



**SONOMA VALLEY HEALTH CARE DISTRICT
FINANCE COMMITTEE
REGULAR MEETING AGENDA
Tuesday, July 30, 2013
5:00 p.m.**

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

AGENDA ITEM	RECOMMENDATION	
MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>		
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Fogg</i>	
2. PUBLIC COMMENT SECTION <i>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.</i>		
3. CONSENT CALENDAR: A. FC Minutes 06.25.13	<i>Fogg</i>	Action
4. RAC UPDATE	<i>Reid</i>	Inform
5. UPDATES	<i>Reid</i>	Inform
6. JUNE 2013 FINANCIALS	<i>Reid</i>	Inform
7. PROJECTED CASH FLOWS	<i>Reid</i>	Inform
8. QUARTERLY CAPITAL SPENDING REPORT	<i>Reid</i>	Inform
9. QUARTERLY VOLUME UPDATE	<i>Reid</i>	Inform
10. LANDMARK OPTION AGREEMENT – LEASE EASEMENT PURCHASE	<i>Reid</i>	Action
11. CLOSING COMMENTS/ADJOURN	<i>Fogg</i>	

3.

MINUTES

6.25.13



**SONOMA VALLEY HEALTH CARE DISTRICT
FINANCE COMMITTEE
MEETING MINUTES
TUESDAY, JUNE 25, 2013
Schantz Conference Room**

Board Members Present	<i>cont.</i>	Administrative Staff/ Other Present	Absent
Dick Fogg, Chair Sharon Nevins Peter Hohorst Steve Barclay Richard Conley	Mary Smith Phil Woodward Subhash Mishra, M.D. Shari Glago Keith Chamberlin M.D. (call-in)	Rick Reid, CFO Robert Cohen, M.D., CMO Jeannette Tarver, Controller Sam McCandless, Community Member Gigi Betta, Board Clerk Kelly Mather (call-in) Leslie Lovejoy (call-in)	

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
MISSION AND VISION STATEMENTS	<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>		
1. CALL TO ORDER	<i>Dick Fogg</i>		
	5:00 PM		
2. PUBLIC COMMENT SECTION	<i>Dick Fogg</i>		
	No public comment.		
3. CONSENT CALENDAR	<i>Dick Fogg</i>	Action	
A. FC Minutes 05.28.13		MOTION to approve (A) by Hohorst, 2 nd by Nevins. All in favor.	
4. RAC UPDATE	<i>Lovejoy/Cohen/Reid</i>	Inform	
	Dr. Cohen explained how SVH physicians decide whether to “admit” or “observe” a patient, gave several examples and clarified many questions from the Committee. Mr. Reid defined “RAC” and gave an overview on how the process works. Mr. Reid then reviewed the handout, <i>Reducing RAC Audits and Denials Project</i> , in Ms.		

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW -UP
	Lovejoy's absence. SVH has hired EHR to scrutinize <i>observation</i> patients and to assist with RAC appeals (SVH wants to be very aggressive in the appeals process).		
5. EDUCATIONAL SESSION	<i>Glago</i>	Inform	
	No topic presented this meeting.		
6. UPDATES	<i>Rick Reid</i>	Inform	
	<p>The attorney representing SVH in the current HIPPA class action law suit, feels that SVH has a HIPPA exposure, not HIPPA disclosure issue. Mr. Reid reviewed the terms and conditions of the legal representation.</p> <p>Pledge loan update: SVH is required to have new pledge documentation from the Nelsons to be able to borrow against that amount. Hospital Administration is in the process of collecting this documentation. Note: come September 2013, SVH will no longer be able to borrow against pledges.</p>		
7. MAY 2013 FINANCIALS	<i>Rick Reid</i>	Inform	
	Mr. Reid reviewed May 2013 Financials with special attention to explained the specific RAC impact for the month of May.		
8. PROJECTED HOSPITAL AND BUILDING PROJECT CASH FLOWS	<i>Rick Reid</i>	Inform	
	<p>SVH is experiencing slower payments from insurance companies. On a regular basis, Ms. Mather and Mr. Reid review and analyze the Hospital's cash situation (flow) to determine if any action is required.</p> <p>The four sections of the cash flow summary page, (page 30 of agenda package) were reviewed. This data is in direct response to a request from the Committee at a previous meeting.</p>		
9. CLOSING COMMENTS/ADJOURN	<i>Fogg</i> 6:50 PM		

6.

**JUNE 2013
FINANCIALS**

Sonoma Valley Hospital
Sonoma Valley Health Care District
June 30, 2013 Financial Report

Finance Committee
July 30, 2013

June's Patient Volumes

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Prior Year</u>
Acute Discharges	87	126	-39	107
Acute Patient Days	323	446	-123	354
SNF Patient Days	470	589	-119	688
Outpatient Gross Revenue (in thousands)	\$8,353	\$8,441	-\$88	\$7,667
Surgical Cases	116	129	-13	120

Summary Statement of Revenues and Expenses Month of June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 3,905,296	\$ 3,912,788	\$ (7,492)	0%	\$ 3,893,235
2 Total Operating Expenses	\$ 4,693,845	\$ 4,357,080	\$ (336,765)	-8%	\$ 5,143,165
3 Operating Margin	\$ (788,549)	\$ (444,292)	\$ (344,257)	-77%	\$ (1,249,930)
4 NonOperating Rev/Exp	\$ 336,839	\$ 459,942	\$ (123,103)	-27%	\$ 1,182,290
5 Net Income before Restricted Cont.	\$ (451,710)	\$ 15,650	\$ (467,360)	-2986%	\$ (67,640)
6 Restricted Contribution	\$ 1,183,975	\$ 47,500	\$ 1,136,475	2393%	\$ -
7 Net Income with Restricted Contributions	\$ 732,265	\$ 63,150	\$ 669,115	1060%	\$ (67,640)
8 EBIDA before Restricted Contributions	\$ (191,010)	\$ 271,013	\$ (462,023)		\$ 175,630
9 EBIDA before Restricted Cont. %	-5%	7%	-2%		5%
10 Net Income without GO Bond Activity	\$ 622,414	\$ (65,172)	\$ 687,586		\$ (191,196)

Summary Statement of Revenues and Expenses Year to Date June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 47,079,081	\$ 47,398,148	\$ (319,067)	-1%	\$ 47,355,473
2 Total Operating Expenses	\$ 53,105,418	\$ 52,484,254	\$ (621,164)	-1%	\$ 52,238,915
3 Operating Margin	\$ (6,026,337)	\$ (5,086,106)	\$ (940,231)	-18%	\$ (4,883,442)
4 NonOperating Rev/Exp	\$ 5,484,701	\$ 5,519,304	\$ (34,603)	-1%	\$ 4,250,312
5 Net Income before Restricted Cont.	\$ (541,636)	\$ 433,198	\$ (974,834)	-225%	\$ (633,130)
6 Restricted Contribution	\$ 1,973,186	\$ 570,000	\$ 1,403,186	246%	\$ 2,043,087
Net Income with Restricted 7 Contributions	\$ 1,431,550	\$ 1,003,198	\$ 428,352	43%	\$ 1,409,957
8 EBIDA before Restricted Contributions	\$ 2,312,713	\$ 3,497,565	\$ (1,184,852)		\$ 2,090,723
9 EBIDA before Restricted Cont. %	6%	7%	-1%		4%
10 Net Income without GO Bond Activity	\$ (2,010,603)	\$ (1,106,666)	\$ (903,937)		\$ (3,072,885)

June's Operating Revenues

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
REVENUE					
NET PATIENT REVENUE					
1 Acute Inpatient	\$ 1,145,139	\$ 1,567,163	\$ (422,024)	-27%	\$ 1,470,084
2 Skilled Nursing Facility	\$ 282,643	\$ 347,443	\$ (64,800)	-19%	\$ 483,470
3 Outpatient and Emergency	\$ 2,045,013	\$ 1,814,475	\$ 230,538	13%	\$ 1,811,978
4 HomeCare	\$ 228,538	\$ 241,590	\$ (13,052)	-5%	\$ 182,976
5 Community Benefit (Charity)	\$ (22,523)	\$ (37,912)	\$ 15,389	41%	\$ (52,468)
6 Bad Debt Expense	\$ (226,255)	\$ (328,667)	\$ 102,412	31%	\$ (250,000)
7 Prior Period Adjustment	\$ -	\$ -	\$ -	0%	\$ -
8 TOTAL NET PATIENT REVENUE	\$ 3,452,555	\$ 3,604,092	\$ (151,537)	-4%	\$ 3,646,040
RISK CONTRACTS					
9 Capitation Revenue	\$ 171,352	\$ 183,325	\$ (11,973)	-7%	\$ 176,993
10 Napa State Hospital Revenue	\$ 197,413	\$ 113,333	\$ 84,080	74%	\$ 52,233
11 TOTAL RISK CONTRACTS	\$ 368,765	\$ 296,658	\$ 72,107	24%	\$ 229,226
12 OTHER OPER REVENUE	\$ 83,991	\$ 12,038	\$ 71,953	598%	\$ 17,969
13 TOTAL HOSPITAL NET REVENUE	\$ 3,905,311	\$ 3,912,788	\$ (7,477)	0%	\$ 3,893,235

