CITY OF ALAMEDA HEALTH CARE DISTRICT

PUBLIC NOTICE

CITY OF ALAMEDA HEALTH CARE DISTRICT BOARD OF DIRECTORS

REGULAR MEETING AGENDA

WEDNESDAY, DECEMBER 11, 2013

6:00 p.m. (CLOSED) | 7:00 p.m. (OPEN)*

*PLEASE NOTE START TIME OF OPEN SESSION

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

Members of the public who wish to comment on agenda items will be given an opportunity before or during the consideration of each agenda item. Those wishing to comment must complete a speaker card indicating the agenda item that they wish to address and present to the District Clerk. This will ensure your opportunity to speak. Please make your comments clear and concise, limiting your remarks to no more than three (3) minutes.

I. Call to Order (6:00 p.m. – 2 East Board Room) — J. Michael McCormick

II. Roll Call — Kristen Thorson

III. Adjourn into Executive Closed Session

IV. Closed Session Agenda

A. Call to Order

B. Approval of Closed Session Minutes

1. October 30, 2013 (Special)
2. November 21, 2013 (Regular)

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

D. Discussion of Pooled Insurance Claims — Gov't Code Sec. 54956.95

E. Consultation with Legal Counsel Regarding Pending and Threatened Litigation — Gov't Code Sec. 54957.6

F. Instructions to Bargaining Representatives Regarding Salaries, Fringe Benefits and Working Conditions — Gov't Code Sec. 54956.9(a)

G. Discussion of Report Involving Trade Secrets — H & S Code Sec. 32106

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

No action will be taken.

H. Public Employee Performance Evaluation Title: CEO — Gov't Code Sec 54957

I. Adjourn into Open Session

V. Reconvene to Public Session (Expected to start at 7:00 p.m. – Dal Cielo Conference Room)

A. Announcements from Closed Session — J. Michael McCormick

VI. General Public Comment

VII. Regular Agenda

A. Special Presentations | Education Sessions

1) Bay Area Bone and Joint Center Presentation

- Nicholas Prinia, MD and James DiStefano, MD

B. Consent Agenda **ACTION ITEMS**

✓ 1) Approval of the Renewal of the Office & Professional Employees International Union, Local #29 Memorandum of Understanding, February 1, 2013 – January 31, 2016 **[enclosure] (pages 3-5)**

✓ 2) Approval of Amendment to CEO Employment Contract **[enclosure] (pages 6-8)**

✓ 3) Approval of Resolution 5K: Extension of Spending Authority **[enclosure] (page 9)**

C. Action Items

✓ 1) Acceptance of the Fiscal Year Ending June 30, 2013 Audited Financial Statements **[enclosure] (pages 10-38)** — Kerry Easthope

- Rick Jackson, Auditor – TCA Partners

✓ 2) Acceptance of October 2013 Unaudited Financial Statements and November 21, 2013 Finance and Management Committee Report **[enclosure] (pages 39-62)** — Robert Deutsch, MD; Kerry Easthope

✓ 3) Approval of Recommendation for District Board Meeting Calendar for January 2014 – June 30, 2014 **[enclosure] (pages 63-34)** — Deborah Stebbins; Kristen Thorson

C. District Board President's Report **INFORMATIONAL** — J. Michael McCormick

D. Community Relations and Outreach Committee Report **INFORMATIONAL** — Jordan Battani

1) December 3, 2013 Committee Meeting Report

E. Medical Staff President Report **INFORMATIONAL** — Emmons Collins, MD

F. Chief Executive Officer Report **INFORMATIONAL** — Deborah E. Stebbins

1) Affiliation Updates

2) Monthly CEO Report **[TO BE DISTRIBUTED]**

VIII. General Public Comments

IX. Board Comments

X. Adjournment

Date: November 27, 2013

For: December 11, 2013 District Board Meeting

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

From: Phyllis Weiss, Director of Human Resources & Ancillary Services
Kerry Easthope, Chief Financial Officer

SUBJECT: Approval of the renewal of the Office & Professional Employees International Union, Local #29 Memorandum of Understanding February 1, 2013 – January 31, 2016

Recommendation:

Hospital Administration is hereby recommending that the City of Alameda Health Care District Board of Directors approve the renewal of the District's Memorandum of Understanding (MOU) with the Office & Professional Employees International Union (OPEIU) L. #29.

This union represents approximately 18 Clinical Laboratory Scientists and 11 Phlebotomists who work in the Laboratory at the Hospital.

The term of the agreement is February 1, 2013 to January 31, 2016 (three years). A summary of the changes to the MOU are itemized in the "Discussion" section below and a full copy of the Tentative Agreements and the expired MOU are available for review upon request.

Background:

Hospital Management met with OPEIU's bargaining team starting in May of 2013 and we were able to conclude negotiations on November 14, 2013. Their ratification vote occurred on November 21, 2013. Contract extensions have been in place since the original expiration date of January 31, 2013.

Negotiating sessions were amicable and conducted in a professional manner. Management feels that the members of the unit and the bargaining team members understood the Hospital's challenges and took them very seriously as reflected in the terms of this three (3) year agreement.

Discussion:

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

- Three (3) year agreement (2/1/13 – 1/31/14)
- Continuation of the wage freeze at the August 1, 2009 wage level
- Wage openers on February 1, 2014 and February 1, 2015
- Increase to Life /Accidental Death & Disability Insurance from $5,000 to $10,000
- Deletion of an obsolete Side Letter of Agreement (referencing an ex-employee)

In addition, we are creating committee of management and bargaining unit members to review the current job descriptions in order to update them. This will be a separate process from negotiations and is intended to receive their input, with management having the final determination on the content.

Office & Professional Employees International Union | Local 29

AFL-CIO & CLC

Tamara R. Rubyn, President/Business Manager | **Patricia G. Sanchez,** Secretary-Treasurer/Business Representative

November 25, 2013

NOV 26 2013

Phyllis Weiss
HR Director
Alameda Hospital
2070 Clinton Avenue
Alameda CA 94501

Re: Ratification Vote

Dear Ms. Weiss:

This letter will serve as to notice and confirm with the Employer, Alameda Hospital, the voice of the bargaining unit was heard on Thursday, November 21, 2013, to accept the Tentative Agreements reached between Alameda Hospital and Office Professional Employees International Union, Local 29, AFL-CIO, as their Memorandum of Understanding/Agreement/Contract.

Our office will have the pleasure of working with the Tentative Agreements reached into a draft of the Collective Bargaining Agreement for review. Once finalized the duly executed Agreements will be disbursed to the barganing unit and the Employer.

Sincerely,

Denice L. Washington

Denice L. Washington
Business Representative

cc: Bernice McDarment, Shop Steward
Lesley Shupe, Shop Steward
Steve Oishi, Member/Bargaining Committee Member

DLW/lm(AlamedaHospital/2013ratificationvote)
cwa:9415/afl-cio

7677 Oakport Street | Suite 480 | Oakland, California 94621 | Phone (510) 746-5960 | Fax (510) 746-5977 | www.opeiu29.org

THOMAS L. DRISCOLL
ATTORNEY AT LAW

MEMORANDUM

TO: Board of Directors
City of Alameda Health Care District

FROM: Thomas L. Driscoll
General Counsel

DATE: December 6, 2013

RE: Amendment to CEO Employment Agreement

Attached for your consideration is a proposed Amendment to the Employment Agreement of Deborah E. Stebbins, CEO of Alameda Hospital.

Given the uncertainty surrounding the future role of Ms. Stebbins in light of the agreed-upon Affiliation with the Alameda Health System, her diligence in negotiating terms that ensure the continuing availability of both emergency and acute care services at Alameda Hospital, and the desire of the District to retain her leadership throughout the transition contemplated by the Affiliation Agreement, your Board has requested an amendment of the termination provisions of her Employment Agreement to clarify that, in addition to the other provisions set forth in the Agreement:

> If Stebbins resigns after suffering a material reduction in duties (including but not limited to a position that does not report directly to a Board of Directors/Trustees) or salary within three (3) months following the effective date of the Affiliation, then in addition to any compensation otherwise due to her through her last day of employment, the District will pay Stebbins a lump sum equal to twelve (12) times Stebbins' base monthly compensation. Any such severance payment will be wholly contingent upon execution and delivery by Stebbins of a Separation Agreement which (1) contains a release of all claims in a form acceptable to the District, (2) restricts Stebbins from applying for or accepting any compensated services arrangement with AHS for a period of one (1) year following her last day of employment with the District, and (3) will be subject to legally required deductions and withholdings.

FIRST AMENDMENT
TO
EMPLOYMENT AGREEMENT

This First Amendment to EMPLOYMENT AGREEMENT, by and between **THE CITY OF ALAMEDA HEALTH CARE DISTRICT**, a California local health care district (the "District"), and **DEBORAH E. STEBBINS** ("Stebbins") is effective as of the date of execution hereof by both parties.

WHEREAS, Hospital and Stebbins are parties to that certain Employment Agreement (the "Agreement"), dated effective as of November 1. 2010; and

WHEREAS, Hospital and Stebbins wish to amend the Agreement to make certain changes to the Agreement, as set forth below.

NOW, THEREFORE, the Parties in consideration of the value to the Parties of this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

AGREEMENT

Section 5 of the Agreement is hereby amended to read as follows:

Termination. Employment shall continue until terminated by Stebbins or the District. Stebbins agrees to provide at least ninety days' notice of resignation. If the District terminates Stebbins' employment (a) other than for cause or disability or (b) the District sends Stebbins a notice of nonrenewal under Section 3, which notice actually results in the nonrenewal of this Agreement, or (c) Stebbins resigns after suffering a material reduction in duties (including but not limited to a position that does not report directly to a Board of Directors/Trustees) or salary within three (3) months following the effective date of a Change in Control (as defined below), then in addition to any compensation otherwise due to her through her last day of employment, the District shall pay Stebbins, a lump sum equal to twelve (12) times Stebbins' base monthly compensation. A "Change of Control" of the District shall be deemed to have occurred if: (1) the District sells or disposes of all or substantially all of the District's assets other than to an affiliate of the District or (2) the District merges or consolidates or otherwise affiliates with any other "Separate Entity" (including but not limited to a Joint Powers Agreement with another public agency) such that a governing body other than the District's Board of Directors is responsible for the day-to-day operations of Alameda Hospital, but excluding a merger or consolidation or other affiliation in which the members of the Board of Directors of the District remain unchanged or in majority voting control of Alameda Hospital after closing, or the merger is with an affiliate of the District. Any severance payment described above will be wholly contingent upon execution and delivery by Stebbins of a Separation Agreement which (1) contains a release of all claims in a form acceptable to the District, (2) restricts Stebbins from applying for or accepting any compensated services arrangement with the Separate Entity (or any entities it controls) for a period of

one (1) year following her last day of employment with the District, and (3) will be subject to legally required deductions and withholdings. Cause shall mean Stebbins' failure or serious negligence in performance, breach of restrictive covenants or misconduct that could be materially harmful to the District or any of its affiliates. In the event Stebbins becomes disabled from working, as defined by the applicable disability plan maintained by the District, the District will continue Stebbins' base salary and will continue to contribute to the premium cost of Stebbins' benefits to the extent permitted by plan terms for up to a total of 180 days, less amounts received from other sources during such period including disability insurance provided by the District or governmental disability payments. The District may terminate Stebbins' employment if Stebbins is disabled from working for more than 90 days in any twelve-month period.

