



**SONOMA VALLEY HEALTH CARE DISTRICT
FINANCE COMMITTEE
REGULAR MEETING AGENDA
Tuesday, March 26, 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	Fogg	Inform/Action
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 Meeting Minutes 1.22.13 B. FC Meeting Minutes 2.26.13	Fogg	Action
4. APPROVAL OF UPDATED FINANCE COMMITTEE CHARTER	Fogg	Inform/Action
5. UPDATES	Reid	Inform
6. FEBRUARY 2013 FINANCIALS	Reid	Inform
7. PROJECTED CASH FLOWS	Reid	Inform
8. 2014 OPERATING BUDGET ASSUMPTIONS	Reid	Inform
9. ADJOURN TO APRIL 23, 2013	Fogg	

3.A.

FINANCE
COMMITTEE
MINUTES
01.22.13



**SONOMA VALLEY HEALTH CARE DISTRICT
FINANCE COMMITTEE
MEETING MINUTES
Tuesday, January 22, 2013
Schantz Conference Room**

Board Members Present	Administrative Staff Present
Dick Fogg Sharon Nevins Shari Glago Peter Hohorst Mary Smith Phil Woodward Richard Conley	Kelly Mather, CEO Rick Reid, CFO

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
MISSION AND VISION STATEMENTS	<p><i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p> <p><i>The vision of the SVHCD is that: We are a warm, comfortable, familial place of healing that is a nationally recognized best practice hospital.</i></p> <p><i>We are the heart of health for our community and we guide the Sonoma District residents through their healthcare journey.</i></p> <p><i>We inspire health improvement through education and compassionate support to help restore and maintain physical, mental, emotional and spiritual health.</i></p>		
1. CALL TO ORDER	<i>Dick Fogg</i>		
	5:01 p.m.		
2. PUBLIC COMMENT SECTION			
	No public comment.		
3. CONSENT CALENDAR	<i>Dick Fogg</i>		
		Motion by Fogg, second by Glago, all in favor.	
4. BUILDING PROJECT FINANCING PLAN	<i>Rick Reid</i>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	We are adding a new debt but eliminating an old debt thereby reducing overall monthly payments. 2014 is when the use of the line of credit would come into place. The line of credit is in the pre-approved stage at Union Bank for a total of \$5 million at 4 %.		
5. UPDATES	<i>Rick Reid</i>		
	We have successfully renegotiated contracts with Blue Shield, Cigna, Aetna, and other insurance companies to get higher reimbursements from the insurance companies. New MRI equipment has been brought in and Reid will bring in budget calendar for next meeting. The Committee approved the proposed budget from Reid.	Motion by Fogg second by Glago, all in favor.	
6. DECEMBER 2012 FINANCIALS	<i>Rick Reid</i>		
	We broke the 4 million dollar amount, had great volumes and did extremely well.		
7. PROJECTED CASH FLOWS	<i>Rick Reid</i>		
	We are currently \$96,000 over budget with a lot of Napa State volume. There is less self-pay and more commercial insurance. FDAS on budget. Surgery, out-patient, and in-patient are on budget		
8. QUARTERLY CAPITAL SPENDING SUMMARY	<i>Rick Reid</i>		
9. 2nd QUARTER VOLUME SUMMARY	<i>Rick Reid</i>		
10. CONFIDENTIALITY STATEMENT	<i>Dick Fogg</i>		
	There is a new clause in the Confidentiality Statement stating that anything said in an Open Meeting is no longer confidential. Only in a Closed Session could there be confidentiality.		
ADJOURN	<i>Dick Fogg</i>		
	6:47 pm		

3.B.

FINANCE
COMMITTEE
MINUTES
02.26.13



**SONOMA VALLEY HEALTH CARE DISTRICT
FINANCE COMMITTEE
DRAFT MEETING MINUTES
Tuesday, February 26, 2013
Schantz Conference Room**

Board Members Present	Administrative Staff Present	Other
Dick Fogg, Chair Bill Boerum Sharon Nevins Jane Hirsch Steve Barclay Peter Hohorst Mary Smith Phil Woodward Richard Conley S. Mishra, MD	Rick Reid, CFO Jeannette Tarver, Finance Director Gigi Betta, Board Clerk Cierra Percy, Intern	Keith Chamberlin, M.D., MBA

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
MISSION AND VISION STATEMENTS	<p><i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p> <p><i>The vision of the SVHCD is that: We are a warm, comfortable, familial place of healing that is a nationally recognized best practice hospital.</i></p> <p><i>We are the heart of health for our community and we guide the Sonoma District residents through their healthcare journey.</i></p> <p><i>We inspire health improvement through education and compassionate support to help restore and maintain physical, mental, emotional and spiritual health.</i></p>		
1. CALL TO ORDER	<i>Dick Fogg</i>		
	<p>5:03 p.m. Keith Chamberlin M.D., MBA was welcomed to the meeting and everyone introduced themselves.</p> <p>There were no announcements.</p>		
2. PUBLIC COMMENT SECTION	<i>Dick Fogg</i>		
	No public comment.		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
3. UPDATES	<i>Rick Reid</i>		
	<p>Mr. Reid presented the SVH FY2014 Operating & Capital Budget Timeline. The proposed budget will go to the Finance Committee for approval in May and then to the District Board in June 2013.</p> <p><u>Other announcements:</u></p> <p>SVH is in final negotiations with Celtic Financing for an equipment lease at 3.4% with a 5-year term. The bank is MB Financial. The Union Bank line of credit has been approved.</p> <p>Phil Woodward gave an update on the Packard Foundation. They will finance 100% of pledges at rate of 1.5%. They make payment according to pledges. Rick Reid requested contact information so he can look into the Foundation.</p>		Richard Conley to send Packard Foundation contact information to Rick Reid.
4. JAN 2013 FINANCIALS	<i>Rick Reid</i>		
	<p>Overall for January, SVH has net income of \$236,996 on budgeted income of \$55,007, for a favorable difference of \$181,989. Total net patient service revenue was over budget by \$362,309. Risk contracts were over budget by \$66,114, bringing the total operating revenue to \$4,382,194 or \$429,729 over budget. Expenses were \$4,631,768 on a budget of \$4,404,900 or (\$226,868) over budget. The EBIDA prior to the restricted donations for the month was \$484,674 or 11.1%.</p> <p>Mr. Reid informed the Committee that \$300,000 was reserved for future Recovery Audit Contractor (RAC) audit findings. The Hospital has re-paid over \$165,000 so far this year. Management is working with physicians on inpatient and observation status.</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>Moving forward we will be taking a comprehensive look at IT expenses in the budget. Reid to report more later on this topic.</p> <p>Offering Napa State a 5% discount if they send us 90% of their business. Napa work closely with Queen of the Valley and have a good (20 year+) working relationship with their physicians as well as ambulance drivers. The Napa State volume has increased this year.</p>		
5.PROJECTED CASH FLOWS	<i>Rick Reid</i>		
	<p><u>Major objectives include:</u> *Maintaining cash at around \$1.5M; *Holding off on major capital spending, unless cash improves; *Pay back Napa State beginning in March after billing is completed. This should not impact cash flows. *Reduce days in A/P to 45 for end of 2013 but balance with cash with A/P; and *Maintain days in A/R at 45.</p>		
6. QUARTERLY CAPITAL SPENDING SUMMARY	<i>Rick Reid</i>		
	<p>Total Capital Spending as of December 21, 2012 was \$107,237. A projected update on the capital spending was requested by Richard Conley.</p>		R. Reid to provide projected update on Capital Spending at a subsequent meeting.
ADJOURN	<i>Dick Fogg</i>		
	6:17 PM		

4.

