



**SONOMA VALLEY HEALTH CARE DISTRICT  
FINANCE COMMITTEE  
REGULAR MEETING AGENDA  
Tuesday, May 27, 2014, 5:00 p.m.**

**Location: Schantz Conference Room  
Sonoma Valley Hospital – 347 Andrieux Street, Sonoma CA 95476**

AGENDA ITEM	RECOMMENDATION	
<b>MISSION STATEMENT</b> The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.		
<b>1. CALL TO ORDER/ANNOUNCEMENTS</b>	<i>Fogg</i>	
<b>2. PUBLIC COMMENT SECTION</b> At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration.		
<b>3. CONSENT CALENDAR:</b> a. FC Meeting Minutes, 04.28.14 b. Revised Capital Acquisition Policy	<i>Fogg</i>	Action/Recommendation
<b>4. APRIL 2014 FINANCIALS</b>	<i>Cox/Tarver</i>	Inform
<b>5. CASH FLOW FORECAST</b>	<i>Cox</i>	Inform
<b>6. RAC ANALYSIS</b>	<i>Cox</i>	Inform
<b>7. FY 2015 OPERATING BUDGET</b>	<i>Fogg</i>	Action/ Recommendation
<b>8. ADJOURN</b> Next meeting June 24, 2014	<i>Fogg</i>	

3.

# CONSENT CALENDAR



**SONOMA VALLEY HEALTH CARE DISTRICT  
FINANCE COMMITTEE  
MEETING MINUTES  
Tuesday, April 28, 2014  
Schantz Conference Room**

<b>Voting Members Present</b>		<b>Staff/ Public/Other</b>		<b>Excused/Absent</b>
1. Dick Fogg 2. Phil Woodward 3. Peter Hohorst 4. Sharon Nevins 5. Shari Glago	6. Steve Barclay 7. S. Mishra, MD (by phone) 8. Mary Smith (by phone) 9. Keith Chamberlin, MD	David Cox Bernadette Jensen Jeannette Tarver Sam McCandless Stephen Berezin Bill Boerum Kelly Mather Gigi Betta		

<b>AGENDA ITEM</b>	<b>DISCUSSION</b>	<b>ACTIONS</b>	<b>FOLLOW-UP</b>
<b>MISSION AND VISION STATEMENTS</b>	<i>The mission of the SVHCD is to maintain, improve and restore the health of everyone in our community.            The vision of the SVHCD is that SVH will be a nationally recognized, compassionate place of healing known for excellence in clinical quality. We serve as the guide and indispensable link in our community members' health care journey.</i>		
<b>1. CALL TO ORDER</b>	<i>Fogg</i>		
	5:00 p.m.		
<b>2. PUBLIC COMMENT SECTION</b>	<i>Fogg</i>		
	None.		
<b>3. CONSENT CALENDAR</b>	<i>Fogg</i>	Action	
A. FC Minutes 3.25.14		<b>MOTION</b> by Hohorst to approve and <b>2<sup>nd</sup></b> by Barclay. All in favor.	
<b>4. MARCH 2014 FINANCIALS</b>	Cox	Inform	

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
	SVH is reporting an operating profit of \$541,271 for March which includes the favorable impact of \$1.3M in LIHP funds, which are expected to be received in July. Without this entry, SVH would have reported an operating loss of about (\$800,000). The operating loss for the year (\$27M) is now slightly behind budget. The year to date loss is offset by non-operating gains totaling \$2.9M, and our Net Income is \$233,199, which is positive to budget. Also, in March SVH is recording a reserve for its receivable from Palm Drive Hospital.		Ms. Betta to distribute “ <i>Small Hospitals Innovate to Avoid Palm Drive Fate.</i> ” to all three FC distribution lists.
<b>5. CASH FLOW FORECAST</b>	<i>Cox</i>	Inform	
	Mr. Cox presented the Statement of Cash Flows covering a period of four months from 3-1-14 to 6-30-14.		
<b>6. RAC ANALYSIS</b>	<i>Jensen</i>	Inform	
	Ms. Jensen gave an update on current RAC activity ending 3/31/14.		
<b>7. FY2015 BUDGET ASSUMPTIONS</b>	<i>Mather</i>	Inform	
	Ms. Mather covered the FY2015 budget assumptions. The overall goal for SVH is to reduce our expenses by \$4M (from a total of \$55M to \$51M). The Hospital expects break even with parcel tax. Growth, while it is part of future strategy, will be very low key. Salary increase of 3% in Jan. 2015 is still planned because Leadership feel very strongly about keeping salaries at market rate. A small benefit increase from WHS is expected. The Hospital will not be recruiting any physicians for quite awhile and those currently on-staff are on a productivity (RVU) plan which does not include any subsidy or support from the Hospital.		Ms. Betta to send a reminder to all three FC distribution lists about the Board Study Session on 5.20.14, 5pm in SVH Basement Conf. Rm. And will include the schedule of all SVH Board/Committee meetings for 2014.
<b>8. RESOLUTION No. 321</b>	<i>Fogg</i>	Action	
	<u>Roll call vote, 9 ayes, unanimous.</u> <ol style="list-style-type: none"> <li>1. Dick Fogg <i>aye</i></li> <li>2. Phil Woodward <i>aye</i></li> <li>3. Peter Hohorst <i>aye</i></li> <li>4. Sharon Nevins <i>aye</i></li> <li>5. Shari Glago <i>aye</i></li> <li>6. Steve Barclay <i>aye</i></li> <li>7. Subhash Mishra, MD (by phone) <i>aye</i></li> <li>8. Mary Smith (by phone) <i>aye</i></li> <li>9. Keith Chamberlin, M.D. <i>aye</i></li> </ol>	<b>MOTION</b> by Hohorst to approve and <b>2<sup>nd</sup></b> by Woodward. All in favor.	
<b>9. RESOLUTION No. 322</b>	<i>Fogg</i>	Action	

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
	<u>Roll call vote, 9 ayes, unanimous.</u> 1. Dick Fogg <i>aye</i> 2. Phil Woodward <i>aye</i> 3. Peter Hohorst <i>aye</i> 4. Sharon Nevins <i>aye</i> 5. Shari Glago <i>aye</i> 6. Steve Barclay <i>aye</i> 7. Subhash Mishra, MD (by phone) <i>aye</i> 8. Mary Smith (by phone) <i>aye</i> 9. Keith Chamberlin, M.D. <i>aye</i>	<b>MOTION</b> by Barclay to approve and <b>2<sup>nd</sup></b> by Woodward. All in favor.	
<b>10. IMPACT OF SGR</b>	<i>Mather</i>	Inform	
<b>11. CAPITATION IS FUTURE</b>	<i>Cox</i>	Inform	
	Mr. Cox gave an engaging presentation on Marin General Hospital's Capitation Strategy and talked about the current market changes, future healthcare premises and the revenue opportunities for the providers in the community based on this plan.		
<b>12. ADJOURN</b>	<i>Fogg</i>		
	<b>Adjourn</b> 6:40 p.m.		



SUBJECT: Capital Acquisition Policy	POLICY # LD8610-300
	PAGE 1 OF 4
DEPARTMENT: Organizational	EFFECTIVE: 1/89
APPROVED BY: Director of Materials Management	REVIEW/REVISED: 10/91,4/94,9/95,2/96,8/96, 2/99,6/07,12/07,2/10,8/12, 5/13

**PURPOSE:**

To provide clear and concise guidelines by which SVH manages the method of acquiring capital assets as delegated by the Sonoma Valley Health Care District Board of Directors and the CEO.

**POLICY:**

The Board of Directors approves the capital equipment budget for expenditures each fiscal year as part of the fiscal year budget. The attached Capital Acquisition Form will be utilized in the approval process for capital purchases. Any purchase over \$100,000 will be presented to the Finance Committee and will be brought to the District Board as a recommendation from the Finance Committee. This includes coordination of capital projects and equipment items in the budgetary process, assuring compliance with designated capital equipment procedures.

**PROCEDURE:**

Capital equipment is defined as any single item having a cost of \$2,000 or more and a useful life greater than two years, or a group of like items exceeding a cost of \$5,000.

1. To initiate a purchase transaction, a Capital Asset Acquisition Form (Exhibit A) must be completed and approved in advance of the purchase.
2. Materials Management is the only department authorized to place an order for the purchase of capital equipment from outside vendors. Materials Management will collaborate with the department initiating the Capital Acquisition Form to ensure that the best available equipment, at the best ~~price-value~~ is obtained. Best value is determined by considering the purchase cost of the item, demonstrated reliability and performance of the item and supplier, total operating cost for the item (utilities, maintenance, and disposable supplies), return on investment, and cost for technical support and warranty. All necessary signature approvals must be obtained by the requestor prior to the issuance of a Purchase Order.
3. When submitting capital requests, all of the necessary requirements for operation must be considered, including the following: electrical requirements, cabling, network/Internet access, interfaces to existing systems, regulatory requirements, and construction and installation costs. Because other departments may be affected in the installation, utilization and/or maintenance of new capital equipment, all relevant departments must be included in the decision process.