To the extent not inconsistent with the foregoing, all other terms of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the representatives of the parties have placed their signatures on the dates written below.

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

Dated: _________, 2013 By:

____

J. Michael McCormick
President, Board of Directors

Dated: __________, 2013 By:

____

DEBORAH E. STEBBINS

CITY OF ALAMEDA HEALTH CARE DISTRICT

RESOLUTION NO. 2013-2K

BOARD OF DIRECTORS, CITY OF ALAMEDA HEALTH CARE DISTRICT

STATE OF CALIFORNIA

* * *

EXTENSION OF SPENDING AUTHORITY

WHEREAS, the City of Alameda Health Care District (the "District") was formally organized and began its existence on July 1, 2002; and

WHEREAS, on August 8, 2013, the District Board of Directors approved the six (6) month Operating and Capital Budget for Fiscal Year 2013-2014; and

WHEREAS, a six (6) month budget was initially developed to coincide with the close of the affiliation with Alameda Health System (AHS);

WHEREAS, due to a delay in the affiliation with AHS, there is a need to develop and approve the remaining six (6) month operating budget from January 1, 2014 – June 30, 2014 for Fiscal Year 2013-2014;

WHEREAS, it is anticipated that the Board of Directors will review, for approval, the remaining six (6) month operating budget for January 1, 2014 – June 30, 2014 of Fiscal Year 2013-2014 at its February, 2014 regular meeting;

WHEREAS, it was recommended by the Finance and Management Committee that the Board of Directors authorize an extension of spending authority through February 2014,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District, that the District hereby authorizes that, until further action is taken specifying otherwise, the City of Alameda Health Care District (Alameda Hospital) will continue to utilize its spending authority approved by the District Board on August 8, 2013 until an approved six (6) month Budget for January 1, 2014 – June 30, 2014 for Fiscal Year 2013-2014 can be adopted by the Board of Directors, which shall occur no later than February 28, 2014.

PASSED AND ADOPTED on December 11, 2013 by the following vote:

AYES: ___________ NOES: ___________ ABSTAIN: ___________ ABSENT: ___________

____

J. Michael McCormick
President

____

Tracy Jensen
Secretary

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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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.

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.

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.

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.

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.

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
1111 East Herndon Avenue, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpa@aol.com

Report of Independent Auditors

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

We have audited the accompanying 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	
	2013	2012
Assets		
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	458,826	416,371
Total current assets	25,518,687	20,124,835
Assets limited as to use	189,755	64,183
Capital assets, net of accumulated depreciation	9,546,168	9,084,741
	35,254,610	29,273,759
Deferred outflows of resources	21,483	
	$ 35,276,093	$ 29,273,759
Liabilities		
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)	714,297	691,942
Total current liabilities	22,338,231	15,023,121
Debt borrowings, net of current maturities	1,563,689	757,152
	23,901,920	15,780,273
Deferred inflows of resources	5,731,269	5,726,305
Net position		
Invested in capital assets, net of related debt	7,507,074	7,513,277
Restricted, by contributors	189,755	64,183
Unrestricted (deficit)	(2,053,925)	189,721
Total net position	5,642,904	7,767,181
	$ 35,276,093	$ 29,273,759

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	
	2013	2012
Operating revenues		
Net patient service revenue	$ 73,935,440	$ 59,009,525
Other operating revenue	817,962	393,942
Total operating revenues	74,753,402	59,403,467
Operating expenses		
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	1,464,184	1,368,136
Total operating expenses	83,190,774	67,090,801
Operating (loss)	(8,437,372)	(7,687,334)
Nonoperating revenues (expenses)		
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	325,572	279,569
Total nonoperating revenues (expenses)	6,313,095	6,194,381
(Decrease) in net position	(2,124,277)	(1,492,953)
Net position at beginning of the year	7,767,181	9,260,134
Net position at end of the year	$ 5,642,904	$ 7,767,181

See accompanying notes and auditor's report

Statements of Cash Flows

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2013	2012
Cash flows from operating activities:		
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	(52,082,137)	(44,023,499)
Net cash (used in) operating activities	(2,797,015)	(3,535,941)
Cash flows from noncapital financing activities:		
District tax revenues	5,808,450	5,769,173
Grants, contributions and other nonoperating revenues	614,731	685,895
Net cash provided by noncapital financing activities	6,423,181	6,455,068
Cash flows from capital financing activities:		
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	(122,100)	(176,268)
Net cash (used in) capital financing activities	(1,893,085)	(2,070,651)
Cash flows from investing activities:		
Net change in assets limited as to use and other assets	(147,055)	419,533
Investment income	12,014	6,781
Net cash provided by (used in) investing activities	(135,041)	426,314
Net increase in cash and cash equivalents	1,598,040	1,274,790
Cash and cash equivalents at beginning of year	3,339,613	2,064,823
Cash and cash equivalents at end of year	$ 4,937,653	$ 3,339,613

See accompanying notes and auditor's report

Statements of Cash Flows (continued)

CITY OF ALAMEDA HEALTH CARE DISTRICT

	Year Ended June 30	
	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
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)	22,355	348,560
Net cash provided by operating activities	$ (2,797,015)	$ (3,535,941)

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity: The City of Alameda Health Care District, (d.b.a. Alameda Hospital), heretofore referred to as (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The Hospital is governed by a five-member Board of Directors, elected from within the district to specified terms of office. The Hospital is located in Alameda, California. It operates a 100-bed acute care facility, a 35-bed sub acute unit within the Hospital, 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.

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.

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.

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.

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

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:

	2013	2012
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	94,732,020	83,654,228
Gross patient service revenues	314,419,892	257,712,130
Less deductions from revenue and related allowances	(240,484,452)	(198,702,605)
Net patient service revenues	$ 73,935,440	$ 59,009,525

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:

	2013	2012
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	13,115,406	18,605,933
Gross patient accounts receivable	71,496,943	52,325,882
Less allowances for contractual adjustments and bad debts	(59,144,945)	(43,490,626)
Net patient accounts receivable	$ 12,351,998	$ 8,835,256

NOTE E - OTHER RECEIVABLES

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

	2013	2012
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	160,239	151,098
	$ 6,503,318	$ 6,488,284

NOTE F - ASSETS LIMITED AS TO USE

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

	2013	2012
Cash and cash equivalents restricted by contributors	$ 189,755	$ 64,183

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.

NOTE G - CAPITAL ASSETS (continued)

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

	Balance at June 30, 2012	Transfers & Additions	Reclasses & Retirements	Balance at June 30, 2013
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	4,102,468	(571,220)		3,531,248
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	(17,760,951)	(454,307)		(18,215,258)
Total accumulated depreciation	(39,712,640)	(919,728)		(40,632,368)
Capital assets, net	$ 9,084,741	$ 461,427	$	$ 9,546,168

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

NOTE H - DEBT BORROWINGS

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

	2013	2012
Note payable to a bank; principal ant interest at 4.80% due in monthly installments of $42,460 each 15th of the month through February 15, 2014; collateralized by Hospital receivables:	$ 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		1,044,855
	2,091,571	2,481,401
Less current maturities of debt borrowings	(527,882)	(1,724,249)
	$ 1,563,689	$ 757,152

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.

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:

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

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.

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:

Year Ended June 30	Annual Pension Cost (APC) in $	Percentage of APC Contributed	Net Pension Obligation (Asset) in $
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:

Valuation Date	Accrued Liability in $	Actuarial Value of Assets in $	Unfunded Accrued Liability (UAAL) in $	Funded Ratio Percentage	Annual Covered Payroll	UAAL as a % of Payroll
7/1/10	$ 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.

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.

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 statues and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

RAC Audits: Hospitals in California are subject to nationwide Medicare claim audits by Recovery Audit Contractors (RAC's). Beginning in March, 2007, RAC auditors examined certain Medicare claims for services provided to Medicare beneficiaries beginning with the year end June 30, 2003 and for subsequent periods. Pursuant to these on-going audits, RAC auditors review medical records and compare them to billing records for "perceived" discrepancies. These audits 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

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:

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

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

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING OCTOBER 31, 2013

CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
OCTOBER 31, 2013

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ALAMEDA HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
OCTOBER 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 October 31, 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 October, the hospital experienced a combined net operating loss of $535,000 against a budgeted loss of $249,000.

Net Revenue was at budget although the number of discharges, inpatient days and revenues were above budget. The prior month, September, had an inordinately high average length of stay as a result of several medicare patients that exceeded the medicare geometric length of stay (GLOS) paid by medicare. These outliers were not accurately reserved for in estimating September Net Revenue and have been accounted for in October.

Total expenses were almost $7.5 million in October, which is $290,000 or 4.0% above the budget. October operating expenses were higher than budget do in large part to the higher patient census, but also several one-time and non budgeted expenditures that were incurred in October that will be discussed later in the narrative.

October discharges were 263, which were 14 or 5.6% above budget, and total patient days were 6,223 or 279 (4.7%)% above budget. With the higher discharges this month, the acute ALOS decreased from 4.82 in the prior month to 4.42 in the current month. Total patient days for inpatient acute services were 131 days (14.6%) above budget; subacute days were up 2.7%, skilled nursing days were up at South Shore by 5.9% and Waters Edge were up by 2.4%.

Overall outpatient activity was mixed again this month. Outpatient registrations were down just 1.3% ,Emergency Room visits were 107 or 7.1% below budget. Outpatient surgeries were below budget for the month by 23 or 14.7%. The Wound Care program had 455 visits in October compared to a budget of 350, or 30.0% above budget. In October there were 86 HBO treatments compared to 58 in September.

The overall Case Mix Index (CMI) in October was 1.4276, above the prior month and also above the FY 2014 average of 1.3326.

Cash and cash equivalents were just over $1.7 million at the end of October, down from prior month at $3.0 million. Cash collections in October were almost $6.2 million.

<u>Year to date:</u>

The net YTD loss is $1.1 million versus budgeted net loss of $986,000.

Acute discharges are are 47 under budget and total discharges are 62 under budget.. Acute patient days are right on budget, and Long Term Care patient days are 658 above budget. Emergency and Wound Care visits are 548 under and 352 above budget respectively. Outpatient registratinos are 75 below budget and total surgeries are 33 (4.6%) below budget.

Both Inpatient and Outpatient Gross Revenue are right on budget, and Total Net Patient Revenue is 29,000 under budget. Net Clinic Revenue is running $41,000 under budget. Without the IGT pick-up in September, Net Patient Revenue would be $419,000 below below budget, primarily result of lower than budget Acute admissions/discharges, Emergency visits and Surgery.