UPDATED FC CHARTER POLICY



SUBJECT: Finance Committee Charter	POLICY #
DEPARTMENT: Board of Directors	PAGE 1 OF 4
APPROVED BY: Board of Directors	EFFECTIVE: 4/5/12
	REVISED:

Purpose:

This charter (the “Charter”) sets forth the duties and responsibilities and governs the operations of the Finance Committee (the “Committee”) of the Board of Directors (the “Board”) of Sonoma Valley Healthcare District (the “District”), a nonprofit corporation organized and existing under the California Law.

The Finance Committee’s purpose is to assist the Board in its oversight of the District’s financial affairs, including District’s financial condition, financial planning, operational, and capital budgeting, debt structure, debt financing and refinancing and other significant financial matters involving the District. The Finance Committee is the body which recommends to the District Board on all financial decisions.

Policy:

Duties and Responsibilities

The Committee’s primary duties and responsibilities are as follows:

- A. Review Monthly Financial Operating Performance
 1. Review the District’s monthly financial operating performance. The committee will review the monthly financial statements, including but not limited to the Statement of Revenues and Expenses, Balance Sheet and Statement of Cash Flows, prepared by management. The committee will also review other financial indicators as warranted.
 2. Review management’s plan for improved financial and operational performance including but not limited to new patient care programs, cost management plans, and new financial arrangements. The committee will make recommendations to the Board when necessary.

- B. Budgets
 1. Review and recommend to the Board for approval an annual operating budget for the District.
 2. Review management’s budget assumptions including volume, growth, inflation and other budget assumptions.
 3. Review and recommend to the Board for approval an annual capital expenditures budget for



SUBJECT: Finance Committee Charter	POLICY #
	PAGE 2 OF 4
DEPARTMENT: Board of Directors	EFFECTIVE: 4/5/12
APPROVED BY: Board of Directors	REVISED:

the District. If deemed appropriate by the Committee, review and recommend to the Board for approval projected capital expenditures budgets for one or more succeeding years.

C. Debt, Financing and Refinancing

1. Evaluate and monitor the District's long and short-term indebtedness, debt structure, collateral or security, therefore, cash flows, and uses and applications of funds.
2. Evaluate and recommend to the Board for approval proposed new debt financing, including lines of credit, financings and refinancing, including (i) interest rate and whether the rate will be fixed or floating rate; (ii) collateral or security, if any; (iii) issuance costs; (iv) banks, investment banks, and underwriters retained or compensated by the District in connection with any financing or refinancing.
3. Review and recommend to the Board all guarantees or other obligations for the indebtedness of any third party.

D. Insurance

1. Review on an annual basis all insurance coverage's, including (i) identity and rating of carriers; (ii) premiums; (iii) retentions; (iv) self-insurance; (v) stop-loss policies; and (vi) all other aspects of insurance coverage for healthcare institutions.

E. Investment Policies

1. Review and recommend to the Board the District's cash management and cash investment policies, utilizing the advice of financial consultants as the Committee deems necessary or desirable.
2. Review and recommend to the Board the District's investment policies relating to assets of any employee benefit plans maintained and controlled by the District, utilizing the advice of financial consultants as the Committee deems necessary or desirable.

F. General

1. Review and recommend the services of all outside financial advisors, financial consultants, banks, investment banks, and underwriters for the District. Review annually the District's significant commercial and investment bank relationships.
2. Perform any other duties and responsibilities as the Board may deem necessary, advisable



SUBJECT: Finance Committee Charter	POLICY #
DEPARTMENT: Board of Directors	PAGE 3 OF 4
APPROVED BY: Board of Directors	EFFECTIVE: 4/5/12
	REVISED:

or appropriate for the Committee to perform.

3. Perform such other duties and responsibilities as the Committee deems appropriate to carry out its purpose as provided in this Charter.
4. Meet on a monthly basis preceding the Board meeting concerning the District's financial affairs. Urgent and time sensitive matters shall be reported at the next regular or special Board meeting.
5. The Finance Committee will be invited to attend the presentation by the District's independent auditors.
6. The Finance Committee shall review the Charter annually after the close of the fiscal year, or more often if required. If revisions are needed, they will be taken to the Board for action.
7. The Finance Committee shall report to the District Board on the status of its prior fiscal year's work plan accomplishments by after the completion of the Financial Statement Audit.



SUBJECT: Finance Committee Charter	POLICY #
DEPARTMENT: Board of Directors	PAGE 4 OF 4
APPROVED BY: Board of Directors	EFFECTIVE: 4/5/12
	REVISED:

Organization

The Committee’s membership, the chairperson, the call and conduct of Committee meetings, the preparation of Committee minutes, and the Committee’s other activities shall be appointed, conducted and accomplished in accordance with applicable provisions of the Bylaws and the Corporate Governance Principles adopted by the Board. The committee’s membership is subject to the Approval of the District Board. The membership shall include the following:

- 1. Two (2) Board Members, one being the Treasurer
- 2. Six (6) District Citizens
- 3. At least one (1) member of the Medical Staff
- 4. District’s Chief Executive Officer (non-voting)
- 5. District’s Chief Financial Officer (non-voting)

Performance Evaluation

The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this Charter. The performance evaluation shall also recommend to the Board any amendments to this Charter deemed necessary or desirable by the Committee. The performance evaluation shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson or any other member of the Committee designated by the Committee to make the report.

Resources and Authority of the Committee

The Finance Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the responsibility to recommend to select, retain, terminate, and approve the engagement and other retention terms of special counsel or other experts or consultants, as it deems appropriate.

Amendment

This Charter shall not be amended except upon approval by the Board.
Adopted by the Board on April 5, 2012.

6.

