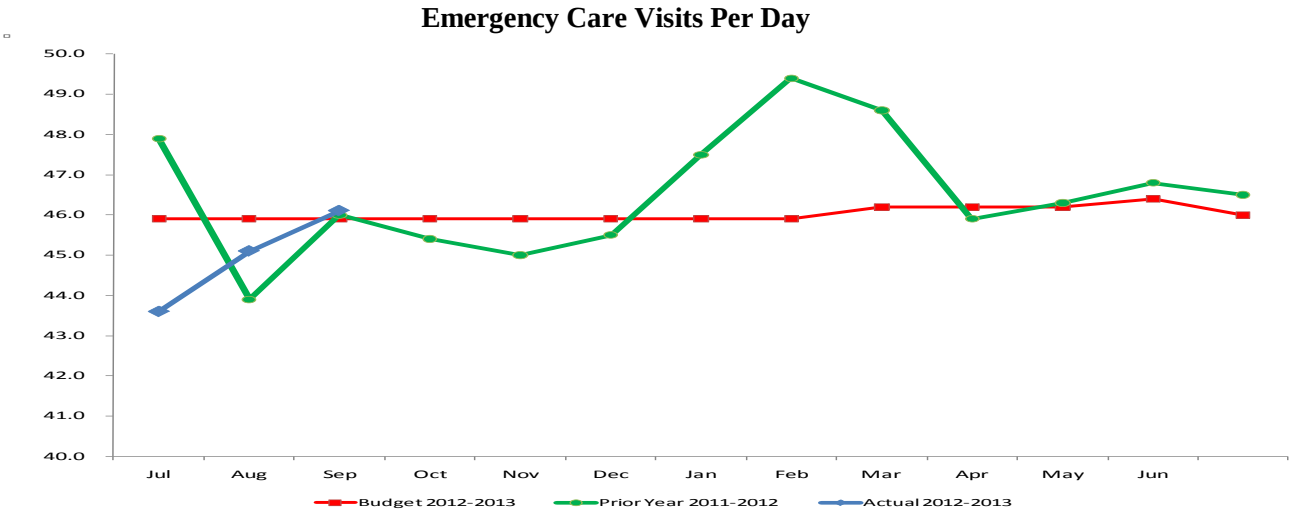
ADC in the prior month.



ANCILLARY SERVICES

Outpatient Services

Emergency Care Center (ECC) visits in September were 1,382, just 5 visits (0.4%) over the budget of 1,377. The inpatient admission rate from the ECC was 17.0% up from 14.4% in August. On a per day basis, the total visits represent an increase of 2.2% from the prior month daily average. In September, there were 279 ambulance arrivals versus 289 in the prior month. Of the 279 ambulance arrivals in the current month, 192 or 68.8% were from Alameda Fire Department (AFD).

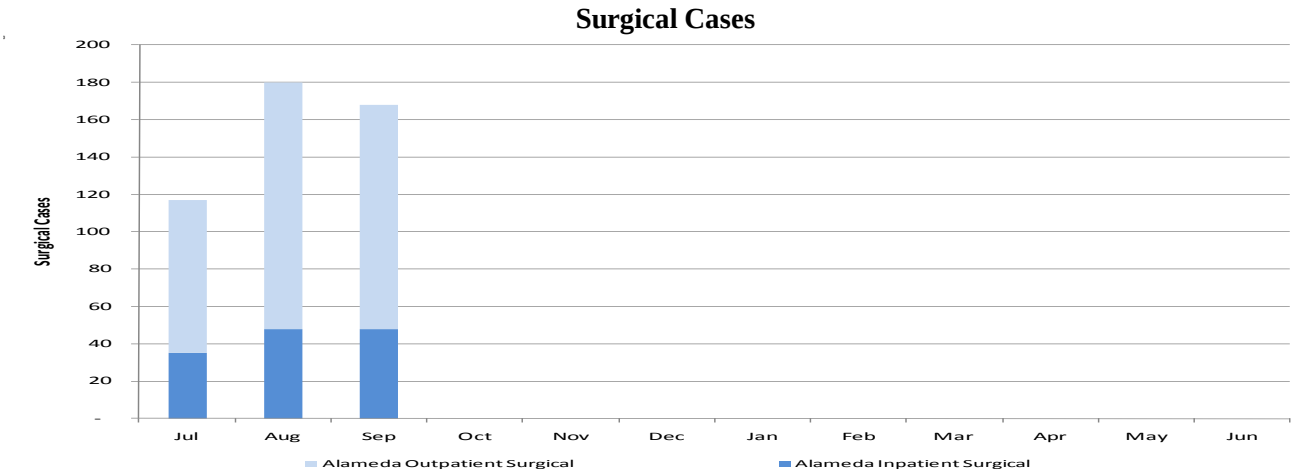


Outpatient registrations were 1,670, or 9.0% below budget. This month visits in Laboratory, Physical Therapy and Ultrasound were down 95, 17 and 25 visits respectively. However, visits were up in Occupational Therapy (34 visits), Radiology (44 visits) and IV Therapy (18 visits).

Wound Care started operation in the middle of July and almost met the budgeted 100 visits in August, just 4 below budget. In September they far exceeded the budget of 100 with 173 visits. Hyberbaric Oxygen treatments were accounted for 54 of those visits.

Surgery

The surgery cases for September were 168 or 20.0% below the budget of 210 and below last year's case volume of 213. Inpatient cases were above budget by 10 (26.3%) while outpatient cases were 52 (30.2%) below budget. This is consistent with prior month. Inpatient and outpatient cases totaled 48 and 120 respectively versus 48 and 132 during the prior month. Gastroenterology (GI) has been the surgical service area that has seen the most significant decline from budget and prior year but we are eagerly anticipating the new orthopedic surgeons in October.



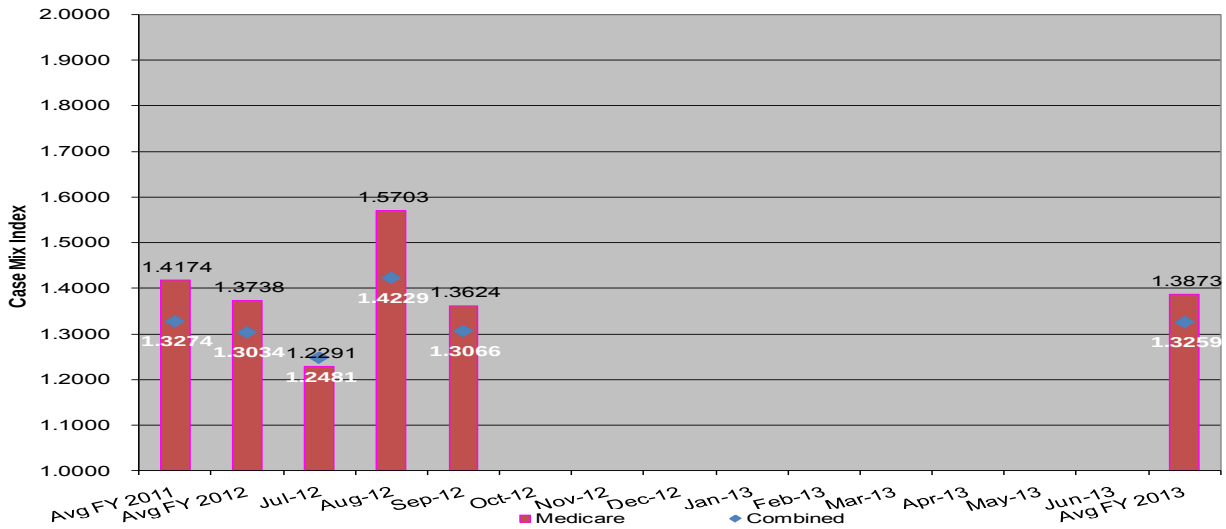
Payer Mix

The Hospital's overall payer mix compared to budget is illustrated below. This is inclusive of the Waters Edge revenue.

	Sep Actual	Sep Budget
Medicare	44.5%	46.2%
Medi-Cal	28.7%	28.1%
Managed Care	15.1%	15.2%
Other	3.8%	3.0%
Commerical	1.6%	3.1%
Self-Pay	6.3%	4.4%
Total	100.0%	100.0%

Case Mix Index

The Hospital's overall Case Mix Index (CMI) for September was 1.3066, down from the prior month high of 1.4229. The Medicare CMI was 1.3624 in September down from last month's all time high. The graph below shows the Medicare CMI for the Hospital during the current fiscal year as compared to the prior two years.



Revenue

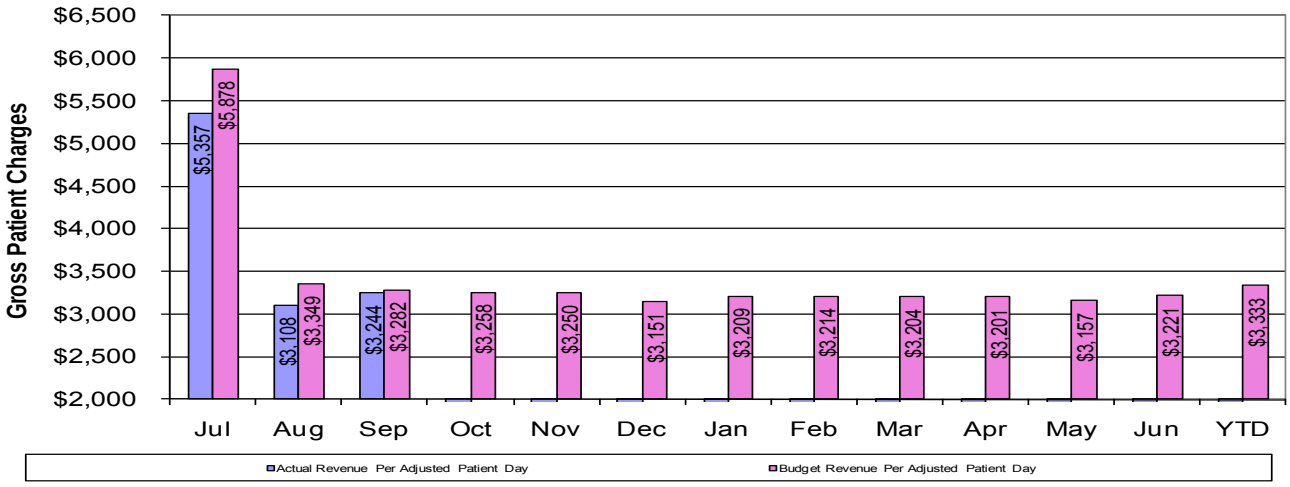
Gross patient charges in September were above budget by $117,000, or 0.5%. Inpatient revenues were $106,000 above budget and outpatient revenues were up $11,000. Acute inpatient days were below budget by 2.7% . Overall inpatient ancillary service charges were stronger than anticipated contributing to the inpatient gross revenue being higher than budget.

Waters Edge was, once again, strong in September. Although the ancillary revenue was lower than budgt, the routine daily room and board revenenue and Medicare A RUG reimbursement resulted in net revenue being about $110,000 higher than budget in September.

Outpatient gross revenues were higher than budget by $11,000 (0.2%). Imaging, ECC, Wound Care and Pharmacy were the largest contributors to offset the lower surgery revenue. ECC revenue is above budget due to the improvements in the ECC revenue cycle process that went into effect August 1, 2012.

Wound Care volume is above budget with the gross revenue exceeded ing budget by $143,000 due to the ramp up of higher intensity services such as hyberbaric oxygen treatments. Net revenues were $33,000 better than budget for the month.
On an adjusted patient day basis, total patient revenue was $3,244 just below the budget of $3,282 for the month of September. The table below shows the Hospital's monthly gross revenue per adjusted patient day by month and year-to-date for Fiscal Year 2013 compared to budget. Note the overall revenue per day dropped in August with the addition of Waters Edge days and revenue in the mix. Waters Edge provides a significant amount of days (almost double) yet these patients have primarily room and board charges and very little ancillary services compared to acute patients.

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 23.6% was budgeted and 24.0% was realized. Medi-Cal reimbursement at both South Shore and Waters Edge were calculated at a per diem rate of $316 which is consistent with budget and the anticipated rate if AB97 were to become effective. The average RUG score of Medicare A patients at both Waters Edge and South Shore was higher than budget resulting in approximately $13,000 additonal net revenue. Other reimbursement rates are consistent with prior months.