SUBJECT: Capital Acquisition Policy	POLICY # LD8610-300
DEPARTMENT: Organizational	PAGE 2 OF 4
APPROVED BY: Director of Materials Management	EFFECTIVE: 1/89
	REVIEW/REVISED: 10/91,4/94,9/95,2/96,8/96, 2/99,6/07,12/07,2/10,8/12, 5/13

- The Sonoma Valley Hospital CEO shall adhere to all applicable laws, and the procedures as outlined in Organizational Policy LD8610-408, Bidding Regulations Governing Purchases of Materials, Supplies, and Equipment and Procurement of Professional Services and Policy LD8610-4067, Bidding for Public Works Contracts. Should Board policy not conform with statute, the CEO shall ensure adherence with statute and advise the Board of policy not in compliance with statute(s).
- Upon receipt of the approved Capital Acquisition Form, a purchase order will be generated by Materials Management and communicated to the vendor.
- When the equipment is received, Facilities Management/Biomed will perform a safety check prior to being placed into service. Parts lists and maintenance manuals will be forwarded to Facilities Management.

Nothing in this policy shall be construed as limiting the power of the CEO to authorize the purchase of capital equipment in the event of an emergency. In such instance, the CEO or designee will attempt to secure advance approval from the Chairperson and Treasurer of the District Board and report the purchase to the District Board at the next regularly scheduled meeting. “Emergency” is defined in Health and Safety Code sections §32132 and §32136. The Board has specifically delegated authority to the Sonoma Valley Hospital CEO to act in such emergencies.

**REFERENCE:**

Health and Safety Code:

§32121(b), §32132, §32132.5, §32132(a), §32132(b), §32132(c), §32132(d), §32132(e) §32133, §32136, §32138, §32138(a), §32138(c)

Public Contract Code:

§1103, §1601, §4104.5, §10167, §20150.8, §2230, §22036, §22037

Government Code:

§4526, §4529.5, §53060, §53064, §53068, §4525, §4217.10, §4217.11(f), §4217.12

Revenue and Taxation Code §23704 (“GPO”)

Health & Safety Code 32132, Public Contract Code 1103, Government Code 53060



SUBJECT: Capital Acquisition Policy	POLICY # LD8610-300
DEPARTMENT: Organizational	PAGE 3 OF 4
APPROVED BY: Director of Materials Management	EFFECTIVE: 1/89
	REVIEW/REVISED: 10/91,4/94,9/95,2/96,8/96, 2/99,6/07,12/07,2/10,8/12, 5/13

Sonoma Valley Hospital Organizational Policy:

Bidding Regulations Governing Purchases of Materials, Supplies and Equipment and Procurement of Professional Services LD8610-408



Exhibit A

SONOMA VALLEY HEALTH CARE DISTRICT

CAPITAL ASSET ACQUISITION FORM

FY: 2012	Dept #	Dept Name:	C/A# FY2012-		
Submitted By:		Date:	<b>BUDGETED AND ACTUAL AREAS TO BE COMPLETED BY MATERIALS MANAGEMENT</b>		
Qty	Description	BUDGET PRICE		ACTUAL PRICE	
		Item Cost	Ext. Cost	Item Cost	Ext. Cost
Vendor: _____		Sub-Total		Sub-Total	
Contact: _____		Tax 8%		Tax 8%	
Telephone: _____		Freight		Freight	
		Other		Other	
		TOTAL		TOTAL	
Justification: (Return on Investment if > \$25,000) <u>Attach Justification</u>			<p style="text-align: center;"><b>Priority</b></p> <p style="text-align: center;"> <b>1.</b>      <b>2.</b>      <b>3.</b>      <b>4.</b>  <input type="checkbox"/> Safety   <input type="checkbox"/> Business   <input type="checkbox"/> Obsolete   <input type="checkbox"/> Patient  <input type="checkbox"/> Regulatory   <input type="checkbox"/> Development   <input type="checkbox"/> Equipment   <input type="checkbox"/> Satisfaction </p>		
Equipment: <input type="checkbox"/> New <input type="checkbox"/> Replacement			What happens if we don't acquire this item?		
Number of Units in Use: Expected Usage: Age of Current Equipment:			Equipment Service History:		
Financing Option <input type="checkbox"/> Purchase <input type="checkbox"/> Rent <input type="checkbox"/> Lease <input type="checkbox"/> Other			Purchase Additional Service Now?    --Yes    --No		
Funding Sources: <input type="checkbox"/> Budgeted <input type="checkbox"/> Non-Budgeted			Warranty Ends:-- Provider:----- Cost:----- Start Date: -----		
Finance Only: Capital: <input type="checkbox"/> Yes <input type="checkbox"/> No  CIP:    -			For MM Use Only:		

Authorization – Please Initial for your Department    Dept. Mgr. \_\_\_\_\_    Plant Ops. \_\_\_\_\_    IS Mgr. \_\_\_\_\_

\\svh-fp01\shared\Materials Management\Capital Acquisition Form 2012.docx

4.

FINANCIAL REPORT  
FOR MONTH ENDING  
APRIL 30, 2014



**To:** SVH Finance Committee  
**From:** David Cox, CFO, MGH  
**Date:** May 27, 2014  
**Subject:** Financial Report for the Month Ending April 30, 2014

### Overall Results for April 2014

Overall for April, SVH has a net loss after the restricted contributions of (\$360,511) on a budgeted loss of (\$16,116), for an unfavorable difference of (\$344,395). Total net patient service revenue was under budget by (\$255,945). Risk contract revenue is under budget by (\$65,218), which is due to low Napa State inpatient volume. Other operating revenue is under budget by (\$50,851) due to the receipt of the Electronic Health Record Phase 1 money in January. Phase 2 of the Electronic Health Record money is being accrued at \$64,369 per month with an anticipated receipt of the money in January 2015. This brings the total operating revenue to \$4,040,562 or (\$372,014) under budget. Expenses were \$4,599,951 on a budget of \$4,688,309 or \$88,358 better than budget. The EBIDA prior to the restricted donations for the month was \$43,053 or 1.1%.

### Patient Volumes - April

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	94	90	4	88
Acute Patient Days	303	370	-67	315
SNF Patient Days	674	621	53	589
Home Care Visits	1,218	1,300	-82	1,101
OP Gross Revenue	\$9,918	\$9,135	\$783	\$8,906
Surgical Cases	147	128	19	115

### Overall Payer Mix - April

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	50.6%	49.1%	1.5%	51.1%	49.4%	1.7%
Medi-Cal	17.2%	10.5%	6.7%	12.5%	10.7%	1.8%
Self Pay	2.6%	3.7%	-1.1%	2.9%	3.8%	-0.9%
Commercial	17.6%	29.6%	-12.0%	23.4%	29.0%	-5.6%
Managed MC	5.3%	2.8%	2.5%	4.5%	2.9%	1.6%
Workers Comp	3.8%	1.5%	2.3%	3.2%	1.5%	1.7%
Capitated	2.9%	2.8%	0.1%	2.4%	2.7 %	-0.3%
Total	100%	100%		100%	100%	

### **Total Operating Revenues**

Total operating revenues for April were \$4.0 million on a budget of \$4.4 million or (\$372,014) under budget.

Net Patient Revenue is under budget by (\$255,945) or 6%, due to the following:

- Home Care was under budget by 82 visits, but offset with a better case mix.
- Skilled Nursing Home volume was over budget by 53 days.
- Bad Debts and Charity Care were favorable to budget by \$196,657.

This is off set with:

- Overall inpatient volume was over budget by 4 discharges, offset with a poor case mix.
- Outpatient was over budget in volume, but had higher Medicare patients and lower commercial insured patients.

### **Expenses**

April's expenses were \$4.6 million on a budget of \$4.7 million or better than budget by \$88,358. The following is a summary of the operating expense variances for the month of April:

- Total productivity FTE's were over budget at 285 on a budget of 280, or (\$6,166) over budget. This was due to the use of registry in Surgery (\$12,987).
- Employee Benefits were under budget by \$37,400, due to health insurance being under budget by \$11,009 and State Unemployment Insurance under budget by \$12,568.
- Medical and Prof Fees are over budget by (\$43,718), (\$45,000) is due to additional Prima Physician call.
- Supplies are over budget by (\$44,699) due to Surgery supplies being over budget by (\$82,371) due to April's volumes.
- Purchase Services are under budget by \$55,524, due to all departments being under budget except Patient Financial Services contracts for collection companies, (\$22,913) and (\$23,438) is for the Lab for outsourced testing that Quest performs.