Revenue Variances

- Total Operating Revenue under budget by (\$7,477)
- Revenue is on budget:
 - Medicare discharges were under budget by 29, with over budget rates for a net impact of (\$91,444)
 - Medi-Cal days were under budget by 7, with over budget rates for a net impact of (\$64,500)
 - Commercial days were under budget by 17, with over budget rates for a net impact of (\$80,375)
 - Self pay patient days were under budget by 25, with over budget rates for a net impact of (\$185,705)
 - SNF days under budget by 119, with acuity slightly over budget for a net impact of (\$64,800)
 - Outpatient volumes were under budget, but had a better commercial payer mix, for a net positive impact of \$218,006
 - Home Care is under budget by \$13,051
 - Risk contract revenue is over budget due to Napa State higher volume for a net impact of \$84,080
 - Other revenue is over budget by \$71,953 due to the second quarter Risk Pool Distribution payment from the Western Health Advantage agreement

June's Operating Expense

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
OPERATING EXPENSES					
1 Salary and Wages and Agency	\$ 2,019,841	\$ 2,024,482	\$ 4,641	0%	\$ 1,973,382
2 Employee Benefits	\$ 695,461	\$ 672,688	\$ (22,773)	-3%	\$ 844,976
3 Total People Cost	\$ 2,715,302	\$ 2,697,170	\$ 18,132	1%	\$ 2,818,358
4 Medical and Prof Fees (excl'd Agency)	\$ 448,365	\$ 390,004	\$ (58,361)	-15%	\$ 884,553
5 Supplies	\$ 493,285	\$ 498,685	\$ 5,400	1%	\$ 768,575
6 Purchased Services	\$ 571,426	\$ 328,145	\$ (243,281)	-74%	\$ 248,831
7 Depreciation	\$ 172,043	\$ 199,672	\$ 27,629	14%	\$ 172,958
8 Utilities	\$ 85,768	\$ 85,888	\$ 120	0%	\$ 34,129
9 Insurance	\$ 29,044	\$ 20,374	\$ (8,670)	-43%	\$ 4,084
10 Interest	\$ 58,641	\$ 25,680	\$ (32,961)	-128%	\$ 40,301
11 Other	\$ 119,971	\$ 111,462	\$ (8,509)	-8%	\$ 171,376
12 TOTAL OPERATING EXPENSE	\$ 4,693,845	\$ 4,357,080	\$ 336,765	8%	\$ 5,143,165

Expense Variances

Total operating expenses were over budget by (\$336,765)

- Total productivity FTE's were under budget at 277. Total salaries and Agency were under budget by \$4,641.
- Employee benefits were over budget by (\$22,773). Health insurance is over budget by (\$27,906), paid time off was over budget by (\$24,052). State unemployment insurance was under budget by \$33,552.
- Medical and professional fees were under budget by (\$58,361) due to \$50,000 in legal fees associated with the HIPPA matter.
- Purchase services were over budget by (\$243,281) due to Electronic Health Record yearly contracts that were originally budgeted in the capital budget and an unbudgeted operating lease for the Electronic Health Record. The variance also includes the true up on the balance sheet prepaid accounts of approximately \$60,000. Radiology was over budget (\$25,273) due to lower than minimum usage per the contract. Patient Accounting was over budget by (\$20,586) due to late collection agency invoices. Plant Operations were over budget by (\$14,560) due to life safety plans. Facilities were over budget by (\$12,420) due to departmental moves. Public Relations were over budget by (\$10,680) due to purchase services for advertising.
- Interest expense is over budget (\$32,961) due to the line of credit and late fees.

June's Non-Operating Items

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
NON OPERATING					
Electronic Health Record & Misc.					
1 Rev.	\$ (13,413)	\$ 147,250	\$ (160,663)	-109%	\$ 15,559
2 Donations	\$ 31,577	\$ -	\$ 31,577	0%	\$ 4,500
Professional Center / Phys					\$
3 Recruitment	\$ -	\$ -	\$ -	0%	(17)
4 Physician Practice Support - Prima	\$ (65,630)	(65,630)	\$ -	0%	\$ (182,913)
5 Tax Assessment Revenue-Parcel Tax	\$ 274,448	\$ 250,000	\$ 24,448	10%	\$ 219,972
6 Tax Assessment Revenue - GO Bond	\$ 139,868	\$ 158,333	\$ (18,465)	-12%	\$ 153,567
7 GO Bond Interest	\$ (30,011)	(30,011)	\$ -	0%	(30,011)
8 NON-OPERATING REV/EXP	\$ 336,839	\$ 459,942	\$ (123,103)	-27%	\$ 180,657
9 Capital Campaign Contribution	\$ 1,183,975	\$ 47,500	\$ 1,136,475	2393%	\$ 1,001,633
10 Restricted Foundation Contribution	\$ -	\$ -	\$ -	0%	\$ -
11 TOTAL NON-OPERATING REV/EXP	\$ 1,520,814	\$ 507,442	\$ 1,013,372	200%	\$ 1,182,290

To: SVH Finance Committee
From: Rick Reid, CFO
Date: July 30, 2013
Subject: Financial Report for the Month Ending June 30, 2013

Overall Results for June 2013

Overall for June, SVH has a net income of \$732,280 on budgeted income of \$63,150, for an favorable difference of \$669,130. Total net patient service revenue was under budget by (\$151,537). Risk contracts were over budget by \$72,107. Other operating revenue is over budget by \$71,953, bringing the total operating revenue to \$3,905,311 or (\$7,477) under budget. Expenses were \$4,693,845 on a budget of \$4,357,080 or (\$336,765) over budget. The EBIDA prior to the restricted donations for the month was (\$191,000) or -4.9%.

On a year to date basis, the loss prior to the restricted contributions was \$618,860. This loss includes the Medicare paybacks due to the RAC audits of \$1,109,223. Adjusting for RAC audits, the income prior to the restricted contributions would have by \$490,363 on a budget of \$433,198 or \$57,165 better than budget.

Patient Volumes - June

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	87	126	-39	107
Acute Patient Days	323	446	-123	354
SNF Patient Days	470	589	-119	688
OP Gross Revenue	\$8,353	\$8,441	-\$88	\$7,667
Surgical Cases	116	129	-13	120

Overall Payer Mix - June

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	47.0%	46.7%	0.3%	48.9%	47.3%	1.6%
Medi-Cal	17.1%	13.3%	3.8%	14.4%	13.3%	1.1%
Self Pay	1.5%	3.4%	-1.9%	3.2%	3.4%	-0.2%
Other:						
Commercial	22.7%			20.5%		
Managed MC	4.4%			4.8%		
Workers Comp	2.0%			3.4%		
Capitated	5.3%			4.8%		
Total Other	34.4%	36.6%	-2.6%	33.5%	36.0%	-2.5%
Total	100%	100%		100%	100%	

Total Operating Revenues

Total operating revenues for June were \$3.9 million on a budget of \$3.9 million or (\$7,477) under budget.

Inpatient Net Revenue is under budget by (\$422,024) or 27%, due to the following:

- Medicare discharges under budget by 29, with a favorable rate variance due to the pickup of the Medicare pass through payments of \$164,812 for a total impact of (\$91,444)
- Medi-Cal patient days under budget by 7, with an unfavorable rate variance for a total impact of (\$64,500)
- Self pay patient days under budget by 25, with a favorable rate variance for a total impact of (\$185,705). Patient days were under this month due 31 patients days that were self pay becoming eligible for Medi-Cal services. The self pay discount of approximately \$130,000 is included in this category.
- Commercial patient days were under budget by 17 days, with a favorable rate variance for a total impact of (\$80,375)

Skilled Nursing Home:

- Volume was under budget by 119 days and patient acuity was slightly over budget, net impact (\$64,800)

Outpatient:

- Volume was under budget by (\$83,040) and rates were over budget , net impact of \$218,006

Home Care:

- Volume was under budget by 30 visits or \$13,051.

Bad Debts and Charity Care:

- Bad Debt and charity care are favorable to budget by \$102,412. This was due to a higher volume of self pay patients qualifying for Medi-Cal. This offset some of the prior month's gains.

Risk Contract Revenue:

- Napa State was over budget by \$84,080, due to higher volume.

Other Operating Revenue:

- Other revenue is over budget by \$71,953, due to the receipt incentive payment for first and second quarter of 2013 from Western Health for \$65,834.