Expenses

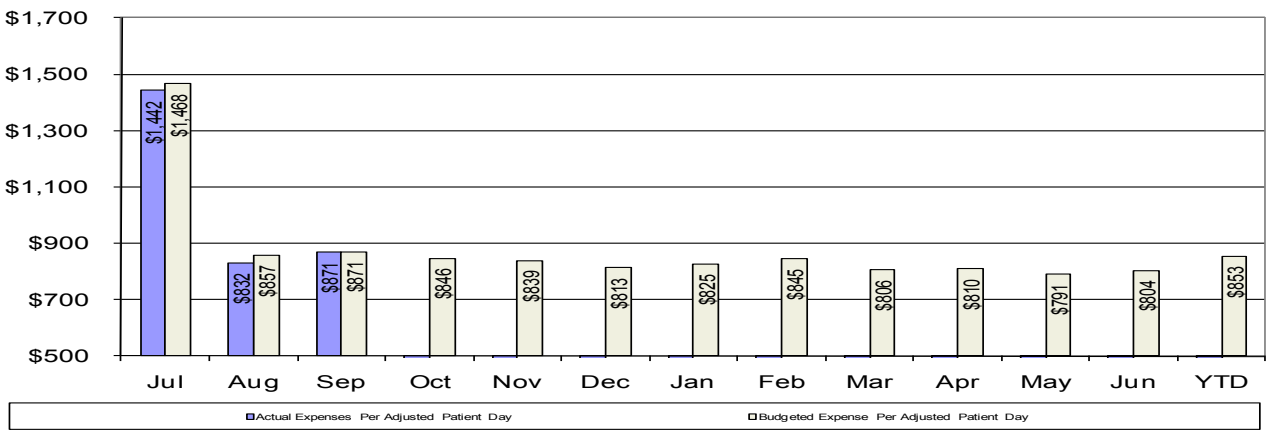
Total Operating Expenses

Total operating expenses were $6.6 million and higher than the fixed budget by $102,000 or 1.6%. Benefits, temporary agency fees, professional fees, supplies and rents/leases were above budget while salaries and purchased services were below budget. All other expense categories were reasonably close to budget. As mentioned at the July meeting the temporary agency budget is understated by $40,000 per month.

The graph below shows the actual Hospital operating expenses on an adjusted patient day basis for the fiscal year by month as

compared to budget. Note that expenses per patient day were at budget this month.

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 $19,000. While the temporary agency expenses were budgeted lower than they should have been, there are still several areas using temporary staff to replace vacant positions. The departments utilizing temporary staff to replace budgeted vacant positions are Nursing Administration, Respiratory Therapy, Laboratory and General Accounting.

We have had ongoing meetings with C.N.A regarding implementation of a skill-mix change in Subacute. The change would decrease the utilization of RN's and increase the use of LVN's which is the industry standard for subacute services. This skill mix change is part of our FY 2013 budget and would equate to about a $20,000 decrease in monthly payroll expense once implemented. This change is expected to be finalized by early November.

Benefits

Benefits were unfavorable to the fixed budget by $28,000 or 3.2%. This was significantly lower than last month and year-to-date is still below budget. Driving this expense were higher health claims experience.

Professional Fees

Professional fees which had been running under budget this year were above budget by $47,000 or 12.1% due to some prior month clinic physician fees ($7,000), a missed accrual in August for Wound Care management fees ($16,000). In addition the Interim Director in Information Systems, which was unanticipated, is included in professional fees ($33,000) .

Supplies

Supplies expense were $17,000 greater than budget, again due to IVT pharmaceuticals ($36,000) as well as prosthetic supplies. ($36,000). IVT Therapy had 10 more infusion visits in September than was budgeted. The surgery department had higher cost orthopedic cases and an infrequent spinal stimulator case. These higher cost surgical cases do result in higher reimbursement, however, we will be reviewing our authorization and billing processes to ensure that we are getting proper reimbursement for these additional cases/expenses.

Purchased Services

Purchased services were under budget for the month of September, as this area was monitored closely after the significant variance over budget last month. The lower expenses is attributed to South Shore and Waters Edge therapy expenses as well as lower linen and environmental service expenses, offset by higher expenses in collection agency fees and HFS consultants who provide management services to the business office. We are expecting a new business office manager to begin the end of October and the outside consuting expense will be eliminated in November (net expense impact about $18,000 per month).

Rents and Leases

Rents and leases were over the fixed budget by $12,000 again this month. A portion of this negative variance was attributable to Central Supply equipment leases and Xerox copier expense for the facility.

Other Operating Expense

Other operating expenses were $5,000 under the fixed budget in September while depreciation was above budget by $5,000 primarily due to the Wound Care leashold improvement expense being over budget and starting in September. We anticipate this variance will continue for the remainder of the year.

Balance Sheet

Total assets increased by $803,000 from the prior month. The following items make up the increase in current assets:

- Total unrestricted cash and cash equivalents for September decreased by just over $1.0 million and days cash on hand including restricted use funds decreased to 4.7 days cash on hand in September from 8.6 days cash on hand in August. Patient collections in August averaged $123,000 per day, down significantly from the previous months.

- Net patient accounts receivable increased in September by $2.4 million mostly due to the addition of Waters Edge accounts ($1.8 million) plus the Emdeon system issues affecting transmission to Medi-Cal claims. In early September we received $500,000 cash advance from Edmeon to assist with vendor payments while the system issues were being resolved. A second $250,000 advance was provided on September 19, 2012. Subsequent to September month end, we did receive $1.1 million from Medi-Cal associated with the Emdeon system issues. Although there are a couple of accounts that need additional follow-up, the most of the the delayed payments were received on October 9, 2012.

- We have also experienced a delay in collection of Waters Edge receivables due to the State approval to submit claims for Medi-Cal. Medicare is now able to be billed and we did receive our first payments from Medicare on October 1, 2012. We are also now billing for Medi-Cal claims which will help increase cash and reduce the patient receivable balance. We have had challenges with getting these claims properly submitted, however, we believe these will begin to be paid on October 29, 2012.

- Days in outstanding receivables were 69.2 at September month end, an increase from August of 59.2 days. Collections in September were $3.7 million compared to $4.5 million in August.

- Prepaids and other decreased by $30,000.

Overall, total liabilities increased by $959,000 from prior month. However, there were a couple of changes in accrual and liability activity.

Accounts payable increased by almost $740,000 in September to almost $10.5 million which equates to 149 AP Days, up from 141 days in August. AP Days and vendor relations remain one of our top concerns. The cash advances from Emdeon were used in September to help reduce vendor payables. However, once we begin receiving positive cash flow from Waters Edge and other revenue programs, the Hospital will need to reduce our outstanding vendor balances and days in AP as a top priority.

- Payroll related accruals had a net increase of almost $178,000.

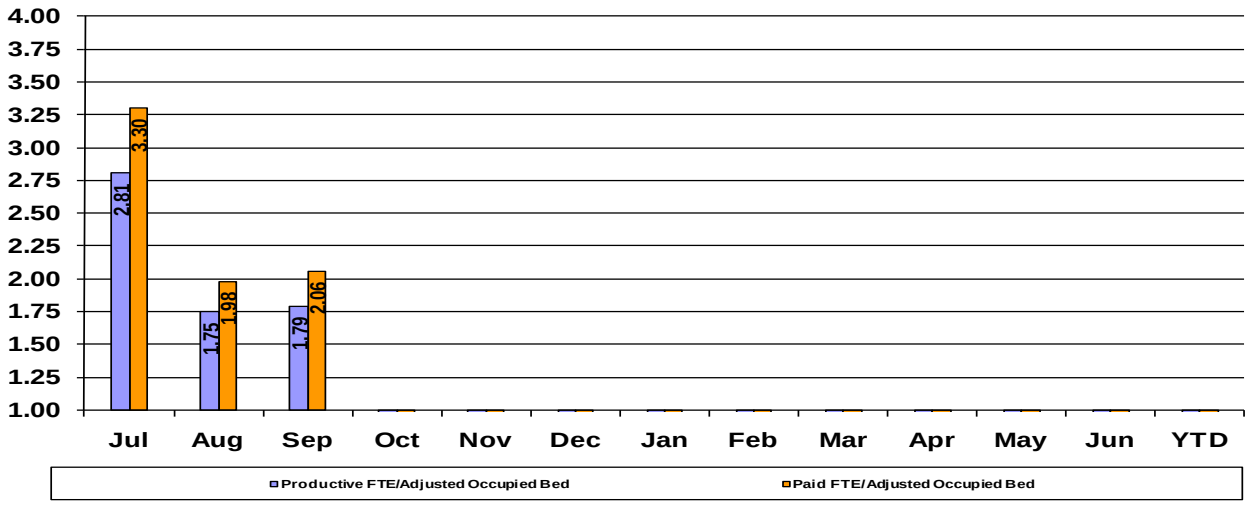
- Deferred revenues decreased by $477,000 due to the recognition of one-twelfth of the 2012/2013 parcel tax revenues.

- Current Portion of Long Term Debt in the month of September also included the $750,000 advance from Emdeon that was made in September. This will reverse in October as this advance was paid back.

Key Statistics

FTE's Per Adjusted Occupied Bed

For the month of September Productive FTE's per Adjusted Occupied Bed were 1.78, below the budget of 1.83 FTE's by 2.6%, and paid FTE's were 2.06 or 1.3% below budget. The graph below shows the productive and paid FTE's per Adjusted Occupied Bed for FY 2013 by month.



Current Ratio

The current ratio for September has dropped to 0.94. The current ratio needs to be above 1.0 by the end of the 2nd quarter of FY 2013 (December 31, 2012) 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 $6.4 million.

The Bank of Alameda loan committee agreed to waive the loan covenants that we have been in non-compliance with until the end of the 2nd quarter of FY 2013. We will in turn be providing them with monthly financials to closely monitor our progress in achieving the budget objectives set forth in this new fiscal year.

A/R days

Net days in net accounts receivable are currently at 69.2. This is up from the prior month of 59.2. Net A/R days are up as a result of issues with Emdeon/Medi-Cal billing during the month of September, as well as delays in being authorized to submit claims for Waters Edge. These issues were resolved at the end of September and payments associated with the majority of the Emdeon billing issues were paid on October 9, 2012. Waters Edge claims have been submitted for the months of August and September with payment anticipated on October 29, 2012. We expect the Net A/R to significantly decrease at October month end as these billing and collections processes normalize.

Days Cash on Hand

Days cash on hand for August was 4.7 a decrease from prior month of 8.6. This decrease was anticipated as patient collections were lower to due problems with Emdeon/Medi-Cal billing as well as the slow implementation of our ability to bill for Waters Edge accounts. The result of these issues are reflected in the significant increase in Net A/R balance at the end of September.

The following pages include the detailed financial statements for the first (3) months ended September 30, 2012, of Fiscal Year 2013.