### **Cash Collections on Patient Receivables:**

For the month of April the cash collection goal was \$2,899,990 the Hospital collected \$3,498,230 or over the goal by \$598,240. Year to date the Hospital patient collections goal was \$32,327,387 and had collection of \$33,411,314 or \$1,083,927 over the goal. The cash collection goal is based upon net hospital revenue from 60 days ago. Days of cash on hand are 12 days at April 30, 2014.



These comparisons are for actual FY 2014 compared to actual FY 2013. These are not budget comparisons.

### ER Visits

	ER – Inpatient				ER – Outpatient			
	CY	PY	Change	%	CY	PY	Change	%
July	109	109	0	0%	641	729	-88	-12.1%
Aug	94	106	-12	-11.3%	695	778	-83	-10.7%
Sept	105	111	-6	-5.6%	690	677	13	1.9%
Oct	60	95	-35	-32.4%	671	706	-35	-5.2%
Nov	72	101	-29	-27.1%	593	631	-38	-6.0%
Dec	95	100	-5	-4.2%	656	693	-37	-5.9%
Jan	81	141	-60	-64.5%	730	711	19	2.7%
Feb	80	112	-32	-34.0%	575	598	-23	-3.8%
Mar	105	97	8	6.6%	664	660	4	0.6%
April	99	88	11	12.5%	689	641	48	7.6%
YTD	900	1,060	-160	-15.1%	6,604	6,824	-220	-3.2%



**OPERATING INDICATORS  
SONOMA VALLEY HOSPITAL**

**For the month ended April, 2014**

	CURRENT MONTH			YEAR-TO-DATE			
	Actual 04/30/14	Budget 04/30/14	Favorable (Unfavorable) Variance	Actual 04/30/14	Budget 04/30/14	Favorable (Unfavorable) Variance	Prior Year 04/30/13
<b>Inpatient Utilization</b>							
<b>Discharges</b>							
1 Acute	73	70	3	810	1,002	(192)	1,075
2 ICU	21	20	1	167	205	(38)	105
3 Total Discharges	94	90	4	977	1,207	(230)	1,180
4 Newborn	9	14	(5)	124	135	(11)	132
5 Total Discharges inc. Newborns	103	90	(1)	1,101	1,342	(241)	1,312
<b>Patient Days:</b>							
6 Acute	209	250	(41)	2,617	3,126	(509)	3,390
7 ICU	94	120	(26)	1,004	1,216	(212)	859
8 Total Patient Days	303	370	(67)	3,621	4,342	(721)	4,249
9 Newborn	10	30	(20)	237	298	(61)	292
10 Total Patient Days inc. Newborns	313	400	(87)	3,858	4,640	(782)	4,541
<b>Average Length of Stay:</b>							
11 Acute	2.9	3.6	(0.7)	3.2	3.1	0.1	3.2
12 ICU	4.5	6.0	(1.5)	6.0	5.9	0.1	8.2
13 Avg. Length of Stay	3.2	4.1	(0.9)	3.7	3.6	0.1	3.6
14 Newborn ALOS	1.1	2.2	(1.1)	1.9	2.2	0.3	2.2
<b>Average Daily Census:</b>							
15 Acute	7.0	8.3	(1.4)	8.6	10.3	(1.7)	11.2
16 ICU	3.1	4.0	(0.9)	3.3	4.0	(0.7)	2.8
17 Avg. Daily Census	10.1	12.3	(2.2)	11.9	14.3	(2.4)	14.0
18 Newborn	0.3	1.0	(0.7)	0.8	1.0	(0.2)	1.0
<b>Long Term Care:</b>							
19 SNF Patient Days	674	621	53	6,346	6,473	(127)	6,516
20 SNF Discharges	34	32	2	295	348	(53)	328
21 Average Daily Census	22.5	20.7	2	20.9	21.3	(0)	21.4
<b>Other Utilization Statistics</b>							
<b>Emergency Room Statistics</b>							
22 Total ER Visits	788	748	40	7,504	7,990	(486)	7,884
<b>Outpatient Statistics:</b>							
23 Total Outpatients Visits	4,812	4,376	436	42,769	42,031	738	40,177
24 IP Surgeries	34	35	(1)	330	382	(52)	353
25 OP Surgeries	113	93	20	1,000	931	69	901
26 Special Procedures	35	27	8	349	315	34	368
27 Home Health Visits	1,218	1,300	(82)	9,272	9,975	(703)	9,940
28 Adjusted Discharges	316	276	41	2,900	3,352	(451)	3,257
29 Adjusted Patient Days	2,415	2,243	172	22,727	23,307	(580)	23,252
30 Adj. Avg. Daily Census	80.5	74.8	5.7	74.8	76.7	(1.9)	76.5
31 Case Mix Index -Medicare	1.5212	1.4000	0.121	1.6292	1.4000	0.229	1.4743
32 Case Mix Index - All payers	1.5257	1.4000	0.126	1.5448	1.4000	0.145	1.4720
<b>Labor Statistics</b>							
33 FTE's - Worked	285	280	(5.4)	280	282	1.5	284
34 FTE's - Paid	311	315	4.3	313	316	3.5	320
35 Average Hourly Rate	38.32	37.69	(0.63)	36.91	36.17	(0.74)	35.43
36 Manhours / Adj. Pat Day	22.0	24.0	2.0	23.8	23.5	(0.3)	23.9
37 Manhours / Adj. Discharge	167.9	195.3	27.4	186.9	163.5	(23.4)	170.4
38 Benefits % of Salaries	23.0%	23.2%	0.2%	22.5%	23.2%	0.8%	23.2%
<b>Non-Labor Statistics</b>							
39 Supply Expense % Revenue	3%	3%	0%	3%	3%	0%	3%
40 Supply Exp. / Adj. Discharge	1,664.63	1,747.65	83	1,748.39	1,500.92	(247)	1,567.72
41 Total Expense / Adj. Discharge	15,159.59	12,633.39	(2,526)	16,075.30	14,246.49	(1,829)	13,765.82
<b>Other Indicators</b>							
42 Days Cash - Operating Funds	12.0						
43 Days in Net AR	47.9	50.0	(2.1)	51.8	50.0	1.8	59.2
44 Collections % of Net Revenue	121%			113%			
45 Days in Accounts Payable	65.8	60.0	5.8	65.8	60.0	5.8	-
46 % Net revenue to Gross revenue	23.8%	26.1%	-2.4%	24.3%	25.3%	-1.0%	25.1%
47 % Net AR to Gross AR	23.9%			23.9%			28.5%

**Sonoma Valley Health Care District**  
**Statement of Revenue and Expenses**  
**Comparative Results**  
**For the Period Ended April 2014**

