

**PUBLIC NOTICE**

## **Finance and Management Committee**

**Thursday, October 31, 2013**

**7:30 a.m. – 9:00 a.m.**

**Location:** Alameda Hospital (Dal Cielo Conference Room)

2070 Clinton Avenue, Alameda, CA 94501  
Office of the Clerk: (510) 814-4001

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

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

- |      |   |  |
|------|---|--|
| I.   | Call To Order   | Robert Deutsch, MD                             |
| II.  | Action Items  |  |
| A.   | Acceptance of August 28, 2013 Minutes and September 26, 2013 Minutes<br>[enclosure]   | Robert Deutsch, MD                             |
| B.   | Recommendation to Accept the FYE 2013 Audited Financial Statements<br>[enclosure]     | Kerry Easthope<br>Rick Jackson<br>TCA Partners |
| C.   | Recommendation to Accept September 2013 Unaudited Financial Statements<br>[enclosure] | Kerry Easthope                                 |
| III. | Chief Financial Officer Report  | Kerry Easthope                                 |
| A.   | NDPH IGT Supplemental Payment Program   |  |
| B.   | Cash Flow Update  |  |
| IV.  | Chief Executive Officer Report  | Deborah E. Stebbins                            |
| V.   | Board / Committee / Staff Comments  |  |
| VI.  | Adjournment   |  |

**NEXT MEETING: Thursday, November 21, 2013**



**Finance and Management Committee Minutes**

August 28, 2013

|                                  |  |                                   |   |
|----------------------------------|--|-----------------------------------|---|
| <b>Members Present: (Voting)</b> | Robert Deutsch, MD<br>Lynn Bratchett, RN | Ann Evans<br>Ed Kofman            | Emmons Collins, MD<br>William Sellman, MD |
| <b>Management Present:</b>       | Deborah E. Stebbins<br>Kerry J. Easthope | Mary Bond, RN<br>Karen Taylor, RN | Richard Espinoza<br>Katy Silverman        |
| <b>Ex Officio/Guests:</b>        | Michael McCormick, Jordan Battani        |                                   |   |
| <b>Absent:</b>                   |  |                                   |   |
| <b>Submitted by:</b>             | Kristen Thorson, District Clerk          |                                   |   |

| TOPIC            | DISCUSSION   | ACTION   FOLLOW-UP   |
|------------------|--|--|
| I. Call to Order | Director Deutsch called the meeting to order at 7:36 a.m.  |  |
| II. Action Items | A. Acceptance of the July 31, 2013 Minutes   | Ms. Evans made a motion to accept the minutes. Dr. Collins seconded the motion. The motion carried.  |
|                  | B. Recommendation to Accept the July 2013 Unaudited Financial Statements<br><br>Mr. Easthope reviewed a PowerPoint Presentation on the June Financial Statements that corresponded with the Financial Statements included in the meeting packet. He noted the following key areas:<br><ul style="list-style-type: none"><li>• July Performance Overview</li><li>• July Year End Adjustments</li><li>• Key Volume Indicators</li><li>• Case Mix Comparison</li><li>• Statement of Operations</li><li>• Net Revenues</li><li>• Total Operating Expenses</li><li>• Balance Sheet Changes</li><li>• Financial Ratios</li></ul><br>July had a consolidated net operating loss of \$384,000 vs. a budgeted loss of | Ms. Evans made a motion to recommend to the Board of Directors acceptance of the July 2013 Unaudited Financial Statements. Mr. Kofman seconded the motion. The motion carried. |

|   |   |                         |
|---|---|-------------------------|
|   | <p>\$301,000. Total patient days were 55 (0.9%) greater than budget. CMI in July was 1.32 and Medicare CMI was 1.35. Total outpatient registrations were above budget by 172 registrations. Orthopedic Clinic volumes consistent with June at 260 visits versus budget of 302. Total net operating revenue was \$189,000 (3.0%) lower than budget and total operating expenses were \$124,000 under budget.</p> <p>Director Deutsch requested the 1206(b) clinic volumes and stats be added to the presentation.</p> <p>There was detailed discussion on labor costs and operating expenses for the month. Mr. Easthope noted that the new slide in the presentation that identifies key trends in PTO accrual, overtime and doubletime on a month to month basis and that also compares these metrics to the monthly average for Jan –June 2013.</p> <p>Copies of the presentation are available through Administration.</p>   |                         |
| <p>III. Chief Financial Officers Report</p> | <p>A. Core Staffing / Reduction of Premium Time</p> <p>Ms. Bond reviewed graphs outlining the overtime and double time expenses for the nursing unit as there has been concerted effort to reduce the premium pay in nursing through a variety of tactics. Another graph with agency use was also presented. Both graphs identified a downward trend in use of premium pay. Ms. Bond also reviewed the nursing action steps / tactics being implemented at the Hospital.</p> <p>Mr. Easthope reviewed an accounts payable aging report as follow-up to a request by several Board members. The list identified the top 15 vendors that were owed the most by the Hospital.</p> <p>Mr. Easthope reviewed a six month cash flow projection based on the FY 2014 budget noting that in October and November estimated cash balance will go negative. Ms. Stebbins and Mr. Easthope stated that they have presented this cash flow to Alameda Health System and have requested assistance even if the Definitive agreement I not signed by the end of September. If funding from AHS is not provided, Mr. Easthope stated that capital projects may be delayed in order to help with cash flow.</p> | <p>No action taken.</p> |
| <p>IV. Chief Executive Officers Report</p>  | <p>A. Affiliation Updates</p> <p>Ms. Stebbins updated the committee on the affiliation noting that there has been a delay in the planning process by AHS due to the transaction with San</p>  | <p>No action taken.</p> |

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|  | <p>Leandro Hospital. In the mean time, Alameda Hospital and AHS are working together to bring volume over as early as the beginning October. Dr. Collins asked about extending the budget beyond December 31, 2013 due to delays in transition of the affiliation. Mr. Easthope replied that depending on the status of the affiliation, extending the budget and for how long would need to be discussed.</p> |  |
| V. Public Comments                     | No comments.   |  |
| VI. Board / Committee / Staff Comments | No comments.   |  |
| VII. Adjournment                       | Being no further business, the meeting was adjourned at 9:23 a.m.  |  |

DRAFT



**Finance and Management Committee Minutes**

September 26, 2013

|                                  |  |                                   |                |
|----------------------------------|--|-----------------------------------|----------------|
| <b>Members Present: (Voting)</b> | Robert Deutsch, MD<br>Lynn Bratchett, RN         | Ed Kofman<br>Emmons Collins, MD   |                |
| <b>Management Present:</b>       | Deborah E. Stebbins<br>Kerry J. Easthope         | Mary Bond, RN<br>Richard Espinoza | Katy Silverman |
| <b>Ex Officio/Guests:</b>        | N/A  |                                   |                |
| <b>Absent:</b>                   | Ann Evans, William Sellman, MD, Karen Taylor, RN |                                   |                |
| <b>Submitted by:</b>             | Kristen Thorson, District Clerk                  |                                   |                |

| TOPIC            | DISCUSSION   | ACTION   FOLLOW-UP   |
|------------------|--|--|
| I. Call to Order | Director Deutsch called the meeting to order at 7:36 a.m. noting that there was no quorum. The Committee will discuss and review the materials, but no action will be taken.   |  |
| II. Action Items | A. Acceptance of the August 28, 2013 Minutes   | The approval of the minutes was deferred due to the lack of a quorum.  |
|                  | B. Recommendation to Accept the August 2013 Unaudited Financial Statements<br><br>Mr. Easthope reviewed a PowerPoint Presentation on the August Financial Statements that corresponded with the Financial Statements included in the meeting packet. He noted the following key areas:<br><br><ul style="list-style-type: none"> <li>• August Performance Overview</li> <li>• August Year End Adjustments</li> <li>• Key Volume Indicators</li> <li>• Case Mix Comparison</li> <li>• Statement of Operations</li> <li>• Net Revenues</li> <li>• Total Operating Expenses</li> <li>• Balance Sheet Changes</li> <li>• Financial Ratios</li> </ul> | No recommendation to the Board of Directors to accept the August 2013 Unaudited Financial Statements was made due to the lack of a quorum. The Board of Director will plan to accept the financial statements at the October |

|                                      |    |   |                  |
|--------------------------------------|----|---|------------------|
|                                      |    | <ul style="list-style-type: none"> <li>• Key Finance Trend Tracking – FY 14 (including Overtime, Agency, Doubletime, PTO Accrual )</li> </ul> <p>August had a consolidated net operating loss of \$399,000 vs. a budgeted loss of \$121,000. Total patient days were 49 (0.8%) greater than budget. CMI in July was 1.26 and Medicare CMI was 1.32. Total outpatient registrations were below budget by 233 registrations. Total net operating revenue was \$487,000 (7.4%) under budget. Total operating expenses were \$231,000 (3.2%) under budget</p> <p>Mr. Easthope reported that there was an increase in the number of RAC take backs that are impacting net revenue. Staff and management are reviewing all take backs and working with Executive Health Resources and physicians to manage the RAC process. Health claim expense has been averaging \$20,000-\$25,000 lower than budget and past claims experience.</p> <p>Copies of the presentation are available through Administration.</p> |                  |
| III. Chief Financial Officers Report | A. | <p>FYE June 30, 2013 Audit Update</p> <p>Mr. Easthope informed the committee that the audit report for fiscal year ending June 30, 2013 will be presented to the committee in October and to the Board in November.</p>   | No action taken. |
|                                      | B. | <p>NDPH IGT Supplemental Payment Program</p> <p>Mr. Easthope briefly updated the committee that the Hospital is able to participate in a federal intergovernmental transfer program and is anticipated to receive \$433,155 matching fund which is anticipated to be returned to the Hospital by the end of October.</p>  | No action taken. |
|                                      | C. | <p>Cash Flow Update</p> <p>Mr. Easthope provided the committee a handout with revised cash flow projections. The projections have changed since the last projection and assumes that additional funds from Alameda Health System to bridge the shortfall between now and December when the parcel tax is received. There was an extensive discussion relating to the cash flow including alternative options to improve cash flow and potential other sources of support.</p>   | No action taken. |
| IV. Chief Executive Officers Report  | A. | <p>Affiliation Updates</p> <p>Ms. Stebbins noted that discussions continue with AHS regarding the affiliation.</p>  | No action taken. |

|  |   |  |
|--|---|--|
|  | <p>The completion of the definitive agreement has been extended for an additional 2 weeks. She also noted that both sides continue to work toward an interim services agreement to begin outpatient surgeries in mid –November.</p>   |  |
|  | <p>B. State Legislative Updates</p> <p>Ms. Stebbins noted that legislation was passed to reverse the cuts to D/P SNF rates. The impact for Alameda Hospital is minimal going forward but has a significant impact for many other District's in the State of California.</p> |  |
| V. Public Comments                     | No comments.  |  |
| VI. Board / Committee / Staff Comments | No comments.  |  |
| VII. Adjournment                       | Being no further business, the meeting was adjourned at 8:33 a.m.   |  |

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**Audited Financial Statements**  
**CITY OF ALAMEDA**  
**HEALTH CARE DISTRICT**  
*DbA ALAMEDA HOSPITAL*  
**June 30, 2013**



Audited Financial Statements

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2013

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Audited Financial Statements

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## Management's Discussion and Analysis

### CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2013

The management of the City of Alameda Health Care District (the Hospital or District) 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, 2013 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, 2013 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 11,559 for fiscal year 2013 as compared to 10,880 for the prior year. Discharges were 2,838 for the current year versus 2,799 for the prior year resulting in lengths of stay of 4.07 for 2013 as compared to 3.89 for 2012.
- Sub-acute and skilled nursing days were 55,086 for fiscal year 2013 as compared to 19,568 for fiscal year 2012, equaling an average daily census of 150.9 for 2013 versus 53.5 for 2012. The increase was due to the opening of Waters Edge, a 120-bed skilled nursing unit in August, 2012.
- Overall combined occupancy for the Hospital, including the sub-acute and skilled nursing programs, was 64.98% for the year ended June 30, 2013 versus 51.67% for the year ended June 30, 2012.
- There were 2,014 surgery cases during fiscal year 2013 (545 inpatient and 1,388 outpatient cases) as compared to 2,189 surgery cases for the prior fiscal year (485 inpatient and 1,704 outpatient cases).
- Outpatient registrations increased by 1,141 registrations over the prior year (23,385 for 2013 versus 22,244 for 2012).
- Emergency room visits were 17,175 in the fiscal year 2013 as compared to 16,969 for the prior year.
- Wound care visits were 3,558 for the year versus a budget of 2,500.

*Financial Highlights*

During fiscal year 2013, 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.

During fiscal year 2013, the Hospital took significant steps to not only stabilize and improve the existing operations, but to develop and implement new programs, services, and business relationships that will provide the growth and revenue needed to help sustain day-to-day Hospital operations and mitigate the ongoing financial losses.

In addition to the new programs and services implemented during the past fiscal year, the Hospital is aware that in order to better position the Hospital for the many changes and challenges brought forth with healthcare reform and meet the future operating and capital needs of the Hospital, that a more significant business relationship or affiliation would need to occur. After several months of discussions, in June, 2013, the Hospital entered into a "Letter of Intent" to affiliate with Alameda Health System. As of the date of these financial statements, the Hospital and Alameda Health System are engaged in a due diligence exercise, with the intent to execute a definitive agreement in the last quarter of calendar year 2013.

The following summarizes three new programs that contributed to the Hospital's financial performance during fiscal year 2013:

- In July 2012, the Hospital opened a new wound care service located at an off-site clinic. The wound care program had higher than anticipated patient visits which demonstrate the need for such a service in the area. Although the financial performance fell just short of budgeted expectations in its first year of operations, it is a program that has both financial opportunity and generates community awareness of services provided at the Hospital beyond the island of Alameda. It is anticipated that the wound care program will be a financial contributor in subsequent years
- In August 2012, the Hospital added Waters Edge Skilled Nursing facility to its operations. This facility far exceeded expectations for its first year of operations and provided a positive contribution to the Hospital's financial results for fiscal year 2013.
- In November 2012, the Hospital recruited two new orthopedic surgeons who work at the Bay Area Bone and Joint Center. The "ramp up" of their practices and the anticipated Hospital activity associated with their practices has been slower than anticipated. However, they have been active in the community, have provided needed emergency call coverage support and are anticipated to be a larger contributor in their succeeding years of practice.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

These programs, mentioned above, incurred one-time start up costs during fiscal year 2013 which will not repeat. In addition, there has been significant legislation and political discussion during fiscal year 2013 regarding AB 97 and the financial impact on distinct part skilled nursing reimbursements. The Hospital does have a liability reserve recorded for the AB 97 role back period between June 2011 and July 2012. Although the impact of AB97 going forward is still being determined, the impact to the Hospital will be mitigated by the reduced cost and reimbursement per day as a result of adding Waters Edge to its license in August, 2012.

The above mentioned programs and financial factors, together with the routine operations of the Hospital, resulted in the following on a consolidated basis:

- Net position decreased by \$2,124,277 in 2013 as compared to a decrease of \$1,492,953 in 2012.
- Net patient service revenues increased by \$14,925,915 or 25.3% while total operating expenses increased by \$16,099,973, or 24.0% over the prior fiscal year. Once again, the addition of Waters Edge skilled nursing facility provided a positive contribution to the Hospital and helped mitigate the overall financial losses
- The Hospital's operating loss, before parcel tax revenue, was \$8,437,372 for fiscal year 2013 as compared to \$6,504,411 for fiscal year 2012.
- Current assets increased by \$5,393,852 while current liabilities increased by \$7,315,110 over the prior fiscal year. This resulted in a current ratio at June 30, 2013 to 1.14 as compared to 1.34 for the prior year.
- Net days in patient accounts receivable increased to 61.06 at June 30, 2013 as compared to 54.80 at June 30, 2012.
- Total assets increased by \$6,002,334 over the prior fiscal year. Total operating cash and cash equivalents increased by \$1,598,040 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 position; 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 position reports all of the revenues earned and expenses incurred during the time period indicated. Nets position (the difference between total assets and total liabilities) is one way to measure the financial health of the Hospital.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

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, 2013, the Hospital's unrestricted and restricted cash and investments totaled \$4,937,653 as compared to \$3,339,613 in the prior fiscal year. At June 30, 2013, day's cash on hand was 22.71 as compared to 18.76 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 \$1,381,156 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 seismic retrofit related renovations, development and implementation of its Electronic Health Record, and other campus and equipment improvements. The Hospital added \$1,075,597 of costs during the fiscal year for these various projects in progress.