ALAMEDA HOSPITAL
KEY STATISTICS
SEPTEMBER 2012

	ACTUAL SEPTEMBER 2012	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	SEPTEMBER 2011	YTD SEPTEMBER 2012	YTD FIXED BUDGET	VARIANCE	%	YTD SEPTEMBER 2011
Discharges:										
Total Acute	225	228	(3)	-1.3%	212	664	705	(41)	-5.8%	656
Total Sub-Acute	3	3	-	0.0%	3	7	7	-	0.0%	7
Total South Shore	9	8	1	12.5%	8	16	18	(2)	-11.1%	18
Total Waters Edge	14	11	3	27.3%	-	24	22	2	9.1%	-
	251	250	1	0.4%	223	711	752	(41)	-5.4%	681
Patient Days:										
Total Acute	885	910	(25)	-2.7%	818	2,619	2,824	(205)	-7.3%	2,612
Total Sub-Acute	1,011	980	31	3.2%	964	3,046	2,991	55	1.8%	2,979
Total South Shore	670	612	58	9.5%	613	2,110	1,956	154	7.9%	2,050
Total Waters Edge	2,850	2,820	30	1.1%	-	5,827	5,579	248	4.4%	-
	5,416	5,322	94	1.8%	2,395	13,602	13,350	252	1.9%	7,641
Average Length of Stay										
Total Acute	3.93	3.99	(0.06)	-1.5%	3.86	3.94	4.01	(0.06)	-1.6%	3.98
Average Daily Census										
Total Acute	29.50	30.33	(0.83)	-2.7%	27.27	28.47	30.70	(2.23)	-7.3%	28.39
Total Sub-Acute	33.70	32.67	1.03	3.2%	32.13	33.11	32.51	0.60	1.8%	32.38
Total South Shore	22.33	20.40	1.93	9.5%	20.43	22.93	21.26	1.67	7.9%	22.28
Total Waters Edge	95.00	94.00	1.00	1.1%	-	95.52	91.46	4.07	4.4%	-
	180.53	177.40	3.13	1.8%	79.83	180.04	175.93	(1.63)	-0.9%	83.05
Emergency Room Visits	1,382	1,377	5	0.4%	1,381	4,133	4,223	(90)	-2.1%	1,381
Wound Care Clinic Visits	173	100	73	73.0%	-	276	250	26	10.4%	-
Outpatient Registrations	1,670	1,835	(165)	-9.0%	1,748	5,534	5,599	(65)	-1.2%	5,439
Surgery Cases:										
Inpatient	48	38	10	26.3%	39	133	111	22	19.8%	110
Outpatient	120	172	(52)	-30.2%	174	334	521	(187)	-35.9%	531
	168	210	(42)	-20.0%	213	467	632	(165)	-26.1%	641
Adjusted Occupied Bed (AOB)	252.98	248.91	4.07	1.6%	116.72	212.60	218.95	(6.35)	-2.9%	122.63
Productive FTE	451.54	454.55	(3.01)	-0.7%	337.24	420.78	420.58	0.20	0.0%	341.43
Total FTE	519.94	518.45	1.49	0.3%	392.33	485.18	480.34	4.84	1.0%	397.67
Productive FTE/Adj. Occ. Bed	1.78	1.83	(0.04)	-2.3%	2.89	1.98	1.92	0.06	3.0%	2.78
Total FTE/ Adj. Occ. Bed	2.06	2.08	(0.03)	-1.3%	3.36	2.28	2.19	0.09	4.0%	3.24

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

	Current Month	Prior Month	Prior Year End
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 951,816	$ 2,036,664	$ 3,327,884
Patient Accounts Receivable, net	12,546,572	10,091,017	8,835,256
Other Receivables	6,044,406	6,594,438	6,488,283
Third-Party Payer Settlement Receivables	-	-	-
Inventories	1,060,171	1,044,844	1,045,311
Prepaids and Other	657,420	686,937	416,371
Total Current Assets	21,260,385	20,453,900	20,113,105
Assets Limited as to Use, net	95,994	84,663	64,183
Fixed Assets			
Land	877,945	877,945	877,945
Depreciable capital assets	44,529,145	44,517,954	43,470,520
Construction in progress	3,434,702	3,387,392	4,102,468
Depreciation	(39,883,457)	(39,810,146)	(39,670,499)
Property, Plant and Equipment, net	8,958,335	8,973,145	8,780,434
Total Assets	**$ 30,314,714**	**$ 29,511,708**	**$ 28,957,722**
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	$ 2,474,249	$ 1,724,249	$ 1,724,249
Accounts Payable and Accrued Expenses	10,446,088	9,708,349	7,848,673
Payroll Related Accruals	4,294,265	4,116,712	4,307,924
Deferred Revenue	4,295,054	4,772,138	5,726,305
Employee Health Related Accruals	658,111	644,742	691,942
Third-Party Payer Settlement Payable	379,233	453,233	601,233
Total Current Liabilities	22,547,000	21,419,423	20,900,326
Long Term Debt, net	1,353,926	1,522,820	1,022,152
Total Liabilities	23,900,926	22,942,243	21,922,478
Net Assets:			
Unrestricted	6,107,795	6,286,352	6,761,061
Temporarily Restricted	305,994	283,113	274,183
Total Net Assets	6,413,789	6,569,465	7,035,244
Total Liabilities and Net Assets	**$ 30,314,714**	**$ 29,511,708**	**$ 28,957,722**

City of Alameda Health Care District

Statements of Operations

September 30, 2012

$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Patient Days	5,416	5,322	94	1.8%	2,395	13,602	13,350	252	1.9%	7,641
Discharges	251	250	2	0.6%	223	711	752	(41)	-5.5%	681
ALOS (Average Length of Stay)	21.58	21.33	0.25	1.2%	10.74	19.13	17.75	1.38	7.8%	11.22
ADC (Average Daily Census)	180.5	177.4	3.13	1.8%	79.8	147.8	145.1	2.74	1.9%	83.1
CMI (Case Mix Index)	1.3066				1.4031	1.3237				1.3645
Revenues										
Gross Inpatient Revenues	$ 17,570	$ 17,465	$ 106	0.6%	$ 13,941	$ 48,959	$ 50,937	$ (1,979)	-3.9%	$ 43,379
Gross Outpatient Revenues	7,051	7,040	11	0.2%	6,522	21,586	21,793	(207)	-0.9%	21,190
Total Gross Revenues	24,621	24,505	117	0.5%	20,463	70,545	72,731	(2,186)	-3.0%	64,570
Contractual Deductions	17,932	17,889	(43)	-0.2%	15,260	48,910	53,621	4,711	8.8%	48,146
Bad Debts	786	679	(106)	-15.7%	359	4,711	2,106	(2,605)	-123.7%	1,577
Charity and Other Adjustments	-	165	165	100.0%	246	246	511	266	51.9%	760
Net Patient Revenues	5,903	5,771	132	2.3%	4,599	16,678	16,493	185	1.1%	14,087
Net Patient Revenue %	24.0%	23.6%			22.5%	23.6%	22.7%			21.8%
Net Clinic Revenue	30	42	(12)	-27.8%	31	107	125	(18)	-14.3%	98
Other Operating Revenue	6	50	(44)	-87.8%	8	21	151	(130)	-86.3%	182
Total Revenues	**5,939**	**5,863**	**76**	1.3%	**4,638**	**16,806**	**16,769**	**37**	0.2%	**14,367**
Expenses										
Salaries	3,272	3,375	104	3.1%	2,818	9,602	9,802	200	2.0%	8,556
Temporary Agency	189	66	(123)	-185.6%	94	538	189	(349)	-185.2%	327
Benefits	926	897	(28)	-3.2%	809	2,562	2,617	55	2.1%	2,626
Professional Fees	433	387	(47)	-12.1%	401	1,120	1,096	(24)	-2.1%	997
Supplies	749	732	(17)	-2.4%	653	2,205	2,116	(88)	-4.2%	1,900
Purchased Services	520	535	15	2.8%	372	1,510	1,476	(35)	-2.4%	1,022
Rents and Leases	215	204	(12)	-5.8%	80	545	531	(13)	-2.5%	247
Utilities and Telephone	81	87	6	6.5%	64	232	246	14	5.9%	196
Insurance	39	41	2	3.7%	27	119	109	(11)	-10.0%	87
Depreciation and amortization	73	68	(5)	-7.8%	73	216	204	(12)	-6.0%	226
Other Opertaing Expenses	109	114	5	4.1%	88	289	318	28	8.9%	231
Total Expenses	**6,607**	**6,506**	**(102)**	-1.6%	**5,480**	**18,937**	**18,703**	**(234)**	-1.3%	**16,415**
Operating gain (loss)	**(668)**	**(643)**	**(25)**	-4.0%	**(842)**	**(2,131)**	**(1,935)**	**(197)**	10.2%	**(2,049)**
Non-Operating Income / (Expense)										
Parcel Taxes	477	500	(23)	-4.6%	481	1,431	1,500	(68)	-4.6%	1,435
Investment Income	2	-	2	0.0%	1	5	-	5	0.0%	2
Interest Expense	(29)	(8)	(21)	-257.0%	(14)	(59)	(8)	(51)	638.2%	(45)
Other Income / (Expense)	27	15	13	83.7%	25	82	45	37	83.1%	71
Net Non-Operating Income / (Expense)	**478**	**507**	**(29)**	**-5.7%**	**493**	**1,459**	**1,536**	**(77)**	**-5.0%**	**1,464**
Excess of Revenues Over Expenses	**$ (190)**	**$ (136)**	**$ (54)**	**39.9%**	**$ (349)**	**$ (672)**	**$ (398)**	**$ (274)**	**68.8%**	**$ (585)**

City of Alameda Health Care District

Statements of Operations - Per Adjusted Patient Day

September 30, 2012

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	$ 2,315	$ 2,339	$ (24)	-1.0%	$ 3,966	$ 2,498	$ 2,672	$ (174)	-6.5%	$ 3,814
Gross Outpatient Revenues	929	943	(14)	-1.5%	1,855	1,101	1,143	(42)	-3.7%	1,863
Total Gross Revenues	3,244	3,282	(37)	-1.1%	5,821	3,599	3,816	(216)	-5.7%	5,677
Contractual Deductions	2,363	2,396	33	1.4%	4,341	2,496	2,813	317	11.3%	4,233
Bad Debts	104	91	(13)	-13.8%	102	240	110	(130)	-117.6%	139
Charity and Other Adjustments	-	22	22	100.0%	70	13	27	14	53.3%	67
Net Patient Revenues	778	773	5	0.6%	1,308	851	865	(14)	-1.6%	1,239
Net Patient Revenue %	24.0%	23.6%			22.5%	23.6%	22.7%			21.8%
Net Clinic Revenue	4	6	(2)	-28.9%	9	5	7	(1)	-16.6%	9
Other Operating Revenue	1	7	(6)	-88.0%	2	1	8	(7)	-86.7%	16
Total Revenues	**783**	**785**	**(3)**	-0.3%	**1,319**	**858**	**880**	**(22)**	-2.5%	**1,263**
Expenses										
Salaries	431	452	21	4.6%	802	490	514	24	4.7%	752
Temporary Agency	25	9	(16)	-181.0%	27	27	10	(18)	-177.4%	29
Benefits	122	120	(2)	-1.5%	230	125	137	12	8.8%	231
Professional Fees	57	52	(5)	-10.3%	114	57	58	0	0.7%	88
Supplies	99	98	(1)	-0.7%	186	112	111	(1)	-1.3%	167
Purchased Services	69	72	3	4.3%	106	77	77	0	0.4%	90
Rents and Leases	28	27	(1)	-4.1%	23	28	28	0	0.3%	22
Utilities and Telephone	11	12	1	8.0%	18	12	13	1	8.4%	17
Insurance	5	5	0	5.3%	8	6	6	(0)	-7.0%	8
Depreciation and Amortization	10	9	(1)	-6.1%	21	11	11	(0)	-3.1%	20
Other Operating Expenses	14	15	1	5.7%	25	15	17	2	11.4%	20
Total Expenses	**871**	**871**	**1**	0.1%	**1,559**	**961**	**981**	**20**	2.1%	**1,443**
Operating Gain / (Loss)	**(88)**	**(86)**	**(2)**	-2.3%	**(239)**	**(103)**	**(101)**	**(2)**	1.8%	**(180)**
Non-Operating Income / (Expense)										
Parcel Taxes	63	67	(4)	-6.1%	137	73	79	(6)	-7.2%	126
Investment Income	0	-	0	0.0%	0	0	-	0	0.0%	0
Interest Expense	(4)	(1)	(3)	-251.2%	(4)	(3)	(1)	(2)	139.3%	(4)
Other Income / (Expense)	4	2	2	80.7%	7	4	2	2	78.1%	6
Net Non-Operating Income / (Expense)	**63**	**68**	**(5)**	**-7.2%**	**140**	**74**	**80**	**(5)**	**-6.7%**	**129**
Excess of Revenues Over Expenses	**$ (25)**	**$ (18)**	**$ (7)**	37.6%	**$ (99)**	**$ (29)**	**$ (22)**	**$ (7)**	33.2%	**$ (51)**

Wound Care - Statement of Operations
September 30, 2012

	Current Month				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Clinic Visits	173	100	73	73.0%	276	250	26	10.4%
Revenue								
Gross Revenue	354,296	210,392	143,904	68.4%	448,246	525,980	(77,734)	-14.8%
Deductions from Revenue	272,950	162,086	110,864		343,876	405,215	(61,339)	
Net Revenue	81,346	48,306	33,040		104,370	120,765	(16,395)	-13.6%
Expenses								
Salaries	13,644	14,911	1,267	8.5%	37,310	44,733	7,423	16.6%
Benefits	3,902	4,220	318	7.5%	8,860	12,660	3,800	30.0%
Professional Fees	49,954	26,351	(23,603)	-89.6%	59,628	67,378	7,750	11.5%
Supplies	7,239	7,532	293	3.9%	22,032	22,596	564	2.5%
Purchased Services	(755)	-	755	-100.0%	9,525	-	(9,525)	-100.0%
Rents and Leases	5,047	5,080	33	0.6%	16,164	15,240	(924)	-6.1%
Depreciation	8,685	4,900	(3,785)	-77.2%	9,165	14,700	5,535	37.7%
Other	4,234	5,917	1,683	28.4%	5,003	17,751	12,748	71.8%
Total Expenses	91,950	68,911	(23,040)	-33.4%	167,687	195,058	27,371	14.0%
Excess of Revenue over Expenses	(10,604)	(20,605)	10,001	48.5%	(63,317)	(74,293)	10,975	14.8%

Note: September Professional Fees includes $16,000 Accelecare mgt fee missed in August.
Note: Of the 174 visits, 54 were hyberbaric oxygen treatment visits.