	Month				Year-To-Date				YTD Prior Year
	This Year		Variance		This Year		Variance		
	Actual	Budget	\$	%	Actual	Budget	\$	%	
<b>Volume Information</b>									
1 Acute Discharges	94	90	4	4%	978	1,207	(229)	-19%	1,180
2 SNF Days	674	621	53	9%	6,346	6,473	(127)	-2%	6,516
3 Home Care Visits	1,218	1,300	(82)	-6%	9,274	9,975	(701)	-7%	9,940
4 Gross O/P Revenue (000's)	9,918	9,135	783	9%	\$ 95,044	\$ 90,391	4,653	5%	\$ 84,982
<b>Financial Results</b>									
<b>Gross Patient Revenue</b>									
5 Inpatient	\$ 4,393,802	\$ 5,095,946	(702,144)	-14%	\$ 50,181,640	\$ 55,932,191	(5,750,551)	-10%	\$ 52,022,171
6 Outpatient & Emergency	6,630,801	5,668,442	962,359	17%	61,286,272	55,168,078	6,118,194	11%	52,738,969
7 Emergency	2,931,180	3,105,565	(174,385)	-6%	30,922,395	32,506,635	(1,584,240)	-5%	29,351,958
8 SNF	2,345,270	2,136,378	208,892	10%	24,056,457	22,322,907	1,733,550	8%	21,238,039
9 Home Care	356,301	360,887	(4,586)	-1%	2,835,455	2,716,785	118,670	4%	2,890,758
10 Total Gross Patient Revenue	\$ 16,657,354	\$ 16,367,218	290,136	2%	\$ 169,282,218	\$ 168,646,596	635,622	0%	\$ 158,241,895
<b>Deductions from Revenue</b>									
11 Contractual Discounts	\$ (12,777,209)	\$ (12,034,471)	(742,738)	-6%	\$ (131,000,650)	\$ (125,526,597)	(5,474,053)	-4%	\$ (117,889,109)
12 Bad Debt	(150,000)	(205,223)	55,223	27%	(1,958,255)	(2,114,603)	156,348	7%	(2,220,000)
13 Charity Care Provision	(30,000)	(171,434)	141,434	83%	(225,250)	(1,618,553)	1,393,303	86%	(1,385,971)
14 Prior Period Adjustments	-	-	-	0%	2,107,929	-	2,107,929	0%	(300,000)
15 Total Deductions from Revenue	\$ (12,957,209)	\$ (12,411,128)	(546,081)	4%	\$ (131,076,226)	\$ (129,259,753)	(1,816,473)	1%	\$ (121,795,080)
16 Net Patient Service Revenue	\$ 3,700,145	\$ 3,956,090	(255,945)	-6%	\$ 38,205,992	\$ 39,386,843	(1,180,851)	-3%	\$ 36,446,815
17 Risk contract revenue	\$ 256,699	\$ 321,917	(65,218)	-20%	\$ 2,871,921	\$ 3,219,170	(347,249)	-11%	\$ 3,218,753
18 Net Hospital Revenue	\$ 3,956,844	\$ 4,278,007	(321,163)	-8%	\$ 41,077,913	\$ 42,606,013	(1,528,100)	-4%	\$ 39,665,568
19 Other Op Rev & Electronic Health Records	\$ 83,718	\$ 134,569	(50,851)	38%	\$ 1,232,448	\$ 1,345,690	(113,242)	-8%	\$ 1,320,025
20 Total Operating Revenue	\$ 4,040,562	\$ 4,412,576	(372,014)	-8%	\$ 42,310,360	\$ 43,951,703	(1,641,343)	-4%	\$ 40,985,593
<b>Operating Expenses</b>									
21 Salary and Wages and Agency Fees	\$ 2,035,022	\$ 2,028,856	(6,166)	0%	\$ 20,005,428	\$ 20,330,390	324,962	2%	\$ 19,666,156
22 Employee Benefits	722,496	759,896	37,400	5%	7,329,822	7,652,886	323,064	4%	7,359,585
23 Total People Cost	\$ 2,757,518	\$ 2,788,752	31,234	1%	\$ 27,335,250	\$ 27,983,276	648,026	2%	\$ 27,025,741
24 Med and Prof Fees (excl Agency)	\$ 422,504	\$ 378,786	(43,718)	-12%	\$ 4,316,397	\$ 3,892,773	(423,624)	-11%	\$ 3,774,597
25 Supplies	526,664	481,965	(44,699)	-9%	5,071,177	5,030,943	(40,234)	-1%	5,106,502
26 Purchased Services	377,300	432,824	55,524	13%	4,060,015	4,348,719	288,704	7%	4,022,577
27 Depreciation	244,361	277,142	32,781	12%	1,776,072	2,282,780	506,708	22%	1,814,225
28 Utilities	91,216	132,354	41,138	31%	810,496	1,023,540	213,044	21%	737,360
29 Insurance	18,888	18,699	(189)	-1%	188,876	186,989	(1,887)	-1%	195,519
30 Interest	21,512	34,188	12,676	37%	320,131	453,983	133,852	29%	291,612
31 Other	139,988	143,599	3,611	3%	1,654,794	1,351,214	(303,580)	-22%	914,596
32 Operating expenses	\$ 4,599,951	\$ 4,688,309	88,358	2%	\$ 45,533,208	\$ 46,554,217	1,021,009	2%	\$ 43,882,729
33 Operating Margin	\$ (559,389)	\$ (275,733)	(283,656)	-103%	\$ (3,222,848)	\$ (2,602,514)	(620,334)	-24%	\$ (2,897,136)
<b>Non Operating Rev and Expense</b>									
34 Miscellaneous Revenue	\$ 2,194	\$ 4,167	(1,973)	-47%	\$ (155,548)	\$ 41,668	(197,216)	*	\$ 137,606
35 Donations	-	3,333	(3,333)	-100%	444,097	33,333	410,764	*	563,106
36 Professional Center/Phys Recruit	-	-	-	0%	-	-	-	0%	-
37 Physician Practice Support-Prima	(55,451)	(65,630)	10,179	-16%	(577,174)	(656,300)	79,126	-12%	(656,300)
38 Parcel Tax Assessment Rev	237,500	237,500	-	0%	2,373,635	2,375,000	(1,365)	0%	2,448,520
39 Total Non-Operating Rev/Exp	\$ 184,243	\$ 179,370	4,873	3%	\$ 2,085,010	\$ 1,793,701	291,309	16%	\$ 2,492,932
40 Net Income / (Loss) prior to Rest. Cont. & GO Bond Activity	\$ (375,146)	\$ (96,363)	(278,783)	289%	\$ (1,137,838)	\$ (808,813)	(329,025)	41%	\$ (404,204)
41 Capital Campaign Contribution	\$ 3,175	\$ 67,521	(64,346)	-95%	\$ 3,264,165	\$ 1,593,840	1,670,325	105%	\$ 524,163
42 Restricted Foundation Contributions	\$ -	\$ -	-	0%	\$ -	\$ -	-	100%	\$ -
43 Net Income / (Loss) w/ Restricted Contributions	\$ (371,971)	\$ (28,842)	(343,129)	1190%	\$ 2,126,327	\$ 785,027	1,341,300	171%	\$ 119,959
44 GO Bond Tax Assessment Rev	152,326	153,584	(1,258)	-1%	1,523,257	1,535,840	(12,583)	-1%	1,535,670
45 GO Bond Interest	(140,866)	(140,858)	(8)	0%	(515,905)	(542,235)	26,330	-5%	(300,110)
46 Net Income/(Loss) w GO Bond Activity	\$ (360,511)	\$ (16,116)	(344,395)	-2137%	\$ 3,133,679	\$ 1,778,632	1,355,047	-76%	\$ 1,355,519

Sonoma Valley Health Care District  
Balance Sheet  
For The Period Ended  
As of April 30, 2014

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
<b>Assets</b>			
Current Assets:			
1 Cash	\$ 1,793,052	\$ 1,255,535	\$ 2,457,837
2 Trustee Funds	762,010	762,010	1,263,697
3 Net Patient Receivables	8,028,724	7,888,038	8,675,897
4 Allow Uncollect Accts	(1,800,483)	(1,740,680)	(1,238,916)
5 Net A/R	6,228,241	6,147,358	7,436,981
6 Other Accts/Notes Rec	2,197,966	2,980,819	910,027
7 3rd Party Receivables, Net	1,725,610	1,937,910	721,988
8 Due Frm Restrict Funds	-	-	-
9 Inventory	766,137	743,867	887,739
10 Prepaid Expenses	1,221,350	909,717	1,383,073
11 Total Current Assets	<u>\$ 14,694,366</u>	<u>\$ 14,737,216</u>	<u>\$ 15,061,342</u>
12 Board Designated Assets	\$ 5,402	\$ 5,399	\$ 186,468
13 Property, Plant & Equip, Net	53,054,235	52,469,485	10,844,197
14 Hospital Renewal Program	-	-	24,672,940
15 Unexpended Hospital Renewal Funds	-	-	9,000,255
16 Investments	-	-	-
17 Specific Funds	496,265	565,239	2,145,292
18 Other Assets	428,023	436,558	265,134
19 Total Assets	<u><u>\$ 68,678,291</u></u>	<u><u>\$ 68,213,897</u></u>	<u><u>\$ 62,175,628</u></u>
<b>Liabilities &amp; Fund Balances</b>			
Current Liabilities:			
20 Accounts Payable	\$ 5,005,757	\$ 4,471,747	\$ 4,213,471
21 Accrued Compensation	3,988,357	3,892,725	3,641,340
22 Interest Payable	428,011	285,340	428,557
23 Accrued Expenses	1,434,691	1,261,871	280,410
24 Advances From 3rd Parties	174,667	(191,739)	1,322,123
25 Deferred Tax Revenue	927,346	1,317,172	783,469
26 Current Maturities-LTD	911,205	910,496	805,376
27 Other Liabilities	4,197,662	4,204,540	2,542,868
28 Total Current Liabilities	<u>\$ 17,067,696</u>	<u>\$ 16,152,152</u>	<u>\$ 14,017,614</u>
29 Long Term Debt, net current portion	\$ 37,616,900	\$ 37,707,628	\$ 37,908,808
Fund Balances:			
31 Unrestricted	\$ 12,865,708	\$ 13,229,305	\$ 7,416,623
32 Restricted	1,127,987	1,124,812	2,832,583
33 Total Fund Balances	<u>\$ 13,993,695</u>	<u>\$ 14,354,117</u>	<u>\$ 10,249,206</u>
34 Total Liabilities & Fund Balances	<u><u>\$ 68,678,291</u></u>	<u><u>\$ 68,213,897</u></u>	<u><u>\$ 62,175,628</u></u>