FEBRUARY 2013
FINANCIALS

Sonoma Valley Hospital
Sonoma Valley Health Care District
February 28, 2013 Financial Report

Finance Committee

March 26, 2013

February's Patient Volumes

	Actual	Budget	Variance	Prior Year
Acute Discharges	128	124	4	145
Acute Patient Days	449	438	11	399
SNF Patient Days	678	626	52	567
Outpatient Gross Revenue (in thousands)	\$8,065	\$8,117	-\$52	\$7,983
Surgical Cases	113	123	-10	115

Summary Statement of Revenues and Expenses Month of February, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 3,948,218	\$ 3,809,899	\$ 138,319	4%	\$ 3,776,211
2 Total Operating Expenses	\$ 4,353,458	\$ 4,212,639	\$ (140,819)	-3%	\$ 4,160,053
3 Operating Margin	\$ (405,240)	\$ (402,740)	\$ (2,500)	-1%	\$ (383,842)
4 NonOperating Rev/Exp	\$ 466,293	\$ 459,942	\$ 6,351	1%	\$ 419,772
5 Net Income before Restricted Cont.	\$ 61,053	\$ 57,202	\$ 3,851	7%	\$ 35,930
6 Restricted Contribution	\$ 53,318	\$ 47,500	\$ 5,818	12%	\$ -
7 Net Income with Restricted Contributions	\$ 114,371	\$ 104,702	\$ 9,669	9%	\$ 35,930
8 EBIDA before Restricted Contributions	\$ 297,930	\$ 312,566	\$ (14,636)		\$ 260,820
9 EBIDA before Restricted Cont. %	8%	8%	0%		7%
10 Net Income without GO Bond Activity	\$ (9,185)	\$ (23,620)	\$ 14,435		\$ (87,626)

Summary Statement of Revenues and Expenses Year to Date February 28, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 31,637,066	\$ 31,241,005	\$ 396,061	1%	\$ 31,047,148
2 Total Operating Expenses	\$ 34,898,478	\$ 34,822,784	\$ (75,694)	0%	\$ 33,623,965
3 Operating Margin	\$ (3,261,412)	\$ (3,581,779)	\$ 320,367	9%	\$ (2,576,817)
4 NonOperating Rev/Exp	\$ 3,711,495	\$ 3,679,536	\$ 31,959	1%	\$ 2,744,069
5 Net Income before Restricted Cont.	\$ 450,083	\$ 97,757	\$ 352,326	360%	\$ 167,252
6 Restricted Contribution	\$ 499,344	\$ 380,000	\$ 119,344	31%	\$ -
7 Net Income with Restricted Contributions	\$ 949,427	\$ 477,757	\$ 471,670	99%	\$ 167,252
8 EBIDA before Restricted Contributions	\$ 2,394,817	\$ 2,140,669	\$ 254,148		\$ 1,917,218
9 EBIDA before Restricted Cont. %	8%	7%	1%		6%
10 Net Income without GO Bond Activity	\$ (538,365)	\$ (928,819)	\$ 390,454		\$ (821,196)

February'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	\$ 1,596,134	\$ 1,537,911	\$ 58,223	4%	\$ 1,420,712
2	Skilled Nursing Facility	\$ 391,457	\$ 368,345	\$ 23,112	6%	\$ 289,778
3	Outpatient and Emergency	\$ 1,575,059	\$ 1,740,195	\$ (165,136)	-9%	\$ 1,775,197
4	HomeCare	\$ 233,839	\$ 214,087	\$ 19,752	9%	\$ 224,677
5	Community Benefit (Charity)	\$ (5,800)	\$ (37,163)	\$ 31,363	84%	\$ (13,000)
6	Bad Debt Expense	\$ (100,000)	\$ (322,172)	\$ 222,172	69%	\$ (175,000)
7	TOTAL NET PATIENT REVENUE	\$ 3,690,689	\$ 3,501,203	\$ 189,486	5%	\$ 3,522,364
RISK CONTRACTS						
8	Capitation Revenue	\$ 169,037	\$ 183,325	\$ (14,288)	-8%	\$ 184,469
9	Napa State Hospital Revenue	\$ 78,400	\$ 113,333	\$ (34,933)	-31%	\$ 60,100
10	TOTAL RISK CONTRACTS	\$ 247,437	\$ 296,658	\$ (49,221)	-17%	\$ 244,569
11	OTHER OPER REVENUE	\$ 10,092	\$ 12,038	\$ (1,946)	-16%	\$ 9,278
12	TOTAL HOSPITAL NET REVENUE	\$ 3,948,218	\$ 3,809,899	\$ 138,319	4%	\$ 3,776,211

Revenue Variances

- Total Operating Revenue over budget by \$138,319
- Revenue is over budget by 4%
 - Medicare discharges were over budget by 13, with over budget rates for a net impact of \$193,487
 - Medi-Cal days were under budget by 31, with under budget rates for a net impact of (\$120,546)
 - Commercial days were over budget by 11 with under budget rates for a net impact of \$13,875
 - Other patient days were under budget by 5 with over budget rates for a net impact of (\$28,593)
 - SNF days over budget by 42, with acuity under budget for a net impact of \$23,112
 - Outpatient volumes were under budget, and rates lower than budget (\$85,832); self-pay discounts taken (\$79,304)
 - Home Care is over budget by \$19,752
 - Napa State is under budget by (\$34,933), due to volume

February'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	\$ 1,962,564	\$ 1,879,847	\$ (82,717)	-4%	\$ 1,839,727
2 Employee Benefits	\$ 674,529	\$ 640,531	\$ (33,998)	-5%	\$ 656,959
3 Total People Cost	\$ 2,637,093	\$ 2,520,378	\$ (116,715)	-5%	\$ 2,496,686
4 Medical and Prof Fees (excl'd Agency)	\$ 381,113	\$ 388,284	\$ 7,171	2%	\$ 447,129
5 Supplies	\$ 498,854	\$ 484,375	\$ (14,479)	-3%	\$ 532,460
6 Purchased Services	\$ 447,891	\$ 376,110	\$ (71,781)	-19%	\$ 225,216
7 Depreciation	\$ 177,633	\$ 199,672	\$ 22,039	11%	\$ 164,880
8 Utilities	\$ 56,906	\$ 82,610	\$ 25,704	31%	\$ 74,523
9 Insurance	\$ 19,170	\$ 20,374	\$ 1,204	6%	\$ 25,084
10 Interest	\$ 29,233	\$ 25,681	\$ (3,552)	-14%	\$ 29,999
11 Other	\$ 105,565	\$ 115,155	\$ 9,590	8%	\$ 164,076
12 TOTAL OPERATING EXPENSE	\$ 4,353,458	\$ 4,212,639	\$ (140,819)	-3%	\$ 4,160,053

Expense Variances

Total operating expenses were over budget by (\$140,819)

- Total productivity FTE's were under budget at 290. Total salaries and Agency were over budget by \$82,717 due to the increase in volume.
- Employee benefits were over budget by (\$33,998). Health insurance is over budget by (\$32,135).
- Purchase services were over budget by (\$71,781) 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.