City of Alameda Health Care District
Waters Edge Skilled Nursing - Statement of Operations
September 30, 2012

	Current Month				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Patient Days								
Medicare	273	300	(27)	-9.0%	549	548	1	0.2%
Medi-Cal	2,321	2,220	101	4.5%	4,711	4,483	228	5.1%
Managed Care	39	150	(111)	-74.0%	65	243	(178)	-73.3%
Self Pay/Other	217	150	67	44.7%	502	305	197	64.6%
Total	2,850	2,820	30	1.1%	5,827	5,579	248	4.4%
Revenue								
Routine Revenue	2,204,812	2,251,600	(46,788)	-2.1%	4,494,670	4,384,048	110,622	2.5%
Ancillary Revenue	252,280	422,663	(170,383)	-40.3%	520,119	859,446	(339,327)	-39.5%
Total Gross Revenue	2,457,092	2,674,263	(217,171)	-8.1%	5,014,789	5,243,494	(228,705)	-4.4%
Deductions from Revenue	1,410,455	1,738,271	327,816	18.9%	2,916,409	3,408,271	491,863	14.4%
Net Revenue	1,046,637	935,992	110,645	11.8%	2,098,380	1,835,223	263,158	14.3%
Expenses								
Salaries	410,515	461,487	50,972	11.0%	839,847	919,371	79,524	8.6%
Benefits	92,554	138,446	45,892	33.1%	184,487	275,811	91,324	33.1%
Professional Fees	11,327	13,999	2,672	19.1%	29,971	27,998	(1,973)	-7.0%
Supplies	58,567	96,777	38,210	39.5%	155,715	194,844	39,129	20.1%
Purchased Services	107,578	124,347	16,769	13.5%	241,781	246,869	5,088	2.1%
Rents and Leases	77,836	76,552	(1,284)	-1.7%	154,304	153,104	(1,200)	-0.8%
Utilities	17,784	14,999	(2,785)	-18.6%	42,313	29,998	(12,315)	-41.1%
Insurance	5,949	12,165	6,216	51.1%	16,898	24,330	7,432	30.5%
Other	12,251	21,222	8,971	42.3%	29,113	42,271	13,158	31.1%
Total Expenses	794,361	959,994	165,633	17.3%	1,694,429	1,914,596	220,167	11.5%
Excess of Revenue over Expenses	252,276	(24,002)	276,278	1151.1%	403,952	(79,373)	483,325	608.9%

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

	Current Month	Year-to-Date
Cash flows from operating activities		
Net Income / (Loss)	$ (189,987)	$ (672,229)
Items not requiring the use of cash:		
Depreciation and amortization	73,312	$ 216,235
Write-off of Kaiser liability	-	$ -
Changes in certain assets and liabilities:		
Patient accounts receivable, net	(2,455,555)	(3,711,316)
Other Receivables	550,032	443,877
Third-Party Payer Settlements Receivable	(74,000)	(222,000)
Inventories	(15,327)	(14,860)
Prepaids and Other	29,517	(241,049)
Accounts payable and accrued liabilities	737,739	2,597,415
Payroll Related Accruals	177,553	(13,659)
Employee Health Plan Accruals	13,369	(33,831)
Deferred Revenues	(477,084)	(1,431,251)
Cash provided by (used in) operating activities	(1,630,431)	(3,082,668)
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	(11,331)	(31,811)
Additions to Property, Plant and Equipment	(58,502)	(394,136)
Other	11,430	18,963
Cash provided by (used in) investing activities	(58,403)	(406,984)
Cash flows from financing activities		
Net Change in Long-Term Debt	581,106	1,081,774
Net Change in Restricted Funds	22,881	31,811
Cash provided by (used in) financing and fundraising activities	603,987	1,113,585
Net increase (decrease) in cash and cash equivalents	(1,084,847)	(2,376,067)
Cash and cash equivalents at beginning of period	2,036,664	3,327,884
Cash and cash equivalents at end of period	$ 951,817	$ 951,818

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	Audited Results FY 2009	Audited Results FY 2010	Unaudited Results FY 2011	Unaudited Results FY 2012	YTD 9/30/2012
Profitability Ratios					
Net Patient Revenue (%)	22.69%	24.16%	23.58%	22.73%	23.64%
Earnings Before Depreciation, Interest, Taxes and Amortization (EBITA)	3.62%	4.82%	-1.01%	-1.48%	-1.48%
EBIDAP[Note 5]	-5.49%	-3.66%	-13.41%	-11.22%	-10.88%
Total Margin	1.03%	2.74%	-2.61%	-3.21%	-4.00%
Liquidity Ratios					
Current Ratio	1.15	1.23	1.05	0.96	0.94
Days in accounts receivable ,net	57.26	51.83	46.03	55.21	69.21
Days cash on hand (with restricted)	13.6	21.6	14.1	17.7	4.7
Debt Ratios					
Cash to Debt	115.3%	249.0%	123.3%	123.56%	27.37%
Average pay period (includes payroll)	58.03	57.11	62.68	72.94	75.43
Debt service coverage	3.87	5.98	(0.70)	(0.53)	(0.16)
Long-term debt to fund balance	0.20	0.14	0.18	0.28	0.37
Return on fund balance	8.42%	18.87%	-19.21%	-27.35%	-10.48%
Debt to number of beds	13,481	10,482	11,515	16,978	9,728

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	Audited Results FY 2009	Audited Results FY 2010	Unaudited Results FY 2011	Unaudited Results FY 2012	YTD 9/30/2012
Patient Care Information					
Bed Capacity	161	161	161	161	281
Patient days(all services)	30,463	30,607	30,270	30,448	13,602
Patient days (acute only)	11,787	10,579	10,443	10,880	2,619
Discharges(acute only)	2,812	2,802	2,527	2,799	676
Average length of stay (acute only)	4.19	3.78	4.13	3.89	3.87
Average daily patients (all sources)	83.46	83.85	82.93	83.19	147.85
Occupancy rate (all sources)	52.94%	52.08%	51.51%	51.67%	52.61%
Average length of stay	4.19	3.78	4.13	3.89	3.87
Emergency Visits	17,337	17,624	16,816	16,964	4,133
Emergency visits per day	47.50	48.28	46.07	46.35	44.92
Outpatient registrations per day[Note 1]	82.05	79.67	65.19	60.67	60.15
Surgeries per day - Total	16.12	13.46	6.12	6.12	5.05
Surgeries per day - excludes Kaiser	5.14	5.32	6.12	6.12	5.05

Notes:

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

Glossary of Financial Ratios

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

Audited Financial Statements

CITY OF ALAMEDA
HEALTH CARE DISTRICT

Dba ALAMEDA HOSPITAL

June 30, 2012

Audited Financial Statements

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2012

Management's Discussion and Analysis

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2012

The management of the City of Alameda Health Care District (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended 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 historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2012 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Volumes and Statistics

- Acute care patient days were 10,880 for fiscal year 2012 as compared to 10,443 for the prior year. Discharges were 2,799 for the current year versus 2,527 for the prior year resulting in lengths of stay of 3.89 for 2012 as compared to 4.13 for 2011.
- Sub-acute and skilled nursing days were 19,568 for fiscal year 2012 as compared to 19,827 for fiscal year 2011, equaling an average daily census of 53.5 for 2012 versus 54.3 for 2011.
- Overall combined occupancy for the Hospital, including the sub-acute and skilled nursing programs, was 51.7% for the year ended June 30, 2012 versus 51.5% for the year ended June 30, 2011.
- There were 2,189 surgery cases during fiscal year 2012 (485 inpatient and 1,704 outpatient cases) as compared to 2,232 surgery cases for the prior fiscal year (502 inpatient and 1,730 outpatient cases).
- Outpatient registrations decreased by 1,552 registrations over the prior year (22,244 for 2012 versus 23,796 for 2011).
- Emergency room visits were 16,969 in the fiscal year 2012 as compared to 16,816 for the prior year.
- FTE's per adjusted occupied bed were 3.25 for 2012 versus 3.41 for the prior year.

Financial Highlights

During fiscal year 2012, the health care industry continued to face operational and financial challenges. At the local, regional and national levels, health care institutions continue to experience serious cost and payment pressures dictated by federal and state health care reforms, and from both governmental payors (Medicare and Medi-Cal) and private insurance carriers. The continued uncertainty surrounding current economic conditions continues to place challenges on the health care market.

Specific challenges to the Hospital were the continued affects of the loss of the Kaiser contract which has negatively impacted the financial performance of the Hospital in fiscal year 2010. However, during fiscal year 2012, management made significant progress, not only to stabilize and improve on the existing operations, but ot develop and implement new programs and services that will provide the growth and revenue needed to secure financial stability for the Hospital. Some of the key factors that contributed to the Hospital's financial performance include:

- Termination of the inpatient Medi-Cal contract in October, 2011 and a return to cost-based reimbursement program for these same inpatient Medi-Cal services provided by the Hospital. This change contributed about $550,000 to the Hospital's net revenue during the fiscal year 2012.
- The Hospital Fee/Intergovernmental Transfer program contributed approximately $680,000 to fiscal year 2012 net patient revenue. This program will be discontinued in fiscal year 2013 when district hospitals convert to the Certified Public Expenditures reimbursement model under the State's 2013 budget proposal.
- Total operating expenses only increased by approximately $98,000 from fiscal year 2011 to fiscal year 2012. This is discussed in more detail later in this report.
- Net patient revenues increased by approximately $2.6 million primarily due to the result of price increases, improvement with managed care contract rates, and cancellation of the Medi-Cal inpatient contract (as previously mentioned).
- During the fiscal year, there was much focus on improving the Hospital's revenue cycle processes, including business office performance. Key areas that were addressed included the review of the Chargemaster, emergency department revenue cycle processes, outsourcing the billing function to an outside firm to assist with better collection rates and improving the timeliness and process for the Hospital's long-term care billing.

These financial factors resulted in the following:

- Net assets decreased by $1,493,000 in 2012 as compared to a decrease of $1,429,000 in 2011
- Net patient service revenues increased by $2,435,000 or 4% while total operating expenses increased by $98,000, less than 1% over the prior fiscal year.

- The Hospital's operating loss, before parcel tax revenue, was $6,596,000 for fiscal year 2012 as compared to $9,108,000 for fiscal year 2011.

- Current assets increased by $1,121,000 while current liabilities increased by $2,999,000 over the prior fiscal year. This resulted in a current ratio at June 30, 2012 to 0.97 as compared to 1.11 for the prior year.

- Net days in patient accounts receivable increased to 53.7 at June 30, 2012 as compared to 45.8 at June 30, 2011.

- Total assets increased by $1,153,000 over the prior fiscal year. Total operating cash and cash equivalents increased by $1,275,000 over the prior year (see the *Statements of Cash Flows* for changes).

The Hospital's financial statements consist of three statements: balance sheet; statement of revenues, expenses, and changes in net assets; and statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

The balance sheet includes all of the Hospital's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes and which are designated for a specific purpose.

The statement of revenues, expenses and changes in net assets reports all of the revenues earned and expenses incurred during the time period indicated. Nets assets (the difference between total assets and total liabilities) is one way to measure the financial health of the Hospital.

The statement of cash flows reports the cash provided by and used by the Hospital's operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements. This statement provides meaningful information on how the Hospital's cash was generated and how it was used during the fiscal year.

Balance Sheet - Assets

For the fiscal year ended June 30, 2012, the Hospital's unrestricted and restricted cash and investments totaled $3.4 million as compared to $2.5 million in the prior fiscal year. At June 30, 2012, day's cash on hand was 18.8 as compared to 14.1 for the prior year. The Hospital's goal is to maintain sufficient cash and cash equivalent balances to pay all short-term liabilities and to be able to expand services available to the community.

During the year, the Hospital added $1,475,000 in capital assets for major moveable equipment and various minor construction and improvement projects on the Hospital's campus. The Hospital has several projects in process at year end for various renovations and equipment improvements. The significant addition during the fiscal year was costs in progress towards the wound care project of approximately $795,000.