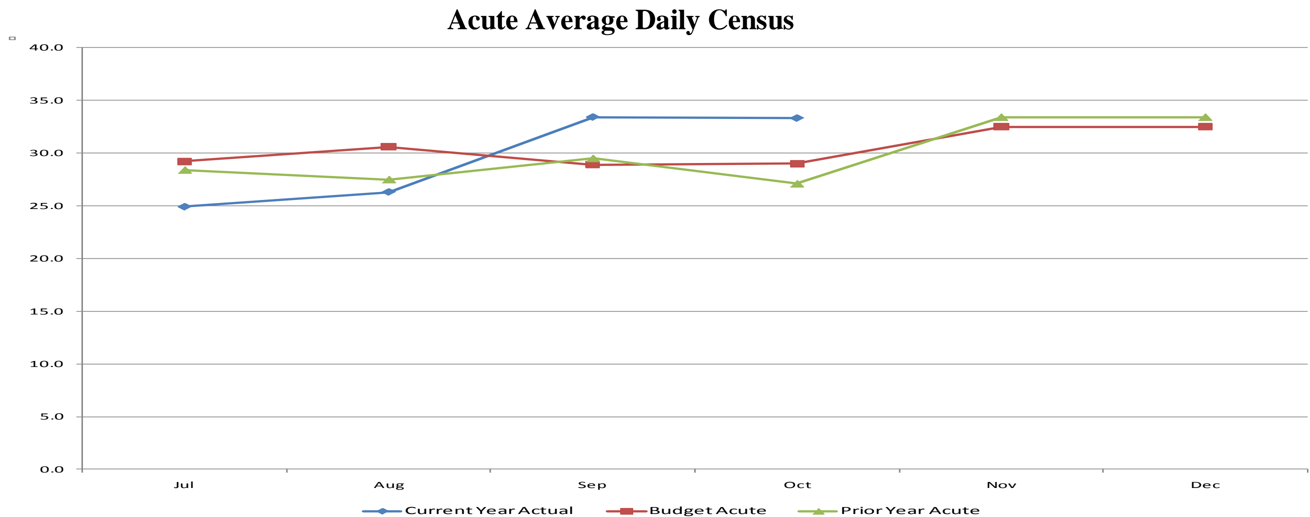
Total Operating Expenses are also right on budget with the most significant variance being Salaries $470,000 above budget offset by Benefits expense being $497,000 below budget. Year to date Supply expense is $139,000 above budget.

ACTIVITY

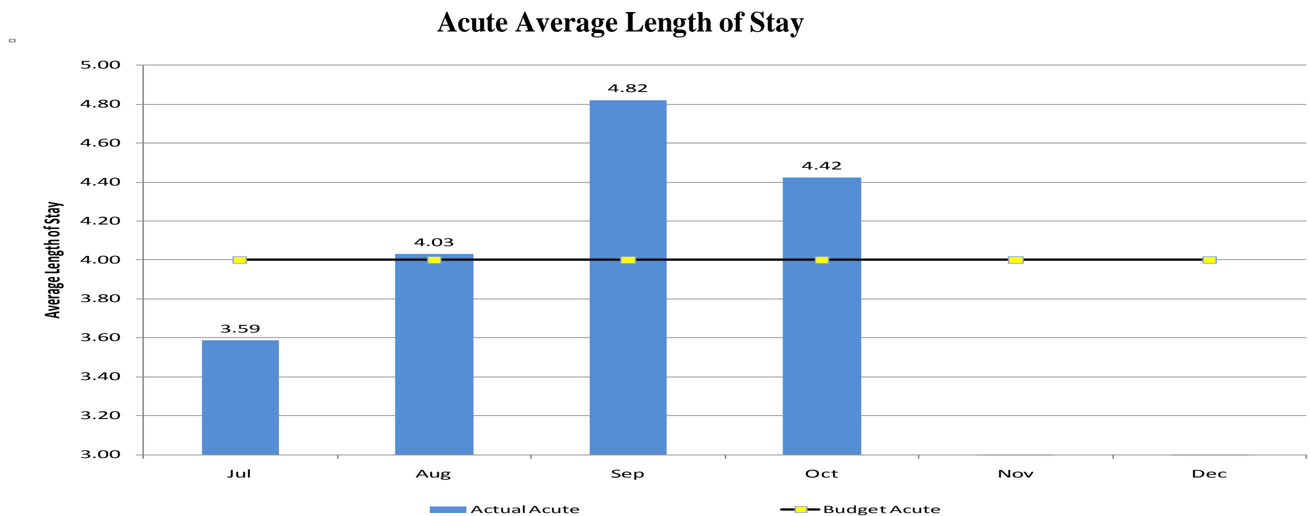
ACUTE, SUBACUTE AND SNF SERVICES

Overall, patient days were again above budget, this month they were 4.7% above budget, and above October of last year as well. This month's acute days were above budget by 14.6%, Subacute was up 2.7%, South Shore was up 5.9% and Waters Edge was up 2.4%.

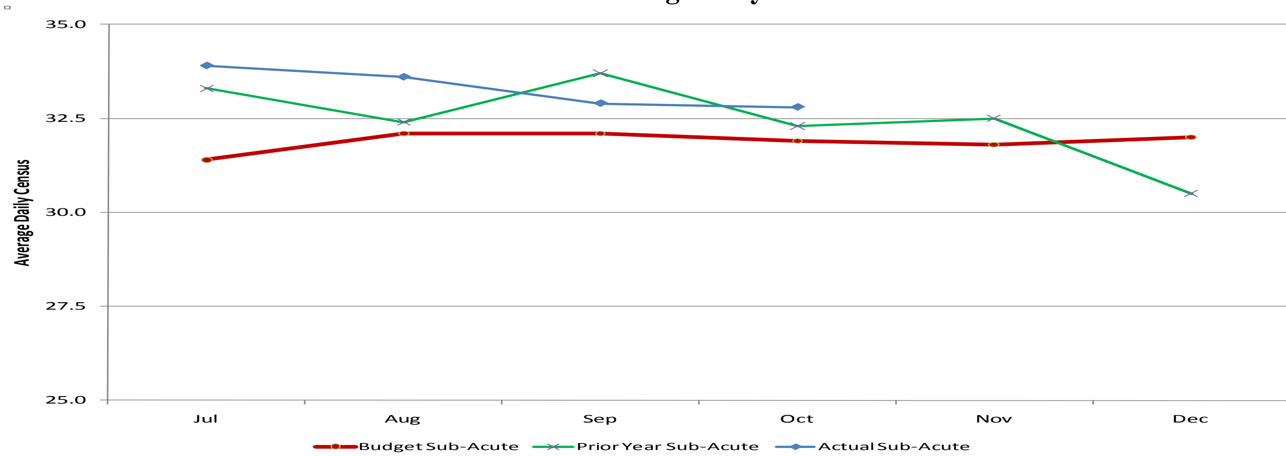
October's acute patient days were 131 days or 14.6% higher than budget for the month and 23.0% higher than October 2012. However, the Acute discharges were only 14 or 5.6% above budget and the higher Average Length of Stay (ALOS) contributed patient days being higher than budget. All areas of the Acute Hospital units contribed to the higher acute census. The acute care program is comprised of the Critical Care Unit (5.3 ADC, 21.3% above budget), Telemetry / Definitive Observation Unit (12.9 ADC, 5.3% above budget) and Med/Surg Unit (15.1 ADC, 21.3% above budget).



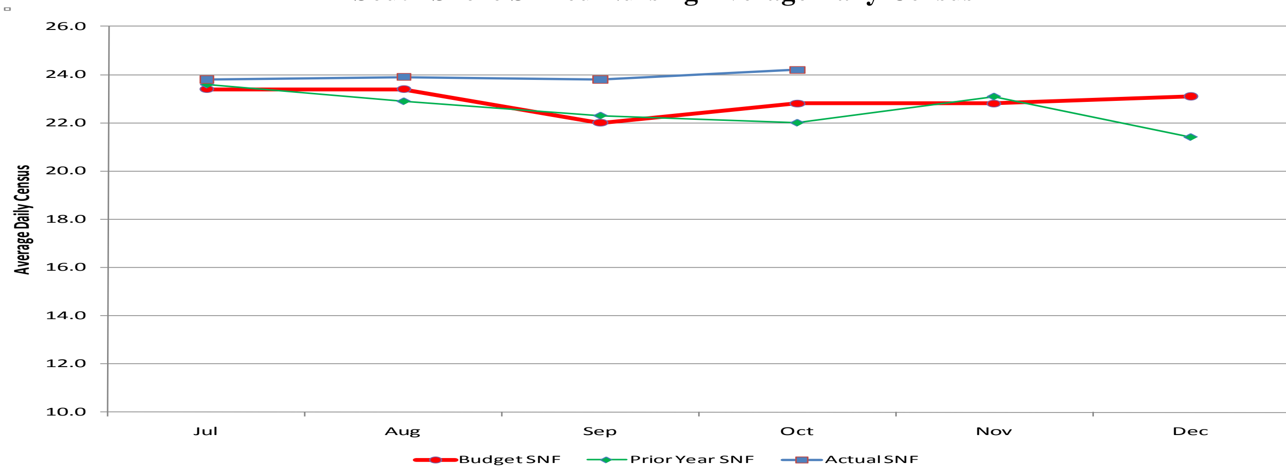
The acute Average Length of Stay (ALOS) decreased from last months high of 4.82 to 4.42 in October and is above the budget of 4.00. The longer length of stay has some correlation to the higher CMI (case mix index) seen the the acute setting, however, there were several sick patients who's LOS exceeded the average for their respective diagnosis. Case managers and physicians review discharge plans each day physicians to help ensure patients are being discharged in a timely manner given each patients individual circumstance. Given the spike in September and to a lesser extent in October, management will continue to meet with case managers and hospitalist physicians to discuss LOS and other utilization management issues. Managing length of stay will become cricital in January for acute medi-cal in January once the hospital begins gettingpaid on Medi-Cal DRG's as well. The graph below shows the ALOS by month compared to the budget.



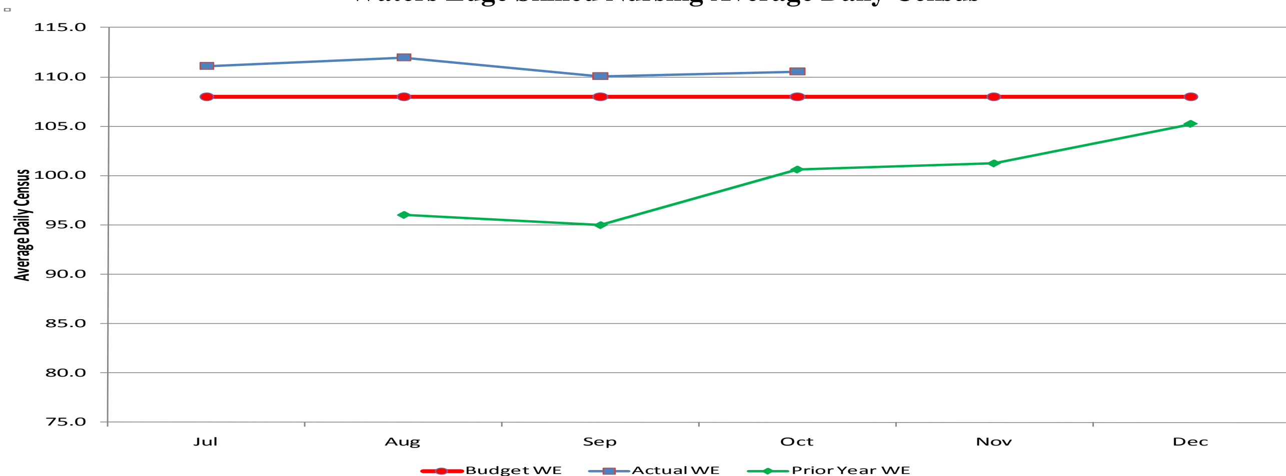
The Subacute program ADC of 32.77 was above the budget by 0.87 ADC or 2.7%. The graph below shows the Subacute ADC for the current fiscal year as compared to budget and the prior year.