***Balance Sheet - Liabilities***

As previously discussed, the Hospital's current liabilities increased by \$7,315,110 from the prior year. Changes were comprised of increases in trade payables by \$4,024,352, decreases in current maturities of debt borrowings by \$(1,196,367), increases in third party payor settlements by \$3,505,842 due mainly to being overpaid by Medi-Cal at Waters Edge, increases in health insurance claims by only \$22,355 and increases in accrued payroll and related liabilities of \$958,928 due mainly to the timing of payroll payments from the year end date of June 30 causing more days to be accrued between payroll periods.

***Balance Sheet - Net Position***

The Hospital reports its net position 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 position:*** All other funds available for use by the Hospital to meet general obligations and to fund current operating expenses.

CITY OF ALAMEDA HEALTH CARE DISTRICT

***Statement of Revenues, Expenses and Changes in Net Position***

The statement of revenues, expenses and changes in net position 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 \$17,937,945 from fiscal year 2012 due to a combination of price increases and increases in acute care volumes by additional referrals from Waters Edge. Acute care days increased by 679 over the prior year. The subacute and skilled nursing unit charges increased in fiscal year 2013 by \$27,692,025 due to the opening of the Waters Edge skilled nursing facility in August, 2012.

Outpatient gross charges increased by \$11,077,792 as a result of price increases and volume changes from the aforementioned referral pattern, including the Orthopedic physician practices.

***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 2013 and 2012 were \$11,738,810 and \$8,041,125, respectively. As a percentage of gross patient charges, the allowance has increased from 3.1% in fiscal year 2012 to 3.7% in fiscal year 2013. In fiscal year 2013, improved systems and processes were in place for the assignment of bad debt accounts. In 2013, there was some "catch up" of older accounts from prior periods.

Contractual allowances, charity care and the provision for bad debts, jointly known as "deductions from revenue" were 76.49% of gross patient service revenues for fiscal year 2013 as compared to 76.68% of gross patient service revenues for fiscal year 2012. The slight decrease in the deductions from revenue was due primarily to the reduced deductions from revenue rate at Waters Edge and its impact upon the Hospital-wide deductions from revenue rate.

***Net Patient Service Revenues***

Net patient service revenues are the difference between gross patient service revenues and deductions from revenue. Net patient service revenues increased by \$13,742,992 primarily as a result of higher acute care census, the addition of Waters Edge and the Wound Care program as previously noted.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

***Operating Expenses***

Total operating expenses were \$83,190,774 for fiscal year 2013 compared to \$67,090,801 for fiscal year 2012. This increase of \$16,099,973 was due primarily to:

- A \$9,555,686 increase in salaries, wages, registry and benefits from the prior year. Total full time equivalents (FTE's) were 530.23 in 2013 versus 399.64 in 2012 over the prior year. The increase was primarily due to the addition of the three new programs previously discussed.
- Other variable expenses such as professional fees, supplies and purchased services increased during the year by \$4,690,091 while other expenses (rent, insurance, utilities, depreciation and other operating expenses) increased by \$1,854,196, again due primarily to the addition of the three new programs previously discussed.

***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 a six-month period up through December 31, 2013, for fiscal year ending June 30, 2014. Only six months were projected due to the forthcoming affiliation agreement and anticipated additional outpatient surgical and inpatient medical service agreements that would go into effect towards the end of calendar year 2013. A subsequent six-month operating budget will be prepared, extending to June 30, 2014, once the financial impact of the affiliation and related service agreements are better understood.

Management's Discussion and Analysis (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

For the July through December, 2013 six-month period, the Hospital is budgeted to decrease its net position by approximately \$1,092,000. It is anticipated that many of the reduced reimbursement and operating expense challenges that the Hospital has faced over the past year will continue during this six-month period and is one of the key reasons that a substantial affiliation relationship, with additional patient volumes, is necessary at this time.

Management is confident that, despite the challenges that confront Alameda Hospital, the new affiliation, together with continued operational improvements, will allow Alameda Hospital to be successful in providing needed acute health care services and long-term care health services the Alameda community into the future.



# TCA Partners, LLP

A Certified Public Accountancy Limited Liability Partnership

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## *Report of Independent Auditors*

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

We have audited the accompanying financial statements of the City of Alameda Health Care District, (the Hospital) which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital at June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Supplementary Information*

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***

Fresno, California  
September 17, 2013

Balance Sheets

CITY OF ALAMEDA HEALTH CARE DISTRICT

|   | June 30              |                             |
|---|----------------------|-----------------------------|
|   | <u>2013</u>          | <u>2012</u>                 |
| <b>Assets</b>                                   |                      |                             |
| Current assets:                                 |                      |                             |
| Cash and cash equivalents                       | \$ 4,937,653         | \$ 3,339,613                |
| Patient accounts receivable, net of allowances  | 12,351,998           | 8,835,256                   |
| Other receivables                               | 6,503,318            | 6,488,284                   |
| Inventories                                     | 1,266,892            | 1,045,311                   |
| Prepaid expenses and deposits                   | <u>458,826</u>       | <u>416,371</u>              |
| Total current assets                            | 25,518,687           | 20,124,835                  |
| Assets limited as to use                        | 189,755              | 64,183                      |
| Capital assets, net of accumulated depreciation | <u>9,546,168</u>     | <u>9,084,741</u>            |
|   | 35,254,610           | 29,273,759                  |
| <b>Deferred outflows of resources</b>           | <u>21,483</u>        | <u>                    </u> |
|   | <u>\$ 35,276,093</u> | <u>\$ 29,273,759</u>        |
| <b>Liabilities</b>                              |                      |                             |
| Current liabilities:                            |                      |                             |
| Current maturities of debt borrowings           | \$ 527,882           | \$ 1,724,249                |
| Accounts payable and accrued expenses           | 11,705,825           | 7,681,473                   |
| Accrued payroll and related liabilities         | 5,283,152            | 4,324,224                   |
| Estimated third party payor settlements         | 4,107,075            | 601,233                     |
| Health insurance claims payable (IBNR)          | <u>714,297</u>       | <u>691,942</u>              |
| Total current liabilities                       | 22,338,231           | 15,023,121                  |
| Debt borrowings, net of current maturities      | <u>1,563,689</u>     | <u>757,152</u>              |
|   | 23,901,920           | 15,780,273                  |
| <b>Deferred inflows of resources</b>            | 5,731,269            | 5,726,305                   |
| <b>Net position</b>                             |                      |                             |
| Invested in capital assets, net of related debt | 7,507,074            | 7,513,277                   |
| Restricted, by contributors                     | 189,755              | 64,183                      |
| Unrestricted (deficit)                          | <u>(2,053,925)</u>   | <u>189,721</u>              |
| Total net position                              | <u>5,642,904</u>     | <u>7,767,181</u>            |
|   | <u>\$ 35,276,093</u> | <u>\$ 29,273,759</u>        |

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

CITY OF ALAMEDA HEALTH CARE DISTRICT

|   | Year Ended June 30  |                     |
|---|---------------------|---------------------|
|   | <u>2013</u>         | <u>2012</u>         |
| <b>Operating revenues</b>               |                     |                     |
| Net patient service revenue             | \$ 73,935,440       | \$ 59,009,525       |
| Other operating revenue                 | <u>817,962</u>      | <u>393,942</u>      |
| Total operating revenues                | 74,753,402          | 59,403,467          |
| <b>Operating expenses</b>               |                     |                     |
| Salaries and wages                      | 41,104,865          | 34,386,027          |
| Registry                                | 2,257,688           | 1,446,699           |
| Employee benefits                       | 11,936,200          | 9,970,442           |
| Professional fees                       | 5,325,281           | 4,458,916           |
| Supplies                                | 9,423,219           | 7,664,447           |
| Purchased services                      | 6,806,388           | 4,631,834           |
| Building and equipment rent             | 2,538,714           | 1,189,075           |
| Utilities and phone                     | 973,256             | 789,826             |
| Insurance                               | 441,251             | 332,671             |
| Depreciation and amortization           | 919,728             | 852,728             |
| Other operating expenses                | <u>1,464,184</u>    | <u>1,368,136</u>    |
| Total operating expenses                | <u>83,190,774</u>   | <u>67,090,801</u>   |
| Operating (loss)                        | (8,437,372)         | (7,687,334)         |
| <b>Nonoperating revenues (expenses)</b> |                     |                     |
| District tax revenues                   | 5,808,450           | 5,769,173           |
| Investment income                       | 12,014              | 6,781               |
| Interest expense                        | (122,100)           | (176,268)           |
| Rent and other income                   | 289,159             | 315,126             |
| Grants and contributions                | <u>325,572</u>      | <u>279,569</u>      |
| Total nonoperating revenues (expenses)  | <u>6,313,095</u>    | <u>6,194,381</u>    |
| (Decrease) in net position              | (2,124,277)         | (1,492,953)         |
| Net position at beginning of the year   | <u>7,767,181</u>    | <u>9,260,134</u>    |
| Net position at end of the year         | <u>\$ 5,642,904</u> | <u>\$ 7,767,181</u> |

*See accompanying notes and auditor's report*

Statements of Cash Flows

CITY OF ALAMEDA HEALTH CARE DISTRICT

|   | Year Ended June 30  |                     |
|---|---------------------|---------------------|
|   | <u>2013</u>         | <u>2012</u>         |
| <b>Cash flows from operating activities:</b>                        |                     |                     |
| Cash received from patients and third-parties on behalf of patients | \$ 73,924,540       | \$ 59,361,540       |
| Cash received from operations, other than patient services          | 807,892             | 1,905,320           |
| Cash payments to suppliers and contractors                          | (25,447,310)        | (20,779,302)        |
| Cash payments to employees and benefit programs                     | <u>(52,082,137)</u> | <u>(44,023,499)</u> |
| Net cash (used in) operating activities                             | (2,797,015)         | (3,535,941)         |
| <b>Cash flows from noncapital financing activities:</b>             |                     |                     |
| District tax revenues   | 5,808,450           | 5,769,173           |
| Grants, contributions and other nonoperating revenues               | <u>614,731</u>      | <u>685,895</u>      |
| Net cash provided by noncapital financing activities                | 6,423,181           | 6,455,068           |
| <b>Cash flows from capital financing activities:</b>                |                     |                     |
| Purchase and donations of capital assets, net of loss on disposals  | (1,381,155)         | (2,487,601)         |
| Proceeds from debt borrowings                                       | 1,439,818           | 1,350,000           |
| Principal payments on debt borrowings                               | (1,829,648)         | (756,782)           |
| Interest payments on debt borrowings                                | <u>(122,100)</u>    | <u>(176,268)</u>    |
| Net cash (used in) capital financing activities                     | (1,893,085)         | (2,070,651)         |
| <b>Cash flows from investing activities:</b>                        |                     |                     |
| Net change in assets limited as to use and other assets             | (147,055)           | 419,533             |
| Investment income   | <u>12,014</u>       | <u>6,781</u>        |
| Net cash provided by (used in) investing activities                 | <u>(135,041)</u>    | <u>426,314</u>      |
| Net increase in cash and cash equivalents                           | 1,598,040           | 1,274,790           |
| Cash and cash equivalents at beginning of year                      | <u>3,339,613</u>    | <u>2,064,823</u>    |
| Cash and cash equivalents at end of year                            | <u>\$ 4,937,653</u> | <u>\$ 3,339,613</u> |

*See accompanying notes and auditor's report*

Statements of Cash Flows (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

|   | Year Ended June 30    |                       |
|---|-----------------------|-----------------------|
|   | <u>2013</u>           | <u>2012</u>           |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                       |                       |
| Operating (loss)  | \$ (8,437,372)        | \$ (6,595,611)        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                       |                       |
| Depreciation and amortization   | 919,728               | 852,728               |
| Provision for bad debts   | 11,738,810            | 8,041,125             |
| Changes in operating assets and liabilities:  |                       |                       |
| Patient accounts receivables  | (15,255,552)          | (9,627,196)           |
| Other receivables   | (15,034)              | 1,602,173             |
| Inventories   | (221,581)             | 138,047               |
| Prepaid expenses and deposits   | (42,455)              | (154,012)             |
| Accounts payable and accrued expenses   | 4,024,352             | 769,707               |
| Accrued payroll and related liabilities   | 958,928               | 332,970               |
| Estimated third party payor settlements   | 3,505,842             | 755,163               |
| Deferred inflows of resources   | 4,964                 | 405                   |
| Health insurance claims payable (IBNR)  | <u>22,355</u>         | <u>348,560</u>        |
| Net cash provided by operating activities   | <u>\$ (2,797,015)</u> | <u>\$ (3,535,941)</u> |

*See accompanying notes and auditor's report*

CITY OF ALAMEDA HEALTH CARE DISTRICT

June 30, 2013

**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, a 26-bed skilled nursing facility adjacent to the Hospital campus and another 120-bed skilled nursing facility near the Hospital campus which the Hospital took over operations of in August, 2012. 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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

**Recent Pronouncements:** The Hospital has incorporated the following recent GASB issued statements within this financial statement presentation: (1) GASB 61 - *The Financial Reporting Entity: Omnibus* which helps better define financial presentation and component units; GASB 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which supercedes GASB 20; GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* - which establishes new standards involving consumption of net position and the acquisition of net position, both of which are applicable to future periods as well as further defining net position (formerly net assets); and is reviewing the impact of GASB 65 - *Items Previously Reported as Assets and Liabilities* once it is adopted next year as it may cause restatement of the June 30, 2013 net position by restating amounts related to unamortized debt issuance costs previously reported as assets. For purposes of financial statement presentation, deferred outflows are shown with the assets of the Hospital on the balance sheet and deferred inflows are considered deferred revenues and grouped with the liabilities of the Hospital on the balance sheet. No other adoptions of these pronouncements materially affected the Hospital's financial statements.

**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.



CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

**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, 2013 and 2012, the Hospital has determined that no capital assets are impaired.

**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, 2013 and 2012 are \$3,276,404 and \$2,851,063, 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 Position:** Net position is presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position 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 position. This category consists of externally designated constraints placed on those net position 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 position. This category consists of net position that does not meet the definition or criteria of the previous two categories.

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE A - ORGANIZATION AND ACCOUNTING POLICIES (continued)**

***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.

***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 position.

***Operating Revenues and Expenses:*** The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the 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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE B - CASH AND CASH EQUIVALENTS**

As of June 30, 2013 and 2012, the Hospital had deposits invested in various financial institutions in the form of cash and cash equivalents in the amounts of \$5,125,808 and \$3,402,595 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, 2013, cost reports through June 30, 2010 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, 2013, cost reports through June 30, 2011, 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

## CITY OF ALAMEDA HEALTH CARE DISTRICT

**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:

|   | <u>2013</u>          | <u>2012</u>          |
|---|----------------------|----------------------|
| Inpatient acute and inpatient ancillary services    | \$162,813,231        | \$144,875,286        |
| Long-term care routine services                     | 56,874,641           | 29,182,616           |
| Outpatient acute services                           | <u>94,732,020</u>    | <u>83,654,228</u>    |
| Gross patient service revenues                      | 314,419,892          | 257,712,130          |
| Less deductions from revenue and related allowances | <u>(240,484,452)</u> | <u>(198,702,605)</u> |
| Net patient service revenues                        | <u>\$ 73,935,440</u> | <u>\$ 59,009,525</u> |

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, 2013 and 2012 were as follows:

|   | <u>2013</u>          | <u>2012</u>         |
|---|----------------------|---------------------|
| Medicare  | \$ 25,915,295        | \$ 16,471,523       |
| Medi-Cal  | 18,647,216           | 7,655,805           |
| Other third party payors                                  | 13,819,026           | 9,592,621           |
| Self pay and other  | <u>13,115,406</u>    | <u>18,605,933</u>   |
| Gross patient accounts receivable                         | 71,496,943           | 52,325,882          |
| Less allowances for contractual adjustments and bad debts | <u>(59,144,945)</u>  | <u>(43,490,626)</u> |
| Net patient accounts receivable                           | <u>\$ 12,351,998</u> | <u>\$ 8,835,256</u> |

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE E - OTHER RECEIVABLES**

Other receivables as of June 30, 2013 and 2012 were comprised of the following:

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Alameda County property taxes                   | \$ 6,013,084        | \$ 6,014,567        |
| Other provider and insurance receivables        | 149,770             | 160,525             |
| Pension plan forfeitures                        | 136,066             | 64,537              |
| Supplemental program receivables from the State | 40,534              | 94,557              |
| Rents receivable                                | 3,625               | 3,000               |
| Other various receivables, net of reserves      | <u>160,239</u>      | <u>151,098</u>      |
|   | <u>\$ 6,503,318</u> | <u>\$ 6,488,284</u> |

**NOTE F - ASSETS LIMITED AS TO USE**

Assets limited as to use as of June 30, 2013 and 2012 were comprised of the following:

|  | <u>2013</u>       | <u>2012</u>      |
|--|-------------------|------------------|
| Cash and cash equivalents restricted by contributors | <u>\$ 189,755</u> | <u>\$ 64,183</u> |

**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 \$969,750 and \$1,029,708 at June 30, 2013 and 2012, respectively.