Balance Sheet - Liabilities

As previously discussed, the Hospital's current liabilities increased by $2,799,000 from the prior year. Changes were comprised of increases in trade payables by $770,000, increases in current maturities of debt borrowings by $946,000, increases in third party payor settlements by $755,000, increases in health insurance claims by $349,000 and increases in accrued payroll and related liabilities of $333,000.

Balance Sheet - Net Assets

The Hospital reports its net assets in three categories:

- ***Invested in capital assets net of related debt***: Total investment in Hospital property and equipment (capital assets) net of accumulated depreciation and outstanding debt borrowings related towards the purchase of those capital assets.

- ***Restricted by contributors***: Resources the Hospital is legally or contractually obligated to spend in accordance with restrictions placed by donors and/or external third parties that have placed a time limit or purpose restriction on the use of the asset.

- ***Unrestricted net assets***: All other funds available for use by the Hospital to meet general obligations and to fund current operating expenses.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the operating results of the Hospital, as well as the non-operating revenues and expenses. Activities are reported as either operating or nonoperating. The use of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of the asset over its expected useful life.

Gross Patient Charges

The Hospital charges all patients equally based on its established pricing structure for the services rendered.

Acute inpatient gross charges increased by $9,246,000 from fiscal year 2011 due to a combination of price increases and an increase in acute care patient days of 437 days in fiscal year 2012. The subacute and skilled nursing unit charges increased in fiscal year 2012 by $1,230,700 as patient day decreased by 259 days.

Outpatient gross charges increased by $3.5 million as a result of price increases and volume changes.

Deductions From Revenue

Deductions from revenue are comprised of contractual allowances and provisions for bad debts. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

The provision for bad debts for fiscal year 2012 and fiscal year 2011 were $8.1 million and $8.0 million, respectively. As a percentage of gross patient charges, the allowance has decreased from 3.3% in fiscal year 2011 to 3.1% in fiscal year 2012.

Contractual allowances and the provision for bad debts (as a percentage of gross patient charges) were 76.7% for fiscal year 2012 as compared to 76.4% for fiscal year 2011. The slight increase in contractual allowances was due primarily to programs such as the hospital fee program and by price increases in the Hospital's pricing structure.

Net Patient Service Revenues

Net patient service revenues are the difference between gross patient charges and deductions from revenue. Net patient service revenues increased by $2.4 million as a result primarily of price increases, supplemental programs and volume changes as previously noted.

Operating Expenses

Total operating expenses were $67.1 million for fiscal year 2012 compared to $66.9 million for fiscal year 2011. This slight increase of approximately $98,000 is due primarily to:

- A $963,000 decrease in salaries, wages, registry and benefits from the prior year. Total full time equivalents (FTE's) were 399.6 in 2012 versus 420.8 in 2011 over the prior year. The decrease was primarily due to the reduction to direct and indirect staffing levels in efforts to remain cost effective.

- Other variable expenses such as professional fees, supplies and purchased services increased slightly during the year by approximately $591,000 while other expenses (rent, insurance, utilities, depreciation and other operating expenses) increased slightly by approximately $471,000.

Statement of Cash Flows

The statement of cash flows presents the information related to cash inflows and outflows summarized by operating capital, and noncapital financing and investing activities. It also summarizes information about cash receipts and cash payments during the year and is presented in various categories. The statement also helps users assess the Hospital's ability to: (1) generate net cash flows; (2) meet its obligations as they become due; and (3) meet its need for external financing.

The main sections of the statement of cash flows include:

- ***Operating activities***: This section reflects operating cash flows and the net cash provided or used by the operating activities of the Hospital.

- ***Noncapital financing activities***: This section shows the cash received and spent for non-operating, non investing, and non capital purposes.

- ***Capital and related financing activities***: This section reflects the sources and uses of cash for the acquisition of capital related items and other debt borrowings.

- ***Investing activities***: This section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities.

Economic Factors and Next Fiscal Year's Budget

The Hospital's board has approved operating and capital budgets for fiscal year ending June 30, 2013. For fiscal year 2013, the Hospital is budgeted to increase its net assets by approximately $613,000. The increase is due to several assumptions:

- Incorporation of the 120-bed "Water's Edge" skilled nursing facility effective August 1, 2012. This nursing home is budgeted to contribute approximately $1.3 million to the Hospital's bottom line in fiscal year 2013.

- In October, 2012, two new orthopedic surgeons will be joining the Hospital. These two new physicians will compliment the orthopedic work already being provided at the Hospital. It is anticipated that their practices will generate increased use of ancillary services such as imaging and rehabilitation services. The fiscal year 2013 budget projects a contribution of approximately $600,000 from this addition.

- The Hospital opened a "Wound Care Center" in July, 2012 for the treatment of chronic wounds. There is an unmet demand for this specialized service in the Hospital's primary service area and it is expected to ramp up gradually over the course of the year. This new program is expected to contribute approximately $50,000 to the Hospital's bottom line in fiscal year 2013.

- The core Hospital inpatient and outpatient service areas are budgeted to remain at the same activity levels as in fiscal year 2012.

- For fiscal year 2013, district hospitals in California will be adopting a new reimbursement model for traditional Medi-Cal inpatient services entitled "Certified Public Expenditures (CPE). Ths CPE model has been used by designated public hospitals (City, County and UC system) for the past several years. This CPE model will also provide some reimbursement for uncompensated care and reimbursement under the "Delivery System Improvements Program" (DSRIP).

Management is confident that, despite the challenges that confront Alameda Hospital, these new programs, together with continued operational improvements, will allow Alameda Hospital to be successful into the future.

TCA Partners, LLP

A Certified Public Accountancy Limited Liability Partnership
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Voice: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpa@aol.com

Report of Independent Auditors

The Board of Directors
City of Alameda Health Care District
Alameda, California

We have audited the accompanying balance sheets of the City of Alameda Health Care District (the Hospital) as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal controls over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Alameda Health Care District at June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

TCA Partners, LLP

October 4, 2012

Balance Sheets

CITY OF ALAMEDA HEALTH CARE DISTRICT

	June 30 2012	June 30 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 3,339,613	$ 2,064,823
Patient accounts receivable, net of allowances	8,835,256	7,249,185
Other receivables	6,488,284	8,090,457
Estimated third party payor settlements		153,930
Inventories	1,045,311	1,183,358
Prepaid expenses and deposits	416,371	262,359
Total current assets	20,124,835	19,004,112
Assets limited as to use	64,183	483,716
Capital assets, net of accumulated depreciation	9,084,741	8,632,791
Total assets	$ 29,273,759	$ 28,120,619
Liabilities and Net Assets		
Current liabilities:		
Current maturities of debt borrowings	$ 1,724,249	$ 777,897
Accounts payable and accrued expenses	7,681,473	6,911,766
Accrued payroll and related liabilities	4,324,224	3,991,254
Deferred revenues	5,726,305	5,725,900
Estimated third party payor settlements	601,233	
Health insurance claims payable (IBNR)	691,942	343,382
Total current liabilities	20,749,426	17,750,199
Debt borrowings, net of current maturities	757,152	1,110,286
Total liabilities	21,506,578	18,860,485
Net assets:		
Invested in capital assets, net of related debt	7,513,277	7,359,786
Restricted, by contributors	64,183	483,716
Unrestricted	189,721	1,416,632
Total net assets	7,767,181	9,260,134
Total liabilities and net assets	$ 29,273,759	$ 28,120,619

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Assets

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2012	2011
Operating revenues		
Net patient service revenue	$ 60,192,448	$ 57,757,879
Other operating revenue	393,942	127,017
Total operating revenues	60,586,390	57,884,896
Operating expenses		
Salaries and wages	34,386,027	35,233,864
Registry	1,446,699	2,385,110
Employee benefits	9,970,442	9,147,660
Professional fees	4,458,916	3,666,706
Supplies	7,664,447	8,180,393
Purchased services	4,631,834	4,317,577
Building and equipment rent	1,189,075	837,899
Utilities and phone	789,826	769,760
Insurance	332,671	383,797
Depreciation and amortization	852,728	961,544
Other operating expenses	1,368,136	1,108,797
Total operating expenses	67,090,801	66,993,107
Operating income (loss)	(6,504,411)	(9,108,211)
Nonoperating revenues (expenses)		
District tax revenues	5,769,173	5,775,241
Investment income	6,781	19,303
Interest expense	(176,268)	(122,255)
Rent and other income	315,126	264,070
Grants and contributions	279,569	291,396
Total nonoperating revenues (expenses)	6,194,381	6,227,755
Increase (decrease) in net assets before other decreases in net assets	(310,030)	(2,880,456)
Other increases (decreases) in net assets	(1,182,923)	1,451,597
Increase (decrease) in net assets	(1,492,953)	(1,428,859)
Net assets at beginning of the year	9,260,134	10,688,993
Net assets at end of the year	$ 7,767,181	$ 9,260,134

See accompanying notes and auditor's report

Statements of Cash Flows

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2012	2011
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	$ 59,361,540	$ 57,901,250
Cash received from operations, other than patient services	1,905,320	580,962
Cash payments to suppliers and contractors	(20,779,302)	(19,543,480)
Cash payments to employees and benefit programs	(44,023,499)	(44,741,403)
Net cash provided by operating activities	(3,535,941)	(5,802,671)
Cash flows from noncapital financing activities:		
District tax revenues	5,769,173	5,775,241
Grants, contributions and other nonoperating revenues	685,895	555,466
Net cash provided by noncapital financing activities	6,455,068	6,330,707
Cash flows from capital financing activities:		
Purchase and donations of capital assets, net of loss on disposals	(2,487,601)	(2,279,465)
Proceeds from debt borrowings	1,350,000	641,823
Principal payments on debt borrowings	(756,782)	(441,302)
Interest payments on debt borrowings	(176,268)	(122,255)
Net cash provided by (used in) capital financing activities	(2,070,651)	(2,201,199)
Cash flows from investing activities:		
Net change in assets limited as to use	419,533	(7,086)
Investment income	6,781	19,303
Net cash provided by (used in) investing activities	426,314	12,217
Net increase (decrease) in cash and cash equivalents	1,274,790	(1,660,946)
Cash and cash equivalents at beginning of year	2,064,823	3,725,769
Cash and cash equivalents at end of year	$ 3,339,613	$ 2,064,823

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$ (6,595,611)	$ (9,108,211)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	852,728	961,544
Provision for bad debts	4,525,518	8,020,061
Other decreases in net assets		1,451,597
Changes in operating assets and liabilities:		
Patient accounts receivables	(6,111,589)	(5,711,099)
Other receivables	1,602,173	(1,421,222)
Inventories	138,047	(33,652)
Prepaid expenses and deposits	(154,012)	191,512
Accounts payable and accrued expenses	769,707	799,470
Accrued payroll and related liabilities	332,970	(359,879)
Estimated third party payor settlements	755,163	(279,373)
Deferred revenues	405	(11,051)
Health insurance claims payable (IBNR)	348,560	(302,368)
Net cash provided by operating activities	$ (3,535,941)	$ (5,802,671)

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: The City of Alameda Health Care District, (d.b.a. Alameda Hospital), heretofore referred to as (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The Hospital is governed by a five-member Board of Directors, elected from within the district to specified terms of office. The Hospital is located in Alameda, California. It operates a 100-bed acute care facility, a 35-bed sub acute unit within the Hospital and another 26-bed skilled nursing facility adjacent to the Hospital campus which began operations in August, 2008. The Hospital provides health care services primarily to individuals who reside in the local geographic area.

Basis of Preparation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Effective July 1, 2002, the Hospital adopted the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. One of the main components of these new provisions allows the inclusion of a management's discussion and analysis to accompany the financial statement presentation.

The management's discussion and analysis is a narrative introduction and analytical overview of the Hospital's financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management's discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents and Investments: The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The Hospital does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 40 years for buildings and improvements, and 3 to 10 years for major moveable equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2012 and 2011, the Hospital has determined that no capital assets are impaired.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Compensated Absences: The Hospital's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits. Both benefits can accumulate up to specified maximum levels. Employees are not paid for accumulated sick leave benefits if they leave either upon termination or before retirement. However, accumulated vacation benefits are paid to an employee upon either termination or retirement. Accrued vacation liabilities as of June 30, 2012 and 2011 are $2,648,456 and $2,644,177, respectively.

Risk Management: The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. In the case of employee health coverage, the Hospital is self-insured for those claims and is discussed further in the footnotes.