The South Shore ADC was above budget again by 42 patient days (5.9%) for the month of October. The graph below shows the South Shore monthly ADC as compared to budget and the prior year. In ber the number of Medicare A skilled patients was 3.97 ADC, above the 2.8 ADC in September but below the budget of 4.02.



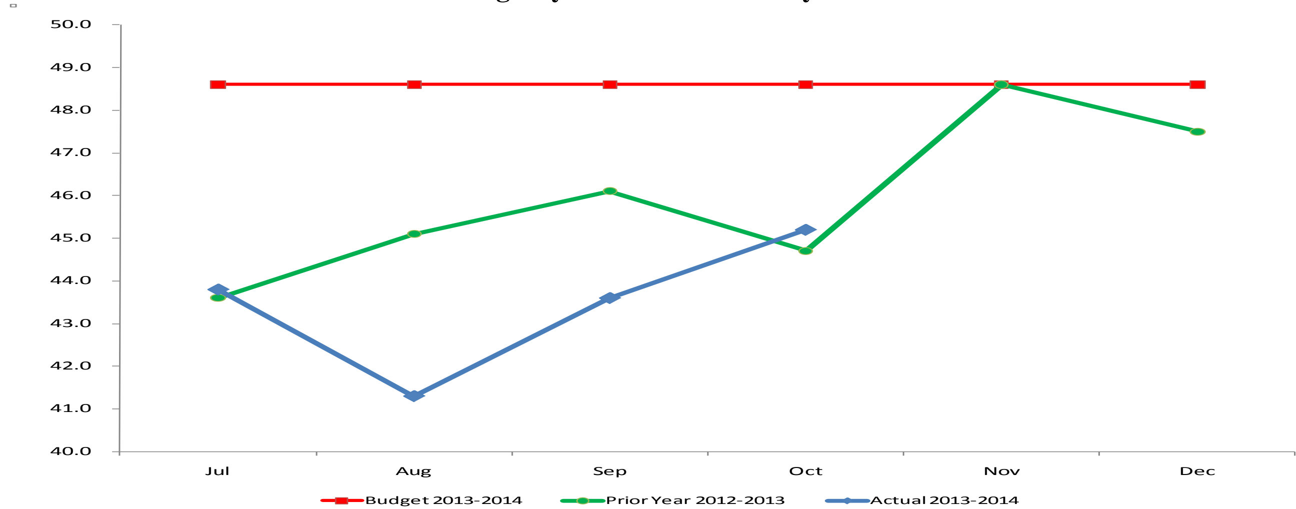
Waters Edge census was 110.55 ADC or 2.4% above the budget of 108.0 in October. The Medicare census was 6.6 ADC below the 7.73 ADC in the prior month, and below the Medicare ADC budget of 16.2.



ANCILLARY SERVICES

Outpatient Services

Emergency Care Center (ECC) visits in October were 1,400, or 107 visits (7.1%) below the budget of 1,507. The inpatient admission rate from the ECC was 18.0% just above the 17.8% admit rate in September. On a per day basis, the total visits represent an increase of 3.7% from the prior month daily average. In October, there were 322 ambulance arrivals versus 295 in the prior month. Of the 322 ambulance arrivals in the current month, 221 or 68.6% were from Alameda Fire Department (AFD).

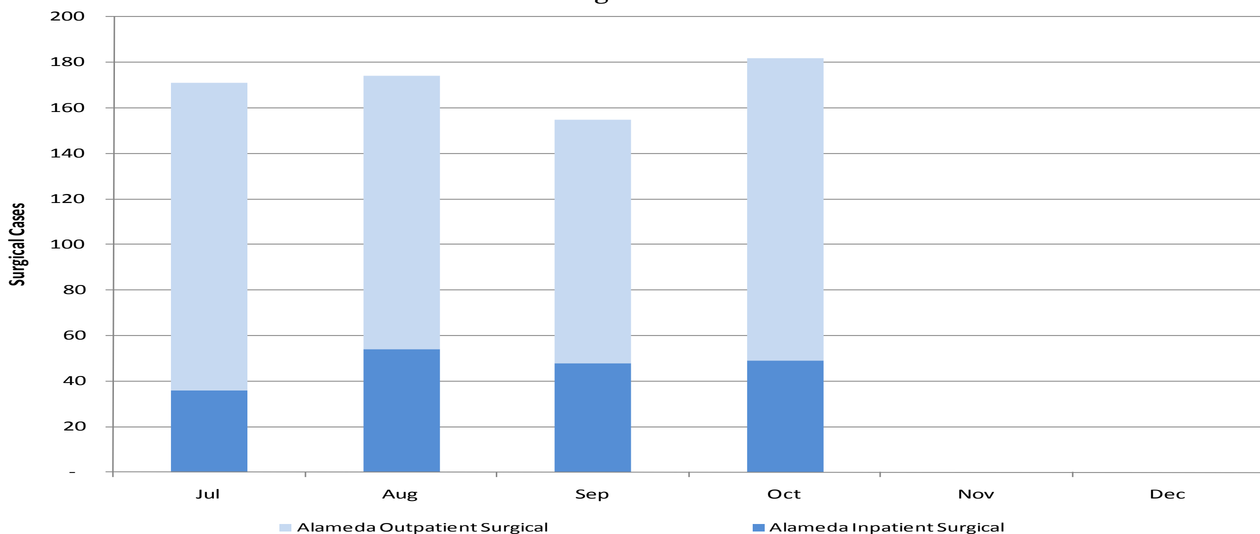


Outpatient registrations totaled 2,292 or 3.1% below the budget. In October the number of patient visits were down in Laboratory (103), IV Therapy (51), Radiology (22), EKG (28) and Ultrasound (11). Visits were up in Physical Therapy (164) . In October there were 143 Therapy visits and 129 Imaging procedures from the new orthopedic clinic, compared to 149 and 120 respectively in September.

In October, Wound Care was above the budget of 350 with 455 visits, or 30.0% over budget. Hyperbaric Oxygen treatments accounted for 86 of those visits, compared to 58 in September.

Surgery

The total number of surgery cases in October were 182 or 9.5% below the budget of 201 and just below last year's case volume of 193. Inpatient cases of 49 were above the budget of 45 and outpatient was below budget by 23 (14.7%) at 133 cases. Included in the total cases are 8 surgeries for our new general surgeon, Dr. John Lee. In comparison, Dr. Celada performed 17 surgeries compared to the 24 he performed in October 2012.



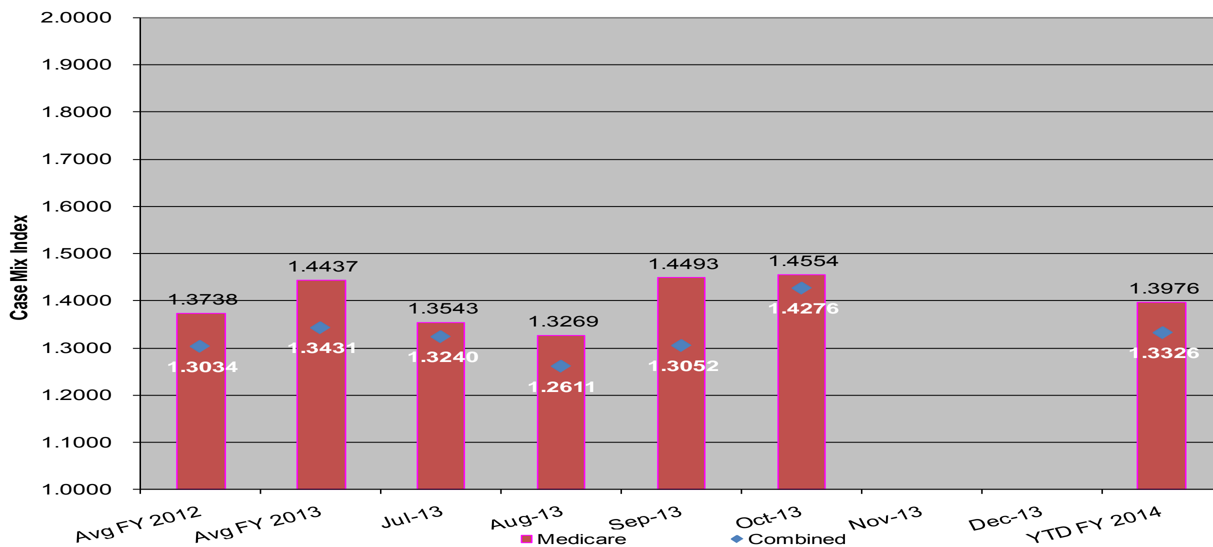
Payer Mix

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

	Oct Actual	Oct Budget
Medicare	49.7%	47.4%
Medi-Cal	26.4%	26.9%
Managed Care	16.4%	16.5%
Other	2.7%	2.8%
Commerical	0.6%	1.3%
Self-Pay	4.1%	4.9%
Total	100.0%	100.0%

Case Mix Index

The Hospital's overall Case Mix Index (CMI) for October was 1.4276, up from the prior month of 1.3052 (9.4%). The Medicare CMI was 1.4554 in October, just above the prior month of 1.4493 (0.42%). The graph below shows the Medicare CMI for the Hospital during the current fiscal year as compared to the prior two years.



Revenue

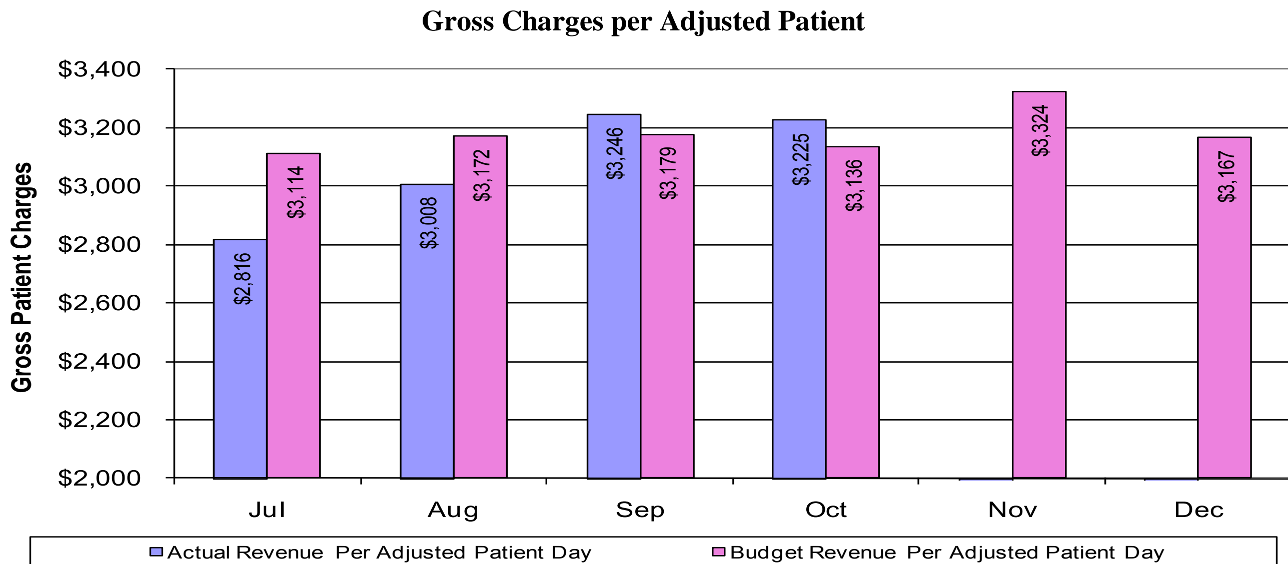
Gross patient charges in October were above the budget by more than $1.5 million or 5.7%. Inpatient gross revenues were more than $1.4 million above budget and outpatient gross revenues were up $129,000. Acute inpatient days were131 (14.6%) above budget and acute gross revenue was up almost 19.0%. Inpatient ancillary service charges were above budget in Medical Supplies, Cardiology, Rehab and Imaging, but down in Respiratory and Pharmacy.