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE G - CAPITAL ASSETS (continued)**

Capital assets as of June 30, 2013 and 2012 were comprised of the following:

|                                | <u>Balance at<br/>June 30, 2012</u> | <u>Transfers &amp;<br/>Additions</u> | <u>Reclasses &amp;<br/>Retirements</u> | <u>Balance at<br/>June 30, 2013</u> |
|--------------------------------|-------------------------------------|--------------------------------------|--|-------------------------------------|
| Land and land improvements     | \$ 1,376,954                        |                                      |  | \$ 1,376,954                        |
| Buildings and improvements     | 23,980,336                          | \$ 1,023,127                         |  | 25,003,463                          |
| Equipment                      | 19,337,623                          | 929,248                              |  | 20,266,871                          |
| Construction-in-progress       | <u>4,102,468</u>                    | <u>(571,220)</u>                     |  | <u>3,531,248</u>                    |
| Totals at historical cost      | 48,797,381                          | 1,381,155                            |  | 50,178,536                          |
| Accumulated depreciation for:  |                                     |                                      |  |                                     |
| Land and land improvements     | (269,765)                           | (2,889)                              |  | (272,654)                           |
| Buildings and improvements     | (21,681,924)                        | (462,532)                            |  | (22,144,456)                        |
| Equipment                      | <u>(17,760,951)</u>                 | <u>(454,307)</u>                     |  | <u>(18,215,258)</u>                 |
| Total accumulated depreciation | <u>(39,712,640)</u>                 | <u>(919,728)</u>                     |  | <u>(40,632,368)</u>                 |
| Capital assets, net            | <u>\$ 9,084,741</u>                 | <u>\$ 461,427</u>                    | <u>\$</u>                              | <u>\$ 9,546,168</u>                 |

|                                | <u>Balance at<br/>June 30, 2011</u> | <u>Transfers &amp;<br/>Additions</u> | <u>Reclasses &amp;<br/>Retirements</u> | <u>Balance at<br/>June 30, 2012</u> |
|--------------------------------|-------------------------------------|--------------------------------------|--|-------------------------------------|
| 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       | <u>2,921,049</u>                    | <u>1,350,809</u>                     | <u>(169,390)</u>                       | <u>4,102,468</u>                    |
| 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                      | <u>(17,321,238)</u>                 | <u>(476,023)</u>                     | <u>36,310</u>                          | <u>(17,760,951)</u>                 |
| Total accumulated depreciation | <u>(38,896,222)</u>                 | <u>(852,728)</u>                     | <u>36,310</u>                          | <u>(39,712,640)</u>                 |
| Capital assets, net            | <u>\$ 8,632,791</u>                 | <u>\$ 622,679</u>                    | <u>\$ (170,729)</u>                    | <u>\$ 9,084,741</u>                 |

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE H - DEBT BORROWINGS**

As of June 30, 2013 and 2012, debt borrowings were as follows:

|   | <u>2013</u>         | <u>2012</u>        |
|---|---------------------|--------------------|
| Note payable to a bank; principal and interest at 4.80% due in monthly installments of \$42,460 each 15 <sup>th</sup> of the month through February 15, 2014; collateralized by Hospital receivables: | \$ 332,474          | \$ 851,365         |
| Note payable to a bank; principal and interest at 4.75% due in monthly installments of \$6,457 through October 15, 2022; collateralized by Hospital property:   | 1,105,849           |                    |
| Note payable to a bank; principal and interest at 5.50% due in monthly installments of \$17,232 at month's start through May 16, 2016; collateralized by Hospital property:                           | 653,248             | 585,181            |
| Other debt borrowings   |                     | <u>1,044,855</u>   |
|   | <u>2,091,571</u>    | <u>2,481,401</u>   |
| Less current maturities of debt borrowings  | <u>(527,882)</u>    | <u>(1,724,249)</u> |
|   | <u>\$ 1,563,689</u> | <u>\$ 757,152</u>  |

Future principal maturities for debt borrowings for the next succeeding years are: \$527,882 in 2014; \$206,391 in 2015; \$328,794 in 2016; \$28,405 in 2017 and \$29,804 in 2018.

The Hospital acknowledges that as of June 30, 2013, it was not in compliance with certain loan covenants associated with certain of its debt borrowings with the Bank of Alameda (the Bank). These covenants were waived by the Bank's loan committee through June 30, 2013. The next covenant waiver request will occur on September 30, 2013. 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 \$203,300 and \$292,500 for the years ended June 30, 2013 and 2012 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 and management does not consider the assets to be material to the Hospital.

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE J - RETIREMENT PLANS**

**Contributions to Retirement Plans:** Total contributions to all of the retirement plans for the years ended June 30, 2013 and 2012 were approximately \$2,165,000 and \$1,861,000, 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, 2013 and 2012 are as follows:

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| Annual required contribution                               | \$ 76,087                  | \$ 56,833                  |
| Interest on net pension asset                              | (11,591)                   | (12,033)                   |
| Adjustment to net pension obligation                       | <u>23,108</u>              | <u>22,567</u>              |
| Annual pension cost  | 87,604                     | 67,367                     |
| Contributions made   | <u>(60,701)</u>            | <u>(60,000)</u>            |
| Increase (decrease) in net pension obligation              | 26,903                     | 7,367                      |
| Net pension (asset) liability at the beginning of the year | <u>(193,184)</u>           | <u>(200,551)</u>           |
| Net pension (asset) liability at the end of the year       | <u><u>\$ (166,281)</u></u> | <u><u>\$ (193,184)</u></u> |

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 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 2013 and 2012 do not apply as the Plan has been frozen and has no covered payroll.



## CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE J - RETIREMENT PLANS (continued)**

The required contribution for the year ended June 30, 2013, was determined as part of the July 1, 2012 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 6% 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, 2012 was 11 years. Below is three-year trend information followed by a schedule of funding progress:

**Three-Year Trend Information:**

| <u>Year Ended June 30</u> | <u>Annual Pension Cost (APC) in \$</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Asset) in \$</u> |
|---------------------------|--|--------------------------------------|---|
| 2011                      | \$ 100,079                             | 139.9%                               | \$ (200,551)                                |
| 2012                      | \$ 67,367                              | 89.1%                                | \$ (193,184)                                |
| 2013                      | \$ 87,604                              | 69.3%                                | \$ (166,281)                                |

**Schedule of Funding Progress:**

| <u>Valuation Date</u> | <u>Accrued Liability in \$</u> | <u>Actuarial Value of Assets in \$</u> | <u>Unfunded Accrued Liability (UAAL) in \$</u> | <u>Funded Ratio Percentage</u> | <u>Annual Covered Payroll</u> | <u>UAAL as a % of Payroll</u> |
|-----------------------|--------------------------------|--|--|--------------------------------|-------------------------------|-------------------------------|
| 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                           |
| 7/1/12                | \$ 2,207,008                   | \$ 1,606,919                           | \$ 600,089                                     | 72.8%                          | 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.

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE K - COMMITMENTS AND CONTINGENCIES**

**Construction-in-Progress:** As of June 30, 2013 and 2012, the Hospital had recorded \$3,531,248 and \$4,102,468, respectively, as construction-in-progress representing cost capitalized for various remodeling, major repair, certain expansion projects on the Hospital's premises, the seismic retrofit project, and the implementation of electronic health records hardware and software upgrades. No interest was capitalized during the years ended June 30, 2013 and 2012. Estimated cost to complete all of these projects as of June 30, 2013 are approximately \$16 million.

**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, 2013 and 2012, were \$2,538,714 and \$1,189,075, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2013, include an lease agreement for the Waters Edge facility at approximately \$936,000 per year for the next 19 years (rates increase approximately 1.5% each year and includes an early cancellation penalty of \$500,000), and an operating lease with the Bank of America at approximately \$432,000 per year for the next 3.5 years. Other lease or rent agreements 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, 2013 will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

**Risk Management Insurance Programs:** The Hospital self-insures medical and dental costs up to \$150,000 per employee per year with a \$75,000 aggregate under a semi-contributory 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, 2013 and 2012.

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE K - COMMITMENTS AND CONTINGENCIES (continued)**

**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 statutes 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.

**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 ongoing audits, RAC auditors review medical records and compare them to billing records for "perceived" discrepancies. These audits have resulted in a recovery process of Medicare payments over the past few years. 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 were required to be "life-safe". As has been the case with many other hospitals throughout the State, the Hospital has applied for an extension of the January 1, 2013 deadline to a new date of January 1, 2018. A two-year administrative extension has been granted by the State to allow time to complete the review of the Hospital's extension application. The Hospital is currently in the process of completing required NPC 2 work and anticipates completion by the end of December, 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, 2013 and 2012 of these component units are included within the financial

Notes to Financial Statements (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

**NOTE L - HOSPITAL COMPONENT UNITS (continued)**

statements of the Hospital. Net position of these units were \$842,491 for 2013 and \$748,236 for 2012. Net increase in position for these units were \$110,555 for 2013 and \$62,534 for 2012. 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 - 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, 2013 and 2012, in terms of services to the poor and benefits to the broader community:

|   | <u>2013</u>          | <u>2012</u>          |
|---|----------------------|----------------------|
| Benefits for the poor:                                |                      |                      |
| Traditional charity care                              | \$ 1,738,709         | \$ 1,663,392         |
| Unpaid Medi-Cal and other public aid programs         | <u>74,019,609</u>    | <u>57,834,988</u>    |
| Total quantifiable benefits for the poor              | 75,758,318           | 59,498,380           |
| Benefits for the broader community:                   |                      |                      |
| Unpaid Medicare program charges                       | <u>90,371,325</u>    | <u>83,689,312</u>    |
| Total quantifiable benefits for the broader community | <u>90,371,325</u>    | <u>83,689,312</u>    |
| Total quantifiable community benefits                 | <u>\$166,129,643</u> | <u>\$143,187,692</u> |

**NOTE N - AFFILIATION AGREEMENT**

Hospital management has had ongoing financial challenges operating a small general acute care hospital with 24-hour emergency services in this very competitive health care environment. The current and future changes brought about by healthcare reform at both the State and Federal levels, as well as other regulatory requirements and reimbursement reductions will compound the challenges facing the Hospital over the next few years. Furthermore, the Hospital is in need of capital resources to assist with required seismic retrofits, electronic health record implementation and other deferred facility and equipment replacements. To the end, the Hospital Board of Directors executed a “Letter of Intent” to affiliate with Alameda Health System on June 17, 2013. The Hospital is currently performing “due diligence” with the intent of entering into a definitive agreement towards the end of October, 2013 and completing the transition around the end of January, 2014.

# THE CITY OF ALAMEDA HEALTH CARE DISTRICT

## ALAMEDA HOSPITAL

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### UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING SEPTEMBER 30, 2013

**CITY OF ALAMEDA HEALTH CARE DISTRICT  
ALAMEDA HOSPITAL  
SEPTEMBER 30, 2013**

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# ALAMEDA HOSPITAL MANAGEMENT DISCUSSION AND ANALYSIS SEPTEMBER 2013

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, 2013 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 third month of fiscal 2014, the hospital experienced a combined net operating gain of \$204,000 against a budgeted loss of \$313,000. This gain was helped by higher acute census in September as well as recognition of \$390,000 in Intergovernmental Transfer program (IGT) funds.

September discharges were 228, which were 12 or 4.9% below budget, and total patient days were 6,006 or 275 (4.8%) above budget. With the lower discharges and higher patient days, the acute ALOS increased again from 4.03 in the prior month to 4.82 in the current month. Total patient days for inpatient acute services were up 15.7%; subacute days were up 2.4%, skilled nursing days were up at South Shore by 8.2% and Waters Edge were up by 1.9%.

Overall outpatient activity was mixed again this month. Outpatient registrations were up 1.0%, Emergency Room visits were 149 or 10.2% below budget. Outpatient surgeries were below budget for the month by 24 or 18.3%.

The Wound Care program had 392 visits in September compared to a budget of 350, or 12.0% above budget. In September there were 58 HBO treatments compared to 78 in August.

Total gross and net revenue in August was consistent with activity. The overall inpatient component was above budget by 7.0% driven by the higher acute census and outpatient was below budget 4.1% driven by lower emergency room and ancillary visits.

The overall Case Mix Index (CMI) in September was 1.3052, slightly above the prior month and also above the FY 2014 average of 1.2975.

Total expenses were just over \$7.1 million in September, which is \$64,300 or 0.9% above the budget.

Rents and leases were over budget while salaries, temporary agency, benefits, professional fees, supplies and purchased services were under budget. All other categories were close to budget. Please see the Expense section for further explanation of the expense variances.

Cash and cash equivalents were just over \$3.0 million at the end of September, down from prior month in part as a result of \$475,000 IGT transfer at the end of September and just under 1.2 million withheld by the State for the Medi-Cal LTC overpayment recoupment. Cash collections in September were shown as \$6.4 million and includes recognition of the \$1.2 million. There remains about \$1.1 million to still be recouped for these overpayments.

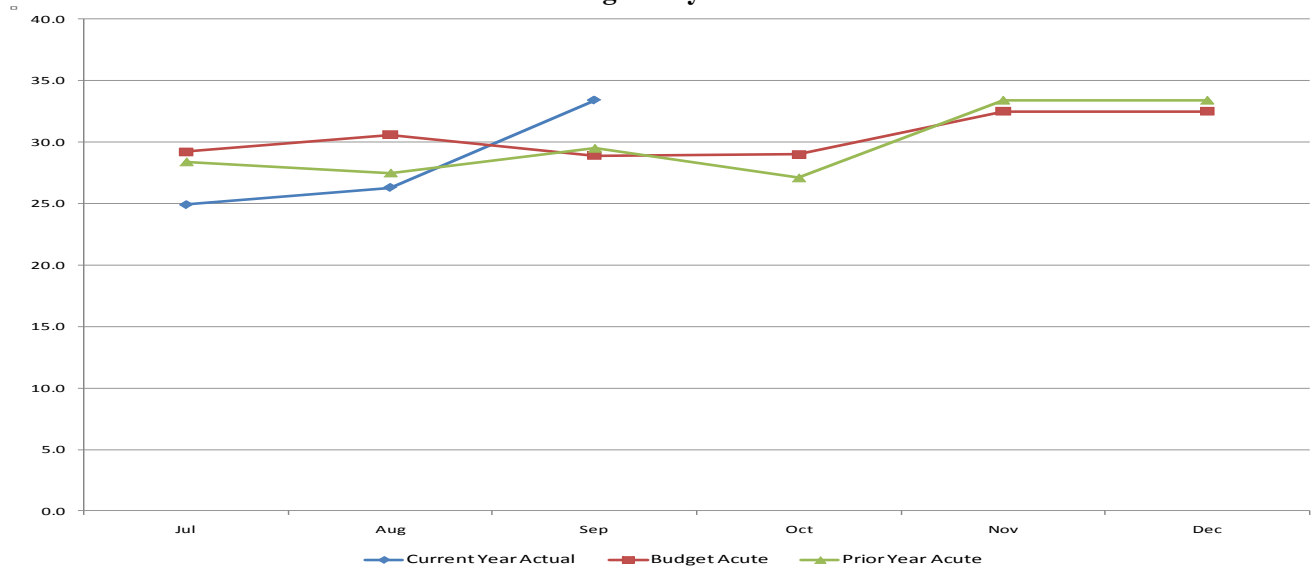
## *ACTIVITY*

### ACUTE, SUBACUTE AND SNF SERVICES

Overall, patient days were 4.8% above budget for the month and above September of last year. This month's acute days were above budget by 15.7%, Subacute was up 2.4%, South Shore was up 8.2% and Waters Edge was up 1.9%.