Expenses

June's expenses were \$4.7million on a budget of \$4.4 million or over budget by (\$336,765).

The following is a summary of the operating expense variances for the month of June:

- Total productivity FTE's were under budget at 277, on a budget of 286. Total salaries and Agency Fees were under budget by a total of \$4,641. Higher agency costs in June offset the 9 FTE savings.
- Employee benefits were over budget by (\$22,773), of this health insurance was over budget by (\$27,906), paid time off was over budget by (\$24,052). State unemployment insurance was under budget by 33,552 due to the last quarter adjustment from the insurance company.
- Medical and Professional Fees were under budget by (\$58,361) due to the \$50,000 legal fee associated with the HIPPA matter.
- Purchase services are over budget by (\$243,281) due to Information Systems related to the Electronic Health Records that was previously budgeted in as capital and an unbudgeted operating lease for the Electronic Health Records. The variance also reflects the true up on the

balance sheet prepaid accounts that were under expensed for a portion of the year of approximately \$60,000. Also Radiology was over budget by (\$25,273) due to lower than the minimum usage per the contract. Patient Accounting was over budget by (\$20,586) due to late collection agency invoices received that were larger than the monthly estimates. Plant Operations were over budget by (\$14,560) due to life safety plans. Facilities were over budget (\$12,420) due to the department moves. Public Relation is over budget by (\$10,680) due to purchase services for advertising.

- Interest expense over budget by budget (\$32,961) due to the line of credit and late fees.

Capital Campaign Summary:

For the month of June the Hospital received \$1,183,975 in capital campaign donations. The total amount received from the Capital Campaign to date is \$3,901,939 offset with spending of \$648,056. The funds are included on line 16, Specific Funds on the Balance Sheet. Included on line 16 is also \$21,446 for miscellaneous restricted funds, \$114,500 received from the Foundation for the X-ray machine and \$32,255 for the Health Round Table.

	Receipts	Spending	Balance
Emergency Dept.	\$1,003,640	\$0	\$1,003,640
Operating Room	\$0	\$0	\$0
Art Work	\$100,000	\$0	\$100,000
General	\$2,798,299	\$648,056	\$2,150,243
Interest Earned	\$8,343	\$0	\$8,343
Total Capital Campaign	\$3,910,282	\$648,056	\$3,262,226
X-Ray Machine	\$114,500	\$0	\$114,500
Misc. Restricted Funds	\$21,446	\$0	\$21,446
Health Round Table	\$32,500	\$245	\$32,255
Total Specific Funds	\$4,078,728	\$648,301	\$3,430,427

These comparisons are for actual FY 2013 compared to actual FY 2012. These are not budget comparisons.

ER Visits

	ER – Inpatient				ER - Outpatient			
	CY	PY	Change	%	CY	PY	Change	%
July	109	114	-5	-4.4%	729	772	-43	-5.6%
Aug	106	105	1	.9%	778	718	60	8.4%
Sept	111	107	4	3.1%	677	693	-16	2.3%
Oct	95	108	-13	-12%	706	679	27	4.0%
Nov	101	107	-6	-5.6%	631	632	-1	-0.2%
Dec	100	119	-19	-16%	693	622	71	11.4%
Jan	141	93	48	51.6%	711	698	13	1.9%
Feb	112	94	18	19.1%	598	598	0	0.0%
Mar	97	121	-24	-19.8%	660	662	-2	-0.3%
April	88	88	0	0.0%	641	629	12	1.9%
May	97	107	-10	-9.3%	698	756	-58	-7.7%
June	89	95	-6	-6.3%	627	715	-88	-12.3%
YTD	1,246	1,258	-12	-1.0%	8,149	8,174	-25	-0.3%

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended June 2013**

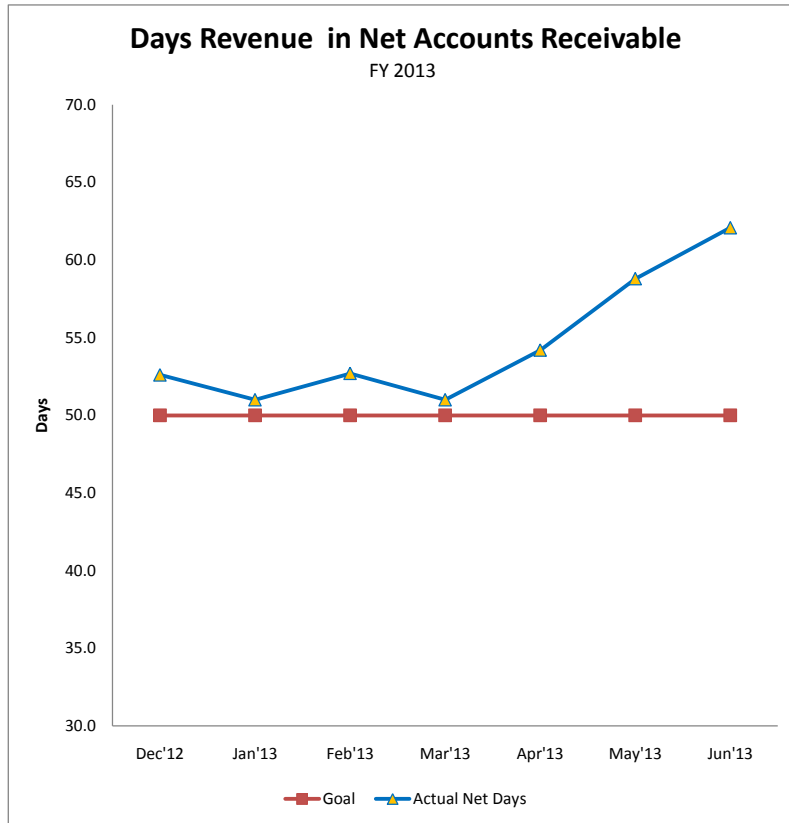
	Month				Year-To-Date				YTD Prior Year	
	This Year		Variance		This Year		Variance			
	Actual	Budget	\$	%	Actual	Budget	\$	%		
Volume Information										
1	Acute Discharges	87	126	(39)	-31%	1,366	1,543	(177)	-11%	1,526
2	SNF Days	470	589	(119)	-20%	7,624	8,024	(400)	-5%	7,490
3	Home Care Visits	990	1,020	(30)	-3%	12,070	11,215	855	8%	11,512
4	Gross O/P Revenue (000's)	8,353	8,441	(88)	-1%	\$ 102,624	\$ 100,567	2,057	2%	\$ 94,837
Financial Results										
Gross Patient Revenue										
5	Inpatient	\$ 4,367,755	\$ 5,121,630	(753,875)	-15%	\$ 61,939,766	\$ 63,032,497	(1,092,731)	-2%	\$ 57,964,875
6	Outpatient & Emergency	8,058,099	8,141,084	(82,985)	-1%	99,124,148	97,268,193	1,855,955	2%	91,718,430
7	SNF	1,621,275	1,776,963	(155,688)	-9%	25,104,020	23,736,947	1,367,073	6%	23,548,942
8	Home Care	294,696	299,457	(4,761)	-2%	3,499,514	3,298,364	201,150	6%	3,118,552
9	Total Gross Patient Revenue	\$ 14,341,825	\$ 15,339,134	(997,309)	-7%	\$ 189,667,448	\$ 187,336,001	2,331,447	1%	\$ 176,350,799
Deductions from Revenue										
10	Contractual Discounts	\$ (11,640,707)	\$ (11,235,237)	(405,470)	-4%	\$ (141,741,184)	\$ (137,538,110)	(4,203,074)	-3%	\$ (127,295,324)
11	Bad Debt	(226,255)	(328,667)	102,412	31%	(2,901,255)	(4,013,995)	1,112,740	28%	(3,490,000)
12	Charity Care Provision	(22,523)	(171,138)	148,615	87%	(2,040,452)	(2,090,100)	49,648	2%	(1,773,377)
13	Prior Period Adjustments	1,000,215	-	1,000,215	0%	(836,022)	-	(836,022)	0%	957,082
14	Total Deductions from Revenue	\$ (10,889,270)	\$ (11,735,042)	(154,443)	1%	\$ (146,682,891)	\$ (143,642,205)	(3,040,686)	2%	\$ (132,558,701)
15	Net Patient Service Revenue	\$ 3,452,555	\$ 3,604,092	(151,537)	-4%	\$ 42,984,557	\$ 43,693,796	(709,239)	-2%	\$ 43,792,098
16	Risk contract revenue	\$ 368,765	\$ 296,658	72,107	24%	\$ 3,825,992	\$ 3,559,896	266,096	7%	\$ 3,396,375
17	Net Hospital Revenue	\$ 3,821,320	\$ 3,900,750	(79,430)	-2%	\$ 46,810,549	\$ 47,253,692	(443,143)	-1%	\$ 47,188,473
18	Other Operating Revenue	\$ 83,991	\$ 12,038	71,953	-598%	\$ 268,541	\$ 144,456	124,085	86%	\$ 167,000
19	Total Operating Revenue	\$ 3,905,311	\$ 3,912,788	(7,477)	0%	\$ 47,079,090	\$ 47,398,148	(319,058)	-1%	\$ 47,355,473
Operating Expenses										
20	Salary and Wages and Agency Fees	\$ 2,019,841	\$ 2,024,482	4,641	0%	\$ 23,757,873	\$ 23,949,999	192,126	1%	\$ 22,622,659
21	Employee Benefits	695,461	672,688	(22,773)	-3%	8,774,661	8,233,431	(541,230)	-7%	8,326,784
22	Total People Cost	\$ 2,715,302	\$ 2,697,170	(18,132)	-1%	\$ 32,532,534	\$ 32,183,430	(349,104)	-1%	\$ 30,949,443
23	Med and Prof Fees (excl Agency)	\$ 448,365	\$ 390,004	(58,361)	-15%	\$ 4,581,763	\$ 4,686,288	104,525	2%	\$ 5,805,666
24	Supplies	493,285	498,685	5,400	1%	6,156,796	5,922,938	(233,858)	-4%	6,230,877
25	Purchased Services	571,426	328,145	(243,281)	-74%	5,083,928	4,367,598	(716,330)	-16%	3,852,433
26	Depreciation	172,043	199,672	27,629	14%	2,132,705	2,396,064	263,359	11%	1,991,127
27	Utilities	85,768	85,888	120	0%	899,734	994,598	94,864	10%	854,790
28	Insurance	29,044	20,374	(8,670)	-43%	243,607	244,488	881	0%	230,965
29	Interest	58,641	25,680	(32,961)	-128%	361,512	308,171	(53,341)	-17%	372,596
30	Other	119,971	111,462	(8,509)	-8%	1,112,839	1,380,679	267,840	19%	1,951,018
31	Operating expenses	\$ 4,693,845	\$ 4,357,080	(336,765)	-8%	\$ 53,105,418	\$ 52,484,254	(621,164)	-1%	\$ 52,238,915
32	Operating Margin	\$ (788,534)	\$ (444,292)	(344,242)	-77%	\$ (6,026,328)	\$ (5,086,106)	(940,222)	-18%	\$ (4,883,442)
Non Operating Rev and Expense										
33	Electronic Health Records & Misc. Rev.	\$ (13,413)	\$ 147,250	(160,663)	-109%	\$ 1,717,163	\$ 1,767,000	(49,837)	-3%	\$ 487,322
34	Donations	31,577	-	31,577	0%	118,139	-	118,139	0%	149,906
35	Professional Center/Phys Recruit	-	-	-	0%	-	-	-	0%	(1,550)
36	Physician Practice Support-Prima	(65,630)	(65,630)	-	0%	(787,560)	(787,560)	-	0%	(782,817)
37	Parcel Tax Assessment Rev	274,448	250,000	24,448	10%	2,967,986	3,000,000	(32,014)	-1%	2,914,779
38	GO Bond Tax Assessment Rev	139,868	158,333	(18,465)	-12%	1,829,105	1,899,996	(70,891)	-4%	1,842,802
39	GO Bond Interest	(30,011)	(30,011)	-	0%	(360,132)	(360,132)	-	0%	(360,130)
40	Total Non-Operating Rev/Exp	\$ 336,839	\$ 459,942	(123,103)	-27%	\$ 5,484,701	\$ 5,519,304	(34,603)	-1%	\$ 4,250,312
41	Net Income / (Loss) prior to Restricted Contributor	\$ (451,695)	\$ 15,650	(467,345)	-2986%	\$ (541,627)	\$ 433,198	(974,825)	-225%	\$ (633,130)
42	Capital Campaign Contribution	\$ 1,183,975	\$ 47,500	1,136,475	2393%	\$ 1,858,852	\$ 570,000	1,288,852	226%	\$ 2,043,087
43	Restricted Foundation Contributions	\$ -	\$ -	-	0%	\$ 114,334	\$ -	114,334	100%	\$ -
44	Net Income / (Loss) w/ Restricted Contributions	\$ 732,280	\$ 63,150	669,130	1060%	\$ 1,431,559	\$ 1,003,198	428,361	43%	\$ 1,409,957
45	Net Income w/o GO Bond Activity	\$ 622,423	\$ (65,172)	687,595	1055%	\$ (2,010,600)	\$ (1,106,666)	(903,934)	-82%	\$ (2,115,802)