Waters Edge gross and net revenue were above budget in October consistent with the volume. The ancillary revenue was above budget 26.2% (again mostly due to therapy services) and the routine daily room and board revenue was above budget by 4.8%.

Outpatient gross revenues were higher than budget by $129,000 (1.5%). Emergency,Laboratory and Medical Supplies were below budget while the Wound Care, Imaging, Pharmacy and Rehab were above budget.

Wound Care volume was above budget 30.0% and the gross revenue was above budget by $302,000 (43.9%), resulting in Net Revenue coming in $70,000 (44.1%) above budget for the month. While the use of skin products drove up revenue, HBOT activity was up from prior month. Much of the increase in Gross and Net Revenue was associated with reimbursable skin graft products that also result in higher supply expense.

On an adjusted patient day basis, total patient revenue was $3,225 above the budget of $3,216 for the month of October. 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 22.1% was realized. Medi-Cal reimbursement at both South Shore and Waters Edge were calculated at a per diem rate of $316. Although the ongoing net revenue reduction associated with AB97 has ended, we will continue to record skilled nursing at this rate until we are able to complete the FY 2013 cost report and better understand our cost based rate for this service going forward.

Total Net Operating Revenue was $6.4 million, $15,000 above budget. The higher than budgeted inpatient acute volumes helped to contribute to the Net Revenue while the effect of the higher Medicare LOS in September has resulted in lower collections for those accounts than previously anticipated and a net revenue correction in October. Although the spike in medicare LOS seems to be primarily in September and to a lessor degree in October, management has meet with our Hospitalist physician group and case mangers to discuss and provide information regarding and the impact of medicare outlier lengths of stay. Year to date Net Patient Revenue, without the impact of the IGT money ($390,000) is $419,000 under budget driven primarily by the lower Acute discharges at 6.1% under budget, as well as lower emergency department visits and surgeries.

Waters Edge had Net Revenues of just over $1.2 million, just above budget by $28,000 or 2.3%. Although the overall census was higher than budgeted, we again had fewer Medicare patients and a higher number of Medi-Cal patients.

Wound Care net revenue was almost $70,000 (44.1%) above budget. The increased use of skin graft products helped contribute to the higher revenue as well as the HBO Treatments were up 28 from the prior month.

Expenses

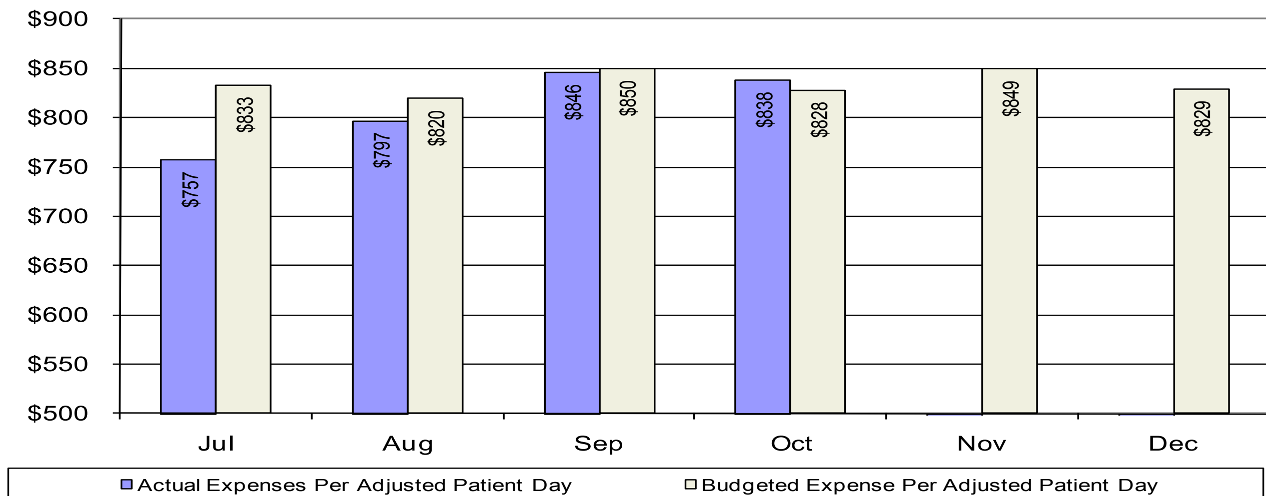
Total Operating Expenses

Total operating expenses were almost $7.5 million which was just higher than the fixed budget by $290,000 or 4.0%. Expenses are higher to a great extent because of the higher acute patient days and higher Wound Care activity in October. However, there were also several unbudgeted and non recurring expenses that were incurred during October totaling $78,500. These include: prior period transportation expense ($24,000), DHCS fee ($10,000), repair of nuclear medicine ($15,000), annual physician productivity bonus ($23,000) and a liability claim deductible ($6,500).

Salaries, temporary agency, supplies/drugs and rents and leases were above budget while benefits, professional fees and purchased services 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 $195,000 and Registry (temporary agency services) is above budget $36,000.

The $195,000 unfavorable salary expense variance is comprised of productive salaries being $166,000 (5.4%) over budget and non-productive salaries were $29,000 (6.3%) 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 patients throughout the month that wer not included in the budget. There were also about 7 days that we had 10 CCU patients, two of which were housed in Telemetry unit. Additonal premium pay was used by CCU nurses to provide for this temporary surge in CCU census. Productive salaries were also higher in Sub Acute and South Shore due to higher patient activity in these areas as well. In addition overtime and doubletime, which have dropped was last year's highs, were higher in October than in recent months. Lastly, after detailed review of the Emergency department staffing budget, it has been determined that the productive staffing budget was under stated by two FTE's from what is required for core staffing. This is being corrected in the subsequent budget.

Non-productive salaries being over budget is off-set, in part, by benefits expense being under budget $31,000, 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 acute nursing units and surgery. Waters Edge also was busy with six new orientees, which will help alleviate the need for registry. In addition there was an unbudgeted productivity based incentive accrual for one of our 1206 b physicians totaling $23,000.

The use of overtime and double time premium pay is down in October by approximately $15,000 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 incured with the above mentioned spike in CCU census, as well as, training, premium pay needed to cover sick calls and break coverage on some weekend shifts. The productive salaries per adjusted patient day (APD) were $364 compared to a budget of $355. Total salaries per APD were $420 compared to a budget of $409 per APD.

Registry expense was higher mainly due to the reclassification of YTD expense for sitter at Waters Edge totaling $34,000. There is 24 hour coverage necessary for one patient, that had been coded to purchased services, but was moved to the correct line item of registry. In addition, there is usage of temporary help in Imaging, Rehab and Patient Accounting to replace vacant positions. Without the YTD reclass, registry expense would have been under budget in October.

Management does continue to meet every other week as an Executive Team to review and discuss staffing and salary / wage actual to budget variances which is very helpful to understand these variances in real time.

Benefits

Benefits were below the fixed budget by $31,000. While these numbers fluctuate from month to month, health claim expense is higher while the PTO accrual is down. 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 a negative expense of $43,000 in October, and is a direct offset to the higher non-productive wages discussed above.

Professional Fees

Professional fees were under budget by $9,000 or 6.2%. Wound Care management fees were above budget due to volume. Overall consulting and related fees in Administration were less than anticipated resulting in a positive variance overall. Professional fees for 1206 b clinic physicians were also under budget in the month.

Supplies

Supplies expense were $72,000 over budget. Half of this variance is due to Pharmaceuticals (about $35,000), much of this increase is associated with IVT program and a couple of high cost IVIG regiments that were administered. These higher cost drugs will be reimbursed. In addition, there are smaller variances in Surgery,Wound Care, and Blood Bank and 1206 (b) clinic and Waters Edge . Wound care supplies were higher than budget as were patient visits in the clinic, due to higher volume of skin graft procedures. Many of wound cares supply expenses are reimbursable and reflected in net revenue estimations. The 1206 b clinic also had higher supply purchases in the month as has been the trend year to date, some of this associated with items needed by the new physician. Waters Edge had higher expense in October, including several bed rentals during October. This will be monitored more closely in future months.

Purchased Services

Purchased services were below budget for the month of October by $19,000 or 3.4%. While there were some departments higher than budget such as Quality (four months of patient transport expense, higher RAC appeal fees), Sub Acute and South Shore (higher Rehab utilization) and repair of the Nuclear Medicine equipment, there were several departments under budget such as Waters Edge Rehab, Dietary and Patient Accounting resulting in the overall variance being positive to budget. In addition Waters Edge cost center had a YTD reclasss for sitters from Purchased services to Registry to properly classify expense totaling about $34,000.

Rents and Leases

Rents and lease expense was $19,000 over budget in the month. Central Supply (equipment rentals) and Administation (Xerox lease) were over budget. We continue to have higher equipment rental expense, primarily for bed/mattress rentals in acute care and subacute. In addition, the annual building rent increase for the Alameda Town Center building was about $2,500 per month higher than budgeted and Waters Edge rent has increased $2,800 per month as well. The higher rent/lease 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 over budget this month by $28,000. This is due to a County Department of Public Health citation that was accrued in the month, higher quarterly property sales tax, and property taxes for radiology equipment. In addition there are expenses related to the new ICD-10 implementation that are recorded here.

Depreciation Expense

Depreciation Expenses was again $4,000 over budget. 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 EDM 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 / (Expnese):

Other Income/(Expense) was just $11,000 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.

Balance Sheet

Total assets decreased by almost $1.0 million from the prior month. The following items make up the decrease in assets:

- Total unrestricted cash and cash equivalents for October decreased by almost $1.3 million and days cash on hand including restricted use funds also decreased to 8.3 days cash on hand in October down from 13.9 days cash on hand in September. Patient collections in October averaged just under $200,000 per day, and this is just under the prior monthly averages.
- Net patient accounts receivable was $11.0 million, just above the prior month of $10.8 million as a result of two consecutive months of higher inpatient and outpatient volumes.
- Days in outstanding receivables were back down to 54.13 at October month end, an increase from the September number of 52.8 days. Cash collections in October were $6.2 million compared to $6.4 million in September.