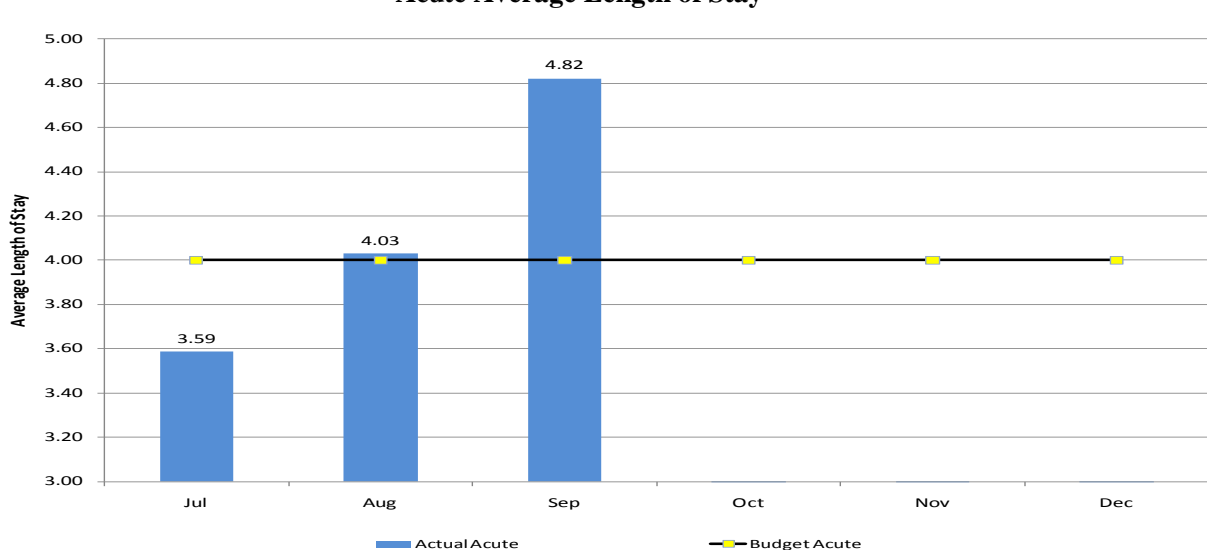
September's acute patient days were 136 days or 15.7% higher than budget for the month and 13.6% higher than September 2012. All areas of the Acute Hospital units contributed to the higher acute census. The acute care program is comprised of the Critical Care Unit (5.1 ADC, 10.1% above budget), Telemetry / Definitive Observation Unit (12.8 ADC, 18.2% above budget) and Med/Surg Unit (15.6 ADC, 15.6% above budget).

**Acute Average Daily Census**



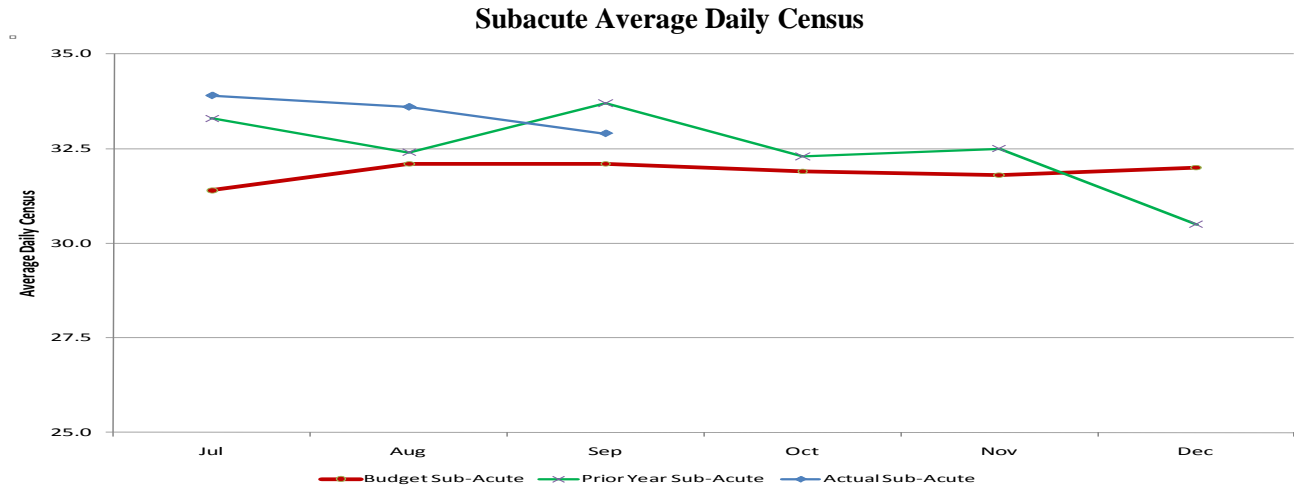
The acute Average Length of Stay (ALOS) increased from 4.03 in August to 4.82 in September and is well above the budget of 4.00. The longer length of stay has some correlation to the higher CMI (case mix index) seen in the acute setting, however, there were several sick patients whose LOS exceeded the average for their respective diagnosis. Management reviews these cases with our case managers and physicians to minimize extended lengths of stay. The graph below shows the ALOS by month compared to the budget.

**Acute Average Length of Stay**

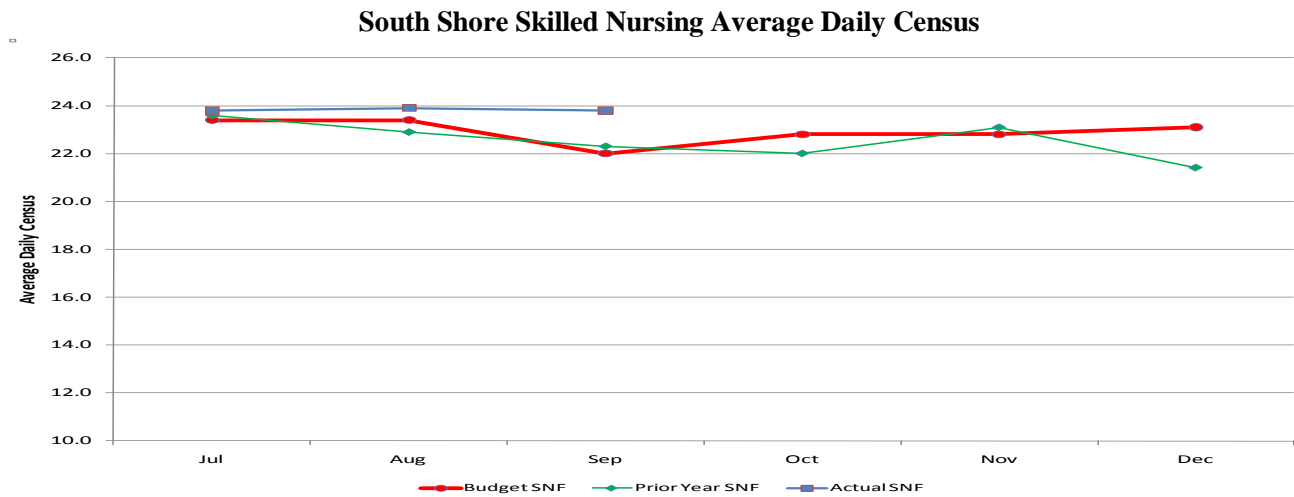




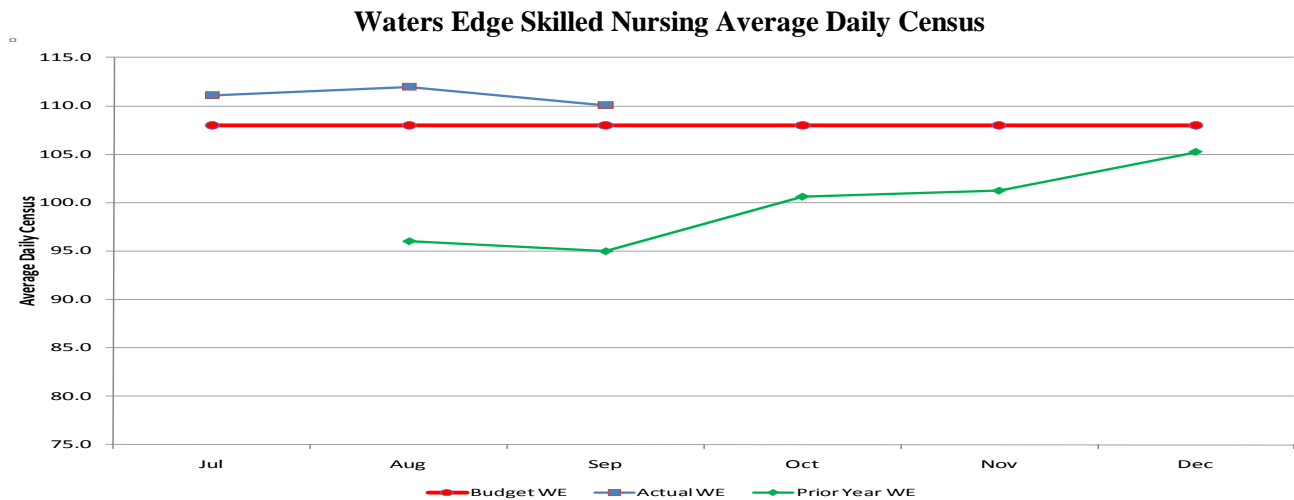
The Subacute program ADC of 32.9 was above the budget by 0.77 ADC or 2.4%. The graph below shows the Subacute ADC for the current fiscal year as compared to budget and the prior year.



The South Shore ADC was above budget again by 54 patient days (8.2%) 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 was 2.8 ADC, above the 2.77 ADC in August but below the budget of 3.88.



Waters Edge census was 110.07 ADC or 1.9% above the budget of 108.0 in September. The Medicare census was 7.73 ADC below the 12.13 ADC in the prior month, and below the Medicare ADC budget of 16.2.

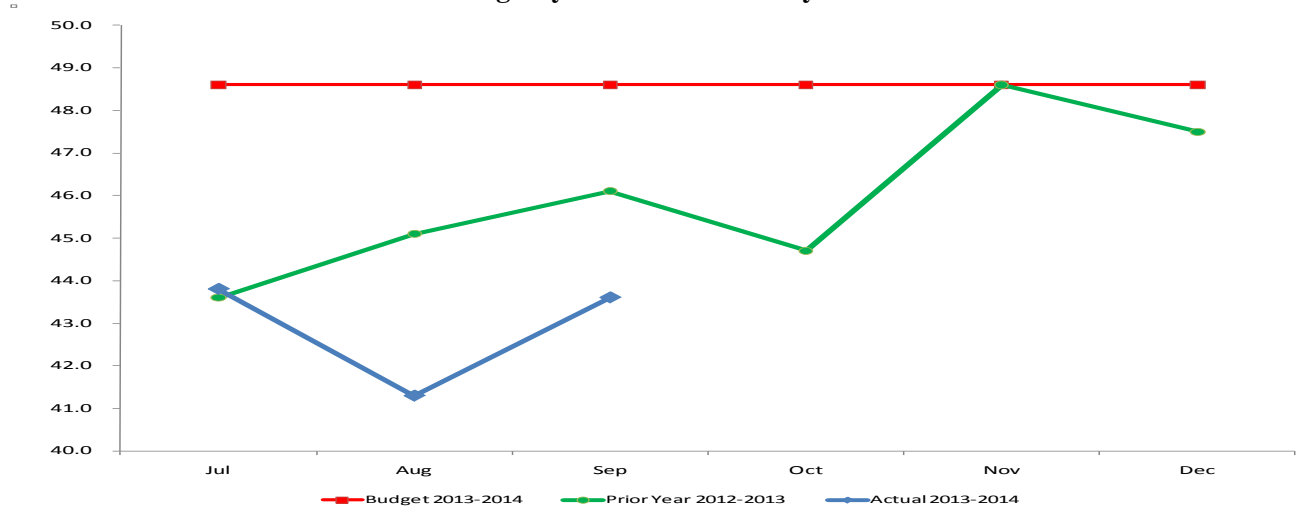


## **ANCILLARY SERVICES**

### **Outpatient Services**

Emergency Care Center (ECC) visits in September were 1,309, or 149 visits (10.2%) below the budget of 1,458. The inpatient admission rate from the ECC was 17.8% just above the 17.6% admit rate in August. On a per day basis, the total visits represent an increase of 5.6% from the prior month daily average. In September, there were 295 ambulance arrivals versus 279 in the prior month. Of the 295 ambulance arrivals in the current month, 212 or 71.9% were from Alameda Fire Department (AFD).

**Emergency Care Visits Per Day**



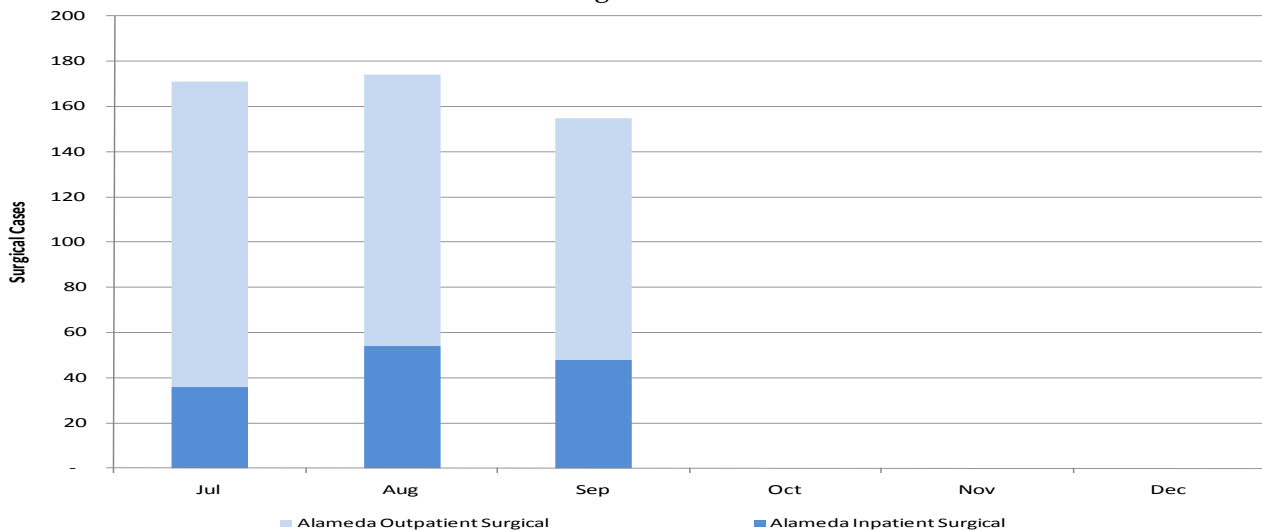
Outpatient registrations totaled 1,867 or 1.0% above the budget. In September the number of patient visits were down in Laboratory (20), IV Therapy (23) and Occupational Therapy (14). Visits were up in MRI (11) and Physical Therapy (41). In September there were 149 Therapy visits and 120 Imaging procedures from the new orthopedic clinic, compared to 153 and 120 respectively in August.

In September, Wound Care was above the budget of 350 with 392 visits, or 12.0% over budget. Hyperbaric Oxygen treatments accounted for 58 of those visits, compared to 78 in August.

### **Surgery**

The total number of surgery cases in September were 155 or 16.7% below the budget of 186 and just below last year's case volume of 168. Inpatient cases of 48 were below the budget of 55 and outpatient was below budget by 24 (18.3%) at 107 cases. Included in the total cases are 5 surgeries for our new general surgeon, Dr. John Lee. In comparison, Dr. Celada performed 12 surgeries compared to the 15 he performed in September 2012.