Net Assets: Net assets are presented in three categories. The first category is net assets "invested in capital assets, net of related debt". This category of net assets consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net assets. This category consists of externally designated constraints placed on those net assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net assets. This category consists of net assets that do not meet the definition or criteria of the previous two categories.

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

District Tax Revenues: The Hospital receives approximately 9% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Grants and Contributions: From time to time, the Hospital receives grants from various governmental agencies and private organizations. The Hospital also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net assets.

Operating Revenues and Expenses: The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2012 and 2011, the Hospital had deposits invested in various financial institutions in the form of cash and cash equivalents in the amounts of $3,402,595 and $2,547,338 respectively. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for $250,000 per account that is federally insured.

The CGC and the Hospital's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Hospital would not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the Hospital's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Hospital's deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the Hospital's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the Hospital.

NOTE C - NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospectively determined rates, which vary accordingly to the patient diagnostic classification system. Outpatient services are paid under an outpatient classification system subject to certain limitations. Certain reimbursement areas are still subject to final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2012, cost reports through June 30, 2007 have been final settled.

Medi-Cal: For traditional Medi-Cal (non-HMO) services, payments for inpatient services rendered to patients were made based on reasonable costs through May 5, 2010. Effective May 6, 2010, the Hospital entered into a contract under the Selective Provider Contracting Program administered by the California Medical Assistance Commission (CMAC), to receive payments for inpatient services based upon an established rate. The Hospital was paid at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. Effective October, 2011, the Hospital returned to a cost-based program. At June 30, 2012, cost reports through June 30, 2010, have been final settled. Outpatient payments are based on a pre-determined fee schedule and Medi-Cal HMO services are paid on a pre-determined rate and are not subject to cost reimbursement

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Other: Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Net patient service revenues summarized by service line are as follows:

	2012	2011
Inpatient acute and inpatient ancillary services	$144,875,286	$135,629,202
Long-term care routine services	29,182,616	27,952,591
Outpatient acute services	83,654,228	80,609,704
Gross patient service revenues	257,712,130	244,191,497
Less deductions from revenue and related allowances	(197,519,682)	(186,433,618)
Net patient service revenues	$ 60,192,448	$ 57,757,879

Medicare and Medi-Cal revenue accounts for approximately 40% of the Hospital's net patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE D - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable at June 30, 2012 and 2011 were as follows:

	2012	2011
Medicare	$ 16,471,523	$ 8,230,964
Medi-Cal	7,655,805	6,867,312
Other third party payors	9,592,621	12,159,619
Self pay and other	18,605,933	8,188,321
Gross patient accounts receivable	52,325,882	35,446,216
Less allowances for contractual adjustments and bad debts	(43,490,626)	(28,197,031)
Net patient accounts receivable	$ 8,835,256	$ 7,249,185

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2012 and 2011 were comprised of the following:

	2012	2011
Alameda County property taxes	$ 6,014,567	$ 6,011,855
Other provider and insurance receivables	160,525	141,183
Various managed care programs		109,520
Pension plan forfeitures	64,537	180,778
Intergovernmental Transfer program from the State	94,557	1,476,698
Rents receivable	3,000	1,850
Other various receivables, net of reserves	151,098	168,573
	$ 6,488,284	$ 8,090,457

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2012 and 2011 were comprised of the following:

	2012	2011
Cash and cash equivalents restricted by contributors	$ 64,183	$ 483,716

NOTE G - CAPITAL ASSETS

The Hospital received two parcels of improved rental-real estate by court order dated December 3, 2003, pursuant to the terms of the Alice M. Jaber 1992 Trust. As successor to the former non-profit Alameda Hospital, the Hospital has agreed to abide by the terms of the Trust Agreement. The Trust Agreement and the will of Alice M. Jaber require the Hospital to account for the property as part of the Abraham Jaber and Mary A. Jaber Memorial Fund. Among other things, the Hospital is prohibited from selling all or any portion of the parcels received until after the death of certain named family members and, if the property is sold, it may not be sold to any descendant, spouse or relative to the third degree of any such descendant of a named family member. The net carrying value of this property is $1,029,708 and $1,089,667 at June 30, 2012 and 2011, respectively.

NOTE G - CAPITAL ASSETS (continued)

Capital assets as of June 30, 2012 and 2011 were comprised of the following:

	Balance at June 30, 2011	Transfers & Additions	Reclasses & Retirements	Balance at June 30, 2012
Land and land improvements	$ 1,376,954			$ 1,376,954
Buildings and improvements	23,980,336			23,980,336
Equipment	19,250,674	$ 124,598	$ (37,649)	19,337,623
Construction-in-progress	2,921,049	1,350,809	(169,390)	4,102,468
Totals at historical cost	47,529,013	1,475,407	(207,039)	48,797,381
Accumulated depreciation for:				
Land and land improvements	(266,878)	(2,887)		(269,765)
Buildings and improvements	(21,308,106)	(373,818)		(21,681,924)
Equipment	(17,321,238)	(476,023)	36,310	(17,760,951)
Total accumulated depreciation	(38,896,222)	(852,728)	36,310	(39,712,640)
Capital assets, net	$ 8,632,791	$ 622,679	$ (170,729)	$ 9,084,741

	Balance at June 30, 2010	Transfers & Additions	Reclasses & Retirements	Balance at June 30, 2011
Land and land improvements	$ 1,376,954			$ 1,376,954
Buildings and improvements	23,980,336			23,980,336
Equipment	19,064,608	$ 186,066		19,250,674
Construction-in-progress	827,650	2,093,399		2,921,049
Totals at historical cost	45,249,548	2,279,465		47,529,013
Accumulated depreciation for:				
Land and land improvements	(262,784)	(4,094)		(266,878)
Buildings and improvements	(20,913,759)	(394,347)		(21,308,106)
Equipment	(16,758,135)	(563,103)		(17,321,238)
Total accumulated depreciation	(37,934,678)	(961,544)		(38,896,222)
Capital assets, net	$ 7,314,870	$ 1,317,921	$	$ 8,632,791

NOTE H - DEBT BORROWINGS

As of June 30, 2012 and 2011, debt borrowings were as follows:

	2012	2011
Note payable to a bank; principal ant interest at 4.80% due in monthly installments of $42,460 each 15th of the month through February 15, 2014; collateralized by Hospital receivables:	$ 851,365	$ 1,273,005
Note payable to the State of California for a cost report settlement; principal and interest at 4.56% due in monthly installments of $26,869 through May, 2013; collateralized by Hospital future revenues from servicing Medi-Cal patients:	294,887	615,178
Note payable to a bank; principal and interest at 5.75% due in monthly installments of $2,146 at month's end through January 31, 2011; collateralized by Hospital property:	585,181	
Line of credit	749,968	
	2,481,401	1,888,183
Less current maturities of debt borrowings	(1,724,249)	(777,897)
	$ 757,152	$ 1,110,286

Future principal maturities for debt borrowings for the next succeeding years are: $1,724,249 in 2013; $504,348 in 2014; $180,583 in 2015 and $72,222 in 2015.

Line of Credit: The Hospital has a $750,000 bank line of credit available at year end with a variable interest rate. Any advances on this line are due at the time of maturity and interest at 5.5% is due and payable monthly. There were borrowings of $1,724,249 under this line of credit agreement as of June 30, 2012.

The Hospital acknowledges that as of June 30, 2012, it was not in compliance with certain loan covenants associated with its loans and line of credit with the Bank of Alameda (the Bank). These covenants have been waived by the Bank's loan committee until December 31, 2012. The Hospital does maintain communication and a positive working relationship with the Bank and does not foresee any disagreements arising with the Bank over these loan covenant issues.

NOTE I - RELATED PARTY TRANSACTIONS

The Alameda Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501 c (3) to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the Hospital or held for the benefit of the Hospital. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for Hospital property and equipment replacement or expansion, reimbursement of expenses, or other specific purposes. Donations in this regard were $292,500 and $162,576 for the years ended June 30, 2012 and 2011 respectively. The Foundation is not considered a component unit of the Hospital as the Foundation, in the absence of donor restrictions, has complete and discretionary control over the amounts, the timing, and the use of its donations to the Hospital.

NOTE J - RETIREMENT PLANS

Contributions to Retirement Plans: Total contributions to all of the retirement plans for the years ended June 30, 2012 and 2011 were approximately $1,861,000 and $1,857,000, respectively.

Defined Benefit Plan: The Hospital provides retirement benefits under a noncontributory, single-employer defined benefit pension plan (the Plan) for employees not covered under collective bargaining agreements and who have completed one year of continuous service during which they worked at least 1,000 hours. The Plan, administered by the Hospital, provides benefits based on each employee's years of service and annual compensation through December 31, 2004. The Plan's annual pension cost and net pension assets for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Annual required contribution	$ 56,833	$ 92,599
Interest on net pension asset	(12,033)	(9,638)
Adjustment to net pension obligation	22,567	17,118
Annual pension cost	67,367	100,079
Contributions made	(60,000)	(140,000)
Increase (decrease) in net pension obligation	7,367	(39,921)
Net pension (asset) liability at the beginning of the year	(200,551)	(160,630)
Net pension (asset) liability at the end of the year	$ (193,184)	$ (200,551)

Benefits under the Plan vest 100% upon five years of service. Upon normal retirement at age 65, participants are entitled to monthly retirement benefits based upon their average compensation and years of credited service. Participants, who have attained the age the latter of age 55 or the date upon which the employee's age and years

NOTE J - RETIREMENT PLANS (continued)

of service add up to 65, may elect early retirement with benefits determined as of the early retirement date, actuarially reduced. Participants may elect to receive their benefits as a lump sum, life annuity, or joint and survivor annuity upon retirement.

Pursuant to the Hospital's right to amend, terminate or discontinue making contributions to the Plan, the Hospital's Board of Directors resolved to freeze participation in and benefit obligations under the Plan as of December 31, 2004 and then established a new defined contribution plan in lieu thereof. Retirement benefits earned through December 31, 2004 will be paid as required by the Plan.

The Hospital is required to contribute the actuarially determined amounts necessary to fund benefits for its participants. The actuarial methods and assumptions used are those adopted by the Hospital. The Hospital's required employer contribution rates for 2011 and 2010 do not apply as the Plan has been frozen and has no covered payroll.

The required contribution for the year ended June 30, 2011, was determined as part of the July 1, 2009 actuarial valuation using the unit credit actuarial cost method. The actuarial valuation method was changed from the entry age normal method in 2005 because benefit accruals under the Plan were frozen at December 31, 2004. The actuarial assumptions include an investment rate of return of 8% and no salary increases in the future. The actuarial value of the Plan's assets was equal to the fair value of the assets. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar using a fixed amortization period of 15 years. The remaining amortization period at July 1, 2009 was 13 years. Below is three-year trend information followed by a schedule of funding progress:

Three-Year Trend Information:

Year Ended June 30	Annual Pension Cost (APC) in $	Percentage of APC Contributed	Net Pension Obligation (Asset) in $
2010	$ 123,739	135.8%	$ (160,630)
2011	$ 100,079	139.9%	$ (200,551)
2012	$ 67,367	89.1%	$ (193,184)

NOTE J - RETIREMENT PLANS (continued)

Schedule of Funding Progress:

Valuation Date	Accrued Liability in $	Actuarial Value of Assets in $	Unfunded Accrued Liability (UAAL) in $	Funded Ratio Percentage	Annual Covered Payroll	UAAL as a % of Payroll
7/1/09	$ 2,671,515	$ 1,499,904	$ 1,171,611	56.1%	N/A	N/A
7/1/10	$ 2,324,034	$ 1,504,276	$ 819,758	64.7%	N/A	N/A
7/1/11	$ 2,375,790	$ 1,899,309	$ 476,481	79.9%	N/A	N/A

Defined Contribution Plan: Effective January 1, 2005, the Hospital established and began to administer a noncontributory defined contribution retirement plan covering employees who have completed one year of service in which they worked at least 1,000 hours and are not covered under a collective bargaining agreement. Benefit provisions are contained in plan documents and can be amended by the Board of Directors. The Hospital contributes 6% of eligible employee earnings to this plan. The Hospital also contributes to four union-sponsored defined contribution retirement plans as required under collective bargaining agreements with the Hospital.