Sonoma Valley Health Care District
Balance Sheet
For The Period Ended
As of June 30, 2013

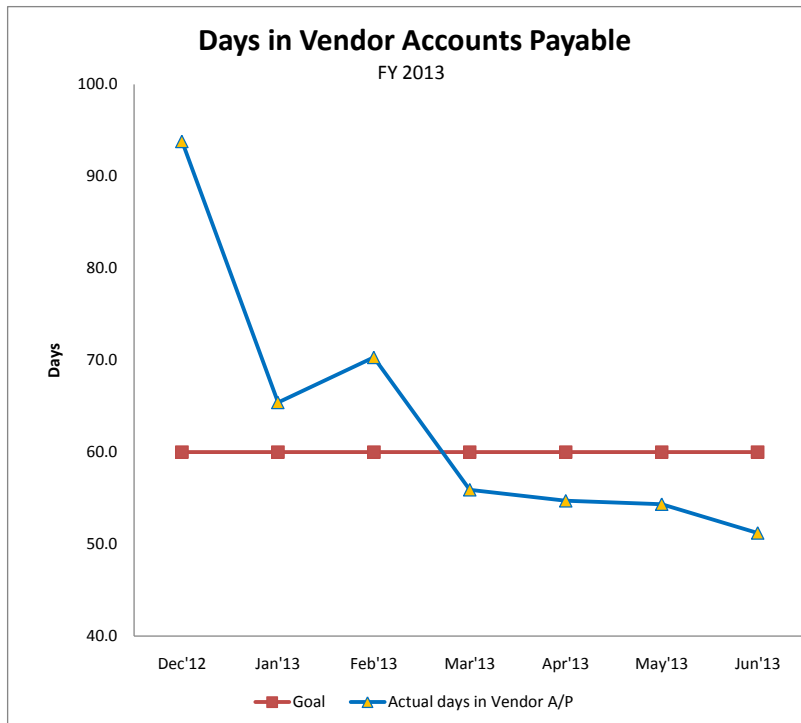
	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets			
Current Assets:			
1 Cash	\$ 974,983	\$ 1,804,380	\$ 1,790,849
2 Trustee Funds	1,263,697	1,263,697	276,368
3 Net Patient Receivables	9,521,613	9,386,703	8,068,207
4 Other Accts/Notes Rec	5,501,182	341,917	6,344,008
5 Allow Uncollect Accts	(1,471,800)	(1,454,077)	(1,976,621)
6 3rd Party Receivables	372,888	196,514	1,395,719
7 Due Frm Restrict Funds	-	-	-
8 Inventory	794,634	881,191	864,137
9 Prepaid Expenses	1,074,412	1,224,325	569,480
10 Total Current Assets	<u>\$ 18,031,609</u>	<u>\$ 13,644,650</u>	<u>\$ 17,332,147</u>
11 Board Designated Assets	\$ 186,468	\$ 186,468	\$ 185,909
12 Property, Plant & Equip, Net	10,674,452	10,698,381	11,273,989
13 Hospital Renewal Program	29,991,133	25,906,659	13,942,317
14 Unexpended Hospital Renewal Funds	4,024,454	8,028,978	18,963,901
15 Investments	-	-	36,839
16 Specific Funds	3,430,427	2,214,442	1,869,491
17 Other Assets	271,813	263,474	420,714
18 Total Assets	<u>\$ 66,610,356</u>	<u>\$ 60,943,052</u>	<u>\$ 64,025,307</u>
Liabilities & Fund Balances			
Current Liabilities:			
19 Accounts Payable	\$ 4,689,937	\$ 4,415,867	\$ 5,364,280
20 Accrued Compensation	3,163,388	3,009,609	3,123,812
21 Interest Payable	714,262	571,410	714,262
22 Accrued Expenses	304,818	304,923	152,010
23 Advances From 3rd Parties	1,689,354	1,514,354	950,253
24 Deferred Tax Revenue	4,677,907	384,885	4,769,308
25 Current Maturities-LTD	795,004	800,202	1,478,198
26 Other Liabilities	2,424,868	2,424,868	182,110
27 Total Current Liabilities	<u>\$ 18,459,538</u>	<u>\$ 13,426,118</u>	<u>\$ 16,734,233</u>
28 Long Term Debt, net current portion	\$ 37,820,460	\$ 37,918,367	\$ 38,393,797
Fund Balances:			
30 Unrestricted	\$ 6,244,842	\$ 6,697,026	\$ 6,823,472
31 Restricted	4,085,516	2,901,541	2,073,805
32 Total Fund Balances	<u>\$ 10,330,358</u>	<u>\$ 9,598,567</u>	<u>\$ 8,897,277</u>
33 Total Liabilities & Fund Balances	<u>\$ 66,610,356</u>	<u>\$ 60,943,052</u>	<u>\$ 64,025,307</u>