**Surgical Cases**



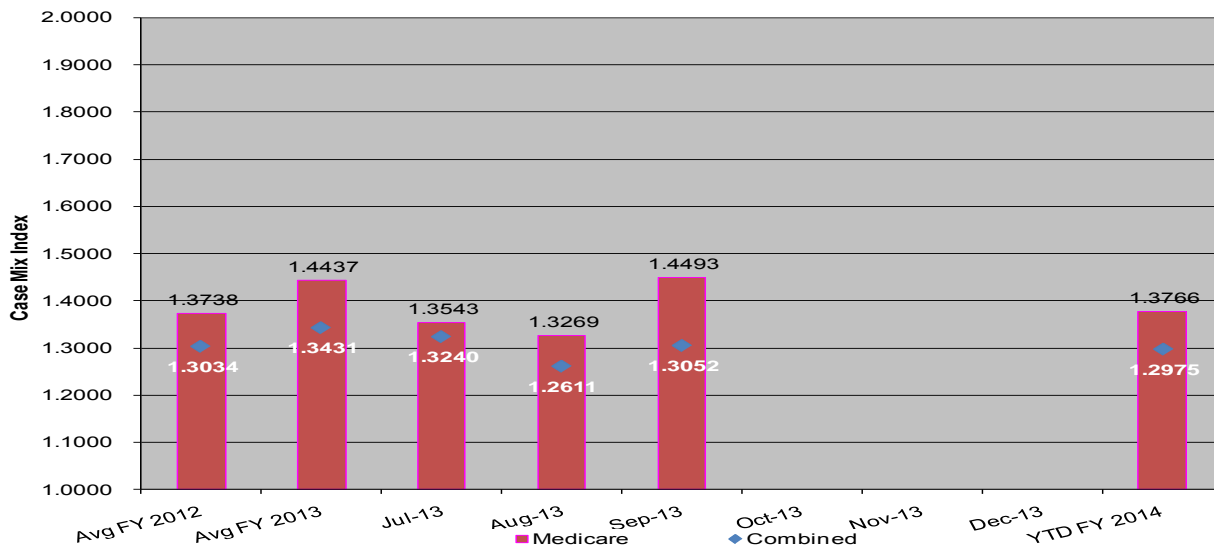
### *Payer Mix*

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

|              | <u>Sep Actual</u> | <u>Sep Budget</u> |
|--------------|-------------------|-------------------|
| Medicare     | 51.5%             | 47.1%             |
| Medi-Cal     | 27.2%             | 27.5%             |
| Managed Care | 13.8%             | 16.2%             |
| Other        | 2.8%              | 2.8%              |
| Commerical   | -0.3%             | 1.4%              |
| Self-Pay     | 5.1%              | 5.0%              |
| Total        | 100.0%            | 100.0%            |

### *Case Mix Index*

The Hospital's overall Case Mix Index (CMI) for September was 1.3052, up from the prior month of 1.2611 (3.5%). The Medicare CMI was 1.4493 in September, well above the prior month of 1.3269 (9.22%). The graph below shows the Medicare CMI for the Hospital during the current fiscal year as compared to the prior two years.



### *Revenue*

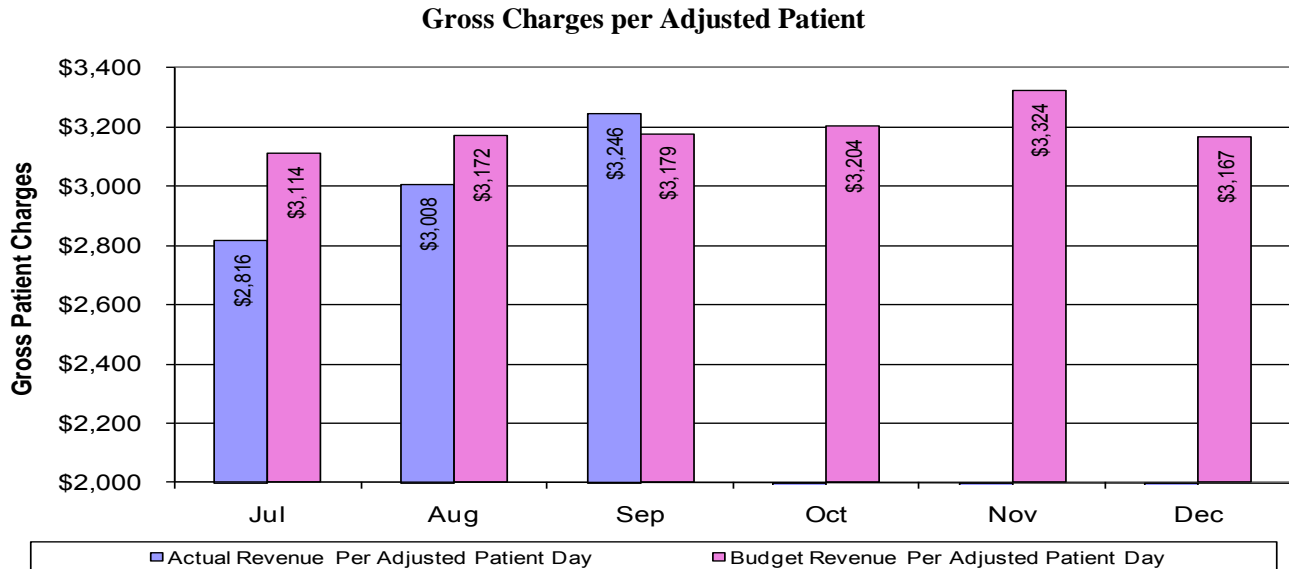
Gross patient charges in September were above the budget by more than \$930,000 or 3.5%. Inpatient gross revenues were almost \$1.3 million above budget and outpatient gross revenues were down \$340,000. Acute inpatient days were 136 (15.7%) above budget and acute gross revenue was up almost 19.0%. Inpatient ancillary service charges were above budget in Surgery, Medical Supplies, Laboratory and Imaging, but down in Emergency, Respiratory and Rehab.

Waters Edge gross and net revenue were above budget in September consistent with the volume. The ancillary revenue was above budget 25.6% (again mostly due to therapy services) and the routine daily room and board revenue was above budget by 3.9%.

Outpatient gross revenues were lower than budget by \$340,000 (4.1%). Emergency, Laboratory, surgery and Medical Supplies were the largest contributors to this being below budget while the Wound Care, Imaging, Pharmacy and Rehab were above.

Wound Care volume was above budget 12.0% and the gross revenue was above budget by \$118,000 (17.1%), resulting in Net Revenue coming in \$27,000 (17.3) above budget for the month. While the use of skin products drove up revenue, HBOT activity was down from prior month as previously mentioned.

On an adjusted patient day basis, total patient revenue was \$3,246 above the budget of \$3,179 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 2014 compared to budget.



### Contractual Allowances and Net Revenue

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 Net Revenue percentage of 23.2% was budgeted and 24.6% 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 AB97 rate reduction.

Overall, Net Revenue was just over \$6.8 million, \$587,000 above the budget of \$6.2 million. The higher than budgeted inpatient acute census, as well as the IGT net impact of \$390,000 which is expected to be received early November, are key contributors to the higher Net Revenue.

The medicare RAC recovery activity was also very high in September. The hospital had been experiencing a net average of \$35,000 in RAC recoveries each month. This increased to just over \$100,000 in August and just over \$250,000 in September. There were a number of accounts in second level appeal that had money taken back. Most of these will be appealed to the Administrative Law Judge (ALJ) and we do feel that we will prevail in most cases. Case management continues to provide education and feedback to specific physicians as needed to improve on documentation and medical necessity concerns that come up during the RAC review process.

Waters Edge had Net Revenues of almost \$1.2 million, just above the budget by \$2,000 or 0.2%. Although census was higher than budgeted overall, we had less of the higher paying Medicare patients and more of the lower paying Medi-Cal patients.

Wound Care net revenue was \$27,355 (17.3%) above budget. The increased use of skin graft products helped contribute to the higher revenue and helped offset the decline this month in HBO treatments which were down by about 20 treatments from prior month.

## *Expenses*

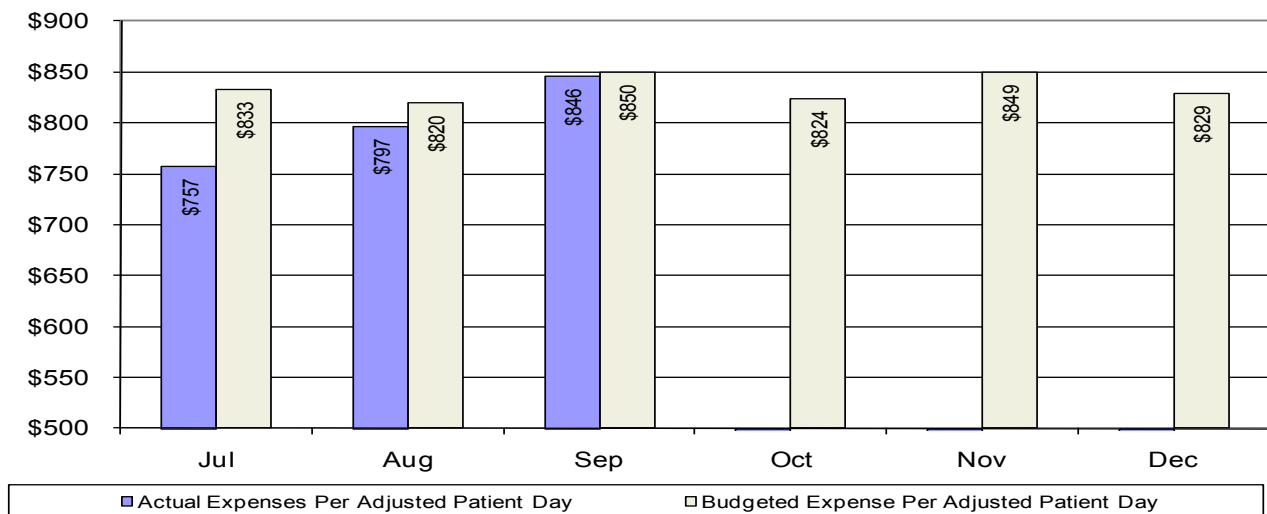
### Total Operating Expenses

Total operating expenses were \$7.1 million which was just higher than the fixed budget by \$64,000 or 0.9%. Expenses are higher to a great extent because of the higher acute census in September.

Salaries, temporary agency, supplies/drugs and rents and leases were above budget while benefits, professional fees, purchased services and other expenses were all under budget. All other expense categories were reasonably close to budget.

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

**Expenses per Adjusted Patient Day**



The 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 \$237,000 (6.6%). Total salaries are above budget \$205,000 and Registry (temporary agency services) is above budget \$32,000.

The \$205,000 unfavorable salary expense variance is comprised of productive salaries being \$105,000 (3.6%) over budget and non-productive salaries were \$100,000 (21.6%) over budget.

Productive salaries were above budget in Acute nursing units, driven by the higher volume and accounting for most of the budget variance. On the acute nursing units, there was also an increased need for sitters for certain some patient throughout the month. Productive salaries were also higher in Sub Acute and South Shore due to higher patient activity in these areas as well. In addition to overtime and doubletime, which were a little higher in September than in recent months, there was also premium holiday pay on Labor Day which totaled about \$25,000 additional expense. The budget did not take into consideration this differential in those months with a holiday, this will be.

Non-productive salaries being over budget is off-set, in part, by benefits expense being under budget \$244,000, some of this coming from reduction in PTO / Vacation accrual as employees continue to take time off. The expense benefit comes from those positions that do not need to be replaced when off e.g. administration etc. In addition, non-productive was high due to, new hire employee orientations in the Emergency department, acute nursing units and surgery, PCS training in DOU & CCU, and HIPAA and MAT training on the acute nursing units contributed to additional non-productive salary expense. We have hired many new nurses who are now oriented / preceptorships and will be available to fill open shifts in the weeks to come. In addition there were final payments on employee settlements totaling about \$19,000.

The use of overtime and double time premium pay has dropped by approximately \$50,000 from the prior six month average as we strive to get better control of this expensive component of the total salaries. There were some overtime incurred with the above mentioned PCS training as well as premium pay needed to cover sick calls and break coverage on some weekend shifts. The productive salaries per adjusted patient day (APD) were \$365 compared to a budget of \$358. Total salaries per APD were \$432 compared to a budget of \$413 per APD.

Registry expense was higher mainly due to the acute units using more staff due to the higher census, as well as higher in long term care, Rehab, Imaging and Patient Accounting to replace staff in positions that are currently vacant.

Management does continue to meet every other week as an Executive Team to review and discuss staffing and salary/wage actual to budget variances.

### **Benefits**

Benefits were below the fixed budget by \$244,000. While these numbers fluctuate from month to month, benefits are down sharply this month due lower health claim expense. In addition, PTO/Vacation usage has continue to be higher as we have been encouraging employees to use their PTO/Vacation time which thus reduces the amount of accrual needed. Accrual for PTO / Vacation was \$18,000 under budget in September, and is a direct offset to the higher non-productive wages discussed above. Overall, health claim expense was about \$233,000 below budget. Cliam check-writes were down \$156,000 and IBNR estimate down \$63,000. Unemployment insurance was \$10,000 below budget.

### **Professional Fees**

Professional fees were under budget by \$31,000 or 6.2%. While QRM, Respiratory Therapy (includes August physician fees missed last month), legal and Information Systems were above budget, consulting and oteher Human Resources related fees were under budget resulting in a positive variance overall.

### **Supplies**

Supplies expense were \$113,000 over budget. This variance is primarily due to Pharmaceuticals (about \$80,000), much of this increase is associated with IVT program and a couple of high cost regiments that are being administered. We are working with the physician and pharmacy team to manage the case and related expenditure to the extent possible. In addition, there are smaller variances in Surgery,Wound Care, Dietary and EVS. Wound care supplies were higher than budget as were patient visits in the clinic, however, there were a couple of August invoices that were not accrued for and expensed in September. Many of wound cares supply expenses are reimbursable and reflected in net revenue estimations.

### **Purchased Services**

Purchased services were below budget for the month of September by \$13,000 or 2.3%. While there were some departments higher than budget such as Community Relations (advertising), Quality (RAC related expenses), Sub Acute and South Shore there were several departments under budget such as Waters Edge Rehab, Laboratory, Pharmacy and Linen resulting in the overall variance being positive to budget.

### **Rents and Leases**

Rents and lease expense was \$14,000 over budget in the month. While Respiratory Therapy and Engineering were below budget this month, Central Supply and Administration were over budget. We continue to have higher equipment rental expense, primarily for bed/mattress rentals. In addition, the annual rent increase for the south shore building was about \$2,500 per month higher than budgeted (taxes and fees assessments) and Waters Edge rent has increased \$2,800 per month as well. These two rent increases were not anticipated during the budget process but will be in the budget for the second half of fiscal 2014.

### **Other Operating Expense**

Other Operating Expenses were under budget this month by \$10,000. While there are some departments over budget such as Waters Edge and Administration (license fees), the positive variance is due mostly to Human Resources being under budget.

### **Depreciation Expense**

Depreciation Expenses was again \$5,000 over budget. We have reviewed the detailed accounts to see why there is a difference between what we are recording monthly and have budgeted. The budget failed to pick up the proper value of recent projects that have moved from Construction in Progress to depreciable assets. We have had three key projects, meditech HER applications, seismic – emergency egress lighting and 2 west subacute sprinkler project. These new items will be accounted for in the budget for the second half of fiscal 2014.

**Non-Operating Income / (Expense):**

Other Income/(Expense) was just \$5,000 under budget. We had assumed in the budget a contribution from the Foundation during this six month budget period of \$150,000. We have not recorded any portion of the receivable for this but will do so once a contribution is made later in the year. In addition, caught up on the Parcel Tax accrual in September, as we had been under recording this by about \$5,000 a month in July and August.

***Balance Sheet***

Total assets decreased by almost \$1.3 million from the prior month. The following items make up the decrease in assets:

- Total unrestricted cash and cash equivalents for September decreased by approximately \$2.2 million and days cash on hand including restricted use funds also decreased to 13.9 days cash on hand in September down from 23.7 days cash on hand in August. Patient collections in September averaged just over \$214,000 per day when you account for the money recouped by Medi-Cal for the LTC overpayment, and this is higher than the prior month average. The state has began recoupment of the \$2.3 million overpayment money the week of September 16 and has recouped approximately \$1.2 million so far so now we are holding \$1.1 million for potential further recoupments.
- Net patient accounts receivable was \$10.8 million, remaining steady from the prior month end.
- Days in outstanding receivables were back down to 52.8 at September month end, a decrease from the August number of 55.9 days. Cash collections in September were \$6.4 million (including the \$1.2 million recoupment transfer) compared to \$6.0 million in August. Once again, September also experience \$250,000 in RAC recoveries, reducing cash by the same amount during the month.