NOTE K - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2012 and 2011, the Hospital had recorded $4,102,468 and $2,921,049, respectively, as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the Hospital's premises. No interest was capitalized under FAS 62 during the years ended June 30, 2012 and 2011. Estimated cost to complete these projects as of June 30, 2012 are considered minor.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2012 and 2011, were $1,189,075 and $837,899, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2012, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The Hospital may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2012 will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

Risk Management Insurance Programs: The Hospital self-insures medical and dental costs up to $100,000 per employee per year under a noncontributory plan. The Hospital also maintains claims-made insurance coverage for its medical malpractice and general liability risks up to $20 million per claim and $20 million in the annual aggregate. Deductible levels are at $10,000 per medical malpractice claim and $25,000 per general liability claim.

The reserves for self-insured risk include provisions for estimated medical and dental, a former self-insured workers' compensation plan and medical malpractice and general liability costs for both uninsured reported claims and for claims incurred but not reported (IBNR), in accordance with projections based upon several factors including past experience. While such claims reserves are based upon these factors, there is a possibility that a material change will occur in the near term. Such estimates are continually monitored, reviewed, and adjusted accordingly with differences reported in the current year operations. While the ultimate amount of medical, dental, workers' compensation and medical and general liability claims is dependent upon future developments, management believes that the associated liabilities recognized in the financial statements are adequate to cover such claims.

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes the Hospital is in compliance with HIPAA as of June 30, 2012 and 2011.

Health Care Regulation: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statues and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

NOTE K - COMMITMENTS AND CONTINGENCIES (continued)

RAC Audits: Hospitals in California are subject to nationwide Medicare claim audits by Recovery Audit Contractors (RAC's). Beginning in March, 2007, RAC auditors examined certain Medicare claims for services provided to Medicare beneficiaries beginning with the year end June 30, 2003 and for subsequent periods. Pursuant to these on-going audits, RAC auditors review medical records and compare them to billing records for "perceived" discrepancies. These audits result in a recovery process of Medicare payments which to date have been approximately $350,000. It is anticipated that additional recoveries may be collected in the future however any amount is undeterminable at this time. The Hospital does have appeal rights for RAC audit findings.

Seismic Retrofit: The California Hospital Facilities Seismic Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that a California hospital can maintain uninterrupted operations following a major earthquake. By January 1, 2013, all general acute care buildings must be life-safe. Management is in process of developing a plan to bring the Hospital into compliance by the required deadlines.

Management is in process of developing a plan to bring the Hospital into compliance and has applied for a five-year extension to the January 1, 2013 deadline as provided under Senate Bill 90. The application for extension is pending review by the Office of Statewide Health Planning and Development (OSHPD) as of the date of this report and the Hospital is confident that the extension will be granted. Furthermore, the Hospital is actively advancing completion of all required non-structural category work as required by January, 1, 2013.

NOTE L - HOSPITAL COMPONENT UNITS

The City of Alameda Health Care District (District) owns and operates Alameda Hospital (the Hospital). In addition to the Hospital, the District operates CW&S Investment Company, LLC (CW&S), a wholly-owned for-profit subsidiary. The District also controls the City of Alameda Health Care Corporation (AHCC), a charitable, non-profit corporation for which the District is the sole voting member. CW&S owns a skilled nursing facility located on the property adjacent to the Hospital that is leased to the Hospital. AHCC has no operating activities. The financial results for the years ended June 30, 2012 and 2011 of these component units are included within the financial statements of the Hospital. Net assets of these units were $731,936 for 2012 and $669,402 for 2011. Net increase in assets for these units were $62,534 for 2011 and $87,865 for 2011. The financial impact of these component units on the Hospitals's combined financial statements is not considered material and therefore further disclosure of financial detail is not considered necessary.

NOTE M - FAIR VALUE OF ASSETS AND LIABILITIES

The Hospital adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs for the assets or liabilities that are supported by little or no market activity and that are significant to the fair value of the underlying assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the Hospital's balance sheets, as well as the classification pursuant to the valuation hierarchy.

Financial Instruments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 instruments include a variety of financial instruments as listed below. There are no Level 2 or Level 3 types within the balance sheet of the Hospital. The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2012:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market securities	$ -0-	$ -0-		
Totals of financial instruments	$ -0-	$ -0-		

NOTE M - FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2011:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Money market securities	$ 94,290	$ 94,290		
Totals of financial instruments	$ 94,290	$ 94,290		

NOTE N - CHARITY CARE AND COMMUNITY BENEFIT SERVICES

The Hospital maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of collections foregone, (based on established rates), for services and supplies furnished under its charity care and community service policies. In addition, the Hospital provides services to other medically indigent patients under certain government public aid reimbursement programs. The following is a summary of the Hospital's charity care and community benefit foregone collections for the years ended June 30, 2012 and 2011, in terms of services to the poor and benefits to the broader community:

	2012	2011
Benefits for the poor:		
Traditional charity care	$ 1,663,392	$ 1,768,460
Unpaid Medi-Cal and other public aid programs	7,834,988	7,716,363
Total quantifiable benefits for the poor	9,498,380	9,484,823
Benefits for the broader community:		
Unpaid Medicare program charges	83,689,312	80,192,749
Total quantifiable benefits for the broader community	83,689,312	80,192,749
Total quantifiable community benefits	$ 93,187,692	$ 89,677,572

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

DATE: November 1, 2012

FOR: November 7, 2012 District Board Meeting

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

FROM: Michael McCormick, District Board Treasurer
Elliott Gorelick, District Board Secretary

SUBJECT: Approval of Proposed FY 2013 Executive Performance Metrics and Incentive Compensation Plan

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RECOMMENDATION:

At the July meeting of the Board of Directors we were appointed as a Subcommittee to work with management to refine the executive incentive program that has been used in previous years to be more streamlined, measurable and focused fewer key management deliverables. Based on our own deliberations and a follow-up discussion with Ms. Stebbins and Mr. Easthope, we are recommending the following structure for a FY 2013 incentive system:

The recommended metrics include four categories, each of which would be weighted equally and could be awarded independent of the outcome of the other three categories:

Goal	% of Bonus	Threshold	Criteria	Comments
Achievement of Budgeted Operating Income	25%	Budgeted Net Income = $613,000	Actual Net Income = $ Actual Net Income = $1.5 million – could qualify participants for an additional 25% bonus.	
"Labor Relations": Commitment to deliver financial targets to enable consideration of increases and bonuses for staff	25%	N/A	3 metrics identified by management: 1. 15 days cash on hand for 4 consecutive months 2. Positive net income for 4 consecutive months 3. AP at 90 days or less	

Goal	% of Bonus	Threshold	Criteria	Comments
Generation of New Revenue	25%	$1 net revenue for FY 2013	Achievement of volume goals for each of three new programs in FY2013: Wound Care: 2,500 visits Waters Edge: 101.9 ADC Ortho surgical cases: 113 cases	Blending of the volume achieved could be weighted by revenue of each service to calculate a % achievement of the goal.
Approval of Application for extension of Seismic Deadlines to 2020	25%	Approval of application for extension to 2020 by OSHPD	Board approved plan to meet required 2020 seismic standards including a timeline and a viable financing plan.	

Management is recommending the percentages would be applied to the same potential range of incentives for the two participants in the executive incentive program, the CEO and CFO.

Since there have been recent changes in some of the executive positions, including management roles which will be direct contributors to the achievement of the above four goal areas, management will submit a proposal for an expansion in the participants in the program no later than the January, 2013 Board meeting.

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

DATE: November 2, 2012

FOR: November 7, 2012 District Board Meeting

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

FROM: Deborah E. Stebbins, Chief Executive Officer

SUBJECT: CEO Report to the Board of Directors

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1. Human Resources

CNA Follow-up From October 3, 2012 District Board Meeting

At the Board meeting on October 3rd, several RNs from the subacute unit came forward during the public comment section with concerns regarding the staffing level of licensed nurses on the unit. The LTC Administrator, Richard Espinoza, had already identified the need to better balance the schedule with a more routine pattern so that all shifts were covered with the appropriate number of licensed staff and had started working toward a resolution.

Since that time, we have met with the CNA Union and the RN staff from the subacute unit and came to a mutual agreement on a staffing pattern that provides coverage at the appropriate level. This was a very collaborative process and we appreciated the time and efforts of all staff involved in this process. This schedule also provides staff with a more routine pattern that allows them to better predict when they are working and will reduce unexpected and unnecessary overtime. The next phase will be to realign the LVN staffing. Our intent is to accomplish this within the next month.

New Hires

The Hospital was successful in the recruitment of Lola Smart, as the new Business Office Manager. She started on October 29, 2012 and will oversee the operations of Patient Financial Services (see attached introduction letter).

Safety Fair

The Hospital's annual Safety Fair was held on October 30, 2012. This event is held to promote safety for the entire staff of the hospital, including physicians and auxiliary. Thank you to physicians and staff that donated raffle prizes for the event.

2. Nursing Updates:

New Equipment

The Hospital recently purchased several items on the FY2013 capital budget, including a Glidescope, Interosseous Punch, and Vein Finder that will assist physicians in the treatment of patients at the Hospital. In addition, ventilators in the Subacute Unit and Critical Care Unit are being replaced with newer models through the current lease agreement.

Joint Commission Survey Preparation

Joint Commission Tracers started in preparation for the tri-annual survey around the 2nd quarter of 2013 and Stroke Certification Survey in the 3rd quarter of 2013. The hospital successfully passed the interim survey process for Joint Commission Stroke Certification in mid October.

3. Long Term Care

South Shore

South Shore continues to do well in terms of clinical and rehabilitative outcomes and with its census. For this fiscal year, South Shore is ahead of budget for overall census and has surpassed first quarter goals. With a continued focus on rehabilitation, we are sending our residents home in very stable condition, ensuring our residents are at their highest practicable levels in order to promote their independence. Having our residents discharge at higher independent levels assists in lowering hospital readmission rates.

Subacute

Subacute continues to work with referring facilities in Northern California to assist with placement of residents. Staffing alignment and restructuring has been a major focus. With close collaboration with the CNA representative and staff, RN staffing is more fluid and consistent with a focus on appropriate levels. LVN and CNA schedules are our current focus.

Waters Edge

Waters Edge has had many positive changes occur in the first three months of operation and has had a successful start. Census has been ahead of budget, also surpassing first quarter goals, and the skill mix has changed dramatically. Focusing on the clinically complex resident and on post acute rehabilitation, the facility has been perform rehabilitation services on approximately 30% of the facility and continues to grow this service line. The facility also had a well attended Open House on October 30th to unveil the upgraded paint, art, furniture and lobby giving the facility a fresh and updated look. Referral sources on and off the island continue to grow and contract development is in the works.

4. **Bay Area Bone & Joint Center Update:**

The Bay Area Bone & Joint Center opened its doors for business on October 22, 2012. The practice includes fellowship-trained orthopedic surgeons, Dr. Nick Pirnia and Dr. James G. DiStefano, along with Dr. Jack Stehr. Dr. Stehr currently plans to move to the BAB&JC when the permanent facility is completed, which is anticipated in Q1 2013. The temporary offices are located at 947 Marina Village Parkway in the Marina Village Shopping Center behind the CVS Pharmacy. In the first two days, the Center has treated 6 patients, with one surgery scheduled for the end of the week. Marketing highlights include placement of numerous ads in local papers, a postcard maildrop to all residents of Alameda, in-person meetings at the Alameda Health Fair (1500 attendees) and ongoing introductions to hospital medical staff. Over the next few weeks many meetings are planned with local professional, social, and civic organizations and individuals, as well as cross-promotional opportunities with the Creedon Wound Center.

5. **Kate Creedon Center for Advanced Wound Care Update:**

The start-up operations of the Kate Creedon Center for Advanced Wound Care continue to run smoothly. With the wound care and HBOT training of Dr. Gingrey in October, and completed wound care training of Dr. Belek and upcoming training in HBOT in November, the Center is now able to achieve full physician coverage five-days a week. As a result, more patients needing complex treatments can be seen, including those needing treatment modalities such as bio-engineered skin substitutes and HBOT. These higher margin procedures promise to contribute positively to the hospital's financial stability.

6. **Seismic and Capital Projects Update:**

<u>Seismic</u>
Steady progress was made on the three NPC2 upgrade projects due on December 31, 2012. However, the bulk oxygen tank replacement project is not likely to be completed until Q2 2013 due to delays by the equipment manufacturer and a lengthy OSHPD review process. All construction documents and plans have been completed, except for some structural drawings and calculations that the vendor must supply. OSHPD submission of the bulk oxygen tank project is anticipated in mid-November. A public bid process to select a construction contractor will follow OSHPD approval of the plans. Completion of construction and installation is estimated to be 6 months from the date of OSHPD approval.