Sonoma Valley Hospital
Statistical Analysis
FY 2013

	ACTUAL	BUDGET	ACTUAL												
	Jun-13	Jun-13	May-13	Apr-13	Mar-13	Feb-13	Jan-13	Dec-12	Nov-12	Oct-12	Sep-12	Aug-12	Jul-12	Jun-12	May-12
Statistics															
Acute															
Acute Patient Days	323	446	396	315	447	449	613	456	351	443	347	432	396	354	363
Acute Discharges	87	126	99	88	122	128	159	117	104	121	109	117	115	107	116
SNF Days	470	589	638	589	725	678	707	671	638	576	617	682	633	688	729
HHA Visits	990	1,020	1,140	1,101	1,067	1,001	1,076	940	921	1,043	802	1,052	937	941	989
Emergency Room Visits	716	762	795	729	757	710	852	793	732	801	788	884	838	810	863
Gross Outpatient Revenue (000's)	\$8,353	\$8,441	\$9,289	\$8,906	\$8,167	\$8,065	\$8,805	\$8,302	\$8,485	\$8,935	\$8,151	\$9,014	\$8,153	\$7,667	\$8,120
Equivalent Patient Days	1,892	2,301	2,266	2,237	2,422	2,314	2,594	2,353	2,213	2,214	2,202	2,509	2,202	2,355	2,362
Births	8	16	15	12	16	11	19	13	14	9	11	16	9	15	6
Surgical Cases - Inpatient	30	38	42	25	35	33	38	32	35	37	37	40	41	28	37
Surgical Cases - Outpatient	86	91	105	90	96	80	78	94	95	91	97	98	82	92	99
Total Surgical Cases	116	129	147	115	131	113	116	126	130	128	134	138	123	120	136
Medicare Case Mix Index	1.58	1.40	1.62	1.50	1.55	1.36	1.52	1.51	1.47	1.29	1.49	1.40	1.61	1.50	1.64
Income Statement															
Net Revenue (000's)	3,821	3,901	3,324	3,986	3,945	3,938	4,006	4,085	3,679	3,963	3,707	3,926	3,822	4,832	3,741
Operating Expenses (000's)	4,694	4,357	4,529	4,407	4,577	4,353	4,632	4,482	4,235	4,407	4,221	4,312	4,257	5,278	4,686
Net Income (000's)	732	63	(651)	149	251	114	237	134	174	67	65	127	31	889	343
Productivity															
Total Operating Expense Per Equivalent Patient Day	\$2,481	\$1,893	\$1,999	\$1,970	\$1,890	\$1,881	\$1,786	\$1,905	\$1,914	\$1,990	\$1,917	\$1,719	\$1,933	\$2,241	\$1,984
Productive FTEs	277	286	282	286	291	290	284	284	266	281	291	284	281	285	285
Non-Productive FTE's	40	30	28	34	31	32	37	33	47	36	39	37	41	34	28
Total FTEs	317	316	311	320	322	322	321	317	313	316	330	321	322	318	313
FTEs per Adjusted Occupied Bed	4.25		4.25	4.29	4.12	3.77	3.84	4.24	4.24	4.43	4.37	3.97	4.53	4.05	4.11
Balance Sheet															
Days of Expense In General Operating Cash	7		12	17	15	9	9	14	7	12	14	13	14	13	15
Net Days of Revenue in AR	62		59	55	51	53	51	53	52	53	50	50	50	48	47



Days in A/R	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13
Actual days in A/R	52.6	51.0	52.7	51.0	54.2	58.8	62.1
Goal	50.0	50.0	50.0	50.0	50.0	50.0	50.0



Days in A/P	Dec'12	Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13
Actual days in Vendor A/P	93.8	65.4	70.3	55.9	54.7	54.3	51.2
Goal	60.0	60.0	60.0	60.0	60.0	60.0	60.0

Sonoma Valley Hospital
Statement of Cash Flows
For the Period Ended

	<u>Current Month</u>	<u>Year To Date</u>
Operating Activities		
Net Income (Loss)	732,280	1,431,559
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	(2,278,651)	(316,623)
Net changes in operating assets and liabilities:		
(Increase)/Decrease Patient accounts receivable - net	(272,085)	(2,118,227)
(Increase)/Decrease Other receivables and other assets	(4,173,509)	3,190,465
(Increase)/Decrease Prepaid expenses	137,863	(504,932)
(Increase)/Decrease in Inventories	86,557	69,503
(Decrease)/Increase in Deferred revenues	3,452,115	(368,207)
(Decrease)/Increase in Accounts payable, accrued expenses	582,993	1,762,323
Net Cash Provided/(Used) by operating activities	<u>(1,732,437)</u>	<u>3,145,861</u>
Investing Activities		
Net Purchases of property, plant and equipment - Other Fixed Assets	3,537,799	(26,082,380)
Net Purchases of property, plant and equipment - GO Bond Purchases	(5,320,193)	10,951,184
Net Proceeds and Distributions from investments	-	36,839
Net Book Value of Assets Disposed	-	(1,462)
Change in Restricted Funds	-	-
Change in Limited Use Cash	2,788,539	12,390,623
(Payment)/Refund of Deposits		
Net cash Provided/(Used) by investing activities	<u>1,006,145</u>	<u>(2,705,196)</u>
Financing Activities		
Proceeds (Repayments) from Borrowings - Banks & Carriers	(103,105)	(1,256,531)
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)		
Net cash Provided/(Used) by financing activities	<u>(103,105)</u>	<u>(1,256,531)</u>
Net increase/(Decrease) in cash and cash equivalents	<u>(829,397)</u>	<u>(815,866)</u>
Cash and Equivalents at beginning of period	<u>1,804,380</u>	<u>1,790,849</u>
Cash and Equivalents at June 30, 2013	<u>974,983</u>	<u>974,983</u>

8.

QUARTERLY CAPITAL SPENDING REPORT

SONOMA VALLEY HOSPITAL
2013 Capital Spending
as of June 30, 2013

Equipment

2012 Carryover Equipment	\$ 100,758
2013 Equipment	\$ 156,024
	<u>\$ -</u>
Total Equipment	<u>\$ 256,782</u>

2013 Equipment

Body Composition Analyzer	\$ 4,642
HP Proliant DL360P Server	\$ 8,660
HP Compaq Pro w/19" Monitor	\$ 849
Medical Grade Undercounter Refrigerator	\$ 1,789
HP P3015X Laserjet printer	\$ 725
2012 Chevy Colorado Truck	\$ 21,542
Whirlpool Top Load Washer	\$ 1,067
Canon EOS Digital Camera	\$ 1,025
Telephone expansion - Hwy. 12	\$ 8,912
Replace glass in ICU	\$ 4,271
Minor Procedure Table	\$ 2,417
Transport Stand	\$ 589
32" Digital TV	\$ 1,715
Micromain SQL licensing	\$ 5,649
Paperless forms system	\$ 24,187
Vital signs monitor	\$ 2,846
HP Compaq PC	\$ 1,268
Epidural pump	\$ 6,478
Glide Scope	\$ 4,794
Compressor	\$ 4,478
Carts	\$ 845
Ice & water dispenser	\$ 3,771
HP compaq business PC's	\$ 6,095
Maternity bed	\$ 10,875
Elitepower book	\$ 910
Server	\$ 1,038
CPM Machines	\$ 2,066
Work surface and file cabinet	\$ 1,179
Emergency Carts	\$ 7,957
Network computer & LCD monitor	\$ 2,491
Table Top Centrifuge	\$ 7,664
Generator	\$ 3,232

SONOMA VALLEY HOSPITAL
2013 Capital Spending
as of June 30, 2013

Subtotal Current Year	\$	156,024
2012 Carryover Equipment		
Blood Bank Refrigerator	\$	6,582
Reclass to CIP	\$	(3,640)
Returned Warming cabinets	\$	(550)
A/P Paperless System	\$	46,995
SNF Artwork	\$	2,452
Cable, sink	\$	616
Hwy. 12 Additional signage	\$	1,303
Revenue Cycle Analytics Software	\$	22,500
RCA licensing fee	\$	12,500
RCA implementation fee	\$	12,500
Bariatric table credit	\$	(500)
Subtotal Prior Year	\$	100,758
Total	\$	256,782