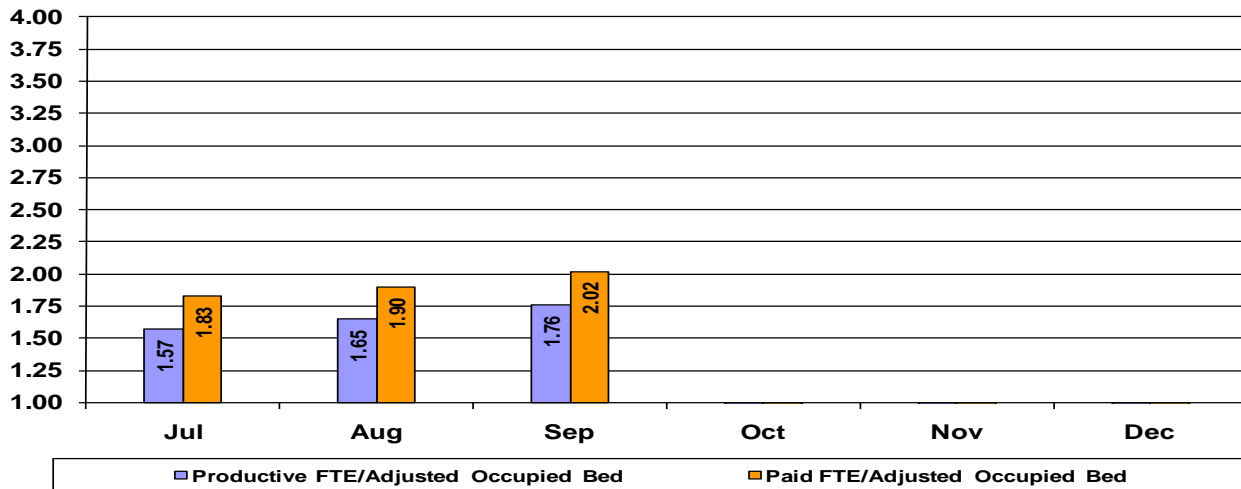
Overall, total liabilities decreased by \$1.5 million from the prior month:

- Accounts payable increased over \$400,000 in September to approximately \$12.1 million which equates to 155 AP Days, but down from the 159 days in August.
- Payroll related accruals decreased over \$200,000 due to the timing the the pay periods in the month.
- Deferred revenues decreased by \$472,000 due to the recognition of one-twelfth of the 2013/2014 parcel tax revenues, which will be realized over the course of the fiscal year.
- Current Portion of Long Term Debt in the month of September remained consistent with prior month.
- Third Party Payer Settlement decreased almost \$1.2 million from prior month due to repayment of a portion of the medi-cal LTC overpayment discussed previously.

## Key Statistics

### FTE's Per Adjusted Occupied Bed

For the month of August Productive FTE's per Adjusted Occupied Bed were 1.76, just above the budget of 1.70 FTE's by 3.1%. Paid FTE's per Adjusted Occupied Bed were 2.02 or 2.5% above the budget. The graph below shows the productive and paid FTE's per Adjusted Occupied Bed for FY 2014 by month.



### Current Ratio

The current ratio for September remained at 0.86. We have received a waiver to the 1.0 loan covenant from the Bank of Alameda through the quarter ending September 30, 2013. We are looking at the way this ratio is calculated in light of new GASB accounting standards that are going into affect related to recognition of property tax revenues and the coresponding liability.

### A/R days

Net days in accounts receivable (A/R) are currently at 52.8. This is again down from the prior month of 55.9. Net A/R days are down due to the higher cash collections as Medi-Cal payments have increased to normal levels in September.

### Days Cash on Hand

Days cash on hand for September were 13.9, a decrease from prior month of 23.7. The decrease is primarily due the transfer of money held to offset for the Medi-Cal recoupment which began in September.

The following pages include the detailed financial statements for the three (3) months ended September 30, 2013, of Fiscal Year 2014.



**ALAMEDA HOSPITAL  
KEY STATISTICS  
SEPTEMBER 2013**

|                                     | <u>ACTUAL<br/>SEPTEMBER<br/>2013</u> | <u>CURRENT<br/>FIXED<br/>BUDGET</u> | <u>VARIANCE<br/>(UNDER) OVER</u> | <u>%</u>      | <u>SEPTEMBER<br/>2012</u> | <u>YTD<br/>SEPTEMBER<br/>2013</u> | <u>YTD<br/>FIXED<br/>BUDGET</u> | <u>VARIANCE</u> | <u>%</u>      | <u>YTD<br/>SEPTEMBER<br/>2012</u> |
|-------------------------------------|--------------------------------------|-------------------------------------|----------------------------------|---------------|---------------------------|-----------------------------------|---------------------------------|-----------------|---------------|-----------------------------------|
| <b>Discharges:</b>                  |                                      |                                     |                                  |               |                           |                                   |                                 |                 |               |                                   |
| Total Acute                         | 208                                  | 217                                 | (9)                              | -4.0%         | 225                       | 625                               | 680                             | (55)            | -8.1%         | 664                               |
| Total Sub-Acute                     | 3                                    | 3                                   | -                                | 0.0%          | 3                         | 5                                 | 9                               | (4)             | -44.4%        | 7                                 |
| Total South Shore                   | 10                                   | 5                                   | 5                                | 100.0%        | 9                         | 17                                | 17                              | -               | 0.0%          | 16                                |
| Total Waters Edge                   | 7                                    | 15                                  | (8)                              | -53.3%        | 14                        | 28                                | 45                              | (17)            | -37.8%        | 24                                |
|                                     | <u>228</u>                           | <u>240</u>                          | <u>(12)</u>                      | <u>-4.9%</u>  | <u>251</u>                | <u>675</u>                        | <u>751</u>                      | <u>(76)</u>     | <u>-10.1%</u> | <u>711</u>                        |
| <b>Patient Days:</b>                |                                      |                                     |                                  |               |                           |                                   |                                 |                 |               |                                   |
| Total Acute                         | 1,003                                | 867                                 | 136                              | 15.7%         | 885                       | 2,588                             | 2,720                           | (132)           | -4.9%         | 2,619                             |
| Total Sub-Acute                     | 987                                  | 964                                 | 23                               | 2.4%          | 1,011                     | 3,079                             | 2,931                           | 148             | 5.0%          | 3,046                             |
| Total South Shore                   | 714                                  | 660                                 | 54                               | 8.2%          | 670                       | 2,192                             | 2,110                           | 82              | 3.9%          | 2,110                             |
| Total Waters Edge                   | 3,302                                | 3,240                               | 62                               | 1.9%          | 2,850                     | 10,217                            | 9,936                           | 281             | 2.8%          | 5,827                             |
|                                     | <u>6,006</u>                         | <u>5,731</u>                        | <u>275</u>                       | <u>4.8%</u>   | <u>5,416</u>              | <u>18,076</u>                     | <u>17,697</u>                   | <u>379</u>      | <u>2.1%</u>   | <u>13,602</u>                     |
| <b>Average Length of Stay</b>       |                                      |                                     |                                  |               |                           |                                   |                                 |                 |               |                                   |
| Total Acute                         | 4.82                                 | 4.00                                | 0.82                             | 20.6%         | 3.93                      | 4.14                              | 4.00                            | 0.14            | 3.5%          | 3.94                              |
| <b>Average Daily Census</b>         |                                      |                                     |                                  |               |                           |                                   |                                 |                 |               |                                   |
| Total Acute                         | 33.43                                | 28.90                               | 4.53                             | 15.7%         | 29.50                     | 28.13                             | 29.57                           | (1.43)          | -4.9%         | 28.47                             |
| Total Sub-Acute                     | 32.90                                | 32.13                               | 0.77                             | 2.4%          | 33.70                     | 33.47                             | 31.86                           | 1.61            | 5.0%          | 33.11                             |
| Total South Shore                   | 23.80                                | 22.00                               | 1.80                             | 8.2%          | 22.33                     | 23.83                             | 22.93                           | 0.89            | 3.9%          | 22.93                             |
| Total Waters Edge                   | 110.07                               | 108.00                              | 2.07                             | 1.9%          | 95.00                     | 111.05                            | 108.00                          | 3.05            | 2.8%          | 95.52                             |
|                                     | <u>200.20</u>                        | <u>191.03</u>                       | <u>9.17</u>                      | <u>4.8%</u>   | <u>180.53</u>             | <u>196.48</u>                     | <u>192.36</u>                   | <u>0.17</u>     | <u>0.1%</u>   | <u>180.04</u>                     |
| <b>Emergency Room Visits</b>        | 1,309                                | 1,458                               | (149)                            | -10.2%        | 1,382                     | 3,947                             | 4,388                           | (441)           | -10.1%        | 4,133                             |
| <b>Wound Care Clinic Visits</b>     | 392                                  | 350                                 | 42                               | 12.0%         | 173                       | 1,297                             | 1,050                           | 247             | 23.5%         | 276                               |
| <b>Outpatient Registrations</b>     | 1,867                                | 1,849                               | 18                               | 1.0%          | 1,670                     | 6,056                             | 6,099                           | (43)            | -0.7%         | 5,534                             |
| <b>Surgery Cases:</b>               |                                      |                                     |                                  |               |                           |                                   |                                 |                 |               |                                   |
| Inpatient                           | 48                                   | 55                                  | (7)                              | -12.7%        | 48                        | 138                               | 149                             | (11)            | -7.4%         | 131                               |
| Outpatient                          | 107                                  | 131                                 | (24)                             | -18.3%        | 120                       | 362                               | 365                             | (3)             | -0.8%         | 334                               |
|                                     | <u>155</u>                           | <u>186</u>                          | <u>(31)</u>                      | <u>-16.7%</u> | <u>168</u>                | <u>500</u>                        | <u>514</u>                      | <u>(14)</u>     | <u>-2.7%</u>  | <u>465</u>                        |
| <b>Adjusted Occupied Bed (AOB)</b>  | 281.40                               | 277.52                              | 3.88                             | 1.4%          | 252.98                    | 286.92                            | 278.74                          | 8.19            | 2.9%          | 212.60                            |
| <b>Productive FTE</b>               | 495.20                               | 473.79                              | 21.41                            | 4.5%          | 553.19                    | 477.08                            | 479.77                          | (2.69)          | -0.6%         | 420.78                            |
| <b>Total FTE</b>                    | 567.04                               | 545.43                              | 21.60                            | 4.0%          | 519.94                    | 550.04                            | 545.42                          | 4.62            | 0.8%          | 485.18                            |
| <b>Productive FTE/Adj. Occ. Bed</b> | 1.76                                 | 1.71                                | 0.05                             | 3.1%          | 2.19                      | 1.66                              | 1.72                            | (0.06)          | -3.4%         | 1.98                              |
| <b>Total FTE/ Adj. Occ. Bed</b>     | 2.02                                 | 1.97                                | 0.05                             | 2.5%          | 2.06                      | 1.92                              | 1.96                            | (0.04)          | -2.0%         | 2.28                              |

**City of Alameda Health Care District**  
**Statements of Financial Position**  
September 30, 2013

|  | Current Month        | Prior Month          | Prior Year End       |
|--|----------------------|----------------------|----------------------|
| <b>Assets</b>                            |                      |                      |                      |
| Current Assets:                          |                      |                      |                      |
| Cash and Cash Equivalents                | \$ 3,049,246         | \$ 5,245,396         | \$ 4,861,959         |
| Patient Accounts Receivable, net         | 10,748,398           | 10,807,792           | 12,041,516           |
| Other Receivables                        | 7,057,137            | 6,301,592            | 6,301,762            |
| Third-Party Payer Settlement Receivables | -                    | -                    | -                    |
| Inventories                              | 1,267,339            | 1,267,733            | 1,266,892            |
| Prepays and Other                        | 643,037              | 640,622              | 450,309              |
| Total Current Assets                     | 22,765,156           | 24,263,136           | 24,922,439           |
| Assets Limited as to Use, net            | 220,571              | 212,549              | 189,755              |
| <b>Fixed Assets</b>                      |                      |                      |                      |
| Land                                     | 877,945              | 877,945              | 877,945              |
| Depreciable capital assets               | 45,535,062           | 45,505,551           | 45,422,895           |
| Construction in progress                 | 3,991,288            | 3,741,592            | 3,583,725            |
| Depreciation                             | (40,844,062)         | (40,756,285)         | (40,581,813)         |
| Property, Plant and Equipment, net       | 9,560,233            | 9,368,803            | 9,302,752            |
| <b>Total Assets</b>                      | <b>\$ 32,545,960</b> | <b>\$ 33,844,487</b> | <b>\$ 34,414,946</b> |
| <b>Liabilities and Net Assets</b>        |                      |                      |                      |
| Current Liabilities:                     |                      |                      |                      |
| Current Portion of Long Term Debt        | \$ 2,292,882         | \$ 2,292,882         | \$ 826,007           |
| Accounts Payable and Accrued Expenses    | 12,143,440           | 11,717,977           | 11,823,357           |
| Payroll Related Accruals                 | 4,503,862            | 4,692,993            | 5,195,271            |
| Deferred Revenue                         | 4,340,995            | 4,782,392            | 5,731,269            |
| Employee Health Related Accruals         | 662,154              | 725,147              | 714,297              |
| Third-Party Payer Settlement Payable     | 2,552,014            | 3,738,204            | 3,796,593            |
| Total Current Liabilities                | 26,495,347           | 27,949,596           | 28,086,794           |
| Long Term Debt, net                      | 1,797,992            | 1,854,520            | 1,578,289            |
| Total Liabilities                        | 28,293,339           | 29,804,116           | 29,665,083           |
| Net Assets:                              |                      |                      |                      |
| Unrestricted                             | 4,032,051            | 3,827,822            | 4,350,108            |
| Temporarily Restricted                   | 220,571              | 212,549              | 399,755              |
| Total Net Assets                         | 4,252,622            | 4,040,371            | 4,749,863            |
| <b>Total Liabilities and Net Assets</b>  | <b>\$ 32,545,960</b> | <b>\$ 33,844,487</b> | <b>\$ 34,414,946</b> |