**Sonoma Valley Hospital**  
**Statement of Cash Flows**  
**For the Period Ended**

	<u>Current Month</u>	<u>Year To Date</u>
<b>Operating Activities</b>		
Net Income (Loss)	(360,511)	3,108,063
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	244,361	1,776,072
Net changes in operating assets and liabilities:		
(Increase)/Decrease Patient accounts receivable - net	(80,883)	297,781
(Increase)/Decrease Other receivables and other assets	1,003,688	4,014,479
(Increase)/Decrease Prepaid expenses	(311,633)	(146,938)
(Increase)/Decrease in Inventories	(22,270)	28,497
(Decrease)/Increase in Deferred revenues	(23,420)	(5,412,943)
(Decrease)/Increase in Accounts payable, accrued expenses	938,344	789,607
<b>Net Cash Provided/(Used) by operating activities</b>	<u>1,387,676</u>	<u>4,454,618</u>
<b>Investing Activities</b>		
Net Purchases of property, plant and equipment - Other Fixed Assets	(829,111)	(44,155,855)
Net Purchases of property, plant and equipment - GO Bond Purchases	-	31,801,877
Net Proceeds and Distributions from investments	-	-
Net Book Value of Assets Disposed	-	-
Change in Restricted Funds	-	-
Change in Limited Use Cash	68,971	7,641,369
(Payment)/Refund of Deposits	-	-
<b>Net cash Provided/(Used) by investing activities</b>	<u>(760,140)</u>	<u>(4,712,609)</u>
<b>Financing Activities</b>		
Proceeds (Repayments) from Borrowings - Banks & Carriers	(90,019)	(87,359)
Proceeds (Repayments) from Borrowings - Other		
Net Intercompany Borrowings/(Repayments)		
Change in Post Retirement Obligations & Other Net Assets	-	-
Net Equity Transfers to related entities (Cash and Non-Cash)		
<b>Net cash Provided/(Used) by financing activities</b>	<u>(90,019)</u>	<u>(87,359)</u>
<b>Net increase/(Decrease) in cash and cash equivalents</b>	<u>537,517</u>	<u>(345,350)</u>
Cash and Equivalents at beginning of period	<u>1,255,535</u>	<u>2,138,402</u>
<b>Cash and Equivalents at April 30, 2014</b>	<u><u>1,793,052</u></u>	<u><u>1,793,052</u></u>



**Sonoma Valley Hospital**  
**Statistical Analysis**  
**FY 2014**

Statistics	ACTUAL	BUDGET	ACTUAL											
	Apr-14	Apr-14	Mar-14	Feb-14	Jan-14	Dec-13	Nov-13	Oct-13	Sep-13	Aug-13	Jul-13	Jun-13	May-13	Apr-13
<b>Acute</b>														
Acute Patient Days	303	370	407	300	389	402	318	374	405	385	338	323	396	315
Acute Discharges	94	90	117	79	91	112	85	91	107	102	100	87	99	88
<b>SNF Days</b>	674	621	750	641	754	733	531	606	585	615	457	470	638	589
<b>HHA Visits</b>	1,218	1,300	1,106	872	1,040	951	903	941	745	736	760	990	1,140	1,101
<b>Emergency Room Visits</b>	788	748	769	655	811	751	665	731	795	789	750	716	795	729
<b>Gross Outpatient Revenue (000's)</b>	\$9,918	\$9,135	\$9,999	\$8,604	\$9,095	\$8,809	\$9,325	\$10,248	\$9,173	\$9,801	\$10,071	\$8,353	\$9,289	\$8,906
<b>Equivalent Patient Days</b>	2,415	2,243	2,585	2,136	2,375	2,356	2,145	2,342	2,157	2,256	1,945	1,892	2,266	2,237
<b>Births</b>	6	14	19	14	6	11	14	12	13	11	15	8	15	12
<b>Surgical Cases - Inpatient</b>	34	35	43	26	37	31	26	32	33	35	33	30	42	25
<b>Surgical Cases - Outpatient</b>	113	93	113	95	76	107	109	103	87	95	102	86	105	90
<b>Total Surgical Cases</b>	147	128	156	121	113	138	135	135	120	130	135	116	147	115
<b>Medicare Case Mix Index</b>	1.57	1.40	1.63	1.77	1.94	1.49	1.76	1.52	1.47	1.64	1.54	1.58	1.62	1.50
<b>Capitation</b>														
Commercial Members	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Income Statement</b>														
Net Revenue (000's)	3,957	4,278	3,449	3,449	3,737	3,998	3,757	4,459	3,937	4,251	4,068	3,821	3,324	3,986
Operating Expenses (000's)	4,600	4,688	4,273	4,273	4,553	4,480	4,361	5,022	4,339	4,441	4,413	4,694	4,529	4,407
Net Income (000's)	(360)	(16)	401	(12)	13	412	(57)	990	883	440	185	732	(651)	149
<b>Productivity</b>														
Total Operating Expense Per Equivalent Patient Day	\$1,905	\$2,090	\$1,937	\$2,000	\$1,917	\$1,902	\$2,033	\$2,144	\$2,011	\$1,968	\$2,269	\$2,481	\$1,999	\$1,970
Productive FTEs	285	280	292	266	268	277	288	282	279	286	279	277	282	286
Non-Productive FTEs	26	36	26	34	42	38	25	29	41	30	36	40	28	34
Total FTEs	311	315	318	301	310	315	313	312	320	315	315	317	311	320
FTEs per Adjusted Occupied Bed	3.86	4.28	3.81	3.94	4.05	4.15	4.39	4.12	4.45	4.33	4.25	4.25	4.25	4.29
<b>Balance Sheet</b>														
Days of Expense In General Operating Cash	12		8	8	7	7	11	7	8	11	8	7	12	17
Net Days of Revenue in AR	48		49	49	54	52	54	48	50	53	50	62	59	55

5.

# STATEMENT OF CASH FLOWS

Sonoma Valley Hospital  
Statement of Cash Flows  
FY 2014

	Actual Mar	Actual Apr	Forecast May	Forecast Jun	Forecast TOTAL
<b>Operating Activities</b>					
1 Net Income (Loss)	344,653	(410,422)	(91,241)	(58,672)	(1,554,696)
2 <b>Adjustments to reconcile change in net assets to net cash provided</b>					
3 <b>by operating activities:</b>					
4 Depreciation and amortization	248,464	244,361	244,361	244,361	2,264,794
5 Net changes in operating assets and liabilities:					0
6 (Increase)/Decrease in Patient accounts receivable - net	(504,292)	(80,883)	43,836	78,000	497,171
7 (Increase)/Decrease in Other accounts/notes receivable	(0)	0	(0)	-	0
8 (Increase)/Decrease in Third party receivables	(1,398,833)	212,300	(466,401)	612,500	(1,272,456)
9 (Increase)/Decrease in Pledges and other receivables	430,443	(271,013)	91,306	(84,645)	536,125
10 (Increase)/Decrease in Parcel and GOB tax receivables	850,000	1,053,866	-	-	4,982,228
11 (Increase)/Decrease in Other asset	(5,341)	8,535	-	-	(156,210)
12 (Increase)/Decrease in Inventories	22,549	(22,270)	-	-	28,497
13 (Increase)/Decrease Prepaid expenses	281,624	(311,633)	21,350	100,000	(25,588)
14 (Decrease)/Increase in Deferred revenues	(889,067)	(23,420)	(564,492)	(389,826)	(6,367,261)
15 (Decrease)/Increase in Accounts payable	(405,207)	534,010	(505,757)	(500,000)	(3,011,505)
16 (Decrease)/Increase in Accrued compensation	314,308	95,632	(188,357)	-	615,073
17 (Decrease)/Increase in Interest payable	142,670	142,670	142,670	142,670	(911)
18 (Decrease)/Increase in Accrued expenses	195,319	172,820	(47,622)	-	429,672
19 (Decrease)/Increase in Other liabilities	7,000	(6,878)	1,250,000	1,000,000	4,022,793
20 <b>Net Cash Provided/(Used) by operating activities</b>	<b>(365,710)</b>	<b>1,337,676</b>	<b>(70,345)</b>	<b>1,144,389</b>	<b>987,725</b>
21					
22 <b>Investing Activities</b>					
23 Net Purchases of property, plant and equipment - Hospital Renewal F	41,058,751	-	-	-	31,801,877
24 Net Purchases of property, plant and equipment - GO Bond Purchases	-	-	-	-	0
25 Net Purchases of property, plant and equipment - Foundation Funded Purchases	-	-	-	-	0
26 Net Purchases of property, plant and equipment - Other Fixed Assets	(41,138,356)	(829,111)	(1,394,361)	(1,394,361)	(46,944,577)
27 Net Proceeds and Distributions from investments	-	-	-	-	-
28 Net Book Value of Assets Disposed	-	-	-	-	0
29 (Payment)/Refund of Deposits	-	-	-	-	0
30 <b>Net cash Provided/(Used) by investing activities</b>	<b>(79,606)</b>	<b>(829,111)</b>	<b>(1,394,361)</b>	<b>(1,394,361)</b>	<b>(15,142,700)</b>
31					
32 <b>Financing Activities</b>					
33 Proceeds (Repayments) from Borrowings - Banks & Carriers	(85,684)	(90,020)	457,528	299,674	669,843
34 Proceeds (Repayments) from Borrowings - Other	-	-	-	-	-
35 Change in Restricted Funds (Specific Funds)	503,156	68,974	246,265	250,000	7,454,881
36 Change in Limited Use Cash (Trustee Funds)	-	-	-	-	501,687
37 Change in Board Designated Assets	-	(3)	-	-	181,066
38 Donations	56,417	50,000	50,000	50,000	4,682,138
39 Change in Unexpended Hospital Revealal Funds	-	-	-	-	-
40 Net Intercompany Borrowings/(Repayments)	-	-	-	-	-
41 Change in Post Retirement Obligations & Other Net Assets	-	-	-	-	-
42 Net Equity Transfers to related entities (Cash and Non-Cash)	-	-	-	-	-
43 <b>Net cash Provided/(Used) by financing activities</b>	<b>473,889</b>	<b>28,951</b>	<b>753,793</b>	<b>599,674</b>	<b>13,489,616</b>
44					
45 <b>Net increase/(Decrease) in cash and cash equivalents</b>	<b>28,574</b>	<b>537,516</b>	<b>(710,913)</b>	<b>349,702</b>	<b>(665,360)</b>
46					
47 Cash and Equivalents at beginning of period	1,226,962	1,255,536	1,793,052	1,082,139	1,431,841
48					
49 <b>Cash and Equivalents at end of period</b>	<b>1,255,536</b>	<b>1,793,052</b>	<b>1,082,139</b>	<b>1,431,841</b>	