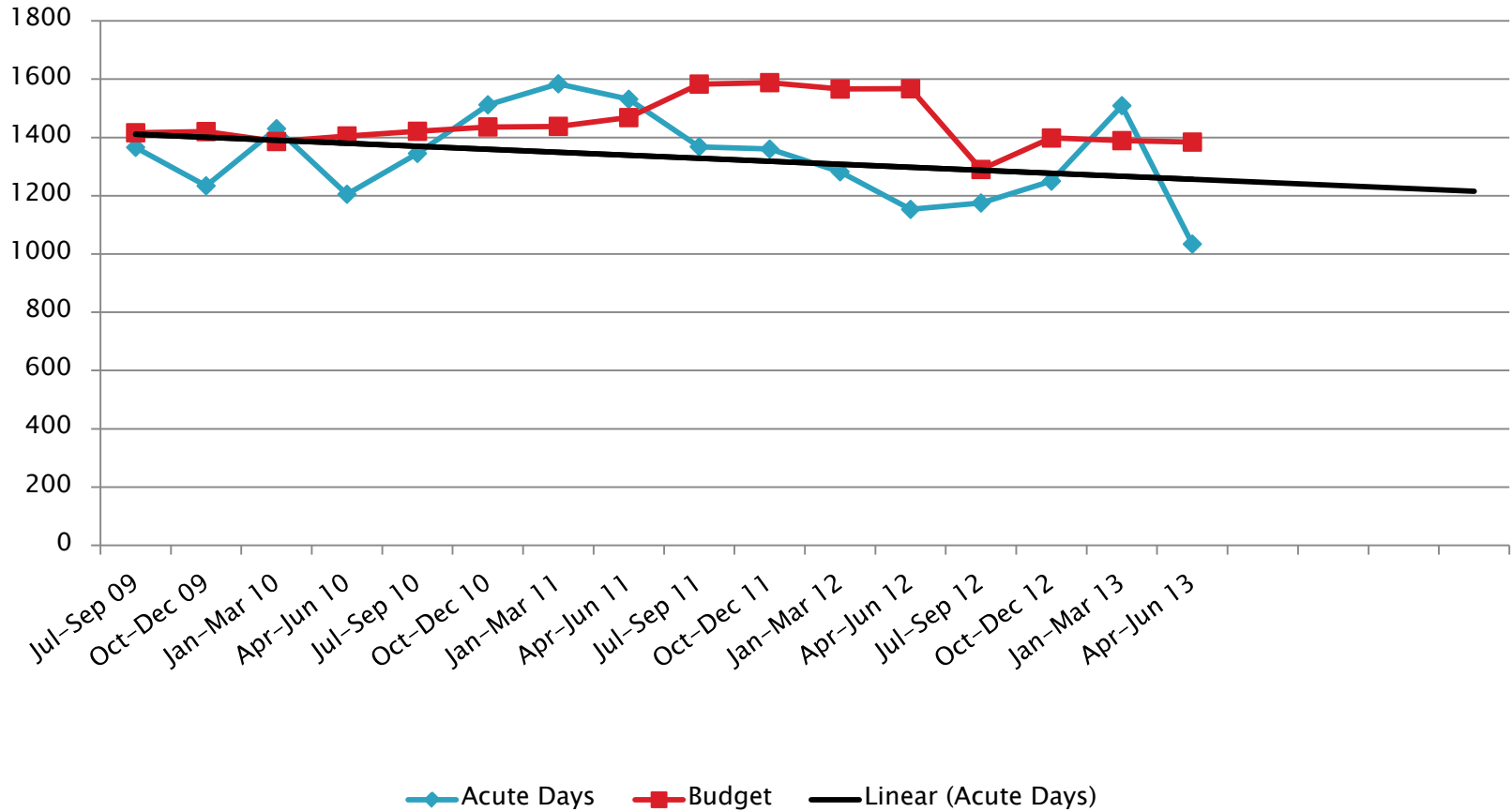
9.

**QUARTERLY VOLUME
UPDATE**

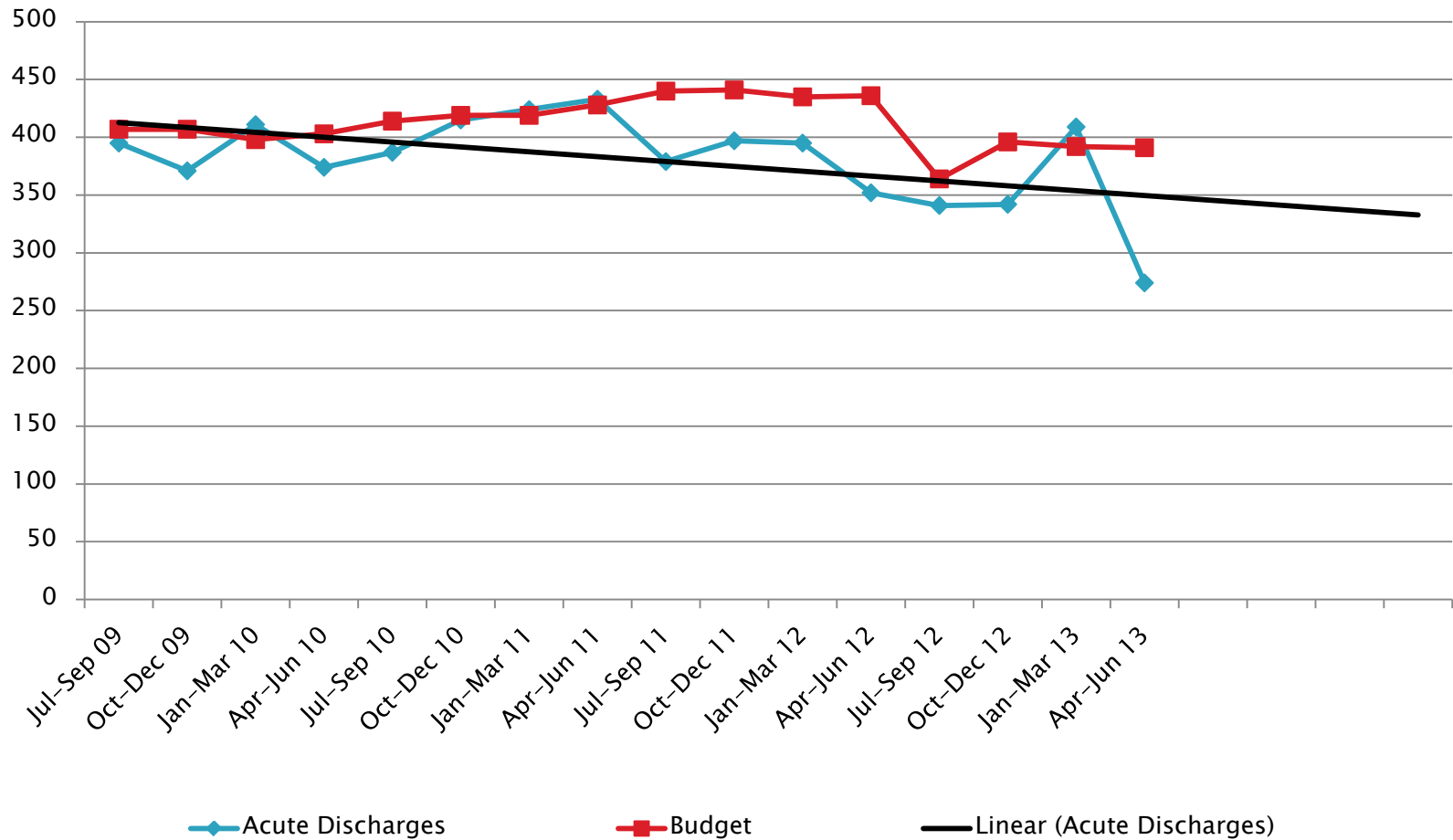
Sonoma Valley Hospital Quarterly Volume Update