February'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.	\$ 163,349	\$ 147,250	\$ 16,099	11%	\$ 103,136
2 Donations	\$ -	\$ -	\$ -	0%	\$ -
Professional Center / Phys					
3 Recruitment	\$ -	\$ -	\$ -	0%	\$ (159)
4 Physician Practice Support - Prima	\$ (65,630)	\$ (65,630)	\$ -	0%	\$ (51,584)
5 Tax Assessment Revenue-Parcel Tax	\$ 245,018	\$ 250,000	\$ (4,982)	-2%	\$ 244,823
6 Tax Assessment Revenue - GO Bond	\$ 153,567	\$ 158,333	\$ (4,766)	-3%	\$ 153,567
7 GO Bond Interest	\$ (30,011)	\$ (30,011)	\$ -	0%	\$ (30,011)
8 NON-OPERATING REV/EXP	\$ 466,293	\$ 459,942	\$ 6,351	1%	\$ 419,772
9 Capital Campaign Contribution	\$ 53,318	\$ 47,500	\$ 5,818	12%	\$ -
10 Restricted Foundation Contribution	\$ -	\$ -	\$ -	0%	\$ -
11 TOTAL NON-OPERATING REV/EXP	\$ 519,611	\$ 507,442	\$ 12,169	2%	\$ 419,772



To: SVH Finance Committee
From: Rick Reid, CFO
Date: March 26, 2013
Subject: Financial Report for the Month Ending February 28, 2013

Overall Results for February 2013

Overall for February, SVH has net income of \$114,371 on budgeted income of \$104,702, for an favorable difference of \$9,669. Total net patient service revenue was over budget by \$189,486. Risk contracts were under budget by (\$49,221), bringing the total operating revenue to \$3,948,218 or \$138,319 over budget. Expenses were \$4,353,458 on a budget of \$4,212,639 or (\$140,819) over budget. The EBIDA prior to the restricted donations for the month was \$294,930 or 7.5%.

Patient Volumes - February

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	128	124	4	145
Acute Patient Days	449	438	9	399
SNF Patient Days	678	626	52	567
OP Gross Revenue	\$8,065	\$8,117	-\$52	\$7,983
Surgical Cases	113	123	-10	115

Overall Payer Mix - February

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	54.2%	47.4%	6.8%	49.3%	47.4%	1.9%
Medi-Cal	9.8%	13.2%	-3.4%	13.4%	13.3%	0.1%
Self Pay	3.1%	3.4%	-0.3%	3.7%	3.4%	0.3%
Other:						
Commercial	17.9%			20.4%		
Managed MC	7.3%			4.8%		
Workers Comp	4.2%			3.4%		
Capitated	3.5%			5.0%		
Total Other	32.9%	36.0%	-3.1%	33.6%	35.9%	-2.3%
Total	100%	100%		100%	100%	

Net Operating Revenues

Net operating revenues for February were \$4.0 million on a budget of \$3.8 million or \$138,319 over budget.

Inpatient Net Revenue is over budget by \$58,223 or 4%, due to the following:

- Medicare discharges over budget by 13, with a favorable rate variance for a total impact of \$193,487
- Medi-Cal patient days under budget by 31, with an unfavorable rate variance for a total impact of (\$120,546)
- Other patient days under budget by 5, the impact was (\$46,044), offset by favorable rates of \$17,451, net variance under budget (\$28,593)
- Commercial patient days over budget by 11, the impact was \$58,890, offset by unfavorable rates of (\$45,015), net variance over budget \$13,875

Skilled Nursing Home:

- Volume was over budget by 42 days and patient acuity was under budget, net impact \$23,112

Outpatient:

- Volume was under budget and rates were under budget by (\$85,832)
- Self pay discount were taken (\$79,304)

Home Care:

- Volume was over budget by 99 visits or \$19,752 over budget

Risk Contract Revenue:

- Napa State was under budget by (\$34,933), due to volume

Expenses

February's expenses were \$4.4 million on a budget of \$4.2 million or over budget by (\$140,819).

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

- Total productivity FTE's were under budget at 290, on a budget of 293. Total salaries and Agency Fees were over budget by a total of (\$82,717) due to volume.
- Employee benefits were over budget by (\$33,998), of this health insurance was over budget by (\$32,135).
- Purchase services are over budget by (\$71,781) 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.

Capital Campaign Summary:

For the month of February the Hospital received \$53,318 in capital campaign donations. The total amount received from the Capital Campaign to date is \$2,434,774, 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 \$21,779 for miscellaneous restricted funds and \$114,420 received from the Foundation for the X-ray machine.

	Receipts	Spending	Balance
Emergency Dept.	\$1,001,000	\$0	\$1,001,000
Operating Room	\$0	\$0	\$0
General	\$1,433,774	\$648,056	\$785,718
Total Capital Campaign	\$2,434,774	\$648,056	\$1,786,718
X-Ray Machine	\$114,420	\$0	\$114,420
Misc. Restricted Funds	\$21,779	\$0	\$21,779
Total Specific Funds	\$2,570,973	\$648,056	\$1,922,917

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%
YTD	875	847	28	3.3%	5,523	5,412	111	2.1%