6.

# RAC ANALYSIS UPDATE

## Executive Scorecard - Custom

The number of open and closed audits and their potential financial impact

**Facility** SVH  
**Audit Type** RAC  
**Auditor**  
**Closed Date Range** 01/01/2007 - 05/20/2014

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Audit Status	Description	# Audits
<b>OPEN AUDIT NOT ON APPEAL</b>	<i>Awaiting Auditor decision - Records provided to auditor</i>	<b>Total</b> <u>0</u>
<b>CLOSED AUDITS - NO CHANGE</b>	<i>CMS (HDI) Agree with Documentation</i>	<b>Totals</b> <u>337</u>

### OPEN AUDITS ON APPEAL

<u>Stage</u>	<u>Status</u>		
L-1 (FI)	Appeal	Redetermination 120 days from the letter/RA	<u>4</u>
L-2 (QIC)		180 days from the denial letter date	<u>18</u>
L-3 (ALJ)		60 days from date to request hearing	<u>50</u>
MAC (DAB)		60 days from date of ALJ	<u>0</u>
Federal Court		60 days from date of DAB	<u>0</u>
<b>Totals</b>			<b>72</b>

### CLOSED AUDITS - OVERPAYMENT

Favorable (Dollars Won)	<u>49</u>
Partially Favorable (Dollars Won)	0
Unfavorable (Dollars Lost)	<u>154</u>

(\*) represents money that will be retracted form SVH

(\*\*) represents money that will be paid back to SVH

<b>Expected Reimbursement</b>	<b>Original Payment</b>	<b>Variance</b>	<b>Notice of Takeback</b>	<b>Actual Takeback</b>	<b>Funds Received from Payor</b>	<b>Balance</b>
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$3,475,361.85	\$3,475,361.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$21,546.43	\$21,546.43	\$0.00	\$15,683.35	\$15,683.35	\$0.00	\$5,863.08
\$164,571.21	\$164,571.21	\$0.00	\$133,264.07	\$133,264.07	\$0.00	\$31,307.14
\$313,457.02	\$313,457.02	\$0.00	\$313,457.02	\$313,457.02	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>\$499,574.66</b>	<b>\$499,574.66</b>	<b>\$0.00</b>	<b>\$462,404.44</b>	<b>\$462,404.44</b>	<b>\$0.00</b>	<b>\$37,170.22</b>
\$356,116.61	\$356,116.61	\$0.00	\$338,854.58	\$338,854.58	\$230,779.03	\$125,337.58
\$1,173,825.25	\$1,173,825.25	\$0.00	\$1,173,825.25	\$1,151,176.70	\$0.00	\$22,648.55



7.

**FY2015 OPERATING  
BUDGET**



**To:** SVH Finance Committee  
**From:** David Cox, Acting CFO  
**Date:** May 14, 2014  
**Subject:** Fiscal 2015 Operating Budget

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The 2015 Operating Budget is presented within the context of a rapidly changing healthcare environment, with reduction in inpatient utilization being offset somewhat by increased outpatient activity. The recent opening of our new wing will add additional cost to the organization, but will also present opportunities for growth. Also, management is reacting to these challenges through the implementation of significant cost reductions, which are reflected in the attached draft budget.

The objectives of the budget include:

- Stabilization of operating performance.
- Funding of ongoing capital needs of approximately \$1.0 million per year.
- Improvement in our liquidity position as measured by Days Cash on Hand.
- Reduction of vendor payable to a reasonable level of 45 to 60 days outstanding.

For we are proposing a budget with a positive Net Income of \$153,750 and EBIDA of \$4.4 million, which are margins of 0.5% and 8.8%, respectively. This is an aggressive target and would represent a very significant improvement in operating performance, but is necessary to accomplish our objectives, including providing capital for growth and improved liquidity. We are developing a cash forecast to go along with the budget, but it should reflect the \$4.4 million of positive cash flow above, less capital expenditures.

#### Discussion

Patient Volumes – The only area where we are budgeting growth is in our Home Care Program, due to expansion. All outpatient departments have plans to grow by 2% over prior year and we have a strong marketing program, with each leader being assigned a target to be reviewed monthly.



Gross Charges – We are including a 5% increase in gross charges to be implemented July 1, 2014. We are currently in the process of evaluating SVH’s pricing structure to ensure that we have reasonable rates in relation to the market.

Contractual Allowances – We are still in the process of evaluating net revenues and the allowances, but believe that 21.8% overall collections can be achieved through recent improvements in the revenue cycle. Also, we are evaluating contracts to determine inequities that should be addressed to improve our performance in this area.

Wages and Benefits – We have accomplished a reduction in paid FTEs to 301.6 from the current level of 315.0, but are including a 3.0% average increase in wage rates in order to maintain market equity. We are expecting an increase in benefit costs, although this may be conservative.

Medical and Professional Fees – We are able to budget a 27% reduction in this area through the commitment of our Chief Medical Officer and the entire Medical Staff. This is a very significant achievement for SVH and evidence of very strong commitment to the success of the hospital.

Supply Costs – are expected to be reduced by about 7% due to renegotiation of agreements and improved utilization.

Purchased Services are budgeted at a 15% reduction and is one of the primary areas benefitting from the recent cost reduction program. Notwithstanding the overall reduction, IT expenses continue to increase and this is an area where we are providing additional resources. We have reduced non-essential patient care expenditures significantly, including patient satisfaction vendors, MGH management fees, the Studer program, and hospital association dues.

Depreciation – we will see an approximate \$1.3 million non-cash increase in depreciation expense now that the Project has come on line.

Utilities are budgeted at only a 2.6% increase.

Insurance Costs are under review with our broker but, given current information, we are expecting a 5.9% increase in these costs to \$240,000 annually.

Interest expense will increase based on the draw of the additional \$2 million on our Line of Credit with Union Bank.

In total, we are budgeting a 1% reduction in total operating expenses, to \$53.6 million. However, the reduction in controllable costs (excludes depreciation and interest) is \$2.5 million, or 5%, which is quite significant.



The loss from operating is budgeted to decrease from \$4.2 to \$3.2 million and Net Income, as mentioned above, is slightly positive. We are very pleased to note that the subsidy for our Prima operations has been reduced to \$450,000, per agreement with Prima management (we are budgeting \$480,000).