**City of Alameda Health Care District**

**Statements of Operations**

September 30, 2013

\$'s in thousands

|   | Current Month |                 |               |                |                 | Year-to-Date    |                 |               |               |                 |
|---|---------------|-----------------|---------------|----------------|-----------------|-----------------|-----------------|---------------|---------------|-----------------|
|   | Actual        | Budget          | \$ Variance   | % Variance     | Prior Year      | Actual          | Budget          | \$ Variance   | % Variance    | Prior Year      |
| Patient Days                                | 6,006         | 5,731           | 275           | 4.8%           | 5,416           | 18,076          | 17,697          | 379           | 2.1%          | 13,602          |
| Discharges                                  | 228           | 240             | (12)          | -4.9%          | 251             | 675             | 750             | (75)          | -10.0%        | 711             |
| ALOS (Average Length of Stay)               | 26.34         | 23.90           | 2.44          | 10.2%          | 21.58           | 26.78           | 23.60           | 3.18          | 13.5%         | 19.13           |
| ADC (Average Daily Census)                  | 200.2         | 191.0           | 9.17          | 4.8%           | 180.5           | 196.5           | 192.4           | 4.12          | 2.1%          | 147.8           |
| CMI (Case Mix Index)                        | 1.3052        |                 |               |                | 1.3066          | 1.2975          |                 |               |               | 1.3259          |
| <b>Revenues</b>                             |               |                 |               |                |                 |                 |                 |               |               |                 |
| Gross Inpatient Revenues                    | \$ 19,493     | \$ 18,217       | \$ 1,276      | 7.0%           | \$ 17,570       | \$ 54,647       | \$ 55,828       | \$ (1,181)    | -2.1%         | \$ 48,959       |
| Gross Outpatient Revenues                   | 7,906         | 8,247           | (341)         | -4.1%          | 7,021           | 25,001          | 25,077          | (75)          | -0.3%         | 21,479          |
| Total Gross Revenues                        | 27,399        | 26,464          | 935           | 3.5%           | 24,591          | 79,648          | 80,904          | (1,256)       | -1.6%         | 70,438          |
| Contractual Deductions                      | 19,891        | 19,079          | (812)         | -4.3%          | 17,902          | 58,841          | 58,399          | (442)         | -0.8%         | 48,803          |
| Bad Debts                                   | 525           | 1,102           | 577           | 52.4%          | 786             | 1,539           | 3,306           | 1,767         | 53.4%         | 4,711           |
| Charity and Other Adjustments               | 243           | 133             | (109)         | -82.0%         | -               | 539             | 400             | (139)         | -34.8%        | 246             |
| Net Patient Revenues                        | 6,740         | 6,150           | 591           | 9.6%           | 5,903           | 18,730          | 18,800          | (70)          | -0.4%         | 16,678          |
| Net Patient Revenue %                       | 24.6%         | 23.2%           |               |                | 24.0%           | 23.5%           | 23.2%           |               |               | 23.7%           |
| Net Clinic Revenue                          | 86            | 88              | (1)           | -1.4%          | 30              | 252             | 263             | (10)          | -3.8%         | 107             |
| Other Operating Revenue                     | 10            | 12              | (2)           | -17.9%         | 6               | 28              | 36              | (8)           | -22.7%        | 21              |
| <b>Total Revenues</b>                       | <b>6,836</b>  | <b>6,249</b>    | <b>587</b>    | <b>9.4%</b>    | <b>5,939</b>    | <b>19,010</b>   | <b>19,099</b>   | <b>(89)</b>   | <b>-0.5%</b>  | <b>16,806</b>   |
| <b>Expenses</b>                             |               |                 |               |                |                 |                 |                 |               |               |                 |
| Salaries                                    | 3,643         | 3,438           | (205)         | -6.0%          | 3,272           | 10,742          | 10,467          | (275)         | -2.6%         | 9,602           |
| Temporary Agency                            | 199           | 167             | (32)          | -18.8%         | 189             | 470             | 528             | 58            | 11.0%         | 538             |
| Benefits                                    | 801           | 1,045           | 244           | 23.3%          | 926             | 2,683           | 3,149           | 466           | 14.8%         | 2,455           |
| Professional Fees                           | 470           | 501             | 31            | 6.2%           | 433             | 1,450           | 1,503           | 53            | 3.6%          | 1,120           |
| Supplies                                    | 916           | 803             | (113)         | -14.1%         | 749             | 2,446           | 2,379           | (67)          | -2.8%         | 2,205           |
| Purchased Services                          | 558           | 571             | 13            | 2.3%           | 520             | 1,656           | 1,714           | 58            | 3.4%          | 1,510           |
| Rents and Leases                            | 235           | 221             | (14)          | -6.3%          | 215             | 707             | 663             | (44)          | -6.6%         | 545             |
| Utilities and Telephone                     | 78            | 83              | 5             | 6.5%           | 81              | 227             | 250             | 24            | 9.5%          | 232             |
| Insurance                                   | 36            | 38              | 2             | 5.6%           | 39              | 110             | 114             | 4             | 3.6%          | 119             |
| Depreciation and amortization               | 88            | 83              | (5)           | -6.2%          | 73              | 263             | 248             | (15)          | -6.0%         | 216             |
| Other Operating Expenses                    | 116           | 126             | 10            | 7.8%           | 101             | 333             | 362             | 29            | 7.9%          | 271             |
| <b>Total Expenses</b>                       | <b>7,141</b>  | <b>7,076</b>    | <b>(64)</b>   | <b>-0.9%</b>   | <b>6,599</b>    | <b>21,085</b>   | <b>21,377</b>   | <b>292</b>    | <b>1.4%</b>   | <b>18,813</b>   |
| <b>Operating gain (loss)</b>                | <b>(304)</b>  | <b>(827)</b>    | <b>523</b>    | <b>63.2%</b>   | <b>(660)</b>    | <b>(2,075)</b>  | <b>(2,278)</b>  | <b>203</b>    | <b>-8.9%</b>  | <b>(2,007)</b>  |
| <b>Non-Operating Income / (Expense)</b>     |               |                 |               |                |                 |                 |                 |               |               |                 |
| Parcel Taxes                                | 492           | 487             | 5             | 1.0%           | 477             | 1,446           | 1,461           | (15)          | -1.0%         | 1,431           |
| Investment Income                           | 1             | -               | 1             | 0.0%           | 2               | 3               | -               | 3             | 0.0%          | 5               |
| Interest Expense                            | (12)          | (16)            | 3             | 20.1%          | (25)            | (37)            | (47)            | 9             | -20.1%        | (52)            |
| Other Income / (Expense)                    | 28            | 43              | (14)          | -33.9%         | 27              | 84              | 128             | (43)          | -33.9%        | 82              |
| <b>Net Non-Operating Income / (Expense)</b> | <b>509</b>    | <b>514</b>      | <b>(5)</b>    | <b>-1.0%</b>   | <b>482</b>      | <b>1,496</b>    | <b>1,542</b>    | <b>(45)</b>   | <b>-2.9%</b>  | <b>1,467</b>    |
| <b>Excess of Revenues Over Expenses</b>     | <b>\$ 204</b> | <b>\$ (313)</b> | <b>\$ 518</b> | <b>-165.2%</b> | <b>\$ (178)</b> | <b>\$ (579)</b> | <b>\$ (736)</b> | <b>\$ 158</b> | <b>-21.4%</b> | <b>\$ (540)</b> |

**City of Alameda Health Care District**  
**Statements of Operations - Per Adjusted Patient Day**  
September 30, 2013

|   | Current Month |                |              |                |                | Year-to-Date   |                |              |               |                |
|---|---------------|----------------|--------------|----------------|----------------|----------------|----------------|--------------|---------------|----------------|
|   | Actual        | Budget         | \$ Variance  | % Variance     | Prior Year     | Actual         | Budget         | \$ Variance  | % Variance    | Prior Year     |
| <b>Revenues</b>                             |               |                |              |                |                |                |                |              |               |                |
| Gross Inpatient Revenues                    | \$ 2,309      | \$ 2,188       | \$ 121       | 5.5%           | \$ 2,318       | \$ 2,074       | \$ 2,177       | \$ (103)     | -4.7%         | \$ 2,502       |
| Gross Outpatient Revenues                   | 937           | 991            | (54)         | -5.5%          | 926            | 949            | 978            | (29)         | -2.9%         | 1,098          |
| <b>Total Gross Revenues</b>                 | <b>3,246</b>  | <b>3,179</b>   | <b>67</b>    | <b>2.1%</b>    | <b>3,244</b>   | <b>3,023</b>   | <b>3,155</b>   | <b>(131)</b> | <b>-4.2%</b>  | <b>3,599</b>   |
| Contractual Deductions                      | 2,356         | 2,292          | (65)         | -2.8%          | 2,362          | 2,233          | 2,277          | 44           | 1.9%          | 2,494          |
| Bad Debts                                   | 62            | 132            | 70           | 53.0%          | 104            | 58             | 129            | 70           | 54.7%         | 241            |
| Charity and Other Adjustments               | 29            | 16             | (13)         | -79.5%         | -              | 20             | 16             | (5)          | -31.2%        | 13             |
| <b>Net Patient Revenues</b>                 | <b>798</b>    | <b>739</b>     | <b>60</b>    | <b>8.1%</b>    | <b>779</b>     | <b>711</b>     | <b>733</b>     | <b>(22)</b>  | <b>-3.0%</b>  | <b>852</b>     |
| <b>Net Patient Revenue %</b>                | <b>24.6%</b>  | <b>23.2%</b>   |              |                | <b>24.0%</b>   | <b>23.5%</b>   | <b>23.2%</b>   |              |               | <b>23.7%</b>   |
| Net Clinic Revenue                          | 10            | 11             | (0)          | -2.8%          | 4              | 10             | 10             | (1)          | -6.4%         | 5              |
| Other Operating Revenue                     | 1             | 1              | (0)          | -19.0%         | 1              | 1              | 1              | (0)          | -24.7%        | 1              |
| <b>Total Revenues</b>                       | <b>810</b>    | <b>751</b>     | <b>59</b>    | <b>7.9%</b>    | <b>784</b>     | <b>722</b>     | <b>745</b>     | <b>(23)</b>  | <b>-3.1%</b>  | <b>859</b>     |
| <b>Expenses</b>                             |               |                |              |                |                |                |                |              |               |                |
| Salaries                                    | 432           | 413            | (19)         | -4.5%          | 432            | 408            | 408            | 0            | 0.1%          | 491            |
| Temporary Agency                            | 24            | 20             | (3)          | -17.2%         | 25             | 18             | 21             | 3            | 13.3%         | 27             |
| Benefits                                    | 95            | 125            | 31           | 24.4%          | 122            | 95             | 123            | 28           | 22.8%         | 125            |
| Professional Fees                           | 56            | 60             | 5            | 7.5%           | 57             | 55             | 59             | 4            | 6.1%          | 57             |
| Supplies                                    | 109           | 96             | (12)         | -12.5%         | 99             | 93             | 93             | (0)          | -0.1%         | 113            |
| Purchased Services                          | 66            | 69             | 2            | 3.6%           | 69             | 63             | 67             | 4            | 6.0%          | 77             |
| Rents and Leases                            | 28            | 27             | (1)          | -4.8%          | 28             | 27             | 26             | (1)          | -3.8%         | 28             |
| Utilities and Telephone                     | 9             | 10             | 1            | 7.8%           | 11             | 9              | 10             | 1            | 11.9%         | 12             |
| Insurance                                   | 4             | 5              | 0            | 6.9%           | 5              | 4              | 4              | 0            | 6.1%          | 6              |
| Depreciation and Amortization               | 10            | 10             | (0)          | -4.8%          | 10             | 10             | 10             | (0)          | -3.1%         | 11             |
| Other Operating Expenses                    | 14            | 15             | 1            | 9.0%           | 13             | 13             | 14             | 1            | 10.4%         | 14             |
| <b>Total Expenses</b>                       | <b>846</b>    | <b>850</b>     | <b>4</b>     | <b>0.5%</b>    | <b>871</b>     | <b>793</b>     | <b>834</b>     | <b>40</b>    | <b>4.8%</b>   | <b>961</b>     |
| <b>Operating Gain / (Loss)</b>              | <b>(36)</b>   | <b>(99)</b>    | <b>63</b>    | <b>63.7%</b>   | <b>(87)</b>    | <b>(71)</b>    | <b>(89)</b>    | <b>17</b>    | <b>-19.3%</b> | <b>(103)</b>   |
| <b>Non-Operating Income / (Expense)</b>     |               |                |              |                |                |                |                |              |               |                |
| Parcel Taxes                                | 58            | 58             | (0)          | -0.4%          | 63             | 55             | 57             | (2)          | -3.6%         | 73             |
| Investment Income                           | 0             | -              | 0            | 0.0%           | 0              | 0              | -              | 0            | 0.0%          | 0              |
| Interest Expense                            | (1)           | (2)            | 0            | 21.2%          | (3)            | (1)            | (2)            | 0            | -22.2%        | (3)            |
| Other Income / (Expense)                    | 3             | 5              | (2)          | -34.8%         | 4              | 3              | 5              | (2)          | -35.6%        | 4              |
| <b>Net Non-Operating Income / (Expense)</b> | <b>60</b>     | <b>62</b>      | <b>(1)</b>   | <b>-2.4%</b>   | <b>64</b>      | <b>57</b>      | <b>60</b>      | <b>(3)</b>   | <b>-5.5%</b>  | <b>75</b>      |
| <b>Excess of Revenues Over Expenses</b>     | <b>\$ 24</b>  | <b>\$ (38)</b> | <b>\$ 62</b> | <b>-164.3%</b> | <b>\$ (23)</b> | <b>\$ (15)</b> | <b>\$ (28)</b> | <b>\$ 14</b> | <b>-48.4%</b> | <b>\$ (28)</b> |

Wound Care - Statement of Operations  
September 30, 2013

|                                 | Current Month  |                |                 |               | Year-to-Date     |                  |                  |               |
|---------------------------------|----------------|----------------|-----------------|---------------|------------------|------------------|------------------|---------------|
|                                 | Actual         | Budget         | Variance        | %             | Actual           | Budget           | Variance         | %             |
| Clinic Visits                   | 392            | 350            | 42              | 12.0%         | 1,297            | 1,050            | 247              | 23.5%         |
| Revenue                         |                |                |                 |               |                  |                  |                  |               |
| Gross Revenue                   | 807,496        | 689,761        | 117,735         | 17.1%         | 2,749,221        | 2,069,283        | 679,938          | 32.9%         |
| Deductions from Revenue         | <u>621,772</u> | <u>531,392</u> | <u>90,380</u>   |               | <u>2,134,368</u> | <u>1,594,176</u> | <u>540,192</u>   |               |
| Net Revenue                     | <u>185,724</u> | <u>158,369</u> | <u>27,355</u>   | 17.3%         | <u>614,853</u>   | <u>475,107</u>   | <u>139,746</u>   |               |
| Expenses                        |                |                |                 |               |                  |                  |                  |               |
| Salaries                        | 19,837         | 18,562         | (1,275)         | -6.9%         | 63,158           | 50,235           | (12,923)         | -25.7%        |
| Benefits                        | 6,687          | 5,544          | (1,143)         | -20.6%        | 19,278           | 15,005           | (4,273)          | -28.5%        |
| Professional Fees               | 74,179         | 73,306         | (873)           | -1.2%         | 263,114          | 219,918          | (43,196)         | -19.6%        |
| Supplies                        | 58,888         | 28,239         | (30,649)        | -108.5%       | 131,360          | 84,717           | (46,643)         | -55.1%        |
| Purchased Services              | 4,234          | 4,000          | (234)           | -5.9%         | 14,424           | 12,000           | (2,424)          | -20.2%        |
| Rents and Leases                | 6,291          | 5,686          | (605)           | -10.6%        | 18,100           | 17,058           | (1,042)          | -6.1%         |
| Depreciation                    | 8,834          | 8,685          | (149)           | -1.7%         | 26,502           | 26,055           | (447)            | -1.7%         |
| Other                           | <u>3,079</u>   | <u>2,079</u>   | <u>(1,000)</u>  | <u>-48.1%</u> | <u>8,874</u>     | <u>6,237</u>     | <u>(2,637)</u>   | <u>-42.3%</u> |
| Total Expenses                  | <u>182,029</u> | <u>146,101</u> | <u>(35,928)</u> | <u>-24.6%</u> | <u>544,810</u>   | <u>431,225</u>   | <u>(113,585)</u> | <u>-26.3%</u> |
| Excess of Revenue over Expenses | <u>3,695</u>   | <u>12,268</u>  | <u>(8,573)</u>  | <u>-69.9%</u> | <u>70,043</u>    | <u>43,882</u>    | <u>26,161</u>    | <u>59.6%</u>  |

City of Alameda Health Care District  
Waters Edge Skilled Nursing - Statement of Operations  
September 30, 2013

|                                 | Current Month |           |           |         | Year-to-Date |           |           |         |
|---------------------------------|---------------|-----------|-----------|---------|--------------|-----------|-----------|---------|
|                                 | Actual        | Budget    | Variance  | %       | Actual       | Budget    | Variance  | %       |
| Patient Days                    |               |           |           |         |              |           |           |         |
| Medicare                        | 232           | 486       | (254)     | -52.3%  | 986          | 1,490     | (504)     | -33.8%  |
| Medi-Cal                        | 2,923         | 2,493     | 430       | 17.2%   | 8,897        | 7,645     | 1,252     | 16.4%   |
| Managed Care                    | 0             | 66        | (66)      | -100.0% | 47           | 202       | (155)     | -76.7%  |
| Self Pay/Other                  | 147           | 195       | (48)      | -24.6%  | 287          | 599       | (312)     | -52.1%  |
| Total                           | 3,302         | 3,240     | 62        | 1.9%    | 10,217       | 9,936     | 281       | 2.8%    |
| Revenue                         |               |           |           |         |              |           |           |         |
| Routine Revenue                 | 2,628,888     | 2,529,519 | 99,369    | 3.9%    | 8,128,286    | 7,757,191 | 371,095   | 4.8%    |
| Ancillary Revenue               | 323,678       | 257,707   | 65,971    | 25.6%   | 1,146,114    | 837,460   | 308,654   | 36.9%   |
| Total Gross Revenue             | 2,952,566     | 2,787,226 | 165,340   | 5.9%    | 9,274,400    | 8,594,651 | 679,749   | 7.9%    |
| Deductions from Revenue         | 1,768,819     | 1,605,442 | (163,377) | -10.2%  | 5,509,129    | 4,950,519 | (558,610) | -11.3%  |
| Net Revenue                     | 1,183,747     | 1,181,784 | 1,963     | 0.2%    | 3,765,271    | 3,644,132 | 121,139   | 3.3%    |
| Expenses                        |               |           |           |         |              |           |           |         |
| Salaries                        | 423,827       | 464,357   | 40,530    | 8.7%    | 1,331,861    | 1,417,000 | 85,139    | 6.0%    |
| Temporary Agency                | 25,018        | 15,070    | (9,948)   | -100.0% | 69,416       | 55,204    | (14,212)  | -100.0% |
| Benefits                        | 92,072        | 96,526    | 4,455     | 4.6%    | 286,857      | 291,410   | 4,552     | 1.6%    |
| Professional Fees               | 4,665         | 5,200     | 535       | 10.3%   | 10,270       | 15,600    | 5,330     | 34.2%   |
| Supplies                        | 57,094        | 62,281    | 5,187     | 8.3%    | 199,939      | 189,042   | (10,897)  | -5.8%   |
| Purchased Services              | 109,988       | 129,300   | 19,312    | 14.9%   | 365,277      | 387,900   | 22,623    | 5.8%    |
| Rents and Leases                | 78,388        | 75,400    | (2,988)   | -4.0%   | 233,814      | 226,200   | (7,614)   | -3.4%   |
| Utilities                       | 10,990        | 11,767    | 777       | 6.6%    | 25,566       | 35,301    | 9,735     | 27.6%   |
| Insurance                       | -             | 2,392     | 2,392     | 100.0%  | -            | 7,176     | 7,176     | 100.0%  |
| Other                           | 17,179        | 16,308    | (871)     | -5.3%   | 35,713       | 48,924    | 13,211    | 27.0%   |
| Total Expenses                  | 819,221       | 878,601   | 59,381    | 6.8%    | 2,558,713    | 2,673,757 | 115,043   | 4.3%    |
| Excess of Revenue over Expenses | 364,526       | 303,183   | 61,343    |         | 1,206,557    | 970,376   | 236,182   |         |