Plans for the anchoring of emergency lighting in the East building were completed and submitted to OSHPD in October. Approval is expected in November, with subsequent construction and completion of the project possible by the end of 2012. Compliance regarding the third NPC2 project, compliance

with emergency communications regulations, will be determined by an OSHPD ruling on our completed submission made in October.

SB90/SB499 Extension Update
Alameda Hospital completed its application to extend the deadline to become SPC2 compliant beyond the current deadline of December 31, 2012 and await a final decision from OSHPD. As part of the application process, the required HAZUS 2010 Report was successfully submitted in advance of the September 30, 2012 report deadline, and the annual SB499 filing was also completed in time to remain OSHPD compliant.

CMS Sprinkler Project Update
This project is on schedule to be completed before the August 18, 2013 deadline. A contract with Honeywell Inc. was executed to enable required upgrading of a fire panel, and a required asbestos survey was completed in late September. This will enable Taylor Architects to complete the remaining work on construction documents and plans that will be submitted for OSHPD approval sometime in late November. A "rapid review" processes by OSHPD is expected, and subsequent public bid process should allow the estimated 100 days or less of construction to be finished by the mandated deadline.

7. District Hospital Leadership Forum | DSRIP Update

The hospital has submitted a three-year proposal for delivery system reform under California's Section 1115 Waiver's Delivery System Reform Incentive Pool (DSRIP) Program, which is designed to promote a higher quality of care and improved health of patients and families served by the state's Non-Designated Public Hospitals. Projects in two required Intervention Categories were identified. In Category I: Infrastructure Development, we chose Orthopedic Specialty Expansion, and in Category II: Innovation & Design, we chose Chronic Care Management Expansion - Advanced Wound Care. The process and improvement measures and metrics that will be used to determine granting of the financial incentive payments are currently being evaluated by CMS, and upon approval, we will begin to track and report progress used for the potential disbursement of federal funds to the hospital.

8. District Board Referral Process Clarification

The District Board Referral Policy outlines a process and protocol for an individual Board Member to add an item to the Board's agenda related to the City of Alameda Health Care District and Alameda Hospital and its operations.

The District Bylaws state an additional method of adding an item to the Board's agenda as stated below:

"The President of the Board, in consultation with the CEO of the District, shall determine the agenda, provided that any two Board members may specify that an item be on the agenda."

In order to clarify the process in which any two Board members may add an item to a Board agenda, as stated in the Bylaws, the District Clerk through the CEO and Legal Counsel will revise the policy to include more detail as to method of delivery, timelines, etc. A revised policy will be presented for Board's review at the December District Board meeting.

9. Physician Relations

A physician survey is scheduled to be conducted prior to year's end. Those responses will be compiled in early and will assist the Hospital to identify areas where physicians and the Hospital can work together to improve our hospital for our patients.

10. Foundation | Auxiliary Update

At the Foundation's Annual Meeting held in October, two new members were voted on to the Board of Directors, Terrie Kurrasch and Scott Hennigh. Also, the membership approved the recommendation to appoint David Hewitt as an Honorary Director.

Sixty members of the Auxiliary attended the annual Hours Luncheon (an event to honor our volunteers) held on Oct. 17. A highlight of the meeting was the introduction of Dr. Nicholas Pirnia. Also, the Auxiliary Board of Director held there November 1st meeting at our new Kate Creedon Center for Advance Wound Care.

(Key Statistics on following page)

11. Key Statistics – October 2012

District Board Meeting
Key Statistics October 2012
November 7, 2012 Report to Board

	October Preliminary	October Budget	% Δ compared to Budget	% Δ compared to September	September Actual
Average Daily Census	181.87	181.77	0.1%	0.7%	180.53
Acute	27.13	31.68	-14.4%	-8.0%	29.50
Subacute	32.29	32.94	-2.0%	-4.2%	33.70
South Shore	21.97	21.16	3.8%	-1.6%	22.33
Waters Edge	100.48	96.00	4.7%	100.0%	95.00
Patient Days	5,638	5,635	0.1%	4.1%	5,416
ER Visits	1,385	1,423	-2.7%	0.2%	1,382
Wound Care Visits	245	150	63.3%	41.6%	173
OP Registrations (excl WC)	2,164	1,954	10.7%	29.6%	1,670
Total Surgeries*	193	187	3.2%	14.9%	168
Inpatient Surgeries	38	38	0.0%	-20.8%	48
Outpatient Surgeries	155	149	4.0%	29.2%	120
Case Mix Index	1.3059				1.3066

Alameda Hospital

CITY OF ALAMEDA HEALTH CARE DISTRICT

Date: November 1, 2012

To: Alameda Hospital Board of Directors
Alameda Hospital Medical Staff
Alameda Hospital Auxiliary
Alameda Hospital Employees

From: Kerry Easthope, CFO

Subject: New Business Office Manager Announcement

I am pleased to announce that **Lola Smart** has joined us as the Business Office Manager. She has most recently worked in a Bay Area hospital business office for over 20 years. We feel that Lola's experience is ideally suited for our needs at this time, as she has an extensive background in patient accounting and staff management.

Lola can temporarily be reached at (510) 814-4386 or by dialing x 4386 in house. Her email address is lsmart@alamedahospital.org.

Join me in welcoming Lola to our Team.

= Quarterly Goal (from budget or proforma)

November 7, 2012 District Board Meeting

City of Alameda Health Care District

2009-2013 Goals and Objectives

FY 2013 First Quarter

(July-August-September)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	($63,317)			
Achieve Waters Edge Proforma Annual Net Income: **$1.34 M (August 1, 2012)**		$4,000	$196,000	$500,000	$642,000
	Actual	403,952			
NOTES	**Q1 (Wound Care): variance to goal a result of budget assumptions that began in July and patient care that began in late July.**				
(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	$12.9 M			
NOTES	**Q1: Medical billing issues. P&L to Cash Lag omitted.**				
(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		Not completed			
Reduction in AP days to 90 days or less		Not completed			
Minimum of 15 days cash on hand for four (4) consecutive months		Not completed			
(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 2nd Quarter FY 2013.				
		In process			

= Quarterly Goal (from budget or proforma)

(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.				
(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% of Total Net A/R)**		$4.2 million 28.9%			
Increase Long Term Care Medicare A - Net Revenue by 25% **Baseline: $485 per Medicare A Day**		$654/day 35% increase			

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		N/A			
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	55			
NOTES	**Q1 (Wound Care ADC): Statistics to be reviewed in Q2**				

= Quarterly Goal (from budget or proforma)

(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		Secured PIMMS, Inc contract for access to commercial maritime patient market at 66% reimbursement rate. Negotiating with University of Pacific Dental School to bring Max-Face residency program surgeries to Alameda Hospital Evaluating potential new Gero-Psych program with Telecare			
2) Access to Capital		Discussions initiated with Capital Partners Program at SEIU to potentially secure partial funding for seismic retrofit			
3) Improved negotiating leverage in commercial market		Completed one revision in commercial contract			
4) Use for unused space on and off campus		Evaluating 2 South space for potential Gero-Psych program			
(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)		IP: 120 OP: 1,284			
NOTES	**Q1: Initiated hospital signage program in Chinese. Developing Asian alternative meal menu. Initiated exploratory discussions with Asian Health Services. Asian greens vendors at Farmers Market.**				
(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	96.28			
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	77.23			
Medicare ADC		9	11.3	15.3	17
	Actual	9.0			

= Quarterly Goal (from budget or proforma)

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	Bulk oxygen tank construction and design plans developed and in preparation to be sent to OSHPD, Emergency Lighting construction and design plans completed and submitted to OSHPD, Emergency Communication resolution submitted to OSHPD.
2) Sprinkler Project LTC	Construction and design plans 50% complete. Expect October submission to OSHPD.
3) Boiler Replacement	Construction and design plans in process. Expect early November submission to OSHPD.
(B) STRATEGY: Develop a master use plan for the remaining leased space at Marina Village by October, 2012.	
Rehabilitation and Orthopedic Program	Architectural, mechanical, and electrical design plans completed and submitted to City of Alameda and OSHPD.
(C) STRATEGY: Complete an assessment of meaningful use status by end of 2nd Quarter FY 2013 that includes an action and implementation plan to meet Stage One requirements.	
	In process; to review status in December 2012
(D) STRATEGY: Update the facility master plan options for compliance with 2020 and/or 2030 seismic requirements by end of FY 2013.	
	Collapse strength core testing initiated to maintain “active” status of SB1953 construction retrofit building permit. Public bid process documents for construction vendor in development.
(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.	
	In progress. Goals identified and reported for 12 out of 40 departments and/or directors &managers. Examples: Establish proficiency with HealthshareIQ database (CBDO), MedAssets/Alliance budgeting software proficiency (complete for all Nursing departments, Respiratory, Pharmacy, 1206b Clinic and the Kate Creedon Center for Wound Care), build and become proficient in the ECHO program (QRM).

= Quarterly Goal (from budget or proforma)

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			Completed and will be presented to District Board in Closed Session in December 2012.			
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:	585			
b) Baseline (Neurology): 2,256/Yr	**Goal: 2,369/Yr or 592/Qtr**	Actual:	680			
c) Baseline(Gen. Surgery): 3,529/Yr	**Goal: 3,705/Yr or 929/Qtr**	Actual:	979			
NOTES	**Q1: 1 Primary Care Physician on vacation for 2 weeks.**					
(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.						
			Physician Survey to be conducted by NRC Picker in 4th quarter of 2012			

= Quarterly Goal (from budget or proforma)

(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	Golden Gate Urology has joined our Medical Staff and opened an Alameda office in October, 2012. Plastic Surgeon Kyle Belek, M.D., has joined the Medical Staff, is seeing patients at the Wound Care Center, and will do surgical procedures at Alameda Hospital. Orthopedists Pirnia & DiStefano began their Alameda practice on October 22, 2012. Discussions to collaborate with ACMC are ongoing. Alameda Oral Surgeon Wendy Liao has joined our Medical Staff and will do her maxillofacial surgeries at Alameda Hospital. We are working with Dr. Liao to bring additional oral surgeons to our Medical Staff. Discussions are ongoing to recruit a General Surgeon, who has completed his residency to join our Medical Staff in September, 2013.

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.	Currently reviewing draft proposal for final approval.			
Incorporate service and system issues identified as problematic for physicians to be discussed in more depth at BQC.	Two status update meetings held with physician leadership.			
(B) STRATEGY: Reduce all DRG Readmission Rates by 20% to coincide with CMS guidelines by end of FY 2013 **(STRATEGY CURRENTLY UNDER REVEW)**				
Baseline (FY 2012): Under Review **Goal: Under Review**	Q1 (Jul-Sep)	Q2 (Oct-Dec)	Q3 (Jan-Mar)	Q4 (Apr-Jun)

= Quarterly Goal (from budget or proforma)

(C) STRATEGY: Continue to use Core Measures data for all "Best Practice" indicators as an improvement tool to reach benchmarks as set by CMS.					
Improve compliance scores for 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 Heart Failure	**AH Baseline: 56% (Q4-11 Data)** **CMS Average: 92%**	Q1-12 AH: 69% CMS: 93%			
Antibiotic discontinued within 24 hours of surgery end time	**Baseline: 73% (Q4-11 Data)** **CMS Average: 97%**	Q1-12 AH: 88% CMS: 97%			
Venous Thrombosis Prophylaxis given within 24 hours prior to or after surgery	**Baseline: 80% (Q4-11 Data)** **CMS Average: 97%**	Q1-12 AH: 84% CMS: 97%			
(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		www.creedonwoundcenter.com launched and linked to www.alamedahospital.org 7/18/2012			
Comprehensive Orthopedic Program by October 31, 2012		www.bayareabones.com in development			
Long Term Care (Waters Edge, South Shore Skilled Nursing, and Subacute) - TBD		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.	
	TBD

= Quarterly Goal (from budget or proforma)

(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	HR staff planning meeting scheduled for November 7.
Develop and implement one (1) hospital-wide recognition program	HR staff planning meeting scheduled for November 7.
(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.
	Pacific Farmers' Market Association engaged to bring "trial" farmer's market to 2012 AH Health Fair Day on 10/20/12, including 2 asian greens vendors. Discussions initiated with PCFMA and Heart of the City to establish permanent market in early 2013.
(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	Held management team-wide exercise in developing customized action plans around key manager core responsibilities: 1) 6 critical areas of focus identified, 2) individual action plans initiated
Revise format of monthly management meetings to incorporate projects and achievements at the individual department level and relationship to overall success of hospital	New format started in October 2012.