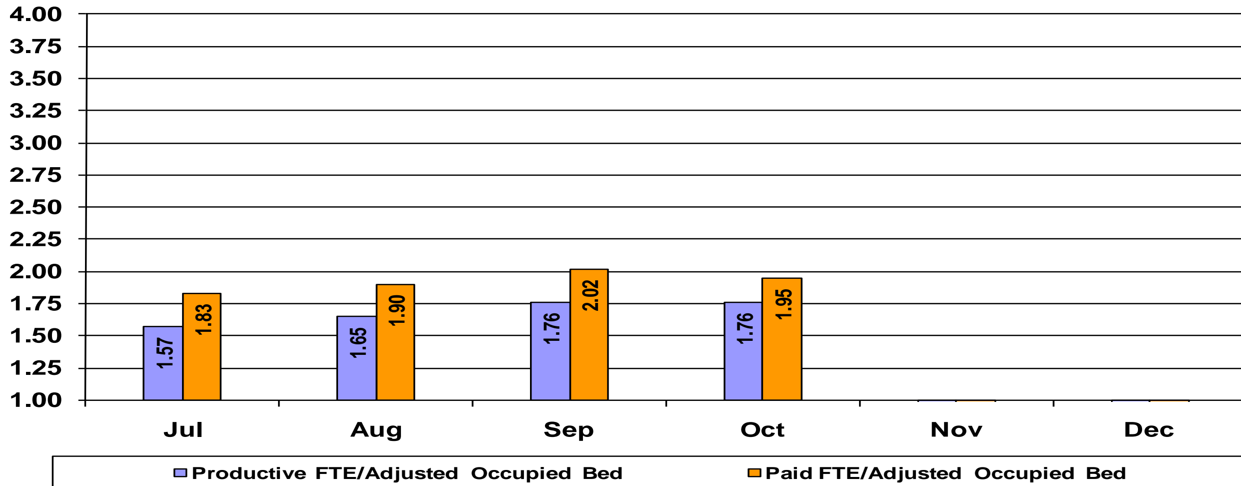
Overall, total liabilities decreased by $1.5 million from the prior month:

- Accounts payable decreased almost $200,000 in October to approximately $11.9 million which equates to 152 AP Days, but down from the 155 days in September.
- Payroll related accruals increased just over $300,000 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 October remained consistent with prior month, decreasing just $165,000.
- Third Paty Payer Settlements remained consistent with the prior month as there was no activity in this area in October.

Key Statistics

FTE's Per Adjusted Occupied Bed

For the month of October Productive FTE's per Adjusted Occupied Bed were again 1.76, just above the budget of 1.70 FTE's by 3.9%. Paid FTE's per Adjusted Occupied Bed were 1.95 or 1.0% 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 October has dropped at 0.83. We have received a waiver to the 1.0 loan covenant from the Bank of Alameda through the quarter ending September 30, 2013. The hospital has been informed by our independent auditor that a new GASB accounting standard will be changing how future month property tax revenue is to be accounted for. Instead of recording it as a short term liability, it is to be recorded as deferred revenue, and should be recognized accordingly; it is not a liability. We will be discussing this change with the Bank of Alameda and start reflecting this change in November 2013 financials.

A/R days

Net days in accounts receivable (A/R) are currently at 54.13. This is just above the prior month of 52.8. Net A/R days are up due to higher patient activity and total Revenue during the past two months.

Days Cash on Hand

Days cash on hand for October were 8.3, a decrease from prior month of 13.9.

The following pages include the detailed financial statements for the four (4) months ended October 31, 2013, of Fiscal Year 2014.

ALAMEDA HOSPITAL
KEY STATISTICS
OCTOBER 2013

	ACTUAL OCTOBER 2013	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	OCTOBER 2012	YTD OCTOBER 2013	YTD FIXED BUDGET	VARIANCE	%	YTD OCTOBER 2012
Discharges:										
Total Acute	233	225	8	3.6%	221	858	905	(47)	-5.2%	885
Total Sub-Acute	2	3	(1)	-33.3%	3	7	12	(5)	-41.7%	10
Total South Shore	8	6	2	33.3%	6	25	23	2	8.7%	22
Total Waters Edge	20	15	5	33.3%	13	48	60	(12)	-20.0%	37
	263	249	14	5.6%	243	938	1,000	(62)	-6.2%	954
Patient Days:										
Total Acute	1,031	900	131	14.6%	841	3,619	3,620	(1)	0.0%	3,460
Total Sub-Acute	1,016	989	27	2.7%	1,001	4,095	3,920	175	4.5%	4,047
Total South Shore	749	707	42	5.9%	681	2,941	2,817	124	4.4%	2,791
Total Waters Edge	3,427	3,348	79	2.4%	3,119	13,644	13,284	360	2.7%	8,946
	6,223	5,944	279	4.7%	5,642	24,299	23,641	658	2.8%	19,244
Average Length of Stay										
Total Acute	4.42	4.00	0.42	10.6%	3.81	4.22	4.00	0.22	5.4%	3.91
Average Daily Census										
Total Acute	33.26	29.03	4.23	14.6%	27.13	29.42	29.43	(0.01)	0.0%	28.13
Total Sub-Acute	32.77	31.90	0.87	2.7%	32.29	33.29	31.87	1.42	4.5%	32.90
Total South Shore	24.16	22.81	1.35	5.9%	21.97	23.91	22.90	1.01	4.4%	22.69
Total Waters Edge	110.55	108.00	2.55	2.4%	100.61	110.93	108.00	2.93	2.7%	97.24
	200.74	191.74	9.00	4.7%	182.00	197.55	192.20	1.41	0.7%	180.96
Emergency Room Visits	1,400	1,507	(107)	-7.1%	1,385	5,347	5,895	(548)	-9.3%	5,518
Wound Care Clinic Visits	455	350	105	30.0%	245	1,752	1,400	352	25.1%	521
Outpatient Registrations	2,334	2,366	(32)	-1.3%	2,159	8,390	8,465	(75)	-0.9%	7,693
Surgery Cases:										
Inpatient	49	45	4	8.9%	38	187	194	(7)	-3.6%	169
Outpatient	133	156	(23)	-14.7%	155	495	521	(26)	-5.0%	489
	182	201	(19)	-9.5%	193	682	715	(33)	-4.6%	658
Adjusted Occupied Bed (AOB)	288.62	281.93	6.69	2.4%	267.23	287.35	279.54	7.81	2.8%	226.37
Productive FTE	508.63	478.25	30.38	6.4%	573.06	485.52	479.39	6.14	1.3%	433.91
Total FTE	562.26	543.86	18.40	3.4%	512.77	553.61	545.03	8.58	1.6%	492.59
Productive FTE/Adj. Occ. Bed	1.76	1.70	0.07	3.9%	2.14	1.69	1.71	(0.03)	-1.5%	1.92
Total FTE/ Adj. Occ. Bed	1.95	1.93	0.02	1.0%	1.92	1.93	1.95	(0.02)	-1.2%	2.18

City of Alameda Health Care District
Statements of Financial Position
October 31, 2013

	Current Month	Prior Month	Prior Year End
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 1,757,096	$ 3,049,246	$ 4,861,959
Patient Accounts Receivable, net	11,052,611	10,748,398	12,041,516
Other Receivables	7,084,668	7,057,137	6,301,762
Third-Party Payer Settlement Receivables	-	-	-
Inventories	1,264,112	1,267,733	1,266,892
Prepaids and Other	474,870	643,037	450,309
Total Current Assets	21,633,358	22,765,551	24,922,439
Assets Limited as to Use, net	232,868	220,571	189,755
Fixed Assets			
Land	877,945	877,945	877,945
Depreciable capital assets	45,551,614	45,535,062	45,422,895
Construction in progress	4,239,496	3,991,288	3,583,725
Depreciation	(40,930,521)	(40,844,062)	(40,581,813)
Property, Plant and Equipment, net	9,738,533	9,560,233	9,302,752
Total Assets	**$ 31,604,759**	**$ 32,546,355**	**$ 34,414,946**
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	$ 2,127,461	$ 2,292,882	$ 826,007
Accounts Payable and Accrued Expenses	11,958,741	12,143,440	11,823,357
Payroll Related Accruals	4,821,986	4,503,862	5,195,271
Deferred Revenue	3,854,667	4,340,995	5,731,269
Employee Health Related Accruals	661,484	662,154	714,297
Third-Party Payer Settlement Payable	2,531,951	2,552,014	3,796,593
Total Current Liabilities	25,956,290	26,495,347	28,086,794
Long Term Debt, net	1,918,697	1,797,992	1,578,289
Total Liabilities	27,874,988	28,293,339	29,665,083
Net Assets:			
Unrestricted	3,496,903	4,032,051	4,350,108
Temporarily Restricted	232,868	220,571	399,755
Total Net Assets	3,729,772	4,252,622	4,749,863
Total Liabilities and Net Assets	**$ 31,604,759**	**$ 32,545,961**	**$ 34,414,946**