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

	Month				Year-To-Date				YTD Prior Year
	This Year		Variance		This Year		Variance		
	Actual	Budget	\$	%	Actual	Budget	\$	%	
Volume Information									
1 Acute Discharges	128	124	4	3%	970	1,010	(40)	-4%	1,046
2 SNF Days	678	626	52	8%	5,202	5,436	(234)	-4%	4,783
3 Home Care Visits	1,001	902	99	11%	7,772	7,329	443	6%	7,562
4 Gross O/P Revenue (000's)	8,065	8,117	(52)	-1%	\$ 67,909	\$ 66,406	1,503	2%	\$ 62,463
Financial Results									
Gross Patient Revenue									
5 Inpatient	\$ 5,396,047	\$ 5,057,245	338,802	7%	\$ 42,553,845	\$ 41,358,026	1,195,819	3%	\$ 39,179,353
6 Outpatient & Emergency	7,779,620	7,851,181	(71,561)	-1%	65,637,300	64,250,013	1,387,287	2%	60,419,867
7 SNF	2,239,526	1,862,187	377,339	20%	17,007,940	15,987,137	1,020,803	6%	15,066,889
8 Home Care	285,148	265,365	19,783	7%	2,271,699	2,155,891	115,808	5%	2,043,391
9 Total Gross Patient Revenue	\$ 15,700,341	\$ 15,035,978	664,363	4%	\$ 127,470,784	\$ 123,751,067	3,719,717	3%	\$ 116,709,500
Deductions from Revenue									
10 Contractual Discounts	\$ (11,895,184)	\$ (11,044,847)	(850,337)	-8%	\$ (95,385,890)	\$ (90,947,363)	(4,438,527)	-5%	\$ (84,511,656)
11 Bad Debt	(100,000)	(322,172)	222,172	69%	(2,000,000)	(2,651,579)	651,579	25%	(2,400,000)
12 Charity Care Provision	(14,468)	(167,756)	153,288	91%	(1,260,876)	(1,380,687)	119,811	9%	(1,199,119)
13 Prior Period Adjustments	-	-	-	0%	-	-	-	0%	-
14 Total Deductions from Revenue	\$ (12,009,652)	\$ (11,534,775)	(474,877)	4%	\$ (98,646,766)	\$ (94,979,629)	(3,667,137)	4%	\$ (88,110,775)
15 Net Patient Service Revenue	\$ 3,690,689	\$ 3,501,203	189,486	5%	\$ 28,824,018	\$ 28,771,438	52,580	0%	\$ 28,598,725
16 Risk contract revenue	\$ 247,437	\$ 296,658	(49,221)	-17%	\$ 2,665,740	\$ 2,373,264	292,476	12%	\$ 2,352,127
17 Net Hospital Revenue	\$ 3,938,126	\$ 3,797,861	140,265	4%	\$ 31,489,758	\$ 31,144,702	345,056	1%	\$ 30,950,852
18 Other Operating Revenue	\$ 10,092	\$ 12,038	(1,946)	-16%	\$ 147,308	\$ 96,304	51,004	53%	\$ 96,298
19 Total Operating Revenue	\$ 3,948,218	\$ 3,809,899	138,319	4%	\$ 31,637,066	\$ 31,241,006	396,060	1%	\$ 31,047,150
Operating Expenses									
20 Salary and Wages and Agency Fees	\$ 1,962,564	\$ 1,879,847	(82,717)	-4%	\$ 15,488,603	\$ 15,661,485	172,882	1%	\$ 14,774,291
21 Employee Benefits	674,529	640,531	(33,998)	-5%	5,849,076	5,546,718	(302,358)	-5%	5,255,520
22 Total People Cost	\$ 2,637,093	\$ 2,520,378	(116,715)	-5%	\$ 21,337,679	\$ 21,208,203	(129,476)	-1%	\$ 20,029,811
23 Med and Prof Fees (excl Agency)	\$ 381,113	\$ 388,284	7,171	2%	\$ 3,075,950	\$ 3,129,712	53,762	2%	\$ 3,620,095
24 Supplies	498,854	484,375	(14,479)	-3%	4,060,599	3,888,141	(172,458)	-4%	3,937,735
25 Purchased Services	447,891	376,110	(71,781)	-19%	3,240,564	3,049,606	(190,958)	-6%	2,479,835
26 Depreciation	177,633	199,672	22,039	11%	1,460,712	1,597,376	136,664	9%	1,290,169
27 Utilities	56,906	82,610	25,704	31%	627,262	660,880	33,618	5%	614,762
28 Insurance	19,170	20,374	1,204	6%	157,474	162,992	5,518	3%	166,629
29 Interest	29,233	25,681	(3,552)	-14%	243,934	205,448	(38,486)	-19%	219,711
30 Other	105,565	115,155	9,590	8%	694,304	920,426	226,122	25%	1,265,218
31 Operating expenses	\$ 4,353,458	\$ 4,212,639	(140,819)	-3%	\$ 34,898,478	\$ 34,822,784	(75,694)	0%	\$ 33,623,965
32 Operating Margin	\$ (405,240)	\$ (402,740)	(2,500)	-1%	\$ (3,261,412)	\$ (3,581,778)	320,366	9%	\$ (2,576,815)
Non Operating Rev and Expense									
33 Electronic Health Records & Misc. Rev.	\$ 163,349	\$ 147,250	16,099	11%	\$ 1,278,529	\$ 1,034,917	243,612	24%	\$ 233,095
34 Donations	-	-	-	0%	10,000	143,083	(133,083)	93%	15,117
35 Professional Center/Phys Recruit	-	-	-	0%	-	-	-	0%	(1,525)
36 Physician Practice Support-Prima	(65,630)	(65,630)	-	0%	(525,040)	(525,040)	-	0%	(451,014)
37 Parcel Tax Assessment Rev	245,018	250,000	(4,982)	-2%	1,959,558	2,000,000	(40,442)	-2%	1,959,948
38 GO Bond Tax Assessment Rev	153,567	158,333	(4,766)	-3%	1,228,536	1,266,664	(38,128)	-3%	1,228,534
39 GO Bond Interest	(30,011)	(30,011)	-	0%	(240,088)	(240,088)	-	0%	(240,086)
40 Total Non-Operating Rev/Exp	\$ 466,293	\$ 459,942	6,351	1%	\$ 3,711,495	\$ 3,679,536	31,959	1%	\$ 2,744,069
41 Net Income / (Loss) prior to Restricted Contributor	\$ 61,053	\$ 57,202	3,851	7%	\$ 450,083	\$ 97,758	352,325	360%	\$ 167,254
42 Capital Campaign Contribution	\$ 53,318	\$ 47,500	5,818	12%	\$ 385,010	\$ 380,000	5,010	1%	\$ -
43 Restricted Foundation Contributions	\$ -	\$ -	-	0%	\$ 114,334	\$ -	114,334	100%	\$ -
44 Net Income / (Loss) w/ Restricted Contributions	\$ 114,371	\$ 104,702	9,669	9%	\$ 949,427	\$ 477,758	471,669	99%	\$ 167,254
45 Net Income w/o GO Bond Activity	\$ (9,185)	\$ (23,620)	14,435	61%	\$ (538,365)	\$ (928,818)	390,453	42%	\$ (821,194)

Sonoma Valley Health Care District
Balance Sheet
For The Period Ended
As of February 28, 2013

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets			
Current Assets:			
1	\$ 1,357,810	\$ 1,239,472	\$ 2,405,046
2	479,531	339,459	276,368
3	8,818,822	8,604,595	7,289,306
4	2,949,821	4,607,120	1,870,753
5	(1,432,617)	(1,478,295)	(1,760,158)
6	390,130	204,547	815,101
7	-	-	-
8	946,336	905,016	882,321
9	1,264,571	1,048,555	1,088,186
10	<u>\$ 14,774,404</u>	<u>\$ 15,470,469</u>	<u>\$ 12,866,923</u>
11	\$ 186,333	\$ 186,333	\$ 253,764
12	10,463,235	11,717,094	10,585,615
13	23,111,277	20,592,634	12,017,914
14	10,408,934	11,702,114	20,573,100
15	-	-	36,984
16	1,922,917	1,869,598	550,620
17	310,357	312,018	512,677
18	<u>\$ 61,177,457</u>	<u>\$ 61,850,260</u>	<u>\$ 57,397,597</u>
Liabilities & Fund Balances			
Current Liabilities:			
19	\$ 5,757,184	\$ 5,391,785	\$ 3,685,565
20	3,271,862	3,214,430	3,218,837
21	142,852	857,115	142,898
22	299,771	267,009	214,279
23	1,346,916	1,346,964	645,172
24	1,580,637	1,979,221	1,594,335
25	1,237,728	1,301,750	1,482,685
26	83,036	83,036	267,156
27	<u>\$ 13,719,986</u>	<u>\$ 14,441,310</u>	<u>\$ 11,250,927</u>
28	\$ 37,609,592	\$ 37,675,774	\$ 38,454,290
29	Fund Balances:		
30	\$ 7,209,825	\$ 7,148,440	\$ 7,623,736
31	2,638,054	2,584,736	68,644
32	<u>\$ 9,847,879</u>	<u>\$ 9,733,176</u>	<u>\$ 7,692,380</u>
33	<u>\$ 61,177,457</u>	<u>\$ 61,850,260</u>	<u>\$ 57,397,597</u>