Finance Committee
July 30, 2013

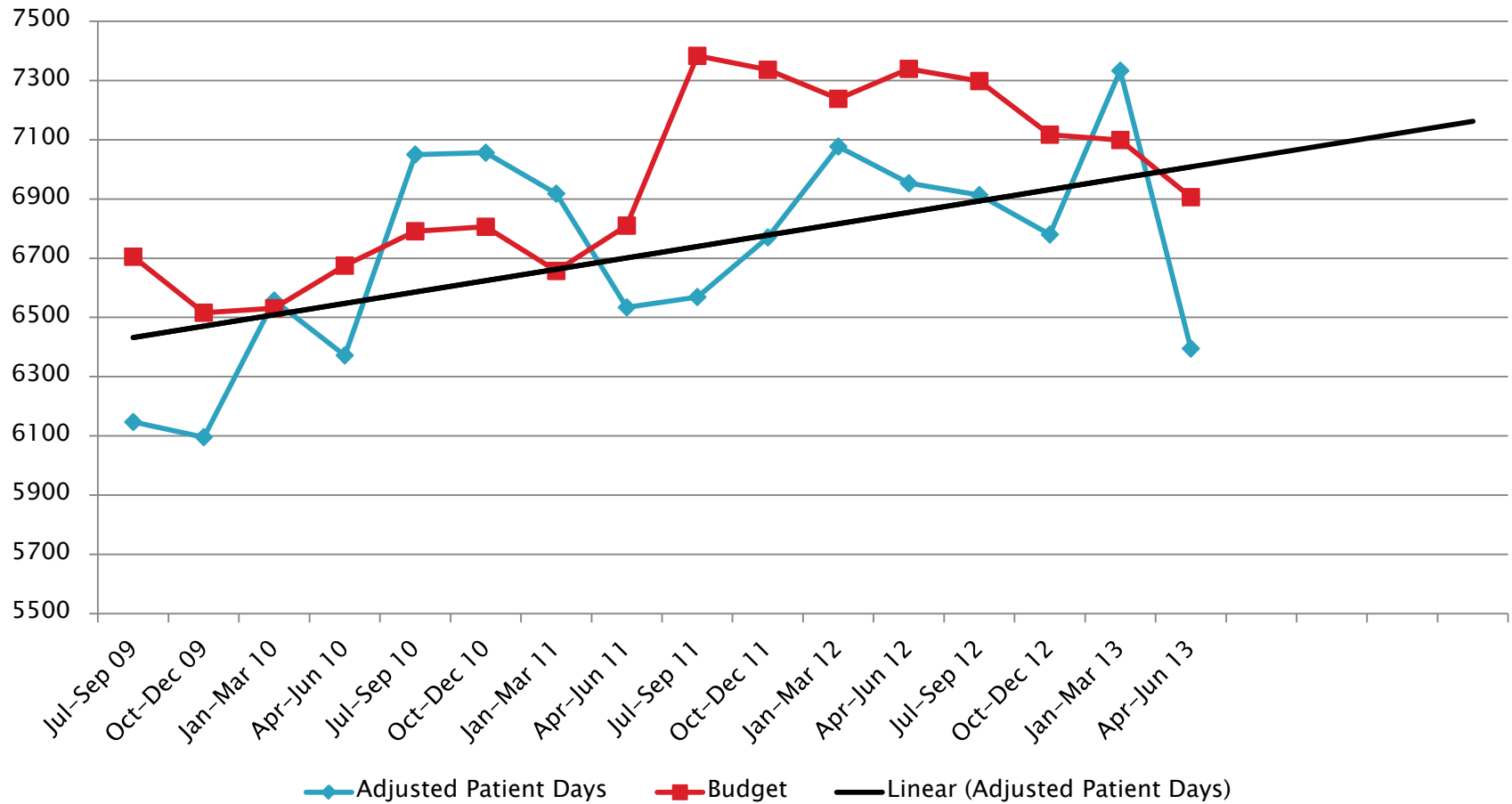
Acute Patient Days



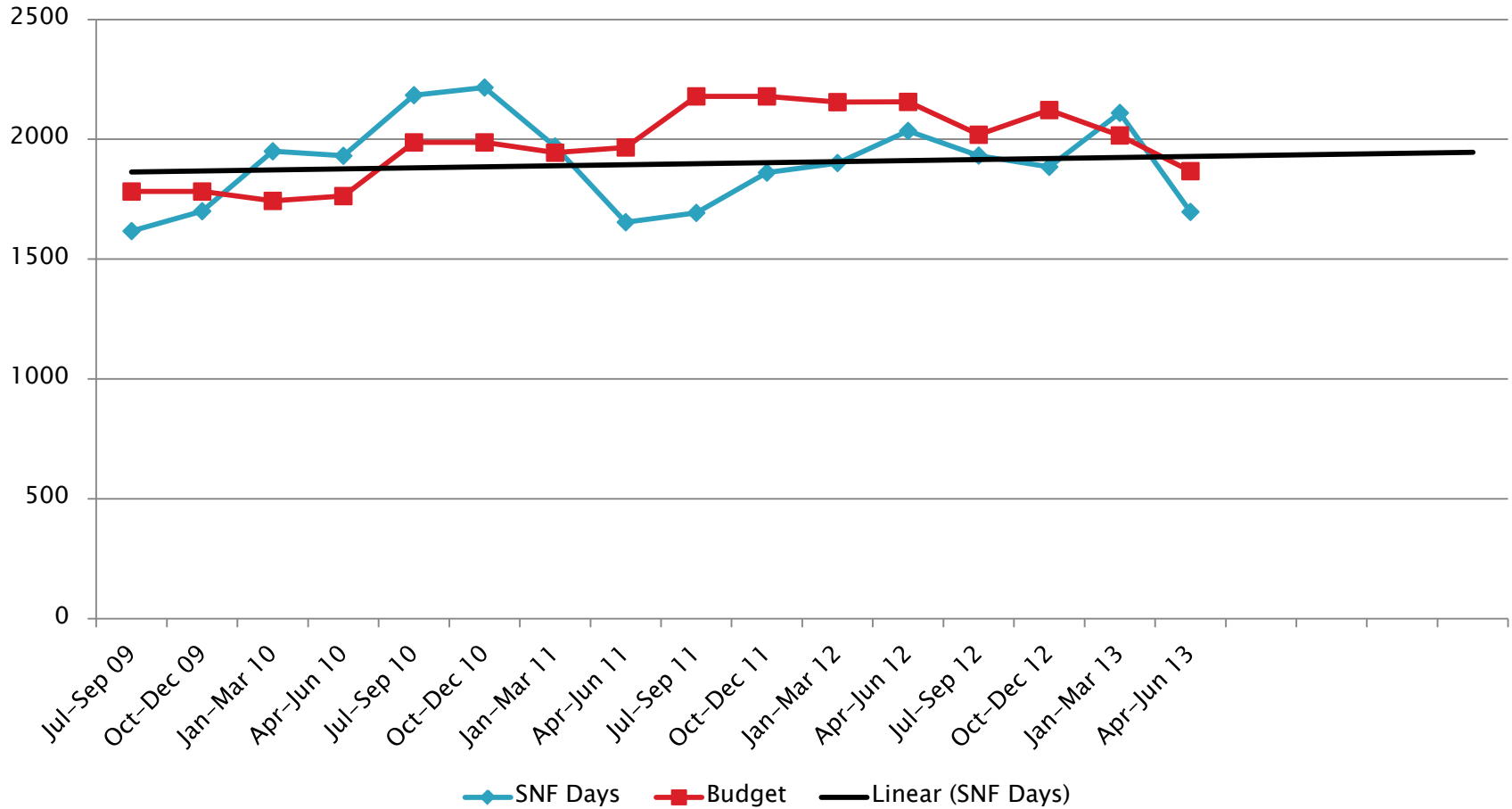
Acute Discharges



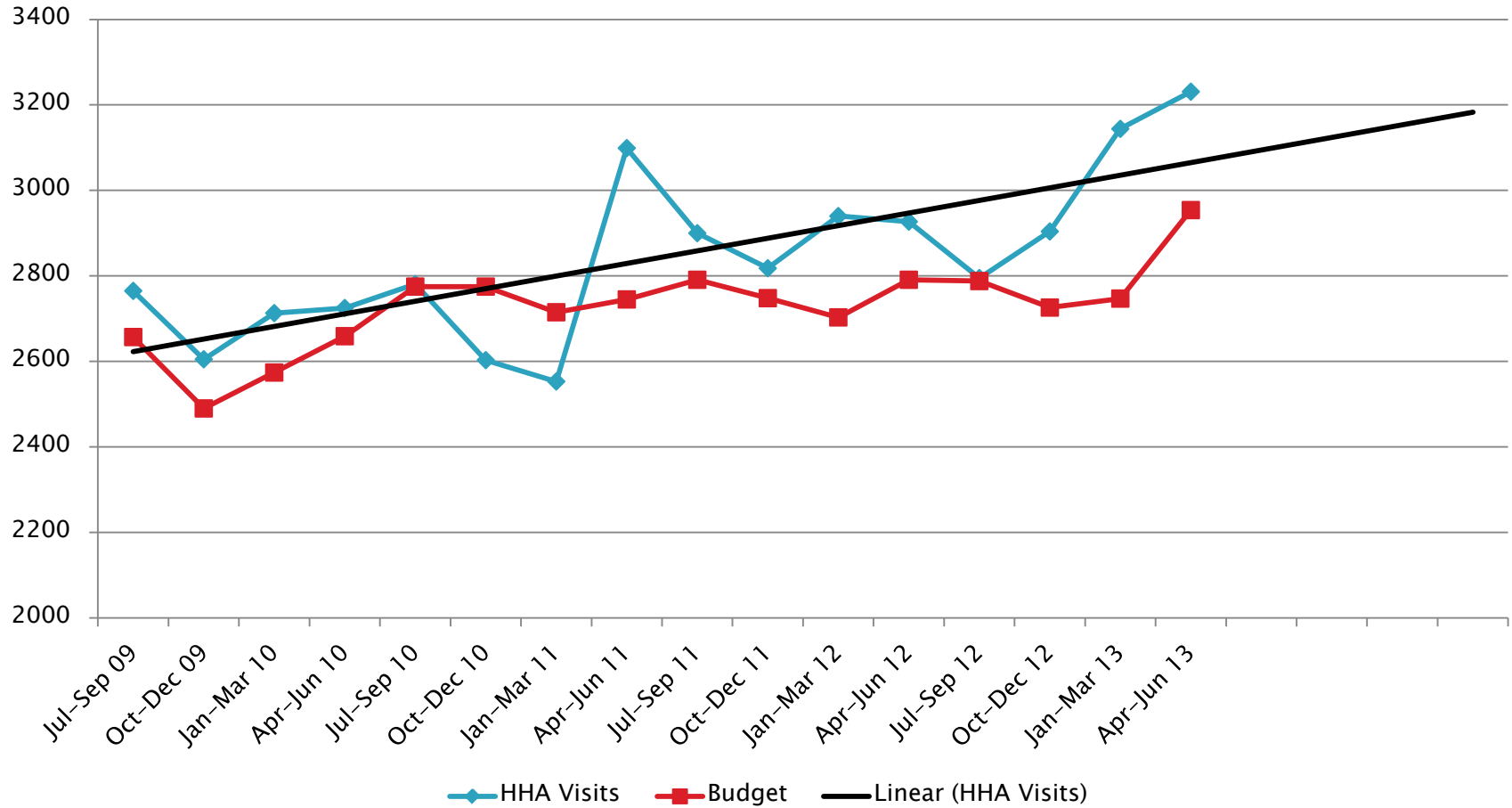
Adjusted Patient Days



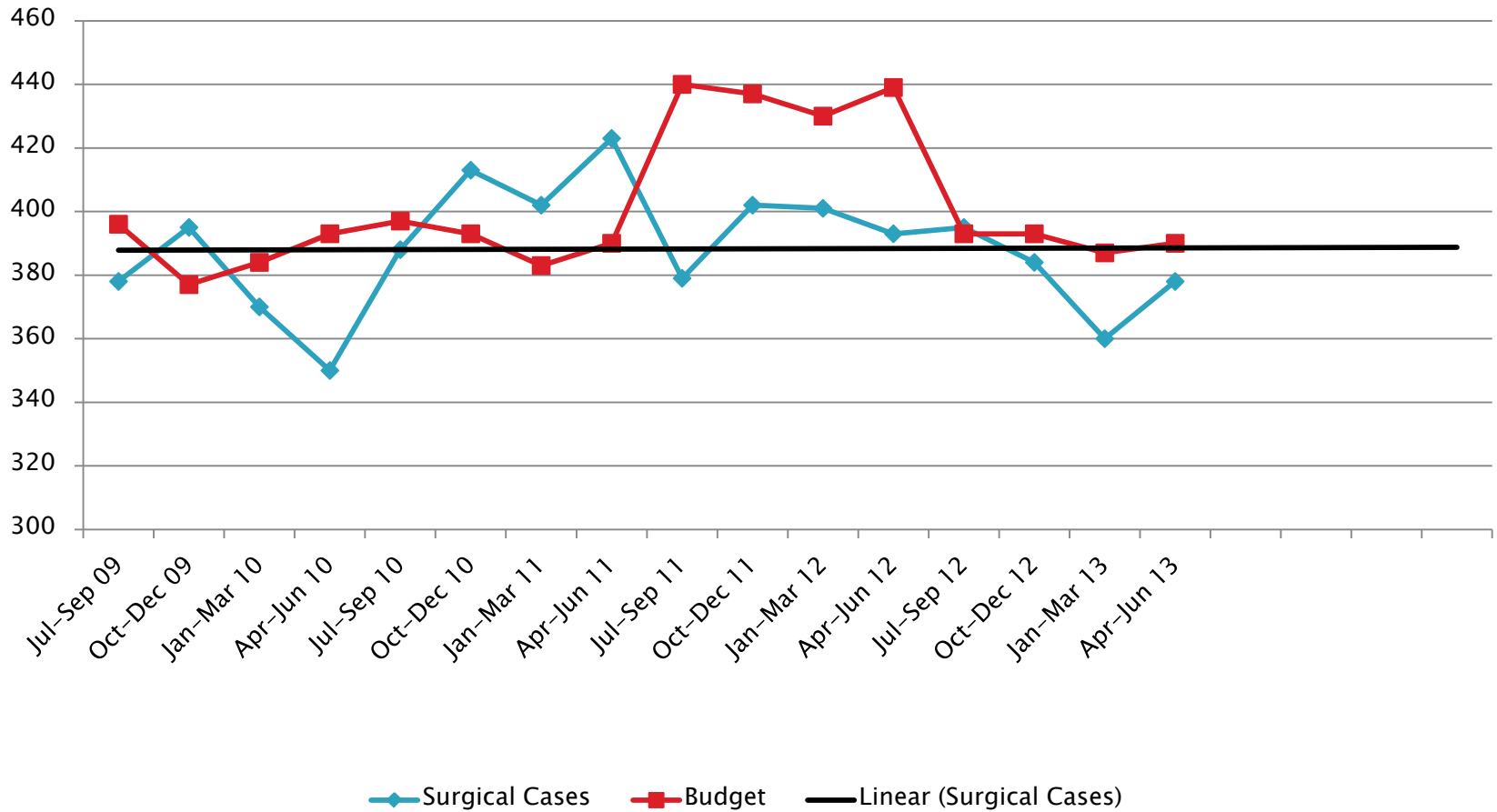
SNF Days



HHA Visits



Surgical Cases



10.

LANDMARK OPTION AGREEMENT LEASE EASEMENT PURCHASE



May 17, 2013

Bill Boerum
Sonoma Valley Hospital District
347 Andrieux St
Sonoma, CA 95476
USA

RE: Option Agreement – Lease Easement Purchase

Landmark Dividend LLC ("Landmark") is pleased to offer you the following proposal. Landmark has completed an initial analysis of the lease(s) and associated revenue for 1 lease(s) located on property owned by you (the "Premises") and identified in **Exhibit A** (the "Lease(s)"). Based on this preliminary analysis, Landmark will provide **\$212,000.00** in exchange for a 480 month easement to the Premises and assignment of your interest in the Leases and associated rent revenue.

By signing below, you grant Landmark an option to complete the contemplated transaction and purchase from you the landlord interest in the Leases. Landmark may exercise the option granted herein at any time within 90 calendar days of the date of full execution of this letter and receipt of necessary due diligence items.

You acknowledge that a \$100 non-refundable cash deposit by Landmark and Landmark's commitment to expend time, effort and expense to evaluate this transaction are good, valuable and sufficient consideration for the option granted herein. You agree to