City of Alameda Health Care District
Statements of Operations
October 31, 2013
$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Patient Days	6,223	5,945	278	4.7%	5,642	24,299	23,642	657	2.8%	19,244
Discharges	263	249	14	5.6%	243	938	999	(61)	-6.1%	954
ALOS (Average Length of Stay)	23.66	23.87	(0.21)	-0.9%	23.22	25.91	23.67	2.24	9.5%	20.17
ADC (Average Daily Census)	200.7	191.8	8.98	4.7%	182.0	197.6	192.2	5.34	2.8%	156.5
CMI (Case Mix Index)	-				1.3804	1.2975				1.3395
Revenues										
Gross Inpatient Revenues	$ 20,072	$ 18,644	$ 1,428	7.7%	$ 18,220	$ 74,719	$ 74,472	$ 247	0.3%	$ 67,179
Gross Outpatient Revenues	8,787	8,657	129	1.5%	8,617	33,788	33,734	54	0.2%	30,095
Total Gross Revenues	28,858	27,301	1,557	5.7%	26,837	108,507	108,205	301	0.3%	97,274
Contractual Deductions	21,504	19,722	(1,783)	-9.0%	19,676	80,345	78,120	(2,225)	-2.8%	68,478
Bad Debts	832	1,102	270	24.5%	600	2,371	4,408	2,037	46.2%	5,311
Charity and Other Adjustments	137	133	(3)	-2.5%	189	676	533	(143)	-26.7%	435
Net Patient Revenues	6,385	6,344	41	0.6%	6,372	25,115	25,144	(29)	-0.1%	23,050
Net Patient Revenue %	22.1%	23.2%			23.7%	23.1%	23.2%			23.7%
Net Clinic Revenue	56	88	(31)	-35.6%	50	309	350	(41)	-11.8%	157
Other Operating Revenue	17	12	5	44.8%	25	46	48	(3)	-5.8%	46
Total Revenues	**6,459**	**6,444**	**15**	0.2%	**6,447**	**25,469**	**25,543**	**(73)**	-0.3%	**23,253**
Expenses										
Salaries	3,754	3,559	(195)	-5.5%	3,343	14,496	14,026	(470)	-3.4%	12,944
Temporary Agency	190	155	(36)	-23.1%	193	660	682	22	3.2%	731
Benefits	1,031	1,062	31	2.9%	1,117	3,714	4,211	497	11.8%	3,513
Professional Fees	492	501	9	1.9%	416	1,942	2,004	63	3.1%	1,536
Supplies	895	823	(72)	-8.7%	880	3,341	3,202	(139)	-4.3%	3,085
Purchased Services	552	571	19	3.4%	492	2,208	2,285	77	3.4%	2,002
Rents and Leases	240	221	(19)	-8.6%	209	946	883	(63)	-7.1%	753
Utilities and Telephone	89	83	(5)	-6.4%	80	315	334	18	5.5%	312
Insurance	29	38	9	24.2%	31	139	153	13	8.7%	150
Depreciation and amortization	87	83	(4)	-5.1%	73	349	330	(19)	-5.7%	289
Other Operating Expenses	138	111	(28)	-25.2%	124	472	472	1	0.2%	395
Total Expenses	**7,497**	**7,207**	**(290)**	-4.0%	**6,958**	**28,582**	**28,584**	**1**	0.0%	**25,711**
Operating gain (loss)	**(1,038)**	**(763)**	**(275)**	-36.0%	**(511)**	**(3,113)**	**(3,041)**	**(72)**	2.4%	**(2,458)**
Non-Operating Income / (Expense)										
Parcel Taxes	482	487	(5)	-1.0%	480	1,928	1,948	(20)	-1.0%	1,911
Investment Income	1	-	1	0.0%	1	4	-	4	0.0%	6
Interest Expense	(11)	(16)	5	32.2%	(17)	(48)	(62)	14	-23.1%	(69)
Other Income / (Expense)	31	43	(12)	-27.5%	29	115	170	(55)	-32.3%	111
Net Non-Operating Income / (Expense)	**503**	**514**	**(11)**	**-2.2%**	**493**	**1,999**	**2,055**	**(56)**	**-2.7%**	**1,960**
Excess of Revenues Over Expenses	**$ (535)**	**$ (249)**	**$ (286)**	**114.8%**	**$ (18)**	**$ (1,114)**	**$ (986)**	**$ (128)**	**13.0%**	**$ (498)**

City of Alameda Health Care District

Statements of Operations - Per Adjusted Patient Day

October 31, 2013

	Current Month					Year-to-Date				
	Actual	Budget	$ Variance	% Variance	Prior Year	Actual	Budget	$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	$ 2,243	$ 2,142	$ 102	4.7%	$ 2,192	$ 2,117	$ 2,168	$ (51)	-2.3%	$ 2,411
Gross Outpatient Revenues	982	995	(12)	-1.3%	1,037	958	982	(25)	-2.5%	1,080
Total Gross Revenues	3,225	3,136	89	2.8%	3,229	3,075	3,150	(75)	-2.4%	3,491
Contractual Deductions	2,403	2,266	(138)	-6.1%	2,368	2,277	2,274	(3)	-0.1%	2,457
Bad Debts	93	127	34	26.5%	72	67	128	61	47.6%	191
Charity and Other Adjustments	15	15	0	0.3%	23	19	16	(4)	-23.4%	16
Net Patient Revenues	714	729	(15)	-2.1%	767	712	732	(20)	-2.8%	827
Net Patient Revenue %	22.1%	23.2%			23.7%	23.1%	23.2%			23.7%
Net Clinic Revenue	6	10	(4)	-37.3%	6	9	10	(1)	-14.1%	6
Other Operating Revenue	2	1	1	40.9%	3	1	1	(0)	-8.3%	2
Total Revenues	**722**	**740**	**(18)**	-2.5%	**776**	**722**	**744**	**(22)**	-2.9%	**834**
Expenses										
Salaries	420	409	(11)	-2.6%	402	411	408	(2)	-0.6%	465
Temporary Agency	21	18	(4)	-19.8%	23	19	20	1	5.8%	26
Benefits	115	122	7	5.5%	134	98	123	24	19.8%	126
Professional Fees	55	58	3	4.5%	50	55	58	3	5.7%	55
Supplies	100	95	(5)	-5.8%	106	95	93	(1)	-1.6%	111
Purchased Services	62	66	4	6.0%	59	63	67	4	6.0%	72
Rents and Leases	27	25	(1)	-5.6%	25	27	26	(1)	-4.3%	27
Utilities and Telephone	10	10	(0)	-3.5%	10	9	10	1	8.0%	11
Insurance	3	4	1	26.3%	4	4	4	0	11.2%	5
Depreciation and Amortization	10	9	(0)	-2.2%	9	10	10	(0)	-2.9%	10
Other Operating Expenses	15	13	(3)	-21.8%	15	13	14	0	2.8%	14
Total Expenses	**838**	**828**	**(10)**	-1.2%	**837**	**803**	**832**	**29**	3.5%	**923**
Operating Gain / (Loss)	**(116)**	**(88)**	**(28)**	-32.3%	**(61)**	**(81)**	**(88)**	**7**	-8.2%	**(88)**
Non-Operating Income / (Expense)										
Parcel Taxes	54	56	(2)	-3.7%	58	55	57	(2)	-3.6%	69
Investment Income	0	-	0	0.0%	0	0	-	0	0.0%	0
Interest Expense	(1)	(2)	1	34.1%	(2)	(1)	(2)	0	-25.2%	(2)
Other Income / (Expense)	3	5	(1)	-29.5%	4	3	5	(2)	-34.1%	4
Net Non-Operating Income / (Expense)	**56**	**59**	**(3)**	**-4.8%**	**59**	**57**	**60**	**(3)**	**-5.3%**	**70**
Excess of Revenues Over Expenses	**$ (60)**	**$ (29)**	**$ (31)**	109.0%	**$ (2)**	**$ (24)**	**$ (28)**	**$ 4**	-14.2%	**$ (18)**

Wound Care - Statement of Operations
October 31, 2013

	Current Month				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Clinic Visits	455	350	105	30.0%	1,752	1,400	352	25.1%
Revenue								
Gross Revenue	992,359	689,761	302,598	43.9%	3,741,580	2,759,044	982,536	35.6%
Deductions from Revenue	764,116	531,392	232,724		2,898,484	2,125,567	772,917	
Net Revenue	228,243	158,369	69,873	44.1%	843,096	633,477	209,619	
Expenses								
Salaries	19,205	16,587	(2,618)	-15.8%	82,363	66,822	(15,541)	-23.3%
Benefits	4,828	4,955	126	2.6%	24,106	19,960	(4,146)	-20.8%
Professional Fees	100,222	73,306	(26,916)	-36.7%	363,336	293,224	(70,112)	-23.9%
Supplies	54,676	28,239	(26,437)	-93.6%	186,036	112,956	(73,080)	-64.7%
Purchased Services	5,433	4,000	(1,433)	-35.8%	19,857	16,000	(3,857)	-24.1%
Rents and Leases	5,686	5,686	-	0.0%	23,786	22,744	(1,042)	-4.6%
Depreciation	8,834	8,685	(149)	-1.7%	35,336	34,740	(596)	-1.7%
Other	425	2,079	1,654	79.6%	9,299	8,316	(983)	-11.8%
Total Expenses	199,309	143,537	(55,773)	-38.9%	744,119	574,762	(169,357)	-29.5%
Excess of Revenue over Expenses	28,933	14,833	14,101	95.1%	98,977	58,715	40,262	68.6%

City of Alameda Health Care District
Waters Edge Skilled Nursing - Statement of Operations
October 31, 2013

	Current Month				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Patient Days								
Medicare	204	502	(298)	-59.4%	1,190	1,992	(802)	-40.3%
Medi-Cal	3,056	2,576	480	18.6%	11,953	10,221	1,732	16.9%
Managed Care	22	68	(46)	-67.6%	69	270	(201)	-74.4%
Self Pay/Other	145	202	(57)	-28.2%	432	801	(369)	-46.1%
Total	3,427	3,348	79	2.4%	13,644	13,284	360	2.7%
Revenue								
Routine Revenue	2,739,088	2,613,836	125,252	4.8%	10,867,374	10,371,027	496,347	4.8%
Ancillary Revenue	313,316	248,332	64,984	26.2%	1,459,430	1,085,792	373,638	34.4%
Total Gross Revenue	3,052,404	2,862,168	190,236	6.6%	12,326,804	11,456,819	869,985	7.6%
Deductions from Revenue	1,810,989	1,648,609	(162,381)	-9.8%	7,320,119	6,599,128	(720,991)	-10.9%
Net Revenue	1,241,415	1,213,559	27,855	2.3%	5,006,685	4,857,691	148,994	3.1%
Expenses								
Salaries	463,056	475,422	12,366	2.6%	1,794,917	1,892,422	97,505	5.2%
Temporary Agency	60,931	15,070	(45,861)	-100.0%	130,347	70,274	(60,073)	-100.0%
Benefits	93,913	97,373	3,460	3.6%	380,770	388,782	8,012	2.1%
Professional Fees	6,394	5,200	(1,194)	-23.0%	16,664	20,800	4,136	19.9%
Supplies	98,587	62,380	(36,207)	-58.0%	298,526	251,422	(47,104)	-18.7%
Purchased Services	82,794	129,300	46,506	36.0%	448,071	517,200	69,129	13.4%
Rents and Leases	78,337	75,400	(2,937)	-3.9%	312,151	301,600	(10,551)	-3.5%
Utilities	14,099	11,767	(2,332)	-19.8%	39,665	47,068	7,403	15.7%
Insurance	-	2,392	2,392	100.0%	-	9,568	9,568	100.0%
Other	22,007	17,308	(4,699)	-27.1%	57,720	66,232	8,512	12.9%
Total Expenses	920,118	891,612	(28,506)	-3.2%	3,478,831	3,565,368	86,537	2.4%
Excess of Revenue over Expenses	321,297	321,947	(651)		1,527,854	1,292,323	235,531	

City of Alameda Health Care District
Orthopedic Clinic - Statement of Operations
October 31, 2013