Sonoma Valley Hospital
Statistical Analysis
FY 2013

	ACTUAL	BUDGET	ACTUAL												
	Feb-13	Feb-13	Jan-13	Dec-12	Nov-12	Oct-12	Sep-12	Aug-12	Jul-12	Jun-12	May-12	Apr-12	Mar-12	Feb-12	Jan-12
Statistics															
Acute															
Acute Patient Days	449	438	613	456	351	443	347	432	396	354	363	436	435	399	448
Acute Discharges	128	124	159	117	104	121	109	117	115	107	116	129	128	145	125
SNF Days	678	626	707	671	638	576	617	682	633	688	729	618	672	567	662
HHA Visits	1,001	902	1,076	940	921	1,043	802	1,052	937	941	989	997	1,023	950	967
Emergency Room Visits	710	732	852	793	732	801	788	884	838	810	863	717	783	692	791
Gross Outpatient Revenue (000's)	\$8,065	\$8,117	\$8,805	\$8,302	\$8,485	\$8,935	\$8,151	\$9,014	\$8,153	\$7,667	\$8,120	\$7,880	\$8,707	\$7,983	\$8,640
Equivalent Patient Days	2,314	2,312	2,594	2,353	2,213	2,214	2,202	2,509	2,202	2,355	2,362	2,236	2,451	2,214	2,412
Births	11	15	19	13	14	9	11	16	9	15	6	23	11	10	9
Surgical Cases - Inpatient	33	38	38	32	35	37	37	40	41	28	37	38	37	31	33
Surgical Cases - Outpatient	80	85	78	94	95	91	97	98	82	92	99	99	117	84	99
Total Surgical Cases	113	123	116	126	130	128	134	138	123	120	136	137	154	115	132
Medicare Case Mix Index	1.36	1.40	1.52	1.51	1.47	1.29	1.49	1.40	1.61	1.50	1.64	1.36	1.29	1.40	1.32
Income Statement															
Net Revenue (000's)	3,903	3,798	4,006	4,085	3,679	3,963	3,707	3,926	3,822	4,832	3,741	3,739	3,925	3,867	3,924
Operating Expenses (000's)	4,353	4,213	4,632	4,482	4,235	4,407	4,221	4,312	4,257	5,278	4,686	4,413	4,372	4,160	4,230
Net Income (000's)	114	105	237	134	174	67	65	127	31	889	343	(14)	24	36	23
Productivity															
Total Operating Expense Per Equivalent Patient Day	\$1,881	\$1,822	\$1,786	\$1,905	\$1,914	\$1,990	\$1,917	\$1,719	\$1,933	\$2,241	\$1,984	\$1,974	\$1,784	\$1,879	\$1,746
Productive FTEs	290	293	284	284	266	281	291	284	281	285	285	274	271	272	266
Non-Productive FTE's	32	30	37	33	47	36	39	37	41	34	28	28	28	26	35
Total FTEs	322	323	321	317	313	316	330	321	322	318	313	302	303	299	300
FTEs per Adjusted Occupied Bed	3.77		3.84	4.24	4.24	4.43	4.37	3.97	4.53	4.05	4.11	4.05	3.84	3.80	3.84
Balance Sheet															
Days of Expense In General Operating Cash	9		9	14	7	12	14	13	14	13	15	20	16	20	25
Net Days of Revenue in AR	53		51	53	52	53	50	50	50	48	47	46	45	44	45

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)	114,371	949,427
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	177,633	1,462,078
Net changes in operating assets and liabilities:		
(Increase)/Decrease Patient accounts receivable - net	(259,905)	(1,454,619)
(Increase)/Decrease Other receivables and other assets	1,473,377	4,670,133
(Increase)/Decrease Prepaid expenses	(216,016)	(695,091)
(Increase)/Decrease in Inventories	(41,320)	(82,199)
(Decrease)/Increase in Deferred revenues	(398,632)	(2,792,008)
(Decrease)/Increase in Accounts payable, accrued expenses	(258,338)	19,408
Net Cash Provided/(Used) by operating activities	<u>591,170</u>	<u>2,077,129</u>
Investing Activities		
Net Purchases of property, plant and equipment - Other Fixed Assets	(85,671)	(649,864)
Net Purchases of property, plant and equipment - GO Bond Purchases	(1,356,746)	(9,168,960)
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	1,099,789	8,297,954
(Payment)/Refund of Deposits		
Net cash Provided/(Used) by investing activities	<u>(342,628)</u>	<u>(1,485,493)</u>
Financing Activities		
Proceeds (Repayments) from Borrowings - Banks & Carriers	(130,204)	(1,024,675)
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>(130,204)</u>	<u>(1,024,675)</u>
Net increase/(Decrease) in cash and cash equivalents	<u>118,338</u>	<u>(433,039)</u>
Cash and Equivalents at beginning of period	<u>1,239,472</u>	<u>1,790,849</u>
Cash and Equivalents at February 28, 2013	<u><u>1,357,810</u></u>	<u><u>1,357,810</u></u>

7.