Sonoma Valley Health Care District						
Statement of Revenue and Expenses						
Comparative Results - DRAFT						
		2012 Actual	2013 Actual	2014 Forecast	2015 Budget	% Change
	Gross Patient Revenue					
1	Inpatient	57,964,875	61,939,766	61,597,778	64,675,909	5.0%
2	Outpatient	61,765,081	63,888,100	72,768,541	76,390,332	5.0%
3	Emergency	29,953,349	35,236,048	38,068,552	39,956,622	5.0%
4	SNF	23,548,942	25,104,020	28,639,299	29,843,396	4.2%
5	Home Care	3,118,552	3,499,514	3,199,610	4,019,732	25.6%
6	Total Gross Patient Revenue	176,350,799	189,667,448	204,273,780	214,885,991	
	Deductions from Revenue					
7	Contractual Discounts	(127,295,324)	(143,192,466)	(157,037,880)	(165,752,339)	5.5%
8	Bad Debt	(3,490,000)	(2,901,255)	(2,043,351)	(2,000,000)	-2.1%
9	Charity Care Provision	(1,773,377)	(2,040,452)	(296,018)	(300,000)	1.3%
10	Prior Period Adjustments	957,082	(836,022)	1,194,826	-	
11	Total Deductions from Revenue	(131,601,619)	(148,970,195)	(158,182,423)	(168,052,339)	6.2%
12	Net Patient Service Revenue	44,749,180	40,697,253	46,091,357	46,833,652	1.6%
13	Pure Collection Ratio	24.8%	21.9%	22.0%	21.8%	
14	Risk contract revenue	3,396,375	3,825,992	3,459,032	3,459,033	0.0%
15	Net Hospital Revenue	48,145,555	44,523,245	49,550,389	50,292,685	1.5%
16	Other Operating Revenue	167,000	268,541	413,799	165,000	
17	<b>Total Operating Revenue</b>	<b>48,312,555</b>	<b>44,791,786</b>	<b>49,964,188</b>	<b>50,457,685</b>	<b>1.0%</b>
	Operating Expenses					
18	Salary and Wages and Agency Fees	22,622,659	23,757,873	23,862,049	23,876,997	0.1%
19	Employee Benefits	8,326,784	8,796,201	8,820,667	9,107,205	3.2%
20	Total People Cost	30,949,443	32,554,074	32,682,715	32,984,202	0.9%
21	Med and Prof Fees (excl Agency)	5,760,326	4,581,763	5,059,047	3,661,479	-27.6%
22	Supplies	6,230,877	6,156,796	6,122,350	5,698,441	-6.9%
23	Purchased Services	3,897,773	5,083,928	4,701,826	3,986,412	-15.2%
24	Depreciation	1,991,127	2,132,705	1,939,910	3,266,363	68.4%
25	Utilities	854,790	899,734	942,717	966,805	2.6%
26	Insurance	230,965	243,607	226,656	240,000	5.9%
27	Interest	372,596	361,512	415,111	1,028,157	147.7%
28	Other	1,951,018	1,112,839	2,197,515	1,817,512	-17.3%
29	<b>Operating expenses</b>	<b>52,238,915</b>	<b>53,126,958</b>	<b>54,287,848</b>	<b>53,649,371</b>	<b>-1.2%</b>
30	<b>Operating Margin</b>	<b>(3,926,360)</b>	<b>(8,335,172)</b>	<b>(4,323,660)</b>	<b>(3,191,686)</b>	<b>35.5%</b>
	Non Operating Rev and Expense					
31	Electronic Health Records & Misc. Rev.	487,322	1,717,163	1,095,971	705,436	
32	Donations	149,906	118,139	76,413	120,000	
33	Professional Center/Phys Recruit	(1,550)	-	-	-	
34	Physician Practice Support-Prima	(782,817)	(787,560)	(800,259)	(480,000)	
35	Parcel Tax Assessment Rev	2,914,779	2,967,986	2,849,331	3,000,000	
36	<b>Total Non-Operating Rev/Exp</b>	<b>2,767,640</b>	<b>4,015,728</b>	<b>3,221,456</b>	<b>3,345,436</b>	
37	<b>Net Income / (Loss) prior to Restricted Contributions</b>	<b>(1,158,720)</b>	<b>(4,319,444)</b>	<b>(1,102,204)</b>	<b>153,750</b>	
38	Capital Campaign Contribution	2,043,087	3,858,852	3,800,000	675,000	
39	Restricted Foundation Contributions	-	114,334	-	360,000	
40	Net Income / (Loss) w/ Restricted Contributions	884,367	(346,258)	2,697,796	1,188,750	
41	GO Bond Tax Assessment Rev	1,842,802	1,829,105	1,827,912	1,802,886	
42	GO Bond Interest	(360,130)	(360,132)	(797,485)	(1,683,072)	
43	<b>Net Income / (Loss) with GO Bond Activity</b>	<b>2,367,039</b>	<b>1,122,715</b>	<b>3,728,223</b>	<b>1,308,564</b>	
44	<b>Net Margin</b>	<b>0.7%</b>	<b>-6.4%</b>	<b>-0.1%</b>	<b>0.5%</b>	
45	<b>EBIDA</b>	<b>\$ 1,205,003</b>	<b>\$ (1,825,227)</b>	<b>\$ 1,252,817</b>	<b>\$ 4,448,270</b>	
46	<b>EBIDA margin</b>	<b>2.5%</b>	<b>-4.1%</b>	<b>2.5%</b>	<b>8.8%</b>	
47	Bad debt %	-2.0%	-1.5%	-1.0%	-0.9%	
48	Charity %	-1.0%	-1.1%	-0.1%	-0.1%	
49	<b>Collection %</b>	<b>27.3%</b>	<b>23.5%</b>	<b>24.3%</b>	<b>23.4%</b>	
50	<b>Total FTEs</b>		<b>317.0</b>	<b>315.0</b>	<b>301.6</b>	

<b>Sonoma Valley Hospital</b>			
<b>Operating Expense by Department</b>			
<b>FY2015 Operating Budget</b>			
<b>Department</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Jan YTD Annlnzd</b>	<b>FY 2015 Budget</b>
6010 - ICU	1,437,036	1,549,308	1,527,992
6170 - MED-SURG	2,363,965	2,563,716	2,278,237
6171 - 3RD SOUTH	1,326,961	1,253,241	1,246,590
6179 - 2nd SOUTH	709,159	16,209	-
6580 - SKILLED NURSING	2,447,528	2,514,845	2,586,170
7010 - EMERGENCY	1,814,076	1,924,325	1,900,381
7011 - EDMD	815,318	1,349,403	1,195,250
7012 - HOSPITALIST	689,871	944,496	723,400
7071 - SENIOR WELLNESS	93,758	71,122	11,338
7072 - SPEC PROC	169,323	168,386	184,582
7085 - WOMEN'S HEALTH CENTER	6,495	48,394	-
7290 - HOME HEALTH CARE	2,480,318	2,767,800	2,875,020
7420 - SURGERY	3,794,638	3,633,739	3,192,588
7427 - RECOVERY	334,126	302,095	318,691
7430 - AMB CARE UNIT	485,767	403,413	410,988
7450 - ANESTHESIOLOGY	1,076,812	1,024,687	774,250
7470 - CENTRAL SERVICES	238,564	186,062	194,921
7471 - CENT SVC STERILE	144,287	99,924	96,005
7500 - CLINICAL LAB	2,339,811	2,372,018	2,231,535
7520 - PATHOLOGY LAB	76,245	47,099	47,101
7540 - BLOOD BANK	209,772	161,262	153,840
7560 - ECHO	148,024	147,370	83,336
7590 - EKG	67,356	75,717	62,837
7630 - RADIOLOGY	1,259,837	1,313,888	1,165,382
7631 - MAMMOGRAPHY	255,290	245,477	246,414
7650 - NUCLEAR MEDICINE	132,053	187,819	182,737
7660 - MRI	269,380	244,988	237,591
7670 - ULTRASOUND	358,055	363,869	370,095
7680 - C.T. SCAN	315,219	308,811	307,304
7721 - RESPIRATORY THER	583,922	588,178	586,468
7730 - PULM FUNCT LAB	20,710	20,924	21,035
7740 - WOUND CARE	81,534	102,933	122,809
7770 - PHYSICAL THERAPY	524,200	677,110	616,225
7771 - O-P PHYSICAL THERAPY	757,601	774,906	763,469
7775 - OCCUPATIONAL HEALTH	320,514	285,008	318,412
7780 - SPEECH THERAPY	116,056	114,473	115,730
7790 - OCCUP THERAPY	344,854	364,758	329,306
7871 - IV THERAPY	91,338	126,757	82,916
7873 - EHR TRAINING	110,719	77,038	15,364
8310 - PRINTING & DUPL	68,281	74,168	92,139
8340 - DIETARY SVC	1,447,420	1,381,136	1,319,216
8350 - LAUNDRY & LINEN	284,758	223,676	224,247
8360 - SOCIAL SERVICES	70,586	98,530	81,574
8390 - PHARMACY	2,441,765	2,701,141	2,632,617
8400 - PURCHASING	286,485	406,582	444,941
8410 - GROUNDS	36,557	24,175	24,175
8440 - ENVIRON SVCS	796,776	830,680	628,451
8450 - PLANT OPERATIONS	2,170,330	2,220,132	1,943,264
8452 - FACILITIES PLANNING	199,806	-	-
8455 - INFECTIOUS WASTE	31,990	33,680	34,136
8470 - COMMUNICATIONS	112,100	1,450	-
8480 - INFORMATION SYST	2,556,689	2,095,851	2,469,047
8490 - MESSENGER	17,074	57,061	36,787
8510 - ACCOUNTING	561,942	745,385	820,509
8530 - PATIENT ACCNTG	929,092	968,780	947,056
8560 - ADMITTING	407,626	652,263	645,990
8610 - HOSPITAL ADMIN	1,564,928	1,995,939	985,131
8612 - PUBLIC RELATIONS	202,418	201,791	177,529
8620 - GOVERNING BOARD	97,396	138,487	158,552
8650 - HUMAN RESOURCES	381,325	372,323	393,175
8660 - EMPL HLTH SVC	78,254	51,061	54,657
8661 - BACK TO WORK PROGRAM	38,272	53,941	40,008
8670 - AUXILIARY	1,506	602	5,000
8700 - MEDICAL RECORDS	492,001	461,655	507,474
8710 - MEDICAL STAFF	163,554	281,933	281,782
8720 - NURSING ADMIN	1,012,104	927,680	1,040,136
8740 - HOSPITAL EDUC	31,553	115,319	105,353
8750 - QUALITY	678,312	943,510	925,340
8770 - FOUNDATION SUPPORT	109,459	90,772	-
8771 - FOUNDATION CAPITAL CAMPAIGN	198,774	185,054	73,547
8772 - ROUNDTABLE	-	19,843	10,000
8810 - DEPRECIATION	2,132,705	1,939,910	3,266,363
8840 - INSURANCE	243,607	226,656	240,000
8870 - INTEREST	361,512	415,111	1,028,157
8880 - MISC OVERHEAD	4,109,509	3,849,038	4,373,865
9550 - COMMUNITY HEALTH	-	80,968	62,845
<b>TOTAL</b>	<b>53,126,958</b>	<b>54,287,848</b>	<b>53,649,371</b>