cooperate fully with Landmark in connection with its evaluation of this transaction. You shall not, directly or indirectly, (a) offer the Leases or the Premises for sale or assignment to any other person; (b) negotiate, solicit or entertain any offers to sell or assign any interest in the Leases or Premises to any other person; or (c) modify, amend, supplement, extend, renew, terminate or cancel the Leases.

This letter is intended as and shall be a legally binding commitment. In the event of a breach of this letter agreement, Landmark shall, in addition to its other rights and remedies, be entitled to compensation for its time, effort and expense to evaluate this transaction and, in any action to enforce this letter agreement, to recovery of its reasonable attorneys' fees.

Your signature below will indicate your agreement to the foregoing and will provide authorization for Landmark to proceed with the evaluation of this transaction and completion of its due diligence including but not limited to verification with the tenants of the accuracy of the due diligence items.

We look forward to working with you on this transaction. Should you have any questions, please feel free to contact me at any time.

AGREED TO AND ACCEPTED AS INDICATED BELOW AS OF THE _____ DAY OF _____, _____

LANDMARK DIVIDEND LLC

Sonoma Valley Hospital District

Bill Boerum

Exhibit A

Tenant/ Carrier	Term Purchased	Current Rent	Rent Frequency	Escalation Rate	Escalation Frequency	Date of Next Escalation
AT&T Mobility	480 Months	\$1,688.00	Monthly	9.00 %	Term	March 01, 2017