PROJECTED CASH FLOWS

Cash Flow Projection Sonoma Valley Hospital		3 Pay Periods												Updated:	
		Feb-13 Actual	Mar-13 Projected	Apr-13 Projected	May-13 Projected	Jun-13 Projected	Jul-13 Projected	Aug-13 Projected	Sep-13 Projected	Oct-13 Projected	Nov-13 Projected	Dec-13 Projected	Jan-14 Projected	Feb-14 Projected	02/20/13
Operating Activities															
1	Net Income	114,371	186,631	111,032	1,153,805	52,768	52,768	577,994	52,768	52,768	52,768	52,768	52,768	52,768	52,768
2	Add: Depreciation & Amortization	177,633	201,661	201,661	201,661	201,661	201,661	301,661	301,661	301,661	301,661	301,661	301,661	301,661	301,661
3	Decrease (Inc) in Net Accts Receivable	(259,905)	225,592	236,947	236,947	355,420	355,420	882,115	750,000	750,000	750,000	750,000	750,000	750,000	856,021
4	Dec (Inc) in Inventories/Other Recv & Assets	1,432,056	7,000	(143,000)	197,000	(4,826,007)	(4,826,007)	40,327	40,327	40,327	40,327	40,327	40,327	40,327	40,327
5	Decrease (Inc) in Prepaid Expenses	(216,016)	40,327	40,327	40,327	40,327	40,327	40,327	40,327	40,327	40,327	40,327	40,327	40,327	40,327
6	Increase (Dec) in Accounts Payable	365,731	(605,696)	(1,016,600)	(41,587)	(25,477)	(473,975)	(473,975)	(236,987)	(236,987)	(236,987)	(236,987)	(236,987)	(236,987)	(236,987)
7	Increase (Dec) in Payroll Accruals	57,432	648,974	253,455	(1,172,638)	241,455	266,693	356,693	145,455	145,455	145,455	145,455	145,455	145,455	145,455
8	Increase (Dec) in Accrued Expenses	32,762	120,922	34,979	28,979	22,979	(61,021)	28,979	(73,021)	(73,021)	(73,021)	(73,021)	(73,021)	(73,021)	(73,021)
9	Increase (Dec) in Deferred Revenue	(398,632)	(398,538)	(398,584)	(398,584)	4,384,424	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)
10	Increase (Dec) in Interest Payable	(714,263)	142,853	142,853	142,853	142,853	142,853	(714,448)	142,670	142,670	142,670	142,670	142,670	142,670	(713,350)
11	Increase (Dec) in Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Net Cash Provided By Operating Activities	591,169	569,727	(536,930)	388,763	590,403	(129,278)	600,762	724,288	(800,817)	1,165,276	1,262,514	506,556	166,843	
Capital and Related Financing Activities															
13	Purchase of Capital Equipment/CIP	(1,442,416)	(3,278,851)	(3,584,295)	(2,158,206)	(2,525,910)	(2,724,615)	(1,972,723)	(1,650,891)	(1,028,448)	(1,353,316)	(15,000)	(15,000)	(15,000)	(15,000)
14	New Financing	1,293,180	3,228,851	1,000,000	2,109,206	2,425,910	2,159,615	1,407,723	550,000	550,000	550,000	550,000	550,000	550,000	550,000
15	Transfers from Bond Fund	(130,204)	(150,798)	(150,798)	(150,798)	(150,798)	(193,381)	(193,381)	1,085,891	463,448	1,338,316	(131,682)	(131,682)	(131,682)	(121,177)
16	Repayments of Long-Term Debt	(193,391)	(200,798)	(200,798)	(200,798)	(250,798)	(208,381)	(208,381)	(208,381)	(208,381)	(208,381)	(208,381)	(208,381)	(208,381)	(208,381)
17	Transfers From (To) Restricted/Trustee Funds	(472,831)	368,929	262,272	187,965	339,605	(337,659)	392,381	515,907	(947,499)	1,018,594	1,115,832	359,874	4,634,012	4,664,678
18	Net Cash Used In Financing Activities	(472,831)	368,929	262,272	187,965	339,605	(337,659)	392,381	515,907	(947,499)	1,018,594	1,115,832	359,874	4,634,012	4,664,678
19	Net Increase (Decrease) in Operating Cash	118,338	1,357,810	1,726,739	1,989,011	2,176,976	2,516,581	2,178,922	2,571,303	3,087,210	2,139,711	3,158,305	4,274,138	4,634,012	4,664,678
Operating Cash Balances															
20	Cash At Beginning of Period	1,239,472	368,929	262,272	187,965	339,605	(337,659)	392,381	515,907	(947,499)	1,018,594	1,115,832	359,874	4,634,012	4,664,678
21	Change	118,338	1,726,739	1,989,011	2,176,976	2,516,581	2,178,922	2,571,303	3,087,210	2,139,711	3,158,305	4,274,138	4,634,012	4,664,678	4,664,678
22	Cash At End of the Period	1,357,810	1,726,739	1,989,011	2,176,976	2,516,581	2,178,922	2,571,303	3,087,210	2,139,711	3,158,305	4,274,138	4,634,012	4,664,678	4,664,678
Statistics															
23	Days Cash on Hand (Operating Only)	10	13	15	16	19	16	19	23	16	24	32	35	35	35
24	Days in Net Accounts Receivable	52	52	50	48	45	45	45	45	45	45	45	45	45	45
25	Days in Accounts Payable	90	90	70	70	70	60	50	45	45	45	45	45	45	45

Objectives:
 * Maintain cash around \$1.5 million
 * Hold off major capital spending to January, unless cash improves
 * Pay back Napa State starting in January
 * Reduce days in Accounts Payable to 45 by year end, but balance cash with AP
 * Maintain days in Accounts Receivable at 45

8.

2014 OPERATING
BUDGET
ASSUMPTIONS

SONOMA VALLEY HOSPITAL

FISCAL YEAR 2014

OPERATING BUDGET ASSUMPTIONS

The following are the base assumptions for the 2014 fiscal year operating budget. These assumptions are consistent with the recently presented projection. Any changes made were the result of the 2014 Strategic Plan or a change in the circumstances that occurred since the projections were prepared.

The budget does include the consolidations of following departments and or functions with Palm Drive Hospital. There will be a complete listing of consolidated FTEs that will include what costs are included in the consolidations.

The following are the departments that are consolidated:

- Information Technology
- Patient Accounting
- Accounting
- Payroll
- Human Resources
- Business Development
- Surgery Director
- Infection Control

VOLUME STATISTICS

1. Total inpatient admissions, patient days and outpatient registrations for the budget year were estimated based upon annualized YTD January 2013.
2. Growth is assumed to relate to changes in the District's population. Inpatient is assumed to be 0.5% and outpatient is 1% and the SNF is 0%
3. Skilled nursing facility (SNF) days were based upon annualizing YTD January 2013 activity.
4. New volume will be tied to an individual physician on top of the 0.5 percent increase due to population changes
5. LOS is held constant at FY 2013 Actual level through January 2013 level
6. Case Mix Index for Medicare and total are fixed at the January 2013 YTD levels
7. Volume is allocated to each month based upon a 2 year monthly average.

PATIENT REVENUE

1. Price increase is based upon strategic pricing study performed by PARA. Effective rate increase is 6% effective 7/1/2013

2014 Operating Budget Assumptions

2. Growth in Women's services based upon the recruitment of the new OB/GYN

REVENUE DEDUCTIONS & BAD DEBTS

1. Medicare reimbursement increase estimated at 2% of inpatient and outpatient, inpatient increase effective 10/1/2013. Outpatient increase effective 1/01/2014
2. Medicare SNF increase at 2%.
3. Medical inpatient is cost reimbursed, outpatient increase is 0%.
4. Commercial increases are based upon contract terms, approximately a 2% increase. This is a conservative estimate.
5. Bad Debt, charity care and administrative adjustments are based upon the 2013 trend expended to the 2013 budget year. This will include a reduction based upon the implementation of the revised self pay discount policy.
6. Medi-cal special District Hospital payments will be based upon the best information available during the budget preparation.
7. Medicare payments will be adjusted to exclude 75% of DSH payments.
8. A new financial class will be added for health care reform new insured patients. The reimbursement will be estimated at the amount of Medicare DSH losses.