City of Alameda Health Care District  
Orthopedic Clinic - Statement of Operations  
September 30, 2013

|                                 | Current Month   |                 |                 |              | Year-to-Date     |                  |                  |              |
|---------------------------------|-----------------|-----------------|-----------------|--------------|------------------|------------------|------------------|--------------|
|                                 | <u>Actual</u>   | <u>Budget</u>   | <u>Variance</u> | <u>%</u>     | <u>Actual</u>    | <u>Budget</u>    | <u>Variance</u>  | <u>%</u>     |
| Clinic Visits                   | 240             | 302             | (62)            | -20.5%       | 783              | 906              | (123)            | -13.6%       |
| Revenue                         |                 |                 |                 |              |                  |                  |                  |              |
| Gross Revenue                   | 66,819          | 128,652         | (61,833)        | -48.1%       | 242,109          | 385,956          | (143,847)        | -37.3%       |
| Deductions from Revenue         | <u>37,475</u>   | <u>90,069</u>   | <u>(52,594)</u> |              | <u>133,245</u>   | <u>270,207</u>   | <u>(136,962)</u> |              |
| Net Revenue                     | <u>29,344</u>   | <u>38,583</u>   | <u>(9,239)</u>  |              | <u>108,864</u>   | <u>115,749</u>   | <u>(6,885)</u>   |              |
| Expenses                        |                 |                 |                 |              |                  |                  |                  |              |
| Salaries                        | 32,259          | 32,903          | 644             | 2.0%         | 97,345           | 98,711           | 1,366            | 1.4%         |
| Benefits                        | 8,110           | 9,828           | 1,718           | 17.5%        | 24,473           | 29,485           | 5,012            | 17.0%        |
| Professional Fees               | 23,331          | 25,000          | 1,669           | 6.7%         | 73,731           | 75,000           | 1,269            | 1.7%         |
| Supplies                        | 590             | 3,467           | 2,877           | 83.0%        | 2,877            | 10,401           | 7,524            | 72.3%        |
| Purchased Services              | 5,170           | 6,083           | 913             | 15.0%        | 15,186           | 18,249           | 3,063            | 16.8%        |
| Rents and Leases                | 4,660           | 4,667           | 7               | 0.1%         | 13,980           | 14,001           | 21               | 0.1%         |
| Depreciation                    | -               | -               | -               | 0.0%         | -                | -                | -                | 0.0%         |
| Other                           | 977             | 2,608           | 1,631           | 62.5%        | 6,385            | 7,824            | 1,439            | 18.4%        |
| Total Expenses                  | <u>75,097</u>   | <u>84,556</u>   | <u>9,459</u>    | <u>11.2%</u> | <u>233,977</u>   | <u>253,671</u>   | <u>19,694</u>    | <u>7.8%</u>  |
| Excess of Revenue over Expenses | <u>(45,753)</u> | <u>(45,973)</u> | 220             | 0.5%         | <u>(125,113)</u> | <u>(137,922)</u> | 12,809           | 9.3%         |
| <u>Hospital Based Activity:</u> |                 |                 |                 |              |                  |                  |                  |              |
| Inpatient Days                  | 37              | 22              | 15              | 68.2%        | 74               | 66               | 8                | 12.1%        |
| Inpatient Surgeries             | 6               | 5               | 1               | 20.0%        | 10               | 15               | (5)              | -33.3%       |
| Outpatient Surgeries            | 5               | 10              | (5)             | -50.0%       | 18               | 29               | (11)             | -37.9%       |
| Therapy Referred Visits         | 149             | 175             | (26)            | -14.9%       | 532              | 525              | 7                | 1.3%         |
| Imaging Referred Procedures     | 120             | 110             | 10              | 9.1%         | 368              | 330              | 38               | 11.5%        |
| Inpatient Gross Charges         | 605,469         | 309,500         | 295,969         | 95.6%        | 1,278,374        | 928,500          | 349,874          | 37.7%        |
| Inpatient Net Revenue           | <u>112,604</u>  | <u>69,500</u>   | <u>43,104</u>   | <u>62.0%</u> | <u>190,928</u>   | <u>208,500</u>   | <u>(17,572)</u>  | <u>-8.4%</u> |
| Outpatient Gross Charges        | 379,649         | 324,775         | 54,874          | 16.9%        | 1,221,964        | 955,305          | 266,659          | 27.9%        |
| Outpatient Net Revenue          | <u>64,540</u>   | <u>70,885</u>   | <u>(6,345)</u>  | <u>-9.0%</u> | <u>192,679</u>   | <u>208,663</u>   | <u>(15,984)</u>  | <u>-7.7%</u> |
| Total Gross Charges             | 985,118         | 634,275         | 350,843         | 55.3%        | 2,500,338        | 1,883,805        | 616,533          | 32.7%        |
| Total Net Revenue               | <u>177,144</u>  | <u>140,385</u>  | <u>36,759</u>   | <u>26.2%</u> | <u>383,607</u>   | <u>417,163</u>   | <u>(33,556)</u>  | <u>-8.0%</u> |

City of Alameda Health Care District  
1206b Clinic - Statement of Operations  
September 30, 2013

|                                 | Current Month   |                 |                 |              | Year-to-Date     |                 |                 |               |
|---------------------------------|-----------------|-----------------|-----------------|--------------|------------------|-----------------|-----------------|---------------|
|                                 | <u>Actual</u>   | <u>Budget</u>   | <u>Variance</u> | <u>%</u>     | <u>Actual</u>    | <u>Budget</u>   | <u>Variance</u> | <u>%</u>      |
| Clinic Visits                   |                 |                 |                 |              |                  |                 |                 |               |
| Primary Care                    | 87              | 138             | (51)            |              | 308              | 413             | (105)           |               |
| Surgery                         | 62              | 53              | 9               |              | 188              | 160             | 28              |               |
| Neurology                       | 30              | 31              | (1)             |              | 88               | 93              | (5)             |               |
| Total Visits                    | <u>179</u>      | <u>222</u>      | <u>(43)</u>     | -19.4%       | <u>584</u>       | <u>666</u>      | <u>(82)</u>     | -12.3%        |
| Revenue                         |                 |                 |                 |              |                  |                 |                 |               |
| Gross Revenue                   | 111,542         | 129,400         | (17,858)        | -13.8%       | 306,624          | 388,200         | (81,576)        | -21.0%        |
| Deductions from Revenue         | <u>62,558</u>   | <u>77,650</u>   | <u>(15,092)</u> |              | <u>171,034</u>   | <u>232,950</u>  | <u>(61,916)</u> |               |
| Net Revenue                     | <u>48,984</u>   | <u>51,750</u>   | <u>(2,766)</u>  |              | <u>135,590</u>   | <u>155,250</u>  | <u>(19,660)</u> |               |
| Expenses                        |                 |                 |                 |              |                  |                 |                 |               |
| Salaries                        | 30,214          | 29,818          | (396)           | -1.3%        | 94,245           | 87,322          | (6,923)         | -7.9%         |
| Temporary Agency                | -               | -               | -               | -100.0%      | -                | -               | -               | -100.0%       |
| Benefits                        | 7,596           | 8,907           | 1,311           | 14.7%        | 23,693           | 26,083          | 2,390           | 9.2%          |
| Professional Fees               | 15,319          | 18,000          | 2,681           | 14.9%        | 43,927           | 54,000          | 10,073          | 18.7%         |
| Supplies                        | 9,109           | 1,356           | (7,753)         | -571.8%      | 16,407           | 4,068           | (12,339)        | -303.3%       |
| Purchased Services              | 3,502           | 6,468           | 2,966           | 45.9%        | 18,923           | 19,404          | 481             | 2.5%          |
| Rents and Leases                | 15,194          | 12,661          | (2,533)         | -20.0%       | 45,582           | 37,983          | (7,599)         | -20.0%        |
| Depreciation                    | 494             | 182             | (312)           | -171.4%      | 1,482            | 546             | (936)           | -171.4%       |
| Other                           | <u>1,787</u>    | <u>5,167</u>    | <u>3,380</u>    | <u>65.4%</u> | <u>18,958</u>    | <u>15,501</u>   | <u>(3,457)</u>  | <u>-22.3%</u> |
| Total Expenses                  | <u>83,215</u>   | <u>82,559</u>   | <u>(656)</u>    | <u>-0.8%</u> | <u>263,217</u>   | <u>244,907</u>  | <u>(18,310)</u> | <u>-7.5%</u>  |
| Excess of Revenue over Expenses | <u>(34,231)</u> | <u>(30,809)</u> | <u>(3,422)</u>  | 11.1%        | <u>(127,627)</u> | <u>(89,657)</u> | <u>(37,970)</u> | 42.4%         |
| Clinic Rental Income            | <u>13,071</u>   | <u>13,100</u>   | <u>(29)</u>     | -0.2%        | <u>39,213</u>    | <u>39,300</u>   | <u>(87)</u>     | -0.2%         |
| Net 1206b Clinic                | <u>(21,160)</u> | <u>(17,709)</u> | <u>(3,451)</u>  | 19.5%        | <u>(88,414)</u>  | <u>(50,357)</u> | <u>(38,057)</u> | 75.6%         |

Note:

Clinic Hours by Physician

Dr. Celada - M,W,F Mornings only

Dr. Brimer - M & Th full days, plus T Mornings

Dr. Dutaret - T & W full days



**City of Alameda Health Care District**  
**Statement of Cash Flows**  
**For the Three Months Ended September 30, 2013**

|  | <u>Current Month</u> | <u>Year-to-Date</u> |
|--|----------------------|---------------------|
| <b>Cash flows from operating activities</b>                        |                      |                     |
| Net Income / (Loss)  | \$ 204,228           | \$ (578,611)        |
| Items not requiring the use of cash:                               |                      |                     |
| Depreciation and amortization                                      | 87,777               | \$ 262,660          |
| Write-off of Kaiser liability                                      | -                    | \$ -                |
| Changes in certain assets and liabilities:                         |                      |                     |
| Patient accounts receivable, net                                   | 59,394               | 1,293,118           |
| Other Receivables  | (755,545)            | (755,375)           |
| Third-Party Payer Settlements Receivable                           | (1,186,190)          | (1,244,579)         |
| Inventories  | 394                  | (447)               |
| Prepays and Other  | (2,415)              | (192,727)           |
| Accounts payable and accrued liabilities                           | 425,463              | 320,083             |
| Payroll Related Accruals   | (189,132)            | (691,409)           |
| Employee Health Plan Accruals                                      | (62,993)             | (52,143)            |
| Deferred Revenues  | (441,397)            | (1,390,274)         |
| Cash provided by (used in) operating activities                    | <u>(1,860,415)</u>   | <u>(3,029,703)</u>  |
| <b>Cash flows from investing activities</b>                        |                      |                     |
| (Increase) Decrease in Assets Limited As to Use                    | (8,022)              | (30,816)            |
| Additions to Property, Plant and Equipment                         | (279,207)            | (520,141)           |
| Other  | 0                    | 260,554             |
| Cash provided by (used in) investing activities                    | <u>(287,229)</u>     | <u>(290,403)</u>    |
| <b>Cash flows from financing activities</b>                        |                      |                     |
| Net Change in Long-Term Debt                                       | (56,528)             | 1,686,578           |
| Net Change in Restricted Funds                                     | 8,022                | (179,184)           |
| Cash provided by (used in) financing<br>and fundraising activities | <u>(48,505)</u>      | <u>1,507,394</u>    |
| Net increase (decrease) in cash and cash<br>equivalents            | (2,196,150)          | (1,812,713)         |
| <b>Cash and cash equivalents at beginning of period</b>            | 5,245,396            | 4,861,959           |
| <b>Cash and cash equivalents at end of period</b>                  | <u>\$ 3,049,249</u>  | <u>\$ 3,049,247</u> |

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

| <b>Financial Ratios</b>   | <u>Audited Results</u> |                |                | <u>Unaudited</u> | <u>YTD</u>       |
|---|------------------------|----------------|----------------|------------------|------------------|
|   | <b>FY 2010</b>         | <b>FY 2011</b> | <b>FY 2012</b> | <b>FY 2013</b>   | <b>9/30/2013</b> |
| <b><u>Profitability Ratios</u></b>  |                        |                |                |                  |                  |
| Net Patient Revenue (%)   | 24.16%                 | 23.58%         | 22.90%         | 23.34%           | 23.52%           |
| Earnings Before Depreciation, Interest,<br>Taxes and Amortization (EBITA) | 4.82%                  | -1.01%         | -1.48%         | -1.48%           | -1.48%           |
| EBIDAP <sup>Note 5</sup>  | -3.66%                 | -13.41%        | -11.22%        | -9.39%           | -9.07%           |
| Total Margin  | 2.74%                  | -2.61%         | -3.21%         | -3.13%           | -3.04%           |
| <b><u>Liquidity Ratios</u></b>  |                        |                |                |                  |                  |
| Current Ratio   | 1.23                   | 1.05           | 0.96           | 0.89             | 0.86             |
| Days in accounts receivable ,net  | 51.83                  | 46.03          | 55.21          | 60.35            | 52.80            |
| Days cash on hand ( with restricted)                                      | 21.6                   | 14.1           | 17.7           | 21.8             | 13.9             |
| <b><u>Debt Ratios</u></b>   |                        |                |                |                  |                  |
| Cash to Debt  | 249.0%                 | 123.3%         | 123.56%        | 210.11%          | 79.93%           |
| Average pay period (includes payroll)                                     | 57.11                  | 62.68          | 72.94          | 78.69            | 76.34            |
| Debt service coverage   | 5.98                   | (0.70)         | (0.53)         | (1.21)           | (0.12)           |
| Long-term debt to fund balance  | 0.14                   | 0.18           | 0.28           | 0.33             | 0.49             |
| Return on fund balance  | 18.87%                 | -19.21%        | -27.35%        | -48.16%          | -13.61%          |
| Debt to number of beds  | 10,482                 | 11,515         | 16,978         | 9,728            | 9,728            |

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

| <b>Financial Ratios</b>                            | Audited Results |                |                | Unaudited      | YTD              |
|--|-----------------|----------------|----------------|----------------|------------------|
|  | <b>FY 2010</b>  | <b>FY 2011</b> | <b>FY 2012</b> | <b>FY 2013</b> | <b>9/30/2013</b> |
| <b>Patient Care Information</b>                    |                 |                |                |                |                  |
| Bed Capacity                                       | 161             | 161            | 161            | 281            | 281              |
| Patient days( all services)                        | 30,607          | 30,270         | 30,448         | 66,645         | 18,076           |
| Patient days (acute only)                          | 10,579          | 10,443         | 10,880         | 11,559         | 2,588            |
| Discharges( acute only)                            | 2,802           | 2,527          | 2,799          | 2,838          | 625              |
| Average length of stay ( acute only)               | 3.78            | 4.13           | 3.89           | 4.07           | 4.14             |
| Average daily patients (all sources)               | 83.85           | 82.93          | 83.19          | 182.59         | 196.48           |
| Occupancy rate (all sources)                       | 52.08%          | 51.51%         | 51.67%         | 64.98%         | 69.92%           |
| Average length of stay                             | 3.78            | 4.13           | 3.89           | 4.07           | 4.14             |
| Emergency Visits                                   | 17,624          | 16,816         | 16,964         | 17,175         | 3,947            |
| Emergency visits per day                           | 48.28           | 46.07          | 46.35          | 47.05          | 42.90            |
| Outpatient registrations per day <sup>Note 1</sup> | 79.67           | 65.19          | 60.67          | 64.07          | 65.83            |
| Surgeries per day - Total                          | 13.46           | 6.12           | 6.12           | 5.52           | 5.43             |
| Surgeries per day - excludes Kaiser                | 5.32            | 6.12           | 6.12           | 5.52           | 5.43             |

Notes:

1. Includes Kaiser Outpatient Surgical 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 Amortization
5. EBIDAP - Earnings before Interest, Depreciation and Amortization and Parcel Tax Proceeds

## Glossary of Financial Ratios

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