<b>Sonoma Valley Hospital</b>				
<b>Statistics by Department</b>				
<b>FY2015 Operating Budget</b>				
<b>Department</b>	<b>Statistic</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Jan YTD Annldz</b>	<b>FY 2015 Budget</b>
6010 - ICU	IP Patient Days	1,034	1,284	1,284
6170 - MED-SURG	IP Patient Days	3,269	2,859	2,859
6171 - 3RD SOUTH	Patient Days + Deliveries	737	578	578
6171 - 3RD SOUTH	OP Tests	409	363	363
6179 - 2nd SOUTH	IP Patient Days	261	-	-
6580 - SKILLED NURSING	IP Patient Days	7,624	7,339	7,339
7010 - EMERGENCY	IP ED Visits	1,246	1,205	1,205
7010 - EMERGENCY	OP ED Visits	8,149	8,001	8,001
7071 - SENIOR WELLNESS	OP Visits	2,549	4,149	346
7072 - SPEC PROC	IP Procedures	1,800	67	67
7072 - SPEC PROC	OP Procedures	7,225	317	317
7290 - HOME HEALTH CARE	Visits	12,072	10,406	12,500
7420 - SURGERY	IP Minutes	53,415	49,157	49,157
7420 - SURGERY	OP Minutes	70,808	75,753	75,753
7427 - RECOVERY	IP Minutes	29,879	45,381	45,381
7427 - RECOVERY	OP Minutes	33,844	26,227	26,227
7430 - AMB CARE UNIT	OP Cases	1,790	1,299	1,299
7450 - ANESTHESIOLOGY	IP OR Minutes	53,415	49,157	49,157
7450 - ANESTHESIOLOGY	OP OR Minutes	70,808	75,753	75,753
7500 - CLINICAL LAB	IP Billed Tests	34,795	31,481	31,481
7500 - CLINICAL LAB	ER Billed Tests	20,373	20,806	20,806
7500 - CLINICAL LAB	OP Billed Tests	85,036	91,083	91,083
7500 - CLINICAL LAB	SNF Billed Tests	8,161	8,273	8,273
7520 - PATH LAB	IP Billed Tests	315	254	254
7520 - PATH LAB	ER Billed Tests	6	-	-
7520 - PATH LAB	OP Billed Tests	745	737	737
7520 - PATH LAB	SNF Billed Tests	25	36	36
7540 - BLOOD	IP Billed Tests	1,238	1,056	1,056
7540 - BLOOD	ER Billed Tests	140	149	149
7540 - BLOOD	OP Billed Tests	706	650	650
7540 - BLOOD	SNF Billed Tests	63	69	69
7560 - ECHO	IP Procedures	204	233	233
7560 - ECHO	ER Procedures	3	22	22
7560 - ECHO	OP Procedures	664	636	636
7560 - ECHO	SNF Procedures	11	15	15
7590 - EKG	IP Procedures	1,067	929	929
7590 - EKG	ER Procedures	1,423	1,461	1,461
7590 - EKG	OP Procedures	1,155	1,322	1,322
7590 - EKG	SNF Procedures	56	51	51
7630 - RADIOLOGY	IP Procedures	2,488	2,484	2,484
7630 - RADIOLOGY	ER Procedures	2,641	2,686	2,686
7630 - RADIOLOGY	OP Procedures	5,090	5,439	5,439
7630 - RADIOLOGY	SNF Procedures	235	291	291
7631 - MAMMOGRAPHY	OP Procedures	5,846	6,125	6,125
7650 - NUCLEAR MEDICINE	IP Procedures	74	41	24
7650 - NUCLEAR MEDICINE	ER Procedures	3	5	5
7650 - NUCLEAR MEDICINE	OP Procedures	847	694	550
7650 - NUCLEAR MEDICINE	SNF Procedures	8	17	5



<b>Sonoma Valley Hospital</b>				
<b>Statistics by Department</b>				
<b>FY2015 Operating Budget</b>				
<b>Department</b>	<b>Statistic</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Jan YTD Annldz</b>	<b>FY 2015 Budget</b>
7660 - MRI	IP Procedures	64	84	84
7660 - MRI	ER Procedures	30	15	15
7660 - MRI	OP Procedures	1,086	1,171	1,171
7660 - MRI	SNF Procedures	17	29	29
7670 - ULTRASOUND	IP Procedures	320	345	345
7670 - ULTRASOUND	ER Procedures	340	305	305
7670 - ULTRASOUND	OP Procedures	3,022	3,087	3,087
7670 - ULTRASOUND	SNF Procedures	48	60	60
7680 - C.T. SCAN	IP Procedures	862	926	926
7680 - C.T. SCAN	ER Procedures	1,438	1,574	1,574
7680 - C.T. SCAN	OP Procedures	1,322	1,425	1,425
7680 - C.T. SCAN	SNF Procedures	47	62	62
7721 - RESPIRATORY THER	Respiratory APD	13,437	4,514	4,514
7721 - RESPIRATORY THER	Respiratory APD	1,692	861	861
7721 - RESPIRATORY THER	Respiratory APD	390	165	165
7721 - RESPIRATORY THER	Respiratory APD	5,450	7,339	7,339
7730 - PULM FUNCT LAB	IP Tests	1,215	1,029	1,029
7730 - PULM FUNCT LAB	ER Tests	103	96	96
7730 - PULM FUNCT LAB	OP Tests	398	339	339
7730 - PULM FUNCT LAB	SNF Tests	1,161	1,570	1,570
7740 - WOUND CARE	IP Procedures	57	89	89
7740 - WOUND CARE	ER Procedures	4	5	5
7740 - WOUND CARE	OP Procedures	1,197	2,112	2,112
7740 - WOUND CARE	SNF Procedures	65	159	159
7770 - PHYSICAL THERAPY	IP 15 Minutes Sessions	4,594	5,006	5,006
7770 - PHYSICAL THERAPY	ER 15 Minutes Sessions	13	26	26
7770 - PHYSICAL THERAPY	OP 15 Minutes Sessions	343	477	477
7770 - PHYSICAL THERAPY	SNF 15 Minutes Sessions	18,868	20,563	20,563
7771 - O-P PHYSICAL THERAPY	IP 15 Minutes Sessions	14	-	-
7771 - O-P PHYSICAL THERAPY	OP 15 Minutes Sessions	25,561	27,070	27,070
7775 - OCCUPATIONAL HEALTH	OP 15 Minutes Sessions	6,071	7,663	7,663
7780 - SPEECH THERAPY	IP Sessions	451	442	442
7780 - SPEECH THERAPY	OP Sessions	317	550	550
7780 - SPEECH THERAPY	SNF Sessions	1,342	1,387	1,387
7790 - OCCUP THERAPY	IP 15 Minutes Sessions	130	199	199
7790 - OCCUP THERAPY	OP 15 Minutes Sessions	4,942	5,422	5,422
7790 - OCCUP THERAPY	SNF 15 Minutes Sessions	10,259	12,981	12,981
7871 - IV THERAPY	IP Procedures	11,723	10,517	10,517