OTHER OPERATING REVENUE

1. Consistent with Annualized YTD January 2013 activity

OPERATING EXPENSES

Salaries

2. Budgeted paid FTE's were calculated based on the 7-month actual FTE's
3. Salary increase is 3% effective the pay period beginning after 1/1/2014.
4. FTEs are further calculated using the 50% percentile of the CA small hospital benchmarks.
5. Salary increases will be budgeted in the amount of the increase
6. Holidays will be budgeted in the month of payment.
7. Salaries will also be reviewed for market comparison, estimated additional cost \$500,000, this will be factored into the salary expense on a quarterly basis.

Employee Benefits:

1. Benefits, with expectation of health insurance are based upon January YTD percentages of salaries
2. Health insurance will be based upon the cost of Western Health Advantage
3. Reductions in health insurance from item 2 will be detailed out in order for a clear picture of this expense.

2014 Operating Budget Assumptions

Contracted Labor:

1. Agency nursing will be based upon Actual expenditures through January 2013 and adjusted based upon input from department directors

Professional Fees - Physicians:

1. Physician contracts are based upon actual contract amounts allocated to each month
2. A detailed break even will be provided by physician.

Professional Fees- Other

1. Legal fees will be based upon Annualized YTD January 2013
2. Consulting fees will be estimated based upon expected usage of consultant by project. Each project must be approved by the CEO and the CFO prior to engagement of the consultant.
3. Marin Management fees are \$15,000 per month.

Purchased Services:

1. The starting point for the budget will be actual YTD expenses through January by vendor. This item will be reviewed in detail at the director budget meetings.
2. Sodexo management fees will be included in this line.

Medical Supplies:

1. Rate increase of 5% effective 7/1/11.
2. Annualized January YTD Expenses will be used as the starting point and adjusted for any new volume
3. Expenses will be allocated based upon patient care volume
4. Drug expense will increase by 8%.

Other Supplies:

1. Rate increase of 3% effective 7/1/11
2. Annualized January YTD Expenses will be used as the starting point and adjusted for any new volume

Rents & Leases:

1. Estimated increase in cost of 0% unless maintained by contract.
2. Leases will be determined by review of actual lease agreements. A detailed listing will be provided.

Repairs & Maintenance:

1. Repair and Maintenance will be based on actual expenses annualized for YTD January 2013.
2. Changes in the amounts for repairs will be detailed out for review.

2014 Operating Budget Assumptions

Insurance:

1. Insurance will be based upon actual rates at determined by the carriers
2. Monthly insurance expense was allocated equally over 12 months.

Utilities:

1. Expenses will be based upon annualized YTD January 2013
2. Expenses will be estimated to decrease based upon the CEC loan reduction estimates.
3. Expenses will be adjusted by an estimated 5% rate increase
4. Expenses will be allocated based upon patient volume and weather seasonality.
5. Additional utility costs for the new building will be estimated and included will an estimated completion date of November 2013.

Other Expense:

1. Other fees will be based upon YTD January 2013
2. Included in this line is Board related education.

Interest:

1. Interest will be determined based upon actual and anticipate debt.
2. GO bond related interest in not included here. That cost is included in the Non-Operating section of the amount budgeted for FY 2014.

Depreciation:

1. Budgeted capital additions for FY 2013 and an estimate of what will be purchased over the remaining balance of 2013.
2. Depreciation for the budget year was calculated based upon the estimated cost, useful life, date placed into service.
3. Depreciation included GO bond related items
4. Depreciation from the new building will be included in the budget.

IT EXPENSES

1. IT related expenses will be discussed in detail in order for everyone to understand the real cost of the system.

Consolidation Services

1. The following departments and or functions are consolidated with Palm Drive Hospital
 - 1.1. Information Technology
 - 1.2. Patient Accounting
 - 1.3. Accounting
 - 1.4. Payroll

2014 Operating Budget Assumptions

- 1.5. Human Resources
- 1.6. Business Development
- 1.7. Surgery Director
- 1.8. Infection Control
2. There will be a complete listing of all cost that are included in the consolidated services and the method of allocation.

NON OPERATING REVENUE

1. All donations are assumed to be designated by the donor
2. Interest expense related to the GO bonds are recorded here
3. Parcel tax revenue is budgeted at the recently approved levels consistent with 2013 actual receipts
4. GO Bond Tax revenue is budgeted consistent with GO bonds repayment requirements.
5. All other non-operating revenue is based upon Annualized YTD January 2013.
6. Electronic Health Funds are recorded in this section in accordance with GAAP.

**Sonoma Valley Hospital and Palm Drive Hospital
Consolidated Services**

Departments or Functions	SVH FTEs	PDH FTEs	Total FTES	Allocation Method	SVH Allocation	PDH Allocation	Total FTEs	Cost to be included				
								Salaries	Supplies	Purchased Services	Other	Equipment
Information Technology	7.8	3	10.8	50/50	5.4	5.4	10.8	Y	N	N	N	Y
Patient Accounting	8.3	3	11.3	Gross Revenue	7.6	3.7	11.3	Y	Y	N	NA	Y
Accounting, excluding AP	3.6		3.6	50/50	1.8	1.8	3.6	Y	Y	N	Y	NA
Reimbursement and Cost Accounting	0.5	1	1.5	50/50	0.8	0.8	1.5	Y	Y	N	Y	NA
Payroll	0.4		0.4	50/50	0.2	0.2	0.4	Y	Y	NA	NA	NA
Human Resources	3.1	0.8	3.9	FTEs	2.6	1.3	3.9	Y	N	N	N	NA
Business Development		1	1	50/50	0.5	0.5	1	Y	Y	N	N	NA
ED Coder		0.6	0.6	50/50	0.3	0.3	0.6	Y	N	N	N	Y
Surgery Director		1	1	50/50	0.5	0.5	1	Y	N	N	N	NA
Infection Control	0.8		0.8	50/50	0.4	0.4	0.8	Y	N	N	N	NA
	<u>24.5</u>	<u>10.4</u>	<u>34.9</u>		<u>20.0</u>	<u>14.9</u>	<u>34.9</u>					

Notes:

1. CDM management is included in Reimbursement
2. Reimbursement and Cost Accounting is a new Department for 2014
3. Accounting does not include Accounts payable, this will be consolidated at a later date
4. 2 positions were eliminated from PDH prior to the FTE count included in this section
5. New position of ED level coder
6. PDH FTE Reconciliation

PDH	9.7	
Positions Eliminated	4	HR Director, Marketing, Biller, PFS director
IT back at 1	<u>4.4</u>	
FTEs for Comparison	18.1	
Per above	<u>14.9</u>	
True FTE Savings	3.2	

6. SVH FTE Reconciliation

SVH	24.5	
Positions Eliminated	<u>2.5</u>	PFS Director, Marketing, biller
FTEs for Comparison	27	
Per above	<u>20.0</u>	
True FTE Savings	7.0	