	Current Month				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Clinic Visits	207	302	(95)	-31.5%	990	1,208	(218)	-18.0%
Revenue								
Gross Revenue	97,575	128,652	(31,077)	-24.2%	339,684	514,608	(174,924)	-34.0%
Deductions from Revenue	68,115	90,069	(21,954)		201,360	360,276	(158,916)	
Net Revenue	29,460	38,583	(9,123)		138,324	154,332	(16,008)	
Expenses								
Salaries	33,728	32,905	(823)	-2.5%	131,073	131,616	543	0.4%
Benefits	8,479	9,829	1,350	13.7%	32,952	39,314	6,362	16.2%
Professional Fees	24,577	25,000	423	1.7%	98,308	100,000	1,692	1.7%
Supplies	1,874	3,467	1,593	45.9%	4,751	13,868	9,117	65.7%
Purchased Services	6,141	6,083	(58)	-1.0%	21,327	24,332	3,005	12.3%
Rents and Leases	4,689	4,667	(22)	-0.5%	18,669	18,668	(1)	0.0%
Depreciation	-	-	-	0.0%	-	-	-	0.0%
Other	288	2,608	2,320	89.0%	6,673	10,432	3,759	36.0%
Total Expenses	79,776	84,559	4,783	5.7%	313,753	338,230	24,477	7.2%
Excess of Revenue over Expenses	(50,316)	(45,976)	(4,340)	-9.4%	(175,429)	(183,898)	8,469	4.6%
Hospital Based Activity:								
Inpatient Days	66	22	44	200.0%	140	88	52	59.1%
Inpatient Surgeries	11	5	6	120.0%	21	20	1	5.0%
Outpatient Surgeries	7	10	(3)	-30.0%	25	39	(14)	-35.9%
							-	
Therapy Referred Visits	143	175	(32)	-18.3%	675	700	(25)	-3.6%
Imaging Referred Procedures	129	110	19	17.3%	497	440	57	13.0%
Inpatient Gross Charges	1,310,480	309,500	1,000,980	323.4%	2,588,854	1,238,000	1,350,854	109.1%
Inpatient Net Revenue	308,361	69,500	238,861	343.7%	499,289	278,000	221,289	79.6%
Outpatient Gross Charges	396,900	324,775	72,125	22.2%	1,618,864	1,280,080	338,784	26.5%
Outpatient Net Revenue	67,473	70,885	(3,412)	-4.8%	260,152	279,548	(19,396)	-6.9%
Total Gross Charges	1,707,380	634,275	1,073,105	169.2%	4,207,718	2,518,080	1,689,638	67.1%
Total Net Revenue	375,834	140,385	235,449	167.7%	759,441	557,548	201,893	36.2%

City of Alameda Health Care District
1206b Clinic - Statement of Operations
October 31, 2013

	Current Month				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Clinic Visits								
Primary Care	92	138	(46)		400	551	(151)	
Surgery	81	53	28		269	213	56	
Neurology	19	31	(12)		107	124	(17)	
Total Visits	192	222	(30)	-13.5%	776	888	(112)	-12.6%
Revenue								
Gross Revenue	89,178	129,400	(40,222)	-31.1%	395,802	517,600	(121,798)	-23.5%
Deductions from Revenue	62,253	77,650	(15,397)		233,287	310,600	(77,313)	
Net Revenue	26,925	51,750	(24,825)		162,515	207,000	(44,485)	
Expenses								
Salaries	55,229	37,696	(17,533)	-46.5%	139,473	125,018	(14,455)	-11.6%
Temporary Agency	-	-	-	-100.0%	-	-	-	-100.0%
Benefits	13,885	11,260	(2,625)	-23.3%	37,578	37,343	(235)	-0.6%
Professional Fees	8,347	18,000	9,653	53.6%	52,274	72,000	19,726	27.4%
Supplies	13,529	1,356	(12,173)	-897.7%	29,936	5,424	(24,512)	-451.9%
Purchased Services	8,286	6,468	(1,818)	-28.1%	27,209	25,872	(1,337)	-5.2%
Rents and Leases	15,194	12,661	(2,533)	-20.0%	60,776	50,644	(10,132)	-20.0%
Depreciation	494	182	(312)	-171.4%	1,976	728	(1,248)	-171.4%
Other	1,729	5,167	3,438	66.5%	30,688	20,668	(10,020)	-48.5%
Total Expenses	116,693	92,790	(23,903)	-25.8%	379,910	337,697	(42,213)	-12.5%
Excess of Revenue over Expenses	(89,768)	(41,040)	(48,728)	118.7%	(217,395)	(130,697)	(86,698)	66.3%
Clinic Rental Income	15,546	13,100	2,446	18.7%	39,213	39,300	(87)	-0.2%
Net 1206b Clinic	(74,222)	(27,940)	(46,282)	165.6%	(178,182)	(91,397)	(86,785)	95.0%

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 Four Months Ended October 31, 2013

	Current Month	Year-to-Date
Cash flows from operating activities		
Net Income / (Loss)	$ (535,148)	$ (1,113,759)
Items not requiring the use of cash:		
Depreciation and amortization	86,805	$ 349,465
Write-off of Kaiser liability	-	$ -
Changes in certain assets and liabilities:		
Patient accounts receivable, net	(304,213)	988,906
Other Receivables	(27,531)	(782,906)
Third-Party Payer Settlements Receivable	(20,063)	(1,264,642)
Inventories	3,621	2,780
Prepaids and Other	168,167	(24,561)
Accounts payable and accrued liabilities	(184,699)	135,384
Payroll Related Accruals	318,124	(373,285)
Employee Health Plan Accruals	(670)	(52,813)
Deferred Revenues	(486,328)	(1,876,602)
Cash provided by (used in) operating activities	(981,935)	(4,012,033)
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	(12,297)	(43,113)
Additions to Property, Plant and Equipment	(265,105)	(785,246)
Other	0	260,554
Cash provided by (used in) investing activities	(277,403)	(567,805)
Cash flows from financing activities		
Net Change in Long-Term Debt	(44,716)	1,641,862
Net Change in Restricted Funds	12,297	(166,887)
Cash provided by (used in) financing and fundraising activities	(32,418)	1,474,976
Net increase (decrease) in cash and cash equivalents	(1,291,756)	(3,104,863)
Cash and cash equivalents at beginning of period	3,049,246	4,861,959
Cash and cash equivalents at end of period	$ 1,757,492	$ 1,757,097

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	Audited Results			Unaudited	YTD
	FY 2010	FY 2011	FY 2012	FY 2013	10/31/2013
Profitability Ratios					
Net Patient Revenue (%)	24.16%	23.58%	22.90%	23.34%	23.15%
Earnings Before Depreciation, Interest, Taxes and Amortization (EBITA)	4.82%	-1.01%	-1.48%	-1.48%	-1.48%
EBIDAP[Note 5]	-3.66%	-13.41%	-11.22%	-9.39%	-10.38%
Total Margin	2.74%	-2.61%	-3.21%	-3.13%	-4.37%
Liquidity Ratios					
Current Ratio	1.23	1.05	0.96	0.89	0.83
Days in accounts receivable ,net	51.83	46.03	55.21	60.35	54.13
Days cash on hand (with restricted)	21.6	14.1	17.7	21.8	8.3
Debt Ratios					
Cash to Debt	249.0%	123.3%	123.56%	210.11%	49.18%
Average pay period (includes payroll)	57.11	62.68	72.94	78.69	75.86
Debt service coverage	5.98	(0.70)	(0.53)	(1.21)	(0.33)
Long-term debt to fund balance	0.14	0.18	0.28	0.33	0.52
Return on fund balance	18.87%	-19.21%	-27.35%	-48.16%	-29.86%
Debt to number of beds	10,482	11,515	16,978	9,728	9,728

City of Alameda Health Care District
Ratio's Comparison

Financial Ratios	FY 2010	FY 2011	FY 2012	FY 2013	10/31/2013
	Audited Results			Unaudited	YTD
Patient Care Information					
Bed Capacity	161	161	161	281	281
Patient days(all services)	30,607	30,270	30,448	66,645	24,299
Patient days (acute only)	10,579	10,443	10,880	11,559	3,619
Discharges(acute only)	2,802	2,527	2,799	2,838	858
Average length of stay (acute only)	3.78	4.13	3.89	4.07	4.22
Average daily patients (all sources)	83.85	82.93	83.19	182.59	197.55
Occupancy rate (all sources)	52.08%	51.51%	51.67%	64.98%	70.30%
Average length of stay	3.78	4.13	3.89	4.07	4.22
Emergency Visits	17,624	16,816	16,964	17,175	5,347
Emergency visits per day	48.28	46.07	46.35	47.05	43.47
Outpatient registrations per day[Note 1]	79.67	65.19	60.67	64.07	68.21
Surgeries per day - Total	13.46	6.12	6.12	5.52	5.54
Surgeries per day - excludes Kaiser	5.32	6.12	6.12	5.52	5.54

Notes:

1. Includes Kaiser Outpatient Sugercial volume in Fiscal Years 2008, 2009 and through March 31, 2010.
2. In addition to these general requirements a feasibility report will be required.
3. Based upon Moody's FY 2008 preliminary single-state provider medians.
4. EBIDA - Earnings before Interest, Depreciation and 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 insruments.
Debt service coverage	Measures total debt service coverage (interest plus principal) against annual funds available to pay debt service. Does not take into account positive or negative cash flow associated with balance sheet changes (e.g. work down of accounts receivable). Higher values indicate better debt repayment ability.	Excess of revenues over expenses plus depreciation plus interest expense over principal payments plus interest expense.
Long-term debt to fund balance	Higher values for this ratio imply a greater reliance on debt financing and may imply a reduced ability to carry additional debt. A declining trend is positive.	Long-term debt divided by long-term debt plus unrestricted net assets.

CITY OF ALAMEDA HEALTH CARE DISTRICT

Date: December 2, 2013

For: December 11, 2013 District Board Meeting

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

From: Deborah E. Stebbins, CEO
Kristen Thorson, District Clerk

Subject: Approval of Recommendation for District Board Meeting Calendar for January 2014 – June 30, 2014

Recommendation

The attached list of District Board meetings and Board designated committee meetings is being presented for approval by the Board of Directors for the first 6 months of calendar year 2014.

Background / Discussion

District Board meetings and Board designated committee meetings are proposed to remain on the same general schedule for the first six months of calendar year 2014 as the close of the affiliation is finalized as outline below.

A calendar of District Board Meetings post affiliation will be developed at a later date in coordination with the District Board, Administration and the District Clerk.

District Board	Finance and Management Committee	Community Relations and Outreach Committee	Board Quality Committee
First Wednesday of the Month	Last Thursday of the month	4th Tuesday of Every Other Month	3rd Wednesday of the month
Closed Session Open Session	Open Session	Open Session	Closed Session
6:00 p.m. 7:30 p.m.	7:30 a.m.	7:30 a.m.	7:30 a.m.
Board Room & Dal Cielo Room	Dal Cielo Room or Room C*	Dal Cielo Room or Room C*	Board Room

[1]See attached for specific room locations

City of Alameda Health Care District
Board of Directors Proposed Meetign Schedule

	District Board	Finance & Management	Community Relations	Board Quality
	1st Weds. of the month	Last Thurs. of the month	4th Tues. of every other month	3rd Weds. of the month
	Closed & Open Session	Open Session	Open Session	Closed Session
	6:00 pm/ 7:30 pm	7:30 AM	7:30 AM	7:30 AM
	Del Cielo Room/Boardroom	Dal Cielo Room	Dal Cielo Room	Boardroom
Jan-14	Wednesday, January 8	Thursday, January 30		Wednesday, January 15
Feb-14	Wednesday, February 5	Thursday, February 27	Tuesday, Febuary 5	Wednesday, February 19
Mar-14	Wednesday, March 5	Thursday, March 27		Wednesday, March 19
Apr-14	Wednesday, April 2	Thursday, April 24	Tuesday, April 22	Wednesday, April 16
May-14	Wednesday, May 7	Thursday, May 29		Wednesday, May 21
Jun-14	Wednesday, June 4	Thursday, June 26	Tuesday, June 24	Wednesday, June 18